NATIONAL INFORMAL SECTOR SURVEY

DRAFT REPORT

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Authors

Genesis Analytics

Contact Person

Shingi Nyamwanza

Email shingin@genesis-analytics.com

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1. INTRODUCTION

Potatoes South Africa (PSA) has commissioned Genesis Analytics to conduct a national informal sector assessment study. This report is structured in four main sections, an introductory section, detailing the background and objectives of the study, as well as the methodology used to conduct the study. It is followed by an overview of the industry and the informal activities in the sector; findings of the study are then discussed and analysed; and the report ends with strategic recommendations to the key stakeholders – PSA and the producers.

1.1. Background

Potatoes South Africa (PSA) is a not-for-profit company (NPC) that represents the interests of South African potato producers. The company operates as an industry association with a vision to grow a viable potato industry in South Africa. One of PSA's core mandates is to do generic product promotion and market development with the primary aim to increase the consumption of potatoes. The informal sector plays a pivotal role in the potato industry to ***source, distribute and promote the consumption of potatoes***. Recognising the importance of the informal sector, PSA is interested in understanding the informal sector within the potato industry. The findings of this study will assist the company in framing their marketing strategy in the informal sector. PSA has appointed Genesis Analytics to conduct a national informal sector assessment study with the primary purpose to understand how it can leverage the informal sector to promote the consumption of potatoes.

The South African informal fresh produce sector comprises of individuals or entities, employing less than five people and operate as non-value added tax registered businesses. The informal sector is one of the key growing economic sectors in the country, contributing significantly towards ***employment and food security***. Although there is little known about the exact GDP contribution of the informal sector, it is estimated to contribute approximately 8%[1] to gross domestic product (GDP). Hawkers, who are street vendors, are key players in the informal sector economy and the leading distributors of fruit and vegetables in low-income communities.

The volume of potatoes which is channelled through the informal market is expected to continue increasing until 2027, contributing significantly to informal traders' livelihoods. Economic, legal, socio-cultural and policy constraints experienced by the informal traders exacerbate operational vulnerabilities and increase barriers to access financial, educational and necessary infrastructure to grow their business. Despite these challenges, there are significant opportunities for informal traders within the potato industry to improve sales, better profit margins and at the same time increase potato consumption.

[1] StastSA, 2017 https://www.fin24.com/Finweek/Business-and-economy/vital-part-of-sa-economy-still-being-ignored-20170426

1.2. Objectives of the Study

Based on the frequently changing market conditions and dynamics proven by various studies, PSA seeks to understand the informal trader market focusing on the following objectives:

- To understand ***recent trends and identify market dynamics*** in the informal sector.
- To understand South Africa’s informal traders in terms of ***procurement, selling, and profiling consumers buying patterns***.
- Assess ***sources of information*** used by informal traders
- ***Define the informal market segment*** for fresh produce in particular to potatoes
- Identify ***pressing challenges faced by informal traders and opportunities*** to enable PSA to leverage and find mechanisms to address challenges.

1.3. Technical Approach and Methodology

The study was completed using a combination of ***desktop review***, a ***structured questionnaire*** and ***observations*****.** Interviews were conducted with different categories of informal traders (hawkers and owners of spaza shops) from different trading areas (peri-urban, urban and rural) across the nine provinces in South Africa, guided by the questionnaire. The following diagram illustrates this approach, which is described in more detail in the sections that follow.

1.3.1. DESKTOP REVIEW

Desktop reviews included reviewing the following:

- Documents from previous PSA studies conducted on the informal sector and consumers.
- Articles reviewed relating to the fresh produce sold in the informal sector as well as articles on potato production and supply in South Africa.

1.3.2. QUESTIONNAIRE

The questionnaire was formulated, discussed and approved by PSA. The questionnaire was used to conduct the survey across nine provinces in South Africa and was administered on ***300 informal traders***. The study focused on three main trading spaces:

- street hawkers,
- spaza shops,
- and stalls at taxi ranks.

Trading areas included urban, peri-urban and rural. The survey typically commenced from the fresh produce markets and wholesale markets in the provinces, followed by city centres/taxi ranks and townships to understand a view of potential differences in urban, peri-urban and rural areas.

1.3.3. OBSERVATION

The purpose of the site observations was to observe informal traders' culture and understand their behaviours, and some of the decisions they make in relation to the objectives of the study.

1.3.4. LIMITATIONS

Some of the challenges experienced by the research team during data collection are listed below.

- **Time**: The researchers had limited time to reach the sample size target in two provinces, the questionnaire tended to be long as informal traders, particularly those at the fresh produce markets, were in a rush to finalise purchases and leave the market to start trading. Further, as it related to time constraints, the survey also included questions that were specifically targeted at middlemen, who include transporters at the fresh produce markets, so it was not possible to interview a significant number of them as time was split between traders and middlemen.

- **Availability:** While the objective was to interview different categories of traders, including foreign-owned spaza shops. Most potential respondents in the foreign-owned spaza shops were not interested and, in some cases, interviews could not be conducted because there was a *language* barrier.

Table 1 below indicates the effect of the limitations above, on the sample size reached. The survey team managed to reach 90% of the targeted respondents. Despite the challenges discussed above, the Genesis Analytics team believes that these challenges have not materially impacted on the validity, comprehensiveness of the analysis and conclusions that are presented in the report as the data gathered was across all provinces providing a national overview of the sector.

Table 1: Sample size reached per provinces

Province	Locations Covered	% of respondent per province
Gauteng	Johannesburg Fresh Produce Market, Soweto, Bree Taxi, Tshwane Fresh Produce Market, Marabastad	17% (51)
Free State	Bloemfontein Fresh Produce Market, Bloemfontein CBD, Botshabelo Phuthaditjaba	18% (54)
Western Cape	Cape Town Fresh Produce Market and CBD, Khayelitsha and Philippi	13% (39)
KwaZulu Natal	Durban Fresh Produce Market and CBD, Chatsworth, KwaMashu, Umlazi	15% (45)
Limpopo	Polokwane Fresh Produce Market, City Centre, Seshego, Turfloop	12% (36)
Eastern Cape	Port Elizabeth Fresh Produce Market, Zwide, KwaDwesi	8% (24)
Mpumalanga	Nelspruit, Nelspruit CBD, Engodini, Emalahleni	6% (18)
Northern Cape	Kimberley Market and CBD, Galeshwe	6% (18)
North West	Rustenburg taxi and bus ranks	5% (15)
Total		**100% (300)**

2. OVERVIEW OF THE POTATO INDUSTRY AND INFORMAL SECTOR

2.1. Overview of the Potato Value Chain

Potatoes are an important vegetable crop in South Africa, contributing approximately 50% of total vegetable crops produced and 3% of the total agriculture production. They are an important source of nutrition, and are particularly high in fibre, cholesterol-free, and includes essential minerals such as potassium, and calcium among others. In addition, potatoes are regarded as one of South Africa's most affordable staple foods, contributing no less than R6.6 billion[2] to the South African economy.

In South Africa, potato production consists of table potatoes and seed potatoes. Potatoes are produced in sixteen regions across the country; and of these, the Free State and Limpopo provinces, are in the lead in terms of production output. Commercial producers dominate potato production, and supply both the formal and informal markets, while emerging producers supply predominantly informal markets at a smaller scale. Potatoes are planted at different times of the year due to climatic differences. As such, potatoes are freshly available throughout the year. Production input costs such as increases in the price of fuel, electricity, and labour costs, exacerbated by climatic conditions and environmental risks such as availability of water are among the challenges faced by potato producers. Despite these challenges, potato production is estimated to increase gradually over the next ten years, contributing to food security.

Primary distribution channels for potatoes are the fresh produce markets (FPMs), and potato prices are driven by domestic supply and demand dynamics. The increase in potatoes being processed into french fries, crisps, frozen and other products, is attributed to an increase of consumer demand or convenience of ready-to-eat food. Consumption of potatoes by the formal market is estimated to have increased by 22% from 2017 to 2027[3], while the consumption by informal potato market is estimated to double that of the formal potato consumption by. Overall, the potato industry is a significant contributor to the livelihoods of producers and labourers, and the actors in the supply chain, from input, transportation, processing, formal and informal trade sectors to the consumers, as depicted in figure 1.

