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## South Africa, Republic of

### Retail Food Sector

### Retail Food Sector Report

### 2004

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**Report Highlights:**

South Africa's economic situation and strength of the rand have improved in 2004, increasing opportunities for U.S. food products in South Africa. The South African retail market consists of a few major supermarkets chains, convenience chains, and some independent stores. The food retail sector continues to expand and supermarkets, convenience stores and forecourts are rapidly becoming the dominant food retail outlets. A boom in the franchise sector, convenience stores, and forecourts, which are good venues for imported products, provide better access and convenience for the consumers. Best prospects for U.S. products include several high value products like almonds, cultivated ginseng root, canned salmon, American bourbon whisky, new oak staves for wine barrels, sauces and frozen food preparations. These items have shown consistent growth over the last five years and represent important opportunities for U.S. exporters.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Annual Report  
Pretoria [SF1]  
[SF]

## Section I: Market Summary

South Africa, with a population of around 44 million people, possesses a modern infrastructure supporting an efficient distribution of goods to major urban centers throughout southern Africa and well-developed financial, legal, communications, energy, and transport sectors. Although South Africa's economy has grown slowly and steadily in each of the past 45 quarters, the value of the rand has fluctuated widely against world currencies, causing food retailers to continually update their selection of imported and locally produced items. There are many players in the food retail industry in South Africa ranging from highly sophisticated retail chain supermarkets such as Pick n Pay, Shoprite-Checkers, Spar, Woolworths; wholesale outlets such as Makro, Metro, Trade Center, Cash & Carry; independent stores such as Biforce Group, Bargain Group, Shield Wholesalers; convenience chain stores including forecourts (gas stations with convenience type stores); traditional stores which includes independent stores such as general dealers, cafes, spaza shops, street vendors, hawkers, tuck shops, and primitive little street corner stalls at the other end of the retail sector. The South African food and beverage market is becoming increasingly sophisticated and is supplied by both local and imported products.

South Africa has a two-tiered economy, one rivaling other developed countries and the other with only the most basic infrastructure. It therefore is a productive and industrialized economy that exhibits many characteristics associated with developing countries, including a division of labor between formal and informal sectors-and uneven distribution of wealth and income. The formal sector, based on mining, manufacturing, services, and agriculture, is well developed.

Retail trade outlets in South Africa offer the full spectrum available in the United States. These range from the neighborhood convenience drugstore (called cafés), to the small general dealer, specialty stores handling a single product line (for example, clothing, electronics, furniture), exclusive boutiques, chain stores (groceries, clothing, toiletries, household goods), department stores, cash and carry wholesale-retail outlets, to co-operative stores serving rural areas. About 90 percent of inventories of consumer-ready products in these stores are domestically sourced. A major phenomenon in South Africa has been the evolution of hypermarkets, which sell large quantities of almost all consumer goods on a self-serve basis. The hypermarkets, located in suburban shopping centers/malls, have disrupted the traditional distribution chain by purchasing directly from manufacturers and bypassing the wholesaler, and with low margins achieving high turnover, thereby placing price pressure on all competing outlets.

Many U.S. exporters of consumer goods sell directly to South African retail organizations, such as department stores, chain stores, and cooperative groups of independent retailers, which assume the functions of wholesale buying, selling, and warehousing.

It may be necessary to appoint an official after-sales agent for products of a technical nature in South Africa. This may be a company that does not import or market the product in question, but rather, because of its geographical reach, technical abilities and goodwill in the market, acts as the certified service agent. Appointing an appropriate after sales agent is crucial in ensuring that the product develops a respected reputation in the South African market.

South Africa's economic situation and strength of the rand have improved in 2004, increasing opportunities for U.S. food products in South Africa. The South African retail market consists of a few major supermarkets chains, convenience chains, and some independent stores. The food retail sector continues to expand and supermarkets, convenience stores and forecourts are rapidly becoming the dominant food retail outlets. A boom in the franchise sector,

convenience stores, and forecourts, which are good venues for imported products, provide better access and convenience for the consumers. Best prospects for U.S. products include several high value products like almonds, cultivated ginseng root, canned salmon, American bourbon whisky, new oak staves for wine barrels, sauces and frozen food preparations. These items have shown consistent growth over the last five years and represent important opportunities for U.S. exporters.

