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Report Highlights:

South Africa with its well-developed business market, serves at a gate way to Sub-Saharan African markets. Despite its economic challenges, the country continues to offer windows of opportunities for imports. In 2019, U.S. exports of processed food products to South Africa totaled $111 million, a decrease of 0.75 percent from $112 million in 2018. Leading exports products to South Africa were other processed food, ingredients & beverage bases, distilled spirits, other prepared preserved meats, table condiments (exc. ketchup), lactose & lactose syrups, mixes of nuts & fruit, protein concentrates, dog and cat food, vegetable oils (excl. soybean), baking inputs, and mixes and doughs (excl. pudding). In the same year, U.S. imports of processed foods products from South Africa totaled $125 million. Leading imports categories included wine, dried fruit, juices, spices, ice cream, canned vegetables and pulses, canned fruit, dry beverages (coffee, tea, herbal), distilled spirits, and sugar confectionery.

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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 reached US $371 billion in 2019. South Africa has a well-developed agribusiness sector, which is significant in job creation and economic development. South Africa is the largest exporter of agricultural products in Africa. Although largely self-sufficient in agriculture, the country has opportunities for imports. In 2019, imports of agricultural products was valued at U.S. $6.4 billion, a decline of 3.8 percent from 2018.

Imports of Consumer-Oriented Products

In 2019, South Africa's imports of consumer-oriented agricultural products was US$2.67 billion, down by 2 percent from 2018. 41 percent of the imports were from the European Union.

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

Food Retail Industry

South Africa food retail sales was U.S. $52.2 billion in 2018 and imports of all agricultural products in 2019 decreased by 3.8 percent to 6.4 billion. The sector is well developed and aggressively expanding into other African countries.

Quick Facts CY 2019

<u>Imports of Consumer-Oriented Products from USA</u>

U.S. $191 million

<u>List of Top 10 Consumer-Oriented Products from USA exported to South Africa</u>

1.Poultry meat & products (ex. eggs)
2.Food preparations & misc. beverages
3.Tree nuts
4.Dairy products
5.Beef & beef products
6. Processed vegetables
7. Meat products
8. Condiments & sauces
9. Tea
10. Processed Fruit

Food Industry by Channels (US $billion) 2018

Food Industry Output	$143
Food Exports	$9.8
Food Imports	$6.7
Retail	$52.2
Food Service	$6.8

<u>Top Retailers in South Africa</u>

- Shoprite
- Pick n Pay
- Massmart (Walmart-owned)
- Spar
- Woolworths
- Checkers

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	**Challenges**
Sophisticated and growing middle class. A well-developed retail sector, and linkage to the rest of Sub-Saharan Africa.	Free Trade Agreement (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 Summary

South Africa, with its well-developed infrastructure, is a major producer and exporter of agricultural produce in Sub-Saharan Africa. South Africa's agro-processing sector contributes a significant component of total manufacturing value-addition as well as employment and poverty eradication. In 2019, South Africa's GDP was U.S. $371 billion. The South African commercial agricultural sector is highly diversified is produces nearly all primary food goods to be self-sufficient with the exception of wheat, rice, oilseeds, pork, and poultry products. Commercial farmers, small holder farmers, and subsistence farmers are all part of South Africa's well-developed agribusiness sector, which plays a significant role in job creation and economic development. However, South Africa continues to offer windows of opportunities for imports, particularly in urban areas where 64 percent of South Africans live. In 2019, imports of agricultural products totaled U.S. $6.4 billion, a decrease of 3.8 percent compared to 2018.

Table 1: Opportunities and Challenges facing U.S. Food Processing Ingredients in South Africa

Opportunities	**Challenges**
South Africa is an attractive developed business market, and a gateway to Sub-Saharan Africa markets.	The South African market may not be able to import the volumes that U.S. companies are used to due to a smaller economically active population than other large countries.
South Africa has a well-developed food processing industry, and the demand for food ingredients is growing.	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.	Competition from other countries (especially those with preferential agreements) and local producers.

