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AN OPINION SURVEY AMONG NATAL VEGETABLE FARMERS ON THE MARKETING OF FRESH VEGETABLES

by I.J. PICCIONE and W.L. NIEUWOUDT*
University of Natal

1. INTRODUCTION

The solution to any problem lies in finding the cause. Remedial action can then be taken. The national fresh produce markets are experiencing difficulties owing to the large volume of produce which is by-passing them, resulting in losses of revenue to the owners of such markets. Although the market facilities offered by municipalities are comprehensive, producers and retailers are dissatisfied with the service offered them and as a result find alternatives to satisfy their respective needs. Recognising that problem, this paper serves to provide an insight into the cause of the problem and should provide a useful source of information to the authorities controlling such markets in their attempts to rectify the problems. Personal interviews were conducted with 30 Natal vegetable farmers. The survey and its findings were strongly supported by the Fresh Produce Growers' Association of Natal. The purpose of this paper is to report on the findings of this opinion survey.

2. METHOD

An opinion questionnaire was posted to 200 randomly selected vegetable farmers who had responded to the Agriquest Survey but a poor response (17%) prompted a change to a personal interview survey technique in order to gauge their opinions. A total of 30 farmers were again randomly selected from the respondents to the Agriquest Survey and the following areas and number of farmers in such areas were visited: Weenen (7); New Hanover (2); Pietermaritzburg (3); Camperdown (7); Richmond (6) and Ixopo (5). Each farmer was interviewed personally on his farm, all farmers being asked the same questions, and their responses and opinions were recorded.

Farmers who were interviewed ranged from pure vegetable farmers, i.e. those whose income from vegetables was their sole source of income, to farmers whose income from vegetables was less than one quarter of total income (Table 1).

TABLE 1 - Contribution of vegetable income to total farm income (T.F.I.) of the farmers sampled

% of T.F.I.	Number of farmers
<25	4
25 - 50	8
51 - 75	5
76 - 100	13

Thus the sample is indeed random, without a bias towards a particular type of farmer. The opinions expressed by farmers in this sample should therefore cover most of the spectrum of possible opinions.

3. RESULTS AND DISCUSSION

3.1 Disposal of production

Farmers were asked to indicate the manner in which they disposed of their crops. Table 2 shows the number of farmers who employ the different means available to them.

TABLE 2 - Point of sale of production

Municipal markets (% of production)	Off-farm or to retailers (% of production)	Number of farmers
0	100	3
1 - 25	75 - 99	4
26 - 50	50 - 74	5
51 - 75	25 - 49	4
76 - 99	1 - 24	5
100	0	9

Table 2 indicates the wide range of methods of disposal which the selected farmers employed. The basic reason for the choice of method was that it was the most suitable method for the farmer concerned. For instance, farmers in Weenen and Ixopo as well as some from Camperdown felt that the demand for their cabbages existed on the farm because of their location in relation to various

* I.J. Piccione is a master's student and W.L. Nieuwoudt is an Associate Professor, University of Natal. Work was carried out in the Agricultural Policy Research Unit at the University of Natal; the Unit is financially supported by the HSRC. The opinions expressed are those of the authors and do not necessarily reflect those of the HSRC, the University of Natal or the Fresh Produce Growers' Association

Black areas such as Transkei and KwaZulu. For this reason the cabbages were sold off the farm at market-related prices for that particular period.

Other farmers, particularly the farmers who grew vegetables under protection, felt that the quality of their product was very high and that their consistent year-round production enabled them to enter into favourable contractual agreements with various retailers of fresh produce. They felt that the market could not provide the premium price which they required because of their high input costs and the exceptional quality of their produce. These farmers felt, in addition, that the freshness of their product surpassed that of products available on the market and that this warranted high prices.

Most farmers agreed that the demand (large buyers) for tomatoes only existed at the market so that far smaller quantities of this vegetable were sold off the farm than the quantities of cabbages sold off the farm. Another important reason given by farmers who sell solely on the market is the security of payment for their consignments. Legislation ensures that the producer will be promptly paid for the produce sold on a municipal market.