[2] https://www.syngenta.co.za/potatoes

[3] BFAP Baseline, 2018

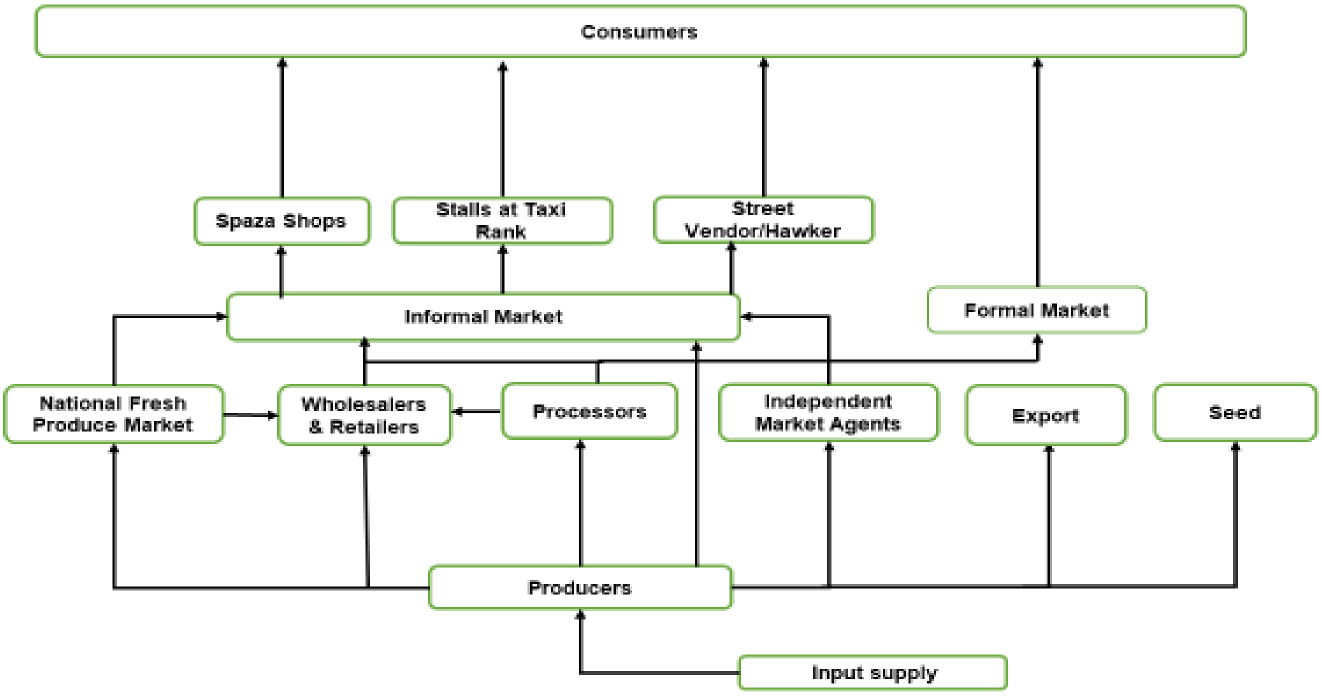

Figure 1: Potato Supply Chain

2.2. Informal Sector Market System Analysis

The South African potato informal sector caters for people (producers and traders) who are not able to participate in the main formal sector. The informal sector value chain has a strong presence in public and private institutions, which provides support to the operations within the value chain, and this is depicted in Figure 2 below.

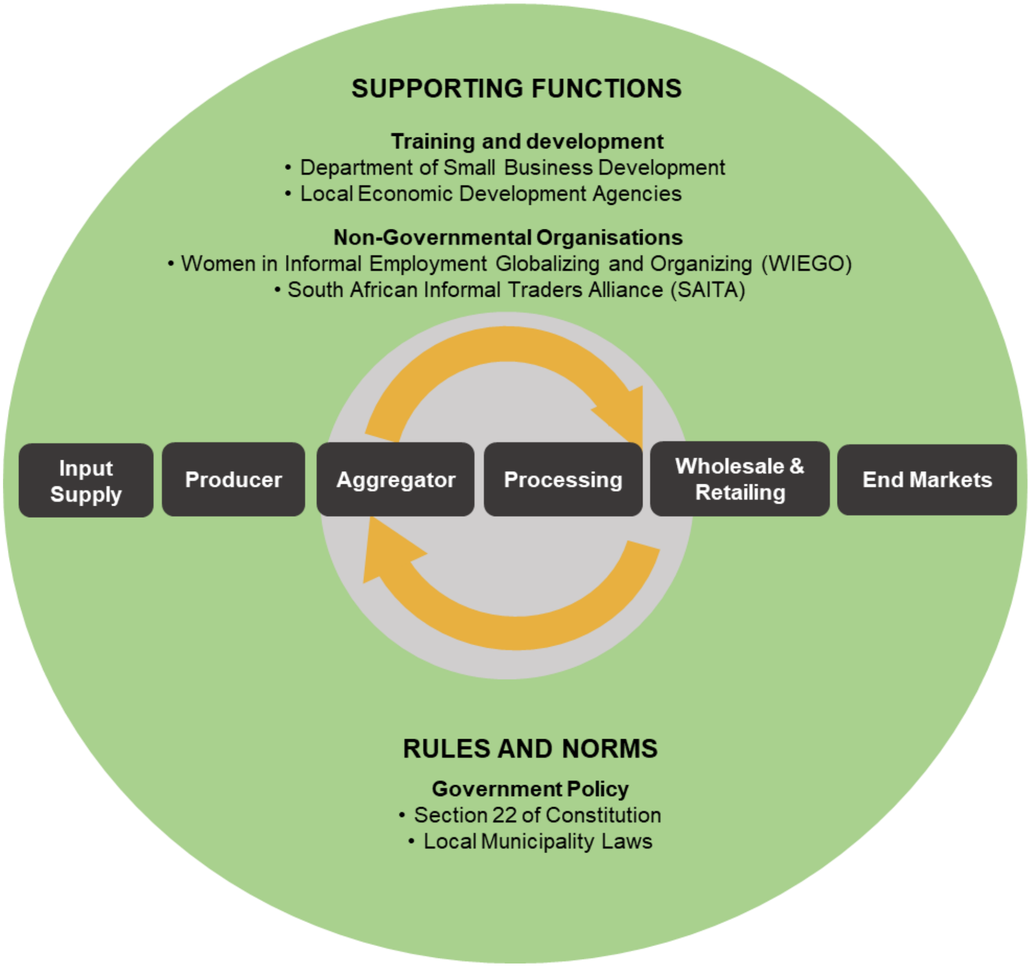

Figure 2: Informal sector market system

2.1.1. SUPPORTING FUNCTIONS

There are institutions that provide a range of supporting services to the informal sector value chain in South Africa. These institutions and the services they provide are summarised below:

Training and development: The government through the Department of Small Business Development (notably, the National Informal Business Upliftment Strategy (NIBUS) [4] works with provincial Local Economic Development Agencies to train and develop farmers. They implement various programmes to support the informal sector value chain providing short course training and business support services to unlock the potential of informal traders by creating an enabling environment which allows them to sustain their businesses and evolve into thriving entrepreneurs that will participate in the mainstream economy.

[4] http://www.dsbd.gov.za/?page_id=1224

Non-Government Organisations (NGO): There are various reasons that motivate NGO involvement in the informal sector supply and demand arrangements. The fundamental interests include ensuring that informal traders are effectively participating in the mainstream economy. It makes it easy for private stakeholders to capitalise on promoting innovative solutions for the informal sector.

2.1.2. RULES AND REGULATIONS

The South African informal sector is governed by Section 22[5] of the National Constitution, which pledges freedom of trade, occupation and protection to individuals who perceive themselves as having no choice other than street trading. The Constitution also empowers local governments that are responsible for promoting economic development. Therefore, local governments, particularly the municipalities, in each province regulate informal trade in public spaces. The municipality engages informal traders through a discussion process. Continued engagements have times led to the development of better infrastructure and local management of trading spaces.

Despite these improvements in infrastructure and engagement processes, there continue to be obstacles to informal trading as traders still face victimisation at the hands of authorities, such as the metro police. Metro police are known to seize goods or improperly issue fines. Some municipalities have been reported to have approved increasingly stringent by-laws targeting traders. Generally, an informal trader should have a permit which gives them exclusive use of a designated area, which means no one else can trade in the area designated. The permit will prevent other traders from taking another's space, or from trading too close to customers. Trading without a permit is illegal under each province's by-laws. Examples of by-laws include non-obstruction of traffic and pavements where pedestrians walk; safety and service vehicle movement; and street trade equipment (e.g. burning stoves) are not to obstruct fire hydrants.

