

REMARKS BY THE COMMISSIONER OF THE COMPETITION COMMISSION, MS DORIS TSHEPE, ON THE OCCASION OF THE MEDIA BRIEFING ON THE OFFICIAL LAUNCH OF THE FRESH PRODUCE MARKET INQUIRY, HELD ON 23 MARCH 2023.

On 28 March 2022, Comm announced to the public its decision to initiate a market inquiry into the fresh produce markets and the Comm invited members of the public to provide comments on the draft Terms of Reference (TOR). We received valuable contributions from various stakeholders, which enabled us to finalise and ultimately gazette the final TOR on 14 February 2023. Today, it is with great pleasure that we announce the official commencement of the fresh produce market Inquiry.

It is undeniable that the agricultural sector plays an important role in the country's economy. Firstly, the sector contributes approximately **2.5% towards the country's Gross Domestic Products (GDP)** and it is one of the sectors that recorded an increase in economic output in Quarter 3 of 2022. According to Statistics South Africa, the sector contributed the largest positive contribution of 19.2% in Q3 of 2022. This was mainly driven by an increase in production of field crops and horticultural products.

Secondly, the agricultural sector provides employment opportunities to the majority of the population, predominantly in peri-urban and rural areas. Approximately **5% of our country's workforce** is employed in the agricultural sector and this number is expected to increase as the demand for food grows.

Thirdly, the agricultural sector also plays a crucial role in ensuring **food security** in the country. South Africa has a growing population, and the demand for food is expected to increase in the coming years. As such, the agricultural sector provides a necessary food supply to meet the needs of the population.

It is crucial to note that the food and agro-processing sector has been a **priority for the Commission** since 2008 due to its significant contribution to the economy broadly and its potential to serve as a driver of inclusive growth in the South African economy. It is for these reasons that the Commission, through the FPMI, intends to conduct an inquiry into the fresh produce value chain, in order to understand its functioning and the features, or combination of features, that may be impeding, restricting, or distorting competition and participation.

The fresh produce value chain that the FPMI will be focusing on participants and activities intended to bring crops produced by farmers to different markets where consumers purchase them to fulfil their daily dietary requirements.

It is important to briefly talk about Commission's motivation to undertake the FPMI and also highlight the key objectives. To this end I will address the following aspects:

- 1. Why the Commission initiated the FPMI;**
- 2. An overview of the inquiry scope as outlined in the TOR;**
- 3. Announce the Chairperson; and**
- 4. Announce the official commencement date.**

What necessitated the launch of the fresh produce market inquiry?

The Commission has initiated this market inquiry because it has reason to believe that there exist market features, or a combination of features, which **may** impede, distort or restrict competition in the fresh produce value chain, which may undermine the purpose of the Competition Act. This belief emanates from, and amongst other things:

1. **Several complaints** that the Comm has received alleging anticompetitive conduct in the fresh produce value chain;
2. The Commission's **concentration study** which, amongst other key findings, is that the agricultural sector in South Africa is characterised by high levels of concentration at different levels of the value chain. As you may be aware, concentration in the market provides a base for a wide range of anti-competitive conduct in various forms; and
3. Lastly, the Commission has been conducting **food price studies** since 2020, and the findings depict alarming levels of price increases and volatility in pricing for various food products, incl. fresh produce. In some instances, these price increases surpasses the annual inflation rate, which raises questions about the drivers of such increases. This has a disproportionate effect on the poor and low-income earners who have to spend a great portion of their income on purchasing essential products.

The scope of the Inquiry

At a face value, it may appear that the scope is wider. However, the FPMI's TOR provides an important demarcation on the issues, at each level of the value chain, that will be covered. It is important to emphasise that the TOR, as the FPMI founding document, is an important document providing guidance on what the FPMI will be interrogating along the fresh produce value chain. Briefly, I will now provide a high-level overview of the FPMI scope.

The FPMI will focus broadly on three areas of competition and public interest in the fresh produce value chain, namely:

- **Efficiency of value chain.** This theme is focused on understanding the functioning of the fresh produce value chain in South Africa. Various factors related to the value chain including levels of concentration, route to markets, costs of participation in the markets, and barriers to entry will be interrogated.
- **Market dynamics and impact of key inputs for growers.** Under this theme, the focus is on key inputs for growers which include seeds, fertilizers, and agrochemicals (herbicides, fungicides, and pesticides). This theme is focused on the upper end of the value chain, particularly concentration levels, price discrimination, buyer power, and exclusivity.
- **Barriers to entry facing SME and HDP producers.** This theme is centred on the lower end of the value chain. Specifically, the inquiry will consider the barriers to entry faced by small and HDP growers and issues around access to input and output markets.

Later the Chairperson of the FPMI will unpack the Statement of Issues that will be released today, to further provide clarity on the key issues that the FPMI will be considering under each of the themes I have mentioned. I want to encourage stakeholders to engage with both the TOR and the Statement of Issues. The FPMI will also release the Guidelines for Participation to provide guidance to stakeholders who wish to make submissions. The administrative timetable for the Inquiry will also be published to provide a roadmap for the FPMI.

Announcement of Chairperson

I have appointed Mr. Hardin Ratshisusu, who is the Commission's **Deputy Commissioner**, to chair the Inquiry. In his address, Mr. Ratshisusu will, amongst other things, talk to about the

composition of the FPMI's Technical Team and important dates to note, as per the administrative timetable that will also be shared today.

An important date that I will be talking about is related to when the work of the FPMI will officially commence.

Official Commencement and deadlines for the Inquiry

Just like in its previous market inquiries, the Commission is committed to conducting this market inquiry in a fair and transparent manner.

Programme Director, the work of the Inquiry officially starts on **31 March 2023** and is expected to be completed within 18 months, in terms of of the Competition Act.

Thank you Programme Director and I would like to take this opportunity to wish the FPMI team well as they embark on this journey, and further call upon stakeholders across the fresh produce value chain, in academia, other regulators, government departments, business and anyone interested, to engage and participate in the work of the FPMI.

Thank you, Programme Director.