

4 May 2023

The Competition Commission  
Via email: [freshproduceing@compcom.co.za](mailto:freshproduceing@compcom.co.za)  
In copy: KatlegoC@compcom.co.za

Dear Sirs

**RE: REQUEST FOR INFORMATION BY THE FRESH PRODUCE MARKET ENQUIRY (CASE NO: 2022APR0051)**

The Request for Information by the Fresh Produce Market Enquiry which was received by the PPECB on 31 March 2023. We herewith respond to your questions as follows;

**1. Provide a description of the role played by the PPECB with a focus on the fresh produce agricultural market**

The role of the PPECB at the fresh produce markets is limited to the inspection of listed agricultural produce presented by market agents/exporters for export. The inspections focus on quality, food safety and phytosanitary requirements.

**2. Explain the mandate of the PPECB****2.1 The Perishable Product Export Control Board ("PPECB") is:**

2.1.1 Solely responsible to inter alia manage and monitor the **cold chain** for agricultural perishable products exported from South Africa in terms of the *Perishable Products Export Control Act*, Act 9 of 1983 ("PPEC Act"); and

2.1.2 An assignee appointed by the Minister of Agriculture, Forestry and Fisheries ("Minister") in terms of section 2(3)(a) of the *Agricultural Product Standards Act*, Act 119 of 1990 ("APS Act") to manage and monitor the **quality standards** of agricultural perishable products exported from South Africa. The appointment of the PPECB as an assignee is as published in Regulation No. 13473, on 23 August 1991, (Government Gazette Regulation Gazette No. 4741).

**3. Provide a copy of the PPECB's Constitution**

Kindly find attached hereto a copy of the PPEC Act, annexed hereto as **Annexure A**, referred to in 2.1.1 above which provides for the control of perishable products intended for export from the Republic of South Africa and for matters connected therewith. Section 4 of the Act provides for the Constitution of the board.

**4. Provide a copy of the PPECB's Memorandum of Incorporation**

As discussed above, the PPECB is a creature of statute and is not a company as defined in the Companies Act 71 of 2008 and as such does not have a Memorandum of Incorporation.

**5. Does the PPECB require its members to adhere to any obligations or standards? If yes, please explain what these obligations are.**

Depending on the nature of the services rendered by the PPECB, customers are required to comply with the quality standards and requirements of the APS Act and PPEC Act. In addition to this, PPECB customers are required to register with the PPECB and complete and sign our Standard Terms and Conditions, which is attached hereto for your ease of reference, annexed hereto as **Annexure B**.

**Board Members:**

J Atwood-Palm, W Bam, I Beukes, M Brinkhuis, D Donkin, M Kotze,  
B Mavume, B Njobe, C Nkuna, P Tlomatsane

**6. Kindly provide the names and contact details of the PPECB's members**

Please refer to the list of the top 20 customers based on total revenue generated, as at 31 March 2023, as per our current financial records. The PPECB was unable to categorise its customers based on the commodities indicated in point 7 of the RFI and has categorised, as far as possible, the below customers into Exporters, Logistical Service Providers and Producers/Packhouses who export their own products.

No.	Customer Name	Postal Address	Postal Address 2	Contact Number	E-Mail Address
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					

No.	Customer Name	Postal Address	Postal Address 2	Contact Number	E-Mail Address
15	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

## **NFPM's As A Route to the Market**

- 7. Explain PPECB's understanding of the fresh produce value chain (all levels and players) and indicate where your organisation fits within the value chain. Provide a 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.**

The value chain comprises of the following:

- Growers/Producers
- Packhouses
- Exporters
- Clearing and Forwarding Agents
- Transporters
- Cold Storages
- Shipping Lines
- Container Depots
- Transnet Port Terminals
- Industry Bodies
- Local Regulatory Bodies
- Buyers
- International Regulatory Bodies

The PPECB is responsible to conduct inspections and cold chain functions on perishable products from the packhouse to the final destination on products destined for export. The PPECB has industry meetings to discuss compliance matters.

