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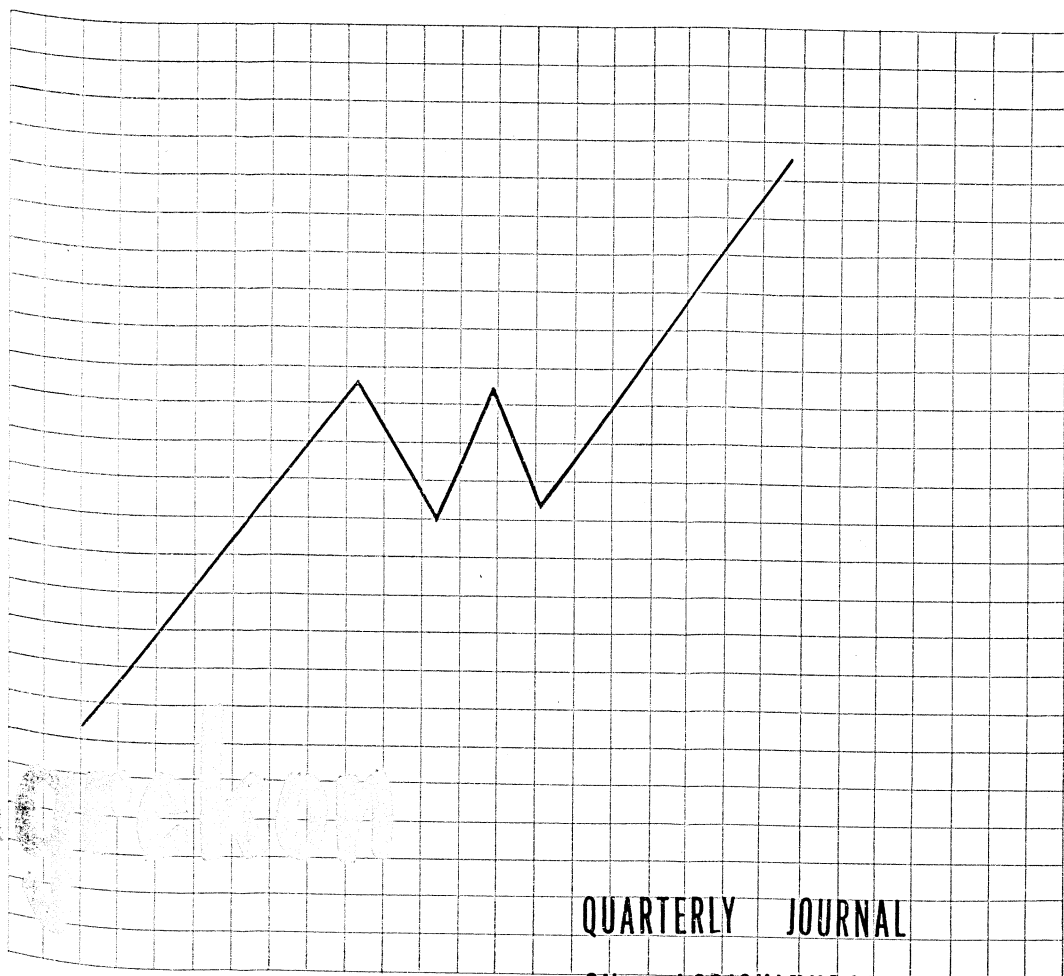
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# The Municipal Produce Market in the Economic Structure of South-Africa\*

by

B.J. Dippenaar, Chief of the Division of Commodity Services,  
Department of Agricultural Economics and Marketing

"The old order changeth  
Yielding place to new,  
And God fulfils himself  
in many ways,  
Lest one good custom  
should corrupt the world."

## INTRODUCTION

The municipal market in South Africa, as the hub around which the internal marketing of fresh fruit and vegetables revolves, had in recent years frequently been made the subject of close scrutiny. Thus, since the end of World War II, a series of investigations had been made - all of which were of major importance not only to the primary producer and organised agriculture, but also to the municipalities (as owners of the markets) and to the two Departments of Agriculture. Amongst others, the following could be cited in this connection:-

1. The Commission of Enquiry into the Marketing of Perishable Products (1952).
2. The Commission of Enquiry into the Transportation of Perishable Products (1955).-
3. The Committee of Enquiry in connection with Market Agents (1956).
4. The S.A. Overseas Mission in Connection with the Marketing of Fruit and Vegetables (1957).

