



potatoes
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SOPIA REPORT

State of the potato industry address

#WHENHOPEWHISPERS

www.potatoes.co.za

What is the State of the Potato Industry Address (SOPIA)?

The State of the Potato Industry Address (SOPIA) is an inaugural event hosted by Potatoes South Africa (PSA) on behalf of the industry. The event is envisaged to take place on an annual basis to engage with all industry stakeholders about the good, the bad and the glorious of the potato industry. Willie Jacobs, PSA's chief executive officer will deliver a speech focusing on 2020 – the year that changed business and life as we know it. SOPIA targets all industry stakeholders along the value chain.

True to its central theme of resilience and optimism, #WhenHopeWhispers will not only focus on SOPIA, but will also give voice to the manifold movers and shakers who propel the potato industry forward. These unsung heroes are made up of producers, distributors, informal traders, retailers, and consumers. Coinciding with the United Nations' International Year of Fruits and Vegetables (2021), PSA could not have chosen a better time to launch #WhenHopeWhispers.

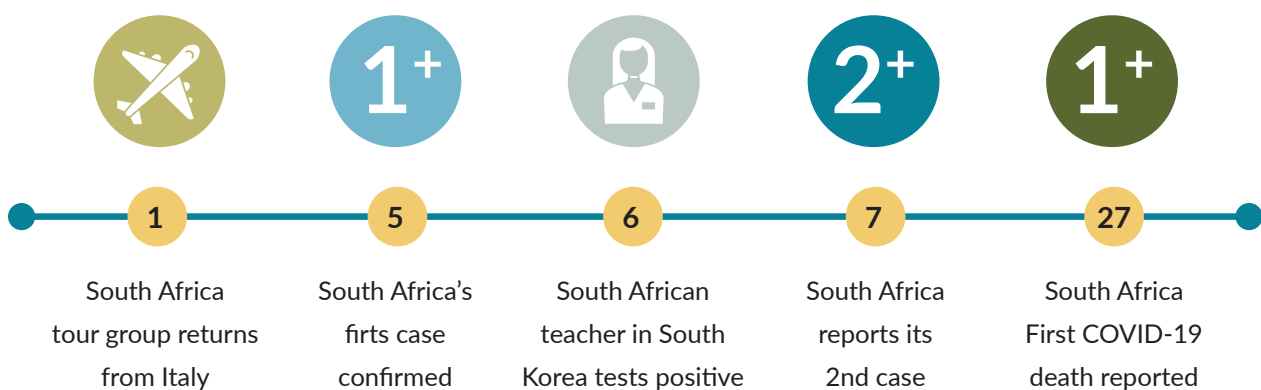
As such, through a range of written and video recorded stories from various stakeholders, #WhenHopeWhispers has endeavoured in the last six weeks to underpin the recent decision by the 75th General Assembly of the United Nations to prioritise nutrition and poverty alleviation through fresh produce production.

In his address, Willie Jacobs provides an all-inclusive exposition on the state of the industry, thereby sketching an invaluable overview of how the world's biggest non-grain crop can help achieve the United Nations' Sustainable Development Goals.

Using data and real testimonies from those that not only survived the socio-economic onslaught caused by the pandemic but managed to thrive, this report aims to inform policy, strategies, and the tools necessary to navigate both current and future challenges.

