



FRESH PRODUCE MARKET INFORMATION DAY REPORT



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ACKNOWLEDGEMENTS



The National Agricultural Marketing Council (NAMC) would like to thank all the presenters, industries, and farmers who participated in the fresh produce market information day. Furthermore, the NAMC extends its appreciation to the information day organisers, who contributed significantly to preparing this report. Mr Khathutshelo Rambau, Mr Lindikaya Myeki, Mr Kayaletu Sotsha, and Mr Elvis Nakana are all NAMC members.

The NAMC communications team is also acknowledged for creating the invitations, programme, and final report.

EXECUTIVE SUMMARY



On 13 June 2023, the NAMC conducted its first national market information day for the 2023/24 financial year. The information day aimed at addressing various topics related to marketing, production, and the legal framework within the fresh produce value chain. Six speakers were scheduled for the event and shared insights on various aspects of South African fresh produce markets, with consideration also given to the global market. The primary focus areas included:

- Vegetables in the fresh produce market space.
- An outlook on market agents in the fresh produce market value.
- Marketing of vegetables in the fresh produce market space
- Regulation of fresh produce trading and its implications for the future
- Contemporary issues include prices, climate change, electricity, and the Russia-Ukraine conflict
- Market access and recent developments in international trade.

However, due to the unavailability of one of the speakers, the information day only covered the five areas mentioned above. This report summarises that day's proceedings, intending to keep all participants and other interested parties well-informed about fresh produce markets in South Africa.

LIST OF ABBREVIATIONS



ABBREVIATIONS	EXPLANATION
AAMP	Agriculture and Agro-processing Master Plan
APAC	Agricultural Produce Agents Council
CBMA	Council for Black Market Agents
CGA	Citrus Growers' Association
DALRRD	Department of Agriculture, Land Reform and Rural Development
EU	European Union
FPEF	Fresh Produce Export Forum
FPMs	Fresh Produce Markets
GDP	Gross Domestic Product
IMASA	Institute for Market Agents of South Africa
NAMC	National Agricultural Marketing Council
SATI	South African Table Grape Industry
SAUFM	South African Union of Food Markets

1. OPENING AND WELCOME BY PROGRAMME DIRECTOR: **MS NOMANTANDE YEKI (NAMC)**



The programme director introduced herself and thanked the speakers and participants for their presence at the session. She hoped the session would be fruitful and beneficial for all attendees.

2. OPENING REMARKS BY THE NAMC: MR ELVIS NAKANA



Mr Elvis Nakana, from the National Agricultural Marketing Council, delivered the introductory remarks and thanked all attendees. He welcomed representatives from various organisations, including the South African Union of Food Markets (SAUFM), the Institute for Market Agents of South Africa (IMASA), the Council for Black Market Agents (CBMA), the Agricultural Produce Agents Council (APAC), Fruit South Africa (Fruit SA), the Department of Agriculture, Land Reform and Rural Development (DALRRD), the National Agricultural Marketing Council (NAMC), other government departments, and especially farmers and union representatives. He expressed the privilege of having everyone present, highlighting the NAMC's sense of duty, honour, and privilege in hosting the critical Fresh Produce Market Information Day.

The information day convenes quarterly with various partners, including government departments and industry organisations. Its purpose is to serve as a platform for exchanging information concerning a diverse range of critical and contemporary issues impacting South Africa's agricultural sector. These issues encompass horticulture, livestock, field crops, and agro-processing. In the first quarter of 2023, Statistics South Africa released Gross Domestic Product (GDP) figures indicating a 0.4% expansion, averting a technical recession. However, the Agriculture, Forestry, and Fishery industry experienced a notable decline of 12.3% during this quarter, contributing -0.4% to the overall GDP growth. This decline was primarily attributed to reduced economic activities in the field crops and animal products sectors, as reported by Statistics South Africa.

Furthermore, in the same year, net exports made a negative contribution of -0.2% to the total GDP despite noteworthy growth in exports (4.1%) and imports (4.4%). The 4.1% increase in exports during the quarter was primarily driven by higher rates in base metals, vegetable products, prepared food items, beverages and tobacco, machinery, and electrical equipment. Conversely, the 4.4% rise in imports was predominantly influenced by increased trade in machinery and equipment, chemical products, automobiles and transport equipment, prepared foodstuffs, beverages, and tobacco.

