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HRI Food Service Sector

South African Hospitality and Food Service Industry 2009

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Report Highlights:

South Africa as the host country of the 2010 Soccer World Cup creates an opportunity for the hospitality and the tourism market and offers export opportunities for U.S. suppliers of food and beverages. The key to cater for the diverse South African HRI, including the growing international tourism sector, is to find and keep in constant contact with a reputable distributor. The South African Food & Beverage reporter estimates 11,000 tons of food and 14 million liters of beverages will be needed to feed the estimated 330,000 visitors to the World Cup.

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SECTION 1: MARKET SUMMARY

South Africa, with a population of about 48.7 million people, has a large and complicated HRI food service sector.

The South Africa tourism industry is a major contributor to the domestic economy, employing some 512,000, or 3 percent, of the total work force, and presently accounts for 8.2 percent of the national Gross Domestic Product, about \$10 billion contribution. Currently, South Africa is the world's 25th largest tourist destination. The South African tourism and hospitality industry continues to offer export opportunities to U.S. suppliers of agricultural products for the hotel, restaurant, and institutional food service sector.

Despite the realities presented by the economic slowdown, 2008 remained a buoyant year for the South African tourism industry. The latest Statistics South Africa figures for foreign arrivals, for the first ten months of 2008, show at a strong increase in arrivals of 5.4 percent from January to October. This follows an excellent growth rate of 8.3 percent in 2007, a year during which South Africa exceeded 9 million foreign. Due to the economic crisis, the statistics for the first ten months of 2008 were noted with some decreases in the month on month figures when comparing 2008 to 2007. Arrivals from North America remained stable compared to October 2007 with increases from Australasia (6.3 percent) and the Middle East (5.9 percent), including decreases in arrivals (6.5 percent) from Europe and (4.6 percent) from Central and South America.

The foodservice sector in South Africa is not only the largest employer in the country, but has the potential to make a real difference in terms of economic empowerment, skills transfer, and social upliftment, as it accounts for the largest section of the South African manufacturing industry. The foodservice establishment is comprised of sectors such as commercial, institutions and services; and staff feedings. Classified under the commercial sector are hotels, restaurants, fast food independents, fast food chains, clubs, and national parks/resorts. Institutions and Services include transport services, health (public and private hospitals), educational institutions, and prisons. The staff feeding sector includes canteens (in-house cafeterias), mines, the South African Police, and the South African Defence Force.

As with the rest of the South African food industry, the Institution Services is concentrated and is dominated by relatively few large catering companies. Major companies include Fedics (owned by ICS Holdings), Kagiso Khulani Supervision Food Services (KKS) owned by Compass Group Southern Africa, and RoyalSechaba owned by Mvelaphanda Group. In general, they do not import food and beverages but buy (both local and imported) from local manufacturers, wholesalers and distributors.

By far the most significant of the catering companies is Fedics which boast South African Airways (SAA), the South African Broadcasting Corporation (SABC), Mercedes-Benz, Caltex Oil, and SmithKline Beecham Consumer Brands amongst their clients. The catering at all major airports within South Africa is run by Fedics.

1.1: Food and Beverage Income Estimates

According to Statistics South Africa, the total income generated by the food and beverages industry in the third quarter of 2008 amounted to \$782.38 million. This was an increase of 16.5 percent (\$110.92 million) compared with the third quarter of 2007. The increase was mainly due to a 19.4 percent (\$113.54 million) increase in food sales followed by an increase of 18.8 percent (\$2.09 million) in other income. Total income in September 2008 increased

by 15.7 percent (\$35.99 million) compared to September 2007. Table 1 below show some estimates in income.

Table 1: Table of income estimates as at the end of September 2008

Estimates (\$ million)	September 2008	% change between September 2007 and September 2008	July to September 2007	July to September 2008	% change between July to September 2007 and July to September 2008
Income from food sales	239,54	+19,7	585,30	698,84	+19,4
Income from bar sales	21,63	-15,7	75,07	70,35	-6,3
Other income	4,52	17,8	11,10	13,19	+18,8
Total income 1/	265,69	+15,7	671,46	782,38	+16,5

Source: Statistics South Africa (Stats SA)

Note: 1. Figures have been rounded off. Therefore, discrepancies may occur between sums of the component items and the totals.

