



# Unlocking the Potential of Food SMEs to Boost Income and Food Security in South Africa

By

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## Key Messages

- From the business side, women dominate the food SME sector in South Africa, with majority being Black South Africans.
- The type of food SME (i.e., spaza shops, restaurants and fruit and vegetables) has a significant impact on income<sup>1</sup>.
- SMEs operating restaurants generate the highest weekly income, making cooked foods more profitable than selling fruits and vegetables, which is the least profitable of all.
- In terms of food security, nearly half (48%) of households had an adequate diet, consuming more than six food groups in the study area.
- The food security status of the household was determined by multiple socio-economic factors, including the household age, sex, education level, family size, ethnicity, number of working adults, household income and food expenditure.
- The informal food markets play a crucial role in ensuring food and nutrition security, with over 60% of consumers purchasing fruits and vegetables from street vendors.
- Spaza shops serve as key sources of grains, nuts, legumes, dairy, poultry, and meat, making them essential for food accessibility and affordability in low-income communities.
- Policy recommendations to support SMEs selling fruits and vegetables should include training on proper handling, cooling, and temperature management of fresh produce.

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<sup>1</sup> Income for the Food SMEs refers to the revenue and the net returns after we deduct the cost. Detailed are covered in the paper, but for the policy brief we refer to income only.

## **Introduction**

South Africa faces a persistent food and nutrition security challenge, with millions of households unable to afford or access adequate, nutritious food. In 2024, 15% of the population experienced inadequate food access and 6% faced severe food insecurity [StatsSA, 2024]. Low-income communities are particularly vulnerable due to rising food prices, stagnant wages, and limited access to diverse, affordable foods.

### *The Policy Problem*

Despite the central role of food small and medium-sized enterprises (SMEs) in township and informal economies, their potential to strengthen local food systems remains underutilised. Most food SMEs operate informally, face structural barriers to growth, and are not fully integrated into food security and economic development policies. This gap limits their ability to provide stable incomes for entrepreneurs who are predominantly Black women and to supply affordable, nutritious foods in underserved areas.

### *Why Food SMEs Matter*

Food SMEs are critical nodes in South Africa's local food economy because they:

- Supply the majority of foods consumed in low-income areas, especially through spaza shops and street vendors.
- Improve access to affordable, diverse foods, supporting household food and nutrition security.
- Provide livelihoods for thousands of micro-entrepreneurs and workers, particularly women.
- Circulate income locally, stimulating township economies and strengthening community resilience.
- Fill market gaps where formal retailers have limited presence.

### **This brief examines:**

1. Which types of food SMEs generate the highest income for entrepreneurs and why.
2. How food SMEs influence household food security in low-income communities.
3. What socio-economic factors shape food access, dietary diversity, and household vulnerability.
4. Policy actions needed to unlock the economic and food-security potential of food SMEs in South Africa.

The evidence is based on survey data from 474 food SMEs and 438 low-income consumers in Johannesburg and Pretoria, analysed with robust econometric methods. Table 1 below shows the sample selected from both groups of respondents by area from the two cities.

**Table 1. Distribution of Food SMEs by food types and Consumers by Area**

SMEs categories	Frequency	Percentage
Street food vendors	320	69.62
Restaurant	55	11.60
Spaza shop	89	18.78
<b>Total</b>	<b>474</b>	<b>100</b>
<b>Food sold</b>		
Cooked	164	34.60
Uncooked food	72	15.40
Fruits and vegetables	182	38.40
Mixed (Uncooked, fruits and vegetables)	55	11.60
<b>Total</b>	<b>474</b>	<b>100</b>

Location	Frequency	Percentage
<b>Pretoria</b>		
Atteridgeville	15	3.43
CBD	21	4.79
Kameeldrift	102	23.29
Mamelodi	80	18.26
Sunnyside	43	9.82
Marabastad	6	1.37
<b>Johannesburg</b>		
Soweto	39	8.90
Cosmo City	72	16.44
Diepsloot	60	13.70
<b>Total</b>	<b>438</b>	<b>100.00</b>