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\*Paper read at the twentieth annual congress of the Institute of Market Masters of South Africa (incorporated), at Bloemfontein on the 25th March 1964.

5. The Enquiry into a Scheme for the Marketing of Fruit and Vegetables in a fresh condition, by a Study Committee of the Transvaal Agricultural Union (1963).

The wide interest shown in the produce market as such, and the investigations into related affairs, show that the municipal market today constitutes an important link in the network or structure of the agricultural economy of South Africa and especially in the supply of fresh food to our urban population.

## HISTORICAL BACKGROUND

The municipal market in South Africa is a very old institution and has quite a lofty economical tradition behind it; yet it remains a dynamic institution with considerable adaptability, enabling it to keep pace with all new demands that arise from time to time and with any "winds of change" which may sweep over the marketing of perishable primary agricultural products in this country.

As in other countries, the municipal market is the net result of the economic law of supply and demand, and forms the place where buyer and seller are brought together, and thus also forms the forum, where, after the law of supply and demand has been brought into

operation, the price for the primary product is determined.

The municipal market in any of the four provinces of the Republic, was legalised under the South Africa Act, 1909, which empowered Provincial Councils to enact ordinances relating to markets. The Provincial Council, in turn, legally empowered the municipal councils to establish municipal markets such as we now have; the municipal authority, however, remains responsible to the Provincial Council for the sound conduct of affairs on the market.

No provision exists under the present laws for the establishment of private auction markets, with the result that the municipal market could be considered a monopoly held by the municipality concerned.

In the good old days, the municipal market was much more of a varietal market than it is today. Meat, grain, wool, hides and skins, etc., all are agricultural products which once upon a time were sold on the municipal market. With the passing of time, however, the varietal range of agricultural products on the municipal market has gradually decreased to the point where only the highly perishable products such as fresh fruit and vegetables are now to be found on the municipal market.

Close scrutiny of this reveals that it is particularly those products which lend themselves to relatively long periods of storage at either ordinary temperatures (such as grains, hides and skins), or at low temperatures (meat, butter, eggs, etc.) which have gradually disappeared from the produce market.

#### THE NATURE OF THE MUNICIPAL MARKET

The South African municipal market is essentially an auction market as compared to the overseas municipal and private markets, which can be described as typically out-of-hand sales markets.

In a paper read to the Congress of the Institute of Market Masters at East London in 1963, the Study Committee of the Transvaal Agricultural Union unequivocally supports the retention of selling by auction as the best method for price determination on our produce markets.

In passing, it should be mentioned that the municipal market formerly mainly served the primary producer in the immediate vicinity of the city. With the coming and the development of the rail and road motor transport services, however, the municipal market had been brought within easy reach of the most distant producer, and it is primarily the latter who nowadays is consigning his produce to the market, understandably because of the time-saving factor involved in the marketing of his produce.

For quite obvious reasons, the producer of fruit and vegetables close to the municipal market nowadays tends to by-pass the municipal market. With a great concentration of buyer-consumers in his immediate vicinity, he finds it not too time-consuming and rather to his advantage to market his produce either by way of direct sales or by way of roadside sales; here and there one might even see these in the form of a self-service system being tried out by the producer. One can hardly imagine, however, that this method of marketing perishable products can be developed to an extent where it would appreciably affect the flow of such produce to the municipal market.

The Study Committee of the Transvaal Agricultural Union, referred to above, has nevertheless expressed its view on this matter as follows: "Municipalities should co-operate in seeing to it that all the producers market their products only through these auction markets in the urban areas", and "that roadside sales should be prohibited within the area of the urban authorities"; also that "All peddling and urban sales should be controlled by means of a system of licensing".

## RETENTION OF THE MUNICIPAL SYSTEM OF MARKETING

The Committee of Enquiry into Market Agents states that "the municipal market system (in which the market agent is included) is, however, a sound system and, on the whole, still works satisfactorily". Attention was nevertheless drawn to danger signals, which indicated that steps will have to be taken timeously against malpractices or the possibility thereof, to ensure effective methods of selling and before the municipal marketing system falls into disrepute. The Committee itself was also convinced that a speedy implementation of its recommendations would allow the municipal marketing system to develop into such an effective sales system for fruit and vegetables that it would enjoy the full confidence of the buyer as well as the seller.

