DOMESTIC SALES & U.S. POTATO UTILIZATION REPORT

2019/2020 Marketing Year

Potatoes USA

REPORT OBJECTIVE

Track total U.S. potato usage and sales volume by channel and form.

POTATO SALES & U.S. UTILIZATION

Tracks the following potato products:

- Fresh potatoes
- Frozen potatoes (including French fries, shredded, tots, etc.)
- Potato Chips
- Dehydrated potatoes
- Refrigerated potatoes
- RTE Potatoes (foods found in the prepared/hot foods section of the grocery store; retail only)
- Canned potatoes (retail only)
- Five focus categories:
  - Canned soup, canned stew, frozen breakfast entrees, frozen meals, frozen pot pies*
  - *Within the retail channel, potatoes that are ingredients in other products that are not contained in the above categories, or in the five focus categories, are not included in the reported sales.*

*New in 2019 report; adapted and projected for MY16 thru MY20 based on product composition analysis; retail only

TOTAL U.S. POTATO UTILIZATION

Methodology

Retail Sales + Food Service Sales + Exports − Imports = Total

Retail Sales → IRI

Food Service Sales → Technomics

Exports, Imports → U.S. Department of Commerce

Source: Marketing Year 2020 Sales & Utilization Report
IRI: Includes: Deli, Product/Random-weight and Focus Category Volume Sales (product composition)
Technomics: Secondary and primary data analysis

METHODOLOGY

Historical Changes

Changes from 2019 to MY20:

- Changed timing alignment from calendar years to Marketing Years
  - Data from all sources (IRI, Technomic, Tradestats, etc.) has been adjusted and realigned to match Potatoes USA's marketing year (July-June)
- Aligned the volume for the Five Key Categories and projected for previous Marketing Years
  - Used category growth rates (current, historical) to adjust key categories, assuming similar trends/changes

Changes from 2018 to 2019:

- Added Product Composition Analysis for Five Key Categories
  - Potatoes USA partnered with Kelly Scientific to perform an analysis on specific categories to get an estimated % potato composition. These estimated %'s were then applied against the products containing potatoes within the focus categories to calculate the amount of pure pounds of potatoes that this would generate

Changes from 2017 to 2018:

- Change in Retail Data (POS) provider from Nielsen to IRO
  - Potatoes USA changed to IRI as supplier of data for sales in the U.S. at retail outlets
- Canned potatoes now reported as actual sales
  - Previously, canned potatoes was depreciated annually. We are now able to report actual canned potato volume
  - Removed Frozen RTE as input sales category

METHODOLOGY

Retail, Product Composition Analysis

- Nielsen/Label Insight sales data was used to identify products that contained potatoes in 2019. Categories were prioritized based on the total amount of sales of the potato products.
    - Preference was also given to those that could be deconstructed (as opposed to those containing potato starch, etc.).
- Once the five specific categories were identified, Kelly Scientific was enlisted to conduct the product composition analysis.
    - The top 10 products were obtained (3 items per product) and weights were compared: the weight of the potato pieces/portion versus the total weight of the product.
- The resulting estimates are the % of potato composition by category:

Category	Potato Composition % Estimates by Category
Canned Soup	23%
Frozen Meals	36%
Frozen Breakfast	31%
Frozen Pot Pies	13%
Canned Stew	35%

CALCULATION FACTORS

- Fresh Weight Equivalent (FWE) factors used are as follows:
  - Fresh = 1.08
  - Chips = 4.0
  - Dehydrated = 6.0
  - Frozen = 1.7
  - Refrigerated = 2.0
  - RTE/Deli Prepared* = 3.1
  - Canned = 1.6
- Retail sales inflation factor for missing channels are as follows:
  - Fresh = 7%
  - Chips = 20%
  - All Others = 5%

*RTE/Deli Prepared depreciated to 85% based on estimated average potato composition across all dishes

U.S. UTILIZATION VS. DOMESTIC SALES

- U.S. utilization shows the total share of potato volume by potato form from the U.S. grown crop
  - This is the total of retail, foodservice, and export volume minus import volume, aggregated by each individual potato form (i.e., fresh potatoes, frozen potatoes, etc.)