[5] Constitution of the Republic of South Africa Amendment Act 2012

3. FINDINGS AND ANALYSIS

This section provides the analysis from the survey and observations across the nine provinces. It provides recent trends by identifying the market dynamics of the informal sector. The section includes an in-depth analysis of the regional dynamics of informal traders and factors that drive customers to purchase potatoes from the informal trader in different provinces.

3.1. Understanding the Informal Trader

There are multiple definitions of the informal sector. Our findings confirmed most definitions which highlight the following characteristics of a fresh produce informal trader:

- Operates at a small scale with low level of organisation and low productivity activities;
- Low levels of education described
- Legal and economically sound activities - differentiating the informal economy from the hidden or underground economy

Informal traders within the potato industry believe that a potato is a 'jack of all trades' type of produce as it is complementary and a substitute to all other types of vegetables and traditional staple food. This study found that potatoes are the top-selling produce for 61% (183) of the respondents, followed by tomatoes for 26% of the respondents. The demand for South Africa's popular potato meals such as a kota/bunny chow[6] and slap chips[7] is growing as they are frequently consumed as fast food meals in the "township economy." Observations in peri-urban and rural areas reveal that potatoes are indeed complementary to staple food such as pap and rice. The findings of the study demonstrated that even when potato prices have increased, a majority of the informal traders, still buy them albeit at a lesser scale. This confirms the popularity of the potato and the continuing consumer demand for the product.

The gender split of respondents interviewed were 57% male traders and 43% of female traders. This is noteworthy since it is widely perceived that informal trading is still controlled by men. From research, this may be because of the safety and vulnerability of women in the informal sector. Observations from the study also revealed that men may have higher chances and several opportunities of being successful in the fresh produce informal industry because they are at an advantage by being able to access the value chain three times; as the ***transporter, middleman and as an informal trader***.

In terms of age, more than half the respondent (54%) are between the ages of 26 – 40 years. The group of individuals participating in the fresh produce informal sector are young adults, a demographic section which is

[6] A Kota/bunny chow is half a loaf of bread stuffed with potato chips and other ingredients.

[7] Slap chips – South Africa version of slap chips

hardest hit by unemployment.

The study found that 61% of respondents had secondary schooling, 21% had primary schooling, and 14% had tertiary education. Only 4% of the informal traders had no formal education. Low levels of education are one of the reasons that make it difficult for informal traders to access the formal sector of the value chain. The socio-economic legacy of apartheid notably influences those who participate in street vending and their limited ability to scale, formalize or reach larger markets. Low levels of education may be a factor in accessing information that would lead to a more formal market. Socio-economic challenges such as unemployment contribute to the burden of low levels of education.

This study revealed that the main reason people decided to establish an informal business was due to unemployment and having no alternative sources of income. More than half (57%) of the respondents engaged in informal activities because they were unemployed and needed a source of income in order to survive. Notably, from observations, a number of respondents related that the income generated from informal trading is a significant contributor to a household's livelihood. This study's findings confirm what was found in other studies, that the informal sector accounts for 17.4% of total employment and plays a crucial role in providing employment to those who cannot find work[8]. Thirty-two per cent (32%) of respondents stated that their main reason for trading was because of family tradition and trading had been the only source of income that puts food on the table and caters for all in the family household. Approximately 60% of the respondents have been engaged in the informal trading for between 1 – 10 years, followed by 40% who have been engaged in informal trading for more than 11 years, demonstrating extensive experience in trading.

SEGMENTATION OF INFORMAL TRADERS

Table 2: Categorisation of informal traders interviewed

Province	Street Hawker/Vendor	Stall at Taxi Rank	Spaza Shop	Own Bakkie/Trolley	Other
Gauteng (51)	40%	16%	33%	7%	4%
Free State (54)	60%	27%	6%	6%	0%
Western Cape (39)	85%	0%	9%	0%	6%
KwaZulu Natal (45)	25%	3%	58%	0%	18%
Limpopo (36)	56%	6%	25%	6%	6%
Eastern Cape (24)	68%	9%	27%	0%	0%
Mpumalanga (18)	56%	19%	19%	6%	0%
Northern Cape (18)	60%	20%	13%	7%	0%
North West (15)	92%	8%	0%	0%	0%
Total	**56%**	**12%**	**22%**	**4%**	**7%**

Potatoes in the fresh produce informal sector are sold in the different trade spaces, as indicated in table 2 above

[8] https://www.iol.co.za/dailynews/news/are-there-more-women-in-the-informal-trade-sector-than-men-16558588

The study revealed that 56% of the informal traders were street hawkers, 22% own spaza shops, 12% sell at taxi rank stalls, 4% were mobile traders selling from their bakkies and trolleys, the remaining 7% were traders selling from their township houses and containers.

TYPES/CATEGORIES OF INFORMAL TRADERS

Informal traders selling potatoes can be categorised into three:

- First, informal traders who purchase potatoes and repackage them to resell to households (77%) in small sized packaging;
- Those who use potatoes as a value add in the form of chips only and/or chips served with popular townships meals, e.g. Kota/Bunnychow sold to individuals.
- Lastly, those that resell to small businesses such as “kota establishments” and/or other fresh produce informal traders (22%). These traders typically resell the 10kg bags.

DEFINING AN INFORMAL TRADER

Consumers purchase from the informal sector because of their ***flexible prices and their location*** at convenient busy places in town streets, at bus stops, near town halls, shopping centres and in taxi ranks at different competitive prices. This is evident with the bakkie/ trolley informal trader because of lack of storage and potatoes limited shelf-life. The trader procures enough to last a day or two delivering and moving around the city to promote his produce. As informal trading is characterised mainly by an unorganised small-scale form of employment and by its nature is plagued by unrecorded activities, as a result, it is difficult to define and measure volume of sales and income generated. However, the prices charged by the informal traders are more flexible compared to the formal traders hence attracting a larger customer base.

Our analysis shows that the informal sector offers several income-generating opportunities and this informs our understanding of an **informal trader, as a person with low levels of education, whose occupation is trading at a small scale in the informal sector to generate income for survival and/or livelihood**.

3.2. Informal Trader Procurement of Potatoes

3.2.1. SOURCING AND TRANSPORTATION

Seventy-eight per cent (78%) of the informal traders' source potatoes from fresh produce markets followed by 9% from the farm-gate and 6% who source from resellers (other informal traders that procure from farm -gate). At least 7% purchased at retail stores, fellow informal traders on the street (hawkers), and greengrocers (small fruit and vegetable markets). As indicated in Table 3, 50% of the informal traders hire or rent transport - typically trucks or bakkies, followed by 32% who use their personal transport to fetch the produce from their source of supply. About 8% of the informal traders make use of a reseller/ middleman that delivers potatoes to them and 10% of informal traders use public transport, other informal trader use equipment such as small forklifts and trolleys to move their potatoes to their trading space. At the farm-gate, informal traders use their own transport or hire or rent a vehicle from a transporter, and charge that cost exclusively to the client, the cost is determined by the distance, load size and customer relationship.

Table 3: Methods used by informal traders to purchase stock

Province	Personally, with own transport	Personally, with hired/rented transport	Middleman who's a trader and has transport	Other
Gauteng (51)	29%	67%	0%	5%
Free State (54)	15%	58%	19%	8%
Western Cape (39)	64%	33%	3%	0%
KwaZulu Natal (45)	30%	68%	0%	3%
Limpopo (36)	31%	53%	6%	9%
Eastern Cape (24)	36%	50%	0%	14%
Mpumalanga (18)	19%	38%	0%	44%
Northern Cape (18)	27%	20%	33%	20%
North West (18)	42%	25%	8%	25%
Total	**32%**	**50%**	**8%**	**10%**

At the fresh produce market, typically a bakkie is used to transport the informal traders and his produce to their trading areas. The transporter is only there for transportation services and nothing else according to transporter. Occasionally, the transporter would help with the loading of the potatoes onto the bakkie. Generally, the workers from the fresh produce market assist in loading the potatoes at a small fee to the informal trader. Transporters charge for their services is varied, and price is usually determined by the distance, in some cases type load of the produce. For example, boxes of tomatoes are charged at R6 per box, or R5 for a sack of cabbages – because of their fragility). In the case of potatoes, in Johannesburg, Tshwane and Polokwane, bakkie transporters charge between R3.00 – R3.50 per 10kg bag of potatoes, while in Nelspruit bakkie it is R2.00 per 10kg bag of potatoes.

