

Potatoes: A View from the South

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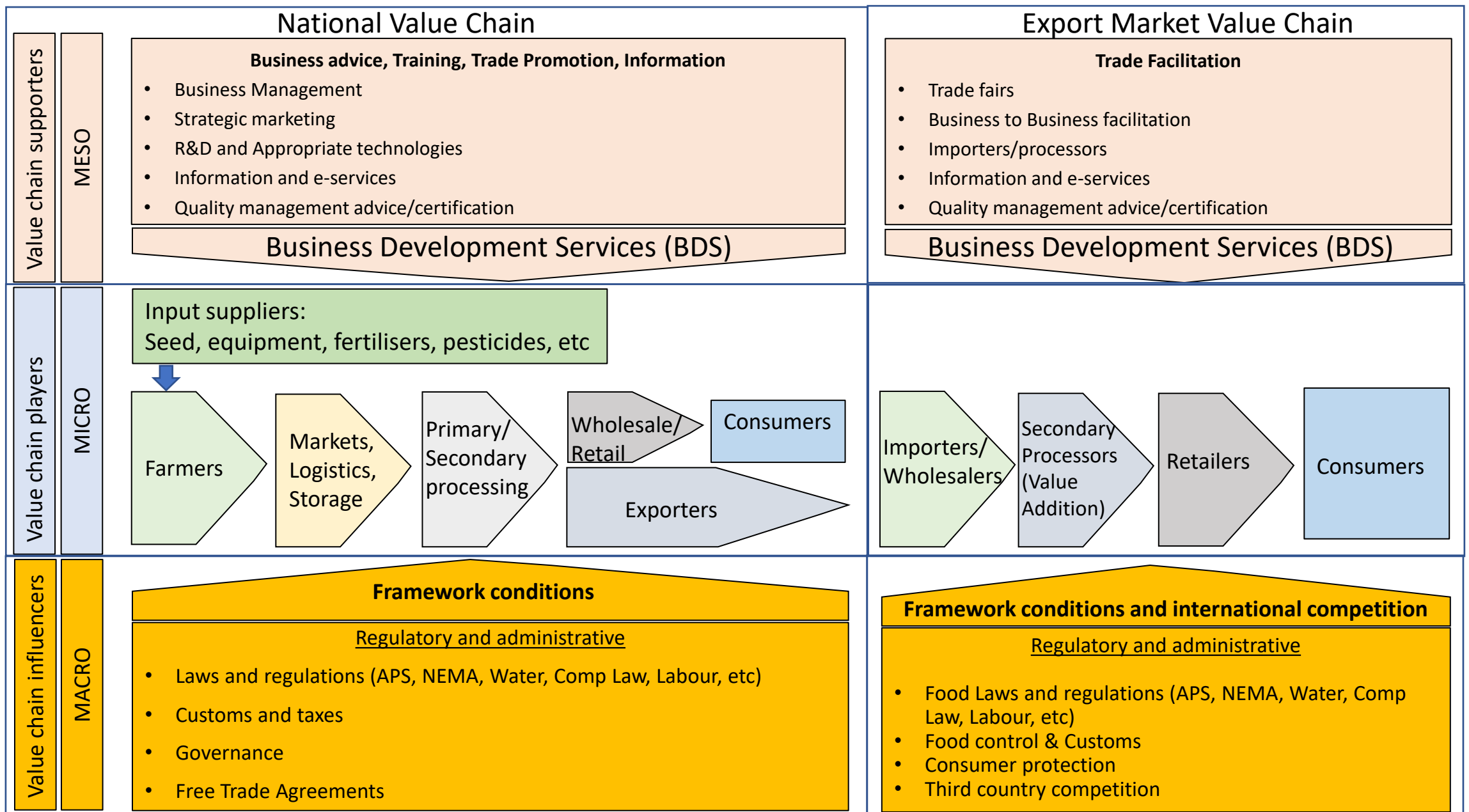
University of Stellenbosch

“Consumption is the sole and
end purpose of production”

– Adam Smith (1776)

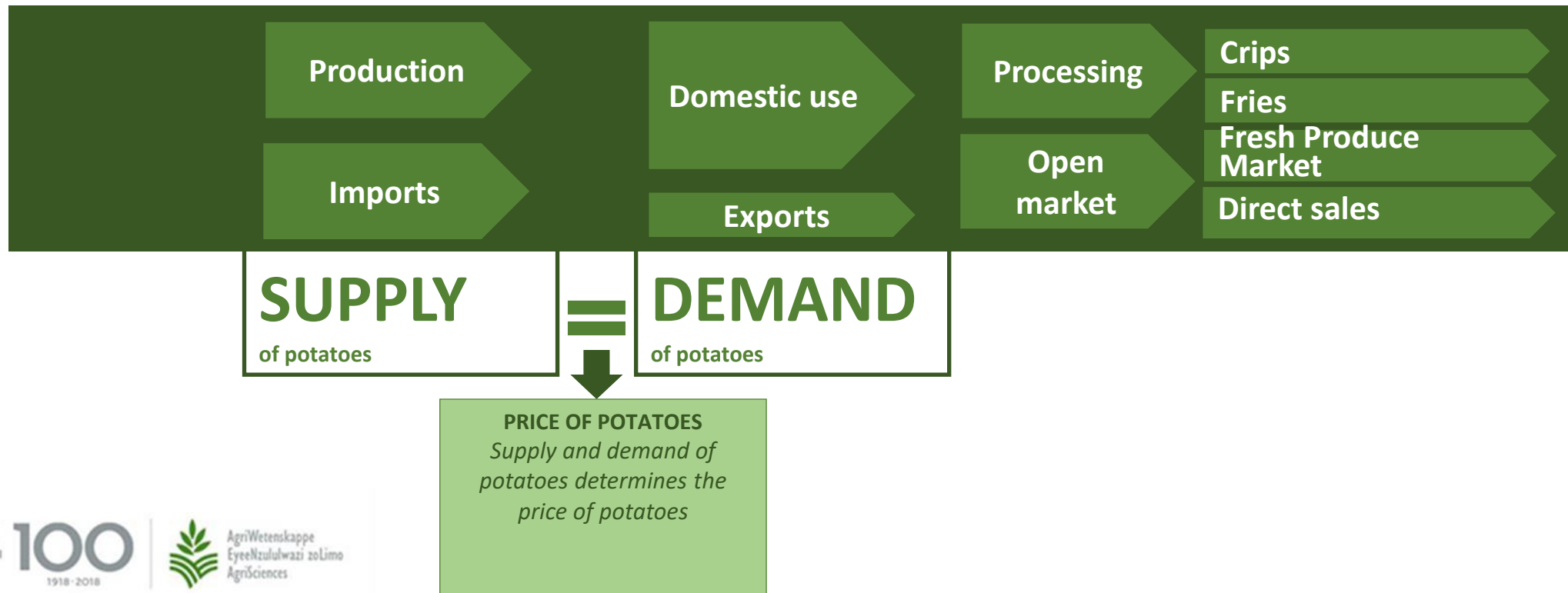
On the menu

- Understand how/structure of value chains work
- The potato landscape – Selected countries in SADC
- The South African market
- Namibia – looking at the potential



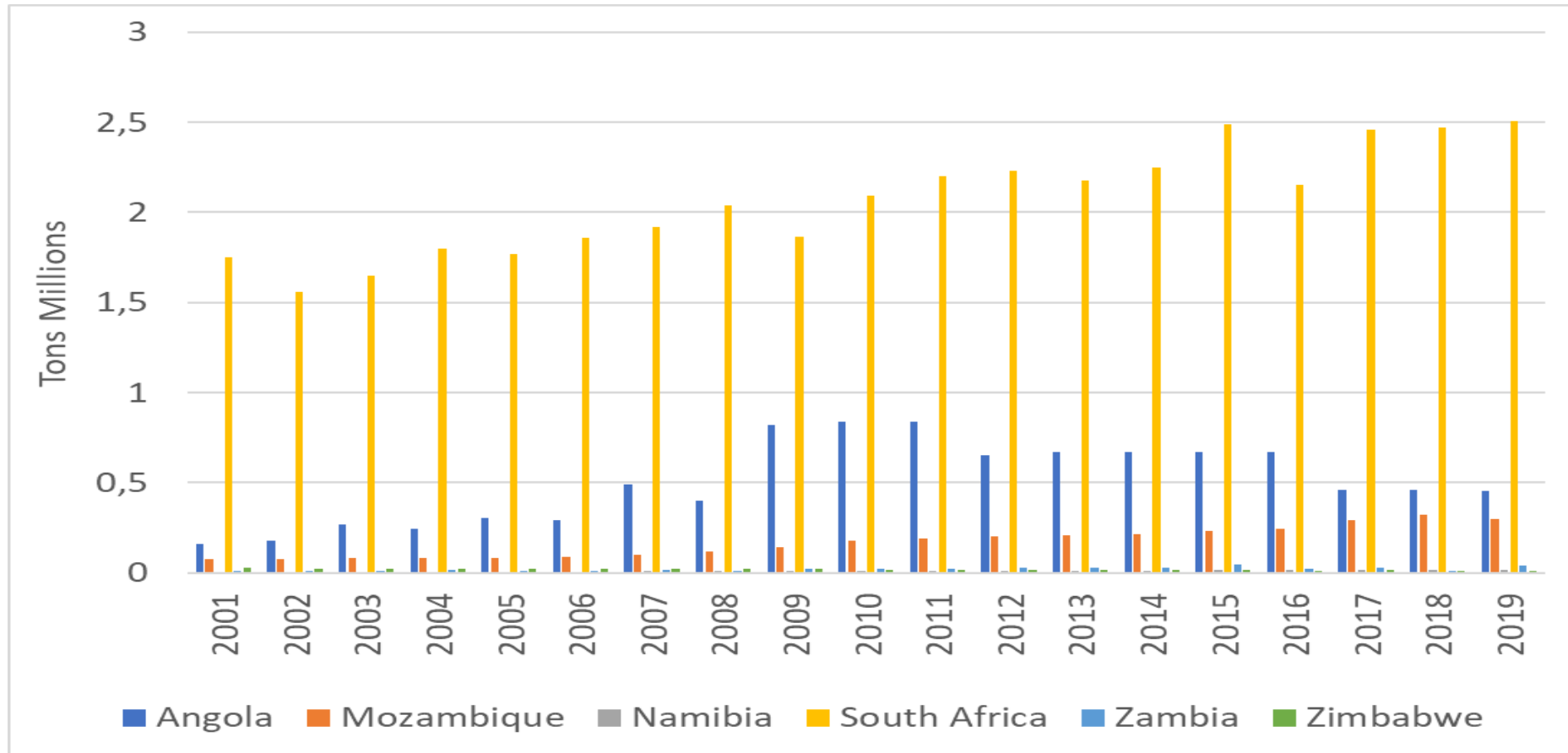
- The potato market operates on “free market” principles.
- That is where supply and demand interact to determine prices.
 - Supply typically consists of domestic production plus imports.
 - Demand typically consists of domestic use and exports.

