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PRODUCE MARKETING MANAGEMENT REPORT

COMMERCIAL AGRICULTURAL PRODUCTION AND MARKETING PROJECT

Contract No. 645-0229-C-00-9019

Prepared in association with:

The United States Agency for International Development

and

**The Ministry of Agriculture and Cooperatives
Mbabane, Swaziland**

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March 1993

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SECTION I INTRODUCTION

A. Philani Overview

During his stay in Swaziland, the consultant worked with Philani Produce, reviewing its various business components, and recommending possible improvements and potential new activities. This paper reviews the work of the consultant, describes existing procedures, and summarizes the recommendations made. In many instances management had already recognized the problem and had begun to take steps to initiate improvements.

Basically, Philani Produce seems to be a sound business with good management and a good staff. Management and staff are open to new ideas and are working to improve the business. The consultant believes the company to be profitable, however lack of any type of accurate financial information, has made a useful financial evaluation impossible.

B. Priorities

In terms of priorities, the single most important problem facing this business is its heavy dependence on Mozambique customers. There are no records indicating how much this is, but management estimates 80 to 90 percent of its business. Observations by this consultant provide no reason to challenge this. A visit to Maputo found that Mozambique will probably be in a position to supply their own winter cabbage, onions and tomatoes this coming season. These three items account for roughly one third of Philani's business. Aside from this, however, Mozambique business will be more stable over the next few years than originally thought, and indeed, should provide opportunities for further growth.

For the long term health of the business, Philani management must focus on increased penetration of the domestic market by its wholesale operation; and the establishment of a viable export operation working with CAPM and other Swazi producers. Specific recommendations are included in this document.

The second priority is improved sourcing. Sourcing impacts a whole range of issues. Improved sourcing will ultimately result in more dependable sources of supply, of better quality products at better prices. This is a gradual process and never fully achieved. But it is a process that must be constantly worked at and improved.

Better sourcing will improve gross profit margins, make Philani more competitive in the domestic market and will reduce the amount of product which must be condemned or marked down. It will help resolve the persistent product shortages which have been inhibiting Philani sales and will help exploit further opportunities in the Mocambique market. Work on this has already

been started by Philani management. It includes opening up lines of communication between Philani management and Swazi producers, both directly and through CAPM; as well as with additional South African market agents and shippers for those products that can not be produced in Swaziland. More details are contained in the attached material.

The remaining recommendations are concerned with tightening operations and providing better management information and control. Also enclosed is a review of Philani's role in the winter pepper program, and observations regarding this program in general.

SECTION II
OPERATIONAL PROCEDURES

A. Product Pricing and Procurement

1. Product Pricing

Pricing for the next day is set each afternoon at a meeting between Jerome Mndebele, Philani's Administrative Assistant, and Florence Hlope. The price set is a judgement based on factors including:

- Competitive pricing in market
- Level of demand in market
- Condition of stock
- Anticipated changes in supply
- Pricing on the Johannesburg and Pretoria markets

A range of prices are set dependent on the volume of purchases. They target a 30 percent mark up on purchased stock after all costs, including value added tax (VAT). However, this is a target and sometimes they are able to exceed it, and often they can not achieve it. Philani believes the 30 percent mark up is required to cover stock shrinkage and overhead costs.

2. Product Procurement

An analysis of January/February 1993 sales statistics indicates that only seven products ever registered more than E1,000 on any day during the period reviewed. These were apples, grapes, potatoes, onions, cabbage, tomatoes and carrots. An analysis of sales figures for the month of January indicated these seven products were also the seven leading products on an accumulated sales basis for the month accounting for 84 percent of sales. The company does not now handle tropicals (bananas, mangoes, etc.) or oranges, though a review of retail outlets indicate these to be popular items.

Procurement is made through three sources:

- The Johannesburg and Pretoria markets
- South African farmers
- Swazi farmers

The buying decisions are made by Florence Hlope, in consultation with Jerome. The quantity purchased is based on a combination of orders placed by customers, the prices being offered, current market demand, the anticipated quality of the product and the amount of carry-over stock. Calls are made to both the Johannesburg and Pretoria markets, to establish prices, and to solicit opinions as to the direction of the market.

Most products are bought through two specific dealers on the South African markets. The principal purchase for the week is made on Tuesday morning, with a second one frequently made on Thursday. From time to time a third or even fourth purchase is made. (The principal South African market days are Tuesday, Thursday and Friday). Although a Monday morning purchase might work better, the markets only have a limited supply of leftovers from the previous week on hand then. Fresh deliveries begin to arrive from the farmers Monday afternoon.

Philani uses its own truck for purchases, and supplements this with a South African trucking company, particularly for product requiring refrigeration.

When purchases are made on the Johannesburg markets, an order is placed on the phone Monday, for the exact quantity and price. Their Johannesburg supplier is considered very reliable. An employee, Lucky, will leave for the markets on Monday evening for pick up Tuesday morning. Lucky will have a check for the exact amount of the purchase. (The product will be unloaded at Philani Tuesday evening). The Pretoria suppliers are considered by Philani to be much less reliable, but pricing is usually better. When buying at Pretoria, Lucky will be given a list of products, quantities and prices to be used as a guide, but he is authorized to deviate from this order based on conditions in the market.

Purchases from South African farmers are now exclusively with potatoes from one grower. Pricing is checked with him and the market. The market is frequently found to be cheaper. Either the farmer arranges for delivery or Philani picks it up. Ernest is now actively working to expand direct potato sourcing. Direct purchases from an apple shipper in Cape Town was tried, but was found not to work due to consistent problems with quality.

Procurement from Swazi farmers is usually on a consignment basis. Principal crop now is cabbage. However farmers will frequently bring a variety of crops, and ask Philani to market them. A major objective of Philani is to expand availability of Swazi produce. Whenever possible, Philani will give preference to Swazi suppliers. Philani has recently initiated negotiations to source Swazi bananas.

A review of daily movement over a 4 week period indicates a highly erratic situation (see attached schedule). The only consistently slow day seems to be Monday; and consistently busy one, Wednesday. However, product by product even this is not consistent.

Management states that Tuesdays are also consistently slow, but this is not reflected in the analysis. It should be noted though, that the analysis is based on sales information from the market computer, and the accuracy on a day to day basis is adversely affected by the practice of entering the credit sales at the time of payment, rather the time of shipment.

PHILANI PRODUCE
SUMMARY OF UNITS SOLD BY DAY

PRODUCT.	MON. '118	TUES '119	WED '120	THUR '121	FRI '122	SAT '123	TOTAL
APPLES.	2	92	20	44	73	35	266
GRAPE.	-	1	-	3	12	17	33
POTATOES.	148	245	103	68	37	200	801
ONIONS	147	27	284	23	45	50	576
CABBAGE.	-	100	34	46	150	32	362
TOMATOES	2	1	-	-	1	-	4
CARROTS	23	17	19	7	17	20	103
OTHER	49	32	24	47	76	81	329
TOTAL	371	515	554	238	411	435	2524
	'125	'126	'127	'128	'129	'130	
APPLES	101	45	34	91	14	38	323
GRAPE.	88	-	1	34	3	42	168
POTATOES	655	124	42	194	131	6	1152
ONIONS.	272	45	84	81	70	12	564
CABBAGE.	61	40	170	148	128	150	697
TOMATOES	5	10	74	20	256	116	481
CARROTS	11	42	184	45	212	22	516
OTHER	143	145	87	87	103	87	652
TOTAL	1336	451	676	700	917	473	4553
	2/1	2/2	2/3	2/4	2/5	2/6	
APPLES.	96	6	131	8	43	11	295
GRAPE.	8	35	-	2	100	-	145
POTATOES	-	12	7	22	77	138	256
ONIONS	14	62	16	14	28	26	160
CABBAGE.	-	29	10	12	31	84	166
TOMATOES	23	37	6	35	108	38	247
CARROTS	1	12	25	9	139	41	227
OTHER	40	31	83	19	72	43	295
TOTAL	182	224	278	121	605	381	1791
	2/8	2/9	2/10	2/11	2/12	2/13	
APPLES	9	6	31	13	125	129	313
GRAPE	-	-	11	10	8	24	53
POTATOES	199	91	41	533	62	162	1088
ONIONS.	28	16	67	104	115	169	499
CABBAGE	169	-	67	-	128	128	492
TOMATOES	40	15	29	4	38	26	170
CARROTS	14	32	69	5	133	35	388
OTHER	74	54	123	9	108	23	491
TOTAL.	533	214	438	678	717	316	3496

The question that arises is what causes the day-to-day fluctuations. In the U.S. there is a high degree of apparent randomness in sales week to week, but with a strongly established daily pattern. So to some degree, there may be no readily discernible reason to the Philani fluctuations. However, to a large extent, it may be found to be product driven; by price, quality and/or availability.

