

Massmart moves to shift investment focus to small manufacturers

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JSE-listed retailer Massmart (MSM) said on Wednesday it was scaling down on investment in small agriculture suppliers in the year ahead, preferring instead to increase investment in the small-scale manufacturing sector.

The retail firm announced it planned to bring eight new manufacturers on stream in the coming year. Massmart committed to a R100m supplier development fund, as a condition of the 2010 takeover by US-based parent company Walmart.

This was in line with a government requirement that at least 30% of major investors' value chain comprise small and medium-sized enterprises (SMEs) and co-operatives.



Brian Leroni, Group
Corporate Affairs
Executive at Massmart.

Massmart corporate affairs executive Brian Leroni said the move was brought about by strong growth in its finished goods markets. He was addressing a joint sitting of the parliamentary portfolio committees for small business development, social development and the rural development and land reform.

Massmart is the fifth-biggest retail firm in the R77bn fresh produce market and the fourth-largest in dry groceries (R63bn), beverages (R42bn) and perishables (R30bn), he said. The company grew about 10% in each market.

During its acquisition by Walmart, critics feared that Massmart would allow cheap imports into the country which would harm local business. This led to a number of conditions being placed on the new owners, resulting in Massmart embarking on a support programme for local co-operatives and SMEs to supply its stores with produce and finished goods.

Massmart's programme included an import supplement plan, which arranged for local suppliers to provide products when suppliers from outside SA were unable to do so.

"Many of the suppliers have been working with us for a long time. We have come to a point where we may have to invest less proportionately in agriculture and work with our more successful guys. We are also moving away from large umbrella capacity building so we can invest in point expertise areas," Leroni said.

Massmart is working with 139 farmers and 24 manufacturers in all provinces save for the Northern Cape. By the end of its first phase, the Massmart programme will have spent R240m supporting SMEs and co-operatives as well as incorporating them into the retail giant's value chain.

The programme targets small and medium suppliers with a maximum turnover of R50m, prioritising women and black-owned enterprises.

The government expects SMEs and co-operatives to provide more than 707,000 jobs per year, according to the National Development Plan.

Source: BDpro

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