

Potatoes USA Annual Report
The fiscal year 2023 (FY23)
July 1, 2022, to June 30, 2023

The National Potato Promotion Board (Board), operating as Potatoes USA, was created in 1971 to develop markets for potatoes in the U.S. and abroad, using innovative marketing, promotional, educational activities, and programs. Potatoes USA also encourages and supports nutritional and potato variety research on behalf of the potato industry.

These activities and the Potatoes USA's general operations are administered under USDA's Agricultural Marketing Service (AMS) and by a board of directors (appointed by the Secretary of Agriculture) representing U.S. potato importers and farmers across the country. Activities and operations are self-funded by the potato industry of an assessment of \$0.03 per hundredweight (cwt) on potatoes produced and imported into the United States.

For the fiscal year ending June 30, 2023, the USDA-approved budget was negative \$430,500. The year's financial audit confirmed the income received during this period was \$22,997,996 with final expenses of \$22,886,980 by year-end. This resulted in assigned reserves of \$2,616,000 and unassigned reserves of \$8,131,044 on June 30, 2023.

Executive Summary

Potatoes USA made significant progress in FY23 toward all the organizational goals.

- 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.

Every program strategy aligned with the Potatoes USA mission to "Strengthen Demand for Potatoes" and the vision to "Create positive change in the industry through innovative and inspiring approaches."

Potatoes remained America's favorite vegetable for the seventh year in a row. Potatoes continued to be on nearly 83% of U.S. menus and were America's favorite side dish and take out dish at foodservice. Potatoes were also the number one produce item sold at retail stores.

Exports of U.S. potatoes reached a record for volume and value during the market year. Export values increased 19.05% to \$2.2 billion, and export volume increased 3.85% to 3.3 million metric tons (fresh weight equivalent). For the first time, Mexico became the United States' largest potato export market, followed by Canada and Japan.

Domestic retail dollar sales of potatoes increased 16.8% July 2022 – June 2023, reaching \$16.9 billion for the 52-week period, the highest in five years. Although volume sales were down for the year (-2.6%), they remained 2.5% above pre-pandemic levels.

Domestic foodservice sales volume remained relatively stable from the prior year at 11.05 billion pounds sold, while dollar sales increased 20% to \$1.9 billion for a record of \$11.3 billion.

Based on the FY23 Sales & Utilization analysis, 37% of the potatoes grown in the U.S. were sold as a frozen product, 28% as fresh, 23% as potato chips, and 8% as dehydrated potatoes.

Potatoes USA continues to expand the scientific evidence available to understand the nutritional profile of potatoes through investments in the Alliance for Potato Research and Education (APRE). APRE was co-founded with the potato 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 to eat more potatoes in more ways, further establishing that potatoes fuel performance while expanding the understanding of potato nutrition. During FY23, the domestic marketing program employed the following strategies:

- Implement targeted marketing programs for consumers, nutrition professionals, retailers, foodservice and school foodservice audiences.
- Demonstrate the possibilities with potatoes through culinary expertise.
- Communicate to all audiences the benefits of potatoes.
- Position potatoes as a nutrient-dense vegetable.
- Position potatoes as a performance fuel.
- Cultivate strategic partnerships.
- Advocate for scientific research to strengthen the nutritional position of potatoes.

Research supported all these programs ensuring the activities addressed current market conditions and used the technology for accessibility and deliverability of key messages.

The consumer marketing program focused on younger consumers, Generation Z (ages 18-25), to ensure they understand how to prepare potatoes and their nutritional benefits. The goal is intended to create life-long potato enthusiasts to strengthen long-term demand.

The nutrition marketing program reached nutrition influencers to ensure they know the most current nutrition research about potatoes and their fueling benefits. Nutrition influencers were encouraged to share these insights with their clients, athletes, and social media followers.

The foodservice sector continues to recover from the pandemic, so Potatoes USA strived to ensure operators understand the value potatoes deliver to their menus and a solution to the many challenges they are facing.

The retail program focused on key retail decision-makers featuring fresh potato merchandising best practices. By sharing the latest data, market insights, trends, research, and merchandising tips, Potatoes USA helped retailers understand the importance of the category and ensure potatoes were promoted effectively to consumers throughout the year.

Some of the successes achieved in FY23 include the following:

- Americans stated that potatoes are their favorite vegetable for the seventh consecutive year.
- Domestic retail dollar sales of potatoes increased 16.8% July 2022 – June 2023, reaching \$16.9 billion for the 52-week period, the highest in five years. Volume sales were down -2.6% for the year, but they remained 2.5% above pre-pandemic levels.