3. Recommendations

The current procedures for pricing are excellent. There is a strong linkage between sales and purchases, that, as the company grows, they must be sure to maintain.

Despite the disappointment with initial attempts, the number of sources for each of the seven principal products should be expanded, as well as sources for any high volume seasonal products that may exist. It would make sense to continue to get all low volume products exclusively at the S.A. markets, or from the occasional Swazi grower. Philani should have at least 3 suppliers for each high volume product. This will become increasingly important as they grow. They will find that in rapidly changing markets, either up or down, they can arbitrage substantial profits if they stay close to the markets. These sources can be developed slowly over a period of time, weeding out the undependable shippers through trial and error. Potatoes should have the first priority since there are opportunities for increased sales in Mozambique.

It has not been determined whether there is an annual trade show/convention for the fresh fruit and vegetable industry in South Africa. If so, it would be advisable to attend in order to establish procurement contracts. In the absence of this, a trip to the Cape to visit fruit and onion shippers could be useful. Another approach would be to take the names of product purchased in the market, and contact the shipper directly. They needn't take the loss on shipments of poor quality product. This is discussed further in the receiving procedure section. Once Philani is known among shippers, they will begin to call to make sales.

A second recommendation has to do with product availability. Sales have been impacted to some undetermined degree by Philani not having one or more of the popular items available. This is an unnecessarily common situation. All seven high volume products have good keeping qualities, and can be kept a week without problems. Good stock control must be maintained so that any stock carried forward from the previous week is moved during the heavy Wednesday sales day.

We are in complete agreement with Philani movement into bananas, as well as the plans to add oranges in season. With bananas it is extremely important that they develop back up suppliers to Ngonini.

An unknown factro is Philani's degree of sensitivity and response to promoting products other than the major items during seasonal peaks when prices tend to be low and quality high . A fax subscription to the Johannesburg and Pretoria market reports would be useful.

Philani has used only one dealer in each of the two markets, Naran Bros. in Johannesburg and Jacaranda in Pretoria. Philani has been unhappy with both of these relationships. It is important that both suppliers be told clearly and unambiguously exactly what the problem is, and that Philani begin to experiment with other market suppliers, to attempt to find others who would be more trustworthy.

Outside truckers have also been used to supplement use of Philani's own truck. Particularly for product requiring refrigeration. These have been highly unreliable, costing Philani significant amount of money due to late deliveries and product damage. Philani must clearly tell the trucking company what is expected of them, as well as clearly explain the problems they cause, and should assess the trucker for appropriate damages. Alternate trucking possibilities should be explored. Philani should go ahead with the planned assessment of the financial viability of purchasing their own reefer truck.

B. Product Receiving Procedures

1. Delivery

When product arrives at the market, a delivery note is made out by the security guard. It is pre-numbered. The guard fills out the date, name of producer, truck registration #, type of produce, quantity, grade and size. There is a place for the drivers signature.

There is also space for the driver and transporting companies name, but this is not filled out. One copy of this goes to the market computer and one to Philani. The truck then proceeds to Philani's dock, where it is unloaded, and counted.

Philani then makes up a lot assignment (consignment) form in duplicate, one for the market computer and one for its own records. This is pre-numbered consecutively in 6 digits. Philani fills in the agent number, the market receiving slip number, the consignor, quantity, type of pack, product description, grade and size. It is then signed. There is space for cost information, but it is not used. A separate form is prepared for each individual product.

Most purchased product received has been inspected at the point of purchase before loading. However, occasionally product is purchased on a delivered basis. In these cases the product is counted and inspected upon arrival, but there is no set policy in dealing with problem shipments. Product inspected at the point of purchase is also counted, and quality re-checked, with problems brought to the attention of management.

2. Recommendations

A revised form should be used by Philani to receive and assign lot numbers's to product. The three left hand columns should be pre-printed and similar to that on the invoice; product code, product description and grade. There should then be two blank columns to allow insertion of the lot (consignment) # and quantity. The consignment number should be constructed of the month (alphabetized), year, day of the month, and a two digit sequential numbering system.

For example the first shipment of three products received from one supplier on the 5th of February, 1993 would be coded as follows:

B30501
B30502
D30503

This will allow up to 100 different lots per day, which should be sufficient; and the consistency of the numbering system should make it easier to work with.

At this point, the top sheet should be sent to the market computer. Additional columns for cost information should be completed on the second sheet, which would have columns covering per unit purchase price, vat, freight and total. This information will then feed into the reports file to calculate gross profit margin on sales.

On the gross margin report, separate runs can be done for consignment and purchase product sales. The computer can automatically calculate cost of consignment product. The use of this form will make the process simpler and faster and the new coding process will assist with stock control.

A procedure should be established for receipts of products purchased on a delivered basis. The product should be inspected as it is being unloaded from the truck. Samples should be taken randomly as the truck is being unloaded. Samples from different locations in the truck must be taken. If the product is found not to be of the quality agreed upon, or if there is any other problem (totally wrong product), or if there is any reason to doubt the quality of the product, they should immediately discontinue unloading, and call the shipper.

If the shipper is unavailable they should either re-load the truck and refuse the shipment, or receive it under protest, marking the bill of lading (delivery slip) accordingly. The shipper should then be contacted at the earliest possible time (within 12 hours at the latest). None of this product should be sold until the matter is resolved with the shippers. The shipper that the product be sold as consigned product, agree to a reduced price, or agree to ship product for shipment elsewhere.

SWAZILAND FRESH PRODUCE MARKET

CONSIGNMENT NOTE

DATE: _____ AGENT #4 CONSIGNMENT # (GATE RECEIPT) CONSIGNOR (NAME & CODE)

PRODUCT CODE	PRODUCT DESCRIPTION	GRADE	CONSIGNMENT LOT #	QUANTITY	PURCHASE PRICE	VAT	FREIGHT	DELIVERED COST
	PREPRINTED WITH PRINCIPAL PRODUCTS SITE AS INVOICE		INSERT MANUALLY	INSERT MANUALLY	PER UNIT INSERT MANUALLY	PER UNIT - INSERT MANUALLY OR COMPUTER CALCULATED.	PER UNIT - INSERT MANUALLY	CALCULATED - CONFIRMED BY CONTRACTOR
	BLANK LINES FOR WRITE-INS							
TOTAL					TOTAL COST	TOTAL COST	TOTAL COST	TOTAL COST

100

C. Inventory Control Procedures

1. Daily Stock Reporting

A handwritten form is now used entitled "Stock Report - Daily Basis". The form lists individual products (pre-printed) in the left hand corner and has blank columns entitled previous balance, stock taking, sales, difference remarks. "Previous balance" is taken from the inventory of the previous day; "Stock" is the inventory count, and is taken from an inventory count work sheet. This work sheet is entirely handwritten each day. The stock counter writes in the title and date at the top of the page, then lists the product description and quantity as he counts.

"Sales" comes from Philani's copy of the invoices. A work sheet is used where the products sold are written in each day, and the quantities sold accumulated next to this description. They are then totalled and transferred to the "stock report". There is no provision for product received since the last inventory. This is noted on the half line as a separate figure in the previous balance column. "Difference" is the previous balance column, as adjusted for receipts, less stock taking and sales columns. Any difference due to condemnations is noted under "remarks". Other than that the remarks are normally "OK" and "short" or "over".

Significant differences are investigated through recounts of inventory and sales, and discussions with floor workers. This stock position is then reviewed when making pricing and procurement decisions in the afternoon.

2. Recommendations

a. Computerisation

This reporting procedure could easily lend itself to computerization, using the NAMBoard/Nokwane computer system, if Philani elects to input its own sales data. First, the sales day should officially end at 11:00 am. Any sales after that time should go into the following day's statistics.

