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Product Brief

Sports and Energy Drinks

2007

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Report Highlights:

The growth sales of sports and energy drinks has greatly exceeded that of other non-alcoholic drinks in South Africa. The South African sports drink market, estimated at R754 million, grew by 5.1% during 2005, to a volume of approximately 73.0 million liters. The sports drinks market is comprised of ready to drink, concentrates and powders. Energy drinks on the other hand grew by 37.6% during 2005 to a volume of 7.98 million liters estimated at R455 million. The majority of energy drinks are imported, retail at premium prices, and continue to be the most expensive type of soft drink in South Africa. Despite the sector being relatively small, it continues to grow due to growing consumer health consciousness.

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Includes Trade Matrix: No
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Section 1. Executive Summary

This report focuses on the South African sports and energy soft drinks sector. This sector, despite being relatively small, continues to grow due to growing consumer health consciousness. Health and energy are the biggest trends which drives this sector.

It is a competitive market where companies use aggressive advertising to gain market share, and growth is driven partially by the augmented health consciousness of South African consumers including consumption by athletes during exercise. World Soccer Cup to be held in South Africa in 2010 may be prompting many South African food and beverage companies to be watching the sports/energy world trends.

In 2005, the South African sports drinks market estimated at R754 million grew by 5.1% to a volume of approximately 73.0 million liters. The sports drink market is comprised of RTD (ready to drink), concentrates and powders. RTD constitutes 68.8% (50.2 million liters), whereas concentrates and powders sector of the market grew by 4.0% to constitute 31.2% (22.8 million liters) during 2005, primarily driven by the liquid concentrate. This sector offers a cost saving benefit in terms of Rand per liter compared to ready-to-drink products. Sports drinks will continue to increase, due to consumption by many athletes during exercise.

The energy drink market on the other hand estimated at R455 million grew by 37.6% during 2005 to a volume of 7.98 million liters. The majority of energy drinks are imported, retail at premium prices and continue to be the most expensive type of soft drink in South Africa. These drinks are only available in small 250ml cans and have an average retail price of R11.00. This is far higher than the price of a 340ml can of Coca-Cola that retails at approximately R5.00.

The Rand/Dollar exchange rate as at June 27, 2007: R7.17 = US\$ 1.00

Section 2: Market Overview

2.1 SPORTS DRINKS

The South African sports drinks market grew by 5.1% during 2005, to a volume of approximately 73.0 million liters. The sports drink market is comprised of RTD (ready to drink), concentrates and powders. RTD constitutes 68.8% (50.2 million liters), whereas concentrates and powders sector of the market grew by 4.0% to constitute 31.2% (22.8 million liters) during 2005, primarily driven by the liquid concentrate. This sector offers a cost saving benefit in terms of Rand per liter compared to ready-to-drink products. Currently there are three types of sports drink packaging in South Africa namely liquid concentrated format available in liter plastic bottles; RTD format available in plastic bottles, carton and glass; and powder concentrate format available in sachets and metal cans.

Tables below highlights sports drink production, estimates and forecast for medium terms.

Sports Drinks Production

Year	Volume (Million liters)	% Change per annum	Value (Million Rand)	% Change per annum
1999	59.6	1.5%	R401.8	
2000	60.2	1.1%	R443.8	10.5%
2001	61.4	1.9%	R485.0	9.3%
2002	63.9	4.0%	R562.1	15.9%

