

PRIVATE VARIETIES IN THE FRESH POTATO MARKET

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WHY BRAND?

Brands are an important part of the U.S. economy. Those of you involved in the cattle industry know the role of branding in protecting your private property. Motorcycle enthusiasts know about the power and mystique of the Harley Davidson brand. And, of course, the whole potato industry knows about the Idaho brand.

The main reason to put a brand on something is to make it different. If your product is not different, it loses its identity in the marketplace and becomes a commodity. An important economic principle is that commodity prices trend downward. It doesn't matter what the commodity is – a precious metal, oil, wheat, or potatoes – the long-run, inflation-adjusted price, will go down.

Figure 1 shows a half century of U.S. potato prices in terms of 1983 dollars. The price trend is certainly downward. In spite of declining prices, some potato growers continue to stay in business. They do that by either reducing costs or selling potatoes that are not a commodity.

TYPES OF BRANDS

Idaho potato growers have long benefited by selling under the Idaho brand and getting price premiums. The competition is getting tougher. Other state brands are becoming more powerful in the market. Wisconsin has developed an arrangement to use the World Wildlife Foundation (WWF) brand on some of their potatoes that pass environmentally friendly criteria. Other agricultural groups are seeking use of brands from environmental organizations that might have power in the market.

Potato shipper labels are another type of brand that can have influence in the market. The brands with the best reputations can command prices at the upper end of the price ranges, but they are still subject to the downward pressure of commodity markets. Agribusiness labels, such as Green Giant and retail supermarket labels, are two other examples of potato branding.

One type of branding that is missing in most fresh potato packaging is variety brands. Typical supermarket potato displays consist of three or four categories – russets, whites, reds and maybe yellows. In another part of the produce section consumers can buy apples that are branded by variety.

While consumers buy russet potatoes without knowing if they are Russet Burbank or Russet Norkotah, they can choose the specific apple varieties they prefer. Those who like the tart Granny Smiths can easily find them. Others who prefer Golden Delicious, Red Delicious, Fuji, Braeburn, Gala, Criterion, Red Rome or other varieties can find them as branded products.

PRIVATE VARIETIES

The most popular apple variety is the Red Delicious. It was discovered as a mutation in Washington in the 1870s. Red Delicious is a public variety that is in excess supply and has suffered the downward price pressure typical of commodities.

The situation is similar for the number one potato variety – Russet Burbank. It, too, was a mutation discovered in the 1870s. The Russet Burbank has become part of the russet-potato commodity category for which prices are declining.

Cameo is a private, branded apple variety that is now in the market. Recent market news price quotes show Red Delicious apples at the bottom of the price range and the Cameo at the top of the price range. In addition to product differentiation, the owners of the Cameo variety have the additional benefit of supply control. Since they own the exclusive rights to the variety they can control its supply.

The same type of plant property rights are available in the potato industry. This important component of our free enterprise system – property rights – provides a powerful economic incentive to bring new, branded varieties to market. Several companies are pioneers in this effort to bring branded, proprietary varieties to the fresh potato market.

California-Oregon Seed, Inc. (COS) owns Sierra Gold, a variety with russet skin and yellow flesh. Dr. Creighton Miller developed Sierra Gold at Texas A&M University, which made a property rights agreement with COS. Sierra Gold is coming to the fresh retail market as a premium branded potato in three special packages. The smallest potatoes are packaged in 2.2-pound (1 kg) bags that include recipes for using the entire contents in one meal. The medium sized tubers are in 5-pound poly bags with reclosable slide-rite tops. The largest potatoes are individually labeled in 25-pound Euro cartons.

COS contracted with a major retailer for 2003 Sierra Gold production. Test marketing conducted by COS subsidiary Discovery Gardens provided information for future marketing efforts. The company is developing contracts with other retail chains. Sierra Gold will not be the only player in the private variety game. Green Giant is marketing Klondike Rose, a red-skinned potato with yellow flesh. COS plans to bring another branded potato variety – Ivory Rose – to the long white market.

New private varieties, with higher prices derived from top quality and supply control, are expected to gain market share.

Figure 1. U.S. Potato Prices.

