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Report Name: Food Service - Hotel Restaurant Institutional Annual

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Report Category: Food Service - Hotel Restaurant Institutional

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Report Highlights:

South Africa's hotel, restaurant, and institutional (HRI) industry has mostly recovered since the COVID-19 pandemic; however, the sector continues to struggle from inflation, high food prices, and persistent unemployment. All the same, the food service sector in South Africa generated USD 5.5 billion in 2023, a 27 percent rise over the previous year. The industry increasingly recognizes the significant demand for healthier options at all levels. Large companies and chains, both domestic and international, dominate the highly developed South African fast-food market, which is bolstered by established and competitive franchising structures and a robust network of industry associations. Post has identified that the South African HRI offers market potential for a variety of American goods.

Executive Summary:

With an estimated 64 million people, 69 percent of whom reside in cities, South Africa is a middle-income market. The country's gross domestic product dropped to \$406 billion in 2023, a 3 percent decline. More agricultural products are exported from South Africa than from any other African nation. There is a significant need for food ingredients despite the nation's mostly self-sufficient production, which presents potential for U.S. exports.

Consumer-Oriented Agricultural Imports

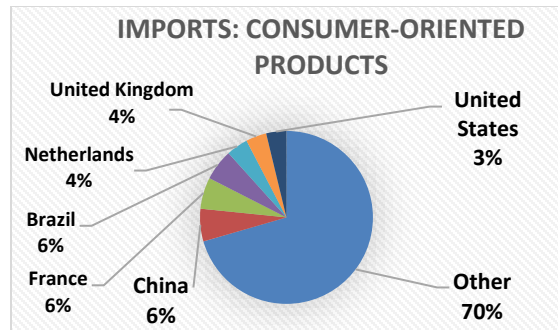


Chart 1: Top Exporting Countries to South Africa

Food Retail Industry:

Food retail is a well-established sector, accounting for almost half of total retail sales in South Africa. E-commerce, home delivery services, halal and plant-based products, and health and wellness items have all been developing consistently in this industry. The industry is distinguished by a mature market, market concentration, and a consistent supply of high-quality foods. In 2023, South Africa's retail food sales were valued at almost \$39 billion.

Food Processing Industry:

With over 1,800 businesses, South Africa boasts a sophisticated food processing industry that fuels high demand for food ingredients, up to 90 percent of which need to be imported. Dairy production, snacks, drinks, and bakery goods are some of the major contributions to South Africa's significant growth in the food and beverage sector.

Food Service Industry:

In 2023, restaurant service revenues in South Africa totaled \$5 billion. As food inflation declines and tourism rises, there is growing optimism that this industry will expand in 2024. Supermarkets, specialty shops, food delivery services, and the growth of

internet platforms are all ways that the South African food service industry is expanding distribution channels and facilitating access to ethnic cuisines.

Quick Facts CY 2023

Imports of Consumer-Oriented Products
\$3.2 Billion

List of Top 10 Growth Products

1) Food Preparations	6) Pork & Pork Products
2) Beef and Beef Products	7) Wine
3) Non-Alc. Beverages	8) Meat Products NESOI
4) Fruit & Veg Juices	9) Nursery Products
5) Pet Food	10) Popcorn

Food Industry by Channels (U.S. billion)

Retail Food Industry	\$ 44 billion
Food Service-HRI	\$ 5.5 billion
Food and Agriculture Exports	\$ 14 billion

Top 10 South Africa Retailers (by sales)

1. Shoprite	6. Food Lovers Holdings
2. Pick n Pay	7. Kit Kat Group
3. Spar Group Ltd.	8. Quantum Foods
4. Massmart Holdings	9. Africa Cash and Carry
5. Woolworths	10. Devland Cash & Carry

GDP/Population

Population: 64 million people
 GDP: \$ 406 billion
 GDP per capita: \$ 6,060

Sources: Trade Data Monitor, Statistics South Africa (Stats SA), Euromonitor International, GATS, local trade contacts, local industry publications, and trade press

Strengths	Weaknesses
South Africa has a well-developed tourism sector, with a plethora of hotels.	High Transportation costs due to distance from the United States; electricity outages present a challenge for cold chain products; high non-tariff barriers especially for animal products.
Opportunities	Threats
The quick service food sector is quite large and offers options for U.S. exports. There is strong consumer demand for value and high quality.	Trade agreements with European countries and the SADC region offer more affordable alternatives for trade.

