



agriculture, forestry & fisheries

Department:
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REPUBLIC OF SOUTH AFRICA

Fresh Produce Market Monitor

No. 1 of 2015

Summary

- This issue will focus on performance, experiences and developments at the Springs, Vereeniging, Tshwane and Pietermaritzburg Fresh Produce Markets (FPM) since January 2015.
- **Springs FPM:** Total volume sold through the market has increased with a drop in total turnover compared to last year of the same period. The market infrastructure has been upgraded substantially through cash injection from Ekurhuleni municipality.
- **Tshwane FPM:** Total volume sold through the market increased while turnover dropped compared to last year of the same period. Major market infrastructure refurbishments took place.
- **Pietermaritzburg FPM:** Substantial improvements in operations and service standards as well as market infrastructure. The market experienced an increase in both volume and turnover.
- **Vereeniging FPM:** Slight increase in total volume and drop in turnover. Market attracting major investments from the Gauteng Department of Agriculture and Gauteng Economic Development as a result of recent positive developments.

Contents

1. Introduction	1
2. Prelude towards implementation of the Codes of Best	1
3. Scorecard on the Codes of Best Practice.....	1
4. Focus on the Springs FPM.....	2
5. Focus on the Tshwane FPM.....	5
6. Focus on the Pietermaritzburg FPM.....	7
7. Focus on the Vereeniging FPM.....	8
8. Stock Audits	9
9. Acknowledgements.....	10

1. INTRODUCTION

Project Rebirth for National Fresh Produce Markets is an initiative which has been established and institutionalised as a collaborative effort between government and the fresh produce industry stakeholders to revive the operations and service standards of national fresh produce markets across the Republic of South Africa (RSA). The initiative began in 2013 with the establishment of a National Steering Committee chaired by the Department of Agriculture, Forestry and Fisheries (DAFF), and is composed of representatives from Fruit South Africa (FSA, representing fruit producers), Institute of Market Agents of South Africa (IMASA, representing fresh produce market agents), Potatoes SA (PSA, representing potato producers), South African Union of Food Markets (SAUFM, representing market managers), Agricultural Produce Agents Council (APAC, as a regulatory body), Department of Cooperative Governance and Traditional Affairs (COGTA), and the National Agricultural Marketing Council.

During the past year in 2014, representatives of stakeholders (producers; market agents and market managers) on the National Steering Committee on Project Rebirth consulted their members to solicit inputs towards the development of the Codes of Best Practices (CoBPs) for National Fresh Produce Markets. The three stakeholders produced three separate drafts which were analysed and integrated into a composite document titled “Codes of Best Practice (COBP) for National Fresh Produce Markets as it pertains to market managers, market agents, producers, labour and service providers”. Subsequent to this, the second open fresh produce industry stakeholder session was held where the document was adopted by the fresh produce industry stakeholders.

The Codes of Best Practice are aimed at assisting fresh produce markets to improve their service standards and operations and are centered around ten pillars, which are on regulatory environment; communication and stakeholder engagement; consignment control and inspection; food safety, hygiene and cleanliness; safety & security; information management; risk & financial management; transformation; infrastructure and human capital development.

2. Prelude towards implementation of the Codes of Best Practice (CoBP)

The National Steering Committee, in its effort to identify impediments and critical success factors towards implementation of the Codes of Best Practices (CoBP) prioritized eight fresh produce markets for the implementation exercise. These markets are Springs Fresh Produce Market (FPM), Pietermaritzburg FPM, Matjhabeng (formerly Welkom) FPM, Matlosana (formerly Klerksdorp) FPM, Vereeniging FPM, East London FPM, Sol Plaatje (formerly Kimberley) FPM and Port Elizabeth FPM which were visited in the past year (in 2014). These are the markets identified during the scoping exercise known to experience greater bottlenecks in service standards.

In order to expedite this exercise, the National Steering Committee on Project Rebirth engaged various municipal authorities that own fresh produce markets, which are the Nelson Mandela Bay Metropolitan Municipality (Port Elizabeth FPM), Buffalo City Metropolitan Municipality (East London FPM), Sedibeng District Municipality (Vereeniging FPM), Matlosana Local Municipality (Matlosana FPM), City of Cape Town Metropolitan Municipality (Cape Town FPM), Matjhabeng Local Municipality (Welkom FPM), Sol Plaatjie Local Municipality (Sol Plaatje FPM) and Msunduzi Local Municipality (Pietermaritzburg FPM) to request their collaboration in resolving issues relating to governance, management and infrastructure maintenance and refurbishments. Specifically, this paper will focus on experiences and developments at Springs, Vereeniging, Tshwane and Pietermaritzburg markets.

3. Scorecard on the Codes of Best Practice

To facilitate implementation of the CoBP, a Scorecard was developed to assess the level of compliance at these markets (Annexure 1). The scorecard is comprised of 45 indicators reformulated as questionnaire to assist market managers, market agents, producers and other service providers to undertake a self-assessment exercise and identify

gaps that require short-term, medium-term and long-term attention. Subsequent to this, the ten pillars of the CoBPs were then allocated weights according to their relative importance and these are presented in Table 1 below:

Table 1:

CoBP Pillars	Weights
Human Capital Development	20%
Consignment Control	15%
Risk and Financial Management	15%
Infrastructure	10%
Transformation	10%
Regulatory environment	10%
Communication and Stakeholder Management	5%
Safety and Security	5%
Information Management	5%
Food Safety, Hygiene and Cleanliness	5%

Source: Directorate Marketing, Agricultural Produce Agents Council & Steering Committee on Project Rebirth

