

**A PROFILE OF THE SOUTH AFRICAN POTATO MARKET VALUE CHAIN  
2012**

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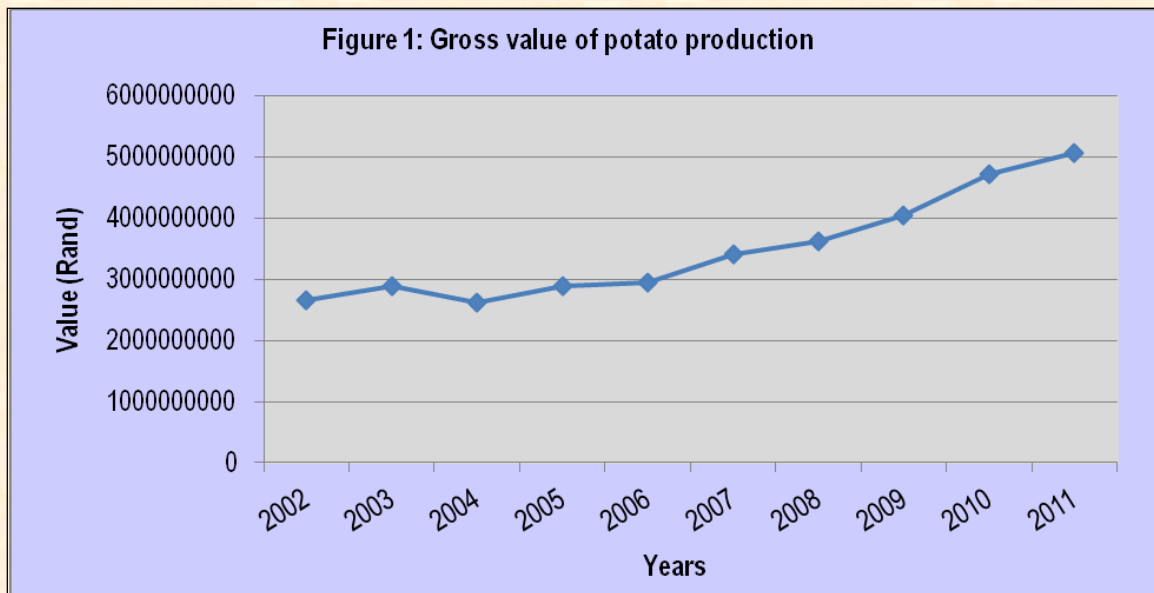
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**REPUBLIC OF SOUTH AFRICA**

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## 1. DESCRIPTION OF THE INDUSTRY

Potatoes are the most important vegetable crop in South Africa and the world's recognized stable food consumed by many people. In 2011, potatoes industry contributed approximately 61% to the total gross value of vegetable production, 13% of horticultural products and 3% of total agricultural products. Processing of potatoes has grown at a rapid rate over the past ten years. According to Potatoes South Africa, the processing industry represented 17% of the total potato crop during 2011. The rapid increase in potato processing can be attributed to consumer need for convenience ready to eat foods. The domestic processing sector uses potatoes primarily for, French fries, crisps, and frozen products. Potatoes are also fat and cholesterol free and high in fibre, Vitamin C and essential minerals like potassium, phosphorus and calcium.



Source: Statistics and Economic Analysis, DAFF

Depicted in the Figure 1 above is the contribution of potato industry to the gross value of agricultural production over the period of 10 years. The contribution of the potato industry increased by 8.6% in 2003, when compared to 2002 gross value. In 2004, the contribution dropped by 9% compared to 2003 contribution. These can be attributed to high production that occurs in the same year while the producer prices were not favorable to the producers. The contribution increased steadily from 2005 reaching peak in 2011 due to increased potato uptake and good prices. In 2011, potato industry contribution increased by 7% when compared to 2010 production year.

### 1.1 Production areas

Potatoes are produced from sixteen production regions which are spread throughout South Africa. The main producing regions are situated in the Limpopo, Free State, Western Cape, Mpumalanga, Kwazulu Natal and Eastern Cape. In 2011, Eastern Free State was the leading producer of potatoes with 19% of hectares of the total national production. Limpopo comes second with 18%

and Sandveld comes third with 13%. Potatoes are planted at different times due to climatic differences in the production areas. This has resulted in fresh potatoes being available throughout the year. A total of 52 563 hectares were planted during 2010 production year. This represents a 3.5% increase in production compared to the 2010 production year.

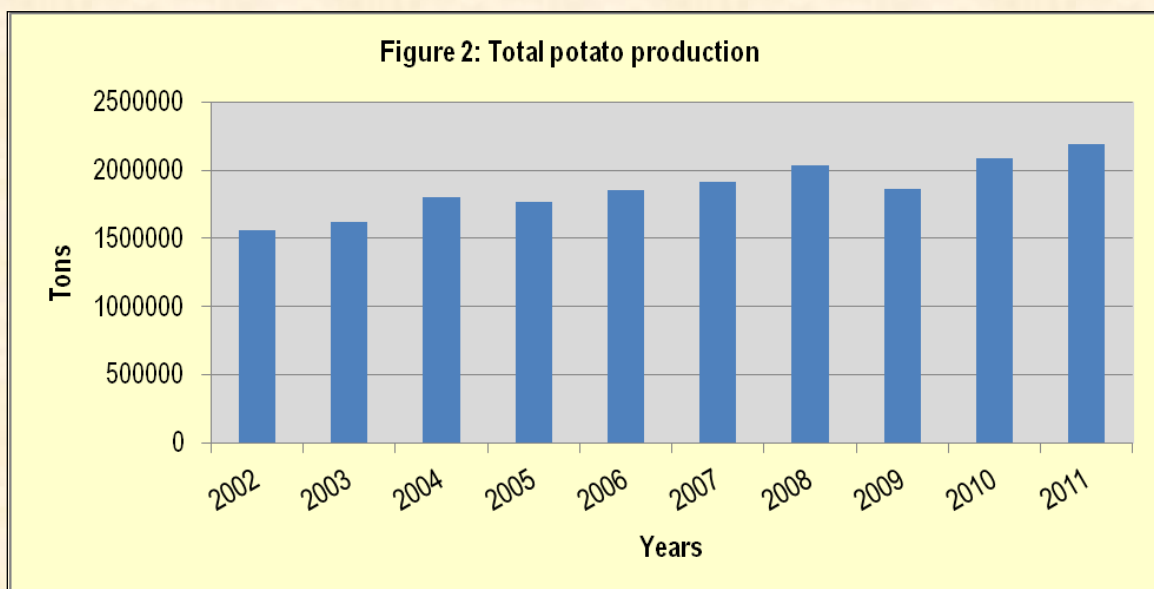
The crop is produced all year round both in dry land and under irrigation. There has been a major shift for the past two decades from dry land to production to production under irrigation. Today almost 75% of the area is planted under irrigation. Plantings in dry land thrive well in areas where there is reliable summer rainfall such as Eastern Free State, Mpumalanga and Eastern Cape. A successful potato production which is to a large extent dependent on quality planting material obtained from seed producers.

Globally China, India, Russian Federation, Ukraine and United States of America are top countries producing potatoes. According to FAO, a third of all potatoes are harvested in China and India.

## 1.2 Total production

According to Potato South Africa, in 2011 there were 679 commercial table potato farmers. This represents a 1.6% decrease in number of producers compared to the previous production season. There are 200 registered potato seed growers. There was a total production of 2 196 612 tons produced in 2011. This represents a 5% increase compared to the tons produced in 2010.

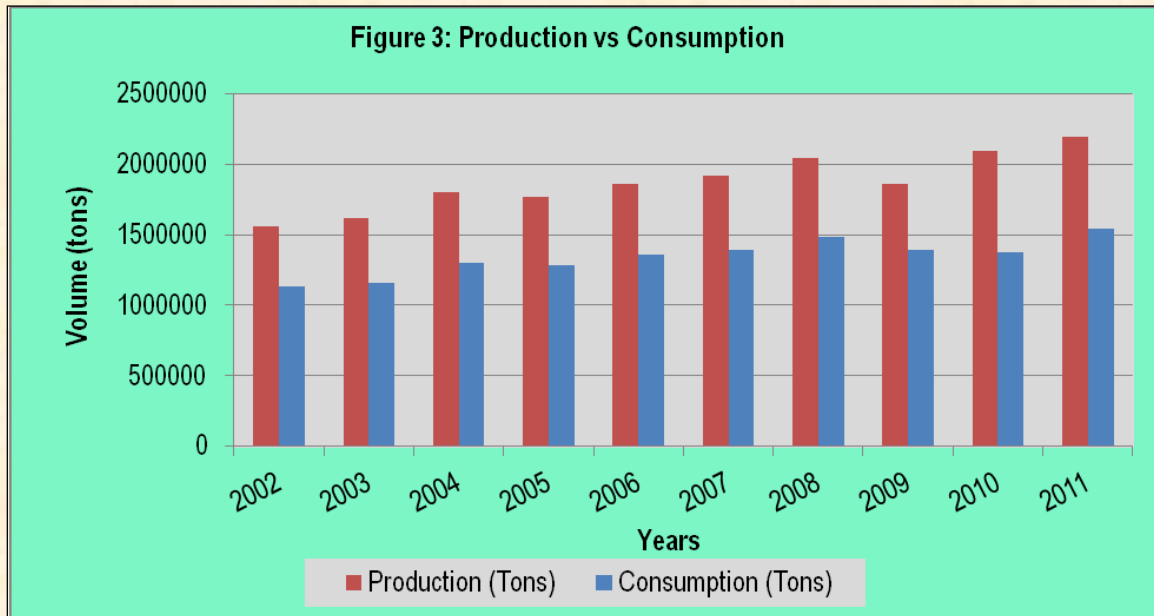
From a production perspective the input cost for potato production has been high and escalating international fuel and input prices. From a Marketing perspective, the strength of the South African currency negatively affected the export of potatoes, including to destinations in the Southern African Development Community (SADC) region.



Source: Statistics and Economic Analysis, DAFF

### 1.3 Potato production vs. consumption

Figure 3 below depicts local consumption of potatoes compared to the production over the period of ten years. The figure indicates that the production of potatoes was fairly higher compared to fresh consumption. This indicates that South Africa is self sufficient in terms of potato production and surplus potatoes are exported to other countries. South Africa's average potato consumption is approximately 1 340 695 tons per annum.



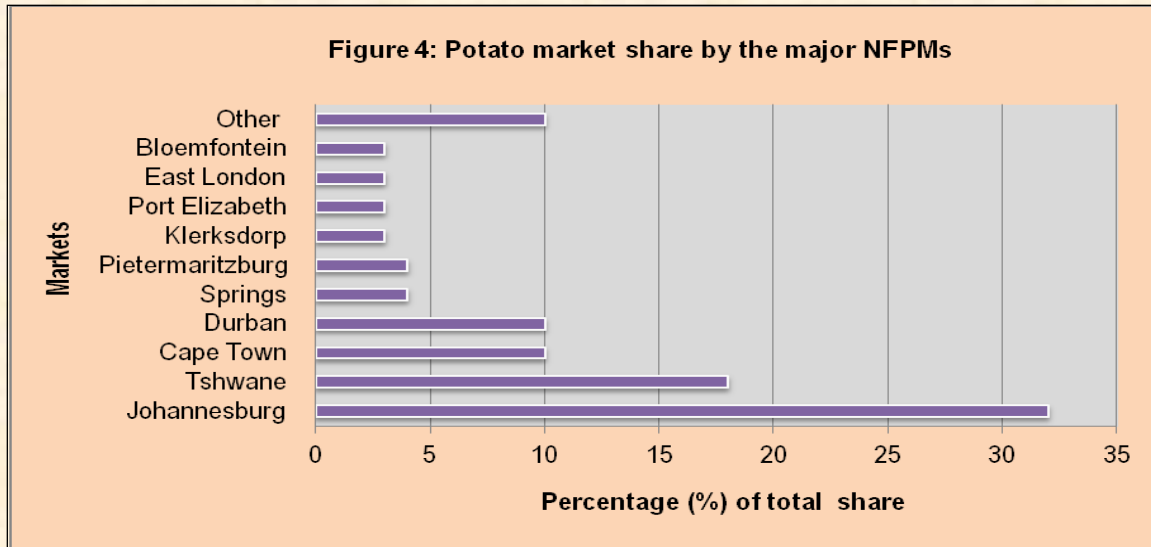
Source: Statistics and Economic Analysis, DAFF

## 2. MARKET STRUCTURE

In South Africa potatoes are sold through different marketing channels such as national fresh produce market, informal trade (street hawkers), directly to retailers and processors for manufacturing of dry, frozen and fresh chips. Lastly potatoes are also exported to other countries through export agents and marketing companies.

### 2.1 Domestic market

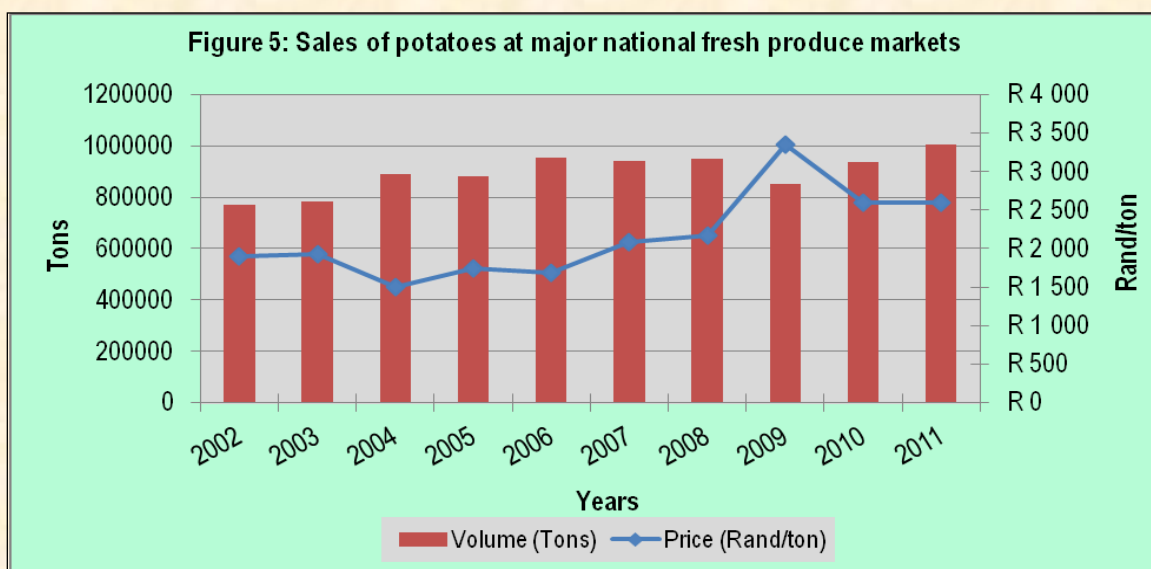
Sales of potatoes at the National Fresh Produce Markets (NFPMs) have been declining over the years but NFPMs remain an important channel for the sale of fresh potatoes in South Africa. Johannesburg fresh produce market with 32% share is the biggest potato market followed by Tshwane with 18%, Cape Town with 10% and Durban with 10% share. According to Potatoes South Africa, 38% of potatoes were distributed through formal market, 30% through informal markets (hawkers), 17% were processed, 8% were seed and 7% was exported in 2011.



Source: Statistics and Economic Analysis, DAFF

As indicated in Figure 5 below, there have been fluctuations in the quantities of potatoes sold in the major fresh produce markets over the last ten years. The main reason for the lack of growth in potato sales has been the departure from the NFPMs by the potato producers because they now sell directly to the potato chips companies, processors, wholesalers and retailers.

