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Report Highlights:

2003 saw a significant strengthening in the value of the Rand. The combination of a weak dollar, strong euro and strong South African rand is helping to increase American exports to South Africa. Several high value products like almonds, cultivated ginseng root, canned salmon, American bourbon whisky, new oak staves for wine barrels, sauces and frozen food preparations have shown consistent growth over the last five years and represent important opportunities for U.S. exporters.

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SECTION I: MARKET OVERVIEW

The Republic of South Africa has a market-oriented economy and is a net exporter of agricultural products. It has a highly diversified agribusiness sector and is self sufficient in primary foods with the exceptions of wheat, oilseeds and rice. Because of South Africa's well-developed processed food and competitive horticultural sectors, U.S. exports to South Africa consist mostly of bulk and intermediate agricultural products.

While in previous years U.S. exports were negatively impacted by the decline in the value of the rand compared to the dollar, 2003 saw a significant strengthening in the value of the rand. The average weighted exchange rate of the rand to the U.S. dollar dropped to 7.56 for 2003 from 10.52 in 2002 and 8.6 in 2001. This trend has continued in 2004, and in mid August 2004 the rand was trading at 6.5 to the dollar. The combination of the weak dollar against the strong rand and euro is helping to increase American exports to South Africa.

Over the last five years the United States has exported an average of 164 million dollars per year of agricultural, fish and forestry products to South Africa. Bulk agricultural commodities such as rice, wheat and coarse grains have been exported in substantial quantities in the last two years. American rice may no longer be competitive in the South African market due to its high price. U.S. wheat exports to South Africa have been especially high in 2003 and 2004 due to poor wheat crops in competing countries, a newfound preference for U.S. hard red winter wheat, and a favorable exchange rate. Intermediate agricultural products, such as planting seeds, are an important export to South Africa, and animal fats have shown consistent and substantial growth over the past five years. Several high value products like almonds, cultivated ginseng root, canned salmon, American bourbon whisky, new oak staves for wine barrels, sauces and frozen food preparations have shown consistent growth over the last five years and represent important opportunities for U.S. exporters.

The South African food and beverage market is becoming increasingly sophisticated and now offers a wide range of imported products. This market is often divided up into two segments, the first prosperous and largely white, the second poor and largely black. (However, the black population's buying power is increasing and improving the market for imported food products.) South Africans in the middle and upper income levels are demanding healthier, convenient, quality foods, while the poor majority requires basic staple foods at affordable prices. For example, the organic foods market is growing rapidly in South Africa and supermarkets are using promotions that emphasize the health benefits of various products. Also, the food retailer Pick 'N Pay has opened stores in township areas, places that have been historically underserved by large supermarket style stores.

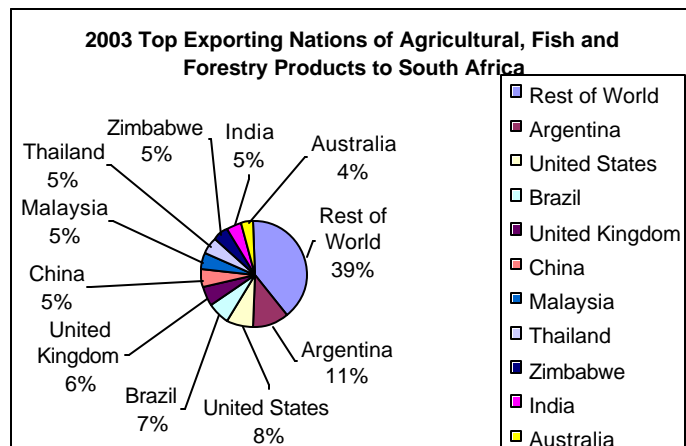
Market surveys have repeatedly shown that price sensitivity rules consumer behavior. South African industry leaders concur with a current ACNielsen study that supports this, stating that price, above other factors like quality or appearance, is the primary factor in selecting a product. However, an interesting idiosyncrasy of the South African market is that price may be less of a factor in townships, where consumers often show significant brand loyalty for certain brand items.

Table: Trade of major agricultural, forest and fishery products between US and South Africa for calendar year 2003.¹

South Africa's Major Bulk, Intermediate and Consumer-Oriented Agricultural Imports from the United States		South Africa's Major Bulk, Intermediate and Consumer-Oriented Agricultural Exports to the United States	
Jan-Dec 2003	\$1,000's	Jan-Dec 2003	\$1,000's
Wheat	\$45,642	Other Fresh Fruit	\$43,949*
Rice	\$13,233	Other Value Added Wood Products	\$22,658
Hardwood Lumber	\$11,385	Wine and Beer	\$21,155*
Other Consumer Oriented Products	\$10,644*	Fruit and Vegetable Juices	\$19,109
Planting Seeds	\$8,580	Tree Nuts	\$16,345*
Panel Products (including Plywood)	\$7,748*	Processed Fruit and Vegetables	\$16,153
Animal Fats	\$6,349	Lobster	\$13,417
Coarse Grains	\$6,343	Cane Sugar	\$10,049
Poultry Meat	\$4,048	Panel Products (Including Plywood)	\$7,205*
Other Value-Added Wood Products	\$3,923	Tea	\$1,010*
Agricultural Total	\$148,509	Agricultural Total	\$151,087*
Agricultural Fish & Forestry Total	\$173,886	Agricultural Fish & Forestry Total	\$216,786*

A. U.S. Market Position:

South Africa's 2003 total agricultural imports amounted to R15.82 Billion, down 6.67% from 2002 (\$2.1 billion in 2003²). The leading suppliers were from Argentina (R1.69 billion/ \$220.04 million), the United States (R1.26 billion/ \$171.458 million), Brazil (R1.16 billion/ \$156.299 million), the U.K. (R890.24 million/ \$119.97 million) and China (R859.47 million/ \$111.947 million).