COVID-19 timeline

MARCH 2020

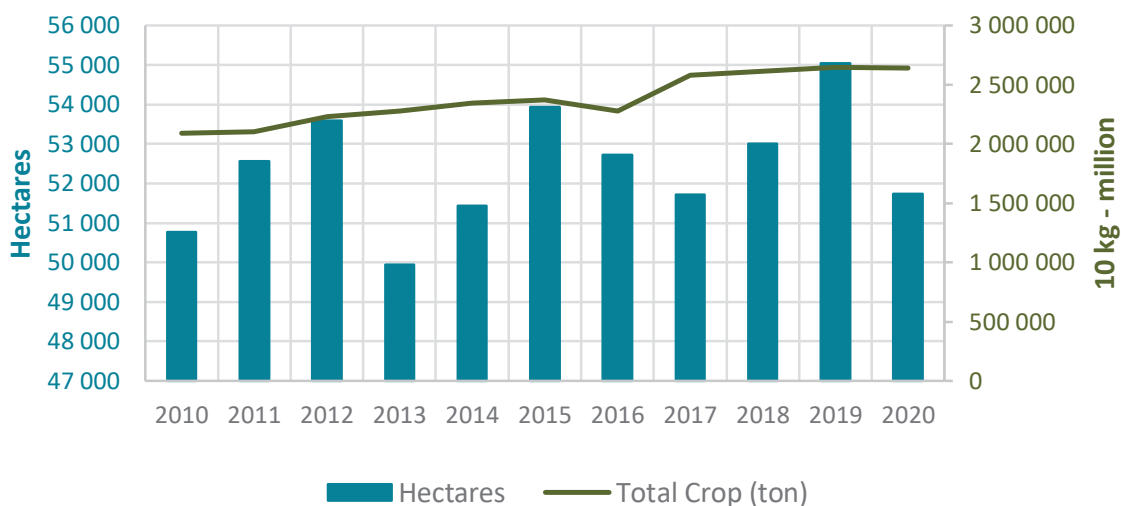




An overview of the South African potato industry

South Africa has a dual agricultural sector comprising of highly developed commercial producers as well as small-scale/subsistence-based producers. The gross value of agriculture in South Africa was reported at \$21.6 million (US) in 2018, which translates to about R30,8 billion using current (USD) Dollar to South African Rand (ZAR) exchange rates. This value is indicative of the significance of farming which at its core is to provide access to food and other necessities for many South Africans. Potato production in South Africa has been on the rise, with total hectares averaging 52 407 between 2010 and 2020 and an estimated average total crop of 2.3 million tonnes during the same period.

SA potato industry – hectares and crop size



The South African potato industry boasts 16 production regions with the capacity and capability to supply potatoes all year round. The primary potato sector is valued at R8 billion while the secondary sector is valued at R25 billion. This makes the sector a positive and powerful contributor to the country's Gross Domestic Product (GDP) as well as a potent alternative to addressing issues of poverty, hunger, and ever-rising unemployment.

The role that the potato industry plays in positively contributing towards issues of poverty, hunger and unemployment should not be underestimated. The United Nations has declared 2021 as the International Year of Fruits and Vegetables with the purpose of strengthening the role farming plays in enhancing food and nutrition

