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The 'supermarketisation' of African food systems: assessment, implications and responses

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'Supermarketisation' in Africa

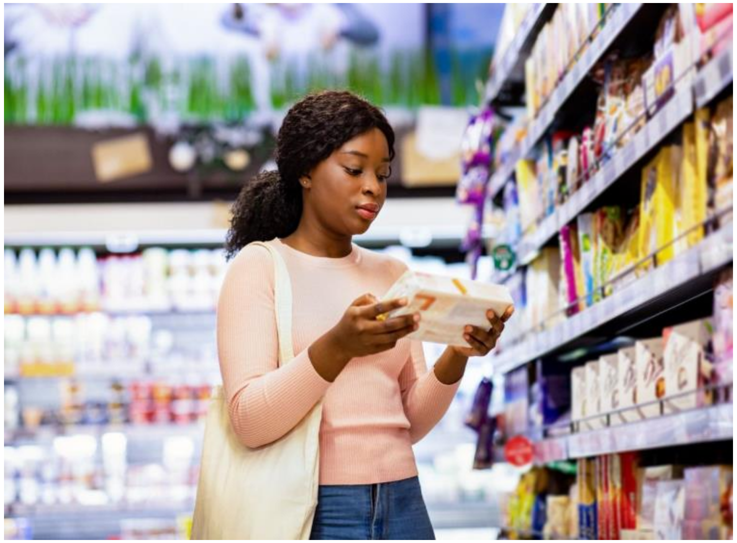
- Trend of food sales increasingly through supermarkets/chains
- More 'regionalisation' than 'internationalisation'; disparities between regions and countries within same region
  - SADC region: SA chains, e.g., Shoprite, PnP, Woolworths, SPAR, Food Lovers; International chains: Walmart/Massmart/Game; spreading into peri-urban and rural areas

Shoprite is present in 13 African countries

..and Pick 'n Pay in 7 African countries

  - East Africa: Kenyan chains, e.g., Naivas, Eastmart etc. (Nakumatt, Uchumi, Tuskys exited Kenya); African chains: Choppies; International: Carrefour

Impact on consumers

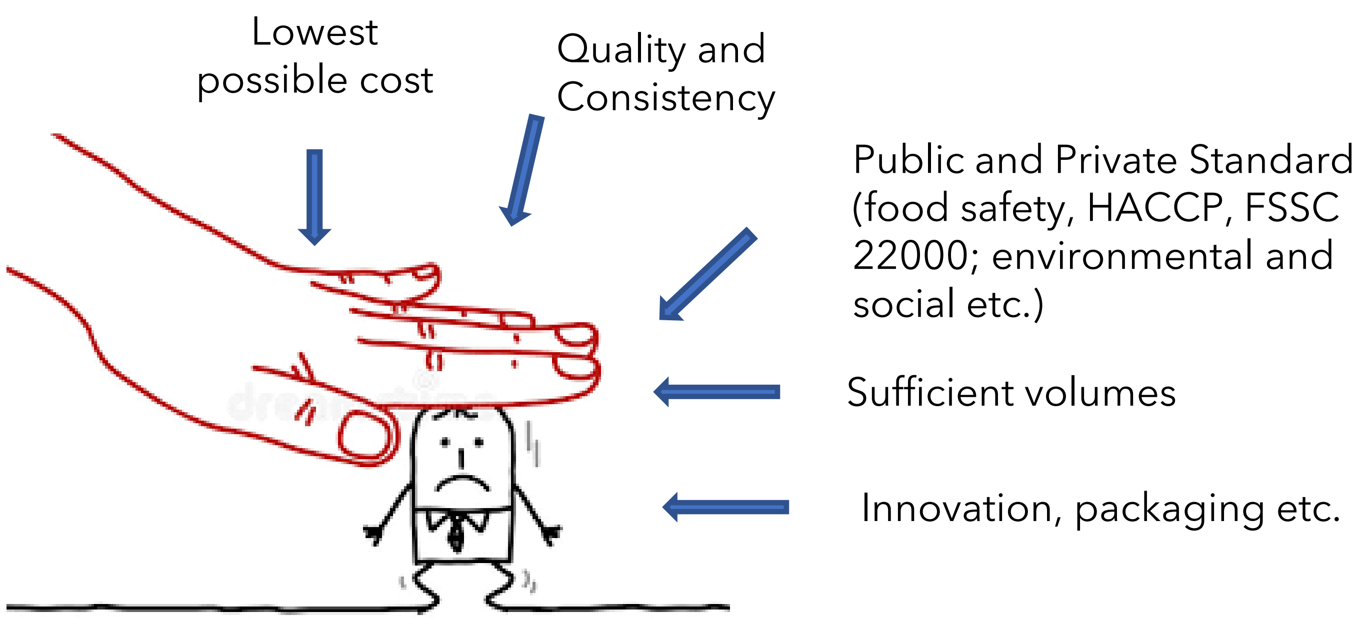


- Possible lower prices
- Greater variety and choice
- Consistent range across similar formats
- Guaranteed standards
- Convenience: 'One-stop-shop'
- Wide range of ancillary products and services

