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PepsiCo deal ticks all the right boxes

The R26bn acquisition of Pioneer Foods by the US snack and beverage giant PepsiCo shows that the government is serious about safeguarding the interest of the public, business and workers against the pursuit of the bottomline by multinational companies.

Under strong legislative framework in the form of the Competitions Act, the minister of trade and industry Ebrahim Patel is empowered to flex his muscle to see to it that everyone benefits. Section 12A (3) of the Competitions Act gives the minister leverage in determining whether foreign multinational companies are in agreement with public interest commitments. Mergers must promote local small businesses, farmers and local procurement as well as maintaining jobs for example.

As part of this social compact between government and merging companies, PepsiCo agreed to invest R6.5bn which includes R1.6bn worth of a workers' trust fund that will be used to buy shares in the Nasdaq-listed company. Half of the dividends will be paid out to workers and other half retained to fund the trust to buy a stake in Pioneer Foods.

Furthermore, R300m will be used for agricultural development which will go a long way in optimising the development of local farmers in the supply chain of wheat, oats, potatoes, fruit, vegetable oils for the production of brand products by the company.

A similar transaction was also facilitated in 2016 when AB InBev took over the SA Breweries. This saw AB InBev investing R1bn in SA over the following five years in the areas of agriculture, entrepreneurship and societal benefits.

At the time the group said it would invest R610m in developing the capacity of 800 emerging farmers, and develop the capacity of 20 new commercial farmers.

It was aimed that this would create at least 2,600 new farming jobs in SA. As a consequence, public interest commitments are a clever way by government to streamline the successful trajectory of agri-business in SA.

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