USDA United States Department of Agriculture
Foreign Agricultural Service

GAIN Global Agricultural Information Network

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Report Name: Food Service - Hotel Restaurant Institutional

Country: South Africa - Republic of

Post: Pretoria

Report Category: Food Service - Hotel Restaurant Institutional

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Report Highlights:

South Africa has the largest foodservices market in Southern Africa, and a highly competitive hospitality sector. In 2019, South African combined sales value of hotels, restaurants and institutions were $5.1 billion compared to $4.6 billion in 2018. The COVID-19 pandemic national lockdown negatively impacted the HRI sector, as travel bans and trade restrictions forced the shutdown of HRI businesses. The government is in collaboration with the industry to formulate interventions towards the sector recovery plans. The global pandemic external operating environment brought expanding delivery platform services for home delivery and takeaways services supported by third party delivery services.

Market Fact Sheet: South Africa

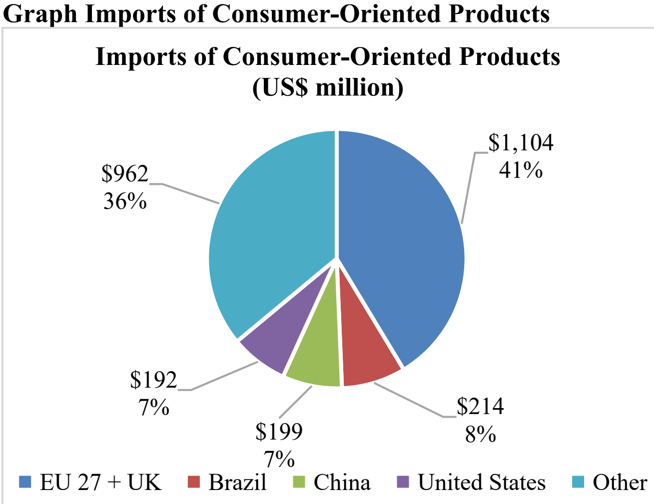
Executive Summary

South Africa is a middle-income emerging market, with an estimated population of 59 million (64 percent are in urban areas). South Africa's GDP was U.S. $371 billion in 2019. 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. Although self-sufficient in agriculture, there are opportunities for imports. In 2019, agricultural imports were valued at U.S. $6.4 billion, a decline of 4 percent from 2018.

Imports of Consumer-Oriented

In 2019, South Africa's imports of consumer-oriented products was valued at U.S. $2.6 billion, a decline of 2 percent from 2018. Imports of consumer-oriented products from the United States totaled U.S. $191 million, an increase of 3 percent from 2018. 41 percent of the imports were from the European Union.

Graph Imports of Consumer-Oriented Products



Food Processing

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. South Africa's appetite for ingredients drives demand for a wide range of products inputs.

Food Retail

South Africa food retail sales were valued at U.S. $54.2 billion in 2019 and imports of all agricultural products in 2019 decreased by 4 percent to 6.4 billion. The sector is well developed and aggressively expanding into other African countries.

Quick Facts CY 2019

Imports of Consumer-Oriented Products

US $191 million

Combined Value of Hotels, Restaurants, and Institutions

$5.1 Billion

Leading Consumer Foodservice Chains

- KFC (Yum Brands Inc)
- McDonald's (McDonald's Corporation)
- Nando's (Nando's Group Holding)
- Debonair Pizza, Steers, and Wimpy (Famous Brands Ltd)
- Fish & Chips Co, Maxi's (Taste Holdings)

Leading Hotel Chains

- Mercury Accor
- Sheraton Group
- Hilton
- Legacy Hotel & Resorts
- Sun City Resorts
- Protea Hotels

Food Industry by Channels (US $ Billion) 2019

Food Industry Output: $143
Food Exports: $9.2
Food Imports: $6.4
Retail: $54.2
Food Service: $6.1

Strengths/Weaknesses/Opportunities/Threats

Strengths	**Weaknesses**
Advanced economy with a well-developed infrastructure.	Limited technical capacity and weak political will by regulators contribute to trade barriers and delays in resolving access issues.
Opportunities	**Threats**
Diversification of trade partners brought, deepening linkages for regional and intra-African trade.	Decreased consumer spending associated with Covid-19 measures. FTA with EU and political preference towards BRICS countries.