The South African Overseas Mission in connection with the marketing of fresh fruit and vegetables, was not prepared to recommend any definite alternative method of marketing. It was of the opinion, however, that it would be to the advantage of the producer if such an alternative system should be available to him. It was recommended, therefore, that this is a matter which could best be considered by the National Advisory Marketing Board and by growers' organisations themselves, whenever the need for this should arise. The Study

Committee of the Transvaal Agricultural Union, who without doubt must have investigated the matter very thoroughly, has as yet, evidently, not been able to recommend any such alternative system.

## THE PRESENT POSITION OF THE MUNICIPAL MARKET IN THE MARKETING OF FRESH FRUIT AND VEGETABLES

It is against the background outlined above that the role and position of the municipal market, in the marketing structure of agricultural produce, can now be considered.

According to available statistics, the gross income during the years 1960/61 and 1962/63, from all industries amounted to R3,125.3 million and R3,400.0 million respectively. Compared with this, the gross values\* of agricultural produce for the same years were R828.5 million and R882.0 million respectively. This means that the gross value of agricultural production was equal to about one quarter of the gross value of the entire industrial productions.

In Table 1 gross values of the total production of potatoes, vegetables (all varieties), citrus, deciduous and subtropical fruits during 1952, 1957 and 1962 are shown.

From the data in Table 1 it appears that, during the 10 years under consideration, the gross value of potatoes approximately trebled itself; that the gross

TABLE 1. - Gross value\* of the total production of potatoes, vegetables (all kinds) and fruit (citrus, deciduous and subtropical) during the years 1952, 1957 and 1962 respectively

Year	Product			
	Potatoes	Vegetables	Fruit	Total
	R	R	R	R
1952	4,856	16,998	37,196	61,050
1957	9,582	16,870	63,348	89,800
1962	13,440	23,961	70,685	108,086

\*Source: Division of Agricultural Economic Research

value of vegetables was one-and-a-half times as much in 1962 as in 1952, and that that of fruit nearly doubled itself. The total gross value of the three groups together was more than one-and-a-half times as high in 1962 as in 1952. The gross value of the three groups in 1962 was R108,086,000, compared with gross value of R882,000,000 for all agricultural commodities during the period 1961/62 - which means that the total gross value of potatoes, vegetables and fruit constituted about 12.3% of that for all agricultural commodities produced during more or less the same period.

In Table 2 gross values are shown for potatoes, vegetables and fruit which had found their way to the eight largest municipal markets during the years 1952, 1957 and 1962 respectively.

If the gross values of the total production as shown in Table 1 for the three groups taken together are compared, it becomes evident that the gross value

had increased by 77% in 1962 as against that of 1952. Likewise the data in Table 2 show that the total of the combined gross values of the three groups sold on the eight municipal markets in 1962 was 106% higher than that for 1952. If the total gross value (R35,476,369) of all potatoes, vegetables and fruit sold during 1962 on the eight largest municipal markets is compared with the total gross value of all agricultural commodities produced during the period 1961/62, then it is seen that the former constitutes only about 4% of the total gross value of all agricultural commodities for the period 1961/62.

By way of interest, gross values of the sales from the three groups on the eight largest municipal markets, compared with gross values of total production of the respective groups in the relevant year, are shown in Table 3.

From the data presented in Table 3 it would appear that, in the case of potatoes consigned to municipal markets, the

TABLE 2. - Gross value\* of potatoes, vegetables (all kinds) and fruit (citrus, deciduous and subtropical) sold on the eight largest municipal markets during the years 1952, 1957 and 1962

Year	Product			
	Potatoes	Vegetables	Fruit	Total
	R	R	R	R
1952	4,238,078	6,994,098	5,965,814	17,197,990
1957	6,661,420	11,036,767	9,647,790	27,295,978
1962	10,173,515	13,673,446	11,629,406	35,476,369

\*Source: Division of Agricultural Economic Research

TABLE 3. - Gross value of sales on the eight largest municipal markets expressed as a percentage of the gross value of the total production in the relevant year as in Table 1

Year	Product			
	Potatoes	Vegetables	Fruit	Total
	%	%	%	%
1952	87	41	15	28.1
1957	69	65	15	30.4
1962	75	57	16	32.8

percentages tended towards a decrease in the consecutive years, whereas in the case of vegetables the percentages for the years following 1952 tended towards an increase. In the case of fruit the percentage marketed in each of the respective years remained more or less the same; the percentage of the total gross value, for all three groups together, increased with each succeeding year compared with that for the previous year.

