Reversing the consolidation of power and profit

Executive summary

From farms to retail, consolidation along the length of the value chains that together make up the food system is a global phenomenon. The findings of Paper 1 in this series identified value chain consolidation as a high priority area for further research. This report aims to elaborate on the consolidation taking place within the South African food system, the goal being to understand better where current power resides within the system and how this could (and should) shift in future. These questions are directly addressed through the analysis of two key value chains; namely, maize and chicken. These two products, both foundational, interconnected but also indicative of different systems illustrate the broad state of play within the South African food value chain at present. With particular reference to recent trends, the research also provides an overview of some of the major power brokers in the South African food value chain.

What emerges from this analysis is a clear picture of fairly extreme consolidation across a number of nodes within the food system over the past 20 years.

This consolidation is particularly visible in the farming sector. Since 1996 the number of commercial farming units dropped from 60 900 to 39 900 in 2007 and could drop down to as few as 15 000 by 2025. More indicative of the real state of play, however, is that currently only 1.5% (673) of these farms are responsible for a third of total gross commercial farm income. Furthermore, over the same period the agrarian economy has shed well over 300 000 jobs.

Despite these fairly extreme figures, agricultural production remains, by far, the least consolidated section of the food value chain. Upstream of actual production, inputs such as the entire genetic stock of South Africa’s R23-billion poultry industry remains the intellectual property of five companies—none of which are South African. Maize follows broiler-chicken production as South Africa’s second-largest contributor to agricultural gross domestic product (GDP), and here power is even more concentrated: two United States-based companies and their subsidiaries hold rights over almost all of the genetic material in commercial use and just three companies supply roughly 86% of fertilizers used in production.

In the food retail sector the market share of the major retail chains has risen from below 10% in the late 1980s to around 68% in 2012. To put these figures into perspective, the sales volumes of the 1 700 South African supermarkets in operation in 2003 were roughly equivalent to 350 000 “mom and pop” or “spaza” stores: now big retailers account for more than two-thirds of all sales.

This paper argues that the process of consolidation tends to allow the most profitable elements of the food value chain to be separated from the marginal or unprofitable elements. Ownership of these profitable elements can then be concentrated in few hands, even if this concentration does not make sense from ecological or social standpoints. It argues that shedding jobs and increasing monopoly control in the name of reducing global food prices is a poor economic rationale and is fundamentally unsustainable: What society saves at the supermarket checkout desk, it invariably pays for in other, less obvious, ways.

In contrast to the somewhat alarming trends towards consolidation stands an impressive array of positive interventions being undertaken by private-sector organisations in partnership with civil society and the state in South Africa. These initiatives clearly illustrate how collective leadership and an increased focus on the challenges currently being faced have the potential to create an alternative food value chain.
Consolidated value chains and industries employ fewer people than their less centralised counterparts. For example, the agricultural sector has shed 331,000 jobs since 2001, a decline of 34%, while showing steady financial growth and becoming more “efficient” in terms of conventional economic indicators.

Consolidated value chains in emerging economies tend to distribute profit less equitably through different strata of society than highly decentralised systems do. In the context of South Africa there is clear evidence that this exacerbates already extreme levels of inequality.

While farm ownership is highly evocative and politicised phenomenon in South Africa, the irony is that this is the point in the value chain in which the lowest consolidation has taken place to date. Furthermore, it is the point in the system at which businesses have the least bargaining and negotiating power relative to their up- and downstream counterparts.

Indications suggest that along the rest of the South African food value chain, consolidation is becoming the norm. In this saturated market fewer than five major companies in each sector control the vast majority of market share in most sectors.

In these sectors the majors are now expanding either by pursuing vertical consolidation into up- and downstream industries, or are pursuing horizontal consolidation strategies in more fragmented markets elsewhere in Africa.

Leading on from the points above, once the local market reaches a certain level of consolidation, South African organisations increasingly find themselves consolidated into larger global food giants.

For many global food companies, buying into South African companies is more about securing a gateway into the rest of Sub-Saharan Africa than it is about South Africa as an investment opportunity in its own right.

Beyond global trends towards economies of scale, other factors driving this consolidation include climate change and increased weather risks, urban migration, a growing African middle class, and uncertainty arising from poorly managed attempts at land reform.

Thousands of initiatives are currently under way to help smaller players enter the food value chain. These initiatives include voluntary leadership, mentorship and other forms of support from the likes of farming associations, retail chains and NGOs. This collective and often uncoordinated grassroots counter-current to the dominant trend towards consolidation in the formal sector are likely to be a powerful transformative force in the future.

The transformational impact of these bottom-up movements could be profoundly amplified through high-level reconfiguration of the thinking behind global trade policy and antiquated economic “rules of the game”. They also open up significant room for increased positive engagement by commercial power brokers.
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Introduction

From farms to retail, consolidation along the length of the value chains that make up the food system is a global phenomenon. The findings of Paper 1 identified value chain consolidation as a high-priority area for further research. This paper aims to elaborate on the consolidation taking place within the South African food system, the goal being to understand better where current power resides within the system and how this could shift in future. These questions are directly addressed through the analysis of two key value chains; namely, maize and chicken. These two products, both foundational, interconnected but also indicative of different systems illustrate the broad state of play within the South African food value chain at present. The paper also examines how the national food system contributes to the national dynamic of power and inequality which informs so much of South Africa’s political and economic realities, and which remains a legacy of our collective past.

Nowhere does a coherent and collective vision, let alone a path forward, exist for the transformation of the current food system. The scale and complexity of the challenges dictate that a solution will require concerted action by all South Africans based on a shared understanding both of the challenges faced and the goal to be reached.

In this spirit, the reader of this paper will have to engage simultaneously with its technical and moral aspects openly and imaginatively.

This paper also aims to offer a counterweight to the dominant economic arguments in favour of consolidation, which leads to enhanced technological advancement and increased financial efficiency. When viewed from a systemic perspective, however, an equally valid counterargument emerges. This counterargument contends that the process of consolidation tends to allow the most profitable elements of the food value chain to be separated from the marginal or unprofitable elements. Ownership of these profitable elements is then concentrated in few hands, even if this concentration does not make sense either from ecological or social standpoints. As will be shown, this focus on the most profitable sectors within the food system results in the development of a systemic logic across the economy that rationalises the negative impact on local economies, in the name of cost-effectiveness at a national or international level.\(^1\)

\(^1\)The loss of jobs in the agricultural sector combined with more efficient (and thus cheaper) agricultural techniques is an example of this paradox.
Background

India and Costa Rica are just two successful examples of countries that debunk the myth that, in order to maximise agricultural productivity and national welfare, a country needs big farms, big retailers and big inputs. In fact South Africa is a prime example of a country in desperate need of the exact opposite: smaller farms supported by an appropriate regulatory and retail environment, which has the potential to deliver higher yields, more jobs and greater social welfare than monopolised food systems.