South African food retailers serve a wide range of consumers. At one end, there are supermarkets very similar to those found in the United States. These shops provide most of the products and services found in U.S. grocery stores like processed foods, packaged meats and fancy produce. Some South Africans enjoy purchasing organic products and vegetables, a fast growing segment of the retail food market (lead by organic baby food). Many supermarkets serve pre-assembled meal items such as roasted chickens and cut vegetables ready for soup, stir-fry, salads etc, while others sell ready-made meals like sandwiches and sushi.

At the other end of the economic spectrum, consumers are also well served by a thriving informal sector. Spazas are independent grocers that are typically found in townships and generally specialize in staple foods like cornmeal, rice, cooking oils and meats. They may also sell soft drinks and other low-priced consumer oriented goods. The food retailer Pick n Pay chain, have infiltrated the township market, and have opened stores in township areas, places that have been historically underserved by large supermarket style stores.

According to an article on October 18, 2004 in the Business Day, South Africa's leading newspaper, "South Africa's two biggest branded food companies, Tiger Brands and Anglovaal Industries (AVI), unbundled noncore units to focus their investment. Tiger Brands' subsidiary, food buying group Spar, lists as a separate entity owned by Tiger Brands shareholder effective October 18, 2004, while AVI said it would be unbundling its stake in glass and niche plastic packaging group Consol and listing in 2005. Both companies' share prices have performed strongly recently. AVI's share have soared 58% to \$3 from \$1.3 two years ago, while Tiger Brands is 41% higher at \$16.95 from \$6.8. The food sector index has risen 34% in the same period. Expansion by South Africa's retail giants such as Pick n Pay, Shoprite Holdings and Woolworths on the back of consumer spending makes it necessary for food companies to have critical mass to maintain bargaining power.

At the same time, the strong rand has increased competition in some categories. A separate and longer-term development in the primary food sector has been (1) the conversion of Agricultural Co-operatives to Companies, for example National Co-operative Dairies to Clover Industries; (2) KWV from a Co-operative to a Limited Company; and (3) OTK to Afgri. This trend follows the deregulation of the old control boards, which means co-operatives are now operating in a more competitive environment and need to be more responsive to consumers. Companies that were once co-operatives, such as Pioneer Foods and Afgri, have been consolidated and adding higher-margin businesses. Pioneer Foods, which owns millers Sasko and cereals company Bokomo, has in the past 18 months bought Accolade Trading, Golden Lay, Moirs, launched a joint venture with Heinz, and doubled its stake in Ceres Fruit Juices."

**Consumer Tastes and Preferences:** Despite the variety of options available to South African consumers, price sensitivity rules their behavior. A source survey in 2003 found that 47.8% based their decisions on price and 16.9% buy store brand (generic brand) items because they are good value for money. Only 13.4% mentioned quality as a motivator, while 4.3% perceived the store brand to be equal to name brand items. Products that are successful with store brand labels include milk, syrups, dry pasta, nuts, canned fruits and jellies.

Although many South Africans choose products according to price, consumers in townships often demonstrate contradictory demands and characteristics. For example, spazas and other informal shops tend to only supply leading brand items because their customers demonstrate strong brand loyalty. Adding to this trend is the fact that the black population's buying power is increasing. On the other hand, product attributes that may help a product succeed in township markets are less expensive and/or single service package sizes and ambient-stable products that do not require refrigeration. A local research company recently reported findings that confirm this, stating, "we have heard for the past 20 years that the [low income] consumer wants smaller packaging, but it is still amazing how many manufacturers do not heed that call."

South Africans love meat, and barbeque, called braai, is very popular. Braai products, such as sauces, are also popular, especially sweet and spicy flavors. A wide variety of meats are available, such as beef, beef sausages, lamb, game meats, and poultry. Fish is also gaining popularity as consumers are seeking healthier alternatives to meat. (South Africans eat more beef and lamb than pork. It has been generalized that they eat about as much pork as Americans eat lamb, and as much lamb as Americans eat pork.)

