

**Required Report:** Required - Public Distribution

**Date:** September 30, 2021

**Report Number:** SF2021-0057

**Report Name:** Food Service - Hotel Restaurant Institutional

**Country:** South Africa - Republic of

**Post:** Pretoria

**Report Category:** Food Service - Hotel Restaurant Institutional

**Prepared By:** Margaret Ntloedibe, Agricultural Marketing Specialist, Pamela Ngqinani, Agricultural Marketing Assistant

**Approved By:** Katherine Woody

**Report Highlights:**

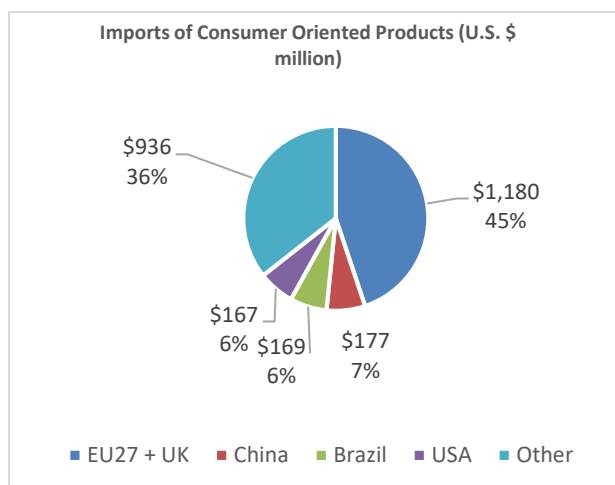
According to Statistics South Africa (StatsSA), South Africa's food service sector generated revenues valued at US \$3 billion in 2020, down 32 percent from 2019. The South Africa hotel, restaurant, and institutional (HRI) industry has been severely affected by government restrictions imposed beginning in March 2020 in an effort to control the COVID-19 pandemic. Social-distancing measures, curfews, and restricted operating hours have decreased revenue for the HRI sector and led to the closures of many businesses. Despite the challenging landscape, South African e-commerce is flourishing as online purchases and meal delivery operations saw sales growth of 59 percent in 2020 compared to 2019, according to Euromonitor International. South African consumers continue to seek out healthier options, with a focus on wellness products, low-fat and high-protein foods, and so-called "superfoods."

## Market Fact Sheet: South Africa

**Executive Summary:** South Africa is a middle-income emerging market with an estimated population of 59 million (64 percent live in urban areas). The country's GDP was US \$358 billion in 2020. South Africa has a well-developed agribusiness sector, which plays a significant role in job creation and economic growth. The country is the largest exporter of agricultural products in Africa. Although largely self-sufficient in production, the country offers some opportunities for U.S. exports. In 2020, South African imports of agricultural products were valued at US \$6 billion, a decrease from US \$6.4 billion in 2019 due to the pandemic.

### Imports of Consumer-Oriented Products:

In 2020, South Africa's imports of consumer-oriented products were valued at US \$2.2 billion, compared to US \$2.6 in 2019. The EU 27 plus UK accounted for 45 percent of total consumer-oriented imports, while the United States accounted for 6 percent of the imports in the category.



**Food Processing Industry:** South Africa's appetite for ingredients drives demand for a wide range of products. There are over 1,000 food production companies in South Africa, and the top 10 companies are responsible for more than 80 percent of the industry's production revenue. The sector employed approximately 400,000 people in 2020, an 11 percent decrease from the previous year due to the impact of the pandemic, which reduced demand for meat, fish, fruit, dairy products, milled grain products, and beverages.

**Food Retail Industry:** The sector is well-developed and continues to expand into other African countries. South African retail food sales were US \$39.8 billion in 2020, a decrease of 6 percent from 2019 due to the impact of the COVID-19 pandemic.