¹ "*" Denotes highest export level since at least CY 1970.

Note that the category "Other Consumer-Oriented Products" has grown significantly in 2003 and that it has already made substantial increases from October 2003 to March 2004. The specific products in this category which showed growth or were substantial US exports are Other Frozen Food Preparations, Cultivated Ginseng Root, Prepared Bulgur Wheat and Groats and Meal of Wheat. Also, rice exports to South Africa have dropped by 99% in January-March 2004 due to high prices and expensive freight costs.

² Due to exchange rate variations, world exports to South Africa have increased in U.S. dollar values and have declined in South African rand.

B. Advantages and Challenges Facing Sales of U.S. Products in South Africa

Advantages	Challenges
Favorable exchange rate. Strong rand and euro with the weak dollar make American imports more affordable.	Retailers and consumers have limited knowledge about the variety of U.S. products.
South African consumers view U.S. products as high quality.	Acquired tastes and preferences for traditional, locally produced products.
South African importers seek suppliers who can offer quality products at competitive prices.	Challenges for U.S. suppliers to respond to trade-lead inquiries in a timely fashion.
The growing retail industry needs imported food and beverage products.	Competition from other countries and locally produced products.
Transparent import regulations.	
A steady decline in tariff levels on most products.	

Section II: EXPORTER BUSINESS TIPS

A. Local Business Customs:

Generally, business hours are weekdays from 8:00 a.m. to 1:00 p.m. and 2:00 p.m. to 4:30 p.m. Most offices observe a five-day week, but shops are generally open from 8:30 a.m. to 5:30 p.m. and 8:30 a.m. to 1:00 p.m. on Saturdays. Banks are open weekdays from 9:00 a.m. to 3:30 p.m. and Saturdays from 8:30 a.m. to 11:00 a.m. The monetary unit of South Africa is the rand (R), which is divided into 100 cents (c). Shopping is similar to that in the United States, with large and very modern shopping centers providing diverse product lines similar or identical to those found in the United States.

Terms of Payment: Business transactions in South Africa are commonly carried out on open terms with payments being made within 45 to 50 days after bill of lading. However, when working with new clients, irrevocable letters of credit are advisable. Cash against documents arrangements are also used, although there are some risks in these arrangements that make letters of credit a safer alternative for the exporter.

B. Trade and Marketing Services:

Franchising: According to the Franchise Association of Southern Africa, the largest franchise sector in South Africa is fast food, representing 29% of the franchise industry. According to 2002/2003 surveys, South Africa's most popular take-out food item is chicken. However, hotdogs and chips (french fries), hamburgers and pizza are also popular choices. The survey also specified that of the consumers who preferred chicken, 66% were black and 18% were white. An example of a successful franchising operation is "Famous Brands," which has recently doubled its number of restaurant outlets from 562 to 1040. The Famous Brands franchise model includes a manufacturing facility that supplies bakery, butchery and sauce products to franchises including Steers and Wimpy's (hamburger restaurants), Church's Chicken, Debonairs Pizza, Brazilian Coffee and House of Coffees.

Direct Marketing: Although South Africa's foreign exchange controls and import documentation requirements have been relaxed, we recommend that U.S. companies contract with a South African agent or partner who would be responsible for marketing the product, holding stock, fulfilling purchasing transactions and remitting revenue to the U.S.

company. Companies interested in learning more about South Africa's mail order sector may contact the South African Direct Marketing Association.

Joint Venture/Licensing: Exchange control regulations stipulate that the South African Reserve Bank (SARB) must approve the payment of royalties. When a licensing agreement involves no manufacturing, the request for exchange control approval is sent directly to SARB. For a company interested in entering into a licensing agreement with a local company to manufacture a product in South Africa, the South African licensee must submit an application to the industrial Development Branch of the Department of Trade and Industry. The application should include a draft licensing agreement and a questionnaire (Form MP 337). The Department of Trade and Industry, in turn, will make a recommendation to the SARB. Additional information on licensing regulations can be obtained from the Directorate of Technology Promotion.

Steps in Establishing an Office: Foreign companies that wish to establish a subsidiary in South Africa must register in accordance with the companies act of 1973. The Act, which is administered by the Registrar of Companies, regulates the formation, conduct of affairs, and liquidation of companies. The Act makes no distinction between locally owned or foreign owned companies. Companies may be either private or public. For more information, please see the Department of Trade and Industry website at www.dti.gov.za.

C. Consumer Tastes and Preferences:

South African food retailers serve a wide range of consumers. At one end, there are supermarkets very similar to those found in the United States. These shops provide most of the products and services found in U.S. grocery stores like processed foods, packaged meats and fancy produce. South Africans are also able to purchase organic products and vegetables, which is a fast growing segment of the retail food market (lead by organic baby food). Many supermarkets serve pre-assembled meal items such as roasted chickens and cut vegetables ready for soup, stir-fry, salads etc, while others sell ready-made meals like sandwiches and sushi. At the other end, consumers are also well served by a thriving informal sector. Spazas are independent grocers that are typically found in townships and generally specialize in staple foods like cornmeal, rice, cooking oils and meats. They may also sell soft drinks and other low-priced consumer oriented goods. Also, the food retailer Pick 'N Pay has opened stores in township areas, places that have been historically underserved by large supermarket style stores.

Despite the variety of options available to South African consumers, price sensitivity rules their behavior. A source survey in 2002 found that 47.8% based their decisions on price and 16.9% buy store brand (generic brand) items because they are good value for money. Only 13.4% mentioned quality as a motivator, while 4.3% perceived the store brand to be equal to name brand items. Products that are successful with store brand labels include milk, syrups, dry pasta, nuts, canned fruits and jellies.

