

Organic Potato Markets

Joe Guenthner, Keith Esplin, Jennifer Miller and Gina Greenway

“How many of you bought an organic food product in the last month?”

We asked that question at Idaho Potato Conference workshops last winter. Nearly all the audiences – mostly males involved in the potato industry – raised their hands. The customers for organic foods are all around us and there are getting to be lots of them.

What used to be a small market is rapidly growing into a big one. Sales revenue for the largest organic foods retailer – Whole Foods Market – increased 20% last year. Some analysts say that the entire organic foods category is also expanding at that same 20% per year rate.

While consumers buy organic foods because they think they are healthy, retailers sell organic foods to make money. Whole Foods Market’s profits increased 50% last year. Other retailers are jumping into organics to reap some of those profits.

At the other end of the marketing chain growers are seeking profits too. High prices are enticing some to enter the organic potato business. Those prices can be seen on a Rodale Institute® web site: www.newfarm.org/opx.

Here is a recent Rodale price example. For the week of July 3, 2007, wholesale prices in three U.S. cities ranged from \$15.50 to \$16.00 for fifty-pound cartons of 70-count russets. The prices in those same places for certified organic 70-count russets ranged from \$47.00 to \$59.75 per fifty-pound carton.

Of course, like other potato markets, a small increase in supply could send organic potato prices tumbling down. Organic potato production is a small part of total production and it would not take much to flood the market.

In 2000, U.S. growers planted 5,400 acres of certified organic potatoes, which is only 0.4 % of total U.S. potato plantings. The next year organic acreage increased to 7,500 acres, but fell below that for the next four years (Figure 1). Apparently, potatoes have not been part of the rapid growth in organic foods.

California was the largest organic potato state, with average acreage at about 3,000 during that period. The average Idaho organic potato acreage was 365.

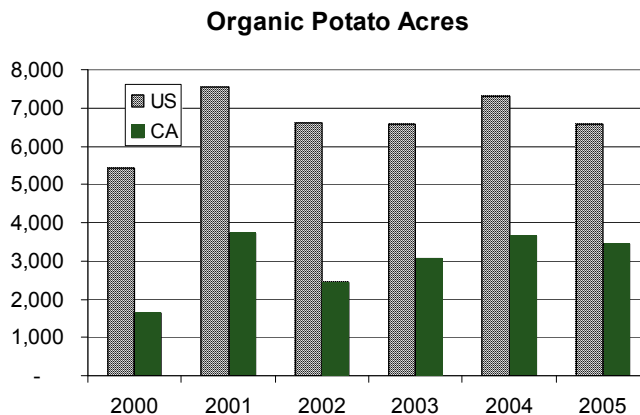


Figure 1

Plantings may have been flat because it is difficult and expensive to grow organic potatoes. Organic certification requires that no prohibited substances (synthetic fertilizers and pesticides, etc.) have been applied to the field for 36 months prior to potato harvest.



Mike Heath speaks at an organic potato field day near Buhl, Idaho.

It takes a whole new management system to grow and market organic potatoes. Longer rotations are required to build up soil fertility and to prevent disease and insect problems. Marketing may require more effort than growers need for conventional potatoes.

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Since it takes considerable time, money and expertise to grow organic potatoes, market information is important. In order to help Idaho growers learn more about marketing organic potatoes, the USDA Western Center for Risk Management Education funded a 2006-07 project

under the leadership of Jennifer Miller of the Northwest Coalition for Alternatives to Pesticides and Potato Growers of Idaho's Keith Esplin.

The project included interviews with organic potato growers and organic potato buyers. Here are some of the highlights of those surveys.

Grower Survey

During the past winter and spring, Gina Greenway, from the University of Idaho, conducted phone interviews with five organic potato growers in Idaho and several growers in other states. One Idaho grower produced his first organic potato crop in 2006. Another had been growing organic potatoes for 24 years. The Idaho operations were in Eastern Idaho, the Magic Valley and the Treasure Valley.