SECTION 2: Road Map for Market Entry

2.1 Entry Strategy

New U.S. exporters in this market need to fully understand the food processors' needs and how best to meet their purchasing requirements and specifications. They should consider the following when planning to enter the market.

- South Africa has a strong domestic food processing industry, and imports food ingredients and additives from all over the world.
- Finding a local agent is a safe approach for entry into the market. Someone who knows the market well for the specific products in question, and can provide guidance.
- The food processor's purchasing policy – i.e., whether it buys directly from overseas suppliers or via local importers/agents.
- It is important to note that some companies prefer to buy through local agents that can better deal with quality problems sooner.

- U.S. exporters can contact Post, the State Regional Trade Groups (SRTGs) and the National Association of State Departments of Agriculture (NASDA) to obtain additional market entry support. The SRTGs are non-profit trade development organizations funded by USDA/FAS and the private industry. They -regularly organize trade missions which are often organized around trade shows or other events, to help U.S. food producers and processors to enter overseas markets. For more information, contact the state regional trade group responsible for your stated at: https://www.fas.usda.gov/programs/market-access-program-map/state-regional-trade-groups
- Consider attending trade shows events in the region to meet importers and buyers of general food and beverage.

2.2 Import Procedure

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 comply with local regulations. See the FAIRS Country Report for more information on South Africa regulations, standards, and import requirements, which include a list of responsible ministries. This is an update of FAIRS report on import certificates, including an update on sweetened beverages tax deductions.

2.3 Distribution Channels

- In South Africa's very competitive marketplace, it is essential that U.S. exporters choose the correct agents or distributors.
- Supermarkets, independent retailers and convenience stores (attached to gas stations), and independently owned health stores remain leading food distribution channels in South Africa. These companies generally prefer to deal with local agents or distributors, rather than sourcing direct from a U.S. supplier.
- Major retailers prefer to source directly from U.S. suppliers for products to be to central distribution centers, where products would be distributed to chain stores.
- South Africa's "independent" or smaller retailers prefer to buy from large wholesalers for the distribution of food and beverage.

2.4 Market Structure

South Africa's larger food processing companies prefer to source food ingredients directly from overseas suppliers (instead of using local agent) to reduce costs. There is a cost savings when buying in bulk from the overseas supplier and better control over quality. However, smaller food processors tend to prefer to purchase from local agents to better control storage and supply.

2.5 Share of Major Segments in the South African Food Processing Industry

	2019 ($ million USD)
Food & Beverage	5.4
Meat, fish, fruit, etc	1.4
Dairy products	0.4
Grain mill products	0.7
Other food products	0.9

Beverages	1.8

Source: Statistics South Africa http://www.statssa.gov.za/publications/P30412/P30412December2019.pdf

2.6 Company Profiles & Company Products

Tables below provide information on South Africa's major national and multinational food processing groups.

Table 2: National food processing groups

Company Name & Products	Webpage	Company Name & Products	Webpage
Tiger Consumer, grocery products.	www.tigerbrands.co.za www.tigerbrands.com	**Pioneer Foods Pty Ltd,** grocery products.	www.pioneerfoods.co.za
Clover S.A., dairy products.	www.clover.co.za	**Distell Group Ltd.,** alcoholic and soft drinks.	www.distell.co.za
Capespan, juices.	www.capespangroup.com	**Ceres Fruit Juice,** juices.	www.ceres.co.za
SAB Miller Plc., beer and soft drinks.	www.sab.co.za www.sablimited.co.za	**RCL Foods,** poultry products.	www.rclfoods.co.za
Premier Foods, milling and baking products, and fishery products.	www.premierfoods.com	**Oceana Group Ltd,** fish and seafood products.	www.oceana.co.za
Famous Brands Ltd, meats, cheese, sauces, bakery, and beverages.	www.famousbrands.co.za	**Illovo Sugar Ltd.,** cane sugar, and sugars.	www.illovosugar.com
Montagu, snack foods.	www.montagusnacks.co.za		