Although many South Africans choose products according to price, consumers in townships often demonstrate contradictory demands and characteristics. For example, spazas and other informal shops tend to only supply leading brand items because their customers demonstrate strong brand loyalty. Adding to this trend is the fact that the black population's buying power is increasing. On the other hand, product attributes that may help a product succeed in township markets are less expensive and/or single service package sizes and ambient-stable products that do not require refrigeration. A local research company recently reported findings that confirm this, stating, "we have heard for the past 20 years that the [low income] consumer wants smaller packaging, but it is still amazing how many manufacturers do not heed that call."

South Africans love meat, and barbeque, called braai, is very popular. Braai products, such as sauces, are also popular, especially sweet and spicy flavors. A wide variety of meats are available, such as beef, beef sausages, lamb, game meats, and poultry. Fish is also gaining popularity as consumers are seeking healthier alternatives to meat. (South Africans eat more beef and lamb than pork. It has been generalized that they eat about as much pork as Americans eat lamb, and as much lamb as Americans eat pork.)

According to ACNielsen research, health information is becoming an important component of food retailing. Consumers would like to see more health, nutritional and weight loss information in stores. These consumers will most likely fit in the categories of:

- 1) older female consumers who are interested in diet as a way to obtain good health in place of exercise,
- 2) young people and high Living Standard Measurement (LSM) consumers who are becoming increasingly aware of the importance of a good diet and exercise in order to maintain good health,
- 3) and low LSM consumers, many of whom are feeling the impact of HIV/AIDS on their families and are thus in need of healthy food products. However, due to hard financial times for poor South Africans, health products for low LSM consumers will not find a place on grocer's shelves unless they are developed as viable substitutes for basic staples.

South African farmers and manufacturers are becoming increasingly responsive to food safety issues. As South African supermarkets and food distributors continue to integrate their food supply chains, they are able to better provide traceability/accountability services for consumers. This is especially important in order to satisfy export market demands. However, food safety has a much lower profile in South Africa than in the U.S. or Europe, perhaps due to fewer incidents or due to problems in identifying food safety problems. In 2002, South Africa approved a set of food safety regulations that embrace the important principles of HACCP and follow the Codex Alimentarius model. Under this regulation, exports to South Africa must meet the same food safety standards as apply to South African food producers. For more information on HACCP, please refer to [Regulations Relating to the Application of the Hazard Analysis and Critical Control Point System \(HACCP System\)](#) at www.doh.gov.za, (click on documents then regulations.)

D. Food Standards and Regulations:

Agricultural Standards: The Directorate of Plant Health and Quality with the National Department of Agriculture is responsible for setting standards for certain agricultural and agricultural-related products. This includes aspects such as composition, quality, packaging, marketing, and labeling as well as physical, physiological, chemical, and microbiological analyses. These standards are published pursuant to the Agricultural Product Standards Amendment Act of 1998 and the Liquor Products Act of 1989 in the form of regulations for products to be sold on the local market and in the form of standards and requirements for products that are intended for export.

Food Labeling: According to the Foodstuffs, Cosmetics and Disinfectants Act of 1972: Regulations Relating to Labelling and Advertising of Foodstuffs, labels on food products must include the following points:

- a. The name of the product;

- b. The name and address of the manufacturer, packer, seller, importer, or person on whose behalf the foodstuff is pre-packed;
- c. A list of ingredients in descending order (of mass) under the heading "Ingredients";
- d. A label written in at least one of the official languages of South Africa. (This includes English);
- e. Instructions for special storage conditions, when applicable;
- f. The product's country of origin.

In practical terms, most U.S. products meet South African labeling regulations. However, there are regulations regarding the usage of certain words and expressions that imply health-giving properties. Precise explanations of the terms and conditions for food product labeling can be found at <http://www.doh.gov.za/>. (Click on Documents, then Regulations, then Regulations Relating to Labelling and Advertising of Foodstuffs, August 8, 2002. Note that the annexures section of this document provides information on required nutrition analysis).

A useful reference is the GAIN Report SF4029, Food and Agricultural Import Regulations and Standards for South Africa, which was written by our office in August 2004.

E. General Import and Inspection Procedures:

South Africa is a member of the World Trade Organization (WTO) and follows the Harmonized System (HS) of import classification. South African shipments are eligible for Generalized System of Preferences (GSP) and African Growth and Opportunity Act (AGOA) treatment in the United States, which brings US tariffs on most goods to zero. US shipments to South Africa qualify for Most Favored Nation treatment.

There is free exchange of trade between South Africa and the other four countries (Botswana, Lesotho, Namibia, and Swaziland) comprising the Southern African Customs Union (SACU). There will also be substantially free trade between South Africa and the European Union by 2008 as a result of the Free Trade Agreement between them. The Southern African Development Community (SADC) Free Trade Agreement should also allow the free exchange of goods among the 14 countries of the region when it comes into full effect.

A Trade, Development, and Cooperation Agreement containing a Free Trade Agreement (FTA) went into force between South Africa and the European Union on January 1, 2000. Under the FTA, the EUROPEAN UNION is committed to the full liberalization of 95 percent of South African imports over a 10-year transitional period, while South Africa is to liberalize 86 percent of EUROPEAN UNION imports over a 12-year transitional period. A Free Trade Agreement is currently being negotiated between the United States and the Southern Africa Customs Union (which contains South Africa).

Import Permits: All food consignments are subject to random checking and sampling at points of entry all over the country to ensure food items imported into the country are safe and comply with the prescribed standards and regulations. International freight forwarders normally handle documentation and other formalities with authorities at entry points. Provided all necessary documents are in order, no problems or delays should occur in

clearance of goods. Under the Import and Export Control Act of 1963, the Minister of Trade and Industry may control the import of certain goods into South Africa. The list of restricted goods has decreased in recent years. The products that still require import permits are fish and fish products.

