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ADAPTING TO CHANGE: SOUTH AFRICA'S FRESH PRODUCE MARKETS

This week's PMA Talks: South Africa explored how fresh produce markets and associated businesses are adjusting its strategies to adapt to the changing market dynamics across the country. Jaco Oosthuizen CEO of RSA Group and Hendrik Eksteen CEO of Grow Fresh Produce Agents shared their experiences and insights.

Covid-19 did not come with a manual, nor with references on how to run a business during the pandemic. The announcement of the national lockdown urged players along the entire fresh produce supply chain to rethink the way they conduct business in order to ensure ongoing access to fresh fruit and vegetables.

Planning for a worst-case scenario or a black swan event as put by Oosthuizen, and living it are far apart from each other. Immediately after President Cyril Ramaphosa's announcement of the nationwide lockdown due to the Coronavirus, the RSA Group's senior management started planning to ensure consumer safety and national food security during the pandemic. In addition to ongoing Covid-19 briefings and hygiene protocols at markets, the management identified available facilities close to all their businesses that could be used as isolating parts if needed. When Tshwane Fresh Produce Market closed due to a Covid-19 event, RSA Group was prepared to move to a Freshlinq facility in Midrand from where they continued their business, Oosthuizen said.

"South Africa's fresh produce market system is robust and able to adjust to sudden changes in supply and demand. In this time, we have learned from producers how they protect their farming and production enterprises and from buyers and retailers how they managed to remain active and open during this pandemic," he said.

Eksteen explained how new demand and supply trends emerged during the lockdown. He said while the demand for large potatoes, lettuce, baby marrows and apples decreased due to restaurants and schools being closed, the demand for product lines such as citrus, garlic and ginger increased due to its nutritional value. Pineapple sales have seen a huge increase as people started to brew beer during the ban on alcohol sales.

"The changes in supply and demand were all new to us and even the Competition Commission sent out e-mails to warn market agents against collusion and price gouging."

Although Covid-19 brought many challenges, such as travel permits, access to sanitisers, social distancing and rotation of sales staff, it also created opportunities.

According to Eksteen, one of the biggest advantages of South African markets is that local barriers to entry are very low, and thus it creates enormous opportunities for any entrepreneur. New entrants seen at markets

include people who lost jobs and saw markets as an opportunity to start a business, supporters of feeding schemes, and food donors.

He said that South African commission markets only work because of its unique collective structure. “Our system of markets balances out the exploitative nature of private enterprises by creating an open competitive environment between farmers, buyers, and the agents within a confined period and place. This leads to credible market demand and supply, which, combined with open and transparent sharing of price information, leads to a transparent reference price for all stakeholders. Diluting any of these principals dilutes the essence of our markets. The Gauteng markets, in particular Joburg and Tshwane, are the price barometer for the whole industry. Break these markets and you will break this country's horticultural industry.”

“We have a significant responsibility not to break this wonderful system. Especially in an environment where external, unforeseen events disrupt everybody. We acknowledge the fact that there are issues on our markets and market management together with their councils must take responsibility for that.”

Eksteen said industry bodies such as the Department of Agriculture, Land Reform and Rural Development (DALRRD), Potatoes SA (PSA), Agricultural Produce Agents Council (APAC) and Institute of Market Agents of South Africa (IMASA) have constructively taken part in addressing this through initiatives like for instance Project REBIRTH. East London Market is a good example of a Project Rebirth success.

In closing the discussion, Oosthuizen said fresh produce has a unique characteristic in that it will find its way to the consumer. “Over time entrepreneurial DNA has allowed the supply of fresh produce to seemingly inaccessible places. Yet, there is an innate need to facilitate the process where, with lower transaction costs, producers can find ways and means to connect with the end consumer. I believe that those systems are evolving and that the free market will take care of the inefficiencies that exist within current structures.”

About Produce Marketing Association

Produce Marketing Association (PMA) is the leading trade association representing companies from every segment of the global produce and floral supply chain. PMA helps members grow by providing connections that expand business opportunities and increase sales and consumption. PMA has a unique network of more than 53,000 member contacts from more than 2,900 member companies, which are based in 54 countries across six continents. These contacts span all sizes and types of businesses across the supply chain. For more information, visit www.pma.com

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