

Crowding in support for the sale of nutritious food in informal markets

Background – informality and food security

South Africa's economic structure shares both a modern, formal and well developed economy, twinned with a large and interlinked informal sector (Koch 2011) of unregistered, undocumented businesses. Emerging under conditions of economic and social stress in primarily marginalised localities and on public space and street pavements, the informal economy reflects the world of self-sufficiency and survival businesses. South Africa's informal economy is considered to be a small, but significant collective contributor to the national GDP, estimated by Wills (2009) at 10.7%. However, as pointed out by Ranchhod *et al.* 2015, in Cape Town, the informal economy of microenterprises brings about strong local economic impacts; potentially reducing poverty by 20% in the lowest quartile of income earners, and collectively representing the single largest employer in that metro. With economic migrancy effectively transferring rural poverty into urban (Frayne *et al.* 2009) and peri-urban areas, there is an increased reliance on the growing 'cash' economy within these landscapes (Battersby 2011). This new dynamic has contributed to large shifts in food markets and individual diets (Crush & Frayne 2011) which, in turn, presents a growing range of challenges for policy makers in food security and related spheres such as public health, and local economic development. Importantly, this situation also presents opportunities for reconsidering policy approaches, investment, business opportunities and cash markets for food.

In terms of bolstering national and regional food security, South Africa's government has driven the Integrated Food Security Strategy (IFSS) which represents a multidimensional strategy around household food security. The IFSS considers broad themes of 1. Food availability; 2. Food access; 3. Food reliability; and 4. Food distribution in the changing South African economy. However, whilst having relevant objectives including increasing household production and trading, and improving income generation and job opportunities, the IFSS focuses little on how this can occur within the (urban and peri-urban) informal economy. With a now growing urban community in South Africa, access to nutritious food is already a significant issue for upwards of two thirds of the national population. At present, much of the urban population experiences a double burden (Crush *et al.* 2011) of both undernutrition and over-nutrition (Reddy *et al.* 2009). This manifests in many ways including children who are underweight (5.6%), stunted (20%) or wasting (1.2%). Obesity is also an increasing challenge within urban areas and dominates in those transitioning to adulthood (Popkin 2006). According to StatsSA (2013), 17% of the Western Cape population experience a lack of diversity in their diets. In light of the fact that South Africa's constitution enshrines the right to food for its citizens and seeing that 70% of poor households in the township setting report significant food insecurity challenges (Frayne *et al.* 2009), informal markets (in various forms of unregulated economic enterprises or activities) play a valuable role in providing enhanced access to culturally appropriate and affordable foods. Such enterprises and markets warrant deeper consideration by policy makers in promoting dietary diversity at the local level.

Informal food markets

Research into the informal food economy is relatively fragmented with its collective food security contribution little known (Even-Zahav 2016). Yet growing numbers of Western Cape citizens, in line with global trends, are having to purchase almost all their food with cash resources (competing with other household needs such as housing, transportation, healthcare and education) (Cohen and Garret 2009), making food insecurity in South Africa more and more closely related to income and food purchasing power (Koch 2011; Chopra *et al.* 2009). In a collective economic response to this growing cash economy, Charman *et al.* (2015) demonstrate how informal microenterprises play an important role in food distribution, preparation and trade, with their increasing affordability, accessibility and creation of cash employment. Similarly, Crush *et al.* (2011) highlight the growing nature of informal trade in food markets linked to southern African cities. Researchers such as Valodia *et al.* (2005) and

Wills (2009) have also shown that approximately half of the number of informal activities (and employment) entails trade activities, and food has been shown to play a critical role within the urban street trade and township economy. According to Battersby (2016) and Petersen and Charman (pending), food and drink represent the mainstay of the township economy with some 39% of all township microenterprises being part of the food system including a varied group of business activities;

- Agriculture – primarily smallholder cropping of leafy vegetables and some individuals with small herds of animals (particularly goats)
- Greengrocers – retailers of fresh fruit and vegetables
- Meat, poultry and fish retail – commonly trading from street tables, street sites or door to door in bakkies, these enterprises specialise in live, fresh slaughtered and frozen animals
- Restaurants – sit-down dining premises
- Spaza shops / house shops / tuck shops – township retailers of groceries
- Takeaways – informal food services that include preparing, braaing/cooking food to be consumed on the street or at home.

Grocery retailing via spaza shops, tuck shop enterprises and house shops is by far the most prominent microenterprise type in terms of serving local consumer demand, maintaining over 60% dominance of all food businesses in the township setting. Within the township context, a common dynamic of informal businesses such as grocery retailers, fresh produce and informal foodservice fulfil an important market need for raw, processed and prepared foods. Items such as the staples of maize meal, bread and rice are readily located in spaza shops, leafy vegetables from green grocers, a variety of pre-prepared foods and freshly braaied chicken feet and meats from informal foodservice represent some of the variety of food products readily available for consumption.

