NAMC

Promoting market access for South African agriculture

2020/21

SMALLHOLDER MARKET ACCESS:
ESTIMATES, ADVISORY AND POLICY INSIGHTS


LOVE
SOUTH AFRICAN AGRICULTURE

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1. BACKGROUND

During 2020/21 financial year the Smallholder Market Access Research Unit of the NAMC under MERC division started publishing smallholder market access tracker reports on a quarterly basis. This initiative originates from Section 2(a) of the MAP Act of 1996 stating "to increase market access for all market participants", and NAMC Section 7 Investigation report (published in 2006) on National Fresh Produce Markets.

Of specific interest to the Section 7 report is the recommendation on market access and transformation stating that "30% of the volumes should be traded through black commission market agents as of year 2014". This represents the share of smallholder farmers in the National Fresh Produce market system. Analysing this share at different levels of the country in different periods is crucial to provide agricultural marketing policy insights and advisory to the Minister and directly affected groups.

1.1 Why smallholder market access quarterly estimates?

There are three specific reasons for this initiative, and are explained in subsections 1.1.1 to 1.1.3.

1.1.1 Post-Section 7 report

First, it is now 14 years since Section 7 report was published and no follow up work has been done to measure market access and transformation in NFPMs based on the recommendation of the aforesaid report.

1.1.2 Data availability

Second, the fresh produce market data is available at no cost to the NAMC. Given the budget cuts, difficulty of collecting primary data from smallholder farmers and the costs thereof, it is crucial for NAMC to utilise this available dataset to fulfil her mandate.

1.1.3 Policy and advisory

Third, the available data on fresh produce market statistics covers the national, provincial and market level, and this decomposition could permit for the design of agricultural marketing policy measures at different levels of the country in different periods for improvement of market access for smallholder farmers.

2. ESTIMATES FOR 2020/21 FINANCIAL YEAR

The financial year takes into consideration four quarters. They include Q1 – that is April to June 2020, Q2 (July-Sept 2020), Q3 (Oct – Dec 2020), and Q4 (2021, Jan - Mar). The discussion in this report is organised into three focal areas, namely: a) national level, provincial level and market level, respectively.

2.1 National level

Over the financial year, the share of smallholder farmers participating in NFPMs was estimated at R5.11 billion in terms of the total revenue. Twenty-two percent (R1.13 billion) of this was realised in Q1 followed by 26% (R1.34 billion) in Q2 (see figure 1). In addition, the estimates for Q3 and Q4 were 28% (R1.40 billion) and 24% (R1.22 billion), respectively.

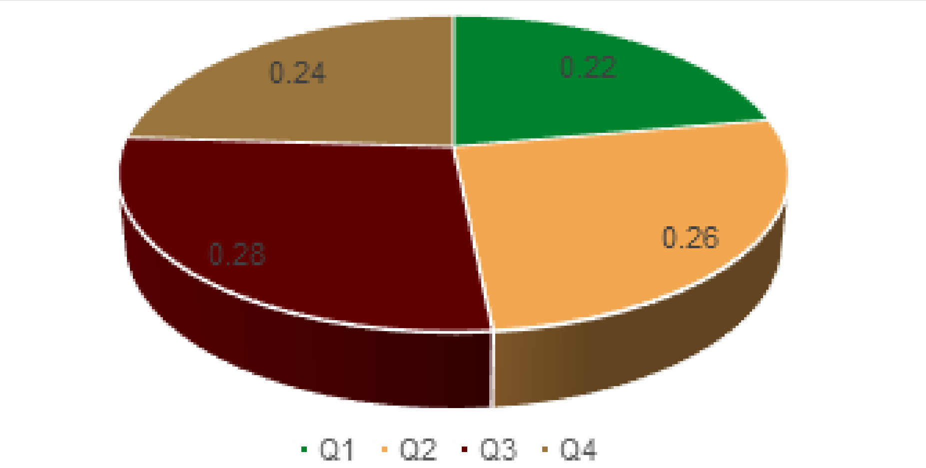


Figure 1: Revenue by quarter, 2020/21
Source: SA Union of Food Markets (2021)

The above total revenue estimate for smallholder farmers in fresh produce market is South Africa was generated from a total volume of 853 171 MT. Most of this volume (26%) was traded in Q3, a period that coincides with the festive season where consumption turns to be high.

