



agriculture, forestry & fisheries

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Fresh Produce Market Monitor

Volume No. 3

Summary

- This issue will focus on performance, experiences and developments at the Johannesburg, Bloemfontein and Cape Town Fresh Produce Markets (FPMs) since April 2016.
- **Johannesburg FPM:** Total volume sold through the market has dropped with an increase in total turnover during the period of January to August 2016 compared to last year of the same period. Electricity issues are being resolved and “*market of the future*” project in the pipeline.
- **Cape Town FPM:** Slight drop in volume and increase in turnover. A consortium of producers, agents as well as BBBEE agents took over the operations of the market.
- **Bloemfontein FPM:** Market experienced a drop in volume and a slight increase in turnover. Substantial improvements in operations and service standards of the market. Minor repairs on infrastructure took place.

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1. INTRODUCTION AND BACKGROUND

Project Rebirth for National Fresh Produce Markets is an initiative which has been established and institutionalised as a collaborative effort between government and the fresh produce industry stakeholders to revive the operations and service standards of National Fresh Produce Markets across the Republic of South Africa (RSA). The initiative begun in 2013 with the establishment of a National Steering Committee chaired by the Department of Agriculture, Forestry and Fisheries (DAFF), and is composed of representatives from Fruit South Africa (FSA, representing fruit producers), Institute of Market Agents of South Africa (IMASA, representing fresh produce market agents), Potatoes SA (PSA, representing potato producers), South African Union of Food Markets (SAUFM, representing market managers), Agricultural Produce Agents Council (APAC, as a regulatory body), Department of Cooperative Governance and Traditional Affairs (COGTA), and the National Agricultural Marketing Council (NAMC).

Through the National Steering Committee, the Codes of Best Practice (CoBPs) for National Fresh Produce Markets have been developed and adopted by the fresh produce industry stakeholders. The CoBPs are aimed at assisting fresh produce markets to improve their service standards and operations and are centered around ten pillars, which are compliance to the regulatory environment; communication and stakeholder engagement; consignment control and inspection; food safety, hygiene and cleanliness; safety & security; information management; risk & financial management; transformation; infrastructure and human capital development.

The National Steering Committee has facilitated the implementation of the Codes of Best Practice at the Cape Town FPM, Bloemfontein and Johannesburg FPM. Specifically, this issue will focus on recent developments and experiences at the aforementioned markets over the past six months (April 2016 – September 2016).

2. SCORECARD ON THE CODES OF BEST PRACTICE

The scorecard is comprised of 45 indicators reformulated as a questionnaire to assist market managers, market agents, producers and other service providers to undertake a self-assessment exercise and identify gaps that require short-term, medium-term and long-term attention. Subsequent to this, the ten pillars of the CoBPs were then allocated weights according to their relative importance and these are presented in Table 1 below:

Table 1:

CoBP Pillars	Weights
Human Capital Development	20%
Consignment Control	15%
Risk and Financial Management	15%

CoBP Pillars	Weights
Infrastructure	10%
Transformation	10%
Regulatory environment	10%
Communication and Stakeholder Management	5%
Safety and Security	5%
Information Management	5%
Food Safety, Hygiene and Cleanliness	5%

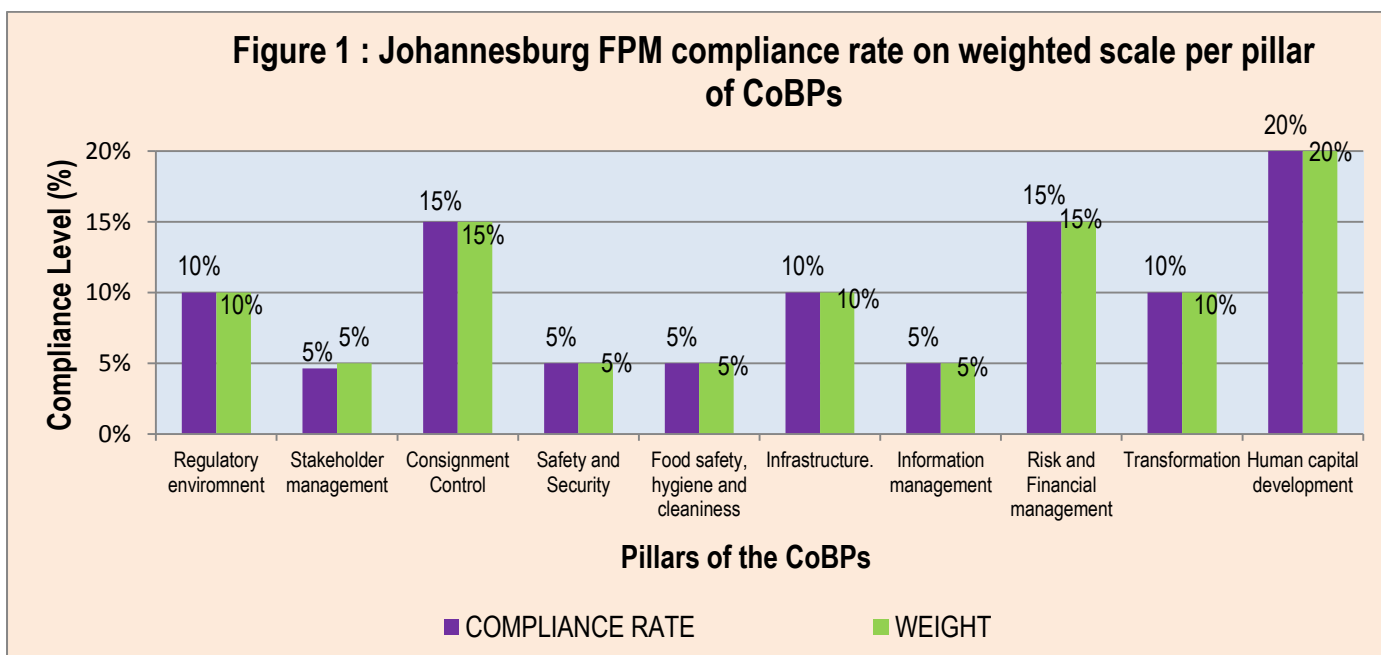
Source: Directorate Marketing & Steering Committee on Project Rebirth

The weights indicate the relative importance of each pillar in the operations of a fresh produce market. Human capital development has been allocated the greatest weight based on the integral role played by management/governance in a fresh produce marketing environment. Consignment control, risk and financial management are allocated equal weight since they are core to the business of a fresh produce market. However, the weighting does not signify that certain pillars are less important than others.

