Current situation and market estimate for the 2021 harvest

Ladies and Gentlemen,

In December 2019, we first heard about a new kind of virus from China that, since last spring, has affected our supply chain, our business processes, our social contacts and even our entire lives.

We never thought it possible that people would be hoarding toilet paper and fresh potatoes and that consumers would be queuing up for farm shops. The lockdowns that crippled the entire hospitality and tourism industry had a huge impact on our business and posed huge challenges for us all.

Today, I can say that the potato industry has overcome this enormous challenge on its own. Although some of the potatoes from harvest 2019 had to be processed differently, we and the European processors respected the contractual agreements. As a result, farmers have come through the 2019 and 2020 seasons with a black eye. Anyone who speculates in potatoes knows the risks of the free market. The producers of table potatoes were among the big winners from the Corona crisis and were able to sell record quantities and make decent prices to this day.

Today, after more than a year, we can look more positively to the future. Vaccines have been developed at record speed that will hopefully give us a normal life again. The fact that the new normal in the future may include the 2 or 3 G rules can then be tolerated.

If someone had predicted in November that the last old potatoes would quote €20.00, it would have been implausible. But above all, the highly volatile potato market is very difficult to predict and reacts very strongly to erratic weather conditions. This is also due to the fact that a large part of the raw material for the processing of potatoes is contractually bound.

The Corona sales crisis in the industrial potato market has led to uncertainty among growers. Calls from NEPG and other organisations to restrict cultivation have led to a 3-5% drop in cultivation in the major growing regions of the EU 4. We as Weuthen tried to counter this trend at an early stage. Growers in our region and also those in Bavaria have reduced early potatoes, but overall the area under cultivation in NRW has even increased slightly. The growers can now benefit from the higher daily prices.

In some regions planting already started in February. Despite the expected competition from old harvests, we have decided to continue with the contractual planting of crisps and fast food varieties in the Palatinate, Baden and eastern Lower Saxony. The processing in recent weeks has shown that this was the right decision, also with a view to the future. We would like to take this opportunity to thank the partners in the processing industry who have implemented these programmes with us for their foresight.

Planting for the current harvest began in February and ended on 15 June due to poor weather conditions. Until May it was too cold, too wet and anything but growtfull weather. Till today, the industrial potatoes have not been able to make up for this lack of growth.

Although the retail market took a very long time to market old harvest and imported potatoes dominated the market until mid-July, the growers of early table potatoes can be very satisfied with the market development so far. Besides the regional market, the sustainability programme "Planet Proof" and the agreements with regular customers in the Benelux have ensured attractive sales. Temporary freakish weather conditions also ensured that growers in the surplus area of Lower Saxony could benefit from extra supra-regional deliveries.

As far as the potatoes for processing are concerned, in the absence of growth we have, together with our customers, tried to save the new harvest for as long as possible. This was successful thanks to the large stocks from the 2020 harvest. The last potatoes of the old harvest were delivered this week in good quality. Despite all the concerns about sprout inhibition, this confirms that the strategies with the new sprout inhibitors have worked. Because the potatoes came on the market later, the yield could be increased considerably.

In recent weeks, prices in both the industrial and consumer potato sectors have fallen slightly for seasonal reasons. Nevertheless, we are at an adequate level in the daily market.

In our opinion, the current quotation on the April futures market reflects the current trial harvests and sales prospects.

As already mentioned, acreage - especially in the early industrial segment - has been reduced by 3-5%. Weuthen was able to counter this trend and place early varieties in new cultivation areas. Fortunately, we were able to expand the cultivation of our high-yielding varieties Anais, Musica, Ranomi, Melody, Jazzy, Loreley and Gerona. All of these varieties are showing good yields this year.

Annabelle is and will remain the early, high yielding, firm cooking salad potato. We have added the rather firm cooking varieties Chateau and Twister to our range.

Among the potatoes for the french fry industry, the well-known varieties Premiere and Amora prove their suitability for early processing. However, the top size of these varieties was below average at the beginning of the deliveries. In this segment, the Francis variety can further gain market share in the coming years thanks to its excellent baking quality, length and yield.

The Zorba variety again proved its high yield and safe early suitability for the fast food sector at all locations. Also the pre-germinated Innovator was available early and in top quality for the market.

The early variety Austin convinces with a high yield and double purpose.