According to ACNielsen research, health information is becoming an important component of food retailing. Consumers would like to see more health, nutritional and weight loss information in stores. These consumers will most likely fit in the categories of:

- 1) older female consumers who are interested in diet as a way to obtain good health in place of exercise,
- 2) young people and high Living Standard Measurement (LSM) consumers who are becoming increasingly aware of the importance of a good diet and exercise in order to maintain good health,
- 3) and low LSM consumers, many of whom are feeling the impact of HIV/AIDS on their families and are thus in need of healthy food products. However, due to hard financial times for poor South Africans, health products for low LSM consumers will not find a place on grocer's shelves unless they are developed as viable substitutes for basic staples.

**Food Standards and Regulations:** The Department of Agriculture has developed food safety legislation. This food safety legislation was developed due to food safety requirements in the international community for example the European Union (EU) legislation requiring full traceability. As from 1 January 2005, all products of plant origin for export must comply with this food safety legislation. The Department of Agriculture is currently conducting Food Safety road shows up until the end of November 2005, whereby all aspects relating to food safety requirements will be explained to food manufacturers and stakeholders.

South Africa's new Liquor Act came into effect on August 13, 2004. Effective Sunday November 7, 2004, South African Liquor outlets are allowed to sell alcoholic beverages on Sundays.

South African farmers and manufacturers are becoming increasingly responsive to food safety issues. As South African supermarkets and food distributors continue to integrate their food supply chains, they are able to better provide traceability/accountability services for consumers. This is especially important in order to satisfy export market demands. However, food safety has a much lower profile in South Africa than in the U.S. or Europe, perhaps due to fewer incidents or due to problems in identifying food safety problems. In 2002, South Africa approved a set of food safety regulations that embrace the important principles of HACCP and follow the Codex Alimentarius model. Under these regulations, exports to South Africa must meet the same food safety standards as apply to South African

food producers. For more information on HACCP, please refer to Regulations Relating to the Application of the Hazard Analysis and Critical Control Point System (HACCP System) at [www.doh.gov.za](http://www.doh.gov.za), (click on documents then regulations.)

For Further information, please read the Gain Report SF4029, the Food and Agricultural Import Regulations and Standards (FAIRS), which was written by our office.

### Advantages and Challenges Facing U.S. Products in South Africa:

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 retail food industry needs imported food and beverage products.	Already acquired tastes and preferences for traditional locally produced products.
Favorable exchange rate, strong rand with the weak dollar make American imports more affordable.	Competition from other countries and locally produced products. 90 percent of products of the retail outlets are locally produced. South Africa major retailers have joined forces with the Proudly South African (PSA) campaign, launched by the Government, to give PSA suppliers preferential tendering for shelf space, and to promote South Africa products.
South Africa is a gateway for regional markets.	Consumers are price-conscious and do not exhibit brand loyalty. Products must constantly be promoted.
South African consumers view U.S. products as high quality.	Limited knowledge by retailers and consumers of the variety and quality of U.S. products.
South African importers seek suppliers who can offer reliable and quality products at competitive prices.	Challenges for U.S. suppliers to respond to trade lead inquiries in a time fashion.
Importers and distributors can help develop heavy brand loyalty.	

