6.4 Potatoes

6.4.1 Potato industry profile

New Zealand produces an estimated 525,000 tonnes of potatoes from 10,330 hectares, with around 180 growers involved in the industry. The industry has a steady area under production but decreasing yields per hectare particularly in processing crops. More than half of NZ potato production is consumed domestically, with exports (comprising both processed and fresh product) of 200,000MT making a significant contribution to the value of the industry.

The potato industry is represented by Potatoes New Zealand Inc., an industry wide body representing the interests of growers, processors, exporters and other industry stakeholders. Potatoes New Zealand Inc., an affiliated Product Group of Horticulture New Zealand (CEO – Champak Mehta, www.potatoesnz.co.nz) represents grower interests as well as focusing on industry good activities such as research, promotion, and facilitating market access. PNZ Inc. carried out a review of its strategy in 2013 and identified a series of key goals to improve profitability and sustainability, production of quality produce, and the development and enhancement of both domestic and export markets.

The 3 key targets are:

1. ***Increase profit from productivity by $150 per ha per annum***
    - *Continuous productivity improvement underpins the competitiveness of the industry, both domestically (for resources) and internationally (versus other exporters)*
    - *Equates to a 12% yield increase and $1500 per ha over ten years*
2. ***Double the value of fresh & processed New Zealand based exports by 2025.***
    - *Aligned with objectives of the business growth agenda*
    - *Implies volume and value growth*
3. ***Enhance the value of the domestic market by 50% by 2025***
    - *Implies value growth on stable volumes, above CPI*

Source: Potatoes NZ Inc. 2014

6.4.2 Potato exports

Total potato exports were worth $103 million in 2014, $1 million more than in 2012. Frozen potatoes account for 84% of export value with fresh and seed potato exports comprising 15.5% and 0.5% of potato export value respectively.

Fiji is New Zealand's largest fresh potato export market and returns have remained fairly static since 2012. Volumes exported to Fiji have remained between 19,000 tonnes to 22,000 tonnes over the past five years. The Philippines has seen a steady decline since 2012 and no exports were recorded to this market in 2014. The value of Malaysian exports has also continued to decline, down 52% from 2012 values.

Australia is by far the largest market for frozen potato products accounting for 74% of exports. This market has continued to grow steadily increasing by $4.1 million since 2012.

Table 6.4.1: Fresh potato (0701.90.00.00) export markets 2012-14 (year ending June, tonnes and $NZ FOB)

Market	2012		2013		2014	
	Volume	Value	Volume	Value	Volume	Value
Fiji	20,243	10,502,213	23,904	11,408,997	22,400	11,562,599
French Polynesia	2,289	1,407,829	2,347	1,650,518	2,110	1,515,167
New Caledonia	1,362	680,256	984	414,491	1,826	943,572
Samoa, Western	932	491,513	1,206	546,279	1,183	663,602

Market	2012		2013		2014	
	Volume	Value	Volume	Value	Volume	Value
Singapore	377	419,024	368	401,243	455	536,245
Pacific Islands	835	524,576	785	467,349	777	462,412
Cook Islands	313	211,305	356	239,950	327	215,296
Malaysia	908	422,914	775	345,060	454	204,232
United States of America	5	4,396	9	12,033	10	7,664
Hong Kong	3	4,518	1	2,576	2	6,835
Australia	0	0	0	0	1	580
Philippines	1,140	466,066	101	40,586	0	0
Indonesia	127	57,687	0	0	0	0
Thailand	76	30,589	0	0	0	0
Other	2	1,350	19	6,605	1	2,013
Total	**28,611**	**$15,224,236**	**30,854**	**$15,535,687**	**29,544**	**$16,120,217**
% change (yr/yr)	**-9%**	**-24%**	**8%**	**2%**	**-4%**	**4%**

Source: Statistics New Zealand

Table 6.4.2: Seed potato (0710.10.00.00) export markets 2012-14 (year ending June, tonnes and $NZ FOB)

