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South Africa, Republic of

HRI Food Service Sector

HRI Annual Update

2007

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Report Highlights:
South Africa's tourism, a major industry boasted a 14.5% increase in tourism arrivals between January - September 2006, compared to the same period in 2005. According to the HotelBenchmark Deloitte survey, tourism in South Africa is expected to grow by almost 6% for the next 10 years, and currently contributes more than 9% to Gross Domestic Product (GDP). This is a remarkable achievement for a country that just over ten years ago was not even on the tourists' map.

In 2006, the U.S. exported US$ 149 million of agriculture, fish, and forestry products to South Africa. A variety of high value products such as almonds, pistachios, canned salmon, whiskey, and frozen food preparations have shown consistent growth over the last five years and present important opportunities for U.S. exporters, including the natural and organic products which have grown 300% over the past two years.

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Section 1. MARKET SUMMARY

South Africa, with a population of about 47.4 (mid 2006) million people, has a large and complicated food service market. The foodservice sector in South Africa is not only the largest employer in the country, but has the potential to make a real difference in terms of economic empowerment, skills transfer and social upliftment, as it accounts for the largest section of the South African manufacturing industry. The foodservice establishment is comprised of sectors such as Commercial, Institutions and Services; and Staff Feedings. Classified under the commercial sector are hotels, restaurants, fast food independents, fast food chains, clubs and national parks/resorts. Institutions and Services includes transport services, health (public and private hospitals), educational institutions and prisons. The staff feeding sector includes canteens (in-house cafeteria's), mines, the South African Police, and the South African Defence Force.

As with the rest of the South African food industry, this sector is concentrated and is dominated by a relatively few large catering companies. Major companies include Fedics (owned by ICS Holdings), Kagiso Khulani Supervision Food Services (KKS) owned by Compass Group Southern Africa, and RoyalSechaba owned by Mvelaphanda Group. In general, they do not import food and beverages but buy (both local and imported) from local manufacturers, wholesalers and distributors.

By far the most significant of the catering companies is Fedics who may boast South African Airways(SAA), the South African Broadcasting Corporation (SABC), Mercedes-Benz, Caltex Oil, and SmithKline Beecham Consumer Brands amongst their clients. The catering at all major airports within South Africa is run by Fedics. Fedics spend R500 million on food each year.

Table of key findings as at the end of September 2006

Estimates (R million)	September 2006	% change between September 2005 and September 2006	August 2005 to September 2005	August 2006 to September 2006	% change between August 2005 To September 2005 and August 2006 to September 2006
Income from food sales	1,784,8	+16.2	3,016,5	3,477,8	+15.3
Income from bar sales	263,5	+14.6	453,6	514,7	+13.5
Other income	47,2	-25.1	116,9	94,6	-19.1
Total income	2,095,5	+14.6	3,587,0	4,087,1	+13.9

Source: Statistics South Africa (Stats SA)

According to Stats SA the total income generated by the food and beverages industry between August - September 2006, amounted to R4, 087,1 million. This was an increase of 13.9% (R500,1 million) compared with August - September 2005. The increase was mainly due to a 15.3% (R461.3 million) increase in income from food sales and a 13.5% (R61.1 million) increase in income from bar sales.

The largest percentage increase in total income for the months of August - September 2006 compared with the months of August 2005 - September 2005 was reported by take-away outlets (18.3%), followed by caterers (16.9%), other catering services (15.8%) and restaurants (9.9%). Furthermore, the total income in September 2006 increased by 14.6% (R266.9 million) compared with September 2005.

The following table summarizes the South African market and lifestyle statistics as presented by Euromonitor.

	2002	2003	2004	2005
Annual gross Income (US$ million	67,847.74	105,196.75	130,409.14	132,184.01
Annual disposable Income (US$ million)	57,085.32	89,154.52	110,714.97	112,260.00
GDP measured At purchasing power Parity (international $ Million)	460,361.00	477,487.00	501,667.00	532,011.00
Annual rates of Inflation (% growth)	9.16	5.86	1.39	3.04
Real GDP growth (% growth)	3.60	2.80	3.70	4.00
Consumer expenditure (US$ million)	64,737.07	102,036.50	125,408.78	129,062.77
Consumer expenditure On food (US$ million)	11,574.5	17,894.2	21,573.9	22,406.3
Internet users (`000)	3,100.00	3,833.62	4,657.30	5,505.24
Tourism receipts (US$ million	2,728	3,501	3,592	3,711

Source: Euro monitor

Tourism, South Africa's fastest growing industry, with an estimated annual growth rate of 12 percent, is the fourth largest industry in South Africa, supporting about 700 hotels, 2,800 guesthouses and 10,000 restaurants. According to the latest release by Statistics South Africa, tourism statistics for January - September 2006, indicated a 14.5% increase in tourism arrivals compared to 2005. South Africa had 765,675 more visitors in the first nine months of 2006 than in the first nine months of 2005.