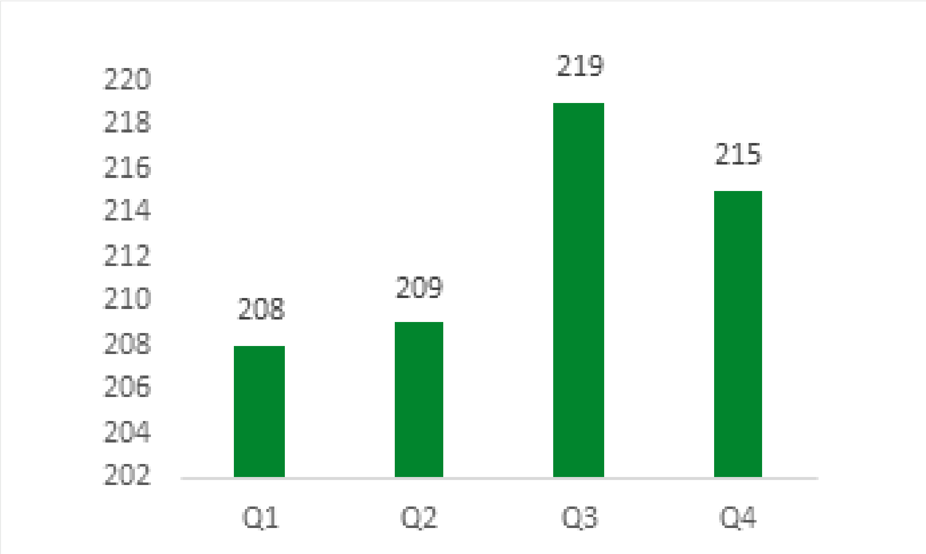
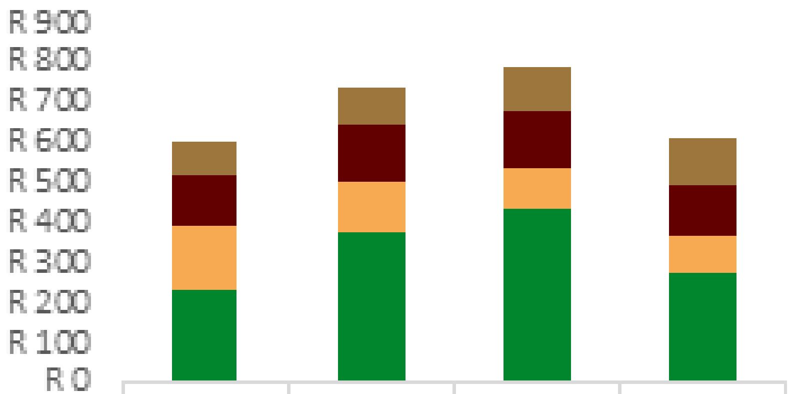


Figure 2: Mass by quarter, 2020/21
Source: SA Union of Food Markets (2021)

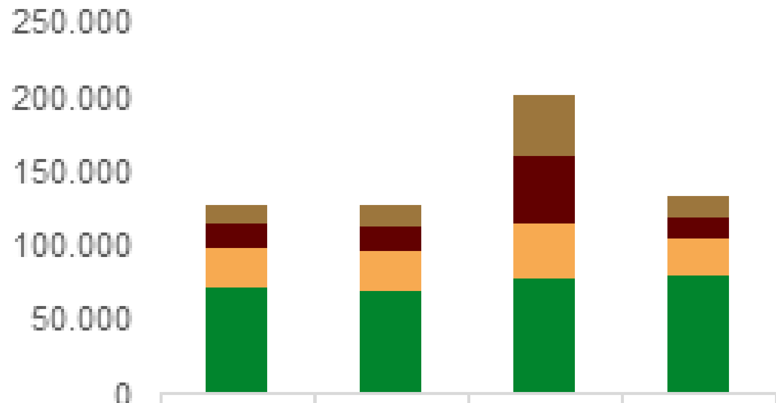
The least traded volumes (that is 208 807 MT) were observed in Q1 at 24%. This can be partly attributed to lockdown level 5 of Covid-19 pandemic which brought movement restrictions, thereby affecting transportation of agricultural products to these fresh produce markets. Estimates for both Q2 and Q4 were at 24% and 25%, respectively.



