

Regulation of
Fresh Produce
Trading &
Implications for
the Future

13 June 2023

NAMC Fresh Produce
Market Information Day



Principle 1: People (farmers)

Choose wisely.

Agriculture is the business of people.

Relationships of trust.

SA Grey listing.



Principle 2: Does a farmer have a “market” or offset?



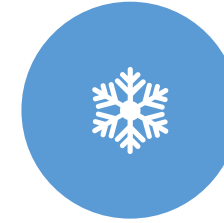
THE EFFORT.



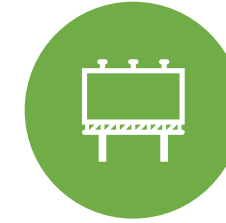
JUSTIFYING THE
INPUT COST (SUCH
AS SEEDS &
SEEDLINGS).



FOCUS ON QUALITY
AND OUTPUT.



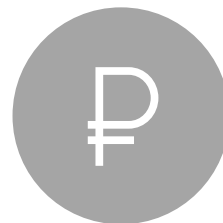
INCREASED YIELDS.



MARKETING.



SALES -
EXPORT/MARKET/W
HOLESAL/RETAIL/O
UT OF HAND SALE.



TRANSLATION OF
EFFORT INTO
PROFIT.



MAKING A LIVING.

Principle 3: Market or not?



Origin of markets

- Platforms to facilitate trade on every continent and in all countries around the world as a meeting place between farmers & consumers.
- Trade under the control of a government body or official.
- Today they remain centralized places where buyers and sellers meet to negotiate and facilitate the trading of commodities, products, items and goods.
- FPMs create a node for trade as price formulators and for the facilitation of the marketing and distribution of agricultural products on offer.

Key points of FPM's

- Initially – to fill the emerging gap in the market between large- and small-scale trade.
- Commercialization/privatization increasing, a growing gap between production and the share that is traded at FPM's.
- Progressive demise due to fundamental macro economic factors:
 - Improved transportation systems (easier market access)
 - Technical advances (critical to the fresh produce arena)
- Commission system remains the most relevant & dominating price discovery mechanism.
- Linkage of small commercial farmers (training & market information).
- Retail concentration is putting pressure on FPM's.
- Satellite markets are beneficial to the growing informal sector.

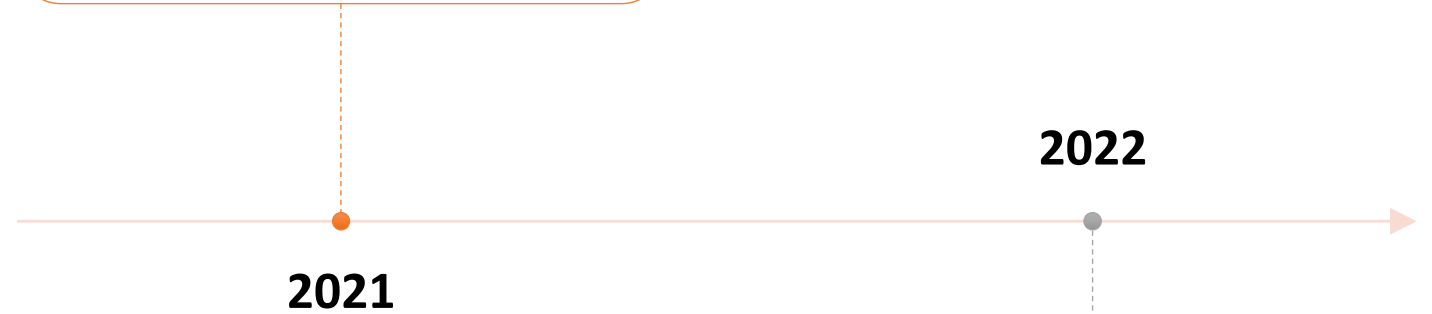
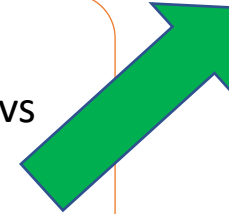
Markets in SA



- 1940: 134 municipal markets in South Africa.
- 1967: (Department of Agricultural Economics) formation of 14 markets of national interest as opposed to the smaller centralized markets.
- 2022: 39 Market platforms
 - 17 Off market agencies.
 - 15 Markets of National Interest.
 - 7 Regional Markets.
- 924 Market Agents (167 Directors, 757 Sales personnel).