More than 6 million people (6,055,726) visited South Africa between January - September 2006. The largest source of growth was from other African nations, with an increase of 18.3% in arrivals from the African continent. However, South Africa also saw strong growth in arrivals from North America, with an increase of 9.7%, representing almost 20,000 more visitors. Additionally, South Africa saw a massive 42.4% increase in visitors from the Russian Federation, 24.1% more visitors from Hungary and 17.4% more visitors from Finland. This shows that South Africa have been successful at achieving broader market penetration on the European continent, beyond our traditional source markets in Western Europe. The growth rate for arrivals from the continent as a whole was 4.6%, which was just ahead of the global average growth rate of 4.5% for the year.

South Africa also achieved a 4.5% increase in arrivals from Asia, in particular with 17.5% more visitors from India and excellent growth in arrivals from Japan, Thailand and Singapore, a decrease in arrivals from China, Malaysia and the Phillipines. According to the United Nations World Tourism Organisation: "Africa has outpaced all other regions with almost twice the rate of global growth reaching 8.1% in 2006, following an already strong 2005". This star performance was led by Subsaharan Africa (+9.4%), while North Africa

(+5.8%) also ended the year above average. Major destinations such as South Africa, Kenya and Morocco all continued to post excellent results."

The Travel and Tourism industry in South Africa is a major contributor to the economy and presently accounts for 8.2% of GDP. The current employment figure of 7% of South Africa's workforce is expected to grow to over 1.2 million people by 2010. Tourism plays a significant role in the domestic economy employing some 512,000 or 3% of the total workforce and contributing R73 billion or 7.1% to Gross Domestic Product. An average tourist spends R1,548 per day, staying about 12 days in the country, but the strong rand has eroded South Africa's price competitiveness as a tourist destination.

Tourism is central to growth and development in South Africa. In responding to this, the South African government has launched the Accelerated and Shared Growth Initiative (ASGISA), whose ultimate objective is to halve unemployment and poverty by 2014. The ASGISA aims to create at least 500,000 tourism jobs by 2014, while Environment Affairs and Tourism said in August 2005 that permanent jobs were created through domestic tourism during the first five month of 2005 or an average of 100,000 per month. The increase in the first nine months of 2005 was 10.3% annually.

Benefiting from this growth in terms of increased trade and investment opportunities is the hospitality industry, which includes a vast array of well-developed and sophisticated hotels, restaurants, cafes, resorts, country clubs, fast food outlets, bars, airlines, supermarkets and convenience stores.

South Africa, with an expanding middle class and a relatively stable economy, presents growing opportunities for U.S. niche food products. In addition, with its well-developed transportation infrastructure, South Africa is ideally placed to serve as an export hub to markets throughout the region.

In November 2002, the government established the Food Pricing Monitoring Committee in the National Agricultural Marketing Council to monitor the prices of a basket of basic food items.

1.1 Advantages and Challenges for US exporters

Advantages	Challenges
South Africans are developing a taste for western foods and are willing to try anything once.	Consumers may need to be educated in preparing and eating products.
The growing HRI industry needs imported food and beverage products.	Already acquired tastes and preferences for traditional locally produced products.
Importers and distributors can help develop heavy brand loyalty.	Consumers are price-conscious and some do not exhibit brand loyalty. Products must constantly be promoted.
South African importers seek suppliers who can offer reliable and quality products, consolidators of mix containers at competitive prices.	Higher prices for U.S. food products relative to local market and neighboring countries' products.
South Africa is a gateway for regional markets.	Competition is stiff from other countries' locally produced products.
South African consumers consider U.S. products to be of generally high quality.	Limited knowledge of HRI industries and consumers of the specific varieties and qualities of U.S. products.

