trade intelligence

Trade Tatler

NEWS FROM THE CONSUMER GOOD INDUSTRY – **FRESH EVERY WEEK**

Standard Bank TOP WOMEN AWARDS WINNER 2022 topco media

02 February 2023

Welcome to a wild week in this great industry we call home – some patchy interims and rough economic news on the one hand, big investments in SA's informal sector and in the economy by US businesses on the other. Plus, hellishly pricy eggs. Hold on tight and enjoy the read.

YOUR NUMBERS THIS WEEK

3,500 tons of ***sugar*** and ***salt*** removed from ***PnP's private label*** range since 2017	**$17.99** for a ***dozen eggs*** at Eli's Market in ***Manhattan***	**+7.2%** growth in ***AVI interim sales***	**R2.00** ***Astral's*** loss on every ***kilo of chicken*** produced	**R40bn** the price tag on ***Heineken's*** at-risk purchase of ***Distell***	**0.3%** SARB's ***projected GDP growth*** for 2023

RETAILERS AND WHOLESALERS

Massmart

Short shrift

Checking in on Massmart, absent from these pages for some time now. Last Sunday, City Press reported that some Massmart stores were running low on basic items because of accounting issues arising from the transfer of merchandiser accounts to Walmart. Not so, says Massmart, nor with 97% of merchandise being sourced locally is there a need for such a transfer to take place. Saccawu, currently locked in a wage negotiation with Massmart, has also claimed some responsibility for the shortages – i.e. that suppliers are supporting the union's higher staff wage increase campaign through delays – which again, according to Massmart, is untrue: stock levels at Makro are currently at 92%, a touch below the targeted 95%, but nothing to worry about. Any shortages, they say, are "primarily supplier service level related." In other Massmart news, the business has been certified by the Top Employers Institute as one of South Africa's Top Employers, under the pillars of "unite, develop, steer and attract." Says Chief People Officer Chwayita Mareka, "We have elevated our internal efforts towards fostering a culture where everyone is – and feels included."

Comment: South Africa's retail landscape has not yet begun to reckon with the presence of a Walmart, undiluted and entrenched.

Tatler Reporter 31/01/23

Yebo Fresh

Delivering results

Four years ago, Yebo Fresh was established in Imizamo Yethu, Hout Bay, to test the proposition that South Africa's independent township businesses would appreciate the convenience of a tailored grocery delivery service. Unsurprisingly, this proved to be emphatically the case, and Yebo Fresh now delivers to more than 25 townships in the greater Cape Town and Johannesburg areas, employing 75 staff, servicing a network of spazas, prepared food outlets and other township businesses, and depending on casual drivers for last-mile delivery. Now, courtesy of a Jobs Fund grant and a (check notes) pre-series A equity investment led by Enza Capital, with participation by impact investors, the Elea Foundation from Switzerland, and Harvest, the local investment fund of Endeavor, the business has managed to raise R78m which it will put to noble use in supporting the already 7,500 traders on its books. "The latest funding will allow us to grow into new product categories and market segments, such as personal care and homeware. We can expand our systems and warehousing infrastructure and gather more data insights further to strengthen our unique position in this massive market segment," says Dutch founder Jessica Boonstra.

Comment: Always good to see a visionary business scaling up like this. Suppliers take note.

News 24 30/01/23

In Brief

Great expatations (What? Ed)

Pick n Pay has succeeded in removing over 3,500 tons of salt and sugar from its private label products since 2017, as part of an ongoing campaign to improve the nutritional credentials of the range. Sugar content has been reduced by over a third in various products, including carbonated beverages, cordials, flavoured waters, cereal bars, instant oats, kids' breakfast cereals, bakery products and flavoured yoghurt. **Shoprite** next, who has officially received approval from the Competition Tribunal, subject to certain conditions, for its acquisition of select businesses from Massmart– including Cambridge Food, Rhino and Massfresh (comprising Fruitspot and two meat processing plants), as well as 12 Cash & Carry stores. Finally, this week's most reported industry news was that **Checkers** had run ads in Australian and UK newspapers reminding expats of all the savings they're missing out on. **Woolworths** and **SPAR** have followed suit on social media, each of them suggesting that they themselves are the retailer for which South Africans abroad are most nostalgic.

Comment: Honestly, Woolworths might have a point here. But bold move Checkers, anyway.

Tatler Reporter 31/01/23

International Retailers

It's a jungle out there

Amazon's once-bullish store-opening programme seems to have ground to a halt, with a number of recently completed Fresh stores sitting vacant after a two-year campaign that saw 44 of the cashless wonders open in the US and 19 in the UK. Last year the online retailer reported that it would be cutting 18,000 employees, many of them in its retail division. Back here in the Beloved Country, the business has announced that it will be postponing the launch of its South African Marketplace until the end of the year. Also in the US, a national egg shortage, bought upon by the largest avian influenza outbreak in history and exacerbated by increases in the costs of fuel, feed and packaging, is about to get worse in the run-up to Easter and the annual migration of wild birds, when avian flu tends to break out. At the gourmet Eli's Market on Manhattan's Upper East Side, a dozen organic eggs could cost you $17.99 – that's just over 300 ront. Finally, research outfit Coresight believes that as inflation eases, home demand grows and in-store shopping recovers, grocery retailers in the US are likely to do better in the first half of this year than in recent months.
Comment: But back to Amazon – if you have to lay off 18,000 workers to make a buck, you don't really have much of a business now, do you?
Tatler Reporter 31/01/23

