Explaining and Forecasting Economic Conditions in the Colorado and U.S. Potato Market

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General Issues

First, Colorado potato producers are subject to substantial risk due to changing conditions in the potato market. For example, the price for all potatoes in Colorado averaged $3.20/cwt. in the calendar year 2000 but was $9.30/cwt. in 2001. This high level of volatility is uncharacteristic of most agricultural commodities and it makes for difficult business planning. Second, there are significant trends in the production and consumption of potatoes in North America. The majority of potatoes are processed whereas Colorado is a predominately sold to the fresh market. Growth in volumes processed are strong over time whereas fresh consumption is level. The production and value of potatoes are growing in some non-traditional areas and remains strong in traditional areas. Last, trade with Canada is making the market more North American in nature.

Research Objectives

This project proposes developing economic models that explain and forecast conditions in the Colorado and U.S. potato market. Models will be developed that explain demand for fresh and processed potatoes. Similarly, models will be developed that explain acreage planting decisions and describe yields over time. Separate production models will be developed for Colorado, the Pacific Northwest, and other major producing regions. The demand and supply models will be integrated such that there are linkages between the two and market equilibria prices and quantities can be described. Finally, the seasonal pattern in marketings and price will be described.

Scope and Usefulness

By modeling market equilibria in the U.S. and production decisions in Colorado, the project will provide useful information for long-range planning and decision-making within the Colorado industry. The resulting effort should be useful for long-term prices forecasts, for describing the extent of changes in production across regions of the U.S., and providing information on the extent of trends in demand. For example, will the trends in processing consumption and trade volumes continue? The models will provide information that is useful for long-term business decision-making and strategic planning with the commodity-side of Colorado potato production. Another example of information that may be provided by the effort is, what will be the impact on the marketplace of reductions in water supplies throughout the west and Pacific northwest?

Merlin Dillon and Russ Ingahm
Title: Using Biocontrol Crops to Enhance Potato Production

Rick Zink, Merlin Dillon, and Andrew Houser
Title: Utilization of Compost made from Agricultural and Forestry Wastes for Improving the Economic and Ecological Sustainability of Agronomic Crop Production on Low Organic Matter Soils in the San Luis Valley of Colorado.