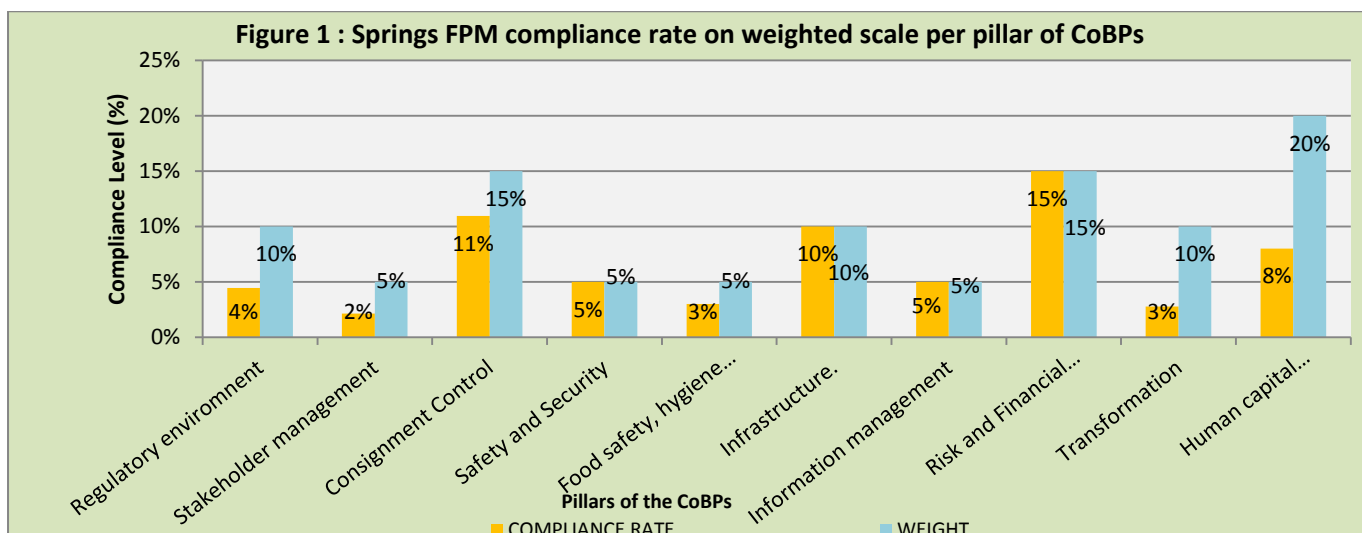
The weights indicate the relative importance of each pillar in the operations of a fresh produce market. Human capital development has been allocated the greatest weight based on the integral role played by management/governance in a fresh produce marketing environment. Consignment control, Risk and financial management are allocated equal weight since they are core to the business of a fresh produce market. However, the weighting does not signify that certain pillars are important than others.

In order to ensure that a market fully complies with a pillar, the market must attain maximum score for all indicators (as indicated on the CoBPs document) and provide proof of evidence as such. Each indicator within a pillar is given a score of 1 for compliance and 0 for non-compliance.

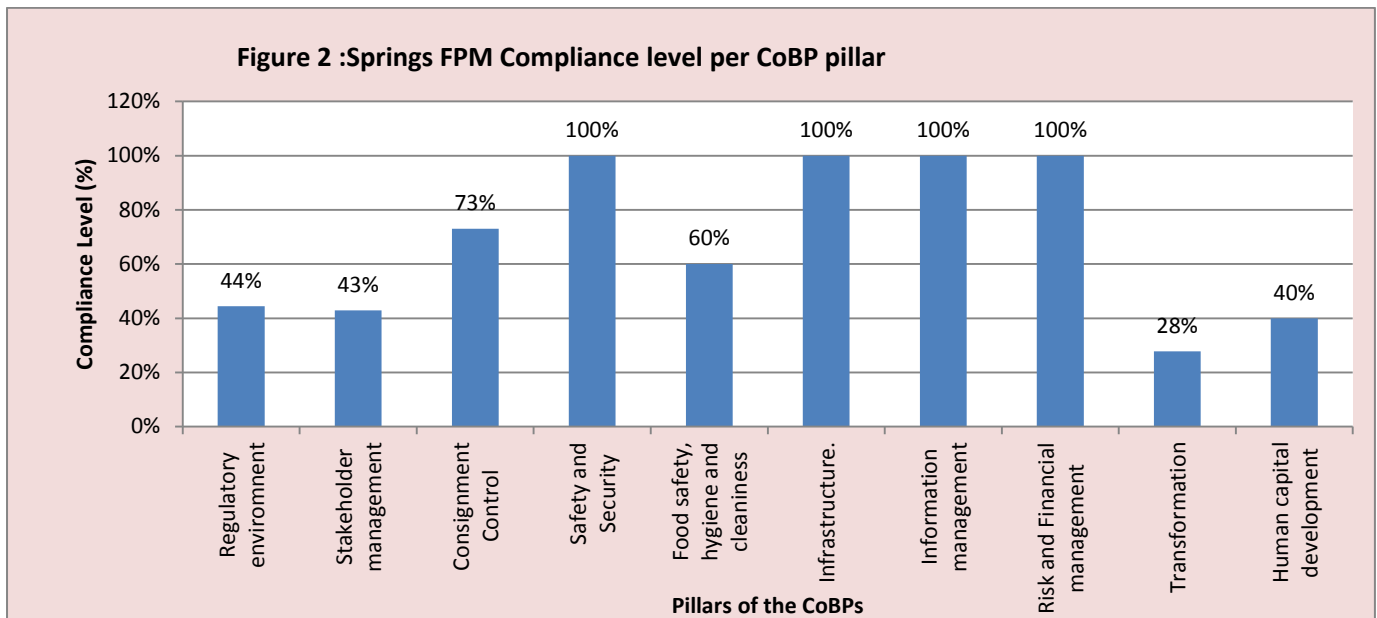
The Scorecard has been utilised at the Tshwane and Springs Fresh Produce Markets during the first phase with market management, the second phase will involve market agents of these markets.

