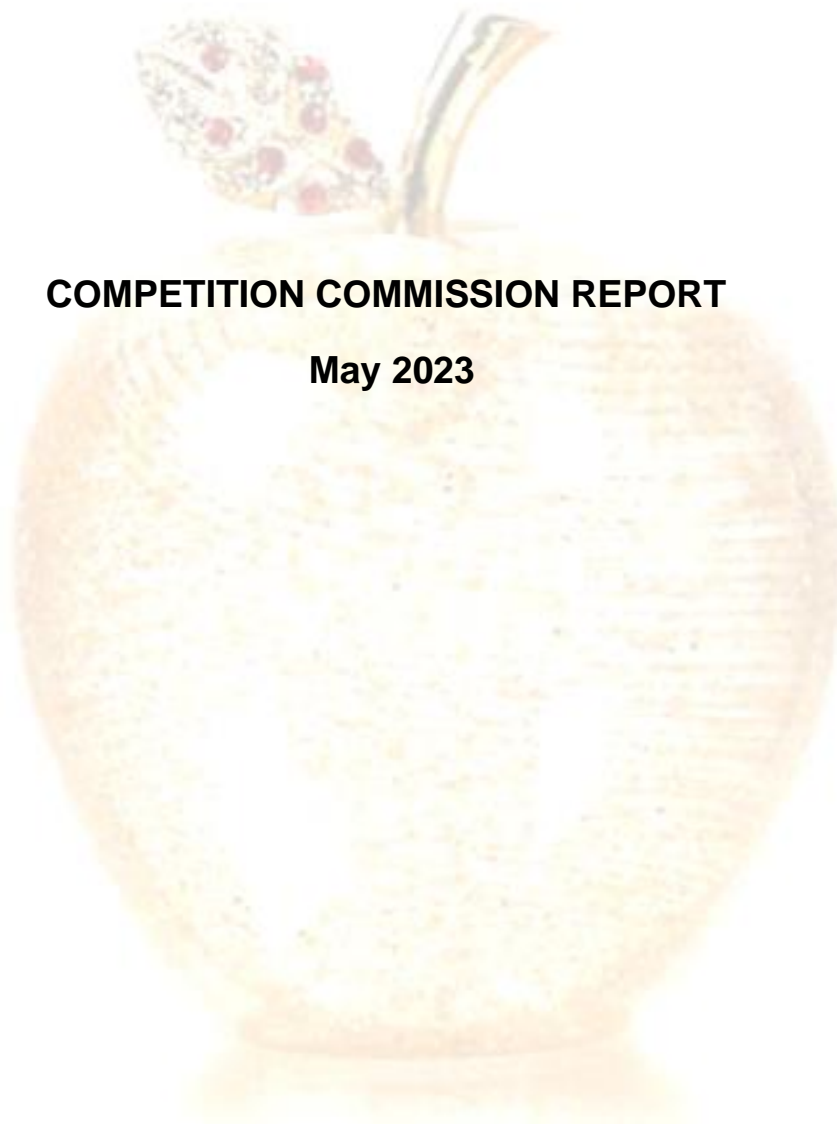
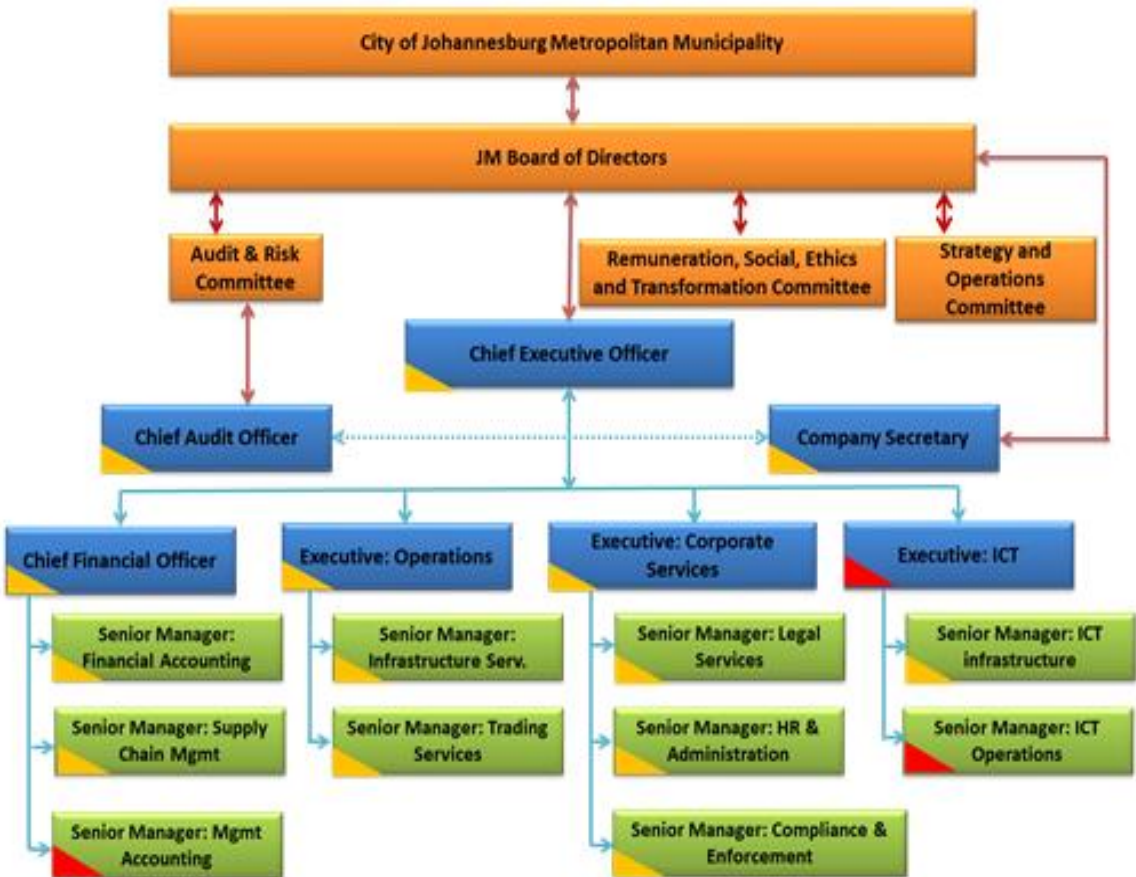




