



Media Statement

For Immediate Release

18 June 2024

RELEASE OF THE PROVISIONAL REPORT OF THE FRESH PRODUCE MARKET INQUIRY

Today, 18 June 2024, the Fresh Produce Market Inquiry (“the Inquiry”/ “FPMI”) released its provisional report outlining the provisional findings and recommendations of the Inquiry, including an Executive Summary Report and Main Report. This follows 14 months of evidence gathering, public hearings and in-camera hearings into the fresh produce industry in South Africa. The purpose of the FPMI is to examine whether any features in the fresh produce value chain impede, restrict, or distort competition in the market. The FPMI is focussed on particular issues at each layer of the value chain, including the sale of fresh produce by the farmer to the customer (the retailer, processor, or export market).

The Competition Commission of South Africa (“the Commission”) initiated the Inquiry in terms of the Competition Act 89 of 1998, as amended (“the Competition Act”). The Commission had reason to believe that there may be features in the fresh produce market that could impede, restrict or distort competition, with specific focus on significant fresh produce.

The Inquiry conducted its assessment under three themes that cover the entire fresh produce value chain. The themes are as follows:

- Efficiency of the value chain, with an emphasis on the dynamics around fresh produce market facilities;
- Market dynamics of key inputs and its impact on producers; and
- Barriers to entry, expansion, and participation.

In terms of scope, the FPMI is focused on five fruits, namely, apples, citrus (particularly oranges and soft citrus), bananas, pears and table grapes, and six vegetables, namely, potatoes, onions, carrots, cabbage, tomatoes and spinach. Prior to the commencement of the FPMI, the Commission had extensive consultations with stakeholders on the scope of the Inquiry through the publication of the draft terms of reference and subsequent engagements.

The FPMI published a statement of issues with a set of questions requesting submissions from stakeholders. In addition, the FPMI drafted questions for targeted stakeholders to provide data and information relevant to the Inquiry. Most stakeholders cooperated with the FPMI and made submissions and participated in the public hearings, whereas some had to be compelled through summons. Following receipt of submissions, the FPMI had varied interactions with stakeholders, either requiring additional information or clarifications.

The Inquiry has now progressed to the stage of a provisional report, which sets out in detail the inquiry process, provisional findings and recommendations or remedial actions.

The Inquiry has made provisional findings on aspects or features that could impede, restrict or distort competition in the fresh produce market, particularly with respect to national fresh produce markets, role of market agents in national fresh produce markets, concentration of market agents, pricing of certain inputs (mainly some fertilisers and some seeds), regulatory constraints, barriers to entry (market access and access to finance) in the fresh produce value chain, access to formal retail space, and pricing of fresh produce with a detailed analysis on potatoes, onions and tomatoes. There are also overarching concerns of slow transformation in the sector particularly as there is limited participation of black farmers or market agents in the value chain.

In the context of market size of the domestic fresh produce market in South Africa, currently estimated at over R53 billion annually (circa R21 billion for fresh produce sold through national fresh produce markets and circa R32 billion through formal retail), it is important that the markets should be competitive and provide market access opportunities. It is worth noting that the market size estimate of the fresh produce markets excludes sales from farm to informal channels, that are not through national fresh produce markets or formal retail. Although the size of the market is relatively big, the share of black-owned farms or market agents, or even small-scale farmers in general, is negligible.

The Inquiry has therefore identified 29 practical and reasonable provisional remedial actions and recommendations that could address distortions in the fresh produce market. There has been, where feasible, engagements with most of the potentially affected stakeholders on preliminary findings and recommendations, prior to the conclusion of the provisional report. The process is now open for further and wider engagements with stakeholders.

At the conclusion of the Inquiry, the Commission may *inter alia* impose binding remedial actions or recommendations, or make recommendations to any Minister, regulatory authority or affected firm to take action to remedy, mitigate or prevent the adverse effect on competition, or take any appropriate action in terms of the applicable provisions of the Competition Act, in particular sections 43C, 43D and 43E.

The Inquiry therefore encourages stakeholders to constructively engage the provisional report and the associated remedial actions and recommendations. The Inquiry's technical team remains available to attend to any stakeholder queries. Public comments should be submitted by email to freshproduceing@compcom.co.za by 16 July 2024.

The Provisional Report is available on the Commission's website at <https://www.compcom.co.za/fresh-produce-market-inquiry-provisional-report/>

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