This analysis focuses on the six pillars of the Agriculture and Agro-Processing Master Plan (AAMP), which are dedicated to enhancing localised food production, reducing imports, and expanding agro-processing exports. The overarching goal of the AAMP is to foster an agriculture and agro-processing sector characterised by inclusivity, sustainability, competitiveness, growth, and, significantly, job creation, particularly in the horticultural production of fresh food. Fresh produce markets continue to play a pivotal role in distributing and marketing fresh food within South Africa. Additionally, they serve as crucial platforms for price discovery within the country's fresh produce market and marketing system. These markets also function as accessible and reliable points of market entry for emerging producers and traders, encompassing both formal and informal sectors. Several distinguished speakers will provide detailed insights into this pivotal topic during the session.

3. OVERVIEW OF FRESH PRODUCE MARKET VALUE CHAIN: MR THANDO MPHULU (SAUFM)



Mr Mphulu is a chairperson of the South African Union of Food Markets (SAUFM). SAUFM's mission is to act as a representative organisation for fresh produce market managers, with its core objectives being to establish a platform for regular engagement with all stakeholders in the fresh produce industry and to advocate for professional fresh produce market management, ultimately benefiting participants in the fresh produce marketing sector. The authority for their mandate is derived from Chapter 5, Section 83 of the country's Constitution. National governments often face challenges in intervening, as they are bound by the legislative framework. *"South Africa's market is crucial in ensuring accessible and affordable access to high-quality produce. The substandard and unsafe conditions at the market underscore a lack of recognition for the produce market's pivotal role in the nation's food security."*

A competitive environment is recommended within the fresh produce market. However, there has been no level playing field to ensure economic inclusivity. These challenges have made trading platforms intermediaries, emphasising the need for quality assurance for food produced and transported to the market and the crucial security to safeguard farmers. Additionally, it was noted that the government had allocated significant funds to small-scale farmers, but many of these payments lacked traceability. Furthermore, it was stressed that provisions should be made to accommodate newcomers. New farmers can be nurtured with support from the government and other collaborative partners.

4. PRICES, CLIMATE CHANGE, ELECTRICITY, AND RUSSIA-UKRAINE CONFLICT: MR THABILE NKUNJANA (NAMC)



Mr Thabile Nkunjana delivered a presentation in which he provided the background on 2022 and early 2023 in the fresh produce sector. The global agricultural sector faced numerous challenges, including soaring fertilizer and input prices, energy supply disruptions, climate-related issues, trade restrictions, and the consequences of the conflict in the Black Sea region. As of 13 March 2023, at least twenty-two countries had imposed 26 export bans on certain foods, while ten nations had implemented 14 export limitation measures. These challenges affected a variety of fresh produce, including onions, tomatoes, potatoes, and both fresh and processed fruits. In the European Union, global produce developments revealed energy supply issues, reduced production due to unfavourable weather, high fertilizer prices, and limited exports from key EU suppliers. In Africa, there was a growing demand for production alongside market inefficiencies. Mr Nkunjana highlighted that Africa remained the largest consumer of fresh produce. In 2022, South Africa exported vegetables to Africa (64%), the EU (22%), Asia, and the Middle East (10%). EU supplies were disrupted due to production and electricity issues. In 2021 financial year, the EU accounted for 34% of orange exports, with the Middle East accounting for 18%. Africa (29%) remained the primary market for apples, followed by the Far East and Asia (28%). South Africa's export market performed well in 2021/2022.

The pear market also demonstrated positive performance. Fruit prices fluctuated, particularly during the harvesting period in April, May, and June. Slow harvest seasons often resulted in price spikes. South Africa faced fresh produce challenges in the fruit industry, including infrastructure issues, load-shedding, EU market requirements for citrus exports, and insect outbreaks. Challenges in the vegetable industry included load-shedding, climate change, high input costs, insect outbreaks, and market access issues.