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

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

SECTION 1: MARKET SUMMARY

South Africa has the largest consumer foodservice sector in Southern Africa. The industry is made up of over 140,000 chain stores including well-known franchises and independent food businesses. It is estimated that over 800,000 people are employed by the restaurant industry. The food service sector is closely linked to the hospitality and tourism sector. The hospitality and tourism sector is highly competitive and one of the fast-growing sectors in the South African economy, offering a wide range of accommodation and attracting a mix of business and holiday travelers. Foodservice key consumer demand and diversification of plant based menu options to include halal, vegan, flexitarian, and healthier foods. South Africa saw an emerging food truck cultures, mobile coffee shops taking advantage of the growing coffee culture in the country, smaller format outlets opened in the busiest locations, as well as street stalls to offer value for money offerings for consumers on the go. As a result, December 2019 has had a positive impact to the food service industry compared to 2018, particularly food sale at restaurants and hotels. In 2019, sales of good and beverages totaled $5.1 billion. **Table 1** shows that food sales to restaurants and coffee shops, are the largest contributor to total food sales due to online sales and the assistance of third party delivery services.

The announcement of the national lockdown by President Cyril Ramaphosa in March 2020 to curb the spread of COVID-19 virus negatively impacted the HRI sector in general. The lockdown, international travel bans and trade restrictions forced hotels, restaurants, and numerous other hospitality businesses such as airlines, tour operators, and tourist attractions to close in the face of the pandemic for a minimum of three months or even more. Some businesses were forced to close down completely. Certain accommodation establishments were granted exemption to provide short term accommodation for the remaining tourists confined to such facilities, including persons rendering essential services, or persons in quarantine or isolation.

Trading conditions across the markets led to significant financial pressure for the businesses including the inability to trade in some products such as sale of liquor products which were classified as non-essentials since the lockdown through August 17 under level 2. As a result, the government introduced several support programs through the COVID-19 Tourism Relief Fund to cater for the Small Micro and Medium Enterprises (SMMEs). This is a once-off R50,000 grant assistance to SMMEs in the tourism sector granted to mitigate the impact of the virus in order to ensure business sustainability. Businesses eligible to apply for the relief funding include hotels, lodges, bed and breakfast, guest houses, restaurants (not attached to hotels), and professional catering. Fast food and take away restaurants, bars, and franchised restaurants have not been considered by the government for relief funding. The other relief measure is the COVID-19 Temporary Employer and Employee Relief Scheme (COVID-19 TERS), the focus being to preserve employment and avoid retrenchments for struggling SMMEs whereby wages and salaries of employees as a relief are paid through the government Unemployment Insurance Fund (UIF) during the lockdown and temporary lay-off of staff.

Table 1: Sales of Food and Beverages in Billion: 2017-2019

	2017	**2018**	**2019**
Restaurants and coffee shops	$2.41	$2.44	$2.68
Takeaway and fast-food outlets	$1.48	$1.50	$1.67
Catering services	$0.74	$0.70	$0.76
Total Industry Sales, Billion Rands	$4.63	$4.63	$5.10

Source: Statistics South Africa (http://www.statssa.gov.za/publications/P6420/P6420December2019.pdf)

Restaurants and Coffee Shops: Enterprises involved in the sale and provision of meals and drinks, ordered from a menu, prepared on the premises for immediate consumption and with provided seating. This category includes hotels.

Takeaway and fast-food outlets: Enterprises involved in the sale and provision of meals and drinks, ordered from a menu, prepared on the premises for takeaway purposes in a packaged format, at a stand or in a location, with or without provided seating.

Catering Services: Enterprises involved in the sale and supply of meals and drinks prepared on the premises on a contract basis and brought to other premises chosen by the person ordering them, to be served for immediate consumption to guests or customers. Catering services also include bars, taverns, other drinking places, ice-cream parlors, etc.

Table 2: Advantages and Challenges Facing the U.S. Exporters

Advantages	**Challenges**
South Africa has a highly developed HRI industry, and new international brands which are driving the growth in demand for food ingredients.	Competition from local producers and other countries, especially those with preferential or free trade agreements.
South Africa is an attractive developed 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.