Curbing the trend of consolidating the food value chain can be achieved by supporting smaller intensive farms and increasingly localised food systems. Such an approach stands in opposition to the conventional wisdom of the international trade community which suggests that it is acceptable for emerging economies to protect their populations by providing emergency social welfare but not to attempt to tackle the root causes of the problem. The private sector more broadly stands to benefit from more resilient, stable and safe local economies, which when considered collectively constitute their complete operating environment and client base.

The dominant trend for the food system however is for the value chain to be consolidated. Over the past half century the number of farming units in the United States has dropped by two-thirds while the average farm size has tripled. Similarly in South Africa and most other parts of the world, the number of commercial farms continues to drop as farm sizes increase.

Observers in South Africa cite a decline of commercial farming units from 60 938 registered farms in 1996 to 45 818 farms in 2002 to 39 982 in 2007 (DAFF 2013a; Bernstein 2013). The head of ABSA’s agribusines unit estimates that this number could drop down to as few as 15 000 by 2025 (Radebe 2011). Even more telling is the fact that only 1.5% (673) of these farms are responsible for a third of total gross commercial farm income (Bernstein 2013).

At a provincial level, this farm consolidation means that the total number of commercial farming units in the Western Cape, for example, dropped by 7% from 7 185 farms in 2002 to 6 682 in 2007 (Stats SA 2002; Stats SA 2007). Corresponding employment figures on large farms within the province for the same period showed a 13.5% decline from 219 091 full-time and part-time employees in 2002 to 189 489 in 2007 (Stats SA 2002; Stats SA 2007). This equates roughly to 29 000 potential jobs lost in just five years.7

Elsewhere in the global food supply chain a similar trend exists. In 2005, just 10 seed corporations controlled over 50% of commercial seeds, 10 pesticide manufacturers controlled 84% of the market and just five companies controlled 75% of the world grain trade (Baker 2007 in Swilling & Annecke 2012). In South Africa the fully owned subsidiaries of just two United States-based companies account for 90% of the commercial seed market (Stoddard 2011), and 86% of the fertilizer industry is held by three companies (Louw et al. 2011).

In the last two decades, it is in the developing economy’s retail sector however that the consolidation of influence and market share has been most dramatic. Latin America (particularly Brazil) has led the way, with supermarkets’ share of retail food sales rising from an average of around 15% in the 1990’s to current levels of more than 60% in 2003 (Reardon et al. 2003). They are followed closely by other countries such as South Africa, where supermarkets’ share of food sales rose from below 10% in 1990 (Reardon et al. 2003) to around 68% in 2012 (Bernstein 2013).

To put these figures into perspective:

• Out of every 10 pesos spent on food by Mexicans, three pesos went to Walmart.
• The 1 700 South African supermarkets in operation in 2003 were roughly equivalent in sales to 350 000 “mom and pop” or “spaza” stores(Reardon et al. 2003). Now the big retailers account for more than two-thirds of all food sales.

These figures stand in stark contrast to the likes of India and Nigeria, where retail chains accounted for only 5% of market share in 2003 (Reardon et al. 2003)

Long-standing industry observers such as the National Agricultural Marketing Committee (NAMC) also highlight the deeply problematic nature of retail consolidation: “[The] situation is worsening for smaller farmers as the markets slowly consolidate in favour of privately run supermarkets...it is necessary that the government take measures to protect small farmers from the impending disaster” (Louw et al. 2006, p.50). In the eight years since this information was released in 2005, the steady process of consolidation has continued across every level of the food value chain and the NAMC has subsequently released a number of well-researched reports effectively reiterating this same warning. With the entry of Walmart into South Africa, the rapid growth of the Shoprite group into neighbouring countries and large agricultural supply mergers such as the Pannar/Hybrid merger of 2012, retail and by proxy agricultural consolidation looks set to continue.

The reality is that any system which relies on shedding jobs and increasing monopolisation in order to reduce the price tag of a shelf item is fundamentally unsustainable: What society saves at the checkout desk, it invariably pays for in other, less obvious ways. One such cost is what Andries Du Toit, the Director of the University of the Western Cape’s Institute for Poverty, Land and Agrarian Studies refers to as “jobless de-agrarianisation”. Through this term, Du Toit highlights the link between farm consolidation and rapid urban slum growth fuelled by rural in-migration and the absence of urban employment opportunities. The internationally consolidated food industry has also attracted considerable criticism for its tendency to ignore environmental costs, its heavy reliance on cheap oil for production and distribution, and tendency to drive structural inequality by concentrating massive profits into the hands of very few. All of these factors contribute to its fundamental unsustainability (Shiva 1995; Norberg-Hodge H et al. 2001; Holt-Gimenez & Patel 2009; Swilling & Annecke 2012).

For South Africa, the burning question is this: Without significant intervention, what will be the effect of this ongoing consolidation on the diets and employment prospects of its citizens?

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7While the focus of this research highlights the impact of input costs and soils on increasing farm sizes, fairly aggressive trade policies such as lower import tariffs on grains also contribute to agglomeration.
Exploring the status of value chain consolidation

Maize is South Africa’s most widely produced crop and the traditional foundation of food security among the poor. On the other hand, chicken meat has become the food of choice for South Africa’s growing middle class, and has also become the leading contributor to agricultural GDP. In the following section, these two products are used as a theoretical foundation for a broader discussion about the status and nature of food systems in South Africa.

Maize

At a national level 10 - 13 million tons of maize are produced annually resulting in a fluctuating turnover of between R13 - 24 billion (DAFF 2013b). Maize is a cornerstone crop in the diet of the average Southern African. As such, issues relating to maize act as a proxy for broader social and political topics.

Despite being a staple food forecasts suggests that by 2020, the bulk of maize grown in South Africa will be destined for animal, rather than human consumption, with the former constituting roughly 57% of total consumption (Syngenta 2013). In other words, maize will provide the foundation of the diets of the middle and upper classes just as much as it does the diets of the poor.

Effectively what this means is that regardless of where South Africans are positioned within the demographic or economic spectrum, their diets and the price of their food baskets are inextricably linked to the price of maize.

As a result, the control over pricing, distribution and access to maize is a question of high strategic significance in South Africa, both socially and politically. The potential impact of this can be seen in the legacy of the last 2007/8 food price crisis, which saw uprisings around the world including those that have revolutionised much of the Arab world (see Figure 2 - Increasing unrest in light of rising food prices).

Compounding the strategic significance of the control of certain aspects of the maize value chain (in particular the financing, handling, storage and trading of maize and other grains) are the questions and unknown risks related to climate change. With adverse weather conditions becoming an increasingly real production risk in agriculture, issues of power and control over reserves and pricing of critical commodities such as maize take on new meaning. The Rockefeller Foundation has suggested that in Southern Africa maize production could drop by as much as 30% by 2030 as a result of climate change (Fidelis 2012) and other entities such as the Agricultural Research Council have gone so far as to peg this figure closer to 60% if significant adaptation measures are not initiated (Sapa 2013).

