



FRESH PRODUCE MARKET MONITOR VOLUME 2

FOCUS ON PIETERMARITZBURG FRESH PRODUCE MARKET

Compliance to Codes of Best Practice for National Fresh Produce Markets



agriculture,
forestry & fisheries

Department:
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1. INTRODUCTION AND BACKGROUND

As early as 1997, there were concerns regarding the South African Fresh Produce Markets mainly arising from the significant deterioration in infrastructure and service standards, together with collapse in management which seriously affected the rendering of efficient and commercially competitive services to farmers, market agents and buyers, and thereby also on the ability of the domestic fresh produce marketing system to transform and provide market access to smallholder producers. These concerns triggered the then Minister of Agricultural and Land Affairs (Minister Thoko Didiza) through the National Agricultural Marketing Council (NAMC) to launch investigations termed Section 7 Committee Investigations (in terms of section 7 of the Marketing of Agricultural Products Act, 1996).

The Section 7 Committee identified five key themes which then constituted the main framework for its investigations; these were on ownership and management of National Fresh Produce Markets, legal framework, the commission system, transformation, market access as well as infrastructure.

In 2013 the continuing deterioration in service standards in the National Fresh Produce Markets (NFPMs) triggered key stakeholders in the fresh produce industry mainly fresh produce market agents through IMASA (Institute of Market Agents of South Africa) and producers through PSA (Potatoes South Africa) to eventually approach the Department of Agriculture, Forestry and Fisheries (DAFF) for immediate intervention and partnership to address the persistent challenges faced by the markets.

The DAFF went further and undertook a scoping exercise to gather first-hand information and visited all markets to assess the status of fresh produce markets and held numerous discussions with market management and municipal officials. Consequently, a Steering Committee on Project Rebirth was constituted, which developed and adopted the Codes of Best Practice (CoBP) for NFPMs and has begun a process of facilitating implementation.

Subsequent to the above, the Department of Agriculture, Forestry and Fisheries visited the Pietermaritzburg Fresh Produce Market to utilize the scorecard at the market as part of assessing implementation of the Codes of Best Practice. A workshop was held in two separate sessions with Pietermaritzburg market management and market agents on the 13th October and 14th October 2015 respectively. The workshop was aimed at collecting data and populating the scorecard for the market itself and individual market agencies.

2. PIETERMARITZBURG FRESH PRODUCE MARKET AT A GLANCE

The Pietermaritzburg Fresh Produce Market was established in 1872 and then relocated to Mkhondeni where it is situated now. The market is in terms of turnover ranked number 6th in South Africa with a 2.65% market share of the total turnover of the eighteen fresh produce markets. The total trading area is 10 807m².

There are five market agents inclusive of one BEE agents which are GW Poole, Peter & Co, Natalia, Nkosi and Subtropico.

3. IMPLEMENTATION OF THE CODES OF BEST PRACTICE (COBP) AT PIETERMARITZBURG FRESH PRODUCE MARKET

On the 24th July 2014 the Steering Committee on Project Rebirth for NFPMs visited the Pietermaritzburg Fresh Produce Market to pilot the Codes of Best Practice for NFPMs where it was observed that the hygiene and cleanliness standard of the market was very poor, and there was also evidence of hands off approach by management of the market, further exacerbated by lack of permanency and continuity at the market management level. The above mentioned concerns were highlighted to the Pietermaritzburg Local Municipality, market management and operational personnel who then committed to improve the service standards and operations of the market.

As part of monitoring implementation of the Codes of Best Practice at various markets, DAFF visited the Pietermaritzburg market again on the 4th April 2015 and the following issues became apparent:

- Hygiene and Cleanliness had improved tremendously.
- Safety and security had been upgraded extensively with new fence, new CCTV security system in place and more cameras visible in the market.
- Infrastructure had been upgraded through the R15 million received from provincial department of COGTA with roof sealed, new doors, upgraded disposal centre, new entrance gate, new guard house at the gate, new market advertising boards, new floor scrubber and new generator.
- Continuous efforts are made by the market management to strengthen consignment control and information management system.
- Codes of Best Practice and its Standard Operating Procedures are being swiftly implemented and Service Level Agreements are still being crafted; and
- Stakeholder engagement is now taking place compared to previously.