4. Focus on Springs Fresh Produce Market.

Figures 1 and 2 below show the current levels of compliance to the CoBP at the Springs Fresh Produce Market.



Source: Springs Fresh Produce Market and Own calculations.



Source: Springs Fresh Produce Market and Own calculations.

It can be observed that the Springs FPM complies fully with respect to **Safety and Security, Information Management, Infrastructure and Risk and Financial Management** with compliance levels of 100%. This is attributed to the following facts:

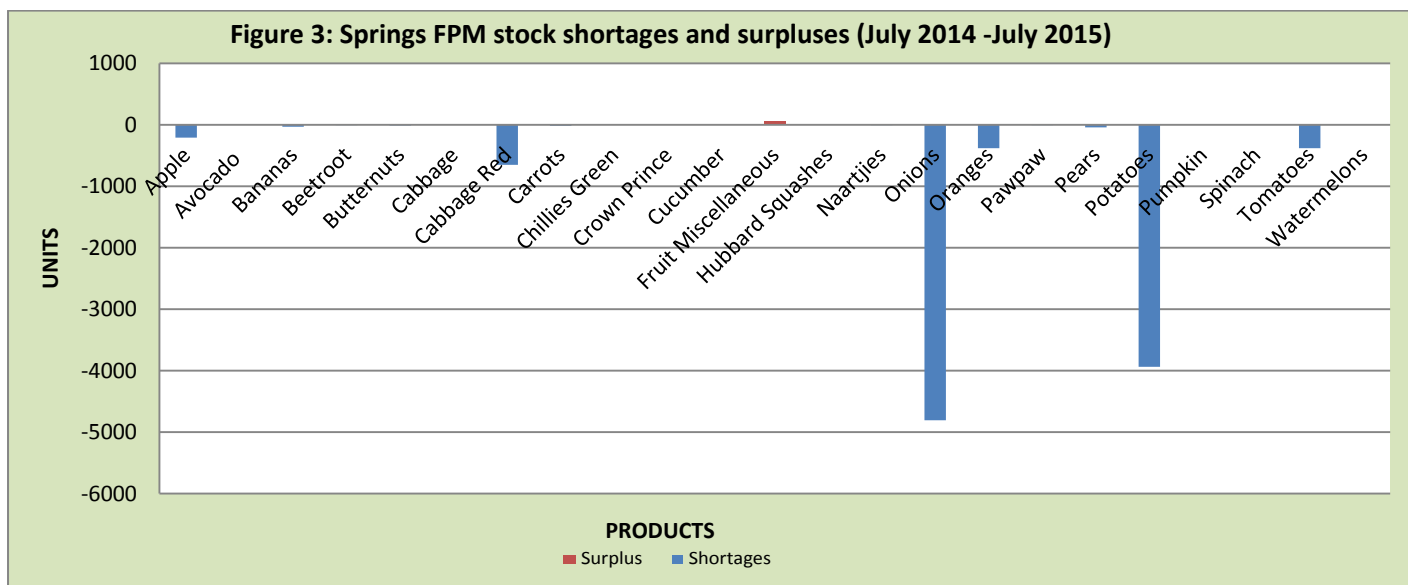
- The municipality has injected an amount of R 24 million over the past two years which has been used for market infrastructure upgrades and maintenance and the level of security was also beefed up, with new CCTV security system erected across the market and monitored all the time. There is already an approved master plan to expand the market which is expected to commence during the year 2017;
- The market has its own account separate from the municipal account , and the market management is the only one with login credentials and powers to transfer funds to agents on a daily basis; and
- The market utilises a freshmark system which is updated, maintained properly and accessed by relevant individuals only.

Areas that require attention are compliance to the **Regulatory environment, Stakeholder management, Transformation and Human Capital Development** that have compliance levels below 50%. The main reasons that led for lower compliance to the above pillars are as follows:

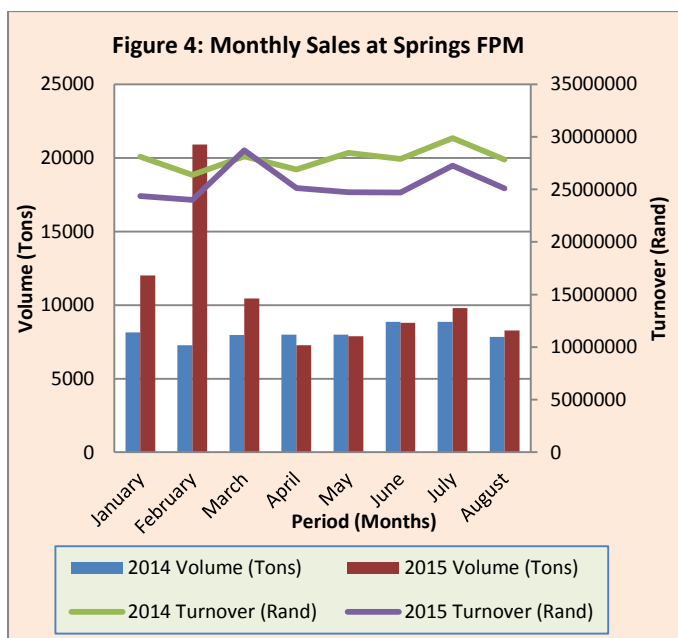
- The market does not have enough human resource capacity to carry out regular stock inspection to ensure compliance to the Agricultural Product Standard act (APS act) but the market is currently addressing the issue as they acquired the PPPECB to build capacity of its staff in area of quality control inspection which is expected to commence soon. The market is also finalising an organisational structure with new additional inspectors expected to fill the gap on human capacity;
- The market does not have a skills development plan for its personnel;
- There are no existing and signed performance agreements or workplans between the market manager and market employees;
- The market manager has not signed a performance agreement with the municipality;
- The stakeholder management are taking place but they need to be strengthened, formalised, be inclusive of all stakeholders and have Terms of Reference; and
- The level of transformation was found to be low, but the Springs Market has plans to make available more market floor space to cater for two BEE market agents and to identify black sales persons.