- Domestic sales show total potato domestic sales by form at retail and/or foodservice
  - This data and volume do not include volume from exports, and volume from imports may be included but we cannot confirm directly

U.S. POTATO UTILIZATION

MY20 Sales & Utilization

Potatoes USA

TOTAL U.S. POTATO UTILIZATION

In Million Pounds, Fresh Weight Equivalent

	Retail**	+	FS	+	Exports	-	Imports	=	Total Utilization
MY18	14,723		20,412		7,115		6,023		**36,227**
MY19	14,681		20,459		7,253		5,955		**36,438**
MY20	15,958		17,873		7,082		6,351		**34,562**
2YAG % chg. MY18-MY19 YOY	-0.3%		0.2%		1.9%		-1.1%		**0.6%**
YAG % chg. MY19-MY20 YOY	**8.7%**		**-12.6%**		**-2.4%**		**6.7%**		**-5.2%**
Abs. Lb. chg. MY19-MY20	**+1,277**		**-2,586**		**-171**		**+396**		**-1,876**

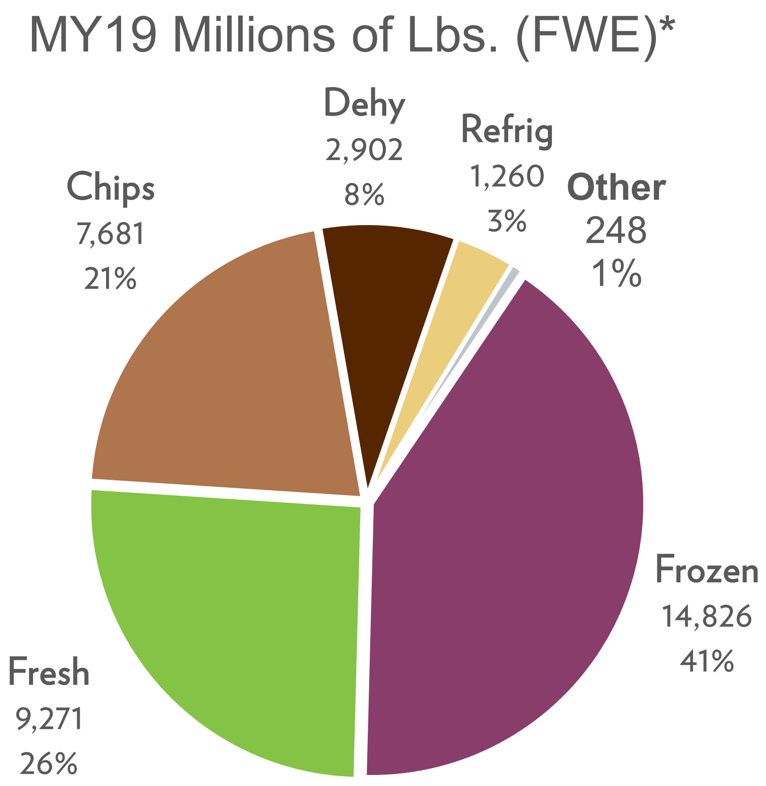
**Retail sales include the estimated pure potato volume from the five focus categories

U.S. UTILIZATION SUMMARY

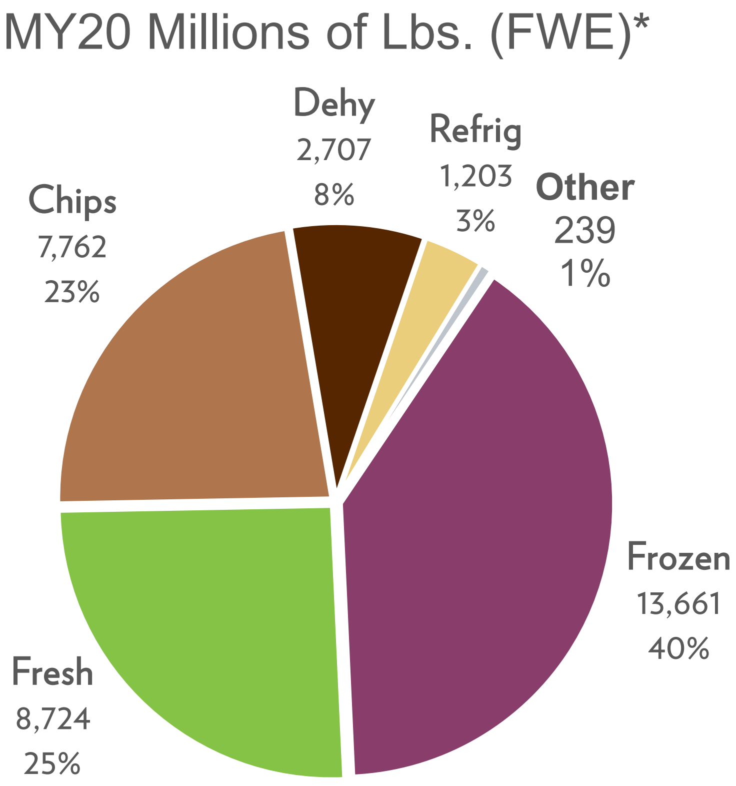
Utilization down due to losses from foodservice, exports and increased imports

- Total U.S. utilization volume decreased -5.2% (-1,927MM lbs.) from MY19 to MY20
  - Foodservice was responsible for majority of volume loss
    - -12.6%, -2,586MM lbs.
  - Imports and exports were secondary contributors to the decline
    - Imports: +6.7%, +396MM lbs.
    - Exports: -2.4%, -1717MM lbs.
  - Retail very strong year, but unable to cover the entirety of lost volume
    - Retail: +8.7%, +1,277MM lbs.