Another important group is that of fresh produce retailers or greengrocers and meat / poultry / fish traders who reflect nearly 15% of all food outlets. In all cases these outlets (fresh produce and grocery retail) retail almost exclusively commercially grown and procured produce from formal sector suppliers and industrial scale production and markets, reflecting heavy informal economy dependency on these mechanisms. The table below (adapted from Battersby *et al.* 2016) demonstrates the important informal retail food dynamics for local consumers.

Table 1: Comparison of Different Forms of Food Retail

Advantages	Disadvantages
Spazas	
<ol style="list-style-type: none"> 1. Affordable unit sizes for the poor 2. Sale of food on credit 3. Long opening hours 4. Convenient locations 	<ol style="list-style-type: none"> 1. More expensive than supermarkets per unit weight 2. Perceived low quality of food 3. Limited range of foods
Fresh produce vendors	
<ol style="list-style-type: none"> 1. Convenient location for daily purchase 2. Produce restocked daily 3. Often cheaper than supermarkets 	<ol style="list-style-type: none"> 1. Limited shelf life of produce due to lack of cold chain
Meat vendors and livestock vendors	
<ol style="list-style-type: none"> 1. Cultural preferences 2. Range of cuts of meat, including “fifth quarter” 3. Argued to taste better (live chicken) 	<ol style="list-style-type: none"> 1. Food safety
Informal foodservice	
<ol style="list-style-type: none"> 1. Cultural preferences 2. Cost competitiveness 3. Convenience 	<ol style="list-style-type: none"> 1. Food safety 2. Limited range of foods

Considering the cultural and practical relevance of such outlets, their local food security impacts are likely considerable. Despite the controversial and changing dynamics of business ownership in the spaza retail sector (Charman *et al.* 2011; Liedeman 2013) the considerable price competition in this market makes them cost effective food providers in localized areas. Petersen and Charman (pending) further highlight the prominence of informal foodservice (takeaways and street prepared food) which reflects 18% of food businesses and are predominately operated by women with dependent children. Their food security contribution is twofold for in addition to the income such enterprises earn, these enterprises subsidize the cost of food for the business owners’ immediate families.

Yet the current overarching policy environment is generally problematic for informal business which faces multiple challenges from over-, and under-regulation which conspire to negatively impact on microenterprise activity and growth. Whilst many of these challenges are acknowledged by municipal government (who represent the practical interface for informal economy business), regulatory change that bolsters informal economy business and trade is minimal. Whilst direct, practical policy influence at the intervention level is limited from a provincial government perspective, there is a need to strategically consider and drive positive change in informal markets to bolster local level food and nutrition security.

Supporting the sale of nutritious food in the Western Cape informal economy

As part of a balanced economic and social framework to sustainably enhance food security in the informal economy there are a range of approaches and interventions that should be considered. These require holistic level reconceptualising of what the informal economy represents, through to more pragmatic, sector-specific practical interventions to support business and drive down the costs of nutritious foods;

1. Acknowledge informal business as part of a food security solution

A great many informal economy activities are a reflection of economic survivalism of the business owner. Their enterprises are micro-scale, commonly reflect minimal capital investment and earn the operator little direct income - although they have a disproportionately large impact on reducing poverty in the poorest segments of the population (Ranchhod *et al.* 2015). Yet through their sheer number of outlets and geographic penetration into the township setting, these enterprises can be potentially important contributors to broader societal wellbeing and food security by increasing access to affordable healthy foods and produce. Policy makers must conceptually reframe these microenterprises as primary livelihood, entrepreneurship and partnership opportunities for enhancing food security, rather than considering them as subsidiary 'informal traders' and 'informal markets' to the formal economy system.

2. Nurture appropriate real-world transitions for standards setting and regularisation

At present the barriers to standards setting and regularisation for informal business are complex. Yet, it is not pragmatic to support any development within the informal sector without creating structural conditions for inclusion and growth. This includes education and skills development, revising business permit requirements and trading conditions. The majority of informal businesses (especially street trade and residential township enterprises) are survivalist livelihood activities that are an economic safety net for those who operate them, and pose minimal threat to the state. Nurturing these micro-enterprises through support will allow them to grow sustainably in a staged process towards regularisation. Bringing such businesses towards legitimisation will enhance any efforts to work with them for positive food security and nutrition outcomes.

3. Streamline areas of government influence

Land tenure, land security and realistic land use zoning are important considerations for developing the informal economy. This can be extended to include written use agreements, leases, titles, and other means of offering stronger levels of security to micro-enterprises. There is a need for a regulatory approach that acknowledges the state of much informal economy micro-enterprise. As such, responsive and flexible regulatory approaches are required – with an acknowledgement that it is indeed regulation that creates informality in the first place.

