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AGRICULTURAL OUTLOOK CONFERENCE 1984

PRESENTED BY -

- Agricultural Economics Association of South Africa
- Co-ordinating Committee of Agricultural Marketing Boards
- Department of Agriculture
- South African Agricultural Union

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POTATO BOARD

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AGRICON : 1984

1 INTRODUCTION

At the time of Agricon 1983 it was envisaged that the total plantings for the season 1 October 1982 to 30 September 1983 would be more than the 55 693 hectares of the 1981/82 season as a result of an expected considerable increase in plantings under irrigation and a reasonable increase in plantings in the dryland areas. The plantings under irrigation were in fact 16% larger and those under dryland conditions 2% larger than during the previous season. The average yield of only 13,5 tons per hectare was, however, the result of serious drought conditions in especially the dryland areas and considerably less than the average yield of 16 tons per hectare in 1981/82.

2 PRODUCTION AND GROSS VALUE OF POTATOES IN THE R S A

Sharp fluctuations in plantings and average yields in especially the dryland areas are responsible for drastic fluctuations in the total crop from year to year. The average yield per hectare for the past 10 years, namely approximately 15 tons, falls far short of that of most overseas countries. Notwithstanding the annual fluctuation in production, the total value based on gross producer prices of all the potatoes produced in South Africa, shows a rising tendency.

- Annexure 1: Extent of table potato and seed potato crops in the Republic and the estimated gross value thereof for the past 10 years.
- Annexure 2: Total yield and the five year rolling average yield for the past 10 years, depicted graphically.
- Annexure 3: Yield per hectare under dryland conditions and under irrigation respectively for the past 10 years, depicted graphically.

2.1 Past Season (1 October 1982 to 30 September 1983)

The extent of the total potato production during 1982/83 is compared to that of 1981/82 in Annexure 1. As was held out in prospect at Agricon 83, there was an increase in plantings. The total plantings for the season amounted to 60 015 hectares which was 8% larger than the 55 693 hectares during the 1981/82 season and almost the same as the

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record plantings of 1980/81. Notwithstanding the larger plantings the total production was 10% smaller than during the previous season as a result of the exceptionally unfavourable weather conditions in especially the dryland areas. Dryland plantings which constituted 54% of the total plantings, supplied only 26% of the total crop. There was a sharp drop of 48% in the average yield per ha. The average yield of the dryland plantings of only 6 tons per hectare was the lowest for the past 10 years. In contrast to the dryland areas there was a 4% increase in the average yield per hectare in the irrigation areas and the average yield was 22 tons per hectare. This tendency is reflected in Annexure 3.

According to the table in Annexure 1 the average gross value of potatoes was R346 per ton during the 1982/83 season as against R195 per ton for the 1981/82 season. A decrease of 10% in the total production was, therefore, responsible for an increase of 77% in the gross value per ton.

2.2 Coming Season (1 October 1983 to 30 September 1984)

Irrigation areas

A crop survey for the 1983/84 season (1 October - 30 September) which was done in the irrigation area of the Northern Transvaal indicates a 34% increase in plantings and a 2% increase in the average yield. A record total crop of nearly 12 million x 15 kg units, which is 35% more than the total crop of 1982/83, is expected. Plantings in the Western Cape - Ceres area are approximately 15% larger than the previous season. It is expected that the plantings in the other irrigation areas will also increase.

Dryland areas

As far as the dryland areas are concerned, a large increase or decrease in plantings is not expected in the Eastern Transvaal. A preliminary estimate of plantings in the Eastern Free State suggests an increase of 13% as against the 1982/83 season. It is expected that the plantings in the North-Western Free State will also increase.

With the larger plantings expected in most of the production areas and, should more favourable weather conditions be experienced than during the drought stricken 1982/83 season, the total production could be considerably bigger than that of the past year.

According to Annexure 1 the gross value of potatoes over the past six years shows a constant rise and the deduction can be made that this tendency will continue.