Consignment control and Food Safety, Hygiene and Cleanliness are above satisfactory with scores just above the 50% compliance level. The market is on *par* with regular cleaning routines and the level of cleanliness is notable across the market floor and outside the premises. The market does implement proper consignment control procedures but the main reason that led to lower compliance is that the market management has not formally crafted documents which clearly lays out the processes.

The 73% compliance level on consignment control can further be explained by figure 3 on stock shortages and surpluses which indicates that there are still weakness on stock control that need to be addressed by tightening Standard Operating Procedures (SOPs) on consignment control. Excessive stock shortages have been experienced for Onions, Potatoes, Tomatoes, Red Cabbages and Apples at this market than any other produce.



Source: Agricultural Produce Agents Council

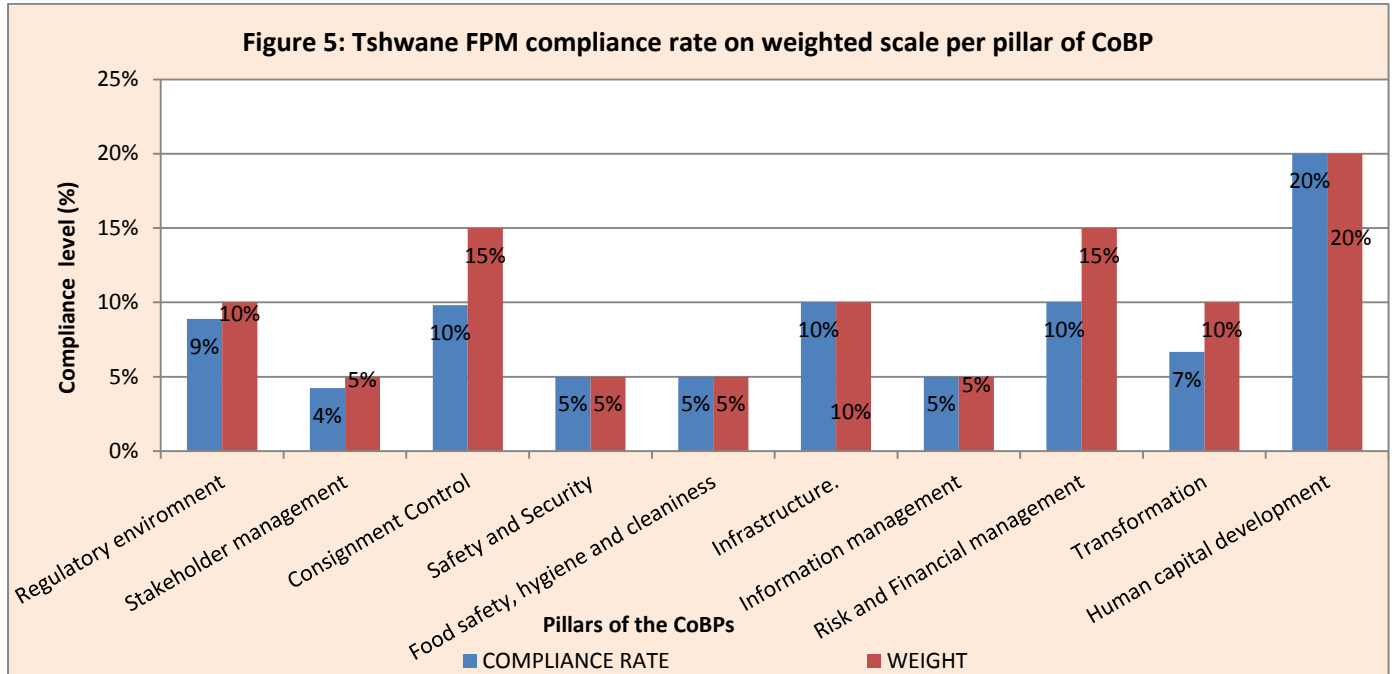


Source: Tshwane Metropolitan Municipality

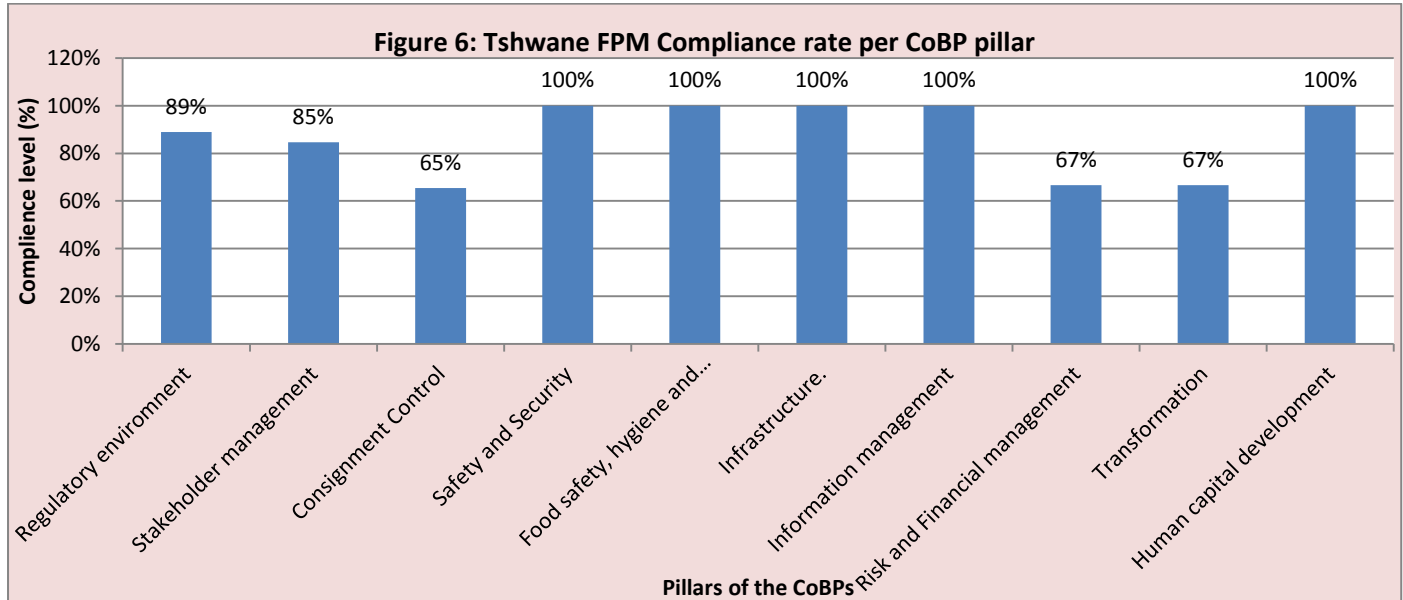
Figure 4 compares the monthly volumes (throughput) and turnover of produce sold through the Springs FPM between January to August of 2014 and 2015. A total volume of 85 409 tons of fresh produce worth R 223 million were sold from January to August 2015 while 64 923 tons were sold during the previous year at the same period. This represents an average of 7.10% growth in 2015 as compared to 2014. Sales peaked during the month of February with volumes increasing by 187% compared to the same period in 2014. The lowest sales volumes were attained during the month of April 2015. Generally, during festive seasons and long holiday periods, sales drop within the inland markets and peaks at coastal markets as people go for vacations in the coastal areas thereby stimulating demand

