



05 September 2024

This week, Shoprite continues to shoot the lights out, while Woolies and Sea Harvest deliver some so-so numbers. The newly unbundled RCL FOODS fared better though. A quick but interesting look at the food market in the world's second-biggest economy, and some wildly differing food inflation numbers, although the overall basket is down for July. Enjoy the read.

YOUR NUMBERS THIS WEEK

+12%

growth in
Shoprite turnover
in FY2024

+4.3%

growth in
Woolies turnover
over same period

10,000

sqm to be reclaimed
from **Pick n Pay**
by mall owner

400

Shoprite
furniture stores
going to **Pepkor**

R26bn

revenue at
RCL FOODS,
up +6.8%

+34%

increase in
the price of
rice in July

RETAILERS AND WHOLESALERS

Shoprite

The Red Tide

Another cracker set of results from the apparently unstoppable Shoprite, with turnover up +12% to R240.7bn, and trading profit up +12.4% to R13.4bn. 81% of turnover came from the South African supermarket business, which grew +12.3%. The Group attributes its success to strong fundamentals over the past year, with a +3.7% increase in customer visits, an +8.4% increase in basket size, and 201 net new stores. And CEO Pieter Engelbrecht sees even better times ahead. "Amongst the business community, there is a positive outlook on SA at the moment ... The capital inflow is three times that of last year, already," he notes. "This bodes well for the future... We have invested accordingly ... any green shoots that will come out of the economy, or for the consumer, we are ready to receive the rewards." Among the areas of opportunity for the business is the lower end of the market: Engelbrecht sees an opportunity to grow the current haul of 463 Usave stores to 1,000 in the next five years.

Comment: A spell of growth for Shoprite that should be studied in business schools for years to come. [More on those results in this excellent summary from our analysts](#) here.

Tatler Reporter 04/09/24

Woolworths

Black bags, dark times

Woolies results this week, for the year through June, and if you're looking for a bellwether of the encouraging resilience of the better-heeled, you should perhaps stop reading: turnover grew a less-than-inflationary +4.3% to R76.4bn, with operating profit – for us, a solid measure of how things are going – down 14.4% to R5.8bn. On the upside, Food saw a +9% sales increase, through organic growth, a +52.8% surge in online sales (largely from Woolies Dash, which grew +72.1%, soon to be assisted by the rollout of dark stores) and the Absolute Pets acquisition. Fashion, Beauty and Home, on the other hand, struggled with a 0.4% sales decline, impacted by poor product availability and increased competition, notably from online retailers like Shein and Temu. CEO Roy Baggatini, who has had his contract extended indefinitely, sounds characteristically sanguine about it all. "We have a number of newer avenues for growth," he says. "But what we're doing here is really leveraging our existing world-class core capabilities [...] to now build a market-leading food services business."

Comment: Essentially, Woolies is discovering the hard truth that when tough economic conditions come for the professional classes, upscale retail becomes discretionary. [More on these results in another great summary from our team here](#).

Tatler Reporter 04/09/24

SPAR

Clear!

Word on the street is that SPAR might be having a look at the mortal remains of West Pack Lifestyle with the intention of applying the defibrillators and bringing the bankrupt retailer back to life. West Pack, you see, is a purveyor of home goods and also at arm's length the owner of the Petzone brand – both representing categories in which SPAR is reputedly keen to compete. Other bidders include private equity outfits and unnamed retail competitors of SPAR, which expects its non-food business to account for 30% of sales in five years. "While we are always reviewing or exploring ways to increase our offerings and expand our business, discussions such as this would be confidential until finalised," says SPAR coyly. Although the category appeal of West Pack might be appealing to any suitor, the large pile of debt on which it sits will surely be less so.

Comment: As businesses like West Pack come up for grabs, and as all of the major retailers expand into other categories, we are seeing a strange, tentacled form of consolidation that leaves little oxygen for smaller businesses to breathe.

In Brief

Heavy is the head

Chairman Ackerman the Younger, Gareth of that proud name, has let it be known that he will be stepping down as Chairman of the Board once the recapitalisation is finalised and the turnaround is underway. So far, he has served 15 years of a planned five-year term. In other **Pick n Pay** news, Redefine Properties has announced that it will be reclaiming 10,000 square metres from Pick n Pay in some of its many malls around South Africa; Pick n Pay has already closed 16 stores this year – four of them corporate stores, with more to follow as part of the turnaround strategy. Moving on, **Shoprite** will soon be selling 400 of its furniture stores to Pepkor for a sum of R3bn. “We found ourselves at a crossroads with the business’s future growth and profitability hamstrung by the requirement of a level of investment that would have resulted in us re-directing capital and project management resources away from that currently dedicated to our food retail operations,” says CEO Pieter Engelbrecht. Finally, in news that will put the wind up health and beauty retailers, **H&M** has launched its range of beauty products in select stores across the Beloved Country and online.