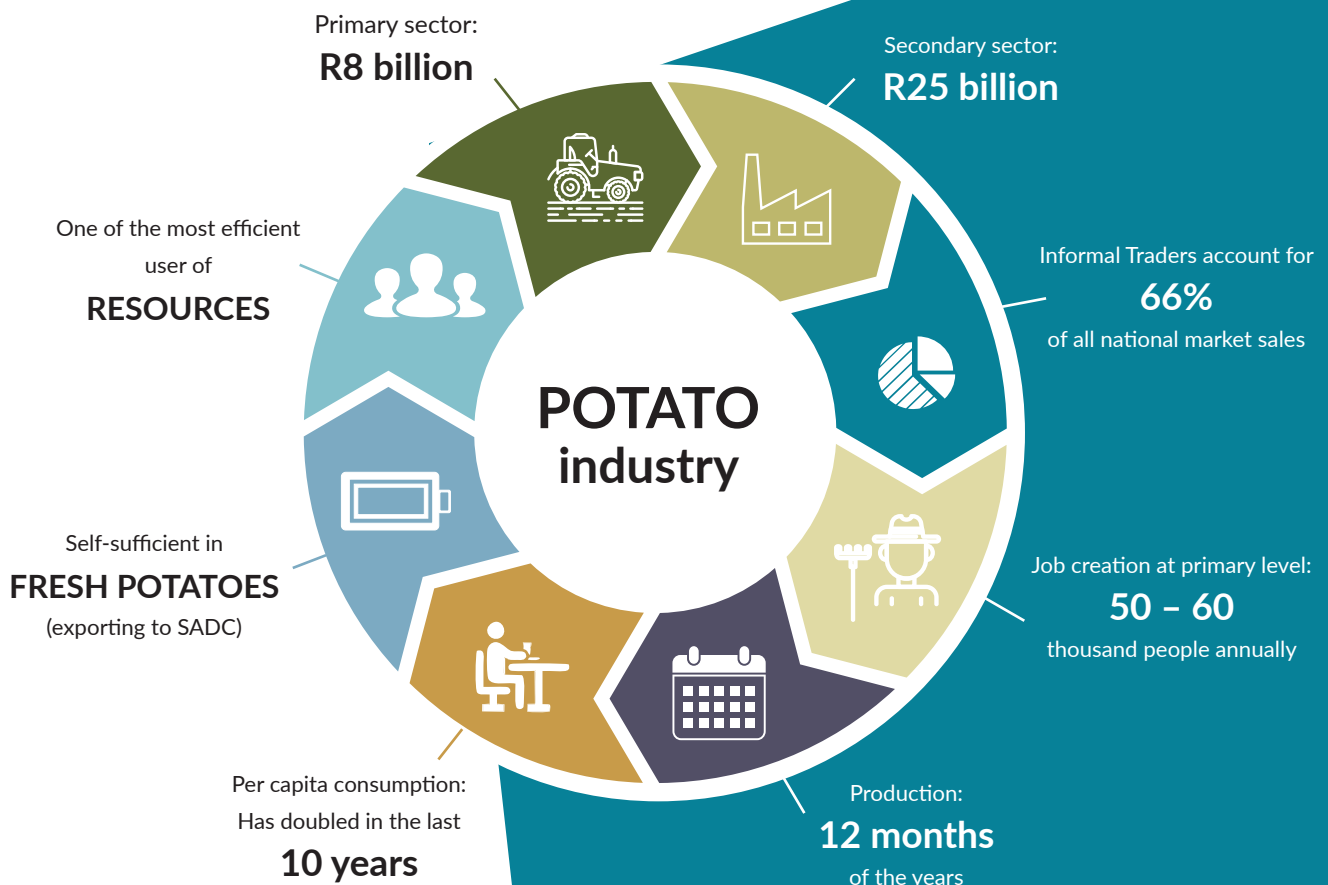
security, while providing livelihoods for many rural communities. When one looks at the economic performance of South Africa in 2020, which is reported as the biggest annual fall in economic activity since the early 1940s, it is good to know that agriculture is among two out of 10 industries that exhibited growth. The growth was driven by increased production in food, beverages and motor vehicles reports Stats SA.

“Despite the impact of the pandemic on economic growth, there was one shining star in 2020. Agriculture escaped the effects of the pandemic relatively unscathed, expanding production by 13,1% in 2020.” (Stats SA, GDP: Quantifying economic performance in 2020, 9 March 2021)

Still, if the agricultural sector is to stimulate South Africa’s economy, continued involvement from role players will be imperative to optimise the sector’s invaluable contribution.



Snapshot of the potato industry





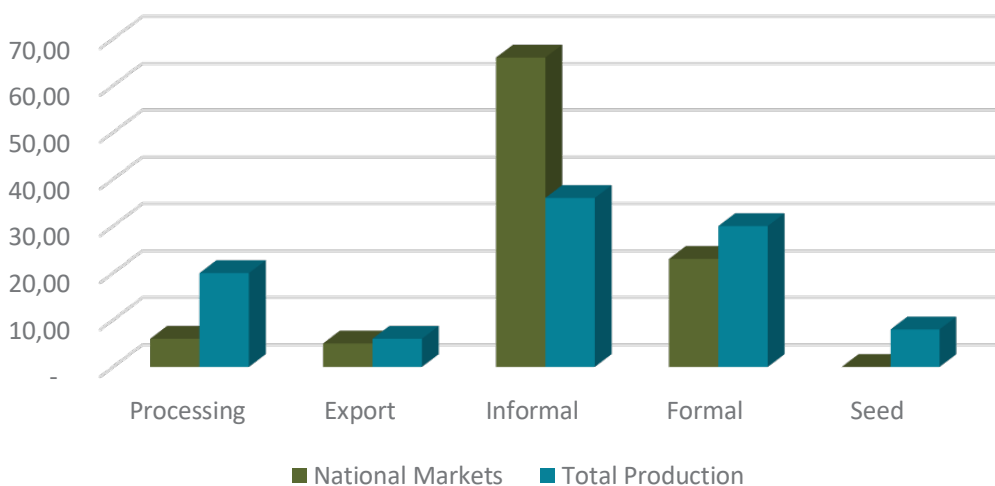
Informal traders - The industry's unsung heroes

In looking at the totality of South Africa's potato industry, the #WhenHopeWhispers campaign tells a story of hope, resilience, and fortitude in times of great adversity and crisis.