COMPETITION COMMISSION REPORT
May 2023



Info. Request No.	RESPONSES
1.	<p>The Joburg Market SOC Ltd (JM) renders a series of services and provides amenities which facilitate the trading of fresh produce. On a daily basis, approximately 11,000 to 14,000 buyers trade at the JM. In addition approximately 8,000 producers are marketing their produce through the JM.</p> <p>The JM offers the following services but not limited to:</p> <ol style="list-style-type: none"> 1. Central Trading System for trade of fresh produce 2. Financial Services 3. Assurance System for effective consignment control 4. Market Hygiene Services for effective food safety measures 5. Security services for people, property and products 6. Trade Support Services for effective cold chain management and banana ripening 7. Repair and Maintenance services of the facility 8. Laboratory Services for the testing of fresh produce
2.	<p>JM ORGANOGRAM</p>  <pre> graph TD City[City of Johannesburg Metropolitan Municipality] <--> Board[JM Board of Directors] Board <--> ARCA[Audit & Risk Committee] Board <--> RSETC[Remuneration, Social, Ethics and Transformation Committee] Board <--> SOC[Strategy and Operations Committee] Board <--> CEO[Chief Executive Officer] CEO <--> CAO[Chief Audit Officer] CEO <--> CS[Company Secretary] CEO --> CFO[Chief Financial Officer] CEO --> Ops[Executive: Operations] CEO --> CSS[Executive: Corporate Services] CEO --> ICT[Executive: ICT] CFO --> SMC[Senior Manager: Financial Accounting] CFO --> SCSM[Senior Manager: Supply Chain Mgmt] CFO --> SMA[Senior Manager: Mgmt Accounting] Ops --> SMI[Senior Manager: Infrastructure Serv.] Ops --> SMTS[Senior Manager: Trading Services] CSS --> SMLS[Senior Manager: Legal Services] CSS --> SMHA[Senior Manager: HR & Administration] CSS --> SMCE[Senior Manager: Compliance & Enforcement] ICT --> SMICTI[Senior Manager: ICT Infrastructure] ICT --> SMICTO[Senior Manager: ICT Operations] CS -.-> CAO CS -.-> SMTS CS -.-> SMICTO </pre> <p>DIVISIONAL RESPONSIBILITIES</p> <p>Top level Structure fundamentally deals with adherence to applicable rules and regulation for businesses and municipalities in the Republic of South Africa</p> <ol style="list-style-type: none"> 1. Chief Financial Officer

The division is responsible for financial management function to driver and achieve financial sustainability of the company. It is accountable for the resources entrusted to it, including funding, expenditure management, cash flow management including budgets and accounting responsibilities. It also involves the implementation of business process engineering to effect strong internal controls.

2. Executive Core Operations

The division is responsible to provide a conducive platform for the trade of fresh produce, consignment control, repair and maintenance , managing the property portfolio of the entire market facility, fresh produce product testing to ensure food is safe for human consumption and managing capital projects.

3. Executive Cooperate Services

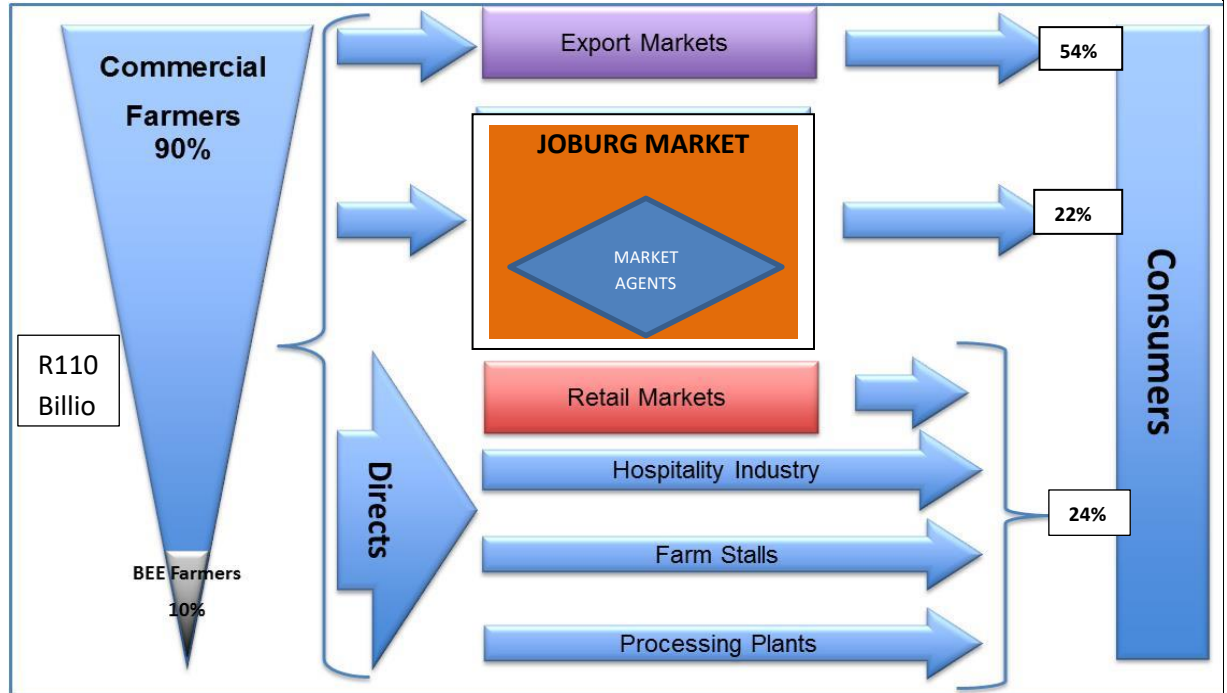
The division is responsible Human Resources (HR) Management and Development, training and coaching of employees, HR policy development and legal services

4. Executive ITC

The division is responsible to ensure availability of IT Systems at all times design, management and growth of the entire IT Infrastructure, security and access to the IT infrastructure

3. THE VALUE CHAIN

The diagram below depicts the agricultural value chain and JM position in the value chain. The figures are based on 2021 performance of the horticulture section of the agriculture sector.



