



11 May 2016

Some high profile but quite probably unfounded speculation about Massmart and their American parent down below, have a look, see what you think. Then some heartening stuff about how the Americans are helping small farmers set up co-ops. And a piece about how the Competition Commission is admitting impediment to the marriage of SABMiller and its prospective (American) purchaser. Enjoy the read.

RETAILERS AND WHOLESALERS

Massmart

The Reckless Speculation Department

Analyst Shamil Ismail enjoyed his time in the sun last week after speculating that Walmart might be ready to pull the plug on its investment in Massmart in 2018 should the retailer not start turning in a more stellar performance. In part, his view is based on the fact that Walmart has exited underperforming geographies within nine years of the initial investment, pointing to South Korea and Germany as examples, and mentioning the announced closure of 269 stores both in the US and elsewhere. It's the view of Trade Intelligence, however, that this analysis misses the full picture. For example, a number of recent Walmart store closures were due to format issues - 102 of the closed US stores were smaller format Walmart Express stores, which has not worked for the Walmart supply chain. And while the South American closures have come as a result of economic challenges in the region and a highly competitive market (which will sound familiar to South African retailers), Ismail fails to mention that 60 of the closures are in Brazil and 55 elsewhere in Latin America, making up only a fraction of Walmart's presence in the region. Ismail also overstates Massmart's current woes: Massmart is one of the few retailers that are delivering real like for like growth, and achieving returns, by m², higher than those of its competitors.

Comment: And closing underperforming stores is not necessarily a signal of retreat, but a rational move for a successful retailer.

[Business Report 05/05/16](#)

Pick n Pay

Sign of the times

A slow news week, so what better time for Pick n Pay chair Mr. Ackerman (the Younger) to weigh in on a pressing social issue: "Obesity and diabetes are critical health issues in South Africa," says Mr. A the Y. "What is required is a concerted effort by the government in partnership with the private sector to promote healthy eating and proper nutrition." Fair enough, how are we going to do that? In part by following guidelines published by the Consumer Goods Forum on measures to regulate and control marketing material aimed at kids, for consumable goods and products. The good news is that 23 companies have signed the pledge. The bad news is of course that several thousands have not. While children's diets are influenced by a range of factors including socio-economic circumstances, culture and education, marketing does indeed have its role to play. A final word from Mr. A on the subject: "As retailers, we can make a real contribution to children's nutrition by encouraging exposure to foods compatible with a balanced diet and healthy lifestyle."

Comment: True that. Get your Montblancs out people, and sign up.

[IOL 09/05/16](#)

MANUFACTURERS AND SERVICE PROVIDERS

Tiger Brands

Earning their stripes?

A voorskou of Tiger's incoming interims, expected a couple weeks from now: sales up +9% and operating income up +7%, according to the Striped One, which also asserts that its HEPS should be 23%-28% up from this time last year, if you take the disposal of the troubled Nigerian business into account, and we don't see why you shouldn't. And speaking of incoming, the arrival of new CEO Lawrence MacDougall next month is already shaking things up a bit, with the resignation of CFO Funke Ighodaro to "pursue other interests" as the press release put it. Like other businesses in the great industry we call home, Tiger has been affected in recent months by cost increases stemming from the drought and from the travails of the embattled ZAR.

Comment: Dangote Flour Mills cast a long shadow over the Tiger Business and its leadership. Hopefully that's all behind them now, as they stride purposefully into a new dawn etc.

SABMiller

Leviathan? Behemoth? Or Juggernaut? How to decide...

Dragging it out this week is the Competition Commission, which has yet to begin its deliberations on the AB InBev \$108billion acquisition of SABMiller, perhaps the hottest antitrust issue in the world right now. There are “several outstanding issues” upon which the Commission and merging parties must address before a decision can be reached on whether a merger of the world’s two biggest brewers into one brobdingnagian whole constitutes any sort of threat to a competitive marketplace, although the Commission declined to say what these issues were. The Food and Allied Workers Union (FAWU) is hoping that they touch upon the subject of SAB’s Zenzele empowerment scheme, by which workers hold the equivalent of 18.5million shares, and the subject of FAWU’s lengthy deposition to the Commission.

Comment: Separating the merger from the conflicting interests it will spawn globally is a vast and delicate puzzle.

[Business Day 06/05/16](#)

Pretoria Food Co-operative

Down on the farm

News this week which will not enthuse the retailers among our readers: the Co-op movement has come to South Africa. The Pretoria Food Co-operative brings together 35 farmers in the Pretoria, Brits and Cullinan areas with consumers interested in buying directly from them anything they will sell on the way of produce and even farm-baked goodies, such (we assume) as koeksisters. The Co-op enjoys the support of the US Department of Agriculture’s Foreign Agricultural Service (USDA FAS), as one of its first efforts to establish a direct farm-to-consumer channel in the Beloved Country. The Co-op registers both farmers and consumers on a shared portal as both members and shareholders, and is aimed at growing the small farming sector, getting small farmers better money for their produce, and addressing food shortages.

Comment: Excellent and important work from The Great Satan, whose humanitarian efforts often goes unremarked amid the news of insane presidential elections and drone strikes.

[Bizcommunity 05/05/16](#)

TRADE ENVIRONMENT

The Economy

We’re doomed! Doo ... what? That can’t be right!

According to the IMF, which occupies an austere modern low rise on the wide straight expanse of Pennsylvania Avenue in Washington DC, things are looking up for us here in the Beloved Country, and we might expect a modest recovery in 2017. They have approving words to say about the “appropriate steps” the government and the Reserve Bank have taken to deal with rising government debt and inflation. And even better, Moody’s have decided to give us a stay of execution and not downgrade our credit rating to junk, which is nice. Although to be fair, they’ve confirmed their investment credit rating at Baa2, with a negative outlook. And before you break out the party hats and the paper trumpet thingies which unroll and then roll back up again, both Fitch and S&P are due to review us next month, and both have us a notch lower than Moody’s does.

Comment: Fingernail stuff. Still, this is the first glimmer of hope we’ve had for some time, and we’ll take it.

[IOL 09/05/16](#)

IN BRIEF

Retailers

How green was my trolley

Couple of weeks back we reported on Greenpeace’s Shopping Clean ranking of South Africa’s retailers, but didn’t pause to ask ourselves why they were ranking retailers in the first place. Retailers are a tempting target for this sort of thing – the most public face of capital, and businesses with which everyone has a daily interaction. But they’re also very energy-intensive businesses, and thus ripe for this sort of scrutiny. Pick n Pay alone, for example, could power 65,000 households if it got 100% of its energy from renewables. So there you have it.

[RDM 09/05/16](#)

THE WEEKLY GURU

“Men love their country, not because it is great, but because it is their own.”

Seneca

For further information:

www.tradeintelligence.co.za | info@tradeintelligence.co.za

Editorial:

Nick Paul: nick@tradeintelligence.co.za

Advertising Sales

Talisha Wellington: talishaw@tradeintelligence.co.za