Table 4: Regional differences of transportation costs per province

Province	Transportation costs from a hired/rented vehicle.	Distance
Gauteng - Johannesburg	• Transport load of 1- 3 people, R3.50 per 10kg one way • Transport load of 1- 3 people, charges between R200- 500 one way	More than 10km, but less than 25km
Gauteng - Tshwane	Transport load of 1 -2 people, charges R250 – R500 one way	More than 25km
Free State - Bloemfontein	Transport load of 3 - 5 people, charges between R40 - R70 one way	More than 10km, but less than 25km
Free State - Phutithadtjaba	Transport load of 2-3 people, charges between R10 - 40 one way	Less than 5km, not more than 10km
Western Cape - Cape town	Transport load of 1 person, charges R150 one way	More than 10km
KwaZulu Natal - Durban	Transport load of 5 people, charges is between R300 - R450	More than 10km, but less than 25km

Eastern Cape	Tranport load of 1 person, charges R200 one way	
Limpopo - Polokwane	• Transport load of 1- 5 people, charges R3.00 per 10kg one way • Transport load of 1 – 2 people, charges between R150 – R350	• Less than 5km, Between 5km and 10km • More than 10km, but less than 25km, More than 25km
Mpumalanga - Nelspruit	• Transports load of 2- 5 people, charges from R25- R50 • Transports load of 1 - 2 people, charges R2.00 per 10kg • Transport load of 1 person, charges R350 upwards	• Between 5km and 10km • Between 5km and 10km • More than 25km
Northern Cape-Kimberley	Transport load of 2 -3 people, charges R20-25 per person	Between 5km and 10km
North West - Rustenburg	Traders interviewed don't pay for transport, as the procure from retailers and market agents in the vicinity.	

In other provinces, the bakkie transporters service charge is varied and privy to their client, where they do not charge per produce loaded. For example, in Phutithadtjaba, Bloemfontein, Nelspruit and Kimberley service charges range from R20-70 per trip (one way) and depends on the load and distance. The one-way trip is usually to the city/town centre which is between 5km – 10km, where the transporter carries a load of the produce of 2- 5 people per trip. In Tshwane, Durban and Port Elizabeth, these transporters can charge between R250 – R500 one way – for distances more than 25km carrying a load of 2-3 people. In Cape Town, there are traders who pay R150 one way, for a just over 10km distance. In Rustenburg, most traders don't pay for transport, as they procure from retailers and market agents in the vicinity. Similarly, some traders have no transport costs at the wholesale market in Epping, just outside the Cape Town FPM[9], as well as Johannesburg and Tshwane where they informal traders trade close to the FPM. These traders use forklifts to transport their produce.

Resellers/middleman of fresh produce outside the fresh market produce would typically deliver potatoes to the informal traders. Before delivery, some of the informal traders explained that they would send pictures with the price of potatoes available through WhatsApp groups or private message. The transportation service fee was not mentioned, and it was understood that the bulk price of potatoes was inclusive of the transportation fee.

[9] FPM – Fresh Produce Market

FREQUENCY OF PRODUCT PURCHASES

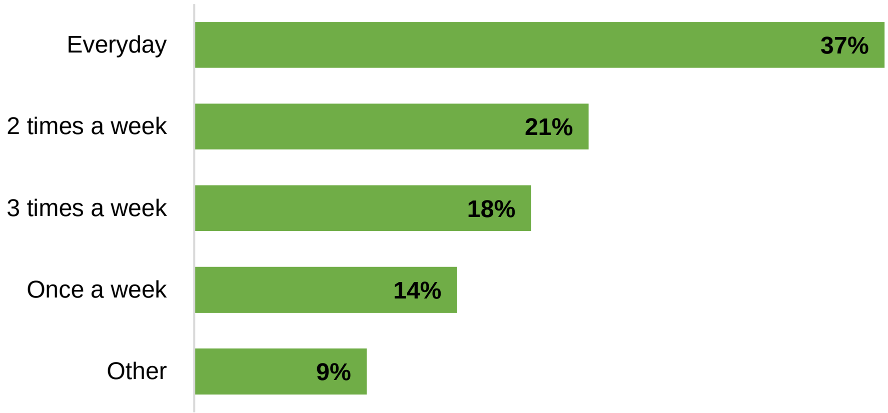

Figure 3: Frequency purchase of potatoes by informal trader

Figure 3 demonstrates the results from informal traders when asked how often they purchase their stock produce and the days they purchase from the market. From the results, 37% of informal traders purchase potatoes every day, due to the lack of infrastructure facilities, such as shelter and storage. Informal traders understand that infrastructural facilities prolong the potato shelf-life. Hence, with the lack of such facilities, it compels informal trader to travel to procure potatoes frequently for the freshness; as a result, it is easier to sell. About 21% of the informal traders responded '2 times a week' (between Monday and Friday).

Eighteen per cent (18%) stocked at least three times a week (usually on Monday, Wednesday and Friday). From the results, those who noted stocking only 'once a week' (14%), were generally informal traders that have to travel long distances of approximately over 50km – particularly from the rural areas. The 'other' 9% are informal traders whose produce gets delivered to them once a week or every second week.

3.2.2. CULTIVAR(S) PREFERRED

Across all nine provinces, 37% of the informal traders preferred the Mondial cultivar (Figure 4), when purchasing potatoes. Sifra was the second most preferred variety with 11% of traders in six provinces preferring this cultivar, whereas the UTD[10] is highly dominant in KZN. Broadly, 38% of the informal traders reported that they do not know the type of cultivar when purchasing; this is significantly evident nationally with the exception of Gauteng and KwaZulu Natal.

[10] UTD – Up-to-Date

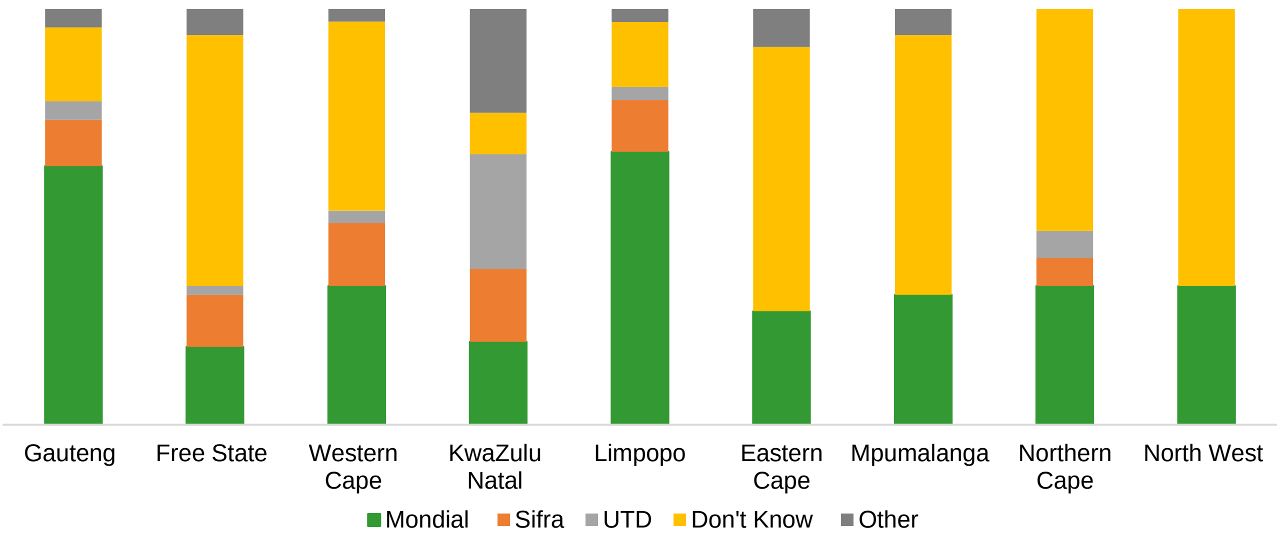

Figure 4: Preferred cultivar procured by informal traders

3.2.3. QUALITY CONSIDERATIONS

Approximately ***44% of the informal traders indicated quality as being the most important factor*** they consider when deciding to purchase potatoes depicted in Figure 5. The decision is generally influenced by the various definitions of potato quality. The ***attractive appearance and colour*** ('whiteness') of the potato would be the common expression first uttered, however 37% of the traders defined quality of the potato as 'cleanliness', followed by 22% as 'size, 7% to 'texture' and 6% to 'shelf-life' (Table 4).