There was a growing global demand for South Africa's fresh produce, especially vegetables, with Africa being a leading market for vegetables and the EU. The production and export of several vegetables had increased over the years, particularly exports of potatoes to the African market and onions and pumpkins to the European Union. With government assistance through trade agreements, South African producers and exporters should target countries like China, South Korea, Japan, Vietnam, Taiwan, India, Saudi Arabia, the Philippines, and Bangladesh through bilateral trade agreements. These countries have large populations, promising economic prospects, and heavy reliance on agricultural imports, especially for fruit. From a global perspective, policy developments aimed at mitigating climate change, such as the EU nitrogen reduction measures, have the potential to reshape dynamics in the fresh produce market. Inefficiencies in production and market distortions in Africa present opportunities for South African fresh produce growers and exporters to expand their presence on the continent. The Middle East's growing population and economic potential offer room for further exploration.

5. REGULATION OF FRESH PRODUCE TRADING AND IMPLICATIONS FOR THE FUTURE: MR FRANCOIS KNOWLES (APAC)



Mr Francois delivered a presentation on behalf of APAC, focusing on regulating fresh produce and its implications for the future. During the presentation, three principles, were addressed. The first principle 1 which talks to farmers, advised them to choose their partners wisely when engaging in business interactions. When working with agents, producers should make careful selections as these individuals play a pivotal role in determining income and pricing for their businesses. Establishing a relationship of trust is paramount, especially since South Africa has been grey-listed; therefore, regulation is becoming increasingly crucial for the future. Second principle involves assessing whether the farmer has a viable market or offset: The effort expended by farmers should be justified, considering input costs, a focus on quality and output, increased yields, marketing and sales strategies, the transformation of effort into profit, and sustainable livelihoods. Third Principle, on market access, emphasizes the utilization of market platforms to facilitate trade across continents and countries worldwide, serving as meeting points for farmers and consumers. Government bodies or officials may regulate these platforms. Today, they serve as centralized hubs where buyers and sellers convene to negotiate and facilitate trade in commodities, products, items, and goods.

FPMs serve as pivotal nodes for trade, functioning as price formulators and facilitating the marketing and distribution of agricultural products. Some essential points to note about FPMs include their role in bridging the gap between large-scale and small-scale trade, the ongoing commercialization and privatization trends, the growing disparity between production and the share traded at FPMs, and their progressive decline driven by fundamental macro-economic factors. These factors include the continued relevance of the Commission system as the dominant price discovery mechanism, efforts to link small commercial farmers through training and market information, the influence of retail concentration placing pressure on FPMs, and the benefits of satellite markets to the expanding informal sector.

In 1940, 134 municipal markets in South Africa were registered with APAC. In 2022, there were 39 market platforms, including 17 market agencies, 15 Markets of National Interest, and 7 Regional Markets. During the 2021/2022 financial year, sales volumes increased by 2.4%, but turnover decreased by 0.89%. According to figures from April 2023, there was significant growth in turnover, with a 15% increase. However, there was a negative turnover in the mass of products sold through markets, highlighting the delicate balance of supply and demand. There are several generic threats to FPMs, including:

- Limited or no reinvestment into municipal markets.
- Poor management.
- Decreasing market share.
- Concerns about overall sustainability.
- Increasing quality and health standards, which are becoming the norm.
- The gradual shift of the private sector away from FPMs.
- The need to remodel the systems used at FPMs to accommodate both large and small-scale farmers as well as the formal and informal sectors.

He further stated that international food prices had returned to high levels, driven by various factors. Food price inflation remains a global and local concern, with food prices increasing between 10% and 30% over the last year. Locally, these prices are being affected by load-shedding and water scarcity due to drought. Recent statistics show South African unemployment at 32% and the inflation rate at 7.2%. With a population of about 61 million, South Africa must produce enough food to feed its citizens. The need for regulations arises from the fact that, when they function effectively, democratic governments create laws to protect people from harm that they cannot prevent on their own. Regulations play a vital role in ensuring the proper functioning of economies and societies. They establish the “rules of the game” for citizens, businesses, government, and civil society. Regulations are the foundation of markets, safeguarding the rights and safety of citizens and ensuring good governance. Upholding these principles is a primary responsibility of a well-functioning government. APAC’s responsibility is to protect the interests of farmers who use registered agents to sell their agricultural products. Its goal is to regulate the occupations of agents in South Africa, maintaining and enhancing their status and dignity in the areas they oversee while also ensuring the protection of the agents they regulate.