## Section II: Road Map for Market Entry

### A. Supermarket:

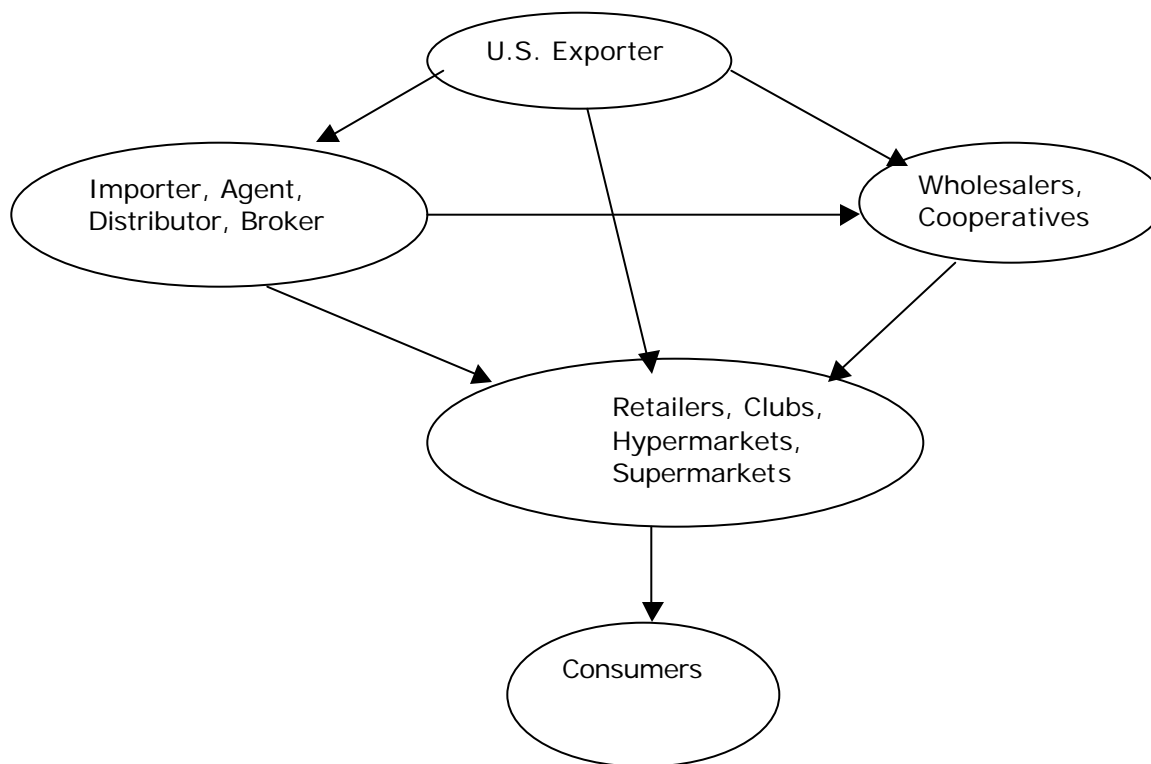
Entry Strategy: Introducing a product successfully depends on heavy promotion and supporting a product to the consumer. In South Africa's very competitive marketplace it is essential that U.S. exporters choose the correct agent or distributor. Evidence shows that the most successful U.S. company ventures are those that have researched their market thoroughly before engaging in a search for agents and distributors. Once contacts are established it is advisable to visit South Africa since firsthand knowledge of the market is highly useful.

In South Africa the terms "Agent" and "Distributor" have a very specific meaning. Agents work on a commission basis after obtaining orders from customers. Distributors buy and sell products directly their customers. It is common to appoint a single agent capable of providing national coverage either through one office or a network of branch offices. In

addition to their role as the local representatives of U.S. exporters, agents should be able to handle the necessary customs clearance, port and rail charges, documentation, warehousing, and financing arrangements. Local agents representing foreign exporters outside South Africa who exports goods to South Africa, are fully liable under the South African Import Control Law for all regulations and control imposed on imported products. Local agents are required to register with the Director of Import and Export Control of the Department of Trade and Industry. It is important for a U.S. exporter to maintain close contact with the local agent to track changes in importing procedures and to ensure that the agent is effectively representing his or her interest.

#### Market Structure:

Basic flow of imported food products:



- Retail supermarket chains maintain their own distribution systems, using warehouses to allocate goods to supermarket branches.
- Depending on the arrangements, in some instances imports are handled by the supermarket chain's head office or by branches themselves.
- Trends in the distribution channels show that some of the supermarkets are moving toward outsourcing the services of warehousing and transportation.

#### Major Supermarket profile:

Below is a chart of South Africa's major supermarket chains. For the most part, they offer much the same range of products and brands. Gaining a competitive edge through image and service is their major preoccupation. The retailers work hard at establishing their own

particular appeal. Some, like Woolworths and Spar, do this by targeting a particular shopper segment, such as upper income groups. Others, like Pick n Pay and Shoprite-Checkers group, go head-to-head more on price and “shopping experience”.

