



2024 Q3



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2024 Q3 Overall Potato Summary

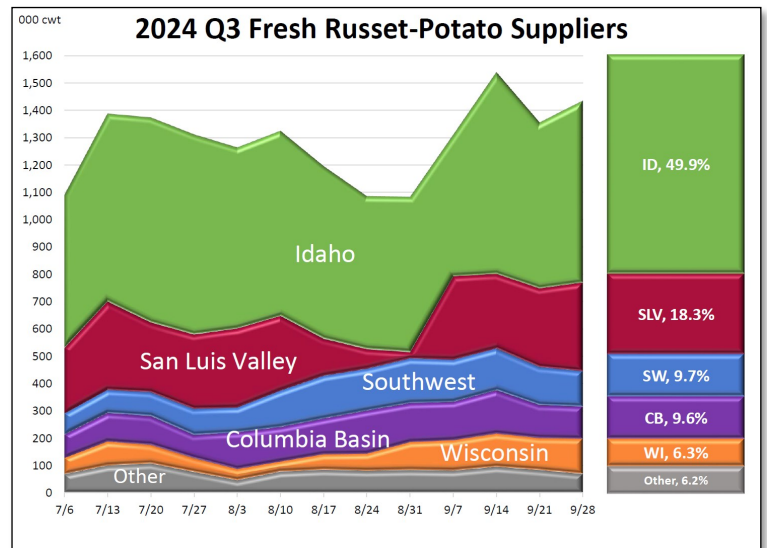
During Q3 of every year, new-crop fresh Russet potatoes begin replacing old-crop storage Russet potatoes (new crop Red and Yellow potatoes begin the process in early spring). Producers were particularly anxious this year to begin new-crop Russet potatoes, hoping that supplies would be more in line with demand thereby inspiring balanced pricing. Additionally in Q3, in order to support the 2023 crop's poor pricing, the government stepped in and purchased a large quantity of Russet potatoes. This purchase was made in the retail sector; five-pound consumer bags generally intended for welfare distribution. While it is difficult to identify exactly how much market support in terms of dollars and cents was achieved, the purchase unquestionably resulted in stronger overall demand for consumer products at the shipper level. The unfortunate side effect in terms of unintended consequences, shippers chasing after consumer packages to fill the government's demand resulted in overproduction of larger baker-size potatoes intended for food service (restaurants, delis, and cafeterias). This action lowered the value of approximately 45% of the crop. In this tit-for-tat scenario, the government purchase resulted in putting money in one producer pocket while taking it out of another.