Tariffs: Since 1994 South Africa has reformed and simplified its tariff structure in order to comply with its WTO commitments. It has reduced tariff rates from an import-weighted average tariff rate of more than 20 percent to 7 percent. Notwithstanding these reforms, importers have complained that South Africa's tariff schedule remains complex and can create uncertainty. Tariff rates mostly fall within eight levels ranging from 0 percent to 30 percent, but some are higher. There are high tariffs on imports of textiles and apparel. Antidumping duties remain on U.S. chicken parts through July 2005. Please read SF3027 for further information on poultry duties.

Biotechnology: There has been an active debate in South Africa on food produced using modern biotechnology - often referred to as genetically modified organisms (GMOs). The Genetically Modified Organisms Act that came into force on December 1, 1999, aims to ensure that all activities involving the use of GMOs (including production, import, release and distribution) will be carried out in such a way as to limit possible harmful consequences to the environment. In June 2001, the South African government published the National Biotechnology Strategy for South Africa, expressing the South African government's intent to stimulate the growth of biotechnological industries. The document states that biotechnology can make an important contribution to national priorities, particularly in the area of human health, food security and environmental sustainability.

As of May 2004, South Africa has approved 7 general release genetically modified "events" for commercial planting, import/export and for human consumption or animal feed. There are several other events that are allowed for import only and are not locally planted, as well as others that are being field tested for possible future South African production. Presently, no "stacked event GMOs" (multiple events combined into one seed) have been approved for commercial planting, but South Africa is currently reviewing certain stacked events for general release in the future.

The South African Department of Health has created new regulations regarding GMO labeling. These regulations, issued on January 16, 2004, state that food with genetically modified ingredients require labeling only if its composition, nutritional value, or mode of storage or cooking is significantly different from conventional food.

For more information on GMO labeling and definitions of GMO's that require labeling, please refer to Regulations Relating to the Labelling of Foodstuffs Obtained Through Certain Techniques of Genetic Modification (www.doh.gov.za, click on documents then regulations). For more information on biotechnology in South Africa, see www.africabio.com.

Further references are the Gain reports SF3009 and SF4029 (Trade Policy Report and Food and Agricultural Import Regulations and Standards Report.)

SECTION III: MARKET SECTOR STRUCTURE AND TRENDS

A. Competition:

Exports: South Africa's agricultural exports for 2003 reached a total of about R30,574.922 billion, down about 10% from R34,030.262 billion in 2002. (Exports in dollar terms rose from \$3.253 billion in 2002 to \$4.051 billion in 2003). South Africa's five largest export destinations were the U.K. (R3,370.498 billion/ \$447.473 million), Japan (R3,197.457 billion/

\$422.986 million), the Netherlands (R2,504.267 billion/ \$326.785 million), Italy (R1,589.509 billion/ \$210.476 million) and the United States (R1,398.180 billion/ \$187.079 million). South Africa's major exported agricultural products in 2003 were wine, citrus, nonconiferous wood chips/particles, cane sugar, grapes, apples and pears, and corn.

Imports: South Africa's total agricultural imports for 2003 amounted to R15.82 billion down from R16.95 billion in 2002. (Imports in dollar terms rose from \$1.623 billion in 2002 to \$2.1 billion in 2003). The leading suppliers were Argentina (R1.69 billion/ \$220.4 million), the United States (R1.26 billion/ \$171.458 million), Brazil (R1.16 billion/ \$156.299 million), the U.K. (890.24 million/ \$119.97 million), and China (R859.4 million/ \$111.947 million). Wheat, rice, corn, other prepared foods such as frozen and canned vegetables, hardwood lumber and animal fats were South Africa's major imported agricultural commodities from the United States in 2003.

B. Distribution Systems for Processed Food Products:

Retail: Retail trade outlets in South Africa offer the full spectrum available in the United States. These range from the neighborhood convenience drugstore (called cafés), to the small general dealer, specialty stores handling a single product line (for example, clothing, electronics, furniture), exclusive boutiques, chain stores (groceries, clothing, toiletries, household goods), department stores, cash and carry wholesale-retail outlets, to co-operative stores serving rural areas. About 90 percent of inventories of consumer-ready products in these stores are domestically sourced. A major phenomenon in South Africa has been the evolution of hypermarkets, which sell large quantities of almost all consumer goods on a self-serve basis. The hypermarkets, located in suburban shopping centers/malls, have disrupted the traditional distribution chain by purchasing directly from manufacturers and bypassing the wholesaler, and with low margins achieving high turnover, thereby placing price pressure on all competing outlets.

Many U.S. exporters of consumer goods sell directly to South African retail organizations, such as department stores, chain stores, and cooperative groups of independent retailers, which assume the functions of wholesale buying, selling, and warehousing.

It may be necessary to appoint an official after-sales agent for products of a technical nature in South Africa. This may be a company that does not import or market the product in question, but rather, because of its geographical reach, technical abilities and goodwill in the market, acts as the certified service agent. Appointing an appropriate after sales agent is crucial in ensuring that the product develops a respected reputation in the South African market.

Importers: In South Africa, only a few importers specialize in one product. Most importers are generalists who import a wide range of food products. It is important for an exporter to work with someone locally who knows the market well for the specific product in question. Agents who represent one foreign supplier are also relatively rare.

Wholesalers: Catering Wholesalers: Catering wholesalers purchase food products from various manufacturers and resell these products predominantly to catering establishments. Catering wholesalers offer the establishments a variety of food products, and some carry a select product range of specially packed "housebrands". They also import large volumes of products that are sold to catering establishments.