Simple Potatoes Value Chain and Balance Sheet



Potato production: Selected countries in SADC

Production: Southern Africa

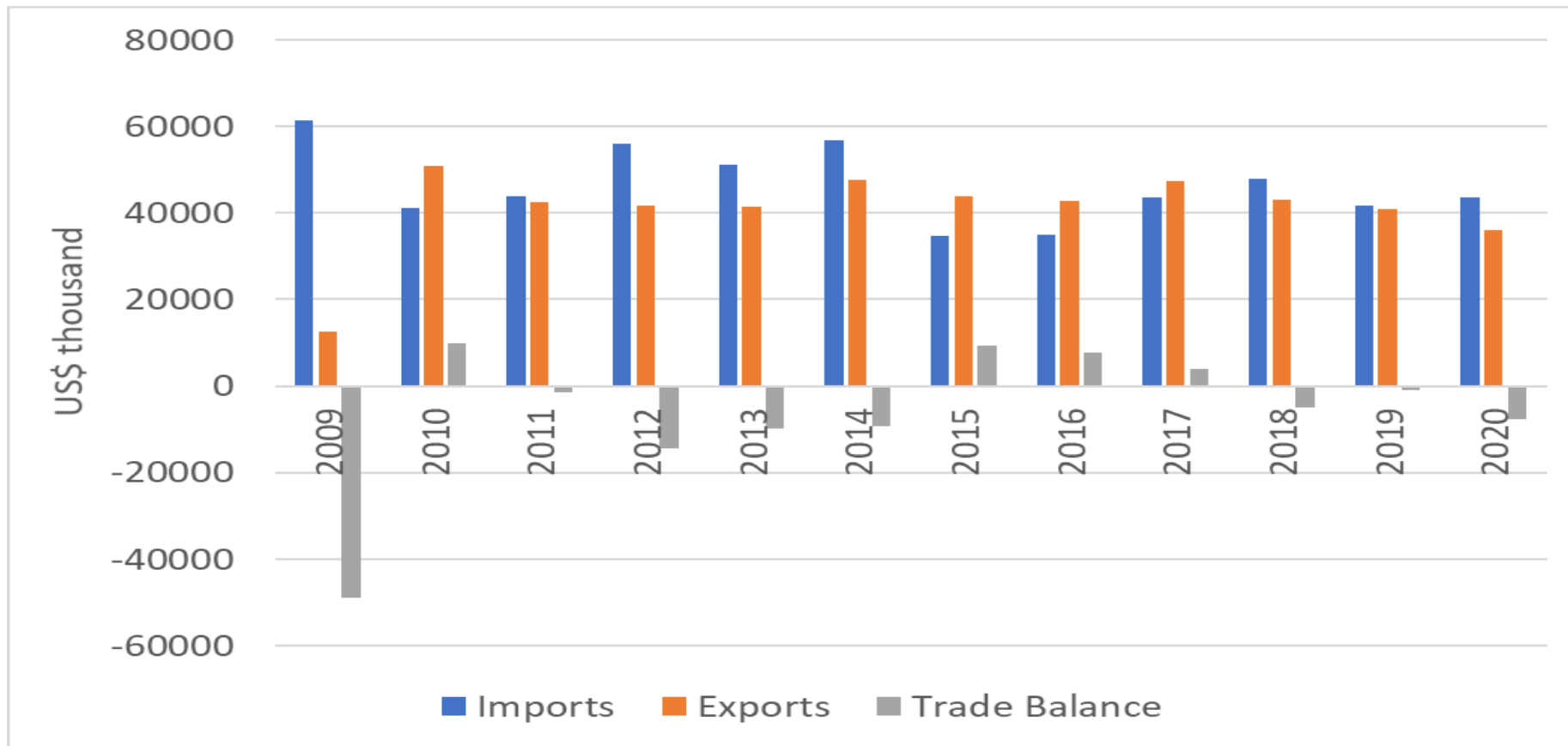


Trade in potatoes: Southern Africa

070110: Potatoes (seed)



070190: Potatoes, fresh or Chilled (excl seed)



Competitors in the region

Botswana's competitors of Seed potatoes

Item	Competitor(s)	Total value supplied to (imported by) target market from this source country (million US\$)	Share of import market (%)	Top supplying countries of HS070110 for imports into Botswana
1	Netherlands	0.21	23.2%	<p>Average import value from top 6 competitors: 0.04 (Mn) [USD] on time-weighted basis</p> <p>Netherlands</p> <p>Germany</p> <p>Zimbabwe</p> <p>Nigeria</p> <p>India</p> <p>United States of America</p> <p>South Africa</p> <p>0 200 400 600 '000 US\$</p>
2	Germany	0.04	4.4%	
3	Zimbabwe	0.00	0.0%	
4	Nigeria	0.00	0.0%	
5	India	0.00	0.0%	
6	United States of America	0.00	0.0%	
7	South Africa	0.65	72.4%	
-	-	-	-	
	Total	0.90	100.0%	

Overall, South Africa is ranked at position 1 out of 7 of all supplying countries of imports for this product into Botswana.

Zambia's competitors of Seed potatoes

Item	Competitor(s)	Total value supplied to (imported by) target market from this source country (million US\$)	Share of import market (%)	Top supplying countries of HS070110 for imports into Zambia
1	Germany	0.73	33.1%	<p>Average import value from top 6 competitors: 0.21 (Mn) [USD] on time-weighted basis</p> <p>Germany</p> <p>Netherlands</p> <p>Namibia</p> <p>Malawi</p> <p>Georgia</p> <p>South Africa</p> <p>0 500 1 000 '000 US\$</p>
2	Netherlands	0.28	12.7%	
3	Namibia	0.02	0.8%	
4	Malawi	0.00	0.0%	
5	Georgia	0.00	0.0%	
6	South Africa	1.19	53.4%	
-	-	-	-	
-	-	-	-	
	Total	2.22	100.0%	

Overall, South Africa is ranked at position 1 out of 6 of all supplying countries of imports for this product into Zambia.

Zimbabwe's competitors of Seed potatoes

Item	Competitor(s)	Total value supplied to (imported by) target market from this source country (million US\$)	Share of import market (%)	Top supplying countries of HS070110 for imports into Zimbabwe
1	Namibia	0.10	3.4%	<p>Average import value from top 6 competitors: 0.04 (Mn) [USD] on time-weighted basis</p> <p>Namibia</p> <p>Germany</p> <p>Netherlands</p> <p>United Kingdom</p> <p>China</p> <p>South Africa</p> <p>0 2 Mn US\$</p>
2	Germany	0.05	1.6%	
3	Netherlands	0.04	1.3%	
4	United Kingdom	0.01	0.4%	
5	China	0.00	0.0%	
6	South Africa	2.74	93.4%	
-	-	-	-	
-	-	-	-	
	Total	2.94	100.0%	

Overall, South Africa is ranked at position 1 out of 6 of all supplying countries of imports for this product into Zimbabwe.

Angola's competitors of Fresh potatoes

Item	Competitor(s)	Total value supplied to (imported by) target market from this source country (million US\$)	Share of import market (%)	Top supplying countries of HS070190 for imports into Angola
1	Namibia	0.36	6.8%	<p>Average import value from top 6 competitors: 0.10 (Mn) [USD] on time-weighted basis</p>
2	Portugal	0.13	2.4%	
3	Netherlands	0.03	0.6%	
4	Israel	0.03	0.5%	
5	France	0.01	0.2%	
6	Belgium-Luxembourg	0.01	0.1%	
7	South Africa	4.76	89.1%	
8	Rest	0.01	0.3%	
	Total	5.35	100.0%	

Overall, South Africa is ranked at position 1 out of 16 of all supplying countries of imports for this product into Angola.

DRC's competitors for fresh potatoes

Item	Competitor(s)	Total value supplied to (imported by) target market from this source country (million US\$)	Share of import market (%)	Top supplying countries of HS070190 for imports into Congo (DRC)																		
1	China	0.02	13.7%	<div><p>Average import value from top 6 competitors: 0.01 (Mn) [USD] on time-weighted basis</p><table><thead><tr><th>Country</th><th>Value (million US\$)</th></tr></thead><tbody><tr><td>China</td><td>0.02</td></tr><tr><td>Netherlands</td><td>0.02</td></tr><tr><td>Zambia</td><td>0.01</td></tr><tr><td>United States of America</td><td>0.00</td></tr><tr><td>Rwanda</td><td>0.00</td></tr><tr><td>Belgium-Luxembourg</td><td>0.00</td></tr><tr><td>South Africa</td><td>0.11</td></tr><tr><td>Rest</td><td>0.00</td></tr></tbody></table></div>	Country	Value (million US\$)	China	0.02	Netherlands	0.02	Zambia	0.01	United States of America	0.00	Rwanda	0.00	Belgium-Luxembourg	0.00	South Africa	0.11	Rest	0.00
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5	Rwanda	0.00	0.4%																			
6	Belgium-Luxembourg	0.00	0.1%																			
7	South Africa	0.11	66.2%																			
8	Rest	0.00	0.0%																			
	Total	0.16	100.0%																			

Overall, South Africa is ranked at position 1 out of 8 of all supplying countries of imports for this product into Congo (DRC).

Malawi's competitors for fresh potatoes

Item	Competitor(s)	Total value supplied to (imported by) target market from this source country (million US\$)	Share of import market (%)	Top supplying countries of HS070190 for imports into Malawi
1	India	0.00	0.5%	<p>Average import value from top 6 competitors: 0.00 (Mn) [USD] on time-weighted basis</p> <p>India</p> <p>Zambia</p> <p>Tanzania (United Rep.)</p> <p>South Africa</p> <p>0 100 200 300 400 '000 US\$</p>
2	Zambia	0.00	0.4%	
3	Tanzania (United Rep.)	0.00	0.4%	
4	South Africa	0.38	98.8%	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
	Total	0.39	100.0%	

Overall, South Africa is ranked at position 1 out of 4 of all supplying countries of imports for this product into Malawi.

Mozambique's competitors for fresh potatoes

Item	Competitor(s)	Total value supplied to (imported by) target market from this source country (million US\$)	Share of import market (%)	Top supplying countries of HS070190 for imports into Mozambique
1	India	0.00	0.0%	<p>Average import value from top 6 competitors: 0.00 (Mn) [USD] on time-weighted basis</p> <p>India</p> <p>Portugal</p> <p>Finland</p> <p>Albania</p> <p>China</p> <p>Swaziland</p> <p>South Africa</p> <p>0 5 10 15 Mn US\$</p>
2	Portugal	0.00	0.0%	
3	Finland	0.00	0.0%	
4	Albania	0.00	0.0%	
5	China	0.00	0.0%	
6	Swaziland	0.00	0.0%	
7	South Africa	14.44	100.0%	
-	-	-	-	
	Total	14.45	100.0%	

Overall, South Africa is ranked at position 1 out of 7 of all supplying countries of imports for this product into Mozambique.

Zimbabwe's competitors for fresh potatoes

Item	Competitor(s)	Total value supplied to (imported by) target market from this source country (million US\$)	Share of import market (%)	Top supplying countries of HS070190 for imports into Zimbabwe
1	South Africa	0.28	100.0%	<p>Average import value from top 6 competitors: 0.00 (Mn) [USD] on time-weighted basis</p> <p>South Africa</p> <p>0 100 200 300 1000 US\$</p>
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
	Total	0.28	100.0%	

Overall, South Africa is ranked at position 1 out of 1 of all supplying countries of imports for this product into Zimbabwe.

Involvement in sub-Saharan Africa

Moving away from the status quo...: International involvement

- **German company** planning French Fries production in **Zambia** expects to start operations this year
 - Source: Lusaka Times (30 May 2019)
 - A company that will locally produce French Fries or potato chips for both the Zambian and regional export markets is expected to commence operations this year said German Agri business Frank Nordman.
 - Mr. Nordman who is also German Agri business President said the initiative is a direct response to the growing potato business in Zambia and the region.
 - Mr. Nordman said German farmers in Zambia have developed their potato growing leading to complete satisfaction of the local market and making unnecessary their import from outside the country.
 - *“We can assure you Your Excellency that we are able to fully supply the Zambian market with potatoes without recourse to outside suppliers.”* Mr. Nordman assurance to Zambia’s Ambassador to Germany Anthony Mukwita

Moving away from the status quo...

