

Disruptions in the potato sector

27 January 2023

A lower potato production throughout the NEPG zone and little effect of inflation, has up to now led to reasonably good free buy prices for producers. Higher contract prices and additional risks to producing potatoes have already led and will lead to different consequences for the whole potato sector, from seed growers to retail and consumers.

Lower production and so far, little effect of the inflation, on demand and sales of processed potatoes

Final area, yield and production figures show that in spite of a higher hectareage compared to last year (512.400 ha, ie a 2,9 % progress (+ 14.421 ha)), lower yields per ha (-6,3 %) led to a global production of 21,69 million tons (- 5,3 %; ie a reduction of 1,2 million tons).

Demand for potatoes is good, with processing factories throughout North-western Europe eager to buy potatoes whereas processing units work at full capacity.

EU-04 CONSUMPTION POTATOES (Excl. Seed and Starch)									
24 January 2023 year	2017	2018	2019	2020	2021	2022	actual vs l.y.	5y-avge	2022 vs 5y-avge %
Countries NEPG									
Production (x 000 t) 5y avge	22.614	22.614	22.614	22.614	22.614				
Annual Variation	21,9%	(17,7%)	12,8%	4,0%	(2,6%)	(5,3%)			
Total crop	24.346	20.043	22.603	23.501	22.901	21.691	(5,3%)	22.679	(4,4%)
BE - Belgium	5.082	3.475	4.406	4.335	4.429	3.971	(10,3%)	4.345	(8,6%)
DE - Germany	8.720	7.319	7.998	8.555	8.329	7.995	(4,0%)	8.184	(2,3%)
FR - France	6.466	5.956	6.491	6.915	6.895	6.045	(12,3%)	6.544	(7,6%)
NL - Netherlands	4.078	3.294	3.708	3.696	3.248	3.680	13,3%	3.605	2,1%
Hectareage 5y avge	502.886	502.886	502.886	502.886	502.309				
Annual Variation	6,5%	2,5%	4,1%	1,3%					
Total	483.266	495.338	515.541	522.275	498.010	512.431	2,9%	502.886	1,9%
BE - Belgium	95.346	94.428	97.921	96.985	89.649	92.558	3,2%	94.866	(2,4%)
DE - Germany	174.400	178.500	186.000	189.700	183.060	189.000	3,2%	182.332	3,7%
FR - France	137.720	145.260	152.720	158.590	153.913	154.202	0,2%	149.641	3,0%
NL - Netherlands	75.800	77.150	78.900	77.000	71.388	76.671	7,4%	76.048	0,8%
Yield (t/ha) 5y avge	45,1	45,1	45,1	45,1	45,1				
Annual Variation	14,5%	(19,7%)	8,4%	2,6%	2,2%	(6,3%)			
Total	50,4	40,5	43,8	45,0	46,0	43,1	(6,3%)	45,1	(4,5%)
BE - Belgium	53,3	36,8	45,0	44,7	49,4	42,9	(13,2%)	45,8	(6,4%)
DE - Germany	50,0	41,0	43,0	45,1	45,5	42,3	(7,0%)	44,9	(5,8%)
FR - France	47,0	41,0	42,5	43,6	44,8	39,2	(12,5%)	43,8	(10,4%)
NL - Netherlands	53,8	42,7	47,0	48,0	45,5	48,0	5,5%	47,4	1,3%

Growing processor demand for 2023/24, coupled to highly revalued contracts could convince growers to continue planting and producing potatoes.

New or modernized processing units and new factories (recently opened or to open during 4th quarter of this year) have led to historical high contract prices which have gone up by 30 to 45 %! Processors in Belgium, France, Germany and the Netherlands are hungry for more raw material for the rest of the ongoing season and the 2023 – 2024 campaign.

These higher contracts should cover the very much higher production costs and inflation growers are facing. And ensure a continued attractiveness for producing potatoes for the processing industry. Processors will need at least 500.000 tons more in 2023-2024.

Risks facing growers are ever more important and *force majeure* is not always mentioned or included in contracts.

Global warming, the rise of environmental constraints and the structure of potato cultivation on rented land on an annual basis renders potato production more risky and difficult.

NEPG facts and figures (see our last press release in November '22) show that yields per ha have been going down during the last 10 years. The main factor leading to reduced yields is climate change, but in some cases it is also a combination of problems linked to the soil (compaction, less organic matter content, nematodes, too short rotations...). This is a problem which has to be faced by the whole potato chain.

Genetics (most breeders are very active producing new robust varieties, i.e. tolerant/ resistant to blight, more tolerant to abiotic stresses and/or needing less nitrogen (but also resistances to nematodes, virus Y...)) and new/adapted cropping techniques are the main solutions. The use of NBT (New Breeding Techniques) could also help.

The fact that at the very least one third (NEPG estimation) of potatoes are grown on rented land on a year basis, does not always help growers to adapt their cropping techniques, but does also lead to the fact that part of the additional value goes directly into the pockets of lessors or land renters who take zero risk.

Risks are multiple and, on the increase, compared to 10 or 20 years ago. To fluctuating productions and free buy prices (and to a lesser extent changing contract prices), farmers now have to include a series of “new” risks to manage. Risks are now linked to climate change, geopolitical (i.e. the war in Ukraine) and health events (ie the Covid 19 pandemic), access to water, tighter EU regulations regarding fertilizer (mainly nitrogen, be it farm sourced or mineral) and pesticide uses. On top of that, contracts are more different (between processors) and difficult to fully understand than before. Finally, risks are usually (or could be) partly covered by insurances. Relatively simple “hail and storm” insurances are now also more complicated and expensive, having to cover most (all?) of the risks linked to climate change: drought, excessive heat, flooding, erosion and mudflows, ...

Conclusions

Higher contract prices could stimulate higher potato hectareage as well as bigger contracted potato volumes.

Seed growers, starch potato growers and table potato producers could partly switch from their current productions to produce potatoes for chips and crisps.

These developments could lead to profound imbalances throughout the whole of the potato sector.

Seed production costs have risen and there is no indication that buyers will increase the price they pay for seed. This could lead to less seed production during the 2023 season. The seed sector could lose at least 5.000 ha, which would lead to shortages and higher prices for consumption growers in spring 2024. Here also, the problem has to be dealt with by the sector and not only by seed and consumption growers...