The Constitutional Mandate: Chapter 5, section 83(1) of the *Local Government Municipal Structures Act, 1998* (Act 117 of 1998), assigns specific (constitutional) functions and powers to municipalities. These powers and functions are enshrined in the Constitution (section 156(1)(a)), granting municipalities executive authority to administer local government matters as listed in part B, schedule 5. This authority includes establishing, controlling, and operating fresh produce markets by municipalities in their respective areas of jurisdiction. Section 156(4) further stipulates that the administration of a market is delegated to local government only when it can effectively perform and manage this function locally and possesses the necessary capacity to do so.

Market by-laws of municipalities are subject to national legislation, including the APA Act (Act 12 of 1992) and legislation of the third sphere of government (local government). These by-laws aim to govern all aspects that cannot be dealt with through operational policies or specific arrangements with role players, such as lease contracts and rental agreements. They are valuable tools besides policies, SOPs, general rules, and regulations. The Competition Commission acknowledges the inquiry that may identify any features that could impede, restrict, or distort competition in an industry where we exercise regulatory oversight. APAC's goals strongly align with the objectives of the enquiry.

QUESTIONS AND ANSWERS



Q: According to the presentation, is the market experiencing losses over time or at specific period of the year?

Ans: APAC is actively working on identifying solutions in collaboration with market authorities, NAMC, and the department. There was a project called Rebirth that initially focused on upskilling and improving markets. Unfortunately, this project is no longer practical as it operates on a voluntary basis.

Q: Are the markets appropriately positioned, or should they consider repositioning, given the instability of the coalition government observed in recent years?

Ans: Municipalities have frequently neglected the markets because they were not a priority. However, there have been discussions between South African Union of Food Markets (SAUFM) and SAGA, the organisation overseeing municipalities. They acknowledge the significance of advancing the market's agenda.

Q: How can APAC assist markets, particularly SAUFM, in addressing and speeding up transformation in fresh produce markets, which is lacking in some cases and extremely slow in others?

Ans: Transformation progress has been limited, and APAC has established a transformation committee to take a strategic approach to this issue. Market agents should not solely focus on sourcing the product but also consider the end market where they can sell it. The Competition Commission plays a crucial role in investigating these matters, and I encourage all stakeholders to collaborate with the Commission to assess the actual state of the industry.

6. MARKETING OF VEGETABLES IN THE FRESH PRODUCE MARKET: MR THOMAS MAWASHA (CBMA)



The purpose of the presentation was to provide a high-level overview of the National Fresh Produce Market channels, an overview of top-selling vegetables in NFPMs, and the key aspects of marketing vegetables in NFPMs.

Most vegetables produced in the country are primarily channelled through the National Fresh Produce Market, accounting for approximately 60% of all crops. A significant portion of South African vegetables is consumed locally, some exported to neighbouring countries such as Namibia, Botswana, and Lesotho. The top-selling vegetables include potatoes, accounting for 24% of commodities sold and approximately 36% of all vegetables procured in NFPMs. Tomatoes represent 10% of commodities sold in NFPMs and about 15% of all vegetables procured across the markets, followed by onions, which account for 13% of commodities sold and about 20% of all vegetables procured. Other vegetables like cucumbers, cabbages, and green peppers contribute 19% of commodities sold and about 29% of all vegetables procured across the markets. The total value of fruits and vegetables sold in National Fresh Produce Markets for the past financial year, which ended in June 2022, amounts to R20.9 billion. Sixty-six per cent of vegetables contribute to the total gross value of produce sold in NFPMs, which amounts to R9.8 billion - the gross turnover of the top three selling products (potatoes, onions, and tomatoes) in NFPMs. The sales value of vegetables in NFPMs grew by R693 million in 2022 compared to 2021. This growth was primarily due to inflation. The gross value of potatoes sold in NFPMs

in the past financial year was R5 billion, while the gross value of onions sold was R2.7 billion. Tomatoes had a gross value of R2.0 billion, and other vegetables sold in NFPMs had a gross value of R4 billion.

