On the menu

1. Profile of SA consumer
2. Fresh produce chain
3. Informal sector
PROFILE OF THE SA CONSUMER
The South African Consumer

52 Million Consumers!

Gauteng has the most people: 12.3 million overtaking KwaZulu-Natal at 10.3 million.
The South African Consumer

1 million people moved to Gauteng

2.2 million people were born outside South Africa (4%)

Largest increase: Gauteng 34%
Smallest increase: Free State 1%

Only 56% of people in Gauteng were born there

Source: Vermeulen, 2014

Source: Isilumko

Source: Vermeulen, 2014

Source: Internet

PRODUCE MARKETING ASSOCIATION
The South African Consumer

Average household income rose by 113% (in nominal terms)

Highest average annual household income
R156 243
Gauteng

Lowest average annual household income
R56 844
Limpopo

Average household income by population group

Black African: R60 613
Coloured: R112 172
Indian/Asian: R251 541

Source: Isilumko

LSM class mobility

Sourced from Vermeulen, 2014
The South African Consumer

<table>
<thead>
<tr>
<th>Main expenditure groups</th>
<th>Rand</th>
<th>Percentage contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total (in millions)</td>
<td>Average</td>
</tr>
<tr>
<td>Food and non-alcoholic beverages</td>
<td>159 973</td>
<td>12 200</td>
</tr>
<tr>
<td>Alcoholic beverages and tobacco</td>
<td>13 697</td>
<td>1 045</td>
</tr>
<tr>
<td>Clothing and footwear</td>
<td>56 170</td>
<td>4 284</td>
</tr>
<tr>
<td>Housing, water, electricity, gas and other fuels</td>
<td>399 991</td>
<td>30 505</td>
</tr>
<tr>
<td>Furnishings, household equipment and routine maintenance of the dwelling</td>
<td>63 944</td>
<td>4 877</td>
</tr>
<tr>
<td>Health</td>
<td>17 794</td>
<td>1 357</td>
</tr>
<tr>
<td>Transport</td>
<td>213 977</td>
<td>16 319</td>
</tr>
<tr>
<td>Communication</td>
<td>35 431</td>
<td>2 702</td>
</tr>
<tr>
<td>Recreation and culture</td>
<td>38 020</td>
<td>2 900</td>
</tr>
<tr>
<td>Education</td>
<td>33 355</td>
<td>2 544</td>
</tr>
<tr>
<td>Restaurants and hotels</td>
<td>30 332</td>
<td>2 313</td>
</tr>
<tr>
<td>Miscellaneous goods and services</td>
<td>183 614</td>
<td>14 003</td>
</tr>
<tr>
<td>Unclassified items</td>
<td>1 760</td>
<td>134</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1 248 058</strong></td>
<td><strong>95 183</strong></td>
</tr>
</tbody>
</table>

Source: Statistics SA, Income and Expenditure Report 2010/1
The South African Consumer

Overall food expenditure patterns:

Source: IES 2010 & BFAP, Vermeulen
The South African Consumer

Expenditure patterns on major vegetable types:

- **Potatoes**
- **Tomatoes**
- **Onions**
- **Cabbage**
- **Carrots**

Source: IES 2010 & BFAP, H Vermeulen
FRESH PRODUCE CHAIN
The South African Fresh Produce Supply Chain

Input suppliers

Producer

NFPM

Processing

Informal Trade

Wholesale

Retail

Export

Retailers

Informal Trade

Processing

Retailers

Food Services

Street Vendors

Retailers

Informal Trade

Consumer
South African Fresh Produce Supply Channels

Fresh Produce Marketing Channel Turnover

<table>
<thead>
<tr>
<th>Year</th>
<th>Supermarkets</th>
<th>Exports</th>
<th>NFPM</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>11.2</td>
<td>9.4</td>
<td>10.6</td>
</tr>
<tr>
<td>2013</td>
<td>12.6</td>
<td>19.7</td>
<td>12.5</td>
</tr>
</tbody>
</table>

Source: FPEF, Tshwane Market & Nielsen as cited by ZZ2
South African Fresh Produce Supply Channels

Buyers Profile on the National Fresh Produce Markets

- 55% of a R 12.5 Billion Market
- R 6.9 Billion Trade
INFORMAL SECTOR
What do we understand with the term informal?

Some confusion …… Example

Rich in complex carbohydrates
Water rich
Low fat
Increased Endurance
High GI for faster recovery

All of this by renowned scientist

Guess who?

Very confusing?? Wouldn’t you agree?
Informal trade definitions

- Employees working in establishments that employ less than five employees, who do not deduct income tax from their salaries/wages.

- Employers, own-account workers and persons helping unpaid in their household business who are not registered for either income tax or value-added tax.

Source: StatsSA cited by Skinner, 2013
Informal Sector – Key Stats

- Informal sector contributes between 8 and 10% to South Africa’s GDP. (StatsSA)
  - Some estimate it as high as 12%

- Provides more than 3.6 million jobs (non-agric)
  - Average informal economy business creates an additional 0.98 jobs (Sustainable Livelihood Consultants, 2013)
Informal trade: Proportion of informal enterprises between the main industry classifications (2005)

- Trade: 46%
- Agriculture: 14%
- Construction: 13%
- Transport: 6%
- Manufacturing: 10%
- Finance and bus.: 3%
- Other: 8%

Source: Valodia et al. (2005)
Informal trade: Proportion of informal enterprises between the main industry classifications (2012)

- Trade: 46%
- Community and Social Services: 15%
- Construction: 14%
- Transport: 10%
- Manufacturing: 9%
- Finance: 6%

Other: 0%

Informal market – Different from formal market

**Formal**
- Woolworths
- Shoprite
- Fruit & Veg
- Pick & Pay
- Spar
- Independent retailers

- In relative terms not flexible in price formation (higher price stability)
  - Price transmission slower

- More flexible in price formation (more price volatility)
  - Price transmission fast

**Informal trade**

- High level of formalities and strict requirements

- Low level of formalities and less strict requirements
Informal sector: Serving a huge market

600 000 commuters through Noord street
Taxi rank in Johannesburg per day!