These issues are becoming increasingly real, moving beyond the theoretical forecasts of the Intergovernmental Panel on Climate Change (IPCC) and other climate science forums and into the local food landscape in very tangible ways. For example, the national debate currently under way in the agricultural insurance space relating to the insurance of commercial farmers against crop failure: Major global re-insurers such as Munich Re Group are refusing to reinsure this type of risk on the basis that the risks of crop failure in South Africa have become too high and the future weather patterns too unpredictable to model (Otto-Mentz 2013).

The fact that hardnosed underwriters at the very base of the national food value chain are rating South African agriculture an unattractive risk proposition should serve as a stark reminder to all regarding the challenges that those whose businesses are linked to the agricultural production are facing.

This occurs via the use of higher value animal based products from livestock raised on grain.
### Table 1: Consolidation in the South African maize value chain (adapted from ACB 2013, Denoon-Stevens 2013 & Bernstein 2013)

<table>
<thead>
<tr>
<th>Node</th>
<th>Major Players</th>
<th>Market share of Major Players</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inputs - Insurance</td>
<td>ABSA, Sanlam, Mutual &amp; Federal</td>
<td>Unconfirmed</td>
</tr>
<tr>
<td>Inputs - Capital</td>
<td>ABSA, Sanlam, FNB, Std. Bank</td>
<td>Unconfirmed</td>
</tr>
<tr>
<td>Inputs - Seed</td>
<td>Monsanto, Pioneer Hi-Bred (DuPont)</td>
<td>65%</td>
</tr>
<tr>
<td>Inputs - Fertiliser</td>
<td>SASOL, Omnia, Yara</td>
<td>86%</td>
</tr>
<tr>
<td>Production (all farms)</td>
<td>10,600</td>
<td>76%</td>
</tr>
<tr>
<td>Storage (all maize)</td>
<td>Senwes, Afgri, NWK</td>
<td>74%</td>
</tr>
<tr>
<td>Trading (all maize)</td>
<td>Cargill, Louise Dreyfus</td>
<td>70%</td>
</tr>
<tr>
<td>Milling (white maize)</td>
<td>Tyger Brands, Premier Food, Pioneer Food</td>
<td>60%</td>
</tr>
<tr>
<td>Retail (all food)</td>
<td>Shoprite/Checkers, Pick n Pay, Spar, Woolworths, Massmart (Walmart)</td>
<td>68%</td>
</tr>
</tbody>
</table>

### Figure 2: Increasing unrest in light of rising food prices
(Source: Der Spiegel 2008)

<table>
<thead>
<tr>
<th>Income (R per year)</th>
<th>Numbers of farms</th>
<th>Cumulative (percentage)</th>
<th>Gross farm income (R000 per year)</th>
<th>Cumulative (percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;10 m</td>
<td>673</td>
<td>1.5</td>
<td>17,850,383</td>
<td>33.5</td>
</tr>
<tr>
<td>4 m-9,999,999</td>
<td>1,675</td>
<td>5.1</td>
<td>10,330,424</td>
<td>52.8</td>
</tr>
<tr>
<td>2 m-3,999,999</td>
<td>3,041</td>
<td>11.7</td>
<td>5,056,986</td>
<td>62.3</td>
</tr>
<tr>
<td>1 m-1,999,999</td>
<td>5,214</td>
<td>23.1</td>
<td>7,351,291</td>
<td>76.1</td>
</tr>
<tr>
<td>300,000-999,999</td>
<td>11,805</td>
<td>48.9</td>
<td>5,335,646</td>
<td>86.1</td>
</tr>
<tr>
<td>&lt; R300,000</td>
<td>23,428</td>
<td>100</td>
<td>7,404,322</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>45,818</td>
<td></td>
<td>53,329,052</td>
<td></td>
</tr>
</tbody>
</table>

Table 2: Commercial farm enterprise size and distribution of farm income, 2002. (Vink and Van Rooyen in Bernstein 2013)
For agricultural enterprises dependent on rain-fed irrigation such as maize, geographical distribution will become an increasingly essential risk-reduction strategy. Equally important is the distribution of risk between diversified crop portfolios with significantly differentiated weather risks. Both of these risk-coping mechanisms require scale and managerial oversight beyond that of any conventional standalone farming enterprise. This in turn places the focus on the trading, storage and handling segments of the maize value chain, particularly given that these are already controlled by fewer than 10 organizations (ACB 2013) (see Table 1).

The risk debate currently underway surrounding crop insurance is also likely to make it harder for farmers to access credit via the conventional channels. According to Agri SA Deputy President Theo de Jager, the flight of conventional financing from agriculture is likely to drive both horizontal and vertical consolidation in the farming sector as farmers are forced into less favourable financial arrangements with downstream industries such as processors and retailers (De Jager 2013).

While consolidation and concentration of ownership of farms in South Africa is highly emotive and politicised, it is in fact the point in the value chain at which the lowest consolidation has taken place to date (see Figure 3 & Table 1). Furthermore, businesses at the production point in the system have for whatever reason the least bargaining and negotiating power relative to their up and downstream counterparts. By contrast, the other sections of the maize value chain are highly consolidated, with the market dominated by five or fewer entities as illustrated in Table 1. This is in contrast to the chicken value chain discussed in the next section, in which high levels of production consolidation have already been realised, which could perhaps be a sign of things to come in the maize industry.

**Chicken**

South Africa rears, slaughters and processes roughly one billion broiler chickens every year—or 2.7 million broilers daily (DAFF 2011). In addition, South Africa imports the equivalent of roughly 200 million birds a year, mostly from Brazil (NAMC 2007; DAFF 2011). The broiler industry has grown rapidly in the past decade and is now the largest agricultural subsector in the economy, with an annual turnover of around R23 billion in 2010 (DAFF 2011).

Chicken meat is also a major and comparatively affordable source of vital dietary protein to all income groups. The broiler industry also contributes about 10% to the national agricultural employment figures through the provision of around 60 000 direct jobs (DAFF 2011). This makes chicken meat a highly significant factor when it comes to national food security.

**Market-share breakdown**

Of the roughly one billion birds moved through the formal sector system each year, 100% of the genetic stock is owned by five companies, two based in the European Union and three in the United States (Joubert 2013). At the very minimum, 60% of the genetic stock of the feed crops which go into raising these birds is owned by two United States-based multinationals (ACB 2013) and 86% of the fertilizer market which is essential to the production of feed crops such as soy and yellow maize is controlled by three companies, two of which are South African (Louw et al. 2011).

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4 In many parts of the country, farmers' access to credit is already under pressure owing to uncertainty surrounding the land-restitution process.

5 It is important to note here, however, that an alternative pathway exists in which farmers, particularly of other grain crops such as wheat are shifting towards lower input farm management practices which means that less upfront capital is required and lower rates of financial risk are incurred (Metelerkamp 2011).