Table 5: Informal traders' definition of quality

Province	Skin	Texture	Size	Shelf-life	Firmness	Clean	Other
Gauteng (51)	4%	4%	7%	2%	4%	73%	4%
Free State (54)	23%	10%	29%	0%	2%	31%	4%
Western Cape (39)	18%	12%	6%	24%	6%	30%	3%
KwaZulu Natal (45)	38%	0%	45%	15%	3%	0%	0%
Limpopo (36)	22%	6%	28%	0%	3%	38%	3%
Eastern Cape (24)	23%	0%	18%	0%	5%	55%	0%
Mpumalanga (18)	25%	13%	31%	0%	0%	13%	19%
Northern Cape (18)	20%	20%	20%	0%	0%	33%	7%
North West (15)	17%	8%	0%	0%	0%	75%	0%
Total	**21%**	**7%**	**22%**	**6%**	**3%**	**37%**	**4%**

Some challenges in relation to quality were pointed out by various informal traders who noted that the quality of the ***sampled potato presented by the sales representative when procuring, is not the same as the one inside the paper bag when they get home***. In addition, they noted ***incidences of underweight 10kg bags*** contrary to what is stated on the paper bag. The implication for industry or sellers of potatoes into this market is that quality to informal traders is synonymous with ***appropriate packaging, size and freshness advertised.***

Respondents that purchase at farm-gate and resellers/middle-man are aware that they are trading with a class 3 type of potatoes, and are satisfied with the quality as they are easier to sell and purchased at an average price. Sellers of these potatoes do not necessarily sell to customers who are quality indifferent, but because their potatoes are purchased at a cheaper price, they are more affordable for the customer.

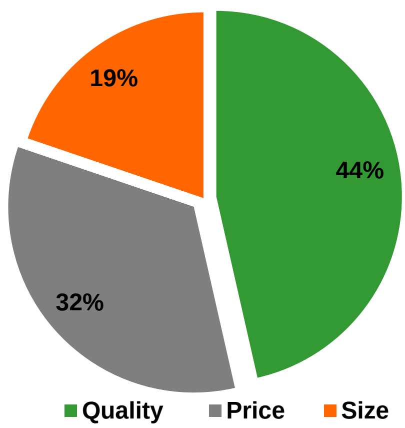

Figure 5: Factors considered when procuring potatoes

Affordability was the second most important factor that traders considered with 32% reporting that they considered the price when procuring potatoes (Figure 5). This was followed by statements of potato price fluctuations which make it difficult to increase capacity. Furthermore, the traders referred to limited availability of potatoes channelled through the informal market, particularly in December.

The informal traders are price-sensitive and when potato prices are high, approximately 75% stated that they still buy potatoes, although in some cases they would buy less, since potatoes are the main ingredient for their consumers and because they would not make a reasonable profit.

Approximately 92% of respondents prefer cash payments for product procurement. A majority of these were found from farm-gate buyers and “chief informal traders”. The cash method of payment provides an opportunity to negotiate better prices. Although cash is the most preferred payment, about 8% of the informal traders argued that since their consumers buy on credit from them, they would also like an option of purchasing on credit as they can leverage on it to grow their business. About 10% of the respondents may be open to EFT methods of payment, and stated they are keen as long as they are trained on how it works on their phones.

Potato sizes are the least factor considered when procuring product. Only 19% of traders considered the size of the potato as a determinant of purchase (figure 5). Remarks from different informal traders revealed that traders at the spaza shops and stalls at the taxi ranks prefer the large to medium, and medium/large being the one commonly referred to that is best suited for the 'township economy' for fast food services. The reasons cited for medium/large being the preferred size are: peeling efficiency, cutting and appeals to the majority of consumers

3.2.4. PACKAGING

Most traders (86%) preferred the ***paper bag packaging because it seals the freshness, and it is easy to manage*** when moving product. In contrast 14% preferred the see-through packaging as it gave consumers the opportunity to assess the quality of potatoes in terms of size, shape and decay. When traders were asked whether they would like a 15 – 20kg packaging, 48% reported they would not mind it. In KwaZulu Natal, and the Free State they remarked that it would lessen the cost of transportation and reduce travel time (Figure 6). 13% of traders were unsure of the proposed packaging and stated it would depend on the price. 39% of the respondents expressed no interest in the 15- 20kg bag. These responses were mostly recorded in Cape Town. Respondents in Cape Town expressed that bags larger than 10kg would be difficult to handle.

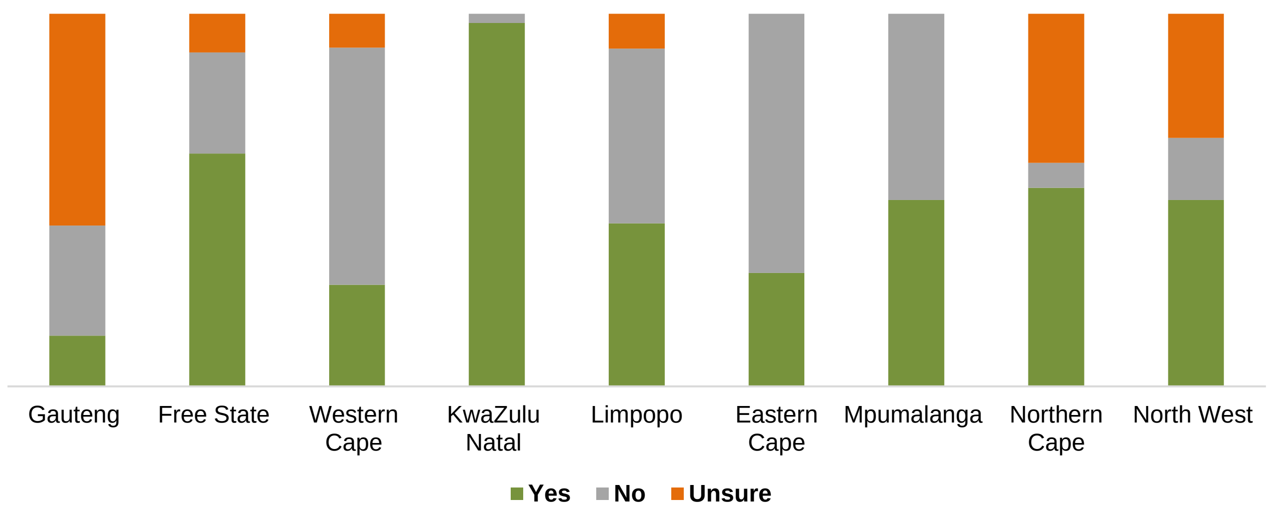

Figure 6: Preference of a 15 or 20kg by informal traders at the FPM

Box 1:Case Study – Free State Province

In the Free State, the data analysed was collected in Bloemfontein, Bosthabelo and Phuthaditjhaba. Out of 9% of the informal traders in the national study that sourced potatoes at the farm-gate, 36% of them were from the Free State. These informal traders sell potatoes from their bakkie/van. They explained that they procure potatoes in a 35kg (see-through packaging), and 50kg bags (in a 'volsakkie) that is procured directly from the farmer. They procure these at different prices, which are influenced by the harvest season. They also mentioned that they prefer to use cash payments when procuring at the farm-gate, because it is easier to negotiate with cash in-hand; however, they would not mind an EFT option if available.

According to the informal trader, this form of direct procurement from the farmer, is not always available as it depends on the harvest season. The potatoes size procured can be M/L or mixed sizes and are of a low quality. Subsequently, the packaging is different than usual, and prices are lower as well as flexible compared to other traders. In addition, they need to sell the stock due to issue of storage and potato shelf-life.

A second business model observed used in the Free State, a local farmer sells his/her produce directly to consumers and would do this by setting up a stall in the city centre managed by his/her worker. The farmer would leave the informal trader in the morning and fetched them later in the afternoon. This type of informal trader bears no risk and does not experience any challenges selling potatoes.

3.2.5. BRANDING

The majority of respondents in all provinces, who were an average of ***about 80% (240), said branding was not a significant consideration when procuring potatoes*** (figure 7). They are not loyal to any particular brand, and will generally make decisions on purchasing based on the quality on display and associated price. It was commonly observed that ***traders bought multiple brands at markets, confirming limited brand loyalty***. Different 10kg brands were also observed at stalls, where traders sell repackaged potatoes. They were, however, aware of brands they knew to stay away from, having previously had a bad experience with that particular brand. These brands were only identified by the colour of the bag. However, their brand consciousness was only in the negative sense. These common observations confirmed that the brand names of producers were only important in separating brands whose quality is not trusted from those deemed trustworthy.

