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## South Africa, Republic of

### HRI Food Service Sector

### HRI Sector Report

### 2006

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**Report Highlights:**

The biggest growth industry in South Africa is tourism. According to the HotelBenchmark Survey, tourism in South Africa is expected to grow by almost 6% for the coming years, and currently contributes more than 9% to Gross Domestic Product. This is a remarkable achievement for a country that - just over ten years ago - was not even on the tourists' map. In 2005, the U.S. exported US\$ 223 million of agriculture, fish, and forestry products to South Africa, a high value since 2000. 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.

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## Section 1. MARKET SUMMARY

South Africa, with a population of around 46.9 million people, has a market-oriented economy and is a net exporter of agricultural products. The Global Competitiveness Report ranks South Africa 42 out of 117 countries, the third place among all developing countries globally. Over the last five years the United States has exported an average of 223 million dollars per year of agricultural, fish and forestry products to South Africa

South Africa has a large and complicated food service market. The foodservice sector of the South African economy 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. 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, hospital (public and private), educational institutions and prisons. The staff feeding sector includes canteens (in-house cafeteria's), mines, South African Police, and the South African Defence Force. The food industry accounts for the largest section of the South African manufacturing industry.

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, 2800 guesthouses and 10,000 restaurants. 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. According to the South African Department of Environmental Affairs and Tourism, more than 1.3 million foreigners visited South Africa between January through September 2005, a 4.3% per cent increase from the previous year.

South Africa has the highest arrivals of any African country and represents 20% of the continent's arrivals. Considering competitors such as Thailand, Australia and Brazil, only Thailand surpasses South Africa in terms of total foreign arrivals. 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 months in 2005 or average of 100,000 per month. The increase in the first nine months of 2005 was 10.3% annually.

Statistics South Africa released the following tourism data on January 11, 2006: The number of tourists to SA rose 14.3% year on year in August, continuing the steady upswing in tourist figures seen in recent months on the back of a more stable rand. Data released by Statistics SA show that the total number of foreign travelers who visited SA from the rest of the continent, as well as overseas tourists, rose to 650,290 compared with 568,890 in August 2004. A dip in the numbers earlier this year, particularly from international markets, was attributed to the strong rand. The strength of the local currency has also affected tourists' spending patterns and length of stay.

The UK remained the leading country of origin of overseas travelers, constituting 21.4% (35,015) of total tourists, followed by the US with 23,914 (14.6%) travelers and Germany in third place, with 15,311 (9.3%) tourists visiting SA during that period. The highest increase in the number of arrivals from these leading source countries was from the US. Other main countries of origin of overseas travelers were Italy with 10,578, France (9,616) and the Netherlands (7,812). Overseas visitors in August totaled 163,888.

Travelers from African countries still constitute the majority of tourists coming into the country, with the largest increase coming from Mozambique. Travelers from Mozambique increased 93.4% to 64,181 in August, as visa requirements have become less stringent. "The most common mode of travel used by foreign travelers arriving in SA was road, involving 71% travelers, and (for) the total number of travelers departing, road constituted the most common mode of travel (69.9%)," Stats SA. Most foreign tourists' bednights (44%) and particularly African tourist bednights (51%), are spent in the homes of friends and relatives, followed by in hotels with similar percentages both Africa and overseas (25% overall). Overseas visitors are more likely than Africans to use all other forms of accommodation such as game lodges and self-catering, except guest houses.

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.

The government established the Food Pricing Monitoring Committee in November 2002, to monitor the prices of basket of basic food items.

### 1.1. Advantages and Challenges for US exporters

Advantages	Challenges
South Africans are developing a taste for western foods 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' and 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) issue 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.

There are 20 national parks in South Africa, all of which are administered by the South African National Parks (SANParks). Most of these resorts 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 specialist 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 December 2005 Release: Key findings as at the end of September 2005

#### Number of stay unit nights increases

The number of stay units sold during September 2005 increased by 3.5% (from 1,429,400 to 1,479,800) compared to September 2004. Furthermore, the number of stay unit nights sold during the third quarter of 2005 increased by 6.3% (from 4,035,700 to 4,291,800) compared with the second quarter of 2005. This increase could be partly due to the mid-year school vacation in July and the higher number of foreign tourist arrivals to South Africa during August and September annually.

## Occupancy rate increases

The occupancy rate in September 2005 (50.9%) increased by 4.6% compared with September 2004 (48.7%). Furthermore, the occupancy rate for the third quarter of 2005 (48.2%) increased by 4.4% compared with the second quarter of 2005 (46.1%).