With the individual sales slips recommended earlier, the computer operation can be given input data throughout the morning, with the result that at 11:00 am only the last half to one hours sales will need to be inputted. All receipts since the 11:00 am cut off of the previous day can also be entered during the morning. This should enable Philani management to have a completed stock report by 1:00 pm (at 11:00 am sales assistants will straighten up product if need be and inventory taken using the previous day's stock report as a work sheet).

The stock report will be by consignment (lot) number rather than by product description although the product description will be printed out beside the lot number. As stated earlier the recommended lot number will incorporate the date received. This will provide valuable information to management when receiving this report for pricing and control purposes.

PHILANI STOCK REPORT

AS OF _____

LOT #	PRODUCT DESCRIP	UNIT COST	PREVIOUS DAYS BALANCE	RECEIPTS	SALES	CONDEMNATION	UNACCOUNTED FOR	ENDING INVENT
<i>FROM CONSIGNMENT FILE</i>	<i>FROM CONSIGNMENT FILE</i>	<i>FROM CONSIGNMENT FILE</i>		<i>FROM CONSIGNMENT FILE</i>	<i>FROM INVOICE FILE</i>	<i>ENTERED FROM CONDEMNATION WORKSHEET</i>	<i>AUTOMATICALLY CALCULATED</i>	<i>FROM COUNT SHEET</i>
TOTAL UNITS			<i>CALCULATED - AUTOMATICALLY</i>					
TOTAL COSTS								

AD

This lot number will be the first column. The product description will be the second column, and the unit cost the third column. Again this will be a reference when reviewing the stock for pricing purposes. The fourth column will be the previous day's balance, and the fifth column for receipts. When entering the consignments (lot numbers's) file this report will be automatically updated for both quantity and unit cost.

The sixth column would be unit sales, the seventh column unit, condemnations. The eighth column unaccounted for, and the ninth column would be ending inventory. A separate run containing only the active lot numbers's and product description can be made, to be used as a count sheet.

There will be two lines at the bottom of this stock report, one totalling the column by units, the other by unit cost; that is the units times the unit cost, so that management knows the value of the inventories, condemnations, and unexplained losses, at a glance.

2. Inventory

Samples of current and proposed reports are attached. To help simplifying inventory counts, it may be useful for products where large stocks are apt to be kept, such as potatoes, onions and cabbage, to place a piece of cardboard on the skid with the lot designation and count for each skids. The number of bags per skid should also be standardized.

Where there is more than one lot on the floor, it will often be difficult to tell which lot the produce was sold from until inventory is taken. This makes it extremely important that good stock rotation is maintained.

D. Invoicing/Sales Accounting Procedures

1. Procedures

Individual sales slips in quadruplicate are now prepared for each product in the order. For example, a customer that bought 3 bags of cabbage, 2 bags of potatoes and a watermelon would get 3 sales slips; one for each product. Anywhere from 40 to 180 sales slips are written each day.

On the sales slip, the salesperson writes the consignment number (that is lot number), date, consignors number (Philani, if a purchased product), quantity, product, grade and unit price. The salesperson then extends the total value. Of the four copies, one stays with Philani, one goes to the customer, and two go to the market, one of which is used to input the computer.

Cash sales made outside of regular hours (6:00 am to 11:00 am) and credit sales made at any time, are invoiced on the "Invoice and Statement" form. After hours, cash sales slips for consigned product are turned in to the market at the end of the day. The cash is kept by Philani. Credit sales slips are turned in when the customer pays, though the market is trying to change this. Cash sales of purchased product are not turned in.

SWAZILAND FRESH PRODUCE MARKET

SALES NOTE A AGENT 4

SOLD TO: _____

DATE: _____

PRODUCT CODE	PRODUCT DESCRIPTION	GRADE	CONSIGNMENT NUMBER	UNIT PRICE	TOTAL
PREPRINT	PREPRINT	PREPRINT	INSERT	INSERT	CALCULATE
TOTAL					

ga

2. Recommendations

The consignor's number should be eliminated as a separate entry. This number should be built into the consignment number (lot number). This will be discussed further in the receiving section.

One invoice per customer should be made out using pre-printed forms. This form would have the code, descriptions and grade pre-printed for all commonly sold products. There would be space to write in unusual items. Also, the current form has no provision now for the customer's name. The market computer will not accept this, but if Philani should decide to input their own data, this will be useful. The same form can be used for after hours cash sales and credit sales as well, with "Credit Sale" being written across the face when appropriate.

Jerome will add the day's invoices to tie into the market total. This should be done on an adding machine with a tape, and the tape stapled to the Philani invoice copies, to provide a permanent reconciliation record.

E. Sales-Related Reports

Currently the market provides Philani with a daily run containing invoice number, product code, product description, total sales value, frequency (number of sales tickets) commission and market fee.

At the end of the week the market will manually prepare a payment summary for the amount due Philani. After the completion of each lot, the market will prepare a settlement sheet, which is the basis for Philani's payment to the grower.

This is the only Philani-specific information received, though the market computer has the capacity to provide sales reports containing units, frequency and value by product, on a daily, weekly or whenever required basis.

By utilizing its own computer, Philani should be able to get summary statements of these sales units and value, as well as gross profit by product, customer and product/customer combination on a daily, weekly, monthly and annual basis. It could also provide a daily stock report and an accounts receivable aging statement.

This can be done by inputting sales data from the market via disk, then supplementing it with the unrecorded sales, and cost data. However, it may be better for Philani in terms of speed to duplicate the market input. This will be evaluated later.

F. Staffing

1. Sales Assistants - Day Shift

There are currently 5 sales assistants working for Philani. One of these is a lead sales assistant responsible for supervision. They are scheduled to start work at 5:40 am. The first morning activity is to take product from the cooler, and lay it out on the floor in an orderly manner. All similar product is placed together, and the aisles kept clean.

Once selling starts, the principal duty of the sales assistant is to assist customers. They answer enquiries, help the customers move their product and load their trucks. They also help the stock checker set up displays. When not assisting customers, they keep the product on the floor organized. They keep the aisles clean, and loose product off the floor. Loose product, is gathered in plastic lugs and all open bags lying on skids are repacked.

At least one of the sales assistants should be trained to write sales slips. There is from time to time, a backup at the sales desk, causing long waits for customers who want to buy. To a large extent this problem is unavoidable, but could be minimized.

At 11:00 am, when the selling period ends, the sales assistants return the product to the cooler. Their shift ends at 1:00 pm. With time available between 11:00 am and 1:00 pm, they should repack bad product as required. All problem product should be repacked before being returned to the cooler. Only enough product to cover one day's estimated sales should be removed from the cooler in the morning. Additional amounts can be removed during the course of the morning if required.

2. Sales Assistants - Night Shift

The night shift consists of two people, who work from 1:00 pm to 10:00 pm, though the time varies depending on work load. Their job is to assist customers who make after hour purchases; do any further repacking of bad product that may be required; give the floor area a thorough cleaning; and unload any product delivered.

3. Sales Woman

The sales woman writes sales slips, takes inventory and balances inventory stock. From 6:00 am to 11:00 am, she is at the sales desk on the floor, writing sales slips. At 11:00 am she takes the stock inventory, then summarizes sales day product from the Philani copies of the sales slip, and reconciles her stock to sales. Her shift ends at 1:00 pm.

If the system is computerized, her day would effectively end at 11:00 am. The lead sales assistant could be responsible for taking inventory and the reconciliation would be done by the computer operator/bookkeeper.

4. Stock Checkers

There are two stock checkers, who also do office cleanup, and general office assistance on alternate weeks. They work from 5:40 am to 1:00 pm. The one assigned to the market floor sets up the product displays, with help from the sales assistants. Her responsibility then is to watch the floor to be sure that everyone leaving with stock has paid for it. It is not clear what she does after 11:00 am. She could remain on the floor to help the sales assistants.

The person assigned to the office also arrives by 6:00 am. She first cleans the office and then goes out on the floor to help out if necessary. Later in the day she makes herself generally useful around the office.

Since the bulk of sales take place between 6:00 am to 7-8:00 am, her schedule should be changed to assist on the floor first thing in the morning and not begin work in the office until things quiet down in the market. One of them could assist in writing sales slips if needed. (The sales slip writing seems to have been initiated on Feb 19.)

