The European potato industry

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Information recently undertook a visit to Europe during April 2015. The purpose of the visit was twofold namely to:

Engage with potato grower organisations in Germany, France and Belgium. The aim was to liaise with them regarding the expansion of the agri benchmark global potato network. Currently there are about 15 typical potato farms on the international database that can be used for benchmarking. Potatoes SA would like—
- the large potato producing countries in Europe to join the agri benchmark potato network. There are also many collaborative opportunities between the European industry and our industry which Potatoes SA would like to explore.
- to get first-hand information on the European potato supply chain (farm to fork) and especially what are the production and marketing trends.
- to establish how the marketing of potatoes is done in Europe, especially fresh potatoes.

Engage with the members of the agri benchmark team (at the Thünen Institute of Farm Economics, Braunschweig, Germany). The original agri benchmark
models which were introduced to correctly benchmark typical potato farms, need to be revised. Production and marketing practices between Europe and South Africa vary which means we need to make sure we are comparing apples with apples. Also the standard operating procedure to use the benchmark models needs some attention.

In this article only a short feedback will be given. More detail can be obtained from the original report.

1. The main differences between the potato industries in Europe and SA are as follows:

   **Production period:**
   - Europe (and the USA): plants potatoes in March until May and lifts potatoes in September and October. Growers have less than two months to plant and later on also less than two months to harvest their potatoes. The same applies to the USA.
   - South Africa: Potatoes are grown (planting and harvesting) twelve months of the year. We are basically the only country in the world that produces fresh potatoes throughout the year.

   **Seed production:**
   - Europe: Only certified seed (25 to 30 ton/ha) is produced from the registered potato fields. Less than 5% of all seed planted is farm saved seed. The planting of farm saved seed is not a common practice in Europe (and the USA).
   - South Africa: Both certified seed and fresh potatoes are produced from the same registered potato fields. 20% of all seed planted is farm saved seed. The planting of farm saved seed is a common practice in South Africa.

   **Storage of potatoes:**
   - In Europe all the growers have storage facilities to store potatoes from September/October (harvesting) through the winter until May/June of the next year. In South Africa only the Free State growers store potatoes during the winter, but in the soil. Some growers in Scotland are also storing potatoes in the soil for a certain period of time.

   **Fresh produce markets:**
   - South African growers market fresh potatoes through a commission based fresh produce market system, whereas the European grower either sells directly to dealers, packers, exporters or any buyer who will buy it from him/her, mostly in bulk. No contracts are in place for fresh potatoes (except in Belgium and the United Kingdom) – producers will sell from the storage facilities if they are satisfied with the current free-buy price.
   - Large central markets existed a long time ago in Europe (and the USA), but not anymore.

   **Market power:**
   - In Europe a few large processors and retailers buy the bulk of the European potato harvest (they buy from thousands of potato growers – 40 000 in Germany and 16 000 in France).
   - Twenty processors in Belgium buy from 9 000 potato growers. The five large retailers in Great Britain sell 80% of the total potato harvest which is produced by 2 100 producers.

   **Pack houses:**
   - Every South African grower owns his own packing facility where different classes and sizes are being packed into mainly 10 kg bags. Easily 100 to 150 people will work in the pack-house and will do easily 100 to 200 tons per day. Some French growers (estimated at 20% of them) have a small packaging facility and may wash his potatoes and sell it in mostly 25 kg bags (not much grading and sorting take place and between six and nine people may work in the packing facility). Some German growers also have a packing facility, but it is an even smaller facility than the French with less people employed in the packing facility. As is the case in France, not huge volumes are packed per day in individual pack-houses in Germany. Packing will only be done when a consignment is sold to a buyer.
   - Growers in South Africa (by adding value to their product) realise a much larger share of the consumer rand.

The determination of production and market price information in Europe is not the same as is the situation in South Africa.

**Production information:**
- In South Africa the regional officials of Potatoes SA are responsible to collect detail production data from the less than 600 growers. In Europe it is basically impossible to get detailed production data from literally thousands of potato growers (e.g. 40 000 in Germany and 9 000 in Belgium), some of them very small. Normally on a random basis grower associations or governments in Europe will do a survey on only a sample of potato growers. Extrapolation, using statistical methods, will then be used to do an estimation of the total hectares planted.
Grower associations will then during the growing season take samples from the potato fields on a regular basis (every two weeks) endeavouring to estimate/determine the size of the harvest.

**Price information:**
- In South Africa market price information is available in detail on a daily basis, as supplied by the 19 fresh produce markets. Growers in Europe sell directly to buyers or deliver per contracts to processors or packers, meaning price information is not readily available (thousands of growers and no central markets). Weekly meetings between role-players (growers, processors and buyers) take place to determine the previous week’s average farm gate prices. Alternatively a sample of role players (growers, processors and buyers) are phoned also on a weekly basis in trying to “determine” the previous week’s average farm gate prices. Either via weekly meetings or weekly phone calls market price information is gathered. Grower associations will then send out market reports. The information will also be available on the internet. Sometimes price information is also distributed via SMS.
- The production and marketing systems used in South Africa differ from that used in Europe.

