



potatoes
aartappels **SA**

TRANSFORMATION IN THE POTATO INDUSTRY

**SUBTROP TRANSFORMATION SUMMIT
21 JUNE 2017**

**Nomvula Xaba
Manager: Transformation**

CONTENTS

- Potatoes SA background
- Compliance with the NAMC
- Realities of the Potato Industry
- Potato Economics
- Transformation Programme Background
- The Enterprise Development Programme
 - Progress to Date
 - Challenges
- Conclusions

Potatoes South Africa

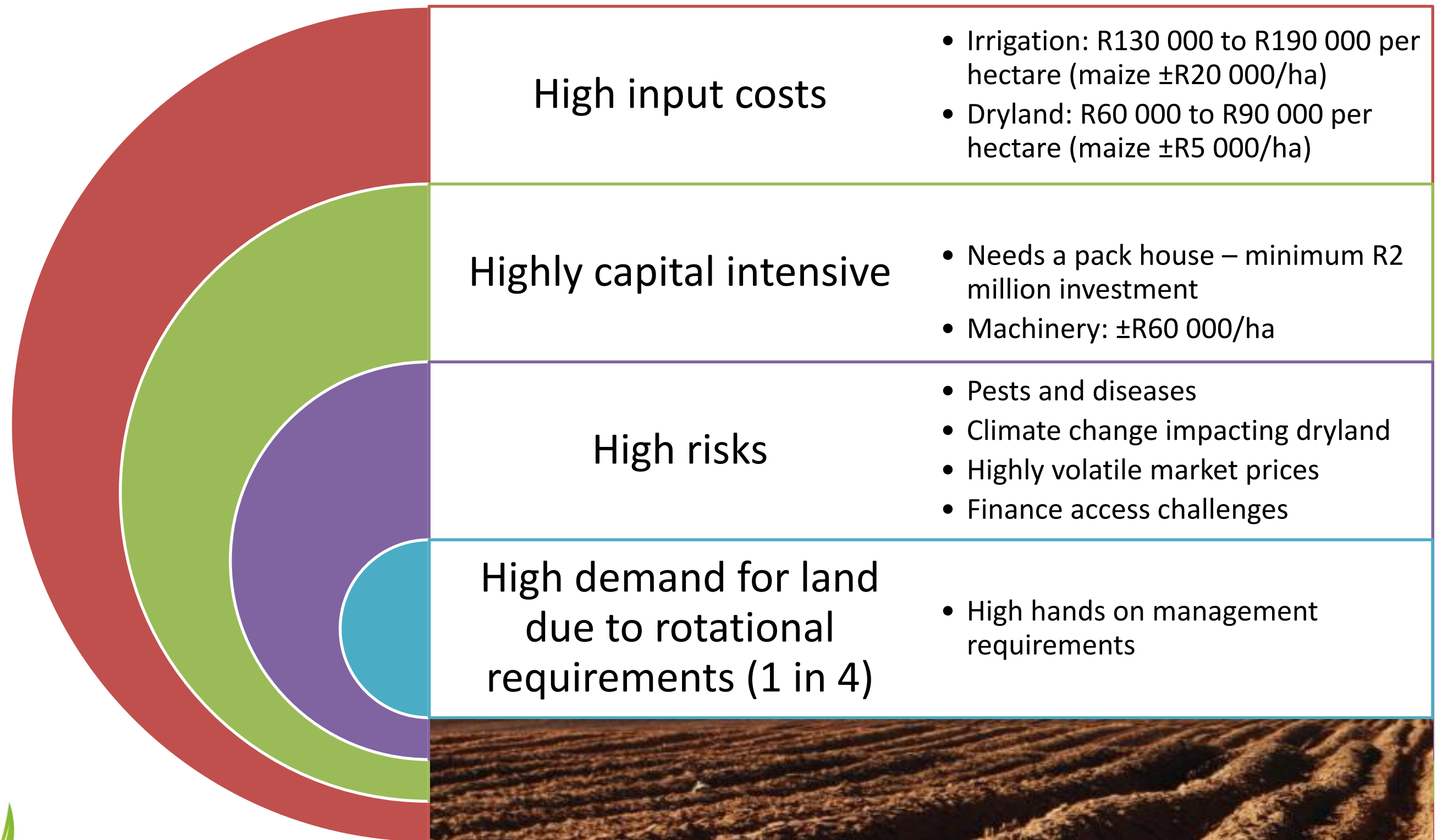
- Non-Profit Company as defined in Companies Act 71 of 2008
- Dependant on Statutory Levies
- Potato Industry Development Trust (PIDT) has oversight over the use of levies
- Levies can be used for:
 - Transformation, inclusive of black economic empowerment,
 - Basic as well as applied agricultural research
 - The gathering, processing, analysing and compiling of industry related information
 - Marketing Development and generic product promotion.
 - The levy administration services rendered by the appointed administrator.
- Report to NAMC on use of levies