5. Chief Salesperson

The chief salesperson, Jerome Mndebele, starts work at 5:40 am, and works through until about 5:00 pm each day. During selling hours he is in the market talking to customers and writing up sales slips. His job should be changed so that he only writes up sales slips in emergencies. Jerome should spend all his time during market selling hours, talking to customers; seeing to their needs, directing them to products Philani is trying to move, pointing out products that he thinks may be a particularly good buy for them, and just generally take care of the customers.

After market sales hours, he takes care of customers who come for late, after hour purchases, and he calls customers who take delivery. He does some bookkeeping; i.e he adds up the sales each day to compare against the market computer runs, and he prepares a weekly profit and loss statement. He meets with Florence each day to review pricing for the next day, and to decide on quantities to be purchased.

If Philani were to proceed with a computer operation/bookkeeper position, all accounting functions would become the bookkeepers responsibility, and Jerome would be free to concentrate on buying and selling exclusively. Along with Ernest and Florence, he could work to strengthen Philani's sourcing.

He could be responsible for the pepper sales being developed by CAPM. This experience would develop a whole new type of customer for Philani as a shipping point broker and may open up possibilities for a range of additional product.

6. Quality Control Manager

Lucky Mkhonta, the Quality Control Manager, accompanies the truck on trips to the market, and inspects the product before loading. He also acts as a liaison with growers. He will function in this role with the CAPM pepper growers. When time allows he helps out on the market floor and/or assist with stock reconciliations.

7. Computer Operator/Bookkeeper (proposed)

Daily:

- Enter invoices for previous day's sales, made after the 11:00 pm cut off
- Complete and enter previous days product receipt form for receipts after 11:00 am
- Enter current day's invoices as available through the 11:00 am cut off
- Complete and enter current day's Product Receipt form, for receipts through 11:00 am
- Enter condemnations
- Enter and reconcile stock inventory
- Print daily sales, gross profit and stock reports
- Post daily cash control reports

Weekly:

- Print weekly sales and gross profit reports
- Enter cash receipts
- Enter cash disbursements

Monthly:

- Print monthly sales and gross profit reports
- Prepare and enter month end entries
- Print monthly profit and loss statement
- Reconcile bank statements

8. Outside Customer Relations (Proposed):

- Call on existing retail and food service accounts
- Frequency of calls will depend upon size of accounts
- With retail accounts, check that Philani Product is on the floor and displayed properly
- Evaluate competitive activities
- Plan future promotions with retail management
- Discuss and help solve problems and work towards creative good-will with buyers
- Assist in displaying point of purchase promotional material
- Help out by making emergency deliveries to the customer when required
- Call on a fixed number of potential new customers per week

G. Observations on Floor Operations

1. Sanitation

Rotten product and trash are ultimately cleaned up, but sometimes not until the next morning or later, and often not until after the product has been brought out on to the floor from the cooler. Clean up should be a continuous process throughout the day, and the floor area cleaned up and the product put in order at the completion of the sales day (11 a.m.).

2. Product Organisation

Product should be separated by type and grade, and all similar product kept together. There should be aisles that allow the customer easy access to the product. This is fairly good at the start of each day, but once selling begins, product gets moved around, blocking aisles and access of the customer.

3. Product Displays

a. Open Displays

An open display is kept up front of selected boxed product. However, all boxed product should have at least one box open, even if it is on the skid, and not up front.

b. Display Preparation

Much, if not most, of the business is done immediately after market opening at 6:00 am. Product requiring refrigeration is not on the floor then. On slow days, this is not a problem as it can be moved onto the floor quickly. However, on busy days, the sales assistants are needed to help customers with the result that product is slow to get onto the floor, missing to a large extent, that first important group of customers. At least a portion of this product should be left on the floor the evening before busy days, so that displays are completely ready as soon as warehouse doors open. It is cool enough in the evenings that this suggestion, if followed, would not seriously damage sound product.

4. Broken Bags

When bags break, they are frequently left open on a skid. They eventually are jostled and the product ends up on the floor, where it tends to stay for one or two days. Open bags should be immediately repacked, or the contents put into plastic lugs.

5. Sales Assistants

Sales assistants sometimes stand chatting with each other, totally oblivious to the customer and their needs. I have observed women dragging heavy bags of product past a group of chatting assistants, with none of them ever noticing.

6. Spoilage

When product is not selling very well, or is received with excess bruising or other problems, a conscious effort must be made to sell it quickly. This can be done by bringing customers' attention to the product and/or reducing the price. Fortunately, this seems to involve only a small amount of product, but it is important that the problem be addressed decisively, rather than let it linger with the spoilage becoming worse. Once spoilage occurs, the product is repacked, but frequently not in a timely manner.

7. Floor Management

There is adequate staff to accomplish everything that needs to be done. However, there needs to be one person on the floor totally responsible for it.

8. Sales Receipts

During busy times, sales personnel are occupied writing sales slips and cannot properly deal with customers. Also during these busy times, customers must frequently wait a long time before receiving their sales slips. This must be having a detrimental effect on sales. Ways to speed up the process must be explored. Preprinted sales slips may help some and would also be helpful with the later accounting. Another possibility would be to train certain of the sales assistants to write up slips.

9. Product

a. Product Amounts

On 3 different days, out of about 10 observed, there was not very much product available for sale. On two of those days, the market and our competitors were reasonably busy. This situation will be addressed during a review of the procurement/ sales process.

b. Variety

Philani seem to carry a good variety of product, with the exception of tropicals (banana, pineapple and mango). Yet, these seem to sell well in the retail markets. We can pursue this further when we review procurement.

**SECTION III
FINANCIAL INFORMATION SYSTEM**

A. Accounting Procedures

A monthly profit and loss statement is now prepared by Jerome usually within 30 days of the end of the month. This P & L is on a cash basis, that is income is represented by cash received and expenses represent checks written. Receivables and payables are not recognised nor are any types of amortizations, such as depreciation.

Income is accumulated on a weekly basis in a notebook dedicated to this purpose. This includes all monies received from the market, plus payments from credit customers. These payments are listed individually by invoice number, payee and amount. The partial weeks at the end and/or beginning of the month are either treated as a short week, or are incorporated into the first or last full week of the month. The total sales for each week are then added and posted to the page at the end of the month.

Expenses are then taken from the check book, or in the case of stock, from the invoices. Expenses other than stock are first listed in a check register, which is again a notebook dedicated to this purpose. This listing contains the date, check number, payee, reason for the payment and the amount. At the end of each month it is summarized by category on a piece of loose note paper. Account numbers are not used, and the categories are not always consistent. These are then totalled, and applied against the total monthly sales in the income note book, to arrive at the month's profit. The figures are never tied into anything or "proved", so if an error is made, it will not be automatically caught. This has been summarized for the six months ending December 31, 1992. However, in reviewing the figures, both Jerome and Ernest agreed they were not accurate.

B. Recommendations

Philani is a relatively small, simple business, and the accounting and reports should be kept as simple as possible. The consultant suggests six types of financial reports.

1. Sales and Gross Profit Analysis

Overhead expenses tend to be relatively stable and, although important, they do not have the immediacy or impact of the gross profit figures. The heart of the business, and where the real money is involved, is in the buying and selling. The consultant found daily and weekly sales and gross profit summaries by product extremely useful and well as a weekly summary by significant customers. The files for the wholesale operation, and the export operation should be kept separate, as they are really two different kinds of business. Once the sales

and cost data are inputted as described in the invoicing/sales accounting section (Section II), these reports are very easily produced. Monthly and year to date runs should also be produced for reference purposes, and to provide information to and reconciliation with the monthly profit and loss statement. Philani may decide to also distinguish between commission sales, and sales of purchased products; and ultimately, between sales to Mozambique and Swaziland.

The profit and loss report is very important in understanding and controlling the major aspect of the marketing business. Implementing the input system described earlier, will help Philani in an immediate way, for example: by 3:00 pm of a given sales day, management would be able to evaluate the financial impact of their decisions and market conditions.

2. Monthly Profit and Loss Statements

Overhead expenses are limited, and relatively stable. They can be controlled visually by the management of day to day operations. There is no immediacy in the case of Philani's business, in having them reported. However, it will be useful for Philani management to have an overview of its financial performance, on a reasonably current basis, and to have it compared to some standard such as the previous year and/or a forecast. There are some very simple inexpensive computer based bookkeeping systems which can be used to do this. One system, Quicken, has been recommended by several people for its ease of operation, though the consultant has no personal experience with it. The software costs \$39 (E125) in the States.

