

**U.S. Potato Board
Programs for FY15
(July 1, 2014 - June 30, 2015)**

Major program areas covered by the FY15 marketing plan are domestic marketing, international marketing, and industry communication & policy. Following is a brief description of the U.S. Potato Board's (USPB) proposal in each category and the corresponding budget allocation.

While the programs are listed separately, it's important to note the overriding goal of all USPB activities continues to be "maximizing return on grower investment." Our USPB programs and activities are based on a five year long range plan, developed through a strategic planning process that includes board members, industry members and staff. The programs and activities are designed to increase usage of US potatoes and potato products by expanding markets, improving the competitive position of US potatoes, and presenting a favorable image of potatoes to the public. Program activities are based on a strong foundation of marketing and consumer research and opportunity identification. Grower direction is a key part of the planning process. Proposals are strategically sound, have a high likelihood of success and offer significant upside potential.

Marketing and National Processor Trials \$18,055,601

Marketing includes budgets for International and Domestic Marketing programs. National Processor Trials includes budgets for National Fry and Chip Processor Trials. The Alliance for Potato Research and Education (APRE) represents Board contributions to this industry initiative. The specific budgets are allocated to the following activities:

Marketing* *\$10,079,542

Retail - The USPB's strategy at retail is to lead, support and train the industry to change its business model by responding to and connecting with today's potato consumer – thereby increasing demand and growing the category. The program's overall goal is to change the commodity mentality of fresh potato sales and marketing at retail and to encourage retailers and suppliers to build relationships based on more than price.

Several major retail partners work with the USPB in tailored category development programs and assist in conducting controlled tests to improve potato sales by measuring lift on dollars and volume, the results of which are shared with the industry.

Core "best practices" for marketing potatoes at retail were proven and developed based on pricing, promotion, assortment, merchandising, packaging and communication and continue to be the basis for the retail program. The best practices are communicated to the industry and are included in training opportunities to assist fresh suppliers in reaching a deeper understanding of their impact as well as how to drive their implementation at retail.

Key retailer partnership programs involve working directly with retailers and their suppliers to grow potato category sales. These programs take one of two forms: Collaborative Category Optimization (CCO) programs or Test & Learn (T&L) programs.

CCO programs occur over a 9-12 month period and follow a process of analyzing the retail situation, identifying opportunities, strategizing the optimal solutions and then working together with retailers and their suppliers during the implementation phase. Test & Learn programs are focused on exploring & validating promising new marketing tactics, and typically take place over an 8-12 week period.

Retailer Communications strives to disseminate the knowledge that we have gathered to the U.S. potato industry as well as the retail trade. The USBP accomplishes this directly through a series of Retail Outreach meetings, where we sit down face-to-face with retailers and share potato category trends, shopper insights and marketing Best Practices as well as conducting a business review to identify growth opportunities & offer recommendations for capitalizing on them. We also share information more broadly through our State of the Potato Category (SOPC) newsletter.

Through these programs, we are creating a model of successful potato marketing that can be replicated throughout the supply chain. By involving suppliers in these programs, we create hands-on opportunities for fresh suppliers to learn and replicate this process.

Campaign - The *“Potatoes...Goodness Unearthed”*[®] consumer nutrition campaign is designed to increase demand and consumption of potatoes by delivering compelling potato nutrition information to a key target audience of women with children at home. This campaign will provide the potato industry the same type of platform that other commodity groups have successfully developed with their campaigns such as the pork industry’s *“Pork, the Other White Meat”* campaign or the beef industry’s *“Beef, It’s What’s for Dinner”* campaign.

Consumer Advertising – This budget item includes creative development plus print and on-line media costs for the *“Potatoes...Goodness Unearthed”*[®] nutrition campaign. Creative will deliver on both nutrition information and the emotional link consumers have with potatoes. The media buy will focus on media vehicles where women with children living at home look for recipe information, product education and lifestyle information.

Public Relations - The public relations program is focused on the overarching goal of improving positive attitudes for potatoes in both consumer and foodservice audiences, while managing issues of concern to the industry. This budget item includes nutrition partnerships, consumer publicity, nutrition science and research, issues management and foodservice.

Consumer Publicity – This program strategy is to demonstrate potatoes’ high nutritional return on investment (ROI) based upon their ability to fit any lifestyle and to maintain the appetite and appeal message. Marrying core nutrition points with lifestyle motivators and always providing *“plate-appeal,”* our target audience will be more likely to serve potatoes more often and feel good about it. These messages will be delivered through traditional and online media as well as through influential voices that speak directly to our audience through their social media vehicles. The consumer public relations (PR) program also strongly supports the consumer advertising campaign by delivering complementary creative messages in communications to the food and nutrition media, and it supplements the advertising media buy by keeping potato stories in the pipeline during periods when there is no print advertising planned.

