



Managing Director's Report



Sanette Thiar
Managing Director

It is an undisputed fact that the South African Seed Potato Certification Scheme (Scheme) is seen as a marketing tool. Certified seed means that the seed potatoes were produced, sampled, examined and sealed in accordance with the rules and regulations of the Scheme and complied with the requirements of the Scheme on the day of sealing. Each bag of certified seed is sealed with the official certification label bearing the State emblem as well as the logo of Potato Certification Service (PCS) as proof of certification. Each label has a unique number which enable us to trace the history of that seed right back to its origin.

The use of certified seed potatoes gives the purchaser of the seed the assurance that all reasonable care has been taken to produce good quality seed. As we are working with a perishable product everyone in the production chain has to take the utmost care to ensure that the product will give its best performance possible.

In spite of the fact that seed potatoes are produced under the Scheme, complaints can still arise. Due to the economic pressure all growers experience lately, the margin for error has shrunk to almost nothing. The year under review was particularly difficult as we experienced a lot of pressure from the table and processing industry to sharpen up quality standards with regards to compliance with tolerances as well as other aspects such as tuber count.

Once again I want to thank the seed potato growers of South Africa for understanding the pressures experienced by all the role players in the potato industry. Not only did they realize the importance of listening to their customers, but also revisited all internal controls in order to ensure that they fulfill the vision of Potato Certification Service to ensure a sustained supply of high quality planting material to the potato industry.

Financial Review

A total of 10 833 hectares for registration was budgeted for the year under review. At the beginning of June 2012 we were still optimistic that at least 10 584 hectares would realize. I however have to report that only 10 458 hectares were registered for seed potato production. As a result PCS ended the financial year with a loss of R52 063 before tax. Due to the tax asset the resultant loss came to R37 466. The budget of PCS is compiled annually on a zero-profit basis. Any loss of hectares budgeted for therefore places a huge strain on the finances of the company.

The current assets (R4 786 382) exceeded the current liabilities (R2 235 609) by a total amount of R2 550 773. The loan granted to Aartappelhuis (Edms) Bpk amounts to R1 072 329 in respect of which 7% interest is earned. The interest-free loan of the seed potato growers to PCS in the amount of R1 158 051 is a long-term liability. The Board of Directors for the first time approved that interest can be accrued on the growers' loan account. A 6% increase in the certification tariffs was announced, but the Board at the same time confirmed that a 10% discount is applicable if seed potato growers settled the full account upon registration. I would like to ensure all our seed growers that the income and expenditure of the company are carefully monitored and managed to the benefit of our

clients.

I would like to thank Elsabe Els for the years that she was responsible for the administration of the pay roll. Reinette van Deventer is now appointed full time as book keeper and payroll administrator of PCS and I wish her all the best for her future with us. I wish to thank Martin Fourie for his role of auditor and advisor. You are always a source of knowledge that we can tap into. A big thank you to your efficient team at Fourie + Botha as well.

There were 16 new entrants to the seed potato production industry. The new entrants registered a total of 174 hectares. This brings the present number of active seed potato growers to 223 of whom 154 registered plantings in the year under review.

Operational Review and Services

The service PCS supplies to the potato industry entails all aspects regarding the certification of seed potatoes, which is the very reason for our existence. However, it does not only stop with the certification of seed. Whenever a complaint is received regarding certified seed, PCS will investigate the claim. As our certification officials spend a lot of time on the farms we are aware of the latest threats, diseases, trends and challenges the growers face. We learn a lot from all the role players in the industry and in turn aim to increase the knowledge of all potato growers and role players by presenting talks on platforms like farmers' days and publishing articles in CHIPS.

The accredited laboratories play a very important role in the certification process of seed potatoes. Plantovita is the controlling laboratory in the industry and is also responsible for recommending the regional testing laboratories. In order to facilitate good communication the management of PCS and Plantovita meets on a monthly basis under the chairmanship of Dr Keetch, the chairman of the Independent Certification Council for Seed Potatoes (ICCS). Both the Chairman of the ICCSP and the Managing Director of PCS serve on the Advisory Committee of Potato Laboratory Services.

All potato tissue culture multiplication laboratories and greenhouses are audited and accredited by the ICCSP on recommendation by PCS. Currently there are 6 *in vitro* multiplication facilities accredited by the ICCSP of which the facilities of the Agricultural Research Council and Rascal Seed Research Laboratories are recognised by the Department of Agriculture, Forestry and Fisheries (DAFF) as quarantine facilities. Nine greenhouse facilities are accredited for mini tuber production (G0 seed potatoes). These facilities are monitored throughout the year whilst in production, but are also audited by PCS every two years.

The database of PCS has been developed over the years to accommodate the growing needs of the industry and to serve not only as a massive databank, but has continuously been upgraded to make provision for additional security checks to minimize human error. Certification officials in the regions log all information regarding plantings and inspections on their laptops which is then transferred to a temporary database.

From there the team at Head Office responsible for data administration will check everything, query where necessary and only when satisfied that all requirements are met transfer the information to a permanent database.

