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Report Highlights:

South Africa has a well-developed business market, and is a gateway to Sub-Saharan African markets. In 2018, imports of agricultural products were $6.6 billion, a decrease of 1 percent compared to 2017. South African consumer trends are changing and creating opportunities to increase U.S. exports of convenience and ready-to-eat foods, as well as natural, and organic products

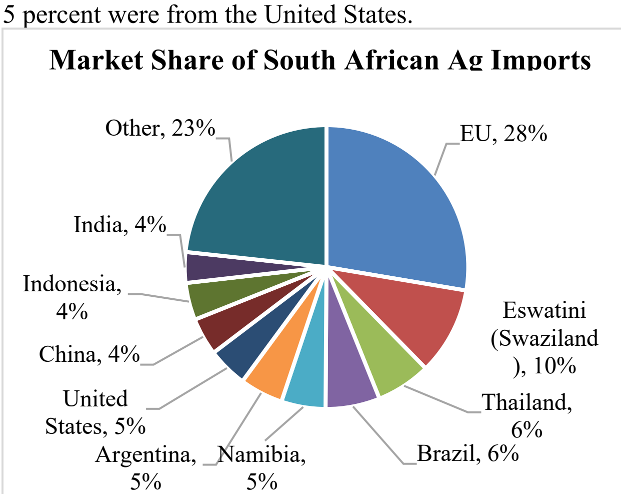
Fact Sheet: South Africa

Executive Summary

South Africa is an upper middle-income economy, with a population of 59 million people (64 percent are in urban areas). South Africa has a well-developed agribusiness sector which plays a significant role in job creation and economic development. South Africa is the largest exporter of agricultural products in Africa, primarily citrus, wine, fruits, and corn. Although largely self-sufficient in agriculture, the country has opportunities for imports.

Imports of Agricultural Products

In 2018, South Africa's imports of agricultural products were valued at $6.6 billion, a decrease of 1 percent from 2017. The EU accounted for 28 percent of total agricultural imports, while 5 percent were from the United States.



Food Processing Industry

There are over 1,800 food production companies in South Africa. However, the top ten companies are responsible for more than 80 percent of the industry's production revenue. The industry employs 450,000 people in the subsectors of meat, fish, fruit, dairy products, grain mill products, and beverages. As a major producer and exporter of finished processed food products in Africa, South Africa's appetite for ingredients drives demand for a wide range of products.

Food Retail Industry

South African food retail sales totaled $52.2 billion in 2018 and imports of all agricultural products decreased by 1 percent to 6.6 billion. The sector is well developed and aggressively expanding into other African countries.

Quick Facts CY 2018

Imports of Agricultural Products from USA
$305 million

List of Top 10 Agricultural Products from USA exported to South Africa

- Chicken cuts and edible offal
- Animal feed preparations (mixed feeds)
- Corn (maize) seed other than sweet seed corn
- Almonds
- Food/drink ingredients
- Whiskies
- Hake, frozen
- Enzymes and prepared enzymes
- Food preparations
- Grain sorghum

Food Industry by Channels ($ Billion) 2018

Food Industry Output	$143 billion
Food Exports	$9.8 billion
Food Imports	$6.6 billion
Retail	$52.2 billion
Food Service	$6.8 billion

Strengths/Weaknesses/Opportunities/Challenges

Strengths	Weaknesses
Advanced economy with well-developed infrastructure.	Limited technical capacity and weak political will by regulators contribute to trade barriers and delays in resolving access issues.
Opportunities	**Threats**
Sophisticated and growing middle class. A well-developed retail sector, and linkage to the rest of Sub-Saharan Africa.	FTA with EU. A political preference towards BRICS countries.

***Data and Information Sources**: Trade Data Monitor (TDM); Statistics South Africa (Stats SA); Local industry publications, and trade press.*

***Contact**: FAS Pretoria, South Africa, AgPretoria@fas.usda.gov*

SECTION 1: Market Overview

South Africa is one of the most advanced and diverse economies on the African continent. The country is an attractive business destination, due to its growing market and a well-developed infrastructure, catering to efficient distribution of both imported and locally produced agricultural products to major urban centers and the entire Southern African region. The commercial agricultural sector in South Africa is highly diversified and is self-sufficient in most primary foods with the exceptions of wheat, rice, chicken meat, and oilseeds. Despite South Africa's well-developed processed food and competitive horticultural sectors such as wine, fresh fruits, and vegetables, it continues to offer windows of opportunities for imports.

