

# Trade Tatler

NEWS FROM THE CONSUMER GOOD INDUSTRY – FRESH EVERY WEEK

08 February 2024

A spirited display from Bafana Bafana last night, which presages good things to come. As do trading updates from Shoprite and Asda Foods, and even a modestly optimistic economic forecast from Standard Bank. We may sometimes be down, here in the Beloved Country, but never out. Enjoy the read.

## YOUR NUMBERS THIS WEEK

**+14%**

expected increase in  
**Shoprite's sales**  
over HY2024

**R346m**

**Pick n Pay's**  
diesel costs last  
year

**R19.99**

cost of a **Pasta &  
Me** meal for four  
at **Shoprite**

**1,000**

**Asda Express**  
stores trading by  
end-Feb

**+300%**

expected growth  
in **HEPS** at  
**Astral Foods**

**+1.2%**

**GDP growth**  
forecast by  
**Standard Bank**

## RETAILERS AND WHOLESALERS

### Shoprite

#### The rite stuff

The trading updates are coming in thick and fast these days, some of them a little sheepish and shamefaced, to be honest. Not so with the one this week from Shoprite, which is still on a seemingly unstoppable tear. Total merchandise sales rose +14% to R121bn YoY for the six months through December, with like-store sales up a more muted +6.3% in a blistering inflationary environment. And the Group has extended its rise in market share, that shy elusive beastie, to 58 uninterrupted months. Digging into the weeds a bit, Shoprite and Usave grew sales by +13% during the period in question, with Checkers and Checkers Hyper climbing +13.7% on the back of a +63.1% surge in Sixty60 sales, and LiquorShop sales up +25.2%. And let's not forget points foreign, where the Big Red One managed absolutely storming growth of +20% on a currency-neutral basis.

**Comment:** Shoprite: behemoth or juggernaut? The jury's out.

[Supermarket.co.za 30/01/24](https://supermarket.co.za/30/01/24)

### Load shedding

#### A load of malarkey

If load shedding follows the same dreary path in the next six months as it in the six months past, and who's to say it won't, then **Shoprite** will be on the hook for a cool billion in diesel costs. "Load-shedding-related power outages resulted in a R500 million diesel expense to operate generators across our South African supermarket business for the six months ended 31 December 2023," said Shoprite. **Pick n Pay** spent a relatively modest R346 million last year, but still. The business notes that concerns that food may spoil during power outages at home leads to reduced customer demand, and the squeeze on production creates stock challenges which can also impact sales. And the costs of maintaining the equipment, eish. "Diesel generators are not designed to run for many hours on end and suffer breakdowns," says the Big Blue.

**Comment:** On the upside, load shedding is a very tightly managed slow-rolling disaster, which lesser countries would struggle to take in their stride.

[Supermarket.co.za 31/01/24](https://supermarket.co.za/31/01/24)

### In Brief

#### Good business

Impressing our research team this week was **Shoprite**, with its newly launched 350g Pasta & Me one-pot meal under its exclusive Homegrown private label. It includes a large portion of noodles, soya chunks, spices and dehydrated vegetables, retails for only R19.99, and feeds a family of four for under R5 each. Pasta & Me is a small, 100% female-owned business founded by Aziza Parker, who was inspired to develop the product after seeing mothers struggling to feed their families in Philippi, where her family ran a supermarket. Moving on, **Woolworths** has partnered with DP World to launch the first road transport trailers in Africa that use kinetic energy from their axles to generate electricity that powers their refrigeration units. More miles on the Good Business Journey. Next, **Pick n Pay** has had to take three brands of peanut butter off its shelves, following in-house standard testing that found Pick n Pay's No Name Smooth Peanut Butter, Eden Smooth Peanut Butter and Eden Crunch Peanut Butter to have higher than regulated levels of a naturally occurring Aflatoxin (specific to maize, peanuts and tree nuts). Finally, big up to **Massmart**, recognised by the Top Employers Institute as a Top Employer in South Africa for the third consecutive year, ranking the organisation in the 25-50th percentile of participating employers globally. "We are particularly proud to have improved our scores in the areas of career development, learning offerings, CDE&I and sustainability," says acting Chief People Officer Muhammed Vally.