1.2. Advantages and Challenges Facing U.S. products in South Africa

Advantages	Challenges
South Africa is the gateway for regional markets.	Strong competition from other countries and from local food producers and suppliers that provide an array of products at competitive prices. Despite quality not always consistent, price is still a strong decision making factor in the industry.
South Africans are developing a taste for western foods and are willing to try new products.	Consumers may need to be educated in preparing and eating products.
The growing HRI food industry needs imported food and beverage products.	Already acquired tastes and preferences for traditional locally produced products.
Established HRI industry.	While sophisticated for a developing country, much of the latest U.S. technology is far beyond the horizons of even the most richly-resourced SA food companies.
South African HRI, processors and importers seek suppliers who can offer reliable and quality products at competitive prices.	Challenges for U.S. suppliers to respond to trade inquiries in a timely fashion. Higher prices for U.S. food products relative to local market and neighboring countries' products. Also, South Africa is a smaller market and may not be able to deal in the volumes that U.S. companies are used to.
South African consumers view U.S. products as high quality.	Limited knowledge of HRI industries and consumers of the variety and quality of U.S. products.
English is one of the 11 official South African languages and virtually everyone is proficient in English.	Processors already have long-standing relationships with European suppliers due to historical ties.
Importers and distributors can help develop heavy brand loyalty.	Consumers are price-conscious and some do not exhibit brand loyalty. Products must constantly be promoted.

South African importers seek suppliers who can offer reliable and quality products, consolidators of mix containers at competitive prices.	Higher prices for U.S. food products relative to local market and neighboring countries' products.
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SECTION 2: ROAD MAP FOR MARKET ENTRY

2.1 Hotels and Resorts

There is a huge range of accommodation types in South Africa, from five star hotels including hotel chains to lodges, guesthouses, bed & breakfast (B&B) establishments, self-catering properties, youth hostels and international hotels. The B&B, Guest House & Game Lodge market sectors represent the fastest growing segment of the tourism industry in South Africa. The Tourism Grading Council of South Africa is an official body launched in 2003 mandated to grant Star grading to accommodation establishments in South Africa, from B&B; Guest House; Hotel; Lodge; Self-Catering; Backpacker and Hostelling; Caravan and Camping; and Country House. There are approximately 1,600 graded establishments. There are an estimated 30,000 establishments nationally, ranging from luxury guest houses & game lodges that regularly host visiting heads of state, to the more economical B&B's which together offer thousands of bed nights. Hospitality Resorts and Hotels are owned by the Premier Group, which is owned by Anglo American. Premier and Anglo American have extensive holdings in the milling, baking, dairy, fish, confectionery and edible oils industries.

The Department of Environmental Affairs and Tourism www.environment.gov.za and www.deat.gov.za is responsible for the growth and the development of South Africa tourism and since 2003 has mandated the Tourism Grading Council of South Africa www.tourismgrading.co.za to grade tourism establishment in the country. To make sure South Africa's hosting of 2010 is a success, it is estimated that the Council has graded 100,000 rooms available on its database.

Prospects: The latest trend in hotel investment in South Africa is that a number of significant joint ventures are taking place between local operators and overseas investors. Smaller and independent owners, particularly, are benefiting from an injection of capital, infrastructure and expertise enabling them to compete on equal terms with large groups.

2.1.1 Accommodation Statistics

The Statistics South Africa figures reveal that there was an increase of 2.0 percent in the number of stay units available between the third quarter of 2008 and the same quarter of 2007. Also, there was an increase of 2.2 percent in the number of stay units available during September 2008 (109,200) compared to September 2007 (106,900).