DAFF then approached the Tshwane FPM to ask for its expertise in mentoring the new acting market manager and assist her with the implementation of some provisions of the Codes of Best Practice mainly in six key priority areas which are consignment control, risk and financial management, stakeholder engagement, hygiene, cold rooms and ripening rooms as well as regulatory environment. Subsequent to this, the first meeting took place on the 04th June 2015 between the mentor from Tshwane FPM and Pietermaritzburg FPM market manager with the key objective of observing the operations, make recommendations and begin the process of mentoring the market manager. The following decisions and commitments were agreed upon:

- On consignment control, Pietermaritzburg FPM will provide equipment (thermal printer) and personnel at the main gate and back office. Furthermore, Pietermaritzburg FPM will adapt the current national Standard Operating Procedures (SOP) and Tshwane will assist in the implementation process.
- Tshwane FPM will share with Pietermaritzburg FPM the space allocation criteria/procedures. Mr. Letsoalo will avail the calculator that is currently being used by Tshwane FPM in allocating and ensuring efficient and fair space allocation of the market floor space.
- Tshwane FPM will assist in the development of specifications for the establishment of a pallet park. Mr. Letsoalo (Tshwane FPM, Director: Operational Food Safety and Quality Control) will in the meantime avail specifications used by the Tshwane FPM.
- Tshwane FPM will assist in the development of SOP for the conduct of Sales Persons operating in the market. This will include the process of recruitment, issuing of permits, codes of conduct, etc.
- Tshwane FPM will assist in the determination of proper and efficient tariff structure for the cold rooms and ripening facilities. It was recommended that Pietermaritzburg FPM should change the method of charging for the usage of its cold rooms and ripening facilities. The charge should be per pallet not per box as it is practiced by the market. Mr. Letsoalo will forward the Tshwane FPM tariff structure, which will assist the market in determining a fair and efficient tariff structure.
- Tshwane FPM will assist in the determination of specifications for the recruitment of a Black Economic Empowerment (BEE) Agent. Mr. Letsoalo will forward the tender specifications used by Tshwane FPM in recruiting BEE Agent(s).

Thus far, the Tshwane Market operational manager has managed to implement the above mentioned commitments. The Pietermaritzburg FPM acting market manager, DAFF and Tshwane operational manager are constantly in communication with regard to implementation.

4. 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%

CoBP Pillars	Weights
Consignment Control	15%
Risk and Financial Management	15%
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%

