

South Africa's Farm Gate Exchange (FGX) has taken produce trading online with its goals set on creating stable reference prices and cutting commission costs for traders. 

Managing director Theo Botha spoke with *www.freshfruitportal.com* on the virtual platform that is trying to bring transparency to the trading process.

"FGX is basically a software platform that producers and buyers can use to trade fruit. The business model entails an agent, so there's still a middleman that facilitates the transaction. Basically a producer can sign on and then we allocate that producer to a specific agent or to various agents," he said.

"The model is evolving as we go along to keep pace with the requirements of the business or the transaction. In terms of smoothness, we are doing a lot of development work to get the software flow connected, especially to the retail business."

About 80-90% of the platform's sales go to retailers, including grocery stores and wholesale buyers, Botha explained. The model focuses on selling large quantities of produce at a time, directly to clients.

Transactions on the platform can happen in one of two ways: through producer initiative or by buyer request.

"One is a push transaction where the producer actively uploads stock onto the platform, saying 'I need to trade a load of apples' and specifies the quality and variety. That information is then sent to the agent. The agent can then go look for a buyer and put the transaction together," Botha said.

"The other type of a transaction is a pull transaction, where basically the buyer would contact an agent, either creating an order and sending it to the agent or phoning and saying, 'I'm looking for apples or tomatoes.' In that case the agent looks for what stock he has available on the system or he has farmers or producers he can contact that supply the stock."

Since the first sale about two years ago, Botha said agents have been able to maintain smooth interactions between buyers and sellers. The agents are the first party for conflict resolution and he said, thus far, they have upheld an honest system.

Another contributing factor to trade honesty is that buyers and sellers have access to average commodity prices.

"A direct benefit for the industry is a reference price. That's actually what we're trying to do is create a reference price for fresh produce. The farmer knows what the current going price is and avoids getting taken advantage of by buyers," he said.

A plus of working with agents, he added, is their market knowledge.

"A lot of these agents that are currently involved in FGX are also on our market floors. A big part of our trade currently runs through the fresh produce markets and it is actually these agents that are currently trading on our platform," he said.

"They already are involved in the business in the market. So they see the quality of the products and have a good idea in terms of supply and demand, what is happening with the price. One of the biggest assets the agent brings is that they know what is happening with the price and that should add value in terms of the pricing method."

The average commission price at typical South African markets can reach up to 14%, Botha explained. At the moment, FGX charges around 7% commission and hopes to push the charge down to 5%. He cited this cost as one of the platform's major advantages.

For the time being, FGX is available for sales within South Africa.

"At this point in time we're focusing on getting the local market going on the platform but also we're trying to do any type of trade, whether it be exports that can handle exchange rates, shipping, all of that. The software can handle all of that but you can't focus on everything at once. So the initial focus was to get the business online and we're going very agreeably with that," he said.

"I would say the next focus area would be looking at business in Africa which would be transporting to bordering countries. And from there obviously exports to wherever, whether that be European markets or Asian markets."

Over the next few years, Botha said he hopes the platform will expand to road transport within the region, including sales to Angola, Mozambique, Namibia and Zimbabwe.

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