



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 10/11/2000

GAIN Report #SF0032

South Africa, Republic of

Exporter Guide

2000

Approved by:

Richard B. Helm

South Africa

Prepared by:

Margaret N. Ntloedibe

Report Highlights:

Despite the continued decline in the value of the rand relative to the dollar and strong competition from other suppliers of processed food products, opportunities exist for increased U.S. exports of niche products to South Africa.

Includes PSD changes: No

Includes Trade Matrix: No

Annual Report

Pretoria [SF1], SF

I. MARKET OVERVIEW	Page 2 of 7
A. U.S. Market Position:	Page 2 of 7
B. Advantages and Challenges Facing Sales of U.S. Products in South Africa:	Page 2 of 7
II. EXPORTER BUSINESS TIPS	Page 3 of 7
A. Local Business Customs:	Page 3 of 7
B. Trade Marketing Services:	Page 3 of 7
C. General Consumer Tastes and Preferences:	Page 4 of 7
D. Food Standards and regulations:	Page 4 of 7
E. General Import and Inspection Procedures:	Page 4 of 7
III. MARKET SECTOR STRUCTURE AND TRENDS	Page 4 of 7
A. Competition:	Page 4 of 7
B. Tariffs:	Page 5 of 7
C. Distribution Systems for processed food products:	Page 5 of 7
IV. BEST HIGH VALUE PRODUCTS	Page 6 of 7
V. KEY CONTACTS AND FURTHER INFORMATION	Page 6 of 7
A. Following are contact details of companies mentioned in the report.	Page 6 of 7
B. Post Contact	Page 7 of 7

I. MARKET OVERVIEW

Despite the recent economic slowdown and the continued decline in the value of rand versus the dollar, the South African market continues to offer long-term opportunities for resourceful exporters with niche products. Demand for both domestic and imported consumer ready products continues to increase and many new-to-market processed food products have been successfully introduced.

South Africa is the gateway to Southern Africa, and possesses a modern infrastructure which supports an efficient distribution of goods to major urban centers throughout the region. The country is self sufficient in most primary goods with the exception of wheat, oilseeds, and rice. The contribution of agriculture, fishery and forestry to GDP increased from R24.0 billion in 1998 to about 27.0 billion in 1999.

The South African economy is undergoing both structural and institutional changes. Structural changes have resulted from international trade agreements such as the WTO; institutional changes are being driven by political demands. South Africa offers market opportunities for various upscale prepared foods and consumer ready-products which are increasingly in demand as luxury imports by a growing number of affluent consumers.

A. U.S. Market Position:

The United States is a major supplier of agricultural products to South Africa, contributing 11.7 percent of its imports in 1999. In 1999, value of U.S. agricultural, fish and forestry exports to South Africa amounted to \$196.1 million, down from \$324.9 million in 1996. The decrease in U.S. exports was principally due to the decline in the value of the South African Rand relative to the U.S. dollar.

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

Advantages	Challenges
South Africans consumers view U.S. products as high quality.	Limited knowledge of retailers and consumers of the variety and quality of U.S. products.
South African importers seek suppliers who can offer reliable and quality products at competitive prices.	Choose correct food agent or distributor.
The growing retail industry, needs imported food products.	Already acquired tastes and preferences for traditional locally produced products.
Opportunities exist for niche products.	Competition from other countries and locally produced products.

More transparent import regulations	A large proportion of the population has very limited disposable income.
A steady decline in tariff levels.	

II. EXPORTER BUSINESS TIPS

A. Local Business Customs:

Generally, business hours are weekdays from 08:00 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 08:30 a.m. to 5:30 p.m. and 8:30 a.m. to 1:00 p.m. on Saturdays. Banks are open weekdays from 09:00 a.m. to 3:30 p.m., and Saturdays from 08:30 a.m. to 11:00 a.m.

B. Trade and Marketing Services:

- **Franchising:** According to the Franchise Association of Southern Africa (FASA), the number of franchises has increased significantly over the past few years, with service-orientated franchises leading the way. There are currently some 300 reputable franchisors in South Africa, 150 of whom are members of the Association. The largest franchise in South Africa is the fast food sector, representing approximately 29 percent of the industry.