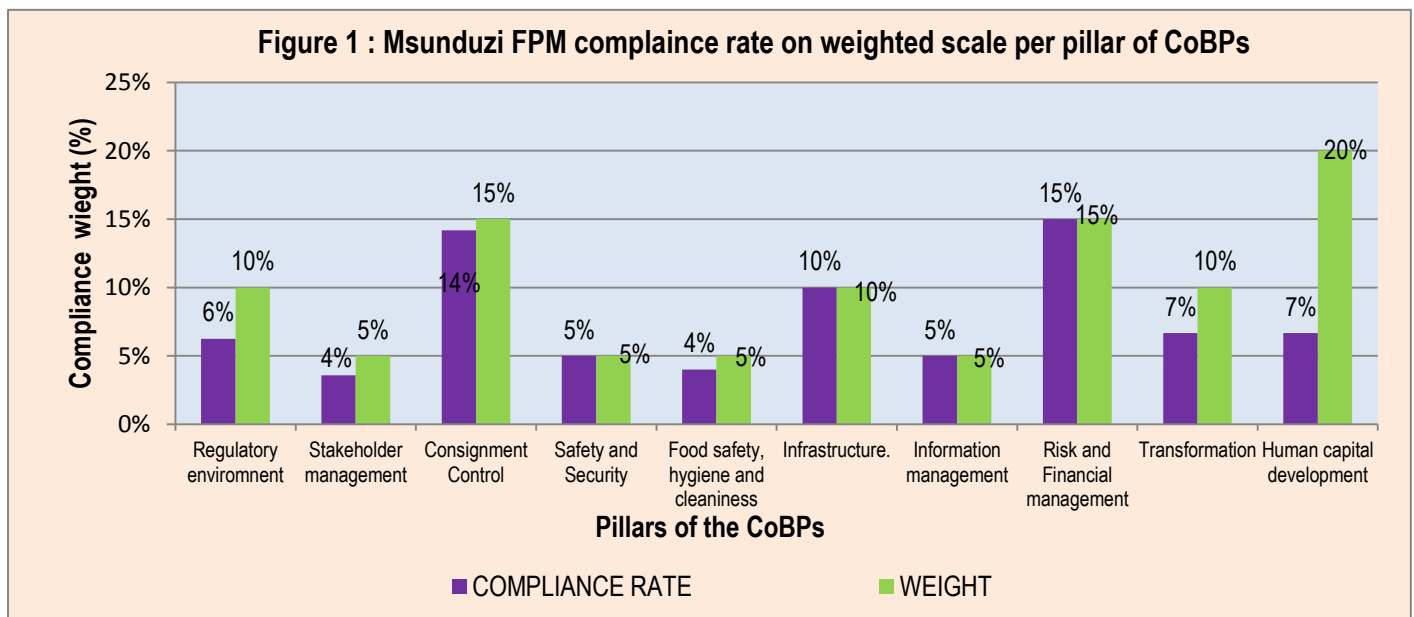
Source: Directorate Marketing, Agricultural Produce Agents Council & Steering Committee on Project Rebirth

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.

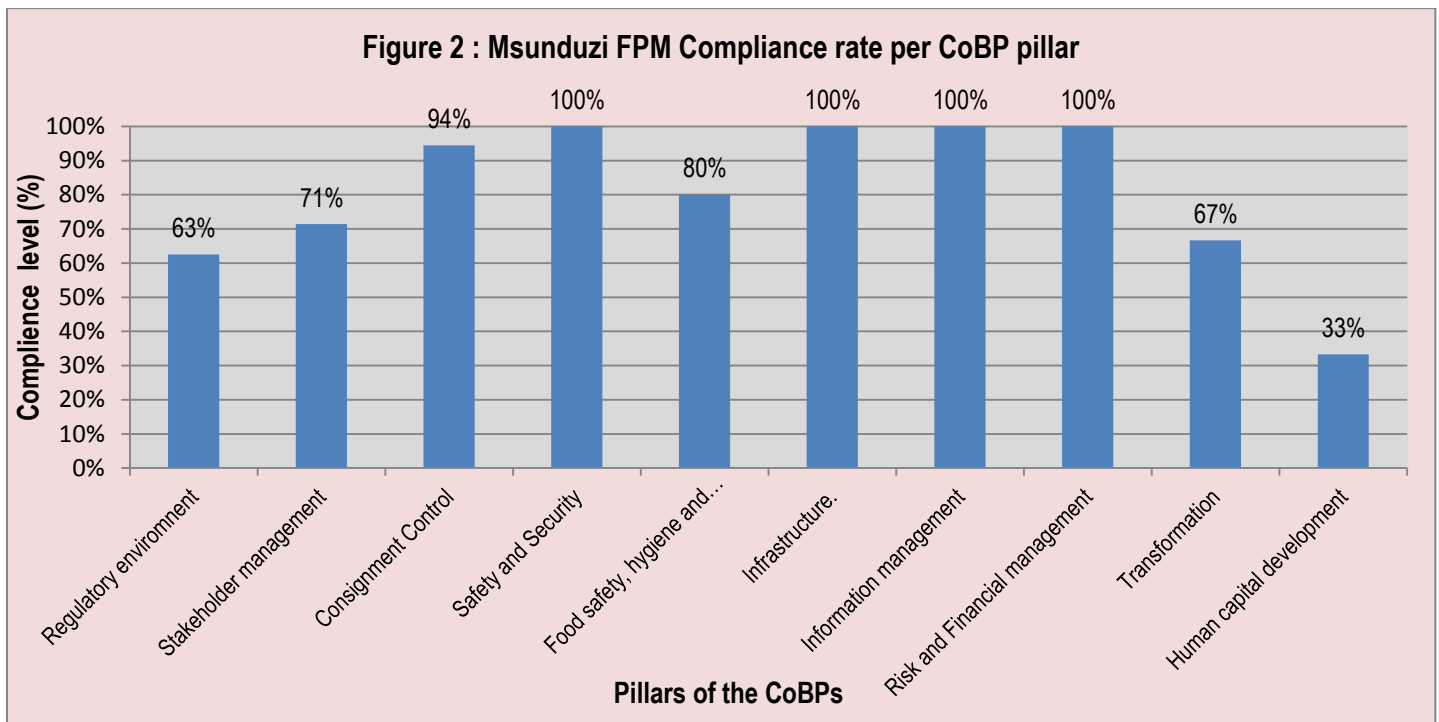
In order to ensure that a market fully complies with a pillar, the market must attain maximum score for all indicators (as indicated on the CoBPs document) and provide proof of evidence as such. Each indicator within a pillar is given a score of 1 for compliance and 0 for non-compliance.