The number of stay unit nights sold during the third quarter of 2008 increased by 4.3 percent (from 4,750,000 to 4,953,700) compared to the third quarters of 2007. Furthermore, the number of stay unit nights sold during September 2008 compared to September 2008 increased by 0.3 percent (from 1,610,500 to 1,615,500).

The occupancy rate during the third quarter of 2008 increased to 49.4 percent from 48.3 in the third quarter of 2007. However, the occupancy rate for September 2008 decreased to 49.3 percent from 50.2 percent in September 2007.

On the other hand, income from accommodation for the third quarter of 2008 increased by 25.1 percent (\$59.88 million) compared with the third quarter of 2007. Also, income from accommodation in September 2008 increased by 20.0 percent (\$16.78 million) compared to

September 2007. Table 2 provides details of key estimates, whereas Table 2.1 highlights contribution by the types of accommodation.

Table 2: Key estimates as at the end of September 2008

Estimates	September 2008	Percentage Change Between September 2007 and September 2008	July to September 2008	July to September 2008	Percentage change between July to September 2007 and July to September 2008
Stay units available ('000)	109.2	+2.2	107.0	109.1	+2.0
Stay unit nights sold ('000)	1 615.5	+0.3	4 750.0	4 953.7	+4.3
Occupancy rate (%)	49.3	-1.8	48.3	49.4	+2.3
Average income per stay unit night sold (\$)	62.41	+19.6	50.21	60,23	+20.0
Income from accommodation (\$ million)	100.83	+20.0	238.48	298.36	+25.1
Total income (\$ million)	152.75	+21.0	357.02	457.28	+28.1

Note:

- 1) Stay unit refers to the unit of accommodation that is available to be charged out to guests, for example, a powered site in a caravan park or a room in a hotel.
- 2) Figures have been rounded off. Therefore, discrepancies may occur between sums of the component items can the totals.

Table 2.1: Contribution of the types of accommodation to the percentage change in income from accommodation for the third quarter of 2008 compared to the third quarter of 2007.

Type of accommodation	July to September 2007 (\$ million)	Weight	July To September 2008 (\$ million)	Percentage Change Between July to September 2007 and July to September 2008	% change Contribution
Hotels	178.2	74.7	207.11	+16.2	+12.1
Caravan parks and camping sites	1.41	0.6	1.65	+17.0	+0.1

Guest-houses and guest-farms	12.47	5.2	17.56	+40.8	+2.1
Other accommodation	46.41	19.5	72.04	+55.2	+10.8
Total industry	238.49	100.0	298.36	+25.1	+25.1

The contributors to the increase of 25.1 percent in the income from accommodation for the third quarter of 2008 compared to the third quarter of 2007 were hotels (+12.1 percentage points), other accommodation (+10.8 percentage points), guest-houses and guest-farms (+2.1 percentage points) and caravan parks and camping site (+0.1 of a percentage point)

2.1.2 Hotel Profiles

Most of the key hotels are owned by large locally listed companies and managed through agreements with international hotel management chains, in particular, Mercure Accord Hotel (French), Sheraton Group (US), Hilton (US), Legacy Hotels and Resorts (US), and Days Inn (US). In addition to major foreign tourism projects, two South African groups also have activities. The Sun International Group runs hotels and resorts including the renowned Sun City Resort in Pilanesburg in the North West Province, while the Protea Group runs the Protea Hotel chain. The table below provides an overview of some of the key hotel chains.

Hotel Group	Sales (US\$ million)	No. of Hotels	Location	Purchasing Agent Type
Mercure Accord	Not available	28	Major cities and Tourist centers	Local agents
Sheraton Group	Not available	3	Major cities	Local agents
Hilton	Not available	2	Major cities	Local agents
Legacy Hotels & Resorts	Not available	17	Major cities and Tourist centers	Local agents
Sun International Groups	Not available	49	Major cities and Tourist centers	Local agents
Protea Group	Not available	74	Major cities and Tourist centers	Local agents

2.1.3 Entry Strategy

Although the majority of the hotels are part of hotel chain, each hotel operates autonomously in terms of food purchases. In some cases the head office may recommend regional or national suppliers, but generally, hotels have a free reign as to what foods are served and whom their suppliers are. Hotels prefer to buy directly from local manufacturers, however, this is not always possible, and usually only perishable products are bought in this manner. Dry groceries are usually sourced from catering wholesalers, while local specialist retailers provide hotels with bakery goods, fruit and vegetables, meat, and dairy products. Many hotels have in-house bakeries and contract caterers to run in-house restaurants. Growth in the hotel industry is largely reliant on the growth in foreign tourism, which is expected to increase considerably in the future.