2.3 Production potential

Over the past 10 years production shows an increase or decrease annually owing to the sharp fluctuation in plantings and yield. From Annexure 2 it appears, however, that although fluctuations in the total yield do occur from year to year, the five-yearly rolling average yield over the past 10 years still shows a stable rising tendency. The potential for further vertical and horizontal expansion, to feed a growing population, looks promising.

2.3.1 Vertical Expansion

The present average yield per hectare under dryland conditions is only approximately 12 tons and under irrigation 20 tons (average total yield per hectare approximately 15 tons). This does not compare favourably with most overseas countries where the yield fluctuates between 20 to 36 tons per hectare and there is, therefore, room for improvement.

2.3.2 Horizontal Expansion

According to a study undertaken by the Highveld Region of the Departement of Agriculture to determine the potential of the region (which includes the largest part of the Eastern Transvaal and the Eastern and Western Free State) potato plantings can be increased by 42%, even if it is limited to high potential soils only.

There are, however, many facets which will have to be taken into account and which will require consideration and action to utilize the production potential, e.g. -

(i) the preservation and optimal utilization of water and the exploitation of underground water resources;
(ii) maximal moisture preservation by dryland producers;
(iii) the selection of the best soils for potato cultivation;
(iv) the availability of enough, healthy planting material;
(v) the combatting of the tempo of rises in production costs;
(vi) efficient labour/staff management for an increase in productivity;

(vii) efficient cultivation practices and control measures for the improvement of quality and yields; and

(viii) purposeful extension work.

3 MARKETING

3.1 Domestic Marketing

3.1.1 Past Season (1982/83)

According to Annexure 5 33 800 176 x 15 kg units were marketed on all the markets in the controlled areas which was 6 619 325 pockets (16%) less than the quantity for the 1981/82 season. As a result of the severe drought conditions which had an adverse effect on the total crop, the marketable table potato crop was considerably smaller than that of the previous season. This is especially noticeable from the supply position on the markets from the dryland areas during the period February to September 1983.

3.1.2 Coming Season (1983/84)

Owing to the larger plantings and resultant larger total crop in the Northern Transvaal, the supply to especially the Northern markets has increased considerably for the first three months of the present year (1 October 1983 to 30 September 1984). With larger plantings expected in the other production areas and, depending on favourable weather conditions, the larger supplies can continue for the remaining nine months of the season.

3.2 Overseas Markets

Potato production in South Africa is basically aimed at satisfying the local market. Export markets are of a sporadic nature and are utilized especially at times of surplusses. Although no potatoes are, therefore, produced specifically with a view to export, the Board does every thing in its power to promote exports and to develop potential export markets.

In view of the fact that the Board (by law the sole exporter of potatoes) does not always have access to a potential market due to political and other considerations, permits for export (with due consideration of the domestic supply position) are also granted to agents.

3.2.1 Previous Season (1981/82)

In total 7 257 tons of table potatoes with a F O B and F O R value of R1 451 400 were exported. The export of seed potatoes amounted to 4 642 tons to the value of R1 717 500.

3.2.2 Past Season (1982/83)

As a result of the high domestic price level which prevailed, exports dropped sharply to 2 333 tons with a F O B value of R840 000. Seed potato exports also dropped considerably and only 537 tons valued at R204 000 were exported.

3.2.3 Coming Season (1983/84)

Although export possibilities are limited an attempt will be made, especially in view of unfavourable climatic conditions and poor crops in several overseas countries, to seek and develop export markets. All exports naturally depend on the domestic crop and supply position and should a normal production season be experienced in the most important areas, the export figure is expected to rise.

3.3 Substitutes

Rice, wheat and maize meal are the most important substitutes for potatoes. The Black population groups are exceptionally sensitive to prices and when the price of potatoes rises sharply they switch to especially the abovementioned substitutes.