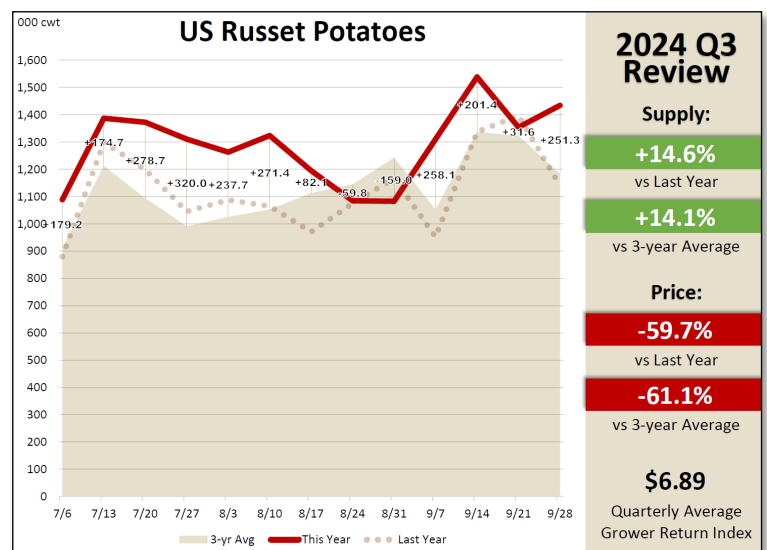
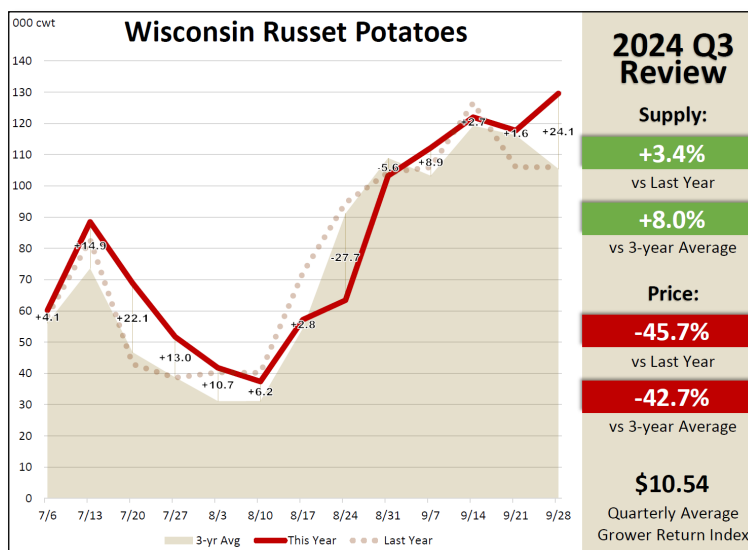
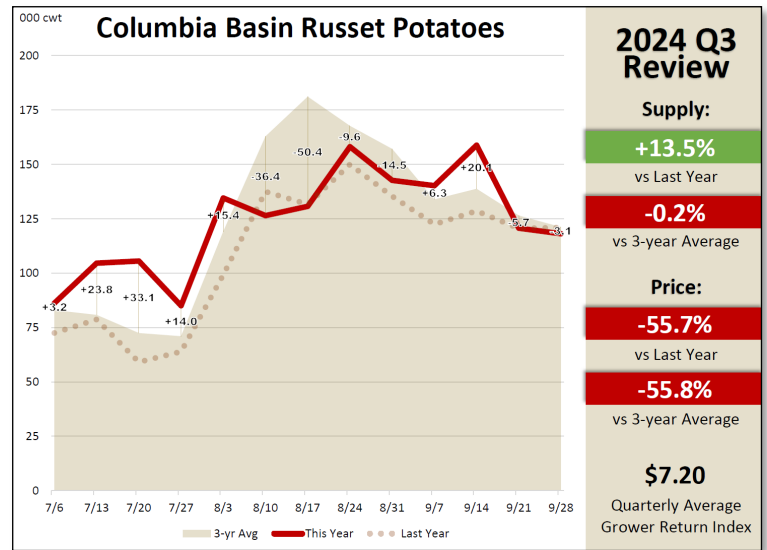
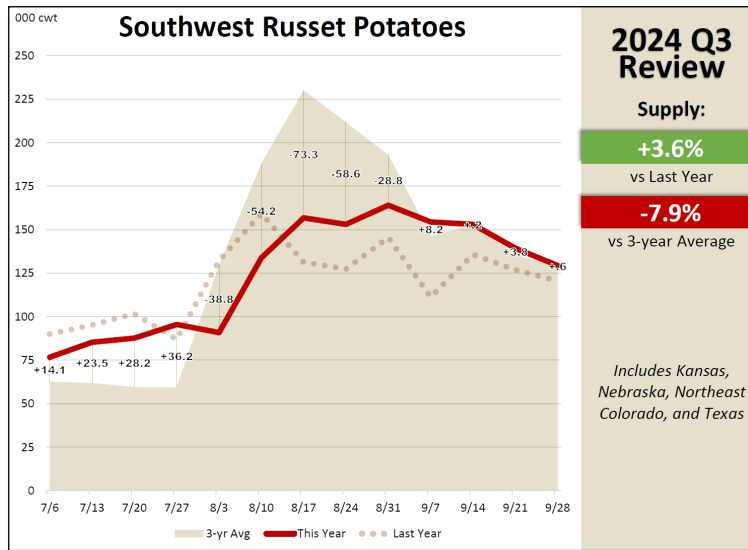
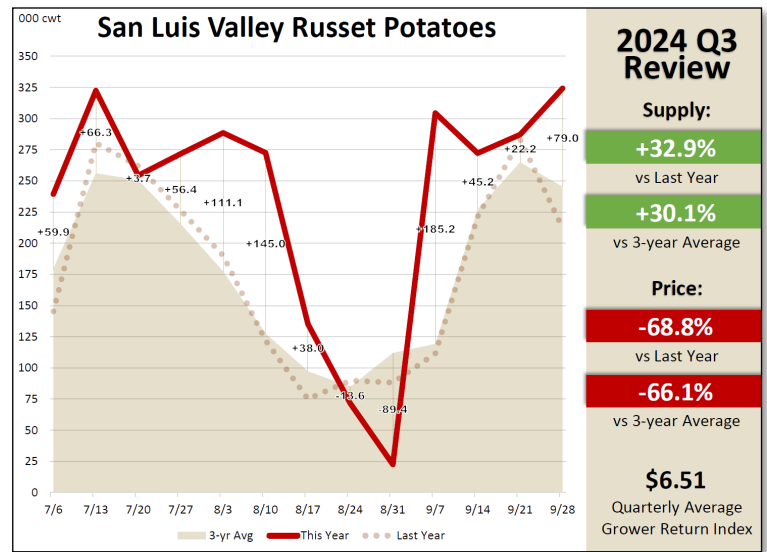
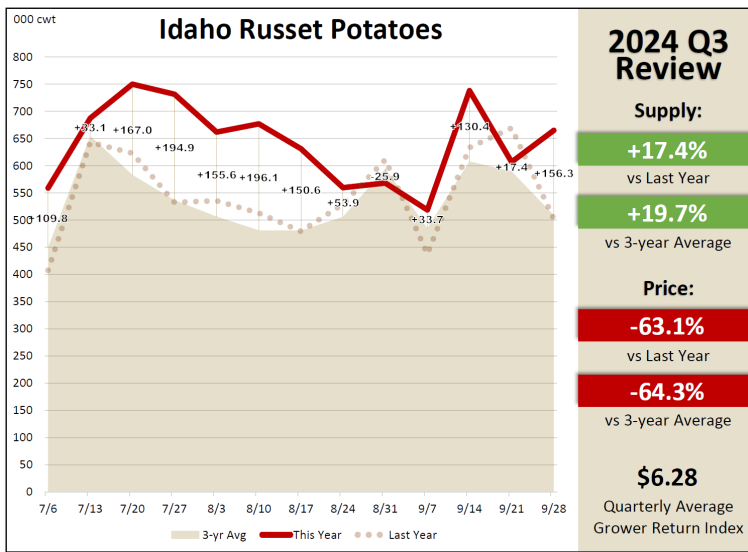
In addition to the supply/demand balance's effect on a potato crop's value, an additional aspect of Russet-Potato production comes into play: crop profile—the balance between retail (grocery) size potatoes and food-service size (baker) potatoes. In an early assessment, the 2024 crop appears to have a large profile, certainly larger than was experienced in the 2023 crop. It won't be until after harvest is completed and the government's purchase works its way through the system that the market will find its normal trading value.

As last year's process-potato crop was severely over contracted and over supplied, this year's crop appears much more balanced. Remember that when too many process-intended potatoes cannot find a home in the frozen or dehydrated sectors, the overage tends to spill over into the fresh channel, resulting in a disaster for fresh-potato producers. It was earlier assumed that domestic consumption of processed potato products (frozen French fries and dehydrated potato flakes) was declining, it is actually increasing by over 1% annually. Good news all around.

