

**ETHEKWINI MUNICIPALITY**  
**DURBAN FRESH PRODUCE MARKET**  
**COMPETITION COMMISSION: FRESH PRODUCE MARKET INQUIRY**

We make reference to your letter and annexures dated 31<sup>st</sup> March 2023 with case number: 2022APR0051. Please see responses below for your further attention/information:

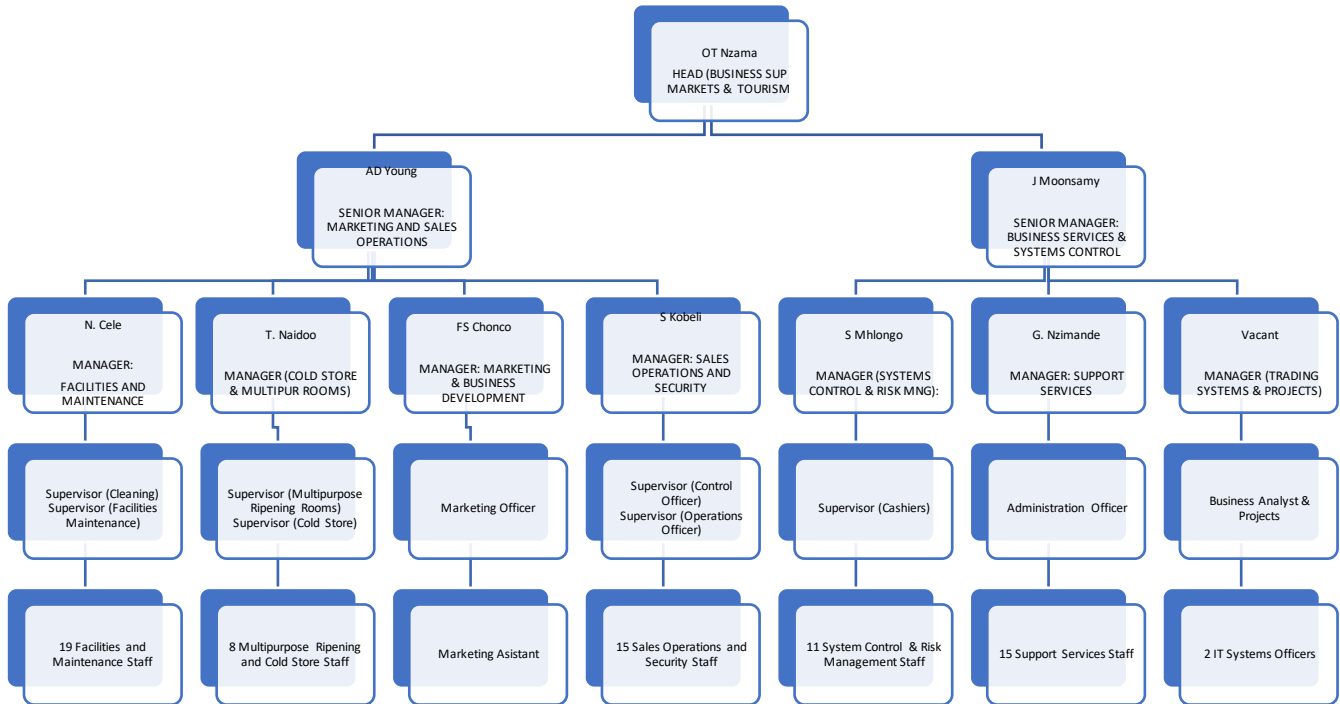
**BACKGROUND (page 3 - 8)**

**1. Activities of DFPM**

Durban Fresh Produce Market is the third largest commission bulk fresh produce market in South Africa with an annual turnover in excess of R2 billion. The market provides a facility for farmers/suppliers to consign their fresh produce to four fresh produce market agents that trade on the market. Sales take place between market agents and buyers such as wholesalers, supermarkets, retailers, informal traders, and others.