All things considered, there is only one conclusion to be drawn as regards the role of the municipal market as a marketing channel during the period of 10 years under discussion; and that is that in the case of potatoes, fruit and vegetables combined, the percentage sold on the municipal markets increased steadily even though there had been a definite tendency for the gross value (percentage) of the potatoes sold to decrease in the succeeding years of 1957 and 1962 compared with that of 1952.

Tables 4 and 5 show the population increase\* for each of the eight relevant municipalities for the years 1952, 1957 and 1962.

\*Source: Bureau of Statistics.

TABLE 4. - Population of the eight largest municipalities (all races) for Bloemfontein, Durban, Johannesburg, Cape Town, East London, Pretoria, Port Elizabeth, and Pietermaritzburg (in thousands)

Year	Bftn.	Durban	Jhb.	C. T.	E. L.	Pta.	P. E.	Pmb.
1952	84.7	450.0	627.4	449.6	93.6	240.7	179.8	75.5
1957	101.8	517.5	607.6	485.6	105.9	279.1	222.2	85.0
1962	118.8	584.6	587.9	521.4	118.3	317.8	264.8	94.6

TABLE 5. - Percentage increase or decrease in population in the eight largest municipalities compared with that of 1952 taken as basis

Year	Bftn.	Durban	Jhb.	C. T.	E. L.	Pta.	P. E.	Pmb.	Total
1952	Basis	Basis	Basis	Basis	Basis	Basis	Basis	Basis	Basis
1957	120	115	98	108	112	116	124	111	109
1962	140	130	94	115	127	132	147	125	123

It will be observed that the population of Johannesburg decreased from 627,400 in 1952 to 587,900 in 1962. This decrease is ascribed to the re-settlement of urban Bantu dwellers in areas outside municipal boundaries. Otherwise, in the case of each of the other municipalities, there had been a steady increase, which averaged about 2.3% per annum for all municipalities during the period under discussion.

The average population increase in the eight largest municipalities over a period of 10 years (1952-1962) was about 23%. If this population increase is compared with the increase in total gross value of potatoes, fresh fruit and vegetables sold on the municipal markets, it will be seen that the value of the fresh foods marketed increased by 106%, compared with an average population increase of 23% in the cities concerned.

#### THE MUNICIPAL MARKET - WHAT OF ITS FUTURE?

From the data presented above, it is clear that there is no evidence that the municipal market in South Africa has in the least lost ground over the past 10 years - despite complaints and



criticism as regards antiquated market facilities, lack of space, professed established malpractices etc. True enough, the number of the different kinds of products finding their way to the municipal markets has decreased, and for that reason the municipal market had passed from a varietal market to a more specialised type of market, handling only highly perishable products. Nobody, however, would make so bold as to say that the municipal market has ever waned on account of this. The fact of the matter is that the municipal market has throughout all the years accommodated the most difficult of all primary agricultural commodities, which means the highly perishable fresh fruit and vegetables. This has been the case over such a long period that it has led to the municipal marketing system often being blamed for unsatisfactory prices - really inherent in the marketing of all fresh fruits and vegetables. In consequence, a solution has as often as not been sought in a change in the municipal system of marketing, instead of at the root of the problem itself. Any chaotic flow to and the over-supplying of a market, with a limited consumer capacity, inevitably must result in unsatisfactory prices and unremunerative returns to the primary producer something that should hardly be blamed on the municipal marketing system, on the market itself or on the functioning thereof.

The shortcomings or, factors that detract from satisfactory price determination under the municipal marketing system have been studied and identified over and over again, and from all possible angles. Presently the position is: We know what the shortcomings are, but we don't know what to do about it, how to do it, or who should do it.