Source: Industry websites and trade press

Table 3: International food processing groups

Company Name & Products	Webpage	Company Name & Products	Webpage
Nestle, grocery products.	www.nestle.co.za	**Unilever,** groceries.	www.unilever.co.za

Mondelez International., confectionery.	www.mdlz.com	**Parmalat SA new name Lactalis South Africa effective February 1, 2020,** dairy products.	www.parmalat.co.za
McCain Foods, fresh and frozen vegetables.	www.mccain.co.za	**Kellogg,** cereals	www.kelloggs.co.za

Source: Industry websites and trade press

2.7 Sector Trends

The South African market mirrors similar global trends related to health and wellness, convenience, and value for money for food products.

- South Africa serves as the entry point to do business in the Sub Saharan Africa region.
- The increasing demand for convenience food is driven by increased household income for middle-income families.
- Manufacturers calibrate towards private labels to capitalize on the growing demand of private label offerings.
- Fruit juice manufacturers import grape and apple juice for blending with their own fruit juices.
- South Africa food processors, canners and packers continue to offer windows of opportunities for imports of raw material not available or produced locally.
- Market research confirms that consumers expect food that is not only ready-to-eat, but is also safe, nutritious, tasty, natural, and more interested in the sources of their food.
- Sales of organic food are rising and retailers such as Woolworths and Pick-n-Pay stock organic products targeting dietaries and the upper middle class. Products include baby food, free range chickens, sugar-free or natural alternatives to sugar, honey, vegetables, and wine.
- Kosher, halal, dairy-free and alternatives foods, healthy baby food, vegan and flexitarian plant-based meal options are niche markets that continue to grow and research indicates they will make their mark in 2020.

SECTION 3. Competition

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://ustr.gov/countries-regions/africa
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

SECTION 4: Best Products Prospects Categories

4.1 Products in the market which have good sales potential

Chicken Cuts and Edible Offal: South Africa imported 520,000 tons of chicken meat in 2018 to augment local production. This represents an increase of two percent from the previous year. Post estimates that chicken meat imports will increase by five percent in 2019 to 545,000 tons, due to a decrease in local production on relative higher feed cost. Post forecasts a marginal increase in chicken meat imports in 2020 to 555,000 tons, as local production is expected to bounce back. The link provides more updates on the poultry and products situation in the country.

Almonds: South Africans are looking to various tree nuts for more diverse protein and snacks. In 2019, South Africa imported $20 million of almonds. The United States dominates the market for almonds, with 74 percent of the total market share, valued at $17 million, with Australia in a distant second at 25 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 South Africa Tree Nut Report can be downloaded from the following link, https://gain.fas.usda.gov/#/

Food Preparations: South Africa has a well-developed food processing sector and is a net exporter of food preparations. In 2019, imports of food preparations were valued at $352 million. The EU has the largest market share at 60 percent amounting to $211 million. The United States had 10 percent of the market share of South Africa's food preparations imports, valued at $36 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 2019, imports amounted to $241 million, and exports amounted to $92 million. Namibia has the largest market share at 22 percent. There are potential opportunities for U.S. exports in this category despite the decrease in imports from the United States from $1.6 million in 2018 to $847 million in 2019, due to a growing middle class that is interested in diverse products. Distilled spirits have increased from $19.6 million to $20.4 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 2019, imports were $489 million, and exports amounted to $109 million. Swaziland was the market leader with 20.42 percent. There is a potential for growth for U.S. exports in this category due to the demand.

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 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 heat treated and canned poultry meat.

SECTION 5: Key Contacts and Further Information

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 Other 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 South Africa Government regulators in the Fairs Country Report

Attachments:

No Attachments