Market performance

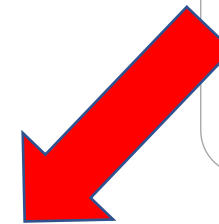
Volumes sold 2021 vs 2022 (2,40% increase).



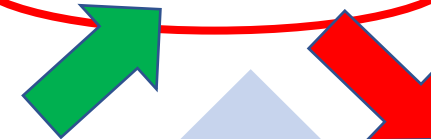
2022

2021

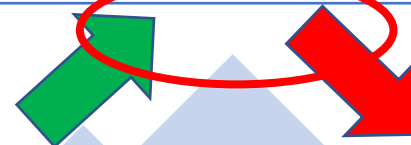
Turnover (2021 vs 2022) (0,89% decrease).



	APRIL 2022		APRIL 2023		% GROWTH		RAND PER TONNE		MARKET SHARE (%)
	TURNOVER	MASS SOLD	TURNOVER	MASS SOLD	2022	2023	2022	2023	
	RAND	met.ton	RAND	met.ton	%	%	RAND	RAND	
JOHANNESBURG	R 741,182,667.00	115035	R 865,763,907.00	102265	16.81	-11.10	6,443.11	8,465.89	46.52%
TSHWANE	R 300,392,203.03	50,048	R 340,171,108.73	44,271	13.24	-11.54	6,002.08	7,683.84	18.28%
CAPE TOWN	R 171,907,462.30	23,367	R 189,163,110.60	19,981	10.04	-14.49	7,356.85	9,467.15	10.16%
DURBAN	R 151,334,812.92	24565	R 188,537,215.12	23719	24.58	-3.44	6,160.59	7,948.78	10.13%
SPRINGS	R 45,640,828.00	8795	R 54,706,326.20	8485	19.86	-3.52	5,189.41	6,447.42	2.94%
EAST LONDEN	R41,584,615.13	6433	R45,223,776.08	5649	8.75	-12.19	6,464.26	8,005.63	2.43%
BLOEMFONTEIN	R 37,968,269.39	6030	R 43,745,842.66	6000	15.22	-0.50	6,296.56	7,290.97	2.35%
KLERKSDORP	R 31,903,658.85	5953	R 32,907,978.91	4755	3.15	-20.12	5,359.26	6,920.71	1.77%
PORT ELIZABETH	R 25,375,053.07	4263	R 29,146,183.20	3969	14.86	-6.90	5,952.39	7,343.46	1.57%
PIETERMARITZBURG	R 28,051,584.73	4941	R 28,396,933.50	4374	1.23	-11.48	5,677.31	6,492.21	1.53%
WELKOM	R 21,341,459.00	4117	R 25,649,391.70	3773	20.19	-8.36	5,183.74	6,798.14	1.38%
VEREENIGING	R 4,843,178.00	1173	R 5,398,072.00	950	11.46	-19.01	4,128.88	5,682.18	0.29%
WITBANK	R 4,099,821.90	860	R 4,539,450.74	760	10.72	-11.63	4,767.23	5,972.96	0.24%
KIMBERLEY	R 3,279,803.49	553	R 4,039,872.44	476	23.17	-13.92	5,930.93	8,487.13	0.22%
NELSPRUIT	R 1,882,785.00	377	R 3,549,422.00	499	88.52	32.36	4,994.12	7,113.07	0.19%
UMTATA	R 170,337.00	56	R 48,781.00	14	-71.36	-75.00	3,041.73	3,484.36	0.00%
	R 1,610,958,538.81	256566	R 1,860,987,371.88	229,440	15.52	-10.38	6,278.02	8,093.36	



