

## **Potato Raw Material Market season 2006-2007**

### **Crop results**

Compared to the last season the forecast for the European potato crop is down by Europe 8 million ton less. This is approximately 25% less than the 2005-2006 season (33.4 million tonnes), which was already less than the 2004-2005 season (36.3 million tonnes).

The main reason for this dramatic shortage was the weather. The hot summer in mainland Europe prevented a large part of the crop from growing sufficiently and heavy Autumn rains caused secondary growth, 'glass potatoes' and many other problems. Those potatoes that have been harvested are small and have low solids thus causing storage problems. Potatoes with a high moisture content deteriorate much more rapidly than normal.

January's warm weather has also caused storage problems as the high temperatures are accelerating the deterioration of stored potatoes. While stored, the potatoes are kept cool by circulating air throughout the storage sheds – the external air is too warm for satisfactory long-term storage and the higher temperature encourages the potatoes to sprout or simply rot. To remedy this potatoes have to be sorted and repositioned for storage, alternatively the temperature in the storehouses could be refrigerated by both solutions incur substantial extra costs.

### **Short term expectation**

In general there is a race against time to take raw potatoes out of storage and process them as quickly as possible but with processing plants working to capacity it is inevitable that a large tonnage of potatoes will be unsuitable for production this season.

Because of all these problems the price of potatoes has already increased substantially and will continue to increase as the season progresses.

Increasing prices have not slowed down demand. As the difficult situation relates to the whole of Europe it is impossible to obtain sufficient supplies from neighbouring countries to meet the demand. Globally, demand for raw potatoes remains high and no downturn is anticipated so the situation cannot be resolved from outside the EU.

### **Future Prices**

Accurate forecasting is too difficult at the moment because there are so many uncertain factors. If there is a late winter this year then farmers will not be able to plant seed potatoes until March. We need the early varieties of potatoes from the end June/early July to compensate for the old potatoes which will certainly be no longer available from storage.

The industry has already covered their needs for the season with contracts for new potatoes from the southern countries in Europe. These potatoes are very expensive and, with increased transport costs also, the sales price is likely to rise from today's level of Euro 1.15 to 1.25/kg. by the end of the crop.

### **Next season 2007-2008**

Due to the poor quality of potatoes and an increase in viruses there will be a lower tonnage of seed potatoes available for the new season. Some seed potatoes have already been processed because of the shortage of good quality potatoes.

Therefore the prices of seed potatoes have already doubled.

Undoubtedly there will be a lower tonnage of potatoes planted next season due to the seed potato problems. We anticipate that prices for the next season will remain a higher level than previous years.

If we incur further problems in the new season, particularly with regard to the weather, we will certainly experience another very difficult season.