Some farmers produce such large quantities of certain vegetables that, should they deliver these volumes to the municipal market, an excess supply situation, in relation to existing demand, may arise and cause a big fall in prices. Coupled with this fact are the physical limitations on individual transport capacities and the farmer's alternative is then to sell off the farm. Such sales off the farm are based on the prevailing price on the market at the time and an agreement is concluded between the buyer and the farmer concerning the cost savings effected by selling on the farm (eliminating market dues, agent's commission, transport and packaging costs). Usually these costs are shared by both parties, which makes the transaction favourable to both parties concerned. The farmer should be aware that only if he shares these costs and does not subtract them in total from his selling price will this method of price formulation be more beneficial to him than that at the market.

There is a further consideration - where produce is sold off the farm, the number of buyers on the market is reduced, as is the quantity of produce on the market, causing a reduction in both demand and supply. The market price prevailing under such circumstances is therefore not the true price which would exist should all buyers and sellers meet at the market, and to use this price as a guide may give rise to a lower price being obtained both on and off the market than would otherwise have been the case. One may argue though that all buyers and sellers of produce are not meeting at the market in any case, so that at any one time the price realised is not strictly that determined by supply and demand.

3.2 Functioning of the municipal markets

Farmers were asked to express their views in regard to the functioning of the municipal markets. There is a great deal of common ground about the various dissatisfactions expressed, which included the followwing:

3.2.1 Rigid hours of selling

These to not suit all buyers and for this reason the true demand for the goods on sale is not expressed and a lower price results. The cessation of selling at particular times assists some buyers in forcing down the price of produce with increasing effect especially as the time nears the deadline. The agent is unable to place unsold consignments in cold rooms to carry over until the next selling period and he thus accepts a lower price for the produce rather than not sell the produce at all.

3.2.2 Sales before selling hours

Legally, no sale is made until a sales docket has been filled out, but buyers "book" their requirements in advance at a pre-arranged price and when selling hours begin agents merely make out sales dockets to conclude the deals. This malpractice effectively reduces the demand for the produce on sale during selling hours and results in lower prices for producers.

3.2.3 Handling of produce

At off-loading, sale and loading points, handling could be improved with the use of pallets which could make the process more efficient and reduce damage to produce. The use of returnable containers has recently been introduced in the markets in the Transvaal and these should reduce packaging costs for producers and allow agents to stack produce far higher, resulting in a more economical use of floor space. The use of these containers is strongly advocated.

3.2.4 The small buyers

Housewives and other consumers have declined in number partly because of pre-sale time "bookings" (3.2.2 above) and predominantly because of the positioning of both the Durban and the Pietermaritzburg markets. Sales to the small buyers dropped drastically with the moving of markets to their present sites. Transport (public) to these markets leaves a lot to be desired and the bulky nature of goods purchased on these markets virtually precludes purchases by persons not having private means of transport. Again, this reduces the demand for produce and the farmer's price is consequently lowered.

3.2.5 Producer representation on market advisory committees

Producers felt that they were inadequately represented on the market advisory committees and that, since they play a major part in the financing of the market through the market dues on produce sold on the market floor, they should have more representation on such committees so as to safeguard their interests. This is certainly not unreasonable in the light of the foregoing and market authorities should accept all offers of assistance in increasing the volume of sales on the market since market dues are their primary source of revenue and therefore all reasonable steps should be considered by these authorities in attracting more produce to their respective markets.

3.2.6 Wholesaling off the market floor

Many producers claimed as highly undesirable the common practice by certain buyers of wholesaling off the market floor. In this way large quantities of produce are "bought" by buyers who then re-sell to other buyers without removing the produce from the floor. While this practice is contrary to regulations, it is still found to occur and effectively reduces the demand for produce, thereby reducing the price producers receive and eventually increasing the retail price consumers pay. Agents may not feel averse to this practice since they are able to dispose of their consignments quickly, whether to the advantage of the producers or not. The rigidity of the commission rates chargeable by the agent does little to discourage agents from allowing this state of affairs to arise. This aspect (the rigidity of commission rates) will be discussed in subsequent sections.