SECTION 2: ROAD MAP FOR MARKET ENTRY

2.1 Entry Strategy

It is essential that U.S. exporters choose good partners to work with. Exporting through distributors or import agents with knowledge of the South African market is the safest and easiest way to enter the South African HRI food service market. Agents must be registered with the South African Revenue Services (SARS), and should be able to handle the necessary custom clearance, compliance with all the regulatory requirements, documentation, warehousing, and financing arrangements.

Evidence shows that the most successful U.S. company ventures are those that have comprehensively researched their market prior to engaging retailers, agents or importers. Once contacts are established, it is advisable to visit the country, since firsthand knowledge of the market is highly useful. It is important for a U.S. exporter to maintain close contact with the local agent to track changes in importing procedures and to ensure that the agent is effectively representing the sales interest of the exporter.

To help U.S. agricultural exporters meet credible agents, FAS participates in many market development activities, including visiting South African trade shows where there is no FAS pavilion to talk to importers who are exhibiting to promote FAS services. Trade shows of potential interest to U.S. exporters include Africa's Big 7, Food and Hospitality Africa, and trade missions promoting U.S. food and agricultural products. U.S. exporters can participate in sales missions, and in these multinational exhibitions that draw thousands of buyers and distributors from the region.

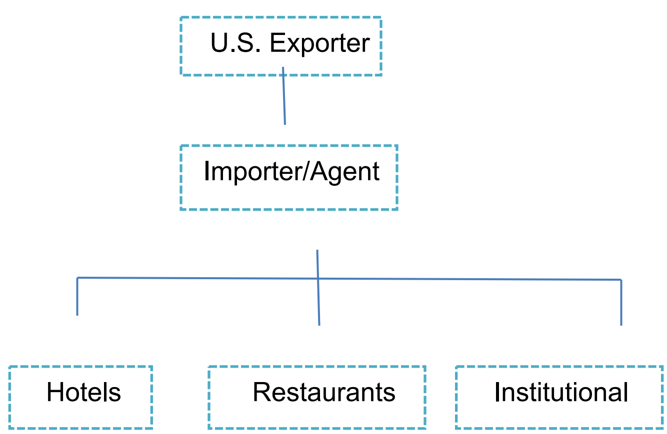
FAS also organizes buying teams of foreign importers and buyers to visit U.S. food exhibitions to meet with potential U.S. suppliers. At the exhibitions, FAS provides service to potential customers, providing information to buyers, soliciting trade leads, facilitating B2B meetings, answering inquiries, and providing foreign buyer/importer lists.

2.2 Market Structure

The head offices of hotels, restaurants, and institutions utilize a centralized purchasing policy to supply products to all their food service sector branches located in various parts of the country. Some chains are flexible and permit each of their stores throughout the country to deal directly with United States exporters or local distributors and import agents. This is an excellent opportunity for U.S. suppliers ready to enter the South African food service market to deal or trade directly with the buyers at the HRI head offices.

2.3 Distribution

In general, the HRI companies do not import directly, but instead purchase products directly from the local manufacturers, catering wholesalers, specialist retailers, and from buyers/distributors importing food and beverages. The chart below provides an overview of the usual distribution channel for imported food products from U.S. exporters to the HRI businesses.



2.4 Company Profiles

2.4.1 Fast Food

South Africa has a large number of domestic and international restaurants chains, a highly developed network of fast-food, and a well-established franchising model. For more information on the Franchise Association South Africa (FASA) visit (www.fasa.co.za). The 2019 trends showed that people are opting to eat out more often than ever before, a shift creating opportunities in the restaurant industry, but growth stalled in 2020 due COVID-19. However, fast food restaurants are facing increased competition from supermarkets, retail chains, and convenience stores as they also offer readymade meals. The other growth trend is an increase in online purchases for home delivery. The national lockdown in response to COVID-19 had a negative impact on restaurants and fast food outlets between March and June 2020 due to the sector not being classified as essential services, which forces businesses to temporarily close. Restaurants, fast food outlets, and drive-thru opened for operations in June for food collection and food delivery services from regular ordering and online purchases with restrictions for onsite consumption of food and beverages at the place of sale as social distancing continued to be paramount during the lockdown. Onsite consumption for food, entertainment, and recreation reopened in September with social distancing restrictions in place.