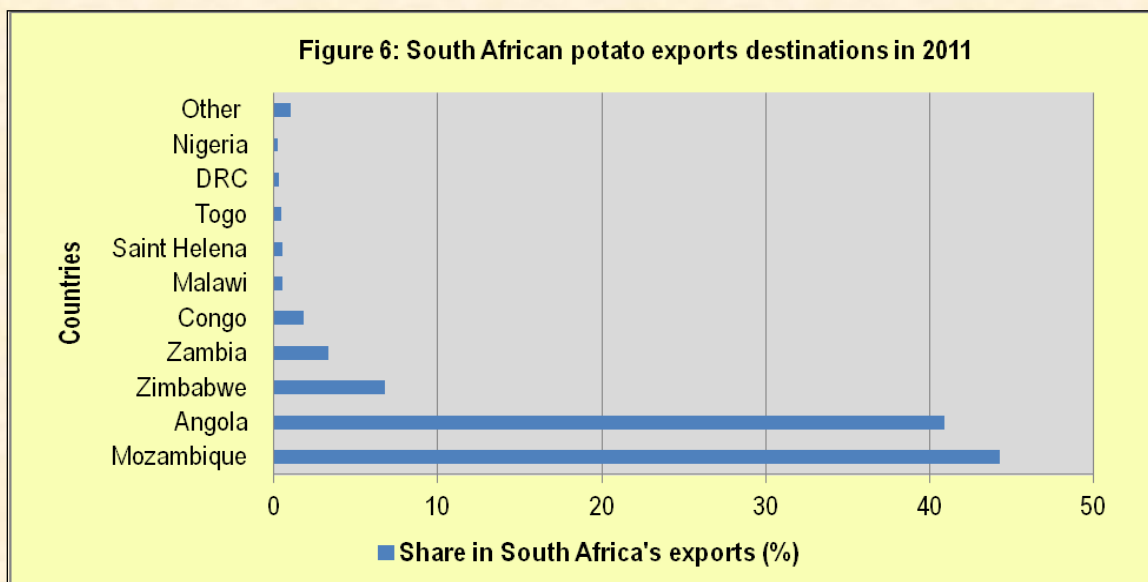
Potato prices in the NFPMs are primarily determined by market forces of supply and demand which is the preferred way of marketing channel for potatoes. Product grading is a critical component of price determination in the market and as a result potatoes are still officially graded at the NFPMs. The price received by the primary producers on the NFPMs is a basis for the determination of the price for direct purchases from the producers. In 2011, there was a 7.4% increase in quantities of potatoes supplied to the NFPMs and at the same time the prevailing price in the NFPMs decreased by .0.3%. The other factor that influences the price in the NFPMs is the quality of produce.



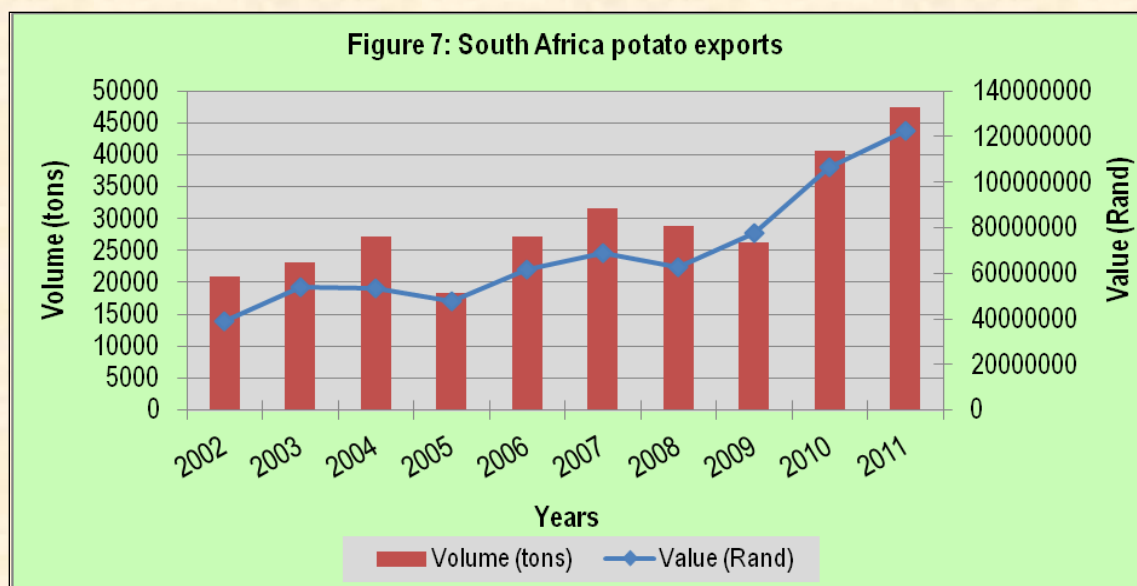
Source: Statistics and Economic Analysis, DAFF

## 2.2 Exports

Potatoes are probably the most suitable vegetables for export market (easy to grade and pack and under correct conditions, their shelf life is much longer than most other vegetables). However, South Africa is not considered to be a major exporter of potatoes, primarily because it contributes 0.49% and it is ranked number 27 in the world potato exports. In 2011, South Africa has lost competitiveness in terms of potato export since it was ranked number 25 in the previous year. Figure 6 below shows the South Africa potato exports destinations. In 2011, 44.3% of South African potatoes were exported to neighboring country of Mozambique, 40.9% to Angola and 6.8% to Zimbabwe. The bulkiness of potatoes, perishability and associated transport costs make the export of potatoes prohibitively expensive and for this reason South Africa's primary export markets are located within the Southern Africa (Mozambique, Angola and Zimbabwe). France, Netherlands, Germany, United States of America, Canada, China and Belgium are top countries exporting potatoes.



Source: International Trade Centre (ITC)



Source: Quantec Easydata

As indicated on the figure 7 above, there have been fluctuations in real value of potatoes exported. Furthermore, from 2004 there was a significant increase in volume exported. However, there was a 6% decrease in the volume of potato exports in 2005. At the same time there was a 12% decrease in the real value of potato exports. In 2007, there was a 16.6% increase in potato exports and at the same time there was a 29% decrease in value of exports. The decrease in the real value of potato exports may have been due to currency fluctuations. In 2009, there was an 8% decline in volumes of potatoes exports and the value of potatoes has increased by 23% at the same season. The highest export volumes were recorded in 2011, which can be attributed to 5% increase in production volumes in the same year. It was more profitable to export potatoes in 2005, 2009 to 2011 since higher values were recorded for volumes exported.

Southern African Development Community (SADC) countries such as, Mozambique, Angola, Zimbabwe and Zambia hold a bigger market share of South African potato exports according to table 1 below. Together they constitute approximately 95.3% of South African potato exports. There should be attempts to expand other markets like the Middle East. That will enable the South African potato exports to grow. In 2011, there were no of South African potato exports that remained in the ship stores and bunkers (This is the place where products without proper documents are held). Table 1 shows that South Africa potato exports to Zimbabwe has decrease by 61% in value between 2010-2011 period.

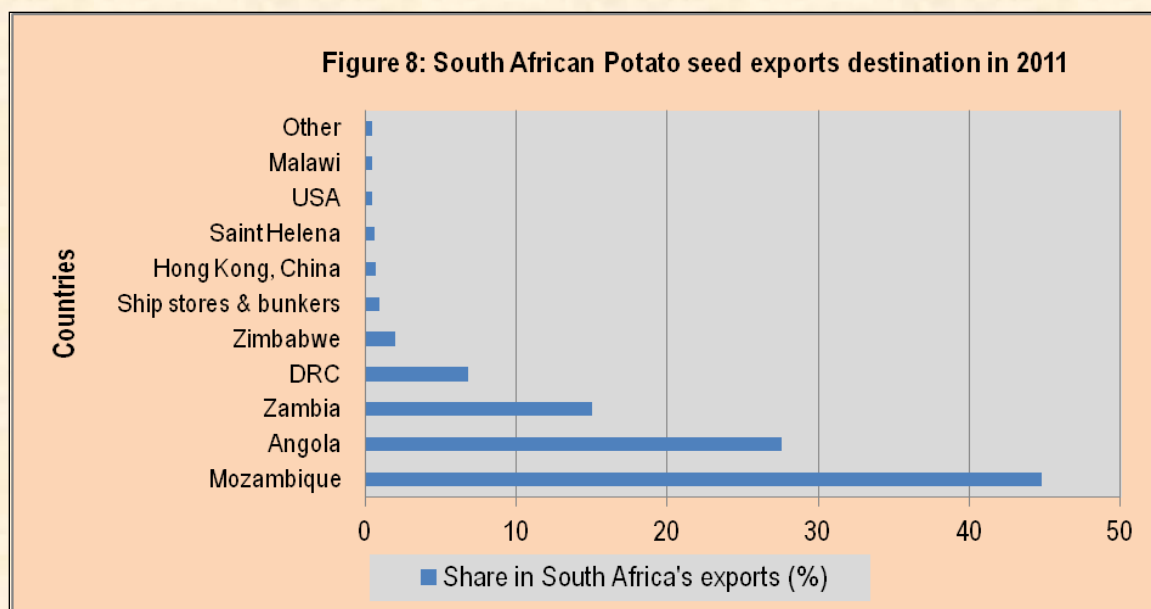
**Table 1: South Africa potato exports in 2011**

Importers	Exported value 2011 (USD thousand)	Share in South Africa's exports (%)	Exported quantity 2011 (tons)	Unit value (USD/unit)	Exported growth in value between 2007-2011 (% p.a.)	Exported growth in quantity between 2007-2011 (% p.a.)	Exported growth in value between 2010-2011 (% p.a.)
World	16864	100	47318	356	19	12	16

Importers	Exported value 2011 (USD thousand)	Share in South Africa's exports (%)	Exported quantity 2011 (tons)	Unit value (USD/unit)	Exported growth in value between 2007-2011 (% p.a.)	Exported growth in quantity between 2007-2011 (% p.a.)	Exported growth in value between 2010-2011 (% p.a.)
Mozambique	7463	44.3	25409	294	27	12	4
Angola	6899	40.9	14196	486	11	5	141
Zimbabwe	1148	6.8	4058	283	122	126	-61
Zambia	553	3.3	2130	260	24	10	17
Congo	296	1.8	751	394	17	21	33
Malawi	91	0.5	206	442	7	9	5
Saint Helena	76	0.5	103	738	12	-3	-30
Togo	63	0.4	98	643	-16	17	
DRC	50	0.3	71	704	4	-6	-80
Nigeria	38	0.2	18	2111	152	106	-41
French Polynesia	35	0.2	102	343	48	113	
Netherland Antilles	33	0.2	58	569			

Source: ITC Trade Map

According to Figure 8 and Table 2 below, Southern African Development Community (SADC) countries such as, Mozambique and Zambia hold a bigger market share of South African potato seed exports. Together they constitute approximately 72.4% of South African potato seed exports. There should be attempts to expand other markets like the Middle East. That will enable the South African potato exports to grow. At least 1% of South African potato seed exports remained in the ship stores and bunkers (This is the place where products without proper documents are held). Table 2 shows that South Africa potato seeds exports to Angola has decreased by 18% in value and 40% in quantity between 2010-2011 period. South Africa potato seeds to Zambia have decreased by 9% in quantity between 2007 and 2011 period.

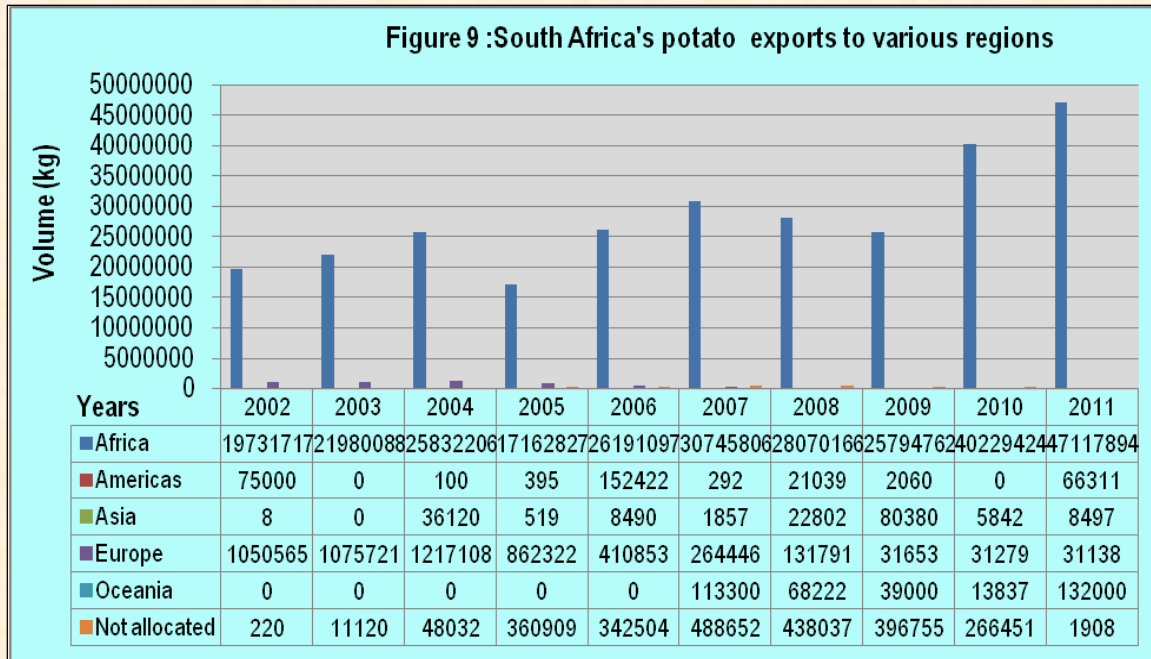


Source: International Trade Centre (ITC)

**Table 2: South Africa potato seed exports in 2011**

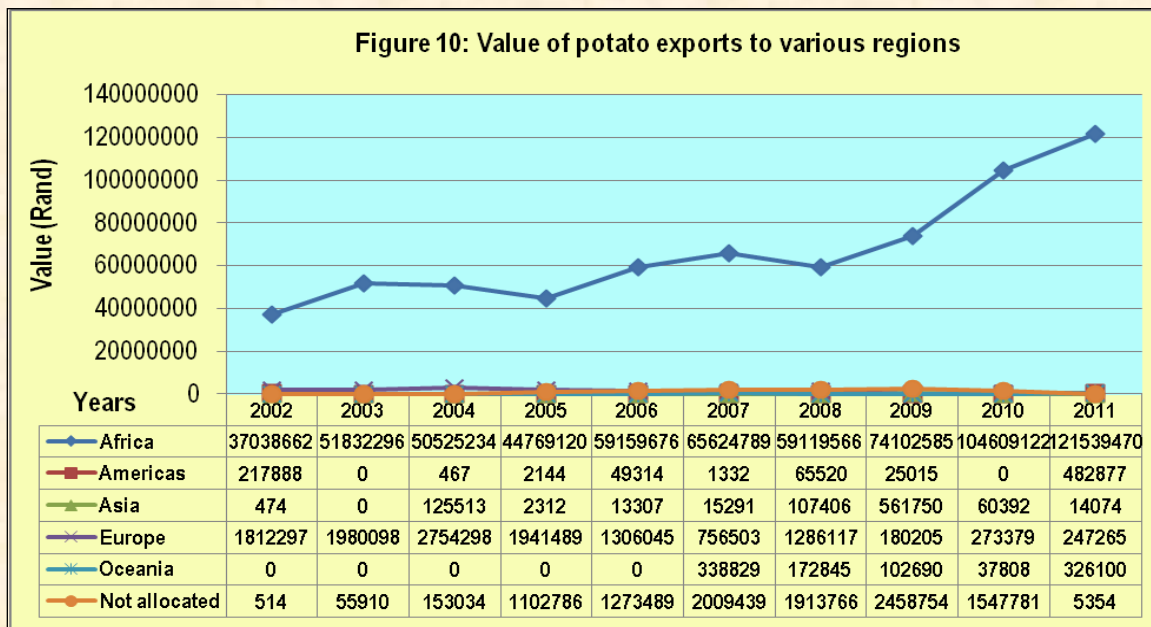
Importers	Exported value 2011 (USD thousand)	Share in South Africa's exports (%)	Exported quantity 2011 (tons)	Unit value (USD/unit)	Exported growth in value between 2007-2011 (% p.a.)	Exported growth in quantity between 2007-2011 (% p.a.)	Exported growth in value between 2010-2011 (% p.a.)
World	3035	100	4651	653	2	-22	150
Mozambique	1360	44.8	2273	598	41	26	261
Angola	837	27.6	1330	629	-18	-40	345
Zambia	456	15	607	751	4	-9	36
DRC	207	6.8	271	764	92	126	92
Zimbabwe	60	2	97	619	41	29	15
Ship stores and bunkers	29	1	34	853	-20	-30	-67
Hong Kong, China	22	0.7	1	22000		-24	-24
Saint Helena	19	0.6	17	1118	-23	-33	-14
USA	16	0.5	0				129
Malawi	14	0.5	9	1556	-26	-19	
Netherlands	6	0.2	0		-18		