- **Rwanda: New mobile app to boost potato farming** (The New Times - *Source : potatonewstoday.com*)
 - Nine banks and other financial institutions in the country will, effective next planting season, start **issuing various financial services to Irish potato cooperatives** through a new mobile telephone platform. (Irish in this context refer to white potatoes)
- **Farmers welcome new deal to boost potato production** (The New Times)
 - In August, **BlackPace Africa Group signed a memorandum of understanding** with **Rwanda** Development Board (RDB), the ministries of Agriculture and Animal Resources, and Trade and Industry **to develop the country's potato value chain.**
 - the firm **targets production capacity of 10 million tonnes** of potato over a **five-year period.**
 - for **regional consumption and other export markets in Africa and the Middle East,** under the deal.

Moving away from the status quo...

- **Farmers welcome new deal to boost potato production** (The New Times)
 - The newly signed deal between the International Potato Centre (CIP) and BlackPace Africa Group to advance potato production in Africa
 - “...any research and initiatives that focus on improving potato varieties is welcome” - president of Irish Potato Farmers’ Union (IABINYA)
 - He noted that the two organisations will develop joint research on technical, economic and social aspects of development of new varieties, improved seed systems, processing, markets development.
- WPC Inc - (Private companies) who are introducing varieties in Africa, working together with local potato professionals and the authorities.
- CIP has always maintained that phytosanitary control and restrictions be fair but very thorough.....
 - Private seed dealers will get seed in through “other” means. The Golden Nematode is one such example of now being an alleged serious pest in Kenya.
 - Africa has a rapidly expanding potato sector and of course many European companies want to exploit that like they do in North Africa.

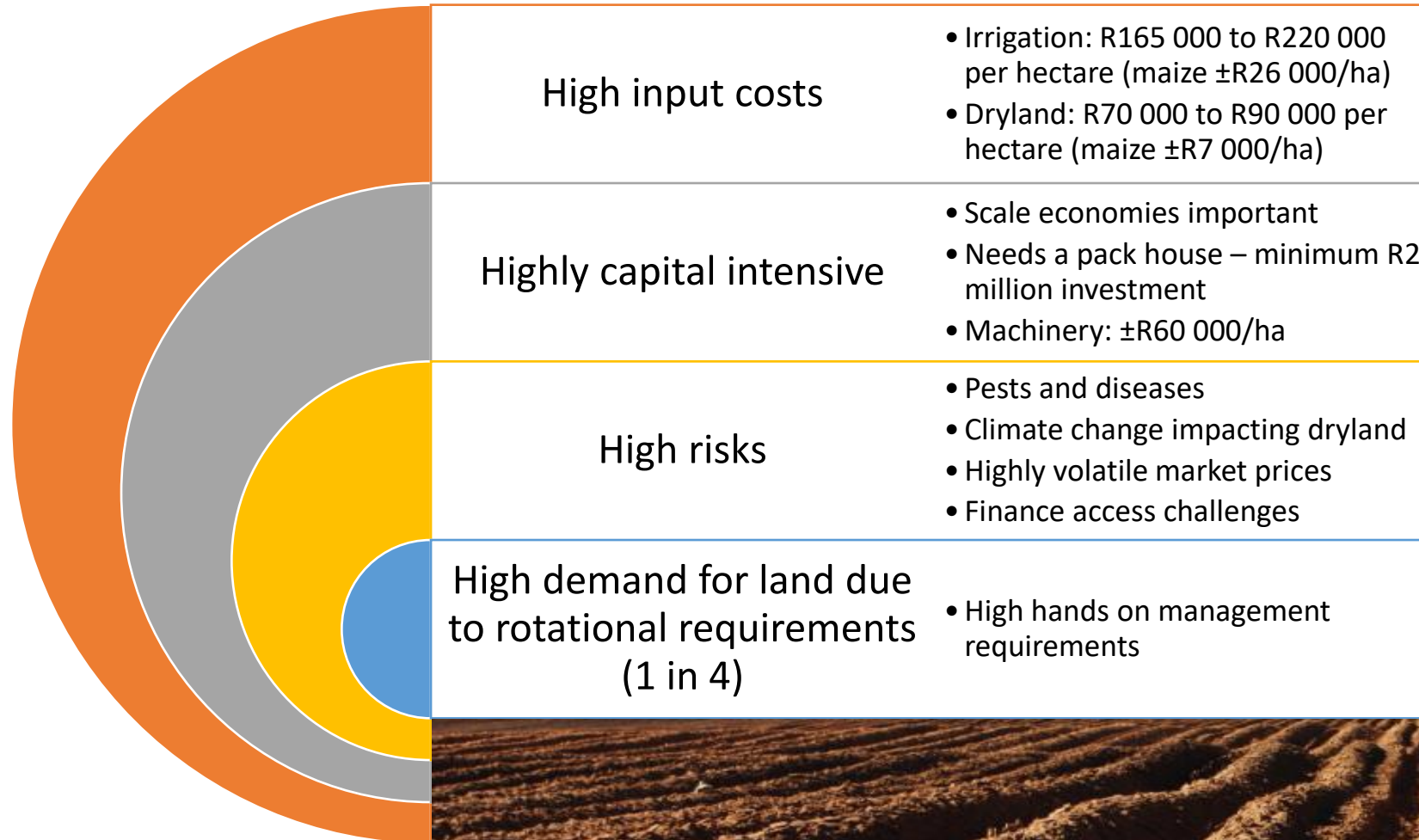
Where to from here ...?

- **Get involved**

- Build African potato networks through collaboration (help with market penetration, influence the regulatory environment and trade deals)
- Access to data, information and intelligence on developments in other African countries
- Impact on biosecurity environment
- Increase demand (market development)
- It is not strategically sound to play catch-up

