

NATIONAL POTATO BOARD REVIEW

by
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Thank you for inviting me here today. I appreciate this opportunity to speak to you, because I have news that I think you'll like. Last month our Administrative Committee gave us the go-ahead to plan for two new programs which will put our reserve to good use. We will be presenting these to the full Board at the annual meeting in March, but I'll be glad to give you a preview today.

Television advertising is something that many of you have been asking for for a long time. I'm pleased to say that we're now preparing to deliver it. By the way, have you noticed that the real show during the Super Bowl these past few years has been the commercials? The following Monday, one of the biggest topics on the talk shows was instant replays, not of the game, but of the commercials!

This year we got some airplay during the game via our participation in the Snack Food Association's promotions. But the big TV program we're planning will be much different -- we're going to concentrate on spot TV in 13 rotating major markets that will reach about 70 percent of the population. It's a long-term program that will run in year-long flights, so we'll be airing commercials during '96, then out in '97. If all goes well, we'll see about continuing this for up to five more years. That way, we can maximize coverage and adequately measure our results to see what works. We're budgeting 2 million dollars per year to this program, and the creative is now being developed. It's going to be pretty interesting to see U.S. potatoes on television. Stay tuned for more information later this spring.

The other investment that received preliminary approval by the committee was increased funding -- from \$800,000 dollars to \$1.5 million per year -- for **export**. This is a program that I know is dear to your hearts in Washington. As you may know, federal export funds are tapering off, and we're finding it necessary, but also worthwhile, to close the gap.

For instance, while we're celebrating the Chinese New Year, this is a good time to mention that we just heard a report indicating that there is a huge crop of people in China, some 250 million, in fact, who can afford Western products.

This Presentation is part of the Proceedings of the 1995 Washington State Potato Conference & Trade Show.

Just the prospect of throngs of Chinese welcoming potato products with open arms - and mouths - is enough to get even a Washington potato producer excited. Yes, I know China is an abundant potato producing area, but its processing technology and distribution systems are undeveloped; plus, the Chinese crave salty snacks like chips and fries. If our governments can iron out the political differences regarding intellectual property and such, this is potentially a huge market for us in the future.

While I'm "in" the Far East, I'd also like to mention that our recent seminar on expanding the market in Japan for frozen, diced potatoes was very successful. Two things contributed to its success: knowing that the Japanese prefer their potato products peeled, as well as seeing an emerging niche in what is called the "intermediate" market. That's the carry-out business for food meant to be eaten at home. Since the recent downturn the Japanese economy, these outlets are booming as consumers look for better value.

Another export topic is the Southern Hemisphere. I took part in a fact-finding mission to four South American countries last summer. The potential in Chile, as well as Venezuela, is really impressive. We anticipate a window of opportunity over the next couple of years as quick-serve restaurants develop their South American markets and simultaneously switch from hand cutting to use of frozen fries. We also anticipate a decent fresh potato market developing in Venezuela when the current political unrest dies down, especially if European shortages persist.

South America, as well as Mexico, represent fantastic opportunities for processed potato products, especially when you adopt the long-term view that we try to keep as our focus at the Potato Board. That way, minor things like the peso being in the tank aren't quite so bothersome.

Many years ago, a large American shoe manufacturer sent two sales reps out to different parts of the Australian outback to see if they could drum up some business among the aborigines. Some time later, the company received telegrams from both agents.

The first one said, "No business here. Natives don't wear shoes."

The second one said, "Great opportunity here -- natives don't wear shoes!"

With all the uncertainty farmers have to deal with in the so-called "normal course of business, let me advise you not to worry too much about the day-to-day fluctuations in the export situation. It may be a bumpy ride, but the trend is up, 12 percent per year.

Domestically, I'm really excited about the plans we have in store. Speaking of "in store", I'd like to conclude by updating you on what we're doing to bring our retail relationships into line with all the changes that are taking place in the marketplace.

We had a merchandising arm at the Board up until three years ago. However, we started to feel that we were being left behind with all the high-tech changes in retail.

Also, we weren't convinced that we were boosting consumption of fresh potatoes overall. We thought maybe we were just moving sales from store to store.

That discomfort led to a complete overhaul in our retail program. Even though the new program is just in the process of being launched, we've seen an overwhelming response already. I'm convinced that retailers are ready, willing and vocal about their interest in finding better ways to market potatoes to today's consumer.

We commissioned research on many facets of the retail business. We learned much about how demographics, product display, location, size, variety, mix and other factors can increase potato sales -- more than we could ever convey to retailers through traditional means. To get these concepts across, we're turning to some creative and cutting-edge solutions to help bring retailers up to speed.

A primary example of that is our comprehensive software program called "PDQ," for Produce Data Query. It's an integral part of a retail program that ties in with our consumer marketing program. The PDQ was introduced at PMA last fall, and we just completed a demo at Associated Grocers in Seattle, where it was very well received.

As retailers hear about PDQ, they've been calling with requests, and we're seeing a lot of enthusiasm. I don't blame them -- one case study we did resulted in an 18 percent sales increase on potatoes using our techniques. And that's no small potatoes.

Finally, we are going into all of this with our eyes wide open. We're tracking results in detail, and we will get our evaluations back to you in a prompt manner so you can see exactly how your Potato Board is doing. I hope you'll be as excited by it as I am.

It's difficult to wait until all the results are in sometimes. That reminds me of the story about a professional carpet-layer, who stepped back to survey a newly installed carpet. Reaching into his shirt pocket for a cigarette, he realized the pack was missing. At the same time, he noticed a lump under the carpet in the middle of the room, about the size of the missing cigarette pack.

There was no way to retrieve his cigarette pack from under the attached carpet without ripping everything up and starting over. Finally, he decided to beat the object flat, thereby destroying any evidence of his mistake.

Gathering his tools, the carpet-layer walked out to his truck. There on the seat of his truck was the mislaid pack of cigarettes. As he lit one up, the homeowner hurried out of the house and asked, "Hey, have you seen my son's gerbil?"

I've just touched on a few of the issues that I thought might interest you most. To give you a better idea of the big picture, which is the way we are employing integrated marketing to get the most for our efforts in fighting off the competition and keeping Potatoes in the Number One position.