	MAY 2022		MAY 2023		% GROWTH		RAND PER TONNE		MARKET SHARE (%)
	TURNOVER	MASS SOLD	TURNOVER	MASS SOLD	TURNOVER	MASS	2022	2023	
	RAND	met.ton	RAND	met.ton	%	%	RAND	RAND	
JOHANNESBURG	R 716,027,023.00	118,062	R 928,398,276.00	115,900	29.66	-1.83	6,064.84	8,010.34	45.00
TSHWANE	R 285,431,182.72	50,968	R 377,835,674.94	51,624	32.37	1.29	5,600.20	7,318.94	18.32
CAPE TOWN	R 177,983,788.79	25,340	R 217,071,548.43	24,973	21.96	-1.45	7,023.83	8,692.25	10.52
DURBAN	R 147,310,608.64	24,935	R 204,405,440.86	25,702	38.76	3.08	5,907.78	7,952.86	9.91
BLOEMFONTEIN	R 41,368,133.35	7,272	R 52,634,329.39	7,358	27.23	1.18	5,688.69	7,153.28	2.55
EAST LONDEN	R 42,677,193.06	7,059	R 52,887,082.22	6,519	23.92	-7.65	6,045.78	8,112.76	2.56
PIETERMARITZBURG	R 28,213,347.63	5,690	R 34,450,327.20	5,287	22.11	-7.09	4,958.41	6,516.49	1.67
SPRINGS	R 51,917,673.30	10,733	R 68,436,742.31	10,867	31.82	1.25	4,837.20	6,297.77	3.32
PORT ELIZABETH	R 25,017,855.62	4,704	R 34,379,545.72	4,199	37.42	-10.74	5,318.42	8,187.96	1.67
KLERKSDORP	R 29,707,805.04	5,865	R 38,127,784.89	5,339	28.34	-8.96	5,065.27	7,141.05	1.85
WELKOM	R 24,059,038.80	4,737	R 32,311,236.05	4,851	34.30	2.41	5,078.96	6,660.37	1.57
VEREENIGING	R 5,303,401.00	1,295	R 7,652,423.00	1,313	44.29	1.41	4,095.29	5,827.04	0.37
KIMBERLEY	R 3,458,145.76	661	R 4,242,502.58	598	22.68	-9.53	5,231.69	7,094.49	0.21
WITBANK	R 4,547,573.28	926	R 5,722,539.11	871	25.84	-5.94	4,910.99	6,570.08	0.28
NELSPRUIT	R 2,433,112.00	460	R 4,364,533.00	471	79.38	2.39	5,289.37	9,266.54	0.21
UMTATA	R 73,357.00	21	R 0.00	0	0.00	0.00	3,493.19	0.00	0.00
	R 1,585,529,238.99	268,728	R 2,062,919,991.70	265,873	30.11	-1.06	5,900.13	7,759.06	





Where is the
problem?

Generic Threats to FPM's

- No or limited reinvestment into municipal markets.
- Bad management.
- Decreasing market share.
- Overall sustainability.
- Increased quality & health standards (becoming the norm).
- Private sector is slowly moving away from FPM's.
- The system in use at FPM's (to accommodate large; small-scale farmers; & formal; and informal sector) must be "remodeled".



What is happening in the world (2022)

- The war in Ukraine
 - Ukraine has promised to export more grain to African Countries (food security).
 - Africa relies on Russia/Ukraine grain imports.
 - Negative impact on disruption of world food supply.
 - Ukraine exports will (hopefully) stabilize food supply & pricing (for the continent).
 - Russia/Ukraine supplies a quarter of global wheat – some African countries take up to 80% of these exports.

What is happening in the world (2)