3.2.7 Produce price information

Market prices for the previous day's trading are quoted in a morning newspaper for the Pietermaritzburg market but not for the Durban market. This information contains the prices of produce quoted as "highest, lowest and the average" received for the produce sold the previous day. While this type of information is certainly useful, it may be misleading in its present form since the quantities sold at the different prices are not indicated. As a result 10 pockets of potatoes, for instance, may be sold at R5,00 and 1 000 at R3,00 giving rise to a distortion of the true state of affairs. This sometimes causes "flooding" (oversupply) of the market with produce sent by farmers desiring the highest price quoted. Either including quantities sold at the prices quoted or merely quoting average prices (weighted by the number of units sold at those prices) should alleviate this problem.

3.3 Market agents

Farmers were requested to express their opinions as to the market agents and their performance on the market as well as some other aspects concerning market agents. The farmers' responses are recorded and discussed as follows:

3.3.1 Number of agents operating on the markets

Farmers were requested to indicate their opinions regarding the number of market agents operating on the markets. 12 farmers felt that their number should be kept as as present (5 on the Pietermaritzburg market and 7 on the Durban market), 4 other farmers felt the numbers should be decreased and another 4 felt the numbers should be increased. The remaining 10 farmers had other suggestions. 7 of these 10 farmers felt they could not express an opinion, mainly because they did not know how many agents were actually operating at that time. However, the remaining 3 in this group felt that the number of agents should not be limited and suggested alternatively that the Town Council which owned the market should lease floor space to any number of agents at rates that would cover the running costs and recoup (knowing the expected life of the market buildings) their capital expenditure incurred in the erection of the market. In this way, they felt, the number of agents would be determined by the economic forces of competition. A few farmers expressed the opinion that if the number of agents was increased without allowing free competition to determine this number (as discussed previously), the agents incomes might fall as a result of a division of turnover among a greater number of agents and thus they probably could not afford to pay the high salaries and remuneration required to attract and retain the services of top class salesmen. Should this happen, most parties would be in a worse position than before.

3.3.2 Number of agents consigned to by farmers

The number of agents to whom a farmer would usually consign his produce varied slightly. 23 of the 30 farmers consigned their produce to one market agent only, their primary reason being that they were satisfied with the agent's performance and had built up a "loyalty feeling" with the agent. Five of the other farmers consigned their produce to two agents, primarily to keep a check on the prices which they received and consequently to monitor the performance of the agents. However, when consigning to two agents (especially when "splitting" one consignment of tomatoes, for instance) the farmer makes himself vulnerable to a bargaining lever used by buyers who may lower the price of the produce by bargaining with the two agents. One farmer did not supply the market at all because of his contractual agreement with certain

retail outlets, and the remaining farmer consigned his produce to the agent whose salesman appeared to perform the best for him with regard to the prices received for the particular vegetable.

3.3.3 Market agents as brokers of fresh produce

The farmers were divided equally when asked whether they felt that agents should be allowed to act as brokers of fresh produce. Some of the reasons given by those supporting this view were that it would be a more efficient method of equating demand with supply in that the off-loading and loading functions at markets would no longer be necessary since the quantity required would either be delivered to the purchaser or the purchaser would collect the produce from the farmer. In addition the produce would not be damaged as much using this method and, where floor areas are limited on markets, this method would help to alleviate this problem. However there may be many more problems with brokerage of fresh produce than those indicated in the following discussion:

3.3.3.1 Inspection of graded vegetables (tomatoes and potatoes) presents a problem since this usualy takes place at the market. A possible alternative may be to exclude the graded vegetables from a brokerage system and to let the purchaser decide on the quality of the produce he wishes to purchase, in which case he would be guided by the quality demanded by his customers.