Compliance with NAMC guidelines

- **Activities not regarded as Transformation:**
 - General research, information and promotion activities
 - Scale neutral activities (e.g. support functions)
 - Training of workers
 - Align guidelines with seven pillars of the AgriBEE Sector Code

Pillar	Activities (examples)	Percentage
Enterprise development	<ul style="list-style-type: none"> • Production material/inputs • Extension services • Mentorship • Soil preparations • Accreditation (certification for accessing export markets) • Market facilitation (Assist smallholder farmers to access the markets) • Business plan development • Industries to assist black farmers to gain access to finance 	> 50%
Skills development	<ul style="list-style-type: none"> • Bursaries 	20%
Employment equity		30%
Management control	<ul style="list-style-type: none"> • Salaries for transformation staff 	
Preferential procurement	<ul style="list-style-type: none"> • Procuring from Black owned enterprises/businesses (QSE's/EME's) 	
Socio Economic Development	<ul style="list-style-type: none"> • Provision of good housing, clean water, sanitation, electricity, recreation facilities and health care programmes 	
Ownership	<ul style="list-style-type: none"> • Increase level of entitlement of Black People to participate in the Economic Interest 	

Realities of the Potato Industry



POTATO ECONOMICS: TRANSFORMATION

Cost of potato production

% contribution to costs

Production cost	Limpopo	Sandveld	Eastern Free State	KZN Seed
Seed (including transport and cooling)	R 30 750	R 21 244	R 9 226	R 28 733
Fertilizer	R 15 440	R 26 381	R 6 369	R 9 759
Insecticides/ Fungicides/Herbicides	R 7 021	R 12 656	R 6 894	R 9 731
Seasonal labour	R 6 433	R 3 014	R 6 078	R 12 776
Transport costs	R 19 201	R 5 421	R 8 688	R 3 215
Packaging	R 8 874	R 8 014	R 7 660	R 5 827
Marketing Commission	R 22 270	R 17 664	R 11 217	R 4 967
Permanent labour	R 11 113	R 8 347	R 1 016	R 7 518
Electricity	R 6 200	R 7 402	R 658	R 2 495
General	R 6 657	R 4 425	R 6 727	R 5 828
Mechanisation (running & maintenance costs)	R 8 750	R 4 837	R 1 181	R 5 371
Fuel	R 7 323	R 5 954	R 4 492	R 7 220
Land rent	R 10 000	R 10 000	R 1 500	R 7 220
Replacement costs	R 13 000	R 8 000	R 5 000	R 7 000
Total production and marketing costs*	R 173 032	R 143 358	R 76 706	R 117 660

Limpopo	Sandveld	Eastern Free State	KZN Seed
18%	15%	12%	24%
9%	18%	8%	8%
4%	9%	9%	8%
4%	2%	8%	11%
11%	4%	11%	3%
5%	6%	10%	5%
13%	12%	15%	4%
6%	6%	1%	6%
4%	5%	1%	2%
4%	3%	9%	5%
5%	3%	2%	5%
4%	4%	6%	6%
6%	7%	2%	6%
8%	6%	7%	6%

Yield per hectare (ton per hectare)	55	47	28	37
NFPM price (average)	R 35	R 35	R 35	R 35
Income per hectare	R 192 500	R 164 500	R 98 000	R 129 500

Margin/ha (excl overheads/repayments, etc)	R 19 468	R 21 142	R 21 294	R 11 840
---	-----------------	-----------------	-----------------	-----------------

* Marketing costs: Commission, packaging and transport

Notes for production and marketing costs:




- Seasonal labour: Based on approximately 100 people in packhouse and 40 in the fields
- Packaging: Based on yield
- Permanent labour: Based on between 10 and 20 labourers
- General expenses: Include general expenses such as: bank costs, bookkeeping, telephone, office type costs, etc



Parametric analysis: Minimum yield and price to break more or less even at gross margin level