Source: International Trade Centre (ITC)



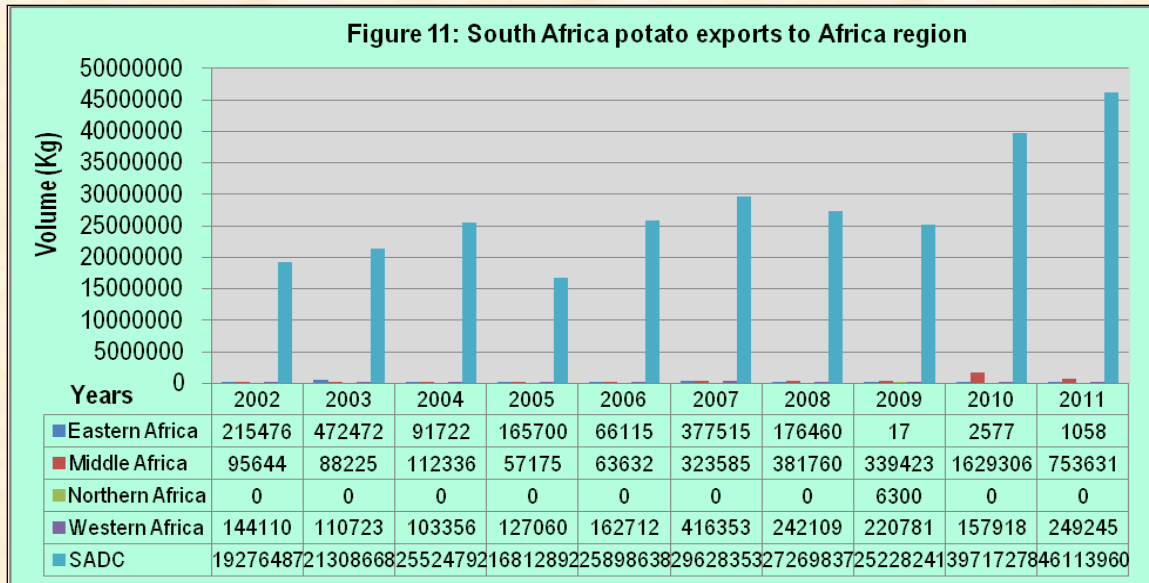
Source: Quantec Easydata

Figure 9 above shows that South Africa exported high quantities of potatoes to the African region followed by Europe. South Africa also exported smaller volumes of potatoes to Asia, Oceania and Americas regions. In 2010, there was a significant increase in exports to African region, at the same time there was no export to Americas region. A substantial volume of South African potato exports from 2004 onwards were not allocated to any region. In 2011, considerable volumes of South African were exported to Oceania and Americas regions.



Source: Quantec Easydata

Figure 10 above shows the value of South Africa's potato exports earned from the regions. From 2002 to 2011, African region has recorded high export value than the other regions as high quantities of potatoes were exported to this region. In 2011, it was more profitable to export potatoes to European region, followed by America region then African region. It was less profitable to export potatoes to Asian region during 2011.



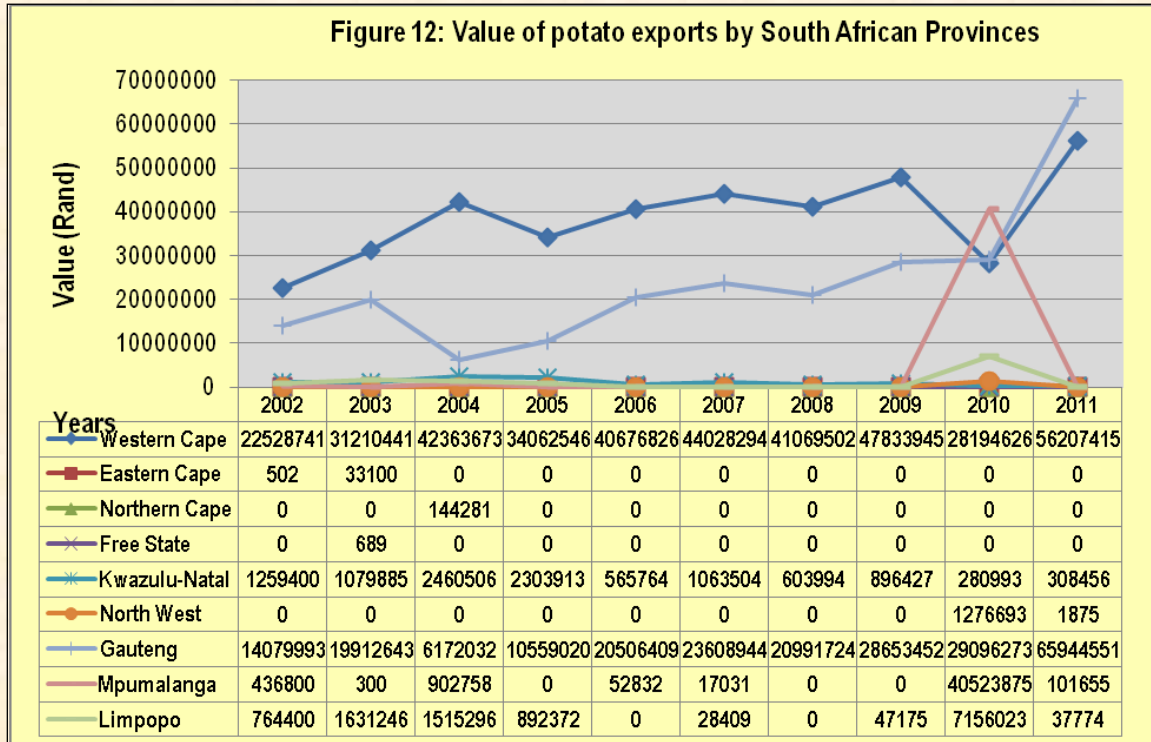
Source: Quantec Easydata

Figure 11 above, shows that in Africa, SADC countries (Mozambique, Zimbabwe, Angola, Zambia, Congo and Democratic Republic of Congo) are the biggest potato export market for South African potatoes. South Africa exported considerable quantities to West African countries (Ghana, Saint Helena and Nigeria), Eastern Africa (Kenya, Reunion and Uganda) and Middle Africa (Congo and Gabon). South Africa potato exports to Northern Africa were 2009 and were less significant. In 2011, SADC region continued to be a leading market for potatoes originating from South Africa. Considerable volumes were also exported to Middle Africa and West Africa during 2011.

### 2.3 Provincial and district export values of South African potatoes.

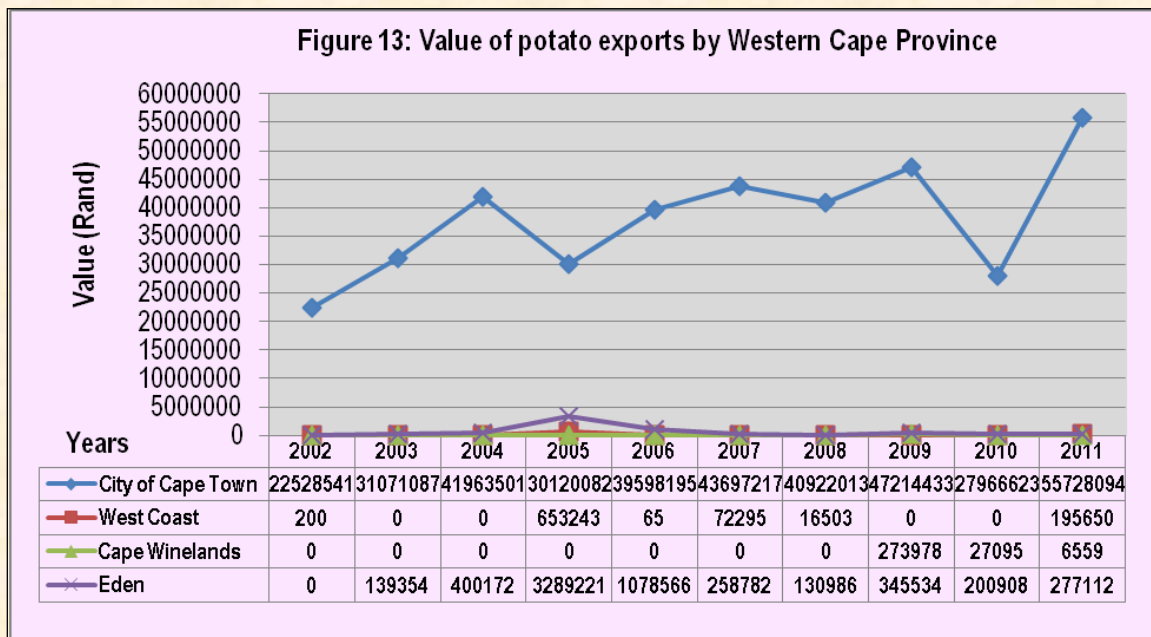
A review of provincial level trade data presents an interesting but somewhat misleading view of the source of potatoes destined for the export markets. Firstly, the fact that 53.79% of potatoes exported in 2011 were from Gauteng province does not imply that the potatoes were produced there but that the registered exporters were based in Gauteng. Secondly provinces the Western Cape and Kwa-Zulu Natal serves as exit points for potato exports through the Cape Town and Durban harbour respectively. Figure 12 below depicts the value of potato exports from each province of South Africa. Highlights of the potato exports in figure 12 below were that the provinces of Western Cape, Gauteng and to a lesser extend Kwa-Zulu Natal were consistently the top exporting provinces of South Africa over the last decade. In 2010, the highest export value was recorded for Mpumalanga province. Limpopo has also recorded a significant increase in export value. Export values for Western Cape, Gauteng and Kwazulu Natal have significantly increased

during 2011. Other provinces featured intermittently but usually registered zero trade.



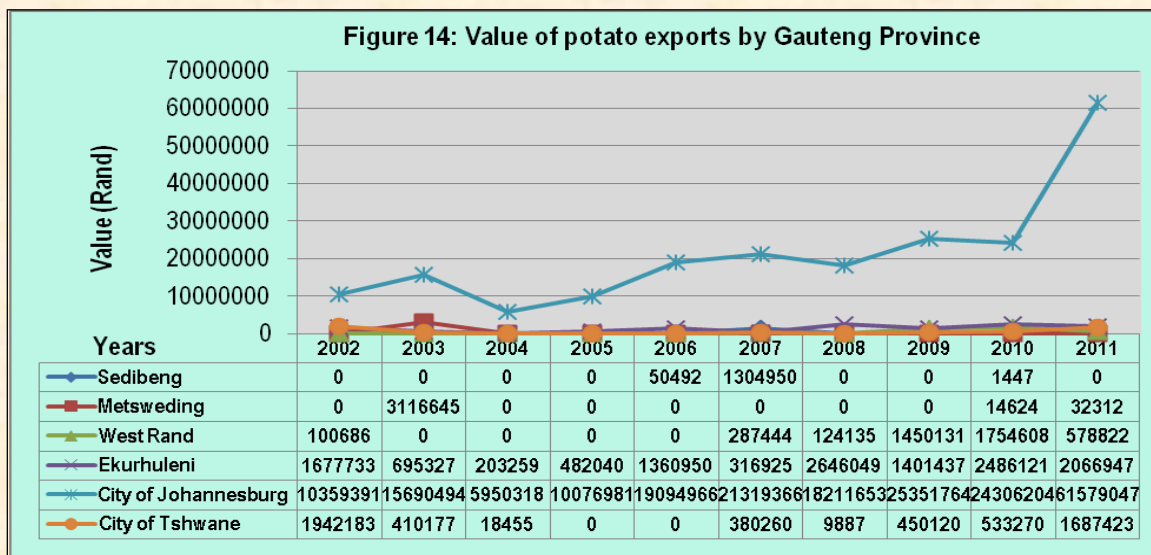
Source: Quantec Easydata

The following figures (Figures 13 – 21) show the value of potato exports from the various districts in the nine provinces of South Africa.



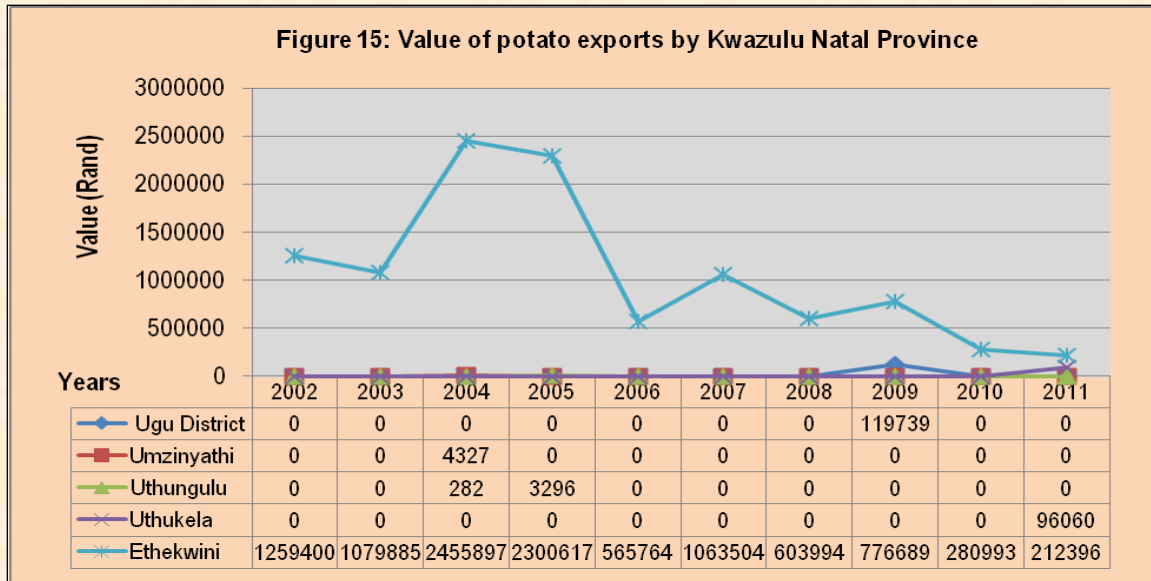
Source: Quantec Easydata

From Figure 13, it is clear that potato exports from the Western Cape province were mainly from the City of Cape Town Metropolitan Municipality. West Coast and Eden municipalities contributed to a lesser extent. In 2010, there was a significant drop of export value recorded for the City of Cape Town. The use of the Cape Town harbour as an exit point may have played a major role in the metropolitan municipality being a leader in the export of potatoes from the Western Cape province. Highest export value for the leading municipality was recorded in 2011. West Coast and Eden municipalities have recorded high export values during 2011, while the export value for Cape Winelands has dropped significantly.