### 2020 Quick Facts

**Imports of Consumer-Oriented Products from the United States:** US \$154 million (down 19 percent)

**Combined Revenue of Hotels, Restaurants, and Institutions:** US \$3 Billion (down 28 percent)

#### Leading Food Service Chains

- KFC (Yum Brands Inc.)
- Debonair Pizza, Steers, and Wimpy (Famous Brands Ltd.)
- Spur Steak Ranches (Spur Corp Ltd.)
- McDonald's (McDonald's Corporation)
- Nando's (Nando's Group Holding)

#### Leading Hotel Chains

- Marriot Hotels & Resorts
- Hilton Hotels & Resorts
- Legacy Hotels & Resorts
- Sun International Group
- Mercury Accor

### 2020 Food Industry by Channel (USD Billions)

|                      |        |
|----------------------|--------|
| Food Industry Output | \$40   |
| Food Exports         | \$9.6  |
| Food Imports         | \$6    |
| Retail               | \$39.8 |
| Food Service         | \$3.1  |

### Strengths, Weaknesses, Opportunities, and Challenges

| Strength   | Weaknesses   |
|--|--|
| Large consumer market and 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   |
| Diversification of trade partners through the African Continental Free Trade Area, can deepen linkages for regional and intra-African trade. | FTA with EU and political preference toward other BRICS countries (Brazil, Russia, India, and China) have significant influence on regional trade. |

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

Contact: **FAS Pretoria, South Africa,**  
[AgPretoria@usda.gov](mailto:AgPretoria@usda.gov)

## SECTION 1: MARKET SUMMARY

The disruptions caused by the COVID-19 pandemic to the South African economy, including the food service sector are still being felt. The effects are evident from the 32 percent decrease the industry in 2020 with revenues of US \$3 billion, compared to 5 percent growth and revenues of US \$5.1 billion the previous year, according to Statistics South Africa (StatsSA). The South African hotel, restaurant, and institutional (HRI) industry is made up of chain stores including well-known franchises and independent food businesses, which had to quickly adapt and revamp their online platforms to reach customers amid pandemic restrictions.

The impact of the pandemic — through extended government-imposed restrictions — is undeniable, posing many challenges for South Africa's food service industry. On June 27, 2021, in an effort to contain the rising number of coronavirus infections, the government placed the country under a Level 4 lockdown for a period of two weeks, through July 11, 2021. The restrictions included a ban on alcohol sales, which shuttered bars and severely reduced revenue for restaurants that make a large share of their income from the sale of alcohol. Moreover, eateries were only permitted to sell food for take-away and home delivery. Operating hours were limited to 9:00 a.m. to 8:00 p.m., with a strict nationwide curfew in place from 9:00 p.m. to 4:00 a.m.

On July 11, the South African president declared an extension of the lockdown period, with a slight loosening of restrictions, through July 25, 2021, as the government's assessment revealed a rise in COVID-19 infections. The adjusted regulations allowed restaurants to operation at 50 percent of capacity, but the prohibition of the sale of alcohol in all locations remained in place. As of late September, South Africa is currently under a Level 2 lockdown, with extended operating hours for eateries and bars, alcohol sales permitted at restaurants throughout the week, and retail alcohol sales permitted Monday through Friday.

In addition to pandemic-related restrictions, South Africa experienced a wave of civil unrest in mid-July, with riots and protests concentrated in provinces of KwaZulu-Natal and Gauteng. The protests were in response to the arrest of the former President Jacob Zuma in connection with allegations of corruption during his term as president from 2009 to 2018. The civil unrest triggered extensive looting and sporadic cases of arson at stores, shopping malls, and warehouses, as well as roadblocks in some areas. It was reported that the civil unrest was also fueled by the country's economic inequality, which was worsened by COVID-19 lockdowns and resulted in many businesses closing down and laying off workers.

The South African government enacted several measures in an attempt to curb the effects of the pandemic, including an Unemployment Insurance Fund (UIF) established in August, as well as the Worker Affected by Unrest (WABU) Temporary Employer and Employee Financial Relief Scheme. The latter was established to assist workers whose workplaces closed (destroyed, affected or looted) due to the wave of civil unrest in the provinces of KwaZulu-Natal and Gauteng. According to estimates from the Department of Employment and Labor, more than 75,000 workers were affected in the two provinces.

Facing the challenges posed by the COVID-19 lockdowns and the period of civil unrest, the food service sector has been forced to adapt and change business models, offering meal kits for sale,

beefing up online ordering options, and increasing take-away sales and deliveries.

However, despite challenges brought by the pandemic, Post sees increasing opportunities for U.S. exports, especially those products that can meet the growing demand for products that are healthy and/or ready-to-eat, as well as those products that offer great value based on volume, quality-assurance provisions, and packaged foods of differing pack sizes.

