

Colorado Producers During COVID-19:

A Closer Look at the Potato Supply Chain

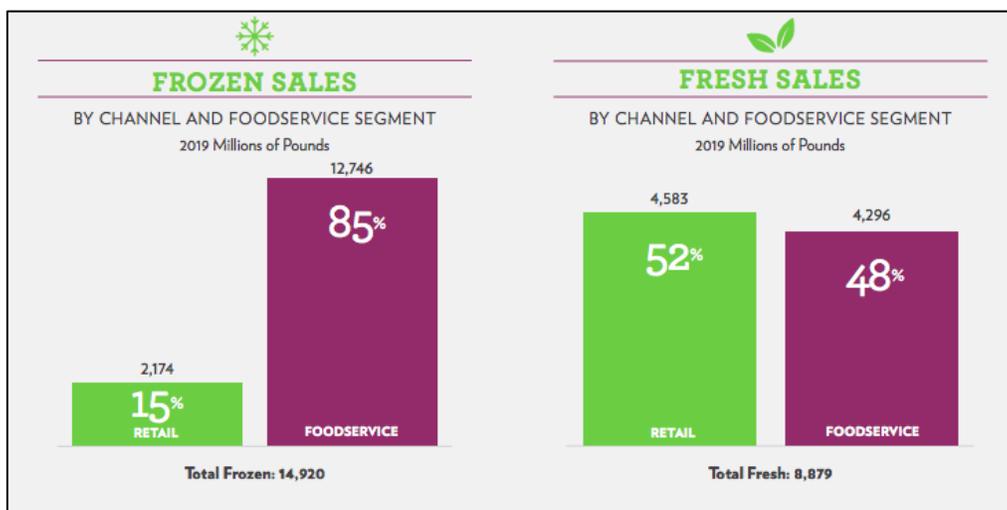
The COVID-19 pandemic has brought on many unexpected challenges to producers and food supply chains across Colorado. This fact sheet series provides an in-depth look at changes and adaptations experienced by commodity groups and individual producers.

Overview

Colorado is the 6th largest potato producer in the U.S. and the largest U.S. state exporting to Mexico. Farmers in the San Luis Valley and northeastern Colorado produce hundreds of varieties on 50,000-65,000 acres per year, with 10,000 of those acres used for seed potato production (potatoes grown in Colorado and sold to Colorado growers to ensure future years of quality and disease-free potatoes).

Ninety-five percent of Colorado potatoes are shipped fresh, meaning they are not processed into French fries or other products, making it the second largest fresh market-producing state in the U.S. Colorado potatoes go primarily to the U.S. retail market, such as grocery stores. Other large potato-growing states, including Washington and Idaho, mainly sell their potatoes to frozen potato processors that supply schools and restaurants. Overall, U.S. potato industry sales are approximately \$4 billion, with nearly 60 percent going to food service.

U.S. fresh and frozen potato sales in a typical year.



Source: [Potatoes USA](https://www.potatoesusa.com/)

Colorado potatoes are planted in April and May and are typically harvested from September to November. Growers and shippers market their own potatoes and store them in cooperative warehouses for future sales.¹ Although most potatoes grown in Colorado are russet varieties, there are many diverse types including yellows, reds, whites, fingerlings, and others.

Varieties of Potatoes grown in Colorado, by quantity produced

Russets	81.9%
Yellows	10.3%
Reds	5.1%
Mixed & other (whites, purples, fingerlings)	2.7%

Source: Colorado Potato Administrative Committee

COVID-19 impacts on planting, harvest, and storage

Any disruptions now could result in shortages later...

By the time the magnitude of the coronavirus pandemic and its impact on the supply chain became discernible, producers began to worry that there was going to be too much supply. By this time, however, most farmers had already rented and prepared their fields and purchased their potato seed, leaving them unable to adjust planting for the season. Where farmers did reduce planting, potato seed growers were impacted through either cancelled or reduced orders, which left them with a large amount of unsold seed. Accordingly, seed production won't increase for next year since seed growers are reluctant to grow more for the 2021 season than they were able to sell during 2020.² Therefore, even with uncertain demand for potatoes this fall and winter, Colorado expects a typical 50,000 acres in production for 2020, with harvest expected to begin in September.³

The Colorado Potato Administrative Committee reported COVID-19 outbreaks in at least three potato warehouses in the San Luis Valley, with the first occurring during the week of May 15. This first outbreak resulted in the warehouse being closed for two weeks, to insure all employees were healthy when they returned to work. However, because the company has multiple warehouses, they decided to close the warehouse where breakouts occurred for the remainder of the season.