- **Direct Marketing:** Although South Africa's foreign exchange controls and import documentation requirements have been relaxed, it is recommended 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 Ventures/Licensing:** Exchange control regulations stipulate that the South African Reserve Bank's (SARB), Exchange Control Section 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 wishing to establish a subsidiary in South Africa must register it 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.

-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.

C. Consumer Tastes and Preferences:

In the last few years a wide range of new imported products have become available in the market. South African tastes and preferences are becoming more sophisticated and the average consumer is increasingly expecting a wide range of products on supermarket shelves. Key considerations by consumers in making purchasing decisions are price and quality. The increasing buying power of the black sector of the population is having a positive effect on the market for imported food products. Customary buying patterns by consumers, supermarkets, wholesalers, distributors and chain stores remain largely intact. South African consumers, especially low-income wage earners, have a high degree of brand-loyalty, and are not very price conscious. Major food items are meat, dairy, fruit, vegetables, and grains. Meat and mealie meal (corn meal) are the dominant diets among the black population.

D. Food Standards and regulations:

Refer to Fairs Report SF0023 dated 7/27/2000.

E. General Import and Inspection Procedures:

Refer to Fairs Report SF0023 dated 7/27/2000.

III. MARKET SECTOR STRUCTURE AND TRENDS

A. Competition:

U.S. exports of consumer ready products face stiff competition from European Union, Zimbabwe, Australia, Malaysia and other Asian countries. The U.S. is one of the major suppliers of wheat and rice to South Africa. Imports from Zimbabwe include staple food such as meat, fish, vegetables, (coffee, cocoa and tea), and rice.

Australia is a significant exporter of food preparations, dairy products, oilseeds, edible oils and fats, and fish and crustaceans. Imports from Malaysia include dried fruits, cocoa, spices and spicy products, oilseeds, edible oils and fats.

B. Tariffs:

Following the deregulation of the agricultural sector, tariffs have become the main policy instrument used by the government to regulate imports. South Africa's tariffs on agricultural products are normally applied at below their Uruguay Round bound rates. One of the major

constraints to increased U.S. trade in South Africa is high import prices of U.S. products as a result of an unfavorable dollar/rand exchange rate. The value of the South African Rand has fallen from an average of 4.30 in 1996 to 7.2 Rand per dollar in September 2000.

C. Distribution Systems for processed food products:

Importers:

In South Africa, only a few importers specialize in one product. Most importers are generalists who import a wide range of food products. However, it is still very 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.

Wholesaler:

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 state or other large food supply contracts. They tender for State 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.

IV. PROSPECTS FOR HIGH VALUE PRODUCTS

The best prospects for increasing future U.S. agricultural exports to South Africa include, but are not limited to, processed and consumer oriented products, snack foods, tree nuts, processed fruit and vegetables, pet food, soybean meal, forest products including hardwood lumber and panel products. Demand for snack food is small but rapidly growing. Continued interaction between U.S. suppliers and, South African importers and consumers of processed food products through events such as trade shows, trade missions and instore promotions are the key means for increasing U.S. exports to the country.

V. KEY CONTACTS AND FURTHER INFORMATION

A. Following are contact details of companies 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
Internet: www.fasa.co.za
[E-mail:fasa@faso.co.za](mailto:fasa@faso.co.za)

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
Directorate: Technology Promotion
Tel: 27-12-310-9839
Internet: www.dti.pwv.gov/dtiwww

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
[E-mail:asom@pixie.co.za](mailto:asom@pixie.co.za)

Association of Advertising Agencies (AAA)
Tel: 27-11-781-2772
Fax: 27-11-781-2796
Contact: Mr. Russell Cory, Financial Director

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
Internet: www.idc.co.za

B. 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:27-12-342-1048 ext. 2235

Fax:27-12-342-2264

[E-mail:agpretoria@fas.usda.gov](mailto: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>