Nutrition Science and Research – This budget item covers the review and communication of relevant research studies and management of commissioned, independent research. In FY14 this includes the completion of new research that looks at potatoes' role in a diabetic's diet, continued leveraging of completed Weight Management Research and other studies that support key potato nutrition messages, specifically the fact that potatoes are not fattening. It also covers counsel on and development of nutrition materials for nutrition outreach, mailings and presentations to nutrition opinion leaders, and industry trade show participation.

Partnerships – This budget covers partnerships with organizations with which we work to deliver key messages and communications through their network of nutrition opinion leaders and strong media relations. This list includes organizations such as the Society for Nutrition Education, American Dietetic Association and Oldways, which promotes traditional eating patterns such as the Mediterranean Diet and the Latin Diet. It also includes supermarket registered dietitian outreach.

Issues Management – This budget covers monitoring of worldwide media for issues impacting the industry, reporting to the industry, plus in-depth research and management briefings on issues of concern.

Foodservice – This program strategy includes driving potato menu innovations at foodservice, including deli departments at retail supermarkets. The budget covers the Menu Innovations with Potatoes seminar at the Culinary Institute America and follow-up with chefs working to introduce new potato menu items. It also includes reaching the larger foodservice industry via seminar content on sites like the Pro Chef web site, attendance at trade shows, materials development, and foodservice trade publicity. There will also be promotion of the program resources, which are housed on potatogoodness.com through trade media outreach and direct e-newsletter communication.

Research & Evaluation - Board research provides evaluation, direction, and substantiation for Board programs and recommendations to the industry, enabling us to adopt a more proactive approach to changes in the marketplace. The focus on nutrition and convenience communication came about after consumer research indicated those were key drivers to improve demand.

Specific research projects are conducted on consumption trends, sales trends and consumer attitudes/usage of potatoes as well as target consumer segmentation. This year we will include consumer research with Millennials; a possible future target audience. All research is made available to potato organizations and growers for planning and business development purposes. We also continue to refine an Industry Demand model to provide industry direction on specific industry sectors.

International Marketing – The international program utilizes revenue from two major funding sources; The General Fund which is assessment revenue and Foreign Agricultural Service which allocates funds for the Market Access Program, Emerging Markets Program, Technical Assistance Specialty Crops and Quality Samples Program. In order to qualify for the special revenue funding the international program must contribute assessment revenue based on agreed upon levels for each program allocation.

The goal of International Marketing is to drive usage of US potatoes and potato products in targeted markets, building on previous programs that created awareness of US potatoes as the best quality and value available. The strategies to achieve this include:

- Fully accessing current markets
- Increasing use of US Potatoes in existing channels
- Identifying constraints that limit access to markets
- Utilizing the foodservice-to-retail trend transfer to introduce new (to international markets) potato eating habits
- Communicating positive messages regarding nutrition and versatility
- Addressing negative issues which could escalate into crisis mode
- Increasing emphasis on partnerships
- Incorporating potatoes into local cuisines

The USPB will also provide the industry with the information and tools necessary to succeed in export markets and aggressively encourage the US industry to take a global approach to potato marketing. Specific tactics vary according to the potato product and country of opportunity as follows:

Frozen Potatoes – The potential for US frozen potatoes varies country-to-country according to market maturity and, of course, market access and in-country infrastructure. In mature markets for US fries, we develop new opportunities for non-shoestring products, such as incorporating US products into local cuisine, Western dining, new menu applications, institutional foodservice, manufacturing, and the retail sector. We also address market access, food safety and other issues potentially impacting the market for US potatoes.

In developing and emerging markets, we first establish US fries as the standard of quality. We create an understanding of value purchasing and better returns from higher quality US products. We also work with US processors and Quick Service Restaurants in developing markets, including addressing market access issues.

Table-stock Potatoes – This program includes market access efforts in key markets, programs to build awareness of US table-stock potatoes and their nutritional value, incorporating potatoes into local cuisines, and transferring of information from the USPB's domestic retail and foodservice programs. Another important factor is the USPB's work to develop the US industry's export capabilities. Each market has different opportunities and challenges regarding table-stock potatoes, so they must be carefully analyzed for the right mix of activities.

Dehydrated Potatoes – This program's goal continues to be the creation of new, innovative products using US dehydrated potato products. We do this through partnerships with those willing to develop, introduce and market new products, while the USPB provides technical and marketing support. USPB continues to expand the use of US dehy in international food aid programs.