One common characteristics among these retail groups is enormous bargaining power. They are all able to dictate their buying terms to suppliers who are expected to deliver products to central depots or warehouses, where the products are then distributed to supermarkets and retail outlet stores. Shoprite-Checkers and Spar, for example, are very strong in the black areas (townships) whereas Woolworths is stronger in the smaller “up-market” segment. Most supermarkets sell their own-label products as well as manufacturer’s brands. The retail industry prefers to buy directly from local manufacturers. For imported products, some supermarkets prefer to deal directly with U.S. companies, because an import agent or a distributor acting as a middleman can add up to 30% to the cost of the product, resulting in less margin for the supermarket.

Retail Name	Ownership	Sales (\$Million)	Number of Outlets	Location	Purchasing Agent Type
Pick n Pay Group: - Pick n Pay Hypers - Pick n Pay Supers - Pick n Pay Family - Ritevalu - Score - Pick n Pay Minimarket - Boardmans - Franchise - Pick n Pay Gas Centers	Local/International	Not available	420	Nationwide	Direct/Importer
Shoprite Holdings: - Shoprite - Checkers - Checkers Hypers - Usave - OK Furniture - House & Home - Hungry Lyons - OK Foods - OK Grocer - OK Minimark - Sentra - Megasave - 8 'Till Late	Local/International	Not available	834	Nationwide	Direct/Importer
Woolworths: - Woolworths - CountryRoad - Woolworths	Local/international	Not available	237	Nationwide	Direct/Importer



(franchised)					
Spar: - Superspar - Spar - Kwikspar	Local/International	Not available	764	Nationwide	Direct/Importer

**Pick n Pay:** The Pick n Pay Group has been one of Africa's largest retailers of food, clothing and general merchandise for the past three decades. Pick n Pay has about 40 percent of the South African retail food sector. The group operates through three divisions, the Retail Division; the Group Enterprises Division; and Franklins Australia, each with their own Managing Director and Management Boards. The Retail Division manages Pick n Pay branded businesses such as food, clothing and general merchandise in Hypermarkets, Supermarkets, Family Franchise Stores, Mini Market Franchise, Clothing, Butcheries Meat Centers, Home Shopping); and Gas Centers. The Group Enterprises Division operates the Group's other non-Pick n Pay branded group activities including Score Supermarkets, TM Supermarkets, property franchises, Go Banking, as well as finding new investment opportunities for the group worldwide. Pick n Pay has a total number of 420 stores made up of 15 Hypermarkets, 115 Supermarkets, 99 Family Stores, 3 Ritevalu, 38 Mini Market Franchise, 21 Boardmans, 116 Score Supermarkets, 3 Score Supermarkets Franchise, and 10 Pick n Pay Auto Centers.

The emphasis of the supermarket division is on total convenience and freshness, with stores aiming to add value through the fresh food supply chain. Traditionally Pick n Pay Score supermarkets have had a presence in townships when other retailers have stayed away. Pick n Pay is most modest of the high-end super market chains. It may be compared to Publix, Kroger, Victory or Safeway in the United States. Price points are similar to those in the U.S.

**Shoprite Checkers:** Shoprite Holdings has about 40 percent of the market and is comprised of the following entities: the Shoprite Checkers supermarket group, which consists of 252 Shoprite supermarkets, 85 Checkers Supermarkets, 23 OK Foods, 36 OK Grocer, 132 OK Furniture outlets, 22 Checkers Hypers, 43 Usave Supermarkets, 22 House and Home stores, and 37 Hungry Lion fast food outlets. Through its OK Franchise Division, the Group procures and distributes merchandise to 28 OK MiniMark convenience stores, three 8-Till Late outlets, 64 Megasave wholesale stores, and 94 Sentra Stores.

Checkers Hypers have a special section devoted entirely to imported foods as well as kosher and halal sections. Price points are also comparable to the U.S. Shoprite Checkers are similar to a Super WalMart or a Shoppers Food Warehouse type of shopping experience.

