



DAPPER
Selling Fresh Produce
since 1954

Dapper Agencies(Pty) Ltd | Dapper Agentskappe (Edms) Bpk
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Enquiries: Derrick Bowles/ Ruan Mare

Our Reference: 2022APR0051

Your Reference:

Date:21 June 2023

Dapper Agencies (Pty) Ltd

4 Fortune Street

City Deep

Johannesburg

2049

Per e-mail: janine@dapper.co.za

Dear Mr. sir/madam,

**REQUEST FOR INFORMATION BY THE FRESH PRODUCE MARKET INQUIRY (CASE NUMBER:
2022APR0051)**

1. The Competition Commission of South Africa (“the Commission”) has launched a market inquiry into the South African Fresh Produce Market.
2. The purpose of the Fresh Produce Market Inquiry (“FPMI”) is to examine whether there are any features in the fresh produce value chain which may impede, restrict or distort competition in the

South African fresh produce market. The scope of the Fresh Produce Market Inquiry covers aspects from the sale of fresh produce by the farmer to the customer (the retailer, processor or export market).

3. The Commission has identified three broad themes which cover the features that may impede, restrict or distort competition and market outcomes. The themes are as follows:
 - 3.1. ***Efficiency of the value chain, with an emphasis on the dynamics around fresh produce market facilities.*** This theme stems from concerns that the value chain, particularly at the level of NFPMs are inefficient and uncompetitive. A specific focus will be on the competition dynamics prevalent at NFPMs and other contracting means which affect competitive dynamics;
 - 3.2. ***Market dynamics of key inputs and their impact on producers.*** This theme is related to the first and will consider the key inputs for the specific products identified under that theme. Specific aspects which will be considered relate to concentration levels, price discrimination, buyer power and exclusivity. This theme is focused on the upper end of the production value chain;
 - 3.3. ***Barriers to entry, expansion and participation.*** The inquiry will consider the barriers to entry, expansion and participation. Specific consideration will be given to the barriers faced by small, medium and micro enterprises (“SMMEs”) and firms owned or controlled by historically disadvantaged persons (“HDPs”). In addition, the broader regulatory framework will be considered. Where required, this may include consideration of specific pieces of legislation and the regulation conducted by other regulatory/governmental bodies in relation to such legislation.
4. The Commission has identified Dapper Agencies (Pty) Ltd (“Dapper”) as a relevant stakeholder, who can assist the FPMI technical team in understanding the competitive dynamics that exist in the South African fresh produce sector.
5. The purpose of this letter is to request specific information and documentation on the operation of Dapper which is of relevance to the Inquiry. This request supersedes the Statement of Issues. However, should the parties wish to respond to anything in the Statement of Issues in addition to the responses to the RFI please feel free to do so.
6. Kindly note that in terms of Section 44 of the Competition Act 89 of 1998, as amended (“the Act”), you may claim confidentiality over any or all information submitted to the Commission by completing a

CC7 form (also attached herewith). Please note that where the information and/or documents requested by the Commission are not provided, the Commission is empowered, in terms of section 49A(1) of the Act, to issue a summons.

7. Where possible kindly limit your responses to **only the commodities identified in the Terms of Reference and Statement of Issues**. These are repeated here for completeness as follows: -
 - 7.1. Fruits: apples, citrus (particularly oranges and soft citrus), bananas, pears and table grapes; and
 - 7.2. Vegetables: potatoes, onions, carrots, cabbage, tomatoes and spinach.¹
8. All responses to data requested in this document should be provided for the period 2017 to 2022 and the frequency of the data we require is monthly, yearly and an average submitted in Excel format please.
9. Your response should kindly be submitted by no later than **20 July 2023**, per email to freshproduceing@compcom.co.za and derrickb2@compcom.co.za.

BACKGROUND AND ACTIVITIES

1. Briefly describe the business activities of Dapper and how it is positioned relative to other businesses that operate in the fresh produce value chain.