3.3.3.2 There need not be a reduction in revenue from sales taking place away from the market should the agent, acting as broker declare any deal he concludes. However, should the authorities controlling the market allow anyone to operate on the market as long as the rental for the floor space such a person uses is paid for, this aspect need not be a problem.

3.3.3.3 Price formulation would need consideration although the law of supply and demand should determine the correct price for a transaction. However, it is likely that the price would be based on that prevailing at the market and since demand and supply are reduced by removing quantities and buyers from the market, that prevailing price would probably be lower than would otherwise be the case.

3.3.4 Turnover orientation

Farmers feel that agents are too concerned with maintaining or increasing their turnovers rather than attempting to receive the highest prices for the produce. One reason why farmers feel agents are not producer-orientated but rather turnover-orientated is that the agent will usually offer the produce to a buyer of a large quantity at a reduced price so as to dispose of his consignment quickly, rather than sell smaller quantities at higher prices, probably over a longer period. Admittedly though, the agent does not, at present, have access to adequate cold-storage facilities in which he would be able to hold produce over to the next selling period and he thus prefers to sell the produce rather than hold it over, in which case he may get a very low price if anything at all. Another way in which agents tried to attract a higher turnover - alluded to by 5 farmers - was that a new producer to the agent (i.e. one who hadn't consigned produce to him before or who hadn't done so for a long period), tended to get relatively higher prices than those received by established producers (i.e. those who had been sending produce to the agent for some time). In this way the agent attempts to retain his new customer, often to the detriment of the other producers.

3.3.5 Efforts made by agents

Most farmers felt that agents did not try hard enough to obtain the highest prices for their produce. This was partly because the presentation of the produce to buyers left something to be desired but also because agents lowered their prices too easily in response to pressure from large buyers. In addition, agent performance was found to differ, as was proved by three farmers who split identical consignments (in respect of type and quality) on a particular day to two agents on one market and found a big discrepancy in the prices obtained. This may be due either to the fact that a particular agent may have a better salesman for that particular vegetable or to the fact that one agent is supported by more buyers than the other, with a resulting higher price. More likely, however, would be the supposition that one of the agents accepted lower prices in return for disposing of a major portion of the consignment in one transaction. This could be attributed to the rigidity of the maximum commission rates chargeable by an agent.

3.3.6 Rigidity of commission rates

The rigidity of commission rates chargeable by market agents whose upper limits are set by legislation has often been blamed for some of farmers' grievances and agents' poor performance. The maximum commission rates are as follows:

5% of the proceeds from the sale of potatoes, onions and garlic;

6¼% of the proceeds from the sale of pumpkins and melons in containers;

7½% of the proceeds from the sale of all other vegetables.

These rates cannot be exceeded but lower rates may be charged. However, since the agent only receives a certain percentage of the proceeds from sales, he gains little in revenue from the additional effort that is required to achieve a high price. It is thus not worth his while to extract higher prices from buyers and receive slightly more income (but also increase the chance of being caught with produce on hand) whereas he may

accept a lower price for the produce, sell all of it and receive slightly less in the form of commission. If he took the latter course he would not be caught in a subsequent sales period with deteriorating produce from which he might gain little or nothing at all should the produce not be saleable.

3.3.6.1 A sliding scale of commission may alleviate the above-mentioned disincentive of the rigid maximum rates of commission that an agent may charge. What is envisaged here is a scale of commision starting at certain minimum rates (for instance 1% to 1½% below what the maximum rates are now), with increasing rates of commission which an agent may charge in accordance with the higher prices he obtains for the produce. If it could be implemented, such a scheme would serve to increase the price for producers, increase market revenues as a result of the market dues payable on the higher prices and increase the agents' commission income. However, there will be a "ceiling" on the prices an agent may charge, such upper limit being set by buyers who wish to acquire their needs as cheaply as possible. Be this as it may, the sliding scale should provide an additional incentive for agents to make greater efforts on behalf of farmers. 21 of the 30 farmers interviewed welcomed the suggestion of a sliding scale of commission in place of the present system. This suggestion would therefore warrant further investigation by the authorities concerned.