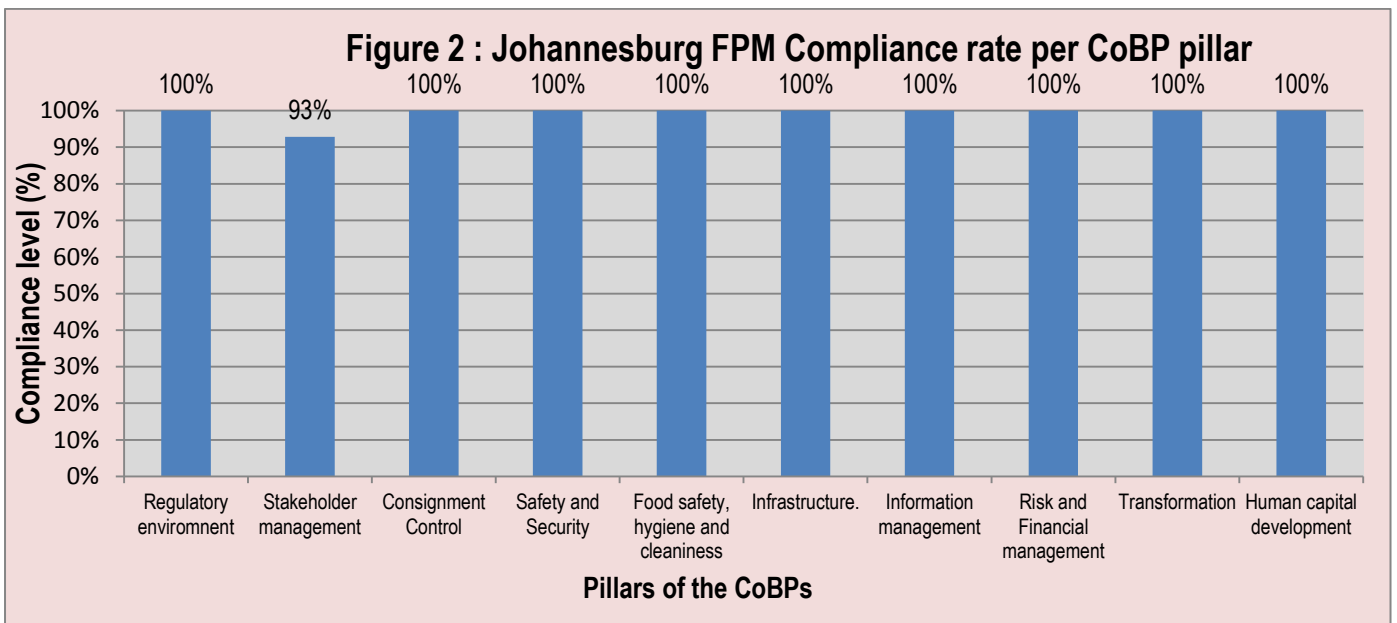
In order to ensure that a market fully complies with a pillar, the market must attain maximum score for all indicators (as indicated on the CoBPs document) and provide proof of evidence as such. Each indicator within a pillar is given a score of 1 for compliance and 0 for non-compliance.

3. FOCUS ON JOHANNESBURG FRESH PRODUCE MARKET

Figures 1 and 2 below show the current levels of compliance to the CoBP at the Johannesburg Fresh Produce Market.



Source: Johannesburg Fresh Produce Market and Own calculations.



Source: Johannesburg Fresh Produce Market and Own calculations.

It can be observed that the Johannesburg Fresh Produce Market complies fully with respect to the implementation of Codes of Best Practice with compliance level of 100% for 9 pillars with an exception of Stakeholder management pillar with a compliance level of 93%. The total compliance to all pillars is attributed to the following facts:

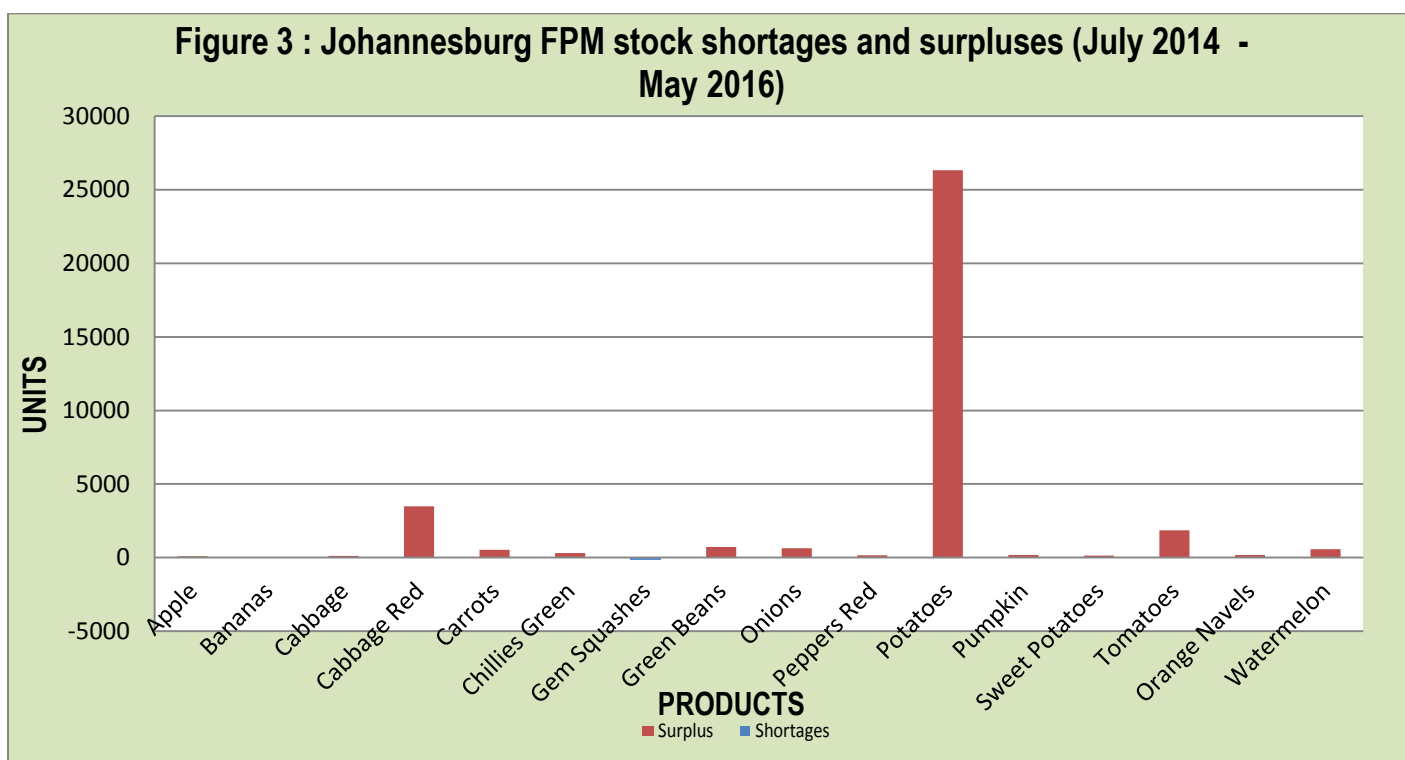
- Regulatory environment:** The market has just reviewed its by-laws and incorporated new rules. The new council of the City of Joburg in its 10 point plan has made it a priority to enforce the by-laws of which the Joburg market management has responded positively to its implementation. The market conducts regular stock inspection to ensure compliance to the Agricultural Products Standards (APS) Act with regard to labelling, grading and packaging and this service is carried out by its Quality Assurance Inspector and Prokon. Inspection report results are also on a regular basis consolidated and captured on the Sales Processing System (SPS). PPECB inspection expertise is also utilized as and when required for products being exported.
- Stakeholder management:** This is the only pillar of which the market did not attain a 100% compliance level. The main reason that led to the 93% compliance level is because the market currently does not have any approved and signed Service Level Agreements (SLAs) between market management and market agents, this is an issue that the market management is currently addressing as they are in a process of reviewing the SLAs to ensure and enforce compliance of market agents to certain rules of the market. In order to strengthen the stakeholder management within the Joburg market, a Customer Service Centre is located on the market floor to deal with problems and concerns relating to customers. Through this service, customers are afforded an opportunity to communicate with market management by raising their dissatisfaction and remarks about the services they receive from the market thereby ensuring regular communication.
- Food safety, hygiene and cleanliness:** The level of hygiene, cleanliness and food safety at the market is very impressive. The market is implementing a cleaning routine which is being monitored at all times and it can be observed throughout the market floor, ablution facilities, market platforms, that hygiene and cleanliness is maintained. In terms of food safety, the Joburg Market collaborates with

the Department of Agriculture, Forestry and Fisheries (DAFF), Directorate: Food Safety and Quality Assurance (FSQA) and with the City of Johannesburg Environmental Health Department on matters pertaining to quality control and food safety. Through this collaboration, the Joburg Market is effectively testing a wide range of produce for Maximum Residue Levels (MRLs) as per Foodstuffs, Cosmetics and Disinfectants Act through the usage of its own in-house chemistry laboratory. To further strengthen Food Safety measures, the market plans to introduce a Local Good Agricultural Practice (known as Local GAP) certificate for its small-scale producers.