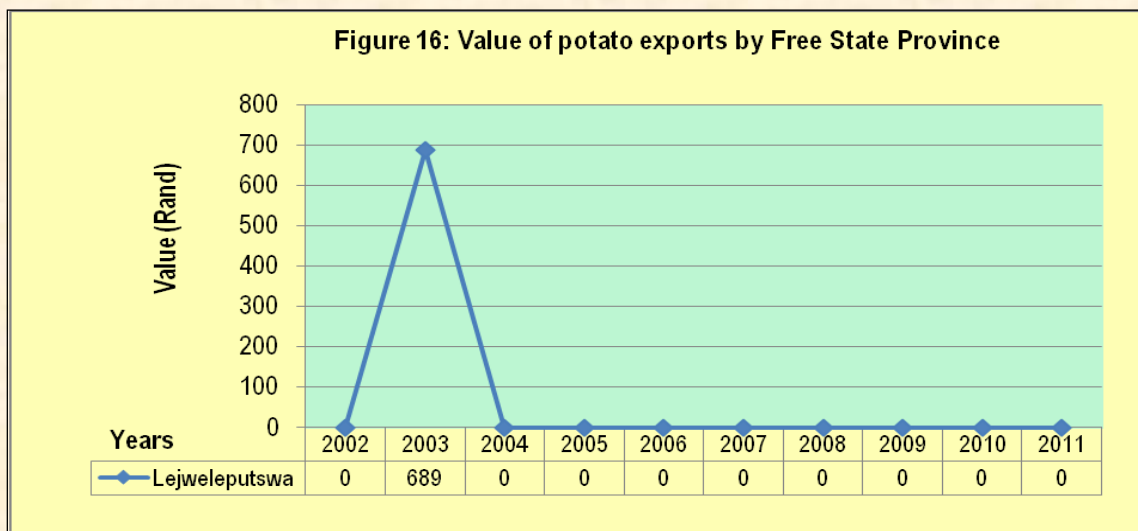
Source: Quantec Easydata

In Gauteng province, there has been fluctuation on the potato export values for the past ten years (see Figure 14). The leading role players are City of Johannesburg, Ekurhuleni and City of Tshwane to a lesser extent. High export values of the leading municipalities were recorded in 2011 for City of Johannesburg and 2008 for Ekurhuleni. In 2010, there was a 21% increase potato export value recorded for West Rand district municipality. In 2011, export values for City of Johannesburg, Ekurhuleni, Metsweding and City of Tshwane have significantly increased while export value for Sedibeng has dropped.



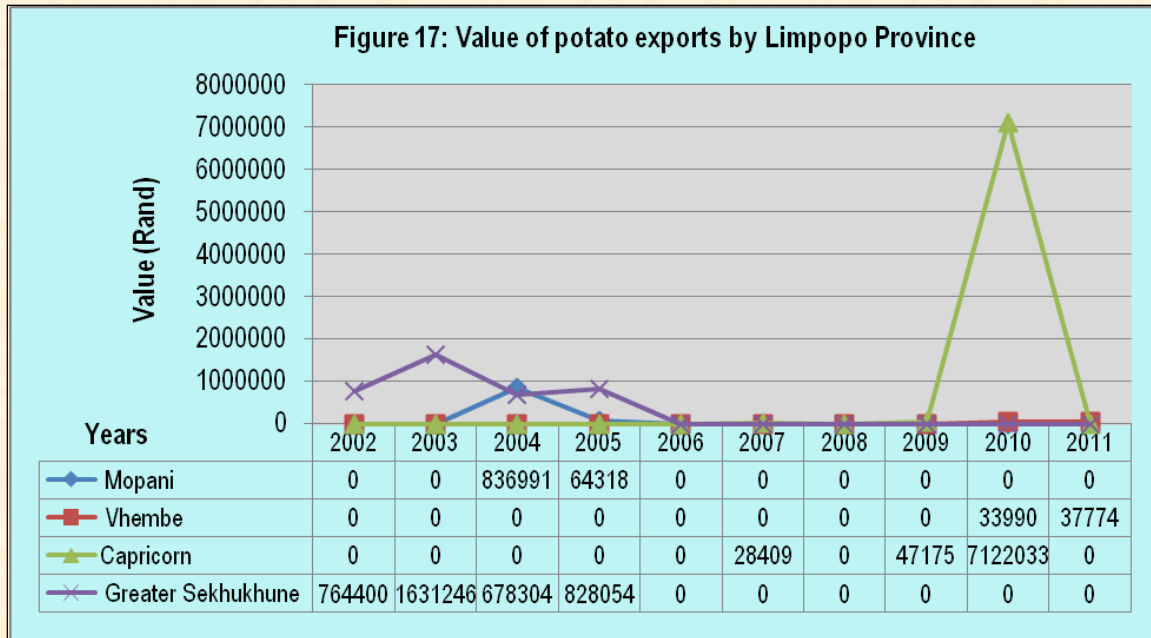
Source: Quantec Easydata

From figure 15 it is clear that potato exports from the Kwa-Zulu Natal province are mainly from Ethekwini Municipality. High export values for the Municipality were recorded in 2004. In 2008 and 2009 there was a significant decline in potato value recorded for Ethekwini Municipality. In 2009, Ugu district recorded its first potato export value. In 2010, there was a significant decline in export value recorded for Ethekwini municipality. Export value for the leading municipality has further declined in 2011 while; Uthukela has recorded its first export value in the same year. The use of the Durban harbour as an exit point may have played a major role in the Ethekwini municipality being a leader in the export of potatoes from the Kwa-Zulu Natal province.



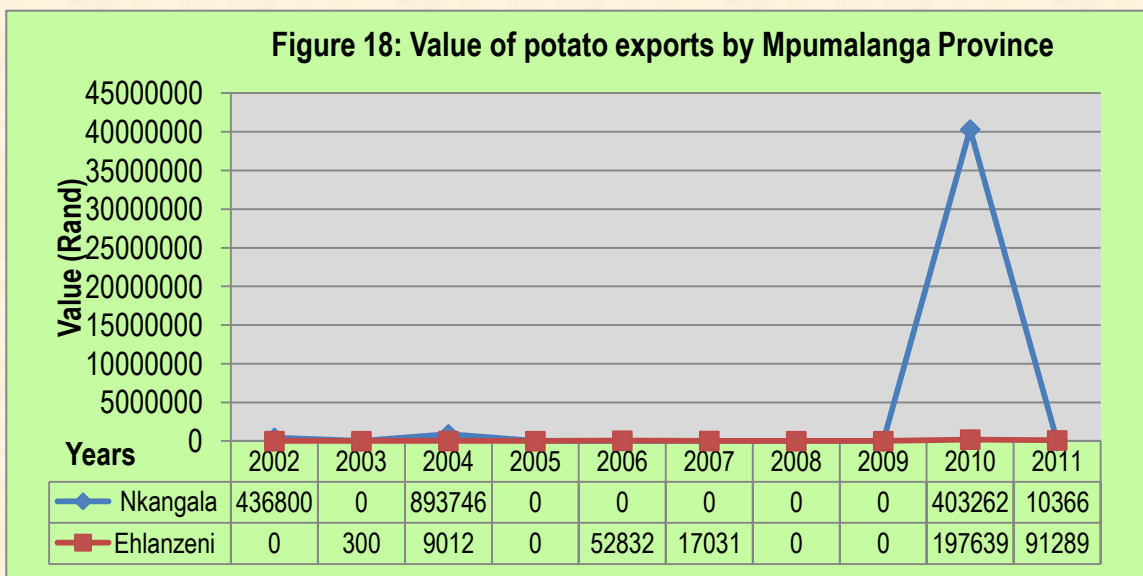
Source: Quantec Easydata

Figure 16 illustrates that potato exports from the Free State province were only in 2002 through Lejweleputswa district. In 2002, 2004 to 2011, there was no potato exports recorded from Free State province despite being one of provinces producing high volume of potatoes.



Source: Quantec Easydata

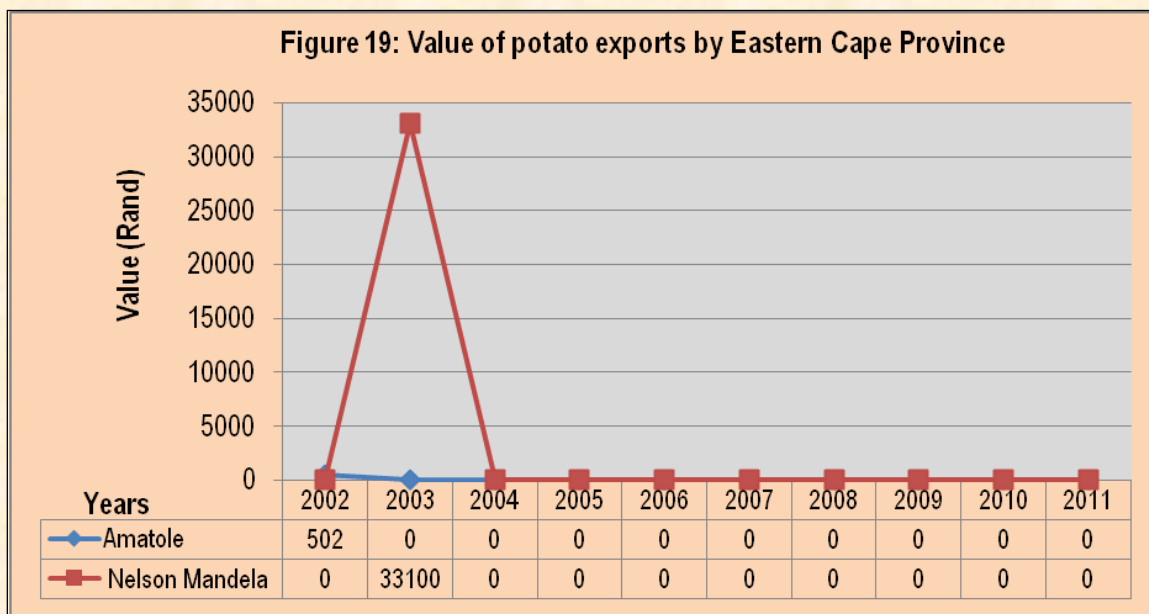
Figure 17 shows that in Limpopo province, Greater Sekhukhune and Capricorn district to a lesser extent has been the leading potato exporters. The District Municipality (Mopani) has had higher export values in 2004. Greater Sekhukhune district Municipality had higher export values 2003. In 2010, the highest exports values were recorded for Capricorn district municipality. In 2011, Limpopo province potato exports were exported through Vhembe district.



Source: Quantec Easydata

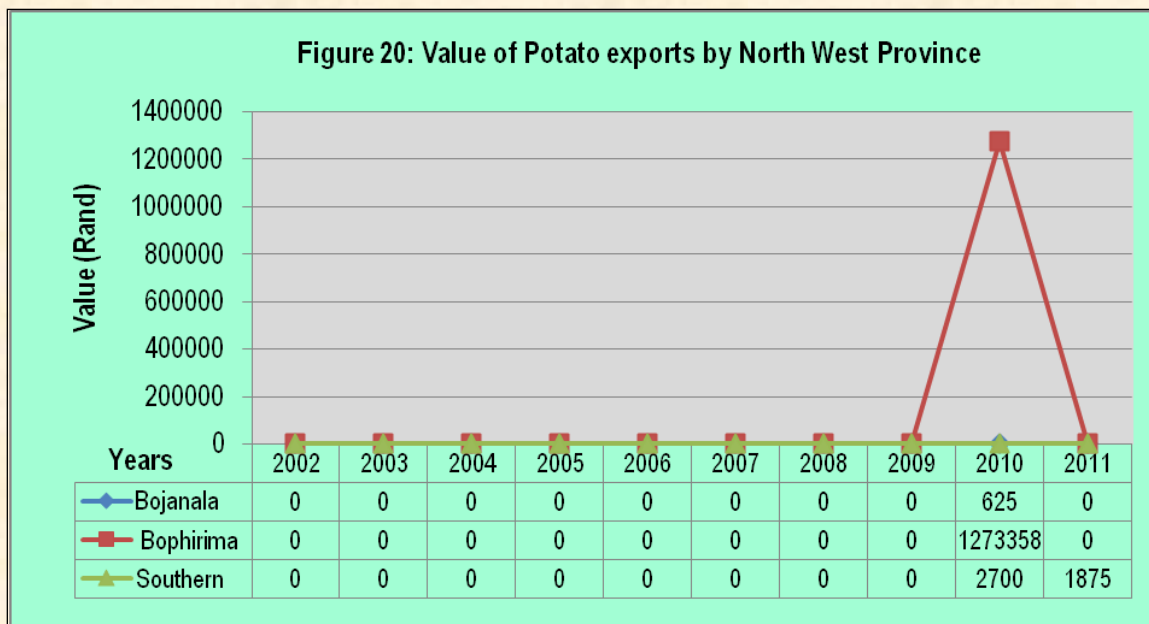
From Figure 18 it is clear that potato exports from the Mpumalanga province were mainly from Ehlanzeni and Nkangala District Municipalities. High export values for the leading municipalities were recorded in 2004 (for Nkangala) and 2010 (for Ehlanzeni). However, there has been fluctuation in terms of export values from the leading municipalities in the past ten years. In 2008

and 2009, the province has recorded zero trade for potatoes. In 2011, export values for both Nkangala and Ehlanzeni has dropped significantly when compared to 2010 exports values.



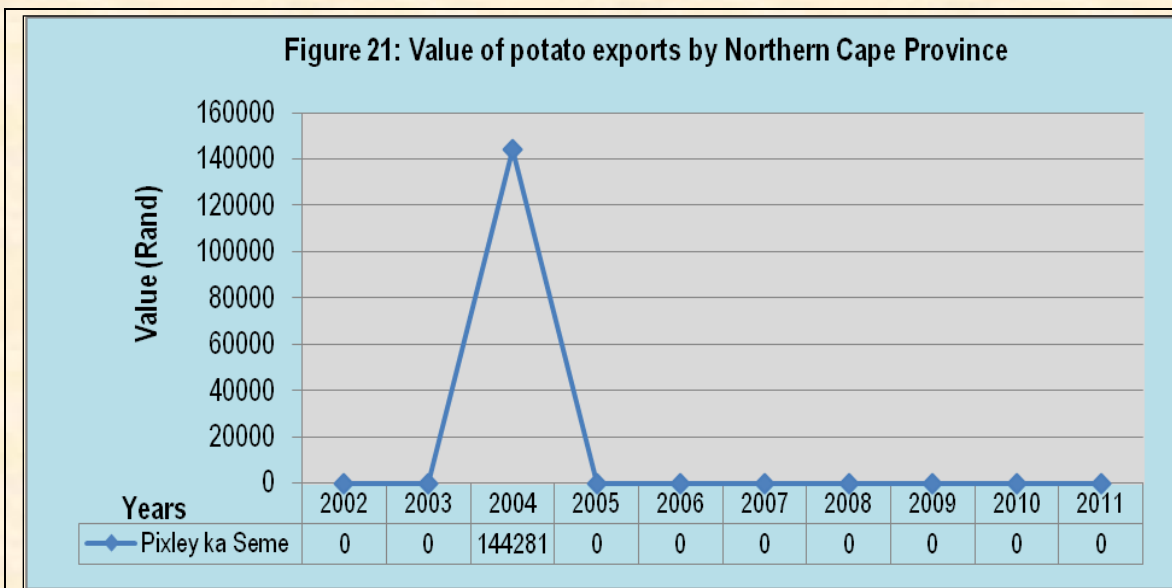
Source: Quantec Easydata

Figure 19 illustrates that potato exports from the Eastern Cape province were mainly from Nelson Mandela district Municipalities. High export values for the leading municipalities were recorded in 2003 (for Nelson Mandela district municipality). From 2004 to 2011, the province has recorded zero trade for potatoes.



Source: Quantec Easydata

From Figure 20 it is clear that potato exports from the North West province were recorded in 2010 for Bojanala, Bophirima, and Southern district municipalities and from 2002 to 2009, the province has recorded zero potato trade. In 2011, North West province exported potatoes from Southern district.



Source: Quantec Easydata

From Figure 21, it is clear that Northern Cape province exported potatoes from Pixley ka Seme district municipality in 2004. From 2005 to 2011, Northern Cape province has recorded zero trade for potatoes.