**Table 1: Sales of Food and Beverages in Billions of U.S. Dollars 2018-2020**

| Sector                          | 2018   | 2019   | 2020   |
|---------------------------------|--------|--------|--------|
| Restaurants and coffee shops    | \$2.44 | \$2.68 | \$1.33 |
| Take-away and fast-food outlets | \$1.5  | \$1.67 | \$1.28 |
| Catering services               | \$0.7  | \$0.76 | \$0.39 |
| Total industry sales            | \$4.63 | \$5.1  | \$3    |

Source: Statistics South Africa (StatsSA)

<http://www.statssa.gov.za/publications/P6420/P6420December2020.pdf>

**Restaurants and Coffee Shops:** According to StatsSA, restaurant and coffee shops registered a 35 percent decrease in revenues last year due to the lingering effects of the pandemic and government restrictions imposed to combat the spread of the virus. Many restaurants remained open for take-away and home delivery service, but alcohol sales, which contribute a significant portion of a restaurant's revenue, were largely prohibited last year. Some restaurants closed in response to the alcohol ban, noting that it was not profitable to remain open without access to a major revenue stream.

**Take-Away and Fast-Food Outlets:** According to StatsSA, this category includes 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. This sector saw a 23 percent decrease in revenues from 2019 to 2020, smaller than the other two categories as more consumers turned to safer options in the food service industry. According to industry contacts, some larger fast-food chains actually saw sales increase during the pandemic, as they were some of the few food service outlets allowed to remain open (for take-away and delivery) during government lockdowns.

**Catering Services:** Catering Services registered a 44 percent decrease in food and beverages revenues in 2020. According to StatsSA, in addition to event catering and institutional kitchens that service schools, businesses, and prisons, this category also includes bars, taverns, other drinking places, and ice cream parlors.

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

| <b>Advantages</b>   | <b>Challenges</b>  |
|---|--|
| South Africa HRI food service companies that offer online ordering, pick up, or delivery have done well during the COVID-19 pandemic. U.S. exporters servicing these businesses, including fast-food chains in South Africa, have an opportunity to expand sales and increase exports to the country. | The closure of many HRI food service businesses due to the COVID-19 pandemic has had a negative financial impact on the industry.  |
| South Africans are affluent and have diverse food tastes, willing to try new products, which creates opportunities for U.S. exports of innovative and healthy/nutritious food products.   | Competition from local producers on price and innovation, and from other countries, especially those with preferential or free trade agreements, such as the EU and BRICS countries. |
| Overall, 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, such as unprocessed meat and plant products.                            |

## **SECTION 2: ROAD MAP FOR MARKET ENTRY**

### **2.1 Entry Strategy**

New-to-market U.S. traders interested in exporting to South Africa are encouraged to research the market and contact the FAS office in Pretoria for further information and a list of importers. Established importers are best suited to navigate local regulations, understand distribution chains, and leverage relationships with hotels, restaurants, and institutions. U.S. exporters are advised to reach out to U.S. industry groups to obtain additional market entry support. Trade events are excellent venues to make contact with loyal buyers, but they are largely on hold in 2021 due to the pandemic. Some virtual trade events have been arranged in lieu of large gathering, and FAS Pretoria can advise on the latest status of these activities. In addition to this report, FAS Pretoria also produces the [Food Processing Ingredients Report](#), the [Retail Foods Report](#), the [Exporter Guide](#), and the [Food and Agriculture Import Regulations and Standards \(FAIRS\) Report](#). These and other FAS market and commodity reports are available through the [FAS website](#).

### **2.2 Distribution**

In general, South African hotels, restaurants, and institutions do not import directly, but instead purchase food and beverage products through importers and distributors who are familiar with the country's import regulations and have established relationships with U.S. exporters. The usual distribution channel from U.S. exporter to an HRI in South Africa generally begins with a U.S. food manufacturer or exporter working with a South African importer, distributor, and/or agent,

who then sells and distributes the American product to various entities in the HRI sector.

## 2.3 Company Profiles

### 2.3.1 Fast Food

The South African fast-food industry is highly developed. The sector is dominated by companies with many domestic and international outlets, supported by well-established and competitive franchising models and a well-developed network of industry associations and lobbyists. For more information, FAS Pretoria recommends visiting the websites of the Federated Hospitality Association of South Africa (FEDHASA) (<https://fedhasa.co.za>), the Franchise Association South Africa (FASA) (<https://www.fasa.co.za>), and the Restaurant Association of South Africa (RASA) (<https://restaurant.org.za>).

