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Netherlands

Frozen Potato Products

Annual

2003

Approved by:
Roger Wentzel
U.S. Embassy, The Hague

Prepared by:
Marcel Pinckaers

Report Highlights:
This year's drought and high temperatures are expected to lead to the lowest potato yield in the Netherlands in 20 years

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Includes PSD Changes: Yes
Includes Trade Matrix: No
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[NL]

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Executive Summary

Due to a lower harvested acreage and low yield as a result of drought, total production of potatoes in the Netherlands is expected to be the lowest in the past two decades. Consumption of fresh potatoes is decreasing while consumption of added-value potato products is growing. Export to traditional markets like the UK, Germany and France is growing slowly. New opportunities are to be found in Southern Central and Eastern Europe.

Exchange Rate			
Year	**U.S. $**	**EURO**	**Dutch Florin (guilder)**
1999	1	0.94	2.07
2000	1	1.09	2.39
2001	1	1.12	2.46
2002	1	1.06	-
2003	1	0.88	-

Note: For 2003 exchange rate is only available for the first nine months

Production

The harvested acreage of potatoes is estimated this year at 157,129 hectares, 4 percent lower than last year. This estimate is based on actual planted acreage of potatoes; the historical average of harvested acres is ninety-seven percent of the planted and no deviations are expected for this year.

Total potato production in the Netherlands includes the production of starch, consumption and seed potatoes. The harvested acreage for the various potatoes is shown in table 1.

Table 1: Harvested Acreage for Starch, Consumption and Seed Potatoes

	Year	Harvested Acreage (Ha)	Yield Kg/Hectare	Total Production Metric Tons
Total Potatoes	2001	161,665	43,400	7,015,253
	2002	164,308	44,800	7,362,738
	*2003	157,129	40,723	6,398,800
Seed Potatoes	2001	5,974	33,900	202,659
(sandy and peat soil)	2002	4,809	30,400	146,204
	*2003	3,873	24,278	94,030
Seed Potatoes	2001	32,772	35,800	1,173,953
(clay)	2002	33,939	35,000	1,188,754
	*2003	33,367	31,389	1,047,365
Consumption Potatoes	2001	20,752	50,400	1,046,493
(sandy and peat soil)	2002	26,319	50,800	1,336,877
	*2003	21,200	40,942	867,970
Consumption Potatoes	2001	54,298	46,900	2,545,292
(clay)	2002	50,643	51,500	2,610,554
	*2003	49,689	46,284	2,299,801
Starch Potatoes	2001	47,869	42,800	2,046,856
(all)	2002	48,598	42,800	2,080,359
	*2003	49,000	42,800	2,097,200

*FAS estimates Source: Central Bureau of Statistics, 2003

The yield per hectare of potatoes is expected this year to be 41 MT, 9 percent lower than last year. Among different potato classes, the yield of consumption potatoes is expected to fall the most, down thirteen percent from 2002. That yield would be the lowest in the last two decades. Due to the drought and high temperatures of this year's summer, there will be fewer potatoes and harvested potatoes will be smaller.

Due to the reduced harvested acreage and lower yield, total production of potatoes in the Netherlands is expected this year to be 6.4 million MT, 13 percent lower than last year.

Processing

Total production of potatoes in the Netherlands in 2002 was almost 7.4 million MT. The production of starch, consumption and seed potatoes in that year was 2.1, 3.9 and 1.3 million MT respectively. Approximately 25 percent of consumption potatoes were consumed fresh and another 25 percent were exported fresh. The remaining 50 percent (2.0 million MT) have been used for further processing.

In addition to the domestic supply, slightly over 1.0 million MT potatoes were imported for processing. Imports come from neighboring Germany and Belgium. Imports are needed to fully utilize processing capacity of french fry processors. Since domestic supply of potatoes for consumption will be considerably lower this year, additional imports are expected to come from Eastern Europe.

Table 2: Output of Potato Products, 1,000 MT

	2001	2002	2003*
Pre-fried products	1,381.7	1,326.3	1,522.0
Other products	140.1	186.4	188.1
Total potato products	1,521.8	1,512.7	1,710.1

*FAS estimates Source: Dutch Potato Processors' Association

In 2002, the total volume of potatoes (raw material) used for processing was 3.1 million MT, similar to 2001 figures. The production of pre-fried products was 1.3 million MT (product weight) of which, according to the Dutch industry, an estimated 85 percent (or 1.13 million MT) were french fries.

Based on this year's lower production, the quantity of potatoes used for the production of french fries is estimated to fall by 20-25 percent. The processing industry will seek to avoid (1) underutilization of processing capacity and (2) inability to supply preferred customers in the food service and retail sectors, many of whom hold long term contracts. Nonetheless, the drop in production of processed products should be substantial. Drought and high temperatures that have reduced Dutch yields have likewise affected neighboring countries. While industry contacts believe some additional imports may be sourced from Eastern Europe, the cost of importing from more distant origins will limit quantities.

In addition to reduced processing, it is expected that higher prices will lead to reduced consumption of fresh potatoes, fewer potatoes will be exported and the compound feed industry will use fewer potatoes.

Industry

The global production of french fries is dominated by North American companies, which account for two thirds of the production. **Cosun**-owned **Aviko** and **Farm Frites** are the only Dutch-based global french fry concerns. Among Dutch french fry producers the **McCain** joint venture, **Lamb Weston/Meijer**, along with the strategic alliance **Simplot/Farm Frites** and **Cosun's Aviko** account for 96 percent of all production. Agristo, Al-food and Oerlemans account for the remaining 4 percent.