Section 2. ROAD MAP FOR MARKET ENTRY

2.1 Hotels and Resorts

There is a huge range of accommodation types in South Africa, from five star hotels including hotel chains to lodges, guesthouses, bed & breakfast (B&B) establishments, self-catering properties, youth hostels and international hotels. The B&B, Guest House & Game Lodge market sectors represent the fastest growing segment of the tourism industry in South Africa. The Tourism Grading Council of South Africa is an official body launched in 2003 mandated to grant Star grading to accommodation establishments in South Africa, from B&B; Guest House; Hotel; Lodge; Self-Catering; Backpacker and Hostelling; Caravan and Camping; and Country House. There are approximately 1,600 graded establishments. There are an estimated 30,000 establishments nationally, ranging from luxury Guest Houses & Game Lodges that regularly host visiting heads of state, to the more economical B&B's which together offer thousands of bed nights. Hospitality Resorts and Hotels are owned by the Premier Group, which is owned by Anglo American. Premier and Anglo American have extensive holdings in the milling, baking, dairy, fish, confectionery and edible oils industries.

According to the Department of Environmental Affairs and Tourism (DEAT) report of February 21, 2006, since 2003 the Grading Council has officially graded 70% of all accommodation rooms in South Africa. In 2005, the Grading Council was invited by the World Tourism Organization twice to present South Africa's Star Grading System model case-study in promoting destinations. According to the hospitality publication, South Africa overall occupancy improved by 4.4% to 69% in 2005. The increase was higher than those of the European, Asian, and Middle East regional hotel performance data for 2005. The table below highlights hotel performance.

South Africa hotel performance – 2005 versus 2004

	Occupancy		Average room rate		Revenue PAR	
	2005 %	Change %	2005 SAR	Change %	2005 SAR	Change %
South Africa	69	4.4	537	5.3	371	10.0
Greater Cape Town	70	4.1	643	5.3	447	9.6
Greater Durban	75	7.4	473	7.8	356	15.9
Greater Johannesburg	69	5.1	512	7.0	355	12.4
Greater Pretoria	71	4.9	434	6.6	308	11.9

Source: HotelBenchmark Survey by Deloitte

There are 20 national parks in South Africa, all of which are administered by the South African National Parks (SANParks). Most of the resorts in these parks have their own restaurants. Generally, the trend towards healthier eating is evident in this sector once again with an increase in the consumption of fresh vegetables and salads. The consumption of red meat has not changed, because the National Parks often offer venison and other wild game meat on the menu, which is a novelty to tourists.

The National Parks negotiate contracts for certain products, and resorts are then able to buy independently from these sources. Most perishable items are purchased from local specialty retailers, while dry groceries are often sourced from catering wholesalers.

Prospects: The latest trend in hotel investment in South Africa is that a number of significant joint ventures are taking place between local operators and overseas investors. Smaller and independent owners, particularly are benefiting from an injection of capital, infrastructure and expertise enabling them to compete on equal terms with large groups.

2.1.1 Hotel Profiles

Most of the key hotels are owned by large locally listed companies and managed through agreements with international hotel management chains, in particular, Mercure Accord Hotel (French), Sheraton Group (US), Hilton (US), Legacy Hotels and Resorts (US), and Days Inn (US). In addition to major foreign tourism projects, two South African groups also have activities. The Sun International Group runs hotels and resorts including the renowned Sun City Resort in Rustenburg in the North West Province, while the Protea Group runs the Protea Hotel chain. The table below provides an overview of some of the key hotel chains.

Hotel Group	Sales (US$ million)	No. of Hotels	Location	Purchasing Agent Type
Mercure Accord	Not available	28	Major cities and Tourist centers	Local agents
Sheraton Group	Not available	3	Major cities	Local agents
Hilton	Not available	2	Major cities	Local agents
Legacy Hotels & Resorts	Not available	17	Major cities and Tourist centers	Local agents
Sun International Groups	Not available	49	Major cities and Tourist centers	Local agents
Protea Group	Not available	74	Major cities and Tourist centers	Local agents

Tourist Accommodation by Statistics South Africa November 2006 Release: Key findings as at the end of September 2006

Number of stay unit nights sold increases

The number of stay units nights sold during the third quarter of 2006 increased by 8.4% (from 4,260,900 to 4,617,800) compared to the third quarter of 2005.

Furthermore, the number of stay unit nights sold during September 2006 compared to September 2005 increased by 12.2%.

Occupancy rate increase

The occupancy rate for the third quarter of 2006 compared with the third quarter of 2005 increased by 7.9%.