Dapper Agencies (Pty) Ltd operates solely on the Johannesburg Fresh Produce Market in City Deep, Johannesburg, and acts as an intermediate between the Producer (e.g., farmer) and the buyer (e.g., Retailer, Wholesaler, SMME, Hawker and housewife). The fresh produce is displayed within our allocated floor space on the trading floor of the 3 different trading halls. Potential buyers is entitled to view the products, request prices or make offers to purchase. Buyers have the option to view or compare prices of similar products at any of the other market agents on the trading floor before a purchase is concluded.

2. If Dapper operates multiple businesses, provide the most recent organogram depicting the companies directly and indirectly controlled by your parent company and all its subsidiaries.

¹ For purposes of the Inquiry, tomatoes will be considered as a vegetable (from a consumption/culinary point of view) and not as a fruit (from a botanical perspective).

No

3. Indicate if Dapper or related operating companies are owned and controlled by Historically Disadvantaged Persons (“HDPs”).

No.

4. Provide the most recent audited annual financial statements (AFS) for the South African operations of Dapper. If the AFS cover a number of businesses, then provide the management accounts for the South African business alone.

Please see attached Annexure “A”

5. To the extent that it is not contained in the AFS, provide a detailed financial breakdown of both revenue sources and operational costs of the firm for the most recent financial year (April-March Basis, if not, indicate).

Please see attached Annexure “A”

6. Provide illustrative examples of any monthly management reports on key metrics used to track the performance of Dapper’s business in relation to fruits and vegetables division/segment. If no such reports exist, then provide a list of the key performance metrics that management uses to track the performance of the business.

Monthly sales reports of the previous years are utilized to track and monitor performances of the various sales people.

Please see attached Annexure “B”

7. Provide all internally and externally commissioned research and/or studies conducted in the past 5 years on the consumer side of the business, in relation to the sale of fresh fruits and vegetables, and the market position of your business relative to competitors.

No external or internal research has been undertaken. We rely on the reports generated by the Johannesburg Fresh Produce Market Management to assess our position relative to other market agents on our trading floors.

NFPMS AS A ROUTE TO MARKET

8. Provide a broad overview of the process required to move produce through the levels of the value chain from planting, harvesting, storage, packing, grading, transportation to the National Fresh Produce Markets ('NFPMs'), and any post market logistics. In your response, kindly:

8.1. Describe in detail the role of agents in selling produce on behalf of the producers /growers.

Producers rely on the knowledge of agents on the trading floor to improve the levels of the value chain to maximize their profits.

The Agents role is defined by keeping the producer informed of buying trends, popular varieties, packaging, supply, current demand, obtaining the best possible price in the current circumstances and what is expected over the next few days.

8.2. Describe in detail the role and process followed when an agent receives a consignment to sell at the NFPMs on behalf of the producer or grower.

A consignment is received under the producer's code issued by JFPM, a gate number and an agent number are issued. Produce is received by staff at trading floor and is compared with delivery note and signed off for transporter. Any discrepancies are at this stage identified.

Produce is placed on trading floor and GRN (goods received notice) is generated and is placed on the relative salesman floor balance.

Management of Joburg Fresh Produce Market controls what is received via gate and not opened on trading floor and is strictly monitored.

Price is determined by supply and demand on the particular day. Trading floor is walked everyday by agents to get a feel of the quantity and quality of produce before a price is determined.

Prospective buyers must be in possession of a JFPM card which is issued to every buyer once cash has been loaded on the card. (Very similar to debit/credit card). A buyer can purchase any product on any floor until the funds are depleted and no cash is handled on trading floor.

Sales removal note is issued for every purchase and no goods are allowed to leave trading floor without such a note.

After sales a floor balance is drawn and the stock remaining on the floor must balance with the stock sheet.

A computer-generated daily sales report is emailed daily to the producer, keeping him abreast of what has transpired.

This process is followed daily or until consignment has been completed.

- 8.3. Provide a detailed description of the risk that agents are faced with, in executing their duty at the NFPMs.