2.1.4 Distribution Channel

In general, hotels do not import food and beverages but obtain their requirements from the local manufacturers, catering wholesalers, specialty retailers and others. This is because most, if not all, hotel kitchens have a policy of holding only sufficient quantities of food and beverages for short-term needs. The following table highlights and summarizes sources of supply in percentage.

Sources of supply	% of total
Direct from manufacturers	28
Catering wholesalers	20
Cash & Carry	5
Specialist Retailers	32
General Retailer	3
Fresh Produce Market	12
TOTAL	100

2.2 Restaurants

Restaurants play an integral part in the tourists' experience of a country. The Restaurant Association of South Africa (RASA) was launched in 2004 as the spokesperson of the South African restaurant industry. RASA members include independent restaurants, fast food outlets, coffee shops, casual dining, hospital canteens, mobile restaurants, Quick Service Restaurants (QSR's), and include membership for the major franchise groups (the Spur Group, Steak Ranches, Mugg & Bean, Dulce, Ocean Basket, M&A, Mikes Kitchen, Adegas, the Brazen Head, Global Wrapps, Wiesenhoff, Fournews, etc). South Africa has a highly developed web of fast-food and chain restaurants. The changing trend shows that people are eating out of home more often than ever before. The restaurant industry, particularly the fast food sector is faced with stiff competition from supermarkets, retail chains and convenience stores. Supermarkets also offer ready meals daily.

On food spending, visiting restaurants and bars is one of the favorite activities of overseas tourists in South Africa. Overseas visitors spend approximately \$30 per day on food and beverage during their trip to South Africa, which represents about 20% of the total daily expenditure.

The Tourism Grading Council of South Africa launched a grading scheme for restaurants in 2005. In order for the restaurant industry to rapidly adopt the scheme, since March 2006, the Grading Council continuously hosts countrywide road shows on restaurant grading to meet the target of all restaurants graded by the time the Soccer World Cup begins in 2010 and beyond.

2.2.1 Income Estimates by Types of Enterprises

The 16.5 percent increase in total income for the third quarter of 2008 compared with the third quarter of 2007 was due to increases reported by restaurants and coffee shops (+20.2 percent), take away outlets (+16.1 percent) and caterers (+11.5 percent). Table 2.2 below, gives highlights of income, contribution, and percentage change by types of enterprise.

Table 2.2: Contribution by types of enterprise to the percentage change in total income for the third quarter of 2008 compared to the third quarter of 2007

Type of Enterprise	July to September 2007 (\$ million)	Weight	July to September 2008 (\$ million)	% change Between July to September 2007 and July to September 2008	Contribution to the Percentage change
Restaurants and Coffee Shops	342.24	51.1	412.63	+20.2	+10.3
Take-away and fast food outlets	172.40	25.7	200.18	+16.1	+4.1
Caterers	126.15	18.8	140.60	+11.5	+2.2
Other Catering Services	29.66	4.4	28.97	-2.3	-0.1
Total Industry	671.46	100.0	782.38	+16.5	+16.5

Source: Statistics SA

2.2.2 Restaurant Company Profiles

The table below provides information on the major fast food and family restaurants involved in this sector:

Restaurant Name and Outlet Type	Ownership	Sales (US\$ million)	No. of outlets	Location	Purchasing Agent Type
Nando's Group	Local	Not available	195	Major cities	Local agent
The Famous Brand	International	Not available	+/- 1100	Major cities	Local agent
King Consolidated Holdings	Local	Not available	188	Major cities	Local agent
Tricon Global Restaurants	Local	Not available	450	Major cities	Local agent

2.2.3 Entry Strategy

Specialist retailers such as bakeries, butcheries, and green grocers are the main suppliers to restaurants. Dry groceries are often purchased through catering wholesalers, while perishables and frozen products are purchased directly from the manufacturers or designated distributors.