Table 3: Global Market Share of the Top 4 French Fry Producers

Company	Global Market Share
McCain	28%
Lamb Weston/Meijer	20%
Simplot / Farm Frites	11% / 5%
Aviko	6%
Other	30%

Source: Magazine Boerderij/Akkerbouw, 2002

In order to supply increasing demand for french fries in Southern Europe and Central and Eastern Europe, the industry is expanding processing capacity. Further expansion is, however, unlikely in the Netherlands. Due to the high cost of transport, locations for new french fry plants are generally established close to production areas of potatoes. The production area of potatoes is in slow decline in the Netherlands, and full capacity is already in place to process Dutch potatoes. Industry expansion and new processing capacity is gravitating southward to supply growing demand in the Mediterranean countries. Other investments are being made outside the European Union (EU) in countries like Poland to meet the growing demand in Central and Eastern Europe.

Consumption

The Dutch french fry industry depends heavily on the following three consumer markets: the UK, Germany and France. These three markets buy over 60 percent of Dutch french fries. New opportunities have arisen in the Southern European countries Spain and Portugal. Quick service restaurants are spreading across Southern Europe and french fries usually form part of menus ordered at these outlets.

Figure 1: Leading Food Service Formats in Europe

Source: Rabobank International, 2003

In the Netherlands, the per capita consumption of potato products is approximately 30 kg per year. In addition, the Dutch eat on average another 50 kg fresh per year. The UK and Ireland have the highest per capita consumption of potatoes and potato products in Europe. Growth is expected in the Southern and Eastern European countries.

Trade

The Netherlands is the largest pre-fried potato products exporter in the world, followed by Canada and the USA. Total export increased by 3 percent from 1.41 million MT in 2001 to 1.45 million MT in 2002. Over 97 percent of total production is exported to the fast food industry and retail chains. Over 90 percent is exported within the EU, mainly to the UK, Germany and France. The remaining 10 percent is exported to Russia, Brazil and Central and Eastern European Countries. The strong growth of fast food chains in Europe continues to help drive exports of Dutch pre-fried potato products.

Figure 4: Export Markets for Dutch Pre-Fried Potato Products, 1,000 MT

	1999	2000	2001	2002	2003*
UK	326.2	349.9	401.7	397.2	415.1
Germany	237.2	253.2	273.2	276.9	289.4
France	137.2	175.5	201.9	219.3	229.2
Italy	80.7	78.5	94.3	68	71.1
Belgium/Luxembourg	56.1	53.2	84.6	104.8	109.5
Spain	46.8	52.7	69.7	71.2	74.4
Ireland	44.8	47.6	48.7	45.8	47.9
Denmark	35.9	40.3	33.8	35.9	37.5
Sweden	28.1	30.9	30.4	20.4	21.3
Finland	11.9	13.6	14.7	16.5	17.2
Greece	11.6	15.5	14	12.8	13.4
Portugal	9.1	9.3	13	13.5	14.1
Austria	6.9	8.6	10.4	14.1	14.7
EU total	1,032.60	1,128.80	1,290.40	1,312.2	1,371.2
Other countries	80.3	112.7	120.6	139.4	145.7
Total	1,112.8	1,241.5	1,411.0	1,451.7	1,517.0

* Based on the first 8 months (January-August) Source: DPPA, 2003
NOTE: Dutch industries estimate that 85 percent of pre-fried potato products are french fries
NOTE: Exports of Dutch products may be somewhat lower since export figures may capture products produced in neighboring countries as well.

In 2002, the Netherlands imported 98,000 MT pre-fried products, 5 percent less than 2001. Germany and Belgium account for 90 percent of total Dutch imports. In 2001, the Netherlands imported 648 MT pre-fried potato products from the United States. This figure is estimated at 700 MT for 2002. No changes are expected for this year.

The export opportunities of US products in the EU are determined by (1) the product availability in Europe, (2) the production and transportation costs and (3) the exchange rate. The Office of Agricultural Affairs expects that for the coming year any additional export opportunities for US french fries as a result of lower Dutch production will be found in markets outside the EU.

PSD Table

Country	Netherlands					
Commodity	Frozen Potato Products				(MT)(MT, Net Weight)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		07/2002		07/2003		07/2004
Deliv. To Processors		3,089,100	-	3,544,765	-	2,712,621
Beginning Stocks	175,000	155,000		125,000	-	100,000
Production	1,200,000	1,127,400	-	1,293,700	-	990,000
Imports	75,000	83,400	-	50,000	-	125,000
TOTAL SUPPLY	1,450,000	1,365,800	-	1,468,700	-	1,215,000
Exports	1,050,000	1,010,800	-	1,143,700	-	915,000
Domestic Consumption	245,000	230,000	-	225,000	-	220,000
Ending Stocks	155,000	125,000	-	100,000	-	80,000
TOTAL DISTRIBUTION	1,450,000	1,365,800	-	1,468,700	-	1,215,000

NOTE:
Import and Production figures are estimated based on total product weight of frozen pre fried potato products Dutch industries estimate that 85% of these products are french fries

Consumption of french fries is based on estimated per capita consumption of potato products of 30 kg/year (raw material) Per capita consumption of french fries = 13 kg/year