Section I: Market Summary

The growth of South Africa's consumer food service sector has been severely hampered by the sharp rise in inflation and living expenses in 2022-23. Customers cut back on their discretionary spending because of growing costs for necessities. The demand for full-service restaurants has decreased as eating out became a luxury. Fast-food franchises and other less expensive, limited-service eateries have become more and more popular with customers. Additionally, the easing of power cuts has resulted in the consumer base slowly reverting to preparing more meals at home. These changes in customer behavior have slowed the consumer food service industry's growth in 2023, but the easing of inflation in 2024 may improve food service prospects.

South Africa ranks 34th in the world for exports and is the biggest importer in the Southern African region. Its agricultural exports, which totaled \$13.3 billion in 2023, comprise both domestically produced and imported goods. Other countries in the region typically export to South Africa, which then re-exports with or without further processing. Exports are likely to increase slightly in 2024 in line with increases in 2022 and 2023.

The industry's shift to healthier options is also noticeable. Even in the fast-food industry, Post contacts are witnessing more careful decision-making, as customers will read food labels, purchase organic and locally sourced goods, be more mindful of portion sizes, and demonstrate a willingness to pay extra for healthier alternatives. The industry had sales of \$5.5 billion in 2023, according to Statistics South Africa (StatsSA), which is a 20 percent increase from 2022. Although inflation has eased in 2024, unemployment remains a persistent concern limiting the hotel and food service industries from fully recovering post COVID.

Table 1: *South African Sales of Food and Beverages by Sector (USD billions)*

Sector	2021	2022	2023
Restaurants and coffee shops	\$1.51	\$1.92	\$2.62
Take-away and fast-food outlets	\$1.09	\$1.50	\$2.06
Catering services	\$0.43	\$0.61	\$0.62
Hotels	\$0.19	\$0.26	\$0.17
Total industry sales	\$3.22	\$4.3	\$5.47

Source: StatsSA

Note: US\$1 = Rand 18.50

Following the pandemic, sources indicate hotel occupancy rates gradually returned to 2019 levels, and in June 2023 accommodations in Cape Town reached a 53 percent fill rate. The income for hotel accommodations grew overall between January 2023 and May 2024.

The restaurant, catering, and fast-food industries showed resilience in 2023, although not all companies had recovered to their pre-pandemic levels of success. Many operators, especially small businesses, are in danger of going out of business because of the significant disruptions of power outages and water restrictions in certain regions. Fast-food franchises and larger companies have done better than

independent company owners. This trend is continuing in 2024, with smaller establishments closing due to the pressures of inflation and lack of disposable income for the larger segment of consumers.



Restaurants and Coffee Shops: Due to relatively high inequality, high-end South African customers have continued to enjoy dining out and going to coffee shops even as lower-income populations have shifted their purchasing patterns. Revenues from restaurants and coffee shops exceeded \$2.62 billion in 2023, up 27 percent from the year before, according to StatsSA, with most growth concentrated in larger and high-end establishments. During this time, small-to-medium restaurants kept up their business by offering home delivery and takeout services to complement in-house dining. Internet deliveries in the sector continued to increase steadily in the same period.

Takeaway and Fast-Food Outlets: Businesses that sell menu-driven meals and beverages made on-site and packed for takeout, experienced a 37 percent increase in revenue, from \$1.5 billion in 2022 to \$2.06 billion in 2023. However, this sector saw a decline in market share, which may be due to smaller fast-food chains moving into the catering business.

Catering Services: Revenue from food and beverages increased by one percent for catering services in 2023, a negligible rise over the year before. As StatsSA measures it, this category encompasses pubs, taverns, and ice cream shops in addition to event catering and institutional kitchens that cater to corporations, schools, and prisons.

Advantages and Challenges

ADVANTAGES	CHALLENGES
U.S. products are considered to be high quality and consistently available.	Because of the strong currency and the high cost of shipping owing to distance, imported U.S. goods are often more expensive.
There are several possibilities in the South African hospitality business to suit a range of customer tastes. Opportunities exist in a variety of food trend areas, including fine dining and organic.	China and Europe are becoming more and more competitive in the consumer-focused food market. Because of their closer proximity, their prices are often lower.

U.S. products have excellent image and acceptance in the South African market.	South Africa is a large producer of a comparable range of agricultural goods.
Growing popularity of convenience and fast foods – especially U.S. fast foods – favors use of these chains’ existing procurement systems, which source food ingredients from the United States.	Eating “healthier” is very trendy. American food, which is often associated with fast food, is often considered “junk” food.
U.S. culture is well accepted and similar to South African culture.	Strict quarantine regulations apply to imported goods in South Africa. Certain items are forbidden, and fresh food requires import permissions.