- Export opportunities in this sector may not be readily apparent, since these outlets generally prefer to source their inputs locally – for goodwill, assured supply, or due to a corporate relationship with a supplier. However, as the number of outlets increases, and competition between retail chains rises, it will become more difficult for them to meet their needs on the local market and maintain their quality and price competitiveness.
- The South African fast-food market has witnessed strong growth in recent years due to changes in lifestyle trends and growth in disposable income.
- Although independent restaurants are plentiful, the growth in the number of franchised fast food chain restaurants has been phenomenal over the past number of years, which has brought about interest in American-style cuisine and consumption patterns. South Africa has an extensive number of franchise restaurant chains serving fried chicken, hamburgers, steaks, hoagie-style deli sandwiches, and pizza. Portuguese and Italian-style cuisines are also popular, as well as seafood, steak and ribs. Some of the major chains are Nando's Group Holdings (Nando's Chicken land); The Famous Brand Limited (Steers, Debonair Pizza, FishAways, Church's Chicken, House of Coffees, Brazilian, ESP Illy Boutique, Market Café, Wimpy and Whistle Stop); King Consolidated Holdings (McGinty's, Keg SA, Saddles Steak Ranches, Bimbos, and

Dockside Porterhouse); McDonalds; Mike's Kitchen, Mugg & Bean, Global Wrapps, Dulce Continental Cafes, O'Hagans, the Spur Group, Something Fishy, Ocean Basket, Pleasure Foods, Chicken Licken, News Café, Pizza Perfect, St. Elmo's Pizza, Leisure Net (Bulldogs-British type-style Pub), Black Steer (Steakhouse and take-out store), Flame Diners, and Max Frango's Chicken take-outs; Shoprite-Checkers; Tricon Global Restaurants Inc (Kentucky Fried Chicken and Pizza Hut); Subway Sandwiches; and TGIF's. Tex-Mex or South western cuisine has yet to significantly penetrate the South African market, although this cuisine might be popular, due to the South African consumer's preference for hot, spicy sauces. Pub-style restaurants are also booming. More information about the sector visit www.whichfranchise.co.za ;and www.fasa.co.za .

- **Prospects:** The fast food industry has experienced phenomenal growth over the last two years, and this is expected to continue in the future. As food trends in South Africa develop, U.S. exporters are well positioned to provide South African restaurants with innovative products (i.e., seasoned French fries, curly fries, cheesecakes, high quality ice cream, lunchmeats made from turkey, scallops, vegetable tortillas, Cajun foods, pickled garlic, spicy sausages and quality franks) to entice consumers. Thus, according to a local magazine's brief discussions with some of the major chains, opportunities exist for U.S. exporters to be supplementary suppliers of certain new food products.

2.2.4 Distribution Channel

The following table highlights sources of supply to the Restaurant Industry:

Sources of Supply	% of Total
Manufacturers/distributors	20
Catering wholesalers	23
Cash & Carry	8
Specialist retailers	42
General retailers	5
Fresh produce markets	2
TOTAL	100