This information is used to extract production as well as disease statistics. Statistics can be withdrawn back to the year 1995. The data is also used to determine the list of seed potato growers who are eligible for the most prestigious award in the seed potato industry, namely the "Seed Potato Grower of the Year". Growers are not nominated for the award, but are ranked according to the performance of their seed potatoes by the database.

There is a close link between the PCS and Potatoes South Africa (PSA) as all research needs identified in the seed potato industry are communicated to the Research Committee of Potatoes South Africa. The Managing Director of PCS also serves on the PSA Research Committee.

Authorized certification officials are responsible for the registration of units, checking of rotation crops, verifying sources planted, isolation distances, field inspections, sampling, tuber inspections, certification and drawing of post-control samples. In every step of the certification process accurate record keeping is the key element to ensure traceability and credibility in the system. Trainee certification officials are evaluated and only recommended for authorization when they are fully equipped and knowledgeable to operate independently from the Regional Manager.

Each unit registered for the production of seed potatoes receives a registration certificate once it complies with the requirements of the Scheme. Growers or their assignees sign all field inspection as well as tuber inspection reports thereby confirming the findings of the certification official.

The production statistics of each grower can be withdrawn from the database giving him or her an overview of disease trends as well as production over the years.

PCS also supplies PSA with data on the number of bags of seed potatoes produced in order to collect levies and royalties. PCS does the laboratory registration of the seed growers on behalf of most of the testing laboratories.

Our Personnel

Our certification officials are the back bone of our service to the industry. In order to live out our mission to support the potato industry to perform optimally by ensuring the availability of high quality planting material, we need well trained personnel. I am proud to say that we currently have 13 qualified certification officials and another two still in training. I would like to thank all the senior personnel who played and will still play such an important role in the training and mentoring of our certification officials. Frank Osler, our Technical Manager, evaluates all certification officials by subjecting them to a practical as well as a written exam. Only once they achieved a mark of at least 75% for each exam will they be authorized.

Congratulations to our junior members on the staff. You're

eagerness to learn and gain as much experience in the shortest time possible is noted. You keep the senior certification officials on their toes by asking the relevant questions all the time.

Vusi Ngcobo, a workplace student from PSA, has been working with the certification personnel in the KwaZulu-Natal region since February. He has been exposed to all aspects of certification and is evaluated on a regular basis. We wish him all the best during his training. Günther Hollenbach joined the team of certification officials in April and I hope that he will be very happy with us.

In the year under review Frank Osler has also spent some time with the officials in the regions to ensure that the inspections are done in the same manner. Where possible certification officials and regional managers were taken along to investigations where growers complained about the quality of certified seed. A protocol for inspections of seed potatoes presented in bulk bags was also developed as it was the type of inspection that was a real nightmare in a certification official's world. The protocol that was developed is effective and findings are representative of the seed presented.

PCS will not be able to function without the support of the administrative personnel. We are like an ant colony which cannot function optimally unless each and every one fulfils his or her role properly. A lot of hard work takes place behind the scenes and I would like to commend and applaud the administrative personnel for their role in making PCS as a company such a huge success. Thank you for sorting out stock, checking assets, paying bills, preparing seed lists, making flight arrangements and bookings to name but a few.

Clive Trent bid his farewell to PCS after serving many years as company secretary. Clive, you will surely be missed and I wish you only the best for the future. Yolanda Louw took over the responsibility of company secretary and was thrown in the deep end when she had to write the minutes of the June meetings. Yolanda, you did an excellent job and I thank you for the way in which you took on this new responsibility. I look forward to working with you on this aspect as well. I would also like to thank Lynette van Neethling for agreeing to work on a full day basis as Yolanda would not have been able to handle the work load with the added responsibility.

I would also like to make special mention of Reinet van Deventer, PCS's bookkeeper and from now on also pay roll administrator for the professional and efficient way in which she has been fulfilling her calling. Thank you for sharing the financial burden and making life easy for me. You had to adapt to the upgrade of our financial system and learn the ins and outs of the VIP pay roll system and immediately took to it like a duck to water. Thank you that I can know our finances are in capable hands.

In any organisation one tends to get bogged down with the day to day challenges and not stop to smell the roses or say thank you enough. A big thank you goes to my personal assistant, Amelia Hooneberg-Smit, for the role she plays in the everyday life of our management, the Executive Committee, the Board of Directors, the members of the Council, the staff

and other role players in the industry. I appreciate you.

Seed potato growers and other clients

Whenever a farmer embarks on planting a crop which is registered under a certification scheme, one must immediately realise that this grower is committed to walk the extra mile as a lot more is expected from farmers who grow planting material which needs to be certified. This is even more true when it comes to material that is propagated vegetatively.

One of the most challenging crops I have ever worked with is potatoes, but it is also the most rewarding. Thank you to all the seed growers who take their responsibility to produce high quality planting material serious. In spite of the many challenges you are dealing with every day, you still manage to certify seed potatoes of excellent quality. The complaints we get here and there are but a mere drop in the ocean compared to the number of satisfied clients.

