

Analysis of National Fresh Produce Market as a Huge Market

Lucius T. Phaleng and Moses H. Lubinga

Markets and Economic Research Centre,
NAMC, Private Bag X935, Pretoria, 0001

Presented at the Agricultural Research Symposium 2018

ABSTRACT

In South Africa one of the biggest challenges that smallholder farmers face is market access, and it is important to note that this challenge is being acknowledged in all spheres of government. National Fresh produce markets (NFPMs), together with the integrated role of market agents, are critical in enabling market access for all participants. Operation of NFPMs was enacted by a government act and they are legally bound to allow anyone to engage in trade without discrimination based on size, colour or origin. Therefore, given the important role of NFPMs and trade in ensuring efficient distribution of fresh produce, in this poster we analyse the size of NFPMs in order to ascertain the availability of market opportunities to help small-scale farmers gain more access to markets. Findings suggest that various NFPMs have existing market opportunities for a number of fruits and vegetable products that small-scale farmers can supply.

INTRODUCTION

National Fresh Produce Markets (NFPMs) play an integral role in the price making, distribution and marketing of fresh produce in South Africa (NAMC, 2000). There are a number of NFPMs which differ in the capacity and volume of fresh produce sold. Johannesburg Fresh Produce Market is the largest by turnover and volume), followed by Tshwane, Cape Town and Durban FPMs, in that order. The four medium rated markets include Bloemfontein., East London, Pietermaritzburg and Port Elizabeth, while the other six smaller markets are Kimberly, Klerksdorp, Springs, Uitenhage, Vereeniging and Welkom (NFPM stat, 2016). The performance of all NFPMs depends more on the level of production in the agricultural sector.

NFPMs started out as meeting places between farm producers and consumers. Most NFPMs are centrally located cities, and this has led to the development of central markets and farmers (DoA, 2005). The role of the fresh produce market was and still is to provide the necessary and obvious facilities to compensate for and cover the growing gap in the market that was emerging. The provision of these NFPMs was to allow for equal trade opportunities for large scale commercialised producers as well as smallholder farmers producing small quantities of produce. The NFPMs have allowed for small scale producers to find a market and sell their products easily, as the barriers to entry into the market would otherwise be near impossible.

METHODOLOGY

The analysis takes into consideration of the nineteen (19) National fresh produce markets. That is, the Tshwane, Johannesburg, Bloemfontein, Kimberly, Cape Town, Port Elizabeth, East London, Durban, Pietermaritzburg, Welkom etc. Fresh produce markets such as Polokwane and others were not included due to the fact that the markets are no longer operating. Market performance analysis covers the 2007 – 2016 period, with focus on market shares of the 19 major fresh produce markets (NFPM stat, 2016). The rationale behind the inclusion of the operating fresh produce markets was as a result of informing the small-scale farmers on the existing market opportunities looking at the fresh products that are highly demanded. Many big buyers, including major chain stores, exporters, wholesalers and informal traders buy from the Johannesburg fresh produce market and also other fresh produce markets in cities around the country are also reaching out to small-scale farmers in their areas (HSRC, 1991).

In other context, yearly sales of fruit and vegetable products in the 19 major fresh produce was assessed. The inclusion of the main fruits and vegetables in the analysis was to give facts to small-scale farmers on main products that can be supplied to the NFPMs based on the level of consumption. The analysis also included average price for fruit and vegetable products which are believed to be determined by the interaction between supply and demand. The analysis included five major fruits and vegetables that were sold on the 19 major fresh produce markets over the past ten years to track their performance (NFPM stat, 2016).

REFERENCE

- Growth Commission, 2008.** The Growth Report strategies for sustained growth and inclusive development, World Bank, Washington
- Louw, A., Chikazunga & Ndanga, L., 2008.** The Role of Fresh Produce Markets in South Africa. Regoverning Markets
- National Agricultural Marketing Council (NAMC), (2000).** Report on the Investigation into Fresh Produce Marketing. Report 2: Fresh Produce Marketing in South Africa, 2000.