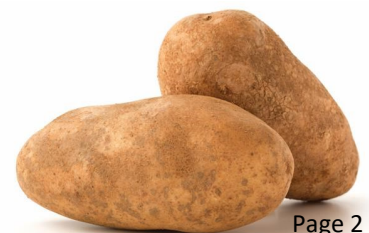
Russet-Potato Summary

With the 2023 crop being overproduced by approximately 20%, resulting in disastrous prices, while too early to tell exactly, this year's crop appears to be reduced by less than half that amount. While disappointing in terms bringing supply in line with demand such that price stabilizes at fair return levels, such a reduction is not irrelevant; by all measures, this year's crop will enjoy a stronger overall value than what happened last year. Whether or not growers in all regions will recover production costs, when freight is factored in, it appears that the farther east you go, the better the chance of that happening.



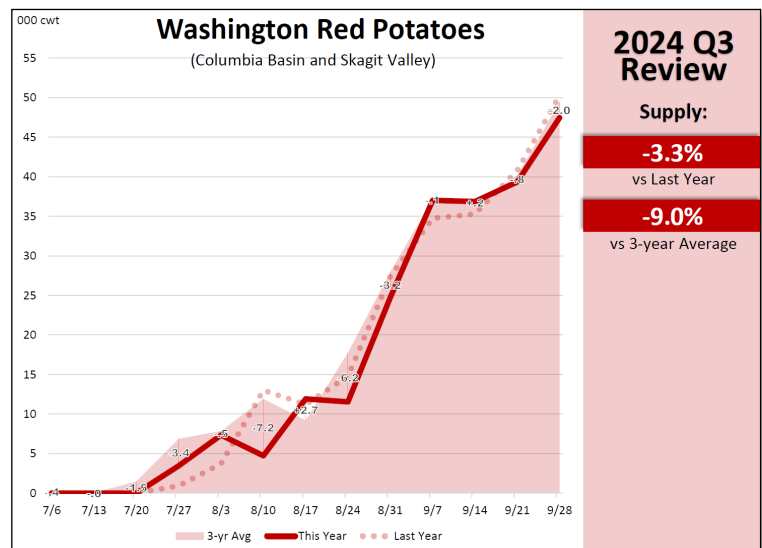
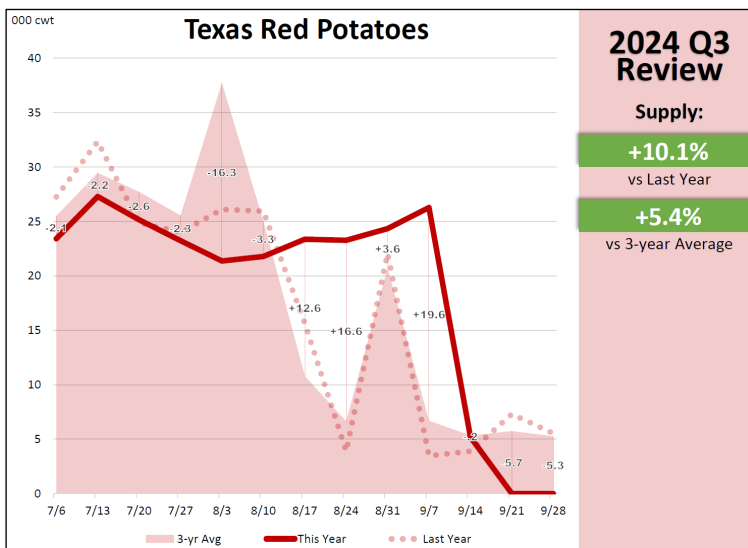
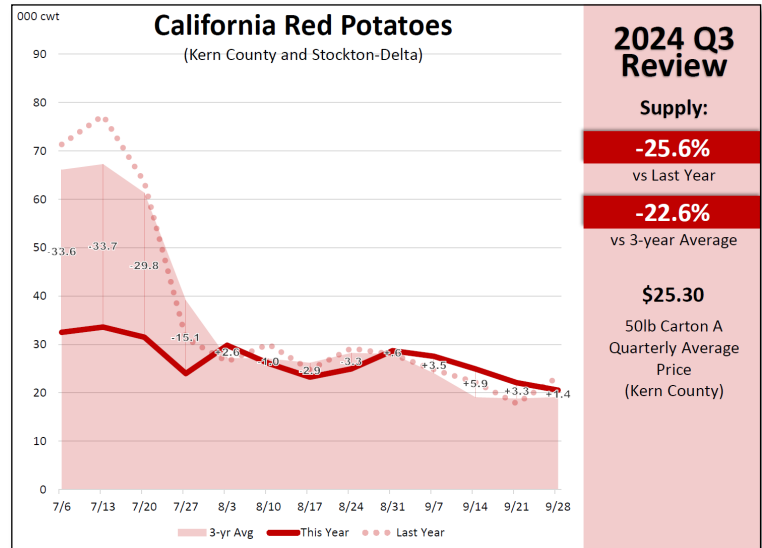
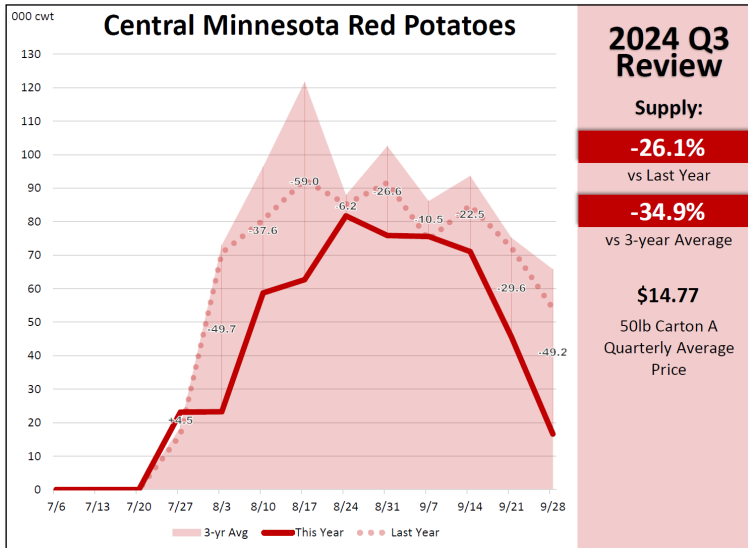
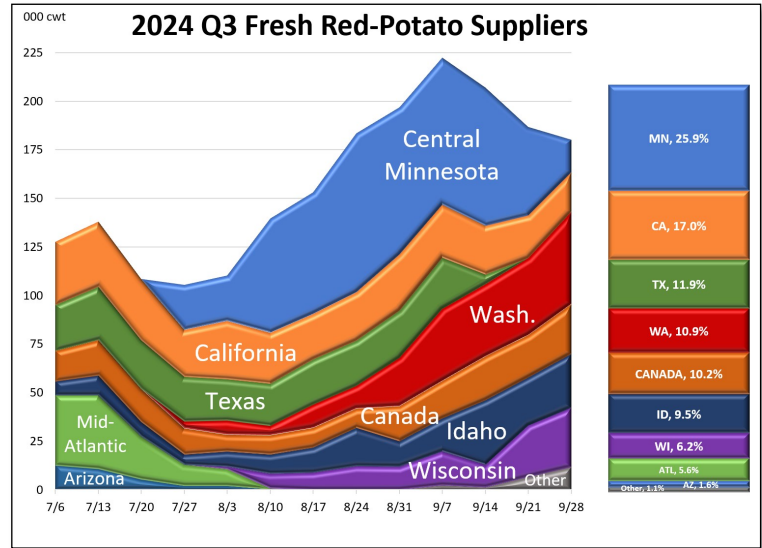


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Red-Potato Summary

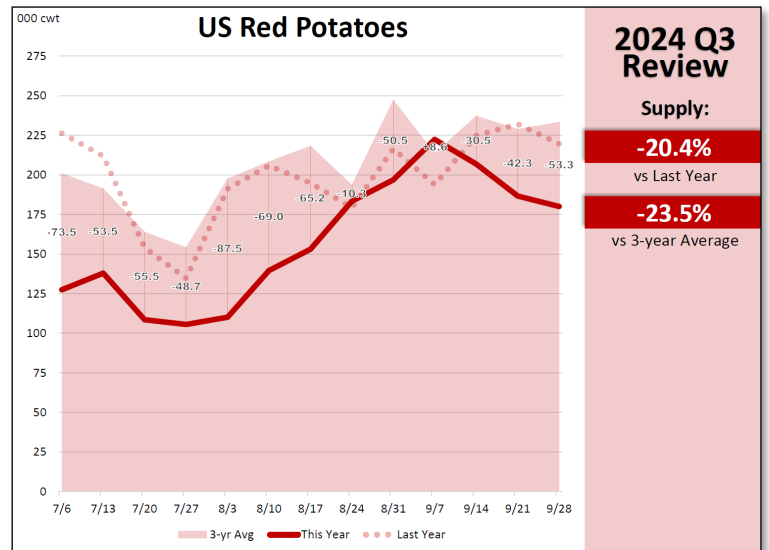
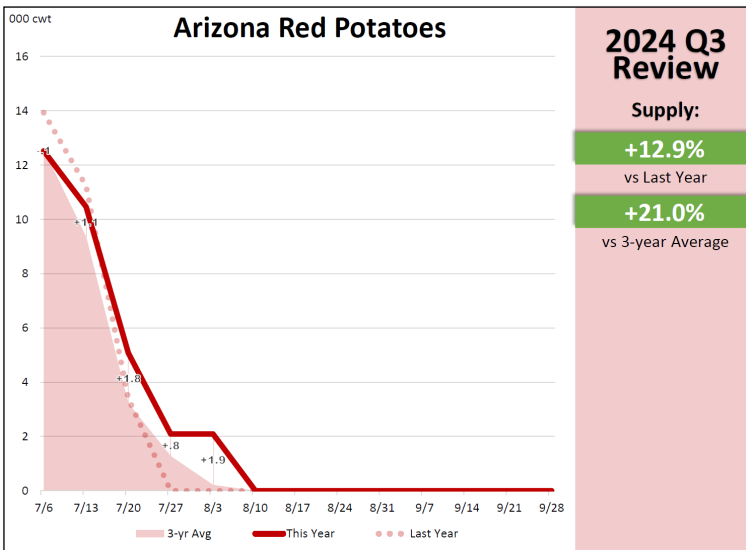
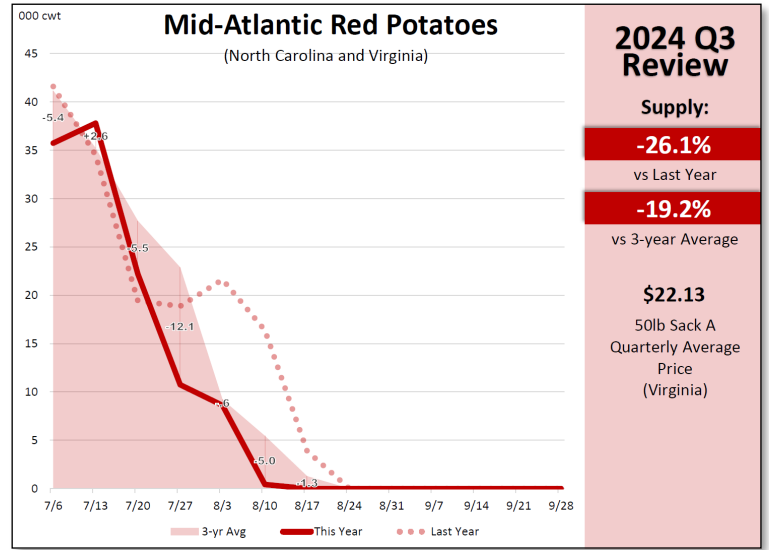
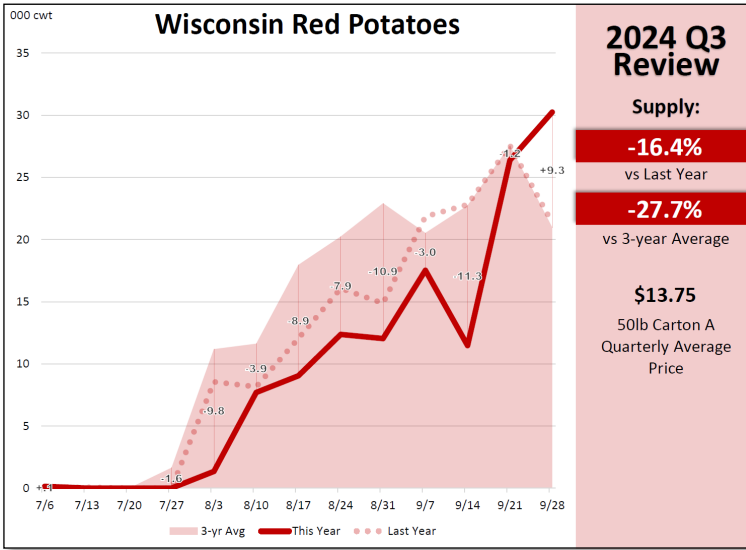
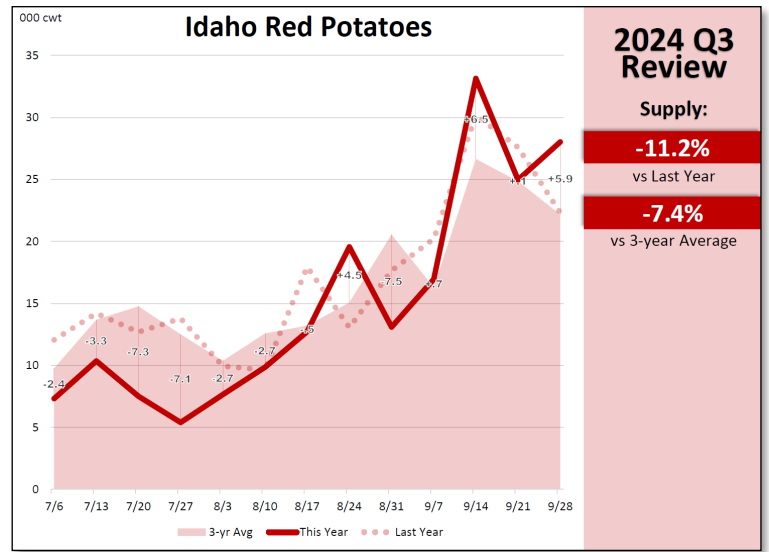
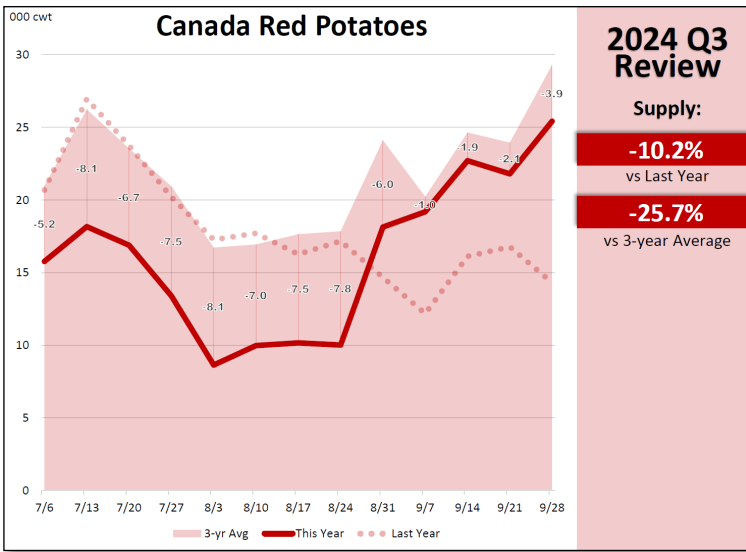
As happened in Q1 and Q2 of 2024, Q3 saw Red-Potato production continue to decline. While this shortage caused pricing to remain strong, losing grocery store shelf space is never a good thing. Bargain-basement Russet consumer pricing and corresponding wide retail margins across Q1 and Q2 unquestionably diminished Red-Potato promotions, resulting in lower movement. Happily, toward the end of Q3 retailers began once again to promote Red potatoes. This is a good thing as in upcoming Q4, Red-Potato supplies will rebound to normal levels and producers need a receptive market. Such appears to be happening.