- **Safety and Security:** The level of safety and security is of high standard. Implementation of safety and security protocols can be observed at the market at various points, platforms and offloading areas. The market has installed approximately 400 surveillance cameras across the market and there is a security company offering effective services with a three shifts rotation per day. All security personnel are armed with necessary equipment and there is more security present at the market from the gate to the market premises to ensure safety of consignment, property, cash and people.
- **Infrastructure:** The market infrastructure is still in good condition despite the fact that it is old. The market management has undertaken major re-investment in terms of redirecting a certain portion of the 5% market revenue to use for market infrastructure refurbishment and maintenance, particular with respect to cold rooms, ripening facilities, trolleys, market roof, roller shutter doors, internal lighting etc. The “*market of the future*” project which aims at expanding the market size to increase the trading floor space is still in the pipeline. The major concern is continuous power failure experienced by the market as the City of Johannesburg is unable to supply the market with efficient constant electricity due to high demand and cable theft in the area (in the City Deep), this has a potential to undermine future positive growth aspects of the market. However, the market has devised a backup plan as it has procured six (6) generators and a service provider is currently busy with its installation to enable them to automatically kick in during power failures.
- **Information management:** The market utilises its own in-house Information Management System called Sales Processing System (SPS). During the past two years the market received a clean audit for their system from their Municipal auditors. The system is functioning efficiently with protocols of access to the system followed extensively. The market agencies don’t have access to certain parts of the system which are strictly confidential as such their login credentials are restricted.
- **Risk and Financial management:** The SPS also serves as a payment system as Joburg Market is the sole collector of all monies generated through trading. The SPS system is also linked to a unique financial system commonly known as the JD Edwards System. The system enables post trading administration of monies as well as managing the financial accounting requirements of the market. The market has its own separate account and is being accessed by the market management who has login credentials to the system and transfers funds to agents on a daily basis.
- **Transformation:** The market has made tremendous effort to allocate floor space to BBBEE agents and there is a transformation strategy which is being swiftly implemented to address issues pertaining to transformation at the market. Currently there are 9 BBBEE market agents; however the major concern is that the majority of them are unable to survive for longer periods at the market due to their inability to have efficient and constant supply of produce from farmers. Generally, the number of BEE

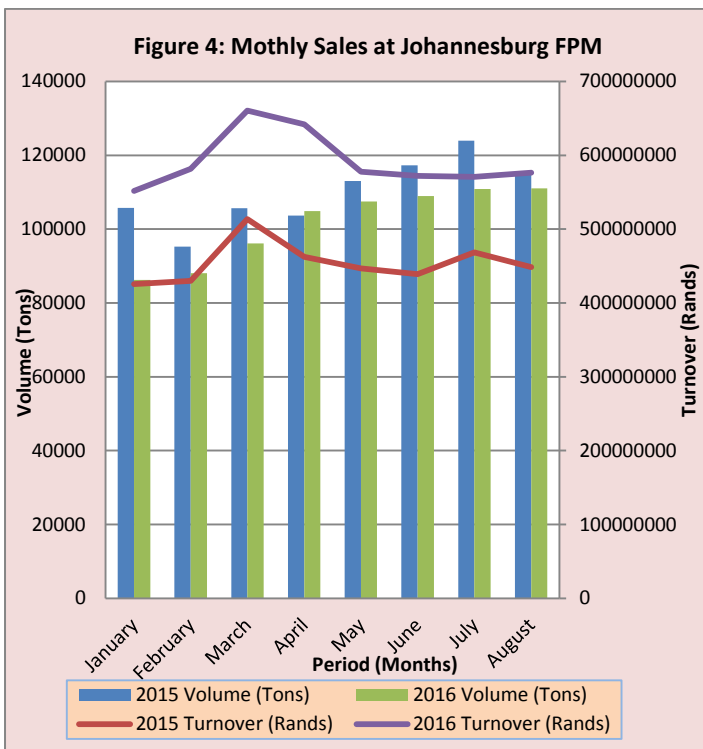
agents based at the market is satisfactory but their impact with regard to contribution to total throughput of the market is very minimal, estimated to be 10%.

- Consignment Control:** The market's Sales Processing System is being utilized efficiently for recording of stock/consignment at the gate and on the market floor. It was notable that Standard Operating Procedures (SOPs) on stock/consignment control are in place and are being implemented swiftly. The stock control office at the main gate is equipped with necessary computer equipment and software linked to a back office computer system for stock reconciliation. Delivery notes at the entrance gate are captured immediately on the system and waybills are generated. The trading halls' entry points have a designated individual to verify produce exiting and entering the market floor as well as ensuring that correct procedures are followed to deliver the correct stock to the market agent(s) from the moment the produce enters the market floor in terms of recordings and documents verification. The effectiveness with regard to implementation of SOPs on stock/consignment control at the market can further be supported by Figure 1 below on stock audits:



Source: Agricultural Produce Agents Council

It is evident that there are very less stock shortages for all products in the market due to efficient stock control procedures and their enforcement by stock control officers. The market needs to focus on rectifying the stock surpluses especially for Potatoes by further tightening stock control procedures and collaborate with buyers to remove purchased produce immediately from market floor. The surpluses are however a concern as they might result in secondary trading (the buyers trying to resell on the agents floor), sales being cancelled as it was still on agents floor while deteriorating, and produce reservation.

