

Pick n Pay caps gross profit margin for ginger and garlic

The Competition Commission has welcomed the signing of a Memorandum of Agreement with Pick n Pay on 10 March 2021, confirming the retailer has capped its gross profit margin for ginger and garlic for the period covering 28 January 2021 to 1 April 2021, which may be extended.



Pick n Pay has also instructed its franchises, to price no higher than the corporate store price on ginger and garlic. The Commission has commended Pick n Pay for this move and hopes to formalise similar agreements reached with other national retailers.

In recent months, the Commission has received numerous complaints from members of the public, alleging that certain Food Lover's, Spar, Shoprite Checkers and Pick n Pay stores, had increased prices for ginger and garlic.

The Commission expeditiously engaged with all the affected retailers and expressed its concerns that the alleged significant price increases of ginger and garlic in certain retail outlets, could result in contravention of Consumer Protection Regulations and other relevant provisions of the Competition Act. In terms of the Consumer Protection Regulations, ginger and garlic fall under the category of "basic food and consumer items".



Probe into excessive prices of garlic and ginger

4 Feb 2021



Whilst wholesale prices for these products had increased due to heightened consumer demand during the second wave of infections, the Commission is of the view that this did not warrant the large increase in absolute margins seen in some instances.

In the interest of seeking a pragmatic and constructive resolution of the issues raised by the Competition Commission in respect of the affordability of the price of ginger and garlic, Pick n Pay was the first to sign a Memorandum of Agreement, and undertook, for the period covering 28 January 2021 to 1 April 2021:

- not to increase its corporate stores' gross profit margin on these products;
- to request all its franchisees in writing, to price no higher than the corporate store price on these products; and
- in the event that the cost price of ginger and garlic remain materially above the pre-Covid 19 seasonal norms at the end of the commitment period, to extend the above-mentioned period for a further period of four weeks.

The Commission says it continues to make a plea with retailers to observe the Consumer Protection Regulations while adhering to the provisions of the Competition Act as amended.

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