The bookkeeping system can be separated from the sales accounting system, if only because there may not be an inexpensive program that does both. However it is not very time consuming to manually transfer the appropriate total figures needed from the sales to the bookkeeping system.

Philani should change to an accrual system so that any significant income and expenses are recognised currently. Given the small number of transactions involved this would not be difficult. This would mean that sales are recognised at the time of sale, with any unpaid amounts going into accounts receivable. Standard entries would be made for any recurring non-cash expense, such as depreciation and that a listing of unpaid invoices be made and posted at the end of the month. Inventory value would also be accounted for at the end of the month, and automatically calculated in the sales accounting system.

3. Trucking Operation

The Philani truck is used to pick up stock and deliver orders to customers. The cost of this trucking operation has been a concern of Philani management. Special accounting should be maintained to evaluate the financial viability of this operation. This can be done by maintaining a "clearing account" where all income and expenses related to trucking would be calculated. The balance in this account will inform management the extent to which the operation is making or losing money.

This clearing account would be credited for income, at the same cost per box as would have been paid for purchases if Philani had used hired transportation. This cost per box would be charged against the cost of the product, just as is done when using public transportation. When the truck is used to make a delivery, a transportation surcharge is normally added to the floor selling price. This surcharge will also be credited to the trucking clearing account as income. Then all expenses, including the driver, will be charged.

4. Cash Management

Cash management is a very general financial term yet it can be as simple as maintaining one's check book balance. However, for a operation like Philani, it need not be any more complicated than keeping a columnar pad updated with cash balance, loan balance and/or investment balance, and the daily activity of total deposits, expenditures and transfers. Philani should be careful to invest cash beyond its immediate needs in short term securities, with the accounting system as described above, there will be sufficient information to provide cash flow forecasting on an as required basis. A high priority must be put on reconciling all bank statements shortly after receipt.

5. Balance Sheet

As long as the cash bank loans and accounts payable are under control as discussed above, a formal balance sheet is really irrelevant to day to day management. However, all the information will be readily available for putting one together at year end, or at the request of a financial institution.

6. Account Receivable Control

Most sales computer systems will have an accounts receivable aging analysis component. This should be reviewed for past due accounts. However, given the same number of accounts, this would take very little time to do manually.

SECTION IV MARKET DEVELOPMENT

A. Current Markets

Philani now relies heavily on sales to Mozambique traders. There are no records indicating the extent of this, but management estimates it at 80 to 90 percent of its business. Personal observation provided no basis for challenging this estimate.

As a result of our visit to Maputo, we found that there is a possibility of a sharp drop in sales this winter for certain produce. Aside from this, the market may be more stable over the next few years than originally thought, and may, in fact, provide some opportunities for growth. However, for the long-term health of the business, Philani's highest priority must be increased penetration of the domestic market, and the establishment of a viable regional export operation working with CAPM and other Swazi farmers.

Included is a flow chart of the Swazi Fresh Produce distribution system. The ultimate consumers source their product through hawkers, supermarkets and various outlets that can be categorized as food service i.e. hospitals, restaurants, prisons etc.

B. Hawkers and Vendors

Hawkers can be distinguished between those with fixed structures who carry a variety of product, and what might be termed street hawkers, women who will sell on the sidewalk and will have a limited offering of one or two boxes of a particular product. These "street" hawkers will buy from vendors, supermarkets and larger hawkers.

Mark Wood, CAPM's Marketing Advisor, has estimated the hawker and food service sectors of sales are E300,000 per month. In support of this consultancy, CAPM conducted a survey of hawkers, (from fixed structures, with larger selections of product), and their principal suppliers, the vendors. Fifty six were interviewed.

The survey indicated that by far the greatest amount of the produce purchased by the hawkers, came from vendors, who in turn source directly from Swazi and South African farmers, and from the South African markets. Very few bought from the national market.

In addition, at the Mbabane market, an Indian South African arrives every Wednesday morning with a 25-ton truck, sells from his truck and delivers to at least 1 independent supermarket. There are some purchases "off the truck" to the OK Bazaar Supermarket on Wednesday mornings as well.

The hawkers buy from the vendors in the Mbabane and Manzini markets because they say the prices are the same as the national market. The vendors do not buy at the national market because they claim they would have to buy at the same price they charge. They view the national market as a competition rather than a source. The vendors apparently source from the same places as the national market agents, and apparently at the same prices.

This raises the question as to how a person with a pick up truck is able to buy at the same price as someone who can take a trailer load. From a competitive standpoint, although the market does have some additional cost, it is only about 5 percent. This should not be a serious disadvantage when compared to the per unit cost of a hakkie operation where there is considerable time and cost involved in hauling small quantities around.

However, despite the survey showing virtually no interest in the national market, there is a substantial number of hakkies at the market each day with Swazi license plates. It would be helpful for us to understand who these customers are.

The national market management agreed to have Alexine Dlamini, a CAPM field assistant, conduct a survey of Swazi market customers.

Questions:

- How can the market improve services?
- What do customers like about the market?
- What don't they like about the market?
- Are they hawkers or vendors?
- Where are they from and how (for hawkers) did they get there?

It is uncertain what can be done over the short term to attract vendors to the national market. Perhaps, with improved sourcing over the long term, economics will drive vendors to use the national market. Philani management has begun placing advertisements in the local newspapers and has reported a substantial increase in local business as a result.

At some point, when they are ready, Philani should attack the Indian truck problem at the Mbabane market. First, they should have the government investigate to be sure the South African has a license for the amount of produce he is bringing in, and is in compliance with all other Swazi laws and regulations. And second, Philani should park a truck alongside him and sell produce at very competitive prices, until his weekly trip no longer is profitable.

C. Food Service Accounts

The consultant did not have time to identify who is now serving the food service business. It may be useful to have CAPM marketing assistant identify major food service buyers, and investigate who presently services them. Philani should begin a program of regular contact with these firms, to solicit their business. This needn't wait for a CAPM survey.

D. Supermarkets

1. OK Bazaar

A strategy must be developed on a chain-by-chain, or store-by-store basis. The OK Bazaar supermarket is reportedly the largest retailer of produce in Swaziland. Mark Wood estimates that their three stores sell R500,000 a month. OK Bazaar is now served by Gastaldis, a South African-based distributor. They deliver three times a week and are reportedly doing an excellent job. Gastaldis and OK Bazaar management are apparently very close.

Gastaldis is now exceeding its licensed import quantities for produce, and as a result the OK is looking for a back-up supplier. Annex A shows the proposal prepared as a guide for Philani. It is based on two ideas:

- That since the import license is based on tonnage, it makes sense for the OK to source bulky, lower value product locally
- That a "Swazi-Produce Promotion" will give the supermarket something unique to sell

There is a possibility that more than one back-up supplier will be chosen, and in that event, Philani should be sure to hold out for an amount of produce that is worthwhile.

In addition, it is important for Philani to establish a good relationship with Gastaldis, given their access to OK management. As soon as possible, Philani should set up a meeting with the appropriate people at Gastaldis to explore ways they can work together for mutual benefit. One possibility is that Gastaldis is believed to dead-head back with their trucks. They have already been approached concerning handling some of the CAPM winter program. But there may be other product such as potatoes or bananas. What is important is opening communications with them and establishing a good relationship. This may help Philani exploit future opportunities with OK Bazaars.

2. Spar Supermarkets

Spar has two stores in Swaziland, one in Manzini and one in Mbabane. They are independently managed. Philani supplies the Manzini store approximately E500 to E1,000 per week as a back up supplier. Philani normally delivers once a week on Wednesday, but does make additional deliveries when required. Spar is also being supplied by a South African distributor, Pro-Cur, and by Swazi Fresh.

Ernest feels that Swazi Fresh is the Spar's principal supplier but the consultant watched a delivery being made by Pro-Cur and noticed that an unusually high percentage of their product was pre-packed. The consultant feels that Pro-cur is the major supplier and sees Philani, Swazi Fresh and others fighting over the rest. It is also understood that Spar will buy from anyone that shows up including farmers and vendors.

In this case it seems advisable to talk to them to clarify the situation. A suggestion would be to offer a volume discount as well as the "Swazi Sourcing" P.R. mentioned above with the OK.

As with Gastaldis, Philani should begin talks with Pro-Cur, to see if they are exceeding their licensed import quantities, and if so, how Philani could work with them to help resolve the problem. And as with Gastaldis, Philani should explore other ways they can work together.