Seed Potatoes – The USPB seed program works to increase sales of US seed by promoting their high quality and multiple variety availability. We do this via market development activities, variety trials and seed tours, all of which have contributed to increased grower involvement and commercial sales. In mature markets for US seed,

we make yearly visits to maintain a presence and monitor any issues. In developing markets we conduct variety trials, seed tours and deal with market access issues.

Chipping Potatoes – The goal of this program is to open and develop new markets for US chipping potatoes. Whereas the US is a mature market, snack manufacturers in Japan, ASEAN, and Mexico are interested in importing US potatoes. The main barriers to this trade are lack of technical knowledge, market access and phytosanitary issues. USPB works to overcome trade barriers, educate US growers on chip export opportunities and provide them with technical assistance, and increase demand for US potatoes through trade missions and samples to foreign snack manufacturers.

FAS Fund

\$6,500,000

The Unified Export Strategy has been submitted for approval. This plan details the investment of the Foreign Agricultural Service funding into the programs described above. Not all programs have been approved for the coming year. This does not include carryover funds from previous year’s allocations. The approved and requested amounts are from the following funds:

Market Access Program	\$5,149,805	Approved
Emerging Market Program	\$500,000	Pending
Quality Samples Program	\$485,000	Pending
Technical Assistance for Specialty	\$365,195	Pending

National Potato Trials

\$476,059

National Chip Processor Trials & Chip Program – this program, working through a chipping-potato grower committee, is focused on: 1) creating new markets for US chipping potatoes; 2) creating new uses for chipping potatoes through innovation and 3) providing solutions to the challenges of the potato chip through variety trial and other research, and 4) consumer and industry research and communications to support growers and chippers.

We know that varieties/raw materials are a “solution” on several key areas of demand generation for chips; quality, innovation, market share, acrylamide reduction and health & wellness. Our National Chip Processor Trials creates a nationally focused variety development program that incorporates the voice of all stakeholders (processors, producers, breeders, USPB, SFA, etc.). Key objectives include increasing the velocity of developing new varieties with geographically balanced variety development.

We also support and host Chip Sector meetings alongside larger industry meetings to educate and open lines of communication between growers and manufacturers. This program also monitors health issues in the sector and coordinates their efforts with relevant industry sector groups (e.g. Snack Food Association).

National Fry Processor Trials – In potato production and manufacturing systems, raw materials or more specifically potato varieties have a principle role in the amount of acrylamide formed during the frying process. Improving the base raw material by

identifying new varieties that result in lower acrylamide levels when fried would improve the health attributes of fried potato products. Selecting potato clones will be coordinated with all the major potato breeding programs in the United States.

APRE

\$1,000,000

The Alliance for Potato Research and Education is an industry wide effort that receives funding from the US Potato Board, National Potato Council and frozen processing companies as well as grower organizations in Canada. The budget is expended on nutrition research that illuminates the positive nutritional aspects of the potato and how potatoes and products can be incorporated in a healthy lifestyle. The findings of this research are then provided back to the industry to utilize with consumers and nutrition influencers such as researchers, doctors, nutritionists and registered dietitians.

Industry Communications & Policy

\$807,700

With a U.S. grower base of approximately 2,500 individuals, representing nearly 1,600 U.S. potato operations (2013), but less than 200 directly involved in either United States Potato Board (USPB) or National Potato Council (NPC) leadership, it is absolutely critical to the USPB's, and for that matter, the entire U.S. potato industry's long-term success to inform all growers about USPB programs.

In 2006, the Industry Communications & Policy Department (ICP) Committee and Staff Department were created with the goal of segmenting communications, by each of the five production segments, to communicate the breadth and depth of the many USPB initiatives, domestically and internationally, all designed to increase demand for US potatoes and potato products. The "Maximizing Return on Grower Investment" tagline and www.uspotatoes.com web address were incorporated as the two central anchors in all ICP and grower-directed communications efforts. Using the following six strategies...

1. Continue to raise awareness and understanding of the tagline, "Maximizing Return on Grower Investment", among all growers that are the source of funding for the demand building programs of the USPB and are receiving a return on their investment (ROI) in the USPB.
2. Communicate the USPB's role in increasing demand for potatoes and potato products, across each of the five production segments, while supporting the industry as a unified whole.
3. Communicate USPB's programs and strategies to growers, utilizing the Segmentation Communications Plan, in a manner directly meaningful and beneficial to each specific grower segment and geography.
4. Communicate the ROI growers receive from their investment into the USPB in this targeted manner.
5. Experiment with new methods of engaging growers by increasing the reach and penetration of current communications messages and experimenting with new communications channels.
6. Manage all aspects of the Potatoes...Goodness Unearthed® Nutrition Signature (PGUNS) Design & Licensing System to facilitate increased industry penetration of PGUNS and proper usage by all current and potential licensees; thereby, fostering even stronger business relationships between the USPB and industry via the usage of PGUNS.