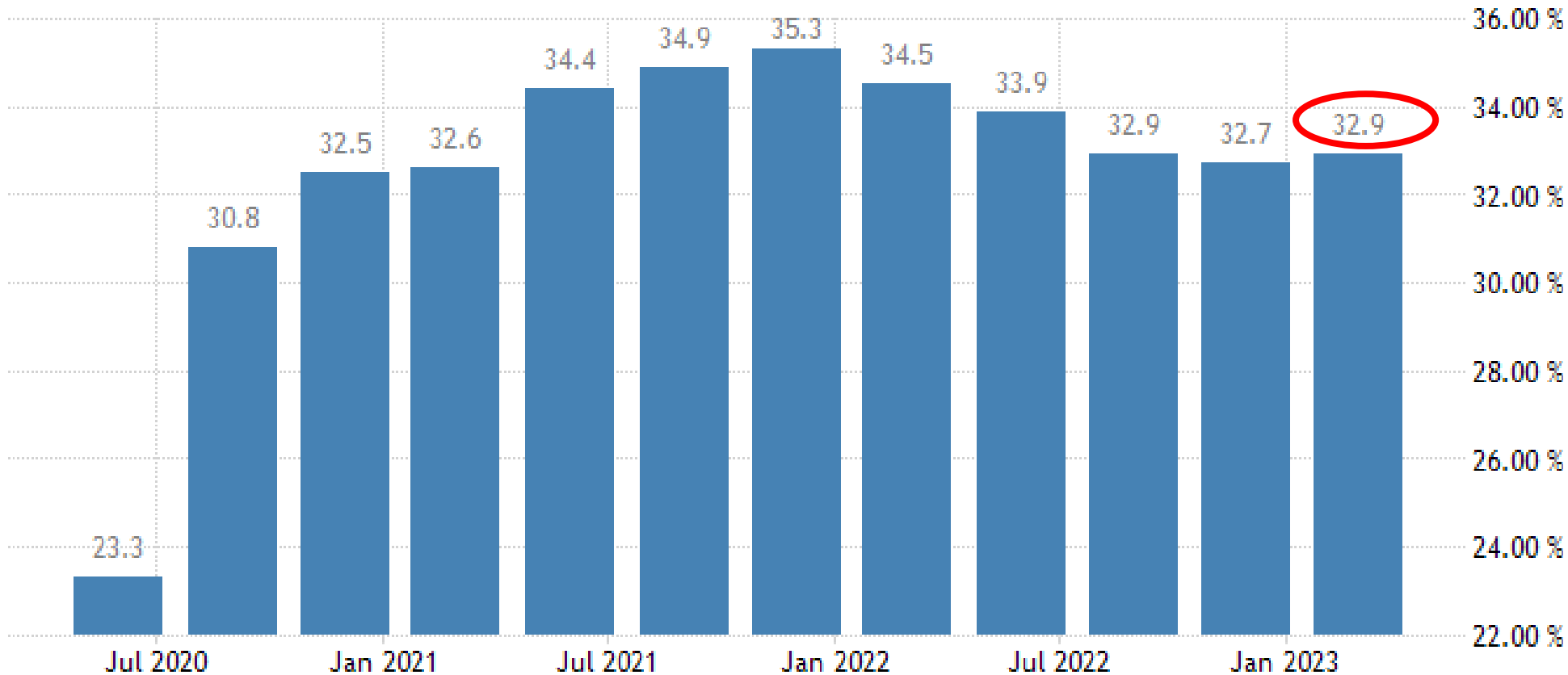
- AMIS market monitor
 - International food prices have returned to levels last seen before the war.
 - Several prices driving prices high,:
 - High energy costs.
 - High fertilizer costs.
 - Low stock-to-use- ratios for some commodities.
 - Poor weather in key producing countries.
 - Food price inflation remains a concern globally.
 - Locally food prices have increased between 10% and 30% over the last year.