Shoprite Checkers sends a delegation of about 50 employees to the FMI show in Chicago in an average year. For most of these employees, their trip is linked to a sales or performance award, but several key buyers also attend the FMI show. If you are a U.S. company with a presence at FMI, then it is certainly possible to meet with a Shoprite Checkers buyer at the FMI show in Chicago.

**Woolworths:** Woolworths Holdings Limited (WHL) is a South African-based retail group that operates locally and internationally through two subsidiaries. Woolworths (Proprietary) Limited operates and franchises stores in South Africa, Africa and the Middle East; and Country Road Limited, listed on the Australian Stock Exchange, operates in Australia, New Zealand and Singapore. Woolworths offers select ranges of apparel, cosmetics, toiletries, footwear, jewelry and food under its own brand name. Woolworths has 237 stores, including 111 Owned Woolworths, 82 Franchised Woolworths, and 44 Owned and Franchised Country Road outlets.



Woolworths caters to the wealthiest South African consumers. The shopping experience isn't as up market as a Dean and DeLuca but it's comparable to the Whole Foods/Fresh Fields or Trader Joe's shopping experience in the U.S. They carry a relatively small number of branded products, instead promoting their own Woolworths branded private labeled products. Price points are slightly higher than Checkers and Pick n Pay but relatively comparable to similar retail markets in the U.S.

**Spar:** The Spar organization is made up of two types of members: Spar Retailers who are independent store owners, and Spar Distribution Centers, which provide leadership and services to the Spar Retail members. Both members belong to the Spar Guild of Southern Africa, a non-profit company set up to coordinate and develop Spar in Southern Africa. The members pay subscriptions to the Guild, which uses these monies to advertise and promote Spar. The Spar grocery chain emerged in the 1963 when a group of 8 wholesalers was granted exclusive rights to the Spar name in South Africa, to service 500 small retailers. A number of mergers and take-overs followed, and today all but one of the wholesalers are owned by the Spar Group Limited which operates 6 distribution centers that supply goods and services to 755 Spar Stores in South Africa comprising of 102 Superspar, 474 Spar, and 188 Kwikspar.

All stores are independently owned, and many of the purchasing decisions are made at the individual store level. Spar targets high-income consumers and locates its stores in more up-market neighborhoods. Shopping at a Spar can be similar to shopping at a really good Safeway or Shaw's in an up-market neighborhood in the U.S.

## B. Convenience Stores

### Entry Strategy:

Convenience is a relatively new trend in the South African Fast Moving Consumer Goods (FMCG) market. Major wholesalers and retailers own most of the convenience stores in South Africa, and contact has to be made direct with wholesalers and retailers concerned. Convenience stores operate on extended shopping hours. As with supermarkets, success in this field depends on actively promoting the product to the consumer.

### Market Structure:

The market structure is covered in detail under the supermarket section of this report.

### Major Convenience stores profile:

Retail Name	Ownership	Turnover (\$M)	Number of Outlets	Location	Type of Purchasing Agent
OK Franchise Division: - Ok Grocer - OK Foods - OK MiniMark	Convenience stop shops owned by Shoprite Holdings	Not available	102	Nationwide	Direct/Importer
Friendly Shoppe's	Convenience stop shop owned by Metcash Wholesaler	Not available	53	Nationwide	Direct/Importer

### C. Traditional Markets

Entry Strategy: Food retailers in South Africa range from highly sophisticated supermarkets at one end to primitive little street corner stalls. Previously, predominantly black townships were virtually unserved in terms of retail infrastructure. The informal retail sector in South Africa is increasingly recognized by manufacturers and wholesalers as an important delivery channel of goods to consumers. Informal market retailers cater to the needs of the residents via independent grocery stores such as cafes, general dealer stores and several informal South African retails concepts (tuck shops, shebeens, taverns and spazas) including hawkers (street vendors). With the end of apartheid, major retailers have extended their services to these townships as well but spaza shops are making their presence felt. Marketers saw the spaza as the beginning of a new form of township convenience retailing, conveniently close to consumers, and open at extended hours.