U.S. UTILIZATION BY FORM



Total*: 36,190



Total*: 34,296

*Export volume added into potato form totals, import volume subtracted from potato form totals

DOMESTIC SALES

MY20 Sales & Utilization

LOSSES AND GAINS

Consistent across all forms, except RTE at retail

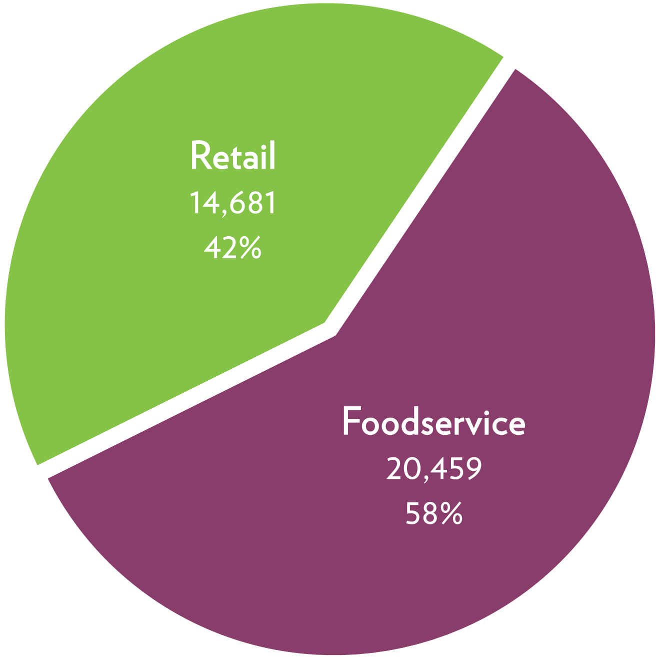
- Foodservice losses occurred across all forms
- Foodservice -12.6%, -2,587MM lbs.
  - Frozen: -10.1%, -1,266MM lbs.
  - Fresh: -19.3%, -838MM lbs.
  - Chips: -12.7%, -190MM lbs.
  - Dehydrated: -14.5%, -187MM lbs.
  - Refrigerated: -13.9%, -105MM lbs.

- Retail gained across all forms, except RTE
- Retail +8.7%, +1,277MM lbs.
  - Frozen: +15.3%, +328MM lbs.
  - Fresh: +9.5%, +435MM lbs.
  - Chips: +5.5%, +325MM lbs.
  - Dehydrated: +15.2%%, +134MM lbs.
  - Refrigerated: +9.4%, +47MM lbs.
  - Canned: +13.0%, +12MM lbs.
  - RTE: -8.6%, -2MM lbs.
  - O. Products: +7.0%, +18MM lbs.