Theft remains a major risk as agents are responsible for the goods whilst in their possession. Damage to produce is a huge factor. The market floor is often referred to as organized chaos as trading is pressurized to a few hours and produce must move from trading floor to buyer's transport.

Loadshedding: Produce in ripening and cold room facilities.

9. Explain the business model of market agents, including but not limited to:

- 9.1. The agent's value proposition for buyers and producers;

A centralized trading platform for all producers, small, medium and commercial to advertise their produce and for buyers to view products at a centralized point.

The procurement of produce from various producers for sale on the trading floor. More produce procured more sales generated.

- 9.2. How market agents generate revenues;

Revenue is generated via the sales system. Commission earned for produce sold.

- 9.3. Actual rand value and % commissions charged for the period 2017 –2022 for your (i) top 10 farmers/producers and (ii) bottom 10 farmers/producers (per produce);

Please see annexure "C"

9.4. The factors Dapper considers in determining its commission rates;

Verbal agreement between Agent and Producer and the only factor to be considered is loose loaded produce that may incur additional costs i.e., pallets, wrapping material and casual staff to do offloading.

9.5. The pricing model applied by Dapper (if any) including details and research that informs the pricing model;

Supply and demand determine price.

9.6. Kindly provide the actual remuneration and/or agency agreements between Dapper and its principals as follows, per produce:

9.6.1. Provide agreements between Dapper and its top 10 largest farmers; (ito revenue generated);

N/A

9.6.2. Provide agreements between Dapper and its bottom 10 smallest farmers (ito revenue generated);

N/A

9.7. What are the major cost items for market agents;

Major costs are:
Staff (Salaries, Wages and Commissions)
Forklifts (Services, Repairs and Fuel)
Packing Materials

9.8. Kindly provide research, models and methodologies Dapper uses in the price discovery process.

No research in respect of price discovery. Availability of Produce vs Demand determines the price.

10. Kindly provide the total number of HDPs and Non-HDP owned producers that Dapper have serviced and in the following format.

Farmers participation	2017	2018	2019	2020	2021	2022
Total Non HDPs						
Total HDPs						

Dapper Agencies (Pty) Ltd does not have this information available.

11. Kindly provide volumes per commodity that you have sold from HDP owned farms that Dapper have serviced. Please also provide actual remuneration and/ or agency agreements between Dapper and the HDP producers you have serviced.

N/A

12. Please indicate if the Dapper extend any financial support or credit extension to the farmers/producers that they sell produce on their behalf. If the Dapper extends any financial support or credit to farmers/producers, provide the following information for the period 2017 – 2022 at each of the NFPMs where the Dapper is operational:

- 12.1. Names of farmers, amount of credit extended, volume of produce sold on behalf of that farmer, the average price of produce, and finance/credit charges (where applicable). Follow the guidance in item 4 above.

No credit is extended to producers.

- 12.2. Provide information pertaining ONLY to the volumes and prices of produce for the same period for all other farmers that you did not extend any financial or credit assistance to. Follow the guidance in item 4 above.

N/A

- 12.3. If Dapper extends credit to producers/farmers, buyers and practice reserve buying, may you kindly provide the rationale and benefits for these practices.

N/A

13. Please indicate if Dapper extends any financial support or credit extension to the buyers at the NFPMs. If the Dapper extends finance or credit to buyers, provide the following information for the period 2017 – 2022 at each of the NFPMs that the Dapper is operational.

- 13.1. Names of buyers, amount of credit extended, volumes of produce bought, average price of produce, and finance charges (where applicable). Follow the guidance in item 4 above.

Please take note that all proxy Information provided does not indicate that all sales were on credit as proxy sales are sales being performed on behalf of a buyer under prearranged

circumstances i.e., buyer not being physically present on the JFPM trading floor or not residing in Gauteng.

Please see attached Annexure “D”.

- 13.2. Provide information pertaining **ONLY** to the volumes and prices of produce for the same period for all other buyers to whom you did not extend credit or financial assistance.

No Access to this information. Please contact JFPM.