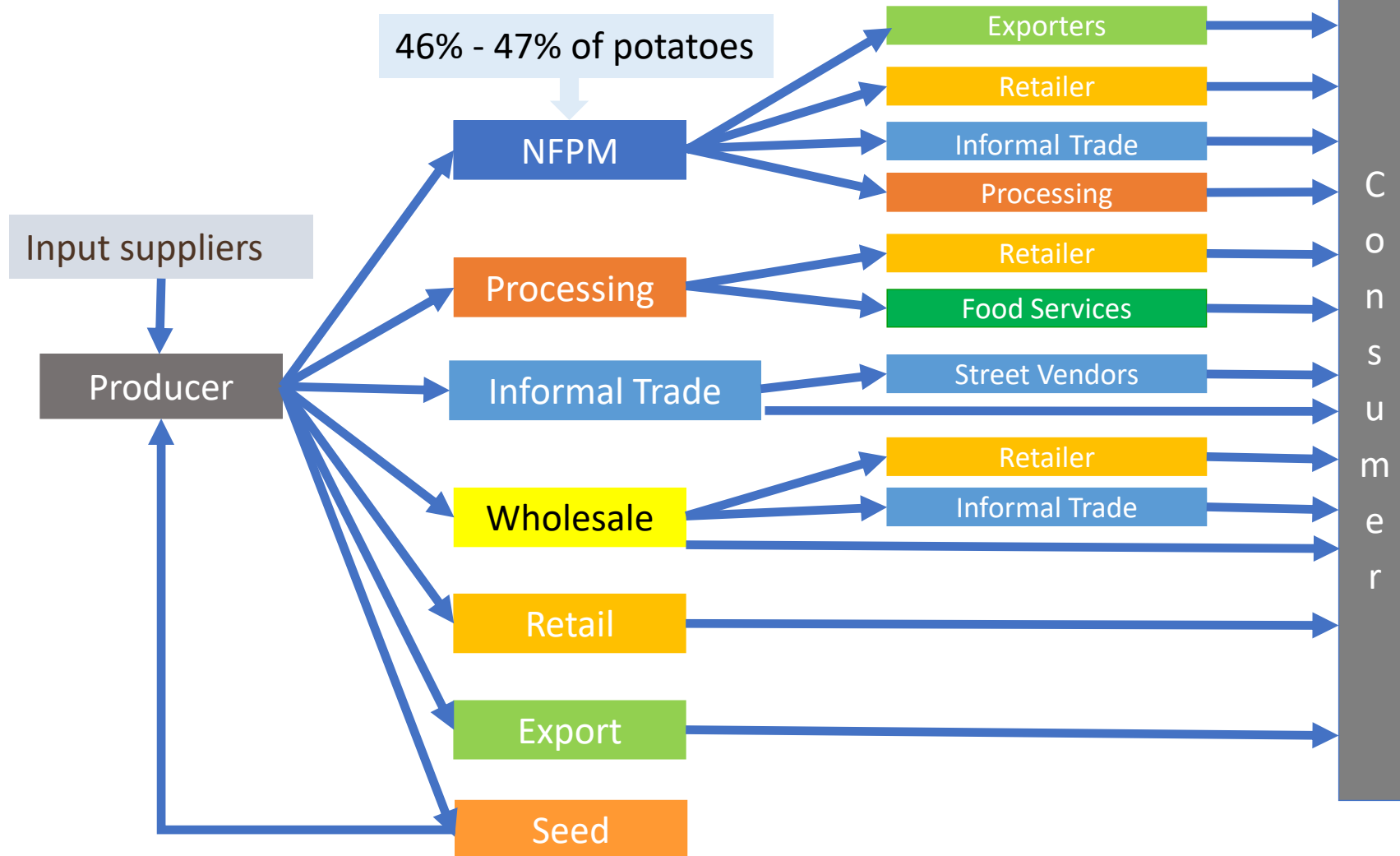
South Africa: Influence on the region

Realities of the potato industry



Producer of the farm distribution

250 000 000 of 10 kg bags



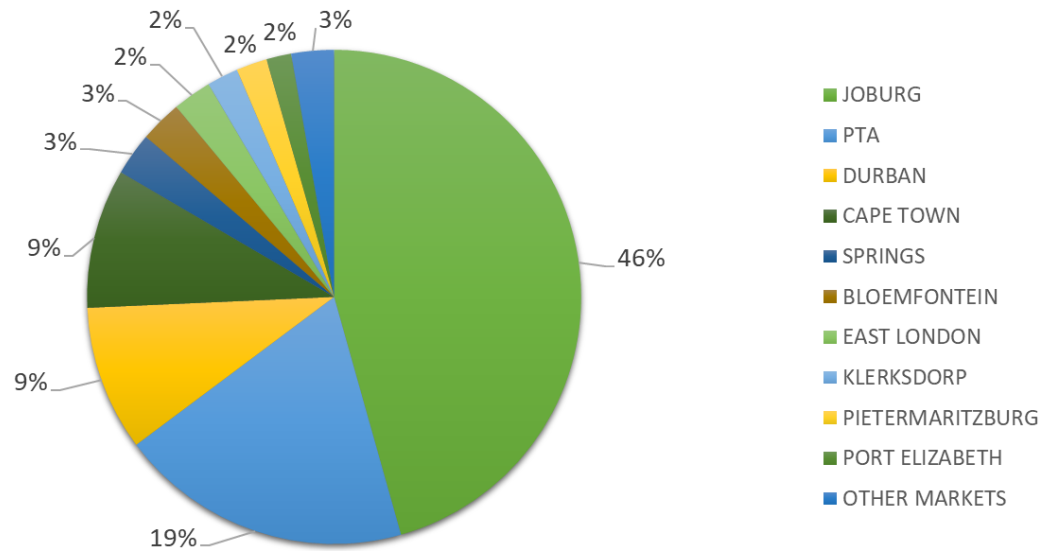
Brief look at Fresh Produce markets

1. 22 Fresh Produce Markets in South Africa

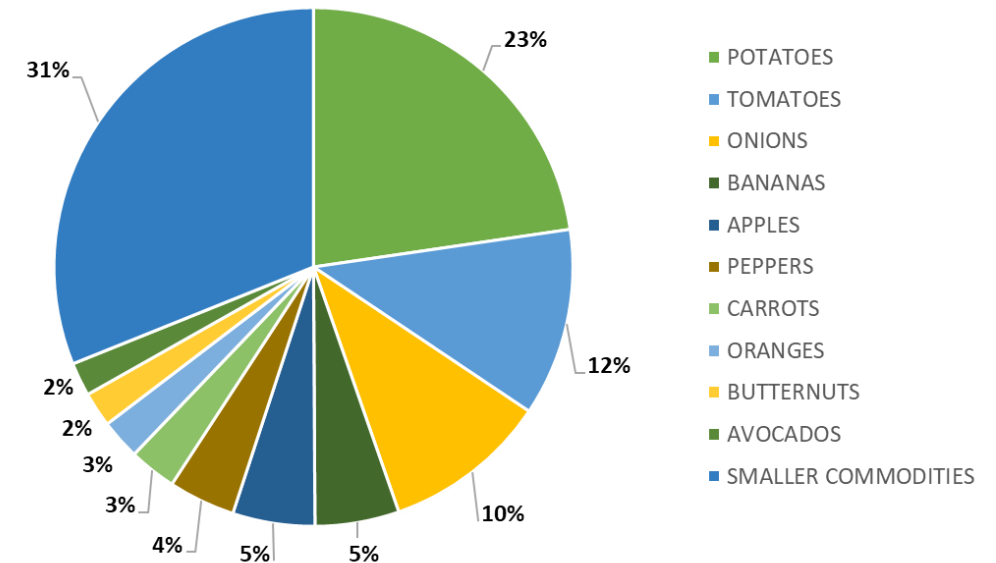
- 8 Private Markets
- 1 Corporatized Markets
- 12 Municipal Markets

- These Markets are Commission based markets, resorts under APA Act

ALL FRESH PRODUCE MARKET IN SOUTH AFRICA SIZE

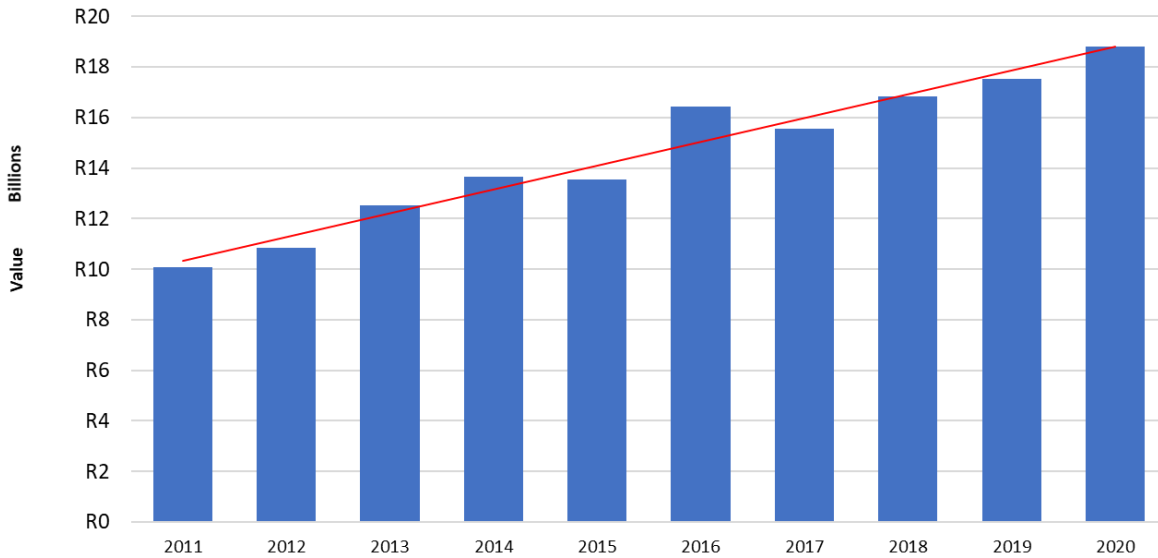


TOP 10 COMMODITIES ON JHB MARKET

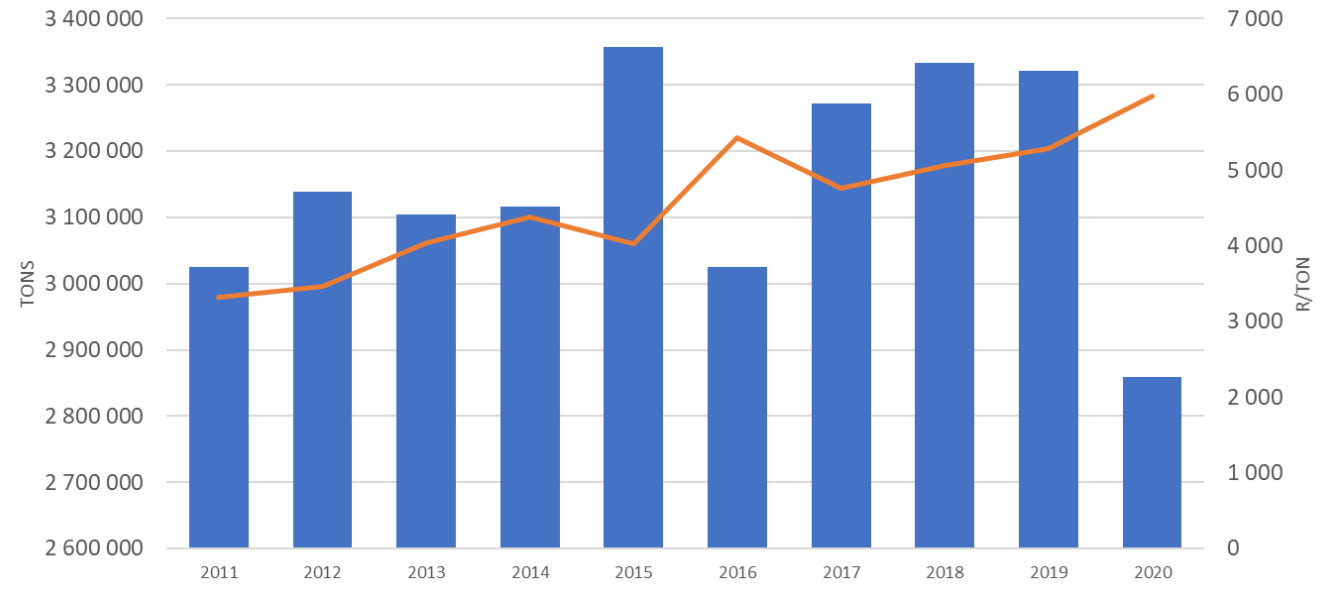


Brief look at Fresh Produce markets

National: All Products & Markets



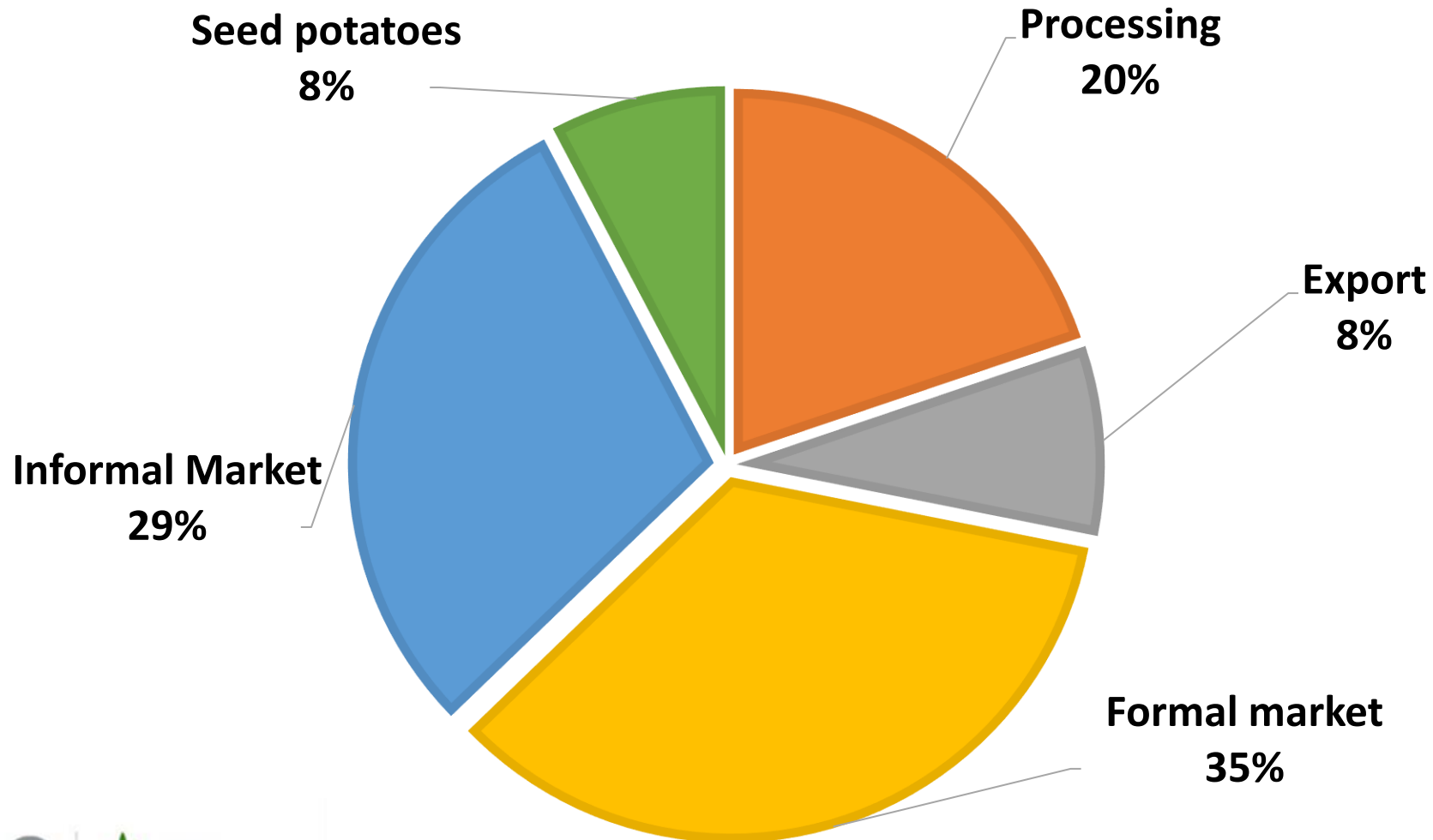
National Mass & R/Ton All Products & Markets