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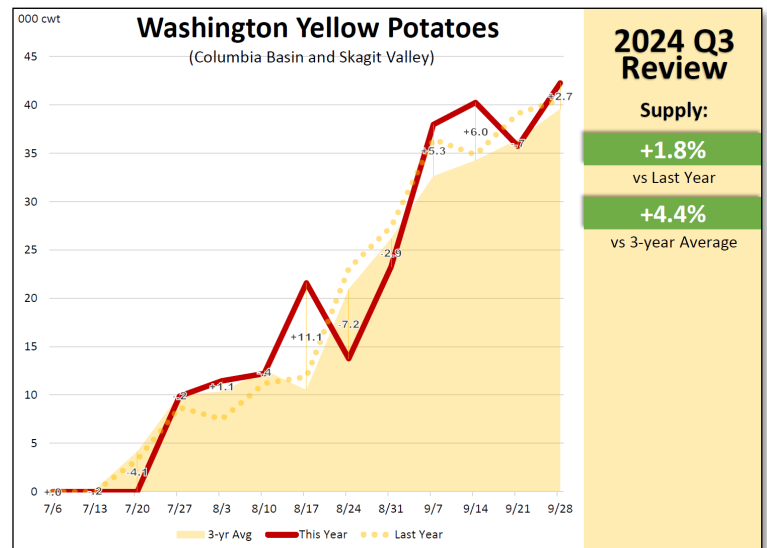
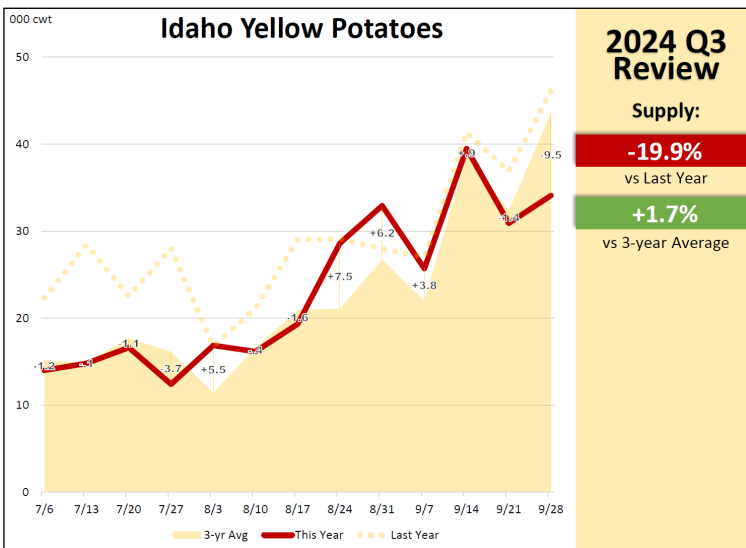
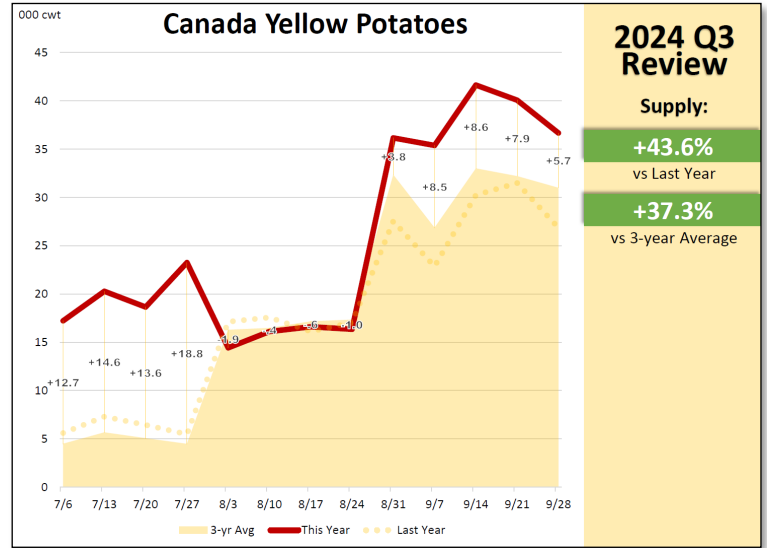
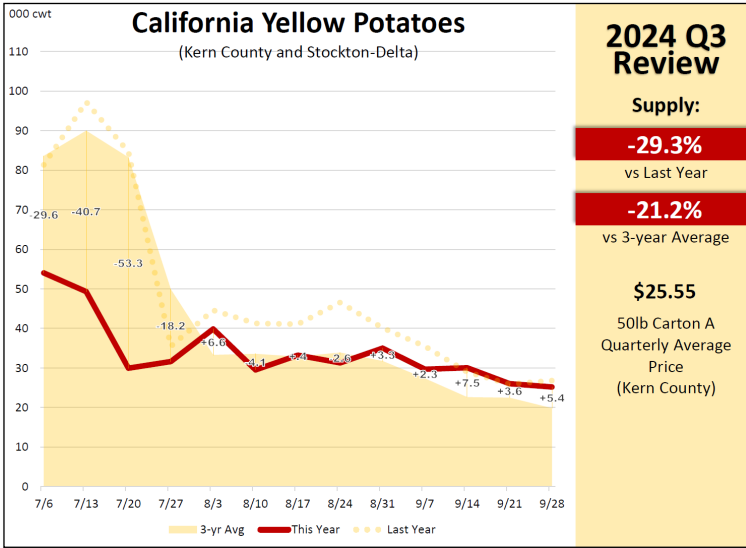
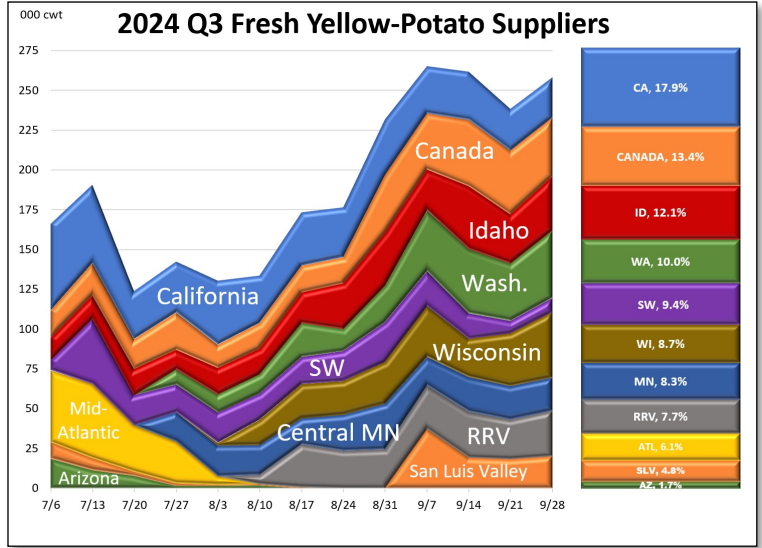
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Yellow-Potato Summary

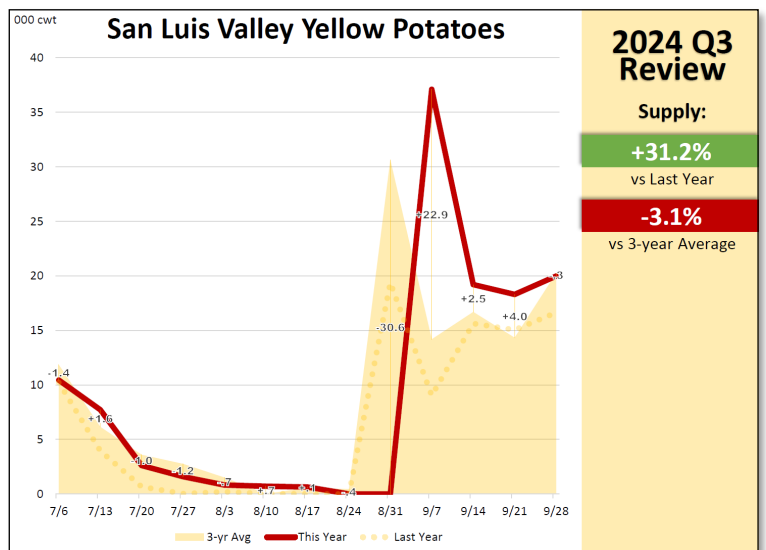
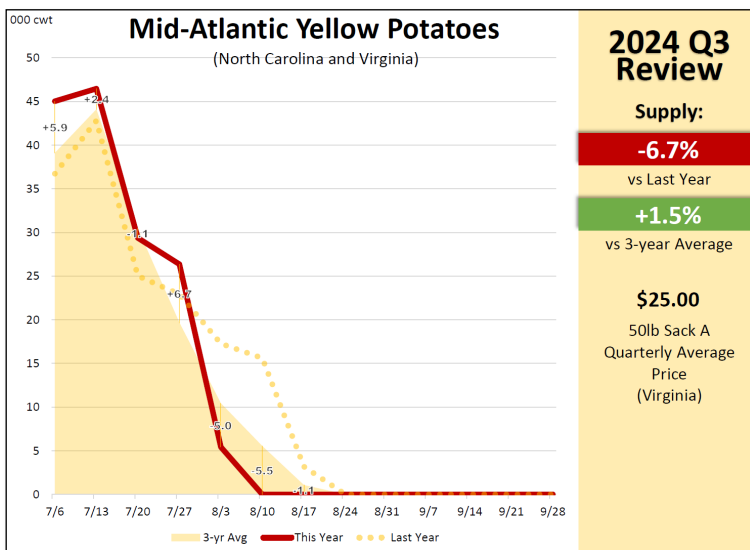
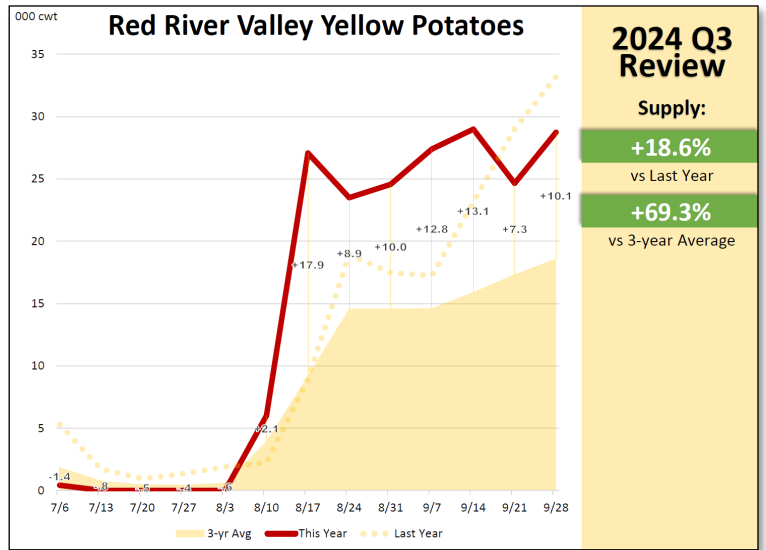
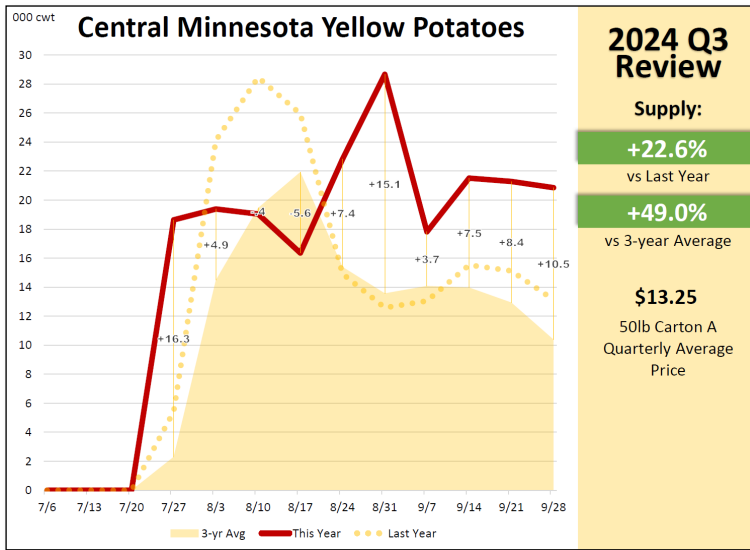
