South Africa as regional bully boy

African farmers protest

South African retail multinationals are destroying the livelihoods of local communities in the Southern African region. **Darlene Miller** unpacks how this happens and questions the sincerity of Thabo Mbeki and the South African government's commitment to the African Renaissance.

In 1998, the University of Zambia sent students from the department of philosophy and applied business ethics to conduct research in Chipata, a rural town near the borders of Malawi and Mozambique in Zambia's Eastern Province. Their aim was to investigate poverty among the villagers.

When the students interviewed farmers in the area, they heard bitter complaints about the new supermarket, Shoprite, which had set up shop in their local town. Vegetables that they had regularly sold at the town market were now supplied by the South African retailer.

The agricultural extension officer agreed that Shoprite was "stealing the market" for the farmers' produce. Everything came from South Africa, including fruit such as bananas, which were grown locally.

The farmers threatened to burn down Shoprite accusing it of robbing them of their livelihoods. Like other disgruntled peasant communities, their solution to a political problem was to target the perceived intruder and its property.

When the company heard of the

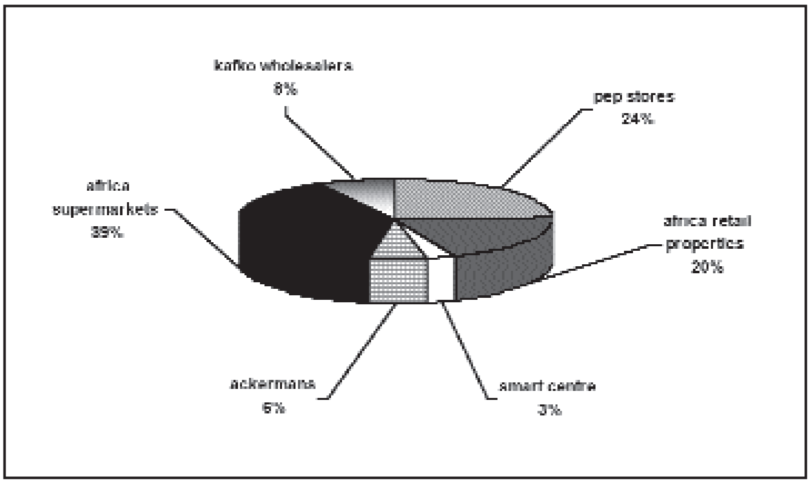
threats, it joined a partnership forum with the farmers. The arson threats subsided, and an agreement was reached that the farmers would supply Shoprite with a range of vegetables. But that was not the end of the story.

Table 1: Total amount of South African retail investment in Zambia for 1998 to 2003

SA RETAIL INVESTMENT	Amount (Rands)	Employment (No. of Jobs)
Pep Stores	4 714 470	12
Africa Retail Properties	3 836 490	0
Smart Centre	575 000	14
Ackermans	1 200 000	30
Africa Supermarkets (Shoprite)	7 600 000	1111
Kafko Wholesalers	1 607 420	208
TOTAL	**119 533 3801375**	

Source: Zambian Investment Centre, Lusaka, Zambia.

Figure 1: Retail percentage per store 1993-2005



Source: Zambian Investment Centre, Lusaka, Zambia

SA RETAIL PUSHES INTO AFRICA

When South Africa held its first democratic elections, expectations rose across southern Africa. It was hoped that under a black-led government, the most industrialised and the largest economy in the 15-nation region, with by far its largest gross domestic product, would usher in a new era. The African National Congress would surely not forget its regional political allies, including Zimbabwe, Zambia and Mozambique.

A sense of political indebtedness did seem embodied in the programmes of South Africa's second presidency: the New Partnership for African Development (Nepad) and President Thabo Mbeki's proclamation of an African Renaissance. The clarion call was that Africa's time had come, and that South Africa would lead an economic resurgence.

What was not foreseen was that South Africa's private sector would lead the way into Africa. Benefiting from the new freedom that the 1990s brought to capital, world-wide and in the region, companies needed fresh sites for investment as they faced "over-accumulation" at home. Southern Africa provided cheap labour and new markets and these held out the prospect of handsome profits. Elsewhere in Southern Africa, post-nationalist governments facing the problems of stagnant, over-protected economies were embracing foreign investment. South African capital pushed outwards and northwards, and African economies opened their borders.

One of the most dynamic sectors in this outward push has been retail. In Zambia, South African companies quickly gobbled up existing retailers and made new investments. They include Shoprite (trading as Africa Supermarkets) Ackermans, Smart Centre and Kafko, with the biggest investments by Africa Supermarkets, Pep Stores and Africa Retail Properties (Table 1). Shoprite is the largest South African retailer in Zambia, commanding 39% of the retail market, according to the Zambia Investment Centre's statistics (Figure 1).