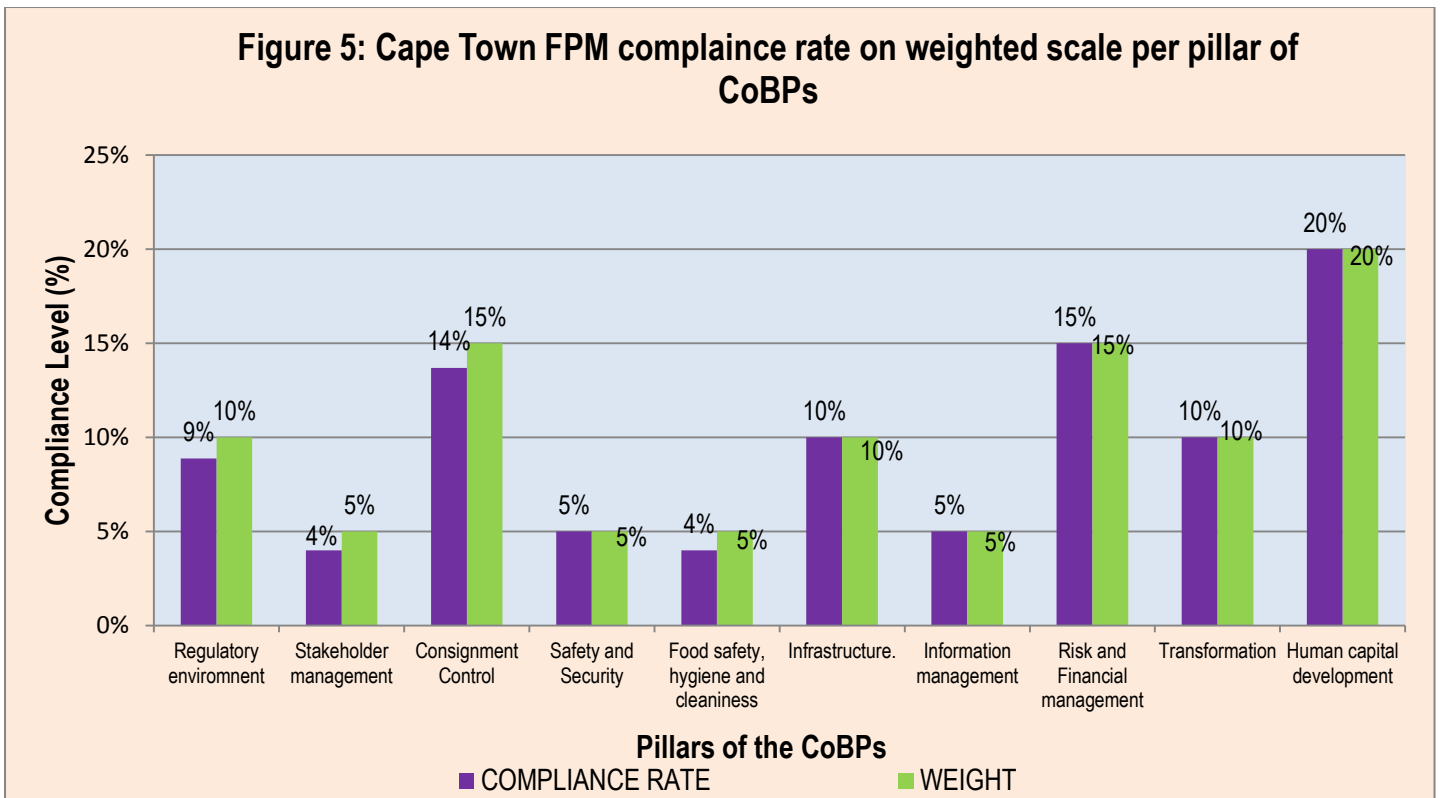


Source: Tshwane Metropolitan Municipality

Figure 4 compares the monthly volume and turnover sold through the Johannesburg FPM from January to August of the year 2015 and 2016. It can be observed that sales at the Joburg market have decreased during the year 2016 from year 2015. A total volume of 813 587 tons of fresh produce worth R4.7 billion were sold at the Joburg market during the period between January to August 2016 while 880 087 tons were sold during the same period of 2015. This represents an average decline of 1.94% in volume in 2016. Highest volumes were sold during the month of August with the lowest volume attained in January. Increase in turnover during 2016 is due to high prices experienced during this period triggered mainly by the drought in major production regions.

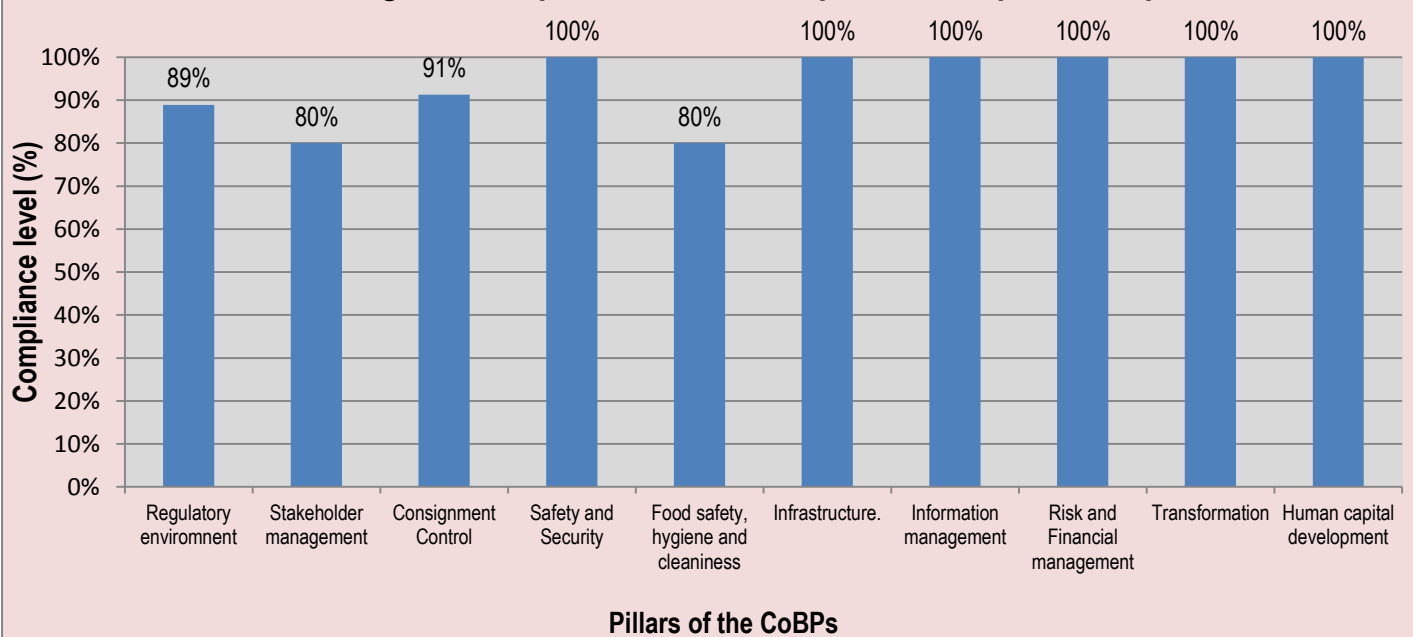
4. FOCUS ON CAPE TOWN FRESH PRODUCE MARKET

Figures 5 and 6 below show the current level of compliance to the CoBP at the Cape Town Fresh Produce Market.



Source: Cape Town Fresh Produce Market and Own calculations.

Figure 6 : Cape Town FPM Compliance rate per CoBP pillar



Source: Cape Town Fresh Produce Market and Own calculations.