3.4 Co-operative market agencies

Since a co-operative market agency exists on the Durban market and not on the Pietermaritzburg market, farmers were asked whether they do support or would support such an agency. While 7 farmers indicated that they already support the co-operative agency, 25 farmers indicated that they would be prepared to support such an agency, although the decision to change to this agency would depend primarily on the performance of the agency and would not be taken merely because the agency was co-operatively owned. Of the farmers interviewed, 4 were unaware that a co-operative market agency existed and thus were not supporting such an agency. Other farmers who did not support the agency said that this was because they were waiting to see how the agency performed and whether their salesmen were competent and were achieving higher prices, or because they did not send their produce to the Durban market. A few farmers indicated that they were about to support the co-operative in the near future.

3.4.1 Vertically integrated co-operative market agencies

While it would be in the interests of farmers to become members of co-operatives that have a market agency because of the inherent advantages they offer, some farmers felt that the co-operative market agency should become vertically integrated both backwards (towards points of production) and forwards (towards points of retail sales). In this way the farmers felt that both producers and consumers would benefit. However, as Tomek and Robinson (1981, p. 237) state: "Thus, in principle, vertical integration can reduce marketing costs, but in practice there is no assurance that these cost savings will be passed on to consumers as lower retail prices or to producers as higher farm prices." This would be one danger which might arise if the vertically integrated body was not co-operative in nature. In this regard then, there seems to be room for improvement by co-operatives at both retail and farm levels, especially with regard to prices of products and inputs. Producers must realise that in order to improve their stakes they should support a concerted drive in this direction and that if they co-operate as farmers with a common objective the goal is undoubtedly attainable.

3.5 Inspectors and produce inspection

At a recent seminar for vegetable growers, many farmers expressed strong views about inspectors and the inspection of produce. This aspect was therefore included in the opinion survey and the following are the opinions of the farmers surveyed.

3.5.1 Number of inspectors at markets

At present there are 7 inspectors operating on the Durban market and 3 on the Pietermaritzburg market. The inspectors on the Durban market also have to inspect the produce destined for export. Staff of the Division which handles the inspection of produce are trained in all aspects of inspection and staff can therefore be reallocated to other sections of the markets should this be deemed necessary and provided that other sections have under-utilised staff (Finn, personal communication). Farmers were asked their opinions as to the number of inspectors operating on the market and 9 farmers felt their numbers should be maintained as at present, 3 farmers wanted an increase in their numbers and another 9 did not pass an opinion, primarily because they were not sure as to how many actually operated on the markets at that time. The rest of the farmers (9) felt that their number should be reduced to zero, and this will be discussed in the following section.

3.5.2 Inspection of produce on markets

Farmers were asked whether or not inspectors should continue to inspect produce at the markets. 19 farmers were of the opinion that inspection of produce was vital for various reasons, including maintenance of quality and health requirements and they therefore felt that the inspectors should continue to operate. However, the other 11 farmers

felt that there was no need for inspectors to be present and to grade produce on the market since they felt that the buyers of produce were selective enough to discriminate between high and low quality produce. Should such buyers buy produce and find the quality not to their satisfaction then that producers' produce would not be bought by them again. In this way producers would realise that only high quality produce gets sold, at acceptable prices, and they would thus be very careful about the quality of the produce they consigned to the market. In addition, some of these farmers felt that discerning consumers produce in any case, i.e. a consumer will not buy poor quality produce, and thus there is no need for inspectors.

