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Potato Annual 2013

Report Categories:

Potatoes and Potato Products

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Report Highlights:

China's potato and potato product production remains stable in MY2013/14. China's MY2013/14 Frozen French Fries (FFF) imports are forecast at 133,000 MT, a 12 percent increase from the MY2012/13, due to the growing demand and stable domestic production. The United States continues to dominate China's imported Frozen French Fries.

General Information:

China's fresh potato production in MY2013/14 is forecast at reach 81 MMT, similar to the production in MY2012/13. China's MY2013/14 potato starch is forecast at 350,000 MT, a slight decrease from 375,000 MT in MY2012/13, due to a limited supply of quality fresh potatoes, coupled with China's backward potato storage facilities and processing technology. China's MY2013/14 FFF production is forecast at 125,000 MT, similar to the production in MY2012/13. China's MY2013/14 potato starch imports are forecast at 41,000 MT, 10 percent increase from 37,440 MT in MY2012/13 due to domestic production decline and possible high price. China's MY2013/14 Frozen French Fries (FFF) imports are forecast at 133,000 MT, a 12 percent increase from the MY2012/13, due to the growing demand and stable domestic production.

Food Laws:

Production:

Although China is the largest potato producer in the world, its potato yields are relatively low, about 1/3 of potato yields in the United States. Poor quality of seed potatoes is the major cause of low yields in China. Industry sources note that virus free seed potatoes only account for 20 percent of total seed potato use in China.

Fresh potatoes

FAS/Beijing estimates that China's fresh potato production in MY2013/14 will reach 81 MMT, similar to 81.5 MMT in MY2012/13. Chinese officials have said that potato industry is very important for China's poverty alleviation. The Majority of China's potato production is on marginal land, mainly in mountainous areas with poor soil conditions in China's less developed provinces. However, some larger scale production operations can now be found in more the fertile areas of northeast and south central China. Inner Mongolia, Guizhou, Gansu, Sichuan, Yunnan and Chongqing are top potato producers in China accounting for about 65 percent of China's total potato acreage in MY2012/13.

China's potato production is divided into four zones:

- 1) The Northern single cropping zone- This area accounts for 50 percent of China's total potato acreage. The potatoes produced in this area are mainly used for seed potatoes, table potatoes, and processing;
- 2) The Southwestern mixed cropping zone- This area accounts for 37 percent of China's total potato acreage. The potatoes produced in this area are mainly used for processing and consumed as a grain;
- 3) The central double cropping zone-, This area accounts for eight percent of total acreage. The potatoes produced in this area are mainly for export and consumed as a vegetable;
- 4) The winter cropping zone- This area accounts for five percent of total acreage. The potatoes produced in this area are mainly for export and vegetable consumption.

Processed potatoes

Processing potatoes account for about 10 percent of total production, with starch, chips, Frozen French Fries (FFF) and dehydrated potatoes as the most prominent products. According to industry statistics, China processed over eight million metric tons of fresh potatoes in MY2012/13.

Potato starch

China's MY2013/14 potato starch is forecast at 350,000 MT, a slight decrease from 375,000 MT in MY2012/13. Although China's potato starch producing capacity is over one million metric tons, its actual production fluctuates between 350,000-500,000. This is due to a limited supply of quality fresh potatoes, coupled with China's backward potato storage facilities and processing technology.

Frozen French Fries (FFF)

China's MY2013/14 FFF production is forecast at 125,000 MT, similar to the estimated 120,000 MT in MY2012/13. FFF production has strict requirement on fresh potatoes regarding shape, starch content, sugar content, and color. Therefore, processors usually contract farmers to plant potatoes for FFF processing and purchase potatoes from farmers after harvest based on previously negotiated quality requirements. Industry sources indicated that processors were cautious offering contracts to farmers this past March due to the outbreak of H7N9. The outbreak hampered fast food business, especially KFC and McDonalds, who are largest buyers of FFF products. As a result, industry expects China's FFF production in MY2013/14 will remain stable from MY2012/13 production.

Potato Chips

China's potato chips production increased rapidly in recent years driven by strong market demand. Post estimates China's production of sliced potato chips and fabricated potato chips is 175,000 MT and 200,000 MT respectively in MY2012/13, a 10 percent and 11 percent increase from previous year, respectively. China has over 50 sliced potato chip processing lines and 100 fabricated potato chip processing lines.

Consumption:

Fresh potatoes are primarily consumed as a vegetable, used as a carbohydrate source (similar to grain), used for seed, used for animal feed or processed materials. Industry sources note that about 60 percent of fresh potatoes are used for table consumption (vegetable and grain), seven percent for seed potatoes, eight percent for animal feed, 10 percent for processing. It is estimated that 15 percent of the potato crop is lost in storage..

After years of rapid increase, China's FFF consumption has recently slowed due to food safety concerns about western style fast food. There is no doubt that western style fast food is well received by China's young generation. However, parents are concerned about food safety issues and prefer to provide healthier food to children. Industry believes China's FFF consumption will continue to increase in the future, however at a more moderate pace.