O. Products at retail are the key focus categories of products containing potatoes

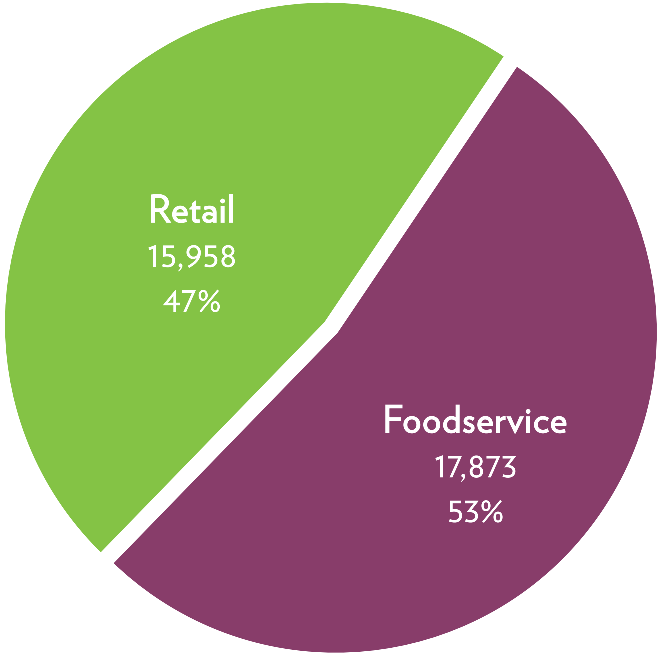
RETAIL VS. FOODSERVICE SALES

MY19 Millions of Lbs. (FWE)*



Total: 35,140

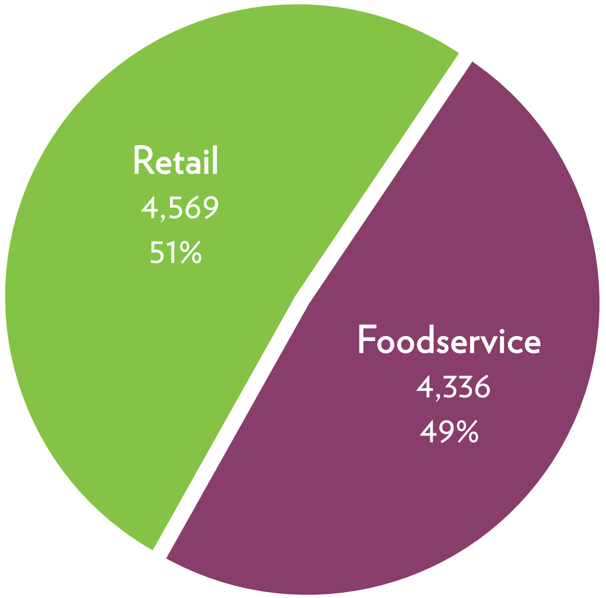
MY20 Millions of Lbs. (FWE)*



Total: 33,831

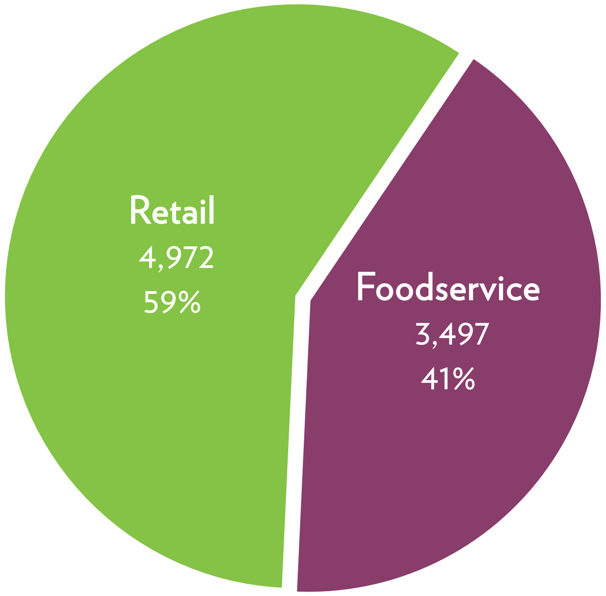
FRESH SALES BY CHANNEL

Fresh Potatoes
MY19 Millions
of Lbs. (FWE)*



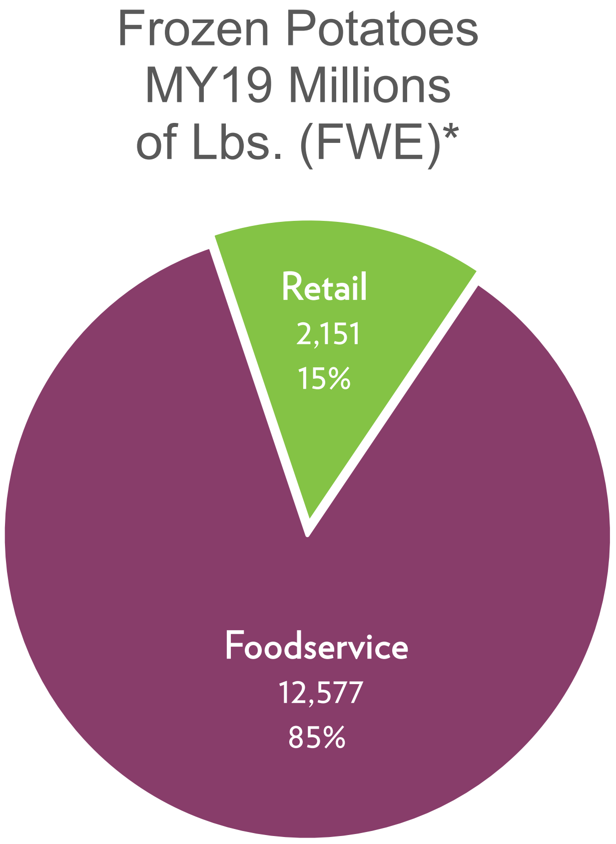
Total: 8,905

Fresh Potatoes
MY20 Millions
of Lbs. (FWE)*

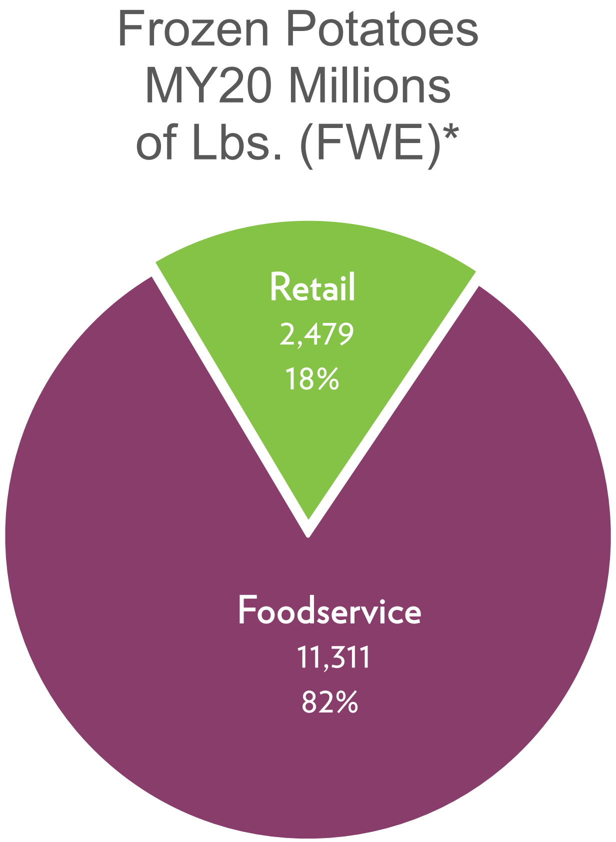


Total: 8,470

FROZEN SALES BY CHANNEL



Total: 14,728



Total: 13,790

SALES BY PRODUCT & CHANNEL

Retail (millions of pounds FWE)			
	MY19	**MY20**	**% chg**
Fresh	4,600	5,035	9.5%
Chips	5,954	6,278	5.5%
Dehy	883	1,017	15.2%
Frozen	2,151	2,479	15.3%
Refrig	503	551	9.4%
RTE	253	231	-8.6%
Canned	89	101	13.0%
Focus Cat.	249	266	7.0%
Total	**14,681**	**15,958**	**8.7%**

Foodservice (millions of pounds FWE)			
	MY19	**MY20**	**% chg**
Fresh	4,336	3,497	-19.3%
Chips	1,500	1,310	-12.7%
Dehy	1,290	1,103	-14.5%
Frozen	12,577	11,311	-10.1%
Refrig	757	652	-13.9%
RTE	*n/a*	*n/a*	*n/a*
Canned	*n/a*	*n/a*	*n/a*
Focus Cat.	*n/a*	*n/a*	*n/a*
Total	**20,459**	**17,873**	**-12.6%**