6 This is excluding those reared for laying purposes.
The feed-milling industry is led by three organisations: Epol, Meadow and Afgri, who hold 75% of the chicken feed market (Bernstein 2013), as well as the majority of the feed markets for other major categories such as swine and beef. These same three companies also hold 71% of the chicken production sector, with a further four holding 18%; these seven companies thus account for 89% of the market. Production figures for informal and backyard production are unknown, and estimates of their contribution vary significantly.

**Commercial Broiler Producers**

![Graph showing market distribution of commercial broiler production in 2007 (NAMC, 2007)](image)

Chickens produced in the formal market, represented in Figure 4, move through about 265 abattoirs and meat-processing plants, with Chickens produced in the formal market, represented in Figure 4, move through about 265 abattoirs and meat-processing plants, with Chucky produced in the formal market, represented in Figure 4, move through about 265 abattoirs and meat-processing plants, with Chucky produced in the formal market, represented in Figure 4, move through about 265 abattoirs and meat-processing plants, with... and Afgri has full ownership in Daybreak.

**Industry trends**

Since 1968 the chicken industry has used technology to more than halve the time it takes to rear a 1.8 kg bird. During this period, the national per capita appetite for chicken has more than doubled, from 15.5 kg in 1990 to a massive 33 kg in 2010 (DAFF 2011).

Between 2005 and 2010 formal production grew by 40% from 1 to 1.4 billion kilograms per year (NAMC 2007; DAFF 2011), which meant that, unlike other agricultural sectors, broiler production has not been shedding jobs in absolute terms even though the labour intensity of broiler production has declined by about 20%. This decline is in spite of investment by both state and industry into supporting new black producers. This reduction in labour intensity has allowed South African broiler producers to remain competitive against Brazilian competitors even though tariff protection is low and the Brazilians have greater economies of scale. As a result, the price of chicken has stayed fairly even though the price of other basic commodities, which have shown... by sector of the food value chain.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Some of the major players (not listed in order of magnitude)</th>
</tr>
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<tbody>
<tr>
<td>Financial services insurance</td>
<td>ABSA, Santam, Standard Bank, Land Bank, FNB, Cargill, Louis Dreyfus</td>
</tr>
<tr>
<td>and trade</td>
<td></td>
</tr>
<tr>
<td>Chemicals, seeds and feeds</td>
<td>Sasol Chemical Industries, Yara, Omnia, Du Pont, Monsanto, Afgri, Astral, Rainbow</td>
</tr>
<tr>
<td>Production and producer</td>
<td>Agri-SA, Producer Associations, Astral, Rainbow, Illovo, Afgri, Senwes, NWK</td>
</tr>
<tr>
<td>associations</td>
<td></td>
</tr>
<tr>
<td>Handling</td>
<td>Afgri, Senwes, NWK</td>
</tr>
<tr>
<td>Processing</td>
<td>Pioneer, Premier Foods, Tiger Brands, Parmalat, Nestle SA, Clover, Unilever, AVI, SAB Miller, Illovo</td>
</tr>
<tr>
<td>Logistics</td>
<td>Bidvest, Barloworld, Imperial</td>
</tr>
<tr>
<td>Retail</td>
<td>Shoprite/Checkers, Pick n Pay, Spar, Woolworths, Massmart (Walmart)</td>
</tr>
</tbody>
</table>

In other words the relative stability of employment in the industry in South Africa has been due to the increase in demand even though this increased demand has not resulted in increased employment. The reality is that South African chicken producers are not just competing against each other; they are operating in a global framework of treaties and conventions that legitimises and enforces the competition of entire value chains across continents on the basis of extremely narrow definitions of economic efficiency. In Brazil, producers of chicken feed are cutting down virgin rain forest at breath-taking pace to achieve "cheaper" production through massive economies of scale. Lacking this option, South African producers are driving efficiency and economies of scale elsewhere. In the absence of a radical questioning of what it means to be efficient and competitive in a global marketplace to which it is bound, South Africa seems likely to continue to participate in the race to the bottom of the social and ecological barrel.

The prevailing viewpoint is summed up in the words of an NAMC Agro-Food Chains senior researcher who, when asked if the sector was consolidating or not, replied, "Yes, obviously" (Joubert 2013). Things get bigger, power and profit concentrates. That’s just the way it works.

**Overview of major players**

While horizontal consolidation of the value chain has been the most prominent feature in the public dialogue around consolidation over the past decade—in particular with regards to the consolidation of farms—a large portion of the consolidation has in fact been vertical. Large food systems enterprises with extensive foot prints across multiple nodes in the value chain are unquestionably growing strongly.

Traditional power brokers and price setters, such as the big retail chains, food processors and agri-service organisations (examples of each provided in Table 2) still feature prominently and are likely to continue to do so. However, the nature of their operations and propensity towards significant expansion into up and downstream industries is changing. Bernstein cites the transformation of the old state supported East Transvaal Cooperative into Afgri, now a JSE-listed agri-services company as a prime example of this vertical consolidation:

"AFGRI [is] one of the big three in poultry feeds and one of the big four in maize and wheat milling. It also has interests in seed and pesticide production, provides financial services to commercial farmers, and is a major player in maize trading on the South African Futures Exchange (SAFEX)" (Bernstein, 2013: 29).

Interestingly, and subsequent to Bernstein’s work, Afgri this year announced a 100% transfer of ownership to United States-controlled international investment consortium AgriGroup. Figure 5 illustrates the high level of sophistication and integration in Afgri’s business structure.

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*Epol and Meadow are subsidiaries of Rainbow Chicken and Astral Foods respectively and Afgri has full ownership in Daybreak.

The South African Poultry Association estimates 3% of national production, while the DAFF’s estimate is as high as 32%. (NAMC 2007).
Illovo is another example of this trend. Originally an iconic South African sugar producer, it expanded into other areas of the sugar value chain and listed on three other African stock exchanges. A controlling stake in Illovo was purchased by Associated British Foods in 2006 (ABF 2006).

Illovo’s history is consistent with a growing trend across the South African food value chain, in which highly consolidated operations with footprints across Africa are attracting the attention of US and European groupings. Other examples of this include the recent Walmart acquisition of Massmart in the retail space, the acquisition of South Africa’s largest locally owned seed company Pannar by global seed giant Du Pont, Parmalat’s powerful entry into the dairy space through the acquisition of Bonita, and the acquisition of Knyoch fertilisers by Norwegian based Yara.

It is widely accepted, and often advertised by the purchasing companies involved, that the acquisition of South African companies with existing continental networks represents a strategic move to secure a launch pad into the rest of Africa (Gebhardt 2013). Africa north of the Limpopo is seen by most global companies as the final food frontier, both in terms of markets for food products aimed at Africa’s emerging urban middle class and production inputs for the chemical farming revolution many anticipate for Africa in the coming decade.

South African companies commonly list access to European markets and access to capital as their reciprocal driving motivations to these mergers and/or acquisitions.

