

MSU Product Center

For Agriculture and Natural Resources

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Processed potatoes - Overview

Products included in the product line

- Processed potato products include frozen, dehydrated, canned, and potatoes used in prepared meals. Chips and fries are a separate category and are not considered here as processed potatoes.

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 processed potatoes was 73.3 pounds. Total per capita consumption of potatoes (fresh, processed, chips and fries) was estimated to be 136 pounds. Frozen potatoes are the most common source of processed potatoes consumed.
- 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 instant and other types of potato mixes were \$341 million, an increase of 10.4 percent from 2001.
- This is a mature market with a well established supply chain.

New product trends

- Despite the maturity of the industry, there continues to be a steady stream of new product introductions in this market.
- Many product introductions focus on convenience. Processed potato products by their nature are easier to use than dishes prepared with fresh potatoes.
- Potatoes remain a popular side dish in frozen and prepared meals.

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.
- There are several large scale firms in the industry. Competing on the basis of price will be difficult.
- The vast majority of processed potato products are sold through supermarkets or mass merchandisers.

Overall assessment of opportunities

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

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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USDA. Vegetables and Melons: Situation and Outlook Yearbook.