RETAIL: FRESH

FRESH POTATO TYPE VOLUME IN RETAIL (MM LBS)

Fresh Potato Type	MY19	MY20	% Chg	Abs Chg
RUSSET	2,974	3,270	10.0%	297
RED	702	669	-4.6%	-32
YELLOW	466	526	12.9%	60
WHITE	278	321	15.6%	43
PETITE	112	140	25.6%	29
MEDLEY	29	37	25.0%	7
FINGERLING	8	7	-7.2%	-1
PURPLE	2	2	3.5%	0
ALL OTHER	30	63	106.1%	32
TOTAL	**4,600**	**5,035**	**9.5%**	**435**

FOODSERVICE: FRESH & FROZEN

Foodservice: % of Fresh (lbs)	**MY19**	**MY20**
Restaurants	**72%**	**72%**
Limited Service	16%	17%
QSR	*n/a*	*11%*
Fast Casual	*n/a*	*6%*
Full Service	56%	55%
MSR	*n/a*	*5%*
CDR	*n/a*	*39%*
FD	*n/a*	*11%*
Beyond Restaurant	**28%**	**28%**
Travel & Leisure	8%	7%
Retail Hosts	5%	6%
Business & Industry	3%	2%
College & University	3%	3%
K-12 Schools	2%	2%
Healthcare	6%	7%
All Other Foodservice	1%	1%

Foodservice: % of Frozen (lbs)	**MY19**	**MY20**
Restaurants	**81%**	**84%**
Limited Service	61%	65%
QSR	*n/a*	*60%*
Fast Casual	*n/a*	*5%*
Full Service	21%	19%
MSR	*n/a*	*5%*
CDR	*n/a*	*14%*
FD	*n/a*	*0%*
Beyond Restaurant	**19%**	**16%**
Travel & Leisure	5%	4%
Retail Hosts	2%	2%
Business & Industry	4%	3%
College & University	3%	3%
K-12 Schools	2%	2%
Healthcare	2%	2%
All Other Foodservice	1%	1%