**Table 3: Fast Food Chains in South Africa**

| Global Brand Owner                  | Brand  | Website   |
|-------------------------------------|--|---|
| Yum Restaurants International (USA) | KFC, Pizza Hut   | <a href="https://www.yum.com/wps/portal/yumbrands/Yumbrands">https://www.yum.com/wps/portal/yumbrands/Yumbrands</a> |
| Famous Brands Ltd (SA)              | Debonairs pizza, Steers, Wimpy, FishAway, Milk Lane, Mugg & Bean, Tasha, Turn & Tender | <a href="https://famousbands.co.za">https://famousbands.co.za</a>   |
| Spur Corp Ltd (SA)                  | Spur Steak Ranches   | <a href="https://www.spursteakranches.com/za">https://www.spursteakranches.com/za</a>                               |
| McDonald's Corp (USA)               | McDonald's   | <a href="https://www.mcdonalds.co.za">https://www.mcdonalds.co.za</a>   |
| Nando's Group Holdings Ltd (SA)     | Nando's  | <a href="https://www.nandos.co.za">https://www.nandos.co.za</a>   |

Source: Euromonitor International

### 2.3.2 Hotels and Resorts

The South African hospitality sector was the hardest hit by the lockdown after most hotels were forced to close, except those allowed to operate to provide services for guests to isolate or quarantine and for stranded travelers. South African hospitality establishments range from one-star to five-star hotels, including game lodges, guest houses, self-catering lodging, youth hostels, and bed and breakfasts. Many of these businesses were forced to close last year for the first time since they opened their doors. The pandemic resulted in low occupancy, reduced revenue, and cancellations by guests who expected refunds.

Despite the devastating impact of the pandemic, South Africa saw new hotels opened in 2020 as lockdown restrictions eased and domestic travel resumed. The industry saw its lowest occupation levels between March and August 2020, but demand started to rise in September and October.

According to industry contacts, small boutique hotels have seen the greatest recovery, especially for those establishments that allow self-catering. As lockdown levels have eased in 2021, hotels and lodges have seen domestic travel increase, but international travelers have been slow to return.

The Tourism Grading Council of South Africa (<https://www.tourismgrading.co.za>) offers an official ranking of tourism establishments in the country and oversees quality control. Establishments are graded from one to five stars, with one-star hotels offering very basic facilities and five-star hotels offering high-end accommodations. Hotel grades are displayed in most advertising material and at establishment entrances.

**Table 4: Leading Hotels Chains in South Africa**

| Hotel Group                            | Website   |
|--|---|
| Marriot Groups Hotels and Resorts (US) | <a href="https://www.marriott.com">https://www.marriott.com</a>                 |
| Hilton Hotels and Resorts (US)         | <a href="https://www.hilton.com">https://www.hilton.com</a>                     |
| Legacy Hotel & Resorts (US)            | <a href="https://www.legacyhotels.co.za">https://www.legacyhotels.co.za</a>     |
| The Sun International Group (SA)       | <a href="https://www.suninternational.com">https://www.suninternational.com</a> |
| Protea Hotels by Marriott (US)         | <a href="https://protea.marriott.com/">https://protea.marriott.com/</a>         |
| City Lodge Hotels (SA)                 | <a href="https://clhg.com">https://clhg.com</a>                                 |
| Mercure Accor Group (France)           | <a href="https://www.accorhotels.com/">https://www.accorhotels.com/</a>         |

### 2.3.3 Institutional Food Service

South Africa's institutional food service sector is fairly concentrated. This category includes schools, hospitals, prisons, and other state-run entities, as well as contracted catering companies. It constitutes a very large market for food and beverages and is dominated by the South African service providers listed below, who use centralized kitchens to provide meals to students, patients, and inmates.