In respect of the municipal market itself, it is easy to point out to city councillors any lack of facilities and of space, antiquated accommodation and so forth, and to request or threaten that something should be done to rectify matters.

The municipal council of Cape Town did not hesitate any longer, and has spent more than R2½ million in building a new market. The Pretoria municipal council too has already spent several million rand on a new market to be taken into use before long. Vereeniging has by now almost forgotten that it had built a new market; whilst Port Elizabeth, Johannesburg and Durban are all seriously considering and planning to build new markets.

It would appear that the city councils in this country do indeed believe that the municipal market occupies a most important position in the economic structure of this country - when one considers the millions of rand that have already been spent on the building of new markets or which the municipal councils are contemplating spending on such.

#### TAKING OVER THE MUNICIPAL MARKET, PREPACKAGING AND SELF-SERVICE SALES

It would be rather unique if the continued existence of the municipal market, its continued ownership or retention and management by the city council, were not sometimes made the subject of threats. The Commission of Enquiry into the Marketing of Perishable Products expressed the opinion "that all national auction markets should be taken over by the Government"; furthermore, that "the main weakness of the present system of control must be sought in the approach that the municipal auction markets were created for the exclusive interest of the urban ratepayers by themselves".

An interesting idea sometimes expressed by the primary producer "is that the Government should lend the necessary capital to producers to create new national markets under producer control" - surely a case of bachelor's wives and old maids' children are the best trained. It makes one wonder how a suggestion that a municipal council

should take over some primary producers' farms would be received by the farmers themselves.

A marketing technique which has been employed to an appreciable extent for the marketing of certain perishable products during the last decade, and in respect of which grave concern has already been expressed about the possibility that it may adversely affect the flow of produce to the city auction markets, is that of prepackaging and the self-service system of sales.

In South Africa a start in this direction has already been made for the marketing of citrus, and to a lesser extent also of potatoes, whilst the prepackaging of onions during the off-season, when the plant used for the prepacking of citrus would be idle, and thus available for other products, is also being seriously considered.

The fear that roadside sales, pre-packing and self-service techniques for the marketing of perishable products might adversely affect their flow to the city markets, appears to be unfounded if the sharply increasing tendency in the flow to the municipal markets, during the past 10 years, is taken into consideration. There is every indication that the city market will at times, in the not too distant future, still have to cope with problems of accommodation and price determination if the perishable products production potential of this country is exploited much further.

#### GRADING, STANDARDISATION AND INSPECTION

The golden opportunity, created by the urban marketing system, for effective price determination for perishable products can never be fully exploited unless the relevant products are properly graded and packed in standard containers, which have been tried and accepted by the buyer as well as the seller, and which have been inspected in order to provide

the buyer with that quality guarantee which he is entitled to expect.

Some overseas countries undoubtedly are more advanced than South Africa as far as the voluntary application of grading standards for certain products is concerned; South Africa, on the other hand, is further advanced than other countries in respect of the application of compulsory standards for certain fruit and vegetables. There can be little doubt, however, that there are still far too many producers in South Africa who are anything but quality conscious, and who do not ensure that their produce receive the best handling and packing care on the farm; far too often too much reliance is placed in the hope, and perhaps even in the expectation, that, despite lack of care in handling and packing on the farm, satisfactory prices will be realised on the urban auction market. Should, however, a product be degraded upon arrival at the market, then the producer is apt to blame this either on the inspection services or on the conveyor, and in the case of disappointingly low prices, on the marketing system. In the case of green bananas, for instance, rub marks and bruises, which form one of the major causes for degradings on the market, were until recently ascribed to rough handling by the S.A. Railways. A thorough investigation over the past two seasons has, however, revealed that the majority of the bruises and rub marks on green bananas are being caused during handling and packing operations on the farm; that is, before delivery to the railways for transport to the city. It has also been discovered that the so-called banana crate, which has been in use in the past, is far from being the most suitable for packing, handling and transportation of green bananas; with the result that this type of crate, under the amended grading regulations for green bananas, will in future be prohibited on the urban markets in the nine control areas.

At practically every congress of the Institute of Market Masters, for several years now, appeals have been made to the

Division of Commodity Services to extend its inspection services to the more recently established municipal markets such as Vereeniging, Welkom and others.