	Q1	Q2	Q3	Q4
Banana	R 81	R 99	R 111	R 113
Tomato	R 127	R 143	R 145	R 129
Onion	R 158	R 122	R 98	R 93
Potato	R 233	R 377	R 435	R 275

Potato Onion Tomato Banana

Figure 3: Total Revenue by commodity
Source: Source: SA Union of Food Markets (2021)



	Q1	Q2	Q3	Q4
Banana	11.077	13.028	40.419	13.575
Tomato	16.402	18.107	44.720	14.252
Onion	27.017	27.210	37.380	26.208
Potato	72.397	68.709	78.752	79.039

Potato Onion Tomato Banana

Figure 4: Total traded volumes by commodity
Source: SA Union of Food Markets (2021)

Potatoes are the second largest consumed staple food after maize in South Africa. Their smallholder estimates at fresh produce markets show a traded volume of 298 896 MT along with total revenue of R1.32 billion, over the period under review. Twenty-six percent of this volume was traded in Q3 and Q4, releasing a total revenue of R435 million and R275 million, respectively, whereas Q2 witnessed the lost traded volumes (68 709 MT). Twenty-four percent was traded during Q1, generating a revenue of R233 million. Onion shows an estimated revenue of R473 million (117 815 MT) for the smallholder farmers in the same market system.

But a significant increase in the smallholder revenues for Onion were observed in Q1 and Q2, although the traded volumes remained unchanged (27 000 MT). This finding can be attributed to food price inflation. Tomatoes witnessed a decline in revenue in Q4 to R129 million, and the same finding was observed on the traded volumes. Banana depicts a significant increase in revenue over the study period with a sharp increase of trade volume during Q3.

2.2 Provincial level

The estimates of market access for smallholder farmers in fresh produce market system by province are depicted in table 1 and 2. Gauteng province topped (1) the rankings in terms of revenue (R3.83 billion) and mass (630 592 MT) over the study period. Followed by KZN (2) at R642 million (106 890 MT). Eastern Cape was at R233 million (41 635 MT), Free State at no 4 with R224 million (39 116 MT). A quarterly outlook shows of the rankings show that no 3 and 4 have been fluctuating between these two provinces.

Table 1: Rankings of the share of smallholder by province in 2020/21: Revenue

PROVINCE	REVENUE	Q1	Q2	Q3	Q4
EC	3	3	4	4	3
FS	4	4	3	3	4
GP	1	1	1	1	1
KZN	2	2	2	2	2
MP	6	6	6	6	6
NC	7	7	8	7	7
NW	5	5	5	5	5
WC	8	8	7	8	8

Source: SA Union of food markets (2020).

Provinces commanding the least share of smallholder market access in fresh produce include MP at R35 million matched 7 274 MT, followed by NC at R11 million (2 110 MT) and WC with R8 million (2 125 MT).

Table 2: **Rankings of the share of smallholder by province in 2020/21: Mass.**

PROVINCE	REVENUE	Q1	Q2	Q3	Q4
EC	3	3	4	4	3
FS	4	4	3	3	4
GP	1	1	1	1	1
KZN	2	2	2	2	2
MP	6	6	6	6	6
NC	7	7	8	7	7
NW	5	5	5	5	5
WC	8	8	7	8	8

Source: SA Union of food markets (2020).

2.3 Market level

Figure 5 presents the share of revenue and mass for smallholder farmers by top NFPM in 2020/21 financial year. These are measured in Rands and metric tons, respectively. The leading NFPM were Johannesburg (JHB) at R2.56 billion trading 407 239 MT followed by Tshwane (TSH) at R1.08 billion (184 250 MT), Durban (DBN) at R538 million (87 135 MT), Springs (SPR) at R170 million (34 760 MT) and Bloemfontein (BLN) at R148 million (24 807 MT).