Distribution of 250 000 000 10 Kg Bags

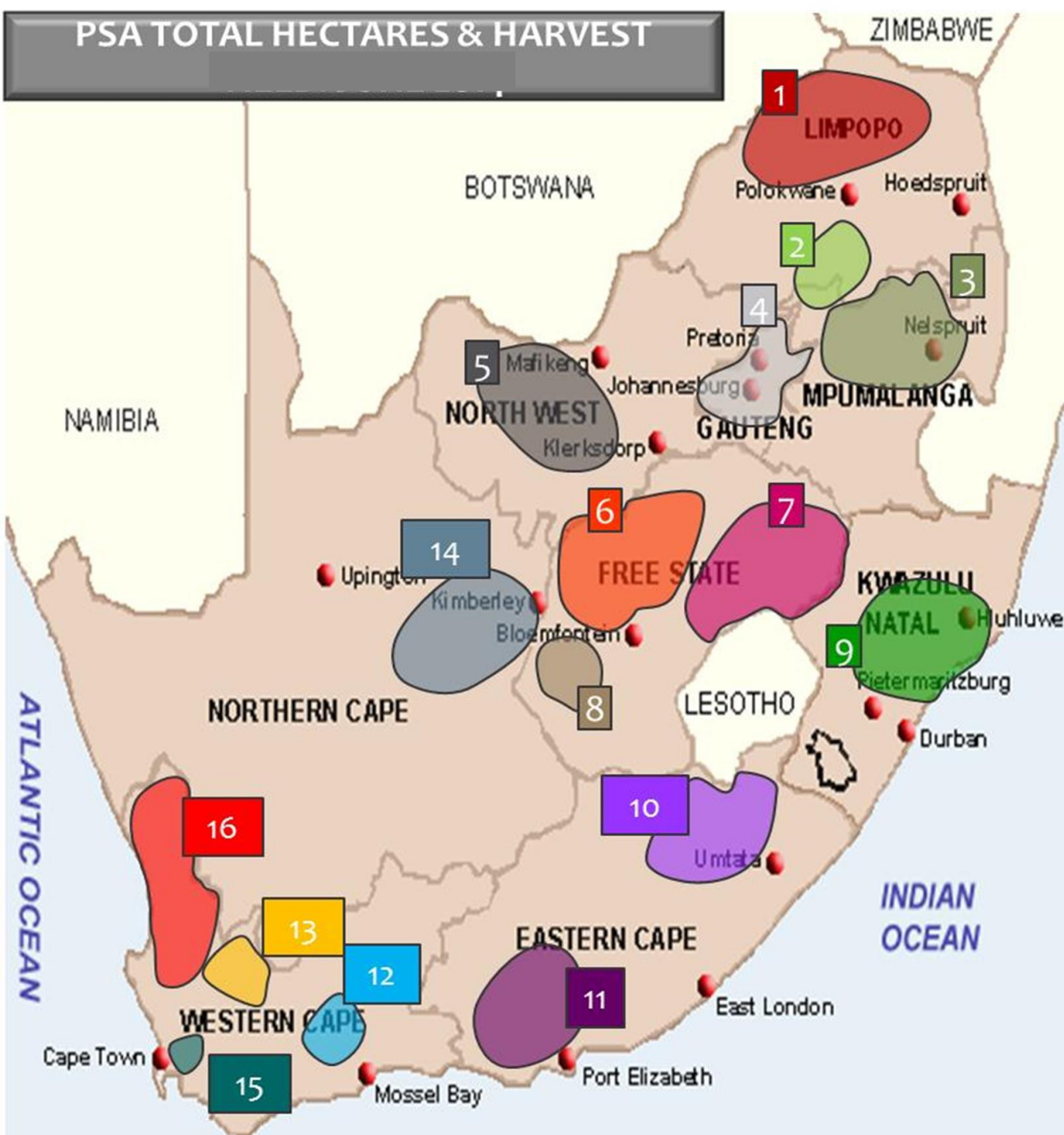
POST-NFPM DISTRIBUTION OF POTATO HARVEST

Processing Export Formal market Informal Market Seed potatoes



Supply structure

PSA TOTAL HECTARES & HARVEST

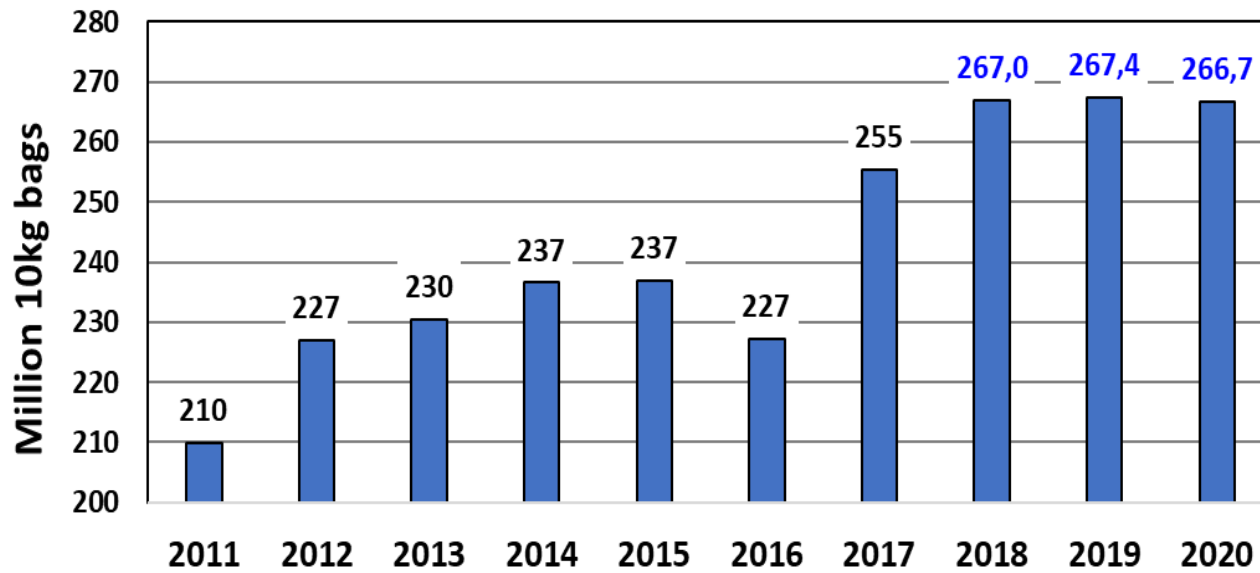


Average production (3 years 2017 – 2019)

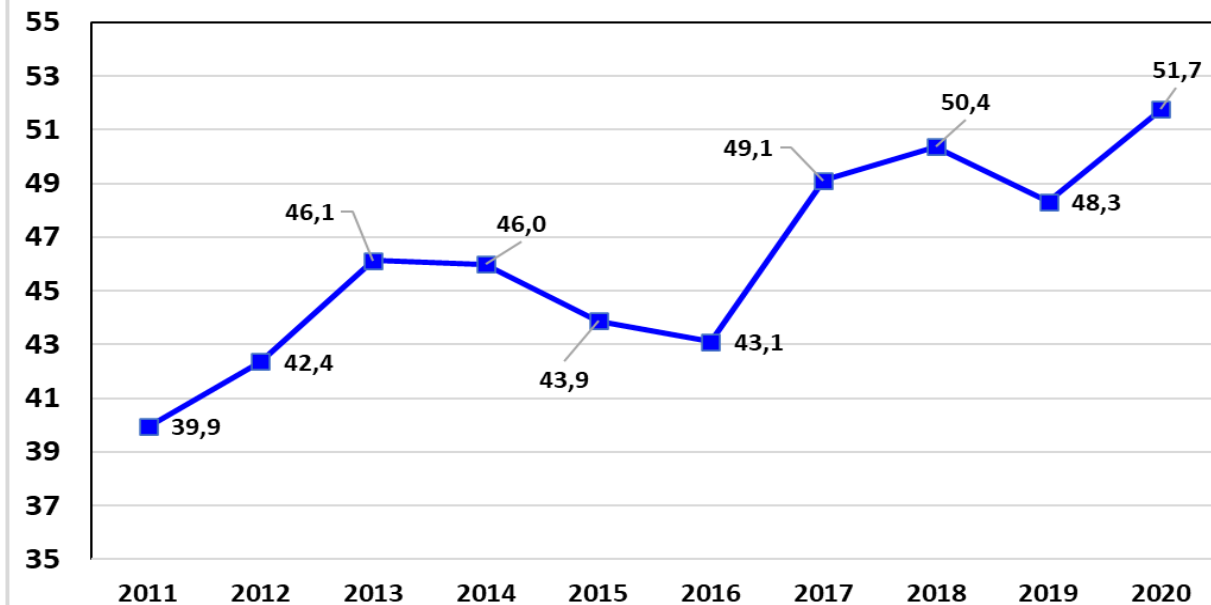
Number	Prod region	10kg bags	Tons
1	Limpopo	56 406 999	564 070
2	Loskop Valley	6 768 100	67 681
3	Mpumalanga	7 999 667	79 997
4	Gauteng	5 858 055	58 581
5	Northwest	15 815 767	158 158
6	W Free State	37 308 300	373 083
7	E Free State	36 598 863	365 989
8	SW Free State	8 581 967	85 820
9	KZN	13 624 300	136 243
10	NE Cape	8 360 600	83 606
11	Eastern Cape	1 958 867	19 589
12	S Cape	778 050	7 781
13	Ceres	4 087 021	40 870
14	N Cape	15 211 233	152 112
15	SW Cape	278 700	2 787
16	Sandveld	27 615 700	276 157
Total		247 252 188	2 472 522

