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South Africa - Republic of

Exporter Guide

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Exporting to South Africa

Approved By:
Dirk Esterhuizen

Prepared By:
Nicole Ogando

Report Highlights:
South Africa is one of the most advanced and diverse economies in Africa. With a population of almost 54 million people, the country is an attractive business destination, due to its growing market and welcoming business environment. South Africa also serves as the perfect entry point to other countries in Sub-Saharan Africa. However, GDP is expected to grow by less than two percent in 2014 and the depreciation of the currency, inflation pressures and labor turmoil are major threats to the economy.

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Section I: Market Overview

South Africa is one of the most advanced and diverse economies in Africa. With a population of almost 54 million people, the country is an attractive business destination, due to its growing market and welcoming business environment. South Africa also serves as the perfect entry point to do business in the Sub-Saharan Africa region. The South African commercial agricultural sector is highly diversified and is self-sufficient in most primary foods with the exceptions of wheat, rice, and oilseeds. In 2013, South African imports of agricultural, fishery and forestry products were USD$6.7 billion and exports were USD$8.3 billion.

The dynamic South African consumer market has been characterized, over the past couple of years, by increased real household income of more than 30 percent across all income groups, with strong growth in the middle class and upper-income segments. Urbanization has also increased, with almost two thirds of the South African population living in urban areas. The population is youthful with almost half of the population under the age of 25.

Despite the sings of economic development, the increase of unemployment and consumer debt continues to present great challenges for the rainbow nation. The latest unemployment rate figure of 25 percent is a cause of alarm, while, shortage of skills and relative weak education levels poses obstacles to economic advancement of the country. The Gross Domestic Product (GDP) is expected to grow by less than two percent in 2014 and the depreciation of the currency, inflation pressures and labor turmoil are threats to accomplishing one of the main goals of the South African government, namely, to significantly reduce poverty and unemployment. Nonetheless, private investment is expected to rise by almost three percent in 2014, while offshore investors are still drawn to South African stocks and bonds.

Basic Economics Indicators for South Africa

Basic Economic Indicators for South Africa	2011	2012	2013	2014*f*	2015*f*
GDP growth, percent change	3.6	2.5	1.9	1.8	2.3
GDP, USD bln	403	382	350	337	359
GDP per capita, USD units	7,772	7,300	6,646	6,356	6,719
Exchange rate, ZAR/US	8.1	8.5	10.5	10.8	11.2
Total investment, percent of GDP	19.1	19.4	19.3	19.4	19.6
Gross national savings, percent of GDP	16.7	14.2	13.5	14.1	14.2
Consumer price inflation, percent	6.1	5.7	5.4	6.6	5.5
Goods and services imports, USD bln	121	121	119	116	124
Goods and services exports, USD bln	123	114	109	111	121
Unemployment rate	25.0	25.2	24.5	25.5	24.7
Population, mln	51.9	52.4	52.8	53.5	54
Foreign reserves ex gold, USD bln	47	47	44	42	44
Total external debt, USD mln	118,180	142,345	137,095	150,804	162,869
Current account balance, percent of GDP	-2.3	-5.2	-5.8	-4.6	-3.9

Source: Africa Monitor-Southern Africa and International Monetary Fund, World Economic Outlook Database, April 2014

Advantages and Challenges for U.S. Exporters

Advantages	Challenges
South Africa represents a gateway to business in the sub-Saharan Africa region.	Differences in consumer classes and regions are distinct.
The new-expanding middle class with growing disposable income is an important prospect market.	Newly accessible financing to the emerging middle class can present problems due to excessive debt.
South Africa has a renewed interest to establish a stronger relationship with the U.S. government.	United States companies can be perceived as threat to local producers.
U.S. products are regarded as high quality.	Locally produced products are preferred against imported products because of price competitiveness and support to the development of the local economy. European products are also regarded as high quality and these are more accessible due to geographical and historical ties, and the Free Trade Agreement.
South Africa is a growing market for consumer oriented agricultural goods.	Protectionist policies on livestock products will continue to undermine the bilateral trade relationship.
South Africa is viewed by others as a regional leader in developing technical standards and regulations and the adoption of advanced technologies, including genetic engineering.	Declining technical capacity of South African regulators, leading to trade barriers and delays in resolving technical issues.

