

South Africa's fresh produce markets and competition issues

- Today, the Competition Commission of South Africa released its final Report on the Fresh Produce Market Inquiry (FPMI). The authors came to the same views we held for years, clearly highlighted in the NAMC's Report on the National Fresh Produce Markets some years ago. So, in essence, the Commission's Report is a valuable resource about the industry's structure and price developments and primarily provides sensible and correct findings. The Report reaffirmed the importance of fresh produce markets in price discovery and food security.
- Another vital point the Report raises is the deteriorating infrastructure of various municipalities and others that should maintain or reinvest resources in the fresh produce markets. It again confirms the point we have been making for some time: that local government is the biggest culprit in all of this. In various ways, the service and governance of municipalities prohibit the participation of black farmers in economic and commercial activity. That is the single biggest reason these markets have few black farmers and black Agents. A case in point is Pretoria, where the operating conditions and infrastructure remain in bad shape, and the municipality -- custodians of the market—needs to improve and pay closer attention to it. The lack of maintenance presents problems such as cleanliness, hygiene, food safety, and cold and ripening rooms.
- However, the recommendations and some findings of the inquiry push the limits a bit by trying to be unrealistic. Some of the points raised move the inquiry outside the Competition Commission of South Africa's mandate and the initial scope of the FPMI. The most important recommendations are in itself uncompetitive by forcing quotas in terms of volumes and numbers.
- The Report correctly identifies the challenge of low participation of black farmers or small and medium-scale market producers. However, this issue is not unique to the markets; it resembles a broader challenge in South Africa's agriculture. The government-owned agricultural land – about 2,5 million hectares – is some of the land that could help boost black farmers' production. Indeed, not all this land is for fresh produce, but it would help.
- The Report correctly recognises that the established stakeholders in agriculture would have to help with skills transfer for new entrants; these are activities that even the Agriculture and Agro-processing Master Plan already supports and has identified.
- Regarding concentration and price transparency at the retail level, we see where the Competition Commission comes from, but there is no clear evidence of any wrongdoing amongst industry stakeholders. The FPMI could not find evidence that large retailers have excessive buying power over farmers when directly contracting with them. They make an interesting finding: "*....most growers appear not to be in a vulnerable bargaining position when dealing directly with large retail chains*". One reason is the

way the contracts are specified, as well as the fact that fresh produce markets provide an alternative market outlet for farmers. Retailers also do not demand exclusivity. It also confirms the vital role of fresh produce markets and why local governments must play their part.

- Regarding retail prices, the extra labelling burdens retailers, but the value to consumers is unclear. We would not support this suggestion. We already see that fresh produce prices in South Africa are relatively affordable, and there is transparency in price discovery. Therefore, in our view, all the other interventions won't add that much value except for "comparison".
- Overall, the Report is a valuable addition to deepening the understanding of the fresh produce market structure in South Africa. Notably, the findings and recommendations are not binding and the relevant line departments within government will need to assess these recommendations.

