

# The global potato economy

**Developing countries are now the world's biggest potato producers – and importers – and consumer demand is shifting from fresh tubers to processed products**



## Key points

In 2005, for the first time, the developing world's potato production exceeded that of the developed world

Subsistence potato growing in developing countries is declining as producers reorient toward domestic and international markets

Global consumption is shifting from fresh potatoes to added-value processed products

In international trade, both the value and volume of traded processed products far outweigh trade in fresh tubers

Developing countries are net importers in international potato trade, which in 2005 was estimated to be worth US\$6 billion.

Despite its importance as a staple food and in combating hunger and poverty, potato has been neglected in agricultural development policies for food crops

## Potato production in developed countries

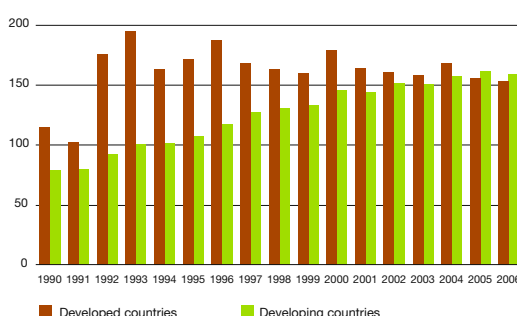
, especially in Europe and the Commonwealth of Independent States, has declined on average by one percent per annum over the past 20 years. However, output in developing countries has expanded at an average rate of five percent per year. Asian countries, particularly China and India, fuelled this growth.

In 2005, the developing countries' share of global potato output stood at 52 percent, surpassing that of the developed world. This is a remarkable achievement, considering that just 20 years ago the developing countries' share in global production was little more than 20 percent. Even so, world potato production and consumption are currently expanding more slowly than the global population.

Fresh potato consumption, once the mainstay of world potato utilization, is decreasing in many countries, especially in developed regions. Currently, more potatoes are processed to meet rising demand from the fast food, snack and convenience food industries. The major drivers behind this development include growing urban populations, rising incomes, the diversification of diets and lifestyles that leave less time for preparing the fresh product for consumption.

Potatoes are commonly regarded as a bulky, perishable commodity with high transport costs and limited export potential, confined mostly to cross-border transactions. These constraints have

World potato production 1990-2006



In 2006, the world produced some 315 million tonnes of potatoes. Photo: © FAO

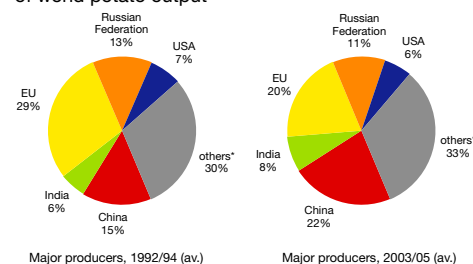
not hampered the international potato trade, which has doubled in volume and risen almost fourfold in value since the mid-1980s. This growth is due to unprecedented international demand for processed products, particularly frozen and dehydrated potato products. To date, developing countries have not been beneficiaries of this trade expansion. As a group, they have emerged as leading net importers of the commodity.

International trade in potatoes and potato products still remains thin relative to production, as only around 6 percent of output is traded. High transport costs, including the cost of refrigeration, are major obstacles to a wider international marketplace.

## Trade policies

*Ad valorem* import tariffs are used to protect domestic potato markets. Other

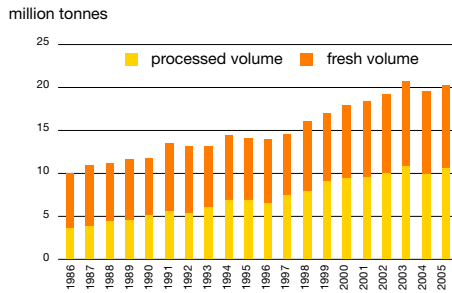
China and India now account for 30 percent of world potato output



\* including Ukraine, Belarus, Canada, Islamic Republic of Iran, Turkey, Bangladesh, Peru, Brazil

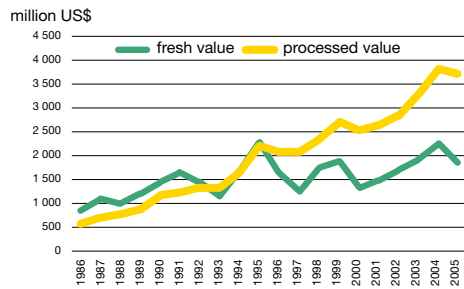
**Imports and exports of processed products now dominate world potato trade**

**Global potato trade volume (tuber equivalent), 1986-2005**



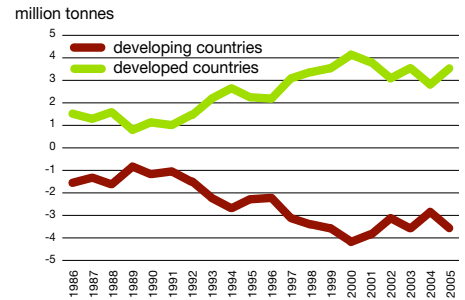
**Global transactions worth close to US\$6 billion, driven by processed potatoes**

**Global potato trade value, 1986-2005**



**Net trade position of developing countries continues to deteriorate**

**Potato net trade (exports-imports) in tuber equivalent, 1986-2005**



policies that restrict access to markets include sanitary and phytosanitary measures and technical barriers to trade.

Import tariffs on potatoes and potato products are applied by most countries. The binding rates agreed under the aegis of the World Trade Organization vary considerably. Potato provides a classic example of "tariff escalation", where importing countries protect processing industries by levying higher duties on processed products than on raw material. By preventing countries from diversifying their export base into higher-value processed products, tariff escalation can therefore keep them "trapped" as providers of raw material.

Countries wishing to supply potato commodities to the international market – especially to the more lucrative developed country markets – also face

considerable hurdles in the form of food health standards and technical regulations. The Doha Development Round of trade negotiations recognizes the negative impacts of tariff escalation and contains important provisions aimed at ensuring that standards and regulations do not become de facto barriers to trade or hidden protectionist policies, while at the same time putting public health concerns foremost. Unfortunately, negotiations pertaining to the Doha agenda have suffered a series of setbacks, and agreement on a final solution has yet to materialize.

**Potato potential**

Potato's positive attributes, particularly its high nutritional value and potential to boost incomes, have not received the attention they deserve from governments. The lack of established marketing channels, inadequate institutional support and infrastructure, and restrictive trade policies are impediments to commercialization of the sector. National and international stakeholders need to place potato higher on the development agenda.

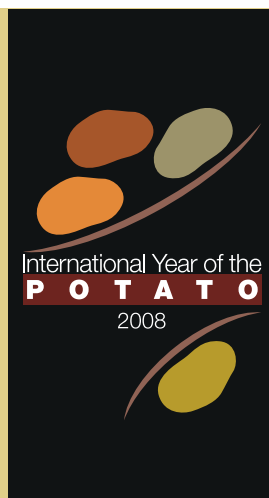
Product	WTO Bound Tariff (%)	
	Trade Weighted Average	Maximum
Fresh potatoes (inc. seed)	29	378
Frozen potatoes	16	414
Potato flour*	38	446
Potato starch	109	550

\* includes flour, meal, flakes, granules and pellets

**About IYP 2008**

The **International Year of the Potato**, to be celebrated throughout 2008, aims at raising global awareness of the potato's key role in agriculture, the economy and world food security.

[www.potato2008.org](http://www.potato2008.org)



**HIDDEN TREASURE**



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**Credits:**

Information provided by the Trade and Markets Division, FAO.