14. Please indicate if Dapper practice what is commonly referred to as “reserve buying” where certain produce from certain producers is reserved for certain buyers at specific prices. If Dapper practices reserve buying, kindly provide the following information for the period 2017 – 2022 at each of the NFPMs that Dapper is operational:

- 14.1. Names of buyers, volumes of produce reserved, names of producers and prices of produce.

No “reserve buying” is practiced. – Not applicable

15. The FPMI intends to generate a full understanding of how market agents operate on the market floors. In this regard and in addition to your response to Question 8 above:

- 15.1. may you kindly provide an elaborate explanation of the flow of produce from the farmer/producer through the market floor and to the buyer? In addition, for a limited period of 3 months in 2021 (January to March), provide a daily log depicting the following information about how Dapper handled the sale of tomatoes:

Please refer to 8.2

- 15.2. the deliveries of tomatoes from farmers, the time at which they were received by the Dapper Agent, the time at which they were sold and delivered to the buyer, price and volume sold. The log can take any form and does not have to follow the above format for as long as critical information required such as time, price, buyer, producer and volumes is included (this information should be limited to the Joburg, Tshwane, Cape Town and Durban Fresh Produce Markets.

Tomatoes sales very limited.

For information pertaining to buyers & producers, please see Annexure “E”.

16. May you kindly indicate if the sale of fresh produce in the NFPM attracts Value Added Tax for producers?

- 16.1. Provide a sample of invoices that Dapper issued to the producers/farmers for tomatoes, potatoes, onions and apples for a period of 3 months in 2021 (January – March). Submit no

less than 5 invoices per produce per NFPM (this information should be limited to the Joburg, Tshwane, Cape Town and Durban Fresh Produce Markets.

Fresh produce does not attract Value Added Tax on JFPM. Commission charged generates VAT.

Please see Annexure "F"

17. Explain the business model of the NFPMs, including but not limited to:

17.1. The value proposition for consumers and producers.

The National Fresh Produce Markets provide an essential centralized computerized trading platform for all producers regardless of size to showcase their produce for consumers to purchase such produce. Unique in the sense that any consumer (hawker, housewife, retailer or wholesaler) is allowed to purchase the goods.

17.2. How it generates revenues and what the major cost items are.

Revenue is generated by 5% commission upon the sale of produce generated by the Agents.

17.3. How the NFPMs seek to build both the consumer and producers' side, incl. subsidisation and investment strategies.

Each NFPM is managed differently and it is incumbent of the agents on the trading floor to exert pressure on these entities to reinvest a portion of the 5% earnings into infrastructure of the trading platform.

Please refer to JFPM for more details.

18. Explain the price setting mechanisms which pertain to the NFPMs and the role of agents in determining the daily spot price for fresh produce? In your response refer to:

18.1. Real time tracking of daily volumes and prices at the NFPM;

The Agents play a critical role in price discovery. The computerized systems managed by the JFPM helps all agents to keep up to date of produce received at the average selling price of such produce. Produce once received on trading floor is captured and is immediately available to Agents transacting on the system.

18.2. Availability of historic pricing and volume data at the NFPM;

Historical data is available daily and any data older than a month is available upon request.

18.3. Real time tracking of daily volumes and prices across each NFPM;

This information is not available across NFPM.

- 18.4. Availability of historic pricing and volume data across each NFPM;

This Information cannot be accessed.

- 18.5. Determination of agent's Commission;

Please refer to 9.4

- 18.6. To what extent do these factors listed in 19.1 to 19.5 above contribute to buyers and producers preferring to use larger regional NFPMs over their smaller local NFPMs? In your response identify any other factors that may contribute to this form of preferencing?

Real time information on JFPM creates a better environment for buyer/producer, for a larger variety of produce.

- 18.7. Rules governing the conduct of producers, agents, and buyers at the NFPM;

Matter to be addressed by NFPM. Every Fresh Produce Market have their own Service Level Agreement (SLA).

- 18.8. Grading systems and rules governing grading of fresh produce at NFPMs;

Matter to be addressed by JFPM Management.