4 PRICES IN THE POTATO INDUSTRY

Potato prices are determined on the market by supply and demand. Owing to the fact that an average of approximately 80% of the annual table potato crop is sold on the municipal fresh produce markets, the market price is also used as a basis for determining prices in the case of transactions outside the market.

4.1 Producer prices - Past Season (1982/83)

Market prices set off at a good level and were much higher than during October, 1981, when the supplies from the Free State were still big. During November and December 1982 prices showed a slight decline as a result of increased supplies to the markets from Northern Transvaal. Although the supply to the markets was smaller during January 1983 than during the previous two months, poorer quality potatoes from the Northern Transvaal and too fresh potatoes from the Highveld, were still responsible for relatively low prices. From February until the end of the season the sales on the markets were not more than 3 million pockets per month and prices moved on a very high level. According to Annexure 5 16% less potatoes were sold on all the markets in controlled areas during the season than in the previous season, while the monetary value increased by 46%. The sharpest rises occured on the Cape Town, Kimberley and Johannesburg markets and the average price for all grades on all markets in controlled areas was 90% higher than in 1981/82.

4.2 Producer prices - Coming Season (1983/84)

Seen in the light of larger plantings envisaged and depending on favourable weather conditions, it can be expected that producer prices will move on a considerably lower level than last season. Plantings and crop results in especially the North-Western Free State can have an influence on prices from June to September 1984 but this will largely depend on weather conditions in the period January - May.

4.3 Consumer prices

There is no price control for potatoes and prices are determined by supply and demand. In general it is found that consumer prices follow the same rising and falling pattern as the market price, in other words, when market prices rise or fall the consumer price rises or falls accordingly.

4.4 Export Prices

Ruling market prices serve as basis for price quotations for the export of table potatoes. In order to achieve a more continuous supply, export prices must be kept as stable as possible. The fluctuations in the domestic market price must, however, always be taken into account.

5 OUTLOOK

After maize, wheat and sugar cane, potatoes are the most important agricultural crop in the R S A with a gross value of R175 million in 1982 and R270 million in 1983, as against only R47 million 10 years ago.

Cultivation takes place countrywide and fresh potatoes are available from one or more regions throughout the year. There is a great deal of potential for further horizontal as well as vertical expansion.

Exceptionally high prices were obtained the past year as a result of the smaller crops (owing to the drought). As a result of the high prices there is an increase in plantings and if the favourable weather conditions continue, bigger crops than in the past two years can be expected. This could possibly lead to prices dropping considerably in 1983 and to markets being oversupplied at times.

For the following reasons the future of the potato industry looks rosy:

- there is still a big production expansion potential;
- the processing industry is expanding and can help to bring about more stability in the industry;
- an increase in the <u>per capita</u> consumption, especially amongst the Black population groups, can be expected;
- as a result of a new seed potato certification scheme more certified seed potatoes will be able to be produced; and
- producers realize that by planting Government certified seed potatoes, better crops are obtained.

In short, it entails that enough of this well balanced and important staple food will be produced in the years to come to provide for the needs of the growing population.