Furthermore, the occupancy rate during September 2006 (53.8%) increased by 11.6% compared with September 2005 (48.2%). The occupancy rate of 53.8% reported in September 2006 was the highest recorded occupancy rate since the beginning of the survey in September 2004.

Income from accommodation increases

Income from accommodation in the third quarter of 2006 increased by 16.6% (R287.5 million) compared with the third quarter of 2005. This increase is partly due to an increase in the number of stay unit nights sold and the average income per stay unit night sold in the third quarter of 2006 compared to the third quarter of 2005.

Furthermore, in September 2006, income from accommodation was R742.8 million. This was an increase of 16.9% (R107.3 million) compared with September 2005.

2.1.2 Entry Strategy

Although the majority of the hotels are part of hotel chain, each hotel operates autonomously in terms of food purchases. In some cases the head office may recommend regional or national suppliers, but generally, hotels have a free reign as to what foods are served and whom their suppliers are. Hotels prefer to buy directly from local manufacturers, this is not always possible, and it is usually only perishable products that are bought in this manner. Dry groceries are usually sourced from catering wholesalers, while local specialist retailers provide hotels with bakery goods, fruit and vegetables, meat, and dairy products. Many hotels have in-house bakeries and contract caterers to run in-house restaurants. Growth in the hotel industry is largely reliant on the growth in foreign tourism, which is expected to increase considerably in the future.

2.1.3 Distribution Channel

In general, hotels do not import food and beverages but obtain their requirements from the local manufacturers, catering wholesalers, specialty retailers and others. This is because most if not all hotel kitchens have a policy of holding only sufficient quantities of food and beverages for short-term needs. The following table highlights and summarizes sources of supply in percentage.

Sources of supply	% of total
Direct from manufacturers	28
Catering wholesalers	20
Cash & Carry	5
Specialist Retailers	32
General Retailer	3
Fresh Produce Market	12
TOTAL	100

2.2 Restaurants

Restaurants play an integral part in the tourists' experience of a country. The Restaurant Association of South Africa (RASA) was launched in November 2004 in order to gather statistics and provide evidence of the size and importance of the foodservice industry to the tourism industry, as well as South African economy. Restaurants and groups represented in the association are the Grill House, News Café, The M&A Group, Mikes Kitchen, The Steers Group, Nandos, Mugg & Bean, Global Wrapps, Dulce Continental Cafes, O'Hagans and the Spur Group. South Africa has a highly developed web of fast-food and chain restaurants. The changing trend shows that people are eating out of home more often than ever before. The restaurant industry, particularly the fast food sector is faced with stiff competition from supermarkets, retail chains and convenience stores. Supermarkets also offer ready meals daily.

On food spending, visiting restaurants and bars is one of the favorite activities of overseas tourists in South Africa. Overseas visitors spend approximately R290.00 per day on food and beverage during their trip to South Africa, which represents about 20% of the total daily expenditure.

According to DEAT, in 2005, the Tourism Grading Council launched a grading scheme for restaurants, with thus far has not been as rapidly adopted as they would have liked by the industry. Since March 2006, the Grading Council continuously hosts countrywide road shows on restaurant grading to meet the target of all restaurants graded by the time the Soccer World Cup begins in 2010. The Council also launched a grading system for tourist transport services and a star scheme for the golfing sector.

2.2.1 Restaurant Company Profiles

The table below provides information on the major fast food and family restaurants involved in this sector:

Restaurant Name and Outlet Type	Ownership	Sales (US$ million)	No. of outlets	Location	Purchasing Agent Type
Nando's Group	Local	Not available	195	Major cities	Local agent
The Famous Brand	International	Not available	+-1100	Major cities	Local agent
King Consolidated Holdings	Local	Not available	188	Major cities	Local agent
Tricon Global Restaurants	Local	Not available	450	Major cities	Local agent

2.2.2 Entry Strategy

Specialist retailers such as bakeries, butcheries and green grocers are the main suppliers to restaurants. Dry groceries are often purchased through catering wholesalers, while perishables and frozen products are purchased directly from the manufacturers or designated distributors.

- Export opportunities in this sector may not be readily apparent, since these outlets generally prefer to source their inputs locally – for goodwill assured supply, or due to a corporate relationship with a supplier. However, as the number of outlets increases, and competition between retail chains rises, it will become more difficult for them to meet their needs on the local market and maintain their quality and price competitiveness.

- The South African fast-food market has witnessed strong growth in recent years due to changes in lifestyle trends and growth in disposable income.