At a price of R27.50 per 10kg bag and yield of 30 ton/hectare this will be the income, i.e. R7 500/ha more than cost of production in Eastern Free State (just more than cost of production)

	Ton per ha	20	25	30	35	40	45	50	55	60	70
	Bags per ha	2000	2500	3000	3500	4000	4500	5000	5500	6000	7000
Rand per 10 kg bag	20	R 40 000	R 50 000	R 60 000	R 70 000	R 80 000	R 90 000	R 100 000	R 110 000	R 120 000	R 140 000
	22.5	R 45 000	R 56 250	R 67 500	R 78 750	R 90 000	R 101 250	R 112 500	R 123 750	R 135 000	R 157 500
	25	R 50 000	R 62 500	R 75 000	R 87 500	R 100 000	R 112 500	R 125 000	R 137 500	R 150 000	R 175 000
	27.5	R 55 000	R 68 750	R 82 500	R 96 250	R 110 000	R 123 750	R 137 500	R 151 250	R 165 000	R 192 500
	30	R 60 000	R 75 000	R 90 000	R 105 000	R 120 000	R 135 000	R 150 000	R 165 000	R 180 000	R 210 000
	32.5	R 65 000	R 81 250	R 97 500	R 113 750	R 130 000	R 146 250	R 162 500	R 178 750	R 195 000	R 227 500
	35	R 70 000	R 87 500	R 105 000	R 122 500	R 140 000	R 157 500	R 175 000	R 192 500	R 210 000	R 245 000
	37.5	R 75 000	R 93 750	R 112 500	R 131 250	R 150 000	R 168 750	R 187 500	R 206 250	R 225 000	R 262 500
	40	R 80 000	R 100 000	R 120 000	R 140 000	R 160 000	R 180 000	R 200 000	R 220 000	R 240 000	R 280 000
	42.5	R 85 000	R 106 250	R 127 500	R 148 750	R 170 000	R 191 250	R 212 500	R 233 750	R 255 000	R 297 500
	45	R 90 000	R 112 500	R 135 000	R 157 500	R 180 000	R 202 500	R 225 000	R 247 500	R 270 000	R 315 000
50	R 100 000	R 125 000	R 150 000	R 175 000	R 200 000	R 225 000	R 250 000	R 275 000	R 300 000	R 350 000	

Color code	Production region
	Eastern Free State
	Limpopo
	Sandveld

Total production and marketing costs
R 76 706
R 173 032
R 143 358

If a yield of 35 tons/hectare is obtained in Limpopo the fresh produce market price must be at least R50 per 10kg bag for the producer to just breakeven (i.e. R1 968 more than production costs)

