

Voluntary Report – Voluntary - Public Distribution

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Report Number: SF2021-0003

Report Name: Insufficient Food Ingredients Production in South Africa
Presents Diverse Opportunities for US Exporters

Country: South Africa - Republic of

Post: Pretoria

Report Category: Promotion Opportunities, Market Promotion/Competition, Food Processing
Ingredients, Agricultural Situation

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Report Highlights:

The South African food ingredients market was valued at R25.6 Billion (US\$1.7 billion) in 2019, and is expected to reach R30 billion (US\$2.0 billion) by 2024. Notably, South Africa does not produce sufficient food ingredients to meet the local demand. As a result, an estimated 90 percent of food ingredients are imported. The United States is already a reputable exporter of food ingredients to South Africa and opportunities for U.S. food ingredients exports are diverse.

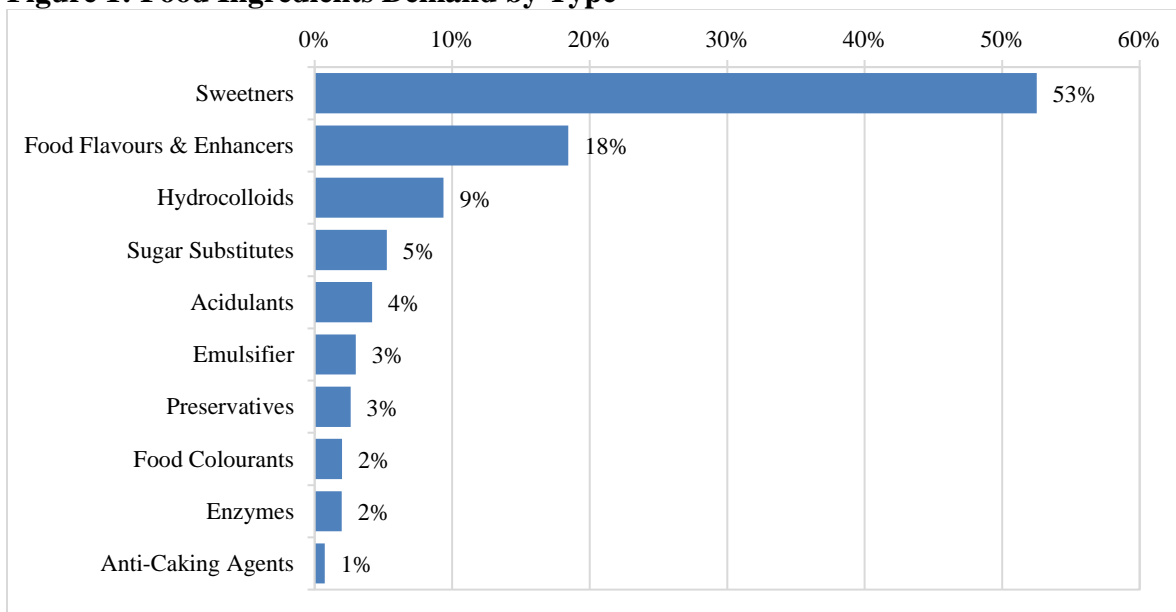
US\$ = R15.21 as at January 27, 2021

Growing Demand and Size of the Food Ingredients Market

The South African food ingredients market was valued at R25.6 Billion (US\$1.7 billion) in 2019, and showed a consistent annual growth rate in excess of 5 percent from 2017 to 2019. The value of the South African food ingredient industry is expected to reach R30 billion (US\$2.0 billion) by 2024, with an average annual growth of 6 percent. The South African economy, including the food ingredients sector, was significantly impacted by COVID-19 in 2020. The already-recessionary conditions in the economy were exacerbated by a national lockdown, drastically curbing spending, investment, and industrial production. The South African economy is expected to take at least 18 months to recover from the impact of COVID-19.