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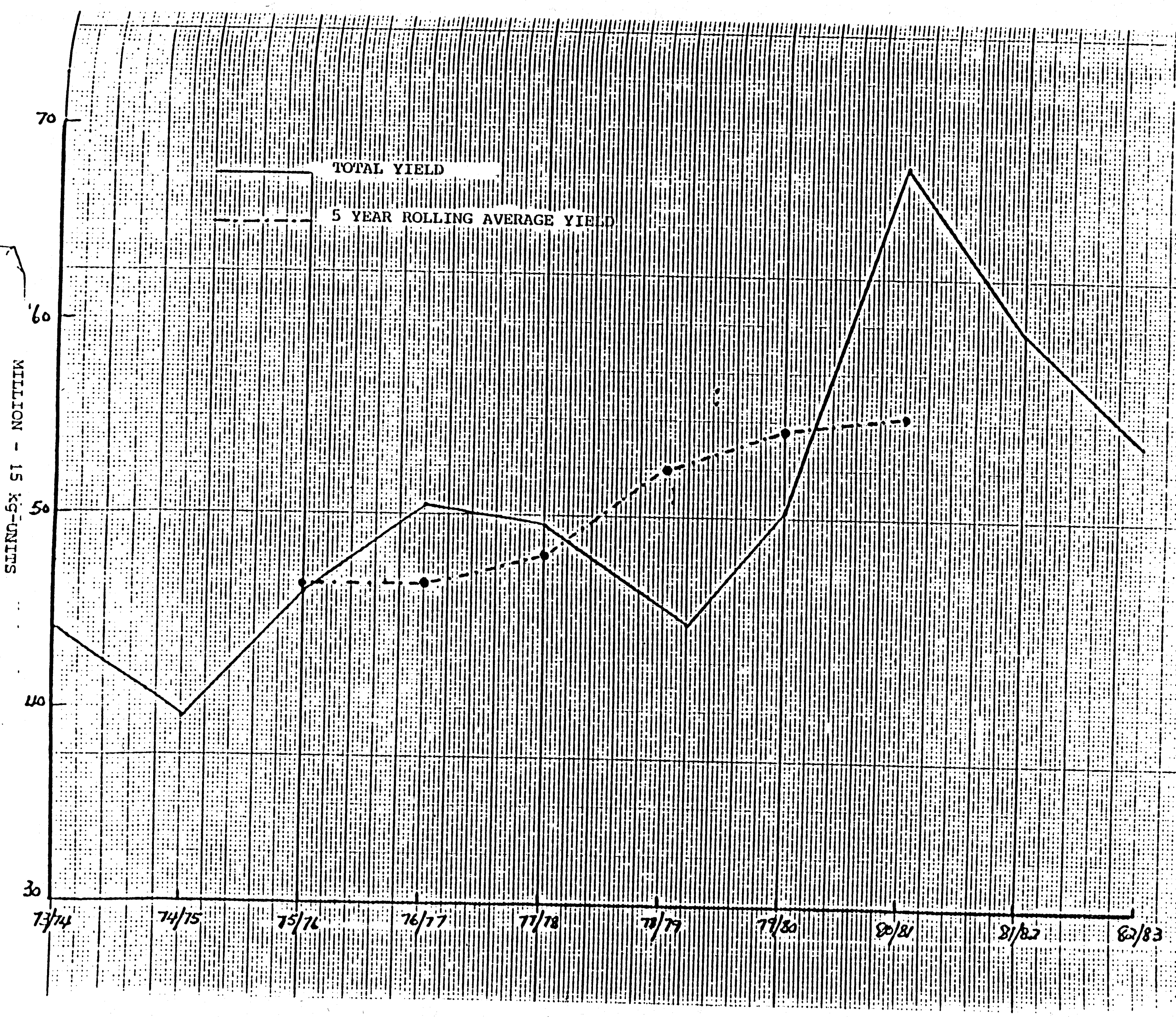
PRODUCTION AND GROSS VALUE OF TABLE POTATOES AND SEED POTATOES PAST 10 YEARS (OCTOBER - SEPTEMBER)