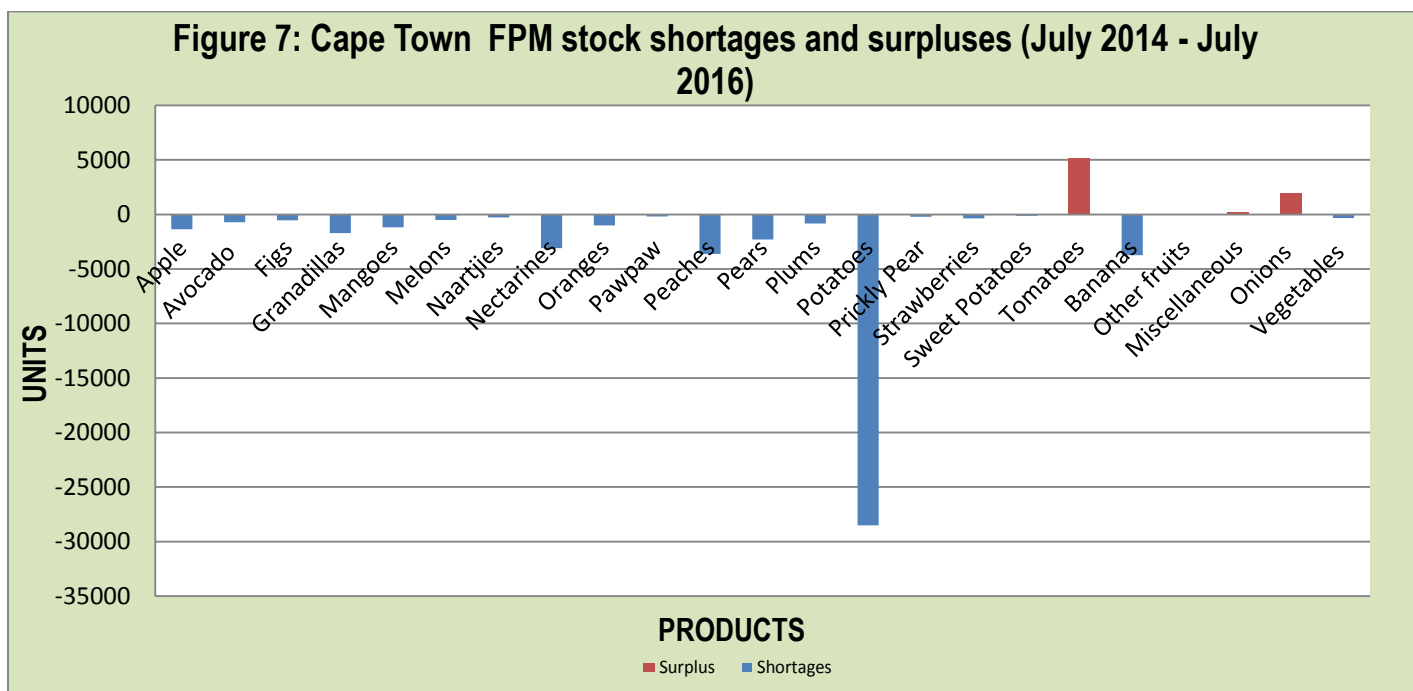
It can be observed that the Cape Town FPM complies fully with respect to **Safety and Security, Infrastructure, Information Management, Risk and Financial Management, Transformation and Human Capital Development** with compliance level of 100%. This is based on the following rationale:

- **Safety and Security:** The market has one of the most efficient security systems in place. The market has CCTV security system erected across the market and monitored all the time through a central office. There is sufficient security personnel at the market which is provided with necessary security equipment and there is also a mini jail in place for temporary keeping of offenders. There has not been any crime incident at the market.
- **Infrastructure:** Although the market infrastructure is too old, the market management has invested heavily in the maintenance of the infrastructure with regard to cold rooms, ripening rooms, CCTV cameras, internal signage, etc. Currently the City of Cape Town has commissioned the development of an infrastructure assessment report to evaluate major refurbishments required to upgrade the market facilities, which will enable the City of Cape Town to transform the market into a world class facility and address major backlogs with regard to infrastructure.
- **Risk, financial and information Management:** The market utilizes a freshmark system which is updated, maintained properly and accessed by relevant individuals only. Since the market is privately operated, the market has its own account separate from the municipal account and the market management is only one with login credentials and powers to transfer funds to agents on a daily basis. Additionally, the market has insurance in their facility to adverse any risk taking place at the market.
- **Transformation:** With regard to transformation, the market has only one (1) BBBEEE agent on market floor. Since the market floor space is not fully optimized at the market, the market is urged to allocate more space and make efforts to support new black agencies as well as BBBEE agencies of market management who have shares in the operating company.

- The pillar on **Human Capital Development** is a core as all nine (9) pillars of the Codes of Best Practices (CoBPs) depends on and requires effective human capabilities to ensure that they are efficiently implemented. Recently, the City of Cape Town Municipality has entered into a new lease agreement with a consortium of producers, market agents and BBBEE market agencies to improve the operational efficiencies of the market. Currently there is stability and effectiveness at the Cape Town market management level. The market management is efficiently implementing the CoBPs and is responding effectively in addressing any weaknesses at the market particular with regard to Stock/Consignment control, optimizing market floor space etc.

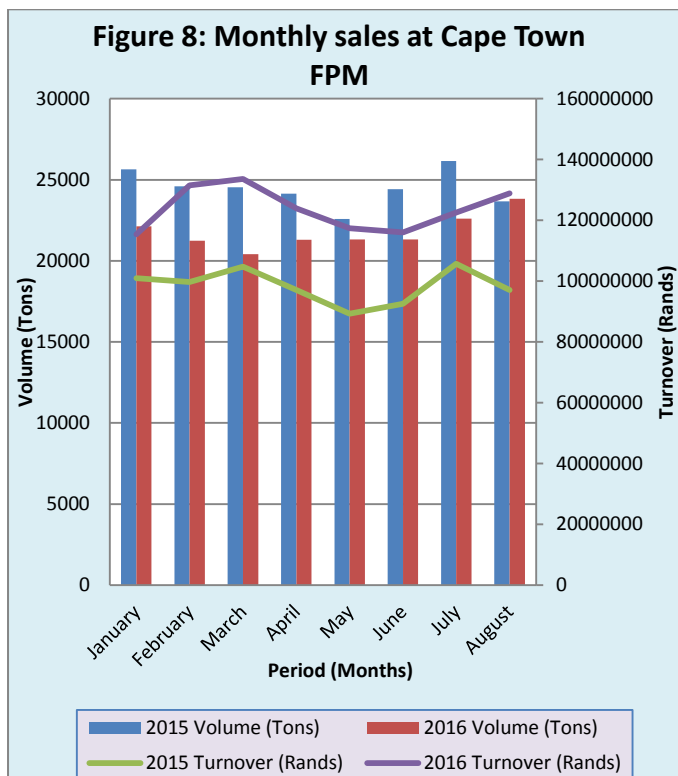
Regulatory environment, Stakeholder Management, Consignment Control, Food Safety, Hygiene and Cleanliness are satisfactory with scores above 50% compliance. This is an indication that there are still gaps with regard to these pillars and both market management and agents need to collaborate to address these issues to ensure full compliance:

- Since the market is privately operated, the market by-laws are not applicable to the Cape Town FPM under the current ownership and management model. However, the market has policies in place instead of by-laws which applies to management, agents, buyers, labor, producers and service providers. Quality inspection is also taking place and carried out by Prokon and DAFF as well as PPECB for export produce.
- It is evident that there are weaknesses with regard to the implementation of Standard Operating Procedures around Consignment Control. The 91% compliance level on consignment control can further be explained by figure 7 below on average stock shortages and surpluses which indicates that there are still some weakness on stock control that need to be addressed by tightening Standard Operating Procedures (SOPs) on consignment control.



Source: Agricultural Produce Agents Council

It is evident that excessive shortages have been experienced at the market for all products especially for potatoes, bananas, peaches and nectarines. Huge shortages on potatoes were experienced during the year 2014 from one agency who was conducting improper business conduct and the agency was removed from the market. During engagement with the market it was resolved that, the market will pay attention on the issue of stock shortages by further tightening stock control procedures. Additionally, stock surpluses were experienced for tomatoes and onions. Market management must rectify the issue of stock surpluses as well by collaborating with buyers to remove sold produce from the market floor immediately. Stock surpluses may indicate other improper business like produce reservation, secondary trading (the buyers try to resell on the agents floor), sales being cancelled as it was still on agents floor while deteriorating.



Source: IT Department: Cape Town FPM

Figure 8 compares the monthly sales volume (throughput) and turnover at the Cape Town FPM between January and August of 2015 and 2016. A total volume of 174 168 tons of fresh produce worth R 787 million were sold from January 2016 to August 2016 while 195 767 tons were sold during the same period of the previous year. This represents an average decrease of 2.88% in 2016 as compared to 2015. Sales were at their lowest during the month of March decreasing by 17% compared to the same period in 2015. Sales peaked during month of August. Generally, though the Cape Town FPM has acquired new agents and management, the market is facing challenges in increasing the volume sold through the market.