Products sold in NFPMs must adhere to specific standards, including being fresh, firm, and free from significant damage or blemishes. They must also be free from decay, insect infestation, and foreign matter. Additionally, products should exhibit uniform quality, colour, and sizing and meet grading requirements. Proper and clean packaging or containers that protect the contents without posing contamination risks are essential. Packaging should also feature adequate marking for traceability purposes, and packed products must meet mass requirements or acceptable capacity standards. Finally, pesticide residue levels should comply with the prescribed maximum limits per the Foodstuffs, Cosmetics, and Disinfectants (FCD) Act of 1972.

When utilising the NFPM channel, producers must first establish a relationship with a Fresh Produce Market agent. These agents receive a negotiated commission or compensation based on the sales volume at a predetermined service rate or scale. The NFPM channels offer benefits such as fair market prices and a trusted system. The demand for vegetables is rising and is expected to grow due to increased health consciousness among consumers and a growing population.

The Council for Black Market Agents (CBMA) is a legally registered non-profit organisation (NPO) that supports and represents black-owned, managed, and controlled market agents operating in NFPMs. CBMA's membership consists of black-market agents trading in Joburg and Tshwane Market. The organisation envisions economically and socially inclusive NFPMs that contribute equitably to the industry's success. Their mission is to promote the inclusion of black industry role players, ensure they receive adequate capacity-building, and enable them to compete freely in the market.

7. MARKET ACCESS AND RECENT DEVELOPMENTS ON INTERNATIONAL TRADE: MS FHUMULANI RATSHITANGA (FRUIT SA)



Fruit South Africa serves as an umbrella organisation for various fruit industry associations, including Berries South Africa, which represents blueberry, raspberry, and blackberry growers; the Fresh Produce Exporters Forum (FPEF), representing export agents; Hortgro, focusing on pome and stone fruit industries; the South African Subtropical Growers Association, managing affairs for avocado, mango, and litchi growers' associations, South African table grapes industry (SATI), and the Citrus Growers' Association.

The vision of Fruit SA is to work towards a competitive, equitable, and sustainable South African fruit industry. Its mission involves representing its members through advocacy efforts. The organisation emphasizes five key priority areas: transformation, market access, government and stakeholder relations, logistics and infrastructure, information management and communication on transformation. The industry's value surpasses R60 billion, with figures based on the 2020/21 season, while the 21/22 season data is currently being collated. Fruit production spans over 200 hectares of land, yielding 5.6 million tons of fruit. A significant portion, 65%, is exported to over 100 countries globally, with 11% sold domestically. The remaining 24% of fresh fruit is processed, and 1% is allocated for drying. The fruit industry plays a vital role in the South

African agricultural sector, contributing approximately 28% to the total Agricultural GDP of the country and accounting for about 35% of the country's agricultural exports, which make up about 35% of the total exports from the country. The industry employs over 290 000 people. South Africa's fruit production is geographically distributed across every province, depending on the climate, with the Western Cape being the largest producer. The EU is the largest export market for South African fruit, while the Asian market is also growing and accounts for about 19.5% of South African fruit exports.

Other significant markets include the Middle East, the UK, Russia, and the rest of Africa. Market access is of utmost importance to the South African fruit industry. South African fresh fruits encounter a highly competitive environment when engaging in international trade. Challenges include the absence of Free Trade Agreements (FTAs), or Preferential Trade Agreements (PTAs) compared to competitors in key markets and the imposition of increased tariffs. Traditional markets like the EU also have stricter import regulations.