Spaza shops are defined as small retail enterprises operating from a residential stand or home, engaged in the trading of consumer goods. Spaza shops operating mainly in the townships are making their presence felt in the local retail market. The Bureau of Market Research (BMR) of Unisa estimated the share of informal trade sector at approximately \$3 billion of the South African retail trade in 2002. This represents approximately 10% of retail trade sales in South Africa. What is more, the findings reveal that the turnover of spaza retailers in 2000 was larger than the combined turnover of branded smaller grocery stores operating in South Africa

On average, start-up investment for spaza shops amounts to less than \$1000 mainly financed by private savings or loans from relatives or friends. Average employment amounts to almost 3 employees per business. Considering that the number of spazas may amount to over 100,000, this sector of the national economy could be providing between 230,000 to 290,000 jobs, and supporting more than a million people. The most important products sold by spaza shops are (in descending order): soft drinks, cigarettes, paraffin, candles, maize meal, alcoholic beverages, bread and sugar.

There is now growing awareness of the importance of the spaza retailers as a marketing channel among manufacturers and producers. More than 20% of spaza owners report that products such as soft drinks, dairy and bakery products are now delivered to their shops. The most serious problems encountered by spaza owners are shortage of trading stock/finance (38.8%), high levels of crime and robbery (25%), severe competition (20.6%), expensive transport (19.7%), and bad debt or the granting of too much credit (17.1%). Although spaza retailers are often seen as survivalist enterprises, it is clear spazas are becoming not only a permanent phenomenon on the South African economic scene, but more sophisticated and closely linked to the rest of the economy than commonly perceived.

Market Structure: The market structure is covered in detail under the supermarket section of this report.

Traditional Market profile: Wet markets in South Africa have traditionally been similar to those in most developing countries. Informal market retailers cater to the needs of the residents via cafes and several informal South African retails concepts (tuck shops, shebeens, taverns and spazas) including hawkers (street vendors). With the end of apartheid, major retailers are extending their services to these townships as well, but spaza shops are still critical for township convenience retailing.

### Section III: Competition

**Exports:** South Africa's agricultural exports for 2003 reached a total of about \$4.04 billion, down about 10% from \$4.501 billion in 2002. (Exports in dollar terms rose from \$3.3 billion in 2002 to \$4.04 billion in 2003). South Africa's five largest export destinations were the U.K. (R3,370.498 billion/ \$447.47 million), Japan (R3,197.457 billion/ \$422.97 million), the Netherlands (R2,504.267 billion/ \$326.79 million), Italy (R1,589.509 billion/ \$210.48 million) and the United States (R1,398.180 billion/ \$187.08 million). South Africa's major exported agricultural products in 2003 were wine, citrus, nonconiferous wood chips/particles, cane sugar, grapes, apples and pears, and corn.

**Imports:** South Africa's total agricultural imports for 2003 amounted to \$2.09 billion down from \$1.61 billion in 2002. (Imports in dollar terms rose from \$1.62 billion in 2002 to \$2.1 billion in 2003). The leading suppliers were Argentina (R1.69 billion/ \$220.4 million), the United States (R1.26 billion/ \$171.46 million), Brazil (R1.16 billion/ \$156.30 million), the U.K. (890.24 million/ \$119.97 million), and China (R859.4 million/ \$111.95 million). Wheat, rice, corn, other prepared foods such as frozen and canned vegetables, hardwood lumber and animal fats were South Africa's major imported agricultural products from the United States in 2003.

Market promotions by other European countries such as the United Kingdom are similar to USDA organized programs such as food shows, in-store promotions, and trade missions. South Africa's major retailers have joined forces with the Proudly South African (PSA) campaign, launched by the Government including the South African Bureau of Standards Holdings (SABS Holdings), to give PSA suppliers preferential tendering for shelf space, as well as to promote South African-made products and services.