4. See attachment marked Annexure 1 (Product Performance)

4.1 See attachment marked Annexure 1 (Product Performance)

4.2 See attachment marked Annexure 1 (Product Performance)

5. See attachment marked Annexure 1 (Product Performance)

5.1 See attachment marked Annexure 1 (Product Performance)

5.2 See attachment marked Annexure 1 (Product Performance)

5.3 Unknown

5.4 Market Agents deal with farmers, Joburg Market provides the facility for trading. In terms of requirements, all farmers are required to adhere to the Agricultural Product Standards (APS) Act, 1990 (Act 119 of 1990 (Attached Annexure 2 - ACTS))

6 See attachment marked (Agents Performances)
Attached under Annexure 3 - Agents Performances

6.1	Attached under Annexure 3 - Agents Performances					
6.2	Attached under Annexure 3 - Agents Performances					
6.3	1. EGOLY MARKET AGENTS (Contact details unknown as they are not operating at JM) 2. PULA NALA MARKET AGENTS (PTY) LTD (Contact details unknown as they are not operating at JM)					
6.4	No formal engagement has been undertaken with potential market agents due to the lack of required space to effectively manage a market agent					
7.	<p>Broad overview of the regulatory framework in relation to the market for fresh produce. In your response kindly refer to the role of regulatory bodies operational within the value chain and how they contribute towards the overall efficiency of the value chain.</p> <table border="1" data-bbox="295 779 1497 2040"> <tr> <td data-bbox="295 779 842 1668"> <p>1. Foodstuffs, Cosmetics and Disinfectants (FCD) Act, 1972 (Act 54 of 1972)</p> <ul style="list-style-type: none"> • R638 – Regulations governing general hygiene requirements for food premises, the transport of food and related matters • R246, R1047, R1148, R494, R525, R247, R46 – Regulations governing the maximum limits for pesticide residues that may be present in foodstuffs • R588 – Regulations relating to the maximum levels of metals in foodstuffs • R692 – Regulations governing microbiological standards for foodstuffs and related matters • R908, R607 – Regulations relating to the hazard analysis and critical control point system (HACCP system) • R146 – Regulations relating to the labelling and advertising of foodstuffs </td> <td data-bbox="842 779 1497 1668"> <p>Inspection of food premises by Municipal Health Department Authority. All food premises including market agents space and tenants food premises on the market must have a valid Certificate of Acceptability issued by the Municipal Health Department</p> <ul style="list-style-type: none"> a) Food premises (formal and informal traders) are inspected for suitability and hygiene for the handling, preparation and storage of food. This includes market agents trading space. A Certificate of Acceptability (CoA) is issued by the COJ Health Department b) Samples are taken from trading floor or on farm (where applicable) for laboratory analysis to evaluate compliance with maximum residue limits (MRLs) for pesticides or maximum limits (MLs) for heavy metals (lead, cadmium) c) Principles of HACCP are used to conduct food safety risk assessment for the receiving, handling, and storage of food at Joburg Market </td> </tr> <tr> <td data-bbox="295 1668 842 2040"> <p>2. Agricultural Product Standards (APS) Act, 1990 (Act 119 of 1990)</p> <p>Regulations relating to the grading, packing and marking of the various fresh produce and other foodstuffs destined for sale in the Republic of South Africa</p> <ul style="list-style-type: none"> • R.911 of 12 Aug 2016: Apples • R.635 of 7 Jul. 2017 : Bananas </td> <td data-bbox="842 1668 1497 2040"> <p>Product inspection function at local markets assigned to Prokon inspection agency by Department of Agriculture, Land Reform and Rural Development (DALRDD)</p> <ul style="list-style-type: none"> a) Quality of produce received for sale is inspected to ensure quality and food safety compliance. Grade verification is performed. b) Packaging is inspected to ensure compliance with food container requirements. c) Product labelling is inspected on products </td> </tr> </table>		<p>1. Foodstuffs, Cosmetics and Disinfectants (FCD) Act, 1972 (Act 54 of 1972)</p> <ul style="list-style-type: none"> • R638 – Regulations governing general hygiene requirements for food premises, the transport of food and related matters • R246, R1047, R1148, R494, R525, R247, R46 – Regulations governing the maximum limits for pesticide residues that may be present in foodstuffs • R588 – Regulations relating to the maximum levels of metals in foodstuffs • R692 – Regulations governing microbiological standards for foodstuffs and related matters • R908, R607 – Regulations relating to the hazard analysis and critical control point system (HACCP system) • R146 – Regulations relating to the labelling and advertising of foodstuffs 	<p>Inspection of food premises by Municipal Health Department Authority. All food premises including market agents space and tenants food premises on the market must have a valid Certificate of Acceptability issued by the Municipal Health Department</p> <ul style="list-style-type: none"> a) Food premises (formal and informal traders) are inspected for suitability and hygiene for the handling, preparation and storage of food. This includes market agents trading space. A Certificate of Acceptability (CoA) is issued by the COJ Health Department b) Samples are taken from trading floor or on farm (where applicable) for laboratory analysis to evaluate compliance with maximum residue limits (MRLs) for pesticides or maximum limits (MLs) for heavy metals (lead, cadmium) c) Principles of HACCP are used to conduct food safety risk assessment for the receiving, handling, and storage of food at Joburg Market 	<p>2. Agricultural Product Standards (APS) Act, 1990 (Act 119 of 1990)</p> <p>Regulations relating to the grading, packing and marking of the various fresh produce and other foodstuffs destined for sale in the Republic of South Africa</p> <ul style="list-style-type: none"> • R.911 of 12 Aug 2016: Apples • R.635 of 7 Jul. 2017 : Bananas 	<p>Product inspection function at local markets assigned to Prokon inspection agency by Department of Agriculture, Land Reform and Rural Development (DALRDD)</p> <ul style="list-style-type: none"> a) Quality of produce received for sale is inspected to ensure quality and food safety compliance. Grade verification is performed. b) Packaging is inspected to ensure compliance with food container requirements. c) Product labelling is inspected on products
<p>1. Foodstuffs, Cosmetics and Disinfectants (FCD) Act, 1972 (Act 54 of 1972)</p> <ul style="list-style-type: none"> • R638 – Regulations governing general hygiene requirements for food premises, the transport of food and related matters • R246, R1047, R1148, R494, R525, R247, R46 – Regulations governing the maximum limits for pesticide residues that may be present in foodstuffs • R588 – Regulations relating to the maximum levels of metals in foodstuffs • R692 – Regulations governing microbiological standards for foodstuffs and related matters • R908, R607 – Regulations relating to the hazard analysis and critical control point system (HACCP system) • R146 – Regulations relating to the labelling and advertising of foodstuffs 	<p>Inspection of food premises by Municipal Health Department Authority. All food premises including market agents space and tenants food premises on the market must have a valid Certificate of Acceptability issued by the Municipal Health Department</p> <ul style="list-style-type: none"> a) Food premises (formal and informal traders) are inspected for suitability and hygiene for the handling, preparation and storage of food. This includes market agents trading space. A Certificate of Acceptability (CoA) is issued by the COJ Health Department b) Samples are taken from trading floor or on farm (where applicable) for laboratory analysis to evaluate compliance with maximum residue limits (MRLs) for pesticides or maximum limits (MLs) for heavy metals (lead, cadmium) c) Principles of HACCP are used to conduct food safety risk assessment for the receiving, handling, and storage of food at Joburg Market 					
<p>2. Agricultural Product Standards (APS) Act, 1990 (Act 119 of 1990)</p> <p>Regulations relating to the grading, packing and marking of the various fresh produce and other foodstuffs destined for sale in the Republic of South Africa</p> <ul style="list-style-type: none"> • R.911 of 12 Aug 2016: Apples • R.635 of 7 Jul. 2017 : Bananas 	<p>Product inspection function at local markets assigned to Prokon inspection agency by Department of Agriculture, Land Reform and Rural Development (DALRDD)</p> <ul style="list-style-type: none"> a) Quality of produce received for sale is inspected to ensure quality and food safety compliance. Grade verification is performed. b) Packaging is inspected to ensure compliance with food container requirements. c) Product labelling is inspected on products 					