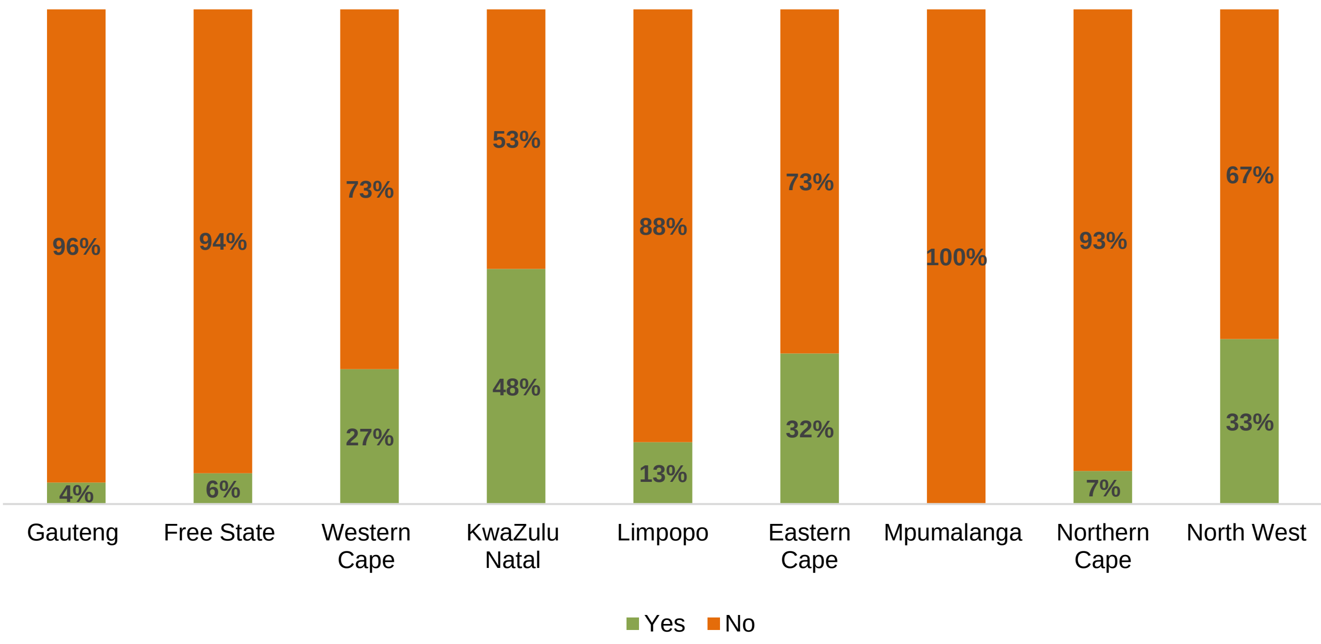

Figure 7: Does the brand of potatoes matter?

Traders mindful of the brand were evident in KwaZulu-Natal and in the Western Cape. ***In KwaZulu Natal, brands mentioned included Agrivan and Jabu.***

In the ***Western Cape, Goergap*** was mentioned and some traders at the wholesale market outside the Cape Town Fresh Produce Market in Epping remarked they looked out for potatoes from the ***Sandveld region*** when procuring (figure 7).

In isolated instances, the origin/region of production of the variety sought after played a role. A respondent at the market said the choice of cultivar often depended on where the brand is from. The responded made an example that they could be looking to buy Mondial potatoes from a particular and trusted brand of choice, but the source of region of the Mondial could mean that, that particular potato had more water content, burning quicker in oil, and therefore not advisable to buy during a specific season.

3.3. Informal Trader Selling of Potatoes

3.3.1. SIZE AND PACKAGING

More than a third of informal traders (37%) sell large-sized potatoes, a preference by the consumers. Medium potatoes are also popular with consumers, with 33% of consumers preferring this size. The medium-large size follows in preference (29%). An insignificant number of consumers – 1% buy small sized potatoes.

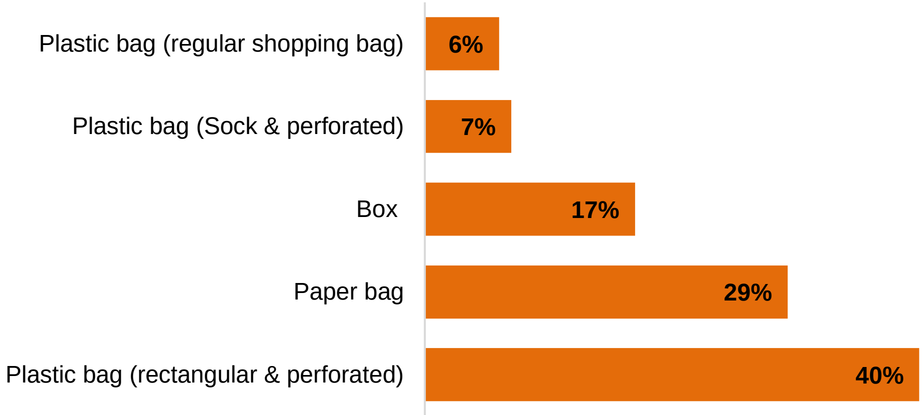

Figure 8: Packaging used to sell to consumers

The majority of informal traders (42%) resell their stock in 1kg sizes, packaged in rectangular perforated plastic bags (Figure 8). Consumers who buy in 3kg (32%); 5kg (3%) and 7kg (5%) also largely buy potatoes in see-through rectangular perforated plastic bags. Some informal traders also package produce in sock and perforated plastic bags. This was observed in the Western Cape, Free State, Mpumalanga and in Limpopo. A minimum number (6%) of traders sell in regular shopping plastic bags. This was observed largely in the Free State and in Limpopo.

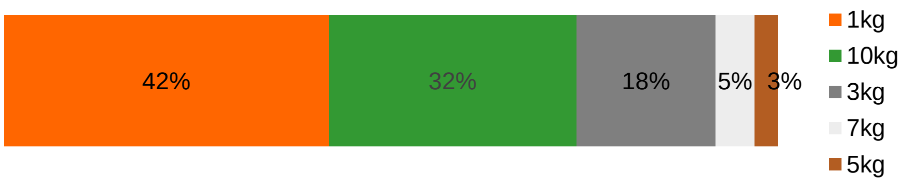

Figure 9: Consumer preference of packaging size

About a third (32%) of the informal traders said the consumers prefer to buy the 10kg packets. Some of the traders resell both the 10kg sizes as well as smaller repackaged bags. Seventeen percent (17%) sell produce in boxes. These are typically traders who process their potatoes and resell chips or kotas(Figure 9).

3.3.2. PRICING

Pricing of potatoes are varied into three different categories:

- Traders who resell and repackage are guided by the market price. This is influenced by varied aspects such as cost price, packaging size of the potatoes, competitor prices and general costs incurred procuring- e.g. transport. A marginal number of respondents also mentioned the type of cultivar they buy influenced the price. Traders have noticed, over the years, that during December, when farmers and workers are on a break, there's an increase in potato price because of the reduced supply. During this time, they package differently, but generally make less profit than usual.
- Innovations such as mixed vegetable bundle/pack (consisting of tomatoes, onions and potatoes etc.) tend to be less expensive and are useful for consumers that enjoy soups/stews.
- Those who process into chips/kotas and other products are guided by the price of final product. Traders narrated that when there's an increase in potatoes prices – it is difficult for them to frequently change their portions, while their prices stay the same.

3.4. Consumer Profile

At the beginning of the study, the hypothesis was that informal traders understand and have knowledge of their consumer buying patterns and preferences. Study findings concluded that this hypothesis was not necessarily true, as 54% of informal traders reported that they do not know which type of cultivar is preferred by their consumers (Figure 10).