Market Agents are regulated by the Agricultural Produce Agents Council (APAC), in terms of the Agricultural Produce Act 12 of 1992, as well as by the Municipality's Durban Market By-Laws. Durban Fresh Produce Market is regarded as one of the modern, technologically advanced and aesthetically pleasing national bulk fresh produce markets.

## 2. Organogram of DFPM and roles and responsibilities



Name	Position/Title	Areas of Responsibility/Function
<b>Andre Young</b>	<b>SENIOR MANAGER: MARKETING AND SALES OPERATIONS</b>	<ul style="list-style-type: none"> <li>• Sales Operations &amp; Security</li> <li>• Maintenance &amp; Cleaning</li> <li>• Marketing &amp; Business Development</li> <li>• Cold Storage &amp; Ripening</li> <li>• Health &amp; Safety</li> </ul>
<b>Jason Moonsamy</b>	<b>SENIOR MANAGER: BUSINESS SERVICES &amp; SYSTEMS CONTROL</b>	<ul style="list-style-type: none"> <li>• Support Services</li> <li>• Trading Systems &amp; Projects</li> <li>• Systems Control and Risk Management</li> </ul>
<b>Nonto Cele</b>	<b>MANAGER: FACILITIES AND MAINTENANCE</b>	<ul style="list-style-type: none"> <li>• Repairs and maintenance of the waste recycling and disposal area</li> <li>• Repairs &amp; maintenance of the electrical, plumbing &amp; building infrastructure.</li> <li>• Management &amp; maintenance of battery charging facility</li> <li>• Attending to call outs, &amp; planned maintenance</li> <li>• Overseeing overall major infrastructure construction &amp; renovation</li> </ul>
<b>Tony Naidoo</b>	<b>MANAGER (COLD STORE &amp; MULTIPUR ROOMS)</b>	<ul style="list-style-type: none"> <li>• Provision of 8 state of the art bulk cold storage rooms with a holding capacity of 800 pallets.</li> <li>• Cold rooms are used by farmers (priority) and by other markets users</li> <li>• Large volume of produce is stored seasonally to cater for the needs of buyers.</li> <li>• Daily, weekly &amp; monthly inspections by professional refrigeration specialist</li> </ul>
<b>Sibonisiwe Chonco</b>	<b>MANAGER: MARKETING &amp; BUSINESS DEVELOPMENT</b>	<ul style="list-style-type: none"> <li>• Promoting the image of the market through advertising</li> <li>• Market research</li> <li>• Press &amp; media liaison.</li> <li>• Product of promotional material</li> <li>• Co-ordination of website development and updating thereof</li> </ul>
<b>Samukelisiwe Kobeli</b>	<b>MANAGER: SALES OPERATIONS AND SECURITY</b>	<ul style="list-style-type: none"> <li>• Consignment control</li> <li>• Price monitoring</li> <li>• Farmer &amp; buyer enquiries</li> <li>• Issuing of sales permits</li> <li>• Customer information desk</li> <li>• Quality control</li> <li>• Stock audit</li> <li>• Annual sales floor allocation</li> </ul>
<b>Samukelisiwe Mhlongo</b>	<b>MANAGER (SYSTEMS CONTROL &amp; RISK MNG):</b>	<ul style="list-style-type: none"> <li>• Systems control &amp; Risk Management responsibilities relate to cashiering, Baking, Financial-Control &amp; Enterprise Risk Management.</li> <li>• The first market to introduce a self-service device that interfaces with the real time trading system.</li> </ul>
<b>Gugu Shongwe</b>	<b>MANAGER: SUPPORT SERVICES</b>	<ul style="list-style-type: none"> <li>• Tenancy Management</li> <li>• Administration Management</li> <li>• Stores and Inventory Management</li> <li>• Procurement Management</li> <li>• Assets &amp; Fleet Management</li> <li>• Support Services Management</li> </ul>