Even as there are good reasons why this is desirable and in the interest of the producer, of the consumer, and as well as of the municipal market, there are also good reasons why this cannot be undertaken at this stage. As in the case of the nine larger city markets, the newer markets should first of all have to be proclaimed in the Government Gazette as control areas under the Marketing Act, before a commodity inspector will be able to conduct any legal inspections. Moreover, the Division of Commodity Services, in common with other sectors in public and private institutions, is experiencing, as a result of the unparalleled economic growth of the Republic, a serious shortage of recruits for training for the local markets and export inspection services.

For the reasons the present policy of the Department is that an extension of inspection services to other markets cannot be considered until the existing services have been fully staffed and adequately provided for. It has to be borne in mind that the inspection services of the Division of Commodity Services, on the nine larger and controlled markets, are provided entirely free of charge.

It should also be borne in mind that as opposed to the products meat, butter and cheese, the onus of grading other products to comply with the requirements of the compulsory grading regulations rests on the producer himself - where such products are sent to any of the nine controlled markets. The duty of the commodity inspector is essentially to ensure that the manner in which the product has been packed, and that the grade under which it is offered for sale, is in agreement with the

requirements of the regulations, and that where packing or the grading is faulty, the consignment be degraded to a lower grade or even undergrade.

In the case of meat, it is the commodity inspector himself who assigns the grade to the carcass of every slaughtered animal, or who assigns a grade to every churn of butter or every vat of cheese in the case of dairy products.

Whatever the case may be, the fact of the matter is that, in the local marketing of fruit and vegetables, the municipal market remains the centre where the grading regulations, which are of the essential elements for orderly marketing, can best be applied.

#### SUMMARY

The municipal market in the Republic is pre-eminently an auction market which is today entirely under the control of the municipal council. It received legal standing under the South Africa Act, 1909, which empowered provincial councils to enact ordinances in respect of markets.

The gross income from industrial production amounted to about R3,400 million for the year 1961/62. In comparison with this, the gross value of agricultural products, produced during more or less the same period, amounted to R882 million, or nearly one quarter of that of the industrial production.

The gross value of the total production of potatoes, vegetables (all kinds), citrus, deciduous and subtropical fruit, in 1962, was R108,086,000, which is 12.3% of that of all agricultural products.

Potatoes, vegetables and fruit (the main products sent to the municipal

markets) valued at about R35,476,000 was sold in 1962 on the eight largest municipal markets; that is to say, 32.8% of the gross value of these products or about 4% of the gross value of the total agricultural production, all for the same year.

The gross value of potatoes, vegetables and fruit sold on the eight largest markets

increased by 106% between the years 1952 to 1962, while the average population increase in the same areas and for the same period was only 23%.

The grading and inspection of agricultural products promote orderly marketing, while the municipal market offers a golden opportunity for the application of grading and inspection.

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### THE EUROPEAN COMMON MARKET

The political malaise inside western Europe, big and little, has had its expected effect in slowing up enthusiasm for - or perhaps in stiffening the natural resistance to - any acceleration in economic integration of the common market. Yet if there is less predilection now to push the clock forward, the clock still ticks on. The tariffs between member States went down again on July 1st to two-fifths of their 1958 level; and, as the trading barriers fall, so the need for concomitant action to provide a firm and fair basis for free trade within the community is increased. .... As the barriers between the common market countries come down, so alterations in exchange rates between them become potentially more unwelcome and disruptive - they would play particular havoc with the system of intervention in agricultural markets.

- ("The Economist", July 13, 1963).

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One cannot rule out the possibility that a move to more centralised monetary and exchange policies in the European common market might be forced from the outside. An ending of the present regime of fixed rates of exchange between the major currencies, for example, would immediately oblige the common market to decide whether it could allow exchange rates to vary continuously within the common market - which would be a clear backward step in the establishment of an economic union; or else to hold intra-common market rates stable in a world of flexible rates, which might require major innovations such as a common exchange equalisation fund, and thereby go a good way towards establishing a common currency. Admittedly both the American and the British authorities are at present honestly loud in their protestations against the idea of floating exchange rates. But the possibility is obviously one that the common market planners cannot rule out - and paradoxically it could give them their biggest push towards financial integration.

- ("The Economist", July 13, 1963)