Comment: The rise of Shoprite and the ongoing shakeup at Pick n Pay has created a seismic wave at the very heart of our industry.

Tatler Reporter 20/08/24

International Retailers

The Mysterious Yeast

So, you want to grow your established food brand beyond our borders. Ever considered getting onto Chinese shelves? It’s not so easy – although the opportunities are significant, there are a few unique challenges to consider. For starters – which of China’s many ancient culinary traditions will it complement? Spicy Szechuan, or subtle Cantonese? China is not a single market, but many. Next: what are its functional – or even spiritual – benefits? Traditional Chinese medicine has a big influence on the grocery industry, with, for example, meal planning revolving around the perceived effects of an ingredient on the body’s balance of yin and yang. Next, how are your food safety standards? Past food safety scandals have made Chinese consumers particularly leery about the quality, origin, and safety of their food. Next: can you handle the pace? The rise of cities and the urban lifestyle have given the Chinese an appetite for ready-to-eat meals and fast online delivery services. Finally, are you lawyered up? The country has stringent regulations concerning food safety, labelling, and import procedures. Compliance with China’s many regulations on food safety, labelling, and import procedures is critical if you want to avoid penalties and gain consumer trust. You’ll need to make sure you have Chinese experts and partners on your side.

Comment: Some real food for thought. But on the upside, welcome to the world’s second-biggest market.

International Supermarket news 03/09/24

MANUFACTURERS AND SERVICE PROVIDERS

RCL Foods

Definitely over the Rainbow

A solid set of numbers for RCL FOODS for the year through June, with a +6.8% increase in revenue from continuing operations to R26bn and HEPS up +31%. Breaking it down, revenue increased +5.5% to R5.31bn in the groceries unit, while the baking division grew sales +5.9% to R9.1bn – although the Bread, Buns & Rolls category underperformed, as did Pies. The sugar unit grew revenue +6.4% to R11.81bn. Missing from the mix: chicken. Rainbow, you will recall, was unbundled and listed separately on the JSE last July, and Vector Logistics was sold last August. “RCL FOODS’ strategic clarity and cash-generative operations place us in a strong position to consider acquisitions as they arise,” says CEO Paul Cruickshank. “Our central business services platform remains a key strategic capability in this regard.” He noted that demand has increased significantly in the two months since the reporting period ended, but declined to speculate whether this represents a turnaround for consumers.

Comment: The simplification of the RCL business seems to be working well for it in its transition to a fully-fledged food manufacturing group.

IOL 03/09/24

In Brief

Plenty of fish in the...ahem.

Interim numbers in from **Sea Harvest**, and like the catches from our dwindling oceans they are not all that. While revenue was up +3% to R3.3bn in the six months through June, HEPS fell 17% to R176m, with the Group’s performance under pressure from continued low hake catch rates and a decline in the abalone market. On the upside, the exclusion of Russia from Western markets has helped buoy the demand side. Next, kudos to **Castle Milk Stout**, which is perhaps corporate South Africa’s biggest champion of local culture and traditions, on the launch of its Afrikaraoke campaign, a platform for young people to learn through performance and a little light-hearted ribbing of the songs of their fathers. Check it out [here](#). Previous initiatives include the Last Stories of Culture initiative, which focused on the urgent need to preserve endangered cultural practices, the Clan Beats campaign, that used music to emphasise the importance of clan praises, and the Ancestor’s Day campaign, which recognised and honoured African spirituality.

Comment: Truly one of the most innovative and inspiring campaigns we’ve ever seen. In a better world, our GDP would be measured by the vast cultural treasures we possess in this remarkable country.

Tatler Reporter 03/08/24

Food Inflation

What price?

In good news for South Africa's seemingly permanently embattled consumers, food inflation ticked down again for the month of July, coming in at 4.5% according to the Bureau for Food and Agricultural Policy (BFAP). Breaking it down, non-alcoholic beverages were up +10.1%, sugar and sugar-rich foods +8.3%, dairy and eggs +6.4%, and bread and cereals +5.6%. More encouragingly, fish was up just +4.7%, with vegetables +3.4%, fruit +2% and meat +1%. There were some absolute standouts though – instant coffee was up +27%, eggs up +35% for an 18-pack, and rice up +34%. Maize was more reasonable, at +5-8%. "Considering agricultural commodity price movements, as well as the appreciation in the value of the rand in recent weeks, another expected decline in fuel prices and generally weak consumer demand, food inflation is not expected to increase in the near term," noted the BFAP, which tracks the prices.

Comment: The increase in rice prices is a harbinger of the impact of climate change on the production of staple foods.

Engineering News 27/08/24

THE WEEKLY GURU

"It's easy to make a buck. It's a lot tougher to make a difference."

Tom Brokaw

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