Section II: Exporter Business Tips

Business Customs

South Africa is a multi-cultural country with 11 different official languages. However, English is the main language for business communications. Business meetings can be informal, with get-togethers in coffee shops, or very formal at a company's headquarters. Before meetings, phone calls should always be made to confirm the appointment and avoid misunderstandings. Preparation for the themes that will be discussed is extremely important. Business cards are usually exchanged at the beginning of the meetings, and meetings are held most of the time with more than one representative of a particular organization. Presentations in meetings should be well planned, informative and to the point, always making sure time is allocated for questions and discussions. Receptions and networking events are common and important for business people in South Africa. Giving gifts to clients or providers is not a necessary practice, but it is normal for established business partners to do this type of exchange. However, bribery and corruption are present in the public and private sectors and as a professional one needs to understand the difference between wanting to build a relationship with a client/provider and expecting something in return in exchange of a favor.

Consumer Tastes and Preferences

- The South African consumer is becoming increasingly health conscious, with an increase in the demand for wellness foods. Consumers are shopping for more whole foods products, while weight management aiding foods, and more natural foods with less or no "bad" ingredients (e.g. sugar, salt, Trans fat, etc.) are becoming mainstream.
- Consumers are also looking for convenience. Supermarkets and convenience stores are increasing the amount of snacks, home replacement meals, and convenient ready-to-eat or warm meals that give value for money.
- The demand for longer store hours is increasing causing businesses, especially fast food joints, to move towards 24-hour service.
- Consumers want to indulge in sophisticated and tasty foods. Fresh, higher-quality, luxury ingredients are being incorporated into foods.
- South African consumers are also increasing their interest in food from other countries and cultures.
- Ethical behavior and environmental awareness are on the increase and practices like recycling,

waste reduction and organic farming are becoming more popular and common.

Food Standards and Regulations

The office of Agricultural Affairs of the USDA/Foreign Agricultural Service in Pretoria, South Africa prepares reports on Food and Agricultural Import Regulations and Standards (FAIRS), which can be found at the following links:

- FAIRS 2011
- FAIRS Pesticide Registration Process 2011

New labelling laws outlined by the Consumer Protection Act that came into effect in 2011 require that food processors and packagers provide buyers with factual information about products' content including genetically modified ingredients. However, due to technicalities the implementation of genetically modified labelling has been extended. For more information on the Consumer Protection Act and the regulatory framework for genetically modified organisms please refer to the following report prepared by the office of Agricultural Affairs of the USDA/Foreign Agricultural Service in Pretoria, South Africa:

- Biotechnology in South Africa 2014

General Import and Inspection Procedures

Food consignments are subject to random inspection and sampling at any point of entry into South Africa to ensure that the food products are safe and that it complies with local regulations. Importers or freight forwarders are required to present the following documents to custom authorities for products to be able to enter South Africa: A bill of entry, a customs worksheet, a commercial invoice, an import permit if necessary, special import certificates if necessary, all the transport documents depending on the way of transportation of goods, and the certificate of origin (DA59).

The South African government has introduced the Single Administrative Document (SAD) which provides for all custom clearances purposes. The SAD can be used to clear consignment in two or more countries expediting custom clearances and enhancing effectiveness in custom controls.

As part of the World Trade Organization (WTO), South Africa has to comply with regulations by the organization in relation to tariffs and duties. Detailed information on imports eligible for duties or tariffs can be found on the International Trade Administrations Commission (ITAC) of South Africa's website:

www.itac.org.za

Section III: Market Structure and Trends

Retail Sector

The South African retail food sector is very sophisticated and developed relative to other markets in the African continent. Five major, locally owned, corporations dominate the industry operating warehouses, wholesale outlets, hypermarkets, supermarkets, and convenient stores throughout South Africa. These local chains have successfully expanded into other countries in the Sub-Saharan Africa and the Asia-Pacific regions. Grocery retailers' value of sales was R406.2 billion in 2013 and is expected to grow by almost five percent per annum in the next five years.

These retailers are stocked with different brands of products appealing to all. The South African consumer is also expanding its knowledge on Western foods and food preparations and view U.S. products as high quality. There is also an expanding demand for healthy and ready-to-eat products. Stores are looking to provide the consumer with a simplified shopping experience that saves time. Internet sales are also on the increase.