5. COMPLIANCE TO CoBP AT PIETERMARITZBURG FRESH PRODUCE MARKET

Figure 1 below shows the current level of compliance to the CoBP at the Pietermaritzburg Fresh Produce Market.



Source: Pietermaritzburg Fresh Produce Market and Own calculations



Source: Pietermaritzburg Fresh Produce Market and Own calculations

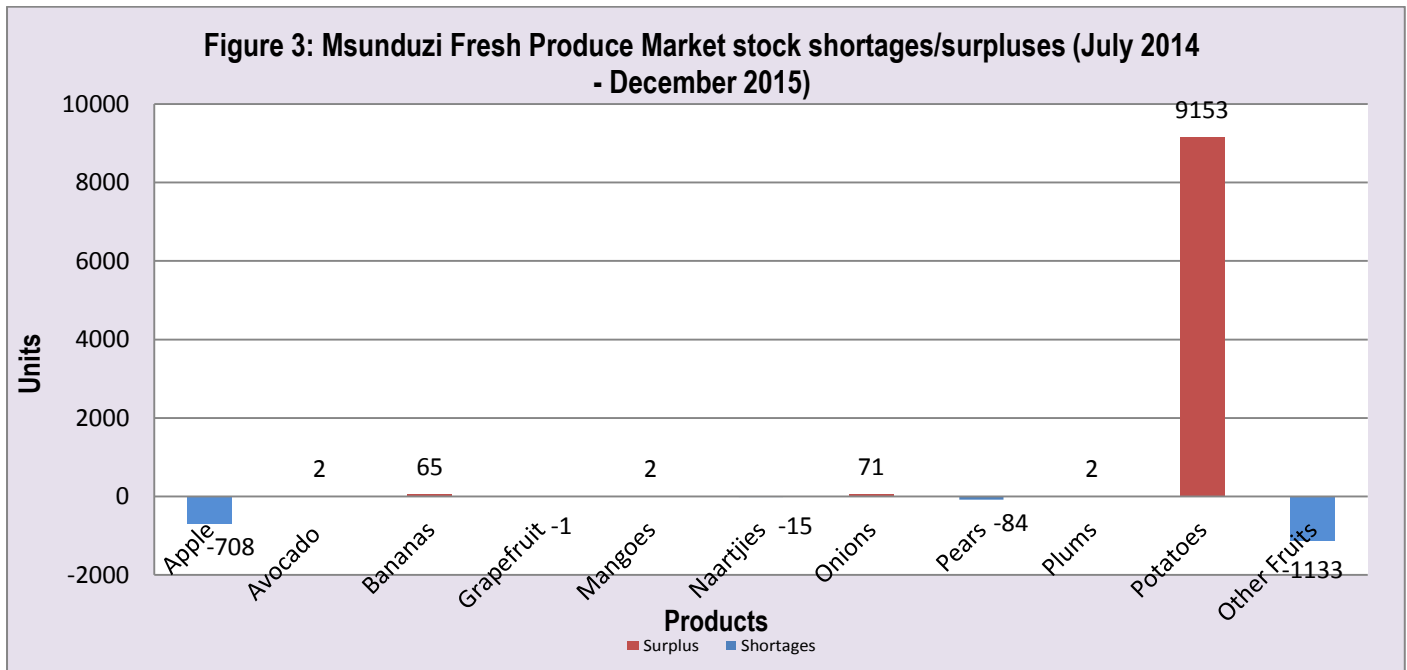
It can be observed from Figure 2 that the Pietermaritzburg Fresh Produce Market complies fully with respect to **Safety and Security, Infrastructure, Information Management and Risk and Financial Management** with a compliance level of 100%. This is attributed to the following facts:

- Safety and Security:** The level of security has been beefed up in recent years, with new CCTV security system installed across the market and cameras monitored by personnel at all the times. The local municipality has also provided the market with full time security to ensure that there is no crime taking place and this is supported by the fact that there has not been any case of crime incidents in the market.
- Infrastructure:** The provincial department of Co-operative Governance and Traditional Affairs has injected an amount of R15 million which has been used for market infrastructure upgrades and maintenance, these has allowed the market manager to revive the depilating infrastructure. The local municipality also invested in the market through the provision of operational budget which is used for infrastructure maintenance and is reviewed quarterly.
- Information Management:** The market utilises a freshmark system which is updated, maintained properly and accessed by relevant individuals only. Additionally, the system is being audited by municipal auditors to review if it's being implemented and utilised efficiently, and whether certain individuals don't access certain parts of systems illegally.
- Risk and Financial Management:** The market has its own separate account and is being accessed by the municipalities CFO who has login credentials to the system and transfers funds to agents on a daily basis. Market agents have also asserted that there has not been any delays with regards to transfer of funds to their accounts from the municipality. There is an existing contract with a commercial bank and the market is also insured against unforeseen circumstances.

Food Safety, Hygiene and Cleanliness, Consignment Control, Transformation, Stakeholder Engagement and Regulatory Environment are satisfactory with scores above 50% compliance level but not 100%. This is attributed to the fact that there are still gaps that both market management and agents must rectify to ensure full compliance and are highlighted as follows:

- **Food Safety, Hygiene and Cleanliness:** Currently the market utilises the Hazard Analysis Critical Control Point (HACCP) rules which are used as guidelines for food safety. 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 agents are also playing a major role as they do not accept any produce that does not comply with food safety regulations.
- **Transformation:** There is only one BEE agent in place but currently the municipality wants to allocate more space to black agents and they have made available an additional R 560 000 for pallet banks and R 170 000 for internal fencing to support new black agents. Promotion of the market to black farmers is taking place continuously but one of the concerns is that some of old existing agents are reluctant to help new black owned agencies as they perceive them as competition.
- **Stakeholder engagement:** A buyers' forum has just been established where a platform is given to buyers to raise and discuss issues related to the market and a forum between market management and market agents is taking place each month. There is an existing lease agreement between the market and tenants as well as service level agreements between the market with the security company, banks, freshmark and cleaning providers. There are no SLA between the market and market agents but the process is being finalised as the SLA is with municipal legal services for review. Daily sales reports are emailed to producers and some of the producers closer to the market undertake market visits occasionally. There is an existing Performance Agreement between the market manager and municipality but the market manager must ensure that it formulates work plans with its labour force based in the market.
- **Regulatory Environment:** The market by-laws have been recently reviewed in the year 2014 and incorporated new rules which are swiftly implemented (i.e. market agency are required to pay a certain shortfall amount within 24 hours if such shortfall is experienced in his/her agency). Quality Inspection is also taking place and carried out by Prokon and DAFF. DAFF does product quality inspections twice a week but they don't share the results with the market, which is an area that the market management needs to rectify as it will serve as guidance on areas that need major attention and improvements in terms of product quality. DAFF is also part of market management and market agents meeting to guide agents about inspection and minutes are available. With regard to compliance to the APS Act, bigger farmers grade according to the Act but smaller emerging farmers do not comply and the market agents are advised to further provide guidelines on APS Act to these farmers when undertaking visits and ensure that they comply. Some of the market agents do not accept the produce if they are not properly graded.
- **Consignment Control:** The market is advised to explore the possibility of checking whether the Cedara College has labs which can be utilised for sample testing. Condemnation of Stock is done in collaboration with division of environment health. The market does have an SOP for consignment

control in place and the market manager is currently enforcing its implementation. One of the major loopholes of which the market needs to further tighten is the issue of delivery notes which are recorded by agents alone not the market personnel, but the market is currently rectifying the issue as they are in a process of building a wendy house at the loading zone instead of main gate because main gate is shared with other tenants and as a result it will be difficult to operate efficiently at the main gate. The stock control measures equipment (Computer and Thermal printer) is available. The cashiers are the ones who are conducting stock counts and the market is advised to transfer that responsibility to the inspection officers and his team. The 94% compliance level in terms of consignment control can further be explained by figure 2 below:



Source: Agricultural Produce Agents Council

It is evident that there are less stock shortages for all products in the market mainly due to improvements in stock control procedures and their enforcement by the market manager. The formulation and implementation of rules around shortages/surplus at the market, where market agents are required to pay a certain shortfall amount if such shortage is experienced in his/her agency may have attributed to lower levels of stock shortages/surplus. The market has also outlawed late sales, proxy sales, overdraft and salvage practices at the market which are avenues that usually opens gaps for shortages to occur. The market manager must focus on rectifying the issue of stock surpluses especially for Potatoes by further tightening stock control procedures and collaborate with producers through their development of delivery bills. Additionally market must collaborate with buyers to remove sold produce from the market floor as market agents have indicated that produce reservation is taking place at the market as such this practice might have led to the high level of stock surpluses experienced currently in the market.