	<ul style="list-style-type: none"> • R.422 of 1 Jun 2012 : Table Grapes • R.963 of 30 Nov. 2012 : Citrus Fruit • R.192 of 13 Mar 2015: Onions • R.1031 of 12 Nov 2010: Potatoes • R.740 of 3 Oct 2014 :Tomatoes • R.364 of 24 May 2013: Fresh Vegetables (Carrots, Cabbage, Spinach) 	<p>received to ensure compliance to marking requirements (markings provide product information to buyers, e.g. variety, size, count, mass, date code, grade/class)</p> <p>d) Maturity testing of certain fruit is conducted during early season harvest to prevent immature fruit from being sent to the market by certain unscrupulous suppliers/producers in order to exploit early season high prices. (E.g. avocados, citrus, grapes)</p> <p>e) Training and/or guidance is given to producers to ensure compliance and improvement with product sorting, packing and marking requirements (mainly small-scale farmers)</p>
	<p>3. Legal Metrology Act, 2014 (Act 9 of 2014)</p> <ul style="list-style-type: none"> • SANS 289:2016 – Labelling requirements for prepackaged products (prepackages), and general requirements for the sale of good subject to legal metrology control • SANS 458:2011 - Tolerances permitted for the accuracy of measurements of products (including prepackaged products) in terms of legal metrology legislation 	<p>Random and targeted inspections are performed by National Regulator for Compulsory Specifications (NRCS) to check proper labelling of food weights and measures (counts)</p> <p>Mass (weight of bag or box) and count (number of fruit in a box) compliance checks are conducted - products are weighed randomly or in the event of customer complaints regarding under-mass.</p> <p>Ensuring the correct product mass in relation to the marked mass (especially for potatoes and onions) is relevant for ensuring accurate Rand per kilo price.</p>
	<p>4. Consumer Protection Act (CPA), 2008 (Act 68 of 2008)</p> <p>The Important Influence of the Consumer Protection Act on the Food Industry: <i>The first value of the Consumer Protection Act (CPA) 68 of 2008 reads as follows: “to promote a fair, accessible and sustainable marketplace for consumer products and services”.</i></p> <p>The entire food supply chain is responsible for providing consumers with food that is safe and information that is accurate and compliant with the relevant legislation. The CPA, among others, also influences the way consumers are introduced to these food products and what they can expect of the products they choose to purchase. Through this, consumers are enabled to lodge complaints about unsatisfactory goods, which in turn ensure that suppliers adhere to the above-mentioned normative standards,</p>	<p>The Consumer Goods and Services Ombud was accredited as the official dispute resolution scheme for the Consumer Goods and Services industry. The Ombud deals with complaints relating to all transactions under the Consumer Protection Act.</p> <p>What is the influence of the CPA on the entire food supply chain?</p> <ul style="list-style-type: none"> • All discriminatory marketing practices are strictly prohibited. • Food products should have the product characteristics as advertised and as indicated on the packaging. Food labeling should be in plain language and not misleading • Food products should have a reasonable shelf life suitable for the type of product • Food products should be safe to consume • Suppliers, distributors and retailers of food products should have food quality systems in place to provide records (e.g. receiving, storage, temperature record, etc.). This will help to protect them against liability claims • Food products should be reasonably suitable for the purpose they were intended

	ethics and legislative requirements.	and should be of good quality and useable for a reasonable period of time
--	--------------------------------------	---



8.	<p>Broad overview of the process required to move produce through the levels of the value chain from planting, harvesting, storage, packing, grading, and transportation to the JFPM, and any post market logistics.</p>	
	<p>1. Planting / Growing</p>	<p>Environmental factors, cultivation practices and on-farm management decisions all play vital roles in achieving good yields of quality produce. Generally, low-yielding crops tend to have a poor quality, whereas high-yielding crops deliver a good quality product. Exceptions to this may be found when an imbalance of nutrients may reduce keeping quality and taste, or where pests or diseases damage the product. Many factors such as climate, soil, soil preparation, cultivar, seed, planting time, nutrition, water, weeds, pests and diseases, may play a role. Farm management is all-important. The correct decisions, actions taken timeously and correctly, and general attention to detail are major factors affecting yield and quality</p>
	<p>2. Harvesting</p>	<p>All consumers prefer sound, healthy produce, with a good, fresh appearance. Produce must be harvested at the correct stage of maturity and in line with the requirements of the specific market (i.e. local, retail, processing, export), bearing in mind the inevitable delays between harvesting and marketing. Insect damaged, diseased, malformed or otherwise undesirable produce may already be discarded at harvest. Fresh produce starts deteriorating immediately after picking, and it does so at a faster rate when temperatures are high. Harvesting of produce, especially the more perishable products, such as broccoli, lettuce or spinach, should preferably not be done during the heat of the day, nor while the field heat of the product is high. Keeping the harvested product cool, or even cooling it artificially, reduces the rate of deterioration. Harvested produce should be moved into the shade, preferably into a cool, well-ventilated area, as soon as possible. It should never be left exposed to the sun for long periods. Product should not be over-turgid (i.e. contain too much water) at harvest, as such produce is more easily damaged by handling. Generally speaking, crops should not be harvested while wet.</p>
	<p>3. Storage</p>	<p>Slatted plastic lug-boxes or crates, which improve the exchange of air, is used for both harvesting and storing the produce in a cool environment prior to sorting, washing, grading and packing</p>
	<p>4. Packing / Grading</p>	<p>Great care must be taken in handling the produce during all stages of harvesting, sorting, grading, packing and transporting, because any damage may cause more rapid deterioration, greater rotting and a poor general appearance. All badly diseased, insect damaged, broken or otherwise unmarketable produce should be removed during sorting. The remainder is sorted into different quality grades, which will meet the requirements of the specific market outlets envisaged. Crops such as onion, potato and tomato are generally graded according to size and quality before being packed. Quality standards have been set, and the farmer's grading as displayed on the delivery note and packaging may be checked on the market floor by inspectors.</p>