- Domestic foodservice sales volume remained relatively stable from the prior year at 11.05 billion pounds sold, while dollar sales increased 20% to \$1.9 billion for a record of \$11.3 billion.
- The 2023 consumer attitudes and usage study revealed that health perceptions about potatoes are improving from 2018 for the following attributes: potatoes provide nutrients, potatoes help me fuel my everyday activities, potatoes are an energy packed vegetable, potatoes are good for athletic performance, potatoes are good for weight management and potatoes provide under-consumed nutrients.
- Potatoes appeared on nearly 83% of all menus.
- Fries were the number one potato dish offered 72% of menus.
- Potatoes USA conducted a foodservice patron study that showed diners will pay more for meals that include potatoes.
- Team Potato hosted a record-breaking fitness challenge, gaining thousands of new members.
- A peer-reviewed nutrition publication bolstered a case against glycemic index that features a new scoring system can be used across different food patterns and help all Americans better meet The Dietary Guidelines for American's recommendations.
- Positive potato stories increased as more news covers the benefits of potatoes.
- Potatoes USA launched a PR campaign encouraging people to paint Easter potatoes at home, focusing on the vegetables' nutritional benefits, affordability, and long shelf life. Resulting in national coverage that included The Tonight Show with Jimmy Fallon and voted the bet campaign for Easter 2023 by PRWeek.
- Potatoes USA initiated a path to purchase study at retail to understand the decisions consumers make before buying potatoes.

The **International Marketing** program focuses on increasing U.S. potato exports across all product types, expanding access to U.S. potatoes around the globe, getting more people eating more U.S. potatoes in more ways, and 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.
- Individualize programs by market constraints and opportunities.
- Improve market access for U.S. potatoes through work with domestic interests in the markets.
- Implement targeted marketing programs for foodservice, retail, and consumer audiences.
 - Educate customers about U.S. supply.
 - Educate target audiences on the benefits and usage of U.S. potatoes.
 - Educate the U.S. potato industry about international opportunities and align on objectives.

Potatoes USA implemented market development programs focused on the foodservice, retail, consumer, and seed potatoes. Market access and reputation management programs are also employed as needed to address market situations. Potatoes USA conducted market development activities in the following countries: Mexico, Japan, South Korea, Philippines, Taiwan, Malaysia, Thailand, Myanmar, Gulf Cooperator Council, Costa Rica, Guatemala, Honduras, Dominican Republic, Nicaragua, Panama, and El Salvador. The seed potato export program was focused on Cuba and Guatemala.

U.S. potato exports reached record value and volume in the 12-month period from July 2022 – June 2023. Export values increased 19.05% to \$2.2 billion, and export volume increased 3.85% to 3.3 million metric tons (fresh weight equivalent).

The international foodservice program focused on 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 and online stores.

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 worked to expand and preserve global sales opportunities by assisting the U.S. government in resolving international trade barriers. FY23 was the first full year of fresh potato access to the interior of Mexico, resulting in Mexico becoming the largest export market for U.S. potatoes.

Some international marketing successes achieved in FY23 include the following:

- Record exports of U.S. potatoes, sales increased 19.05% to \$2.2 billion, and export volume increased 3.85% to 3.3 million metric tons (fresh weight equivalent).
- First full year of Mexico fresh potato market access, bolstering it to the largest export market for U.S. potatoes.
- Hosted the Foodservice and Retail Reverse Trade Mission (RTM) 2023 that brought together 75 importers, distributors, and retailers from 12 international markets, including Myanmar, Japan, Malaysia, the Philippines, South Korea, Thailand, Vietnam, China, Mexico, Taiwan, Central America, and the Gulf Cooperative Council. Trade missions showcase the U.S. potato supply chain and facilitate business relationships between industry stakeholders.
- 57 new U.S. potato products are now carried by the top 5 importers and distributors of U.S. potatoes.
- 145 new menu items were launched on foodservice menus in target markets.
- 43 new volume foodservice operators are purchasing U.S. potato products.
- 36 foodservice operators and/or importers and distributors switched to 100% U.S. potatoes.
- 111 culinary schools trained students on U.S. potato curriculum and 94% of those students foresee using U.S. potatoes on their future menus.
- 98 the leading retailers increased potato volume sales by 10% or more vs. the previous year.
- 157 secondary displays at retailers increased U.S. potato sales by 10% compared to the same timeframe the previous year.
- 75 new potato products were sold at leading retail outlets.
- 42 frozen fry SKUs sales increased by 25% compared to a year ago.
- 193 new consumer recipes were developed for all potato types.
- 573 positive media stories were published about cooking with potatoes U.S. potatoes.

- 479 positive media stories were published about the nutritional or performance benefits of potatoes.
- 87% of international consumers believe potatoes are healthy for you, a 3% increase from the prior year.
- 81% of international consumers believe potatoes are a nutrient-dense food, a 3% increase from the prior year.
- 84% of international consumers believe potatoes give me the energy I need to perform at my best, a 3% increase from the prior year.
- 78% of international consumers believe potatoes are good for athletic performance, a 4% increase from the prior year.
- 6 U.S. seed potato varieties were trialed.
- 14 Market access issues were resolved.
- 52 Trade leads were circulated to U.S. exporters.