Table 3: Fast Food Chains

Global Brand Owner	Brand	Website
Yum Restaurants International	KFC	https://www.yum.com/wps/portal/yumbrands/Yumbrands
Famous Brands Ltd	Debonairs pizza, Steers, Wimpy, FishAway, Milk Lane	https://famousbands.co.za
Nando's Group Holdings Ltd	Nando's	https://www.nandos.co.za
McDonald's Corp	McDonald's	https://www.mcdonals.co.za
Taste Holdings	Fish & Chips Co, Maxi's, Zebro's,	none

Source: Euromonitor

2.4.2 Hotels and Resorts

South African hospitality establishments with an estimated employment of 600,000 people range from one-star to five-star hotels, including game lodges, guest houses, self-catering, and bed & breakfast (B&B), to more economical options, such as youth hostels. The Tourism Grading Council of South Africa (https://www.tourismgrading.co.za) is an official ranking of tourism establishments in the country and oversea the quality control. Establishments are graded from one-star up to five- stars; one-star offers very basic facilities, whereas five-stars provides high-end offerings. The grading is displayed on most advertising material and at establishment entrances.

COVID-19 forced hotels, lodges, resorts, guest houses, remained closed between March and

August, with the exception of those accommodating confined tourists, lodging as a result of work purposes, and for quarantine or isolation. The government implemented programs as relief measures to support the industry such as the implementation of tourism relief funding as a partial payment to assist the tourism and the hospitality sector businesses in distress due to the virus. The link provides more information on accommodation activities and operation, https://www.gov.za/sites/default/files/gcis_document/202006/43487gen356.pdf

Table 4: Leading Hotels Chains in South Africa

Hotel Group	Website
Mercure Accor (French)	www.accorhotels.com
Sheraton Group (US)	www.marriott.com/hotels/travel/prysi-sheraton-pretoria-hotel
Hilton (US)	https://www.hilton.com
Legacy Hotel & Resorts (US)	www.legacyhotels.co.za
Sun City Resort (SA)	https://www.suninternational.com
Protea Hotels by Marriott (US)	https://protea.marriott.com/

2.4.3 Institutional Food Service

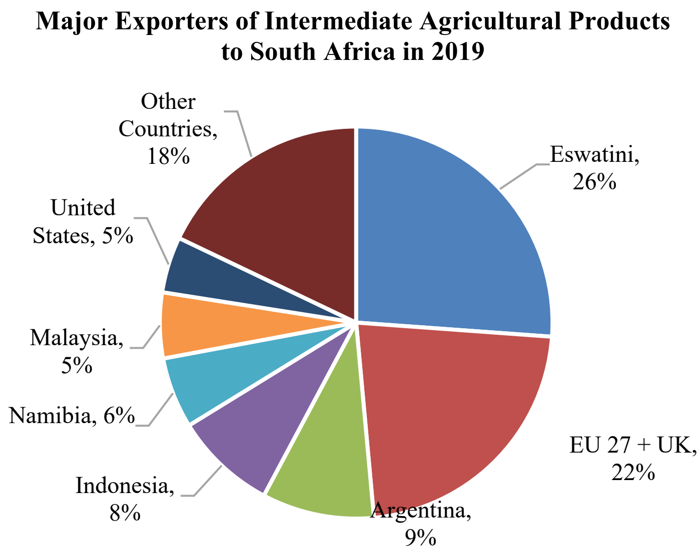
The South African institutional sector, which consists of schools, hospitals, prisons, airlines, mining, and other state run entities is run through state tenders and parastatals. This sector constitutes a very large market for food and beverages and includes various institutions and services providers were forced to close down as a result of the pandemic, with the exception of hospitals and prisons. Closure of South African schools had an impact on the national school feeding nutrition programs that provide meals daily to about nine million children. It is estimated that 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 catering companies as outlined below.