Potato starch is widely used in the food industry to make industrial materials as well as food products. It is also consumed by other industrial sectors such as textiles, paper milling, chemicals, and pharmaceutical products. Industry indicates that potato starch consumption fluctuates with price since potato starch can be easily substituted with other starches, such as corn starch and bean starch.

Trade:

Imports

Potato Starch: FAS/Beijing forecasts China's MY2013/14 potato starch (H.S. code: 11081300) imports at 41,000 MT, 10 percent increase from 37,440 MT in MY2012/13 due to domestic production decline and possible high price. Industry sources note that farm gate price of starch potatoes is around RMB800/MT in the new season, about 10-15 percent higher than last year. Industry expects high domestic potato starch prices in the new marketing year, which may increase potato starch imports.

China first imposed anti-dumping duties on imported potato starch from the EU in 2007. After the duties expired, the MOC launched a review of its anti-dumping measures on Feb. 3, 2012 at the request of the China Starch Industry Association. On February 5, 2013, the Ministry of Commerce of China announced that it would extend anti-dumping duties on potato starch imported from the EU for another five years.

Please refer to GAIN CH12076 for more background information on the antidumping case.

Frozen French Fries (FFF): FAS/Beijing forecast China's MY2013/14 FFF imports (H.S. Code: 20041000) at 133,000 MT, a 12 percent increase from the MY2012/13 of 119,091 MT, due to the growing demand and stable domestic production. The United States continues to dominate China's imported FFF market, accounting for 79 percent of total imports in MY2012/13. Canada, Belgium, and the Netherland combined account for 17 percent of China's total FFF imports in MY2012/13.

Industry contacts are optimistic on U.S. FFF exports to China because the price gap between imported FFF and locally-produced FFF has narrowed to around 15 percent from over 40 percent years ago. According to industry sources, the farm gate purchase price of FFF potatoes increased 20 percent to RMB650/MT in the new season. Industry expects the price of China's domestically produced FFF continue to increase in MY2013/14, which will make imported FFF more competitive

compared to locally-produced FFF.

Fresh Potatoes: No substantial progress has been made on U.S. table potato market access to China. No country has access to China's market.

Exports

China exports small volumes of potato and potato products. China's exports of fresh potatoes have been leveled off at 300,000- 350,000 MT since MY2005/06. This is a very small amount considering that China produces over 80 MMT annually. Malaysia, Vietnam, and Russia are the three largest export markets for China, and accounted for 75 percent of China's total fresh potato exports in MY2012/13.

China's MY2013/14 FFF exports are forecast at 16,000 MT, a slight increase over the 15,888 MT exported in MY 2012/13. Japan continues to be the largest buyer of China's FFF, accounting for 71 percent of China's total exports in MY2012/13. Industry contacts indicate that the majority of China's FFF exported to Japan is mainly sourced from the United States.

Marketing:

Quick Service Restaurant (QSR) chains have been the largest buyers of frozen potato products in China, along with hotels, restaurants, and bars. For longer-term development, the addition of China-based QSRs should provide more opportunities for incorporating frozen, dehydrated, and chipping potatoes into their menus.

While FFF are available at certain retail outlets, at-home consumption of FFF is still limited. At-home dehydrated potato consumption could increase significantly but currently has only a very small base. Industry marketing campaigns should target middle class groups with greater exposure to Western media and younger generations that prefer convenient foods and are therefore more likely to incorporate western style food into their diets.

Production, Supply and Demand Data Statistics :

Fresh Potatoes					1000 HA, 1000 MT	
	2011		2012		2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Market Year Begin		09-2011		09-2012		09-2013
Area Planted	0	5,505	0	5,205	0	5,200
Area Harvested	0	5,505	0	5,205	0	5,200
Beginning Stocks	0	0	0	0	0	0
Production, Commercial	0	85,530	0	81,540	0	81,000
Imports	0	0	0	0	0	0
Total Supply	0	85,530	0	81,540	0	81,000
Exports, Fresh	0	357	0	360	0	350
Processing	0	8,550	0	8,150	0	8,100
Domestic Fresh Market	0	51,300	0	48,900	0	48,600
Feed Waste	0	25,323	0	24,130	0	23,950
Total Dom. Consumption	0	85,173	0	81,180	0	80,650
Ending Stocks	0	0	0	0	0	0
Total Distribution	0	85,500	0	81,540	0	81,000

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Potato Products, Frozen					MT	
	2011		2012		2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Market Year Begin		09-2011		09-2012		09-2013
Beginning Stocks	0	0	0	0	0	0

Production	0	100,000	0	120,000	0	125,000
Imports	0	123,543	0	119,091	0	133,000
Total Supply	0	223,543	0	239,091	0	258,000
Exports	0	15,506	0	15,888	0	16,000
Domestic Consumption	0	208,037	0	223,203	0	242,000
Ending Stocks	0	0	0	0	0	0
Total Distribution	0	223,543	0	239,091	0	258,000