1.1 Population and Key Demographic Trends

South Africa has a population estimated at 59 million people. Of the nine provinces of South Africa, the Gauteng province, which contains Johannesburg and Pretoria, has the largest share of the population at 25.8 percent, followed by KwaZulu-Natal province with 19.2 percent. It is estimated that 28.8 percent of the population is younger than 15 years, with 9.0 percent over 60 years old. Source: http://www.statssa.gov.za/publications/P0302/P03022019.pdf

1.2 Size of Economy, Purchasing Power & Consumer Behavior

The economy of South Africa is the second largest in Africa, after Nigeria. It is one of most industrialized countries in Africa. South Africa is an upper-middle-income economy as classified by the World Bank; one of only four such countries in Africa. Since 1996, and the end of over twelve years of international sanctions stemming from apartheid rule, South Africa's Gross Domestic Product was $400 billion in 2011 to roughly $368 billion in 2018. In the same period, foreign exchange reserves increased from $3 billion to nearly $50 billion creating a diversified economy with a growing and sizable middle class within two decades of ending apartheid.

Although property, jewelers and cars represent obvious signs of wealth, there is another, less apparent indicator of the country's growing affluence: the food consumers are putting on their plates. Over the past two decades, economic growth and increased average income per capita, pushed large numbers of consumers towards protein-filled diets and as a result meat consumption levels have skyrocketed. In 2016, South African consumers spent approximately R205 billion ($13.7 billion) on meat products, which represented one third of total expenditure on food. Ten years ago South Africa spent R46 billion ($3.5 billion) on meat products, representing only about a quarter of total expenditure on food.

Currently, the middle class represents about 70 percent of the South African population and 55 percent of total income earnings. In the past five years the percentage of the population earning less than R5,000 ($333) per month decreased from 56 percent to 40 percent, while the percentage of the population earning more than R5,000 ($333) per month increased from 44 to 60 percent.

1.3 Overall Business Climate

South Africa has a well-developed market economy, offering investors a mature financial service sector, modern infrastructure, experienced local partners, and investment opportunities. South Africa is a rainbow nation with ample opportunities conducive to U.S. business. One positive aspect of South Africa's business and investment climate is the president, Cyril Ramaphosa, who assumed office in February 2018 and emerged from the economic mishaps of the prior administration. The South African administration aims to accelerate progress, build a more inclusive society, eliminate poverty and inequality, and double the GDP by 2030. The government is in the process of addressing the challenges that led to South Africa's deterioration in the business environment as scored by the World Bank, including skills shortage and a weak education system which exacerbates South Africa's growth and service delivery.

South Africa is a net exporter of agricultural products. In 2018, exports of agricultural products totaled $9.8 billion, an increase of 6 percent from the previous year. Major exports included fresh oranges, fresh grapes, wine, corn (maize), fresh apples, wool, fresh or dried lemons and limes, fresh pears, mandarins, and food preparations.

In 2018, South Africa imported $6.6 billion agricultural products, a decrease of 1 percent from the previous year. The major products imported were mixed food/drink ingredients ($478 million), rice ($463 million), chicken products including edible offal and frozen meat and offal ($453 million), wheat ($415 million), palm oil ($295 million), sugar including cane sugar solid ($238 million), food preparations ($185 million), live cattle ($164 million), and soybean oilcake ($163 million).

In 2018, the United States exported $305 million of agricultural products to South Africa, down 15 percent from the previous year. Major products exported by the United States to South Africa included, chicken products ($69 million), food preparations ($24 million), enzymes ($18 million), wheat ($8 million), almonds ($14 million), corn (maize) seed ($16 million), animal (not fish) guts, bladders, stomach & parts ($12 million), food/drink ingredients ($11 million), sorghum ($4 million), edible frozen livers of bovine animals ($6 million), animal mixed feeds ($9 million), and protein concentrates ($4 million).