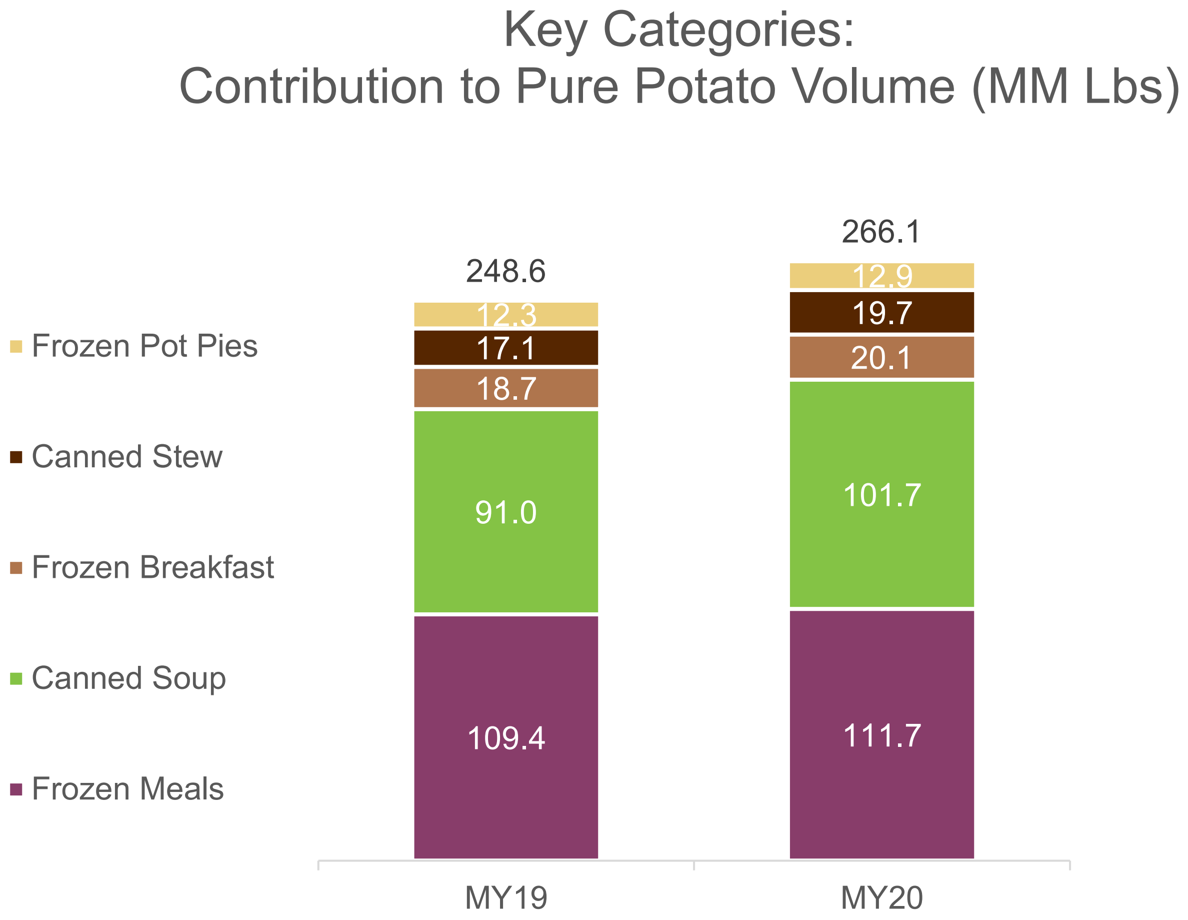
KEY INSIGHTS FROM MY20

- U.S. utilization was down -5.2% due to losses from foodservice, exports and increased import volume
- Foodservice is the primarily driver of domestic sale losses
  - Double-digit percentage losses seen across all forms of foodservice. While frozen declined the smallest percent, it drove the largest volume decline due to its large size
  - Frozen potatoes see a shift (3pt share) from Beyond Restaurant to Restaurant-Limited Service. Within Restaurant, there was a shift from Full Service to Limited Service
- Domestic retail sales gains (+8.7%) were seen across all forms other than RTE potatoes (due to public health concerns)
  - Within the types, all saw improved sales other than red potatoes (supply issue) and fingerlings
  - The key focus categories improved in sales (+7.0%) and contributed an additional +17.5MM lbs. of pure potato growth in MY20, driven by canned soup

APPENDIX:
LONG TERM TRENDS FOR RETAIL & FOODSERVICE

RETAIL: KEY CATEGORY VOLUME

- The five focus categories contributed over 266MM lbs. of pure potato volume in MY20
  - An increase of +7.0% (+17.5MM lbs.) versus MY19
  - The largest drivers of pure volume gains were:
    - Canned soup: +10.7MM lbs.
    - Canned stew: +2.5MM lbs.
    - Frozen meals: +2.3MM lbs.



