

Potatoes USA Annual Report  
Fiscal Year 2017 (July 1, 2016 to June 30, 2017)

The National Potato Promotion Board, operating as Potatoes USA, was created in 1971 with a purpose of maintaining existing markets and developing new markets for U.S. potatoes and potato products through the use of innovative marketing, promotional, and educational activities and programs. The organization is also responsible for encouraging and supporting nutritional and variety research on behalf of the industry.

These activities and the general operations of the Board are administered under AMS oversight by a board of directors (appointed by the Secretary of Agriculture) representing potato farmers across the United States. Activities and operations are self-funded by the industry by an assessment of \$0.03 per hundredweight (cwt) on potatoes produced in and imported into the United States.

For the fiscal year ending June 30, 2017, the USDA approved budget was \$21.6 million. The financial audit for the year confirmed the income received during this period was \$20.7 million with final expenses of \$20 million by year-end. This resulted in restricted reserves of \$1.2 million and unrestricted reserves of \$9.9 million on June 30, 2017.

### **Executive Summary**

Potatoes USA had another very successful year, with significant progress made on the stated goals noted below.

- Establish new markets for potatoes.
- Increase new channels for, and usage of, potatoes.
- Improve perception of the nutrition and health benefits of potatoes.
- Optimize coordination of national and regional research efforts.
- Expand awareness, understanding, engagement and involvement of Board members and industry.

Work was fully aligned with the Potatoes USA mission to “Strengthen Demand for U.S. Potatoes”. All programs followed the vision to “Create positive change in the industry through innovative and inspiring approaches”.

Domestic potato sales saw a 1.9% increase to 36.7 billion pounds sold. Potatoes are on 97% of U.S. menus—the highest penetration of any item in foodservice. Potatoes continue to maintain the title as U.S. consumers’ favorite vegetable, and we continue to bask in seeing them enjoyed across the country.

Internationally total exports set a record high of over \$1.7 billion with the fresh weight equivalent of 72 million hundredweight. This international growth was supported by nearly 250 new menu items, 100 new product launches, over 100 endorsements from credible nutrition sources, and features in nearly 575 celebratory articles.

Additionally, Potatoes USA supported efforts of USDA and the National Potato Council (NPC) in regard to market access that resulted in reopening Costa Rica to U.S. chipping potatoes, renewing the seed protocol with Panama, and temporarily expanding the Japanese importing window resulting in a record year of chip-stock exports to this market.

The Research program gained full implementation with the activation of the Potato Research Advisory Committee, which was created to increase research for the U.S. potato industry. Variety development programs for the chip and fry sectors are as strong as they've ever been, with more than 25,000 variety records dating back to 2008 now available 24/7 through the new Variety Data Management system. Potatoes USA continues to support the Alliance for Potato Research and Education as it makes valuable investments in potato nutrition research, specifically in the areas of cardiometabolic health, dietary patterns, and healthy lifestyles.

Special projects included the continuation of the Potato Industry Salad Bar Challenge with another 58 salad bars donated by the industry and Potatoes USA to schools around the country. These contributions take the total number of bars donated during the two-year period up to 270. The Spud Nation food trucks were operating in Denver and Washington, D.C. and continued to receive rave reviews from customers and critics alike. The consumer and target market-facing website Potatogoodness.com was overhauled to be more effective and modern looking.

The Industry Outreach program made numerous changes and improvements as the staff strives to inform the industry about Potatoes USA programs and activities in as cost effective a manner as possible. The new potato industry facing website, potatoesusa.com/growers was developed.

### **Marketing Programs**

The **Domestic Marketing** program strives to get more people eating more potatoes in more ways. The program also pushes consumers to know potatoes for one key lifestyle benefit and supporting health claims. Additionally, the program works to protect and enhance the good reputation of U.S. potatoes and the potato industry. To accomplish these goals the program employs the following strategies:

- Inspire potato innovation across all channels
- Develop and deliver one key lifestyle benefit about potatoes and supporting health claims
- Motivate the industry to innovate
- Cultivate strategic partnerships
- Identify and prepare for adverse issues that could impact the industry

The domestic marketing programs are directed at the following targets: consumers, foodservice, school foodservice, retailers, food manufacturers and other ready to eat preparation industries. Supporting these efforts are the nutrition program, research and evaluation and reputation management.

The consumer marketing program celebrated the deliciousness and versatility of cooking with potatoes by tapping into the adventurous nature of Food Enthusiasts,

showing there are no limits to the cuisines, flavors and preparation styles one can do with potatoes. Even the most adventurous cooks have time constraints so convenient-oriented dishes and preparation hacks were showcased to demonstrate how potatoes can be the perfect component of any culinary adventure.

The nutrition marketing program sought to have consumers know that Potatoes = Performance, encouraging them to use potatoes to fuel their athletic endeavors.

The foodservice program focused on culinary innovation and creative recipe development. The new culinary concepts were then shared to generate wide exposure and stimulate new menu offerings.

The school foodservice program worked closely with school foodservice operators to meet their needs by offering inspired potato menu ideas throughout the year.