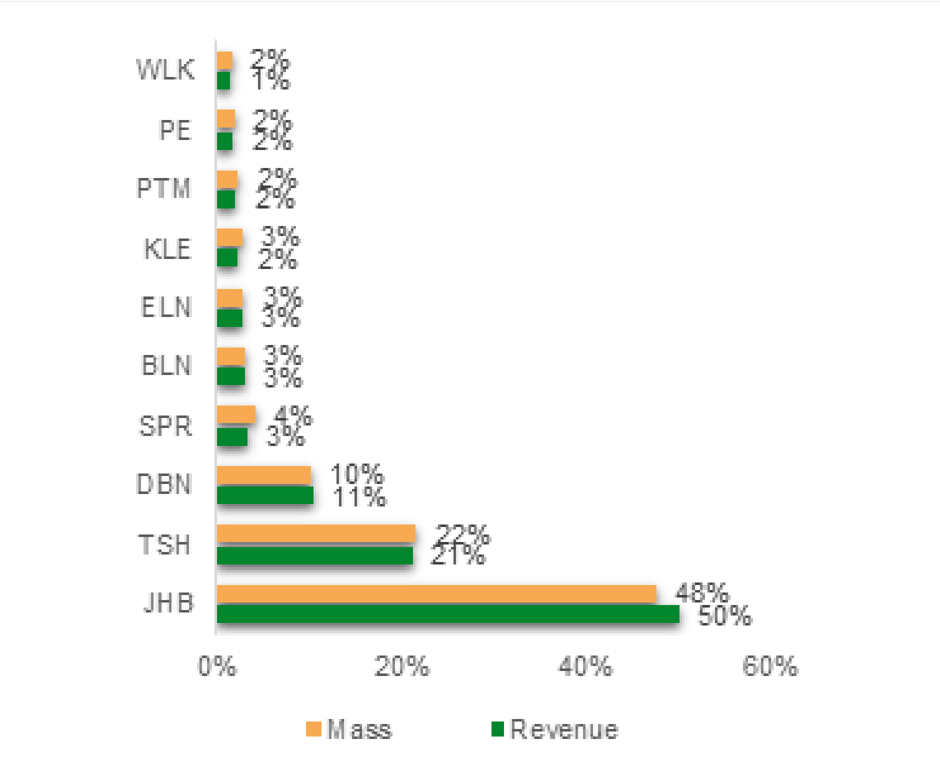


Figure 5: Share of smallholder by top NFPMs in 2020/21: Mass & Revenue
Source: SA Union of food markets (2020)

According to figure 6, the estimates of revenue and mass for smallholder farmers in fresh produce markets during 2020/21 financial year were high during Q1 and Q4.