Then Sinora and Arsenal confirmed their high yield potential and robustness. Besides the sought-after resistances, Arsenal again distinguishes itself as a variety suitable for the production of French fries, wedges and crisps.

The Innovator variety has optimal growing conditions this year and gives a good yield. Newcomers like Jurata, Linus, Babylon, Lady-Jane, Palace, Travis or Poseidon are promising, but still have to prove their durability and all-weather performance in the coming years.

Challenger shows an excellent beginning, a good yield potential and strong foliage. The Markies variety can and should still grow in the coming weeks. Fontane is and remains the most important benchmark for the European processing industry. Together with our partner Agrico we have been able to increase the sales volumes of seed potatoes of this variety again.

- The early French fry potatoes will be marketed until the beginning of September.

- The processing of the FastFood varieties Zorba, Innovator and Ivory Russet will continue on schedule until the end of October.

- Processing of the crisp varieties will also continue as planned until the end of October.

- Deliveries of table potatoes are on schedule. That there is currently more supply than demand on the food market is normal for seasonal reasons and understandable given the current yields.

- The table potatoes destined for export to the Benelux and Eastern Europe have been or are being processed according to plan with respectable yields.

- The structural coordination of delivery programmes with our domestic and foreign customers is bearing more and more fruit. It offers many growers the opportunity to grow first-class table potatoes.

- In Southern, Northern and Eastern Germany, the first exports to Eastern and Southern Europe are starting.

- In recent months, packers have ensured that their growers have sufficient income from retail sales.

In our opinion, the main harvest is as follows:

The growing conditions of the current harvest will pose problems in storage. It is important that the available raw material in the potato chain is used optimally.

There is no doubt that our climate is changing and that we have to deal with weather extremes. Even though potatoes are often as robust as weeds, we must and will have to adapt our cultivation techniques and our choice of varieties to the new challenges of the future.

The European seed potato trading companies are confronted with these challenges on a daily basis. On the trial fields and in dialogue with the specialists, you can get an idea of the current state of breeding.

Trial harvests and Harvest Estimation:

The results of trial grubbing up in all major growing areas are available. Growth remains below the average of recent years. Although we want to make full use of the growth potential, the harvest will, in our opinion, only be average. Many crops have already started to mature.

Organic cultivation

This year we have also set up a contract cultivation of organic industrial potatoes. We expect a slight increase in demand for the coming years. There is also still demand for organic industrial potatoes for the current harvest.

What can we expect in the coming months?

The supply situation is currently in balance. Everything is going according to plan at the moment. There will be enough potatoes available in the harvest period. We expect daily prices for industrial potatoes during the harvest to be above the contract price level.

The main harvest must first reach the storage in good quality. The innovative technology with which this can be achieved is again impressively demonstrated outside today.

The processing industry will significantly expand its capacity in the coming years. This is positive news for our industry. These lines want to be fed with raw material. Rising costs of cultivation and higher prices for other agricultural raw materials must be passed on in the future to the income of the potato growers. Only with attractive conditions can we secure the raw material in the future.

The European potato industry is facing these challenges, even if we have to deal with tougher and more difficult production conditions than our foreign competitors due to pesticide and fertiliser legislation.

In the table potato sector, we must continue to store our good, healthy and regionally produced potatoes in good quality and then bring them to the consumer.

Seed potatoes

For seed potatoes, we expect good yields with a slightly smaller sorting due to below-average tuber setting. We expect a good recognition rate. Due to the flood damage, considerable volumes had to be written off. It remains to be seen whether quantities will be lost due to bacterial rot.

We plan to expand the cultivation in all early regions and have reserved seed potatoes of the known and new varieties accordingly.

The key to safe potato production with stable yields lies in the use of good, healthy seed potatoes. Together with the seed potato trading companies we ensure that they receive high quality seed potatoes.

You can inform yourself outside about news and availability of the European seedpotato trading houses on the demonstration fields. Take this opportunity and talk to the experts about the varieties you are interested in.

Harvest volumes 2021

The price curve for the 2021 harvest largely depends on the sales volumes in the processing sector. For three months now, the industry has been producing at record levels. The frozen stocks from the spring are shrinking.

Due to the progress in vaccination, we do not expect any new lockdowns in the hospitality sector and are optimistic about the future. The hot and dry conditions in North-West America and in Eastern and Southern Europe certainly offer us additional sales perspectives for both fresh potatoes and pre-fried potato products.