- 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.**

The PPECB has offices situated throughout South Africa. Products are primarily inspected at the farm pack houses by the PPECB for quality and phytosanitary requirements. The products are transported in containers or trucks to the SA ports. The pallets transported on trucks from the farms are stored at cold stores that are situated close to the ports. The cold stores pre-cool the fruit to the required temperature. The PPECB is involved in all cold chain processes that includes the equipment certification and cold chain monitoring. An export certificate and Carrying Temperature Instruction is issued for all products that comply.

- 9. Indicate who is responsible for the logistics costs (including but not limited to: storage, breaks in the cold chain, grading and selection, packaging, and transportation) incurred in getting the produce from the farm gate to the NFPMs.**

The producer is usually responsible for all the logistical costs.

- 10. To what extent are the post harvesting services provided by third-party service providers (including but not limited to: storage, breaks in the cold chain, grading and selection, packaging, and transportation)? In your response indicate how these services are priced, whether these costs are absorbed by the growers or passed on to the exporters / wholesalers / processors?**

Producers with their own packhouses and cold stores are responsible for all the activities until the perishable products are delivered to the market. Producers who deliver their produce to a packhouse are invoiced for all associated costs.

**11. Provide a list of third-party logistics service providers who provide logistics services (including but not limited to storage, breaks in the cold chain, grading and selection, packaging, and transportation) to producers.**

**11.1 For the Cold Chain;**

- Traders
- Transporters
- Clearing & Forwarding Agents
- Cold Storages
- Container Depots
- Transnet Port Terminals
- Local Regulatory bodies (PROCON, Port Health)

**11.2 Third party grading and selection, packaging, transportation is done by co-operative packhouses, namely:**

- GoedeHoop Citrus in Citrusdal for citrus
- Kromco and Two a Day in Grabouw for apples and pears
- Betco in Villiersdorp for apples and pears
- CFG, DAMCO, Bella Futta and Frupack in Ceres for apples and pears
- Wolfpack in Wolseley for apples and pears
- Stellenpack in Simondium for citrus
- Letsitele Coop (LSK) in Letsitele for citrus
- Karino and , MSK Malelane in Nelspruit for citrus
- Naranja Moroni Citrus Coop in Burgersfort for citrus
- Marblehall Citrus and GO GO in Marblehall for citrus
- LANCO in Langkloof for apples and pears

**12. To what extent does an unbroken cold chain impact the price received at the NFPM (if at all)?**

An unbroken cold chain would result in little or no internal quality deterioration to the product through the supply chain (Farm to Fork) and will yield a better-quality product which can fetch premium prices at the market. Unbroken cold chain will limit product loss and waste and prevent the product from being dumped or downgraded in the market.

**13. Is there a mandatory cold chain certification process for the domestic market, similar to the process followed by the PPECB in the export markets?**

Yes. It is the responsibility of the Department of Health and or Agriculture to enforce the regulatory measures.

**14. Is there a direct correlation between the quality of the cold chain used and the quality of the fresh produce supplied? In your response also refer to wastage and how the quality of the cold chain impacts on wastage and spoilage.**

Yes. The cold chain processes reduce the rate of respiration of climatic products, hence increasing the shelf life by retarding the ripening process and reducing the risk of spoilage. Products when stored and distributed under cooling, yield a better shelf-life as the rate of spoilage is significantly

reduced. Proper cold chain management and handling processes reduces product loss and waste and improves shelf life.

- 15. Indicate the relative importance of NFPMs as a route to market for producers compared to other direct market platforms (online trading platforms such as Khula!, direct contracting with retailers, wholesalers, and processors)?**

Whilst this is not in the ambit of the PPECB, we believe the main importance of NFPM's are price discovery and to view the condition of the product relative to scope.

- 16. Explain your understanding of the value chain for agricultural inputs (all levels and players), the various activities of key role players at the different levels and indicate where PPECB fits within the value chain.**

Value chain actors are those who are directly involved in value chain activities. Typically, they are farmers, wholesalers, or retailers who become owners of the (raw, semi-processed or finished) product at some point in the value chain. The actors within the value chain who actually transact with a particular product as it moves through the value chain includes input (e.g. seed suppliers), farmers, traders, processors, transporters, wholesalers, retailers and final consumers.

The PPECB is involved in the post-harvest processes of agricultural products. The PPECB's functions commence once the product is harvested and arrives at the pack house. The PPECB is involved from the pack house processes throughout the logistical value chain until the product is shipped on a vessel and discharged at the final port of destination.

