

## **MSU Product Center**

*For Agriculture and Natural Resources*

Funding: USDA Rural Development Cooperative Service Market Advisor: The Hale Group

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### **Fresh Potatoes - Overview**

#### **Products included in the product line**

- Fresh potatoes are those that are purchased whole and are used for home consumption. Fresh potatoes include those used for baked potatoes, mashed potatoes, and other at home products.

#### **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, per capita consumption of fresh potatoes was estimated to be 45.6 pounds. Total per capita consumption of potatoes (fresh, processed, chips and fries) was estimated to be 136 pounds.
- 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.
- This is a mature, well established industry.

#### **New product trends**

- A major issue in the industry is the need to meet quality standards, especially in terms of size, taste and color. Many trends in this industry are primarily geared to new varieties, and improvement of existing varieties at the producer level.
- Fresh potatoes are a commodity. As a result, there has not been a great deal of innovation.

#### **Manufacturing and distribution issues**

- As a result of the need to meet quality standards contracting between handlers and producers is common. 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.
- Access to markets and obtaining a sufficient number of potatoes to fill a market niche is very challenging.
- One way to address this problem is to use farmer's or roadside markets to sell potatoes directly to consumers.
- The vast majority of fresh potatoes are sold through supermarkets or mass merchandisers.

#### **Overall assessment of opportunities**

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

#### **Sources**

Salazar and Bush. Standards and Strategies in the Michigan Potato Industry, Report No. 576. East Lansing, Michigan Agricultural Experiment Station, 2001.

USDA. Crop Values: 2004 Summary.

USDA. Vegetables and Melons, Situation and Outlook Yearbook