These strategies will continue to be accomplished via a comprehensive, multi-layered, multi-faceted, segmented communications program that was created using a complete USPB Brand Identity effort (tagline, graphics standards and website address). Programs include:

Industry Communications – this budget covers the USPB Mobile App, a continuing presence at www.uspotatoes.com which will receive a graphic overhaul in FY15 along with content updates, the widely-read, semi-monthly electronic newsletter *Industry Update*, print editorial/public relations (monthly columns, press releases and feature stories), print advertising, radio broadcast programming, annual trade shows which will include an overhaul of the banner shades, industry meetings including the Potato Expo, the USPB Annual Report section in the NPC Statistical Yearbook, and the yearly grower profile update.

State & National Partnerships – State and National Potato Organizations play an important role within the industry. It's important we provide a forum and conduit for open communications to allow the groups, to the best of their ability, to understand each other's programs and to work together toward common goals.

Policy – This program supports our objective of maintaining policies and bylaws. This objective gives strength to the organization through multiple facets, including our nominations objectives and publicizing those to the industry and media and Leadership Training of executive and administrative committees, including Civil Rights and "USPB messaging" training.

Potato Industry Leadership Institute (PILI) – This program was created many years ago in conjunction with the National Potato Council. We manage the primary logistics and programming of PILI, which provides younger growers, selected by their states, to gain a broader understanding of the potato industry, with the intent of better preparing them for leadership positions in local, state or national potato organizations. This program continues to be very successful and further aids in gaining grower participation on the USPB Board.

Sponsorships \$4,300

This budget covers sponsorship of organizations whose work contributes to the U.S. Potato Board goals. Allocation of this budget is as follows: the National Potato Council \$3,300 and Produce Marketing Association \$1,000.

Annual Meeting \$143,100

Over 175 potato grower Board members and industry leaders from across the country attend the annual meeting to review and discuss the Board's goals, programs, activities, scorecards, long range plan, assessment rate, budgets and also to elect the upcoming year's grower leadership. The Annual Meeting budget covers the costs to produce 165 meeting programs and binders; Board members and staff's hotel rooms/per diems/mileage and miscellaneous out of pocket allowable expenses associated with the meeting; certificates; supplies; speaker expenses; audio visuals; all meals; professional photos; and stenographer.

Board Travel \$73,000

This line item is for board members traveling to the annual meeting hosted in Colorado Springs, Colorado and covers airfare and miscellaneous out of pocket allowable expenses associated with their travel.

Admin Program Travel **\$151,100**

Administrative Program Travel line item covers administrative committee member travel to the Winter, Summer, and Annual meetings. The program committees consist of domestic marketing, international marketing, and industry communications and policy.

Exec Program Travel **\$148,000**

Executive Program Travel line item covers executive member travel to seven executive committee meetings, including the Winter, Summer, and Annual meetings. The program committees consist of domestic marketing, international marketing, and industry communications and policy which are chaired by executive committee members. This line item also covers travel for three executive committee members assigned to the compensation committee.

Special Projects **\$14,000**

This budget is to fund special events that are approved annually by the program committees or unanticipated events that come up throughout the fiscal year. In FY15 the budget is allocated as follows; \$11,000 for the annually approved EPA tour and \$3,000 for the Check-Off Coalition.

Contingency Fund **\$25,000**

This line item has been established and written into policy, providing the CEO with the resources to deal with unanticipated circumstances. It is the committee's intent that the CEO has the ability to use these funds at his discretion, and has been approved by the full Board. The budget is set at \$25,000 with Executive Committee prior approval.

Total Program Expenses **\$19,421,801**

Operating Expense **\$1,326,949**

Salaries *\$353,195*

This line item consists of the Administrative staff salaries. All other salaries are allocated to the program budgets except for the CEO and Executive Administrator salary which is allocated between the marketing program budget and this line item.

Payroll Taxes & Benefits *\$123,405*

This line item is the administrative staff payroll taxes and benefits such as health, dental, life, and disability. All other payroll taxes and benefits are allocated to the program budgets except for the CEO and Executive Administrator taxes and benefits which are allocated between the Marketing budget and this line item.

