

**A STRATEGIC OVERVIEW OF THE POTATO SUPPLY CHAIN  
IN SOUTH AFRICA**

by

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- My Creator and Lord – for the strength to persevere.

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## ABSTRACT

# A STRATEGIC OVERVIEW OF THE POTATO SUPPLY CHAIN IN SOUTH AFRICA

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Figures published by Potatoes South Africa indicate that the South African potato industry is losing market share against competing products such as pasta and rice. This reality presents the key strategic challenge to the industry and the main justification for this research study. The potato industry requires strategic thinking and more innovative processes and procedures to survive the decline in market share.

The lack of attention to proper marketing and promotional strategies for potatoes would seem to be the main cause for the loss of market share as compared to other starches. It is therefore critical for the potato industry to engage in initiatives to increase the per capita consumption of potatoes and to improve consumers' perceptions of the product. The challenge of the study is to garner sufficient information to determine how the supply chain and the role players interlink with one another, and what value is added at each level so as to identify possible shortcomings in the chain.

The aim of the study is to guide and assist Potatoes South Africa (PSA), as a commodity-oriented organisation, in terms of evaluating the South African potato supply chain to determine which areas require further research and development.

The framework for food distribution channels developed by Stern, El-Ansary & Coughlan (1996) was applied in the planning process. The study focuses on the understanding phase of the model and each of the first five steps is described individually with relevance to the South African potato industry. The aim is to analyse the South African potato supply chain in order to clarify the role of the various players in the chain, and to gain an understanding of how they interact with and behave towards one another.

Production contracts receive particular attention since almost half of the potato crop is traded on a contract basis. A production contract may be considered a *personal service contract*. Such contracts generally stipulate that producers provide services rather than commodities to contractors. Under these contracts, producers do not typically 'own' any of the commodities that are the subject of the contract. Rather, they provide services and managerial know-how.

The results of the study indicate that all involved in the supply chain are willing to cooperate and deliver a better product to the end market. The study also suggests that the various customer segments all call for different marketing strategies. Moreover, information does not seem to flow freely through the chain. Despite the national fresh-produce markets' being the main tool used for formulating prices, these markets do not seem to receive the attention they deserve. Profits increase as more value is added to the product, i.e. profits increase the closer one comes to the end user in the supply chain.

I sincerely hope that this study will provide a valuable and productive guideline in terms of the direction the South African potato industry needs to take to increase its viability and visibility to consumers.

## **DECLARATION**

I declare that

### **A STRATEGIC ANALYSIS OF THE POTATO SUPPLY CHAIN IN SOUTH AFRICA**

is my own work, that all the sources used or quoted have been indicated and acknowledged by means of a reference, and that this dissertation was not previously submitted by me for a degree at another university.

J. H. Snyman

November 2007

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