

COMPETITION

Fresh Produce Market Inquiry: What is it all about? Apples, pears, grapes, avocados, tomatoes, onions and more

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The Competition Commission (**Commission**) is set to conduct a [market inquiry](#) into the fresh produce market of South Africa (**Fresh Produce Market**). We previously discussed this topic in an [article](#) announcing the Commission's then draft Terms of Reference for the market inquiry. The Terms of Reference have now been finalised to confirm what will be a formal inquiry into the general state of competition, the levels of concentration in and the structure of the Fresh Produce Market as a whole. For the purposes of the market inquiry **fresh produce includes fruit and vegetables** (whether processed or not).

Recent studies by the Commission have revealed that there may be adverse effects on competition in the Fresh Produce Market. In particular, the Commission has noted concerns in, amongst others, difficulties experienced by smaller farmers in reaching the necessary economies of scale to decrease costs and maintain profitability.

The Commission has identified three broad themes which cover the features that may impede, restrict, or distort competition and market structures.

They are, briefly stated

- efficiency of the value chain;^[1]
- market dynamics of key inputs and its impact on producers; and
- barriers to entry, expansion and participation.

It is noteworthy that the cost of fresh produce has largely been increasing above inflation levels in recent years. High prices of fresh produce have a disproportionate effect on poor and low income earners who have to spend a greater portion of their income to purchase essential products. Therefore, a fuller understanding of the main drivers of the apparent high prices of fresh produce in South Africa is a critical area that the market inquiry aims to address.

It is important that firms active in the Fresh Produce Market participate in the market inquiry. These firms should also expect to receive requests for information from the Commission. Further, it is likely that the outcome of the market inquiry may introduce standards which the Commission will apply to competition matters in the Fresh Produce Market going forward. Therefore, participation by the relevant market role players will ensure that the Commission's investigation and ultimate report speaks to current and practical realities experienced by the industry as a whole.

The market inquiry will commence on a date to be communicated by the Commission and its report will be completed within 18 months after such commencement. Details on the administrative phases of the market inquiry along with the Guidelines for Participation will be made available on the Commission's website.

The Competition Commission turns up the heat on fresh produce – [10 things you should know](#)

[1] See our previous [article](#) for a discussion of the fresh produce value chain and the relevant role players.



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