Broker Agents: Broker Agents are mostly involved with government or other large food supply contracts. They tender for government contracts on behalf of different manufacturers. Some agents have their own warehouses and distribution facilities.

Distributor Agents: The distributor agent distributes food products on behalf of manufacturers without necessarily taking ownership of the actual products. A distributor is usually required to adhere to prices determined by the manufacturer and is paid a fee to distribute the products.

Contract and Independent Caterers: Contract and independent caterers purchase food products directly from manufacturers, wholesalers, as well as from catering wholesalers.

For more information on distribution systems, please refer to www.mbendi.co.za. Click on Trade Services (under Related) then guides to importing, then "Succeeding in the SA market"/ "Market Entry Strategies."

C. Trends in Advertising and Trade Promotion

South Africa has a sophisticated advertising industry. The four key players in South Africa's advertising industry are the Association of Advertising Agencies (AAA), the Association of Marketers (ASOM), and the two major media bodies, the National Association of Broadcasters (NAB) and the Print Media Association (PMA). Additional information can be obtained from the Association of Marketers and the Association of Advertising Agencies (see contact details at the end of the report).

More recently, food promotions have moved towards advertising goods based on health related issues and "nutrition function" claims. South African consumers are becoming diet and health conscious, and are becoming more responsive to products that address issues such as weight loss or disease prevention. Also, American television and culture is having an increasing influence on South Africans, leading to the adoption of social morays like "thin is beautiful."

D. Trends in Tourism:

South African tourism grew in 2003 despite global trends. While global overseas arrivals dropped 2.8%, South Africa saw a 1.2% increase. Despite a strong rand, South African Tourism's 2003 Annual Report predicts that the country's tourism will again outperform the global trend by experiencing an increase of 1.7% in 2004. South Africa will host the 2010 Soccer World Cup, which will impact the overall growth of this sector.

All major geographic regions showed increases in the number of total foreign arrivals to South Africa with the exception of the Africa and Middle East region (down 0.1%). Arrivals were up from the Americas 3.1 %, Asia 0.9% and Europe 5.3%. The United Kingdom had more arrivals in South Africa than any other country outside of the African continent (up 0.6% to 456,468), followed by Germany, (up 5.3% to 250,018), France (up 15.3% to 127,760), the Netherlands (up 14.1 % to 120,933), the United States (up 6.9% to 187,447) and Australia (up 18.5% to 71,687).

The tourism accommodation industry in South Africa provides a wide spectrum of lodgings - from the formal hotel sector to the informal holiday flats and cottages, game lodges and reserves, guesthouses, youth hostels, and bed-and-breakfast inns. There are more than 1,500 licensed hotels in South Africa, and of the estimated 30,000 rooms, about 46 percent are categorized as "not graded" while 20 percent are graded "four-star" or better. Rates are considered modest depending on the type of accommodations. Tap water is safe to drink in most areas, and there is normally a selection of still and sparkling waters in restaurants. Eating customs and menus are similar to those in Western Europe.

For more information on South African tourism, please refer to South African Tourism's [2003 Annual Report](#) at www.southafrica.net (at the bottom of the home page click on "research," then on "annual report.")

E. Trends in Online Sales:

Online sales accounted for only 0.14% of the total retail market in 2003. Although the number of online retailers in South Africa has more than tripled since 2001, about eight businesses account for 80% of online sales. Of these eight websites, many are associated with an established retail shop (for example Woolworths and Pick 'n Pay) and are able to offer specialized services like same day home deliveries and no cost returns. The most popular goods to purchase online are groceries, apparel and books. The fastest growing retail categories (in descending order) are flowers and gifts, apparel, food, beverages and groceries. Online sales in 2003 increased by 35% and are expected to increase by 25% in 2004. Also, about 20% of 2003 online sales occurred during the November-December holiday season.

SECTION IV: PROSPECTS FOR HIGH VALUE PRODUCTS

Five-year trends show that some U.S. Consumer-Oriented Agricultural exports to South Africa are growing. Of interest is the Other Consumer-Oriented Products sub-category, which reached a 30-year high in 2003. Within this sub-category, cultivated ginseng root (HS1211200020) and other frozen food preparations (HS2106906595) are both showing consistent and substantial increases. Other high value exports that have shown sustained growth are almonds (HS0802120000), sauces and preparations (HS2103909090), canned pink salmon (HS1604114020), new oak staves for wine barrels (HS4416003010), and American bourbon whisky (HS2208306020).

According to 2003 data, the United States enjoys a dominant position in the almond and canned salmon markets, holding 75% and 87% of market share respectively. The sauce and preparation market appears to be more competitive with the two largest market shareholders (Australia and the United States) holding equal 28% market shares. The whisky market is significantly different. In 2003, the U.K. held 85% of market share while the United States held only 6.68%. However, the United States increased whisky exports to South Africa in 2003 by 29.98% and has seen annual growth increase over the past 5 years by an average of 21% per year. This growth may be due, in part, to a South African preference for successfully promoted American branded products (Jack Daniels, for example). This preference should help other American products be more competitive in South Africa and may lead to the growth of other American-branded, high-value products.

Product Category	2003 Market Size	2003 U.S. Exports to South Africa	5 Yr. Avg. Annual Import Growth U.S.	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for U.S.
Bourbon Whisky	16,819,218 liters	1,156,882 liters	21%	154 c/l when sold in containers holding 2 liters or less, 136 c/l otherwise	United Kingdom has large market share and a first mover advantage.	American brands are considered high quality and have ability to attract new, younger consumers.
Sauces and Preparations	3,073,637 kg	345,179 kg	16.78%	5%	Fierce competition from many countries.	
Almonds	958,237 kg	733,340 kg	1.9%	free		U.S. has large market share.
Canned Pink Salmon	421,885 kg	366,721 kg	87.34%	6c/kg		U.S. has large market share.
Frozen Food Preparations	14,768,765 kg	2,997,930 kg	28.26%			
Cultivated Ginseng Root	6,973 kg	511 kg	90.6%	15%		Market caters to consumers looking for "virility" products.
New Wooden Casks	2,576,931 kg	424,467 kg	74.2%	free	Eastern European oak is a low priced option for wine makers introducing new labels.	Winemakers may remain loyal to a particular manufacturer in order to maintain product consistency.