A recent example is the Orange Protocol, where the EU mandates that fruit be stored at 2 degrees Celsius for 25 days, increasing the production costs for growers. Growers are already facing significant financial pressures. Additionally, there is a growing emphasis on sustainability requirements, which will further raise the export expenses for producers. The proliferation of numerous and continually expanding compliance requirements and costs is counterproductive for growers grappling with increasing financial burdens and reaping the lowest financial rewards within the value chain. Small and emerging growers are particularly hard-hit. The ongoing proliferation of compliance regulations translates into higher costs for producers.

The COVID-19 travel restrictions also had a significant impact on progress. As part of the negotiations or application processes, the countries for which South Africa is seeking access often need to send representatives

to South Africa for visa verification, which may not be familiar to some individuals. These factors resulted in a substantial increase in costs across the value chain. For instance, diesel prices rose by 25%, packing materials by 22%, and fertilizer costs by 80%. The high energy demand resulted in elevated costs, exacerbated by load-shedding, making it challenging to maintain irrigation schedules and cold-chain requirements. Load-shedding had a detrimental effect on the production and supply of certain packaging types, driving up the expenses associated with cold storage treatments in various markets. In conclusion, she emphasized that market access was crucial for sustaining the current status quo and promoting inclusive growth. Government and industry must collaborate to address gaps and capitalize on available opportunities.

QUESTIONS AND ANSWERS



Q: How is market access and traceability from smallholder farmers or producer groups to local markets, and how is that progressing and being monitored?

Ans: Fruit SA is not involved in traceability; nonetheless, for export markets, all exporters are audited by independent auditors; therefore, Fruit SA does not have a monitoring role in place. Their monitoring centres on implementing transformation efforts rather than the farm's commercial operations.

Q: How are smallholders and informal sector local market producers advised of the risks and, what to watch for, whom to alert so that they understand what the export requirements are, and they can address issues early because a lot of these could be amongst the extensive farm orchards?

Ans: Some members have transformation initiatives and work with small or emerging growers within their respective industries to prepare them for market readiness.

8. CLOSING REMARKS: MRS ELVIS NAKANA (NAMC)



Mr Nakana expressed his appreciation to the programme director for the commendable initiative and tremendous effort during the session. Special thanks were extended to all presenters for sharing their knowledge about various areas of fresh produce marketing in South Africa. Mr Nakana also emphasized the importance of increasing the share of black farmers in total production by 20% by 2030 to promote meaningful transformation in the agricultural sector towards a more inclusive future. All presentations were shared with the attendees.

11. APPENDIX: OFFICIAL PROGRAMME



09:30 - 09:40	OPENING AND WELCOME Nomantande Maki - NAMC
09:40 - 09:50	REMARKS BY NAMC Evelo Ndlovu - NAMC
09:50 - 10:10	OVERVIEW OF FRESH PRODUCE MARKET VALUE CHAIN Thando Mqulu - Chairperson for S4U/FA
10:10 - 10:30	DISCUSSION
10:30 - 10:50	AN OUTLOOK OF MARKET AGENTS IN FRESH PRODUCE MARKET VALUE CHAIN IMISA
10:50 - 11:10	DISCUSSION
11:10 - 11:30	TRANSFORMATION AND SMALLHOLDER PARTICIPATION Thomas Mawasha - CBMA
11:30 - 11:50	DISCUSSION
11:50 - 12:10	REGULATION OF FRESH PRODUCE TRADING AND IMPLICATIONS FOR THE FUTURE Francis Kwaalele - ARIE
12:10 - 12:30	DISCUSSION
12:30 - 12:50	MARKET ACCESS AND RECENT DEVELOPMENTS ON INTERNATIONAL TRADE Phumani Ratshikanga - Fruit SA
12:50 - 13:20	DISCUSSION
13:20 - 13:40	CONTEMPORARY ISSUE: PRICES, CLIMATE CHANGE, ELECTRICITY, AND RUSSIA-UKRAINE CONFLICT Thabile Nkunga - NAMC
13:40 - 14:10	DISCUSSION
14:10 - 14:30	CLOSING REMARKS Nonhlanhla Gwamanda - NAMC



It is important to note that the perspectives expressed by the various speakers solely represent their own viewpoints and do not, in any manner or context, purport to convey or reflect the official stance of the NAMC.

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