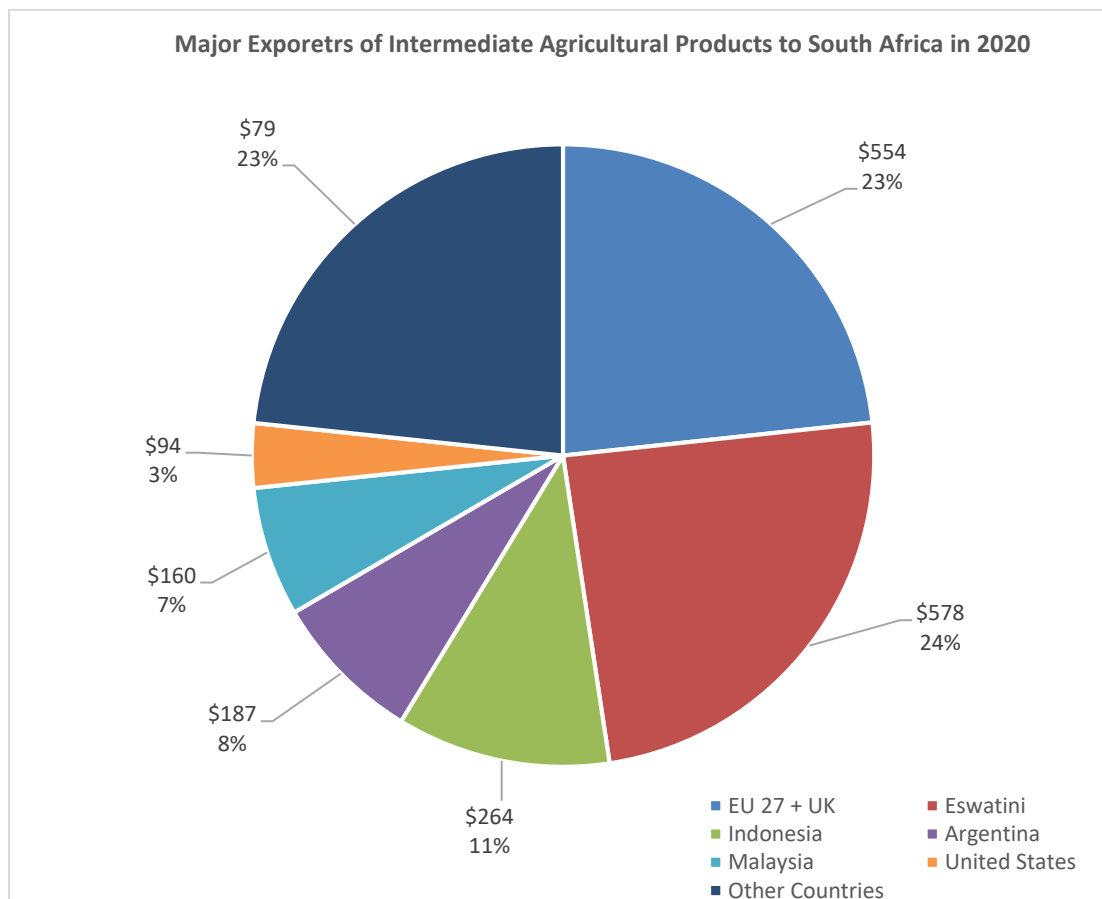
**Table 5: Institutional: Contract Catering Companies**

| Business Name                                       | Website   |
|---|---|
| Fedics (Tsebo Outsourcing Group)                    | <a href="https://www.fedics.co.za">https://www.fedics.co.za</a>       |
| Royal Mnandi Food Service Solutions (Bidvest Group) | <a href="https://www.bidvest.co.za">https://www.bidvest.co.za</a>     |
| Feedem Pitseng Pty Ltd (Independently owned)        | <a href="https://www.feedem.co.za">https://www.feedem.co.za</a>       |
| LSG Sky Chefs South Africa                          | <a href="https://www.lsgskychefs.com">https://www.lsgskychefs.com</a> |

## SECTION 3: COMPETITION

U.S. exports mostly face competition from South African producers and imports from other countries in the Southern African Development Community (SADC), BRICS, the EU, and MERCOSUR trade blocs. South Africa has free trade agreements with SADC and the EU, and a preferential trade agreement with MERCOSUR. For more information, visit: <https://ec.europa.eu/trade/policy/countries-and-regions/countries/south-africa/>

<https://www.sars.gov.za/legal-counsel/international-treaties-agreements/trade-agreements/>  
<https://www.sadc.int/member-states/south-africa/>  
<https://www.sars.gov.za/legal-counsel/international-treaties-agreements/trade-agreements/mercosur-sacu/>



#### SECTION 4: BEST PRODUCT PROSPECTS CATEGORIES

U.S. products that, in addition to a competitive price, are unique and innovative or not sufficiently available have the best prospects in the South African market. Products in the market that have good sales potential 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.