When it comes to food production, it is clear that institutions which facilitate the spreading of weather-related agricultural risks temporally and geographically will become dominant. Based on current trends the structure of these institutions is likely to take the form of large, centrally owned and managed agri-enterprises. Agricultural companies such as the Du Toit Group, Cape Orchard Company, ZZ2 and others have all opted for national expansion strategies in the past and are now increasingly shifting into economies north of the Limpopo such as Namibia, Zambia, Mozambique and Congo-Brazzaville. In so doing, these very large agricultural companies are developing internal capacity for much of what they previously had to source from the agri-services industry. Examples of this new internal capacity include input sourcing, international marketing and cold storage. Most of these producers now have marketing offices and handling facilities in their key export markets, they operate sophisticated logistics arms and are able to self-finance all of their agricultural operating costs. In this way, a small number of very large, predominantly family-owned farming enterprises are slowly taking back control of their up and downstream needs (vertical expansion) while expanding their production/farming activities into Africa (horizontal expansion). This move bucks the general trend described above, which sees large agri-businesses expanding across the food value chain, the exception however lies in the basic production or farming sector, which is where the bulk of the risk lies.

“One cool judgment is worth a thousand hasty counsels. The thing to do is to supply light and not heat.” – Woodrow Wilson

The South African Competition Commission and its affiliated bodies have undergone a significant overhaul in the past 15 years and are currently ranked among the top 10 competition regulation authorities in the world by the World Economic Forum (The Competition Commission 2013). Over the past decade the Commission has taken an increasingly tough stance on the food value chain, with sustained and specialised investigations into consolidation in the South Africa’s food supply chain (Competition Comission 2012). A detailed list of rulings from 2005 to 2013 can be found in Appendix A.

The Commission’s investigations have sent shockwaves through the country with a succession of record penalties being imposed on iconic brands, state-owned enterprises and producers of staple food (see Table 3 and Appendix A). In doing so, the Commission has played an important role on three counts:

- It has brought the issue of anti-competitive behaviour and corporate accountability firmly into the public arena and national agenda.

AABF Plc is a diversified UK based food company which is now the world’s second biggest sugar producer and also biggest global food companies.

*The land reform process per se is not included here as no clear vision for this process really exists and at the present the dominant emerging ideology of the land reform process seems to be to create a new class of emerging black commercial farmers which in the long run will do nothing to affect the economic consolidation in the sector, simply the skin colour of those in power.
It has raised the industry’s consciousness and to some extent challenged the ethical foundations of what has effectively become normative behaviour in highly consolidated industries. While there are some who feel that the Competition Commission is “taking things too far”, the Commission is the only real regulator in this industry and so is able to challenge deeply ingrained organisational cultures that do not ultimately have the best interests of the broader South African public at heart.

It has used significant punitive action to the benefit of the wider value chain, by not only forcing restructuring, as was the case with the Sasol fertilisers case, but also via the reinvestment of hefty fines back into the promotion of greater competitiveness. Furthermore, the Commission has acted to pre-empt the emergence of anti-competitive behaviour and limit value chain consolidation via intervention into a number of proposed mergers and acquisitions in the food value chain. One such example was its denial of acquisition of the fresh foods retail chain Fruit and Veg city, by Pick n Pay, which the Commission deemed to be a direct and important competitor.

Multi-stakeholder partnerships aimed at developing small-scale food-production capacity

It is relatively easy to track the production and revenue figures of large companies in the formal business sector, and correspondingly hard to obtain the same information for micro- enterprises in the informal sector. As a result, research and statistics are likely to be biased towards the formal sector, and thus reducing the accuracy of the picture painted of the whole industry.

An example of this problem is the uncertainty in estimating poultry production noted above, with estimates of the production of chicken by the informal sector varying widely, from 3% of national production to 32% (NAMC 2007).

Consequently, it is hard to quantify the impact of efforts to help small-scale farmers compete with commercial farming.

What is clear however is that there are a large number of very diverse interventions and initiatives under way that seek either to help emerging micro enterprises break into the formal space, or to grow and develop parallel “informal” value chains (Southern Africa Food Lab & PLAAS 2013; Okunlola et al., no date). Reflecting on efforts to support emerging black farmers in the red-meat industry, Adetola Okunlola from the University of the Western Cape (UWC) concluded that:

“The push for smallholders to enter formal commercial value chains may be a misplaced strategy… Complex informal markets exist in all rural parts of South Africa, and strengthening these informal networks (rather than buying into formal networks) could be a strategy adopted all over… however, it is key that [smallholders] are supported into producing for their local markets instead of the traditional, more familiar, auction system” (Okunlola et al., no date).

Based on the same recent national study by UWC, which examined cooperation between players in the formal food value chain and the informal sector, found 237 cases of partnerships representing tens of thousands of smallholder producers across all provinces (Okunlola et al. 2013a). Initial research findings suggest that although partnerships with farmers’ associations were the most numerous, retail partnerships incorporate the greatest number of small producers in total due to the ability of a single retailer to deal with large groups of small producers (Okunlola et al 2013b).

The role and possible growth of micro-enterprises in the informal sector is not limited to agriculture. There is also currently research under way into micro-retailers and “spaza” shops in low-income urban areas, which could suggest that the relationship between informal outlets and larger retail chains moving into the area is both symbiotic and competitive.

Lessons from the maize and chicken value chains

- Indications suggest that most of the South African food value chain is highly consolidated. For many global companies, South Africa is now seen as a launch pad for a similar consolidation process in the rest of Sub-Saharan Africa where markets remain fragmented and localised.

- Much of the food value chain in South Africa could best be described as a “competition between the giants”, with a few major players dominating each sector and competing hard against each other. The supermarket and broiler chicken industries can be seen as examples of this trend. In these sectors the majors are now expanding by either pursuing vertical consolidation into up and downstream industries (for example, Astral Chicken and Meadow Feeds) or are pursuing consolidation strategies in more fragmented markets elsewhere in Africa (Tiger Brands, Shopright, Afgri). This cycle is represented in Figure 6.