<b>Vacant</b>	<b>MANAGER (TRADING SYSTEMS &amp; PROJECTS)</b>	<ul style="list-style-type: none"> <li>• Fully maintained off-side replication of the Trading System</li> <li>• Issuing of personalised micro-chip embedded buyer cards</li> <li>• Provision of electronic buyer's statement</li> <li>• Distribution of daily market statistics</li> <li>• CCTV interface with mobile devices/laptops</li> </ul>
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**3. Fresh Produce Value Chain**

The fresh produce value chain involves produce moving from the farm to the fork. In other words, from supplier of inputs to farmers, to growing/planting/production, to harvesting, storage/cold storage, grading, to packaging, processing, distribution/transportation, marketing, and selling until the product reaches the consumer. Durban Fresh Produce Market functions as a commission and wholesale fresh produce market. The role of DFPM in a value chain is to invite fresh produce farmers and suppliers to consign their produce to Durban Market who will market and sells produce through bulk market.

**4. Ten (10) top highest selling items on DFPM**

- 4.1 Refer to Appendix 1
- 4.2 Refer to Appendix 1

**5. Names and contacts details of suppliers**

- 5.1 Ten largest suppliers by sales/leads in the last financial year - Refer to Appendix 2**
- 5.2 Ten smallest supplier's sales/leads in the last financial year – Refer to Appendix 2**
- 5.3 Ten most recent suppliers who left DFPM – Refer to Appendix 3**
- 5.4 This function is performed by the Market Agents.**

**6. Names and contact details of agents for each of the relevant commodities**

- 6.1 Ten largest agents/salesmen by sales/leads in the last financial year – Refer to Appendix 4**
- 6.2 Ten smallest agents/salesmen by sales/leads in the last financial year –Refer to Appendix 4**
- 6.3 Wenpro Market Agent contract was terminated in 2018 November**
- 6.4 Not Applicable, market agents do not engage the market, but respond upon public calls for proposal.**

## NFPMS AS A ROUTE TO MARKET

### 7. **Regulatory Framework, the role played, and contribution to overall efficiency**

- **Agricultural Produce Agent Council (APAC)** – APAC regulates the occupation of fresh produce market agents. APAC conducts regular stock audits on Fresh Produce Markets and also audit market agents trust accounts.
- **PROKON**- independent quality assurance non-for-profit company that renders quality inspection in the fresh produce industry.
- **Ethekwini Municipality (Health Department)** – from a food safety perspective and conducts inspections and recommends produce that is no longer fits for human consumption.
- **Department of Agriculture, Land Reform and Rural Development** – ensure agricultural standards are maintained.
- **Ethekwini Municipality (Occupational Health & Safety)** – ensures that the market users comply with all safety regulations
- **Durban Market By-Laws** – provides guidance for market users in terms of trading and operational activities.
- **Standard Operating Procedure** – outline processes and procedure that must be followed on the market operation.

### 8. **Process required to move produce through the levels of the value chain.**

This is not applicable – no process required.

### 9. **Responsibility for logistics costs from farm gate to Durban Fresh Produce Market**

Supplier are responsible.

### 10. **To what extent of post harvesting services provided by third-party service providers.**

Not applicable.

### 11. **A list of third-party logistics service providers who provide logistics services**

Not applicable.

### 12. **The extent of an unbroken cold chain impact on the price received at the DFPM**

This is not a price determining factor.

### 13. **Mandatory cold chain certification process for the domestic market**

No cold chain certification process.

### 14. **Direct correlation between the quality of the cold chain used and the quality of the fresh produce supplied**

If the cold chain is not maintained, then the quality of the produce is impacted upon, thus affecting the price.

## 15. Business Model of the DFPM

Durban Market is commission driven that is in the process of introducing fresh produce wholesaler. Buyer is an individual or business entity that purchases fresh produce from the bulk market for the purpose of re-sale, distribution or processing. Durban Fresh Produce Market is controlled by the municipality; by providing the infrastructure and other associated services.