SECTION V: KEY CONTACTS AND FURTHER INFORMATION**A. Contact Information for Industries Mentioned in the Report.**

Franchise Association of Southern African (FASA)

Tel: 27-11-484-1285

Fax: 27-11-484-1291

Contact: Mr. Nic Louw, Executive Director

Website: <http://www.fasa.co.za>

Email: fasa@faso.co.za

South African Paper Industry

Tel: 27-11-360-0000

Fax: 27-11-816-1405

Website: <http://www.sappi.com>

South African Direct Marketing Association

Tel: 27-11-482-6440

Fax: 27-11-482-1200

Contact: Mr. Davy Ivins, Executive Director

Department of Trade and Industry

Board on Tariffs and Trade

Tel: 27-12-320-2085

Fax: 27-12-320-2085/310-9500

Website: <http://www.dti.gov>

Department of Trade and Industry

Directorate: Technology Promotion

Tel: 27-12-310-9839

Website: <http://www.dti.gov>

South African Companies Regulatory Office

Registrar of Companies

Tel: 27-12-310-9791

Fax: 27-12-328-3051

Association of Marketers (ASOM)

Tel: 27-11-706-1633

Fax: 27-11-706-4151

Contact: Mr. Derrick Dickens, Executive Director

Email: asom@pixie.co.za

Association of Advertising Agencies (AAA)

Tel: 27-11-781-2772

Fax: 27-11-781-2796

Email: lizelle@aaaltd.co.za

Industrial Development Corporation of SA, Ltd (IDC)

Tel: 27-11-269-3000

Fax: 27-11-269-3116

Contacts: Mr. Khaya Ngqula, Managing Director

Mr. Ted Droste, General Manager

Website: <http://www.idc.co.za>

B. Other Exporter Guides and General Market Information

www.mbendi.co.za: This site contains information on different aspects of exporting to South Africa including an exporter guide entitled "Succeeding in the South African Market." In order to access the exporter guide, click on Trade Services (under Related) then on guides to importing. This page contains several links related to exporting goods to South Africa, including the guide which provides an overview of South Africa and its trade environment.

www.werksmans.co.za: This site also contains general information on doing business in South Africa. In order to view it, go to the website and click on SA Business Guide.

The website of the law firm Cliffe Dekker provides general information on basic legal issues for doing business in SA. The topics range from establishing an office in South Africa to taxation and black economic empowerment. This can be found through their website at www.cliffedekker.co.za, click on literature, then Business and Investment in South Africa.

C. Post Contact

If you have any questions or comments regarding this report or need further assistance, please contact AgPretoria at the following address:

Foreign Agricultural Service
U.S. Embassy Pretoria, South Africa
Washington, D.C., 20521-9300
Tel: 011-27-12-431-4057
Fax: 011-27-12-342-2264
Email: agpretoria@fas.usda.gov

For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service's website at: <http://www.fas.usda.gov>

APPENDIX I: STATISTICS

A. KEY TRADE & DEMOGRAPHIC INFORMATION

2002 Agricultural Imports From All Countries (US\$Mil) / U.S. Market Share (%)	\$1,633/10%
2003 Consumer Food Imports From All Countries (US\$Mil) / U.S. Market Share (%)	\$330.8/7.4%
2002 Edible Fishery Imports From All Countries (US\$Mil) / U.S. Market Share (%)	\$48/0.2%
2002 Total Population (Millions) / Annual Growth Rate (%)	45.3/1.2% ³
Urban Population (Millions) / Annual Growth Rate (%)	22/1.9%
Number of Major Metropolitan Areas	9
Size of Middle Class	9,478,480 ⁴
2002 Per Capita Gross Domestic Product (US Dollars)	\$2,300 ⁵
Unemployment Rate (%)	37%
Per Capita Food Expenditure (U.S. Dollars)	\$458 ⁶
Percent of Female Population Employed	24.7% ⁷
2003 Average Weighted Exchange rate (US\$1=X.X local currency)	\$1=R7.56 ⁸
Exchange rate on August 16, 2004	\$1=R6.44

³ Source: World Bank Group Data and Statistics, www.worldbank.org.

⁴ Source: South Africa 2001 census, www.statssa.gov.za. Middle class defined as employed South Africans, older than 15 years, who earn more than R3200 per month and includes their household dependants. According to census data, there were 3.8 people per average household in 2001 and 2,494,337 people earning an income greater than R3200.

⁵ Source: World Bank Group Data and Statistics, www.worldbank.org.

⁶ Source: National Department of Agriculture, "Economic Review of South African Agriculture 2003," www.nda.agric.za.

⁷ Source: South Africa 2001 census, www.statssa.gov.za

⁸ Down from \$1=R10.52 in 2002.