MOST AFRICAN GOODS FROM SA

Chipata lies 523 kms east of Lusaka. Its cooperative, named after the village of Luangeni, embraces 500 villagers, including children, and it runs a number of clinics. The town came into existence because of agriculture. Local conditions suit the cultivation of tobacco, cotton, cashew nuts, groundnuts, fruit and vegetables, which are produced and sold seasonally. Farmers, especially women, go to market daily by bicycle or in hired vans. The tobacco is exported to the Lulungushi ginnery in Malawi, which benefits by reselling the product.

Shoprite's stated policy is to establish and support local supply. In an interview last year, its South African general manager in Zambia argued that the company had an interest in developing local suppliers. If savings declined and the economy shrank, he said, Shoprite would have to leave, as its consumer market would weaken. The country's economic sustainability was thus critical for the company's survival. This could be enhanced if South Africa stopped protecting its own markets from Zambian products.

Shoprite's argument is that sourcing from local producers improves Shoprite's ability to meet local demand, stimulates the local economy, and reduces transport, tariff and exchange-related costs, and therefore reduces prices.

But the company's regional distribution system is highly centralised. Shoprite recently built a new distribution centre, the largest to date, in Centurion, near Pretoria, with the express purpose of expanding Shoprite's African operations. Orders to suppliers pass through an intranet company facility, installed in April 1999 to facilitate centralised buying and distribution. This in-house communications system links all stores in the region.

The result is that most goods sold elsewhere in Africa come from South Africa. In Zambia, it was estimated in 2001 that about 65% of retail commodities are South African, with some perishables coming from Zimbabwe.

FARMER/SHOPRITE PARTNERSHIP

The Luangeni Community Partnership Project was launched on 31 December 2003, with a steering committee comprising farmers from the Luangeni Cooperative and representatives of the local government department and NGOs.

The executive committee of the Luangeni cooperative explained that the University of Zambia students had first floated the idea of a partnership between farmers and the company. It said that in 2000/2001, the students had carried out a door-to-door survey, asking community members what they wanted in regard to farming and gardening. Said one cooperative leader: "They (the students) sat down with them to draw up a plan and how they would organise training. They asked where they would sell vegetables if they produced them. Dr Yambayamba found a market for them at Shoprite."

The Community Partnership Project proposed that the Ministry of Agriculture should help with technology, production recommendations and technical know-how. Further they proposed that farmers and Shoprite management should jointly identify the vegetables for supply to the supermarket and that the community should receive production training.

The idea was for the company to help poor, illiterate farmers grow quality products and to provide them with a market. Villagers were given access to a venue next to the store to market fresh produce on Fridays and Saturdays. Initially, of the 150 different fruit and vegetables sold by Shoprite, the company asked for cabbages, green beans, onions, tomatoes and lettuce. Those involved in the scheme held a workshop and the issue of quality was discussed. Shoprite emphasised that it wanted fresh vegetables of a high standard. If producers did not meet its requirements, it would return the produce.

SCHEME FAILS

The scheme failed to meet farmers' expectations. Much of their produce was rejected even after further training. Shoprite returned items and the villagers complained that they had no other outlet for them. Said one grower: "We shall get our produce back at the end of the day and where shall we take them? Even in the buying of cabbage, only 50 heads were bought."

The farmers said they could not compete with Shoprite's superior distribution system. Income from the sale of vegetables started to dry up and farmers complained that they were unable to pay hospital or school fees, or buy necessities like clothing. They saw Shoprite's insistence on returning "poor quality vegetables" as bad faith.

Pricing was also an issue. The prices that the farmers asked for the vegetables that they sold at the venue set aside for them, were higher than those inside the store itself. As a result, very few customers bought from them. In addition, there was no formal launch of the sales venue. Once again, the farmers could see no other solution than to get rid of the supermarket that was taking resources away from them.

Both the Zambian and South African managers in Zambia argued that local suppliers were not meeting the company's quality and reliability standards. The farmers' packaging of their produce was not durable enough and Shoprite felt this was a particular problem. The store could not compromise with perishable goods like foodstuffs. The general manager believed Shoprite's better class of customer appreciated the company's superior packaging.

Management argued that the farmers were also ill-suited to Shoprite's inventory systems, and that business communication was a problem for the partnership. Farmers needed political representatives who could liaise with management in ironing out problems. The managers insisted that they had continued to train villagers by explaining the company's requirements to them. They suggested that a relationship between Freshmark, Shoprite's South African regional fruit and vegetable supplier, and local farmers might help.

Shoprite also cited raw materials as a challenge for local suppliers. For example, farmers needed to use the right insecticides to meet the store's high standards. They should also produce all year round. Shoprite felt that the farmers appeared to have difficulty in accepting that the store must be supplied on a continuous basis. The villagers countered that they could not predict their output because of the many farming hazards they faced.

AND WHAT OF THE AFRICAN RENAISSANCE?

Shoprite management participated in the partnership forum, but as soon as farmers encountered difficulties, it put forward "modern" considerations of quality and efficiency. For Shoprite, commercial imperatives were more important than the politics of cooperation and local development.

An African Renaissance however cannot be based on the marginalisation of African producers. When economic growth retards local development and deprives communities of services