Production risk. Yields and insects were at the top of the growers' production risk concerns. Storage, weed control and labor shortages for weed control also concerned some of the growers.

Yields. Average organic potato yields for the growers who participated in the survey were: russets 274 cwt/acre, reds 285 cwt/acre and yellows 250 cwt/acre.

Market risk. The risk of below-cost prices and finding buyers were the two main market risk worries. Other concerns included the ability to meet certification standards, markets for rotation crops and slow payment.

Organic potato demand. Three of the five Idaho organic growers thought that the demand for organic potatoes was increasing. Two of the five had not been able to sell all of their potato crop in the organic market. Only one thought that there was unmet demand for organic potatoes.

Rotation crops. Idaho organic potato growers also produced organic wheat, barley, alfalfa and

beans. They said that demand was strong for organic alfalfa going to organic dairies. One grower reported increasing contract prices for organic wheat.

Comments. According to Idaho growers who participated in the survey ...

"The costs are high ... it is labor intensive."

"During the transition period you have reduced yield and quality but no premium to offset costs."

"Fertilizer can cost \$700 per ton."

"Demand is increasing ... if we don't capitalize on this opportunity then someone else will."

"We need more Idaho producers."

"Marketing is huge."

Buyer Survey

Gina Greenway also conducted phone interviews with 23 organic potato buyers during the past winter and spring. Twenty-one of the respondents purchased organic potatoes for the fresh market and three bought for the processed market. Ten of the buyers were based in California and others were in Idaho, Oregon and Washington. Here are highlights of what those survey respondents said.

Organic potato demand. Twenty of the 23 buyers thought that organic potato demand was increasing. When asked if they ever experienced a shortage of organic potatoes (other than seasonal) 23% said 'yes.'

Potato type preferences. The strongest buyer preference was for russets, followed by reds, then yellows. There is also some demand for fingerlings, purples and other specialty organic potatoes.

Size preferences. Surveyed buyers' top size preference was for medium-sized organic potatoes. Next in order were 'large' then 'small' organic potatoes.

Appearance preferences. When asked "Are you more tolerant of appearance flaws such as blemishes and discoloration when dealing with organic potatoes?" 52% said 'yes.' Some said appearance is becoming more important.

Packaging preferences. The strongest buyer preference regarding packaging was for organic potatoes packed in 50-pound cartons. Next were 5-pound poly and 3-pound poly packs.

State source preference. Fourteen of the 23 buyers had a state preference when purchasing organic potatoes. The top preference was Idaho. Some buyers preferred California, Oregon and Washington.

Supplier contact before planting. When asked if they would prefer that suppliers contact them before planting organic potatoes, 18 of the 23 buyers said 'yes.'



Organic Idaho potatoes

Comments. The organic potato buyers who participated in the survey have the following advice for Idaho growers who are considering organic potato production.

“Contact grocery chains and get a year-round contract if you can.”

“The organic market is not that big, have an established plan before planting.”

“Get information out to buyers, make sure you have a home before you go to the expense of growing and do your homework.”

“Know your competition and do your market research.”

“Have a marketing plan and a place to go before production. Know costs in detail.”

“Establish a marketing plan first ... don’t do a great job growing then fall into the trap of not having a market.”



Organic potatoes growing near Boise, Idaho.

Conclusions

The organic potato market is small but could expand soon. Idaho growers who are interested in organic potato production should develop a marketing plan. Idaho fresh shippers are becoming more interested in organic potatoes. Working with an organic shipper should be high on the list of priorities for growers interested in going organic.



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This project was conducted by Joe Guenthner and Gina Greenway in the Agricultural Economics & Rural Sociology Department at the University of Idaho, Jennifer Miller at the Northwest Coalition for Alternatives to Pesticides and Keith Esplin at Potato Growers of Idaho. For more information, please contact Jennifer Miller at (208) 850-6504 or jmiller@pesticide.org.

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