



The rise of supermarkets and changing expenditure patterns of poor rural households case study in the Transkei area, South Africa

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Abstract

Since the late 1990s, the number of supermarkets in South Africa has been steadily growing. Due to a more effective and efficient management and procurement system, the supermarkets can benefit from economics of scale and sell food at a relative low price. In this paper, we present a case study of two villages in the Transkei area of South Africa. In these poor rural communities, the majority of households now buy their main food items from supermarkets rather than from local shops and farmers. While presenting an important step towards livelihood development and food security, these supermarkets form also a strong competitor for local agricultural sales. The supermarkets provide many food items at lower prices. With an increase in income, the households look for variety and exotism in their food products, and will most likely find this in the supermarkets, rather than the local stores. We argue therefore that development programs should focus on the local growers' access to the supermarket procurement systems.

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Introduction

The importance of supermarkets in developing countries has been a matter of increasing study and comments (see inter alia [Balsevich et al. \(2003\)](#), [Boselie et al. \(2003\)](#), [Cacho \(2003\)](#), [IFPRI \(2003\)](#), [Reardon et al. \(2003a,b\)](#) and [Weatherspoon and Reardon \(2003\)](#)). At a different rate for countries of Latin America, Asia and Africa, supermarkets have become a place to shop for many households, and not only for the upper-income families ([Reardon et al., 2003a](#)). The reasons for success of the larger retailers are clear. They offer a greater selection of food. Prices of food products are often lower in supermarkets compared with the smaller local shops, especially for processed food products such as maize meal and bread. It is difficult for the small shops and local farmers to compete with the supermarkets, mainly because the latter benefit from significant economies of scale, good retail logistics, centralized procurement, consolidated distribution and better inventory management which enable them to cut down the prices ([Reardon et al., 2003a,b](#)).

Urbanization and possibilities to provide a wider food variety at a lower price have initiated the growth of the supermarket sector in developing areas in Africa, Asia and Latin America. The steady rise in real per capita income, availability of electricity and refrigeration and increased access to transport (own cars and public services) have further catalysed its success ([Reardon et al., 2003a](#)).

A recent paper of [Weatherspoon and Reardon \(2003\)](#) describes how the number of supermarkets in Africa has been rising since the mid-1990s. South Africa has the largest expansion in the region, with supermarkets on the rise in smaller towns and poorer areas. The share of supermarkets in food retail is estimated around 50–60% (depending on the source), while they only account for 2% of the stores ([Weatherspoon and Reardon, 2003](#)). [Reardon et al. \(2003a,b\)](#) argue that in sales, the 1700 supermarkets in South Africa are comparable to 350,000 small local shops or spaza's. Four main chains dominate the South African supermarket sector, taking about 90% of the supermarket sector, namely Shoprite, Pick n Pay, Spar and Woolworths ([Weatherspoon and Reardon, 2003](#)).

Vendors and small shops make up the retail community in the rural village. Every village has its spaza's (Zulu for "hidden") shops. These mud-floor, one-room with shelves stores sell a selection of basic foodstuff; groceries as soap, toothpaste, tobacco; and, very important, soft drinks and beer. The range of products and brands and the selection of packages of different sizes is smaller in the local shops compared to the supermarkets. The prices in these local shops are high compared to national averages especially for processed food ([Food Pricing Monitoring Committee, 2003](#)).

Yet supermarkets may also provide new opportunities for local producers of high-value fresh products. But the requirements in time, quality and standards present major obstacles for these producers, often smallholders ([Boselie et al., 2003](#); [IFPRI, 2003](#); [Reardon et al., 2003a,b](#)). Huges (in [IFPRI, 2003](#)) phrases it as follows: "The growth of supermarkets is good news for big farmers and efficient, well-organised farmers. For other it can be troublesome".

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