One of the Strategic Objectives of the PPECB is to contribute to the socio-economic transformation of the South African agricultural sector.

- 17.1- Provide a broad overview of the role cooperatives play in markets for fresh produce.**

**17.3**

Cooperatives can lower costs due to the volume cost ratio. Cooperatives can negotiate contracts at competitive prices with retail stores due to the consistent supply of quality produce. However, the negative is that the cooperative overheads impacted on the ROI of small-scale farmers.

- 18. What impact, if any, does the ability to contract with retailers have on small-scale farmers' ability to expand in the market?**

The prime advantage of a contractual agreement for farmers is that the sponsor will normally undertake to purchase all produce grown, within specified quality and quantity parameters. It reduces the risk of production, price and marketing costs. Contract farming can open new markets which would otherwise be unavailable to small farmers. It also ensures higher production of better quality, financial support in cash and /or kind and technical guidance to the farmers.

- 19. Provide suggestions which in PPECB's view can assist in increasing the participation of small scale farmers.**

Compliance to Good Agriculture Practices can increase the participation of small- scale farmers. Obtaining internationally recognised commercial certification such as GlobalGap will open more markets and may increase their participation. PPECB is supporting small scale farmers in a Market Access Readiness Program. However small-scale farmers are facing challenges such as infrastructure costs for example fencing, pesticide stores, etc

- 20. What can be done to alter the trend in contract farming, if anything? Please fully explain your response.**

Direct marketing and NFPM's are two routes that can be followed.

- 21. In PPECB's view are the standards imposed by regulators and industry associations fair and non-discriminatory to small-scale farmers? Briefly explain and provide evidence where applicable.**

The local standards are fair to comply to consumer preferences. Local standards protect the SA consumer because import standards can't be lower than the local standard.

- 22. Explain instances where a small-scale farmers 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.**

The PPECB's mandate is for exports. Different assignees have been appointed by DALRRD for local market inspections.

- 23. 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?**

The subjectivity of inspectors in the grading process is addressed by compliance training programmes as inspectors are trained on the standardisation of the grading. This is done to categorise produce according to the quality of products based on the grade standards specifications that have been set. All PPECB Inspectors are trained, evaluated, and deemed competent. The harmonization programme within PPECB ensures that all inspectors are conducting inspections in a consistent and uniform manner.

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

Small scale farmers who do not have contractual terms with retailers may often have financial constraints due to high overheads. They may further, lack the ability to invest in farming implements and technology used in farming to yield better quality crops. There is also the possibility of them not having access to extended markets, reducing their potential to yield better prices for their produce.

- 25. 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 small-scale farmers?**

Financial constraints have a significant impact on small-scale farmers throughout the value chain. There are various cost factors to consider. Should there be any deviation in the contractual agreements then the small-scale farmer will still be held liable for cost incurred.

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

There has been a conscious effort to make sure that more of these groups are able to export and comply to the set regulations. This is done by assisting with their export readiness which includes:

- Making sure that they understand the regulations required by the different markets they aspire to export to.



- Providing advisory services when infrastructure is being built like packhouses in terms to allow for seamless processes as well as compliance to GAP.
- Training and having them export ready by acquiring SAGAP certification as a minimum for the packhouses.
- The PPECB Laboratory charges a discounted rate for small-scale farmers for the analyses of the Maximum Residue Limits (MRL) samples.

## **ACCESS TO FINANCIAL SUPPORT**

- 27. Does PPECB 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.**

Yes. The PPECB has a programme for smallholder farmers, see attached as **Annexure C** where the PPECB partners with the Department of Agriculture, Land Reform and Rural Development (DALRRD) provincial departments to enable them to understand and apply Good Agricultural Practices, train on responsible Use of Pesticides and Food Safety, and become SA GAP certified (food safety certificate).

- 28. Has PPECB 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.**

No. The PPECB has not undertaken formal research but has participated in round table discussions and research findings with the Industry Transformation Round Table.

## **INDUSTRY SCOPE AND ISSUES**

- 29. 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.

- 30. 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.**

No.

- 31. Are there any submissions PPECB would like to make of a general nature?**

No.

**Yours Faithfully**

*Michelle Adams*

**M Adams  
Legal & Corporate Governance Manager**