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Inkwazi Office Park  
Block A  
1249 Embankment Road  
Zwartkop X7

Privaatsak X180  
CENTURION 0046  
☎ +27+12 643 3400  
📠 +27+12 663 3178  
✉ agrisa@agrisa.co.za

Head of the Inquiry Technical Team  
Market Inquiry into the Grocery Retail Sector  
Private Bag X23  
Lynwood Ridge  
Pretoria  
0040  
Attention: MS Louise Du Plessis

e-mail: [Retail@compcom.co.za](mailto:Retail@compcom.co.za)

Sir/me

## GROCERY RETAIL SECTOR MARKET INQUIRY

Agri SA noted and welcomes the intended investigation into the Grocery Retail Market to determine the extent of restricted competition, if present, in this section of the grocery value chain. Agri SA obviously has a direct interest in food related matters that may arise in this regard. The informal sector is an integral part of the retail sector with respect to a number of food products and the focus of the study on this section of retail, from our perspective, thus makes a lot of sense. Whether clear evidence of horizontal, vertical integration or abuse of dominance, given the general focus of the study as envisaged, will be forthcoming is debatable and may lead to difficulties devising remedies to be recommended to the Minister of Economic Development. It may therefore be necessary to recommend supply side measures with a view to creating or enhancing businesses included in the focus area of the study.

Agri SA also took note of the possibility to assess the general state of competition in the grocery retail sector and also the willingness to take additional dimensions on board in addition to the stated objectives of the study contained in the particular press released by professor Cheadle on 17 May 2016.

The price formation process in the food chain has been the subject of an ongoing debate for a number of years and is still riddled with suspicion and misgivings especially from the perspective of primary producers. This is especially prevalent in sectors like the dairy and horticultural industries where questions are often posed about margins throughout the value chain and limited competition on retail level given the dominance of a few retail groups. In addition to pricing concerns there also appears to exist off-take conditions on retail level like constraints on shelf space availability and utilization that may border on abuse of dominance.

Against this background we deem it necessary that the investigation should be expanded, to also do some research on the matters as mentioned. We believe that this is perfectly reconcilable with the objectives contained in the purpose of the act i.e. providing consumers with competitive prices and product choices and promoting the employment and advance the social and economic welfare of South Africans.

If these proposals are accepted by the research team, Agri SA and it's affiliates will cooperate to the fullest possible extent to provide relevant information and evidence.

Kind regards

A handwritten signature in black ink, appearing to read 'Johan Pienaar', written in a cursive style.

Johan Pienaar  
Deputy Executive Director: Agri SA