- Although independent restaurants are plentiful, the growth in the number of franchised fast food chain restaurants has been phenomenal over the past number of years, which has brought about interest in American-style cuisine and consumption patterns. South Africa, has an extensive number of franchise restaurant chains serving fried chicken, hamburgers, steaks, hoagie-style deli sandwiches, and pizza. Portuguese and Italian-style cuisines are also popular, as well as seafood, steak and ribs. Some of the major chains are Nando's Group Holdings (Nando's Chicken land); The Famous Brand Limited (Steers, Debonair Pizza, FishAways, Church's Chicken, House of Coffees, Brazilian, ESP Illy Boutique, Market Café, Wimpy and Whistle Stop); King Consolidated Holdings (McGinty's, Keg SA, Saddles Steak Ranches, Bimbos, and

Dockside Porterhouse); McDonalds; Mike's Kitchen, Mugg & Bean, Global Wrapps, Dulce Continental Cafes, O'Hagans, the Spur Group, Something Fishy, Ocean Basket, Pleasure Foods, Chicken Licken, News Café, Pizza Perfect, St. Elmo's Pizza, Leisure Net (Bulldogs-British type-style pup), Black Steer (Steakhouse and take-out store), Flame Diners, and Max Frango's Chicken take-outs; Shoprite-Checkers; Tricon Global Restaurants Inc (Kentucky Fried Chicken and Pizza Hut); Subway Sandwiches; and TGIF's. Tex-Mex or South western cuisine has yet to significantly penetrate the South African market, although this cuisine might be popular, due to the South African consumer's preference for hot, spicy sauces. Pub-style restaurants are also booming.

- Franchising in South Africa contributes a massive 11.6% (including fuel) and 6.8% (excluding fuel) to GDP. The turnover for the franchise sector in South Africa is estimated at R134.7 billion. Turnover excluding fuel is estimated at R78.4 billion. Currently, there are 165 franchisers and affiliates registered with the Franchise Association of South Africa (FASA) and over 6000 franchisees. About 89.7% of franchises in South Africa have been locally developed while 10.3% were developed internationally.

- There is a growing awareness among South Africans of healthy eating, and along with this is the trend towards lighter meals. Chicken remains a popular meal item in the South African quick-service market and is likely to remain as such. Consumption of chicken and fish have grown considerably at the expense of red meat, and demand for fresh produce and foods without preservatives is increasing. Trade sources report that chicken appears to be South Africa's most popular take-away food, with 44% of people who purchased takeaways in the space of a month choosing meals from a specialized chicken outlet at least once. The three largest chicken companies in South Africa are Kentucky Fried Chicken (KFC), Chicken Licken and Nando's Chickenland. KFC, Chicken Licken and Nando's were voted the top three takeaway venues. Of the 43% who chose chicken (1.8 million people), 66% were black, 18% white, 8% colored and 7% Indian. The research shows that 4.2 million people (26% of the urban adult population) bought takeaway meals was number one with 1.2 million customers, followed by McDonalds (446,000), Nandos (382,000), Spur (322,000) and Steers (310,000). However, Fontana Famous Roastery is making strides into the market and has grown from 13 outlets in 2003 to about 32 in 2004; Gallito's stands at 12 outlets and is said to be ready to expand; Church's Chicken master license has been sold by Famous Brands and the new owners are about to open a number of non-South Africanized Church's in the western Cape; Chicken King, a home meal replacement concept has been quietly expanding in the countryside; and there is a new player, Cottage Chicken. Demand for whole chicken has fallen, in favor of pre-cut portions and value-added products, indicating an increased interest in convenience.

- Prospects: The fast food industry has experienced phenomenal growth over the last two years, and this is expected to continue in the future. As food trends in South Africa develop, U.S. exporters are well positioned to provide South African restaurants with innovative products (i.e., seasoned French fries, curly fries, cheesecakes, high quality ice cream, lunchmeats made from turkey, scallops, vegetable tortillas, Cajun foods, pickled garlic, spicy sausages and quality franks) to entice consumers. Thus, according to a local magazine's brief discussions with some of the major chains, opportunities exist for U.S. exporters to be supplementary suppliers of certain new food products.

