

The Tasmanian

Potato Industry

May 2009

Tasmania produces an extensive range of fresh and processed vegetables. As the highest value vegetable produced in the state, the potato is considered the backbone of the Tasmanian vegetable industry. With a farmgate value of \$82.5 million, the potato industry makes up approximately 70% of the total value of vegetable production. The industry comprises three sectors - processing (80%); fresh sales (10%); and the seed potato market (10%).

Tasmania's cool temperate climate, clean environment and relative freedom from many pests and diseases gives the State a distinct competitive edge. Potato production has been very stable over many years, and processors and customers value that reliability of supply.

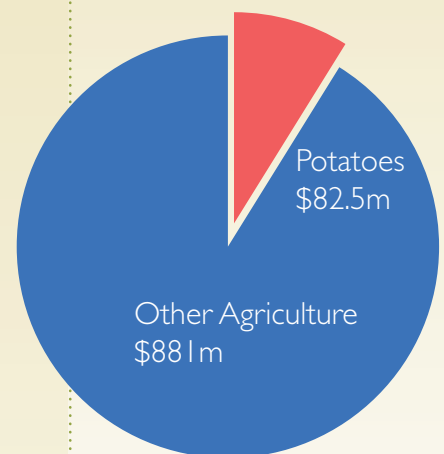
Frozen French fry products dominate the processing sector, with the majority of raw material grown in the north of the state. The preferred variety for French fries is still Russet Burbank, however, proprietary varieties such as Innovator, Shepody and Ranger Russet are increasing in popularity and are sourced for early season production.

The farmgate value of sales to the fresh domestic market is \$11.7 million. Supply is primarily

to supermarkets, green grocers and roadside outlets. There has been increasing consumer interest in specialty and gourmet lines of potatoes, with varieties such as Pink Eye, Dutch Cream and Kipfler highly sought after by caterers and specialist retailers nationwide.

Potatoes produced for processing and fresh market are grown from seed certified under the Tasmanian Seed Potato Certification Scheme. The purpose of the scheme is to minimise disease incidence by ensuring the best quality seed is provided to industry. In 2006 there were 70 growers producing more than 20,000 tonnes of seed potatoes from around 25 common varieties.

Potato Production Gross Value 2006-07



In 2006-07 potato accounted for 9% of the total value of agricultural production in Tasmania.

Source: ABS, *Agricultural Commodities*, Cat. No. 7125.0





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Key Markets and Exports

Quantitative research indicates that potatoes remain the most popular staple vegetable item on consumers' shopping lists, with 82 per cent of households purchasing them weekly¹. Australian annual consumption of potatoes is approximately 68 kg per person (fresh weight basis). While the 'traditional vegetable lover' market remains strong, there is also increasing growth opportunities through 'fitness for purpose' marketing, that is, labelling gourmet potato varieties for specific purposes such as mashing, roasting or frying.

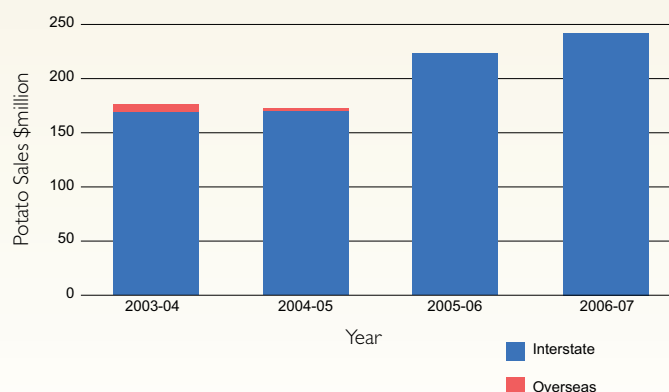
Interstate trade accounts for 83 per cent of potato production and generates annual sales of some \$240 million. Domestic sales within Tasmania account for 17 per cent of potato production and overseas exports currently account for less than one per cent. Interstate potato revenue is attributed to sales of processed chips and French fries.

The vast majority of potato products are sold on the Australian retail market. Although Australian fresh potatoes constitute 100 per cent of domestic market share, locally processed potato products are increasingly being replaced by lower cost imports. Australia is now competing with large volume producers such as China (currently the world's largest supplier of potatoes) in highly contested markets such as Japan and South East Asia.

Tasmanian exporters must also concentrate on markets where tariff barriers are low, creating a further challenge to export opportunities. The capacity of potato growers to open up new export markets is currently limited by tariff and quota restrictions, and even where free trade agreements have been negotiated, tariffs on potatoes have remained at high levels in markets such as Thailand.

¹ McKINNA et al Pty Ltd (2007), *Marketing Plan for the Tasmanian Vegetable Industry*. Available from DPIW website: <http://www.dpiw.tas.gov.au>

Potato Sales





Trade and Investment Opportunities

Tasmania's natural advantages - cool climate, suitable soils and relatively disease free status - offer growth opportunities for the potato industry. These factors alone, however, will not sustain the industry's long-term viability.