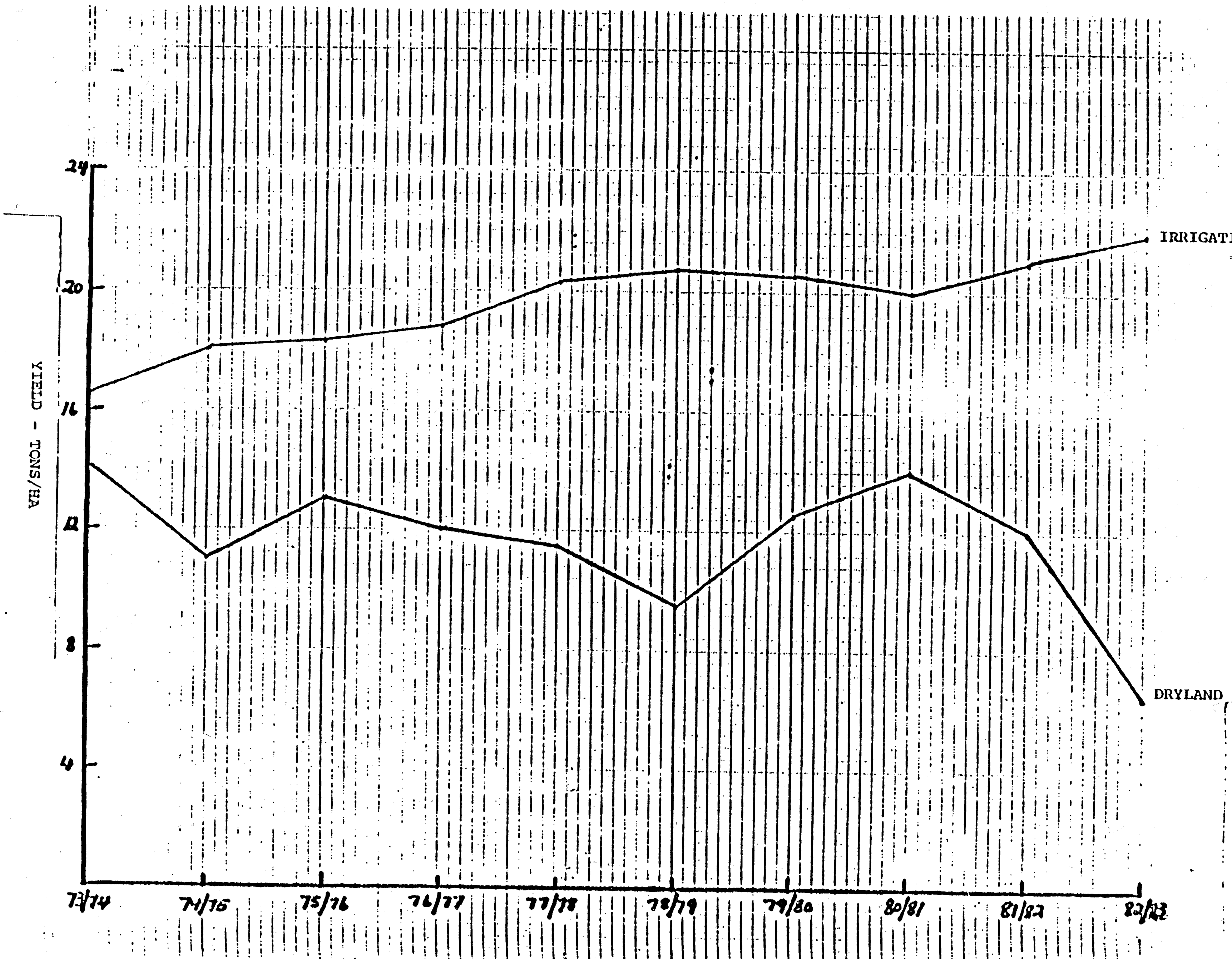
YEAR	HECTARES PLANTED	YIELD-TONS/HA	TOTAL CROP (15 kg)	TOTAL CROP (Tons)	GROSS VALUE R MILLION
1973/74	43 760	15,0	43 954 700	659 320	47
1974/75	44 155	13,4	39 692 500	595 387	65
1975/76	45 727	15,0	45 788 600	686 679	71
1976/77	51 236	14,8	50 495 900	757 438	62
1977/78	49 501	14,9	49 638 200	744 573	82
1978/79	48 706	13,6	44 433 900	666 508	97
1979/80	49 000	15,2	50 284 700	748 275	142
1980/81	61 409	17,0	68 253 700	1 023 805	159
1981/82	55 693	16,0	59 789 800	896 847	175
1982/83	60 015	13,5	53 997 900	809 969	270

