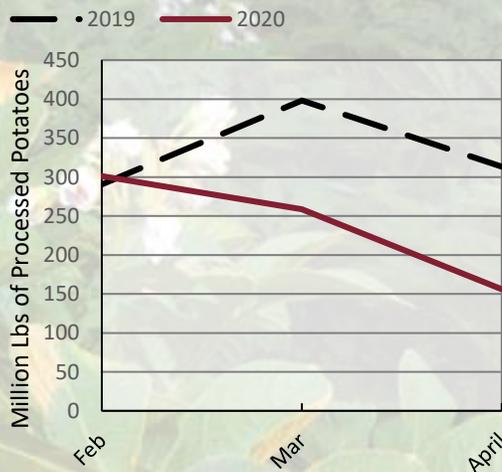




Economic Consequences of Covid-19 on the Washington Potato Sector

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Figure 1: National Reduction in Demand for Processed Potatoes Entering Broadline Distribution (2019-2020)



Source: WSU IMPACT Center

The first and second quarters of 2020 have seen critical disruptions in demand and supply chains for agriculture and food markets. 20,000 acres of potato production have been converted into lower valued corn, wheat, and other crop production, resulting in net losses to the State. The impact on the potato sector in Washington State has resulted in critical economic losses to agriculture, food manufacturing, distribution, and input suppliers. Figure 1 shows the 50% shortfall in demand that began when processors put the brakes on production, a result of nationwide restaurant closures and suspension of professional and collegiate athletics. Table 1, below, shows the total direct losses in sales, gross state product, income, and jobs precipitated by the drop in demand seen in Figure 1. Input suppliers to the potato sector (e.g., fertilizer manufacturing, transportation and warehousing, agricultural support services, etc.) are all indirectly effected because of the direct losses to the sector. The losses from reduced farm-to-business transactions are captured in the indirect effect row of Table 1. The lost employee income from direct losses results in reduced

household-to-business transactions. With less income, families will spend less on durable and non-durable retail goods. Everything from reductions in appliance purchases to school supplies will suffer. Those losses stemming from reductions in household incomes are captured in the induced row of Table 1. Total losses to Washington stemming from the net reduction in potato sector production and processing exports amounts to **losses in gross state product of roughly \$985 million**. Of those losses, household incomes represent \$610 million, equivalent to **losing 11,444 full time equivalent jobs**.

Table 1: Net 2020 Economic Losses to Washington from Collapse in Potato Sector Demand

Economic Effect	Sales	Value Added	Income	Jobs
Direct	-\$903,504,221	-\$292,258,669	-\$170,041,858	-4,111
Indirect	-\$671,480,560	-\$333,611,743	-\$239,511,081	-3,931
Induced	-\$572,011,989	-\$358,821,709	-\$201,060,677	-3,401
Total	-\$2,146,996,770	-\$984,692,121	-\$610,613,615	-11,444

Source: IMPACT Center and IMPLAN

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In addition to the loss in economic activity outlined above, the potatoes harvested in 2019 that were in storage lost value. When the brakes were applied to the economy, approximately 200,000 tons of potatoes destined for processors were returned to farmers that ended up having to give them away, sell them as discount cattle feed, or otherwise discarded them. By mid-June soft reopenings began and processing started to return. But the damage had already been done ultimately costing Washington farmers \$29.2 million in **lost farm income**, and that does not include the multipliers that would have occurred as those dollars were spent in the economy. Unfortunately, lost farm income is not deferred income that can be recovered through increased sales later in the year. Those potatoes were destroyed, and that productivity was truly lost.

The economic activity of the potato sector results in an innumerable volume of transactions, most of which have sales taxes associated with them. Not only will the sales taxes from household and business spending be lost, but corporate and real estate taxes will be lost as well, as corporate incomes fall and businesses shutdown. Total

losses to state and local governments amount to \$54.6 million in forgone revenues. Table 2 shows the lost taxes stemming from the reductions in the state’s potato sector.

Table 2: Lost State and Local Taxes Stemming from Washington Potato Sector Activity

Property	-\$13,962,469
Sales and Excise	-\$35,344,380
Corporate and Other	-\$5,338,354
Total	-\$54,645,203

Source: WSU IMPACT Center and IMPLAN

Ultimately, product exported out of Washington brings money into the state. As the money coming into our economy ripples through the state it creates jobs and income in several different industries including those outside of agriculture. Table 2 shows the United States primary trading partners and the changes in May potato purchases from 2018 to 2020.

Table 3: Value of International Potato Exports by Destination and Year

Year	2018	2019	2020
Month	May	May	May
Japan	\$33,543,439	\$33,717,286	\$35,779,666
Mexico	\$28,019,192	\$30,695,868	\$22,284,508
Korea, South	\$8,575,549	\$10,327,131	\$13,053,889
China	\$10,905,660	\$7,655,144	\$7,837,126
Taiwan	\$7,713,302	\$5,391,571	\$7,808,283
Philippines	\$7,810,665	\$9,105,665	\$3,569,226
Hong Kong	\$3,575,948	\$3,601,937	\$2,724,480
Total	\$1,153,073,955	\$1,176,473,959	\$952,599,238

Source: USA Trade Online*