Advantages and Challenges Facing U.S. Exporters

Advantages	**Challenges**
South Africa has a developed retail and HRI industry, including the appearance of new international brands fuel growth in demand for good ingredients.	Competition from local producers and other countries, especially those with preferential or free trade agreements with South Africa.
South Africa is an attractive business market, and a gateway to Sub-Saharan Africa markets.	Food safety and phytosanitary restrictions may affect imports of food products and certain food ingredients.
South Africans have diverse food tastes and are willing to try new products.	Security issues are real and extreme in some cities, but businesses continue operating.
Modern infrastructure, efficient distribution, and English as a primary language.	Difficult to acquire shelf space in large supermarket chains.
South Africa is the biotechnology leader on the Africa continent and the ninth largest producer of Genetically Engineered (GE) crops in the world.	Market uncertainty due to politics and proposed land reform bills in Parliament

SECTION 2: Exporter Business Tips

2.1 Market Research

Listed here are some of the major South African trade organizations, institutions, and market research companies who conduct market research activities:

The Euromonitor Cape Town, https://www.euromonitor.com/locations
The Nielsen Company South Africa, https://www.nielsen.com/za/en.html
BMI Research Pty Ltd, https://www.bmi.co.za/

2.2 Local Business Customs and Trends

There are eleven official languages in South Africa, but English is the principal language used in commerce.

Standard Time in South Africa is two hours ahead of Greenwich Mean Time and seven hours ahead of Eastern Standard Time throughout the U.S. daylight savings. South Africa does not follow daylight savings time. Generally, business hours are weekdays from 8:00 a.m. to 5:00 or 6:00 p.m. with a lunch hour in between, ranging between 11:00 – 2:00 p.m. Most offices observe a five-day week, but shops are generally open from 8:30 a.m. to 5:30 p.m. weekdays. Weekend hours vary, as some businesses open from 8:30 a.m. to 4:00 p.m. on Saturdays, with few open on Sundays, including Public Holidays especially those located at major shopping malls. Banks are open weekdays from 8:30 a.m. to 3:30 p.m. and Saturdays from 8:00 a.m. to 12:30 p.m, with few open on Sunday from 9:00 a.m. to 12:00 noon. The monetary unit of South Africa is the Rand (R), which is divided into 100 cents (c). The current exchange rate is $1 USD = R14.4

Shopping is similar to the United States, with large and modern shopping centers providing diverse product lines similar to those found in the United States. There are only a few stores open 24-hours per day**.** South African business people tend to dress conservatively, particularly in the banking and the hospitality sectors. However, "Smart Casual" clothing has become increasingly popular with executives in the IT and tourism industries. Terminology used in business invitations are as follows:

- Black Tie (dark suit and tie or tuxedo or formal evening dress)
- Business (jacket and tie or a business dress)
- Smart Casual (casual clothing with or without tie, but no jeans and no sneakers)
- Casual (includes jeans but no sport shorts)

Business cards are usually simple, including only the basics such as company logo, name, business title, address, telephone number, fax number, e-mail, and web-address. South Africans are typically punctual, and appointments should be made in advance for a business visit.

2.3 General Consumer Tastes and Trends

- There is greater demand for house or private labeled-brands as consumers see these products as providing good value for money.

- There is a noticeable demand for organic and natural food and beverage products due to personal health and retail chain stores dedicating shelf space to products from these sectors.
- South African consumers are also looking for convenience. Supermarkets and convenience stores are augmenting their stock of snack foods, ready-to-eat meals, and pre-cooked "heat at home" meals.
- At the same time, consumers are becoming increasingly health conscious. Consumers are buying more "natural" products; foods with less or no "perceived bad" ingredients (e.g. sugar, salt, trans fat, etc.) are becoming mainstream. Fresh fruits and vegetables, nuts, grains and legumes are increasingly part of the daily diet for middle to high-income consumers.
- Consumers want to indulge in sophisticated and tasty foods. Fresh, higher-quality, luxury ingredients are being incorporated into foods.
- South African consumers are also interested in food from other countries and cultures.
- The demand for longer store hours is pushing businesses, especially fast food and gas station shops, to move towards 24-hour service.
- There is a greater demand for dairy products such as drinking yogurt, smoothies and ice cream.
- Food labeling is growing in importance, as consumers want to be informed about what they are eating.
- Trends show that bottled water, either premium, imported, flavored, enhanced and oxygenated varieties, now accounts for a large portion of the beverage market.

SECTION 3: Import Food Standards & Regulations and Import Procedures

The section provide links for access to other sites and Food and Agricultural Import Regulations and Standards (FAIRS) Annual Country Report prepared by USDA FAS Pretoria.

3.1 Customs Clearance

Refer to the FAIRS GAIN Report on the following link,
Food and Agricultural Import Regulations and Standards (FAIRS) Annual Country Report

3.2 Documents Generally Required by South Africa Authority for Imported Food

Refer to the FAIRS Annual Country Report, and to the FAIRS - Export Certificate Report for documents, permits and certification required by the South African Authorities.