B. CONSUMER FOOD & EDIBLE FISHERY PRODUCT IMPORTS

	Imports from the World			Imports from the U.S.			U.S Market Share		
	2001	2002	2003	2001	2002	2003	2001	2002	2003
CONSUMER-ORIENTED AGRICULTURAL TOTAL	362	330	330.8	28	26	26.5	8%	8%	7.4%
Snack Foods (Excl. Nuts)	27	17	17.4	1	1	0.7	3%	4%	4.0%
Breakfast Cereals & Pancake Mix	4	4	3.9	1	1	0.1	3%	3%	2.8%
Red Meats, Fresh/Chilled/Frozen	36	27	27	1	1	1	0.7%	2%	2%
Red Meats, Prepared/Preserved	1	2	1.5	1	1	0.0	3%	0.3%	0.3%
Poultry Meat	37	35	35.1	1	1	1.5	3%	4%	4.2%
Dairy Products (Excl. Cheese)	29	32	31.7	1	1	0.0	0.3%	0.1%	0.1%
Cheese	8	9	8.9	1	1	0.2	3%	2%	1.9%
Eggs & Products	1	1	1	1	1	0.4	25%	38%	37.8%
Fresh Fruit	3	3	3.1	1	1	0.0	0.5%	0.9%	0.9%
Fresh Vegetables	1	1	0.9	1	0	0	14%	0%	0%
Processed Fruit & Vegetables	30	25	24.7	3	2	2	9%	8%	8.1%
Fruit & Vegetable Juices	3	4	4.1	1	1	.3	11%	6%	6.1%
Tree Nuts	13	12	11.7	3	2	2.1	21%	18%	17.9%
Wine & Beer	8	10	9.8	1	1	0.0	0.5%	0.18%	0.2%
Nursery Products & Cut Flowers	4	4	4.5	1	1	0.2	4%	4%	4.1%
Pet Foods (Dog & Cat Food)	10	8	8	2	2	1.9	19%	24%	24.1%
Other Consumer-Oriented Products	146	137	137.3	17	16	16.1	11%	12%	11.7%
FISH & SEAFOOD PRODUCTS	55	48	n/a	1	1	n/a	2%	2%	n/a
Salmon	4	3	2.9	1	1	0.7	27%	23%	23.3%
Surimi	1	1	n/a	0	0	n/a	0%	0%	n/a
Crustaceans	16	14	n/a	1	1	n/a	0.4%	0.9%	n/a
Groundfish & Flatfish	4	5	n/a	1	1	n/a	0.3%	0.7%	n/a
Molluscs	8	7	n/a	1	1	n/a	0.5%	0.2%	n/a
Other Fishery Products	23	19	n/a	1	1	n/a	0.2%	0.1%	n/a
AGRICULTURAL PRODUCTS TOTAL	1,221	1,445	n/a	90	133	n/a	7%	9%	n/a
AGRICULTURAL, FISH & FORESTRY TOTAL	1,405	1,633	n/a	110	159	n/a	8%	10%	n/a

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

C. TOP 15 SUPPLIERS OF CONSUMER FOODS & EDIBLE FISHERY PRODUCTS

Consumer-Oriented Agricultural
Total- 400

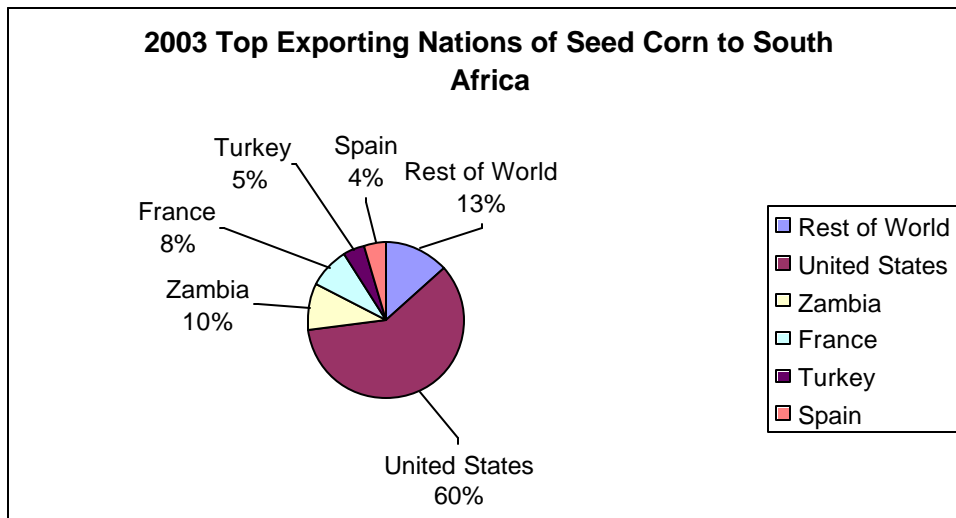
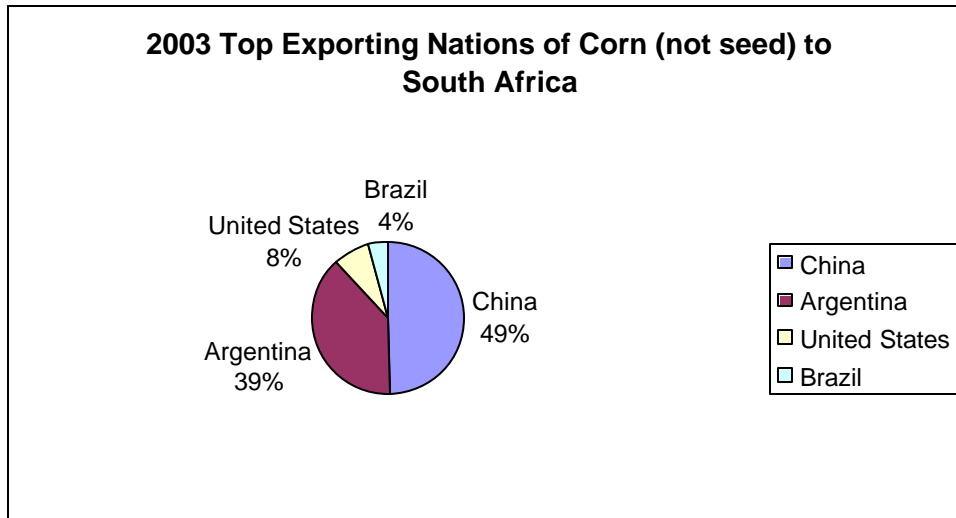
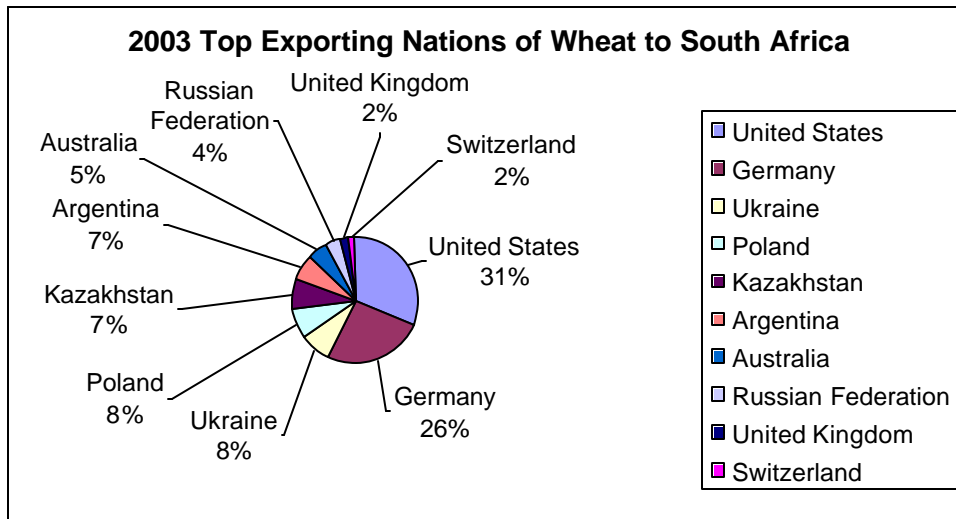
Reporting Country: South Africa Top 15 Ranking	Import		
	2000	2001	2002
	1000\$	1000\$	1000\$
Brazil	16,529	23,816	27,022
United States	39,622	27,600	25,908
Australia	41,719	31,048	23,269
France	23,346	25,542	22,113
Netherlands	22,305	19,218	20,409
Germany	18,766	17,268	19,290
New Zealand	22,048	16,792	17,680
Italy	20,943	17,326	17,265
United Kingdom	31,414	21,703	16,645
Canada	10,452	7,371	10,945
Argentina	2,688	4,714	10,017
Ireland	10,716	16,633	9,118
Austria	14,841	11,603	8,920
Thailand	5,051	7,088	8,616
Switzerland	8,149	9,711	8,569
Other	126,606	104,763	84,565
World	415,268	362,258	330,434