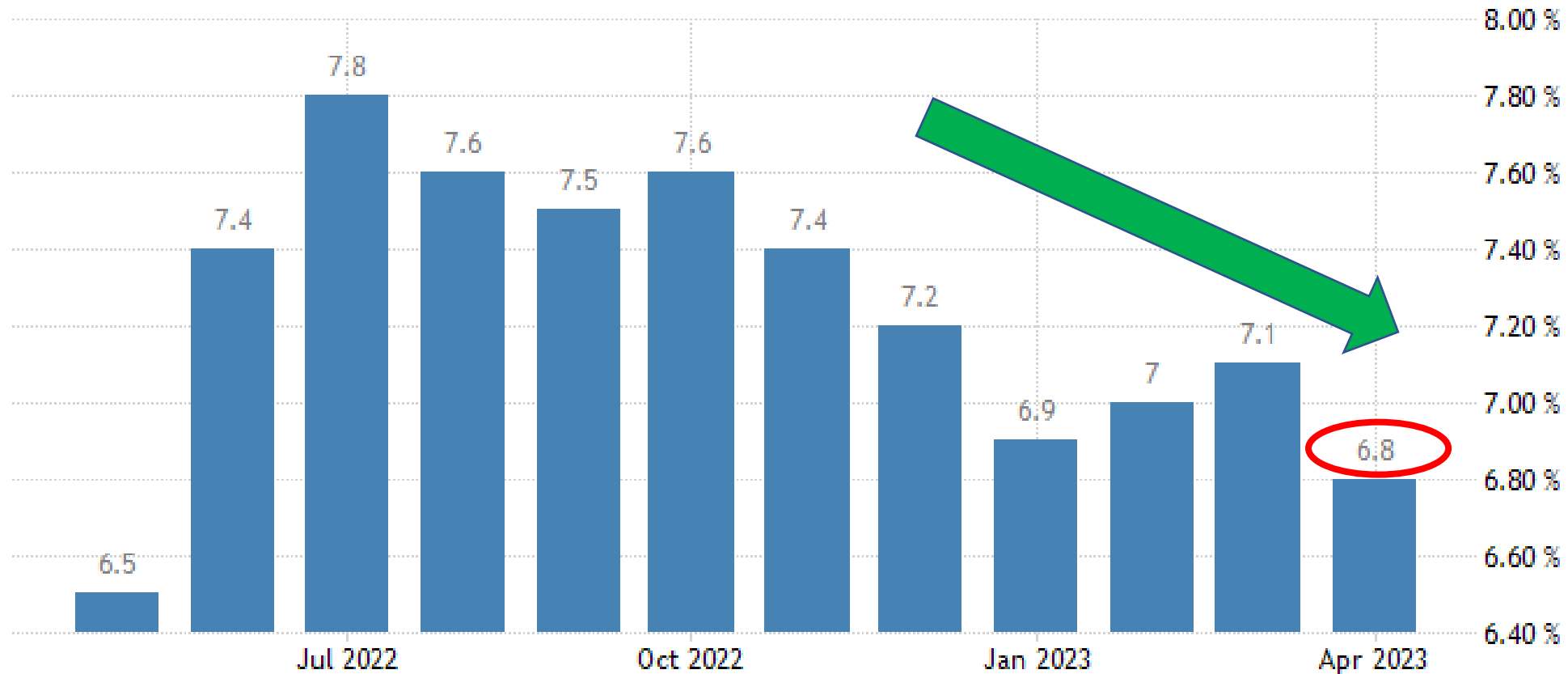
Domestic highlights (trouble)

- Load shedding
 - Everyday.
 - Diesel shortage.
 - Massive impact of agriculture (decreased production)
 - Storage issues.
- Water scarce country
 - Lack of investment.
 - Infrastructure short comings.
 - Underprepared infrastructure (Cholera).

SA Unemployment (32.9%)



