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Maine potato deal a bit perplexing

By

Tim Linden

December 5, 2022

Veteran potato salesman Ken Gad of Cambridge Farms, which is based in South Easton, MA, admits that the current potato marketing situation is very difficult to judge. I'm going right down the middle, he said. I usually have a strong opinion about what is happening and what is going to happen, but this year I just can't put my finger on it.

Speaking to The Produce News the week before Thanksgiving, Gad revealed the seemingly contradictory situations that were taking place. Here it is the Friday before Thanksgiving and I can buy all the potatoes I want, he said. Usually, its very difficult to get a load on this day. But this year it's different. I have talked to a number of sheds that aren't even packing today.

But what makes the situation so perplexing is that even though the demand appears to be down, the price of potatoes keeps going up. A month ago, on Oct. 14, I paid a net price of \$9.75 FOB on a load of 100 count, he recalled. This week, exactly 30 days later, I paid \$17.75 for that same pack.

History tells Gad, the price can't continue to rise; it has to back down a little bit. But he is not willing to stick on that prediction for very long. I'm not an economist and I'm not a scholar, but I am scratching my head to try to figure this thing out.

Gad, who is the owner of Cambridge Farms, noted that the company started 39 years ago as a buying broker and consolidator. His business model involved buying potatoes in bulk from Maine and other districts, including throughout Eastern Canada, shipping those potatoes to his facility in Massachusetts and selling them to retailers and repackers on the East Coast. We were a day closer and because I bought in bulk, I could beat the freight rates (coming from the point of origin).

He would partner with repackers and was able to sell retailers exactly what they wanted and get it to them quickly. Over the years, Gad said the model changed as packing sheds began offering more options and more packs to retailers. About a dozen years ago, we closed down our facility here (in Massachusetts). It was no longer economically rational. It's better to be a straight buying broker.

He still has connections with potato farms all over the country that he talks to on a regular basis. That gives Gad the knowledge to be an authority on potatoes and have his finger on the pulse of the industry all the time. But not this year. Things are different.

The number one factor causing an unsettled situation is the economy and inflation. Gad stays away from the politics of it and is not willing to blame one political party or the other or the legislators across the country. He notes that it is a fact that there are rising prices on everything and that needs to settle out before things settle down. On the one hand, he said it is a good thing that wages are going up and the people at the bottom end of the wage continuum are getting more money and can feed their families. But on the other hand, he wonders what they've gained if the cost of everything

they buy is also higher. But he admits the cost of food has to be higher because the cost of inputs has gone through the roof. The cost of seed is 10 to 25 percent more than last year; fertilizer is three times more than it was a year ago and labor costs are off the charts. Those costs aren't coming down, he said.

He estimated that the cost of growing an acre of potatoes has gone up 30 to 50 percent over the past two years. You can't expect to buy those potatoes for the same price you were paying, he quipped.

In that regard, Gad does know the direction the market is going. While current prices are historically high, he said the overall potato situation points to a continuation of that trend. Reports are that Idaho is down about 35,000 acres, which they say is about 8 percent. You can't do that and not feel it, he said, noting that processing stocks are way down, which creates a demand for table stock potatoes and a further increase in the market price.

Maine, he said, has a good crop this year and growers should expect good returns, even if they come down a bit. Gad said pound for pound potatoes are about the most economical purchase a consumer can buy in the grocery store. In times of economic downturns, he said potatoes typically do well.

[Tim Linden](#)

About Tim Linden |

Tim Linden grew up in a produce family as both his father and grandfather spent their business careers on the wholesale terminal markets in San Francisco and Los Angeles.

Tim graduated from San Diego State University in 1974 with a degree in journalism. Shortly thereafter he began his career at The Packer where he stayed for eight years, leaving in 1983 to join Western Growers as editor of its monthly magazine. In 1986, Tim launched Champ Publishing as an agricultural publishing specialty company.

Today he is a contract publisher for several trade associations and writes extensively on all aspects of the produce business. He began writing for The Produce News in 1997, and currently wears the title of Editor at Large.

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