		<p>Produce must be packed in containers (boxes or bags) that are suitable, clean, undamaged and strong and rigid enough to ensure that the original shape shall be retained and shall not bulge out, dent in, break or tear during normal storage, handling or transport.</p> <p>Containers must be marked in accordance with the regulations of the APS Act (Name and address of producer, Country of Origin, Class/Grade, Size / Count, Product Type/Variety, Mass, Packing Date/Code)</p>
	5. Pre-cooling (product specific)	<p>To ensure maintenance of the cold chain and for optimum quality and freshness, some produce like apples, carrots, and table grapes are pre-cooled in cold rooms on farm and loaded into refrigerated trucks at optimum product transport temperature to market.</p>
	6. Transportation	<p>Excessive handling of the produce should be avoided, because the more it is handled, the greater the chance of damage. The use of palletisation from farm to retail sales points, especially the national markets, is popular because it protects the crop during transit, and also facilitates efficient loading and offloading which reduces handling.</p> <p>Transport best practice: Ensure that the produce is not loaded too high, resulting in the bottom layers being damaged. Handle gently at all times when loading and unloading. Adjust transport vehicle speed according to road conditions. Tie the load down securely to prevent it from shifting. Ensure adequate ventilation when long trips are undertaken, especially in hot weather. Protect the load from sun, wind, rain, cold and dusty conditions during transit.</p>

9.	Farmers are responsible for the logistic cost, either by utilizing their own transport or by using a logistic company to transport fresh produce the Joburg Market
10.	Joburg Market does not have access to this information as farmers have their approach and/or prerogative to conduct their business and financial management as they deem fit for the post-harvest activities.
11.	Joburg Market does not have access to this information.
12.	Prices for fresh produce on National Fresh Produce Markets are discovered through the economic forces of demand and supply. An unbroken cold chain management exercised throughout the value chain fundamentally prolongs the shelf-life of fresh produce which may or may not have a positive impact on the priced realized for the product.
13.	<p>There is no statutory cold chain certification process for the domestic market in the handling and transporting of fresh produce.</p> <p>There are guidelines for the transport and storage of all food products applicable to the domestic market to prevent spoilage or contamination as contained in Regulation R.638 of the Foodstuffs, Cosmetics and Disinfectants Act.</p> <p>R.638 REGULATIONS GOVERNING GENERAL HYGIENE REQUIREMENTS FOR FOOD PREMISES, THE TRANSPORT OF FOOD AND RELATED MATTERS</p> <p>1. Standards and Requirements for the Transport of Food A person may not transport food, including unprocessed agricultural crops, on or in any part of a vehicle-</p> <p>(a) Unless that part of a vehicle is clean and has been cleaned to such an extent that chemical, physical or microbiological contamination of the food is prevented:</p> <p>(b) together with -</p> <ul style="list-style-type: none"> (i) contaminated food or waste food; (ii) poison or any harmful substance; (iii) a live animal: or (iv) An object that may contaminate or spoil the food. <p>2. Food Temperatures Under category chilled products (i.e. any perishable food that must be kept chilled to prevent spoilage), a core temperature of < +5 °C is required for food products that are stored, transported or displayed for sale.</p> <p>"perishable food" means foodstuff which on account of-</p> <p>(a) its composition, ingredients, moisture content or pH value; and</p> <p>(b) its lack of preservatives and suitable packaging,</p> <p>is susceptible to an uninhibited increase in microbes thereon or therein, if the foodstuff is kept within the temperature spectrum of 5 °C to 60 °C, and includes the perishable foodstuffs listed in Government Notice No R.1183 of 1 June 1990 but <u>excludes unprocessed fruit and vegetables</u>;</p>

"Unprocessed agricultural crops" means fresh, raw and unprocessed fruit, vegetables, maize, wheat, rye, unshelled peanuts, sugar cane. sunflower seed or other unprocessed agricultural crops:



<p>14.</p>	<p>See attachment marked Annexure 4 -WASTAGE</p> <p>Fresh produce begins to deteriorate the moment they are harvested, therefore it is essential for cold chain logistics to ensure that the consignment is kept in optimum storage condition so that shelf life, and therefore commercial potential, is maximized</p> <p>Commercial farmers have invested in cold rooms on farm and refrigerated transport vehicles to ensure that their produce arrive at the market in the best quality and state of freshness. This is evident in the supply of apples, bananas, table grapes, carrots and leafy vegetables like lettuce. Refrigeration / Cooling reduces the respiration rate of fresh produce which slows down product ageing, therefore the shelf-life of products that are under cold chain logistics are maintained a bit longer than other produce stored and transported at ambient temperatures. Produce that arrive warm at the market generally tend to lose shelf-life quicker as can be visible through wilting, softening and browning of produce a few days later. These products (if not sold quickly), develop decay (decomposition, tissue collapse and fungal/mould growth) and have to be condemned unfit for consumption - ending up being discarded.</p>
<p>15.</p>	<p>The Joburg Market is a commission market that is open to all the farmers/supplier in the Republic of South Africa and beyond. Farmers that utilize the JM as a distribution channel to market their respective fresh produce pays a 12.5% commission</p> <ol style="list-style-type: none"> 1. JM receives a fixed 5% commission for managing and maintaining a competitive marketing system and infrastructure. 2. The Market Agents receives between 5% and 9% commission on the gross value of the sold products(Common commission used by Market Agent is 7.5%) <p>All trading transaction are conducted on JM Sales Processing System (SPS) managed and control by JM. In particular the trading platform must be regarded as transparent and trustworthy to all stakeholders</p>
<p>15.1</p>	<p>JM VALUE PROPOSITION</p> <p>JM strategic intent is to create a sustainable fresh produce market services for all key stakeholders. This is underpinned by JM's vision to be people centric through a smart fresh produce hub that is globally competitive and enabling local job creation and transformation. We strive towards client-centric market management and service standards execution. It is our conviction to be a good corporate citizen and have a leading footprint in the SADC region. The key value propositions are as follows:</p> <ol style="list-style-type: none"> 1. A one –stop product offering 2. Biggest Real estate and trading platform closer to the consumers: 3. Largest assortment of fresh produce sold on a transparent platform to the mutual benefit of both buyer and seller. 4. Serving as central market place with a local and international footprint 5. Value for money services 6. Complimentary service through the provision of cold rooms and banana ripening facilities 7. Hassle free buying experience.