The following are the major retailers in South Africa:

Retail Company	Ownership	2013 Sales (USD/Year in Mil)	No. of Outlets	Locations (city/region)	Purchasing Agent Type	Website
Shoprite	Local	$9,058	1,902	Sub-Saharan Africa	Agent/Direct	www.shopriteholdings.co.za
Pick 'n Pay	Local	$6,109	1,076	Sub-Saharan Africa	Direct	www.picknpay-ir.co.za
Massmart	Local/U.S.	$6,882	376	Sub-Saharan Africa	Direct	www.massmart.co.za
The Spar	Local/Dutch	$4,552	873	Sub-Saharan Africa	Agent	www.spar-international.com
Woolworths	Local	$920	940	Sub-Saharan Africa/Asia-Pacific	Direct	www.woolworthsholdings.co.za

Hotel, Restaurant & Institutional Sector

Despite the weakening of the South African economy, international travel to the country has helped the hospitality industry. The depreciation of the rand has made the country more attractive for foreign visitors, making South Africa a less expensive option to visit. South Africa's largest city, Johannesburg is a leading business destination, while also attracting tourists. Its hotels and convention centers hold world class, domestic and international, exhibitions, conferences, and other events. Cape Town is the most popular tourist destination in the country with Table Mountain, Robin Island, and Cape Point as some of the main attractions. Its numerous luxury hotels attract wealthy visitors. Cape Town is also a business destination and attracts business events from around the globe. Durban is a smaller market than Johannesburg and Cape Town, but its cultural richness and beautiful waterfront hotels with sandy beaches make it appealing for domestic and international tourists. South Africa's countrywide wildlife, archaeological sites, and natural resources are part of the allure of the nation bringing tourists to all parts of the country all year long. South Africa's hotel industry is served by a variety of hotel groups of domestic and international renown. Marriot International acquired one of South Africa's biggest hotel companies, Protea Hospitality Holdings, making the U.S. chain a leader in a continent where tourism and business travel are growing rapidly. The Southern Sun Hotel Group also plays an important role in the South African hospitality industry and has expanded to other African countries like Kenya, Zambia, Tanzania and Mozambique.

Full-service restaurants, bars and cafés play an integral part of the South African experience. The restaurant industry in South Africa is growing, as the trend of dining out becomes more popular. The nation's boasts many luxury restaurants that reflect its ethnic diversity through foods. Craft beer breweries are transforming the way to drink beer and local wines are well renowned around the world. The leading full-service restaurant in 2013 was Spur Steak Ranches, a steakhouse franchise, with 15 percent of the market share and owned by the Spur Corp Ltd. The same parent company owns Panarottis Pizza Pasta and John Dory's Fish Grill Sushi, which are also among the top 5 leading brands of full-service restaurants in the country. Ocean Basket and Mikes Kitchen are also industry leaders that offer diverse menus and value for money options with a perfect combination of affordability and high quality.

The rising demand for convenient and readily-available food and the influence of Western culture has driven U.S. and local fast food chains to grow. An increasing number of fast food outlets are located within hotel chains, airports, shopping malls and retail stores with extended hours of 24 hour service to increase convenience for the consumer.

Food Processing Sector

South Africa's food processing sector plays a significant role in terms of job creation and sustainability of the economy. Tiger Consumer Brands is the overall leader of packaged processed foods with its many established brands. Pioneer Foods, a producer and distributor of a range of food, beverage, and related products for human and animal consumption, and Clover SA, the leader in the packaged dairy section, also play a major role in the industry in terms of market share. The frozen processed foods sub-sector is dominated by partnerships between local grocery retailers and international food companies. The most popular products are frozen poultry and pizza, but frozen vegetables account for the largest volume share within this category. McCain Foods is the leading company accounting for 23 percent of the products available in the market.