Major challenge: There are traders at the entrance and around the market premises that mimic what the market is doing and therefore there is a need for a creative strategy and effort to bring the traders into the market and formalise their operations.

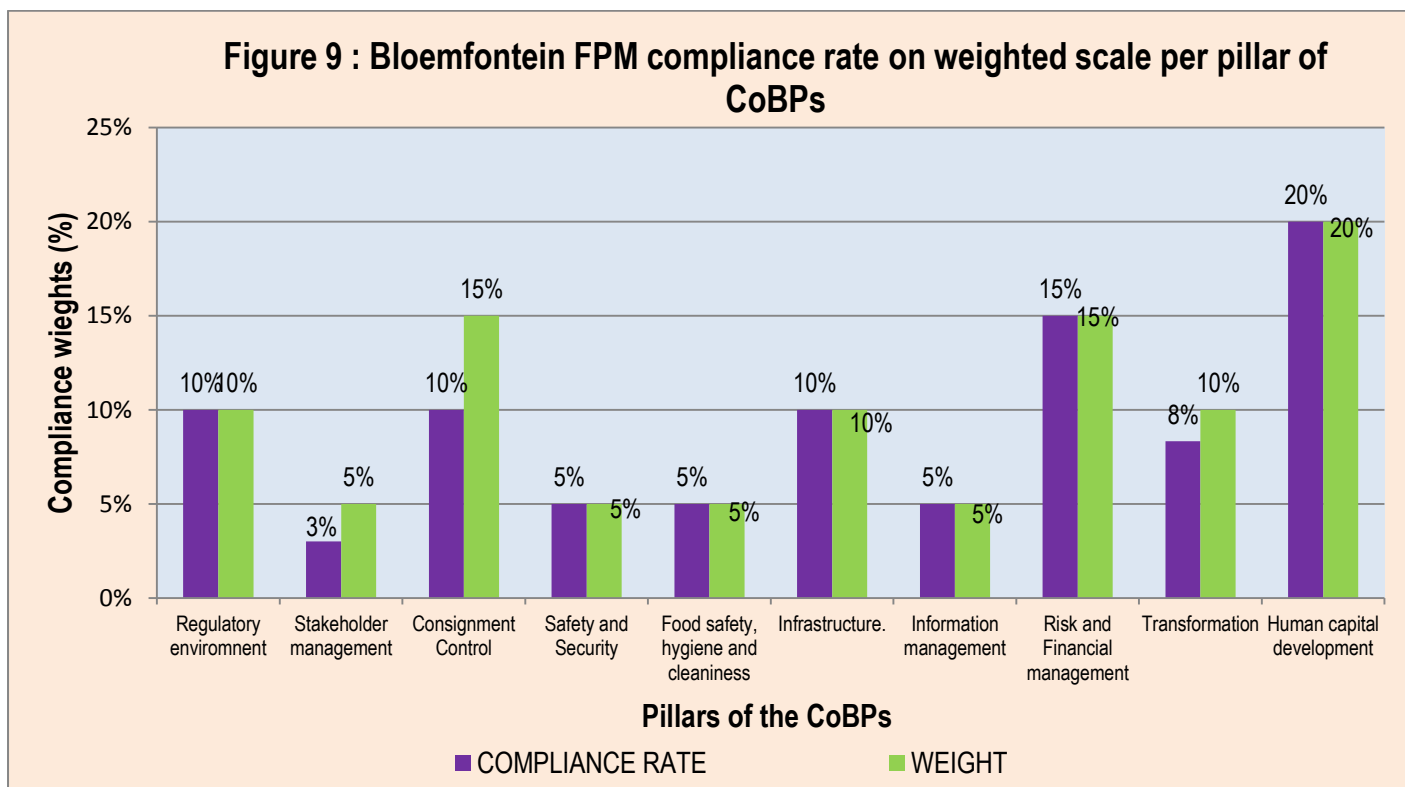
5. FOCUS ON BLOEMFONTEIN FRESH PRODUCE MARKET

There were two engagements that took place with Bloemfontein FFPM management and agents during the period under review. During the first visit, it was found that the Bloemfontein FPM was not complying with implementation of majority of pillars of the Codes of Best Practice. The non-compliances were further highlighted and shared with agents and management in a form of a diagnostic report. Based on the recommendations of

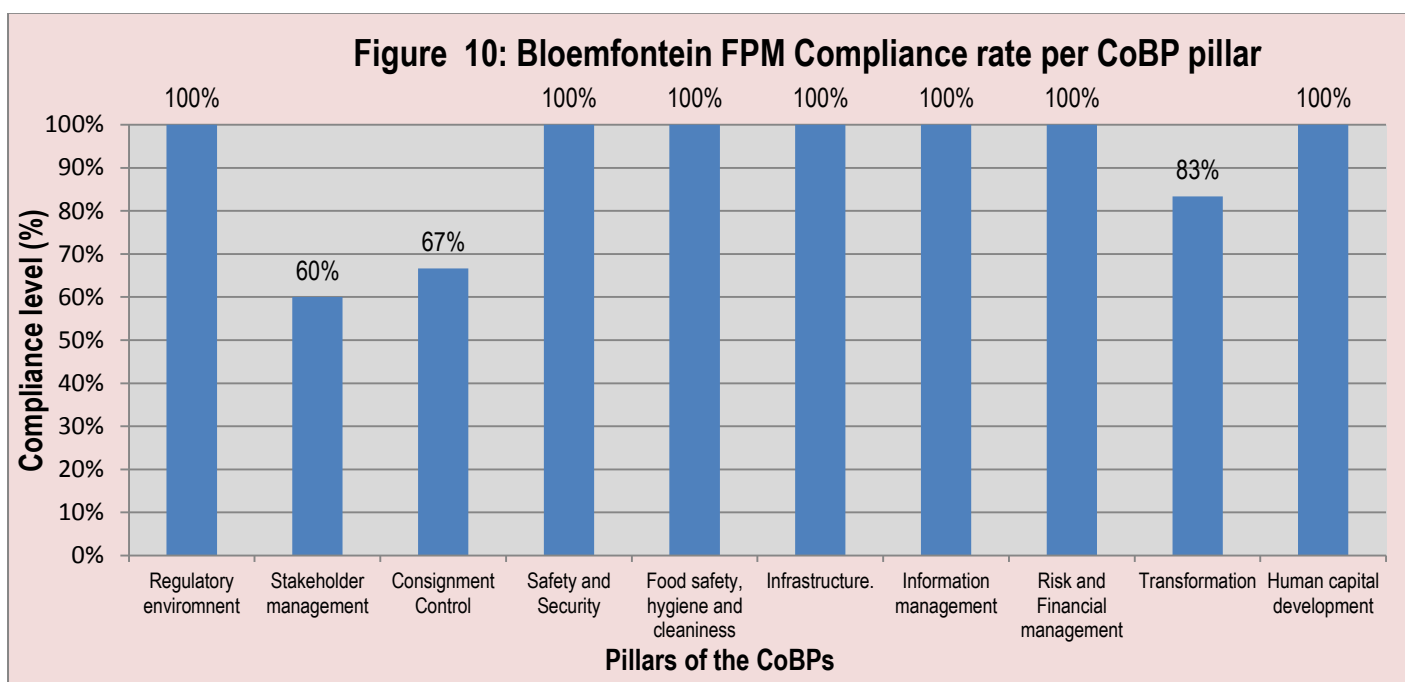
the report, market management and agents took it upon themselves to improve the service standards and operations of the market.