#### Section IV: Best Product Prospects

##### A. Products Present in the Market Which Have Good Sales Potential:

Five-year trends show that some U.S. Consumer-Oriented Agricultural exports to South Africa are growing. Of interest is the Other Consumer-Oriented Products (BICO) sub-category, which reached a 30-year high of \$14 million during FY2004 (Oct. 2003 – Sept. 2004). Within this sub-category, cultivated ginseng root (HS1211200020) and other frozen food preparations (HS2106906595) are both showing consistent and substantial increases. Other high value exports that have shown sustained growth are almonds (HS0802120000), sauces and preparations (HS2103909090), canned pink salmon (HS1604114020), new oak staves for wine barrels (HS4416003010), and American bourbon whisky (HS2208306020).

According to 2003 data, the United States enjoys a dominant position in the almond and canned salmon markets, holding 75% and 87% of market share respectively. The sauce and preparation market appears to be more competitive with the two largest market shareholders (Australia and the United States) holding equal 28% market shares. The whisky market is significantly different. In 2003, the U.K. held 85% of market share while the United States held only 6.7%. However, the United States increased whisky exports to South Africa in 2003 by 30% and has seen annual growth increase over the past 5 years by an average of 21% per year. This growth may be due, in part, to a South African preference for successfully promoted American branded products (Jack Daniels, for example). This preference should help other American products be more competitive in South Africa and may lead to the growth of other American-branded, high-value products.

Product Category	2003 Market Share	2003 U.S. Exports to South	5 Yr. Avg. Annual	Import Tariff Rate	Key constraints Over Market	Market Attractiveness for U.S.
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		Africa	Import Growth U.S.		Development	
Bourbon Whiskey	16,819,218 liters	1,156,882 liters	21%	154 c/l when sold in containers holding 2 liters or less, 136 c/l otherwise	United Kingdom has large market share and a first mover advantage.	American brands are considered high quality and have ability to attract new, younger consumers.
Sauces and Preparations	3,073,637 kg	345,179 kg	16.78%	5%	Fierce competition from many countries.	
Almonds	958,237 kg	733,340 kg	1.9%	free		U.S. has large market share.
Canned Pink Salmon	421,885 kg	366,721 kg	87.34%	6c/kg		U.S. has large market share.
Frozen Food Preparations	14,768,765 kg	2,997,930 kg	28.26%			
Cultivated Ginseng Root	6,973 kg	511 kg	90.6%	15%		Market caters to consumers looking for "virility" products.
New Wooden Casks	2,576,931 kg	424,467 kg	74.2%	Free	Eastern European oak is a low priced option for wine makers introducing new labels.	Winemakers may remain loyal to a particular manufacturer in order to maintain product consistency.

B. Products No Present in Significant Quantities but Which Have Good Sales Potential:

The retail food sector continues to expand and supermarkets chains and convenience stores are rapidly becoming the dominant retail outlets. South Africans have always been big meat eaters, with fish often a second choice for shoppers. The demand for fish has increased and now more consumers are eating fish as a healthy alternative to meat as they realize the positive benefits of adding fish to their diets

C. Products Not Present Because They Face Significant Barriers:

Most retail food products may be imported into South Africa with little or no import restrictions. However, there are import requirements and other factors that affect U.S. agricultural imports, mainly non-tariff barriers, such as veterinary and health requirements, labeling, food safety requirements, and shelf life requirements.

In July 2000, South Africa imposed prohibitive anti-dumping duties on U.S. chicken leg quarters, an action that has virtually cut off U.S. chicken exports to South Africa. The South African government announced a few months ago that the anti-dumping duties on imports from the United States will expire in July 2005, under the "sunset review" clause. Earlier in 2004, the South African Poultry Association (SAPA) petitioned the government to increase the general MFN duties on all poultry meat products, but the government only approved an increase in the duty on imports of poultry offal. Given the competitive pressures and protectionist nature of SAPA, we can expect more of their appeals to the government. But it is Brazil that has taken over from the USA as the leading foreign supplier of frozen chicken and turkey meat to South Africa during 2001 - 2004, and it will be interesting to see how effectively the South African poultry industry can lobby its government to restrict future trade from one of its closest "South-South" allies in the field of international trade.

At this time 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.

#### **V: 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>