5. Focus on Tshwane Fresh Produce Market.

Figures 5 and 6 below illustrate the current level of compliance at the Tshwane Fresh Produce Market with respect to implementation of the Codes of Best Practice.



Source: Tshwane Fresh Produce Market and Own calculations.



Source: Tshwane Fresh Produce Market and Own calculations.

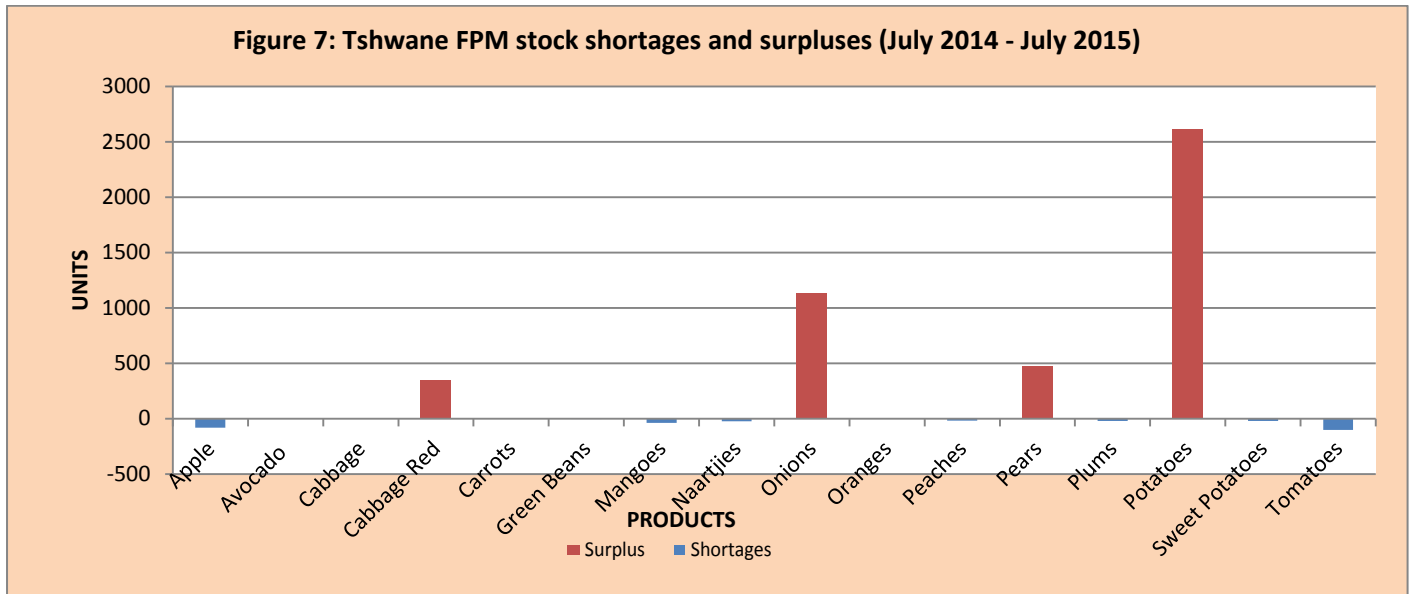
It is notable that the market fully complies with variety of pillars which are **Safety and security, Food safety, hygiene and cleanliness, Infrastructure, Information management, and Human capital development** with compliance levels of 100%. This is based on the following rationale:

- The market has official documents in place which lays out its protocols and their implementation thereof. The market has a CCTV security system in place which is monitored for 24 hours and visible armed security, and during the past years there have not been records of crime incidences. The market has invested heavily in the upgrading of facilities with new pallet banks, storage facilities, upgraded market agents building, upgraded client service centre, waste disposal centre and new perimeter walls;

- The market has cleaning protocols which are being implemented especially by most market agents who also took it upon themselves to clean their market floors; and
- The market has its own account separate from the municipal account.