- | | |
|--|---|
| | <ol style="list-style-type: none">8. Hassle free delivery of fresh produce process9. Transparent and trustworthy IT trading system for all stakeholders10. SANAS accredited Laboratory services on site11. Positive cash flow for farmers as farmers are required by the APAC Act to be pay within 5 days of the sales proceeds12. Price setting mechanisms – Price barometer |
|--|---|



<p>15.2</p>	<p>JM's main revenue stream is commission which is charged at 5% of all produce sold at the market. Rental of facilities is charged at the prevailing market related rates and includes water & electricity recoveries.</p> <p>Our statement of financial performance gives a detailed breakdown of our costs. However, the large expenditure costs include employee related costs, repairs & maintenance and contracted services (Annexure 7)</p>
<p>15.3</p>	<p>Joburg Market seeks to be the best fresh produce market operating in the space of the facilitation of fresh produce trading. JM has selected in principal, the strategic thrust towards becoming a smart market. The introduction of smart market technologies will enable the company to roll out projects and programmes fit for the next generation of market operations. The following strategic objectives to build on both our farmer and buyer base:</p> <ul style="list-style-type: none"> • To Provide a Resilient and Premier Trading Facility • To Ensure Compliance with Regulatory Framework • To Support CoJ Indigent Programmes • To Provide Market Access to Farmers and Buyers for the Distribution of Fresh Produce • To Expand Opportunities to Historically Disadvantaged Groups • To ensure adherence to Good Governance Practices. • Introduction of Innovative Solutions and Technologies to Improve Efficiencies. • To practice focused stakeholder engagements. <p>The financial mode will be based on three main options: (1) a loan Funding Model, (2) an Equity Model and/or (3) a Project Funding Model.</p>
<p>16.</p>	<p>JM was established in 1893 as a fresh produce market situated at the Market Square in central Johannesburg, where three thousand people congregated to trade in fresh produce. JM mandate states that: <i>“The Company is mandated to manage and operate a market facility through the provision of fresh produce market facilities and complementary services to the fresh produce industry”</i> The relative importance of JM is depicted as outlined above under point 15.1. Direct channels tend to have very high product standard quality requirements, whereas JM accepts all products and of all quality standards, provided it is safe for human consumption. Direct channels have different payment period from 30 days and above whereas JM pays producers within 5 days thereby making a valuable contribution the farmers positive cash flows</p>
<p>17.</p>	<p>In the last 30 years or so, direct trading has increased significantly mainly due to the lack of capital investment into NFPM infrastructure and NFPM failure to meet industry requirements. The value chain above under point 3, shows that direct trading is larger than produce consigned to NFPM. Direct trading constitutes 24% of produce sold by value and NFPM is at 22%. Therefore direct trading had a negative impact on NFPM growth and sustainability.</p>
<p>18.</p>	<p>The raise of technology trading platforms in the world is perhaps at its highest point and farther growth of this platform is inevitable, On-line platforms for purely fresh produce has been established in South Africa, however these platforms seldom has the complete fruit and vegetable basket and therefore the <i>“order fulfillment”</i> rate tends to be low to customers</p>

	or businesses dealing purely with fruit and veg. Therefore buyers are still depended on NFPM to purchase the complete fruit and vegetable basket.
19.	See attachment marked Annexure 5 - Price Setting Mechanism
19.1	Unknown for other NFPM Joburg Market as real time tracking function on the Sales Processing System (SPS) that tracks volumes and pricing in real time which is called – Product Combination Availability (See attachment marked Annexure 5 - Product Availability under Price setting Mechanism – this is a screen shot example)
19.2	Joburg Market does not have this information available for all NFPM
19.3	Joburg Market does not have this information available for all NFPM
19.4	Joburg Market does not have this information available for all NFPM
19.5	Market Agents commission are determined by the Agricultural Produce Agent Council Act 12 of 1992 and Rules of Fresh Produce Agent (see attached Annexure 2 - ACTS)
19.6	It is fundamentally based on socio-economic factors, larger NFPM tents to be surrounded by a large population and generally have the product variety and required volumes available to meet market demands
19.7	The rules governing the conduct of producer, agents and buyers are Agricultural Product Standards (APS) Act, 1990 (Act 119 of 1990, the Agricultural Produce Agent Council Act 12 of 1992 and Rules of Fresh Produce Agent and Market By Laws Agent (see attached Annexure 2 - ACTS)
19.8	All badly diseased, insect damaged, broken or otherwise unmarketable produce should be rejected during sorting. The remainder needs to be sorted into different quality grades (Class 1, 2, 3, and Lowest Class), which will meet the requirements of the specific market outlets envisaged (i.e. local, retail, processing, export). The minimum requirement for packing a Lowest Class is that the produce must be free from disease, rot and insect infestation and fit for human consumption, however cosmetic factors like blemishes, malformation and broken units are permitted to be packed. With most crops there is a wide range of different quality of fruit and vegetables being produced. Should these be mixed and packed in the same container, the price obtained is likely to be below average, with the poorer quality component tending to determine the price. It is thus generally advisable to sort the produce into various size or quality grades, each of which is packed, labelled and marketed separately. Crops such as onion, potato and tomato are generally graded (sorted) according to size and quality before being packed. Quality standards have been set, and the farmer's grading as displayed on the consignment delivery note may be checked on the market floor by inspectors. In other crops such as cabbage, lettuce and pumpkin, size grading, at least, is practised. It is more desirable to err on the strict side in grading than to be too lenient, particularly for the top grades. Even one or two poor-quality fruit or vegetable in a pack detract from appearance, and may result in lower prices being realised.

Grading is largely a matter of sorting in accordance with cosmetic requirements and defect standards as per the national quality regulations for fresh produce (APS Act). First grade (Class 1) produce should have no or only a few minor defects, second grades (Class 2) may have more minor defects, but no major ones, and so on. Consistency in grading is very important if a grower is to develop a good name; standards should not change from one crop to the next. Many satisfied purchasers may contact such growers direct, and order a product sight-unseen, because they are convinced that the grower will always deliver the quality desired. The uniformity of the pack is extremely important. Produce can be sorted according to size, colour, shape, degree of injury, and general appearance, and each grade packed separately in order to present a uniform appearance. The degree of sorting required will vary according to the type of fruit or vegetable and the specific market preference.

At national fresh produce markets, Prokon inspection agency is assigned by DALRRD to perform grade verification inspections and have the authority to downgrade consignments to lower classes. Prokon is not mandated to upgrade a class. The role of Prokon at all national fresh produce markets is to apply the grading standards uniformly so that pricing of graded commodities is relatively uniform at all markets (barring the impact of the economic forces of supply and demand which dictate price irrespective of quality).