ANNEXURE 1

ANNEXURE 2


TOTAL YIELD
5 YEAR ROLLING AVERAGE YIELD
MILLION - 15 KG-UNITS
70
60
50
40
30
73/74
74/75
75/76
76/77
77/78
78/79
79/80
80/81
81/82
82/83

ANNEXURE 3


YIELD - TONS/HA
24
20
16
12
8
4
IRRIGATION
DRYLAND
73/74
74/75
75/76
76/77
77/78
78/79
79/80
80/81
81/82
82/83

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ANNEXURE 4

TABLE POTATOES

COMPARATIVE EXPORT FIGURES: 15 kg UNITS

	1979/80	1980/81	1981/82	1982/83
African territories	1 024 377	847 290	422 985	16 996
Mauritius	266 387	6 700	-	-
Seychelles	22 742	26 398	29 557	6 365
Ascension	1 600	2 340	1 800	2 100
St Helena	6 973	6 770	3 178	3 638
Re-Union	7 731	12 462	3 015	-
United Kingdom/Europe	3 090	500	-	-
Saudi Arabia	9 666	-	8 542	-
Comores Islands	1 004	2 177	2 526	3 376
Persian Gulf Region	-	9 365	-	-
Hong Kong	-	1 005	5 000	-
Miscellaneous (i a ships' stores)	9 508	10 760	7 223	2 465
T O T A L	1 353 078 (20 296 t)	925 767 (13 887 t)	483 826 (7 257 t)	34 940 (524 t)

SEED POTATOES

COMPARATIVE EXPORT FIGURES: 15 kg UNITS

	1979/80	1980/81	1981/82	1982/83
African territories	335 750	526 736	221 346	-
Mauritius	80 870	74 231	80 000	34 000
Re-Union	14 400	12 120	6 800	1 627
St-Helena	1 670	1 496	1 184	200
Comores Islands			120	200
T O T A L	432 690 (6 490 t)	614 583 (9 219 t)	309 450 (4 642 t)	35 827 (537 t)

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ANNEXURE 5

URBAN MARKETS - PRICES

	Average prices per 15 kg, all grades				
	1978/79	1979/80	1980/81	1981/82	1982/83
	c	c	c	c	c
Cape Town	221	317	235	288	517
Port Elizabeth	219	308	231	310	497
East London	239	319	227	317	508
Kimberley	214	282	214	292	526
Durban	211	268	206	285	478
Pietermaritzburg	187	248	178	255	446
Bloemfontein	204	267	197	291	501
Johannesburg	222	279	210	298	515
Pretoria	217	282	212	297	502
All Markets	214	285	212	264	503

TOTAL SALES ON ALL MARKETS IN CONTROLLED AREAS

	Quantity 15 kg		Total yield (Rand)		Average price c/15 kg	
	1981/82	1982/83	1981/82	1982/83	1981/82	1982/83
October	4 393 024	3 423 581	6 990 432	13 912 806	159	406
November	3 456 955	3 646 879	8 302 697	13 576 158	240	372
December	3 400 164	3 653 969	11 362 362	10 698 283	334	293
January	2 909 359	2 640 842	8 761 968	9 409 058	301	356
February	3 004 881	2 364 652	6 949 370	11 787 328	231	498
March	3 317 155	2 643 798	8 929 117	16 901 579	269	639
April	2 934 493	2 121 928	10 334 690	14 566 777	352	686
May	3 046 129	2 127 915	10 256 199	17 241 839	336	811
June	3 498 470	2 701 881	11 109 265	16 571 369	317	613
July	3 434 567	2 621 752	11 319 100	13 811 539	329	527
August	3 559 282	2 954 261	10 570 089	15 455 803	297	523
September	3 465 022	2 898 718	11 869 998	16 107 849	342	556
	40 419 501	33 800 176	116 755 289	170 040 388	264	503