Branding and promotion of Australian grown product is integral to industry growth. Tasmania continues to successfully market the clean and green image of its agricultural produce both internationally and domestically. Opportunities also exist for increasing share in domestic and export markets for the State's seed potatoes.

The State's key vegetable processors are highly motivated to succeed in their Tasmanian operations. Primary incentives include:

- The high level of investment in Tasmanian facilities and processing operations;
- The supply chains that rely predominantly on Tasmanian product; and
- A stable workforce.

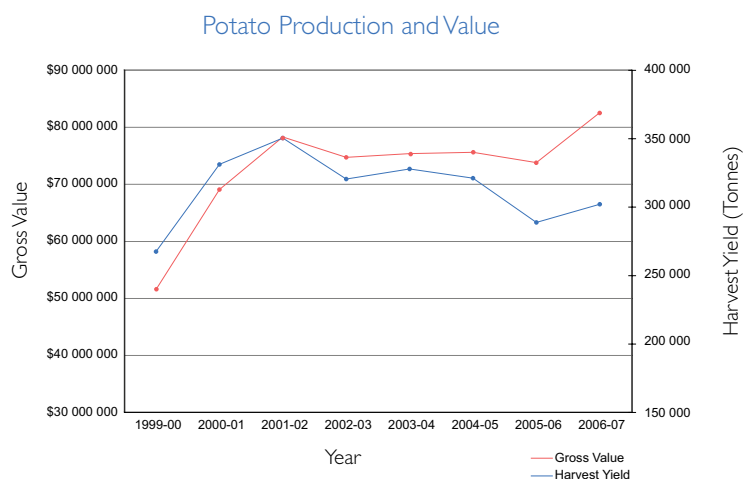
Despite heavy margin pressures imposed by the factors outlined in this profile, the outlook of the fresh potato supply chain remains relatively positive. Tasmanian fresh potato marketers have achieved dominant potato supply status nationally and are optimistic about future opportunities.

Several major growers on the mainland have noted the advantage in 'southern vigour' - the practice of moving seed from a southern seed district to a northern commercial growing district that has resulted in significantly improved yields. Enquiries from major processors have been fielded, and there is renewed interest in sourcing more seed potatoes from the state to supply national and international market demand. This has largely been driven by disease issues on mainland Australia and elsewhere, namely Potato Virus Y and Potato Cyst Nematode. The costs of transporting the seed from Tasmania to commercial growing areas in Northern Australia and overseas remains a challenge.

Trends and Development

While potatoes have been traditionally grown in the State's north-west, production is also occurring in the Midlands and north-east areas of Tasmania. The opportunities created through Tasmania's irrigation development will help increase production prospects in the State's agricultural sector. Improving water access and expanding production may help alleviate some of the difficulties processors have experienced in sourcing fresh potatoes (for example, an 80,000+ tonne shortfall in 2007) and improve investor confidence.

Potato consumption in developed countries has been declining over recent years. High profile low carbohydrate/high protein diets such as the Atkins and South Beach diets have impacted on potato consumption patterns. Promoting new potato products, such as 'fitness for purpose', and marketing the health benefits of potatoes continue to alter consumer buying habits. Likewise, the development of convenience products such as microwave ready and pre-prepared potato dishes will help increase market share, a strategy that has proved successful in Europe.





Challenges

Increasing globalisation is forcing the Tasmanian potato sector to compete with interstate and overseas suppliers. Rapid development in agricultural production systems in Asia, operating with significantly cheaper inputs and in some cases on a much larger scale, means significant changes for Tasmanian industry.

The move by supermarkets towards generic goods, often produced from raw imported products, continues to impact on Tasmanian growers and processing companies. Campaigns that raise awareness and increase consumer preferences for domestic products will help improve this situation.

Although the primary driver of potato sales appears to be price, issues relating to environmental management and quality assurance are also critical to the industry's ongoing success. Processors, supermarkets and consumers expect high quality potato products. Monitoring sales activity and consumer preference through quality assurance accreditation will be critical in order to understand and keep pace with changing demands.

The industry must also remain alert to biosecurity risks, especially the ongoing potential for disease. The problem of volunteer potatoes (derived from previous crop remnants) growing up through subsequent crops has the potential to compound this problem.

Other challenges include the increasing age of growers, farm size, contract sizes, and limited economies of scale.

Research, Development & Extension

The Department of Primary Industries and Water (DPIW) and the Tasmanian Institute of Agricultural Research (TIAR) are working with processors, growers, and agribusiness services to maintain and improve the international competitiveness of the Tasmanian potato industry.

TIAR is the lead institute in coordinating and developing research for the Australian Potato Research Program (APRP), a collaborative research initiative established to tackle the major issues facing the domestic potato processing industry.

TIAR undertakes research and addresses priorities identified by industry-based Agricultural Research and Advisory Committees. Current research priorities include:

- potato virus and disease management;
- supporting the potato industry and grower groups;
- general potato industry development;
- quality assurance;
- new opportunities, particularly for seed exports;
- sustainability issues relating to soil management and irrigation; and
- Assessing potato varieties through the National Potato Improvement and Evaluation Scheme.

TIAR also manages the Tasmanian Seed Potato Certification Scheme.

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