Generally, in addition to the import permits, certificates, sanitary and phytosanitary permits, the following basic documentation should accompany all shipments into South Africa:
 A commercial invoice that shows the price charged to the importer in addition to the cost of placing goods on board of the ship for export.
 Bills of entry documentation that provide the correct physical addresses of supplier, storage facilities, correct quantities, grades and HS codes of commodities.
 The Bill of Lading.
 Insurance documents.
 Other special documentation and certifications may be required by the importer e.g. Laboratory results/certificates or Organic Certifications if the product claims to be organic.

3.3 South Africa Language Labeling Requirements

Refer to the Food and Agricultural Import Regulations and Standards (FAIRS) Annual Country Report
Labels have to be in English.

3.4 Tariffs and Free Trade Agreements (FTAs)

The following document provides all the tariffs, Tariff Link.

Free Trade Agreements (FTA) and Preferential Trade Agreements (PTA) applicable to Southern Africa can be found on the following link,
http://ec.europa.eu/trade/policy/countries-and-regions/countries/south-africa/Agreements/Pages/default.aspx;
https://www.bilaterals.org
http://www.sars.gov.za/Legal/International-Treaties-Agreements/Trade-Agreements/Pages/default.aspx

3.5 Trademarks and Patents Market Research

Refer to the Food and Agricultural Import Regulations and Standards (FAIRS) Annual Country Report .

SECTION 4: Market Sector Structure and Trends

The South African food retail market is highly concentrated with the top seven companies of Shoprite, Pick n Pay, Massmart (Walmart-owned), Spar, Woolworths, the Food Lovers Market, and Choppies (Botswana owned) accounting for about 80 percent of all retail sales. South African food retail sales reached $52.2 billion in 2018. Local retailers are expanding with solid growing foot prints into other African countries, thereby providing an opportunity for U.S. companies that do business with South African retailers a gateway to the rest of Sub-Saharan Africa.

In addition to the major chains, convenience stores attached to forecourts retailing gas stations and fast food including smaller format express stores, and small grocery shops catering to the convenience retail market are growing at a rapid rate in South Africa. In 2018, convenience stores sales totaled $2 billion at 872 outlets. Some of the forecourts partnership include Woolworths/Engen; Pick n Pay/British Petroleum (BP); Fruit & Veg City of Food Lovers Market/Caltex; Burger King/Sasol; Steers/Shell, and Wimpy/Engen.
Source: USDA South Africa Retail Gain Report

4.1 Top 6 Sectors for Growth

Chicken Cuts and Edible Offal
Though South Africa is the region's leading producer of chicken meat, imports are regularly required to supplement local production and meet domestic demand. In 2018, South Africa imported 520,000 tons of chicken meat, an increase of 2 percent from the previous year to augment local production. Post forecasts a marginal increase in chicken meat imports in 2020 to 555,000 tons, as local production is expected to bounce back. At the same time, the government continues to evaluate the South African Poultry Association's request for an increase in the import tariff from 12-37 percent to 82 percent. See

this GAIN report for more info: South Africa Continues Positive Trend in Chicken Meat Imports as Government Considers Increasing Tariff

Almonds
South Africans are looking to various tree nuts to for more diverse protein and snacks. In 2018, South Africa imported $17.8 million of almonds. The United States dominates the market for almonds, with 83 percent of the total market share, valued at $14.8 million, with Australia in a distant second at 10 percent. While year to year the value has decreased, the quantity of almonds continues to rise steadily. South Africa is the largest importer of U.S. almonds in Sub-Saharan Africa. The following USDA South Africa Tree Nut has all the information.

Food Preparations
South Africa has a well-developed food processing sector and is a net exporter of food preparations. In 2018, imports of food preparations were valued at $185 million. The EU has the largest market share at 67 percent amounting to $124 million. The United States had 13 percent of the market share of South Africa's food preparations imports, valued at $24.7 million. Products with good sales potential in this category include sugar confectionery, chocolate and other food preparations, malt extracts, pasta, cereals, cake mixes, syrups, and soup mixes.

Craft Beers and Spirits
South Africa is a net importer of beers, referred to as "beer made from malt." In 2018, imports amounted to $160 million, and exports amounted to $77 million. Namibia has the largest market share at 48 percent. There are potential opportunities for U.S. exports in this category due to the huge increase in imports from the United States from $399,000 in 2017 to $1.6 million in 2018. Distilled spirits have increased from $15.4 million to $17.1 million.