Total supply and Yield/ha

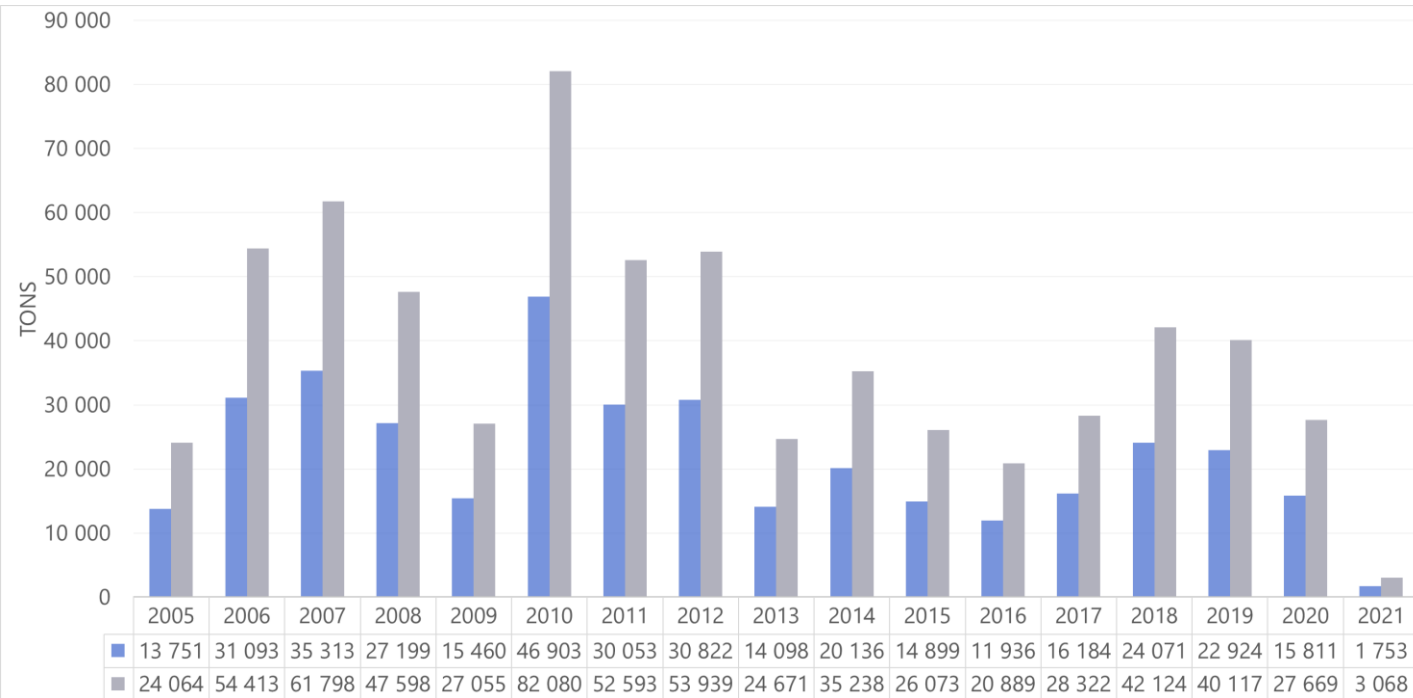
Size of potato harvest over time



Average yield (ton) per hectare: Dry land & irrigation



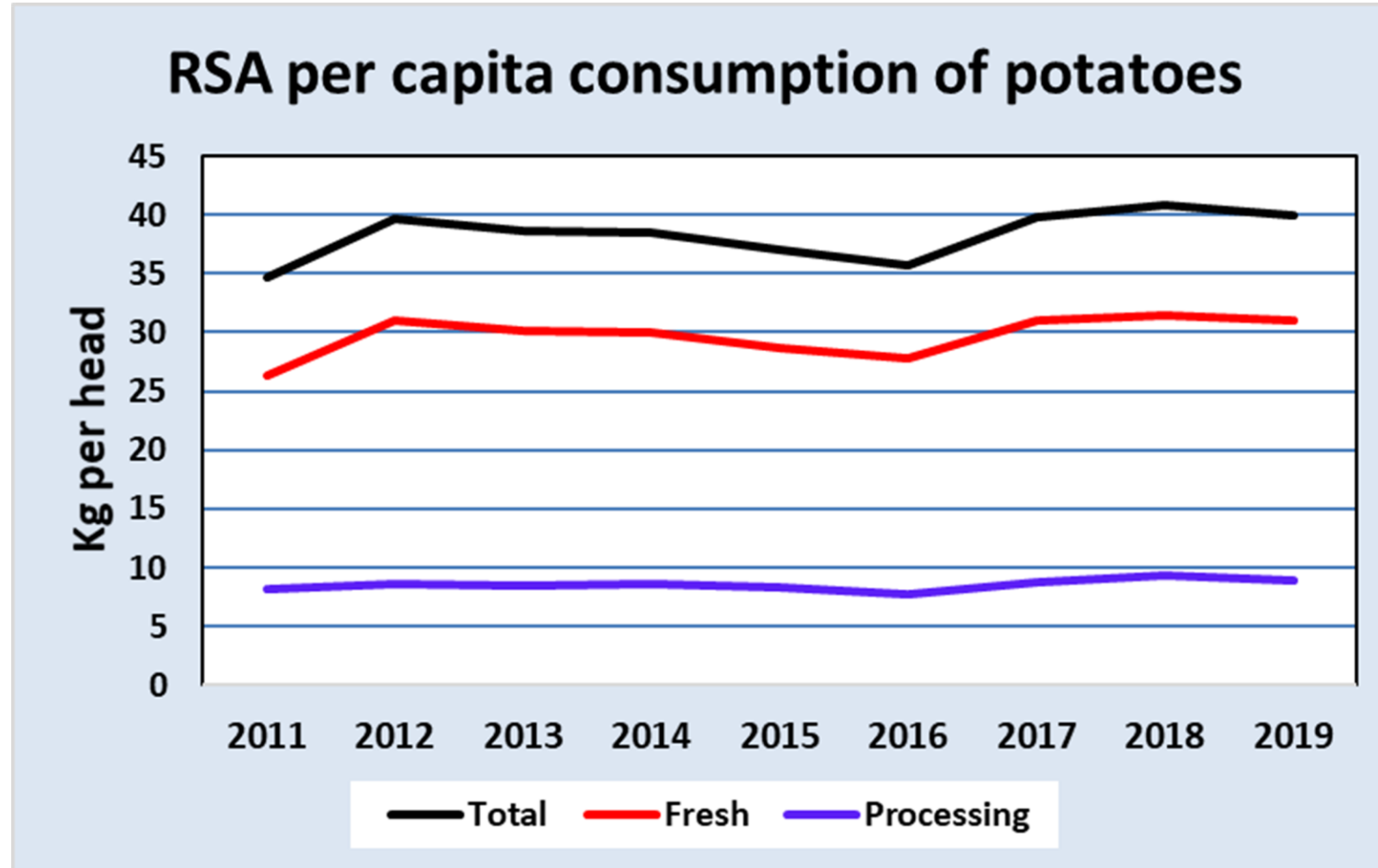
IMPORTS: FROZEN FRIES AND RAW EQUIVALENT



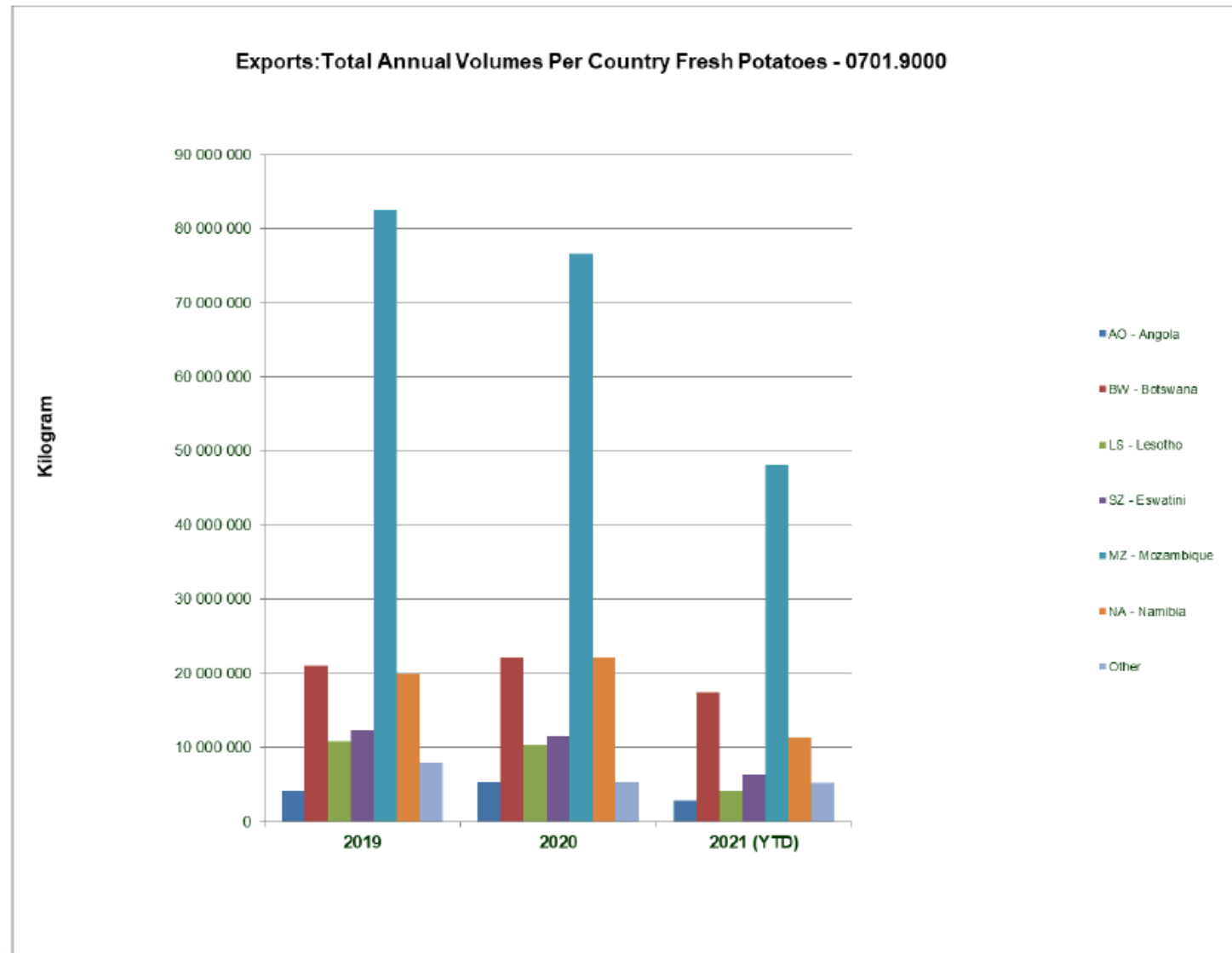
Year	Hectares lost due to imports (ha)	Labour opportunities lost due to Imports	# 10 kg bags that could have been produced locally	Real value lost due to imports (Rand)
2005	705	846	2 406 425	82 494 384
2006	1 498	1 797	5 441 275	172 613 285
2007	1 740	2 087	6 179 775	234 397 782
2008	1 176	1 411	4 759 825	153 892 492
2009	653	784	2 705 500	134 281 996
2010	1 994	2 392	8 208 025	302 547 569
2011	1 258	1 510	5 259 275	183 578 467
2012	1 297	1 556	5 393 850	181 698 442
2013	567	680	2 467 064	100 527 646
2014	807	968	3 523 770	137 467 055
2015	563	675	2 607 339	80 544 097
2016	514	616	2 088 868	100 235 766
2017	602	723	2 832 200	94 864 951
2018	907	1 088	4 212 425	143 918 008
2019	885	1 062	4 011 700	141 053 088
2020	615	738	2 766 925	134 832 255
2021	68	82	306 775	9 307 554

