



3 June 2011

And thus it came to pass that the Tribunal looked upon Wakro and saw that it was Good ... Walmart's biggest deal since Asda and SA's most significant bit of FDI since the Guptas is upon us, and everyone – from Shoprite to Tiger Brands to Mr Pattison himself – is expecting big things coming our way. Enjoy the ride.

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## RETAILERS AND WHOLESALERS

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### Massmart

#### Oh what the heck. Open another.

If you pop into Makro Woodmead, we are reliably informed, there is a bottle of 50 year old Glenfiddich which could be yours for R150 grand – if, that is, Mr Pattison and the boys haven't got stuck in there first, given the events of Tuesday this week. Of course, there are headwinds – Mr Patel at the Department of Economic Development is considering his self-defeating legal options and SACCAWU are threatening action. They feel that the re-employment of the 503 workers retrenched in June last year is still very much at the discretion of the business, and that the guarantee against deal-related job losses is neither quantifiable nor enforceable, and are accordingly consulting their attorneys about the viability of an appeal. The balance of legal opinion, however, is that this thing is a go, like it or not.

**Comment:** We like it. More competition at the top end of the industry to keep things interesting, and a vote of confidence in the RS of A as an investment destination. And if you're looking for Mr Pattison, we are told he's in Bentonville just at the mo.

[Fin 24 01/06/11](#)

### Pick n Pay

#### To boldly go

While others are fleeing in terror or reserving their judgement, Pick n Pay is taking a punt on our northern neighbour, looking for a 49% stake in Zim's TM Supermarkets – but the deal has been held up by the indigenisation regulations, and is awaiting approval by the Minister of Indigenisation, Employment Creation and Development. Pick n Pay already has a 25% shareholding in TM Supermarkets and intends to boost it by another 24% when the deal is finalised. If concluded, the transaction will be worth \$13 million. TM Supermarkets is expected to benefit through stocking and supplier arrangements, staff training and technology transfer, and PnP with increased continental footprint.

**Comment:** In a country which may one day come right.

[The Zimbabwean 30/05/11](#)

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## MANUFACTURERS AND SERVICE PROVIDERS

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### Tongaat Hulett

#### Just a spoonful of sugar

Tongaat Hulett's turnover climbed to R9.6billion from R8.7billion for the 2011 financial year, with operating profit down from R1.5billion in 2010 to R1.3billion, due substantially to a reduction in the crop from 564,000 to 445,000 tons, a result of extreme drought conditions in KZN, and a recent 40% drop in sugar prices after a 30 year high in Feb. That's it in a nutshell. In more detail, downstream operations, including animal feeds, regional marketing, sales and packaging contributed R240million to profit, up from R200million last year. Zimbabwe drew particular praise from Tongaat Hulett, increasing production by 29% to 333,000 tons.

**Comment:** A devilishly tough industry to crack, sugar.

[Fin 24 30/05/11](#)

### Illovo

#### Helps the medicine go down

Illovo's profit was also down, by a more whacking 31% to R1biljoen for the year to March, although the other sugar business remains satisfied that it has done the right thing by diversifying its operations beyond South Africa, where unfavourable growing conditions hit output. Overall cane production was up though, from 6.1million tons to a new record of 6.3million. Cane growing contributed 19% to the mix, sugar production 72% and downstream activities 9%. On the operating profit front, Malawi made the most handsome contribution at 41%, followed by Zambia at 24%, with the Beloved Country trailing at 14%.

**Comment:** Sugar is a success story for the SADC countries, whether it's Tongaat's or Illovo's annual report you are reading over a quiet whiskey in your favourite leather armchair.

[Business Day 30/05/11, 31/05/11](#)

## Tiger Brands

### In the most delightful way

Tiger Brands posted its interims earlier this week, with revenue up to R10.5billion from R10.3billion a year ago, and profit R1.17billion, up from R1.04billion. Operating margin, however, shrank slightly from 15.7% to 15%. Good performers for the Group were rice, sorghum and baby care, while snacks & treats and personal care produced disappointing results. Growth in Africa remains a priority for the striped one, although the strong rand has had an impact on operations in Kenya and Cameroon. Other pressures include weaker consumer demand, rising input costs and higher fuel and electricity bills.

**Comment:** On the Walmart front Tiger has been the first major manufacturer to publicly discuss its thoughts in this regard – and these include looking at whether importing goods for rebranding might be a cheaper way of doing things than building factories.

[Bizcommunity 30/05/11](#)

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## TRADE INTELLIGENCE

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### Training & Seminars

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My Customer is a series of training programmes and executive presentations designed to provide your business with the insights you need to trade effectively in the South African consumer goods environment. The programmes look at the FMCG Environment holistically, from the macroeconomic drivers that shape consumer behaviour to the retail responses to these, including their positioning, strategy and operational execution. My Customer explores the areas of opportunity for co-creating value with your customers, and inspires your team to maximise these opportunities in your business and with your trading partners.

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### THE WEEKLY GURU

“Our job in merger control is not to make the world a better place, only to prevent it becoming worse as a result of a transaction.”

The Competition Tribunal

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