



competition commission
south africa

PRESS RELEASE

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**COMMISSION TO ESTABLISH A MARKET INQUIRY
INTO THE FRESH PRODUCE MARKET
(Draft Terms of Reference)**

The Commission has launched a public market inquiry into the fresh produce market to examine whether or not there are any features in its value chain which lessen, prevent, or distort the competitiveness.

A market inquiry is a general investigation into the state, nature, and form of competition in a market, rather than a narrow investigation of specific conduct by any particular firm.

The terms of reference of the Fresh Produce Market Inquiry, established in terms of Chapter 4A of the Competition Act No. 89 of 1998 (as amended) (the Act”), were published in the Government Gazette No. 46093 on 25 March 2022.

The public and/or any interested party is invited to make comment on the proposed terms of reference on/before 22 April 2022.

The Commission is of the view that the Fresh Produce Market Inquiry is essential in order to understand the state of competition within the industry, the market features affecting price outcomes, and the challenges currently faced by farmers (especially small-scale and emerging farmers). More broadly the importance of the sector to both the economy and employment, and the nutrition and welfare of its citizens gives further weight to the need for such an inquiry.

Agriculture plays a significant role in the South African economy as it contributes to food production, job creation, raw material supply to agro-industrial and manufacturing sectors, as well as export-driven foreign exchange income. The Commission has prioritised the food and agro-processing sector since 2008 due to the sector being a source of staple food and the potential of the sector to create significant employment opportunities – thereby serving as a driver of inclusive growth in the South African economy.

The Fresh Produce Market Inquiry will focus on particular issues at each layer of the value chain. Specifically, the scope of the Fresh Produce Market Inquiry will cover aspects from the sale of fresh produce by the farmer to the customer (the retailer, processor, or export market). The interaction of retailers and end consumers will not be considered (as this was previously covered by the Grocery and Retail Market Inquiry). The sale and distribution of processed products by food processors will also be excluded from the inquiry.

The Commission has identified four *broad* themes which cover the features that may impede, restrict, or distort competition and market outcomes. The themes are as follows:

- *Efficiency of value chain.* This theme is focused on determining how the value chain and differing levels of concentration at various levels and route to market impact prices and efficiency with a focus on the fresh produce market;
- *Market dynamics and impact of key inputs for growers.* The key inputs for growers include seeds, fertilizers, agrochemicals (herbicides, fungicides, and pesticides) and farm equipment. Many of these inputs are imported or priced based on international bases and can lead to significant cost effects at the grower. This theme is focused on the upper end of the production value chain;
- *Small and HDP growers and participation.* This theme centres on the lower end of the production value chain. Specifically, the inquiry will consider the barriers to entry specifically facing small and HDP growers and issues around access to fresh produce markets or retailers through contract farming; and
- *Barriers to entry in relation to the regulatory environment.* This theme would focus on the broader regulatory environment which prevails in the fresh produce industry.

Comments can be submitted to ccsa@compcom.co.za on or before 22 April 2022.

[ENDS]

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