

MSU Product Center

For Agriculture and Natural Resources

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Potato Chips and Fries - Overview

Products included in the product line

- Potato chips are sliced potatoes that are fried or baked. They are served ready to eat and are generally consumed as a snack product. Fries are French fried potatoes, often used as a side dish to an entrée especially at fast food and casual dining restaurants.

General Market trends and information

- Potatoes are the leading vegetable in terms of farm cash receipts in the U.S. In 2003, on farm potato sales were estimated to be \$2.57 billion.
- In 2004, total per capita consumption of potatoes (fresh, processed, chips and fries) was estimated to be 136 pounds. Due to the varieties grown in this region of the country, the chip industry is of particular interest.
- Over time, the level of consumption of potatoes has been steady. The interest in low carbohydrate diets did not have a major impact on the potato market.
- In 2003, retail sales of potato chips were \$6.05 billion. Potato chip sales are estimated to be \$7.75 billion in 2008, an increase of 28 percent from 2003.
- Food service remains an important outlet for French fries.
- These are mature markets with a well established supply chain.
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New product trends

- Despite the maturity of the industry, there continues to be a steady stream of new product introductions in the chip market.
- According to the Global New Products Database there were only 39 new product introductions in the French fry products from 2000 through September of 2005.
- Many product introductions focus on health attributes and new flavors and varieties.
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Manufacturing and distribution issues

- As a result of the need to meet quality standards contracting between handlers and producers is common. Consistent high quality products are very important for the chip and fry industry. While this allows for price guarantees and a consistent quality of product, it makes innovation somewhat more difficult.
- The amount of vertical integration in the industry makes it difficult for an individual entrepreneur to act on his or her own.
- There are several large scale firms in the industry. Competing on the basis of price will be difficult.
- There are several retail outlets for potato chips. This includes food service, vending machines and convenience stores as well as supermarkets and mass merchandisers. The primary retail outlets for French fries are food service, supermarkets and mass merchandisers.

Overall assessment of opportunities

- The greatest potential is in developing products that appeal to the demand drivers of ethnicity, indulgence, and wellness. There are few opportunities to develop products and markets that appeal to the demand driver of convenience and value

Sources

The Hale Group

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