RETAIL: PRODUCT COMPOSITION

Analysis, Application

- For each of the focus categories included in the product composition analysis, we took the annual volume sales (lbs.) for the products containing potatoes and applied the % potato composition coefficient to estimated pure potato pounds (based on 2019 analysis). The original data from 2019 has been adapted and realigned to report based on the marketing year time periods below.
- In total, these five categories were estimated to have produced 266.1MM lbs. of pure potato volume in MY20 (up +17.5MM lbs. or +7.0% vs. MY19).

My Category	Vol - MY16	Vol - MY17	Vol - MY18	Vol - MY19	Vol - MY20	% Potato Comp.	Pure Lbs - MY16	Pure Lbs - MY17	Pure Lbs - MY18	Pure Lbs - MY19	Pure Lbs - MY20	Lb Chg. Vs. YAG
Frozen Meals	305.8	304.2	305.1	303.8	310.4	36%	110.1	109.5	109.8	109.4	111.7	2.3
Canned Soup	431.6	413.7	409.0	395.8	442.3	23%	99.3	95.2	94.1	91.0	101.7	10.7
Frozen Breakfast	54.3	54.9	57.3	60.5	64.8	31%	16.8	17.0	17.8	18.7	20.1	1.3
Canned Stew	43.4	44.4	47.4	48.9	56.2	35%	15.2	15.5	16.6	17.1	19.7	2.5
Frozen Pot Pies	92.4	91.4	98.1	94.7	99.4	13%	12.0	11.9	12.8	12.3	12.9	0.6
Total, Focus Categories	**927.6**	**908.5**	**916.9**	**903.8**	**973.0**	n/a	**253.4**	**249.1**	**251.0**	**248.6**	**266.1**	**17.5**
							n/a	***-1.7%***	***0.8%***	***-1.0%***	***7.0%***	

RETAIL: 6 YEAR TRENDS

Retail (millions of pounds FWE)									
	MY15	**MY16**	**MY17**	**MY18**	**MY19**	**MY20**	**% Chg, MY15-MY20**	**3yr CAGR**#**	**5yr CAGR**#**
Chips	5,859	5,836	5,859	5,963	5,954	6,278	7.1%	2.3%	1.4%
Fresh	4,972	4,912	4,865	4,754	4,600	5,035	1.3%	1.2%	0.3%
Frozen	1,997	1,972	2,002	2,031	2,151	2,479	24.1%	7.4%	4.4%
Dehy	895	865	851	871	883	1,017	13.6%	6.1%	2.6%
Refrigerated	403	428	457	490	503	551	36.6%	6.4%	6.4%
RTE*	277	270	279	271	253	231	-16.5%	-6.0%	-3.5%
Canned	91	90	92	93	89	101	11.0%	3.0%	2.1%
Focus Cats (PCA)#	n/a	253	249	251	249	266	*n/a*	2.2%	*n/a*
Total	**14,495**	**14,625**	**14,654**	**14,723**	**14,681**	**15,958**	**8.3%**	**2.9%**	**1.6%**

*RTE supplied by IRI is from the Deli Department (prepared foods)
**CAGR stands for Compound Annual Growth Rate.
Focus Cats (PCA) were added in 2019, we only have data back through My 15/16 and volume has been kept out of % change calculations. This is the volume from the categories included in the production composition analysis.

FOODSERVICE: 5-YEAR TRENDS

Foodservice (manufacturer shipments, millions of pounds FWE)									
	MY16	MY17	MY18	MY19	MY20	% Chg, MY16-MY20	1yr YOY Chg	3yr CAGR*	5yr CAGR*
Frozen	12,400	12,478	12,467	12,577	11,311	-8.8%	-10.1%	-3.2%	n/a
Fresh	4,350	4,398	4,394	4,336	3,497	-19.6%	-19.3%	-7.4%	n/a
Chips	1,486	1,546	1,525	1,500	1,310	-11.9%	-12.7%	-5.4%	n/a
Dehy	1,394	1,309	1,299	1,290	1,103	-20.9%	-14.5%	-5.6%	n/a
Refr.	710	713	727	757	652	-8.2%	-13.9%	-2.9%	n/a
Total	**20,341**	**20,444**	**20,412**	**20,459**	**17,873**	**-12.1%**	**-12.6%**	**-4.4%**	**n/a**

*CAGR stands for Compound Annual Growth Rate.