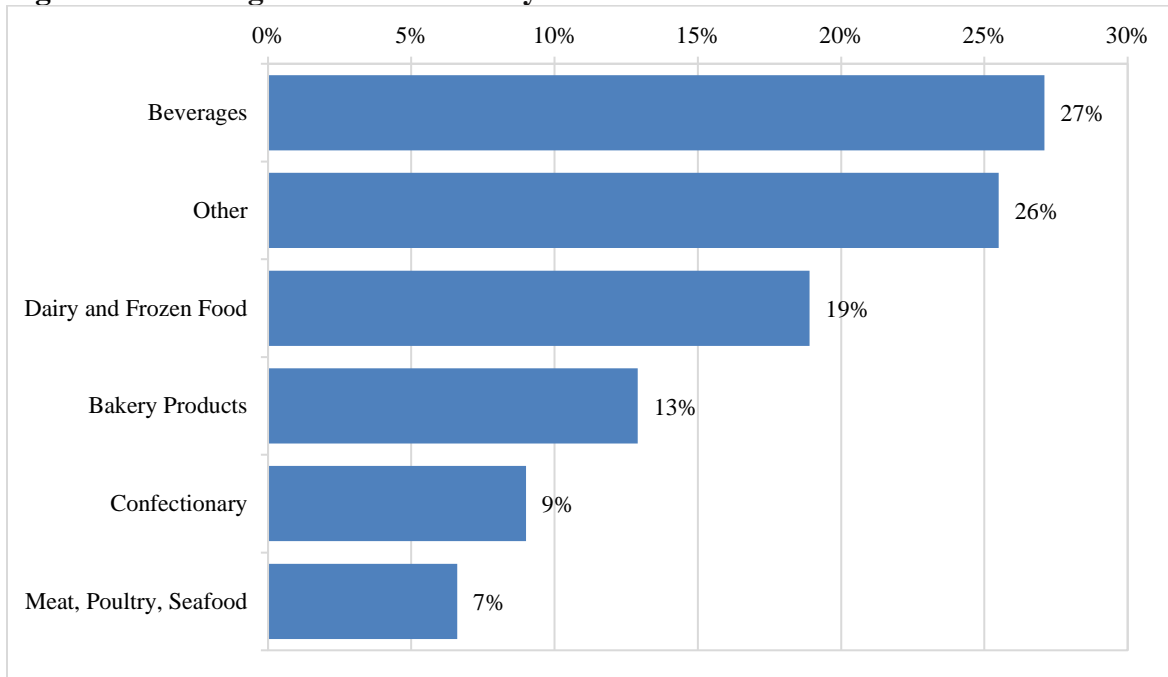
Sweeteners are the leading food ingredient in South Africa, accounting for 53 percent of total demand in 2019, followed by Food Flavours and Enhancers (18 percent) as shown in **Figure 1**. Sweeteners are also the fastest growing food ingredient, due to the implementation of the tax on sugar-sweetened beverages (sugar tax) in 2018 which resulted in most processors using sweeteners in place of sugar to reduce costs associated with the tax. The substitution resulted in further cost savings for processors, as sweeteners are generally less expensive than sugar.

Figure 1: Food Ingredients Demand by Type



The beverage sector is the leading user of food ingredients in South Africa, accounting for 27 percent of the total demand, followed by Dairy and Frozen Products (19 percent), Bakery Products (13 percent), Confectionary (9 percent), Meat, Poultry, and Seafood (7 percent).

Figure 2: Food Ingredients Demand by Sector



The key drivers for food ingredients demand include:

- The introduction of a sugar tax in South Africa in 2018 resulted in most local processors/product manufacturers opting to reduce the sugar content within their beverages to avoid the tax, and instead substitute the sugar with a sweetener.
- The increase in the demand for new type of food products, such as ready-to-eat and frozen desserts.
- Continued advancements in food ingredient innovation and manufacturing methodologies.
- Increasing consumer awareness and demands on ingredients included in foods and beverages. This includes consumers seeking “free-from” items (gluten, GMO, meat, dairy, etc.), along with assurances of ingredients being sustainably sourced to help food companies develop a clean label food product.
- Increased focus on benefits that can be offered from food ingredients such as production efficiencies and cost reduction.

Insufficient Production Presents Opportunities for U.S Food Ingredient Exporters:

South Africa does not produce enough food ingredients to meet the local demand. As a result, an estimated 90 percent of food ingredients are imported. The U.S is already a reputable exporter of food ingredients to South Africa and opportunities for U.S food ingredients exports are diverse. The factors below augurs well for U.S food ingredients exports:

- Local industry players are used to importing food ingredients, so most importers will be more approachable with alternate solutions.
- South Africa’s economy was under pressure even before COVID-19 started, a situation that has been exacerbated by the COVID-19 pandemic. As a result, local industry players are under more pressure

to provide solutions to shareholders, employees and consumers, and will be more open to discussions regarding new food ingredient solutions.

- The continued shift from sugar to sweeteners is expected to remain prominent over the next few years as the economy tightens further due to COVID-19. The remaining beverage companies that have not shifted over to sweeteners as yet will have to strongly consider this alternative now.

The main categories of products or sectors which are large-users of food ingredients presented in the report include, Animal and pet food; Baking and confectionary; Beverages; Canned Food; Cereals; Cured/Processed Meat; Dairy; Dietary Foods; Sauces, Dressings and Condiments; Sweets and Chocolates.

If you are U.S. company or organization and require more detailed information on the food ingredient sector such as key importers, manufacturers and distributors, you may contact the USDA Pretoria Office on the following email, agpretoria@usda.gov.

Other Relevant GAIN Reports:

Report Name	Link
Exporter Guide (SF2020-0066)	Download
Food and Agricultural Import Regulations and Standards Country Report (SF2020-0048)	Download
Retail Foods (SF2020-0036)	Download
Food Processing Ingredients (SF2020-0016)	Download
South African Sugar Industry Crushed by Not So Sweet Tax (SF2019-2943)	Download

Attachments:

No Attachments.