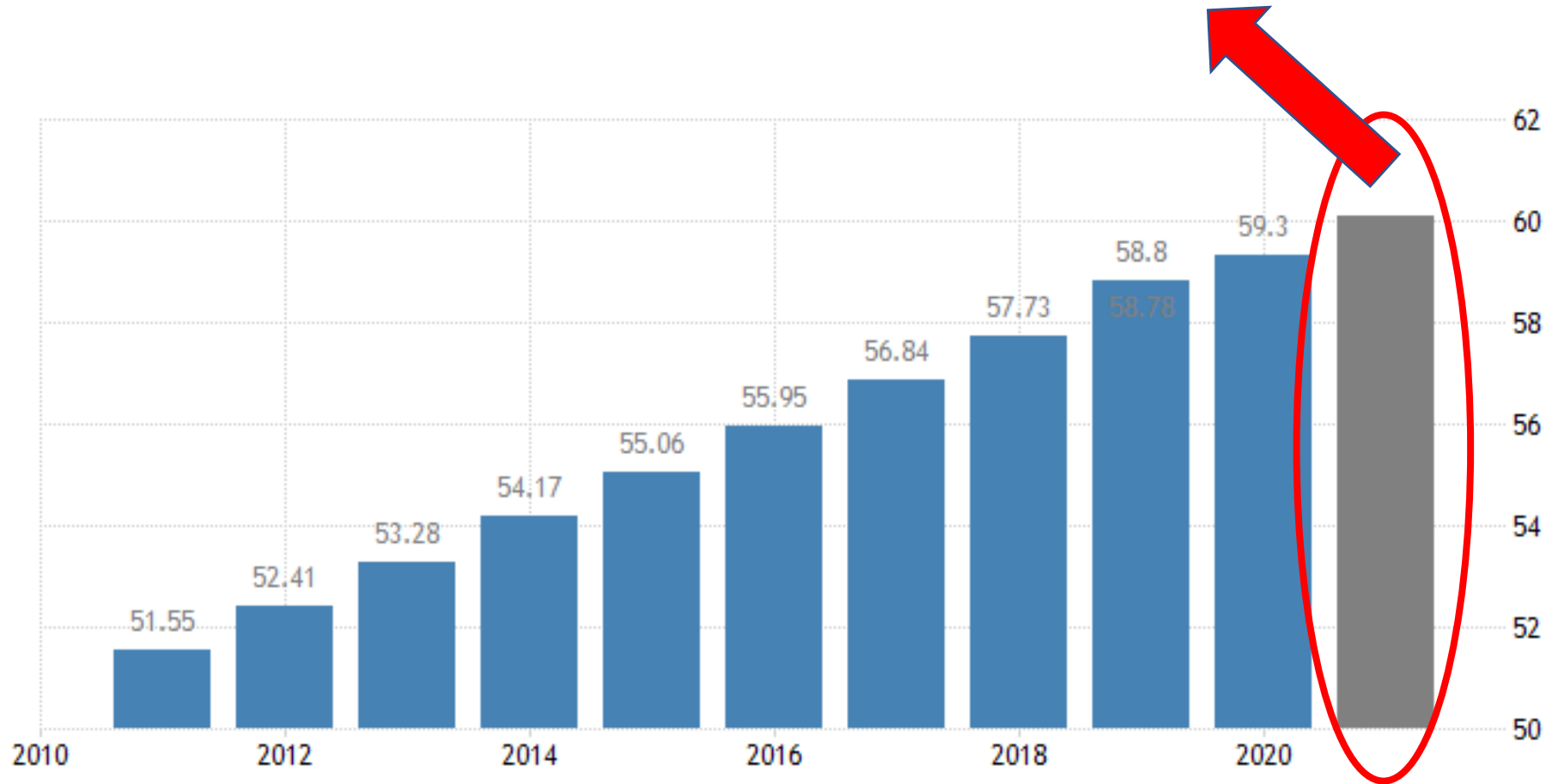
SA Inflation Rate (7.23%)



Domestic highlights (trouble)(2)

- High crime rate and corruption.
- Unsustainable and resource-intensive growth path.
- Ailing public health system and massive disease burden.
- Fuel price.
- Weakening Rand.
- Transnet vows
 - Ports & freight rail network – force majeure in 2022 (Reuters).
 - Strike over wages.
 - Transport & export of goods and services were directly interrupted.
 - Supply shortages and price volatility.
- Many more.

SA Population - today (61,469,429)



SOURCE: TRADINGECONOMICS.COM | STATISTICS SOUTH AFRICA



The focus on
an agent

The “Perfect” Agent



Why the need for Regulation?



When they work well,
democratic governments make
laws to protect people from
harmful things that they cannot
prevent on their own.

The South African
Constitution, 1996

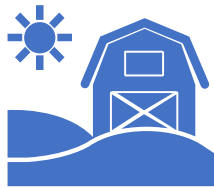


Regulations are vital to the proper function of
economies and societies. They create the “rules of the
game” for citizens, business, **government** and civil
society. They underpin markets, protect the rights and
safety of citizens and ensure good governance.



This is the basic role of good government.

APAC output



Why do we exist?

With responsibility, protect the interest of the farmer who uses a registered agent to sell his agricultural product
(Primary focus).



What are the goals of APAC?