Winston Churchill once said: "Victory at all costs, victory in spite of all terror, victory however long and hard the road may be; for without victory, there is no survival." If there is anything COVID-19 taught humanity, it is how to survive and fight against all odds. Despite being unregistered on the South African Revenue Service's books, the informal economy is one that knows and understands survival too well. It is reported that, in South Africa, this segment of the economy accounts for between 40% to 50% of sales worth about R360 billion annually. In addition, this segment ensures that residents in townships and informal settlements have access to foodstuffs at their doorsteps at affordable prices.

Informal traders play a big role in supplying potatoes to communities around South Africa. Contrary to popular belief, informal traders take pride in the quality of fresh produce they make available to end consumers.

Distribution of potatoes sold at national markets [Year: 2018]



PSA officials took to the streets in efforts to connect with informal traders, gain an understanding of how the pandemic had impacted this very important supply chain partner as well as offer support in the form of marketing collateral to boost informal trade businesses in the townships. These are some of the stories the traders shared:



Erasmus shared:

"I remember it like yesterday... Not only were we facing a global problem we knew little about, but our livelihoods were also impacted. I was not allowed to trade for the first few weeks of lockdown. Eventually, I went to town to get a permit to sell in my yard. It was tough because, unlike this spot where there are many people, that was not the case when selling from my yard. Furthermore, the general public was not permitted to travel as much or go to work. This resulted in fewer buyers. My merchandise was spoiling. Prices went up, and competition arose as many resorted to informal trading to survive. We had to innovate to stay afloat. Look, I now peel my vegetables and all races buy here at my stall. I had to learn how to survive." (Erasmus Matlala, an informal trader in Pretoria North, Gauteng)



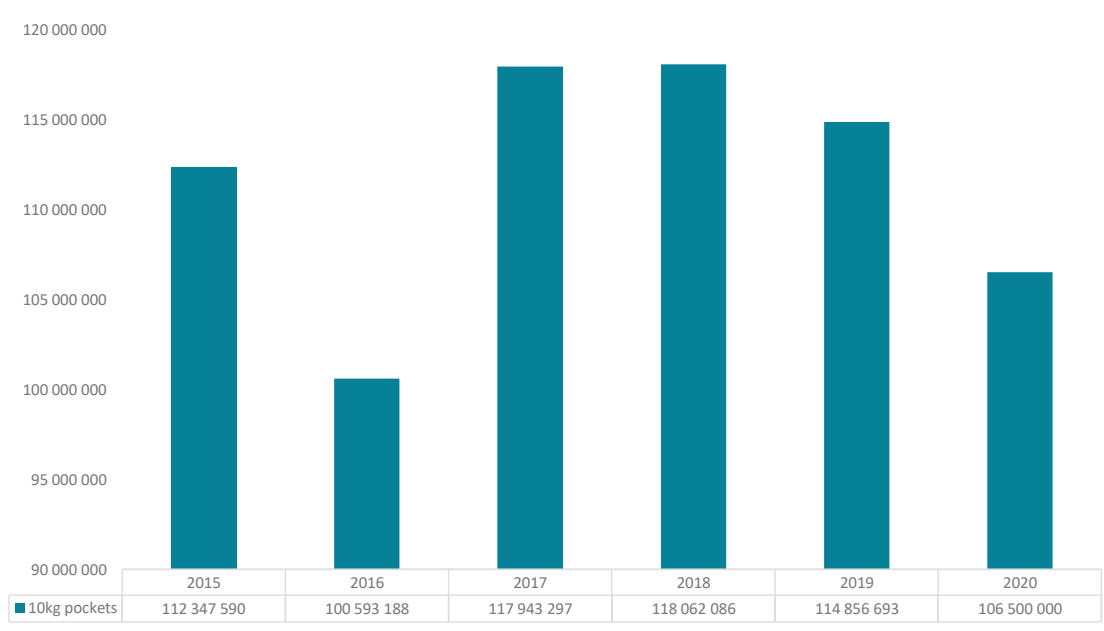
The Producer – The reason for the industry’s existence

On Sunday, 15 March 2020, President Cyril Ramaphosa declared South Africa a national state of disaster as he announced a range of extraordinary measures to contain a COVID-19 outbreak that had infected 61 people in South Africa. Shock, disbelief, and fear engulfed many South Africans.