## Total income from accommodation increases

In September 2005, income from accommodation was R637.5 million. This was an increase of 12.0 % (R68.4 million) compared with September 2004. Furthermore, income from accommodation in the third quarter increased by of 11.9% (R184.9 million) compared with the second quarter of 2005. This increase could be partly due to an increase in the 'average income per stay unit night sold' and an increase in the 'number of stay unit nights sold' in the third quarter compared to the second quarter.

### 2.1.2 Entry Strategy

Although the majority of the hotels are part of the chain groups, 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 always not 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 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, specialist retailers and others. This is because most if not all hotel kitchens have the policy of holding only sufficient quantities of food and beverages for short term needs only. The following table highlights and summarizes sources of supply in percentage. The table below indicates the sources of supply to the hotel industry:

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 plays 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 the supermarket, retail chains and convenience store sector. The supermarkets also offer ready meals every day of the week.

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 spend.

According to DEAT, in 2005, the Tourism Grading Council launched the grading scheme for restaurants, with thus far has not been as rapidly adopted as they would have liked by the industry. The Grading Council will be holding countrywide road shows on restaurant grading effective March 2006, to meet the target of all restaurants graded by the time the Soccer World Cup begins in 2010. The Grading Council later this year will be launching 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
Steers Group	Local	Not available	989	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 in 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 a 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 Steers Group (Steers, Debonair Pizza, FishAways, Church's Chicken, House of Coffees, Brazilian, ESP Illy Boutique, 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 Gross Domestic Product (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. 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 still remain 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 takeaways. Kentucky Fried Chicken came out on top, with 1.2 million buyers, 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 around 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 we have 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 set to continue in 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, and 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 still remaining in-house. This sector constitutes a very large market for food and beverages and include various institutions such as Commercial Sector; Institutions and Services; and Staff Feeding. It is estimated that only 28% of public-sector and 55% of private-sector catering have 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 outsourced market between R2.8 and R3 billion. Contract caterers include Tsebo Outsourcing Group (formerly the Fedics Group) owned by ICS Holdings, Royal Food Services, Kagiso Khulani Supervision Food Services owned by Tongaat Hulett, 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 the local manufacturers, catering wholesalers and distributors. By far the most significant of the catering companies is Tsebo Outsourcing. Tsebo Outsourcing, South African 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 manufactured 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 Food Services	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 running 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 2003 – 2005:

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
		2003	2004	2005	2003	2004	2005	
Meat and Edible meat offal (02)  South Africa net imports from the World of US\$ 147.23 million in 2005 versus US\$	Brazil – 63% Australia – 10% Canada – 6%  USA minor supplier of 0.7%	0.01	0.04	0.04	4.19	0.80	2.40	South Africa is a net importer of meat and meat products. The pattern of imports in this category is variable and

113.78 million in 2004.  South Africa net exports to the world of US\$ 0.95 million in 2005 versus US\$ 0.64 million in 2004.								depends largely on local conditions. Brazil, Australia and Canada are members of MFN status countries.
Fish and Seafood (03)  Net imports from the world of US\$ 19.05 million in 2005 versus US\$ 14.33 million in 2004.  Net exports to the world of US\$ 71.46 million in 2005 versus US\$ 66.18 million in 2004.	India- 27% Japan -9% Mozambique - 8%  USA- Minor supplier of 3%	30.61	29.51	32.34	1.050	2.92	2.88	South Africa is a net exporter of fish and seafood products. Imports in this category have been 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\$ 30.39 million in 2005 versus US\$ 27.37 million in 2004.  Net exports to the world of US\$ 13.94 million in 2005 versus US\$ 12.15 million in 2004.	Thailand – 36% Philippines- 19% Zimbabwe – 8%  USA – Minor supplier of 3% in 2005 from 5% in 2004.  US imports of (0306) crustaceans declined from US\$ 4 million in 2004 to US\$ 3.6 million in 2005. Category (0307) Molluscs have shown the most growth from US\$ 1.3 million in 2004 to US\$ 1.8 million in 2005. US imports of (0306) crustaceans declined from US\$ 4 million in 2004 to US\$ 3.6 million in 2005. Category (0307) Molluscs have shown the most growth from US\$ 1.3 million in 2004 to US\$ 1.8 million in 2005.  The United States enjoys a dominant	0.10	0.31	0.43	0.90	1.93	1.25	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 India 1996 bilateral trade agreement.