2.2.3 Distribution Channel

The following table highlights sources of supply to the Restaurant Industry:

Sources of Supply	% of Total
Manufacturers/distributors	20
Catering wholesalers	23
Cash & Carry	8
Specialist retailers	42
General retailers	5
Fresh produce markets	2
TOTAL	100

2.3 Institutional Contract Food Service

Currently, the South African Contract Catering and Institutional sector is valued at R4.3 billion. State tenders and parastatals alone account for R1.18 billion, with 80% of this market remaining under state control. This sector constitutes a very large market for food and beverages and includes various institutions such as commercial sector; institutions and services; and staff feeding. It is estimated that only 28% of the public sector and 55% 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 large catering companies. Total value of staff catering market in South Africa is approximately R5.5 billion per annum. Estimated value of the outsourced market is between R2.8 and R3 billion. Contract caterers Tsebo Outsourcing Group (formerly the Fedics Group) owned by ICS Holdings, Royal Food Services, Kagiso Khulani Supervision Food Services owned by Compass Group Southern Africa, Delmont Caldow Caterers, Sodexho Southern Africa, and Sixel & Patterson. In general, they do not import food and beverages but instead purchase food products directly from local manufacturers, catering wholesalers and distributors. By far the most significant of the catering companies is Tsebo Outsourcing. Tsebo Outsourcing, South Africa's leader in outsourced catering, is South Africa's largest black-owned outsourced catering company, and enjoys a 34% market share of the currently outsourced catering market. The catering at all major airports within South Africa are contracted out to Fedics in-flight catering company, Air Chefs. Air Chefs prepares a total of 650,000 meals per month of which 450,000 are prepared in Johannesburg.

2.3.1 Major Contract Caterer's Profile

The table below provides information on the major businesses involved in the catering sector.

Name and business type	Ownership	Sales (US$ million)	No. of Contracts	Location	Purchasing Agent Type
Fedics (Pty) Ltd	ICS Holdings	Not available	650	nationwide	Local agents
Royal Food Service	Rebserve Holdings (Wholesale & Distribution Division)	Not Available	175	nationwide	Local agents
Kagiso Khulani Supervision Food Services (KKS)	Compass Southern Africa	Not available	703	nationwide	Local agents

2.3.2 Entry Strategy

Contract caterers purchase the bulk of their supplies directly from the manufacturers on a contract basis. Companies operating their own canteens usually buy food as and when needed from catering wholesalers and localized specialist retailers, as this is more convenient when buying small quantities.

In general, contract caterers do not import food and beverages but instead purchase food products directly from the local manufacturers, catering wholesalers and distributors.

2.3.3 Distribution Channel

The following table highlights the source of supply to the Institutions Caterer's:

Source of Supply	% of Total
Manufacturers/distributors	33
Catering wholesalers	10
Cash & Carry	2
Specialist retailers	46
General retailers	4
Fresh Produce Markets	5
Total	100

Section 3. COMPETITION

The following table highlights South Africa (SA) key products and trading partners between 2004 – 2006:

Product Category and HS Code	Major Supply countries and strength of supply	SA EXPORTS to USA Millions of US$			SA IMPORTS from USA Millions of US$			Advantages and disadvantages of local suppliers
		2004	2005	2006	2004	2005	2006	
Meat and Edible meat offal (02) South Africa net imports from the World of US$ 311.55 million in 2006 versus US$ 267 million in 2005. South Africa net exports to the world of US$ 62.18 million in 2006 versus US$ 34.32 million in 2005.	Brazil – 45% Australia – 15% Canada – 10% USA minor supplier of 1.9%. USA imports of category 0207 has shown 97.46% change in 2005/2006.	0.04	0.04	0.28	0.80	2.40	6.00	South Africa is a net importer of meat and meat products. The pattern of imports in this category is variable and depends largely on local conditions. Brazil, Australia and Canada are members of MFN status countries. South Africa is a founding member of World Trade Organization (WTO), extending most favored nation (MFN) treatment to other members.
Fish and Seafood (03) Net imports from the world of US$ 98.42 million in 2006 versus US$ 86.64 million in	India- 27% Japan -9% New Zealand-8%	29.51	32.34	29.49	2.92	2.88	4.77	South Africa is a net exporter of fish and seafood products. Imports in this category have been