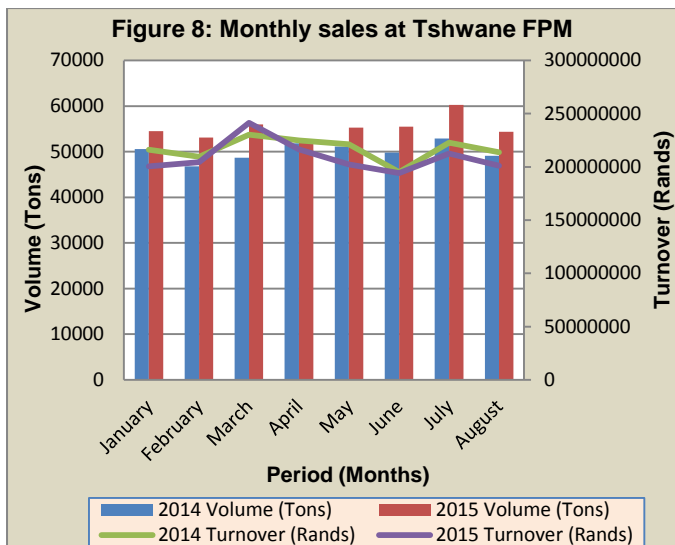
The remaining pillars are satisfactory with compliance level above 50%. Currently the market is improving compliance to transformation as they have acquired three new BEE market agencies. The market is also in a process of converting the market into a municipal entity. The market also intends to introduce an auction system for discarded produce, which is selling of produce deemed unfit for human consumption to be used for other purposes. The market has recently entered into an agreement with Botswana for export of fresh fruit and vegetables to that country while they introduce sales of meat on the market floor on a commission basis.

Figure 8 below shows the level of stock shortages and surpluses at the Tshwane FPM.



Source: Agricultural Produce Agents Council

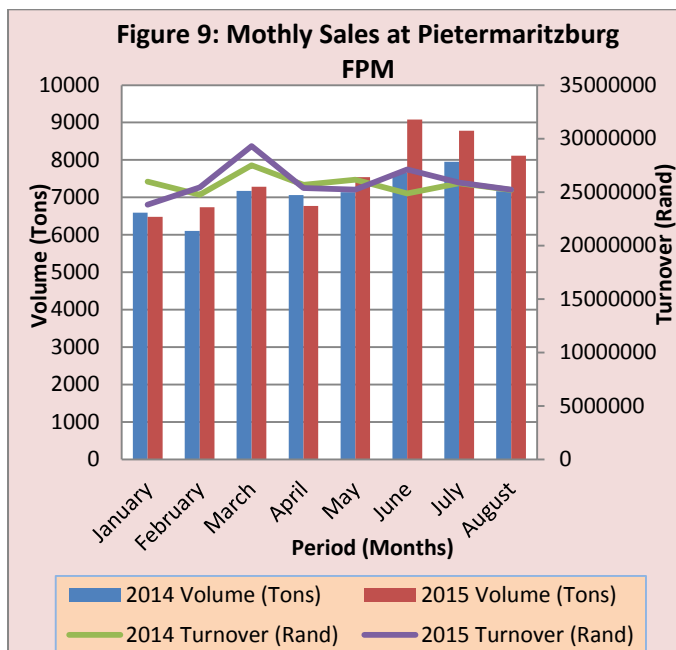
It is evident that the market has been experiencing lower levels of stock shortages during the period under review. Less stock shortages can be linked to improved consignment control procedures and discontinuation of trading practices such as late sales and credit sales at the market. Surpluses still need attention and the market needs to tighten stock control and verification by producers/farmers when dispatching stock.



Source: Tshwane Metropolitan Municipality

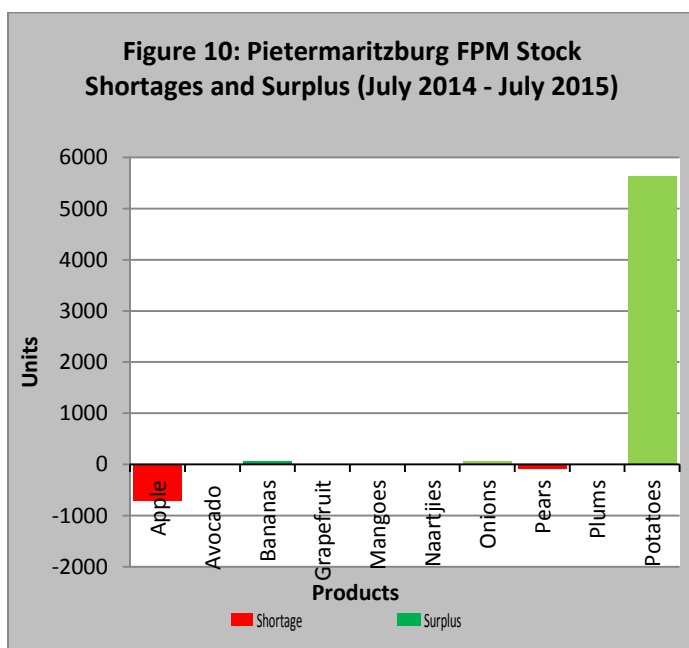
Figure 8 compares the monthly volume and turnover sold through the Tshwane FPM from January to August of the year 2014 and 2015. It can be observed that sales at the Tshwane market have been volatile during the year 2015. A total volume of 441 349 tons of fresh produce worth R1.7 billion were sold at the Tshwane market during the period between January to August 2015 while 400 664 tons were sold during the same period in 2014. This represents an average of 2.45% growth in 2015. Highest volumes were sold during the month of July 2015 with lowest volumes attained in April 2015.