For more information on the South African market please consult the FAS Pretoria [Exporter Guide](#). The U.S. International Trade Administration’s [South Africa Country Commercial Guide](#) also provides background information on South Africa’s business climate.

Section II: Roadmap for Market Entry

2.1 Entry Strategy

Post recommends that U.S. exporters consider the following when entering the South African market:

- U.S. exporters are encouraged to contact FAS Pretoria to request a list of South African food and beverage importers.
- Exporting through distribution or import agents with knowledge of the South African market is the safest or easiest way to cater to customers in the South African HRI sector. It is essential that U.S. exporters choose a competent agent registered with the South African Revenue Services (SARS). The agent should be capable of handling the necessary customs clearance, comply with all regulatory requirements, and plan for necessary documentation, warehousing, and financing arrangements. U.S. exporters must also be registered with SARS. The U.S. exporter registration will only be processed after the nomination of a registered agent based in South Africa.
- The most successful U.S. exporters to South Africa are those who have comprehensively researched the market prior to engaging customers, agents, or importers. Once contacts are established, it is advisable to visit and meet in person. Maintaining close contact with your local agent to track changes in import procedures will help ensure that the agent is effectively representing your interests. Teleconferencing platforms, such as WhatsApp, Zoom, and Microsoft Teams are widely used in South Africa and can be helpful in establishing relationships with importers prior to travel.
- FAS organizes many market development activities, including exhibitions and trade missions promoting American food and agricultural products to help U.S. exporters meet credible agents. U.S. exporters can participate in these large, multinational exhibitions that draw tens of thousands of buyers and distributors. FAS also organizes buying teams of foreign importers and buyers to visit trade shows and meet with exporters in the United States. Participation in these programs can provide useful information to buyers, facilitate trade contacts and relationships, and help answer lingering questions.

- U.S. exporters can also contact their respective [State Regional Trade Group](#) (SRTG) and the [National Association of State Departments of Agriculture](#) (NASDA) to obtain additional market entry support. [Cooperator groups](#) regularly organize trade missions and help companies participate in trade shows.
- In addition to this report, FAS Pretoria also produces an annual report on [Retail Foods](#), [Food and Agricultural Import Regulations and Standards \(FAIRS\)](#), and an [Exporter Guide](#). These and other market and commodity reports are available through the FAS website.

2.2 Market Structure

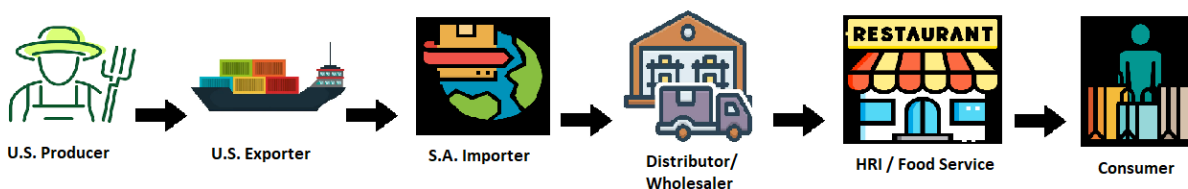
- The retail sector in South Africa is changing to meet the needs of customers who are becoming more interested in online shopping, streamlined transactions, and delivery services.
- The fast-food sector in South Africa is quite advanced. Companies with several domestic and foreign locations dominate the market, and they are backed by competitive and well-established franchising strategies as well as a robust network of lobbyists and industry groups.
- With both domestic and foreign hotel chains, the South African hotel industry is well developed in comparison to other African markets. International visitors to these establishments have increased recently, and this trend is expected to continue in the future.
- Game lodges, guest homes, self-catering accommodations, youth hostels, and bed & breakfasts are examples of South African hospitality enterprises. Domestic and regional travel rates have grown, according to the industry, as the tourist sector demonstrates effective strategies for resolving power outages.

See the FAS Pretoria [FAIRS Export Certificate Report](#) provides information on health certificates and trade documents required for various products.

2.3 Distribution

Hotels, restaurants, and other establishments in South Africa often buy food and beverage products from importers and distributors that are knowledgeable with the country's import laws and have developed relationships with U.S. exporters rather than importing directly. A U.S. food producer or exporter often collaborates with a South African importer, distributor, and/or agent to sell and distribute the American goods to different HRI sector firms. This is the typical distribution chain from an American exporter to a South African HRI buyer.

Figure 1. Distribution Channel Flow Diagram



2.4 Company Profiles

2.4.1 Hotels and Resorts

In 2023, not many new hotels opened in South Africa, but existing ones were able to meet demand as the nation's tourist industry expanded. According to industry sources, despite the surge in international visitors, many are still put off by South Africa's energy problems and political unpredictability. These worries have been somewhat allayed by the 2024 elections, and more tourists are anticipated during the 2024 holiday season.