2003	66.3	3.8%	R617.4	9.8%
2004	69.5	4.8%	R681.6	10.4%
2005	73.0	5.1%	R753.7	10.6%

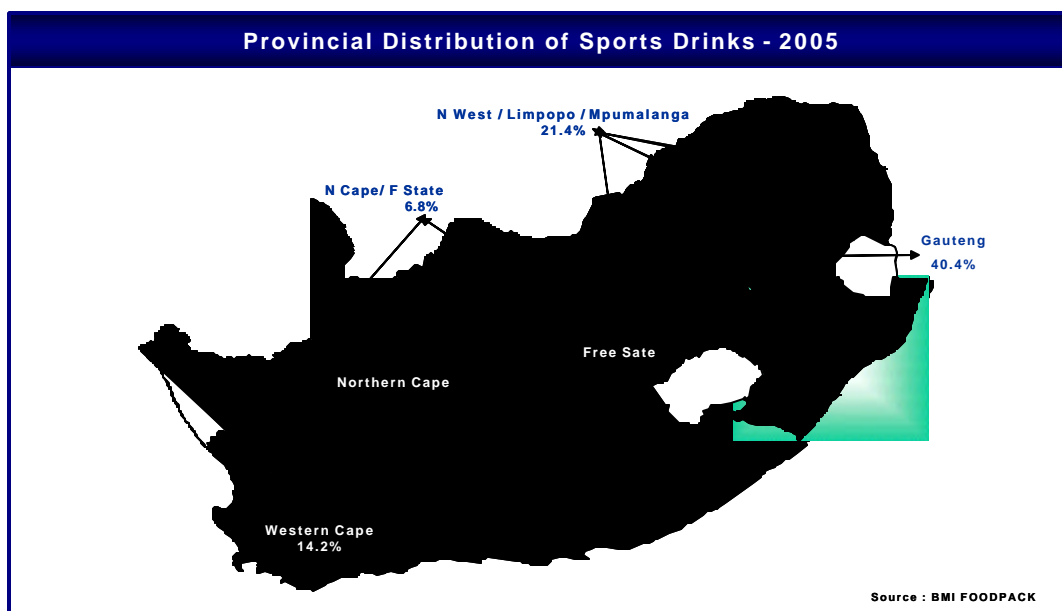
Source: BMI Foodpack

Sports Drink Growth Forecast (Million Liters)

Category	2005	%Change	2006(e) e=estimate	% change per annum	2010(f) f=forecast
RTD	50.2	5.8%	53.2	6.3%	67.9
Concentrate & Powders	22.8	3.8%	23.7	2.9%	26.5
TOTAL	73.0	5.2%	76.8	5.3%	94.4

Source: BMI Foodpack (Note: Reconstituted Volume)

South Africa Provincial Distribution of Sports Drinks:



Source: BMI Foodpack

NOTE: Reconstituted volume

- South Africa is divided into nine Provinces namely, Gauteng, Mpumalanga, Limpopo, Western Cape, Northern Cape, Eastern Cape, KwaZulu-Natal, Free State, and North West.
- Almost 70.0% of sports drinks sold in 2005 were consumed in Gauteng, Kwazulu/Natal and the Western Cape Province collectively. Individually the above Provinces constituted 40.4%, 12.3% and 14.3%, respectively of sports drinks consumption.
- Eastern Cape accounted for a further 4.9% of total sports drinks market sales in 2005.
- The retail sector remained the primary distribution channel through which sports drinks were sold in 2005, accounting for 48.0% of total market volumes. 25.1% of total sports drinks were sold through the on-consumption (HRI) sector during 2005.

- Garage forecourts increased by 1.5% to constitute 16.3% of sports drinks sold in 2005.

Pack Trends:

- In 2005, volumes packed in plastic bottles increased by 6.1% to represent 91.7% of total soft drink packaging demand. It is the most dominant form of packaging within the South African sports drinks market. The 500 ml/600 ml grew well to constitute 66.2% of overall sports drinks market. This pack size is convenient for on-the-go consumption and at sports events.
- Demand for a 1 Liter – 1.5 Liter packs accounted for 25.5% and is estimated to show some positive growth in the future.
- Overall plastic packaging is anticipated to grow by more than 5.0% annually over a medium term.
- Other forms of sports drinks packaging include cartons, glass, cans and sachets. Sports drinks in glass and cartons are used for ready to drink while powdered sports drinks are packed in sachets and tins. Collective demand for these pack forms accounted for 8.3% of total sports drinks packaging demand.
- Major packaging companies include Cingplast, Petpak, Q-Pet, XacPet, Xactics, Nampak, Nampak Foodcan, Tetra Pak, and Nampak Flexible.