- 18.9. Allocation of floor space across the trading floor of the NFPMs; and

Matter to be addressed by JFPM Management.

- 18.10. The role of intermediaries operational at the NFPMs in relation to grading and quality assurance checks, packaging, weighing, health and safety requirements and certifications, offloading and transportation services, and onward logistics services. In your response also refer to the way in which the price of these particular services is determined.

Matter to be addressed by JFPM Management.

19. Indicate to what extent wholesalers are operational at the NFPMs? In your response kindly refer to:

- 19.1. Whether wholesalers are permitted to operate at the NFPMs and if so on what terms?

Wholesalers are present on the premises of the JFPM and are permitted by their authority to purchase produce from Agents trading on the sales floor. Terms and Conditions are determined by JFPM authority.

- 19.2. Whether wholesalers are also mandated to purchase fresh produce from agents or whether they are permitted to buy directly from the producers?

According to the current by-laws no produce may be procured directly by wholesalers directly from the producers on the premises of JFPM.

OTHER MARKET PLATFORMS AS A ROUTE TO MARKET

20. Indicate to what extent large scale buyers such as large retailers, wholesalers, and large processors are contracting directly with selected growers for their supply of fresh produce. In Dapper's response refer to:

This is a matter of great concern as this will dilute the price discovery mechanism as producers contact us daily to enquire price currently attained on trading floor. We actively discourage all buyers and producers to follow this route as this will be the demise of the National Fresh Produce Markets, Housewife will thus be disadvantaged by this practice as they will be forced to purchase their produce from large retailers.

- 20.1. The identity of these buyers and growers;

Virtually every large retailer is approaching producers daily to supply products.

- 20.2. The selection criteria and appointment process followed in entering into these agreements;

Not involved in this process.

- 20.3. The nature and terms of these agreements include exclusivity and or volume commitments;

Not involved in this process.

- 20.4. Whether Dapper is involved in linking buyers (retailers) and growers (farmers) in terms of this arrangement. If so:

Definitely not involved in this practice as this would be our death knell

- 20.4.1. Kindly indicate how prices of produce are determined in this arrangement and the role that Dapper plays in this regard and the extent to which the price discovery process at the NFPMS is factored into this process.

Not involved

- 20.4.2. Indicate whether Dapper provides this service to retailers and growers "pre-contract" or whether this service is designed to assist retailers in instances when there is a shortfall of supply by retailers.

Not involved

- 20.4.3. Kindly provide all agreements concluded between the buyers (retailers) and growers (farmers) who have engaged with Dapper in this regard for the period 2017-2022.

Not involved in process

21. Provide a detailed explanation of the benefits and disadvantages of direct contracting over the use of the NFPMs platform from both the perspective of the Buyer and the Producers. In your response indicate:

Direct sales have a huge impact on the NFPM and on Agents directly. Volumes of produce is decreasing annually and should this practice continue, it will be the demise of NFPMN throughout the country. Resulting in huge job losses throughout the sector.

- 21.1. To what extent contracted buyers still purchase from NFPMs and under what conditions?

No definite data in this respect but are still visible on trading floors to refill any shortfall they may experience.

- 21.2. To what extent contracted producers still sell fresh produce at the NFPMs?

Any surplus produce will be sent to NFPM for sale and this practice will continue.

- 21.3. The reasons why these buyers and growers have opted to no longer use the NFPMs platforms.

In most cases to avoid the commission payable but still use our price discovery mechanism to establish price. It is virtually impossible to establish price should a centralized trading floor be discontinued.

- 21.4. What will it take for these contracted buyers and producers to consider using the NFPMs platforms for the buying and selling of fresh produce?

Very difficult to convince large retailers/producers to discontinue this practice but it should not be encouraged as fresh produce will become very expensive and smaller producers will not be able to display their produce without a NFPM trading platform.