Besides the crop reduction of 3-5%, we are losing potato acreage locally due to flood damage. We do not yet know if and how long the potatoes will last in storage. Proper know-how, high ventilation and drying capacity are required for this harvest.

In figures, we currently estimate the harvest volumes for 2021 as follows:

- Germany: 10.00 - 10.50 million tonnes

- EU 5: 26.00 - 28.00 million tonnes

These yields are just sufficient to meet demand and allow us to expect an adequate price level for the 2021 harvest. Since the beginning of the new harvest we have been cautious with the available raw material.

Table potato market:

German prices for table potatoes are still high.

We therefore expect table potato prices in the main harvest phase in September/October between €13.00 and €18.00/100 kg, depending on the region and cooking characteristics. The export prices are at the lower end.

There will be a decent price for baby potatoes. Markets have formed for them, both in the fresh potato market and in the processing industry. Oversize is in demand at the moment. At the start of the main harvest, we expect greater availability of oversize grades due to lower tuber setting.

Processing market:

For industrial potatoes, we expect delivery pressure from non-storable lots from mid-September onwards. Nevertheless, we expect prices to be above the contract level. The flakes and granules industry also has room for non-standard batches.

It is now a matter of making full use of the production capacities of the European industry again.

Average spring prices for ware potatoes are expected to be between €17.00 and €20.00. Fast-food varieties in demand, such as Innovator, are likely to trade above this level. Thus, the forward market currently reflects our expectation. This level will therefore be the benchmark for negotiations on early potatoes for the 2022 season.

What do we expect for the future?

The processors will have a lot of additional capacity in the next 1-3 years. This will require a good, secure and competitive supply of raw material. I like to repeat a quote from a wise potato specialist: "The most expensive raw material, is no raw material."

The current outlook for other arable crops, especially wheat, should ensure that only higher contract prices can satisfy processors' hunger for raw materials.

Nevertheless, the fact remains that the potato industry has a major influence on the world grain market.

It is a simple calculation. In the Netherlands they say "milkmaid calculation":

10 t /ha of wheat with 30.00 € /To more = 300 €/ha

50 t /ha potatoes with 10.00 € /To more= 500 €/ha with 20.00 €/To more= 1000 €/ha.

I am convinced that the contract prices for 2022 will increase within this range. Also the increased costs for energy, pesticides, fertilisers, technology, etc. have to be taken into account.

Since it is hardly possible to expand further in the traditional growing areas in NL and Belgium, attention is focused on the neighbouring countries France and Germany. This will also bring great logistical challenges in the future. The past few weeks have shown that further investments must be made in this area and that efficient, competitive transport options must be sought.

We are planning crop expansions in all German regions for 2022. In the coming weeks, the cultivation plans for 2022 will be made on these farms. Therefore, we will hold the first discussions about this in the early potato regions very soon.

With our motivated team, we will try to tap into new growth areas in the coming years.

On good, profitable land and for professional potato growers there are still good opportunities to participate in the growth of the European potato industry.

The potato is the queen of crops. And it will remain so. The potato industry and professional, motivated farmers have invested a lot in technology, storage and infrastructure in recent years. Here it is important to ensure that the money in the value chain also reaches the producers.

Professional potato growers are also aware of the risks and opportunities of the potato market.

Professional, successful growers enter into dialogue with their customers and partners and do not have much use for WhatsApp groups or other forums in the digital media. The very difficult months during Corona's sales crisis have shown that sensible dialogue is the best route to success.

Our company, with its specialised family business, faces daily challenges and will continue to try to move forward shoulder to shoulder with our growers and customers. In doing so, we stand for safe and reliable processing, even in difficult times of crisis. The past 1.5 years have brought the true partners in the potato chain even closer together. This applies not only to our customers, but also to the many potato growers. We speak the language of our customers and we speak the language of our growers.

We continue to stand for structured contract farming, but also for healthy, free market mechanisms of supply and demand.

The world market for frozen potato products continues to grow. In the next 24 months, more than 750,000 tonnes of new capacity will be added in our region.

We are very optimistic about the future. Because the European potato industry is well positioned for the future - also thanks to the excellent infrastructure to the seaports in Antwerp, Rotterdam and Hamburg.

The highly committed team of Weuthen and all RWZ potato subsidiaries wish you good and interesting talks today, a good season 2021 and further good cooperation.

Thank you very much for your attention.

Schwalmtal, 26.08.2021 Ferdi Buffen