**Figure 1: Figure 1: Samples of Food SMEs**



**Fruit & veg SME**



**Cooked food SME**



**Dry food SME**

Source: Photos taken during data collection, 2024

### Key Findings (simplified, policy-relevant, with statistics)

- **Food SME type shapes income opportunities.** SMEs selling cooked foods or mixed products earn the highest incomes, while fruit-and-vegetable only SMEs are least profitable. Restaurants generate the most weekly income, while spaza shops earn the least.
- **Women lead the food SME sector.** Women own **65%** of food SMEs and **75%** of restaurants, making the sector a major source of income for Black women in low-income communities.
- **Informal food SMEs are central to everyday food access.** Over **60%** of households buy fruits and vegetables from street vendors, and spaza shops supply key staples such as grains, legumes, dairy, and meat.

- **Dietary diversity remains limited.** Only **48%** of households have an adequate diet (consuming 6+ food groups), while **40%** are fully food secure based on lived experience over the past year.
- **Household food security is driven by socio-economic conditions.** Income, household size, education, and the number of working adults strongly influence whether families can access diverse and nutritious food.

## **Policy Recommendations**

### **Short-to Medium-Term Measures**

- **Support product diversification.** Encourage SMEs selling only fruits and vegetables to expand into complementary products such as uncooked dry foods to improve profitability.
- **Provide targeted training.** Government, NGOs, and development agencies should offer practical training on safe food handling, cooling, and temperature management to reduce spoilage and improve food quality.
- **Improve access to cooling and storage.** Due to high capital costs, government should subsidise or co-finance cold storage and basic preservation equipment for small food retailers.

### **Long-Term Strategies**

- **Strengthen women's economic empowerment.** Because women dominate cooked-food businesses—one of the most profitable SME types—policy initiatives should prioritise women-led food enterprises in low-income areas.
- **Enable formalisation and value-chain integration.** Develop long-term policies that help food SMEs formalise, access business services, and participate in broader food value chains, enhancing their contribution to national food security.
- **Invest in SME-friendly infrastructure.** Establish SME parks or designated trading spaces with reliable shelter, water, electricity, and refrigeration. This would minimise contamination risks and reduce dependence on unsafe street-side cooking and storage conditions.

### **Implementation Considerations**

- **Financial and institutional support.** Due to the high costs of cooling and storage, government agencies including the Small Enterprise Development and Finance Agency (SEDFA) and other stakeholders should assist food SMEs through subsidies, grants, or

public-private partnerships. Support can also include regulation, business development services, and market infrastructure improvements to strengthen informal food markets.

- **Collaborative investment models.** SMEs can form cooperatives or associations to jointly access loans or shared facilities for temperature-controlled storage, improving the sustainability and safety of fresh fruits and vegetables.

## **Conclusion**

Supporting food SMEs is a critical strategy for improving income generation and enhancing food and nutrition security in low-income communities. Targeted policies and investments such as business support, infrastructure, and training are urgently needed to strengthen these enterprises, enabling them to sustain livelihoods, expand access to nutritious foods, and contribute to broader economic and food security goals.

## **Main Source of reference:**

The main sources for the policy brief are two papers by the authors as follows:

- (i) Enoch Owusu-Sekyere, Selma T. Karuaihe, Herbert Ntuli, Wegayehu Fitawek, Nazeeia Sayed, and Hettie Schönfeldt. Determinants and impacts of small and medium-sized business types on revenue and net returns in South Africa<sup>2</sup>.
- (ii) Wegayehu Fitawek, Selma T. Karuaihe, Herbert Ntuli, Enoch Owusu-Sekyere, Nazeeia Sayed and Hettie C Schönfeldt. Exploring the role of small and medium food enterprises in enhancing food security among low-income consumers in South Africa<sup>3</sup>.

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<sup>2</sup> This paper was published as a preprint at: <https://verixiv.org/articles/2-189/v1>

<sup>3</sup> This paper was published as a preprint at: <https://verixiv.org/articles/2-97/v1>

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<https://www.worldbank.org/en/topic/smefinance>

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