### 15.1. The value proposition for consumers and producers:

**Producer** – Improved produce shelf life throughout the provision of cold storage facilities, provide quick payment turnaround time, and provides a trust account facility that protect producer's funds.

**Consumer** – Value for money in terms of pricing, availability of variety of produce and provides pleasing facility for buying.

### 15.2. How it generates revenues and what the major cost items are:

**Revenues** - Commission & rental income, generated ales, cold storage & ripening fee, parking.

**Costs** – Salaries & benefits, repairs & maintenance, electricity & water, waste removal, cleaning and security.

### 15.3. DFPM role in building both the consumer and producers' side

Durban Fresh Produce Market continuously visits producers around the country updating farmers on market services. This opportunity is used for the market to receive concerns and queries from the supplier / producer. Durban Market visits the buyers who also encourage others to buy from the market. The market also provides trading facilities for buyers.

## 16. The importance of the Durban Fresh Produce Market as a route to market for producers compared to other direct market platforms:

- (a) There is no barriers to entry.
- (b) Allows for viewing product before purchasing.
- (c) Agricultural Produce Agent Council provides protection for producers via the fidelity fund certificate.
- (d) Quick turnaround time in term of payment.
- (e) Cheapest distribution channel.
- (f) Value for money services.

## 17. The impact that other direct market platforms have on DFPM

Loss of customers, and reduces volumes to the market

## 18. The impact that online trading platforms have on DFPM

Minimum impact at this stage.

**19. The price setting mechanisms which pertain to the DFPM**

- 19.1. The market is not involved in real time tracking, this is a domain of Market Agents. The market conducts all ad hoc price monitoring.
- 19.2 This is not applicable to the DFPM; refer to market agents.
- 19.3 This is not applicable; refer to market agents.
- 19.4 Historic pricing and volume data is available across each NFPM.
- 19.5. The determination of the market agents and the producer commission is determined between the producer and the market agent. Market plays no role.
- 19.6. To a greater extent that these factors play a role (19.1 – 19.5), negotiated commission, produce availability, DFPM provides facility and capacity to off-load.
- 19.7. Bylaws, Standard Operating Procedure Occupational Health & Safety Act, Agricultural Produce Agent Council Act, ad Agricultural Produce Standard Act.
- 19.8. Product Control for Agriculture (PROKON) on behalf of Department of Agriculture, land Reform and Rural Development, and Ethekewini Municipality Health Department
- 19.9. Allocation of floor space is based on tonnage and turnover, calculated using the market's Standard Operating Procedure which provides a formula relating to tonnage and turnover.
- 19.10. Role of intermediaries such Ethekewini Municipality Health Department, involves no direct costs, it's included in the market commission. Prokon deals directly with Department of Agriculture, Land Reform and Rural Development and they use gazette prices as Prokon is an assignee of the department. Transportation is handled by the farmer/supplier. Post logistics activities are handled by the buyer. Packing is done by the farmers/suppliers.

**20. Extent wholesalers are operational at the DFPM:**

- 20.1. Yes, Wholesalers are permitted, and we currently have 4 within the market premises. They pay rental for the premises they occupy.
- 20.2. They purchase produce from the market agents and they are also permitted to bring the direct produce.

**21. Does DFPM receives any funding of financial support?**

Durban Market is owned by Ethekewini Municipality and thus the market is allocated operational/capital funding from the municipality.

**22. A break-down of all annual costs associated with the operations and maintenance of the DFPM in the past 5 years.**

Refer to Appendix 5

**23. A list of all market agents that operate in the DFPM**

There are four market agents that are trading in Durban Fresh Produce Market namely: Subtropical Market Agents, RSA market Agents, Hanly Market Agents and Grow Port Natal market Agents. The formula to determine sales floors space is calculated by using tonnage and turnover statistics.