2.3 Institutional Contract Food Service

Currently, the South African Contract Catering and Institutional sector is valued at R4.3 billion. State tenders and parastatals alone account for R1.18 billion, with 80 percent of this market remaining under state control. This sector constitutes a very large market for food and beverages and includes various institutions such as commercial sector; institutions and services; and staff feeding. It is estimated that only 28 percent of the public sector and 55 percent of the private sector catering has been out-sourced to contract caterers. As with the rest of the South African food industry, this sector is fairly concentrated and is dominated by a relatively few large catering companies. Total value of staff catering market in South Africa is approximately R5.5 billion per annum. Estimated value of the outsourced market is between R2.8 and R3 billion. Contract caterers Tsebo Outsourcing Group (formerly the Fedics Group) owned by ICS Holdings, Royal Food Services, Kagiso Khulani Supervision Food Services owned by Compass Group Southern Africa, Delmont Caldow Caterers, Sodexho Southern Africa, and Sixel & Patterson. In general, they do not import food and beverages but instead purchase food products directly from local manufacturers, catering wholesalers and distributors. By far the most significant of the catering companies is Tsebo Outsourcing. Tsebo Outsourcing, South Africa's leader in outsourced catering, is South Africa's largest black-owned outsourced catering company, and enjoys a 34 percent market share of the

currently outsourced catering market. The catering at all major airports within South Africa are contracted out to Fedics in-flight catering company, Air Chefs. Air Chefs prepares a total of 650,000 meals per month of which 450,000 are prepared in Johannesburg.

2.3.1 Major Contract Caterer's Profile

The table below provides information on the major businesses involved in the catering sector.

Name and business type	Ownership	Sales (US\$ million)	No. of Contracts	Location	Purchasing Agent Type
Fedics (Pty) Ltd	ICS Holdings	Not available	650	nationwide	Local agents
Royal Food Service	Rebserve Holdings (Wholesale & Distribution Division)	Not Available	175	nationwide	Local agents
Kagiso Khulani Supervision Food Services (KKS)	Compass Southern Africa	Not available	703	nationwide	Local agents

2.3.2 Entry Strategy

Contract caterers purchase the bulk of their supplies directly from the manufacturers on a contract basis. Companies operating their own canteens usually buy food as and when needed from catering wholesalers and localized specialist retailers, as this is more convenient when buying small quantities.

In general, contract caterers do not import food and beverages but instead purchase food products directly from the local manufacturers, catering wholesalers, and distributors.

2.3.3 Distribution Channel

The following table highlights the source of supply to the Institutions Caterer's:

Source of Supply	% of Total
Manufacturers/distributors	33
Catering wholesalers	10
Cash & Carry	2
Specialist retailers	46
General retailers	4
Fresh Produce Markets	5
Total	100

SECTION 3: COMPETITION

The following table highlights food and beverage key products of South Africa trading partners: 2005 – 2007

Product Category and HS Code	Major Supply countries and strength of supply	SA EXPORTS to USA Millions of US\$			SA IMPORTS from USA Millions of US\$			Advantages and disadvantages of local suppliers
		2005	2006	2007	2005	2006	2007	

<p>Meat and Edible meat offal (02)</p> <p>South Africa net imports from the World of US\$ 359 million in 2007 versus US\$ 311 million in 2006.</p> <p>South Africa net exports to the world of US\$ 84 million in 2007 versus US\$ 62 million in 2006.</p>	<p>Brazil – 49% Australia – 13% Canada – 8%</p> <p>USA imports of category (0207) continue to increase.</p>	0.04	0.28	0.07	2.4	6.0	7.2	<p>South Africa is a net importer of meat and meat products. Major export is category (0208). Prohibition of U.S. beef to South Africa since 2003. The pattern of imports in this category is variable and depends largely on local conditions. Brazil, Australia and Canada are major suppliers and members of MFN status countries. South Africa is a founding member of World Trade Organization (WTO), extending most favored nation (MFN) treatment to other members.</p>
<p>Fish and Seafood (03)</p> <p>Net imports from the world of US\$ 115 million in 2007 versus US\$ 98 million in 2006.</p> <p>Net exports to the world of US\$ 462 million in 2007 versus US\$ 363 million in 2006.</p>	<p>India- 22% New Zealand - 14% China - 9%</p> <p>USA imports of category (0303) continue to show some increase.</p>	32.2	29.4	29.5	2.8	4.7	5.4	<p>South Africa is a net exporter of fish and seafood products. Major exports categories are (0304, 0307, 0306 and 0302). Imports in this category have been increasing steadily over the past years, and thus, despite the fact that South Africa is a net exporter, opportunities do exist. The majority of imports are crustaceans and other seafood (squid) and fish meat.</p>
<p>Dairy Products (04)</p> <p>Net imports from the world of US\$ 121 million in 2007 versus US\$ 68 million in 2006.</p> <p>Net exports to the world of US\$ 36 million in 2007 versus US\$ 32 million in 2006.</p>	<p>Australia – 12.04% Ireland – 12.02% New Zealand – 11%</p> <p>USA shows some increase in imports of category (0406).</p>	0.01	0.15	0.01	0.7	1.7	1.8	<p>South Africa is a net exporter of dairy products.</p> <p>Australia, Iceland and New Zealand are WTO member countries.</p>
<p>Edible Fruit and Nuts (08)</p> <p>Net imports from the world of US\$ 69 million in 2007 versus US\$ 62 million in 2006.</p>	<p>United States – 13% Spain - 10% Mozambique - 9%</p> <p>The United</p>	54.5	61.6	47.2	7.5	10.7	9.6	<p>Spain is member of EU. The EU and South Africa signed a Free Trade Agreement (FTA) in 1999. The agreement will be</p>