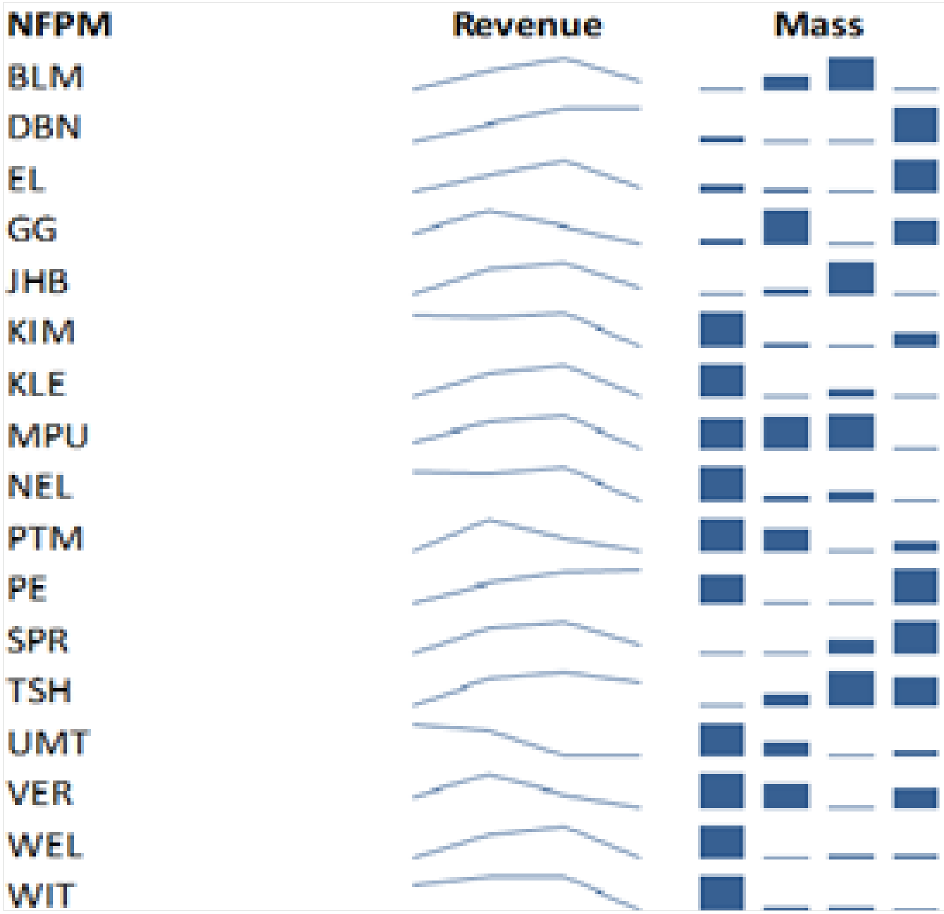


Figure 6: Trend of revenue and mass by quarter
Source: SA Union of food markets (2020)

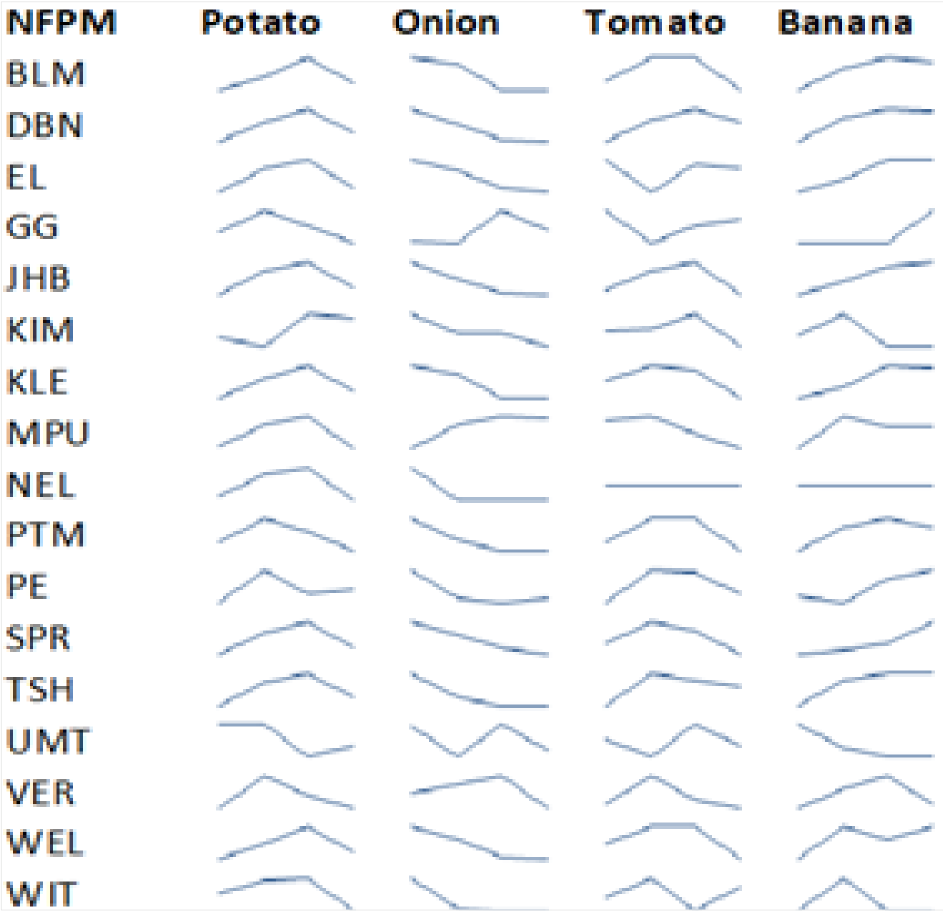


Figure 7: Trend of revenue of commodities in various Qs
Source: SA Union of food markets (2020)

