

MARKET ACCESS BRIEF

HISTORICALLY DISADVANTAGED BLACK MARKET AGENTS AND THEIR DESPERATE PLEA FOR ASSISTANCE

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The National Agricultural Marketing Council (NAMC) is a state-owned enterprise tasked to advise the minister on issues pertaining the marketing agricultural commodities. The mandate of this institution is derived from the Marketing of Agricultural Products Act (47/1996) (MAP Act). This act empowers the NAMC to promote access to markets for all participants with a conscious bias to the historically disadvantaged stakeholders' such as black farmers and marketing agents.

In 2006, the NAMC conducted a Section 7 investigation on National Fresh Produce Markets (NFPMs) due to three concerns. Namely, the apparent slow pace of transformation of NFPMs; market access problems highlighted by black producers; and the evident declining competitiveness and efficiency of NFPMs in providing services to low-income consumers and the informal sector. In brief, the study recommended four proposed targets on market access and transformation, that were to be achieved by 2014. These included 30% of volumes to be traded through black commission market agents, at least 25% of existing agencies to have Black Economic Empowerment (BEE) involvement/ participation, every market to identify five black sales people of reputation and ability to become market agents, and 50% of the market masters to be black. However, it remains unclear if these targets have been met or whether they are sufficient to bring about the desired results

on market access and transformation for blacks in areas where they have been successfully implemented.

In the interest of ascertaining what is happening on the ground, the NAMC had an engagement with the leadership of the Council for Black Market Agents (CBMA). CBMA is a legally registered Non-Profit Organisation (NPO) that represents the interests of black-owned, managed, and controlled black market agents operating in NFPMs. CBMA exists to advocate for the advancement and development of black-market agents within the industry, with the view to promote their inclusion, growth, competitiveness, and equitable participation in the sector. CBMA comprises of five (5) market agencies, i.e., Metro Market Agency, Catu Market, Pula Nala Market Agency, Egoli (based in Joburg Market), and Freshway **Market Agents (based in Tshwane Market)**.

The following challenges were identified as crucial deterrent factors encountered by black participants, especially for market agents in NFPMs. First, there is a lack of support. While some smallholder farmers receive some form of support (for instance production inputs), black-market agents have not received help, be it in terms of funding the initial starting costs (e.g., the acquisition of the Agricultural Produce Agents Council (APAC) permit, office space, furniture,

equipment, ... etc). These initial costs require at least R500 000. Second, about 95% or more of fresh produce supplies in NFPMs handled by black market agents comes from smallholder farmers, whose participation in these markets is glaringly minimal and does not reflect the country's demographics.

Third, black market agents are not involved in the marketing of the top-selling commodities (such as potatoes, onions, bananas, apples, and tomatoes). Yet, these commodities contribute over 65% of the total turnover NFPMs. This challenge stems from the fact that these products are produced by commercial farmers who may not necessarily want to supply the black market agents. CBMA clarified that the supplies from predominantly white commercial farmers to black-market agents are blocked by generational relationships with big white market agents. This

arrangement has been noted to be entrenching racial patterns in the value chain. Fourth, is the minimum floor trading space allocated to new black agents.

Additionally, the floor trading spaces allocated to the black market are not strategically positioned in the sense that the agents are placed at the peripherals of the trading floor, where buyers don't readily go. This indirectly renders the black market agents less competitive on the level as most buyers stop at strategic positions on the trading floor. This is further exacerbated by the high cost of recruiting experienced salespersons. These challenges and many others faced by black market agents in NFPMs reveal the lack of transformation and the wrong way of wealth distribution based on races within agricultural value chains in South Africa.

What should be done? To redress the challenges above, the following propositions were made.

- There is a need to assist with procurement issues through developing black farming enterprises, fully equipped with packhouse facilities and logistic trucks to address the issue of product supply to black-market agents
- There is a need to address the generational relationships which often constrain the meaningful participation of black market agents in NFPMs. This could be through rendering financial assistance to enable black participants with the initial cost of establishing competitive market agents. This may be achieved by using part of the 20% levy expenditure ring-fenced to address transformation issues by the different agricultural industries. More financial resources may as well be sought from government programs aiming at uplifting smallholder farmers (e.g., Comprehensive Agricultural Support Programme (CASP)).
- There is a need to increase the size of the space allocated to black agents, and these spaces should be strategically positioned on the trading floor to attract high traffic of buyers.
- The management of NFPMs should assist with the administration of new black market agencies, render mentorship in management aspects for the new black-market agents. Also, the management of NFPMs should implement lower commission concessions over a specified time frame, during which new black market agents have to become fully established in this competitive business.
- The NFPMs should have a transformation policy that covers areas like assistance for new black agencies with operational costs, procurement of farmers' produce, administration, and training.

This brief emanates from discussions held between the National Agricultural Marketing Council (NAMC) and the leadership of Council of Black Market Agents (CBMA)

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About NAMC

The National Agricultural Marketing Council was established in terms of the MAP Act No. 47 of 1996, as amended by Act No 59 of 1997 and Act No. 52 of 2001. We provide strategic advice to the Minister of Agriculture, Forestry and Fisheries on the marketing of agricultural products.

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