

# Transforming South Africa's Fresh Produce Sector for Inclusive Growth and Smallholder Empowerment

## POLICY BRIEF



**Date:** 30 April 2025

**Audience:** Government of South Africa – DALRRD, DTIC, NAMC, SALGA, Provincial Departments of Agriculture

## 1. Background and Context

South Africa's fresh produce sector is a cornerstone of rural livelihoods, food security, and agro-economic growth. However, the sector remains structurally unequal and highly concentrated, with entrenched market practices that systematically exclude small-scale farmers, especially black-owned farms, women, youth, and rural entrepreneurs. Despite its R53 billion annual market value, over 80% of produce traded in municipal markets originates from a handful of large-scale commercial entities, while emerging farmers face immense hurdles, ranging from input cost inflation and compliance burdens to infrastructure deficits and anti-competitive procurement norms.

Although national frameworks such as the Agriculture and Agro-processing Master Plan (AAMP) and the Presidential Employment Stimulus (PES) promote inclusive growth, the implementation has been fragmented. The Fresh Produce Market Inquiry (FPMI) by the Competition Commission and a civil society-led study by Kagiso Trust reveal that municipal fresh produce markets (FPMs)—originally designed to be equitable trading spaces—have become sites of exclusion, market inefficiency, and dominance by entrenched agribusiness interests.

## 2. Policy Problem

Despite their vital contribution to rural livelihoods and local food systems, smallholder farmers in South Africa face persistent structural challenges that limit their effective participation in the formal fresh produce value chain. These challenges are not due to deliberate exclusion by market systems, but rather stem from the unequal ability of farmers to meet market requirements in terms of quality, consistency, and compliance. Key constraints include:

- **Market Readiness Barriers:** Smallholders often lack access to post-harvest infrastructure such as cold storage, grading and packaging facilities, which affects their ability to deliver market-compliant produce at scale and on time. This hinders their competitiveness and reliability as suppliers.
- **Limited Integration Support:** The absence of coordinated aggregation platforms and technical assistance makes it difficult for smallholder farmers to pool supply, comply with safety and traceability standards, and negotiate with formal market players.
- **Incentive Misalignment:** Many private buyers and municipal markets lack structured incentives or enabling policies that encourage integration of smallholder farmers into procurement systems.
- **Fragmented Policy Implementation:** While national frameworks such as the AAMP promote inclusive value chains, efforts across provinces, departments, and institutions are often siloed, limiting their effectiveness in driving systemic inclusion.

As a result, formal market participation remains elusive for many smallholder farmers, not because markets are inherently exclusionary, but because the conditions needed to enable smallholder competitiveness are underdeveloped. Addressing these systemic supply-side constraints is essential for fostering a more inclusive and resilient fresh produce sector where both established and emerging actors can thrive together.

## 3. Strategic Policy Recommendations

### 3.1. Reform Market Infrastructure and Governance

- Re-establish municipal FPMs as inclusive, development-driven entities—decentralised, digitised, and governed transparently.
- Introduce equity-based pricing, reduced levies, and smallholder-friendly contract terms.
- Audit FPM governance models to eliminate patronage, corruption, and inefficiencies.

### 3.2. Promote Inclusive Market Access and Procurement

- Institutionalise preferential procurement targets (30–40%) for smallholder produce in schools, hospitals, and municipal institutions.
- Enforce equitable retail sourcing quotas under competition and public procurement law.
- Incentivise contract farming models with price guarantees and farmer support clauses.

### 3.3. Address Anti-Competitive Behaviour and Regulatory Gaps

- Strengthen enforcement of the Competition Act and empower the Commission to act against collusion, predatory pricing, and exclusionary vertical integration.
- Reform the Marketing of Agricultural Products Act to address certification burdens and enable collective bargaining for smallholders.
- Investigate retailer-driven “quality” barriers as covert instruments of exclusion.

### 3.4. Build Smallholder-Centric Support Ecosystems

- Expand blended finance programs to include certification cost subsidies and weather-indexed insurance.
- Fund rural aggregation centres, packhouses, and solar-powered cold storage facilities.
- Deploy mobile technical teams for on-site logistics, compliance, and marketing training.

### 3.5. Advance Gender Equity and Youth Empowerment

- Implement targeted women farmer funding schemes linked to land reform and market integration.
- Promote youth agripreneurship programs focused on value addition, logistics tech, and green jobs.
- Ensure inclusive representation in market governance and farmer organisations.

### 3.6. Leverage Digital Innovations and Global Best Practices

- Develop open-access digital platforms for price transparency, e-certification, and logistics matching (e.g., Kenya's M-Farm, India's eNAM).
- Pilot digital traceability systems and mobile-based quality assurance tailored to emerging farmers.
- Benchmark against global best practices in cooperative marketing and logistics.

*“Smallholder farmers face structural and institutional barriers that prevent them from participating effectively in the formal fresh produce value chain.”*



## 4. Implementation Roadmap

Action	Lead Entities	Timeframe
Audit and restructure FPM governance	SALGA, COGTA, DAL-RRD	6–12 months
Roll out inclusive public procurement frameworks	Provincial Depts., National Treasury, AGSA	12–18 months
Establish Cold Chain & Agro-Hubs Fund	DTIC, IDC, AgriBEE	12–24 months
Launch Inclusive Fresh Produce Market Charter	NAMC, Civil Society	6 months
Enforce the Competition Act on retail collusion	Competition Commission	Immediate & ongoing

## 5. Monitoring and Evaluation

- Establish **inclusive M&E dashboards** tracking smallholder participation, income changes, market penetration, and job creation.
- Annual **Fresh Produce Sector Reviews** led by NAMC and civil society to assess progress and recalibrate strategy.

## 6. Conclusion and Call to Action

South Africa’s fresh produce sector is at a crucial turning point. It must decide between maintaining its exclusionary and inefficient model or evolving into a powerful catalyst for inclusive rural development and food sovereignty. The time for reform is now; there is no room for delay.

Kagiso Trust demands that the government, municipalities, regulators, retailers, and development partners take decisive action. It is imperative to dismantle structural barriers, reconfigure power dynamics, and prioritise the voices of smallholders in both institutional and market design. Only through collective efforts can we unleash the true transformative potential of South Africa’s fresh produce sector—for the benefit of its people, for equity, and a sustainable future.

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