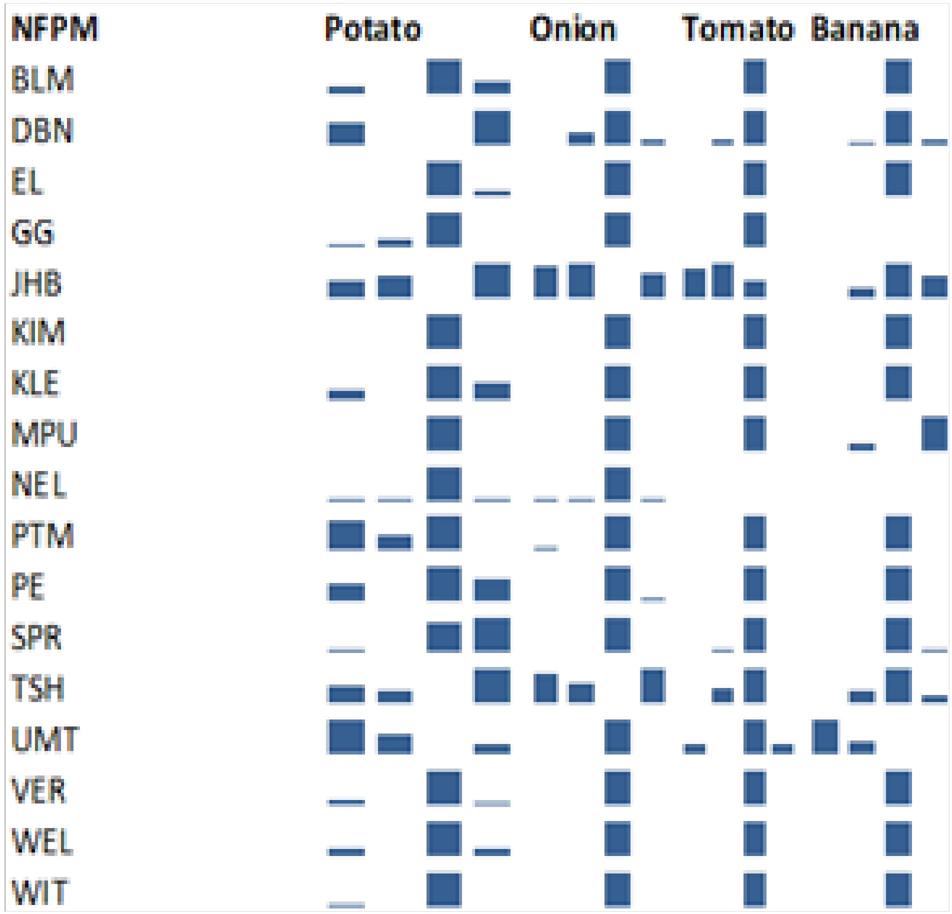


Figure 8: Trend of mass of commodities by Qs
Source: SA Union of food markets (2020)

Potatoes show a steady increase from Q1 and a sharp decline in Q4. Most markets exhibit a downward trend of revenue for Onion from Q1 until Q3 (figure 7). The figure further reveals fluctuating trend for tomato in various markers. The same finding can be observed for Banana.

Potatoes are dominating the volumes traded in various fresh produce markets (see figure 8). But the volumes are much higher during Q3 for all commodities under consideration due to high consumption levels associated with the festive season. The fresh produce markets in Mpumalanga province show poor performance by various commodities in terms of both total volumes traded and revenue.

3. POLICY AND ADVISORY INSIGHTS

Training the smallholder farmers on the dynamics of traded agricultural products in fresh produce market system, fresh produce market operations, prices, consumer taste and preferences, and timing are crucial to improve agricultural marketing policy in South Africa.

Improved co-ordination between the NAMC, Municipalities, NFPMs and APAC is key to increase market access for smallholder farmers in fresh produce markets.

Adoption of digital business platforms (DBPs) would be of great assistance in promoting access to marketing information and efficiency in marketing of agricultural products from smallholder farmers in the fresh produce market system.

Estimates of smallholder market access in provinces (e.g., Eastern Cape) that are regarded as residential hubs of smallholder farmers is relatively small. This needs to be addressed.

To receive better profits in fresh produce markets, high volumes are non-negotiable. But this is challenge for smallholder farmers because on average they own around 0.5 hectares of land. Therefore, improved land reform policy has potential to stimulate marketing of agricultural products in smallholder farmers.

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