<p>Net exports to the world of US\$ 1,479 million in 2006 versus US\$ 1,190 million in 2006.</p>	<p>States is a major supplier of almonds (080212) with a market share of 92%.</p>							<p>phased in over a ten to twelve year period and will essentially liberalize 86% of South Africa's imports from EU and about 95% of EU imports from South Africa. The overall agreement meets WTO requirements of 90% coverage. South Africa is a net exporter of dried fruits and a net importer of nuts. Major exports categories are (0805 - Dried/fresh citrus,0806-dried/fresh grapes, and 0808 - fresh/quinces apples and pears). However, a small market exists for dried exotic fruits, and opportunities exist for shelled hazelnuts, desiccated coconut, cashew nuts and shelled almonds.</p>
<p>Spice, Coffee, and Tea (09)</p> <p>Net imports from the world of US\$ 101.19 million in 2006 versus US\$ 82.21 million in 2005.</p> <p>Net exports to the world of US\$ 36 million in 2007 versus US\$ 32 million in 2006.</p>	<p>Vietnam – 18% Malawi – 14% India – 11%</p>	2.8	3.5	5.2	0.15	0.18	0.59	<p>South Africa is a net importer of spices. Local production of tea, coffee is insufficient to meet local demand. Malawi is a member of MFN status countries.</p>
<p>Prepared Meat, Fish (16)</p> <p>Net imports from the world of US\$ 86 million in 2007 versus US\$ 55 million in 2006.</p> <p>Net exports to the world of US\$ 34 million in 2007 versus US\$ 32 in 2006.</p>	<p>Thailand – 51% China- 11% Peru – 6%</p> <p>The United States enjoys a dominant position market in the canned salmon (160411) and holding a market share of 73 percent whereas Norway is holding 15 percent. For shrimp and prawns, horse</p>	0.42	0.06	0.11	1.4	1.9	1.09	<p>Thailand offers competitive prices.</p>