- Supermarkets can quickly respond to consumer demand (collection of big data), and in many ways, also shape demand:
  - Placement on shelves ('Eye Level is Buy Level')
  - Easy access to cheap, highly processed energy-dense foods and sugar-sweetened beverages: double burden of malnutrition

Impact on suppliers

- Supermarkets: key/growing routes to market; “gate-keepers” to end consumers
- Large supermarket chains govern food value chains in various ways
- Impose standards and requirements
- But puts pressure on suppliers, who need to upgrade (economic, social, environmental upgrading) to meet standards and requirements
- Small and medium-sized suppliers (SMEs) struggle to meet some of these
- Forcing down prices through exertion of buyer power/superior bargaining power further squeezes margins



Climate change mitigation pledges by SA supermarket chains

Position Statement on Climate Change

- Reduce GHG emissions
- Improve energy efficiency (direct operations; supply chains)
- Strengthen resilience, adaptive capacity of operations and communities etc.

Sustainability undertakings

- Reduce direct environmental footprint
- House brands to reduce environmental impact
- Collaborate with suppliers and retailers in driving down environmental footprints etc.

Woolworths climate change and energy position statement

- Reduce carbon footprint by 50% by 2020
- Source 100% renewable energy for direct operations by 2030
- Energy & water saving
- Sustainable sourcing
- Working with suppliers

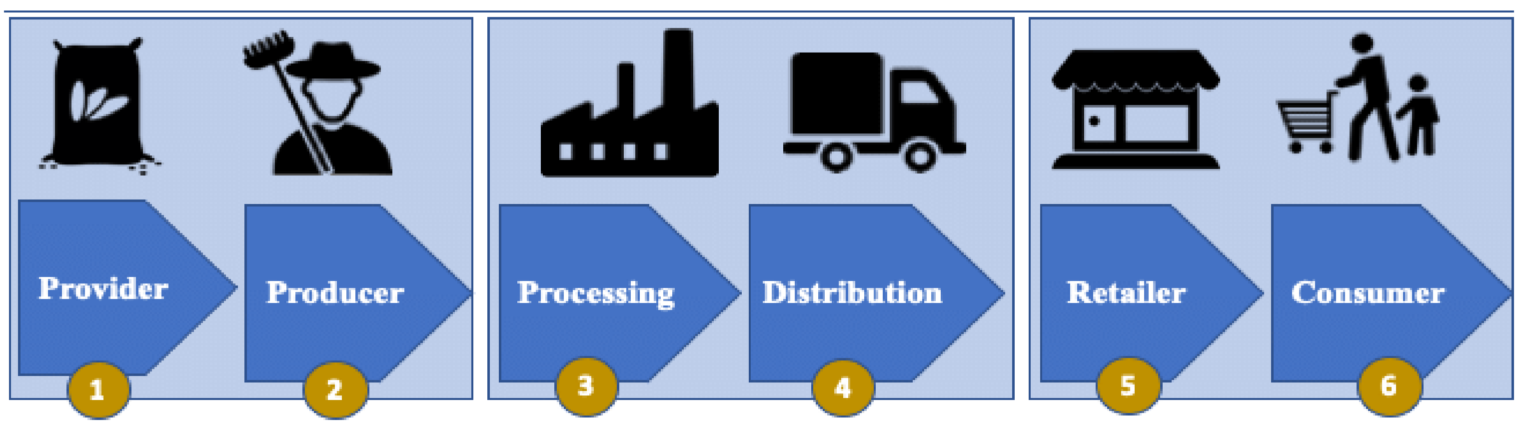
… and many others

Climate change and Energy policy

- Reduce energy intensity by 45% by 2030
- Renewable energy targets
- Lower CO^2 refrigeration systems
- Net zero carbon by 2050 etc.

How does this affect food systems?