3. Independent Supermarkets

Independents buying from vendors and South African distributors. As with food service, it requires going from store to store, see who's supplying them, and how CAPM could help. Assistance with promotions and merchandising could be valuable here, including training. Currently, the independent supermarket produce sections are pretty awful.

4. Swazi Produce Promotion Program

This program could have two components, in store point of sale material and media publicity. The in-store promotion could involve dedicating a section of the produce rack to Swazi origin product, identifying it with a bright banner and some shelf strips. It could also involve the use of collapsible bins, and aisle end displays. All with shelf strips and/or other point of sale material.

Local printers could be asked to assist in point of sale material design. CAPM could have samples sent in from the States, and the locals could do knockoffs. The South African banana people have a nice banner type material that can be copied as well. The total printer cost would have to be calculated, but it shouldn't be excessive.

If good point of sale material were available it would make it easier for the companies to further penetrate Spar and Fairways, as well as the companies and vendors with independents. Perhaps cards and stickers that say "We use Swazi produce" could be prepared for use by restaurants and caterers.

The media could involve press releases and TV videos about the progress and availability of Swazi produce, with the obvious message, even if it is implied by association, of "look how the OK Bazaar is working to help the Swazi farmer". Stunt set ups could be used for publicity, say an unusual dramatic display, or, possibly Swazis in traditional dress.

The press releases should involve a build up to the actual supply. It would be advisable to have regular stories about the program, who the farmers are, the progress being made etc., so that when harvesting begins, everyone will know all about it and be ready to buy (including the vendors). Current staff can write the press releases, and the consultant understands that the local television station is hungry for human interest news.

This publicity should enhance the image of CAPM among the farmers as well, with the result of increased interest in participation for next year. If carried out properly, this program could have a big impact at a negligible cost.

E. Mocambique Market

Information gathered during the field trip to Maputo is that the Maputo market will become self sufficient in winter season tomatoes, cabbage and onions. These sales now account for approximately 30% of Philani's business. However, for reasons of geography and economics, the NAMBoard market should be the primary supplier of potatoes, apples and grapes to Maputo year round; and onions, cabbages and tomatoes during the summer months.

There is a possibility for increase in sales of potatoes. Once Philani procurement is in place, Ernest should go to the Maputo market and talk to the wholesalers now sourcing from Johannesburg, Pretoria, Springs and Witbank. Although many of these may have special arrangements with their current supplier, it would be very surprising if he couldn't pick up at least a truck load a day.

Consideration should also be given to sourcing onions for this market directly from the Cape; and running a refrigerated truck load of apples, grapes and miscellaneous in-season temperate zone fruits directly into the Maputo "Central" market once a week.

And finally, Ernest should follow up with a potential customer in Maputo, Hortofrutricula, who had expressed interest in doing business with him. Annex B includes details of the Maputo field trip.

F. Winter 1993 Pepper Program

Philani Produce will be responsible for marketing the peppers grown under CAPM sponsorship in the winter 1993 program. Review of the pepper program found it well thought through with all areas of potential problems having to do with production, packing and marketing addressed. Historic pricing vs preliminary cost estimates indicates substantial potential profit margins, which should act as a safety net against unpredictable conditions. However, the planned production represents from 5-10 percent of the market, during a significant portion of the season. This is not necessarily excessive, but it does mean CAPM product will be a major factor in the market, and it will not leave much room for mistakes, particularly regarding quality. Because of this, the program requires good advance market planning.

CAPM is fielding a strong management team. However, it is organized horizontally by function, which results in problems of communication and accountability. It would be preferable if one person had total responsibility for all aspects of the pepper program and the complete authority to run it, within project guidelines.

Another serious weak point is that small farmers do not easily follow directions, and often behave in erratic and unpredictable ways. As it is structured now, field assistants at best can visit farmers twice a week, for short periods of time. This is sufficient for only rudimentary monitoring. It would have been better to have more manpower on the ground supervising farmers. CAPM management has advised that the Peace Corps has expressed interest in co-operating with the project, and they will be contacted for assistance with future programs, if this proves to be necessary. Also, it is understood that IFAD is implementing a project which may provide additional support in future programs.

A third concern has to do with planning and control of activities. There are aspects of this program on which decisions must still be made, by specific times, as well as a number of specific implementation activities to be undertaken by the project and Philani. I have found that these are all understood and are being acted upon by CAPM management. However, nothing is in writing in any one place. As the time grows closer, there will be increased pressure and confusion, and the possibility for screw-ups heightened. I think it would be very useful to have a simple check off list prepared now, of what must still be accomplished, when and by whom.

Some key issues that still must be resolved, or activities to be implemented include:

- Further contact must be made with potential direct customers to assess level of interest, potential volume and delivery method. This includes Gastaldis, Pro-cur, Southern Sun, Singh, Pick & Pay, Naran Bros, and OK Bazaar. At this point, preliminary contact has been made with Gastaldis, OK Bazaar, Pick & Pay and Singh.
- CAPM must decide on the specific grading specifications (size and quality) that will be used. These should be discussed with the direct customers (see above) before finalization.
- Based on the above, a marketing strategy must be thought through. It should include how to handle the different grades of product, and how this may change under different marketing conditions; and a plan on how to move excess, backed up or rejected product. Green peppers are not popular in Swaziland, so the program will have limited vendor sales of off-grade product. The question is: should poor quality product be packed in boxes or in sacks (or not at all or both, depending in market conditions) and where should it be sold.
- Negotiate marketing charge with farmer, and review all projected costs and historic market prices with them.
- Resolve specifics of transportation to be used from farms.

- Peppers will be packed at a central point, at the individual scheme sheds, as NAMBoard will not be ready with their packing shed. There is a range of questions as to the specifics of how this will work that must be decided. This includes basic accounting controls; harvesting days; what time of day will the peppers be harvested; and what will be the flow through from point of harvest to the customer. Exactly how the packing will work, and how the packers will be trained must be thought through. The consultant fully supports using expatriate technical assistance to supervise this operation. This is a critical TA need.
- Consideration should be given to forced air pre-cooling of product at NAMBoard to extend product life. This is a simple process with which C.J. Max is familiar. He has ordered a pamphlet from the University of California explaining the process. Bright stickers on the box, indicating that the product was pre-cooled, could add some sex appeal.
- A firm decision on the box must be made, and the boxes ordered. The box being planned is the same cube as the box now commonly in use for peppers. This is an important point.
- Philani working capital requirement must be forecasted and line of credit requirement confirmed.
- Consideration should be given to increasing production in the latter part of the season to provide a steady flow of product through October.

**SECTION V
CONCLUSION**

The following is a summary of the initiatives that are being recommended for Philani and/or CAPM in support of Philani.

A. Sales

- Presentation of proposed program to OK Bazaar management as discussed
- Exploratory meeting with Spar Manzini on expanding sales as discussed
- Exploratory meeting with Spar Mbabane regarding possibility of service
- ∨ Explanatory meetings with Gastaldis and Procur.
- Explore Fairways opportunities
- Begin a program of calling on independent grocers, caterers, institutions, hotels and large restaurants in the corridor. CAPM can assist by conducting market research, compiling a list of potential customers, the contact person, current supplier and weekly purchases. This list could be made available to all companies.
- Trip to Maputo to begin potato sales effort to wholesalers now sourcing from Johannesburg, Pretoria, Springs and Witbank
- Development of point of sale material, and beginning the media program by CAPM
- If additional volume justifies, hire and train outside customer representative
- CAPM to provide further market research as discussed, regarding Swazi customers at market

B. Pepper Marketing

- Contact must be made with potential direct customers to assess level of interest potential volume and delivery method. This includes:

Gastaldis
Pro-cur
Southern Sun
Singh
Pick & Pay
Naran Bros
OK Bazaar

- CAPM must provide the specific grading specifications (size and quality) that will be used
- Based on #1 and 2 above, a marketing strategy must be thought through. It should include how to handle the different grades of product, and how this may change under different marketing conditions; and a plan on how to move excess, backed up or rejected product
- Negotiate marketing charge with farmer
- Resolve transportation to be used from farms

C. Procurement

- Follow up on the Ngonini banana deal
- Establish two backup banana suppliers
- Follow up on establishing dependable direct potato supply
- One by one begin program of establishing direct sources of other principal products - cabbage, onions, carrots, tomatoes, apples and grapes as well as more dependable South African market sources
- Continued work on the problem of improved delivered quality through better trucking and receiving procedures, and as discussed above, establishing relationships, with more dependable suppliers, both on the market and direct

D. Operations

- Continue process that has begun of improving floor operations, as discussed
- Introduce new forms and procedures for sales and receipts, as outlined earlier
- Begin the process of computerization. First step is to have specialists at Chemonics - Washington research and comment upon available software. This can be evaluated along with the software CAPM (C.J. Max) has experience using. Meanwhile Philani should identify a potential computer operator/bookkeeper. CAPM should be prepared to provide training and support during the implementation period.
- CAPM should assist Philani in getting price quotes on used refrigerated trucks and assessing its financial and operational viability
- Philani to begin fax subscription to the Johannesburg and Pretoria market reports

ANNEX A

PHILANI PRODUCE PROPOSAL FOR OK BAZAAR

Philani Produce is a financially sound company with an excellent reputation for reliability. We are specialists in potatoes and onions and in Swazi produced fruits and vegetables.

