

MARKET SNAPSHOT

Potatoes

March 31, 2024

Executive summary

AgWest's 12-month outlook for potatoes suggests break-even returns for contracted potatoes and slightly unprofitable returns for uncontracted potatoes. A large 2023 Northwest crop has brought uncontracted potato prices to below break-even levels. Some regions are having difficulties securing potato contracts from processors, leading to fewer expected planted acres in 2024.

12-Month Profitability Outlook



Industry drivers

Potato surplus drives down open market prices

Due to a surplus crop in 2023, open market prices have plummeted by 72% to 82% since last year, with contract volumes also declining in various regions. After two years of poor weather stunting potato yields, the 2023 Northwest crop has rebounded to average production levels. Idaho had its second-largest potato crop in state history (following the record 2000 crop). Both Oregon and Washington saw about a 5% increase in production. This resulted in a surplus of potatoes that have had a bearish effect on open market prices. The Grower Returns Index (GRI) fell below break-even levels, with the Idaho Norkotah GRI at \$4.28 per cwt on March 27, 2024. The GRI has not been below \$5 per cwt since March 2021. In some regions, potato growers encounter challenges while trying to sell surplus potatoes to feedlots, which serve as feed for cattle. These feedlots have already reached their capacity for accepting potatoes.

Fewer potato acres contracted, limitations exist for alternative crops

Due to the current potato surplus, processors have delayed offering contracts for the next growing season. Instead, they are opting to wait until later in the year or could be reducing the number of acres they contract out altogether. This has left some potato growers with 10% to 15% acreage reductions. Producers must decide, do they plant potatoes acres and wait for a contract or plant a different crop. Planting decisions for this season are complex. Alternative crops like wheat, barley, alfalfa and corn have also suffered from lower prices, making them less attractive options to plant. The break-even price for most Idaho potatoes is \$10 to \$11 per cwt. With current contract prices around \$10 to \$12 per cwt, achieving profitability could be difficult (but potatoes may still be one of the better planting options). The USDA Perspective Plantings report, forecasts that potato acres will remain stable in 2024. For some potato growers, late season holding is a likely strategy.

Profitability

Even with lower production costs, potato growers will face headwinds from fewer potato contracts and lower contracted prices. The USDA forecasts lower fuel and fertilizer costs for the 2024 growing season. However, lower production may not motivate farmers to increase potato planting due to unfavorable open-market prices, high interest rates and significant capital needs. Open-market prices have declined significantly and contract growers have expressed concern about securing favorable contract prices. If 2024 brings another large crop, producers will likely remain at or below break-even levels.

Share your feedback! [Click here](#) to complete a two-minute survey about this Snapshot.

Additional information

AgWest Business Management Center

www.AgWestFC.com/industry-insights

North American Potato Market News

www.napmn.com

Potatoes USA

<https://potatoesusa.com/research-reports/category/market-insights/>

USDA Agricultural Marketing Service

www.ams.usda.gov

USDA National Potato and Onion Report

www.ams.usda.gov/mnreports/fvdidnop.pdf

Learn more

For more information or to share your thoughts and opinions, contact the Business Management Center at 866.552.9193 or bmc@AgWestFC.com.

To receive email notifications about Northwest and global agricultural and economic perspectives, trends, programs, events, webinars and articles, visit www.AgWestFC.com/subscribe or contact the Business Management Center.