Enhance urban land tenure to encourage business path towards regularisation

The great majority of informal businesses operate without security of tenure. This stymies their efforts to legitimise and grow their micro-enterprises. It further limits the capital investments made into these businesses which, in turn, impacts on their capacity to store and retail items such as fresh produce (which can be high bulk, refrigeration dependent). There is a need to enhance procedures that legitimise land title and tenure rights for those who operate informal businesses.

Municipal trading regulations for food trade to be relaxed and revised

At present, the majority of informal trade activity breaks numerous by-laws and regulations.

Many of these are unrealistic for the local context and whilst may speak to a Western sense of 'order', do little but legalize micro-entrepreneurship. Acceding to the reality of informal trade and reducing the regulatory challenges for these enterprises would further enhance local trade and associated residential access to nutritious foods. This is particularly apt for the food trade which is, at present, subject to considerable bureaucracy and regulation which effectively discourage trading in fresh, nutrient-dense foods to avoid having to obtain special permits and comply with environmental health standards. Similarly, mobile trading with trolleys and carts also transgresses by-laws despite the business model allowing for direct delivery of food (in particular fruit and vegetables) to people's households.

4. Encourage food micro-enterprise in general and make opportunities for spatial / activity clusters

Micro-enterprises represent a starting point in entrepreneurship. Focusing enterprise support mechanisms to the food economy (in particular informal foodservice, greengrocers and other street-based retailers) has potential to stimulate these entities. Such stimulation can occur through;

Increased areas of food trading nodes and decentralized fruit and vegetable markets

Facilitating the development of trading nodes would enable clustering of microenterprises and street trade. At such nodes, infrastructure provision (water, electricity, street lighting) could be provided and, in particular, informal food service economy facilities could be trialled – for example, incorporating a cold chain service with access to a commercial walk-in cold room, and facilities for wholesaling and commercial deliveries. If installed with appropriate local geographies and interests in mind, infrastructure and facilities would enhance efficiencies for these enterprises, their markets and customers.

In this regard, there is scope to expand and potentially decentralise informal fruit and vegetable markets which would have the impact of spreading the wholesale market. Encouraging a decentralised, local level trading system would also spread the geographic impact of such markets beyond their current limits.

Town planning must include setbacks for houses on streets to allow for trading

To enhance local market access there is a requirement to plan for the micro-geography of business and informal economy trading. For example, street trade in urban townships is an integral part of local livelihood strategies, yet suburban design for upgrading these communities generally does not incorporate this lived reality. The majority of fruit and vegetable retailers operate at the street interface, whether as traders or from private homes. As such, creating appropriate trading spaces (with the prerequisite infrastructure) will, in turn, encourage more local business including the further penetration of fresh produce into residential areas.

Community garden projects to include hobby gardening in open space and indigenous landscaping

Whilst urban food gardening is not a panacea to the challenges of food security, making public land accessible for clustering the activity of vegetable gardening (similar to the UK allotment system) would allow for increased uptake of urban gardening activities as a recreational pastime, as well as nutritious food supplementation and urban greening. In a similar respect, incorporating design and support for landscaping with indigenous edibles in public parks, open space and in private property developments would make a small, but significant contribution to a more holistic approach to urban food. Fruit from common local species such as sour fig (*Carpobrotus edulis*) and num num trees (*Carissa macrocarpa*) are culturally and economically valued and offer a range of ecological benefits. These species are resilient, water-wise and well suited to public landscaping. (See a similar concept for the traditional medicine sector [here](#)).

5. Enhance efficiencies in food markets

The township economy represents an opportunity to enhance efficiency in food markets by creating a viable outlet of retailers for bulk produce and market surplus products. Importantly, intervention may be required to influence supply chains and markets for formal sector food producers and retailers to make such produce available in a safe and reliable manner. Whilst access and taste are important considerations for food purchase choices, data from the South African Health and Nutritional Examination Survey (SANHANES-1) showed that for

70% of participating households in urban informal settings, when household food is bought by women, the price of food item was the most significant factor influencing food purchase choices. Therefore, enhancing efficiencies to decrease the price of healthy foods in these informal food markets is a key goal. Such efficiencies can be sought along various food value chains which feed into informal economies.

Legislate and manage food surplus

Considering the scope and scale of food surplus from the industrial and retail sectors, a legislative and management approach is needed to compel formal sector grocery businesses to consolidate surplus or unwanted food for redistribution. This could include tradeable foodstuffs, food-aid eligible products, and compostable food waste. Similarly, legitimate and accessible market channels for fifth quarter meat products from butchers and abattoirs, 'spent hens' from egg producers, and tradeable fruit and vegetable surpluses from farms should be developed. In this respect, there is scope for encouraging the "bakkie trade" in such products for township consumers.