Demand structure

Per capita consumption



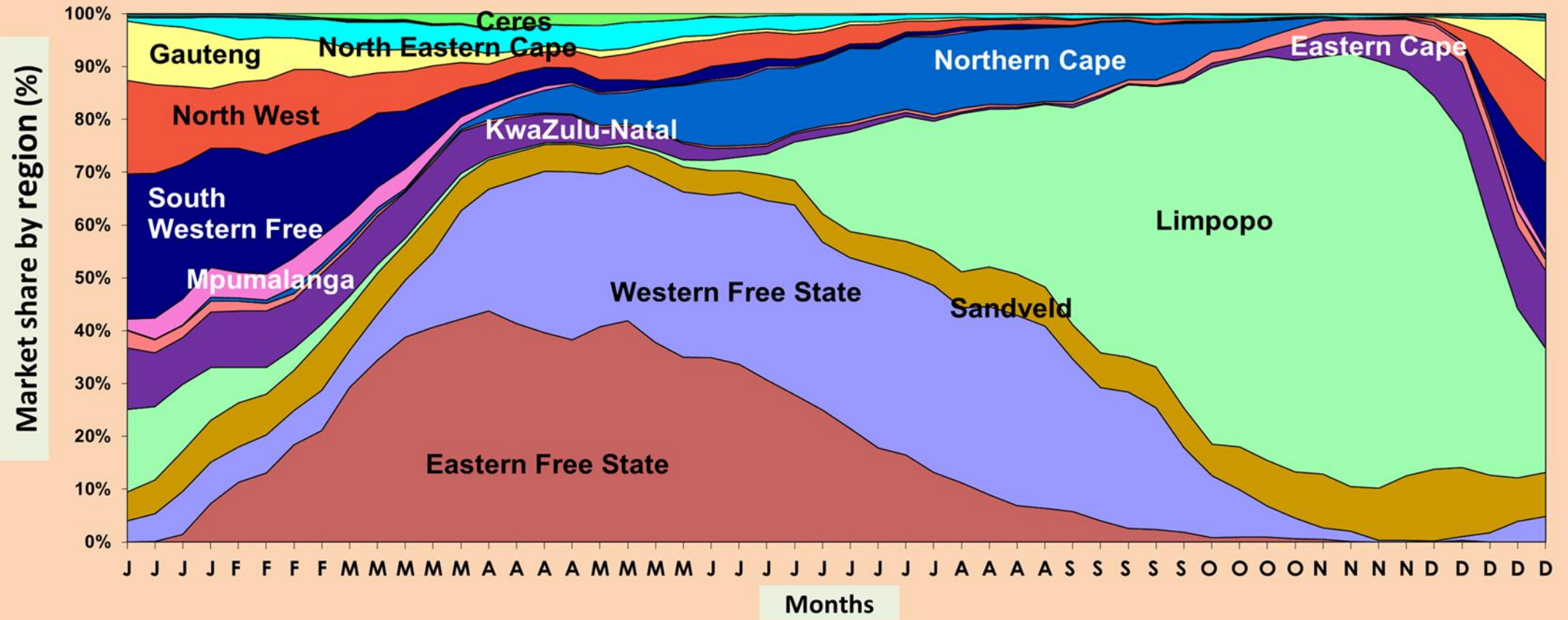
Exports; Potatoes, fresh or chilled



Market windows and prices

Market windows

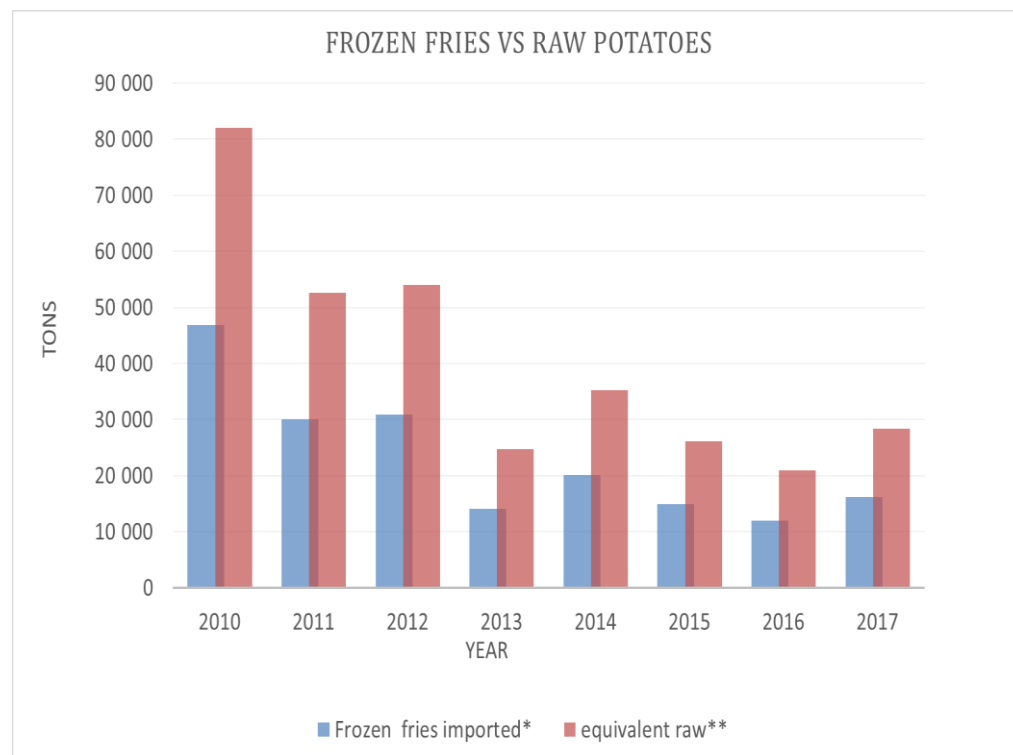
Market share of regions on fresh produce markets (2017 - 2020)



Regulatory issues

Trade and domestic

Impact of trade remedies



* Source: AgriInspec

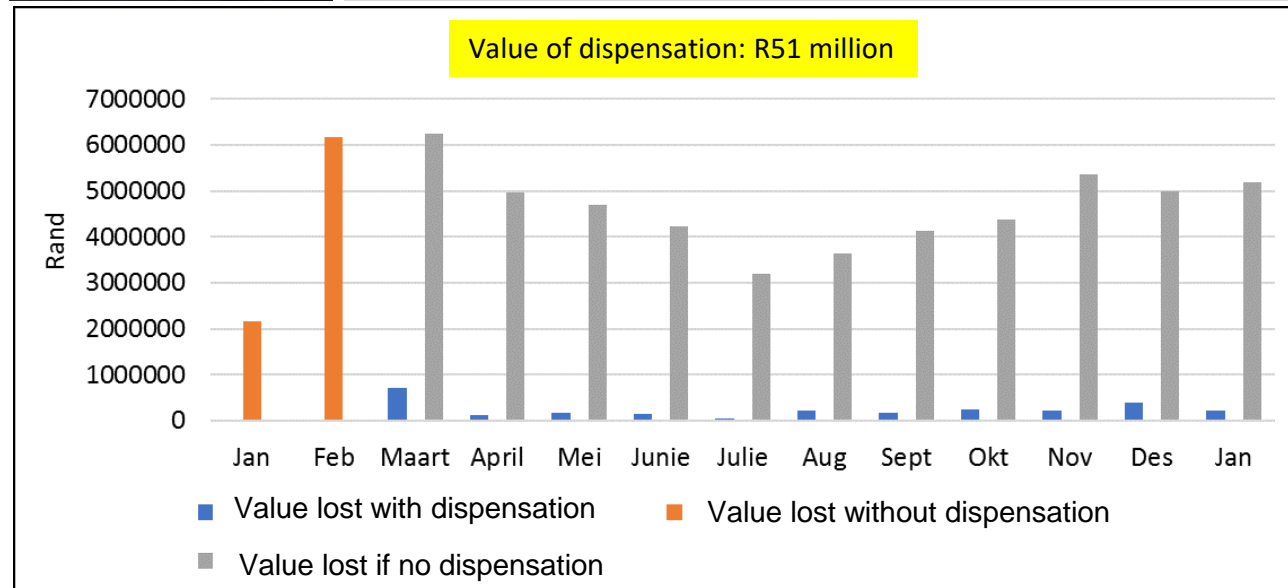
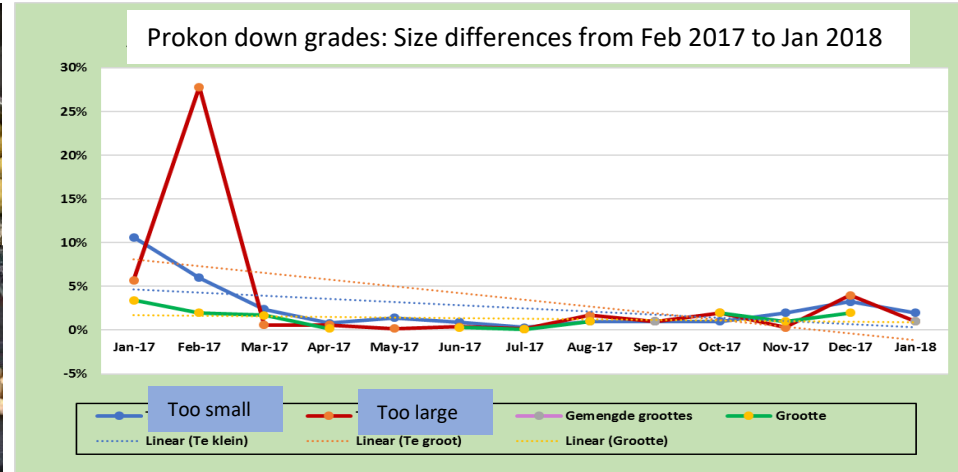
** Conversion rate 1.75:1

Currently "Countervailing duty"

- **Trade remedies:**
 - Safeguard measure: 2013; 2014-2016
 - Anti-dumping: 2016 – 2021
 - Countervailing duties??
 - EU EPA: Safeguard measures??
- **Impact (real terms):**
 - Period 2010-2012 vs 2013-2017 = **R84.6 million**
 - 2010 vs 2015 = **R118 million**
 - 2010 vs 2016 = **R144 million**
 - 2010 vs 2017 = **R122 million**

Impact of dispensations

- Dispensation Class 2 tolerance (15% na 25%)
 - Get dispensation on 19 January 2017 to 31 January 2018
 - Not desired impact
- Dispensation on size groups
 - Get dispensation on 16 February 2017 to 31 December 2017
- **Outcome**
 - **New regulation**



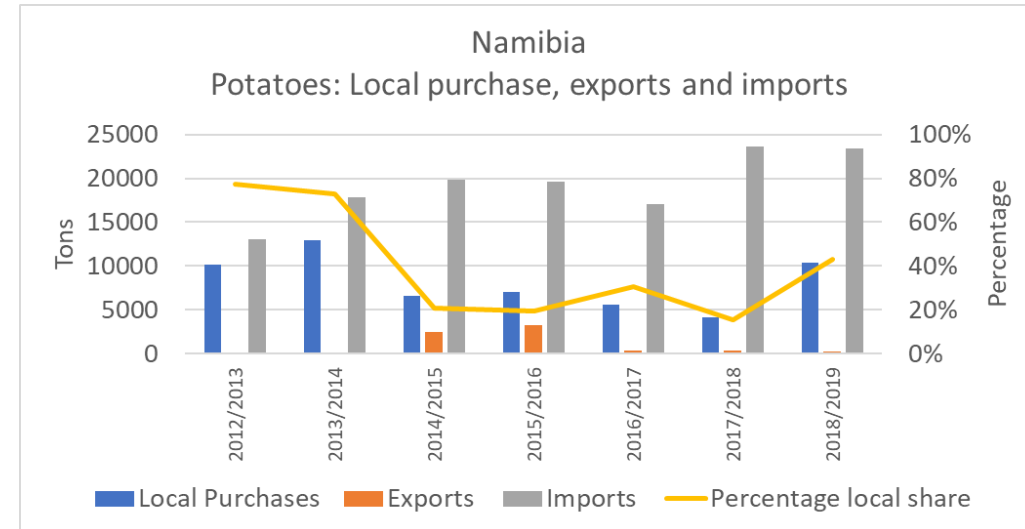
Namibia: Potatoes

Namibian Agronomic Board (NAB)

- Looks at regulatory environment
- Also broadened scope:
 - Facilitation of trade
 - Market research and information
 - Cross Border Trade
 - Advancement of regional trade
 - Harmonisation of standards and regulations
- Example of local regulations impacting on trade:
 - Market Share Promotion Scheme
 - 2005 – 5% procured in Namibia
 - 2019 – 47% procured in Namibia

Namibia fresh produce

- Local production of potatoes: variable market share
 - Stated amongst other access to seed as a constraining factor
 - Other: Lack of local production knowledge
 - Collaboration will be important
- Interest in developing local seed potato industry to develop overall industry
 - How do you do this?

