

The Contributions and Future Outlook for San Luis Valley's Potato Economy: Modeling Value-Added Market Scenarios

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- Colorado's San Luis Valley relies heavily on the agricultural industry, particularly the potato sector, for employment and economic opportunities.
- An economic contribution of the 2022 potato industry estimates the sector brings \$328 million of economic activity and supported over 2,200 jobs in the San Luis Valley.
- Value-added market opportunities represent new opportunities for the potato industry to increase its economic contribution to the region.

Background

Approximately 90% of Colorado's potato production takes place in the San Luis Valley (SLV), a 6-county region in the southern portion of the state (Figure 1). The ideal climate and soil conditions in the Valley make it a hub for potato production (Colorado Potatoes, n.d.). However, the region also faces persistent economic challenges, with a median household income that is significantly lower than the state average. Agribusiness is critical to the region's economy, employing 4,760 people and accounting for 21% of the workforce in 2022 (San Luis Valley Development Resources Group and Council of Governments, 2022). This research builds on a 2022 baseline economic contribution analysis to examine how the potato industry supports employment, labor income, and economic activity in the SLV.



Figure 1: Map of Colorado with County Lines: Highlighting the San Luis Valley Region

Economic Contribution of the San Luis Valley Potato Industry

The results of the 2022 baseline economic contribution analysis show that the potato farming industry in the SLV had an economic output of \$328 million and supported over 2,200 jobs (Table 1). But it is also interesting to explore ways to enhance the potato industry’s value-added potential and what that could mean to the broader economic health of the region.

The Future of Potatoes in the SLV

Industry analysis and interviews with industry professionals revealed two prevailing market trends in the potato industry that present opportunities for value-added market innovations. The first trend indicates that consumer demand for potatoes in smaller packaging sizes is increasing (N. Meraz personal communication, January 2025; Hatt, 2017). The second market trend is the increase in demand for organically produced potatoes (Skorbiansky et al., 2023). Leveraging market potential aligned with these trends, Tables 1 & 2 show the sector can add value, and subsequently, bolster the contribution of the industry to the region’s economy.

Table 1 Comparing the Economic Contribution of Three Market Scenarios

Effect	Scenario		
	2022 Market	Increase in 2 to 3-pound Potato Packages	Increase in 1-pound Potato Packages
Farm-gate Value of Production (\$)	202,143,536.00	202,760,933.00	203,069,631.00
Direct Employment (persons)	869.00	872.00	873.00
Indirect and Induced Employment (persons)	1,371.00	1,375.00	1,377.00
Direct Labor Income (\$)	62,339,668.00	62,530,069.00	62,625,269.00
Indirect and Induced Labor Income (\$)	60,390,149.00	60,574,596.00	60,666,819.00
Economic Output (\$)	327,977,203.00	328,705,862.00	329,069,328.00

Source: IMPLAN, 2021 & 2022

Table 2 Economic Output Increase from Increasing Organic Potato Production

Proportion of Potato Production that is Organic	10%	20%
Increase in Economic Output (\$)	7,071,539.84	16,788,659.00

Note: Organic Production is currently 2.6% of total potato production, so these represent approximately 4-fold and 8-fold changes in market share

The two trends were used to create market scenarios in which the production of the demanded product was increased. The first scenario was modeled to show how increasing the production of small packaging sizes would change the economic contribution of the potato industry (Table 1). The second scenario also looked at how the economic contribution would change, but alternatively, modeled a potential increase in organic potato production (Table 2).

Takeaways

The analysis of the baseline economic contribution and potential value-added market scenarios both provide important information to the potato industry and SLV community leaders. The 2022 baseline economic contribution results show how the potato industry positively contributed to the Valley’s economy by providing jobs and feeding the economic system in the region. Looking to the future, the first value-added market scenario shows that decreasing packaging and potato sizes to meet an increase in consumer demand for smaller portions increased the farm-gate value of production, employment, and the economic output of the potato industry. The second scenario estimates how increasing organic potato production will lead to an overall positive effect on the SLV economy, despite expected yield loss from organic potato production. As these scenarios are based on estimated strategies currently under consideration by the potato industry, they offer valuable insights for industry leaders into the broader regional economic contributions of such initiatives.

Works Cited

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