2. **NEPG (North Western European Potato Growers Association)** meeting in Gembloux, Belgium:

Grower representatives of the five largest potato producing countries in North Western Europe (Great Britain, the Netherlands, France, Germany and Belgium) attended the meeting. In essence the objectives of NEPG are the following:

- To facilitate the communication of accurate market information for the benefit of growers.
- To provide an informal forum to be able to communicate key issues within the potato supply chain, removing suspicion and wrong information.
- [www.nepg.info](http://www.nepg.info)

Representatives were of the opinion that, given the low prices, hectares planted for 2015 will only decrease by 2% to 3%. The trend is also towards higher yield varieties.

It was highlighted that the movement away from fresh potatoes towards processing will continue, even in Great Britain where processing potatoes exceeded fresh potatoes for the first time (2014 season). Some processors in Great Britain even target the fresh sector by selling frozen mash potatoes and frozen fresh potatoes.

The main processing varieties are Bintje, Markies, Innovator, Fontane and Challenger.

Potatoes SA was asked to do a short presentation on the agri benchmark potato network as the NEPG countries have for the last couple of years did some production cost comparison studies. The NEPG countries indicated that they are willing to participate, however, follow up work needs to be done.

During the presentation it was highlighted that the production costs in South Africa are higher than that in Europe. However, the growers in South Africa realise higher income than their counterparts in Europe. A reason may be that every South African grower owns and operates his/her own packaging facility where value is added. It means that growers in South Africa realise a much larger share of the consumer rand.

The following statistics were discussed as well as the prospective plantings for the 2015 harvest:

<table>
<thead>
<tr>
<th>NEPG COUNTRIES</th>
<th>Hectares 2014</th>
<th>Harvest 2014 (ton)</th>
<th>Hectares planted exclude starch and seed production. If starch and seed production are included the hectares for the Netherlands will be around 150 000 ha. France will amount to 160 000 ha.</th>
<th>Average yield: 2014 season = 52.1 ton/ha (highest ever). 2013 season = 45.5 ton/ha</th>
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<tbody>
<tr>
<td>Belgium</td>
<td>80 400</td>
<td>4.5 million</td>
<td></td>
<td></td>
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<tr>
<td>Germany</td>
<td>167 100</td>
<td>8.8 million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>121 400</td>
<td>6.0 million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>74 000</td>
<td>3.5 million</td>
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<td></td>
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<tr>
<td>Great Britain (GB)</td>
<td>104 000</td>
<td>5.1 million</td>
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<td></td>
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<tr>
<td></td>
<td>547 000</td>
<td>28.5 million</td>
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<td>Previous year (2013)</td>
<td>531 860</td>
<td>24.2 million</td>
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<td></td>
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<tr>
<td></td>
<td>3% increase</td>
<td>18% increase</td>
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Largest ever harvest of 28.5 million ton led to very low producer prices. All the countries experienced extremely favourable growing conditions.
3. Two trends that the South Africa potato industry should take notice of:

The longevity of fresh produce markets in South Africa in the long run is under threat:
- The trend in Europe (and the USA) is away from central markets to direct contracting or direct selling. Large central markets existed a long time ago in Europe (and the USA), but not anymore. The potato grower in Europe will either sell his produce to dealers, packers or processors.
- Taking into account the European (and USA) situation it becomes clear that you do not need physical (central) markets, like we have in South Africa, to be able to have a price forming mechanism. Some South African role players will argue that due to the fact that South Africa has a large informal sector the trend towards direct selling/contracting will not evolve to such an extent that markets will become irrelevant (as is the case in Europe & USA). These people tend to forget that for the past 30 years markets in South Africa have been slowly losing market share. Our large informal sector will only delay the trend from central markets to direct selling. Already the informal sector buys from the so-called off-market agents, thereby enhancing the shift away from fresh produce markets.

- Markets, management in particular, in South Africa need to think out of the box, otherwise in 20 years from now there will be none left. There is, however, a good chance that market agents will still be functional, if they position themselves correctly, as some already started doing.

Fresh potatoes in Europe are losing market share to processing potatoes:
- Some processors in Great Britain even started to target the fresh sector by selling frozen mash and frozen fresh potatoes. In the long run it is expected that the same trend – a declining fresh sector – will develop in South Africa, e.g. for the sake of convenience.
- Within the next five to 15 years the processing varieties in South Africa will also realise high yields, as is the case with some fresh varieties, enabling more growers to produce economically for the processing industry. Currently the low yields realised by processing varieties is a huge disadvantage to the South African processing industry. This will obviously have an impact on the position of our fresh produce markets as more processing potatoes will be produced.