Table 5: Institutional: Contract Catering Companies

Business Name	Website
Fedics (Tsebo Outsourcing Group)	www.fedics.co.za
Bidfood (BidCorp Group)	www.bidcorp.co.za
Royal Mnandi Food Service Solutions (Bidvest Group)	www.bidvest.co.za
Feedem Pitseng Pty Ltd (Independently owned)	www.feedem.co.za
LSG Sky Chefs South Africa	https://www.lsgskychefs.com/location/johannesburg-jnb/

SECTION 3: COMPETITION

Intermediate Agricultural Exports: In general, U.S. exports mostly face competition from South African producers in the Southern African Development Community (SADC), BRICS, the European Union (EU) and MERCOSUR. South Africa has Free Trade Agreements (FTAs) with SADC, and the European Union and a preferential trade agreement with MERCOSUR. South Africa is one of the 54 member countries of Africa Continental FTA (AfCFTA) launched in July 2019 to expand intra-Africa trade for goods and services. For more information on trade agreements, visit http://ec.europa.eu/trade/policy/countriesandregions/countries/south-africa/; https://www.bilaterals.org; and http://www.sars.gov.za/Legal/International-Treaties-Agreements/Trade-Agreements/Pages/default.aspx



Source: Trade Data Monitor

Table 6: South Africa Top Consumer-Oriented Products Imported From The World

Commodity Description	Annual Series (Value: USD) January 2017 - December 2019		
	2017	2018	2019
Consumer-Oriented All	2,479,152,893	2,715,718,828	2,670,575,589
Poultry Meat & Prods. (ex. eggs)	484,542,280	492,610,202	424,947,957
Food Preps. & Misc. Bev	274,003,242	315,152,220	311,884,427
Dairy Products	227,480,121	243,671,496	228,187,101
Wine & Beer	133,324,919	214,869,134	297,760,791
Chocolate & Cocoa Products	155,065,013	170,566,020	158,807,344
Meat Products	148,321,253	150,000,831	139,098,534
Coffee, Roasted and Extracts	103,859,901	120,744,711	103,293,120
Processed Vegetables	114,085,869	112,696,074	123,604,482
Fruit & Vegetable Juices	78,349,693	103,430,022	113,570,790
Beef & Beef Products	89,994,934	98,300,118	79,080,505

Source: Trade Data Monitor

Table 7: South Africa Top Consumer-Oriented Products Imported from the USA

Commodity Description	Annual Series (Value: USD) January 2017 - December 2019		
	2017	2018	2019
Consumer-Oriented All	177,180,070	178,110,392	183,159,769
Poultry Meat & Prods. (ex. eggs)	90,547,098	93,969,861	89,352,091
Tree Nuts	20,447,942	19,268,086	25,461,244
Food Preps. & Misc. Bev	19,436,190	16,414,668	22,465,667
Beef & Beef Products	10,433,222	13,484,527	8,913,356
Dairy Products	16,139,730	12,153,469	14,430,072
Condiments & Sauces	4,296,896	4,860,856	6,651,267
Processed Fruit	2,189,206	3,326,735	2,074,842
Processed Vegetables	2,280,529	2,834,805	2,248,211
Dog & Cat Food	3,897,304	2,051,675	2,857,296
Wine & Beer	889,500	1,479,408	1,916,727

Source: Trade Data Monitor

SECTION 4: BEST PRODUCT PROSPECTS CATEGORIES

4.1 Products Present in the Market Which Have Good Sales Potential

Potential products in the market that present market opportunities for U.S. agricultural products in the South African retailers and gateway to the rest of Southern Africa include, chicken cuts and edible offal, almonds, food preparations, craft beers and spirits, enzymes and prepared enzymes, and essential oils for use in food/drink. The 2020 Poultry Report provides more updates on the poultry and products situation in the country, and the 2020Tree Nut report for more information on almonds.

4.2 Products not Present in Significant quantities but which have good sales potential

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

SECTION 5: KEY CONTACTS AND FURTHER INFORMATION

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

5.2 Additional Contacts

American Chamber of Commerce in South Africa, https://amcham.co.za
U.S. Foreign Commercial Service publication of South Africa Commercial Guide of doing business in South Africa, https://export.gov/southafrica/
The Franchise Association of South Africa, https://www.fasa.co.za
The Restaurant Association South Africa, www.restaurant.org.za
South African Tourism, https://www.tourism.gov.za
The Federated Hospitality Association of South Africa, https://fedhasa.co.za
The Tourism Grading Council of South Africa, https://www.tourismgrading.co.za

Attachments:

No Attachments