

RSA Group believes record will be set straight regarding fresh produce allegations

The RSA Group is one of the nine firms targeted by the Competition Commission in a number of search and seizure operations on 23 and 24 March carried out at fresh produce markets across the country. According to a statement by the Commission, it has reasonable grounds to suspect that larger market agents fix their commission rates and coordinate their pricing activities to squeeze out smaller rivals. The dawn raids formed “part of an investigation into cartel conduct which was reported by the Department of Agriculture, Forestry, and Fisheries.”



[Image Source: RSA Group](#)

Jaco Oosthuizen, RSA Group managing director says: “The RSA Group believes that these allegations are based on a number of misconceptions as to how the markets operate. We will cooperate with and assist the Commission as it goes about its investigation, and have confidence that a thorough ventilation of the relevant facts and circumstances will set the record straight.”

Many fast-moving forces impact pricing decisions

According to the RSA Group, not only are fresh produce markets highly competitive, fluid and transparent platforms, but they are also regulated by legislation (Act 12 of 1992 and the applicable rules) and monitored by a regulator, who is appointed by the relevant minister. Market forces, coupled with the monitoring of agents’ activities by the regulator, combine to mitigate against suggestions of collusive engagement.

“There are many fast-moving forces that impact pricing decisions during trading hours, ranging from hostile weather, product quality and perishability to supply and demand dynamics,” says Oosthuizen.

“These all contribute to price volatility. If sales agents don’t respond quickly and effectively in finding the right price, the producers and buyers look to rivals, in the market or outside the market, for their business. While sales agents may react to changing market forces in similar ways this is not suggestive of collusive conduct. In fact, salespeople frequently adjust prices in different directions, according to their context in reading the market. Collusion for any purpose - whether to compete with major competitors or to drive out small players - is fundamentally at odds with how a price discovery market functions.”

The “gatekeeping” role of market management

“Further, oversight and transparency are introduced through the “gatekeeping” role of market management, which has the

systemic capabilities to access all transactions as and when they occur,” adds Oosthuizen. “This allows for real time price exception reporting which results in full transparency and ensures a level playing field for all stakeholders.”

“Commissions negotiated with producers vary according to the type of product being sold and the relationship between the producer and agency,” Oosthuizen concludes. “Negotiating the commission is at the heart of our business. It is our core income. The idea of fixing commissions doesn't make sense. It would destroy the flexibility that is required to succeed in the business.”

The RSA Group has communicated with staff, suppliers, customers and business partners to inform them that while the Competition Commission's process is likely to take some time, the company's operations will be unaffected and it remains committed to all of its stakeholders.

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