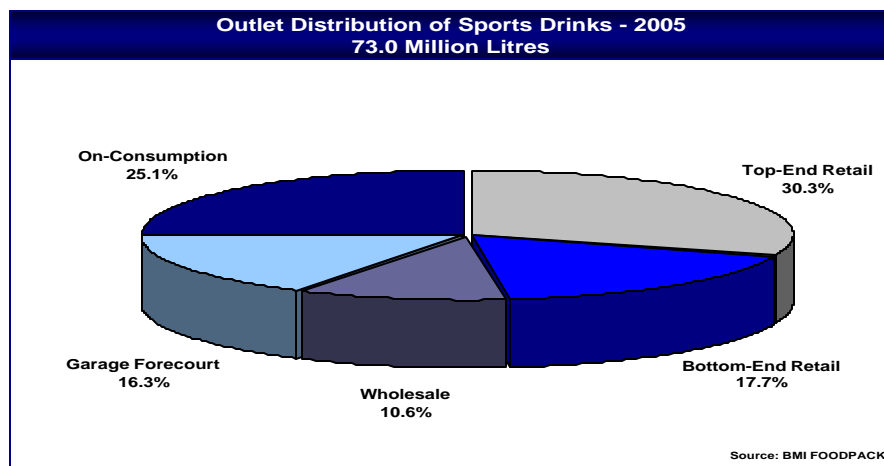
Outlet Distribution

A table and a graph of sports drinks below gives a breakdown of the outlet distribution of the 73.0 million liters of sports drinks during 2005.

Outlet Distribution of Sports Drinks - 2005

Outlet	Million liters	% of total
Top-end Retail	22.1	30.3%
Bottom-end Retail	12.9	17.7%
Wholesale	7.7	10.6%
Garage Forecourt	11.9	16.3%
On-Consumption	18.3	25.1%
Total	73.0	100.0%

Source: BMI Foodpack



NOTE: Reconstituted volume

Channel of Distribution Definitions

TERM	DEFINITION
Bottom-End Retail	Bottom end outlets such as convenience, general dealers, and liquor stores.
Garage Forecourts	Includes outlets linked to gas stations, ie quick shops, Woolworths forecourts.
On-Consumption	Hotel, restaurant and institutional sector.
Top-End Retail	Major retail sector.
Wholesalers	Wholesale chains, such as Makro, Metro and independent wholesalers.

Manufacturers

A table below highlights key manufacturers of sports drinks in South Africa.

Sports Drink Manufacturers

Manufacturers	Brands
Tiger Brands (bought Bromor Foods in 2005)	Energade Energade Lite Energade Megaload Game
Coca-Cola SA	Powerade Powerade Lite
Frucon Food and Beverage Co.	Sprint
GlaxoSmithKline	Lucozade Energy
Nutritional Foods	Clifton
U-Go Beverages	Top-Go Sports Quencher
USN	Dynamic EnerG
Woolworths	Isoactive

Source: BMI Foodpack

Bromor Foods, manufacturers of Energade sports drink, extended their range by introducing a low calorie sports drink. Bromor Foods was bought by Tiger Brands Limited during 2005. Various sports activities are sponsored by players in the sports drinks market to create awareness and drive consumption of their products and also because consumers involved in sporting activities are their primary target market.

A recent entrant to the sports drinks market in South Africa is Ultimate Sports Nutrition (USN). USN launched Dynamic EnerG sports drink in a 600ml plastic bottle. The company is already penetrating the sports drinks market by sponsoring various sports events.

2.2 ENERGY DRINKS

The energy drink market in South Africa grew by 37.6% during 2005 to a volume of 7.98 million liters. The market is estimated at R455 million. There are nine regional distribution provinces in South Africa, and the provincial distribution is concentrated in the Gauteng

regional accounting for 45.4% of total energy drink volume. The majority of energy drinks are imported and retail at premium prices in a range from R10 00 – R52.00 per 250ml. The slim line 250ml beverage can has been established as the industry standard size in terms of primary packaging. The two primary and major manufacturers and distributors includes Nampak Bevcan for cans and Nampak Glass for glass packaging.

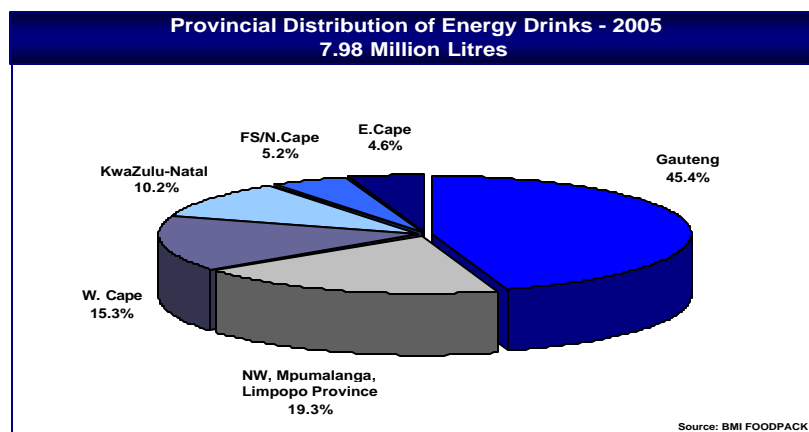
The outlet distribution of energy drinks in South Africa during the year 2005 is displayed below.