Enzymes and Prepared Enzymes
South Africa is a net importer of enzyme and prepared enzymes. In 2018, imports amounted to $69 million, and exports amounted to $26 million. The United States had the second largest market share with 27 percent, valued at $18.5 million, after Denmark with 35 percent. Potential opportunities for U.S. exports are modified starch products such as whey.

Essential Oils for use in food/drink
South Africa is a net importer of essential oils used in food/drinks, mainly used in food processing. These products are also referred to as "mixtures of odoriferous substances." In 2018, imports were $478 million, and exports amounted to $54 million. Swaziland was the market leader with 74 percent. There is a potential for growth for U.S. exports in this category due to the demand.

4.2 Agricultural Product Prospects Based On Growth Trends

Table 1: South Africa's Top 10 Imports of Agricultural Products from the United States

Product	Values in Million USD				
	2014	2015	2016	2017	2018
Chicken cuts and edible offal	13	.06	24	84	87
Animal feed preparations (mixed feeds)	8	11	16	14	18

Corn (maize) seed other than sweet seed corn	9	8	12	14	17
Almonds	17	16	14	16	14
Food/drink ingredients	11	10	7	9	14
Whiskies	12	11	8	9	13
Hake, frozen	0.4	0.4	1	4	13
Enzymes and prepared enzymes	14	17	9	13	13
Food preparations	15	16	15	12	12
Grain sorghum	4	6	13	12	10

Source: Trade Data Monitor

4.3 Links to Access Retailer Information

The links provided below contain individual retailer information for sales, stores, locations, ownership, size and expected growth rates of each sector.

Table 2: Major South African Retailers

Name of Retailer	Website	Name of Retailer	Website
Shoprite Holdings Ltd	www.shopriteholdings.co.za	Pick n Pay Stores Ltd	www.picknpay.co.za
Massmart Holdings (Walmart)	www.massmart.co.za	The Spar Group Ltd	www.spar.co.za
Woolworths Holdings Ltd	www.woolworths.co.za	Food Lover's Market	www.foodloversmarket.co.za
Choppies Enterprise Ltd	www.choppies.co.za		

4.4 Market Opportunities for Consumer-Oriented Products in the Hotel, Restaurants and Institutional, Retail Food and Food Processing sectors

South Africa is an attractive developed business market with the largest foodservice market in Southern Africa. The food service sector is closely linked to the hospitality and tourism sector and has a positive impact that contributes to the South African GDP. The country developed HRI, retail, and food processing industry together with the appearance of new international brands fuel growth in demand for food convenient, ready-to-eat food ingredients which offer opportunities for U.S. exporters. The following link has all the information on USDA South Africa HRI

4.5 Competitive Situation

The U.S. exports of agricultural products face competition from South African producers in the Southern African Development Community (SADC), the European Union (EU) and MERCOSUR, as South Africa has signed Free Trade Agreements (FTA) with both SADC and the European Union and has a preferential trade agreement with MERCOSUR. South Africa is one of the 54 member countries of Africa Continental FTA launched July 2019 to expand intra-Africa trade for goods and services. For more information on trade agreements visit https://www.export.gov/welcome

SECTION 5: Agricultural and Food Imports

5.1 Agricultural & Food Import Statistics

The 2014-2018 table of BICO report on U.S. exports of agricultural & related products to South Africa is available through USDA website https://apps.fas.usda.gov/gats/BicoReport.aspx?type=country

5.2 Agricultural Product Prospects Categories

Potential market opportunities for U.S. agricultural products in the South African food and beverage market beef & beef products, pork & pork products, poultry meat, meat products, fish and seafood products, tree nuts, Liquor products to include bourbon whiskey, wine & craft beers, food ingredients, hops, oils and fats, pet food, snack foods, and prepared food. Post is negotiating for full market access for all pork cuts.

SECTION 6: Key Contacts and Further Information

6.1 Post

If you have questions or comments regarding this report, please contact the FAS Office of Agricultural Affairs in Pretoria at:

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P.O. Box 9536, Pretoria, 0001
Tel: +27-(0)12-431-4057, Fax: +27-(0)12-342-2264, Email: agpretoria@fas.usda.gov

Other FAS market and commodity reports are available through the FAS website http://www.fas.usda.gor or https://www.fas.usda.gov/regions/south-africa

6.2 Additional Contacts

American Chamber of Commerce in South Africa, www.amcham.co.za
U.S. Foreign Commercial Service publication of South Africa Commercial Guide, https://export.gov/southafrica/businessserviceproviders/index.asp

See this link for South Africa Government regulators
See this link for government imports certificate

Attachments:

No Attachments