<table>
<thead>
<tr>
<th></th>
<th>Jhb</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Noord Street</td>
<td>Johannesburg</td>
<td>594 400</td>
</tr>
<tr>
<td>Baragwanath Taxi Rank</td>
<td>Soweto</td>
<td>466 052</td>
</tr>
<tr>
<td>Bree Street Taxi Rank</td>
<td>Johannesburg</td>
<td>388 600</td>
</tr>
<tr>
<td>Alexandra Taxi Rank</td>
<td>Alexandra</td>
<td>352 554</td>
</tr>
<tr>
<td>Randburg</td>
<td>Johannesburg</td>
<td>287 000</td>
</tr>
<tr>
<td>Germiston Main Rank</td>
<td>Germiston</td>
<td>264 650</td>
</tr>
<tr>
<td>Kempton Park</td>
<td>Kempton Park</td>
<td>213 328</td>
</tr>
<tr>
<td>Daveyton</td>
<td>Benoni/Springs</td>
<td>166 428</td>
</tr>
<tr>
<td>Roodepoort</td>
<td>West Rand</td>
<td>120 734</td>
</tr>
<tr>
<td><strong>Duplicated Reach:</strong></td>
<td></td>
<td>2 853 746</td>
</tr>
<tr>
<td><strong>Unduplicated Reach:</strong></td>
<td></td>
<td>1 297 157</td>
</tr>
</tbody>
</table>

Source: Isilumko
Informal Trade Channels

**PRODUCERS**

- Fruit & Vegetable Farmers Countrywide
  - Large-scale farmers
  - Small-scale farmers

**PRODUCE MARKETS**

- Tshwane Market

**WHOLESALE**

- Chain Wholesale-Retailers
  - Mainly Fruit & Veg City
  - 2-3 outlet stores W-Rs

- Independent Wholesale-Retailers
  - ‘Asian markets’
  - Single outlet W-Rs

**WHOLESALE-RETAIL**

**INFORMAL RETAIL**

- Fixed Location Hawkers
  - Partnerships & family alliances
  - permanently located at:
    - Roadside stands
    - Transport nodes (e.g., bus, taxi & train stations)
    - Tuck-shops

- Semi-mobile Hawkers
  - Partnerships & family alliances with a fixed base plus:
    - Between stopped traffic
    - Aboard commuter trains

- Roving Hawkers
  - Partnerships & family alliances using movable displays including:
    - Trolleys
    - Baskets
    - Boxes
    - Bags
    - Hangings
    - Other

**CONSUMERS**

- Target individuals & households
  - Commuters
  - Children
  - Shopping mall visitors

- Final Consumers
  - Residents in the surrounding area
  - Passers-by

**LOCAL FARMERS**

- Mainly Brits area (North West province)

**SATELLITE MUNICIPAL MARKETS**

- Marabastad (mainly)
- Hammanskraal

Figure 1: Informal trader channel for fresh fruit and vegetables in Tshwane

Source: Louw, 2010 as adapted from Madevu, Louw & Kirsten, 2007
Informal Trade – value proposition

STARTING POINT

Informal ≠ inferior
Informal Trade – value proposition

• Adaptable and mobile
  • Informal Traders have an unencumbered logistics chain, whereby produce is generally fresher upon reaching the consumer.
  • Informal traders are able to adjust to weather, transport to reach their consumers

• Contribute to food security (Household and Community)
  • Competitively priced produce to consumer due to high competition in the sector
  • Easy access for consumers to fresh produce

• Important marketing channel for producers
  • Informal trade provide and increasingly important marketing channel for the distribution of fresh produce
  • Informal trade is highly sensitive to consumer demand, thus they are very in tune and responsive to the needs of their customers

• Create employment opportunities
  • Informal trade requires various services such as transporters, packers and sellers, therefore they directly and indirectly contribute to job creation.

Sources: Skinner, 2013, CTM, several interviews with stakeholders
Informal Trade – value proposition

• Provide easy access to fresh produce for lower LSM groups/Convenience purchase
  • Informal traders positioned nearby transport routes, homes and workplaces alleviating the need to travel further for daily requirements
  • Informal traders repackage their produce to meet the needs of their consumers

• Favourable pricing/Sensitive wrt value for money
  • Informal traders have low overheads in relation to their formal counterparts

• Personal touch with clients

• Transaction cost advantage

Sources: Skinner, 2013, CTM several interviews with stakeholders
Informal Trade - Challenges

“Rather than ‘disappearing’ with development, as was originally predicted, the informal economy is in fact growing.” Skinner, 2013

Development of the informal sector vitally NB!

Several challenges:

• Security of Tenure – the right to trade?

• Marketing / Selling Space infrastructure:
  - Essential infrastructure (Water, sanitation, access to electricity)?
  - Basic infrastructure (Selling space, storage)?

Sources: Skinner, 2013, Bachoo, 2013, interviews with stakeholders
Informal Trade - Challenges

• Logistics and operational materials:
  - Transport?
  - Packaging?

• Finance (access to credit)?

Sources: Skinner, 2013, Bachoo, 2013, interviews with stakeholders
Thank You!

Acknowledgements for contributions:

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Rosheda Miller – Informal Traders Coalition of SA
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AND

Panellists