Refer to Appendix 6

**24. A list of DFPM's streams of revenue and annual revenue generated by each stream for the past 10 years.**

Refer to Appendix 7

**25. DFPM determination of fees payable by the (i) market agents and (ii) farmers/producers for utilising the DFPM infrastructure. In your response, provide all underlying documents, policies and any other strategic documents where (i) agent fees and (ii) producer fees**

The 2 categories of fees payable are market dues and tariffs charges. Market dues of 5% is payable by producers and is deducted from sales. The market dues of 5% payable is the same across all national Fresh Produce Markets and was historically determined and remained unchanged for a decade. The tariff-related fees payable is reviewed annually and is determined by market management and recommended to municipal council for approval.

The annual tariffs review process by market management considers the cost drivers of the respective service provided and the corresponding anticipated increased cost of providing the services in the new financial year. These costs play a key role in determining the tariff increase percentage for the new year.

Refer to Appendix 8

**26. Fees determination in the DFPM?**

Fees determination are done by Annual tariff report.

**27. The process followed by market agents in order for them to be accredited**

This process is dealt with by the public entity namely Agricultural Produce Agent Council.

**28. A list of all small-scale/smallholder/ emerging farmers that sell their produce through the DFPM**

Refer to Appendix 9

**29. Initiatives that DFPM have undertaken to encourage participation of smallscale/smallholder/emerging farmers in the market**

Yes, as part of the marketing drive, DFPM conducts visits to suppliers including emerging farmers/buyers and attend to their queries and concerns whilst building stronger relationship. DFPM also conduct informational and educational tours for emerging farmers. Market agents plays a role in terms of attracting producers.



**30. Information the for each of the relevant commodities identified in para 6 above. This information should be presented on monthly bases for the past 5 years.**

30.1. Price – Refer to Appendix 10

30.2. Volumes – Refer to Appendix 10

30.3. Revenue and – Refer to Appendix 10

30.4. Market Agent – Refer to Appendix 10

### **DISCRIMINATION ON OUTPUTS/BUYER POWER**

**31. Alternative routes to market available to small-scale farmers**

Direct supply to the city's Retail Market and to local retail stores within rural areas.

**32. The nature of the negotiation process between the buyer and suppliers**

The process of negotiation process is conducted between the buyer and the supplier. The market is not involved.

**33. Reasons for the significant price differentials between fresh produce at NFPMs and retailers**

(a) Retailer have higher overhead costs.

(b) Retailer purchases direct from producer.

(c) Retailer do not work on commission structure which is based on demand.

### **SMALL-SCALE FARMERS' ACCESS TO FINANCIAL SUPPORT**

**34. Funding instrument and financial support**

Not applicable.

**35. Current design of funding Models**

Not applicable.

**36. DFPM view on information asymmetry**

Not applicable.

**37. Factors considered on financial institution design**

Not applicable.

**38. Barriers to entry by small growers**

Not applicable.

**39. Cost of finance/funding**

Not applicable.

**40. DFPM standpoint on the use of blended finance model**

Not applicable.

**41. Role and success of the incubator model for SMME's**

Not applicable.

**42. Key market feature that increase barriers to entry**

Not applicable.

**43. View on small-scale farmer treatment by financial institution**

Not applicable.

**MARKET DYNAMICS**

**44. Co-operatives at the market**

Not applicable.

**45. Overview of the role cooperatives play in the markets**

45.1. Not applicable.

45.2. Not applicable.

45.3. Not applicable.

**INQUIRY SCOPE AND ISSUES**

**46. Additional arrears of inquiry into the market**

The inquiry should look into the fresh produce market in terms of the introduction of fresh produce market wholesalers to the NFPM. This intervention will speed up transformation on the market. This will also increase competitiveness within the sector.

The enquiry should also look at the fresh produce structure, the market being able to ring fence its surplus in order to be utilized for maintenance and infrastructure development. Considering the view of NFPM converting into a municipal entity or corporatized entity.

**47. Features of the market for fresh produce & participation therein in South Africa of relevance to the Inquiry**

Not applicable.