19.9	Attached under Annexure 5 - Price Setting Mechanism.																																																																								
19.10	Prokon – inspection agency for local market checks that the grade shown on the product label is consistent with the quality of the produce in the consignment. Consignments may be downgraded due to a higher percentage of defects found or if produce is too small for the grading standard. The services of Prokon is also utilised by some market agents in the event of quality problems/disputes between market agent and farmer or between market management and agent whereby Prokon performs inspections and issues an independent quality report at a fee paid by the agent.																																																																								
20.	There are 21 Fresh Produce Wholesalers operational at Joburg Market																																																																								
20.1	The terms of operating are outlined in Annexure 6 - Lease Agreement (Clause 16.4 – 16.5)																																																																								
20.2	Fresh Produce Wholesalers are required to purchases fresh produce from the agent, only if the required produce is not available at the agent may a wholesaler source directly from a producer subject to approval from Joburg Market CEO.																																																																								
21.	Yes, JM is a wholly owned entity of the City of Johannesburg Metro Municipality (COJ). COJ provides oversight in the management of finances for its entities in the form of Operational budget (OPEX) and Capital budget (CAPEX). However, JM does not depend on the purse of funds available from the COJ as JM is a profit, cash generating and self-sustaining entity that has been able to run from its own working capital for the past decade. However, for special programmes, such as the Expanded Public Works Programme (EPWP), COJ does provide grants to its entities and JM has been a recipient of such grants.																																																																								
22.	<table border="1"> <thead> <tr> <th></th> <th>Year Ended Jun-18</th> <th>Year Ended Jun-19</th> <th>Year Ended Jun-20</th> <th>Year Ended Jun-21</th> <th>Year Ended Jun-22</th> </tr> </thead> <tbody> <tr> <td>Total Operating Expenses</td> <td>296,085,792</td> <td>323,874,784</td> <td>368,168,261</td> <td>412,007,571</td> <td>439,530,251</td> </tr> <tr> <td>Employee related costs</td> <td>136,011,858</td> <td>141,874,391</td> <td>148,492,289</td> <td>164,678,398</td> <td>184,489,371</td> </tr> <tr> <td>Management Fee</td> <td>0</td> <td>0</td> <td>3,356,396</td> <td>2,894,585</td> <td>0</td> </tr> <tr> <td>Depreciation & Amortization</td> <td>23,438,759</td> <td>25,314,018</td> <td>25,838,467</td> <td>25,289,917</td> <td>26,244,938</td> </tr> <tr> <td>Impairment loss</td> <td>0</td> <td>5,377,225</td> <td>5,928,654</td> <td>9,817,044</td> <td>0</td> </tr> <tr> <td>Finance costs</td> <td>4,061,997</td> <td>3,106,866</td> <td>1,731,367</td> <td>915,164</td> <td>428,021</td> </tr> <tr> <td>Lease rentals on operating lease</td> <td>590,678</td> <td>645,784</td> <td>582,973</td> <td>978,155</td> <td>770,328</td> </tr> <tr> <td>Debt impairment</td> <td>55,880</td> <td>8,363,733</td> <td>8,671,471</td> <td>6,760</td> <td>3,219,965</td> </tr> <tr> <td>Loss on disposal of assets & liabilities</td> <td>0</td> <td>4,761,667</td> <td>535,020</td> <td>2,407,245</td> <td>0</td> </tr> <tr> <td>Acturial Losses</td> <td>0</td> <td>0</td> <td>209,815</td> <td>293,289</td> <td>205,568</td> </tr> <tr> <td>General expenses*</td> <td>131,926,620</td> <td>134,431,100</td> <td>172,821,809</td> <td>204,727,014</td> <td>224,172,060</td> </tr> </tbody> </table> <p>* General Expenses include expenditure on items such as advertising, bank charges, consulting, electricity & other utilities, repairs & maintenance etc.</p> <p>(See attached Annexure 7: 10 years' worth of Annual Financial Statements 2014 - 2022)</p>		Year Ended Jun-18	Year Ended Jun-19	Year Ended Jun-20	Year Ended Jun-21	Year Ended Jun-22	Total Operating Expenses	296,085,792	323,874,784	368,168,261	412,007,571	439,530,251	Employee related costs	136,011,858	141,874,391	148,492,289	164,678,398	184,489,371	Management Fee	0	0	3,356,396	2,894,585	0	Depreciation & Amortization	23,438,759	25,314,018	25,838,467	25,289,917	26,244,938	Impairment loss	0	5,377,225	5,928,654	9,817,044	0	Finance costs	4,061,997	3,106,866	1,731,367	915,164	428,021	Lease rentals on operating lease	590,678	645,784	582,973	978,155	770,328	Debt impairment	55,880	8,363,733	8,671,471	6,760	3,219,965	Loss on disposal of assets & liabilities	0	4,761,667	535,020	2,407,245	0	Acturial Losses	0	0	209,815	293,289	205,568	General expenses*	131,926,620	134,431,100	172,821,809	204,727,014	224,172,060
	Year Ended Jun-18	Year Ended Jun-19	Year Ended Jun-20	Year Ended Jun-21	Year Ended Jun-22																																																																				
Total Operating Expenses	296,085,792	323,874,784	368,168,261	412,007,571	439,530,251																																																																				
Employee related costs	136,011,858	141,874,391	148,492,289	164,678,398	184,489,371																																																																				
Management Fee	0	0	3,356,396	2,894,585	0																																																																				
Depreciation & Amortization	23,438,759	25,314,018	25,838,467	25,289,917	26,244,938																																																																				
Impairment loss	0	5,377,225	5,928,654	9,817,044	0																																																																				
Finance costs	4,061,997	3,106,866	1,731,367	915,164	428,021																																																																				
Lease rentals on operating lease	590,678	645,784	582,973	978,155	770,328																																																																				
Debt impairment	55,880	8,363,733	8,671,471	6,760	3,219,965																																																																				
Loss on disposal of assets & liabilities	0	4,761,667	535,020	2,407,245	0																																																																				
Acturial Losses	0	0	209,815	293,289	205,568																																																																				
General expenses*	131,926,620	134,431,100	172,821,809	204,727,014	224,172,060																																																																				
23.	Attached under Annexure 3 - Agents Performances																																																																								

24.

	Year Ended Jun-13	Year Ended Jun-14	Year Ended Jun-15	Year Ended Jun-16	Year Ended Jun-17	Year Ended Jun-18	Year Ended Jun-19	Year Ended Jun-20	Year Ended Jun-21	Year Ended Jun-22
Total Revenue	302,334,967	357,021,389	359,813,005	405,572,138	415,230,512	451,540,917	496,915,623	508,008,458	533,194,163	548,258,661
Storage & Ripening Revenue	8,600,816	10,881,740	11,896,725	7,193,988	4,653,495	10,850,608	7,790,045	4,701,777	4,899,164	7,221,864
Commission	246,566,405	281,881,635	288,520,242	339,976,417	342,537,521	367,793,837	398,729,853	408,365,926	435,274,664	444,440,735
Rental of Facilities	34,165,666	33,438,811	37,172,879	38,685,190	42,483,014	47,991,889	53,608,906	51,861,910	55,129,362	54,024,366
Cash Handling fee	3,935,343	2,624,589	2,732,941	3,053,672	7,348,058	3,215,574	3,630,960	4,342,256	4,653,878	5,268,633
Miscellaneous other revenue**	873,673	919,396	1,031,102	1,094,917	1,190,734	1,224,960	1,280,193	1,151,366	1,155,035	1,173,526
Interest received	4,457,456	10,969,683	10,961,753	10,138,360	15,320,780	19,027,199	28,843,377	34,859,338	26,273,733	24,855,808
Sundry Revenue***	2,120,479	5,532,426	2,686,259	5,429,594	1,696,910	1,436,850	3,032,289	2,725,885	5,808,327	6,133,729
Grant Received from Shareholder	1,615,129	10,773,109	4,811,104	0	0	0	0	0	0	5,140,000

**Miscellaneous revenue includes trolley rental and pallet fees revenue.

**Sundry revenue includes all other minor revenue such as unclaimed deposits, fines and Insurance claims.

(See attached Annexure 7: 10 years' worth of Annual Financial Statements 2014 - 2022)

25.