	position in the canned salmon market holding a market share of 95.6%, and Canada 4%. For shrimp and prawns, horse mackerel and snoek, demand is for frozen products.							
Dairy Products (04)  Net imports from the world of US\$ 11.49 million in 2005 versus US\$ 9.74 million in 2004.  Net exports to the world of US\$ 0.42 million in 2005 versus US\$ 0.72 million in 2004.	New Zealand – 20% France – 19% Ireland – 11%  USA a minor supplier of 0.9%	0.03	0.11	0.01	0.27	1.03	0.72	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\$ 15.62 million in 2005 versus US\$ 12.63 million in 2004.  Net exports to the world of US\$ 486.34 million in 2005 versus US\$ 461.95 million in 2004.	Turkey – 15% United States - 14% Brazil - 9%  The United States is a major supplier of almonds with a market share of about 86.9%.  USA imports of US\$ 7.2 million versus US\$ 4.8 million in 2004.	37.50	41.74	54.6	3.29	5.30	7.58	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. Brazil is a member of MFN status countries.
Coffee, Tea, Mate and Spices (09)  Net imports from the world of US\$ 7.80 million in 2005 versus US\$ 8.52 million in 2004.	Malawi – 19% Vietnam – 15.9% India – 9.5%  US minor supplier of 0.15%  Category 0902	2.5	2.03	2.84	0.10	0.08	0.16	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

Net exports to the world of US\$ 7.64 million in 2005 versus US\$ 7.61 million in 2004.	(pepper) have shown growth from US\$ 4.334 in 2004 to US\$ 26.322 in 2005; category 0904 (tea) growth from US\$ 20.814 in 2004 to US\$ 64.690 in 2005.							status countries.
Sugars and Sugar Confectionery (17)  Net imports from the world of US\$ 19.82 million in 2005 versus US\$ 17.40 million in 2004.  Net exports to the world of US\$ 275 million in 2005 versus US\$ 223.71 in 2004.	Brazil - 42% USA – 7.5% Colombia – 7.2%  USA imports decline from US\$ 5.9 million in 2004 to US\$ 5.7 million US\$ in 2005. Category (1704) shown most growth from US\$ 280.000 to 529.000 in 2005.	11.71	10.9	21.35	3.29	6.43	6.63	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 world of US\$ 12.54 million in 2005 versus US\$ 8.54 million in 2004.  Net exports to the world of US\$ 128.3 million in 2005 versus US\$ 95.94 million in 2004.	China – 21% Argentina – 17.3% Italy – 16.2%  USA – Minor supplier of 3.4%.  USA imports increased from US\$ 1.3 million to US\$ 2 million in 2005. Category 2008 jumped from US\$ 0.60 million in 2004 to US\$ 1.4 million in 2005. Other categories that have shown growth is 2001, 2005 and 2007.	24.2	19.68	11.73	1.44	1.31	2.29	China supplies price competitive products.  Argentina 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\$ 96.52 million in 2005 versus US\$ 75.22 million in 2004.	USA – 16% Netherlands – 14% Germany – 12%  USA imports jumped from US\$ 17.7 million to US\$ 19.3 million in 2005.	3.68	2.73	4.17	13.82	19.19	21.36	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

Net exports to the world of US\$ 6 million in 2005 versus US\$ 4.01 million in 2004.	Categories (2106) food preparations shown most growth from US\$ 15.9 million to US\$ 17.7 million in 2005; and category 2102 from US\$ 0.34 million to US\$ 0.42 million in 2005.							juices, prepared and preserved tomatoes, and fruit pulps.  Netherlands and Germany are members of EU states.
Beverages (22)  Net imports from the world of US\$ 178.31 million in 2005 versus US\$ 144.33 million in 2004.  Net exports to the world of US\$ 596.12 million in 2005 versus US\$ 537.96 million in 2004.	UK – 49% US – 12% Austria – 9.7%  USA imports jumped from US\$ 17 million in 2004 to US\$ 25.7 million in 2005. Category (2208) Ethyl alcohol shown most growth from US\$ 16.6 million in 2004 to US\$ 25 million in 2005. Other categories that have shown growth are 2201 from US\$ 28.944 to US\$ 83.503 in 2005; 2204 from US\$ 37.854 to US\$ 70.324 in 2005; and category 2209 from US\$ 3.928 to US\$ 9.224 in 2005.	32.21	47.86	62.51	6.31	18.75	28.63	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

**Section 4. BEST PRODUCTS PROSPECTS****A. Products Present in the market Which Have Good Sales Potential**

- Preserved food
- Processed fruit and vegetables
- Beverages
- Sugars, Sweeteners & Beverage Bases
- Edible fruits and nuts
- Canned salmon

**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

In July 2000, South Africa imposed prohibiting anti-dumping duties on U.S. frozen chicken leg quarters, 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. ITAC will make its final recommendation to the Minister after considering any additional comments received.

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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