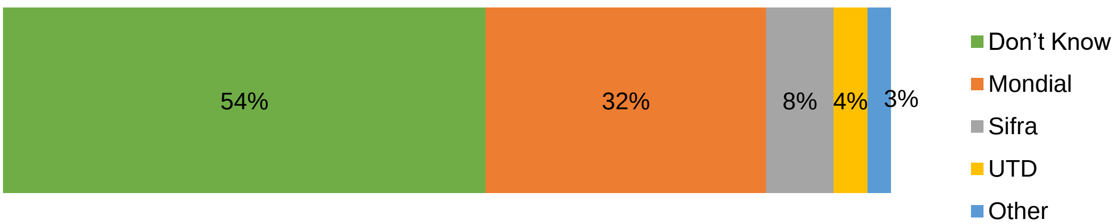

Figure 10: Consumer preferred cultivar from an informal trader perspective

Approximately 55% of informal traders do not know how their consumer preferred their potatoes, in contrast to 40% who commonly understand they make chips. Although South Africa's middle-class definition is ambiguous, it is estimated to vary from 13.5% to 43.2% of the population. From observations, the informal trader targeted market are both the middle and low-income classes. This is observed by various methods of informal trade and location, for example, trolley traders move around to sell at Office Parks situated at the city centre.

While in rural areas where there are public facilities like hospitals, doctors and nurses typically buy from an informal trader outside the hospital. Table 5, demonstrates across the regions, the reasons consumers buy from informal traders. A total of 46% informal traders perceived consumers buy potatoes from them because of quality of the potatoes, followed by the price they sell potatoes at. Only 15% of informal traders perceived it is because of their customer service and established relationships with the consumer. An essential factor informal trader knew about their consumer was that they preferred medium and large-sized potatoes.

Table 6: Reasons consumers buy from informal traders

Province	Quality	Price	Convenience	Customer Service
Gauteng	53%	22%	20%	4%
Free State	42%	23%	4%	31%
Western Cape	67%	24%	6%	3%
KwaZulu Natal	65%	10%	0%	25%
Limpopo	19%	47%	16%	19%
Eastern Cape	23%	68%	9%	0%
Mpumalanga	31%	19%	19%	31%
Northern Cape	33%	27%	33%	7%
North West	58%	25%	17%	0%
Total	**46%**	**28%**	**11%**	**15%**

The results demonstrate the absence of consumer knowledge by the informal traders and this is a constraint for the potato industry. Consumers do not know the difference between the varied potato cultivars and have limited knowledge of potato products. This constraint was demonstrated by the findings of the study that 60% of the informal traders do not have access to information about potatoes in general and prices, consumer preferences, potato cultivars, or to make their business grow, in particular. Informal traders' reasons for not having to access information is the lack of resources, education, language, distance to access information, mobility, and internet connection. Other traders remarked that it was ignorance from their side and they only relied on receiving information from the supplier (farmer and market agent). Some of the traders make determinations based on their own experience and knowledge acquired from trading.

3.5. Challenges faced by fresh produce informal trader operating efficiency

Demonstrated in Figure 11, the study discovered some of the challenges experienced by the informal traders in the potato industry ranged from potatoes having a low shelf-life (24%), infrastructure facilities (23%), financial access (8%) and potato prices (8%). Short potato shelf-life challenge was induced by weather conditions in provinces such as Limpopo, Northern Cape, KwaZulu Natal and Mpumalanga because of high temperatures. The respondents mentioned that potatoes turn into a green colour quickly, resulting in potatoes having a low quality, not being attractive to the consumers thus lowering profits. It is one of these reasons that the informal traders purchased potatoes every day or every second day.

Exacerbated by the lack of infrastructure facilities such as shelter and storage respondents mentioned provision of these facilities could bring an opportunity to increase their trading space and capacity to sell more. Other challenges (23%) included high levels of competition among the informal traders, which decreased the sales of potatoes in the informal market. There were security issues, as some of the informal traders experienced theft produce, as they did not have security measures in place. Rat infestation caused by the uncleanliness of their trading space, made it difficult to promote and sell more potatoes.

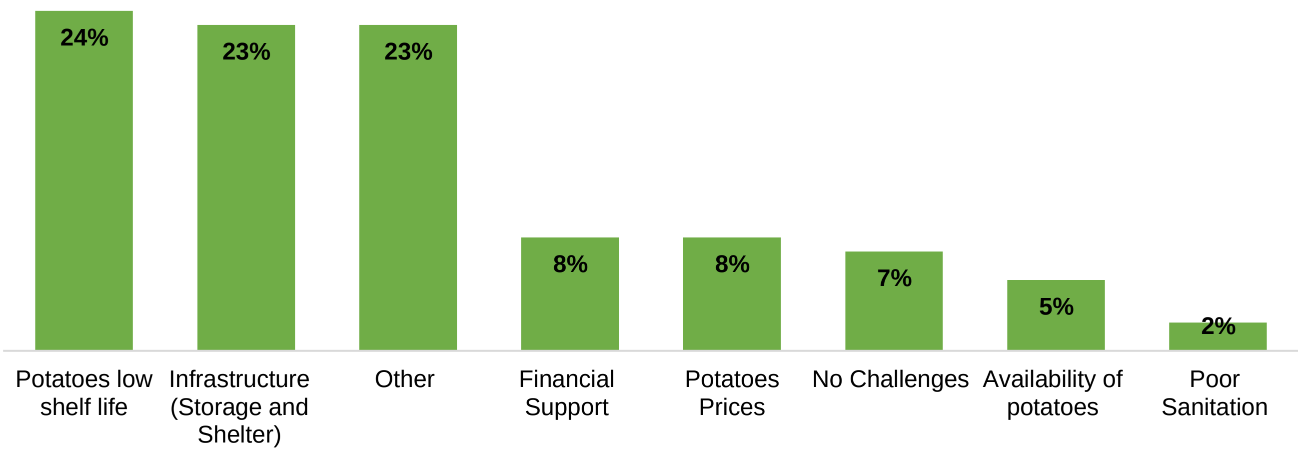

Figure 11: Challenges faced by informal trader within the potato industry

3.6. Summary of Findings

Table 7: Terms of reference objectives and findings

OBJECTIVES	RESULTS
To understand recent trends and identify market dynamics in the informal sector	• Recent trends have been informal traders selling from the 'bakkie'or van and trolleys; • Informal traders in the vicinity of the FMP use forklifts, pick-it up dustbins and trolleys to move their products from supplier to their trading space. • In the Free State and Limpopo, informal traders can procure potatoes in 35kg and 50kg potatoes packaging. • Informal traders market their potatoes with other complementary vegetables such as tomatoes and onions, creating a soup combination. • Informal traders prefer procuring potatoes every day due to the lack of infrastructural facilities. • Consumers prefer to purchase potatoes in smaller packs of less than 1kg at the hawker tables. Reasons for preferring smaller packs are: lack of transportation, price, availability of money and freshness.
To understand South Africa's informal traders in terms of procurement, selling, and profiling consumers buying patterns.	• Top factors that influence informal trader purchases were quality (44%), price (32%) and size (19%) of potatoes. Besides the fact that informal traders have flexible potato prices, consumers also buy from informal traders because of excellent customer service and relationship (5%). • 86% of traders prefer the paper bag packaging, because it seals the freshness, and is easy to manage while moving the produce. 46% of consumers prefer to purchase in small packs of less than 1kg or a full 1kg. • 42% resell their stock in 1kg sizes, packaged in a rectangular perforated plastic • Consumers prefer to purchase potatoes in smaller packs of less than 1kg at the hawker tables. Reasons for preferring smaller packs are: lack of transportation, price, availability of money and freshness. • 46% informal traders perceived consumers buy potatoes from them because of quality of the potatoes, followed by the price they sell potatoes at. • 55% of informal traders do not know how their consumer preferred their potatoes
To assess sources of information used by informal traders/hawkers to determine whether existing information sources are used optimally and whether other forms of communication can be utilised more effectively.	• 60% of the informal traders do not have access to information, they are limited by lack of resources, education, language, distance to access information, mobility, internet connection etc. Other traders stated it is ignorance from their side and they only rely on receiving from the supplier (farmer, market agent etc.). • Some of the traders make determinations based on their own experience and knowledge acquired from trading. Others, notably rely on the sales representatives at the Fresh Produce Markets and their resellers for information. • 40% of informal traders have access to information, make use of communication through a mobile device, internet, communicating with their customers, and social media (WhatsApp). Other traders are engaged in local economic development training and other associations (SAITA) that assist in growing their business.