The closure severely limited warehouse operations as new sanitation and worker hygiene measures were implemented (including social distancing, face masks, temperature checks, and wellness screenings). This has caused a delay in the process of packing potatoes, and less shipments per day to distribution centers, who supply grocery stores.

COVID-19 impacts on markets

When will we be back to business as usual?

Going into the pandemic, retail demand and prices for fresh potatoes were strong, with predictions that shippers would finish distributing the 2019 crop by July 2020. However,

COVID-related changes in consumer purchasing behavior spurred a 15 percent spike in table potato shipments given a limited supply of storage potatoes. Table stock potatoes are stored at low temperatures in order to maintain their quality and appearance over an extended storage period so they are ready for sale on the fresh market throughout the year. Potato shippers work from this inventory from harvest until the following season’s harvest. Thus, potato stocks are established for up to one year prior to any potential changes in demand.

Due to a decline in the demand for foodservice potatoes, there is now excessive fresh market volume in storage, resulting in an oversupply of 1.5 billion pounds of potatoes originally destined for foodservice. In addition, stay-at-home orders early in the pandemic significantly decreased the demand for frozen potatoes which are typically sold for foodservice. As a result, the bulk of U.S. potatoes, normally sold into the frozen market, are now being reoriented to fresh market sales. Experts estimate that North American processors now have an excess of 10 million cwt (hundredweight) of potatoes. They are working to divert those potatoes to other uses, and expect to be running storage potatoes through September 15, 2020 or later.⁴ If demand for frozen market potatoes continues to be slack, the potato industry could see an overlap between the old and new crop, leading to overstocked freezers and warehouses, in conjunction with idle processing facilities.

The USDA's Economic Research Service suggests “a messy end to the 2019/20 season and a sluggish start to the 2020/21 season” because foodservice demand for both fresh and frozen potatoes is much lower than usual.⁵ Fresh and frozen potato sales in the retail market have seen double-digit dollar and volume growth, but it is not sufficient to make up the entire decrease in loss in demand from the foodservice sector.⁶ As restaurants and schools begin to reopen, demand will increase in the coming months, but may create market uncertainty for farmers who grow potatoes specifically for processing, as they need to make early production decisions about the amount of potatoes they can sell.⁷ Producers will need to develop various strategies to manage price and market risk, including using contracted prices to limit downside price risk, and expanding markets from one to several buyers to hedge against future demand disruptions.

Continued double-digit dollar and volume sales growth in retail potatoes, week ending May 31.

Top 10 produce items in absolute dollar growth w/e 5/31/2020	Versus comparable week in 2019		
	Dollar growth vs. same week year ago	Dollar growth w/e 5/31/20	Volume growth w/e 5/31/20
Cherries	+\$24M	+57.3%	+57.5%
Berries	+\$22M	+16.6%	+14.0%
Lettuce	+\$21M	+14.1%	+13.0%
Tomatoes	+\$16M	+22.8%	+17.8%
Potatoes	+\$14M	+26.9%	+14.9%
Oranges	+\$12M	+73.9%	+75.0%
Peppers	+\$10M	+25.8%	+32.7%
Mushrooms	+\$6M	+30.5%	+26.8%
Avocados	+\$6M	+12.4%	+29.3%
Onions	+\$6M	+14.5%	+23.2%

Source: IRI, Total U.S., MULO, 1 week % change vs. YA

Source: Potatoes USA

Federal assistance to mitigate risks to the potato supply chain

On May 4, 2020, the USDA announced a \$50 million surplus potato purchase to support the industry. National Potato Council CEO Kam Quarles explains that the potato industry is “reeling from an oversupply of processing potatoes left over from the 2019 harvest.” The surplus federal purchase is a much needed “down payment” for individual farms who are donating potatoes to those in need, despite their own worries of sales losses. In a [letter](#) to U.S. Secretary of Agriculture Sonny Purdue, the potato industry urged action on the surplus purchase with a bump of 1 cent to 4 cents per pound of potatoes, a comparable rate to that offered for sweet potatoes.