MANUFACTURERS AND SERVICE PROVIDERS

CHEP

Top of their game
Big up to our friends at CHEP, leading provider of supply chain solutions to this great industry we call home, and recently recognised as a Global Top Employer for 2023 by the Top Employers Institute, a global certifier recognising excellence in employee conditions. A debut awardee, CHEP was among only 15 Global Top Employers in 2023 to be acknowledged for outstanding HR policies and practices worldwide. CHEP and parent company Brambles have also expanded the number of regions and countries where they are accredited, earning the Top Employer seal in Asia Pacific for the first time while retaining Top Employer status in Europe, Latin America and Africa, along with 25 countries across every region. "Amongst this community of outstanding organisations, CHEP has proven its commitment to employees on a global scale. This consistency in people practices across the globe characterises an exclusive group of companies that have achieved a global certification through the Top Employers Programme," says Top Employers Institute CEO, David Plink. Among the categories where CHEP excelled were People Strategy, Leadership, Diversity & Inclusion and Sustainability; in 2022, CHEP achieved 33% of women in management roles globally and reached 40% female representation on its Board. "Becoming a Global Top Employer in 2023 is a great moment of pride for CHEP," says Patrick Bradley, Brambles Chief People Officer. "It recognises the ongoing efforts we have made to build a safe, inclusive and respectful workplace that offers employees a purposeful and fulfilling experience. We continue to take strides towards our "Workplace Positive" goals as part of our 2025 Sustainability Strategy, to deliver a truly inclusive environment that fosters innovation, growth and agility."
Comment: Great recognition for a leader in sustainable business practices.
Tatler Reporter 31/01/23

Results

Generating concern
A couple of sets of interims for your interest this week. First up, **AVI**, which posted sales growth of +7.2% for the six months through December, with solid growth in its Entyce and Snackworks divisions, which bring to the market a range of coffees, teas and biscuits, but declining revenues in its I&J fishing business, with diminishing catches and lockdowns in China and Hong Kong affecting sales. Higher selling prices managed to lift the bottom line somewhat, with operating profit a modest +1.7% up YoY. Moving on, poultry outfit **Astral Foods** have warned that half-year profits could decline by as much as -90% as the business burns northward of R1m a day on diesel, to keep the lights on. It's also pushing pause on a big chunk of the R737m earmarked for growing operations. Astral is dealing with the highest raw materials cost in its history; as a result, it now costs R2 more than the selling price to produce a kilo of chicken.
Comment: Two businesses, two very different sets of challenges. But the same very difficult economy.
Tatler Reporter 31/01/23

In Brief

Dutch courage
First up: a changing of the guard at **Unilever**'s global headquarters in the Netherlands as Hein Schumacher replaces CEO Alan Jope from 1 July, after a rough year in which Le Grand Bleu tried and failed to purchase GSK's consumer goods business, to the ire of influential shareholders. Schumacher is a non-executive director on Unilever's board and current CEO of Dutch dairy business FrieslandCampina. Another change: after four years as caretaker of the extremely troubled **Tongaat Hulett**, Gavin Hudson will leave at the end of February. While the business has secured post-commencement financing from the Industrial Development Corporation (IDC), its future remains uncertain to say the least. Back to the Netherlands, Dutch brewer **Heineken** has informed our Competition Tribunal that if it can't buy both Hunters and Savanna ciders, the R40bn purchase of **Distell** will not be "economically feasible" and will be taken off the table. This in the face of opposition to the deal with rival **SAB**. Finally, KZN's largest mushroom grower, **Denny Farms**, has laid off its staff after an arson attack on its plant last September. The future of the business remains uncertain.
Comment: Being a supplier has never been easy…
Tatler Reporter 31/01/23

TRADE ENVIRONMENT

The Economy

In other news, buckle prices skyrocket…
Buckle up, things are going to get rough. This would appear to the message from the dear old South African Reserve Bank, as it warned last week that it was revising GDP growth forecast for 2023 to 0.3% from 1.1%, a number it had settled on last November. The reason, says the Bank, is the scale and projected duration of load shedding, pure and simple, which has knocked off two whole percentage points from the outlook. Alarms, battery-powered of course, are being sounded from all over the fiscus: The Minerals Council says the share of energy in intermediary inputs will increase

from 24% to 38% in gold mining, and from 22% to 37% in iron ore mining, and the Bureau for Food and Agricultural Policy (BFAP) notes that a third of total farming income in South Africa directly depends on irrigation, the interruption of which raises costs and also threatens the size and quality of crops. On the upside, and entirely unrelated, US companies like Ford, Cisco, General Electric and Visa will increase their investments on our shores as the US steps up its competition with China on the continent – this as US Treasury Secretary Janet Yellen visited a Ford plant in Pretoria last week.

Comment: Throw in a couple of power stations, and perhaps a football shirt sponsorship of R1bn. Then we're talking….

Tatler Reporter 31/01/23

THE WEEKLY GURU

"Chickens scare me. I don't like them. They seem a little floppy or something."

Scarlett Johansson

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