A wise man once said: “Man can live forty days without food, three days without water, eight minutes without air ... but, only one second without hope”

Farming is a business of faith and hope. Upon the President’s declarations on COVID-19, producers knew they had to act differently to navigate the challenges brought about by the pandemic. This, even during pre-existing challenges such as rising input costs, erratic weather conditions due to climate change, existing regulations such as the Agricultural Product Standards Act 119 Of 1990, as well as the availability of alternative substitutes. Without a doubt, South African potato producers, are passionate about the products they deliver, the communities they serve and the difference they make in the lives of so many South Africans through their commitment to live up to their promise of preserving food security.

SA Potato crop over a 5-year period to fresh produce markets



As with all sectors, the potato industry had to quickly introduce measures on farms to counter the effect COVID-19 pandemic could have on operations. Some of the challenges potato producers had to overcome include:

- Preventing the spread of the virus on farms by limiting direct buyers, including informal traders (bakkie traders).
- The transportation of farmworkers at half capacity to accommodate regulations on social distancing.
- The management of social distancing on farm and throughout the farm to fork journey.
- Delivering on their promise of preserving food security amidst reported consumer stock piling.

The volumes sold through national fresh produce markets in 2019 were in the region of 105.9 million ten-kilogram bags of potatoes. During lockdown period April to November, 11.4 million less ten-kilogram bags of potatoes were sold at markets.



Johan shared:

"I grew up on a potato farm. My love for potato farming is the driver behind my commitment to producing a good quality product that consumers can be fond of. Each production season differs and has its own challenges; however, a potato farmer always rises to the challenge with passion. We are proud of the product we produce and the quality thereof. We pray the consumers love eating potatoes as much as we love producing them." Johan Holtzhausen, Potato Producer, Mpumalanga

Fact: In 2020 South African farmers planted potatoes on approximately 51 000 hectares, produced a total crop of 2.6 million tonnes and delivered 263 million 10kg pockets of potatoes.



Market Agents – The link between the producers and resellers

The Agricultural Produce Agents Council (APAC) defines an agent as *“a person who acts on behalf of a principal, by selling the principal’s produce to buyers such as hawkers, wholesalers and retailers. Most agents operate on fresh produce markets. Prices of fresh produce are not predetermined but discovered in terms of the supply and demand principle. The agent receives a negotiated commission or is paid according to sales volume at a rate or scale for services rendered.”*

The RSA Group CEO, Jaco Oosthuizen in a seminar hosted by the Produce Marketing Association (PMA) Southern Africa asserted that fresh produce trade in South Africa is robust and able to adapt to sudden shocks in supply and demand. *“In this time (COVID-19 times), we have also seen how producers successfully run their farming operations under difficult conditions and protect their workers. We have witnessed how informal and formal buyers managed to run their businesses successfully under extremely difficult circumstances.”*

Hendrik Eksteen of Grow Fresh Produce Agents indicated that the pandemic led to changes in supply and demand on markets. *“Large potato sales came under pressure due to restaurants and fast-food restricted from trading. Although vegetables experienced an upward demand trajectory, there was downward pressure on produce like patty pans, lettuce, baby marrows and other niche lines, whereas the demand for product lines such as citrus, garlic and ginger increased due to the products medicinal advantages.”*





Retailers – the main supplier to the end consumer

Potatoes South Africa approached no less than six national retailers operating in South Africa to reflect on their journey of meeting food security at store level during last year's unprecedented times.

A key challenge that faced retailers at the onset of COVID-19 pertained to ensuring virus-free suppliers to assure consistency of fresh produce supply. Staff capacity had to be reduced across various departments and thus disrupted uninterrupted supply – which was further exacerbated by panic buying and uncertainty.

"We have seen some very good growth in all product ranges over the COVID-19 pandemic with vegetables leading the growth. Average growth has been up to 30 percentile range since March. We do however see this slowing down a little but remaining around 20%" SA Retailer, 6 July 2020.