## 2.4 Share analysis

Table 3 is an illustration of provincial shares towards national potato exports. It shows that Western Cape and Gauteng provinces have commanded the greatest share of potato exports for the past ten years. In 2011, Western Cape commanded 45.86% and Gauteng commanded 53.79% of South Africa potato export shares. This is in spite of the fact that Free State and Limpopo together with the Western Cape are the leading producers of potatoes. As explained earlier, this means that the leading export provinces (Western Cape, Gauteng and Kwa-Zulu Natal) derive their advantage from the fact that the registered exporters are based in their provinces and they also have exit points for potato exports. In 2010, Mpumalanga has commanded 38.04% of potato export share. This can be attributed to direct export to neighboring Mozambique which commanded 49.6% of South African potato exports. In 2011, exports shares for Mpumalanga and Limpopo have dropped when compared to exports shares recorded for the previous year.

The above scenario raises concerns about the availability of marketing infrastructure and agro-logistics in the other major potato producing provinces of South Africa like Free State and Limpopo because Gauteng is not a potato producing region and yet the sizeable share of South African potato exports (53.79% in 2011) are exported through this province.

**Table 3: Share of provincial potato exports to the total RSA potato exports (%)**

Years Province	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Western Cape	57.66	57.94	79.10	71.23	65.82	64.04	65.54	61.78	26.47	45.86
Eastern Cape	0	0.06	0	0	0	0	0	0	0	0
Northern Cape	0	0	0.27	0	0	0	0	0	0	0
Free State	0	0	0	0	0	0	0	0	0	0
Kwazulu-Natal	3.22	2.00	4.59	4.82	0.92	1.55	0.96	1.16	0.26	0.25
North West	0	0	0	0	0	0	0	0	1.20	0
Gauteng	36.04	36.97	11.52	22.08	33.18	34.34	33.50	37.01	27.31	53.79
Mpumalanga	1.12	0	1.69	0	0.09	0.02	0	0	38.04	0.08
Limpopo	1.96	3.03	2.83	1.87	0	0.04	0	0.06	6.72	0.03
South Africa	100	100	100	100	100	100	100	100	100	100

Source: Calculated from Quantec Easydata

The following tables (Table 4 – 12) show the share of provincial potato exports to the total national potato exports.

**Table 4: Share of district potato exports to total Western Cape provincial potato exports (%)**

Year District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
City of Cape Town	100	99.55	99.06	88.43	97.35	99.25	99.64	98.71	99.19	99.15
West Coast	0	0	0	1.92	0	0.16	0.04	0	0	0.35
Cape Winelands	0	0	0	0	0	0	0	0.57	0.10	0.01
Eden	0	0.45	0.94	9.66	2.65	0.59	0.32	0.72	0.71	0.49
Western Cape	100	100	100	100	100	100	100	100	100	100

Source: Calculated from Quantec Easydata

Table 4, above indicates that City of Cape Town municipality commanded the greatest share of potato exports from Western Cape Province. In 2010, City of Cape Town commanded 99.19% and West Coast 0.71% share of potato exports. City of Cape has continued to command high export shares and during 2011, it commanded 99.15% share of exports. Cape Town Harbour renders exit point for exports from this province.

**Table 5: Share of district potato exports to the total Gauteng provincial potato exports (%)**

Year District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sedibeng	0	0	0	0	0.25	5.53	0	0	0	0
Metsweding	0	15.65	0	0	0	0	0	0	0.05	0.05
West Rand	0.72	0	0	0	0	1.22	0.59	5.06	6.03	0.88
Ekurhuleni	11.92	3.49	3.29	4.57	6.64	1.34	12.61	4.89	8.54	3.13
City of Johannesburg	73.58	78.80	96.41	95.43	93.12	90.30	86.76	88.47	83.54	93.38
City of Tshwane	13.79	2.06	0.30	0	0	1.61	0.05	1.57	1.83	2.56
Gauteng	100	100	100	100	100	100	100	100	100	100

Source: Calculated from Quantec Easydata

Table 5 above shows that the City of Johannesburg and Ekurhuleni municipalities have commanded the greatest shares of potato exports from Gauteng province. In 2011, City of

Johannesburg commanded 93.38% and Ekurhuleni has commanded 3.13% share of potato exports. OR Tambo International Airport renders exit point for exports from these municipalities.

**Table 6: Share of district potato exports to the total Limpopo provincial potato exports (%)**

Year District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Mopani	0	0	55.24	7.21	0	0	0	0	0	0
Vhembe	0	0	0	0	0	0	0	0	0.47	100
Capricorn	0	0	0	0	0	100	0	100	99.53	0
Greater Sekhukhune	100	100	44.76	92.79	0	0	0	0	0	0
Limpopo	100	100	100	100	0	100	0	100	100	100

Source: Calculated from Quantec Easydata

Table 6 illustrates that Greater Sekhukhune commanded the greatest share of potato exports from Limpopo province. Mopani, Vhembe and Capricorn contributed potato export interchangeably during the period under review. In 2010, Capricorn commanded 99.53% share of potatoes from Limpopo province. In 2011, Vhembe commanded 100% share of potato exports from Limpopo province.

**Table 7: Share of district potato exports to the total Kwa-Zulu provincial potato exports (%)**

Years District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Ugu	0	0	0	0	0	0	0	13.36	0	0
Umzinyathi	0	0	0.18	0	0	0	0	0	0	0
Uthungulu	0	0	0.01	0.14	0	0	0	0	0	0
Uthukela	0	0	0	0	0	0	0	0	0	34.14
EThekwini	100	100	99.81	99.86	100	100	100	86.64	100	68.86
Kwazulu Natal	100	100	100	100	100	100	100	100	100	100

Source: Calculated from Quantec Easydata

Table 7 above indicates that Ethekwini district municipalities commanded the greatest share of potato exports from Kwazulu Natal province. In 2010, Ethekwini commanded 100% share of potatoes exports. The greatest share by Ethekwini can be attributed to Durban harbour which renders export exit point. Uthukela commanded 34.14% share during 2011, while Ethekwini export share has dropped to 68.86% when compared to 2010.

**Table 8: Share of district potato exports to the total Free State provincial potato exports (%)**

Year District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Lejweleputswa	0	100	0	0	0	0	0	0	0	0
Thabo Mofutsanyane	0	0	100	0	0	0	0	0	0	0
Free State	0	100	100	0	0	0	0	0	0	0

Source: Calculated from Quantec Easydata

Table 8 shows that Thabo Mofutsanyane commanded 100% of potato exports in the Free State province in 2004. In 2003, Lejweleputswa commanded 100% of potato exports from Free State province. From 2005 to 2011, the province has recorded zero trade for potatoes.

**Table 9: Share of district potato exports to the total Mpumalanga provincial potato exports (%)**

Year District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Nkangala	100	0	99	0	0	0	0	0	99.51	10.20
Ehlanzeni	0	100	1	0	100	100	0	0	0.49	89.80
Mpumalanga	100	100	100	0	100	100	100	0	100	100

Source: Calculated from Quantec Easydata

Table 9 above illustrates that Ehlanzeni and Nkangala district commanded the greatest share of potato exports from Mpumalanga province. In 2010, Nkangala district commanded 99.51% share of potato exports. In 2011, Ehlanzeni commanded 89.80% share and Nkangala has commanded 10.20% share of potato exports.

**Table 10: Share of district potato exports to total Eastern Cape provincial potato exports (%)**

Year District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Amatole	100	0	0	0	0	0	0	0	0	0
Nelson Mandela	0	100	0	0	0	0	0	0	0	0
Eastern Cape	100	100	0	0	0	0	0	0	0	0

Source: Calculated from Quantec Easydata

Table 10 shows that in 2003, Nelson Mandela district commanded 100% share of potato exports from Eastern Cape Province. Amatole commanded 100% share of potato exports in 2002 and from 2004 to 2011, the province has recorded zero potato trade.

**Table 11: Share of district potato exports to total North West provincial potato exports (%)**

Year District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Bojanala	0	0	0	0	0	0	0	0	0.05	0
Bophirima	0	0	0	0	0	100	0	0	99.74	0
Southern	0	0	0	0	0	0	0	0	0.21	100
North West	0	0	0	0	0	100	0	0	100	100

Source: Calculated from Quantec Easydata

Table 11 above illustrates that from 2002 to 2006, 2008 and 2009, North West province has recorded zero trade for potatoes. In 2007, Bophirima commanded 100% and in 2010 it commanded 99.74% share of potato export. In 2011, Southern district has commanded 100% share of potato exports from North West.

**Table 12: Share of district potato exports to the total Northern Cape provincial potato exports (%)**

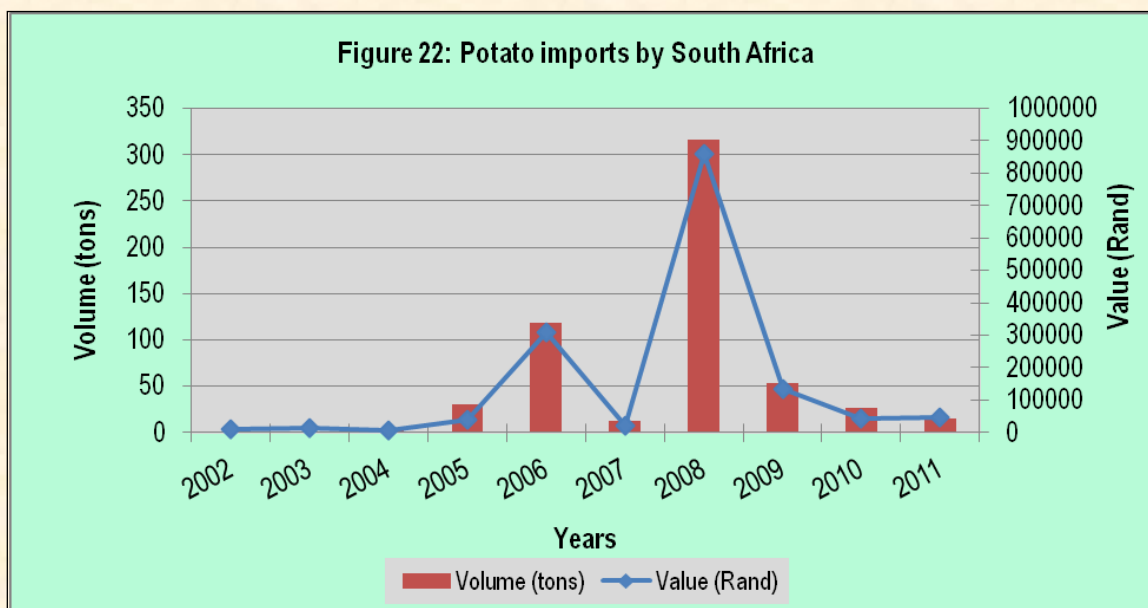
Years District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Pixley ka Seme	0	0	100	0	0	0	0	0	0	0
Northern Cape	0	0	100	0	0	0	0	0	0	0

Source: Calculated from Quantec Easydata

In 2004, Pixley ka Seme has commanded the 100% share of potato exports from Northern Cape province. In other years the province recorded zero trade for potatoes.

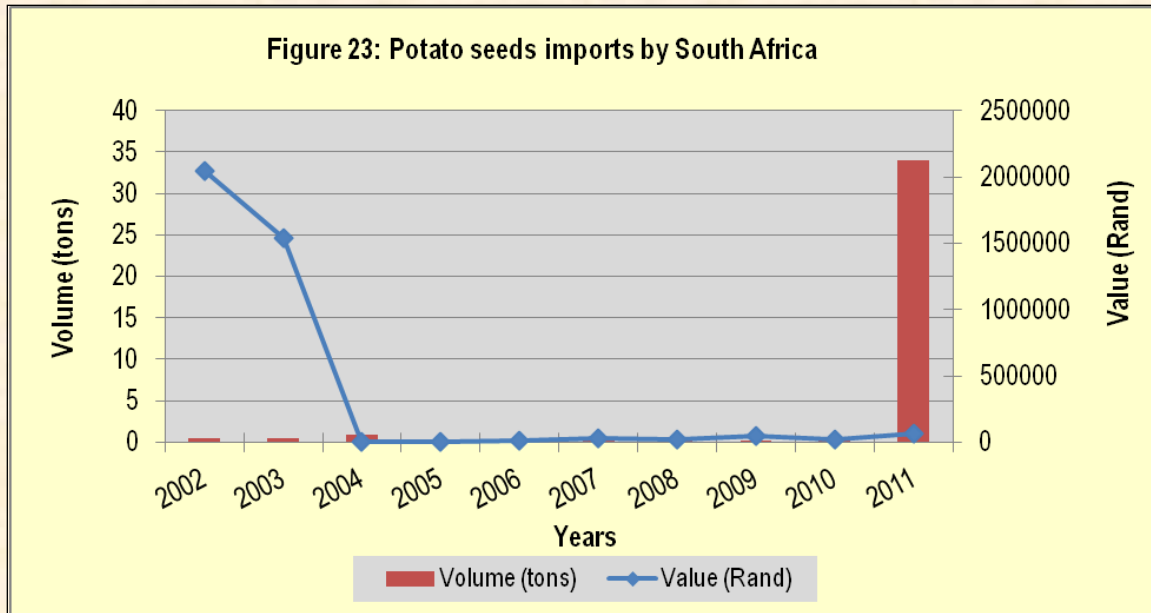
## 2.5 South Africa's potato imports

South Africa is self sufficient in terms of potato production; this is attested by low potato imports by South Africa. South Africa's imports represent 0% of world imports for potatoes and its ranking in the world is 196. In 2010, South Africa imported potatoes from Zambia and Nigeria. Globally, Russian Federation, Netherlands, Belgium, Germany, Spain and Italy are top countries importing potatoes. During 2011, Zambia was the sole supplier of potato imported by South Africa.



Source: Quantec Easydata

Figure 22 above illustrates South Africa's potato imports in a period of 10 years. From 2002 to 2005 the imports were insignificantly low. In 2006, there was a considerable increase in potato imports. The highest potato imports were recorded in 2008 despite a 6% increase in the domestic output. In 2009, potato imports decreased by 83% despite low production output in the same year. In 2006, 2008 and 2010, it was cheaper to import potatoes since low values were recorded for higher volumes imported. In 2011, potato imports continued to decrease and these can be attributed to 5% increase in the domestic output. In 2005, 2006, 2008, 2010 and 2011, it was more expensive to import potatoes since low values were recorded for higher volumes imported.

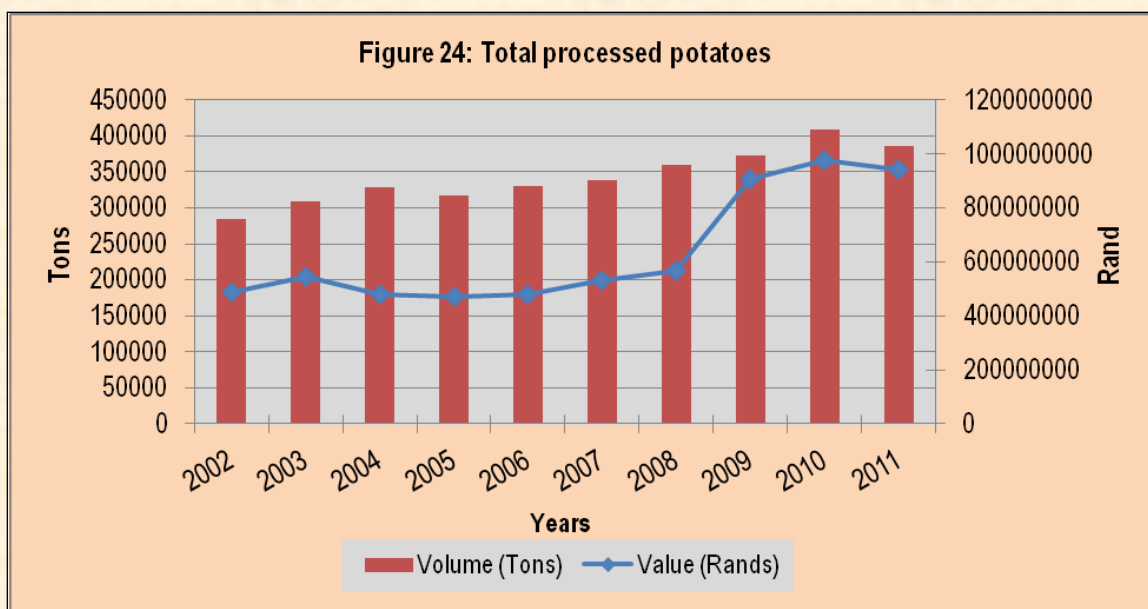


Source: Quantec Easydata

Figure 23 above shows South Africa potato seed imports in the period of 10 years. South Africa is generally not a major potato seed importer. This is attested by low import volumes. However, in 2011, South Africa's potato seed imports surged higher when compared to other years. South Africa's seed imports represented 0% of world imports and it is ranked number 143. In 2010, South Africa imported seeds from Germany and Netherlands. Globally, Egypt, Algeria, Spain, Belgium and Germany are the top countries importing potato seeds. In 2011, South African seeds imports were sourced from Zimbabwe and Netherlands.