Two follow-up visits were undertaken as routine work to monitor the implementation of the Codes of Best Practice (CoBP) at the Bloemfontein market since the previous visits. It was then observed that the Bloemfontein market management and agents have taken major strides to improve the service standards and operations at the market.

Figures 9 and 10 below show the current level of compliance to the CoBPs at the Bloemfontein Town Fresh Produce Market.



Source: Bloemfontein Fresh Produce Market and Own calculations



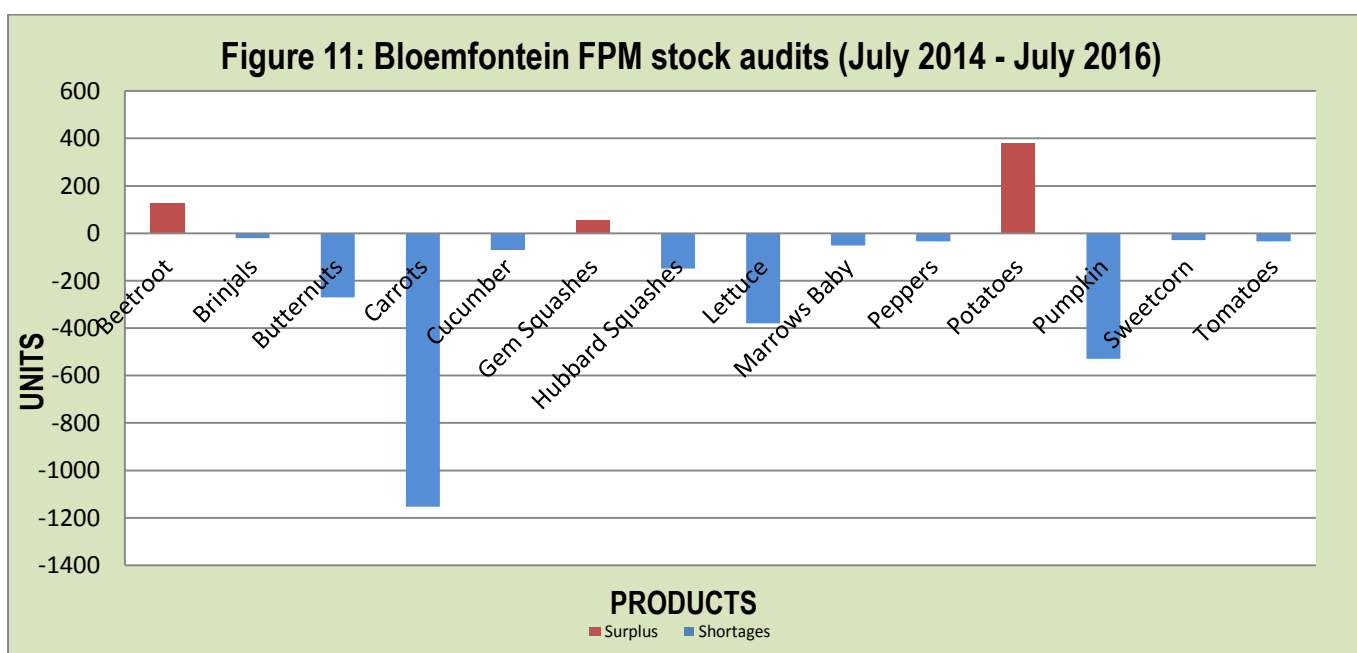
Source: Bloemfontein Fresh Produce Market and Own calculations

It can be observed that the Bloemfontein FPM complies fully with respect to **Regulatory environment, Safety and Security, Food Safety, Hygiene and Cleanliness, Infrastructure, Information Management, Risk and Financial Management, and Human Capital Development** with compliance level of 100%. This is based on the following rationale:

- The market is currently on *par* with regular cleaning routines and the level of cleanliness is notable across the market floor space, communal areas and outside the premises. The market agents and management took major steps to ensure cleanliness of the market as compared to previous occasions.
- Previously it was identified that quality control inspection is non-existence at the market as there were many rotten produce on the market floor which were not fit for human consumption exacerbated by the fact that there was not enough human resource capacity to carry out regular inspection to ensure compliance to Agricultural Products Standard (APS) Act.
- Market agencies engaged a service provider to advice on health and safety matters at their respective agencies to ensure compliance which is an initiative that is highly applauded.
- Market infrastructure maintenance is currently taking place particularly with regard to cold rooms, ripening rooms, roof being repaired and rest rooms been converted into offices. However, the Mangaung Metropolitan Municipality needs to be engaged to start reinvesting a certain portion of 5% market revenue for market infrastructure upgrades and refurbishments as the market is too old and requires major renovations.

The remaining pillars on **Transformation, Stakeholder management and Consignment Control** are satisfactory with compliance level above 50%.

Figure 11 below shows the average level of stock shortages at the Bloemfontein FPM.

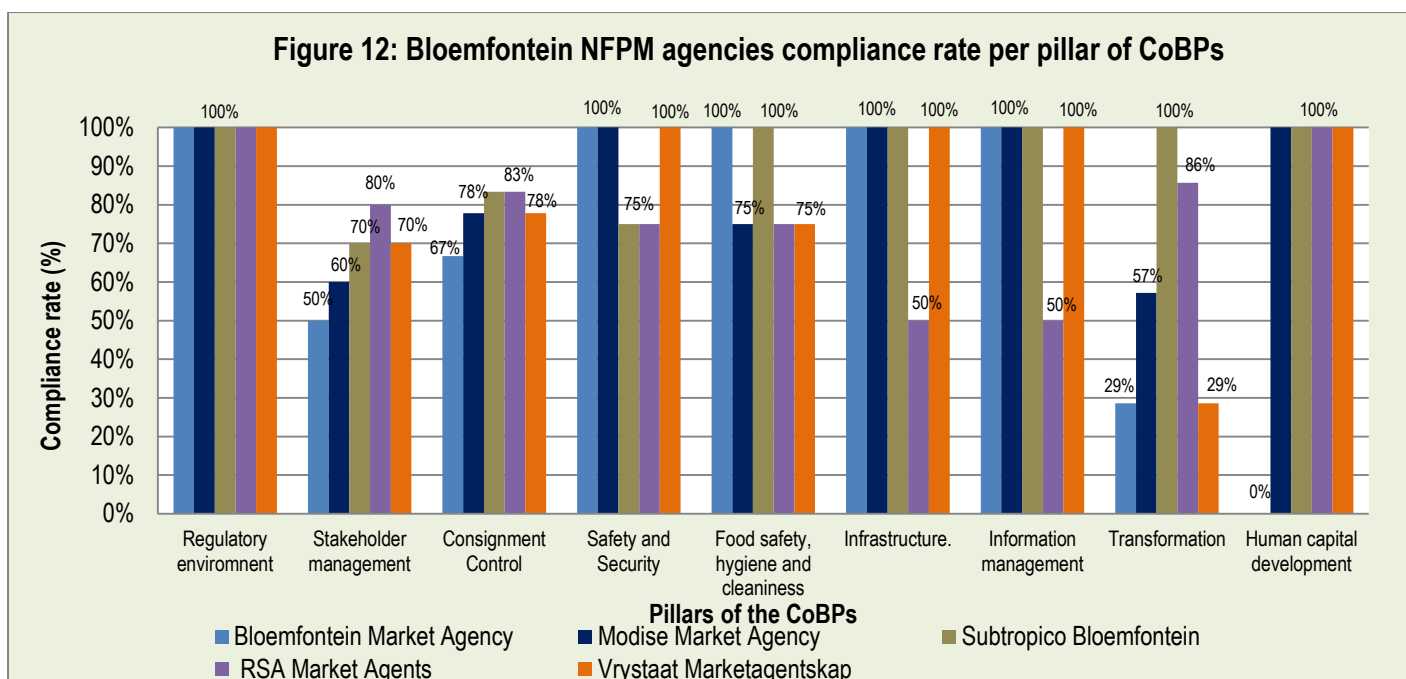


Source: Agricultural Produce Agents Council

The following key observations can be derived from the stock shortages and surpluses at the Bloemfontein FPM:

- There are huge shortages experienced at the market particularly with respect to carrots, lettuce, pumpkin and butternuts mainly due to weaknesses with stock control procedures and their enforcement by market management. The market is urged to strengthen stock/consignment control procedures by ensuring that the Freshmark System is installed at the gate and produce is recorded at the gate immediately and linked to a back office system for reconciliation.
- Surpluses mainly for potatoes still need further attention and market needs to tighten stock control procedures and collaborate with buyers to remove sold produce from the market floor.

Figure 12 below shows the current level of compliance to the CoBPs by individual Market Agencies at the Bloemfontein FPM.



Source: Bloemfontein Fresh Produce Market and Own calculations

It can be observed that the Bloemfontein market agencies comply with most of the pillars of the CoBPs. **Subtropical** market agency scored an average of 92% for all CoBPs followed by **Modise** market agency at 86%. While **Vrystaat**, **RSA** and **Bloemfontein** Market agencies maintained average scores of 83%, 78%, 72% respectively.

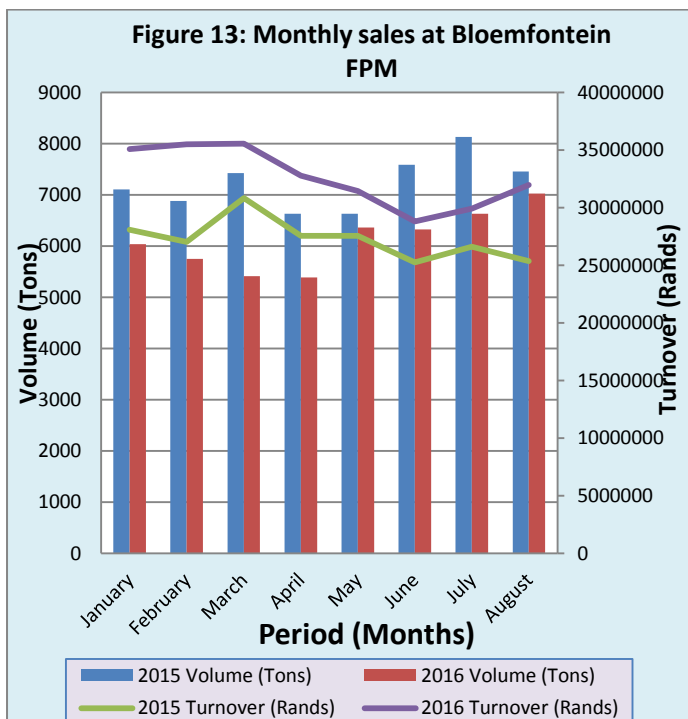
The high level of compliance to most pillars may be attributed to the following facts.

- Market agencies asserted that there have not been any crime incidents in the market and that they are fully satisfied with the level of security at the market. Additionally, the agents highlighted that the CCTV cameras are all functioning and they capture all individuals entering the main gate. All market agencies as well as their sales persons are registered with APAC.

- The freshmark system is in place and is functioning efficiently with protocols of access to the system followed extensively. The market agencies do not have access to certain parts of the system which are strictly confidential as such their login credentials are restricted.

Areas that are above satisfactory with scores just above 50% level are Stakeholder management, Consignment Control and Food Safety, Hygiene and Cleanliness. The market must focus on the following to improve compliance:

- **Stakeholder management:** That there is stakeholder engagement meeting taking place every month between market management and market agents. There are no existing Service Level Agreement between the market and market agents as such the market management must commence with the process of formulating SLAs and ensure that they are implemented. Additionally, market agents are also advised to also draft SLAs between them, their labor and producers as they are not there.
- **Consignment Control:** The market agents must ensure that they conduct stock audit on a daily basis on their market floor in collaboration with market inspector for satisfactory stock counts.
- **Transformation:** Market agents must pay attention to the transformation pillar by making available shares to designated groups, ensure that the designated groups are represented across the boards and executive management of their market agencies. Additionally, market agencies must focus on procuring more produce, goods and services from black producers and suppliers. Finally, to ensure full compliance to the transformation pillar, market agencies must spend a certain amount on initiatives aimed at improving competency of black people.



Source: Tshwane Metropolitan Municipality

Figure 13 compares the monthly volumes sold through the Bloemfontein FPM from January to August of the year 2015 and 2016. It can be observed that sales at the Bloemfontein FPM dropped during this year as compared to last year. A total volume of 48 933 tons were sold during the period January to August 2016 while 57 861 tons were sold during the same period in 2015. This represent an average drop rate of 4.10% in 2016. Volumes peaked during the month of August with lowest volumes attained during the month of April. Increase in turnover during 2016 is due to high prices experienced during this period triggered mainly by the drought in major production regions

6. RECENT DEVELOPMENTS

Efforts are underway through the National Steering Committee on Project Rebirth to introduce an internship program on fresh produce marketing within market agencies across the Republic of South Africa. The main aim of the internship program is to capacitate and offer exciting opportunities to Agricultural graduates with the goal that these graduates will become sales persons within market agencies, open their own market agencies, become professional analysts, and/or play other roles within the fresh produce marketing industry. Already the RSA market agency has acquired one intern for a six month period and plans are underway to expand on the intake of interns within other market agencies. Due to financial constraints, various channels are being explored to fund the internship program this include market agencies utilising their own funds, government funding as well as AgriSeta funds.

A mentorship and coaching program has been established to assist struggling markets to swiftly implement the Standard Operating Procedures (SOP) and CoBPs. The mentorship program focuses on building the capacity of market management and its market staff on key areas of Consignment (Stock) Control, Risk and Financial Management, Information Management, Stakeholder Management, Hygiene, Cold Rooms and Ripening facility management as well as compliance to the Regulatory Environment. The Joburg FPM (mentor) is currently assisting the Sol Plaatjie FPM (mentee) with the implementation of the aforementioned SOPs and it is envisaged that the mentorship and coaching program at Sol Plaatjie market will end in May 2017. The Tshwane FPM is also championing the mentorship and coaching program at the East London FPM and Vereeniging FPM.

With regard to Quality Control Inspection at the FPM, as from January 2017 the mandate of Prokon has been expanded by the Minister of Agriculture, Forestry and Fisheries to conduct inspection on all fresh produce within the market. The Steering Committee on Project Rebirth trusts that, this will address poor product quality challenges faced in certain markets.

The Joburg FPM is also willing to assist other markets to utilise their food control laboratory and its results with regard to sample testing of fresh produce for Maximum Residue Level (MRL) as per Foodstuffs, Cosmetics and Disinfectants Act.

7. ACKNOWLEDGEMENTS

Acknowledgement is given to the following information sources:

1. **Agricultural Produce Agents Council**
2. **Tshwane Metropolitan Municipality**
3. **Johannesburg Fresh Produce Market**
4. **Cape Town Fresh Produce Market**
5. **Bloemfontein Fresh Produce Market**

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