



POTATO GROWERS OF CANADA

LES PRODUCTEURS UNIS DE POMMES DE TERRE DU CANADA

As The Pipeline Empties

At planting time for the 2017 potato crop, some producers are done shipping their 2016 crop, others have two months to go, and still others will deliver late contracts by summer's end. History shows that it is always easier to move price and profitability in a new year when the pipeline is able to empty itself of old crop in a fashionable and timely manner. In fact some would go as far as saying that one load short at the back of the warehouse would be better than two at the front of the bin in the new crop. In years with a glut of potatoes, it becomes exceedingly difficult to manage marketing and price structure as quality deteriorates and new spuds advance towards the marketplace, however not so this season.

This year has great potential to end up with strong propensity, due to the equality of supply of Canadian potatoes from the 2016 crop as compared to the market demand. Some factors were internal; others were outside of industry's control. From within, growers made very good sound decisions with regard to planted acreage last spring. Overall potato acreage in Canada was down .4% (-1,500 acres).

Externally, Mother Nature continued her colossal role with a major drought in Ontario, and extreme rainfall in the Red River Valley.

However, exceptional growing conditions in Manitoba, Alberta, and British Columbia, actually boosted overall production in Canada by half of one percent (half million hundred weight). Therefore it is the final factor that created strong movement for our Canadian crop – demand and currency exchange values for both fresh and processing potatoes. Demand has been strong for fresh potatoes from harvest onward, with monthly export data consistently surpassing that of a year ago. No doubt, the value of the value of the Canadian dollar is intertwined in that equation, as exports to the U.S. surged earlier in the year. They have now dropped back to slightly ahead of seasonal, as Canadian fresh stocks dwindle. Similarly, demand and currency exchange have driven the processing sector as well. Plants continue to run hard exporting

French fries being sold with a Canadian dollar value of \$.74 (\$1.35U.S.). Processors have seized the opportunity and have announced several expansions, something we have not seen much of, in several years. North American frozen exports have been growing for sometime, but interesting this time around is an increase in domestic demand, driven by innovative marketing and an overall general improvement in the economy for consumer spending. At any rate, the processing industry will need all the remaining spuds in the pipeline to make “sold out” finished product.

The final consideration in how fast the pipeline empties, is the speed of the approaching new crop. This year’s velocity is not swift. The Columbia Basin generally leads the new market entrance and this spring their crop is about two weeks behind due to wet soil conditions. Idaho is a week to ten days behind with cooler temperatures. In Canada, only Alberta and Manitoba crops were planted on schedule. BC is about two weeks behind due to rainfall excess. Ontario had difficulty getting their early crop planted in the sand lands. Quebec experienced flooding in some areas and on Victoria Day weekend PEI and NB were just getting nicely started. In summary new crop coming into the pipeline is neither early nor excessive.

In conclusion, while recognizing that no two years are ever the same, it is always important to be aware of the supply of potatoes in other areas besides your own. Taking time to do this should affect your marketing decisions and certainly will affect your bottom line. Don’t hesitate to ask our organization for more information.

Have a safe and productive growing season.

Kevin