The following are the major food processing companies in South Africa:

Local Companies	Website	International Companies with Local Establishments or Links with South African Companies	Website
Tiger Consumer Brands	www.tigerbrands.co.za	Nestlé	www.nestle.co.za
Pioneer Foods	www.pioneerfoods.co.za	Unilever	www.unilever.co.za
Clover S.A.	www.clover.co.za	Dole	www.dolesa.co.za
Distell	www.distell.co.za	Parmalat	www.parmalat.co.za
Capespan	www.capespangroup.com	McCain Foods	www.mccain.co.za
Ceres Fruit Juices	www.ceres.co.za		
SAB Miller	www.sab.co.za		

Section IV: Best Consumer Oriented Product Prospects

Product Category	2013 Market Size	2014 U.S. Imports	5-Yr. Avg. U.S. Annual Import Growth	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for USA
Almonds	$14,058,030	$12,220,495	18.37%	-	None	The U.S. has the largest market share accounting for more than 87% of imported almonds available in South Africa.
Salmon	$23,656,309	$2,407,656	-9.25%	25%	Norway dominates the market.	There is a demand for processed,

						canned salmon.
Breakfast Cereals	$17,692,389	$1,406,929	32.13%	20%-25%	Locally packed products competition.	Increasing popularity of U.S. flavored, healthy and low sugar cereals. U.S. companies dominate the market.
Snack Foods	$168,805,793	$4,764,596	17.90%	Varied	Competition from local producers, China and the United Kingdom.	U.S. snack foods are perceived as high quality.
Canned Beans	$1,647,198	$151	-26.68%	10%	Strong foreign competition.	An expanding demand for Western ethnic foods.
Prepared Foods	$177,772,626	$30,254,624	3.75%	Varied	Strong local competition with the retail food industry's private labels.	Growing demand for convenient, ready-to-eat meals which is a developed market in the U.S.
Milk alternatives [1]	$10,184,199	$691,861	123.50 %	21%	Weak local competition.	Rising awareness of health foods and benefits of non-dairy milks and products.
Bread, biscuits, and other bread products	$31,336,455	$3,018,924	58.09%	21%, except for communion wafers, rice paper, etc. and bread crumbs which incur 17%.	Competition from European nations is strong because of geographical positioning and product accessibility.	Dynamic market where U.S. product quality is high.
Baby Food	$19,851,181	$6,032	-43.30%	20% except for disaccharide free infants' food which is exempt	Nestlé South Africa leads the market with 45% value share in 2013.	An increasing young population (births) with families transitioning to the middle

[1] HS Code: 22029010, non-alcoholic beverages.

				from a duty.		class where U.S. products are viewed as high quality.

Section V: Key Contacts and Further Information

If you have any questions or comments regarding this report or need further assistance, please contact the Foreign Agricultural Service (FAS) office in Pretoria at the following address:

Office of Agricultural Affairs
U.S. Embassy Pretoria, South Africa
Washington, D.C., 20521-9300
Tel: +27 (012) 431-4235
Fax: +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

US Foreign Commercial Service
The US Foreign Commercial Service produces an annual South Africa Country Commercial Guide for US companies that present a comprehensive look at South Africa's commercial environment, using economic, political and market analysis. For copies and information:
Tel: +27 (011) 290-3000
www.buyusa.gov/Southafrica

Grant Thornton South Africa
Information is available on different aspects of the South African Business Scene including how to establish a commercial presence in the country.
Tel: =27 (011) 322-4500
www.gt.co.za

Post acknowledges the following sources: Euromonitor International, the National Statistics of South Africa, the Global trade atlas, the International Monetary Fund Database, industry publications and their websites, and trade industry interviews.

Appendix: Statistics

Key Trade & Demographic Information

South Africa Agricultural Imports from All Countries ($Mil)	**$6,050.00 Million**
U.S. Market Share of Agricultural Imports to South Africa (%)[2]	4.75%
South Africa Consumer Food Imports from All Countries ($Mil)	$2,093.00 Million
U.S. Market Share of Consumer Food Imports to South Africa (%)	7.13%
South Africa Edible Fishery Imports from All Countries ($Mil)	$360 Million
U.S. Market Share of Edible Fishery Imports to South Africa (%)	1.52%
Total Population (Millions)	53 Million
Population Annual Growth Rate (%)	1.3%
Urban Population (Millions)	33 Million
Urban Population Annual Growth Rate (%)	2.1%
Number of Major Metropolitan Areas	10
Size of the Middle Class (Millions)	8.3 Million
Size of Middle Class Growth Rate (%)	9%
Per Capita Gross Domestic Product (U.S. Dollars)	$6,595.16
Unemployment Rate (%)	24.74%
Per Capita Food Expenditures (U.S. Dollars)[3]	$290
Percent of Female Population Employed[4]	31.60%
Exchange Rate[5]	US$1 = R10.46

[2] Source: Global Trade Atlas.
[3] Source: Statistics South Africa national database.
[4] Percent against total number of women (15 years or older).
[5] Exchange rate as of July 2014.