***Define the informal market segment* for fresh produce in particular to potatoes**	• informal trader, is a person with low levels of education, whose occupation is trading at a small scale in the informal sector to generate income for survival and/or livelihood. • Informal traders selling potatoes can be categorised into two: • Informal traders purchase potatoes and repackage them to resell to households (77%) in small sizes and those who process potatoes into chips only or incorporate chips into a meal such as Kota/Bunny chow to be sold to individuals. • Informal traders who resell to small businesses (23%). These traders typically resell the 10kg bags. • Hawkers procure potatoes at FPM, farm-gate, retail, informal resellers to sell in different small packages for household consumption and to small businesses such as spaza shops. • Resellers/middleman procure potatoes at farm-gate to sell hawker/street vendors or spaza shops. • Spaza shops procure potatoes at FPM, farm-gate, resellers to process potatoes into chips incorporate chips into a meal such as Kota/Bunny chow to be sold to individuals
Identify *pressing challenges faced by informal traders and opportunities* to enable PSA to leverage and find mechanisms to address challenges.	• Challenges experienced by the informal traders in the potato industry to operate efficiently included: 24% potatoes having a short shelf-life, 23% poor infrastructure (storage facilities and shelter) 8% poor financial access 8% high or fluctuating potato prices

4. POSSIBLE ENTRY POINTS FOR PSA

4.1. Strategic Recommendations to the producers

The fresh produce informal sector is small–scale, operating as non-value added tax registered individuals/ businesses and is complicated because of the different interests by the private and public sectors. These interests are in most cases, contradictory, where there is a lack of connection in alleviating poverty and at the same organisation of the informal traders. These interests, if not structured and transparent, could hinder the growth of the informal sector from reaching its full potential to increase consumer demand for goods and services.

We suggest PSA members could play a significant role in improving the business processes of the informal trader within the potato industry to increase product consumption through the following:

4.1.1. PACKAGING

Producers could provide plastics bags used by the informal trader (plastic bags of different sizes – that could fit packaging between 1kg and 3 kg) inside 5 x 10kg purchases. Also, provision of small plastic bags and packets for informal traders that process potatoes into chips and kotas meals could be a good value add. This would differentiate potato brands from each other, making it easier for them to resell the potatoes.

Potato producers could collectively work with other fresh producers to have combinations of vegetables sold at the fresh produce markets, at a reasonable price.

4.1.2. AWARENESS

Potatoes nutrition value/functions

Producers, with the assistance of the PSA, could use media channels to communicate/ promote robustly about how potatoes contribute to a healthy balanced diet.

Generally, for the middle- and low-income classes, potatoes are competing with other fresh vegetables and not with other traditional starches such as pap, pasta and rice vice versa. It is evident by a popular meal such as a kota, which is half bread loaf stuff with chips and other ingredients. Awareness of the diverse functions of potatoes can contribute to different meals as well as a balanced diet.

Methods of payments

From the results, over 95% of the informal traders continue to run as cash-only businesses. However, at least 10% said they would be keen on an EFT. From observations, a majority also make use of a smartphone, which suggests that they would be willing to explore different options of payments if they were available. Lack of access to information, the perceived costs of using mobile and digital payments, as well as lack of understanding of available payment options, limits the unlocking of electronic payments.

4.1.3. BRANDING

Producers could collectively introduce a rewards programme, similar to retail points collection system dependent on, which region is in season, and informal traders would earn points at the fresh produce market. This reward system programme could be targeted at the top buyers of potatoes so that producers can market their brands. It can also be encouraged through campaigns at the fresh produce markets.

4.1.4. PRICE, QUALITY, SIZE AND CULTIVAR OF POTATOES

Informal traders are price sensitive or aware, despite the fact that price was not significant as quality when purchasing potatoes. When asked whether they still buy potatoes even when the prices have gone up. A majority (75%) answered yes, they do not substitute potatoes. They rather purchase less than the usual because of the high demand and the quality of potatoes. In addition, with regards to size and cultivar of potatoes. The trader is pleased with the popular M/L size potatoes in place as well as cultivars (e.g. Mondial, Sifra, and UTD) – PSA members should continue producing potatoes from these cultivars with preferred quality and size.

4.1.5. TRANSPORTATION

With the use of modern technology and view of the digital age (4IR) - producers could invest in a platform similar to the ‘Mr Delivery’ app, or a simple WhatsApp group where informal traders can order from the platform/group, and produce gets delivered to their trade space or nearby deliver point for the transporter.

4.2. Strategic Recommendations to PSA

Based on pressing challenges faced by informal traders in operating efficiently, Genesis Analytics team have come up with strategic recommendations in assisting PSA to better understand the market conditions and dynamics of informal potato sector, with the objective to grow the potato sector.

4.2.1. PROMOTION AND EDUCATION

- Use of technology: farmers working with market agents for communication – via the use of SMS, WhatsApp, Facebook, Twitter etc. to inform informal traders about the:
    - The type of cultivar available; (whether different varieties have a longer shelf-life)
    - Educate traders about potato prices (find a way to be transparent about potato prices. e.g. Live screens at the FPM, or sending SMS with price information to potential buyers in the early hours of the morning
- Use of social media influencers (chefs) to demonstrate the best-suited cultivar for what kind of dish (chips, mash, bake etc.)
- Provide recipes pamphlets/methods - on the storage and use of potatoes.

4.2.2. BUSINESS EXPANSION

Support to enable traders to think beyond their current level of operation**:**

- Identify traders, with the aim of commercializing their operations – i.e. the PSA High Flyers programme; or The PSA Small Trader Programme with rewards annually. The aim would be to grow a class of traders, who sell to the informal market.
- PSA to understand the channels which the product is directed to in December (i.e. the formal market).
- With the recognition of shortages in supply during the festive season (December), encourage the bigger buyers to sign off-take agreements – as with the formal market, to guarantee the availability of the product during that time. Traders would need support from Market Agents

4.2.3. INFRASTRUCTURE (SHELTER AND STORAGE)

- PSA and municipality could build a central portal – a lot of volume uptake is required to build a selling point where they build the portal– e.g. a central place in Phutiditjhaba for informal traders
- Identifying the top potato sellers – run quarterly competitions with a prize. The prize could be providing them with PSA branded containers for storage (immovable, which can be locked)

4.2.4. FINANCIAL SUPPORT

- Review and revisit the ABSA hawker loan product
- PSA to engage FPM on a credit facility; based on how often they procure potatoes on a weekly basis.

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ANNEXURE 1: STUDY COMPARISONS

	New Findings	Confirmation of Previous Findings
Demographics		A majority of informal trader have education up to secondary schooling.
		A majority of traders' reasons for engaging in informal trading is because unemployment.
		Traders have extensive experience in trading with the 60% of the respondents have been engaged in the informal trading for between 1 – 10 years, and 40% who have been engaged in informal trading for more than 11 years, demonstrating extensive experience in in the informal sector.
Informal procurement & Selling of potatoes	A majority of the informal traders DO NOT KNOW the type of cultivar they purchase; thus, DO NOT KNOW what type of cultivar their consumers prefer.	Potatoes are a top-selling fresh produce product.
	Potatoes are not only be purchased in a 10kg packaging size but also 35kg and 50kg by informal traders.	Quality and price of potatoes highly influence traders and their consumer purchases
	Size of potatoes also influence traders and their consumer purchases.	Medium and Large size potatoes are the most preferred.
	The new type of informal traders sells from their bakkie, and trolleys.	Mondial is a popular and most preferred potato cultivar
	Traders prefer cash payment method and are keen on new methods of payment.	Consumers prefer to purchase in small packs that range from 1 kilogram to 5 kilograms.
	A majority of the informal trader's purchase potatoes every day.	A discount of potato prices, assistance with deliveries provision of storage are opportunities traders think the potato industry could introduce to assist to sell more potatoes.
	Brand of potatoes does not matter to the trader	Infrastructural facilities, competition, financial access, potatoes short shelf-life and price are challenges that influence traders not to sell more.
	Observations revealed that a majority of the informal traders make use of smartphones	Kota/Slap chips are the famous potato meals.

* These findings were compared to South African Needs Assessment Study 2015 and AskAfrica 2014.

Genesis Analytics

Head Office:

Physical	50 Sixth Road, Hyde Park, Johannesburg
Postal	PO Box 413431, Craighall, 2024, South Africa
Telephone	+2711 994 7000
Facsimile	+2786 688 2247
Registration No	1998/001950/07

East Africa:

Physical	4th Floor, West Park Suites, Ojijo Road, Parklands, Nairobi
Postal	PO Box 76608-00508, Nairobi, Kenya
Telephone	+254 701 945 800
Registration No	P051570125T