Promote township food

The rise of corporate owned fast food in South Africa demonstrates the power of effective marketing strategy. There is a need to promote the virtues of supporting street and township trade in general, and of food in particular as something that supports small business and builds the local community.

A concept note for crowding in support for the sale of nutritious food in informal markets

Informal economy working group – SAFL workshop 08/09 March 2017

Proposal

To crowd nutritious food into informal markets there is a need to enhance the broader business environment. This includes the need for enhanced supply chains for fresh produce, appropriate facilities for business operations and trading (including bulk cold storage, trading sites, utilities), and regularization opportunity for informal business. Enhancing regularisation opportunities (through government-driven interventions such as land zoning, tenure, business registration, and permitting) will allow for more active engagement with such enterprise, enhance incomes and increase diversity of product offerings. This requires an interlinked approach of 1) Physical investment in infrastructure for supply chain (such as bulk refrigeration) and trading spaces, and; 2) Developing regularising opportunities for informal business (in the form of guidelines for municipal authorities with respect to regulation, and “best practice” LED guidelines). An iterative community-informed approach for a pilot supply chain and retail development is proposed. This could occur in either of two ways;

Option A:

In a replicable context of a central, well located and commonplace tenure land area where land use zoning has limited restrictions (or can be practically relaxed in a way conducive to microenterprise development); conduct a practical, economically feasible and replicable pilot project of informal economy investment in supply chain and retail trading development that goes **beyond the current regulatory context**. (For example; this could be a pilot project instituted on available state or parastatal owned if there are limited land zoning restrictions that already apply).

Option B:

Considering the myriad laws, zoning, rules and reality, work within the current regulatory complexity on a common current municipal land tenure / zone type to develop a supply chain and retail development intervention. This would involve investigating what can be done to enhance such nutrition **within the current regulatory context** (For example; a pilot project on private land in ways that “get around” the rules).

Regardless of the option chosen above, the project is effectively a two stage experiment;

- I. A desktop exercise of negotiating the regulatory / land / zoning environment through a review of the myriad laws, zoning, tenure, economic, supply chain, formal and informal societal influences in that chosen site in order to create a navigation process for establishing an intervention and appropriate standards setting within current regulatory and economic bounds. This process is intended to guide a pilot intervention for enhancing nutritional food access in stage II.
- II. An iterative pilot project development activity with practical learning outcomes
 - Selection of a typical land / property site (tenure, zoning, government land, etc) for a pilot intervention (site to be commonplace in all townships and informal markets and thus allow for replicability).
 - Evaluation of existing wholesale / retail / supply chain options in the chosen locality.
 - Engage with site and community stakeholders for business needs (infrastructure, supply, etc).
 - Develop infrastructure that responds to stakeholders needs and the legal-institutional regulatory frameworks.
 - Monitor and evaluate the pilot learning, successes and failures in the context of the regulatory, standards setting and economic outcomes for enterprises.
 - Integrate Stages I and II to develop a strategy for rollout (including guidelines to support local government in enhancing informal economy access to nutritious foods).

The project would enhance access to increasingly nutritional food through the following ways;

- Development of a trading node precinct where supply chain can be better developed through enhanced links with formal sector business and agriculture, and for growing the solidarity economy of emerging food and agricultural enterprises.
- Enhanced retail and informal foodservice zones through investments in infrastructure platforms and technology for stallholders, and the creation of demarcated trading sites, storage facilities, street lights, utilities and security.
- Encourage greater competitiveness between retailers through lowering costs of procurement and operations.
- Provide enhanced opportunities for retail outlet regularisation, investment, training and realistic standards setting - which can, in turn, nurture incomes and employment.
- Serve as a learning exercise for the roll-out of similar interventions in areas of similar regulatory control / impact.

A pilot represents an opportunity to learn, evaluate and suggest revisions for local laws and regulations to allow for enhanced informal enterprise regularisation and realistic local standards setting.

Such a project would require a multi-stakeholder Project Steering Committee, consisting of the Provincial Government of the Western Cape, City of Cape Town, representatives of local trader groups and formal private sector business. The project would be implemented by an independent implementing agency to manage funding, technical support, collaboration and co-operation. Any such project would have to be guided by the following principles:

- Co-operation and solidarity
- Fostering existing sustainable micro-enterprises
- Developing organic nodes
- Respecting the street environment as an important business space
- A sense of experimentation without preconceived state agendas
- Iterative business support for enabling growth, rather than determining outcomes
- Promote links with Government enterprise development initiatives

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