Market Trends Shaping Potato Marketing

By
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Domestic Market Sales & Usage

What’s selling?
Where are the potatoes going?
Domestic Situation

- Total Sales Growing
- Foodservice Even More Important
- Potatoes Standing Up to the Competition
# Total U.S. Potato Utilization 2016

Total U.S. Potato Utilization in Billion Pounds Fresh Weight Equivalent

<table>
<thead>
<tr>
<th></th>
<th>Retail</th>
<th>FS</th>
<th>Exports</th>
<th>Imports</th>
<th>= Total Utilization</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2015</strong></td>
<td>14,644</td>
<td>19,181</td>
<td>6,911</td>
<td>4,716</td>
<td>36,019</td>
</tr>
<tr>
<td><strong>2016</strong></td>
<td>14,524</td>
<td>20,389</td>
<td>6,976</td>
<td>5,119</td>
<td>36,690</td>
</tr>
<tr>
<td>% change</td>
<td>-0.8%</td>
<td>6.3%</td>
<td>0.9%</td>
<td>10.2%</td>
<td>1.9%</td>
</tr>
</tbody>
</table>
Retail Sales: FY18 (July – November)

<table>
<thead>
<tr>
<th>Year</th>
<th>Fresh</th>
<th>Frozen</th>
<th>Dehy</th>
<th>Deli</th>
<th>Refriger.</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016/17</td>
<td></td>
<td></td>
<td>0.3%</td>
<td></td>
<td></td>
<td>4%</td>
</tr>
<tr>
<td>2017/18</td>
<td></td>
<td></td>
<td>0.3%</td>
<td></td>
<td></td>
<td>0.3%</td>
</tr>
</tbody>
</table>
## Foodservice Sales by Product

### Foodservice (millions of pounds FWE)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frozen</td>
<td>11,886</td>
<td>12,425</td>
<td>12,522</td>
<td>1%</td>
</tr>
<tr>
<td>Fresh</td>
<td>4,310</td>
<td>4,379</td>
<td>4,410</td>
<td>1%</td>
</tr>
<tr>
<td>Chips</td>
<td>1,544</td>
<td>1,560</td>
<td>1,536</td>
<td>-2%</td>
</tr>
<tr>
<td>Dehy</td>
<td>6,036</td>
<td>5,952</td>
<td>5,826</td>
<td>-2%</td>
</tr>
<tr>
<td>Refer</td>
<td>522</td>
<td>702</td>
<td>714</td>
<td>2%</td>
</tr>
<tr>
<td>Total</td>
<td>24,298</td>
<td>25,018</td>
<td>25,008</td>
<td>0%</td>
</tr>
</tbody>
</table>
Food Dollar Spending is Shifting

Dollar Share of Food Sales

Food At home

Food Away from home

Census Retail Trade
### Consumer’s Favorite Vegetable

#### 71% Ate Potatoes at Least Once in the Last 7 Days

<table>
<thead>
<tr>
<th>Favorite Vegetable</th>
<th>Vegetables</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Potatoes</td>
<td>Potatoes</td>
<td>71%</td>
</tr>
<tr>
<td>2 Green beans</td>
<td>Green beans</td>
<td>67%</td>
</tr>
<tr>
<td>3 Broccoli</td>
<td>Broccoli</td>
<td>66%</td>
</tr>
<tr>
<td>4 Bagged salad</td>
<td>Bagged salad</td>
<td>60%</td>
</tr>
<tr>
<td></td>
<td>Sweet potatoes</td>
<td>44%</td>
</tr>
</tbody>
</table>

International Market and Trade Stat Updates

What’s happening with exports?
Export Situation

Exports Up in FY18

Challenges Abound

Opportunity for Further Growth is There
U.S. Potato Exports

20 Years

US Dollars in Millions

July/June Marketing Year
U.S. Potato Exports: July – November

Metric Tons

2016/17  2017/18

Frozen  107%  20%
Dehy  7%
Fresh  3%
Seed

Legend:
- Frozen
- Dehy
- Fresh
- Seed
Challenges

- Expanding Competition
- Market Access & Regulatory
- Shipping Costs
- Limits on U.S. Capacity
- Exchange Rates
Opportunities

- Increasing Demand & Trade
- U.S. Supply
- Exchange Rates
- Potatoes USA Programs
- Coordination & Cooperation
Market Trends
Generation Makeup is Changing

Total U.S. Population as of December 2015

Source: U.S. Census, 2016
Online Grocery Shopping

- Delivery options or pick up in store model
- Easy to see order and make instant changes if necessary
- No longer an option – it is a must!
- Majority of customers purchase less than 50% of total trip
Fewer Home Cooked Meals Than 30 Years Ago

Change in consumers' cooking habits, 1980-2015

Source: Kantar Worldpanel
Where do we find potatoes?

- Consumer
  - Retail
    - Fresh
    - Center
    - Snack
  - Foodservice
    - Commercial
    - Non-Commercial
    - Grocerant
    - Meal Kits
    - Delivery
Retail
Trends Shaping Retail

✓ Local
✓ Health
✓ Digital/eCommerce
✓ Investing in People
✓ Restaurants in Store

Source: Supermarket News
Fresh Prepared at Retail
Keeping Consumers in the Store

Source: Datassential (2016)
In-store Meal Kits Solutions

Beginning in August 2017, Chef’d launched 2-serving Meal Kits for sale in retail stores.
Implications & Opportunities

What the Market Needs - Retail

🌱 Retail continues to adapt to changing consumer avenues for purchase

🌱 Consumers slow to adopt online for produce

🌱 Fresh ideas to grow the fresh category volume
Foodservice
Support Services

Non-Commercial Trends

- Communicating health
- Values-driven decision making
- Increased use of technology
- Elevated meal experience
- Union/Minimum Wage issues

Sources: Datassential IFMA Foodservice Landscape 2016/2017 (Sep 2016); Food Management
Retail Foodservice

- Trying to crowd out traditional FS
- Not letting any meal occasion go unmet
- Driving retail sales and total store success

Source: Datassential (2016)
Trends in Foodservice
What Chefs are Seeking and Consumers Demanding

- Health Consciousness
- Gluten-Free/Allergen Focus
- Authentic Global Flavors
- Food Halls/Pop Up Restaurants
- Restaurant Delivery Services
Delivery is Becoming Second Nature

Order from restaurant's own delivery service: 68% (Millennials 87%)
Order from 3rd party delivery service: 24% (Millennials 40%)
Implications & Opportunities
What the Market Needs - Foodservice

**Commercial Foodservice:**
- Delivery Services Increase Sales
- Labor and Food Cost Savings
- Abundant Access and Global Flavors

**Support Services in Foodservice:**
- Contract Companies = One Stop Shop
- Higher Education = Tomorrow’s Generation
- Healthcare = Exponential Growth
Thank You!