Research Program

The **Research** program exists to provide leadership to the U.S. potato industry's research efforts, emphasizing program accountability, enhanced communication between growers, processors, and scientists, and establishing a collective focus. The program manages variety development programs in the chip and fry sector; is creating a robust body of nutritional evidence to promote the health and lifestyle benefits of potato consumption; and improves outreach efforts from major scientific initiatives to the grower community. To accomplish these goals, the program employs the following strategies:

- Facilitates PRAC (Production Research Advisory Committee), seeking consensus on production research priorities, and then supporting chosen scientific project submissions for USDA specialty crop and other federal resources.
- Leverages Board funding whenever possible with additional state, and/or private funding
- Standardizes all variety development data and knowledge from the chip and fry trials, and leverages industry use through online access to this information in the Medius.Re database.²
- Focuses the nutritional research sponsored by APRE (Alliance for Potato Research & Education) on areas of the most significant potential positive impact for the U.S. potato industry, including areas that dispel negative perceptions or reinforce positive reasons for eating potatoes.³ Publish research findings and data.

Some of the accomplishments in FY23 were:

- Continued to gather 50+ letters of support for PRAC endorsed USDA National Institute of Food and Agriculture (NIFA) Specialty Crop Research Initiative (SCRI) proposals, projects as follows:
 - Wins for the 2022/23 funding cycle were for neonicotinoid alternatives - \$8.1M
 - Project proposals submitted for the 2023/24 cycle were for soil health 2 - \$10M and diploid potatoes 2 - \$7M (no award decision as of 2-5-24)
 - An additional letter of support was written for the polyploid 2 project, in which potatoes are only 1 of several crops represented.
- To date, there are 35,395 total data records in the Medius.Re database. In 2023, 2,395 new chip candidate records were added, plus 390 new russet candidate records. This provides breeders with a more robust data set for evaluating new varietal candidates.¹

- The potato nutrition research pipeline continues to increase, with 52 projects now funded, addressing the potato nutrition research priorities established in partnership with APRE. 31 of these projects have now reached publication. 57% of current studies include fried (processed) potatoes.²
- An ongoing upswing to 5,020 2021 seed acres were planted for graduates from the NCP trial system.

Industry Outreach Program

The **Industry Outreach** program is dedicated to expanding the awareness of the Potatoes USA marketing and research programs to create an understanding in the industry of how these programs strengthen demand for U.S. potatoes. It also protects and enhances the good reputation of U.S. potatoes and the U.S. potato industry.

The following strategies are employed to accomplish these objectives:

- Convey market research, trends, and insights impacting the U.S. potato industry.
- Encourage the industry to further promote Potatoes USA programs, campaigns, and assets.
- Meet with industry sectors to drive engagement.
- Monitor issues, develop messaging, and respond when appropriate.
- Address misunderstandings about potato nutrition.
- Engage current and former Board members to communicate about Potatoes USA.
- As appropriate, utilize Board members to enhance the industry's reputation.

The industry outreach activities include direct to grower communications via in-person presentations and newsletters, press releases, columns in industry publications, podcasts, lunch and learn webinars, PotatoesUSA.com, and participation in state potato organization meetings and events.

To protect and defend the potato's good name, proactive and reactive activities are used depending upon the situation. Potatoes USA monitors press coverage daily and responds to articles that include inaccurate or negative information about potatoes to ensure accurate information is available to the writers.

Potatoes USA conducted a study to evaluate the industry's awareness of Potatoes USA activities and the effectiveness of the communications.

Some of the highlights from the FY23 program are as follows:

- 86% of industry members surveyed reported that they feel Potatoes USA is effective at strengthening the demand for potatoes.
- 78% say they are familiar with Potatoes USA's current marketing and production research programs.
- Media outreach to correct misinformation about potatoes resulted in a 35% correction rate.
- Potatoes USA hosted or attended over 25 state and industry events.
- The Potatoes USA Spud Lab hosted numerous culinary innovations, recipe development, education, training, and catering events throughout the year. The Spud Lab has hosted more than 60 chefs responsible for large volume foodservice operations and developed nearly 250 recipes.

- Potatoes USA broadened its outreach to international countries to improve the global perception of potatoes by sharing the potatoes fuel performance marketing campaign. Several international countries have begun to implement this message in their marketing campaigns.
- Developed a “Meet the Grower” video series featuring potato growers across the country to demonstrate their stewardship and care for growing potatoes. This video series was the most popular one featured in social media.
- Grower outreach included an average of two electronic updates monthly, podcasts, social media posts and website content.

Financials

The Board had approved Potatoes USA being over budget by \$430,500 for FY23 and using unassigned reserves to cover the difference. Potatoes USA was under budget by \$437,134 so no unassigned funds were used. The assessment revenue collected was \$15,159,869, \$240,131 lower than budgeted; contribution revenue and other revenues were \$131,978 higher than forecasted; and total expenses for the general fund ended at \$1 million under budget. The total administrative expenditure was \$3,526,559 for the year. (All financial information has been confirmed by the Potatoes USA’s FY23 financial audit performed by Kunding, Corder & Montoya, P.C.)