One of the key lessons presented by COVID-19 which is so succinctly articulated by the World Trade Organisation of the United Nations is that: *"Trade in agricultural products has been more resilient than overall trade. This reflects the essential nature of food and the resulting relative income-inelasticity of demand for it."*
(26 August 2020)

PSA has recognised the impact of both the positive and negative effects of the pandemic on the industry and its stakeholders. Of all the lessons, the constant, current, and correct impartation of facts and information became a culture the organisation adjusted to quickly to remain relevant and of value to the entire value chain.





The potato – A marvel, a nutritional powerhouse, a solution to hunger and poverty

Health experts have found that buying processed products with a longer shelf life and prioritising staples such as potatoes above luxury foods, is a trend that will most likely stay once the fight to curb the virus eases. In South Africa and around the globe, consumers are starting to buy food that is not only cheaper but more adept at holding hunger and health issues at bay.

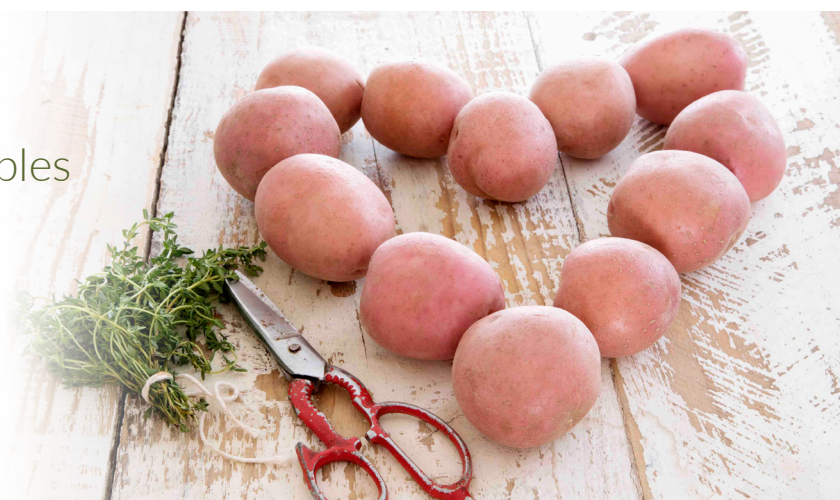
Can potatoes play a part?

Now more than ever, health is truly wealth. In this time of the global COVID-19 pandemic, it is critical to build immune strength to fight off COVID-19 infection and reduce the risk of severe COVID-19 complications, if you do contract the virus. We know that a balanced diet rich in colourful, plant-based foods will optimise health. Read more to understand where potatoes fit into this and why potatoes should be in your shopping basket and on your plate during the pandemic.

Plant foods are rich in natural compounds called phytonutrients that are anti-inflammatory and prevent damage to the cells of your body. Over 4 000 different phytonutrients have been identified and the different colours of plant foods indicate the different phytonutrients that are found in the plant. For example, pink or red coloured foods like tomatoes, watermelon and guava are rich in lycopene (a phytonutrient that protects against cancer and heart disease). Potatoes are rich in protective phytonutrients called carotenoids and flavonoids and these have also been shown to reduce the risk of cancer and other diseases. Make sure to eat a kaleidoscope of rainbow coloured plant foods every day so that you can power your body with phytonutrients to fight disease.

More potassium than most fruits and vegetables

A 150g serving of boiled or baked potato, with skin, will provide 710mg of potassium



How can South Africans extract more from the humble spud?

There is nothing humble about potatoes. Potatoes are the world's number one non-grain food after maize, wheat, and rice. What is more, potatoes are tasty, versatile, and super convenient. Whether in a stew, as a side or main carb on a plate, this underground hidden treasure knows how to turn every meal occasion into a memorable occasion.



Potatoes have been endorsed as a heart healthy product by the Heart & Stroke Foundation of South Africa when prepared as follows:

1. Keep the jackets on. Always! A large amount of the nutrients and fibre potatoes offer are found in potato skins. Yes, potato skins matter!
2. Bake, grill or boil your potatoes in good quality herbs and spices. Minimise salt intake!
3. Dress your potatoes with heart healthy fats like a little olive oil, that improve overall health.
4. Size matters. Eat potatoes in portion-controlled amount 3 baby potatoes or 1 medium potato, weighing in at 90g is equal to one slice of bread in terms of calories but has a great added volume benefit that keeps you fuller for longer and helps with weight management.



Potatoes, goodness of the earth.