6. Focus on Pietermaritzburg Fresh Produce Market.



Source: Tshwane Metropolitan Municipality

Figure 9 compares the monthly sales volume and values of produce sold through the Pietermaritzburg FPM from January to July of the year 2014 and 2015. It can be observed that since the intervention of the Project Rebirth initiative and commitment from market management, the volume of produce sold through the Pietermaritzburg FPM during the year 2015 has increased substantially as compared to the previous year at the same period. A total volume of 60 781 tons of fresh produce worth R 252 million were sold through the Msunduzi FPM from January to August 2015 while 56 873 tons worth R 251 million were sold during the same period of 2014. This represents a reasonable average growth of 1.69% in volume and 0.09% growth in turnover in the year 2015 as compared to 2014. The increase in revenue and volume saw the market overtaking Springs FPM as the fourth top market during the month of June.



Source: Agricultural Produce Agents Council

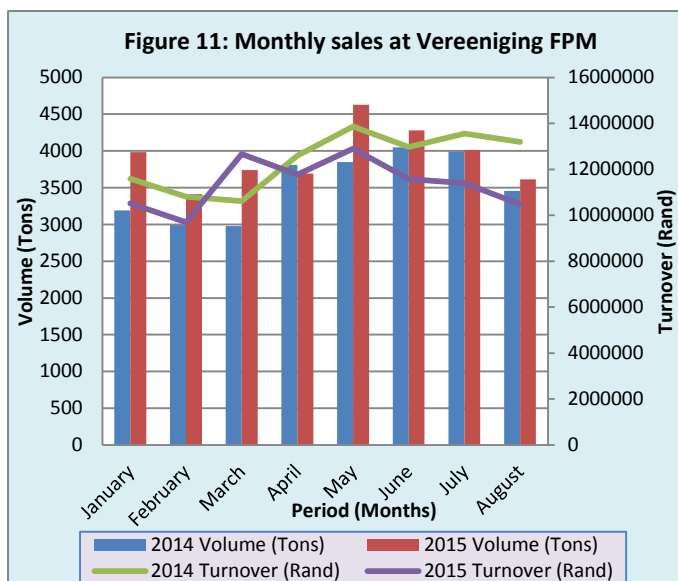
The following key observations can be derived from the stock shortages and surpluses at the Pietermaritzburg FPM:

- It is evident that there are less stock shortages for all products in the market mainly due to improvements in stock control procedures and their enforcement by the market manager.
- Surpluses mainly for potatoes still need further attention and market needs to tighten stock control procedures and collaborate with producers through their development of delivery bills. Collaboration with buyers is also necessary to remove sold produce from the market floors.
- Overall there are minimal risks with regard to loss of revenue for farmers and market itself, due to improved management in the consignment control protocols and improvement in security measures.

The Pietermaritzburg Fresh Produce Market acquired a new market manager who tremendously managed to improve the service standards and operations of the market in a short period of time. The market infrastructure is upgraded and renovated through the R15 million cash injection from the Provincial Department of COGTA with new CCTV security system, new waste recycle centre, market bill boards, upgraded cold rooms and revamped guard house. The state of hygiene and cleanliness has improved. The business plan to convert the market into a municipal entity has been concluded and negotiations are ongoing with labour representatives to conclude the matter. There is also more

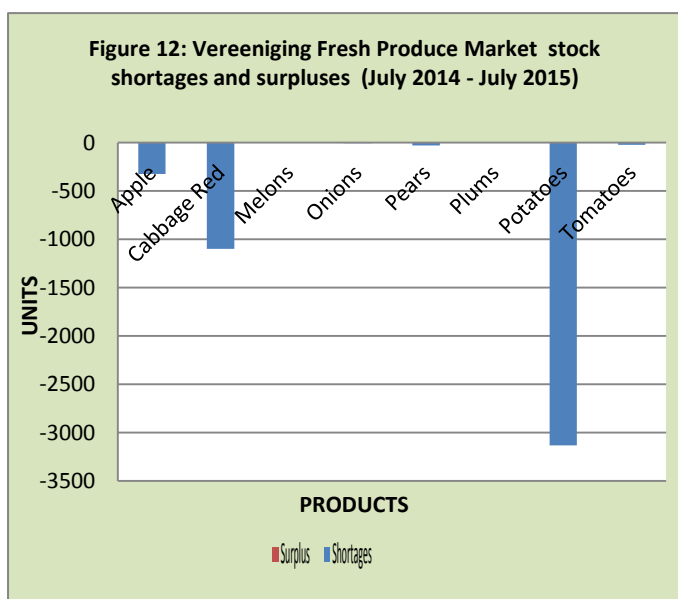
cooperation and commitment from the municipality with regard to the market. A scorecard to monitor compliance to the Codes of Best Practice is still to be used at the Msunduzi Market.

7. Focus on Vereeniging Fresh Produce Market.



Source: Tshwane Metropolitan Municipality

Figure 11 compares the monthly volume and values of produce sold through the Vereeniging FPM from January to June of the year 2014 and 2015. It can be observed that since the intervention of the Steering Committee and the inception of the mentoring program, the volume of produce sold through the Vereeniging FPM in the year 2015 as compared to previous year 2014 has increased substantially. A total volume of 23 738 tons of fresh produce were sold through the Vereeniging NFPMs from January to June of 2015 while 20 868 tons were sold during the same period of previous year. This volume shows a reasonable average growth of 3.8 % in 2015 as compared to 2014.



Source: Agricultural Produce Agents Council

The increase in volumes sold through the Vereeniging market since the deployment of a new acting market manager was not necessarily a result of more farmers selling their produce through the market, but due to slight improvement in internal control measures as well as risk and financial management signalling that improper business conduct are taking place at this market. This is further supported by figure 12 on stock shortages, prevalent mainly on potatoes, red cabbage and apples.