- Supermarkets can and do pass on costs and risks of climate change pledges and other requirements onto rest of the supply chain
- Perpetuates concentrated food processing markets; often controlled by dominant food companies and MNCs
- Lack of vigourous competition/rivalry hampers innovation and investments, including those needed to mitigate climate change challenges
- Global sourcing of large supermarket chains in the 'Global North' can also transfer pressure of environmental and social sustainability to suppliers in the 'Global South'



Buyer power of supermarket chains

- Exertion of buyer power a concern in southern and East Africa
- Highly skewed bargaining positions; various fees and costs imposed on suppliers
  - Justified? Or rents extraction by supermarkets?
- Implications? margins are squeezed; suppliers without countervailing power (usually SMEs) are excluded/ sell through alternative channels

Listing/support fees

Late payments

Promotion fees

Settlement discounts

Returns/wastage costs

… and many more

10–15% (das Nair and Chisoro, 2017; Bosiu et. al, 2017); 6-16% (from rebates, Von Broembsen, 2017)

Sources: Interviews with suppliers; submissions and testimony at the Grocery Retail Market Inquiry (CCSA)

Examples of interventions in grocery retail globally

Groceries Code Adjudicator

1. Market inquiry by former OFT (CMA) led to the mandatory UK Groceries Supply Code of Practice in 2009, with independent Grocery Code Adjudicator overseeing functioning and adherence of code

2. EU's unfair trading practices (UTP) legislation (mandatory) outlaws certain UTPs to improve the position of farmers and SMEs in food supply chains

3. In May 2022, the New Zealand government announced proposal for a mandatory grocery Code of Conduct as part of its response to a market inquiry

- launched in September 2023


MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HIKINA WHAKATUTUKI

Consultation paper

New Zealand Grocery Code of Conduct

July 2022

AUSTRALIAN FOOD & GROCERY COUNCIL
FOOD & GROCERY CODE OF CONDUCT

4. The Australian Competition and Consumer Commission (ACCC) instituted a voluntary code of conduct (legally enforceable) to which some supermarket chains and wholesalers signed up

Interventions in grocery retail in South Africa

- 2019 Grocery Retail Market Inquiry by the CCSA
- Ending of long-standing practice of exclusive leases in shopping malls: Pick n Pay & Shoprite agreed to end/phase out the practice
- Opens space for SMEs and specialty stores, and in turn, their suppliers
- Ventilated other practices that might amount to exploitation of buyer power:
  - Competition Act Amendments: ensure fair treatment of SME, HDI suppliers (buyer power, price discrimination); effective 2020
  - But cases take time! Prolonged litigation esp. when testing new provisions
- No recommendation for a code of conduct for supermarkets
- Formalise and strengthen enterprise or supplier development programmes (SDPs) of supermarket chains to develop SME and HDI suppliers
- Building capabilities and support for independent retailers and wholesalers; investments in infrastructure and seed finance for innovative business models in peri- and non-urban areas (2022 Agriculture and Agroprocessing Master Plan (DALRRD/DTIC))

Interventions in grocery retail in Africa cont.

Kenya

- Buyer power legislation and special department at the Competition Authority of Kenya (mandatory)
- Retail Trade Code of Practice (voluntary)
- 217 investigations conducted in 15 sectors since 2018 (Njako, 2023)

Namibia

- Namibian Retail Charter of 2016 (voluntary)
- Support local business in securing retail space (increase local procurement from 6% to 20%)
- Support SMEs by implementing SDPs
  - Skills development, labelling and packaging to meet retail requirements, loans etc.
  - Signatories to spend 5% of advertising budget to promote local brands; 1% NPAT to develop SMEs
- Promote transparency and fairness in procurement procedures, terms of credit payment and rebate provisions
- Charter covers both code of conduct and supplier development elements

Way forward? Food systems transformation

- Competitive, diverse and inclusive food supply chains are essential to reduce impact of climate change and to ensure food security in Africa
- Need to engage with supermarkets much more closely for positive changes in terms of inclusion and sustainability
- Forced rethink of 'market shaping' policies to create less concentrated, more resilient food systems; systematic, real-time food price monitoring

"Sustainability Compact"

- Supermarkets in Africa and those globally dealing with African suppliers; and other key stakeholders
- Concrete commitments to make supply chains more inclusive and sustainable
- Enforceable undertakings on behaviour towards suppliers (regional codes of conduct)
- Active investments in supply chains to mitigate climate change and build capabilities (e.g., supplier development programmes)