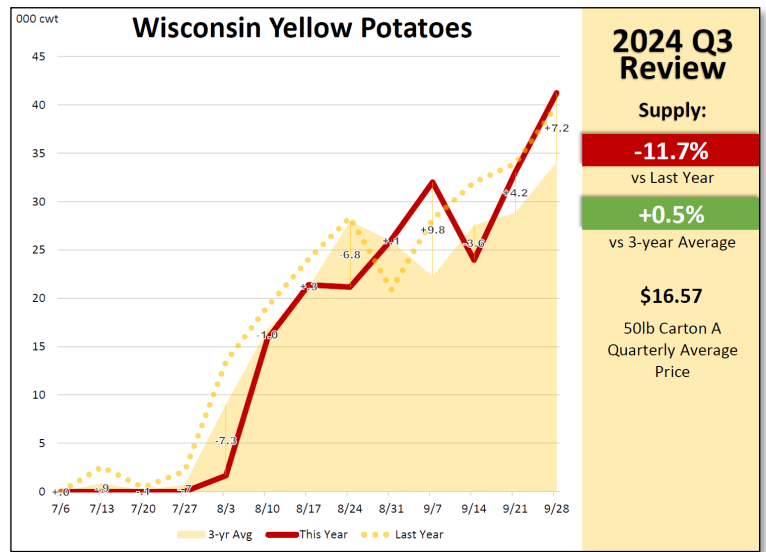
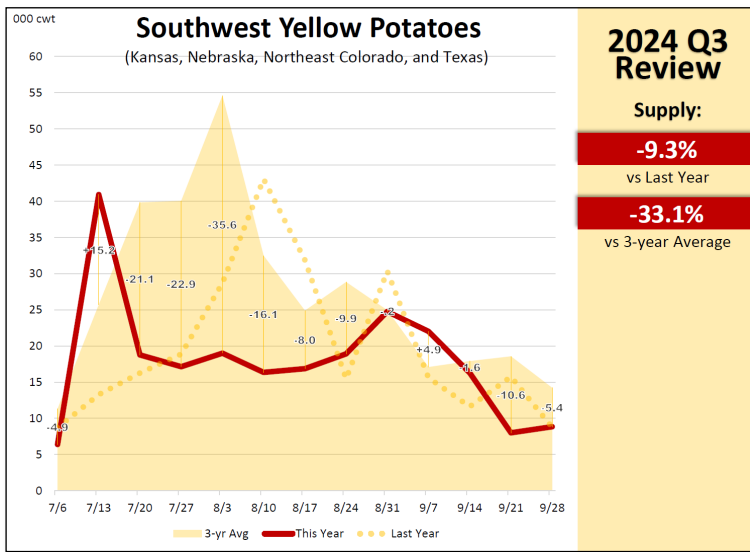
In terms of market share, Yellow potatoes continued their upward march across Q3 but at a slower growth rate than has been happening annually. While Yellow-Potato production has been averaging an annual increase of about 9%, Q3 2024 saw only a 6.6% growth rate. Even though the growth rate slowed, it still poses the question: At whose expense is this increase happening: Red