## 2.5 Processing

Apart from being consumed fresh, potatoes are processed into number of products. According to Potatoes South Africa, 17% of South Africa's total table potatoes production was processed in 2011. The industry development comes mainly from frozen fries, dry crisp and fresh chips. The manufacturing of dry, frozen and fresh chips comprise 98% of processed potato products while the remaining 2% was used for canned and mixed vegetables.



Source: Statistics, and Economic Analysis, DAFF

As depicted in Figure 24, the quantity of potatoes taken in for processing has been stable in the past decade. In 2009 there was a 3.5% increase in quantity taken for processing. This growth was mainly due to the expansion in the fast-food industry; the higher average income of the population, rapid rate of urbanization and the influx of international processing companies. A major shift in the value of processed potatoes was a 60% increase in 2009. In 2010, processed volumes increased by 9.9% while the value of processed potatoes increased by 7.5%. There was a 5.6% drop in potatoes volumes that were processed during 2011.

### 3. MARKET INTELLIGENCE

#### 3.1 Competitiveness of South African potato exports

Competitiveness is described as an industry's capacity to create superior value for its customers and improved profits for the stakeholders in the value chain. The driving force in sustaining a competitive position is productivity that is output efficiency in relation to specific inputs with regard to human, capital and natural resources. In 2011, South African potato exports represented 0.49% of world exports and its ranking in the world export was number 27. South Africa has lost its competitiveness in terms of potato exports as in 2010 it was ranked number 25. In 2011, South African potato seed exports represented 0.27% of world exports and its ranking on the world exports was number 15. South Africa has improved its competitiveness as in 2010; potato seeds exports were ranked 21 in world potato exports.

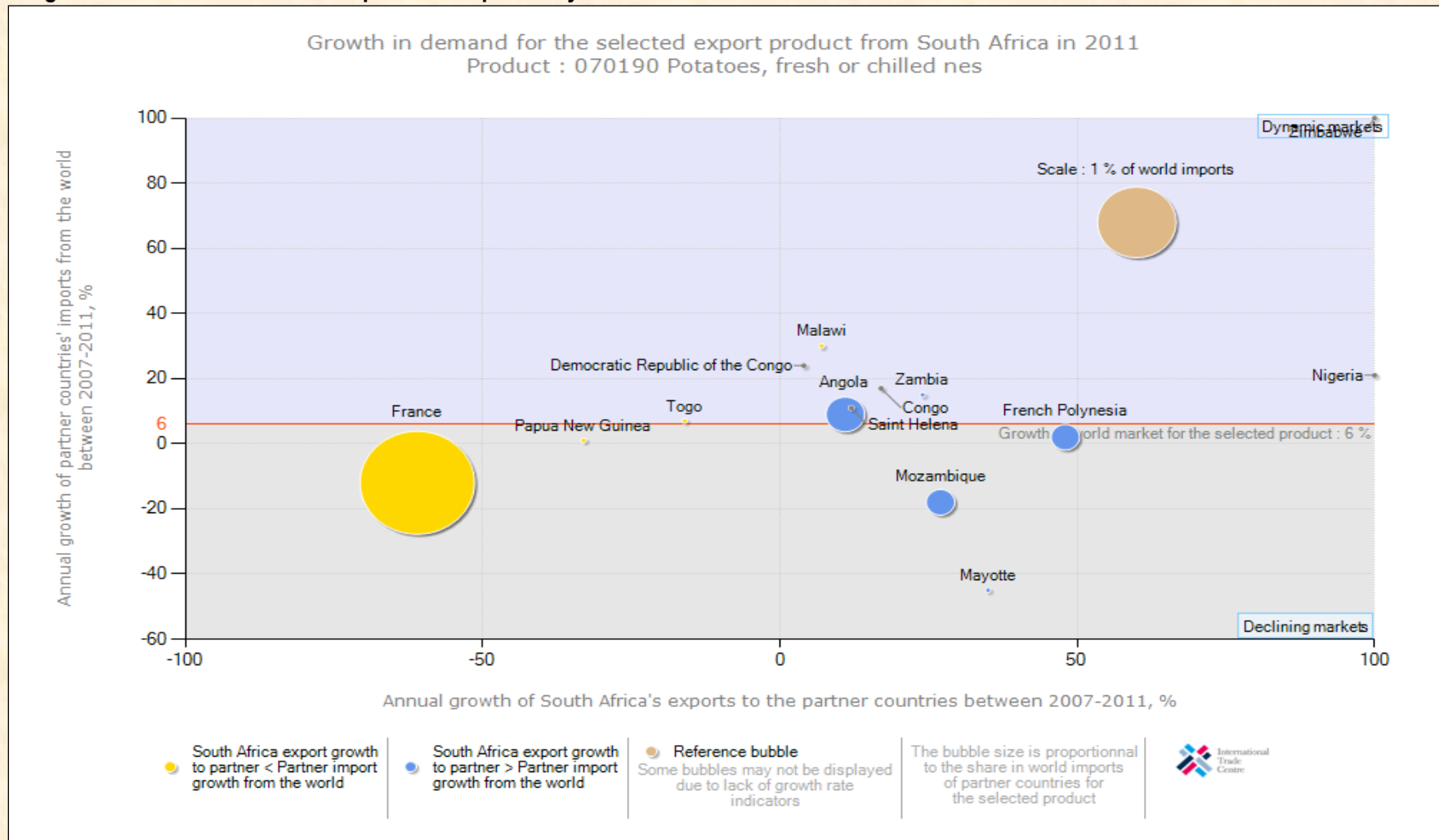
As depicted on Figure 25 below, South African potato exports are growing faster than the world imports in Nigeria, French Polynesia, Zambia, Saint Helena and Angola markets. South Africa's performance in that market can be regarded as gains in dynamic market. South African potato

exports are growing slower than the world imports into Democratic Republic of Congo, Malawi and Zimbabwe. These markets are dynamic and South Africa's performance should be regarded as an underachievement.

South African potato exports are growing while the world imports are declining in Zambia, Mozambique and Mayotte markets. South Africa's performance in those markets can be regarded as gains in declining markets and should be viewed as achievement in adversity.

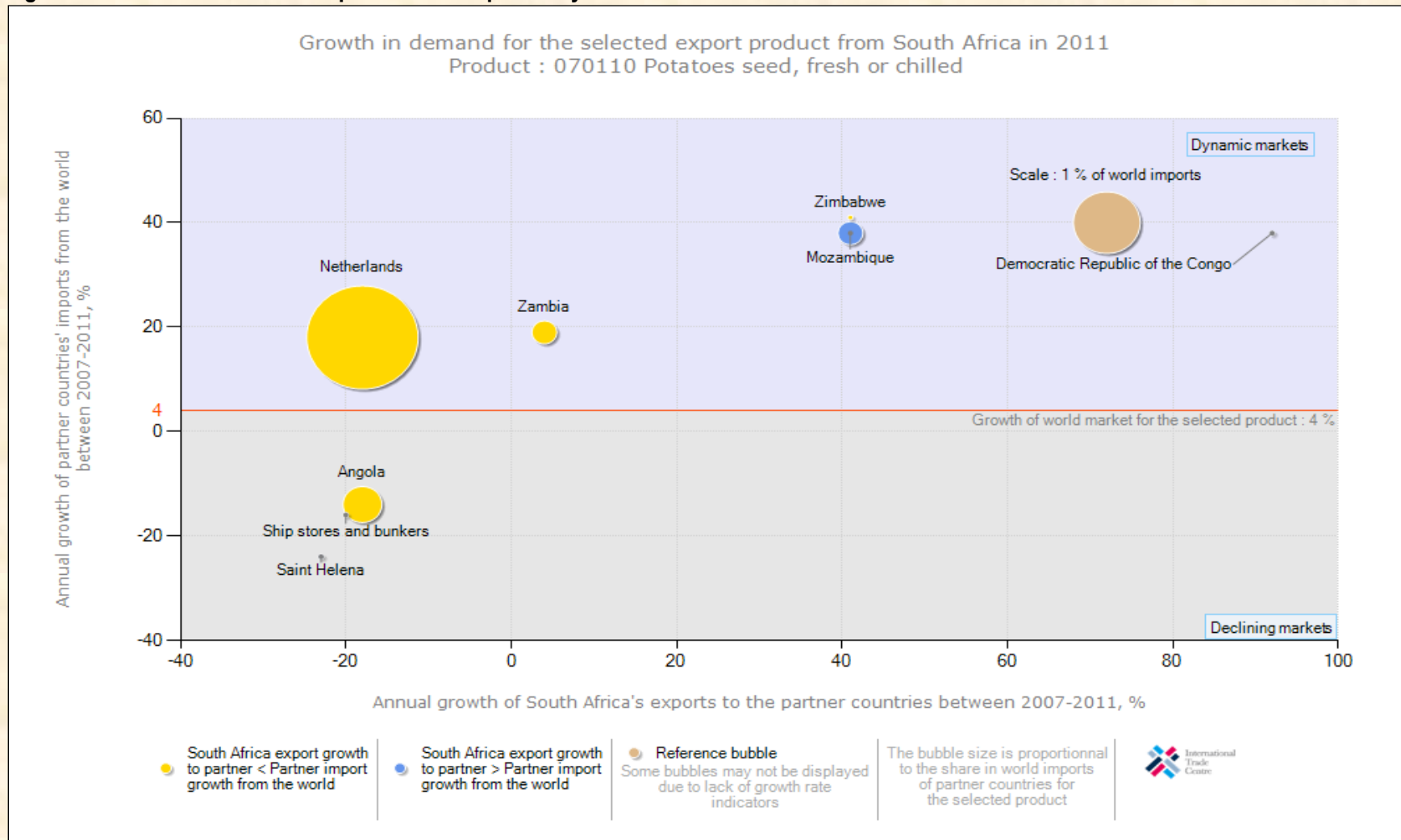
At the same time South African potato exports have declined faster than the world imports in France market. South Africa's performance in those markets can be regarded as a loss in declining markets

**Figure 25: Growth in demand for potatoes exported by South Africa in 2011**



Source: ITC Trade Map

**Figure 26: Growth in demand for potato seed exported by South Africa in 2011**



Source: ITC Trade Map

As depicted in Figure 26 above South African potato seed exports are growing faster than the world imports in Democratic Republic of the Congo and Mozambique market. South Africa's performance in these markets can be regarded as gains in dynamic market.

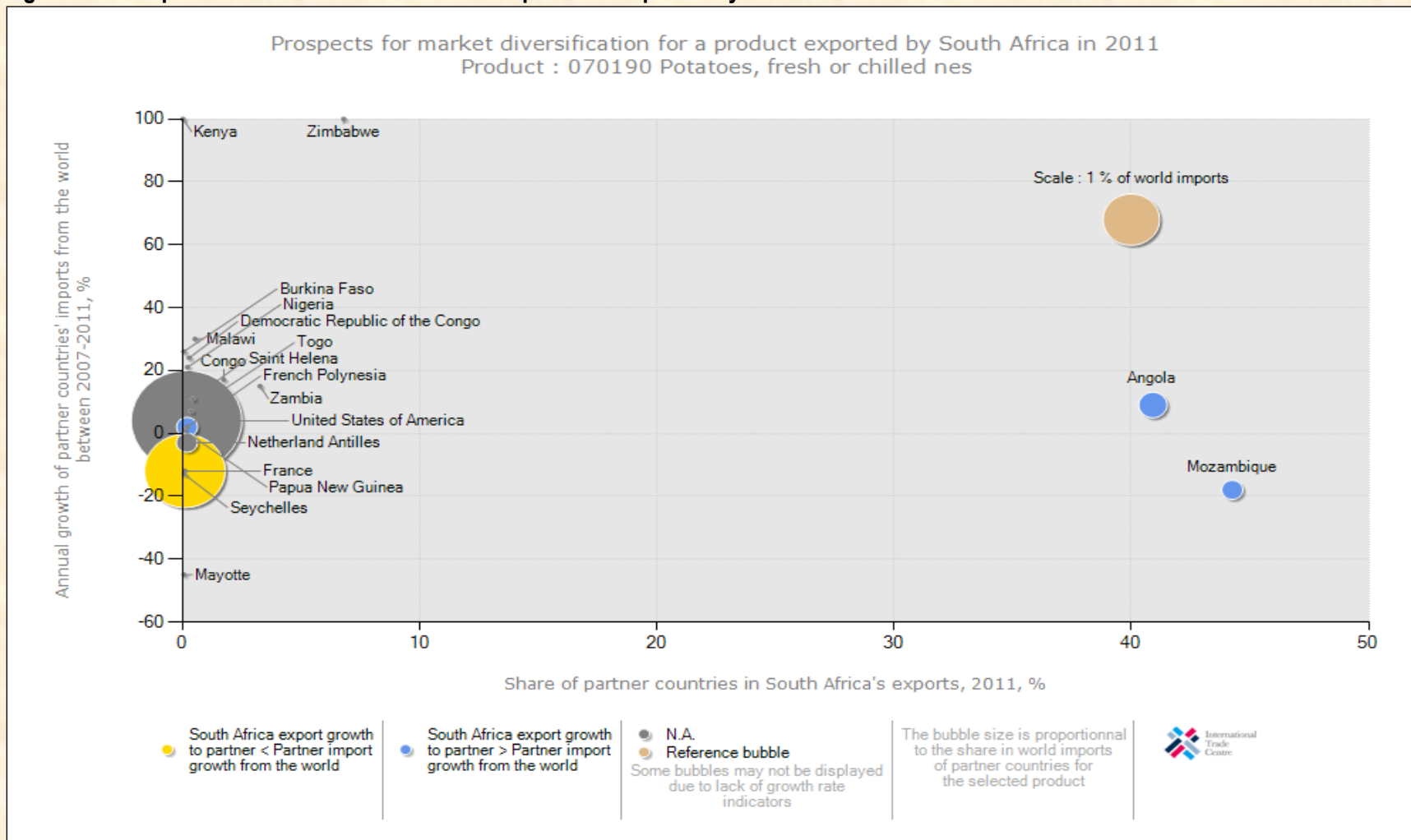
South African potato exports are growing slower than the world imports into Zimbabwe and Zambia markets. These markets are dynamic and South Africa's performance should be regarded as an underachievement.

South African potato seed exports are declining faster than the world imports into United States of Angola market. At the same time South African potato exports have declining not as fast as faster the world imports in Saint Helena market. South Africa's performance in that market can be regarded as a gain in declining market.

Figure 27 below illustrates prospects for market diversification by South African exporters of potatoes. In 2011, Mozambique and Angola held a bigger market share of South African potato exports. In terms of market size Russian Federation, Netherlands, Belgium and Germany are the leading markets/importers of potatoes.