The [Tourism Grading Council of South Africa](#) offers an official ranking of tourism establishments in the country and oversees quality control. Hotels are rated from one to five stars, with five-star establishments providing luxurious lodging and one-star hotels giving extremely minimal amenities. The majority of promotional materials and business entrances feature hotel grades.

Table 2: *Leading Hotel Chains in South Africa*

Hotel Group	Website
Marriot Groups Hotels and Resorts (US)	https://www.marriott.com
Hilton Hotels and Resorts (US)	https://www.hilton.com
Legacy Hotel & Resorts (SA)	https://www.legacyhotels.co.za
The Sun International Group (SA)	https://www.suninternational.com
Protea Hotels by Marriott (US)	https://protea.marriott.com
City Lodge Hotels (SA)	https://clhg.com
Mercure Accor Group (France)	https://www.accorhotels.com
Black Brick Hotels (SA)	https://www.blackbrickclub.com

2.4.2 Fast Food

For more information, FAS Pretoria recommends visiting the websites of the [Federated Hospitality Association of South Africa](#) (FEDHASA), the [Franchise Association South Africa](#) (FASA), and the [Restaurant Association of South Africa](#) (RASA).

Table 3: *Fast Food Chains in South Africa*

Global Brand Owner	Brands	Website
Yum Restaurants International (USA)	KFC, Pizza Hut	https://www.yum.com/

Famous Brands Ltd (SA)	Debonairs Pizza, Steers, Wimpy, Fish Aways, Milk Lane, Mugg & Bean, Tasha's, Turn & Tender	https://famousbrands.co.za/
Spur Corp Ltd (SA)	Spur Steak Ranches	https://www.spursteakranches.com
McDonald's Corp (USA)	McDonald's	https://www.mcdonalds.co.za
Nando's Group Holdings Ltd (SA)	Nando's	https://www.nandos.co.za

2.4.3 Institutional Food Service

Table 4: *Institutional: Contract Catering Companies*

Business Name	Website
Fedics (Tsebo Outsourcing Group)	https://www.fedics.co.za
Bidvest Group	https://www.bidvest.co.za
Feedem Pitseng Pty Ltd (independently owned)	https://www.feedem.co.za
LSG Sky Chefs South Africa	https://www.lsgskychefs.com

Section III: Competition

U.S. exports often compete with manufacturers that enjoy preferential market access in South Africa, including the [Southern African Customs Union](#) (SACU), the [Southern African Development Community](#) (SADC), BRICS, the [EU](#), and [MERCOSUR](#). South Africa is currently negotiating the [African Continental Free Trade Area's](#) (AfCFTA) favorable trade arrangements and tariff schedules.

The restaurant and fast-food industries in South Africa are sizable and fiercely competitive. There are several domestic and foreign restaurant chains in this fiercely competitive business. KFC, McDonald's, Debonairs, Hungry Lion, Burger King, Spur, and Steers are a few of the most well-known fast-food restaurants in South Africa. With a focus on plant-based choices, the sandwich industry is predicted to develop at the quickest rate, while the processed chicken segment is predicted to continue to hold its leading position.

Large international chains like Marriott, Accor, and Hilton compete with local operators for market share in South Africa's fiercely competitive hotel sector. This competition is exacerbated by the rise of alternative lodging platforms like Airbnb, particularly in the low-cost market. varied hotel categories face varied levels of competition; luxury safari lodges and low-cost hotels face distinct obstacles. Hotels are putting more of an emphasis on cultural immersion and distinctive local experiences to stand out and draw visitors.

South Africa has an overall positive perception of American goods despite an association with “junk food” and fast food; however, there is fierce rivalry from Asia, the EU, and SADC nations. Furthermore, South African businesses are influenced by currency fluctuations and price sensitivity, which leads them to search for alternatives.

