

Mondstuk van die Suid-Afrikaanse aartappelbedryf • Mouthpiece of the South African potato industry

CHIPS

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**BASELINE AND MARKET
DYNAMICS FOR THE
COMING SEASON**

Growing tomorrow's
producers, today

**OOS-VRYSTAATSE
DROËLANDKULTIVARPROEF
OP WARDEN 2019/2020**

Importation of French
fries takes a nosedive

Waarde van navorsing
oor blaarsiektebeheer

Chipping in on potatoes

By Willie Jacobs, CEO of Potatoes SA



Dear potato family, I plan on taking a journey with you on topical issues that I pick up on during my interactions with Potatoes SA (PSA) family members. This issue's conversation relates to the recent minimum wage announcements as well as price hikes and service delivery issues at Eskom.

Since a year ago, producers in the potato industry had to adapt several times during their production seasons, in order to adhere to Covid-19 regulations. In order to adhere to social distancing, many producers have been implementing work shifts by extending operating hours in their packhouses, a step which necessitates greater electricity usage.

The recent minimum wage increase along with electricity price hikes, are expected to have a significant effect on the potato industry in 2021. As part of this journey, we intend to build a case file to support arguments against future interventions which may not have been carefully deliberated.

Agriculture's positive performance

Despite Covid-19, and according to data from Agbiz and the Bureau for Food and Agricultural Policy (BFAP), South Africa's agricultural sector performed relatively well in 2020. The sector's gross value is estimated to have expanded by between 10 and 13%. These gains also allowed for employment opportunities in the sector, with overall agricultural

jobs standing at 810 000 in the last quarter of 2020, down marginally by 8% from the same period in 2019.

Job losses occurred primarily in subsectors that were affected by the lockdown regulations, such as the wine industry, tobacco and floriculture in the Western and Northern Cape. Basically this alludes to the fact that the agricultural industry was but one of a few that managed to hold its own during and after the core Covid-19 exposure and lockdown periods.

While having faced various challenges in 2020, the potato industry still contributed positively to South Africa's farm economy, employment, and food security. Nevertheless, the recently announced 16.1% increase in the agricultural minimum wage to R21.69 per hour with effect from 1 March, is cause for concern. Not only did the general minimum wage increase by 4.5% – it was also accompanied by the National Minimum Wage Commission's recommendation (notwithstanding an objection by business representatives of whom PSA is an instrumental role-player) to equalise farm workers' pay to the general minimum wage.

The agricultural sector's notable performance served as the basis upon which the majority of National Minimum Wage Commission members justified to policymakers that the industry is thriving. Despite the industry's performance, this large increase combined with a general increase in input and administrative costs, are putting enormous pressure on producers. Despite numerous efforts to convey this message, it seems not to have

had an impact on the committee's decision – a trend that is also visible in other considerations of national importance.

Hence it was decided that we need to initiate our counter measures earlier, and build a case file for future negotiations, preferably on referenced public platforms, so as to foster greater insight and awareness of burning issues that are putting pressure on farming success in our country.

Engage with us

PSA is currently engaging with researchers and industry stakeholders to assess the potential impact the minimum wage increase will have on the industry. We will be making these results available to members as soon as we have greater clarity.

In future interactions, PSA will isolate and address electricity in a similar manner and, later, also other inputs in order of merit. These expenses not only have an impact on the profitability of farming enterprises, but also affect sustainability and food security. Agbiz has noted that many of its members involved in various commodities are disappointed by the notable increase in the minimum wage as well as government's disregard of the inputs submitted ahead of the final discussion.

PSA will continue to update potato producers on its interactions with stakeholders to prevent future debilitating cost increases. Please keep an eye out for messages requesting information on inputs and support us in our attempts to establish an accurate reference base. 