RESULTS AND DISCUSSIONS

In terms of vegetables, a significant 49.5 percent of the total volume produced was sold through NFPMs, with their biggest competition being that of sales direct to retail (Louw *et al.*, 2008; NAMC, 2000). **Figure 1** illustrates total sales of fruit and vegetable products across the 19 NFPMs between 2007 and 2016, measured in tons and Rand. The volume of fruits and vegetable products sold was stable but the price trend was increasing during the period under review. During 2016, 3.04 million tons of fresh fruit and vegetable products valued at R13 657 million were sold across all NFPMs. This reflects an increase of 6.7% from the 3.16 million tons in 2014 and a decrease of 0.01% in the turnover from 2014 (R13 681 million).

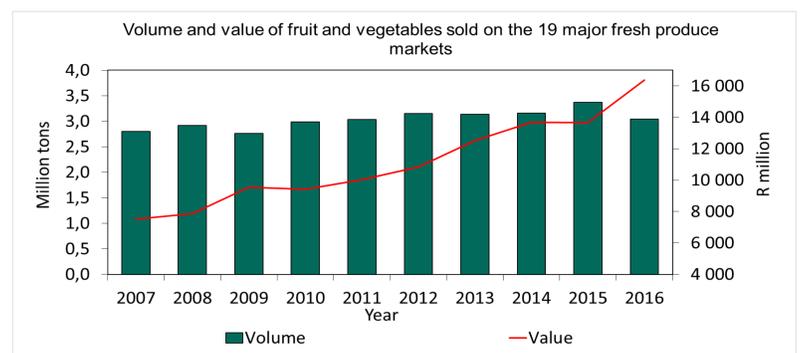


Figure 1: Volume and mass of fruit and vegetables sold, 2007-2016
Source: NFPM statistics, 2016

Figure 2 highlights the market share of the 19 major fresh produce markets, by turnover in 2016. It is evident that the Johannesburg market is by far the largest market produce market in south Africa, followed by the Tshwane, Cape Town and Durban markets. Although the Johannesburg fresh produce market has a 43.2% market share of the total turnover, it only has a 41.5% share of the total volume traded. This implies that more favourable prices are realised in this market.

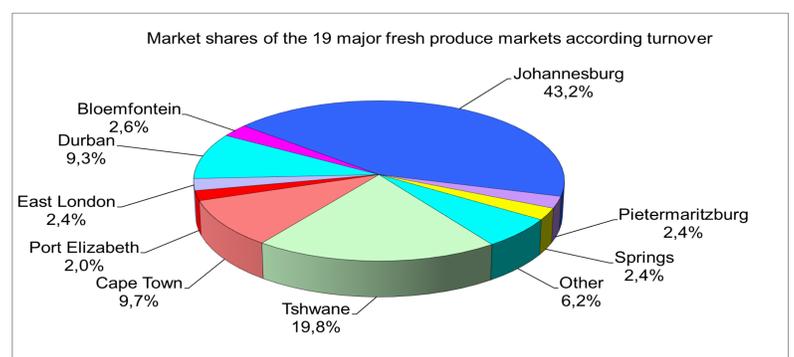


Figure 2: Market shares of the 19 major fresh produce markets, 2016
Source: NFPM statistics, 2016

The following major types reflected decreases in the quantity sold: bananas (28,7%), oranges (22,2%), pineapples (17,9%), mangoes (16,1%) and nectarines (5,6%). The volume of watermelons sold increased by 11.2%, lemons by 5,4%, strawberries by 3,8% and pears by 2.8%. The major vegetables sold in fresh produce markets were potatoes (921 291 tons), onions (365 587 tons), tomatoes (271 523 tons), carrots (123 566 tons) and cabbages (101 056 tons). The quantity of tomatoes and cabbage sold increase by 3,8% and 3,0% respectively while potatoes (15.0%), , onions (2.2%) and carrots (0.1%) (NFPM stat, 2016).

CONCLUSION

Agriculture remains the best opportunity for the people living in smallholder household to escape poverty through income growth (Growth commission, 2008). The creation of NFPMs presents opportunities for new, emerging and small-scale farmers through addressing some of the problems they face. Development and changes within the NFPMs have a positive impact on assisting small-scale farmers by providing them with market information and linking them with reliable market access. The small-scale farmers should therefore consider producing agricultural products that are in demand, especially in the NFPMs. Bananas & oranges (potatoes & onions) were presented to be highly demanded fruits and vegetables respectively. South Africa's fresh produce sold in the NFPMs are also consumed by neighbouring countries, such include Swaziland and Mozambique etc. consume produce from NFPMs. Therefore, NFPMs present a reliable opportunity for farmers to gain more market access.