We have a very strong interest in becoming your back-up supplier and propose the following program:

Potatoes and onions: we would become your principal supplier on these bulky products, freeing up valuable space on the Gastaldi's truck for higher value, more perishable products.

Swazi produce: we recommend a section in your produce department be dedicated to Swazi produce. We will provide the product as seasonally available and support the program through point of purchase material and media coverage. We will work with OK Bazaar in developing special promotions during heavy seasonal availability, and will share in the advertising costs.

Back-up: Philani will provide back-up for high volume items such as apples, grapes, tomatoes, etc.. The items to be covered will be developed in consultation with OK Bazaar. Included will be any items being run on promotion. Philani will maintain these items in stock at all times and Philani will guarantee delivery in emergencies.

Communications: Philani's senior salesman will maintain daily telephone contact with each store, and Mr. Ernest Hlope, Philani's Managing Director, will visit each store weekly. The home telephone numbers of key Philani employees, including the Managing Director, will be provided so that problems and emergencies can be dealt with quickly.

Pricing: pricing will be daily, and will be the going delivered price in the Swaziland market. From time to time, special pricing will be negotiated to promote Swazi produce.

Thank you for your interest. We look forward to having the opportunity to serve you.

Ernest Hlope
Managing Director

ANNEX B

MAPUTO MARKET

The following is the result of a two day visit to Maputo March 4-6, 1993. Mr. Fernando Paixao from USAID/Maputo provided invaluable assistance with contacts and logistics, as well as information regarding Mocambique agriculture in general. During this time, two visits were made to the wholesale "market" and each of the three retail markets. Numerous wholesalers and retailers were interviewed. The three markets visited were Central, Mao Tse Tung, and Karl Marx.

Visits were also made to Nosso Supermercado and Interfranca, both "supermarket" type grocery stores; and an interview conducted with the manager of the Interfranca store. Interviews were also conducted with Belmiro Batista, Director General of Hortofruticultura, a fruit and vegetable distribution company; with Yum Man Wah of Cocolino Agricola who operates a 300 ha farm; and with David Jenkins, manager of the Polana Hotel.

As a result of these interviews, the following is believed to be reasonably accurate, but due to the limited and anecdotal nature of the information, it may contain some inaccuracies and omissions.

Central market contains the city's largest fruit and vegetable retail market, and is the site of its principal wholesale market. The wholesale market consists of a large number of trucks parked behind the retail market in a field or "parking lot." Lorries with product from Swaziland and South Africa are there (over 10 at the time of our visit) as well as a number of bakkies and other vehicles carrying product from Mocambique, Swaziland and South Africa. There are also bakkies and other vehicles that have been hired by women from other markets and locations who have come here to buy. In addition, some of the retailers at this market pool together to rent trucks to go to Swaziland to buy produce.

The smallest of the three markets is Karl Marx, which is fairly close to the Central market, and whose product is sourced almost exclusively at the Central wholesale market.

The third market, Mao Tse Tung, sources product in a variety of ways. The bulk of their product is bought at the Central wholesale market. However, at least one group of women pool together and rent a truck to go to Swaziland to buy, and a few bakkies, and an occasional lorry will come here to wholesale. Of particular interest may be a bakkie that arrives daily with a bulk load of Swazi tomatoes.

There are a number of street vendors who source their products primarily at Central market. Street vending is illegal and the police are currently engaged in a crackdown.

The two supermarkets visited had almost no fruits or vegetables, although it was a Thursday afternoon. They had substantial space set aside for produce, but it contained only 3

or 4 pieces. Nosso had very little product of any kind, but Interfranca was generally well stocked for everything but produce and seemed to be catering to a more affluent clientele. The manager said his fruit and vegetables were sold to him by a vendor from a bakkie. According to my interpreter, this was representative of produce selections of any "supermarket" in Maputo. Apparently, produce is not sold in any quantity through these outlets.

Distributors:

Hortofruticula is a fruit and vegetable distributor, among other businesses, (sugar being one,) with some unclear connection to the government. We heard of one other firm who is believed to be a distributor called "Maraquere", based in Xai-Xai, but I could not get much clear information on it. There surely must be some others. In addition, we observed a Sanrio truck driving along the road, but do not know where it was going. It did not stop at the Central market and does not serve the Polana Hotel. (Sanrio is a fruit distributor based in Johannesburg.)

Finally, the Polana Hotel gets almost all of its produce from South Africa delivered once a week, along with other supplies.

The high volume products on the wholesale market, with potential for increased exports from Swaziland, are potatoes, onions and cabbage. Potatoes in normal years were supplied by an area about 200 kilometers north of Maputo. It is believed it will be years before this area begins shipping again. With onions and cabbage, imports will continue to be in demand during the summer months but dealers at the market expect a local winter supply to start up this year at Boane beginning in May/June, which should be sufficient to supply the local market. If this local supply materializes, it will have a substantial negative impact on the NAMBoard market. These products, along with tomatoes, account for approximately 30% of Philani's sales.

All of the lorries that were unloading, with one exception, were carrying potatoes and onions, but mostly potatoes - with the one exception being half of a lorry of bulk tomatoes. None of the trucks had cabbage, nor was there much cabbage in the markets. However, cabbage is a staple of the Mocambique diet, and its absence was attributed to supply problems in South Africa and Swaziland. Although there were mostly potatoes, there were significantly large quantities of onions. These were Cape onions sourced through the Johannesburg and Swazi markets.

Of the wholesalers interviewed, one had a double lorry of potatoes and onions which she brought in from the Johannesburg market daily. Another wholesaler brought in two lorry loads of potatoes a day from the Springs market. And one wholesaler brought in one lorry load a day from a farmer in Witbank. Of the others, we spoke to one who sourced in Swaziland, another from Pretoria, and the balance were vague about where they got their product - other than somewhere in South Africa. (Lorry here refers to an 8 to 25 ton truck.)

This obviously raises the question why the Swazi market, 9 hours and 860 kms (roundtrip) closer than Johannesburg, isn't the principal source for these products. In Philani's case, it again points to the need for improved sourcing, and a review of mark-up policies.

Since these products are also the major import items for the Swazi domestic market, CAPM has in the past evaluated whether they should be supported through the CAPM program. The additional market available for these products in Maputo, should be taken into consideration as an additional factor, in CAPM's on-going evaluations.

The only other products that seem to have exceptionally heavy demand, as measured by the amount of product on display, were oranges, tomatoes, lettuce and other greens. The oranges were particularly popular with the street vendors and were reportedly from a plantation just outside Maputo at Boane.

The lettuce and other greens were also from Boane. The visual quality of the oranges and greens was excellent.

The tomatoes, of interest to CAPM, were all imported from South Africa (boxed) or Swaziland (bulk). Some, if not all, of the South African boxed tomatoes were purchased through the NAMBoard market, while the bulk were purchased directly from Swazi growers. The retailers interviewed, who seemed to be specializing in tomatoes, stated that tomatoes were not grown in Mozambique during the summer due to the heat and rain. However, tomatoes are grown outside of Maputo in winter, and the dealers anticipate having a sufficient amount of local production over the coming season, beginning in late April or early May.