Hotel and restaurant managers indicate that U.S.-origin products not present in significant quantities in the market but which have good sales potential include beef and beef products; poultry meat and products; fish and seafood products; tree nuts; liquor products and alcoholic beverages, including bourbon, wine, and craft beers; hops; oils and fats; snack foods; and prepared foods.

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

| Commodity Description            | Annual Series (Value: USD)<br>January 2018 – December 2020 |               |               |
|----------------------------------|--|---------------|---------------|
|                                  | 2018   | 2019          | 2020          |
| Consumer-Oriented All            | 3,206,278,119  | 3,170,375,571 | 2,629,336,079 |
| Poultry Meat & Prods, (ex. eggs) | 492,610,202  | 424,947,957   | 313,738,383   |
| Dairy Products                   | 250,308,260  | 240,686,131   | 247,397,378   |
| Distilled Spirits                | 302,281,630  | 304,745,774   | 190,969,047   |
| Soup & Other Food Preparations   | 188,939,946  | 183,939,451   | 182,071,978   |
| Chocolate & Cocoa Products       | 170,566,020  | 158,807,344   | 162,204,776   |
| Bakery Goods, Cereals, & Pasta   | 152,627,323  | 151,460,210   | 147,279,018   |
| Processed Vegetables             | 125,447,201  | 137,834,826   | 133,014,838   |
| Beer                             | 160,000,140  | 241,675,971   | 118,109,780   |
| Coffee, Roasted and Extracts     | 120,744,711  | 103,293,120   | 113,424,229   |
| Meat Products NESOI              | 150,000,831  | 139,098,534   | 107,885,742   |

Source: Trade Data Monitor

**Table 7: United States Top 10 Consumer-Oriented Exports to South Africa**

| Commodity Description            | Annual Series (Value: USD)<br>January 2018 – December 2020 |             |             |
|----------------------------------|--|-------------|-------------|
|                                  | 2018   | 2019        | 2020        |
| Consumer-Oriented All            | 195,176,267  | 199,978,381 | 170,368,764 |
| Poultry Meat & Prods. (ex. eggs) | 94,087,747   | 89,285,109  | 65,159,169  |
| Tree Nuts                        | 19,268,086   | 25,580,484  | 22,261,407  |
| Soups & Other Food Preparations  | 13,072,961   | 17,815,750  | 17,067,119  |
| Processed Vegetables             | 2,872,832  | 2,313,438   | 13,347,112  |
| Beef & Beef Products             | 13,484,527   | 8,908,986   | 11,803,916  |
| Distilled Spirits                | 16,047,234   | 15,758,048  | 9,798,310   |
| Dairy Products                   | 14,127,180   | 16,871,594  | 8,757,107   |
| Condiments & Sauces              | 4,860,856  | 6,651,267   | 5,568,221   |
| Processed Fruit                  | 3,333,035  | 2,074,842   | 2,281,691   |
| Chocolate & Cocoa Products       | 1,290,788  | 865,150     | 2,229,331   |

Source: Trade Data Monitor

## **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:

Office of Agricultural Affairs

U. S. Embassy, Pretoria, South Africa

877 Pretorius Street, Arcadia, Pretoria, 0083

P.O. Box 9536, Pretoria, 0001

Tel: +27-(0) 12-431-4057, Fax: +27-(0) 12-342-2264

Email: [agpretoria@usda.gov](mailto:agpretoria@usda.gov)

Website: <https://www.usdasouthernafrica.org>

Other FAS market and commodity reports are available through the FAS website:

<https://www.fas.usda.gov>

### **5.2 Additional Contacts**

Other resources include:

American Chamber of Commerce in South Africa: <https://amcham.co.za>

U.S. International Trade Administration – South Africa Country Commercial Guide:

<https://www.trade.gov/knowledge-product/exporting-south-africa-market-overview?section-nav=3571>

The Franchise Association of South Africa: <https://www.fasa.co.za>

The Restaurant Association South Africa: <http://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