Section 9 of the Act.
To regulate the occupations of agents in SA.
To maintain and enhance the status & dignity of the agents in the 3 areas that we regulate.
With responsibility protect the agents that we regulate **(Secondary focus).**



The need for ethical trading

VALID FOR 2 (TWO) YEARS
 FROM DATE OF ISSUE



CERTIFICATE SERTIFIKAAT

RAAD VIR LANDBOUPRODUKTE-AGENTE
AGRICULTURAL PRODUCE AGENTS COUNCIL

LEWENDEHAWE-AGENTE
LIVESTOCK AGENTS

BERTIFIKAATNOMMER
CERTIFICATE NUMBER

UITBEREIK INGEVOLGE ARTIKEL 16 VAN DIE
 WET OP LANDBOUPRODUKTE-AGENTE 1992
 (WET 12 VAN 1992)

ISSUED IN TERMS OF SECTION 16 OF THE
 AGRICULTURAL PRODUCE AGENTS ACT 1992
 (ACT NO. 12 OF 1992)

AAN
TO

OP DIE
ON THE

DAG VAN
DAY OF

REGISTRATEUR:
 VIR EN NAMENS
 DIE RAAD VIR LANDBOUPRODUKTE-AGENTE

REGISTRAR:
 FOR AND ON BEHALF OF
 THE AGRICULTURAL PRODUCE AGENTS COUNCIL



BEESWINKEL

IS YOUR AGENT COMPLIANT?

APAC **152**
 AGRICULTURAL PRODUCE AGENTS COUNCIL
Registered Livestock Agency

A certificate has been issued in terms of
 Section 16 of the Agricultural Produce
 Agents Act, Act 12 of 1992