2005. Net exports to the world of US$ 363.57 million in 2006 versus US$ 406.57 million in 2005.	USA- Minor supplier of 5%, with an increase in categories 0303 (frozen fish) and 0304 (fish fillets).							increasing steadily over the past years, and thus, despite the fact that South Africa is a net exporter, opportunities do exist. The majority of imports are crustaceans and other seafood (squid) and fish meat.
Prepared Meat, Fish (16) Net imports from the world of US$ 55.04 million in 2006 versus US$ 45.38 million in 2005. Net exports to the world of US$ 32.89 million in 2006 versus US$ 33.02 million in 2005.	Thailand – 54% China- 8% India – 7% USA – Minor supplier of 3% in with increases in Categories 1602 and 1604. The United States enjoys a dominant position market in the canned salmon and molluscs holding a market share of 79% and 60% respectively, whereas Canada his holding 10.6% and 32% respectively. For shrimp and prawns, horse mackerel and snoek, demand is for frozen products.	0.31	0.43	0.06	1.93	1.49	1.93	Mozambique and Zimbabwe are amongst 14 members of the Southern African Development Community (SADC). SADC committed itself to the creation of a free trade area (FTA) when a Protocol on Trade was signed at the SADC Summit in 1996. South Africa joined SADC in August 1994. Japan and Philippines are classified as Most Favored Nations (MFN) status. MFN members pay duty on goods imported into South Africa for certain categories of goods. South Africa and Indica 1996 bilateral trade agreement.
Dairy Products (04) Net imports from the world of US$ 68.70 million in 2006 versus US$ 69.3 million in 2005. Net exports to the world of US$ 32.44 million in 2006 versus US$ 26.42 million in 2005.	New Zealand – 23% France – 19% Ireland – 11% USA a minor supplier of 2.6%	0.10	0.01	0.16	2.53	1.04	2.57	South Africa is a net exporter of dairy products. New Zealand is a member of MFN status countries. France and Ireland are members of European Union (EU). The EU and South Africa signed a Free Trade Agreement (FTA) in 1999. The agreement will be phased in over a ten to twelve year period and will essentially liberalize 86% of South

								Africa's imports from EU and about 95% of EU imports from South Africa. The overall agreement meets WTO requirements of 90% coverage.
Edible Fruit and Nuts (08) Net imports from the world of US$ 62.28 million in 2006 versus US$ 54.32 million in 2005. Net exports to the world of US$ 1,190.53 million in 2006 versus US$ 1,259.48 million in 2005.	United States – 17% Spain - 12% Mozambique - 8% The United States is a major supplier of almonds with a market share of 91.9%. Categories (0802, 0806 and 0813) have shown growth.	41.74	54.60	61.62	5.30	7.58	9.50	South Africa is a net exporter of dried fruits and a net importer of nuts. However, a small market exists for dried exotic fruits, and opportunities exist for shelled hazelnuts, desiccated coconut, cashew nuts and shelled almonds.
Coffee, Tea, Mate and Spices (09) Net imports from the world of US$ 101.19 million in 2006 versus US$ 82.21 million in 2005. Net exports to the world of US$ 32.85 million in 2006 versus US$ 25.46 million in 2005.	Malawi – 17% Vietnam – 13% Indonesia – 10% US minor supplier of 0.18%, with category 0904 (black tea) shown growth.	2.03	2.84	3.56	0.08	0.16	0.18	South Africa is a net importer of spices. Local production of tea, coffee is insufficient to meet local demand. Malawi is a member of MFN status countries.
Sugars and Sugar Confectionery (17) Net imports from the world of US$ 93.11 million in 2006 versus US$ 81.5 million in 2005. Net exports to the world of US$ 401.88 million in 2006 versus US$ 305.51 in 2005.	Brazil - 34% Colombia – 9% USA – 8% USA is a major supplier of category 1702 with 32% market share, and China has 11% market share.	10.9	21.35	12.41	6.43	6.63	7.86	South Africa is a net exporter of sugar. The majority of imports are in the category of other sugar products in solid form, such as cane and beet sugar. January 2006 saw customs duty on sugar confectionery not containing cocoa classifiable under the tariff subheading 1704.90 increased from 25% ad valorem to 37% ad valorem. Brazil and Columbia are members of MFN status countries.
Preserved Food (20) Net imports from the	Argentina – 27% China – 19% Italy – 12%	19.68	11.73	16.64	1.31	2.29	3.00	China supplies price competitive products.