3.5.3 Inspection of produce at retail outlets

Inspectors are required to inspect produce sold at retail outlets to ensure that grade requirements are being met and, at the same time, statistics on retail prices are collected. This inspection should be carried out at least weekly but, in the face of the immense number of outlets for produce, the tendency has been to visit outlets that handle large quantities of produce more often than those that sell small quantities (Finn, personal communication). 20 farmers supported the inspection of produce at retail outlets since many of them felt that the produce did not conform to grade specifications or that retailers had bought lower grades and were marking and selling this produce as higher grades. While this practice is against regulations and offenders are liable to appear in court, farmers felt the practice was common enough for them to request more attention to the problem by inspectors. These farmers felt that this practice renders useless the strict control they exercise over grades and the inspectors' efforts on the markets. 10 farmers felt that inspection at retail outlets by inspectors was unnecessary because the consumer was "fussy" enough about the quality of the produce purchased and would discriminate between poor and high quality vegetables.

3.5.4 Selection and grading of produce by farmers

Markets have been described as "dumping grounds" for poor quality produce, a view which probably arose from the fact that some farmers use the market as a convenient disposal point for their low quality produce. This deplorable practice causes lower prices for high quality produce and should not be allowed to occur. Farmers were questioned about the selection and grading of produce and while all farmers felt this task to be important, 3 farmers did not know exactly what the requirements for the different grades were. It should be stressed here that the wants and needs of consumers determine the grade standards, which should be revised and altered accordingly so as to keep the consumer satisfied.

3.5.5 Down-grading of produce

A consignment which does not meet the specifications for the grade it is claimed to be is down-graded by inspectors at the market. Although farmers are offered the opportunity of appealing against such down-gradings, 21 of the sampled farmers indicated they had not done so. The reason therefore was primarily that they were informed of the down-grading after the produce had left the floor, by which time little could be done about it. Two farmers claimed that after having been down-graded so often they placed 2nd grade potatoes into 1st grade pockets and after these had been down-graded at the market (as expected), the price they obtained was higher than that of the other 2nd grade potatoes. This serves to indicate that retailers prefer these down-graded lots to others since they are cheaper but, more probably, they are able to resell these at a high price. The inspection of produce at retail outlets would serve to prevent this.

Twelve farmers felt that where markets are undersupplied with gradeable produce, they could send any quality produce to the markets as 1st grade and little downgrading would occur. However, in an oversupply situation, the inspectors seemed to become far more strict and many more consignments were degraded. While it may be claimed that the stricter inspection during times of over-supply should help to support a slightly higher price, inspection standards should not be influenced by the supply situation of produce on the market.

4. CONCLUSION

This survey has delineated numerous problem areas associated with the marketing of fresh vegetables. In doing so, attention is brought to bear on them in the hope that policy decisions can be directed and concentrated on the areas where dissatisfactions occur. Since the town councils which own these markets are anxious to improve their standing among farmers and thereby increase the use of such facilities as are made available at the municipal markets, they need to know which areas should receive more attention and thereby improve their service and regain the support of farmers.

Legislation forcing all buyers and all sellers/producers to meet at the market should not be advocated at all since this may lead to severe diseconomies and result in unnecessary extra transportation of produce. Needless to say consumers will also be affected through the higher prices they will have to pay for produce. Should such legislation ever be passed, the price disparity between consumer and producer prices for fresh vegetables must surely increase.

Producers, buyers and consumers of fresh vegetables who are not satisfied with the existing

situation will certainly find alternatives to it. In view of this the owners of the municipal markets must attempt keep the standard of their services satisfactory to all parties involved. As Bester (1966, p. 15) wrote some time ago, "In order to ensure that they offer the highest efficiency and the best service, and thus maintain their position, it is essential that urban produce markets in South Africa should keep up with present-day requirements and developments. "Since the writing of Bester's article, many new markets have been built which indicates a desire to "keep up with present-day requirements and developments" and the authorities should therefore re-assess the situation in the light of the above-mentioned problems and take the appropriate steps to keep pace with the changing demands of a progressive nation.

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