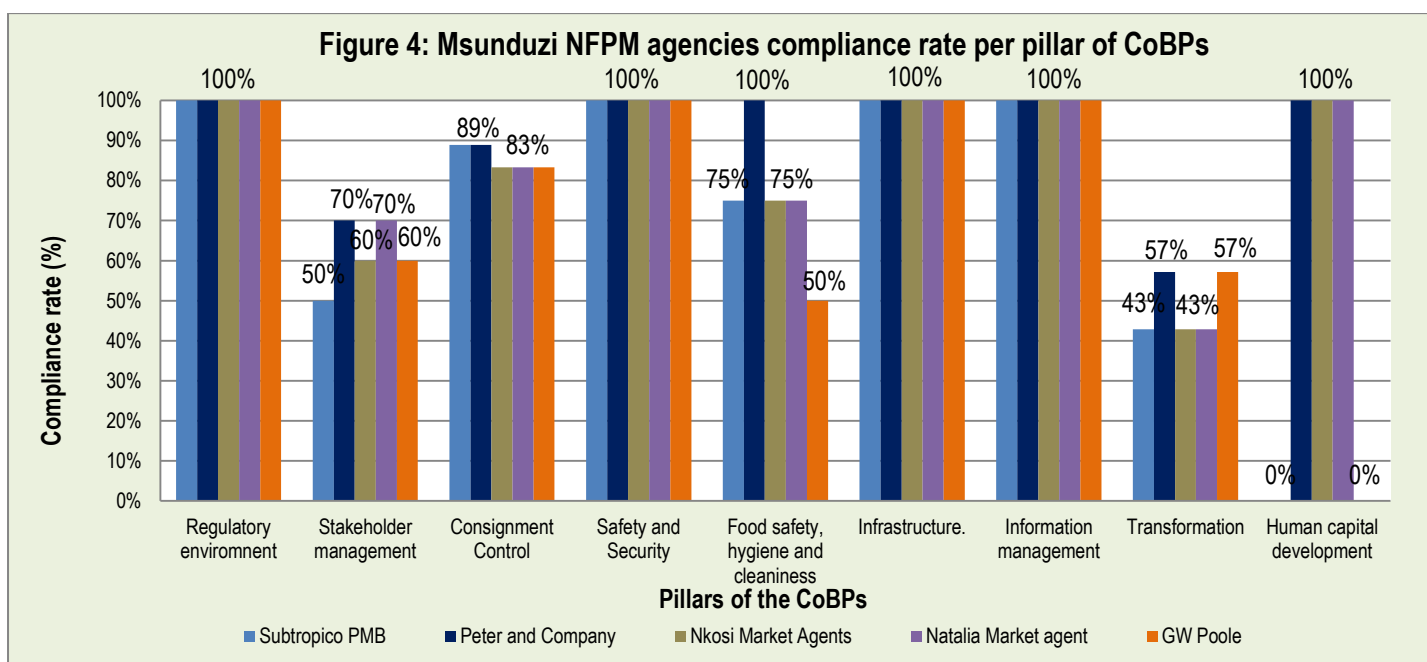
An area which needs major attention is **Human Capital Development** where the market scored 33%. This remains a weakness as all ten (10) pillars of Codes of Best Practice depends on and requires effective

human capabilities to ensure that they are efficiently implemented. The main reason for lower human capital development scores are as follows:

- The market does not have a skills development plan for its personnel;
- There are no existing and signed performance agreements or workplans between the market manager and market employees; and
- The market manager at the time of the review had not signed a performance agreement with the municipality.

6. CONTRIBUTION OF MARKET AGENTS TO THE MARKET SCORECARD

Figure 4 below shows the current level of compliance to the CoBPs by individuals Market Agencies at the Pietermaritzburg FPM.



Source: Pietermaritzburg Fresh Produce Market and Own calculations

It can be observed that the Pietermaritzburg market agencies compliance to most of the pillars of the CoBPs. **Peter and Company** market agency scored an average of 93% for all 10 CoBPs followed by **Natalia Market Agents** at 86%. While **Nkosi Market Agents**, **Subtropico** and **GW Poole** maintained average scores of 85%, 73% and 72% respectively.

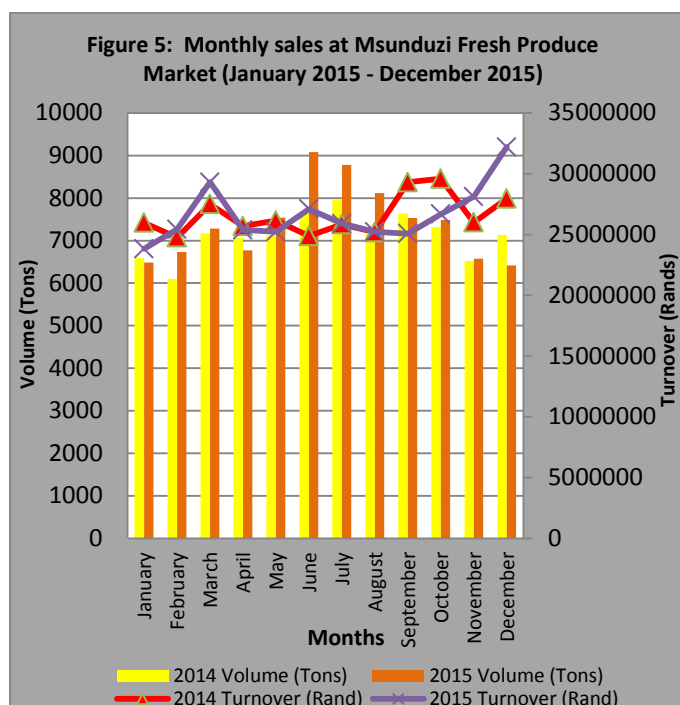
All market agencies complied fully with respect to **Regulatory environment**, **Safety and Security**, **Infrastructure** and **Information Management**. These may be attributed to the following facts:

- **Regulatory environment:** All market agencies as well as their sales persons are registered with APAC and all market agencies participated in the review of the Pietermaritzburg market by-laws in 2014. There is an existing Occupational Health and Safety plan in the market which also covers market agencies.
- **Safety and Security:** Market agencies asserted that there has not been any crime incident in the market and that they are fully satisfied with the level of security at the market. A recent upgrade with regard to installation of CCTV security system across the market has contributed to full compliance to safety and security in the market.
- **Infrastructure:** Market agencies participate in the development of infrastructure maintenance plan and budget through the market forum. They have also indicated their appreciation with recent market infrastructure upgrades through the R15 million injections from provincial department of COGTA.
- **Information Management:** The freshmark system is in place and it 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.
- An area of unsatisfactory performance is **transformation**, which is an area that market agencies needs to start paying attention to. Market agencies must focus on making available shares to designated groups, ensure that the designated groups are represented across the board 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. The Pietermaritzburg market agencies must also focus on assisting new BEE agencies and not perceive them as competition.

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

- **Stakeholder management:** There is stakeholder engagement meeting taking place every month between market management and market agents. There is 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 also advised to also draft SLAs between them and their producers as they are not there.
- **Consignment Control:** Stock audits are undertaken by the inspectorates, market cashiers together with the market salesperson. The market must ensure that one of their inspectors is involve throughout the entire audit process for satisfactory stock counts.

7. PERFORMANCE OF PIETERMARITZBURG FRESH PRODUCE MARKET



Source: Tshwane Metropolitan Municipality

Figure 5 compares the monthly sales volume and values of produce sold through the Pietermaritzburg FPM from January to December of the year 2014 and 2015. It can be observed that since the intervention of the Project Rebirth initiative and commitment from market management, the volume of produce sold through the Pietermaritzburg FPM during the year 2015 has increased substantially as compared to the previous year at the same period. A total volume of 88 785 tons of fresh produce worth R 319 million were sold through the Pietermaritzburg FPM from January to December 2015 while 85 449 tons worth R 264 million were sold during the same period of 2014. This represents a reasonable average growth of 0.96% in volume in the year 2015 as compared to 2014. The increase in volume saw the market overtaking Springs FPM as the fourth top market during the month of June.

8. CONCLUSION

Based on the above collected information and analysis, the market management and market agents of the Pietermaritzburg Fresh Produce Market are complying with most pillars of the Codes of Best Practice. It can be observed that the market has shown tremendous improvements since its interaction with the Steering Committee on Project for National Fresh Produce and the market management has excelled in transforming the market within a short period of time. An existing healthy relationship between the market management and market agents as well as a willingness to adapt to new developments by agents is contributing widely to the success of the market. The support of the Pietermaritzburg local municipality to market management remains core to the success of the market.

9. ACKNOWLEDGEMENTS

Acknowledgement is given to the following information sources:

1. **Agricultural Produce Agents Council**
2. **Tshwane Metropolitan Municipality**
3. **Pietermaritzburg Fresh Produce Market Management**
4. **Pietermaritzburg Fresh Produce Market Agencies**

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