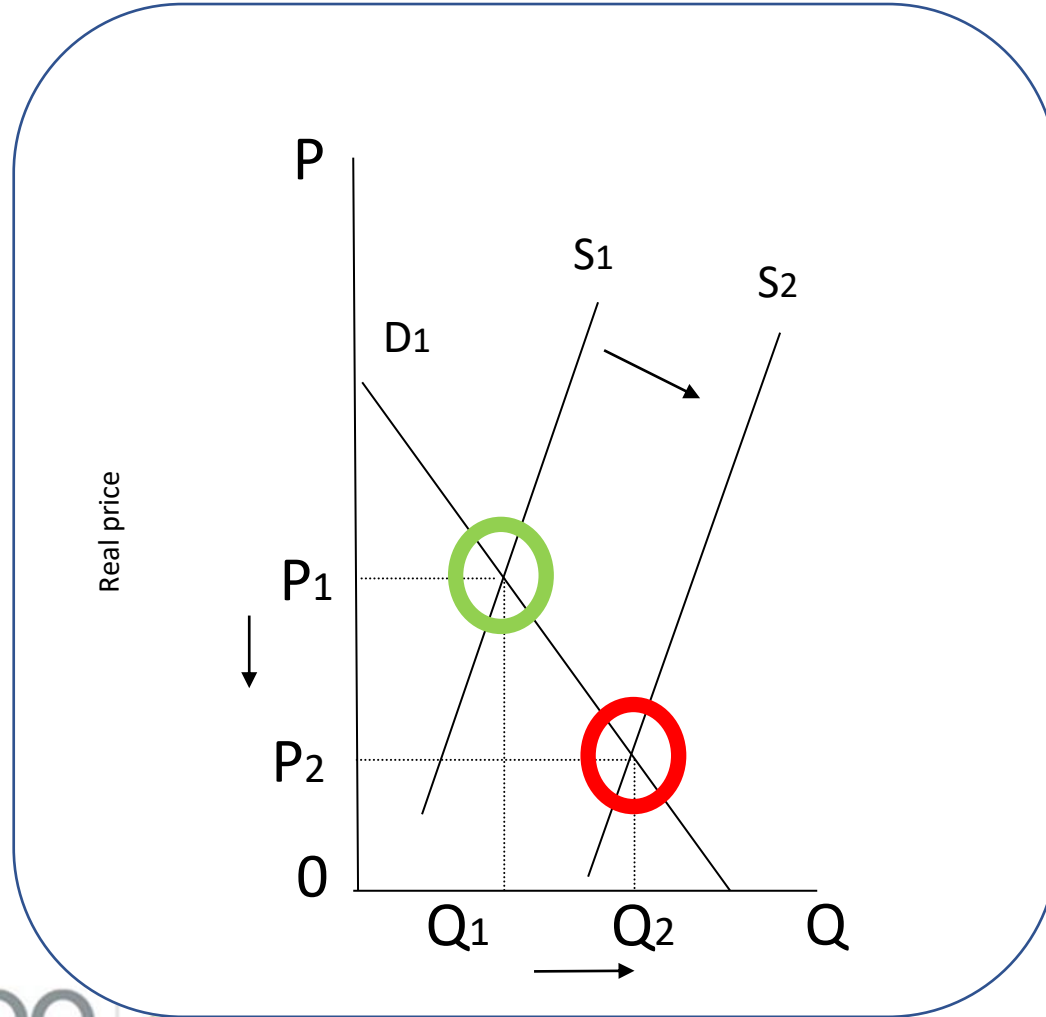


Seed Potatoes: Transit via Namibia for the Period Jan-Dec 2018			
Importer	Exporter	Tonnage	Value
Zambia	Germany	3123	33 977 903
Zambia	Netherlands	275	2 815 414
Zimbabwe	Scotland	50	400 000
Zimbabwe	United Kingdom	100	800 000
Angola	South Africa	128	2 623 188
Total		3676	40 616 505
Average Price/kg			11
Average Price/25kg bag			276

Seed Potatoes: Imports by Namibia for Jan-Dec 2018			
Importer	Exporter	Tonnage	Value
Namibia	South Africa	1361	10 695 923
Total		1361	10 695 923
Average Price/kg			8
Average Price/25kg bag			196

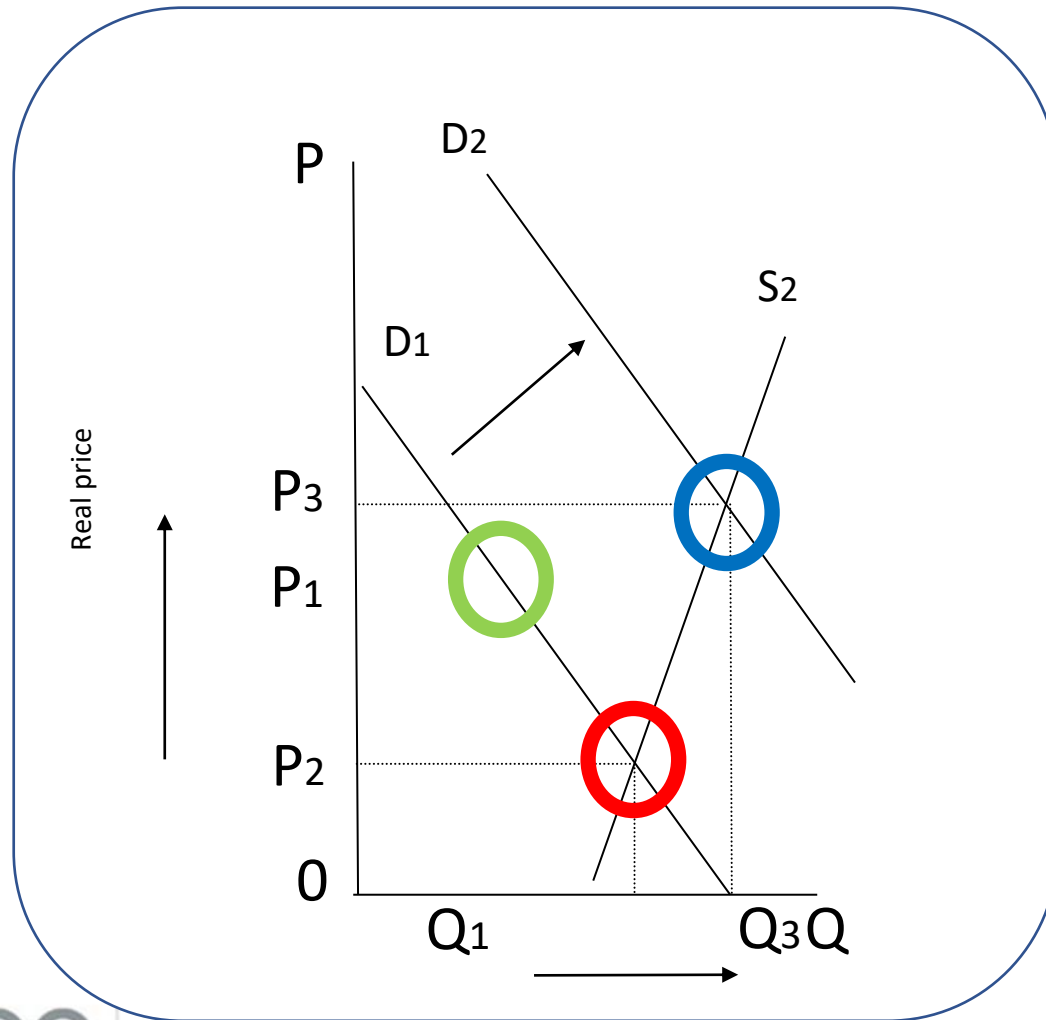
Options for the local market

Supply and demand: Change in quantity demanded



- * Productivity gains (e.g. cultivars)
- * Better disease control
- * Movement in hectares planted
- * Irrigation
- * Imports

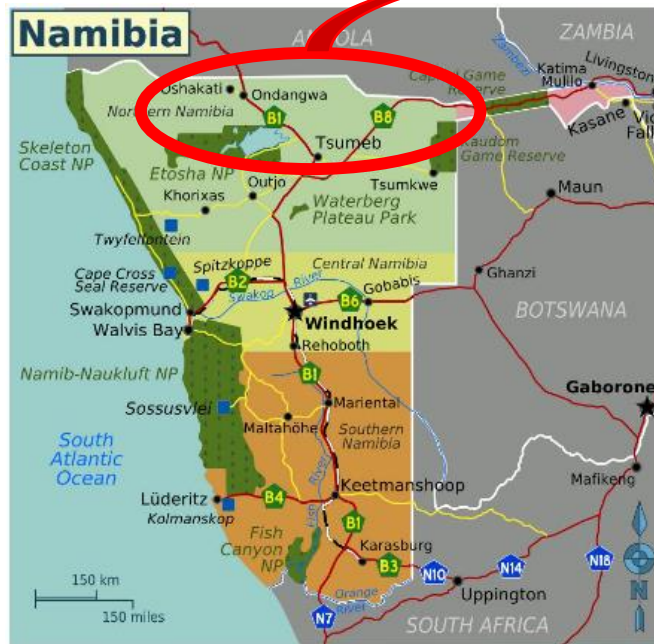
Supply and demand: Change in demand



- * Stimulate demand
- * Change demand patterns
- * Image of the product
- * Segmentation of the market
- * New value chains
- * Producing the right product
- * Exports

Opportunities: Fresh Produce Business Hubs

- Ongwediva (between Oshakati and Ondangwa) and Rundu



Opportunities

- Ongwediva & Rundu Fresh Produce Business Hubs
 - >N\$ 100 mill each
 - 5000 m² each

Rundu HUB



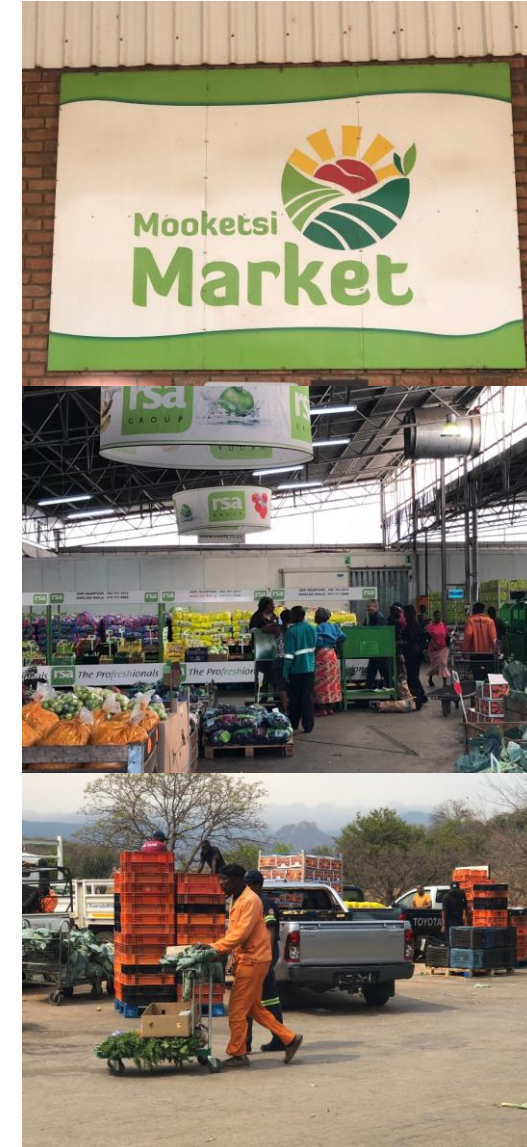
Ongwediva HUB



HUBS closed in 2019

Example of Mooketsi Market

- Started from a small beginning to a thriving business today
- Sell a wide range of fresh produce delivered from all over the country
- Currently have approximately R100 mill turnover annually
- Have 18 000 buyers (directly and Indirectly)



Concluding remarks

- There are potential to grow the Southern Africa production and consumption of potatoes;
- A paradigm shift is needed
 - Grow the market together
 - Collaboration on R&D, Market Development, Sharing of knowledge
- Use appropriate trade tools/policy space to protect Southern Africa potato foot print
- Unlock potential of Fresh Produce Hubs as regional fruit and vegetable trade centres
 - Agro-economical potential important