potatoes, Russet potatoes, or both? As happened with Red potatoes, the intense competition from low-priced Russet potatoes throughout Q1 and Q2 lured retailers away from promoting Yellow potatoes, focusing on cheaper Russet potatoes with a notoriously wide profit margin. But as Q3 ended, Yellow potatoes were being promoted at customary levels.



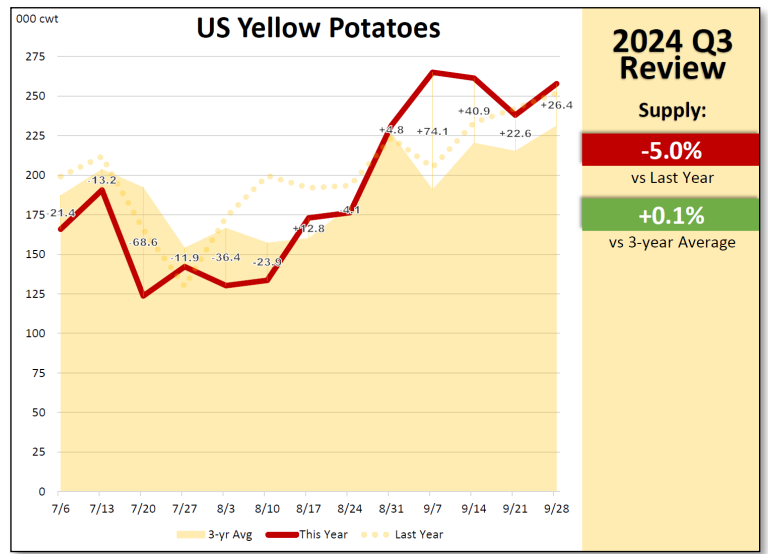
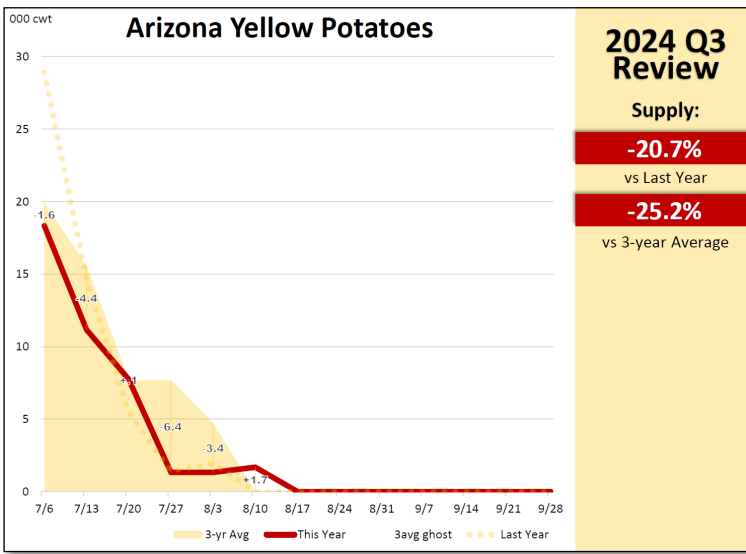
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