Market	2012		2013		2014	
	Volume	Value	Volume	Value	Volume	Value
New Caledonia	175	219,495	167	208,901	961	692,848
French Polynesia	32	43,040	64	86,720	34	35,380
Tonga	8	10,182	4	5,955	7	9,915
Samoa, Western	0	0	8	4,000	0	0
Nuie			8	4,050	0	0
Total	**215**	**$272,717**	**251**	**$309,626**	**1,002**	**$738,143**
% change (yr/yr)	**-14%**	**-4%**	**17%**	**14%**	**299%**	**138%**

Source: Statistics New Zealand

Table 6.4.3: Frozen potato (2004.10.00.00 & 0710.10.00.00) export markets 2012-14 (year ending June, tonnes and $NZ FOB)

Market	2012		2013		2014	
	Volume	Value	Volume	Value	Volume	Value
Australia	53,466	61,359,329	44,143	52,570,924	58,444	65,493,277
Japan	4,593	5,933,978	3,574	4,601,021	3,829	4,786,992
French Polynesia	2,030	3,196,188	1,818	2,842,444	1,860	2,949,594
Papua New Guinea	3,199	4,559,802	2,436	3,147,690	2,219	2,765,318
Thailand	4,245	6,032,863	3,915	5,678,327	1,444	1,911,967
Malaysia	320	405,652	837	840,429	1,086	1,641,787
Pacific Islands (other)	1,064	1,358,766	1,345	1,458,795	1,193	1,345,195
China	11	13,846	1,143	817,131	1,232	1,218,979
Indonesia	879	933,963	1,138	1,048,586	878	987,405
New Caledonia	589	911,602	555	845,123	488	758,550
Singapore	441	578,308	876	801,777	593	738,591
Fiji	548	885,935	281	443,612	426	634,634
Taiwan	211	259,192	580	578,746	404	424,893
Hong Kong	71	70,220	247	209,821	261	254,135
Mauritius	24	28,338	93	94,544	116	138,891
United States of America	57	106,874	57	92,317	87	133,974
Philippines	9	10,981	21	23,208	100	128,304
Seychelles	77	87,750	88	99,792	86	89,963
Korea	22	32,305	93	115,926	133	88,878
Brunei Darussalam	16	19,871	58	71,484	43	48,281

Market	2012		2013		2014	
	Volume	Value	Volume	Value	Volume	Value
United Arab Emirates	0	0	33	20,763	46	40,067
Vietnam	14	17,406	0	0	5	6,011
Macau	0	0	0	0	0.01	107
Pakistan	155	190,121	0	0	0	0
Sri Lanka	21	26,245	0	0	0	0
European Union	0.5	2,551	0	0	0	0
Jordan	0	0	137	119,582	0	0
Bahrain	0	0	22	17,705	0	0
Chile	0	0	305	321,239	0	0
Total	**72,061**	**$87,022,086**	**63,794**	**$76,860,986**	**74,971**	**$86,585,793**
% change (yr/yr)	**8%**	**7%**	**-11%**	**-12%**	**18%**	**13%**

Source: Statistics New Zealand

6.4.3 Barriers to potato exports

Cost of tariffs

Tariffs on potatoes cost the industry approximately $1.5 million in 2014. New Caledonia's tariff on frozen potato products is set at 54% and Fiji at 32%. Tariffs on frozen processed potatoes to the EU of 14.4% are certainly impacting on trade to this high value market with no recorded exports to this market in 2013 and 2014.