Although there may be a demand for sweet corn (another product of interest to CAPM) in the expatriate community, the logistical problems do not make this an interesting market at this time. Green peppers, the third CAPM crop, were in reasonable evidence at the markets. They were very small, but otherwise of excellent quality. They also came from Boane. The smallness was attributed to being grown in summer, when growing vegetables was described as being more difficult. The size is expected to be larger in winter when growing conditions improve. Paradoxically, the dealers said that prices also go up in winter, which would indicate possible water shortages for irrigation, or irrigatable land. (Summer rains have provided adequate water at the dams this year.)

Another product notable by its virtual absence from the market was banana. Banana is apparently an important crop in Mocambique normally. There is a large government-owned sugar plantation that also has a substantial amount of land in banana; and as part of our visit, we spoke with a farmer with 300 ha of land normally dedicated to banana. In addition, there are apparently numerous other banana plantations in operation. The current shortage was due to drought and other problems. For example, the grower who normally farms 300 ha of bananas has cut

back due to serious problems with theft; with the cost of repair parts for equipment; and an inability to get workers. He continually emphasized the problem with theft as being one of very serious proportions.

However, all of the dealers felt it was just a matter of a very short time until there was an adequate supply on the market. We could not find the reason for this optimism, and it may be wishful thinking. In any event, Philani should monitor this situation over the next two months of heavy Swazi production. There may be some marketing opportunities. No one knew of any political restrictions to imports.

Some Cayenne variety pineapple from Swaziland was found in the market, but no Queen varieties from South Africa. The distributor interviewed, Hortofrutricula, was very interested in Queen variety, but would accept Cayenne. This too could provide an opportunity for Philani. The Cayenne pineapples at the market now are apparently being supplied by vendors who load their bakkies at the factory. However, there is no reason why Philani cannot source Queens in South Africa and supply this distributor, if this is what he prefers.

All other tropical fruits, notably limes and papayas are apparently sourced locally. Temperate zone fruits, particularly grapes and apples were in common evidence, and the Swazi market seemed to be the principal source. However, the Sanrio fruit company in Johannesburg seems to be delivering product somewhere in Maputo as well. Much of the apples and grapes were brought in by the women who rented trucks to go to the NAMBoard market.

In summary, it looks likely that the NAMBoard market will experience a substantial decline in sales of tomatoes, cabbage and onions this winter. However, the NAMBoard market has the potential to become the dominant supplier of potatoes, and summer season onions, cabbage and tomatoes to the Maputo market. There will not be a market for the CAPM products unless there is unexpected problems with Maputo winter production.

While there, Hortofrutricula expressed interest in the possibility of developing a business relationship with Philani. They need 1,000 bags of potatoes a week year 'round, for at least this year and possibly for a few more years; 1,000 bags a week of onions until the end of May, and an undetermined amount of cabbage a week until June.

Attached is a list of crops and growing seasons for Mocambique under normal circumstances.

HORTOFRUTÍCOLA, E.E.

PRODUTOS HORTÍCOLAS E FRUTA E PERÍODOS DE PRODUÇÃO

A produção de Hortícolas e Fruta na República Popular de Moçambique, pode ser dividida em três períodos para a produção de grande parte dos produtos, a saber:

- a) período com risco mínimo na produção
- b) período com algum risco na produção
- c) período com alto risco e baixo rendimento

Produtos	Período a)	Período b)	Período c)
Alface	Fevereiro, Março e Abril	-	-
Almeirão	Janeiro e Abril	Dezembro, Maio, Junho	-
Almeirão	Janeiro e Agosto	-	Julho a Novembro
Almeirão	Agosto a Dezembro	Julho	Setembro a Dezembro
Almeirão	Maio a Novembro	Dezembro	Janeiro a Junho
Almeirão	Setembro a Março	-	Janeiro a Abril
Almeirão	Julho a Novembro	Maio, Junho, Dezembro	Junho a Agosto
Almeirão	Junho a Novembro	Maio e Dezembro	Janeiro a Abril
Almeirão	Julho a Outubro	Maio, Junho, Novembro, Dezembro	Janeiro a Abril
Almeirão	Junho a Dezembro	Abril e Maio	Janeiro a Abril
Almeirão	Junho a Dezembro	Maio e Junho	Janeiro a Março
Almeirão	Agosto a Novembro	Março e Junho	Janeiro a Abril
Almeirão	Setembro a Outubro	Julho, Agosto e Novembro	Abril, Maio e Junho
Almeirão	Julho a Novembro	Maio e Junho	Dezembro a Julho
Almeirão	Junho a Setembro	Março e Maio	Dezembro a Abril
Almeirão	Fevereiro, Março e Agosto	Janeiro, Junho, Julho e Setembro	Outubro a Fevereiro
Almeirão	Setembro, Janeiro	-	Outubro a Dezembro
Almeirão	Novembro a Dezembro	Outubro, Janeiro e Fevereiro	-
Almeirão	Setembro, Janeiro e Fevereiro	Novembro e Março	Março a Setembro
Almeirão	Junho a Novembro	Maio e Dezembro	Abril a Setembro
Almeirão	Outubro a Fevereiro	-	Janeiro a Abril
Almeirão	Novembro a Janeiro	-	-
Almeirão	Novembro a Fevereiro	Junho, Julho e Agosto	-
Almeirão	Setembro a Abril	Maio a Outubro	Setembro a Outubro
Almeirão	Novembro a Abril	Maio a Outubro	-
Almeirão	Julho a Outubro	Maio, Junho e Novembro	-
Almeirão	Junho a Novembro	Maio, Junho e Dezembro	Dezembro a Abril
Almeirão	Abril a Agosto	-	Janeiro a Abril
Almeirão	Fevereiro a Setembro	-	-
Almeirão	Julho a Novembro	Maio, Junho e Dezembro	Janeiro a Abril

SCOPE OF WORK

SHORT TERM CONSULTANCY: PRODUCE MARKETING MANAGEMENT ASSISTANCE

COMMERCIAL AGRICULTURAL PRODUCTION AND MARKETING PROJECT
(CAPM)
MBABANE, SWAZILAND

OBJECTIVE/BACKGROUND

The objective of this consultancy is to assist Two CAPM wholesale produce companies to improve company organization, information and control systems and employee skills. The consultant will divide time between the two companies which are located at the Swaziland Fresh Produce Market at Nokwane.

In December of 1991, an amendment to the CAPM contract was signed under which CAPM resources were substantially redirected in order to provide technical assistance and training assistance to Swazi horticultural marketing firms and small scale farmers with an interest in commercial horticultural production. Under the terms of the amendment, a CAPM team was hired in early January which includes a COP/Agribusiness Specialist; Project Coordinator; Marketing Specialist and Advisor; Horticultural Specialist and Advisor; four to six Field Assistants; Data Management Specialist as well as administrative and office support staff.

The goal and purpose of the project remain unchanged, "to increase the commercialization of agriculture in Swaziland". The new vision statement for the project is to "stimulate demand for quality Swazi produce".

The two companies need technical assistance and training to strengthen their capability to source and market fresh produce grown by small scale commercial farmers on irrigated land.

The consultant will work under the supervision of the Chief of Party.

STATEMENT OF WORK

The consultant is expected to complete the following tasks, the details of which will be further refined three days after arrival of the consultant:

- o Meet with USAID, the CAPM technical staff and management of participant marketing firms to review and assess the developmental status of the CAPM companies. After this assessment, the two companies assigned to the consultant will be selected within three days after arrival of the consultant in Swaziland.

- o For the assigned companies, review the current management practices and systems for basic company functions including procurement, inventory control, stock presentation, bookkeeping, product pricing, sales, and personnel.
- o Advise and conduct on-the-job training for company management and staff on a daily basis at the company operating sites.
- o Participate in CAPM off-site training exercises for company staff, customers or suppliers.
- o Under the supervision of the Chief of Party, coordinate specific activities with the activities of the CAPM Agribusiness, Marketing and Production Specialists
- o Prepare end-of tour report outlining company needs for company additional further training or technical assistance under CAPM and propose activities.

DURATION AND TIMING OF ASSIGNMENT

This consultancy will take approximately eight weeks to complete and it is anticipated that the assignment will begin on or about January 16, 1993.

QUALIFICATIONS

The consultant must have ten or more years hands-on experience in all aspects of wholesale produce procurement, marketing and distribution, preferably in a management position. Experience working with buying produce directly from farmers and fresh produce business is essential. The consultant ideally will have experience working with wholesale produce business in developing countries.