Once again I would like to invite all the seed potato growers to the annual Seed Potato Growers' Forum where issues that are close to your heart are discussed. Take an active stand on what you want to have discussed and attend in big numbers. Not only is the Forum the place to network, but it is also where the "Seed Potato Grower of the Year" is announced. All seed potato growers who grow 30 hectares and more are ranked by the database on the data collected in the reporting year. One of our seed growers who once won the "Potato Farmer of the Year"-award said that it was a great honour for him to receive the award, but the top recognition a potato grower can get is the 'Seed Potato Grower of the Year'-award as it is based on hard criteria and quality of the certified seed.

Thank you to all the other role players in the table and processing industry. I value your inputs and together we strive to improve the certification service and the quality of our seed potatoes.

Committees and Forums

The committees and forums in the potato industry are the place where the voice of each person is heard and where knowledge is shared and transferred. So many times I realise that the growers lack knowledge or information in spite of all the lines of communication available in the industry. Once again I would like to invite the seed growers to attend the available platforms in the industry and to contribute to improving the systems and making a difference.

At the meeting of the National Seed Potato Committee held in June 2012 it was obvious that somewhere along the line the channels to communicate needs regarding certain matters became blocked or disrupted. One of the tasks of the National Seed Potato Committee is to address challenges or requests identified by the various seed potato meetings and regional management meetings that are of national interest. The representatives of these meetings come with a mandate from their sector and present the sector's requests. The National Seed Potato Committee will consider these aspects and propose solutions or refer it to the relevant committees and forums in the potato industry.

The various committees and meetings act as a network in the potato industry in order to have representation and communication throughout the industry. Potatoes South Africa and the Chairman of the Seed Potato Traders' Forum bring any requests regarding seed potato matters to the National Seed Potato Committee. The Chairman of the Seed Potato Growers' Forum is elected by the delegates from the various seed production regions from the members of the National Seed Potato Committee. The Chairman of the Forum is also the chairman of the National Seed Potato Committee. It is also in this capacity that he serves on the Potatoes South Africa Board of Directors and National Council. Matters that need to be brought under the attention of the seed growers are then communicated back to the regions via the National Seed Potato Committee.

I wish to thank every member of the National Seed Potato Committee, the members of the Independent Certification Council for Seed Potatoes and the Board of Directors of PCS for your contribution. It is not always the most popular position to be in. I thank you for applying your minds and always acting in the best interest of the total potato industry. Looking back over the years since the inception of the Company I cannot see any aspect where a decision was made that did not improve the seed supply system. I thank you for your dedication and the interest that you take in seed potato matters. You play a critical role in maintaining and improving the standards for sustainable seed potato production in South Africa.

It is great to have an industry organisation such as Potatoes South Africa addressing the needs of the seed, table, and processing industry. One cannot imagine where the potato industry would have been without the role you play in research and development, information dissemination, marketing and transformation. You have succeeded in putting potatoes on a lot more plates.

Last year I reported on the many new challenges the seed potato industry faces annually and commented on what possible effects the withdrawal of a product that was so widely used as Temik would be. Needless to say that we did not anticipate the devastation caused by grubs. It just shows the balance needed and the role the chemical companies play in ensuring high quality planting material. Once again, thank you to all the chemical companies without whose products and inputs it will not be possible to produce good planting material.

I wish to especially thank all the personnel from the Department of Agriculture, Forestry and Fisheries (DAFF) for assisting PCS as assignee to perform our duties. A special word of appreciation goes to Ms Joan Sadie, Registrar of the Plant Improvement Act and Mr Ernest Phoku, Deputy Director, Directorate: Inspection Services for your valued inputs.

The Department of Agriculture, Forestry & Fisheries began to audit all the facets of certification and much better communication networks with the personnel from Inspection Services have been established. As an assignee of DAFF we are now much more aware of what is expected of the assignees.

I wish to address a special word of thanks to the chairmen of each of the committees beginning with Dr Dave Keetch,

Chairman of the Independent Certification Council for Seed Potatoes, who is always willing and able to address new challenges. Thank you also to Desmond Hyman as chairman of the National Seed Potato Committee and the Forum and the role you fulfill at the National Council and the Board of Directors of Potatoes South Africa.

Thank you very much for the inputs of the Board of Directors with regard to the management of the company. As part of good corporate governance, the individual directors as well as the Board and structures have been evaluated. The results of the evaluation will assist in the way forward to improve on our corporate governance.

Desmond Hyman, Chairman of PCS, and Gavin Hill, Vice-Chairman of the Company, and I constitute the Executive Committee of PCS. Gavin Hill resigned as director and is replaced by JJ van de Velde as Director representing KwaZulu-Natal and the North eastern Cape. Gavin brought a very special angle to each meeting and his contribution, whether it was scientifically or on a management level as well as personality wise will be hard to equal. Gerhard Posthumus has been elected as the new Vice-Chairman and we look forward to using his experience in company matters on the Executive Committee.

Thank you to all for a good seed potato year! Every challenge we faced during the year lead to an improvement. As Dr Keetch once remarked, although the potato industry has many challenges, it certainly is the most interesting commodity to work with.

It is a privilege to work in the seed potato industry. My message to all is still: The only seed to plant is certified seed!

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