Whilst three countries dominate world fresh potato imports, it is interesting to note that countries like Kenya and Zimbabwe have experienced higher annual growth rate in value from 2007 – 2011. Kenya has experienced an annual growth rate of 222%. Second was Zimbabwe with 122% annual growth rate. These countries represent possible lucrative markets for South African potato producers. Potatoes imports from the world to Mayotte, Seychelles and France have declined from 2007 – 2011 and as a result these countries have recorded a negative growth rate.

**Figure 27: Prospects for market diversification for potatoes exported by South Africa**

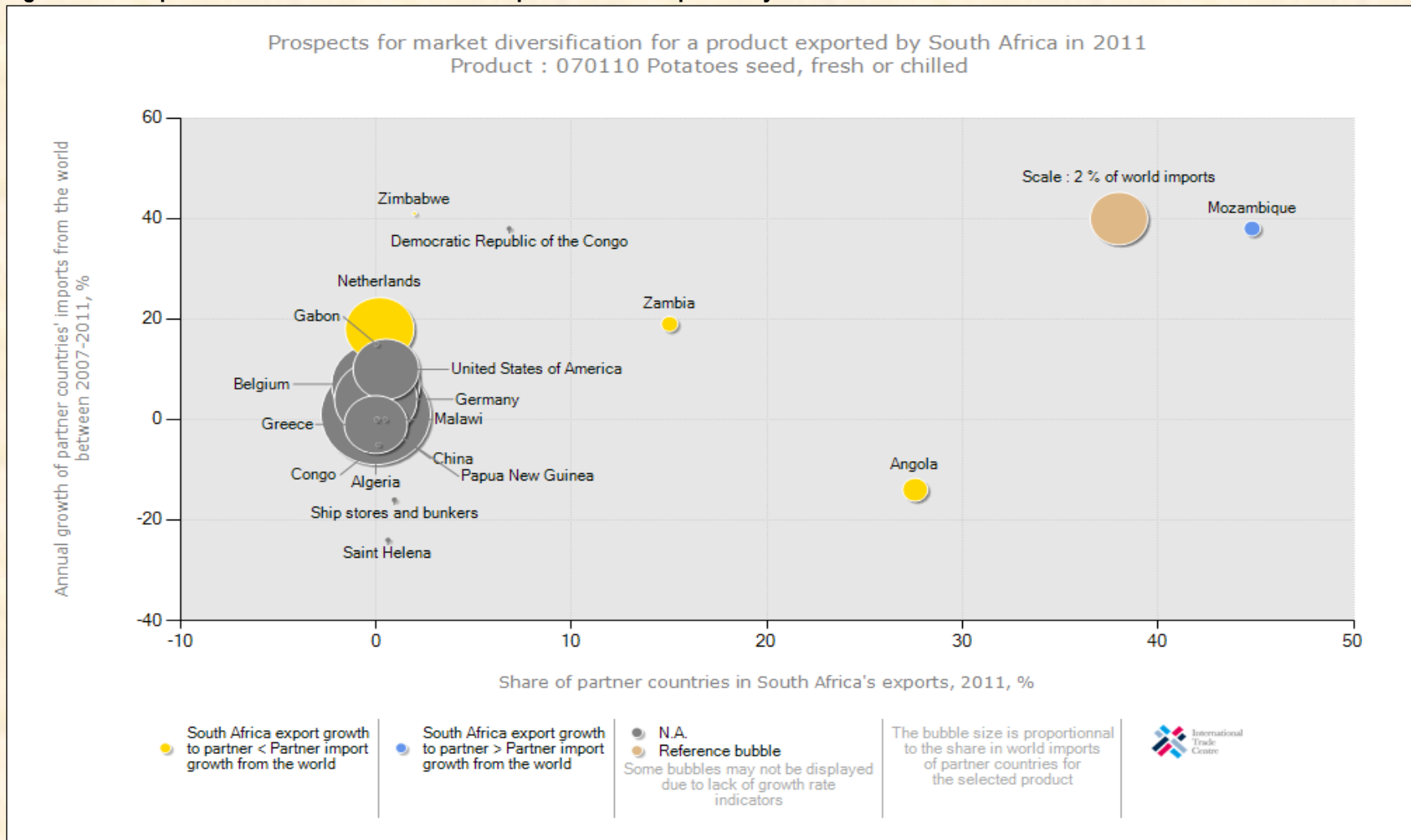


Source: ITC Trade Map

Figure 28 below illustrates prospects for market diversification by South African exporters of potato seed. In 2011, Mozambique and Angola held a bigger market share of South African potato seed exports. In terms of market size Egypt, Algeria, Spain, Belgium, Germany and Italy are the leading markets/importers of potato seed. Whilst six countries dominate world potato imports, it is interesting to note that countries like Zimbabwe and Democratic Republic of Congo have experienced higher annual growth rate in value from 2007 to 2011.

Zimbabwe has experienced an annual growth rate of 41% and Democratic Republic of Congo has experience 38% annual growth rate. These countries represent possible lucrative markets for South African potato seed producers. Potato seed imports from the world to Angola, Algeria and Saint Helena have declined from 2007 to 2011 and as a result those countries have recorded a negative growth rate.

**Figure 28: Prospects for market diversification for potato seeds exported by South Africa in 2011**



Source: ITC Trade Map

## **4. MARKET ACCESS**

Barriers to trade can be divided into tariff barriers (including quotas, ad valorem tariffs, specific tariffs and entry price systems) and non tariff barriers (sanitary and phytosanitary measures, labels, etc). The main markets for vegetables (including potatoes) employ various measures, both tariff and non tariff to protect the domestic industries. Whilst many of the non tariff measures can be justified under the auspices of issues such as health and standards, the tariff measures are increasingly under the scrutiny of the World Trade Organization (WTO), and as such are gradually being phased out. Nevertheless, exporters need to be aware of all the barriers that they may encounter when trying to get their produce on foreign shelves.

### **4.1 Tariff, quotas and the price entry system**

Tariffs are either designed to earn government revenue from products being imported or to raise the price of imports so as to render local produce more competitive and protect domestic industries.

Quotas can be used to protect domestic industries from excessive imports originating from areas with some form of competitive advantage (which can therefore produce lower cost produce). Tariffs and quotas are often combined, allowing the imports to enter at a certain tariff rate up to a specified quantity. Thereafter, imports from that particular region will attract higher tariffs, or will not be allowed at all.

The entry price system, which is used in many northern hemisphere markets, makes use of multiple tariff rates during different periods when domestic producers are trying to sell their produce, and lower the tariffs during their off-season. Alternatively, the tariff rate can be a function of a market price – if the produce enters at a price which is too low (and therefore likely to be too competitive), it qualifies for a higher tariff schedule.

Whilst tariff regulations can be prohibitive and result in inferior market access, it is often the non tariff barriers that restrict countries like South from successfully entering the large developed markets. Many of these barriers revolve around different types of standards, including sanitary and phytosanitary standards (SPS), food health and safety issues, food labeling and packaging, organic produce certification, quality assurance and other standards and grades.

Tariffs applied by various markets to potatoes originating from South Africa during 2010 and 2011 are presented in Table 13.

**Table 13: Tariffs applied by various export markets to potatoes from South Africa**

COUNTRY	PRODUCT DESCRIPTION	TRADE REGIME	APPLIED TARIFFS	TOTAL VALOREM EQUIVALENT TARIFF	AD	APPLIED TARIFFS	TOTAL VALOREM EQUIVALENT TARIFF	AD
			2010			2011		
<b>Angola</b>	Potatoes fresh or chilled	MFN duties (Applied)	15.00%	15.00%		15.00%	15.00%	
<b>Canada</b>	Fresh or chilled potatoes (excluding seed)	MFN duties (Applied)	4.76\$/Ton	0.78%		4.76\$/Ton	0.78%	
<b>Congo</b>	Potatoes fresh or chilled	MFN duties (Applied)	30.00%	30.00%		30.00%	30.00%	
<b>China</b>	Fresh or chilled potatoes (excluding seed)	MFN duties (Applied)	13.00%	13.00%		13.00%	13.00%	
<b>DRC</b>	Potatoes fresh or chilled	MFN duties (Applied)	10.00%	10.00%		10.00%	10.00%	
<b>EU</b>	Potatoes for manufacture of starch, fresh or chilled	Preferential tariff for South Africa	0.00%	0.00%		0.00%	0.00%	
<b>Egypt</b>	Potatoes fresh or chilled	MFN duties (Applied)	5.00%	5.00%		5.00%	5.00%	
<b>EU</b>	Fresh or chilled potatoes from 1 January to 30 June	Preferential tariff for South Africa	0.00%	0.00%		0.00%	0.00%	
<b>Ghana</b>	Potatoes fresh or chilled	MFN duties (Applied)	20.00%	20.00%		20.00%	20.00%	
<b>Malawi</b>	Potatoes fresh or chilled	Preferential tariff for South Africa	10.00%	10.00%		10.00%	10.00%	
<b>Malaysia</b>	Fresh or chilled potatoes (excluding seed)	MFN duties (Applied)	0.00%	0.00%		0.00%	0.00%	
<b>Mauritius</b>	Potatoes fresh or chilled	MFN duties (Applied)	0.00%	0.00%		0.00%	0.00%	
<b>Mozambique</b>	Potatoes fresh or chilled	Preferential tariff for South Africa	15.00%	15.00%		15.00%	15.00%	
<b>Mayotte</b>	Fresh or chilled potatoes	General tariff	5.00%	5.00%		5.00%	5.00%	

COUNTRY	PRODUCT DESCRIPTION	TRADE REGIME	APPLIED TARIFFS	TOTAL VALOREM EQUIVALENT TARIFF	AD	APPLIED TARIFFS	TOTAL VALOREM EQUIVALENT TARIFF	AD
			2010			2011		
	(excluding seed)							
<b>Ukraine</b>	Fresh or chilled potatoes (excluding seed)	MFN duties (Applied)	10.00%	10.00%		10.00%	10.00%	
<b>Senegal</b>	Potatoes fresh or chilled	MFN duties (Applied)	20.00%	20.00%		20.00%	20.00%	
<b>Zimbabwe</b>	Potatoes fresh or chilled	MFN duties (Applied)	40.00%	40.00%		40.00%	40.00%	
<b>USA</b>	Fresh potatoes, other than yellow (Solano) potatoes or seed potatoes	Preferential tariff for AGOA countries	0.00%	0.00%		0.00%	0.00%	
<b>Zambia</b>	Potatoes fresh or chilled: other	Preferential tariff for South Africa	0.00%	0.00%		0.00%	0.00%	

Source: Market Access Map

South Africa has a preferential trading agreement (PTA) with the EU and they apply zero tariffs to potatoes originating from South Africa. Furthermore, South Africa has access to the US market under the AGOA which significantly lowers the tariff barriers for South African potatoes.

In reality, the tariffs are likely to be far lower for South Africa when considering the preferential agreements, but at the same time, most tariff structures are particularly complex, with quotas, seasonal tariffs and specific tariffs (an amount per unit than rather than a percentage of value) all contributing to many different tariff lines and often higher duties payable than one might have anticipated initially. One must also bear in mind that most tariffs are designated to protect domestic industries, and as such are likely to discriminate against those attempting to compete with the domestic producers of that country.

One can also see that certain countries wishing to protect their local industries (presumably in which they feel vulnerable or where large number of farmers are employed) will raise prohibitive levels. China has applies 13% tariffs for potatoes originating from South Africa. Zambia applies 0.00% preferential tariff, to potatoes originating from South Africa. However other African markets are highly protected with Mozambique applying 15%, Congo 30%, Zimbabwe 40% and Ghana 20% to potatoes exports originating from South Africa.

Tariffs applied by various markets to potatoes seeds originating from South Africa during 2010 and 2011 are presented in Table 14. South Africa has a preferential trading agreement (PTA) with the EU and no tariff is applied for potato seeds from South Africa. Furthermore, South Africa has access to the US market under the AGOA which significantly lowers the tariff barriers for South African potato seed. In African markets Zambia apply 0.00% preferential tariff due to SADC- Free Trade Agreement (FTA). Zimbabwe, Nigeria, Democratic Republic of Congo and Mozambique apply 5%, 5% 5% and 2.50% tariff to seed potato originating from South Africa.

In reality, the tariffs are likely to be far lower for South Africa when considering the preferential agreements, but at the same time, most tariff structures are particularly complex, with quotas, seasonal tariffs and specific tariffs (an amount per unit than rather than a percentage of value) all contributing to many different tariff lines and often higher duties payable than one might have anticipated initially. One must also bear in mind that most tariffs are designated to protect domestic industries, and as such are likely to discriminate against those attempting to compete with the domestic producers of that country.

One can also see that certain countries wishing to protect their local industries (presumably in which they feel vulnerable or where large number of farmers are employed) will raise prohibitive levels Morocco and China have reasonably high tariffs for potato seed originating from South Africa. Morocco applies 40% and China 13% tariff to potato seeds from South Africa.

**Table 14: Tariffs applied by various export markets to potato seed from South Africa**

COUNTRY	PRODUCT DESCRIPTION	TRADE REGIME	APPLIED TARIFFS	TOTAL AD VALOREM EQUIVALENT TARIFF	APPLIED TARIFFS	TOTAL AD VALOREM EQUIVALENT TARIFF
			2010		2011	
<b>Algeria</b>	Seed potatoes: fresh or chilled	General tariff	5.00%	5.00%	5.00%	5.00%
<b>Angola</b>	Seed potatoes: fresh or chilled	MFN duties (Applied)	2.00%	2.00%	2.00%	2.00%
<b>Canada</b>	Seed potatoes: fresh or chilled	MFN duties (Applied)	4.76\$/ton	2.07%	4.76\$/ton	2.07%
<b>Congo</b>	Seed potatoes: fresh or chilled	MFN duties (Applied)	5.00%	5.00%	5.00%	5.00%
<b>DRC</b>	Seed potatoes: fresh or chilled	MFN duties (Applied)	5.00%	5.00%	5.00%	5.00%
<b>EU</b>	Seed potatoes	Preferential tariff for South Africa	0.00%	0.00%	0.00%	0.00%
<b>Ghana</b>	Seed potatoes	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
<b>Malawi</b>	Seed potatoes	MFN duties (Applied)	5.00%	5.00%	10.00%	10.00%
<b>Lebanon</b>	Seed potatoes	General tariff	5.00%	5.00%	5.00%	5.00%
<b>Malaysia</b>	Seed potatoes	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
<b>Mexico</b>	Seed potatoes	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
<b>Morocco</b>	Seed potatoes	MFN duties (Applied)	40.00%	40.00%	40.00%	40.00%
<b>Mozambique</b>	Seed potatoes	MFN duties (Applied)	2.50%	2.50%	2.50%	2.50%
<b>China</b>	Seed potatoes	MFN duties (Applied)	13.00%	13.00%	13.00%	13.00%
<b>Nigeria</b>	Seed potatoes	MFN duties (Applied)	5.00%	5.00%	5.00%	5.00%
<b>Togo</b>	Seed potatoes	MFN duties (Applied)	5.00%	5.00%	5.00%	5.00%
<b>USA</b>	Seed potatoes: fresh or chilled	Preferential tariff for AGOA countries	0.00%	0.00%	0.00%	0.00%
<b>Zambia</b>	Seed Potatoes	Preferential tariff for South Africa	0.00%	0.00%	0.00%	0.00%
<b>Zimbabwe</b>	Seed Potatoes	MFN duties (Applied)	5.00%	5.00%	5.00%	5.00%

Source: Market Access Map

## **5. DISTRIBUTION CHANNELS**

There are roughly three distinct sales channels for exporting vegetables. One can sell directly to an importer with or without the assistance of an agent. One can supply vegetables combined, which will then contract out importers/marketers and try to take advantage of economies of scale and increased bargaining power. At the same time combined vegetables might also supply large retail chains. One can also be a member of a private or cooperative export organization which will find agents or importers and market the produce collectively. Similar to combined vegetables, an export organization can either supply wholesale market or retail chains, depending on particular circumstances. Export organizations will wash, sort and package the produce.