The mentorship program between Vereeniging and Tshwane Fresh Produce Market focused on the following key areas:

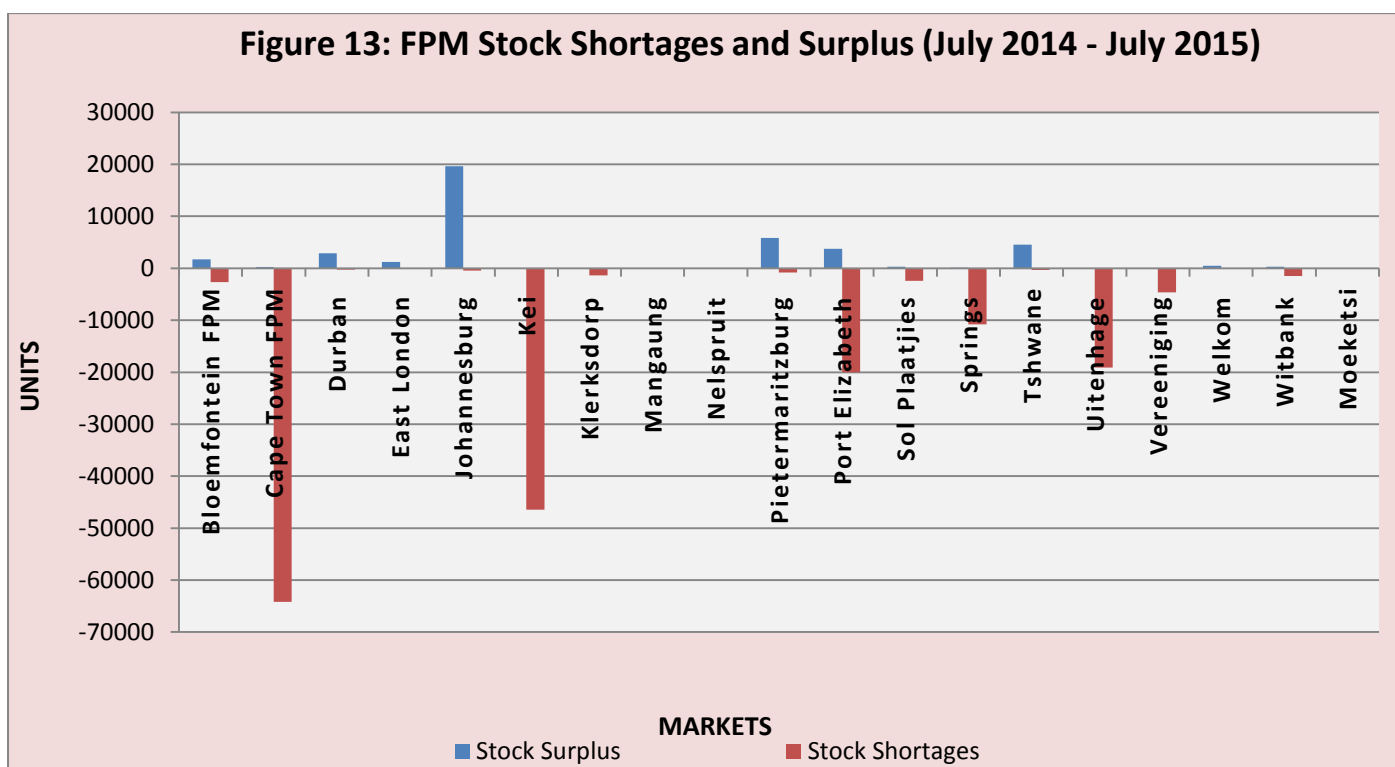
- Consignment control;
- Risk and Financial Management;
- Information Technology;
- Stakeholder Management;
- Hygiene;
- Cold Rooms and Ripening Rooms management; and
- Regulatory Environment.

However the program has been temporary halted due to management challenges experienced at the market and the Sedibeng District Municipality is engaged to resolve the bottlenecks.

The Gauteng Department of Agriculture is also committed to assist the Vereeniging Fresh Produce Market by contributing an amount of R5.8 million to revamp the market infrastructure while the municipality has also begun with minor maintenance. The infrastructure refurbishment programme will primarily focus on the upgrading of the cold rooms and ripening rooms; installation of surveillance cameras; reconstruction and reseal of roof and down pipes; upgrading of ablution facilities; resurfacing of the trade floor and potholes; reconstruction of the main gate enhancing access control; branding, painting and signage as well as extraction fans for the market floor. Furthermore, the MEC for Gauteng Department of Economic Development is also committed to contribute R10 million to assist in upgrading of the facility in the new financial year.

8. Stock Audits

The prevalence of stock shortages which is a common occurrence/phenomenon across all markets is a key indicator of improper business conduct taking place at the market. This shows that produce is being sold through the market without going through the official trading platform/channel leading to a loss in revenue for both the market and the farmer. Figure 13 below depicts a summary of the stock shortages/surpluses across all Fresh Produce Markets for the period July 2014 to June 2015.



Source: Agricultural Produce Agents Council

The following can be inferred from Figure 13:

- It is notable that the Cape Town FPM has been experiencing the highest levels of stock shortages as compared to all markets across the Republic of South Africa with 64 207 units of produce unaccounted for.
- Following the Cape Town FPM is the Kei FPM, Port Elizabeth and Uitenhage Markets.
- The Johannesburg FPM experienced high level of stock surpluses followed by Pietermaritzburg FPM and Tshwane FPM.
- Across all markets potatoes, red cabbages, apples, tomatoes and onions are the major products affected by stock shortages.

The next issue of the Fresh Produce Markets Monitor will incorporate analysis of compliance levels of markets that include data from market agencies to complement that of market management.

9. Acknowledgements

Acknowledgement is given to the following information sources:

1. **Agricultural Produce Agents Council**
2. **Tshwane Metropolitan Municipality**
3. **Springs Fresh Produce Market Management**
4. **Tshwane Fresh Produce Market Management**
5. **Vereeniging Fresh Produce Market Management**
6. **Msunduzi Fresh Produce Market Management**

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