BACKGROUND TO TRANSFORMATION PROGRAMME

Transformation Programme

Enterprise Development

Small Grower Development

Farm Based Training

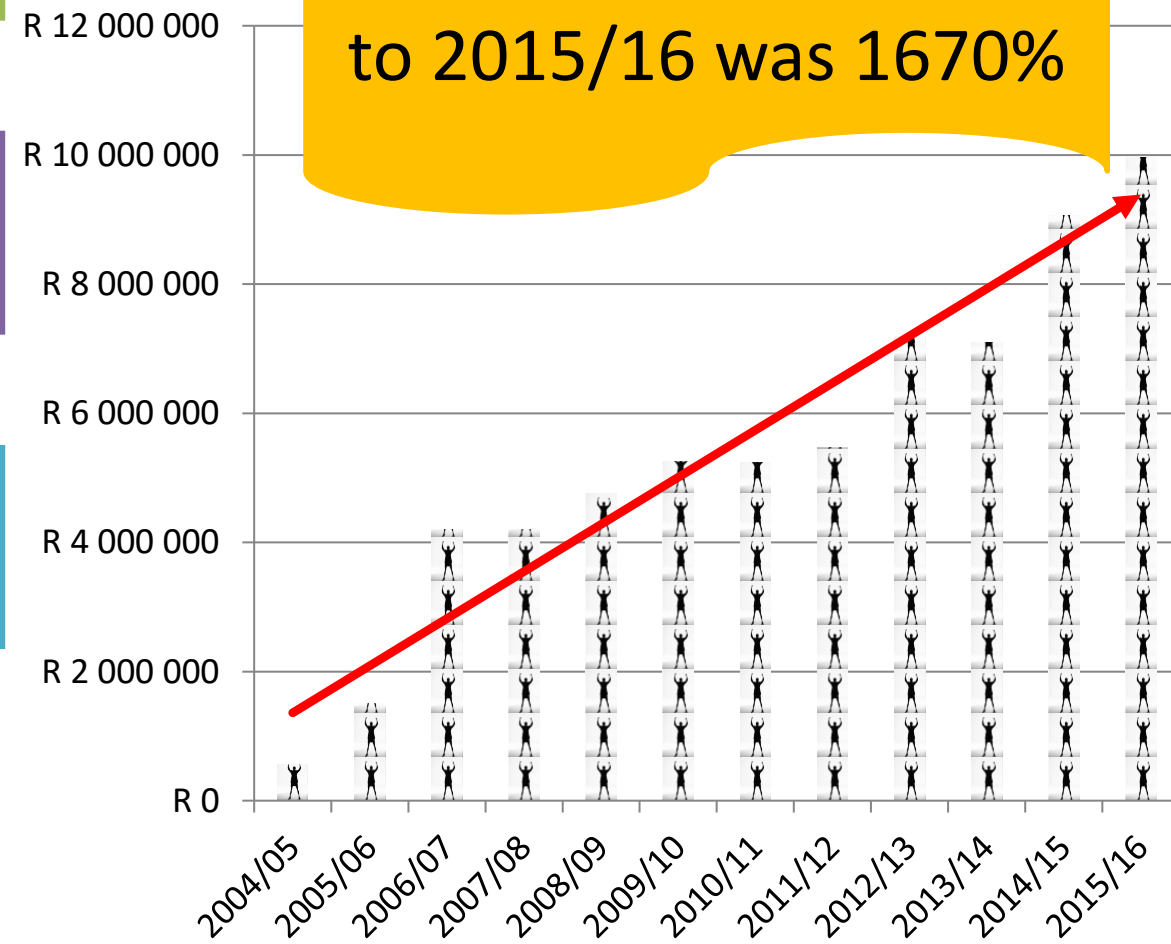
Tertiary Skills Development Pipeline

2004/05
R562 897

2009/10
R5.3 mill

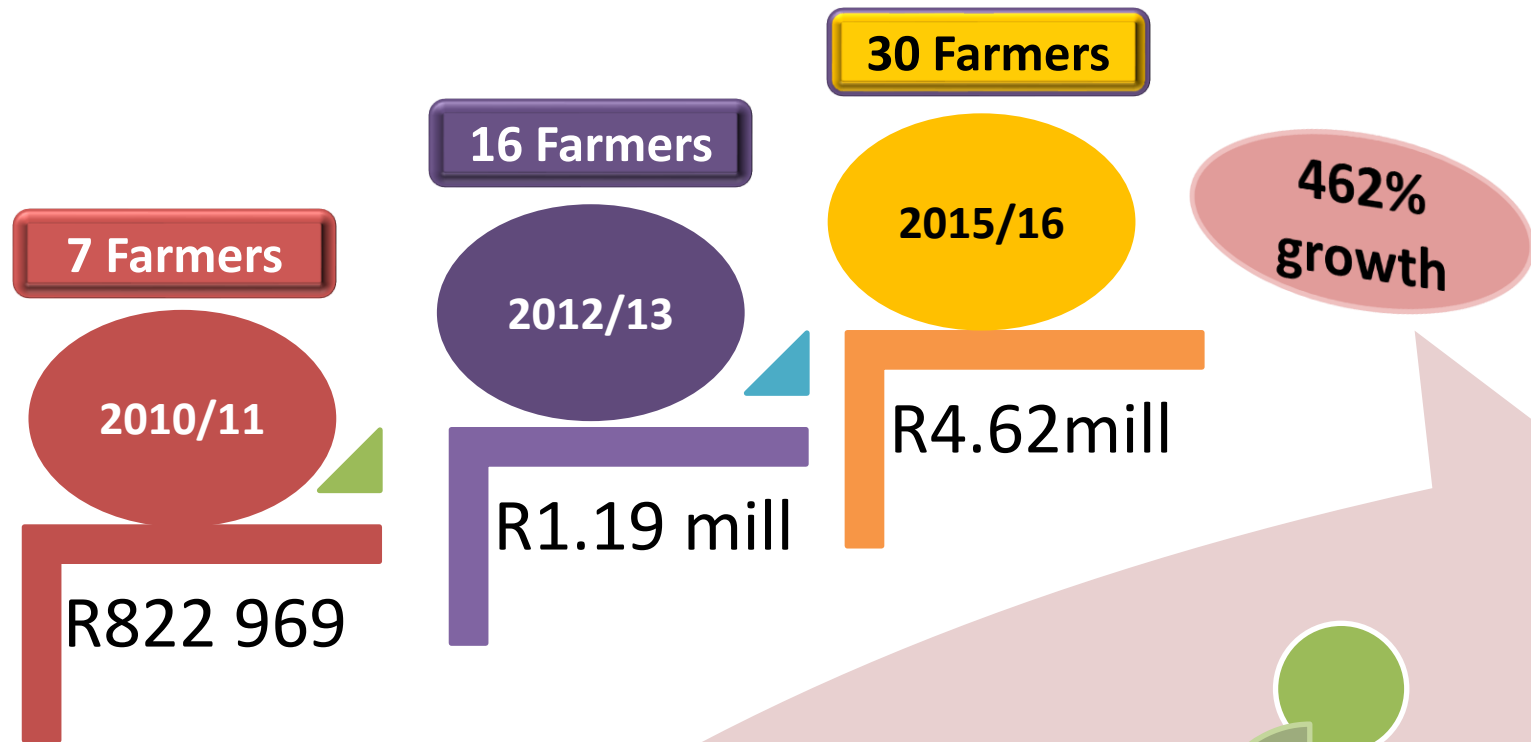
2015/16
R9.9 mill

Growth from 2004/05 to 2015/16 was 1670%



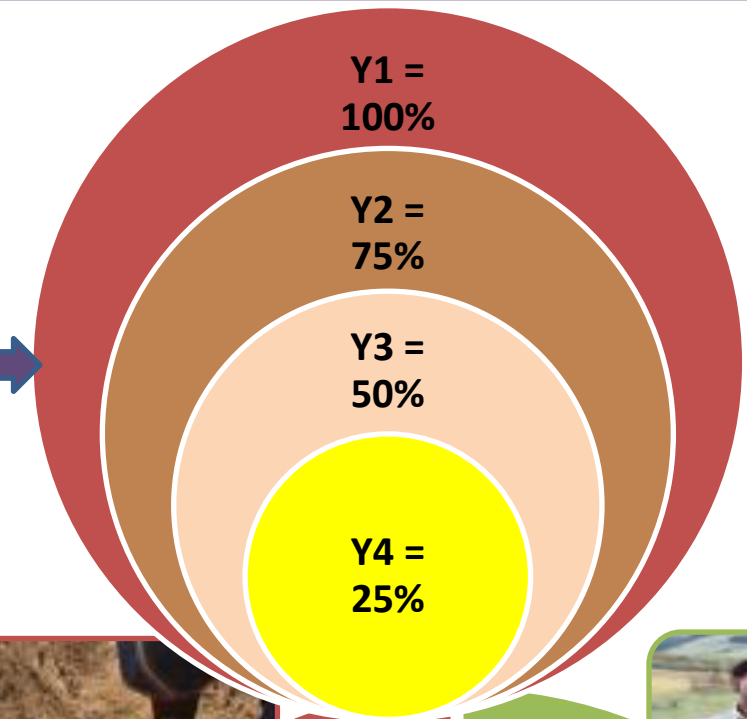
Enterprise Development

To develop Black farmers to grow and produce potatoes commercially in a sustainable way



Soil analysis; Pre-feasibility study; ID mentor

Full business plan; ID partners (e.g. input suppliers); Implementation



ENTERPRISE DEVELOPMENT PROGRESS TO DATE

- Total of 30 farmers actively participating in the programme
- Limpopo province has the highest number of farmers: 11
- Expansion of hectares of most Limpopo farmers due to their commitment and availability of other resources

ENTERPRISE DEVELOPMENT PROGRESS TO DATE

- Average number of hectares being supported is 15 and a few farmers have reached a commercial status: one farmer is now doing 55 hectares in LP
- Phasing out farmers who are not performing and expanding those that have potential
- Actively seeking collaborations with other partners

ENTERPRISE DEVELOPMENT CHALLENGES

- Access to necessary infrastructure and equipment
- Access to financial assistance
- Technical knowhow of potato production
- Access to land
- Access to markets and offtake agreements

CONCLUSIONS

- Potato farming is viewed as a lucrative farming business
- Collaborations with all interested role-players will ensure success of the new farmers
- New farmers to also develop a habit of investing back to their farming business to make their business venture a success
- Assistance with more land is crucial, to allow the farmers to reach a commercial status/level



potatoes
aartappels SA

Thank you