Outlet Distribution of Energy Drinks - 2005

Outlet	Million Liters	% of Total
Top-End Retail	2.71	33.9%
Garage Forecourt	2.43	30.5%
On-Consumption	1.43	17.9%
Bottom-End Retail	1.04	13.0%
Wholesale	0.38	4.7%
Total	7.98	100.0%

Source: BMI Foodpack

Note: Includes imports and local production



NOTES: Includes imports and local production

Energy drinks packed in cans increased well and accounted for 90.0% of total energy drinks packaging demand. Good growth particularly came from imported products packed in 250ml can sizes. New brands, both local and imported, launched into the market recently also added to growth of this pack format. Although the 250ml can dominates within this pack type, of late innovations include the launch of a local energy drink in a 275ml can. The slim line can is world's first in the beverage market and is manufactured locally. Growth for cans is forecast to continue over short to medium term.

Demand for glass bottles grew slightly, and it is anticipated that the demand will show minimal growth year on year. Energy drinks packed in glass bottles grew slightly and accounted for 10.0% of total energy drinks packaging demand. The 250ml and 300ml are popular pack sizes within glass packaging.

It is assumed that general growth trends of energy drinks could be attributed to the following:

- continued promotional activity by major players;
- launch of innovative products variants;

- benefits offered by energy drinks to meet today's active lifestyle;
- good growth of imported brands;
- trendy premium look which appeals to trendy consumers; and
- increased consumer spending due to buoyant economy.

Consumption

Tables below show the annual and per capita consumption of energy drinks in South Africa.

Consumption of Energy Drinks

Year	Million Liters	% Change p.a
1999	4.70	44.6%
2000	4.81	2.4%
2001	4.92	2.3%
2002	4.86	-1.2%
2003	5.55	14.2%
2004	5.80	4.3%
2005	7.98	37.6%
2006(e)	10.11	26.7%
2010(f)	21.44	20.7%

Source: BMI Foodpack

Notes: 1) BMI based the 1999 information on desktop research only.

Per Capita Consumption of Energy Drinks

Year	Consumption (million liters)	Population (millions)	Liters per Capita	% Change
2002	4.86	45.8	0.11	
2003	5.55	46.2	0.12	13.2%
2004	5.80	46.6	0.12	3.5%
2005	7.98	46.4	0.17	37.0%

Source: BMI Foodpack

Manufacturers and Distributors

Major players in the manufacturing and distribution of energy drinks between 2005/2006.

Energy Drink Manufacturers/Distributors

Manufacturer / Distributor	Brand
Adcock Ingram	Bioplus
Coca Cola SA	Powerplay
EAS South Africa**	*EAS Piranha
Elixa Energy Drink**	Elixa Energy
Flash Power SA	Flash Power
Go Fast Sports SA	* Go Fast Energy
JMC Melnick	* Red Bull * Red bull Sugar Free
Jolan Beverages	Volt
Power Drinks Distributors	* Dark Dog
Punga Trading	* Go Girl * Reload Red Square
R & P Marketing	*Rox
SOS Energy Drink**	SOS

Supply Chain Services	*Vitalise V Energy Drink
Tiger Snacks & Treats	Fast Forward
Up-Time Beverages	*Up-Time
USN	USN Energy Cola*** USN Ener-G Spike
Virgin**	*Virgin Energy Shot
Young Brands	*Mad Buzz
Zoalt Beverages	Formula X

Source: BMI Foodpack

NOTES: * All imported products
 ** Most recent entrants to the market
 *** Launched in 2005

In 2005, various new products entered the energy drink's market. Elixia Energy was introduced in a 275ml slim line can. Most brands in the energy drinks market are available in a 250ml can. Elixia saw the opportunity to differentiate its pack from the rest in the market by packaging in a different slim line pack size. It is assumed that some of the entry move was motivated by the need to provide extra volume, to use the can which is a world's first in the beverage market and which also won an award in 2005.