MARKET ACCESS TO SMME HDI PRODUCERS

22. Provide suggestions which in Dapper's view can assist in increasing the participation of small-scale farmers.

Small scale farmers have grown exponentially over the last 5 years and have improved tremendously. I however believe the major obstacle these farmers face is transport. Moving produce from the farm to NFPM of choice.

23. In Dapper view are the standards imposed by regulators and industry associations fair and nondiscriminatory to small-scale farmers? Briefly explain and provide evidence where applicable.

I don't believe that regulators or industry associations discriminate unfairly against small scale farmers. There are however challenges that these farmers face with regards to quality and packing of certain products but agents selling their produce engage with them on daily basis.

24. Explain instances where a small-scale farmer's produce was downgraded unfairly during the inspection as a result of the perception that their product was of sub-standard quality and thus graded poorly? In your response, provide supporting evidence where applicable.

No instances to my knowledge over the past few years.

25. Explain the extent to which the subjectivity of inspectors in the grading process affects small-scale farmers' effective participation in the fresh produce market value chain?

Quality inspectors on JFPM take it upon themselves to inform the small-scale farmers of their shortcomings and furnish advice on correct procedures.

26. Explain the extent to which contract terms disadvantage small-scale farmers' effective participation in the fresh produce value chain?

I don't believe the small-scale farmers are disadvantaged by the contract terms.

27. Explain how contracting requirements (e.g., quality control standards, packaging, grading, cold chain requirements, volume and security of supply, transportation to the Distribution Centres) affect smallscale farmers?

Input in this regard is limited and can only be addressed by the small-scale farmers themselves.

28. What is the significance of the use of levies and rebates imposed by industry associations for smallscale farmers' effective participation in the fresh produce value chain?

Not sure what levies and rebates referred to.

29. Has there been explicit efforts to lower barriers to entry and expansion and economic participation for SMMEs and HDIs?

Not aware of any efforts thus far.

DISCRIMINATION ON OUTPUTS / BUYER POWER

30. Are there any unfair pricing dynamics or other trading conditions across the fresh produce markets?

Not aware of any unfair pricing dynamics.

31. What are the alternative routes to market available to small-scale farmers to market or sell their fresh produce? Briefly explain these channels, your answer must specify the pros and cons of each channel.

Not aware of any other channels available to small-scale farmers.

32. Describe the nature of the negotiation process between the buyer and suppliers?

Not sure of this negotiation process.

33. What could be the reasons for the significant price differentials between fresh produce at NFPMs and retails?

I would think that the value-added benefits by retailer would contribute to a higher price.

ACCESS TO FINANCIAL SUPPORT

34. Does Dapper have policies/support mechanisms to bring SMEs and/or firms owned and controlled by historically disadvantaged persons? If yes, provide documentation which details the support provided. If no such documentation exists, please describe the nature of the support provided.

Dapper Management have no policies/support mechanisms in place in this regard.

35. Has Dapper undertaken, commissioned or is aware of any research that identifies the problems faced by SME/HDP farmers and provides policy recommendations on how to address these issues? If yes, kindly provide a list of the relevant research and copies of the reports if possible.

Dapper Management has not undertaken in research in this regard.

INQUIRY SCOPE AND ISSUES

36. Are there any additional areas of inquiry into the market for fresh produce not contained in the Terms of Reference that you believe are important for the Inquiry to cover as part of its work. If so, identify the specific area of inquiry or issue and the reasons why the Inquiry should include it in the scope.

No.

37. Are there any other features of the market for fresh produce and the participation therein in South Africa of relevance to the Inquiry and which has not been traversed in the questions above? If so, please provide details as to the feature and the relevance for the Inquiry.

Not aware of any.

38. Are there any other submissions Dapper would like to make of a general nature?

None.

39. Should you have any queries with regard to this request for information, do not hesitate to contact Derrick Bowles at derrickb2@compcom.co.za or Ruan Mare at ruanm@compcom.co.za.

Yours Faithfully,

Ruan Mare

**Market Conduct Division Competition Commission South Africa Email: RuanM@compcom.co.za
(Not signed due to electronic transmission)**

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