

Potatoes USA Annual Report
Fiscal Year 2018 (July 1, 2017 to June 30, 2018)

The National Potato Promotion Board (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 USDA's Agricultural Marketing Service (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.

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".

Potatoes remain America's favorite vegetable. Potatoes are on 83% of U.S. menus and are the #1 side dish eaten. Potatoes were eaten at home more frequently than any other vegetable or starch. Internationally, total U.S. potato exports set a record high of over \$1.7 billion in sales with the fresh weight equivalent of 72 million hundredweight.

Potatoes USA continues to work to strengthen the scientific evidence supporting the beneficial nutritional profile of potatoes through investments in the Alliance for Potato Research and Education (APRE). APRE is confounded with the processors and continues to make valuable investments in potato nutrition research, specifically in the areas of cardiometabolic health, dietary patterns, and healthy lifestyles.

Marketing Programs

The **Domestic Marketing** program strives to get more people eating more potatoes in more ways and to position potatoes as a performance food. To accomplish these goals the program employs the following strategies:

- Inspire potato innovation across all channels
- Promote potatoes as a performance food
- Cultivate strategic partnerships
- Advocate for scientific research to demonstrate potatoes role in enhancing physical and mental performance.

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

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.

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.

Some of the successes achieved in FY18 include the following:

- Americans stated that potatoes are their favorite vegetable.
- Potatoes are the second highest vegetable sold at retail with penetration of 88% (only 1% behind lettuce).
- 147% year over year (YOY) increase in recipe searches on PotatoGoodness.com to 1.08M
- Potatoes are on 82.9% of foodservice menus, a 0.7% increase from the prior year.

- Potatoes share of new retail product launches increased by 26%, for a total share of 7.2 representing 2,240 new products.
- The volume of potatoes sold through foodservice channels is estimated to have increased by 0.4%
- Fries are still the number one side dish at foodservice
- Potato offerings on K-12 menus increased 17.3% since the fall of 2015 and are also the most common vegetable on school foodservice menus
- A total of 252 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 for their nutritional 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
- Determine new opportunities around the globe for the U.S. industry to pursue

The following programs were 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 worked 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 2.7% and value to \$1,758,130,172
- 349 new menu items on foodservice menus in target markets
- 58 new foodservice operators serving U.S. potatoes
- 1675 retail outlets now carrying U.S. fresh table-stock potatoes
- 43 new potato products being sold at retail outlets
- 97 companies carrying out new product development with U.S. potatoes
- 57 new products launched made with U.S. potatoes
- 539 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 4 markets
- An information exchange visit to Cuba resulted in interest from growers there in U.S. seed potatoes

Research Program

The **Research** program is designed to provide leadership to the U.S. potato industry's research efforts with a particular emphasis on program accountability and transparency. The program manages variety development programs in the chip and fry sectors, is creating a robust body of nutritional evidence to promote the health and lifestyle benefits of potato consumption, improves the availability of research data to U.S. potato growers and where possible, coordinates industry efforts to compete for 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 whenever possible with additional state, federal and/or private funding to increase the impact of research
- Standardize all variety development data and knowledge for the industry

- Focus the research sponsored by APRE 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 APRE and the Potato Association of America (PAA) and U.S. potato growers.

Some of the accomplishments in FY18 were:

- Generating 131 letters of industry support for selected USDA National Institute of Food and Agriculture (NIFA) Specialty Crop Research Initiative (SCRI) proposals, resulting in more than \$8 million in USDA funding for industry research priorities:
 - \$8 million for soil health research, which is the largest single potato project ever awarded through the SCRI program
 - \$50,000 for diploid breeding planning grant
- Adding more than 2,400 new chip variety records and 240 fry variety records to the Variety Data Management (VDM) system, bringing the total number of available records to 24,457. The data is available at: <https://potatoesusa.mediushq.com/> (user registration required)
- Filling the potato nutrition research pipeline with 21 projects to address the potato nutrition research priorities established in partnership with APRE. The priorities of Cardiometabolic Health, Healthy Dietary Patterns, and Potatoes in Healthy Lifestyles and the research being conducted in support of these priorities can be explored in more depth at <https://apre.org/nutrition-science/>.
- Successfully participating in NIFA's Commodity Co-Funding Program, resulting in the availability of up to \$250,000 additional funds for starch research in French fries
- Gaining 19 percent of the total share of certified seed acres destined for chipping potatoes, from 1 percent in 2012 to 20 percent in 2017

Industry Outreach Program

The objectives of the **Industry Outreach** efforts are to expand awareness in the potato industry of the Potatoes USA marketing and research programs and 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 and be the go-to resource for the U.S. potato industry. Protecting and enhancing the good reputation of U.S. potatoes and the U.S. potato industry.

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
- Identify and prepare for adverse issues that could impact the industry

The activities employed in the grower relations work are categorized 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 participation in state potato organization meetings.

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 highlights from the FY18 program are as follows:

- Industry press coverage of Potatoes USA activities increased 25%.
- Conducted Potatoes USA Ambassador training programs and distributed three mailings, empowering Board members to communicate effectively about Potatoes USA and its programs
- Attendance by staff and Ambassadors at 22 state events
- 94% of industry members surveyed reported that they are satisfied with the communications from Potatoes USA, while 96% say they feel fully informed of Potatoes USA Activities

Financials

For the fiscal year ending June 30, 2018, the USDA approved budget was \$21.1 million. The financial audit for the year confirmed the income received during this period was \$20.4 million with final expenses of \$20.5 million by year-end. This resulted in restricted reserves of \$1.3 million and unrestricted reserves of \$9.8 million on June 30, 2018.

Potatoes USA was over budget by \$92K for fiscal year 2018. The Board had approved Potatoes USA being over budget for FY18 and the use of unrestricted reserves to cover the difference. The assessment revenue collected was \$168K higher than budgeted due to an increase in production. Contribution revenue and other revenues were \$5K lower than budgeted for the fiscal year. The program and operating expenses for the general fund ended at \$917K and \$44K under budget, respectively. This decrease in spending was related to a decrease in work funded by the federal grant programs as well as a decrease in special project and food truck expenses. (All financial information has been confirmed by the Potatoes USA FY18 Financial Audit performed by Kundinger, Corder & Engle, P.C.)