New from USN is USN Energy Cola, launched in the regular can and is one of the few cola energy drinks available in the energy drinks market. SOS Energy drink entered the market in a 250ml slim line can. Both of these products are produced locally.

Virgin introduced Virgin Energy Shot in a 250ml can. Virgin Energy drinks is fully imported and is offered in mixed berry flavor. Another imported energy drink, Piranha, entered the market in a 252ml can and was later launched in a 472ml.

According to a recent article in a local publication, there has been an increase in the number of launches in 2006, and this was likely to continue for the next few years, until the 2010 Soccer World Cup to be held in South Africa.

2.3 Market Sector Opportunities and Threats

2.3.1 Barriers to Entry

Tariffs on imports of sports/energy drinks as at 12 June 2007. Drinks whether domestic or imported are subject to a value-added tax (VAT) of 14%.

HS Code	Description	General rate of Duty	EU = The European Union	SADC = Southern African Development Community comprising of 14 member States.
22.02	Waters, including Mineral Waters and Aerated Waters, Containing Added Sugar or Other Sweetening Matter or Flavored, and Other Non-alcoholic Beverages (Excluding Fruit or Vegetable Juices of heading 22.09)			
220290.20	In sealed containers holding 2.5 liters or less	25% plus 1.04c/t	free	free

	(excluding those in collapsible plastic tubes and those with a basis of milk)			
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Source: Department of Customs and Excise

2.3.2 Import and Export Data

HS Code	Description	Imports				Exports			
		Millions of US Dollars			% change	Millions of US Dollars			% change
		2004	2005	2006	06/05	2004	2005	2005	06/05
2202.9020	In sealed containers holding 2.5 liters or less (excluding those in collapsible plastic tubes and those with a basis of milk)	0.44	0.82	1.86	126.08	0.56	0.43	0.28	-34.00

Source: World Trade Atlas

The key countries of supply for imports in 2006 were Germany 19%, Denmark 18.41%, and the USA having a 13.24% market share.

Section 3. Costs and Prices

Tables below reflect the actual Retail Selling Price (RSP) of some of the sports/energy drinks stocked by Pick n Pay during a store visit on June 11, 2007. Pick n Pay is one of South Africa's largest retail chains, which concentrates on medium to high end consumers with higher disposable incomes.

Retail Selling Price of Sports Drinks

Brand Description	RSP	Size
Energade (RTD)	R5.79	500ml
Energade (plastic bottle concentrates)	R15.99	1Liter
Game (sachets powder)	R4.99	80g
Game (tin powder)	R33.49	720g
Powerade (RTD)	R5.99	500ml
Powerade (plastic bottle concentrates)	R19.99	liter
Lucozade Energy (RTD)	R7.49	300ml
	R15.99	750ml
Lucozade Energy (pack of 6 @ 250ml)	R32.59	
Clifton (powder)	R21.99	600g

Retail Selling Price of Energy Drinks

Brand Description	RSP	Size
Powerplay (RTD)	R9.99	250ml
Red Bull (RTD)	R12.99	250ml
Red Bull (RTD pack of 4 @ 250ml)	R51.99	
USN Ener-G	R51.98	250ML
Virgin	R10.99	250ml

Section 4. Market Access

In terms of general food labeling, all foodstuffs (locally produced and/or imported) shall fully comply with the current Food Labeling Regulations, R2034 / 1993. To obtain this, visit Department of Health (DOH) website at: www.doh.gov.za/department/dir_foodcontr.html. There is no provision made in the regulation specifically for “energy drinks” or “sports drinks”. Energy drinks, depending on their nature, might be regarded as “normal” beverages or as soft drinks. Soft drinks shall comply with the Regulations pertaining to Soft Drinks, R1769/1985. Inquiries should be directed to Ms. Maryke Herbst at Tel: 27 12 312 0164 or herbsm@health.co.za South Africa has no permit / health certificate requirements from a human point of view prior to importation. However, products must undergo inspection at the port of entry by Port Health or Customs, to determine whether drinks comply with all South Africa’s relevant legislation.

Section 5. Key Contacts and Further Information

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

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