<table>
<thead>
<tr>
<th>Activity / commodity</th>
<th>Companies investigated</th>
<th>Reason</th>
<th>Date of decision</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fertilizers</td>
<td>Sasol, Omnia, Yara</td>
<td>Cartel conduct in the supply of nitrogenous fertiliser</td>
<td>May 2009</td>
<td>Sasol fined R250 million</td>
</tr>
<tr>
<td>Bakers (bread)</td>
<td>Tiger, Premier, Foodcorp, Pioneer</td>
<td>Cartel conduct, price fixing</td>
<td>November 2007</td>
<td>Tiger fined R98 million</td>
</tr>
<tr>
<td>Grain milling, bread, poultry and eggs</td>
<td>Pioneer</td>
<td>Several cases of anti-competitive behaviour</td>
<td>November 2010</td>
<td>Pioneer to pay additional R500 million</td>
</tr>
<tr>
<td>Milk</td>
<td>Clover, Nestlé, Parmalat and other</td>
<td>Price fixing and other practices</td>
<td>April 2011</td>
<td>Case withdrawn</td>
</tr>
<tr>
<td>Grain storage</td>
<td>AFGRI and others</td>
<td>Fixing storage tariffs</td>
<td>June 2011</td>
<td>Settlement reached</td>
</tr>
<tr>
<td>Seeds</td>
<td>Pioneer Hi-Bred (Dow Chemicals) and Pannar</td>
<td>Anti-competitive effect of proposed merger</td>
<td>December 2010</td>
<td>Merger refused</td>
</tr>
<tr>
<td>Retail distribution</td>
<td>Walmart and Massmart</td>
<td>Anti-competitive effect of purchase of majority stake in Massmart by Walmart</td>
<td>March 2012</td>
<td>Walmart takeover approved</td>
</tr>
</tbody>
</table>


1 Following a ruling by the Supreme Court of Appeal.
2 With administrative penalties.
3 $500 million as an administrative penalty, and $250 million to create an ‘Agro-processing Competitiveness Fund’, to be administered by the Industrial Development Corporation (IDC).

Table 4: Selection of Competition Commission rulings by value chain segment (Bernstein 2013: 16)
Skills, organisational culture and various capitals act as feedback loops, initiating consolidation in a new stream within the food system.

<table>
<thead>
<tr>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
<th>Phase 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local horizontal growth</td>
<td>National horizontal growth with some vertical growth</td>
<td>Significant vertical consolidation on home territory combined with horizontal expansion of core business into other parts of Africa</td>
<td>Acquired by international giant or Global Expansion</td>
</tr>
<tr>
<td>Divestment of certain non-core operations</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Skills, organisational culture and various capitals carried forward into other African food systems

Skills, organisational culture and various capitals act as feedback loops, initiating consolidation in a new stream within the food system.

- Once a certain level of saturation and scale is reached in the local market, South African organisations tend to be bought out by far larger global giants. These internationally integrated entities then use their increased access to investment capital to increase their market share over competitors in South Africa and/or use South Africa as a platform to open up new African food markets.
- The entrance and increasing dominance of international investors (particularly large European and North American-led companies and consortiums) into South and Southern Africa also needs to be seen, at the macro level, as a geopolitical shift in the balance of economic power and beneficiation within the regional food system. Genetic stock (seed and livestock), agro-chemicals, processing and retail all fall under this banner. Because these major instances of consolidation affect so many people across such wide areas, they are unquestionably as important to the people of the African continent as the widely publicised foreign “land grabs” if not more so.
- In the agriculture sector, the number of medium-sized white-owned commercial farms is dropping rapidly. This trend has tended to focus on attention on an apparent consolidation in agriculture, whereas in fact agriculture ironically remains the most competitive area of the total food chain, which profits the most widely distributed among South African citizens.
- It seems clear that significant power distortions have built up within the system, most notably in the processing, input supply and retail sectors.
- Some factors driving the consolidation of the food chain include climate change and increased weather risks, urban migration, a growing African middle class, and uncertainty arising from poorly managed attempts at land reform.
- At a more fundamental level, acceptance of the financial logic of liberalised markets plays a huge role in ensuring continued consolidation of the food value chain in Southern Africa.

Impact: How does consolidation of the food value chain affect society and business in the region?

Consolidated value chains and industries employ fewer people than fragmented industries. For example, the agricultural sector has shed 331,000 jobs since 2001, a decline of 34% from 969,000 (SAIRR 2013). This is despite the real gross income of the agricultural sector growing by a solid 60-70% over the same period (BFAP 2013).

The implicit assumption surrounding value chain consolidation is that it concentrates power and profit, thereby further exacerbating social and economic inequality (Wilkinson & Pickett 2009). South Africa is already one of the most socially and economically unequal countries in the world (Wilkinson & Pickett 2009), which strongly suggests that, as with increasing unemployment, the exacerbation of inequality in South Africa is something which the national psyche can ill afford. With crime rates, political stability, national economic policy and a range of other economic dynamics all linked to inequality, consolidation therefore represents a long-term threat to the national economy beyond the short-term competitive advantages it might provide. However, it needs to be noted that while in most cases this assumption around the consolidation of benefit seems to hold true, this research does suggest that it’s not just wealthy investors, highly skilled workers and food industry CEO’s that benefit from control over the food system. In many cases reality is far less black and white, as even seemingly distant actors such as public sector pensioners (via the Public Investment Corporation and Industrial Development Corporation) are also prominent shareholders in food giants such as Tiger Brands and Sasol Chemical Industries.

Increased consolidation in the agricultural sector and beyond has obvious negative implications for the long-term viability of state led plans for more equitable land ownership and beneficiation as it makes the climate for small to medium-sized producers increasingly hostile (Crosby 2013). This jeopardises land reform targets which could have negative long term socio-political implications (Crosby 2013).

Running bigger farms necessitates specialisation and the production of fewer crop types. The large volumes of single crops produced through this approach can result in a commodities-based approach that favours products that can be stored, distributed and manufactured at industrial scales (Metelerkamp 2013). Such products are typically sugars, grains and oils, high in energy and low in nutrition - so-called empty carbohydrates. The scale on which these high-energy, low-nutrition foodstuffs can be produced makes them cheap relative to more nutritious options. These cheap, empty carbohydrates lead to macro-level obesity and simultaneous malnourishment (Joubert, 2012), resulting in unhealthy people who place an increased burden on the public health system. The associated health costs are borne by both the public and private sectors, further reducing money for productive purposes, ultimately reducing economic efficiency (see Paper 1 from this series).
Alternatives: What role can the private sector play in pioneering solutions?

Reversing the consolidation of power and profit

Standing in contrast (or perhaps in response) to this bleak outlook are a small but growing number of business- and community-led initiatives and partnerships that seek to provide alternative growth paths and/or mitigate the impacts of a rapidly consolidating food system. These include the likes of global Fair Trade initiatives, retailers such as Spar with alternative procurement policies, smallholder procurement programs and a return to localised value in niche sectors of the economy. Big farming operations such as ZZ2 are expressing an increasing interest in future-proofing their operations from upstream price squeezes by decoupling their operations from chemical inputs completely. They are attempting, to some extent, to address issues of structural economic imbalances with the development of small-scale producers as a focus point (Southern Africa Food Lab & PLAAS 2013).

In Costa Rica, as well as in other Latin American countries such as Peru and Bolivia, vibrant local markets backed by the state and active local entrepreneurs, give local producers direct and regulated access to their target markets, a system that is benefiting producers, consumers and state coffers alike. Such initiatives promote real competition while helping to ensure that the profits from local food systems are shared widely amongst the community (Metelerkamp 2012b; Metelerkamp 2012a).