Fish and Seafood Products-700

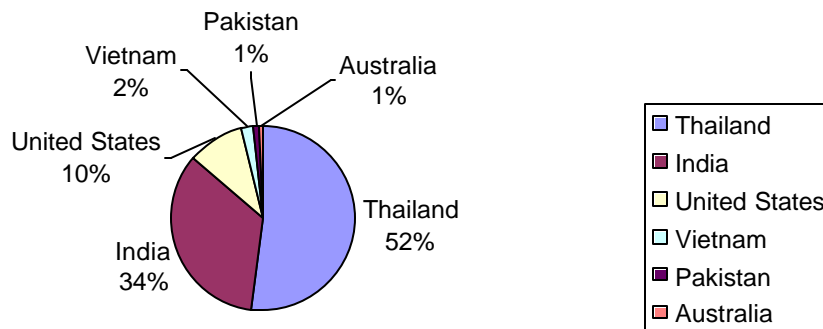
Reporting Country: South Africa Top 15 Ranking	Import		
	2000	2001	2002
	1000\$	1000\$	1000\$
Thailand	6,945	7,841	7,261
Philippines	8,049	8,621	7,039
Mozambique	3,709	5,509	5,577
India	4,779	4,929	4,429
Norway	3,454	3,831	2,570
Taiwan (Estimated)	1,853	4,646	1,813
Japan	341	1,753	1,805
China	1,865	1,476	1,762
New Zealand	2,612	1,888	1,534
Spain	2,559	1,370	1,450
United Kingdom	624	798	1,264
Argentina	857	0	978
Uruguay	271	117	851
Singapore	1,329	1,216	850
United States	1,627	1,105	849
Other	12,113	10,223	7,486
World	52,996	55,322	47,524

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

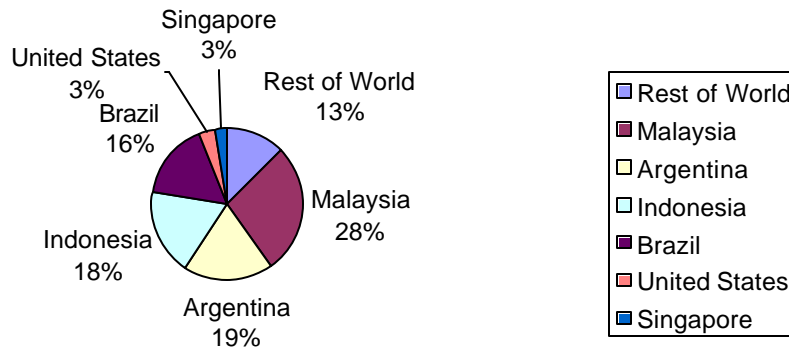
D. World Market Shares for Bulk and Consumer-Oriented Goods



2003 Top Exporting Nations of Rice to South Africa



2003 Top Exporting Nations of Animal and Vegetable Fats and Oils to South Africa



2003 Top Exporting Nations of Tree Nuts (Almonds, Hazelnuts, Walnuts, Pistachios) to South Africa