The retail program focused on key retail decision makers. By sharing the latest data, market insights, trends, research and merchandising tips, as well as providing nutrition, storage, handling and associated training, Potatoes USA helped retailers understand the importance of the category and ensure potatoes were available and promoted effectively to consumers throughout the year at retail.

The ingredient program worked with food manufacturers and fresh packaged food manufacturers to demonstrate the numerous nutritional and functional benefits of potatoes, encouraging them to use potatoes as an ingredient in new product development.

The reputation management program consists of being prepared to protect and defend the potato's good name using both proactive and reactive means.

Some of the successes achieved in FY17 include the following:

- The target consumer audience of Food Enthusiasts increased at home potato consumption by 3%
- Potatoes remain the number one vegetable purchased at retail and household penetration remained at 95%
- 194% year over year (YOY) increase in recipe searches on [potatogoodness.com](http://potatogoodness.com) to 321,000
- Potatoes share of new retail product launches increased from 7 to 8 percent
- The volume of potatoes sold through foodservice channels is estimated to have increased by 6.3%
- Fries are still the number one side dish at foodservice and potatoes account for three of the top four
- Potatoes are also the most common vegetable on school foodservice menus, both at lunch and breakfast
- 58 salad bars were donated by the industry and Potatoes USA to the United Fresh Let's Move Salad Bars to Schools program

The **International Marketing** program works to increase U.S. potato exports across all product types, expand access for U.S. potatoes around the globe, get

more people eating more U.S. potatoes in more ways and for international consumers to know potatoes' key health and lifestyle benefits. To accomplish these goals the program employs the following strategies:

- Work in high-opportunity markets, channels and forms
- Increase market access for U.S. potatoes through work with allied interests in the markets, the U.S. government and U.S. industry
- Educate targets on the benefits and usage of U.S. potatoes
- Showcase U.S. potatoes in on-trend applications
- Inspire potato innovation across all channels
- Position potatoes as an important crop in the fight against world hunger
- Elevate the industry's engagement in international opportunities
- Cultivate strategic partnerships to leverage industry resources

The following programs are employed in the international markets, though not all programs are conducted in all markets: foodservice, retail, ingredient, consumer relations and seed potato exports. Market access and reputation management programs are also employed as is new market exploration and development. Potatoes USA works in the following countries: Japan, China, South Korea, Taiwan, the Philippines, Malaysia, Indonesia, Thailand, Myanmar, Mexico, Costa Rica, Guatemala, Honduras, Dominican Republic, Nicaragua, Panama, and El Salvador. The seed potato export program is currently focused on Myanmar, Morocco, Guatemala and Senegal, but also conducts maintenance programs throughout Central and South America, north and sub-Saharan Africa and the Indian sub-continent.

The international foodservice program focused on exposure, innovation and engagement. With the aim of introducing new uses and products to current and new distribution channels in the foodservice industry, Potatoes USA continued to fuel new sales by putting U.S. potatoes on more menus around the world.

Potatoes USA worked with international retailers to ensure that U.S. potatoes appeared on consumers' tables at home more often. High-quality U.S. potato products were introduced to consumers through traditional supermarkets as well as online stores.

The international ingredient marketing program fostered innovation and new usage for U.S. dehydrated potatoes, frozen fresh and chip-stock. By targeting food manufacturers, snack food manufacturers, bakeries and chefs, this program created brand-new growth opportunities.

The international consumer and nutrition program delivered positive messages about U.S. potatoes, by inspiring consumers across the globe to eat more U.S. potatoes at home and in restaurants. The program promoted the health and lifestyle benefits of U.S. potatoes while spreading the word about their great taste and versatility.

The international market access program works to expand and preserve global sales opportunities by assisting the U.S. government to resolve international barriers to trade.

Some international marketing successes achieved in FY17 include the following:

- Increase in the volume of total potato exports of 4.7% and value to \$1,758,130,172
- 247 new menu items on foodservice menus in target markets
- 47 new foodservice operators serving U.S. potatoes
- 1346 retail outlets now carrying U.S. fresh table-stock potatoes
- 78 new potato products being sold at retail outlets
- 105 companies carrying out new product development with U.S. potatoes
- 53 new products launched made with U.S. potatoes
- 574 articles published that were positive to U.S. potatoes and 114 endorsements of U.S. potatoes by credible nutrition sources
- 37 different U.S. seed potato varieties being grown in target markets
- Market access for U.S. potatoes was improved in 6 markets
- An information exchange visit to Cuba resulted in interest from growers there in U.S. seed potatoes

The **Research** program is designed to provide leadership to the U.S. potato industry's research efforts, institutionalize variety development programs in the chip and fry sectors, while increasing transparency, create a robust body of nutritional evidence to promote the health and lifestyle benefits of potato consumption, enhance the availability of research data to U.S. potato growers and where possible, obtain outside resources to increase the overall research budget. To accomplish these goals the program employs the following strategies:

- Identify attainable research opportunities with broad appeal within the industry through regular communication and coordination with industry leaders
- Leverage Board funding with additional state, federal and private funding to increase the impact of research
- Standardize all institutional data and knowledge for the industry
- Focus the research sponsored by the Alliance for Potato Research and Education on areas of the greatest potential positive impact for the U.S. potato industry, including areas of future threats
- Publish research findings and data

The activities carried out under the Research program consist of coordinating the Potato Research Advisory Committee, managing the National Chip Program and Chip Committee, and managing the National Fry Processors Trial (NFPT) and NFPT Steering Committee. The Research program also serves as a key liaison between potato research organizations like the Alliance for Potato Research and Education (APRE) and the Potato Association of America (PAA) and U.S. potato growers.

