

Covid-19 threatens the South African potato industry

The South African potato industry is under threat due to a surplus of frozen and processed potato products in Europe. This surplus is a result of a decreased demand brought on by the worldwide Covid-19 pandemic. Consequently, prices are significantly depressed. As South Africa is a key destination for processed potato product exports from the European Union (EU), where there is a history of dumping, this will harm the local agricultural sector and surrounding communities.



Image source: [Gallo/Getty](#)

In addition to the normal farm support that EU producers receive, there was also special Covid-19 support measures provided to potato producers. This support, combined with low-priced surpluses, will drive export prices down further with a significant risk of increasing dumping margins threatening the South African potato industry.

Local potato industry lobbies for change

André Jooste, CEO of Potatoes South Africa (PSA), said the local potato industry has already suffered from a decrease in demand due to Covid-19 regulations. The closure of restaurants and fast food outlets, restricted trade and informal trader movement dealt a blow to the industry. "The result was a significant drop in prices far below break-even prices for producers and a build-up of stock levels in the processing sector. A further blow due to low-priced imports from other countries could be catastrophic."

The Potato and Vegetable Processors Forum (PVPF), which includes PSA, McCain Foods South Africa, Nature's Garden and Lamberts Bay Foods, has been lobbying the government to institute a temporary prohibition on imports of frozen potato chips from the EU as a consequence of market conditions affected by Covid-19.

This is to protect the sustainability of the potato industry, including employment by local potato growers and processors in the country. Potato growers and processors have significant economic multipliers for rural towns and cities.

State of the market in the European Union

As an indication of the size of the markets and potential severity of a surge in low-priced imports, the EU produced 52

million tonnes of potatoes in 2018, of which 73,7% is produced in only six countries. In 2019 it was responsible for 68% of global export trade (including intra-EU trade) of French fries. Volumes exported by the EU increased from 4,5 million tons in 2015 to 5,7 million tons in 2019. At the same time exports are dominated by two countries responsible for 81% of export trade.

In comparison South Africa annually produces approximately 230,000 tonnes of French fries. Consequently, the potential volumes that are available to be imported could have a long-term detrimental effect on our market. New Zealand, Australia and the United States share similar concerns.

Accordingly, one of the points outlined in the PVPF's argument to government states that the long-term effect on local processors could result in a significant shortage of product once European markets recover. This is because when considering the time it takes to grow potatoes from seedlings to the final product, a disruption in local supply could have a severe long-term impact on the supply to downstream industries.

An opportunity to support the local potato industry

Jooste pointed out that there is also no guarantee that the benefit of lower prices due to imports from Europe will be passed on to consumers. "In fact, a longer-term consequence is that consumers could face higher prices if South African growers and processors are forced out of business because of cheap imports on the back of Covid-19.

"By raising concerns against the importation of these products, we have an opportunity to buy and support the local potato industry. We can also help to rebuild the South African economy in a time when it is more critical than ever before, especially if one considers the strong labour multiplier of the potato industry," he added.

For example, the leading processor of potatoes and vegetable products in the country supports more than 6,800 full-time jobs and procures potatoes from more than 100 local producers. These producers plant more than 4,500ha of potatoes annually.

A final thought

"It is therefore imperative that we prioritise our growers, our supply chain and the expansion of the local agricultural economy, especially if we are to combat the financial effects of the Covid-19 pandemic," said Jooste.

"As such, while we wait for an answer from the government, we appeal to buyers and other decision-makers to think twice about where they source their potato product from. This will ensure they continue to support the local potato industry that desperately needs to recover from the pandemic and keep operations afloat," concluded Jooste.

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