It is important to note that these are not crowded, unhygienic informal stalls stocked with wilting greens and over-ripe tomatoes. With between 20 and 200 registered retailers operating under a single roof, competition for customers is high. Traders know that anyone touting sub-standard produce without adjusting the price accordingly is quickly left by the wayside. Unlike large retail chains such as Shoprite, which excel in their ability to create captive markets and the illusion of low prices (Naidoo 2011), localised fresh produce markets offer consumers almost instantaneous price and quality comparison. Yet, because the families responsible for producing the goods are also the ones negotiating with customers, the farming community is also safeguarded against unreasonable exploitation by intermediaries.

Furthermore, what local markets at times lack in terms of scale-driven price competitiveness, they make up for in other ways. For example, these inexpensive facilities only operate for the five to 10 hours a week that local communities need to stock up on their basic needs; for the rest of the week these venues are available to fulfill other public needs. It is therefore unsurprising that, in the Costa Rica case, local markets tend to deliver fresh farm produce in greater abundance and at equal price to local Walmart brands (Metelerkamp 2012a).

Despite their flaws, it’s clear that international markets and retail chains still have a role to play in our globalised food system. Coffee and beef are major export earners for Costa Rica and most farmers in that country will produce at least one or the other to sell on the international market as part of their income stream. South Africa is not, and should not be, an exception to this fact.

What local town markets demonstrate however is that with state support in infrastructure and regulation, it is possible to establish parallel systems through which players in regional food systems may choose to bypass monopolistic value chain structures. The key difference is that localised value chains also excel at decentralising power and profit; these systems are able to facilitate a wider and more equitable distribution of power and profit among the citizens of these countries. Nobody is getting as rich as the owners of big farms and retail chains in South Africa, but far more people are able to secure decent jobs and livelihoods from the food value chain. To a lesser extent, rethinking procurement and logistics strategies allow large organisations of all kinds to pursue similar goals, as is shown in Table 4. These encourage and even mandate that a certain percentage of stock carried is sourced from local producers on a store-by-store basis.

<table>
<thead>
<tr>
<th>What</th>
<th>Who</th>
<th>How</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avoid structural investments and strategies that make consolidation a pre-requisite for their competitive advantage</td>
<td>Spar</td>
<td>Spar has largely opted for decentralised procurement strategies which allow individual shop owners to enter into more flexible contracts with local suppliers in smaller volumes than required by nationally centralised distribution centres</td>
</tr>
<tr>
<td>Formulate business cases and models around the shift away from up and down stream reliance on consolidated supply chains</td>
<td>Spier Hotel &amp; Farm</td>
<td>Spier has supported and explored local value chains for selling certain farm products and sourcing hotel food where possible. It has also diversified into biologically complementary crop portfolios and supported emerging farmers</td>
</tr>
<tr>
<td>Support preferential procurement contracts from unconsolidated suppliers</td>
<td>Anglo-Platinum</td>
<td>Small producers are awarded procurement contracts to supply mining catering needs, such as a poultry farmer who has been awarded a contract to supply 5000 eggs per day</td>
</tr>
<tr>
<td>Supporting research, development and promotion of financially unattractive but socio-ecologically positive technologies such as low-external input pest control and open source genetic material</td>
<td>ZZ2 Farming</td>
<td>Developing knowledge and expertise around natural alternatives to chemical agricultural inputs and being willing to share this knowledge and experience with others</td>
</tr>
</tbody>
</table>

Table 5: Some examples of intervention options for different business types.
The rise of alternative service modules, social entrepreneurship and the business models of the future

In South Africa, it seems as though the social contract between business, state and society is being rewired. Driven by a complex mix of political volatility, enlightened self-interest, social pressure, state ineptitude, mistrust in the private sector and socio-ecological crisis, a wide range of hybrid institutions and solutions are emerging. These emerging institutional arrangements bring into question traditional boundaries between state, business and non-profit sectors.

Large service organisations operating in the South African food systems space such as Lima Rural Development and Technoserve are two such examples of this emerging type of institution. Both have arisen to fill the rifts created by the legacies of apartheid, the collapse of the state’s agricultural extension services, the rapid market liberalisation of South Africa’s value chain and predatory market behaviour.

Unlike the “typical non-governmental organisation, Lima and Technoserve are well-resourced and operate at a national level. Beneficiaries of both state and private sector funding, they provide agricultural and business support to small-scale and emerging farmers on behalf of a range of funders. They effectively operate as private sector consultants and/or extension officers in contractual arrangements where the direct beneficiaries are in many ways separate and apart from the clients or funders (Okunlola et al, no date).

A case in point of this was the condition attached by the Competition Commission to Walmart’s takeover of Massmart: This condition stipulated that R40 million be invested by the company in the integration of small-scale suppliers into Massmart’s supply chain. With neither the interest nor expertise to fulfil this condition, Massmart contracted Technoserve and others (Okunlola et al, no date) to do this. Similarly, Lima works with (among others) large mining houses seeking to provide developmental support to underserviced rural people in the provinces in which they operate as a means of maintaining their “social license” to operate. Lima, boasts a farmer support programme that covers over 12,000 farmers with a collective turnover of over R400 million a year (Lima 2013).

Conclusion

The findings of this paper suggest a clear trend towards a more consolidated food value chain at a national level, and that the high levels of consolidation in the South African value chain are beginning to catalyse similar shifts in other African economies. These findings were supported by the views of sector-specific policy advisors, value chain analysts, academics and CEOs who were interviewed through the course of the research. Of the industry leaders surveyed, most seemed to view the consolidation of the food value chain as something of a natural default setting to which all systems revert, despite there being some negative consequences.

In the words of the CEO of a large agri-business company: “I don’t like the term rapid consolidation. I prefer the term natural consolidation.”

From a systematic perspective this paper asserts that the Social Darwinian logic and blinkered financial rationale which support this line of thought need to be questioned fundamentally. In South Africa, if nowhere else, the current trend of consolidation will logically lead to a consolidation of profit and power at odds with the country’s long-term aspirations for national prosperity and social justice. In other words, highly consolidated food value chains are not socially sustainable in South Africa.

It is imperative that the South African food system explore alternative paths to consolidation in order to ensure long term sustainability within the sector.

Large food companies and institutions have extremely valuable skills and knowledge which have helped develop the national food system. So, while this paper has to some extent taken a critical perspective on these institutions, the intention is certainly not to suggest that they should be replaced. Rather, it is our intention to challenge them, and all other players in the food value chain, to come up with new models of growth and development which actively drive job creation and promote more equitable profit sharing within the sector.