world of US$ 96.57 million in 2006 versus US$ 69.90 million in 2005. Net exports to the world of US$ 329.66 million in 2006 versus US$ 332.53 million in 2005.	USA – Minor supplier of 3.1%. USA Category 2008 imports (fruits and nuts) have shown increase .							Argentina and China is a member of MFN status countries; whereas Italy is a member of EU states.
Miscellaneous Edible Preparations/Processed Fruit & Veg (21) Net imports from the world of US$ 165.11 million in 2006 versus US$ 129.35 million in 2005. Net exports to the world of US$ 165.11 million in 2006 versus US$ 90.11 million in 2005.	USA – 17% Netherlands – 14% UK – 11% Categories 2103 (sauces) shown growth with UK having 20% market share, and USA 14%; 2104 (soups) with UK having 23%, Switzerland 17% and USA jumped from 4% in 2005 to 16% in 2006; category 2106 (food preparations) USA having 20% and Netherlands 15%.	2.73	4.17	8.81	19.19	21.36	27.38	South Africa is a net exporter of processed fruits and vegetables. Opportunities exist for canned peas, and import of grape and apple juice which are used as a base for other fruit juices, prepared and preserved tomatoes, and fruit pulps. USA key trading partner including AGOA bilateral trade relationship. Netherlands and Germany are members of EU states.
Beverages (22) Net imports from the world of US$ 287.54 million in 2006 versus US$ 231.65 million in 2005. Net exports to the world of US$ 736.31 million in 2006 versus US$ 789.26 million in 2005.	UK – 52% US – 10% Austria – 8% USA category 2208 imports increased slightly in 2006.	47.87	62.51	71.70	18.75	28.63	29.93	South Africa is a net exporter of alcoholic beverages. This market is dominated by well known brands from the UK. The South African appetite for American spirits has grown over the last three years. UK and Austria are members of EU states.

Source: World Trade Atlas

Some of South Africa's trade agreements (multilateral and bilateral) with other nations includes ***World Trade Organization (WTO),*** where South Africa is a founding member, extending most favored-nation (MFN) treatment to other members.

***Southern African Development Community (SADC)*:** South Africa joined SADC in August 1994. The other thirteen members of SADC are: Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Swaziland, Tanzania, Zambia, and Zimbabwe. SADC's objective is to foster harmonized regional development through economic activities, including a trade protocol aimed at creating a Free Trade Area within the SADC region.

Southern African Customs Union (SACU): There are five SACU member states which comprised of South Africa, Botswana, Lesotho, Namibia and Swaziland. In terms of the agreement, members use a common external tariff and goods are traded free of duties and quotas between member states.

The European Union (EU) is a union of twenty-seven independent states based on the European Communities and founded to enhance political, economic and social co-operation. The member states includes, Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and United Kingdom.

Section 4. BEST PRODUCTS PROSPECTS

A. Products Present in the market Which Have Good Sales Potential

- Preserved food
- Natural and organic food and beverages products of all descriptions
- Processed fruit and vegetables
- Beverages
- Sugars and Sugar Confectionery, specifically Sweetners & Beverage Bases
- Edible fruits and nuts, specifically almonds
- Canned salmon
- Black tea

B. Products Not Present In Significant Quantities but Which Have Good Sales Potential

The hotel-restaurant and institutional sector continue to expand and restaurant chains are rapidly becoming the dominant sector. Finding shows that the following products have good sales potential.

- Pulses
- Breakfast Cereals and Pancake Mix
- Eggs & Products
- Dairy products

C. Products Not Present Because They Face Significant Barriers

Poultry: South Africa has imposed anti-dumping duties on U.S. frozen chicken leg quarters imports since July 2000, an action that virtually cut off U.S. chicken exports to South Africa for the past 6 years. In 2005, the South African government announced that the anti-dumping duties on U.S. chicken meat would expire under the “sunset review” clause, but the South African Poultry Association applied to have the duties extended.

On March 2, 2006, the International Trade Administration Commission (ITAC) of South Africa released its preliminary decision that “the expiry of the anti-dumping duties would not likely lead to the recurrence of material injury” and that therefore the ITAC had decided to recommend to the Minister of Trade and Industry that the anti-dumping duties be withdrawn. Nevertheless, the Commission has given all parties the final opportunity to comment on the “essential facts” of the case by March 16, 2006. After a September 2006 review, the South Africa’s International Trade Administration Commission (ITAC) decided to keep the duties in place.

Fruits: The USDA is working with the South African Department of Agriculture to permit the importation of apples, grapes, and fresh pomegranates from the United States.

Section 5. POST CONTACT AND FURTHER INFORMATION

If you have any questions or comments regarding this report or need further assistance, please contact AgPretoria at the following address:

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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

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