On May 18, 2020, the White House announced details of the Coronavirus Food Assistance Program which will provide up to \$16 billion in direct payments to farmers and ranchers affected by COVID-19. This payment, however, excludes seed potato growers, which are vital for future potato crops. The potato industry is urging the government to provide “meaningful” direct payment relief that recognizes market price declines of 5 percent or more tied to the impact of COVID-19 on growers who cannot fully benefit from the surplus purchases. ⁸ Quarles states that, in addition to the surplus purchase and payouts, an estimated \$300 million is still needed to stabilize market prices and to reduce backlogging.

Stories from the field

Les Alderete
General manager
Skyline Potato, Monte Vista, CO

“There is going to be long term ripple effects. All major potato states including Colorado have had a short crop this year and when the virus hit, it shut off food service sales, which makes up 58-60 percent of market sales. Now these potatoes have nowhere to go, making an oversupply situation, so we are trying to find ways to absorb them into the retail side of the market.

On the retail end, each year we are seeing more and more people shift to buying smaller bags of potatoes. With that, we are losing volume demand, and are needing to look at new supply and demand changes.

We need to ask how we can shift a foodservice customer to a retail one. For example, now that more people are eating at home, Potatoes USA is currently trying to reach people with easy recipes and education. Bottom line, our biggest push is nutritional education, telling consumers on how healthy a potato really is, and all the ways you can easily eat them.

Jamey Higham
CEO
Farm Fresh Direct, Monte Vista, CO

“Potatoes were one of the hot items to stock up on. At the time, it made me nervous because Colorado was dealing with a short crop and we had to ship more potatoes than we planned, so it caused worries about having enough potatoes at the end of the season.

The challenge for next year is for other states like Idaho and Washington that provide potatoes for foodservice buyers, who were shut down. Potatoes meant for restaurants and the like are suddenly being dumped on the fresh market. Potatoes that are grown to be packed fresh are a lot different than ones packed for frozen products. Foodservice is down so much around the world and its starting to affect the potato prices in Colorado. For example, a month ago 70 lbs. of potatoes might have been about \$20/box in Idaho, but now is significantly less. That means Colorado can't sell potatoes at a higher price if other competing states have lower prices.

If we had extra funds to combat this virus, I'd want to add more safety materials for our packing facilities, protecting them from getting sick. They are on the front lines trying to provide food to the country; we want them to feel safe and comfortable.”

Miguel Diaz
Co-Owner
Diaz Farms, Monte Vista, CO

“This pandemic is a first for the farm. It’s crazy times, and we’re taking it one day at a time. I think the supply chain has definitely been interrupted, and we will feel the effects more in the fall and into the following year. I think potatoes will be fine, but as far as the whole agricultural industry goes, there will be sectors doing a lot of marketing changes. I think there will be some new opportunities but also challenges, so there will be a balance between the two. It’s a bit early to say for certain. One of my concerns is safety, protecting our workers and following guidelines. We just planted our fields with no problems inwith labor, but it will become a challenge come harvest. Keeping people employed to get our product out is important, but I would like to see more mechanized production so less employees would touch the product, and everyone would feel safer. Farmers and ranchers are doing everything they can to bring a safe product to homes.

Sources

- 1 [Colorado Potatoes History](#)
- 2 Spudman Magazine: [Too late to change planting plans despite pandemic plunge](#)
- 3 [Potato News Today: Covid-19 brings mixed news for CO potatoes](#)
- 4 [Acuitus Ag: Why are farmers dumping commodities when grocery store shelves are empty?](#)
- 5 [Roll Call: Potato farmers seek changes to USDA’s Covid-19 payments](#)
- 6 [Potatoes USA Potato sales at retail see a 9% increase in volume since July 2019.](#)
- 7 [Roll Call: Potato farmers seek changes to USDA’s Covid-19 payments](#)
- 8 [USDA announces \\$16 Billion in Direct Support to Food Producers](#)

This article was written by Sarah Ehrlich, Martha Sullins, and Becca Jablonski.
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