Retirement Plan \$27,479

This line item is the administrative staff retirement benefits which are the employer portion of the contribution. All other contributions are allocated to the program budgets except for the CEO and Executive Administrator benefit which are allocated between the Marketing budget and this line item.

Travel – Admin \$ 8,000

This budget is for anticipated travel cost associated with the finance committee's administrative members to the Budget, Winter, and Summer meetings.

Travel – Exec \$ 16,000

This budget is for anticipated travel costs associated with the finance committee's executive member to the seven executive committee meetings, including Budget, Winter, and Summer meetings

Staff Travel \$ 18,500

This line item is for costs associated with administrative staff travel to Executive, Summer, Winter, and State meetings and attendance at the CRAF annual meeting.

Office Expense & Insurance \$168,984

There are several line items expensed to this budget; rental and repair, property, bonding, workers comp and travelers insurance, postage, telephone, depreciation, office supplies, off-site storage, office equipment, computer expense, dues and subscriptions, banking costs, and asset disposal. Other postage, telephone, office supplies, and subscription costs related to projects are allocated to the program budgets.

Office Lease \$133,725

This line item is budgeted based on a pre-negotiated lease agreement; the lease agreement is based on a calendar year and is recalculated to coincide with the fiscal year.

Professional Services \$153,010

Costs allocated to the professional services line item are staff training, payroll services, board audits, professional recruitment, legal (program related legal services such as contracts are allocated to the program budgets), CPA services, agency audits, HR consultants, and temporary staffing. The staff training, CPA services, and board audits and HR services are allocated out between this line item and the program budgets depending on the reason for the service.

Compliance Audits \$114,451

This budget is based on time, retirement, medical, dental disability, life, payroll taxes and travel costs for one full-time and one part-time employee for the purpose of collections and random and compliance audits on handlers. The total number of trips per year is 5-7 with a total 35 to 49 handlers (random and noncompliant) visited or audited per year. In addition, a new tactic of utilizing PACA through AMS has been added to this line item to conduct audits on non-compliant handlers.

USDA User Fees \$195,000

This budget is for USDA administrative oversight and is projected based on a July-June fiscal year as opposed to the government fiscal year. Any legal costs associated with compliance are allocated to the professional services budget.

State Collections Fees \$8,200

The board utilizes the state association located in CO to collect assessments specific to this state and has an agreement to pay 1.5% of the total amount collected by them, for their time and administrative costs.

Miscellaneous \$7,000

Items that are expensed to this line item are costs associated with the typical HR team building activities of the company, board members, staff and families death, births, and retirements, business working lunch-meetings, and expenses that have no place in the operating or program line items.

Reserve Replenishment **\$ 0**

Reserve Replenishment is a line item added to the budgeting process for the purpose of replenishing the short term investments (cash reserve) above the minimum USDA required level of what it would cost should the Board have to close its doors. It is also an amount designated by the Board for unbudgeted responses to a crisis or significant opportunities and cash flow challenges. The amount USDA currently requires is \$500,000. It is Board policy to review this requirement every three years which is scheduled for FY2015. In addition to the minimum amount, this replenishment is to continue until \$1,500,000 in working capital is also met over the period of the Long Range Plan. The total amount of \$2.0 million has been met so the amount to be added to the short-term investments in FY15 is \$0.

Revenue under Expenditures **\$500,000**

We are budgeted to overspend revenue by \$500,000. The supporting budget summary outlines the amounts in Short-Term Investments and board designated assets. As of March 2014, Short-Term Investments are \$7,104,837; \$2,396,240 restricted reserve and \$4,708,597 unrestricted.

Budget Summary

Income

Net Assets, June 30, 2014	3,037,158	(projected as of 4/7/2014)
Short Term Investments	7,104,837	(cash reserve as of 3/31/2014)
Assessment Revenue FY15	13,254,691	
Contribution Revenue FY15	300,000	
Chip Seed Revenue FY15	176,059	
MAP FY15/MY14	5,049,805	(approved)
MAP FY15/MY13	100,000	(approved)
FAS Funds; EMP/QSP	985,000	(requested)
FAS Funds; TASC	365,195	(requested)
Interest	18,000	(projected on investments)
Total Projected Income and Net Assets		30,390,745

Expenditures

Marketing	11,555,601	
FAS Budget	6,500,000	
Industry Communication & Policy	807,700	
Sponsorships	4,300	
Contingency Fund	25,000	
Annual Meeting	143,100	
Board Travel	372,100	
Special Projects	14,000	
Administrative	1,326,949	
Reserve Replenishment	0	
Total Expenditures		20,748,750
<i>Projected Net Assets at June 30, 2015</i>		<i>\$9,641,995</i>