JM charges the farmers 5% on the value of produce sold and the JM agents charge the farmers 7.5% on the value of produce sold.

The history of the fees charged:

Prior to 1992, a government commission was established to determine the market tariffs. The Statutory body was appointed by the Minister of Agriculture. This body determined the commission for agents and the market dues.

After deregulation, the Markets opted for self-regulation. Each market owner could determine its market dues. Over the years some markets made it part of their tariffs and others published as a fee or commission. The agents in turn opted for legislated controls. Act 12 of 1992, Agricultural Agents Produce Council. In this case agents were not forced to charge 7.5% commission. They are now allowed to negotiate commission rates with their farmers.

26.

Joburg Market does not determine the agent's fees; this is determined by the APAC Act. Agricultural Produce Agent Council Act 12 of 1992 and Rules of Fresh Produce Agent (see attached Annexure 2 - ACTS)

27.

The process to become a new market agent to act on behalf of a farmer process is attached (See under Annexure 8 - New Market Agent attachment)

28.

PS: The Joburg Market defines a small-scale farmer as any farmer that has a turnover of less than one million per year.

See attachment marked Annexure 1 - Producer Performance

29.

Joburg Market (JM) is a Municipal Operated Entity established under the provisions of the Municipal Systems Act 32 of 2000. JM is also not able to fund or financially support projects outside its area of jurisdiction. As such JM can only operate within its jurisdiction which is the City of Johannesburg. JM has therefore focused on the following:

- Guiding of small producers on How to use the JM as marketing channel;
- Conducted visits to small farmers areas;
- Embarked on the establishment of pack houses at JM that will enable small farmers to add value produce they wish to sell through JM as marketing channel. There are 2 planned pack houses of which the first unit is about 75% completed and the second unit will be constructed during the 2023/24 financial year.



30.	See attachment under Annexure 1 - Product Performance
30.1	See attachment under Annexure 1 - Product Performance
30.2	See attachment under Annexure 1 - Product Performance
30.3	See attachment under Annexure 1 - Product Performance
30.4	See attachment under Annexure 1 - Product Performance
31.	The response in point 3 above outlines channels available for small-scale farmers. (See attachment under Annexure 10 - Small Scale Farmers Pros and Cons)
32.	See attachment under Annexure 5 - Price Setting Mechanism
33.	Retails stores include mark-ups, whereas NFPM prices is based on the price discovered between a willing buyer and a willing seller
34.	JM does not provide direct financial support to emerging farmers. However, JM does provide non-financial support to farmers such as stakeholder engagements and visits, workshops on market access, farmers' development support in the form of market industry information, supply chain information and processes etc.
35.	The role of JM is to provide a platform for the trade of fresh produce and does not participate in the production of the produce sold at the market. JM does not have sight or control of funding options and production costs incurred by farmers.
36.	<p>JM wishes to concur with the statement. It would appear as if funding criteria also differ between commodity categories. JM would like to suggest that funding clusters should be created for each main produce category. The development of funding criteria should be developed for each cluster and become a national norm.</p> <p>Funding institutions should be co-opted into such cluster and focused communication promotional approaches should be established for each cluster. Small farmers can then utilise such a one-stop cluster to apply for funding which will simplify the route small farmers can follow towards funding opportunities</p>
37.	The challenge of collateral for funding remains a major stumbling block. Funders should share risk taking in allocating loans to small farmers. From national government a fidelity fund should be created to cover the main capital amount for such funding. Funding for the fidelity fund should be obtained from a National capitalisation arrangement funded from annual agricultural budgeting and the fund can be further strengthened through the inclusion of a relatively small levy on loans as well as monies emanation from international donors.

38.	The barriers to entry are mainly embedded in the fact that collateral to secure loans are not easily available. JM is not aware of any specific discriminatory application requirements or selection criteria.
39.	The role of JM is to provide a platform for the trade of fresh produce and does not participate in the production of the produce sold at the market. JM does not have sight or control of funding options and production costs incurred by farmers.
40.	The role of JM is to provide a platform for the trade of fresh produce and JM does not have the blended financial support for small scale farmers. We believe that the department of agriculture is best placed to give more input on the use of the blended financial model.
41.	The role of JM is to provide a platform for the trade of fresh produce and JM does not make use of the incubator model to support small scale farmers. We believe that the department of agriculture is best placed to give more input on the use of the incubator model.
42.	The Department of Agriculture deals directly with farmers and they are better placed to respond to this question.
43.	The role of JM is to provide a platform for the trade of fresh produce and does not participate in the production of the produce sold at the market. JM does not have sight or control of funding options and production costs incurred by farmers.
44.	<p>Over the past decade JM has not dealt with any cooperatives. JM has however provided for a cooperative system in its transformation strategy. A copy of the strategy document is attached as evidence to this input.</p> <p>(Evidence attached Annexure 11 - JM Transformation Strategy)</p>
45.	See Subsections below.
45.1	Although JM is not aware of any cooperatives operating at any fresh produce market it believes that cooperatives set up to utilise the pack houses at JM will be contributing in 2 ways towards the efforts of small scale growers. It can create more than one income stream for participants and save on cost by enhancing packaging and presentation of produce which can earn higher returns on produce traded.
45.2	Cooperatives can be refined in its business approach which will enable them to trade through the market to large buyer groups. This will create continued trading with such entities and enable the cooperatives to specialise in particular produce commodity lines.
45.3	<p>Cooperatives will be in a position to negotiate better prices if the following can be achieved:</p> <ul style="list-style-type: none"> - Scale of operations large enough to serve big buyers on a continuous basis;

	<ul style="list-style-type: none"> - Establish a single brand under which produce can be marketed to such buyers; - The latter mentioned brand must be supported through continuous supply according to specifications set by such big buyers. Mentoring of such producers at the mentioned pack houses will be vital for success
46.	No, there are no additional points of inquiry.
47.	There are no additional features relevant to this inquiry.
48.	There are no additional submissions to be made.