They will also market the goods under their own name or on behalf of the member, which includes taking care of labeling, bar-coding, etc. Most of the time, export organizations will enter into a collective agreements with freight forwarders, negotiating better prices and services (more regular transport, lower peak season prices, etc). Some countries have institutions that handle all the produce (membership compulsory) and sell only to a restricted number of selected importers.

Agents will establish contacts between producers/export organizations and buyers in the importing country, and will usually take between 2% and 3% commission. In contrast, an importer will buy and sell his/her own capacity, assuming the full risk (unless on consignment). They will also be responsible for clearing the produce through customs, packaging and assuring label/quality compliance and distribution of the produce. Their margins lie between 5% and 10%. The contract importers of fruit combines market and distribute the produce of the combines, clear it through customs and in some cases treat and package it.

Only few exporters have long term contracts with wholesale grocers who deliver directly to retail shops, but with the increasing importance of standards (EurepGap, Global Gap, etc) and the year round availability of fruit, the planning of long term contractual relationship is expected to increase.

## **6. LOGISTICS**

### **6.1 Mode of transport**

The transport of vegetables falls into two categories namely ocean cargo and air cargo. Ocean cargo takes much longer to reach the desired location but costing considerably less. The choice of transportation method depends, for most parts on the fragility of the produce and how long it can remain relatively fresh. With the advent of technology and container improvements, the feasibility, cost and attractiveness of sea transport have improved considerably. With the increased exports by South Africa, the number and the regularity of maritime routes have increased. These economies of scale could benefit South Africa if more producers were to become exporters and take advantage of the various ports which have special capabilities in handling fruit produce (Durban new fruit terminal).

### **6.2 Cold chain management**

Cold chain management is crucial when handling perishable products, from the initial packing houses to the refrigerated container trucks that transport the produce to the shipping terminals, through to the storage facilities at these terminals, onto actual shipping vessels and containers, and finally on to the importers and distributors that must clear the produce and transport it to the markets/retail outlets. For every 10 Degree Celsius increase above the recommended temperature, the rate of respiration and ripening of produce can increase twice or even thrice. Related to this are increasing important traceability standards which require an efficient controlled supply chain and internationally accepted business standards.

### **6.3 Packaging**

Packaging can also play an important role in ensuring safe and efficient transport of a product and conforming to handling requirements, uniformity recyclable material specifications, phytosanitary requirements, proper storage needs and even attractiveness for marketing purposes.

The potato industry currently relies on two suppliers of paper for packaging of potatoes. The local producer of paper namely Sappi, supplies the bulk of the paper with Gerber Paper Products importing the balance mostly from Scandinavian countries and from Brazil. All the paper complies with the strict specifications of the Department of Agriculture, Forestry and Fisheries. The Packaging Forum takes care of the supply of paper and packaging to the industry and also ensures that the packaging is manufactured according to the specifications prescribed by Department of Agriculture, Forestry and Fisheries.

### **6.4 Quality control**

The potato industry is one of the few fresh produce industries currently in South Africa which has a full quality assurance service at all the fresh produce markets in the country. The potato industry acknowledges the importance of this service and recognizes the added benefit that results from this, such as traceability of the product. The quality assurance is provided to the potato industry by PROKON (Product Control for Agriculture) an article 21 company. PROKON is charged with establishing and maintaining product quality for the benefit of all, from farmers to the potato consumer.

## **7. TRANSFORMATION**

Potatoes South Africa has been involved in transformation projects over the years and the results are slowly beginning to bear fruits. The number of hectares of potatoes planted by black farmers is on the rise and there are farmers who have potential to farm commercially and they are currently receiving support from Potatoes South Africa. During the past year, Potatoes South Africa focused on the following project in contribution to potato industry transformation: Enterprise development, small grower development program, tertiary skills pipeline, farm based training and Black Economic Empowerment (BEE) Baseline study.

## **8 BUSINESS OPPORTUNITIES AND CHALLENGES**

### **8.1 Business opportunities**

Two major shifts in production and processing of potatoes are expected to have a significant impact on the South African potato industry in the future. The first is the continuation of the shift from the dry land production to the irrigated production. Over and under production during good and poor seasons will be eliminated, a more and constant supply and, therefore, greater price stability within the subsector are anticipated. The second shift is that over the years, the demand for potatoes locally has grown and manifested by the increase in the sales of potatoes on the fresh produce markets, as well as the increase in the volume of potatoes taken in for processing. This growth could imply a move away from traditional staple food such as maize, especially in the urban areas.

An increasing number of countries in sub-Saharan Africa are reportedly also turning to South Africa as a reliable source of food. This may therefore considerably increase the possible market size for South African potatoes.

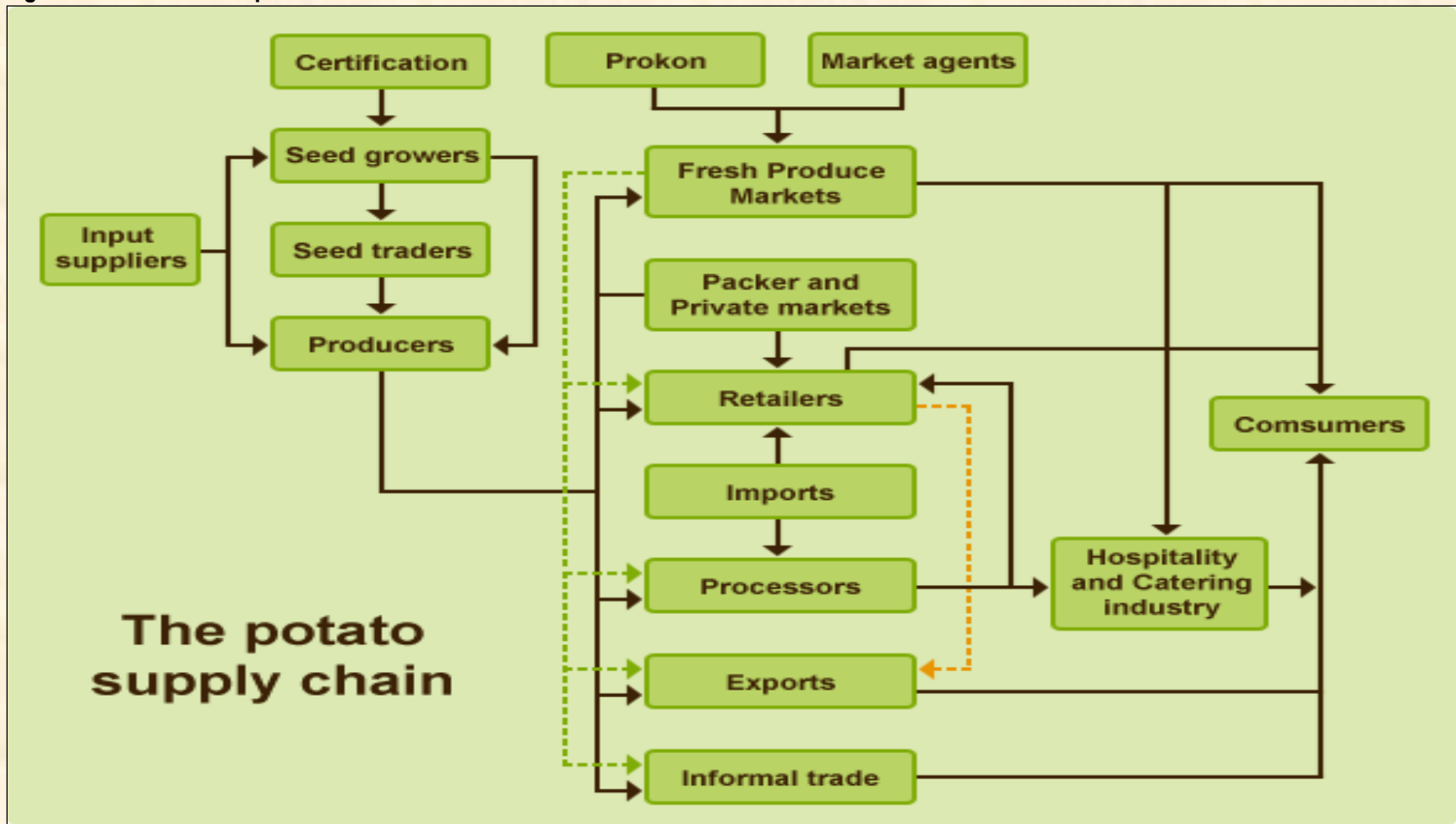
### **8.2 Challenges**

The constraints and market failures hinders investment, growth and employment in the industry. The main challenge facing the industry is to maintain the quality of the produce for exports so that quantities reach destinations in a desired form. It is also very expensive to keep fresh potatoes on refrigerated transport especially where the distance is very long.

#### **Other challenges for the industry include:**

- Increased production for the supply of international markets while at the same time to decrease production cost and to make profit.
- Protection of the local potato industry against dumping practices and protection against imports from subsidized countries.
- Phytosanitary requirements for the European markets.
- Climatic conditions that affect production.
- Packaging paper price on the world market.
- Rapid escalation in production costs especially fuel.
- Lack of infrastructure in remote rural areas in accessing markets, especially for small-scale producers.
- Water for agriculture. South Africa is located in semi arid part of the world with an average rainfall of 450mm per annum – well below the world average of approximately 860mm per year. As a result, South Africa's water resources are, in global terms, extremely limited. This is of special importance to the potato sector, which is heavily dependent on water for irrigation given that 70% to 80% of all potatoes are produced under irrigation.
- Cheap imports have the potential to jeopardize domestic processing industry.

Figure 29: South Africa potato value chain



Source: Potatoes South Africa

## **9. SOUTH AFRICAN POTATO MARKET VALUE CHAIN**

The following discussion will focus on the main segments of the potato value chain (see Figure 29) which are the informal sector and the formal sector.

### **9.1 Informal sector**

According to Potatoes South Africa, during 2011 informal traders were responsible for the distribution of 53% of all fresh potatoes sold on the fresh produce markets and for 30% of all potatoes sold, including informal trade from fresh produce markets, urban and rural sales. Currently an unknown number of informal traders purchase 10kg pockets from fresh produce markets, or directly from producers, repackage them into 1kg or 2kg plastic bags and sell these (or just sell the potatoes loose) in a number of settings in both rural and urban areas. This form of trading in urban areas has reportedly emerged as a direct result of changes in urban eating habits and urbanization.

### **9.2 Formal sector**

The formal sector consists primarily of the large retailers in South Africa, such as Fruit and Veg City; Pick 'n Pay, Shoprite-Checkers, Spar and Woolworths, and small retailers such as greengrocers and independent stores. It consumes an estimated 38% of all fresh potatoes produced, excluding any processed potatoes products that also go through normal trading channels. The formal trade in potatoes generally concentrates on the sale of high quality fresh potatoes, either loose or in smaller packaging. Some of the formal traders undertake their own packaging, branding advertising and sometimes even semi-processing of fresh potatoes through direct purchases from producers, through dedicated wholesalers and from fresh produce markets.

## **10. ACKNOWLEDGEMENTS**

### **10.1 The following industries are acknowledged:**

#### **10.1.1 Potato South Africa**

Private Bag X 135  
Pretoria  
0001  
Tel (012) 349 1906  
Fax: (012)349 2641  
[www.potatoes.co.za](http://www.potatoes.co.za)

#### **10.1.2 National Department of Agriculture, Forestry and Fisheries**

##### **Directorate: Statistics and Economic Analysis**

Private X 246  
Pretoria  
0001  
Tel (012) 319 84 54  
Fax (012) 319 8031  
[www.nda.agric.za](http://www.nda.agric.za)

#### **10.1.3 Perishable Export Control Board**

P. O. Box 15289  
Panorama  
7506  
Tel (021) 930 1134  
Fax (021) 930 6868  
[www.ppecb.com](http://www.ppecb.com)

#### **10.1.4 Trade and Industrial Policy Strategies (TIPS)**

P. O. Box 11214  
Hatfield  
0028  
Tel (012) 431 7900  
Fax (012) 431 7910  
[www.tips.org.za](http://www.tips.org.za)

#### **10.1.5 National Agricultural Marketing Council (NAMC)**

Private Bag X 935  
Pretoria  
0001  
Tel (012) 341 1115  
Fax: (086) 626 4769  
[www.namc.co.za](http://www.namc.co.za)

#### **10.1.6 International Trade Centre (ITC)**

[www.intracen.org](http://www.intracen.org)

**10.1.7 Product Control for Agriculture**

P.O. Box 24026  
Gezina  
0031  
Tel (012) 325 4579  
Fax (012) 325 4585  
[www.prokonsa.co.za](http://www.prokonsa.co.za)

**10.2 The main mixed vegetable manufacturers.**

**10.2.1 Dimpho Fresh Food**

P. O. Box 3746  
Vereeniging  
1930  
Tel (016) 421 3840  
Fax (021) 422 1400

**10.2.2 Golden Harvest**

P. O. Box 1206  
George  
6530  
Tel (044) 873 3716  
Fax (044) 873 3917

**10.2.3 McCains**

P. O. Box 231  
Springs  
1560  
Tel (011) 365 3000  
Fax (044) 818 4096

**10.3 The main French fries (fresh) manufacturers.**

**10.3.1 Dimpho Fresh Food**

P. O. Box 3746  
Vereeniging  
1930  
Tel (016) 421 3840  
Fax (021) 422 1400

**10.3.2 Errol Veg (direct)**

P. O. Box 44294  
Jeppes Town  
Tel (011) 365 3000  
Fax (044) 818 4096

### **10.3.3 Mannic Chips**

Edenvale  
Tel (011) 452 6894

### **10.3.4 Rooipoort Fresh Products**

P. O. Box 25212  
Monument Park  
0181  
Tel (012) 326 1388  
Fax (021) 326 3724

### **10.3.5 Super Chip**

P. O. Box 150  
Kraaifontein  
7569  
Tel (021) 884 4708  
Fax (021) 884 4102

## **10.4 The main French fries (frozen) manufacturers.**

### **10.4.1 McCains**

P. O. Box 231  
Delmas  
2210  
Tel (013) 665 1690  
Fax (013) 665 1275

### **10.4.2 Lamberts Bay Canning Co.**

P. O. Box 1  
Lambertsbay  
8130  
Tel (027) 432 1101  
Fax (027) 432 2002

### **10.4.3 Mine Corp Services**

P. O. Box 69  
Kliprivier  
1871  
Tel (011) 903 8963  
Fax (011) 903 8910

## **10.5 The main canned food manufacturers.**

### **10.5.1 Langeberg Koop**

P. O. Box 1460  
Boksburg

1460  
Tel (011) 914 221  
Fax (011) 899 8498

**10.5.2 Giants Foods**

P. O. Box 2007  
Makhado  
0920  
Fax (015) 894 8261

**10.6 The main crisps manufacturers.**

**10.6.1 Dowmont Foods**

P. O. Box 1386  
New Germany  
3620  
Tel (031) 700 5129  
Fax (031) 700 4749

**10.6.2 Frimax**

P. O. Box 1047  
Pietermaritzburg  
3209  
Tel (032) 233 8616  
Fax (032) 233 8622

**10.6.3 Kavalier Foods**

P. O. Box 1627  
Germiston  
1400  
Tel (011) 873 2113  
Fax (011) 825 2932

**10.6.4 L & C Messaris**

P. O. Box 105  
Elsiesrivier  
7480  
Tel (021) 592 5300  
Fax (021) 591 4018

**10.6.5 Willards**

P. O. Box 251  
Rosslyn  
0200  
Tel (012) 529 5300  
Fax (012) 541 1928

**10.6.6 Poco Foods**

P. O. Box 251  
Bethal  
2310  
Tel (017) 647 1081  
Fax (017) 647 6107

**10.6.7 Simba Quix**

P. O. Box 99  
Isando  
1600  
Tel (011) 974 5435  
Fax (011) 392 1294

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