FOODSERVICE: 2 YEARS

Form and Segment

POTATO FORM VOLUME BY FOODSERVICE SEGMENT (MM LBS)

	TOTAL POTATOES			FROZEN POTATOES			FRESH POTATOES			POTATO CHIPS			REFRIGERATED POTATOES			DEHYDRATED POTATOES		
FOODSERVICE SEGMENT	MY20	% Chg vs. YAG	Abs Chg vs. YAG	MY20	% Chg vs. YAG	Abs Chg vs. YAG	MY20	% Chg vs. YAG	Abs Chg vs. YAG	MY20	% Chg vs. YAG	Abs Chg vs. YAG	MY20	% Chg vs. YAG	Abs Chg vs. YAG	MY20	% Chg vs. YAG	Abs Chg vs. YAG
Restaurants	**8,374**	**-11.4%**	**-1,075**	**5,593**	**-7.2%**	**-436**	**2,332**	**-19.6%**	**-568**	**147**	**-10.4%**	**-17**	**197**	**-14.0%**	**-32**	**105**	**-17.0%**	**-21**
Limited Service	5,085	-5.1%	-271	4,323	-3.9%	-174	553	-12.6%	-80	123	-8.7%	-12	38	-7.3%	-3	47	-6.9%	-3
QSR	4,482	*n/a*	*n/a*	3,984	*n/a*	*n/a*	359	*n/a*	*n/a*	90	*n/a*	*n/a*	10	*n/a*	*n/a*	39	*n/a*	*n/a*
Fast Casual	602	*n/a*	*n/a*	339	*n/a*	*n/a*	194	*n/a*	*n/a*	33	*n/a*	*n/a*	28	*n/a*	*n/a*	8	*n/a*	*n/a*
Full Service	3,290	-19.6%	-804	1,270	-17.1%	-263	1,779	-21.6%	-489	24	-18.2%	-5	159	-15.5%	-29	58	-23.7%	-18
MSR	585	*n/a*	*n/a*	313	*n/a*	*n/a*	175	*n/a*	*n/a*	5	*n/a*	*n/a*	57	*n/a*	*n/a*	35	*n/a*	*n/a*
CDR	2,340	*n/a*	*n/a*	957	*n/a*	*n/a*	1,250	*n/a*	*n/a*	19	*n/a*	*n/a*	91	*n/a*	*n/a*	23	*n/a*	*n/a*
FD	365	*n/a*	*n/a*	0	*n/a*	*n/a*	354	*n/a*	*n/a*	0	*n/a*	*n/a*	11	*n/a*	*n/a*	0	*n/a*	*n/a*
Beyond Restaurant	**2,355**	**-19.7%**	**-577**	**1,061**	**-22.5%**	**-308**	**906**	**-18.7%**	**-208**	**180**	**-14.4%**	**-30**	**129**	**-13.7%**	**-20**	**79**	**-11.0%**	**-10**
Travel & Leisure	586	-25.4%	-200	272	-25.2%	-92	228	-28.1%	-89	26	-14.9%	-5	43	-18.9%	-10	16	-21.6%	-5
Retail Hosts	358	-10.8%	-43	120	-15.8%	-22	194	-8.4%	-18	14	-3.4%	0	18	-7.0%	-1	13	-10.4%	-2
Business & Industry	313	-26.8%	-115	207	-26.9%	-76	71	-28.9%	-29	19	-20.7%	-5	10	-23.5%	-3	5	-21.2%	-1
College & University	304	-24.7%	-100	170	-23.2%	-51	85	-29.9%	-36	19	-16.6%	-4	20	-25.6%	-7	11	-14.4%	-2
K-12 Schools	174	-29.0%	-71	102	-30.0%	-44	52	-32.8%	-25	3	-13.4%	-1	6	-1.9%	0	10	-12.0%	-1
Healthcare	421	-5.3%	-24	123	-13.1%	-19	242	-2.7%	-7	9	-2.7%	0	29	2.8%	1	18	5.7%	1
Vending	68	-17.5%	-14	0	n/a	0	0	n/a	0	68	-17.5%	-14	0	n/a	0	0	n/a	0
All Other Foodservice	132	-7.1%	-10	68	-6.5%	-5	34	-10.4%	-4	21	-5.2%	-1	3	0.0%	0	6	-4.2%	0
Total	**10,729**	**-13.3%**	**-1,652**	**6,654**	**-10.1%**	**-745**	**3,238**	**-19.3%**	**-776**	**327**	**-12.7%**	**-47**	**326**	**-13.9%**	**-53**	**184**	**-14.5%**	**-31**

THANK YOU!

Potatoes USA