Consumer Food & Edible Fishery Product Imports

Commodity	United States Dollars (Millions)		
	2011	2012	2013
Chicken Cuts And Edible Offal (Including Livers), Frozen	245.2	302.9	268.8
Food Preparations	157.1	161.3	177.7
Sardines/Sardinella/Brisling Prep/Pres, Not Minced	60.5	144.5	135.7
Meat & Offal Of Chickens, Not Cut In Pieces, Frozen	89.0	82.7	86.3
Apple Juice, Not Fortified With Vitamins, Unfermented	40.0	56.3	73.6
Meat Of Swine, Frozen	76.2	83.3	61.4
Enzymes And Prepared Enzymes,	41.2	48.6	58.0
Waters, Including Mineral & Aerated, Sweetened Or Flavored	37.4	61.3	54.5
Cocoa Preparations, Not In Bulk Form,	41.8	57.5	54.4
Shrimps And Prawns, Frozen,	0	38.7	51.9
Tunas/Skipjack/Bonito Prep/Pres Not Minced	31.3	49.7	51.2
Beer Made From Malt	26.0	30.7	46.7
Dog And Cat Food, Put Up For Retail Sale	47.8	49.9	46.3
Turkey Cuts And Edible Offal (Including Liver) Frozen	35.6	38.2	43.8
Coffee Extracts, Essences Etc. & Prep Therefrom	31.0	38.2	42.1
Dextrins And Other Modified Starches	36.4	35.1	37.9
Sugar Confection (Including White Chocolate), No Cocoa	37.0	34.2	36.9
Bread, Pastry, Cakes, Etc. & Puddings	33.5	39.6	31.3
Cuttle Fish & Squid, Frozen, Dried, Salted Or In Brine	22.1	20.6	14.0
Shrimp & Prawns Prep/Preserved Not Airtight Container	0	6.4	11.3
Fish, Frozen	0	14.5	10.8
Atlantic Salmon And Danube Salmon, Frozen	0	4.6	8.5
Pacific Salmon, Fresh Or Chilled	0	5.2	7.3
Sardines, Sardinella, Brisling Or Sprats, Frozen	0	0.7	6.2
Hake, Frozen	0	3.7	4.3

Source: Global Trade Atlas.

Top 15 Suppliers of Consumer Goods & Edible Fishery Products

Consumer Foods	United States Dollars (Millions)			Edible Fishery Products	United States Dollars (Millions)		
	2011	2012	2013		2011	2012	2013
World	1,946	2,171.1	2,093.6	**World**	261.8	356.4	360.5
Netherlands	153.2	204.2	209.6	**Thailand**	94.5	175.0	169.1
Brazil	226.6	205.4	180.6	**India**	42.1	37.3	49.0
Germany	126.6	162.3	163.7	**China**	25.8	36.7	31.6
United States	125.9	153.5	149.3	**Norway**	14.1	16.2	21.6
China	114.7	123.8	137.4	**Namibia**	0	0	16.7
United Kingdom	78.0	107.9	120.7	**Mozambique**	5.1	5.6	8.2
France	111.5	113	113.5	**New Zealand**	13.6	13.2	6.4
Italy	97.6	108.7	109.4	**Argentina**	7.8	7.0	5.8
Argentina	71.8	81.9	70.9	**United States**	9.9	4.0	5.4
Spain	43.4	63.5	60.7	**Morocco**	0.3	0.6	5.1
Ireland	67.7	78.5	54.9	**Spain**	4.3	6.8	2.9
New Zealand	54.9	65.2	49.2	**Indonesia**	1.4	5.0	2.7
Belgium	59.6	68.5	48	**Philippines**	3.2	5.9	2.5
Denmark	43.3	48.9	47.7	**Portugal**	1.4	2.2	2.4
India	62	53.8	46.7	**Taiwan**	2.5	2.9	2.3

Source: Global Trade Atlas.