Table 5: Value of South African Imports for Consumer-Oriented Products (\$US millions)

Partner Country	2022	2023	Percentage Change (%)
Brazil	258	262	1.85
France	250	262	4.85
China	243	269	10.41
United Kingdom	206	170	-17.56
Germany	183	155	-15.48
United States	173	162	-6.36

SOURCE: Trade Data Monitor

Section IV: Best Product Prospects

Table 6: South African Imports of Consumer-Oriented Products from the World

Product	Annual Series (Value: USD)		
	2021	2022	2023
All Consumer-Oriented	3,166,216,564	3,243,526,264	3,199,256,597
Distilled Spirits	293,681,377	354,506,526	337,669,021
Poultry Meat and Products (excluding eggs)	277,007,461	290,503,172	260,007,531
Dairy Products	313,738,383	285,097,029	252,933,514
Bakery Goods, Cereals, Pasta	185,584,929	218,652,865	231,078,334
Processed Vegetables	211,885,518	198,636,878	203,941,494
Soup and Other Food Preparations	177,625,500	169,306,050	185,010,966
Chocolates and Cocoa Products	153,351,031	159,786,490	182,947,753
Coffee, Roasted & Extracts	122,786,644	137,266,673	134,211,558
Meat Products	104,394,289	134,135,129	133,287,801
Beer	137,757,001	126,637,458	129,828,360

Source: Trade Data Monitor

The table above shows the top consumer-oriented imports. Distilled spirits, poultry meat and products, dairy products, bakery goods, and processed vegetables were the top imports, even though their values are down from 2022. The increase in bakery and cereals imports can be explained by the tough weather conditions South African producers faced for grains. Processed vegetables, soup and other food preparations, and chocolates and cocoa products show increases as well, possibly due to increased consumer preference for these products even though chocolate and cocoa prices soared over the year.

Table 7: Top 10 U.S. Exports of Consumer-Oriented Products to South Africa

Product	Annual Series (Value: USD)		
	2021	2022	2023
Consumer-Oriented All	193,542,640	173,155,444	162,141,935
Poultry Meat & Meat Prods (ex. eggs)	61,845,764	42,698,551	35,418,843
Tree Nuts	18,499,568	30,216,479	24,788,406
Distilled Spirits	19,747,595	21,469,298	23,852,218
Soup & Other Food Preparations	27,322,152	19,935,666	18,620,566
Beef & Beef Products	13,352,827	6,696,542	13,009,435
Non-alcoholic beverages	1,589,283	1,882,189	9,287,391
Dairy Products	16,975,941	18,688,643	7,716,161
Condiments & Sauces	8,968,883	10,649,284	7,260,030
Meat Products	6,354,367	2,758,764	4,149,590
Chocolates & Cocoa Products	2,535,003	3,391,325	3,627,608

Source: Trade Data Monitor

The above table shows the most popular imported products from the U.S. to South Africa in 2023, from the highest value to lowest. Distilled spirits and beef and beef products showed significant growth in 2023 as opposed to the previous year.

4.1 Products present in the market that have strong sales potential.

South Africa presents market opportunities for U.S. exports in several categories, including tree nuts (especially almonds), distilled spirits, non-alcoholic beverages, beef & beef products, meat products, dairy products, and chocolates.

4.2 Products not available in significant quantities that have good sales potential

Opportunities exist for new U.S. products in the South African food and beverage market, including beef and beef products (specifically offal such as liver), fish and seafood products, tree nuts, frozen foods, pet food, snacks and prepared foods, condiments and sauces, seasonings and spice blends, and fruit and vegetable juices.

Section V: Key Contacts and Further Information

5.1 FAS South Africa

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

Agricultural Affairs Office	Phone: +27 12 431 4057
Physical Address:	Email: AgPretoria@state.gov
Office of Agricultural Affairs	Website:
U.S. Embassy, Pretoria, South Africa	www.usdasouthernafrica.org
877 Pretorius Street, Arcadia, Pretoria,	http://www.fas.usda.gov
0083	
P.O. Box 9536, Pretoria, 0001	

For a list of relevant South African government agencies, please see the [South African FAIRS Country Report](#)

Other FAS market and commodity reports are available through the FAS website: <https://www.fas.usda.gov/data>

FAS South Africa currently has a [Facebook](#) and [Instagram](#) page. The pages are used to run the DelicioUS campaign and advise followers on any competitions or programs that are currently being hosted by the office.

5.2 Additional Useful Resources

- American Chamber of Commerce in South Africa: www.amcham.co.za
- U.S. Commercial Service: <https://www.trade.gov/south-africa>
- U.S. International Trade Administration – South Africa Country Commercial Guide: <https://www.trade.gov/knowledge-product/exporting-south-africa-market-overview>
- The Franchise Association of South Africa: <https://www.fasa.co.za>
- The Restaurant Association of South Africa: <http://www.restaurant.org.za/>
- South African Tourism: <https://www.tourism.gov.za>
- The Federated Hospitality Association of South Africa (FEDHASA): <https://fedhasa.co.za>
- The Tourism Grading Council of South Africa: <https://www.tourismgrading.co.za/>

Attachments:

No Attachments