	mackerel and snoek, demand is for frozen products.							
Sugars and Sugar Confectionery (17) Net imports from the world of US\$ 131 million in 2007 versus US\$ 93 million in 2006. Net exports to the world of US\$ 297 million in 2007 versus US\$ 402 in 2006.	Brazil - 37% USA – 11% Colombia – 6% USA is a major supplier of category 1702 with 36% market share, and China has 13% market share.	21.3	12.4	8.2	6.6	7.8	14.9	South Africa is a net exporter of sugar. Cane/beet category (1701) is a main export category. The majority of imports are in the category of other sugar products in solid form, such as cane and beet sugar. January 2006 saw customs duty on sugar confectionery not containing cocoa classifiable under the tariff subheading 1704.90 increased from 25% ad valorem to 37% ad valorem. Brazil and Columbia are members of WTO.
Preserved Food (20) Net imports from the world of US\$ 151 million in 2007 versus US\$ 96 million in 2006. Net exports to the world of US\$ 329.31 million in 2007 versus US\$ 329.6 million in 2006.	Argentina – 27% China – 25% Italy – 7% USA category (2008) imports have shown decline.	11.7	16.6	14.8	2.2	3.0	2.3	Major exports category products (2008 – other fruits; and 2009 fruit and vegetable juice).are Argentina supplies price competitive products. Argentina and China is a member of MFN status countries; whereas Italy is a member of EU states.
Miscellaneous Edible Preparations/Processed Fruit & Vegetables (21) Net imports from the world of US\$ 196 million in 2007 versus US\$ 165 million in 2006. Net exports to the world of US\$ 143 million in 2007 versus US\$ 114 million in 2006.	USA – 15% Netherlands – 11% United Kingdom – 11% Major imports of USA categories are (2106) and (2103).	4.1	8.8	14.3	21	27	31	South Africa is a net exporter of processed fruits and vegetables. Major export category is (2106). Opportunities exist for canned peas, and import of grape and apple juice which are used as a base for other fruit juices, prepared and preserved tomatoes, and fruit pulps. USA key trading partner including AGOA bilateral

								trade relationship. Netherlands and Germany are members of EU states.
Beverages (22) Net imports from the world of US\$ 430 million in 2007 versus US\$ 287 million in 2006. Net exports to the world of US\$ 908 million in 2007 versus US\$ 736 million in 2006.	United Kingdom – 41% Netherlands – 12% France – 8% USA category 2208 imports increased slightly in 2007.	47.87	62.51	71.70	28.6	29.9	32.3	South Africa is a net exporter of alcoholic beverages. Major export is wines of fresh grapes category (2204). On the import side, this market is dominated by well known brands from the UK. The South African appetite for American spirits has grown over the last three years. UK, Netherlands and Austria are members of EU states.

Source: World Trade Atlas

Some of South Africa's trade agreements (multilateral and bilateral) with other nations includes **World Trade Organization (WTO)** standing at 153 countries membership, where South Africa is a founding member, extending most favored-nation (MFN) treatment to other members.

Southern African Development Community (SADC): South Africa joined SADC in August 1994. The other fourteen members of SADC are: Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, Swaziland, Tanzania, Zambia, and Zimbabwe. SADC's objective is to foster harmonized regional development through economic activities, including a trade protocol aimed at creating a Free Trade Area within the SADC region.

Southern African Customs Union (SACU): There are five SACU member states which comprise of Botswana, Lesotho, Namibia, South Africa, and Swaziland. In terms of the agreement, members use a common external tariff and goods are traded free of duties and quotas between member states.

The European Union (EU) is a union of twenty-seven independent states based on the European Communities and founded to enhance political, economic and social co-operation. The member states includes, Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and United Kingdom.

SECTION 4: BEST PRODUCT PROSPECTS

A. Products in the market which have good sales potential

- Sweeteners (lactose, glucose and syrup)

- Shelled nuts (almonds and walnuts)
- Flavorings (malt)
- Starches
- Protein concentrates
- Sausage casing
- Baking inputs
- Food ingredients

B. Products not present in significant quantities but which have good sales potential

- Organics
- Out of season stone fruits, grapes, pomegranate, etc
- Baking inputs
- Breakfast cereal (corn/grit meal)
- Sauces
- Products not currently available or known about in South Africa
- Fruit and vegetables preparations

C. Products not present because they face significant barriers

- Prohibition of U.S. apples imports since 1990s, as well as cherries and pears.
- Anti-dumping duties imposed on U.S. frozen chicken leg quarters since 2000.
- Prohibition of U.S. beef to South Africa since 2003.

SECTION 5: POST CONTACT 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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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>

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<http://www.statssa.gov.za/publications/P6410/P6410September2008.pdf>
<http://www.statssa.gov.za/PublicationsHTML/P6420September2008/html/P6420September2008.html>