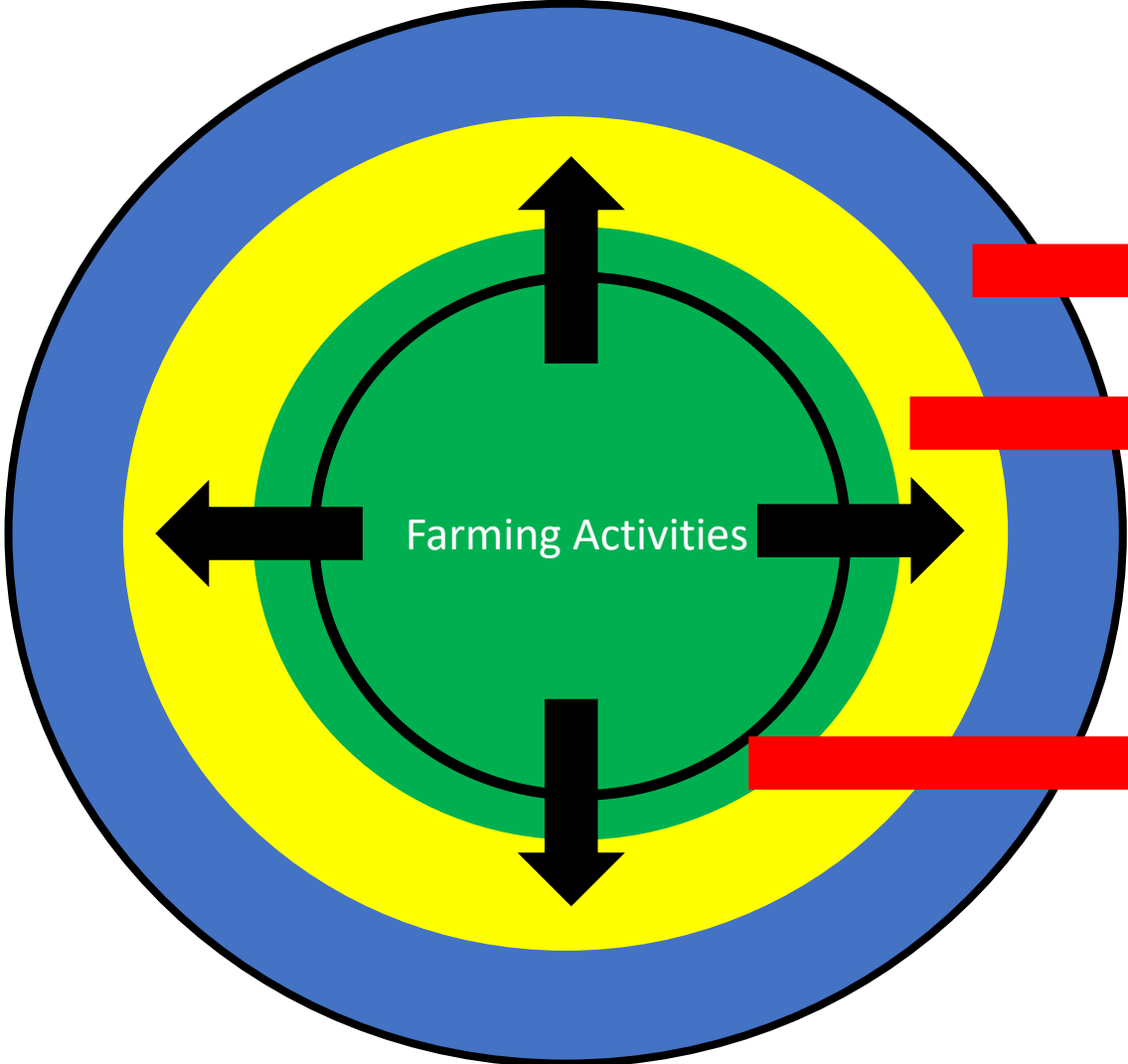
BeesWinkel - Mr P Van Heerden

Visit the APAC website to verify registration validity

DEMAND TO SEE IT!

The
Agricultural
Produce
Agents
Council
(APAC)





Farming Activities

Regulation - APAC

Commercial Activities
Space where agents & others operate

Value Chain Logistics

The APAC Legislative Framework

- **The Agricultural Produce Agents Act, Act 12 of 1992.**
- The Agricultural Produce Agents Amendment Act, Act 47 of 2003.
- The Act is supported by 3 sets of “ethical” rules:
 - **The Rules in Respect of Fresh Produce Agents**
 - **The Rules in Respect of Export Agents**
 - **The Rules in Respect of Livestock Agents**
- Covid-19 Directions (published on 31 July 2020).
 - Coincided with the “Amendment of Directions Regarding Measures to Address, Prevent and Combat the Spread of Covid-19 Relating to the Biodiversity Sector.
- **The APA Bill 2020 (at <https://www.dalrrd.gov.za>).**
- Biosecurity Rules (published on 13 November 2020).

An agent needs a platform





The focus on
the market

The 4 p's of marketing



PRODUCT (THE
FARMER).



PRICE (THE
AGENT).



PLACE (THE
MARKET).



PROMOTION
(ALL).

Constitutional mandate

In Chapter 5, section 83(1) of the *Local Government Municipal Structures Act, 1998* (Act 117 of 1998) specific (constitutional) functions and powers are assigned to municipalities. These powers and functions are embedded in the Constitution (section 156(1)(a)), allocating to a municipality the executive authority to administer local government matters as listed in part B, schedule 5.

This authority allows for, among other things, the establishment, control and operation of fresh-produce markets by municipalities in their areas of jurisdiction. By virtue of section 156(4), the administration of a market is assigned to local government only if it can **effectively perform** and **administer** this function locally and **has the required capacity to do so.**

Market **Municipal** By-laws

- Subject to National Legislation such as the APA Act, Act 12 of 1992.
- 3rd Sphere of Government Legislation (Local Government).
- By-law aims at governing all aspects that cannot be dealt with through operational policies or specific arrangements with role players such as lease contracts and rental agreements.
- Valuable tool in addition to Policies, SOP's, General Rules & Regulations.
- Disclaimer – be careful of Red Tape

The 4 pillars needed for a good market

Security.

Maintenance.

Hygiene

Good
management
(including a good
sales system).

The Competition Commission

- Welcomes the inquiry that might identify any features that may impede, restrict, or distort competition in an industry where we exercise regulatory oversight.
- APAC's goals are strongly aligned with what the inquiry seeks to investigate.
- Met with the CC on 22 April 2022 (1st engagement).
- Letter to CC on 1 May 2023 (APAC's official position).
- Elephant in the room – March 2017.
 - Search & seizure operation (high court order) – 9 agents at the Joburg/Tshwane Markets.
 - Investigation into agents that were allegedly “involved in prohibited coordination activities aimed at undercutting prices charged by smaller intermediaries by charging below market prices for certain agreed periods of a trading day.
 - Agents are the hero's – commission system & price discovery (APAC oversight).

A solution-based approach

- If all else fails, tell the truth.
- Don't compromise.
- If something is not working, we need to rethink our approach and change.
- **We cannot afford to lose our formidable institutions of price discovery.**
- Let us use anger in a positive way to change the conditions that make us angry.





Thank you

www.apacweb.org.za