In raising this challenge, we also acknowledge the success of a handful of countries and companies which are reaping the benefits of comparatively fragmented food value chains. They have managed to maintain these in the face of aggressive international trade policies and the economic pressure of growing economies of scale elsewhere. With levels of consolidation already high, South Africa’s challenge includes the development of alternative value chains that involve a greater number of players whilst effectively integrating them into the status quo to enhance its long term sustainability. This is likely to be achieved through the management of existing food system towards a planned trajectory instead of awaiting the natural evolution which is most likely to lead to consolidation. On the positive side, a good start has been made—there are already numerous examples of voluntary leadership, support and innovation in South Africa’s food value chains. If developed and supported, these existing counter-currents to economic consolidation could be a powerful, positive force with which to transform South Africa’s future.
<table>
<thead>
<tr>
<th>Year</th>
<th>Companies involved</th>
<th>Offending action</th>
<th>Ruling</th>
<th>Penalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>Pioneer Foods and Tiger Food Brands</td>
<td>This is a cartel case against Pioneer Foods (trading as Sacco and Duens Bakeries) and Tiger Food Brands</td>
<td>Pioneer and Foodcorp colluded to fix bread prices</td>
<td>R500 million fine and agreement to reduce bread and flour prices</td>
</tr>
<tr>
<td>2006</td>
<td>Clover, Parmaait, Nestle SA and others</td>
<td>Exchanging price information, agreeing on pricing between competitors and fixing milk prices by maintaining favourable levels of milk supply by removing surplus milk from the chain and obstructing suppliers from selling surplus milk to competitors</td>
<td>The Appeal Court overruled the Commission’s findings based on procedural technicality</td>
<td>Case was withdrawn in 2011.</td>
</tr>
<tr>
<td>2007</td>
<td>Senwes</td>
<td>The company acted in an exclusionary way by engaging in prohibited price discrimination.</td>
<td>Guilty of contravening sections 8 &amp; 9 of the Competition Act</td>
<td>Multiple operating clauses imposed and maximum fine imposed</td>
</tr>
<tr>
<td>2007</td>
<td>Pick ’n Pay and, Fruit and Veg City</td>
<td>Attempted merger which would substantially prevent or lessen competition in the market for fresh food</td>
<td>The Commission has concluded that the proposed acquisition is likely to substantially prevent or lessen competition in the market for fresh food</td>
<td>Merger was denied</td>
</tr>
<tr>
<td>2008</td>
<td>Astral Operations and Elite Breeding Firms</td>
<td>Astral intentionally engaged in price fixing and the abuse of market dominance to exclude competitors</td>
<td>Astral Operations and Elite Breeding Firms were in contravention of the Act.</td>
<td>R16.7 million fine paid by County Fair (a division of Astral)</td>
</tr>
<tr>
<td>2010</td>
<td>Fertiliser Association of South Africa and other fertiliser companies</td>
<td>The companies were involved in retail price maintenance, price fixing and market allocation in the agricultural lime market</td>
<td>The commission has a warrant and is conducting searches</td>
<td>None to date</td>
</tr>
<tr>
<td>2010</td>
<td>Sasol</td>
<td>The commission concluded that SASOL, Omnia and Kynoch/Yara agreed to fix the price of ammonia based fertilizers. The second aspect of the case is related to SASOL’s alleged abuse of its market dominance.</td>
<td>Sasol had engaged in price discrimination to the detriment of Profert (a fertilizer company) and had excluded Profert in other ways, such as refusal to supply Profert</td>
<td>Sasol was fined R250 million and ordered among other things to divest fertiliser-blending facilities</td>
</tr>
<tr>
<td>2010</td>
<td>Grain South Africa</td>
<td>Applied for exemption from the provisions of section 4 of the Competition Act</td>
<td>The Commission believes the application will keep domestic prices of maize meal and inputs artificially high</td>
<td>Application denied</td>
</tr>
<tr>
<td>2010</td>
<td>Pioneer Hi-Bred International, a US-based multinational seed producer controlled by DuPont, and the locally based seed company, Pannar Seed.</td>
<td>Involved a proposed merger between Pioneer Hi-Bred International and Pannar Seed.</td>
<td>The Commission found that the merger would substantially prevent or lessen competition in the maize seed market in South Africa. Merger was denied, but then appealed</td>
<td>Merger granted</td>
</tr>
<tr>
<td>2010</td>
<td>Pioneer Foods, Premier Foods, Tiger Brands and others</td>
<td>The wheat-milling cartel agreed on price increases and the timing of such increases. This was facilitated through meetings and telephone calls between representatives of these firms</td>
<td>The Tribunal found these companies guilty of price fixing,</td>
<td>Fine of 10% of 2009 turnover, except Premier Foods and Tiger Brands who were granted conditional immunity</td>
</tr>
<tr>
<td>2011</td>
<td>Afgri, Kaap Agri, Suides and others</td>
<td>Fixing the daily grain storage tariff for South African Futures Market (SAFEX) and for the physical grain storage market</td>
<td>Admitted guilt</td>
<td>Total of R21 million in fines paid</td>
</tr>
<tr>
<td>2011</td>
<td>Pick ’n Pay, Shoprite/Checkers, Woolworths and Spar as well as wholesale retailers, Massmart and Metcash</td>
<td>Exclusive lease agreements; information exchange; category management and concentration of buyer power</td>
<td>The investigation revealed that there was insufficient evidence to show contraventions in terms of the Competition Act pertaining to abuse of buyer power; category management and information exchange.</td>
<td>None to date</td>
</tr>
<tr>
<td>2011</td>
<td>Walmart &amp; Massmart</td>
<td>Walmart’s acquisition of a controlling stake in Massmart. Concerns relate to Walmarts record on labour rights and the effect of its procurement practices on local manufacturers and suppliers</td>
<td>The Commission found that the merger does not raise sufficient concerns about competitiveness</td>
<td>Action approved subject to suspensive conditions</td>
</tr>
<tr>
<td>2012</td>
<td>Oceana</td>
<td>Oceana will, through its subsidiary Commercial Cold Storage Group (acquire V&amp;A Cold Store</td>
<td>Merger approved but concerns raised Oceana would now be able to deny access to cold storage</td>
<td>Approved with conditions</td>
</tr>
<tr>
<td>2012</td>
<td>Oceana</td>
<td>Alleged price fixing and market allocation contraventions within the pelagic fish industry</td>
<td>Oceana was found guilty of price fixing and market allocation contraventions.</td>
<td>Oceana has agreed to pay a penalty of R34.7 million</td>
</tr>
<tr>
<td>2013</td>
<td>Nestle &amp; Pfizer</td>
<td>Nestle sought to buy out Pfizer’s infant nutrition interests in South Africa</td>
<td>Commission concluded that Pfizer is not a significant competitor in the region</td>
<td>Action approved subject to conditions</td>
</tr>
</tbody>
</table>
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The Sustainability Institute is an international living and learning centre which provides a tangible space for people to explore an approach to creating a more equitable society that sustains rather than destroys the eco-system within which society is embedded.

The Sustainability Institute's business unit was formed in 2011 to offer clients access to sustainability expertise shaped by the insights of the Masters programme and the latest research conducted by its PhD students and associates in partnership with the University of Stellenbosch. Projects are managed by a core group assisted by individuals and institutions within the SI's network, offering expertise across a range of sustainability-related areas.

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