**Comment:** Shoprite: problems, solutions. No mess, no fuss.

[Tatler Reporter 06/02/24](https://tatlerreporter.com/06/02/24)

### International Retailers

#### A convenient truth

In the UK, **Asda** is betting big on convenience, with the imminent opening of 110 Asda Express stores in fulfilment of its goal of carpeting that gloomy archipelago in 1,000 of the pint-sized emporia that stock a range of up to 3,000 branded and own-label essentials. Also in the UK, **Sainsbury's** is on the verge of releasing details of a new strategy to claw back customers from the likes of Aldi and Lidl, who, you will recall from last week, had a pre-t-t-y good year last FY as the cost-of-living crisis bit deep. More competitive prices are thought to be on the cards, after a 2022 initiative that saw the business investing over

half a billion pounds in price cuts. Across the pond, **Amazon** is reportedly pleased with its progress in bricks and mortar grocery, despite pausing its Amazon Fresh store builds, launching a Version 2 of the format in newly refurbished stores.

**Comment:** Three businesses, three different approaches to winning back market share.

Tatler Reporter 06/02/24

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## MANUFACTURERS AND SERVICE PROVIDERS

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### Astral Foods

#### Flying high

In news that will surely hearten the entire poultry sector, not to mention the people who invest in it, Astral Foods is predicting an (ahem) stellar turnaround in its profits to the tune of +300% growth in HEPS, after posting a R621m operating loss in the year through September. This it attributes to the easing of the bird flu epidemic and (somewhat less plausibly) to the declining impact of the power crisis on the bottom line – while diesel expenses remained high, the business said, costs had eased after the intensity of power shedding declined in the first quarter. Food costs had also come down on the back of lower commodity prices. But in the poultry industry every silver lining is attended by a dark cloud: Astral is peeved with the International Trade Administration Commission of South Africa, which has lifted punitive tariffs on poultry imports. There is no shortage of chicken products to justify the move, says Astral.

**Comment:** The travails of this critical sector know no end.

BizCommunity 01/02/24

### In Brief

#### Sweet success

Huge congrats this week to **SA Canegrowers**, which has announced that, with the disbursement of transformation funding this month, the sugar industry has invested more than R1bn in transformation funding over the past five years, supporting over 21,000 small-scale growers and their farm workers in an extremely challenging ambit. Next, a thought for the humble potato, which has the lowest carbon footprint of all agricultural foods, but which through sheer volume contributes vastly to soil degradation, water scarcity, and biodiversity loss. Enter **McCain**, which is reimagining the future of sustainable potato growing with a nature-based approach that restores ecosystems and reduces emissions. Currently 28% of its acreage is farmed using regenerative practices; the goal is 100% by 2030. Finally, iconic South African beverage **mageu**, sales of which have flagged under load shedding, COVID, and a tough consumer environment, is due for a recovery, according to BMI Research. The recovery will not be swift, however: despite below-CPI cost increases, sales are likely to increase over pre-COVID levels in 2026.

**Comment:** Another marker of how tough the economy is for ordinary South Africans.

Tatler Reporter 06/02/24

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## TRADING ENVIRONMENT

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### The Economy

#### Standard fare

Some welcome words this week from Standard Bank Chief Economist Goolam Ballim, who is forecasting GDP growth of +1.2% in 2024, from +0.6% in 2023. This, he says, is due in part to real wage growth, which could average +6% for the year, and moderate inflation of around +5%. This could result in real income growth of as much as +1.5% by year-end. The Reserve Bank is also playing ball, holding the interest rate steady at 8.25% over its last four meetings. On the downside, debt servicing costs are high, credit demand is low, and the level of investment in the country is 10% below the levels before the global financial crisis of 2008. “I think South Africa is not quite at the stage where you can believe that there is going to be a resilient and enduring liveliness in consumer fundamentals so as to encourage investment premised on persistent economic growth,” says Mr. Ballim.

**Comment:** No miracles then. But maybe some building blocks.

The Times 07/02/24

## THE WEEKLY GURU

“Respect the building blocks, master the fundamentals, and the potential is unlimited.”

PJ Ladd

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