Table 6.4.4: Cost of fresh potato tariffs (based on 2014 FOB value)

Country	Tariff rate	Value	Estimated cost of tariff ($)
Fiji	0%	11,562,599	0
French Polynesia	0%	1,515,167	0
New Caledonia	12%	943,572	113,229
Singapore	0%	536,245	0
Malaysia	0%	204,232	0
United States of America	0.5c/kg	7,664	60
Hong Kong	0%	6,835	0
Australia	0%	580	0
Total	**0.7%**	**$16,120,217**	**$113,288**

Table 6.4.5: Cost of frozen potato (2004.10.00.00 & 0710.10.00.00) tariffs (based on 2014 FOB value)

Country	Tariff rate	Value	Estimated cost of tariff ($)
Australia	0%	65,493,277	0
Japan	8.5%	4,786,992	406,894
French Polynesia	6%	2,949,594	176,976
Thailand	3%	1,911,967	57,359
Malaysia	0%	1,641,787	0
China	0%	1,218,979	0
Indonesia	5%	987,405	49,370
New Caledonia	54%	758,550	409,617
Singapore	0%	738,591	0
Fiji	32%	634,634	203,083
Taiwan	10.9%	424,893	46,313
Hong Kong	0%	254,135	0
United States of America	6%	133,974	8,038
Philippines	0%	128,304	0

Korea	18%	88,878	15,998
United Arab Emirates	5%	40,067	2,003
Vietnam	15%	6,011	902
Total	**1.7%**	**$82,198,038**	**$1,376,554**

SPS market access barriers

PNZ Inc. has an active export market access programme which is directed by its Export Market Development Group (EMDG) and implemented by contracted market access specialists. The NZ potato industry strategy has an objective of doubling the value of fresh and processed exports by 2025. Although much of this growth is expected to come from processed exports, which face few phytosanitary barriers, the strategy also focuses on fresh potato access into Australia and South East Asia.

Australia – Fresh potato imports are currently prohibited as no pest risk analysis has been carried out.

New Zealand industry initiated an access request for fresh potatoes for processing into crisps and French fries in 2006. Australia finalised import conditions for public consultation and the matter was expected to be resolved by December 2012. The Australian potato industry has voiced its concerns regarding imports of fresh potatoes from New Zealand and the potential risk of Zebra Chip disease transmission through this pathway and the process was put on-hold pending a Senate enquiry. The Senate Committee concluded that the Department of Agriculture had underestimated the biosecurity risks and recommended that the Department conduct a full Import Risk Analysis. If this recommendation is taken up it will delay access for a further two years.

Indonesia - There is ongoing uncertainty with Indonesia's regulatory system. Indonesia granted New Zealand "country recognition" for its phytosanitary and food safety systems in July 2012, however there has been uncertainty about the renewal process at the end of the arrangement's two-year life. New labelling, import licensing and consignment survey (import verification) requirements were introduced in 2012and further complicated access to Indonesia.

Japan – Potatoes are currently prohibited entry in to Japan due to the presence in New Zealand of potato cyst nematode. New Zealand has requested access for potatoes for processing in secure facilities (e.g. French fries or potato crisp factories). Japan has made little progress on this New Zealand request which was initiated in 2006.

Korea – Access to this market for fresh potatoes was achieved in 2011 after 17 years of negotiations. The agreed conditions are the strictest of any of New Zealand's export markets and are very expensive to comply with (reflecting this, no trade has yet taken place). Recent developments in commercial potato washing equipment have now made possible the complete removal of soil from potatoes, minimising the risk of potato cyst nematode. A proposal for modification of import requirements has been made to Korea based on this new information.

Thailand – Thailand operates a complicated import quota system for fresh potatoes. Each year Thailand notifies its allocation of the seed and process potato import quota to companies and cooperatives. These companies are normally potato chip processors in Thailand. The allocation process for import licences is regarded by exporters as the most limiting factor in growing trade with Thailand.

Vietnam – New Zealand potatoes are currently prohibited entry to Vietnam as no pest risk analysis had been previously conducted. An access request was made in 2011 for fresh table, processing and seed potatoes. Vietnam completed a draft pest risk analysis which proposed very difficult access requirements. New Zealand subsequently hosted a visit by Vietnamese officials, during which a request was made to separate the pest risk analysis and access requirements for table and processing potatoes from the more restrictive seed potato requirements. The revised import conditions have been received and some aspects are being clarified with Vietnam.