Some of the accomplishments in FY17 were:

- Generating more than 70 letters of industry support for selected Specialty Crop Research Initiative proposals, resulting in \$2.75 million in USDA funding for industry research priorities, including *Dickeya* research ([abstract](#))
- Standardizing and uploading all known NFPT data to the Variety Data Management (VDM) system since 2011. The data is available at: <https://potatoesusa.mediusag.com/> (user registration required)
- Developing potato nutrition research pillars in partnership with APRE. The pillars are available at [apre.org/potato-science](http://apre.org/potato-science).
- Adoption of a tiered variety development evaluation structure for the NFPT, resulting in a 20 percent reduction in voluntary dues from processor and state potato organization partners as reflected in the current USDA-approved budget
- Streamlining the Chip Committee to improve program focus and clarify structure as outlined in the USDA-approved program manual

The objectives of the **Grower Relations** efforts are to expand awareness in the potato industry of the Potatoes USA marketing and research programs. Create an understanding in the industry of how these programs strengthen the demand for potatoes. Increase engagement and involvement by the industry in programs and activities.

The following strategies are employed to accomplish these objectives:

- Utilize all appropriate and effective communication channels and tools to communicate with the U.S. potato industry in a cost-effective manner
- Develop succinct and relevant messages focused on “why it is important to me”
- Employ calls-to-action in communications to increase engagement
- Educate and train Board members on how to effectively communicate about the marketing and research programs stewarded by Potatoes USA
- Increase cooperation and coordination with state and national potato organizations
- Understand the pulse of the industry and convey opportunities, new ideas and concerns to the leadership

The activities employed in the grower relations work are bucketed in the following areas: direct to grower communications, press relations, written communications delivered through purchased space in industry publications, the grower facing website, the Potatoes USA Ambassador Program and attendance at and participation in state potato organization meetings.

Some of the highlights from the FY17 program are as follows:

- 32% increase in the distribution of industry updates with an open rate of 50%
- Publication of 66 articles and columns written by Potatoes USA staff with reach to 1.8 million readers in the potato industry
- Distribution of paid placements to 13,200 readers

- Launch of the Potatoes USA Ambassador Program with two trainings held at Potatoes USA meetings and the distribution of four mailers with information for use by the Ambassadors
- Attendance by staff and Ambassadors at 22 state events
- 95% of industry members surveyed reporting that they are satisfied with the communications from Potatoes USA

### **Financials**

Potatoes USA came under budget by \$756K for fiscal year 2017 and plans to reinvest the fund in our 2019 marketing programs. The assessment revenue collected was \$1.3M higher than budgeted due to an increase in production and a change in how we account for year-end production. Contribution revenue and other revenues were \$611K lower than budgeted for the fiscal year. Overall operating expenses were \$218K over budget due to our office expansion, which was not part of the original budget. The program expenses ended at \$1.1 million under budget. This decrease in spending is related to a decrease in work funded by the federal grant programs as well as a decrease in special project expenses. (All financial information has been confirmed by the Potatoes USA FY17 Financial Audit performed by Kundinger, Corder & Engle, P.C.)

### **Closing**

Potatoes USA had a successful fiscal year as programs and activities to expand the opportunities for U.S. potato farming families in the United States and 23 countries around the world were implemented.

The recently formed Research Committee expanded its role on behalf of the industry by forming a new industry-wide committee known as the Potato Research Advisory Committee in an effort to help the industry better organize and focus efforts to fund industry-related research projects. The Research Committee helped organize the process and assisted in the coordinated support for research projects successfully awarded approximately \$2.8 million in funding from third party sources during the fiscal year. This initial success will be used to further focus efforts in future years.

Efforts to better communicate with industry members about the function of the organization were continued by staff and Board leadership through direct outreach in previously under-served regions of the country. An unintended benefit of this outreach has been an increased interest in involvement with the organization by individuals previously not engaged. The positive response to this effort will result in a continuation of these activities.

The organization began the implementation of new software systems in 2017 with an objective of creating greater efficiencies and operational improvements with the accounting, finance, and record keeping activities. Importantly, this will allow the organization to simplify the reporting responsibilities of industry members with a goal of reducing paperwork and improving accuracy in the future.

Finally, initial market research and analysis was begun during this fiscal year that will help guide the Board as strategies and tactics to redefine potatoes as a performance food are developed. This research will continue into Fiscal Year 18 with the launch of programmatic activities scheduled for the beginning of Fiscal Year 19.