

MSU Product Center

For Agriculture and Natural Resources

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Processed Potatoes – Few opportunities

Market drivers that provide many opportunities

- There are **few** opportunities for processed potato products to appeal to the demand driver of **value**.

Specific opportunities

- Half of all households use instant potato products. While this figure is high there is still room for growth. The processed potato market is based on providing convenience, but potential still exists in single serve packaging and other areas.
- In order to successfully appeal to the demand driver of value it is important to be the low cost producer. To do this a firm usually needs to take advantage of economies of scale. Given the size of the processors and the maturity of the industry this will be difficult.

New product examples

- Despite the maturity of this industry there continues to be a steady stream of new product introductions. Many of these introductions appeal to convenience. Processed potato products that are a component of frozen dinners are also common.
- Purity Foods, Dinner Winners, Three Cheese Potatoes, sold in a box, available at mass merchandisers.
- H-E-B, H-E-B Select, Roasted Yukon Gold Rosemary and Garlic potatoes.

Special issues

- The processed potato market is very mature, and the supply chain is well established. Contracting is common. This creates a barrier to entry for new firms and products. Furthermore some of the firms such as General Mills and ConAgra are very large.
- Another barrier is the fact that many supermarkets offer their own private label brands. This also limits the ability to attract consumers on the basis of value.
- There may be potential to sell in health food stores.

Key to success

- Be sure that you are the low cost producer.

Sources

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

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