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Report Highlights:

The South African retail food sector is strong, despite the development of the COVID-19 crisis and the March 2020 national lockdown. The coronavirus outbreak has brought rapid changes to the South African retail sector, requiring a need to adapt to new ways of doing business such as online shopping. While some restrictions that have been implemented to reduce the spread of COVID-19, they have also resulted in negative effects to retail sales, constrained consumer spending, slowed GDP growth, and caused massive unemployment. However, South Africa is still the biggest market for food and beverage products in Southern Africa, and a gateway to other Sub-Saharan African countries. The South African retail sector's growing need for diversification and to offer a wide range of products to consumers, still creates favorable opportunities for U.S. exporters of retail food and beverages who can offer quality products at competitive prices.

Market Fact Sheet: South Africa

Executive Summary

South Africa is a middle-income emerging market, with an estimated population of 59 million (64 percent are in urban areas). South Africa's GDP was U.S. \$371 billion in 2019. South Africa has a well-developed agribusiness sector, which plays a significant role in job creation and economic development. South Africa is the largest exporter of agricultural products in Africa. Although self-sufficient in agriculture, there are opportunities for imports. In 2019, agricultural imports were valued at U.S. \$6.4 billion, a decline of 4 percent from 2018.

Imports of Consumer-Oriented Products

In 2019, South Africa's imports of consumer-oriented products was valued at U.S. \$2.6 billion, a decline of 2 percent from 2018. Imports of consumer-oriented products from the United States totaled U.S. \$191 million, an increase of 3 percent from 2018. 41 percent of the imports were from the European Union.

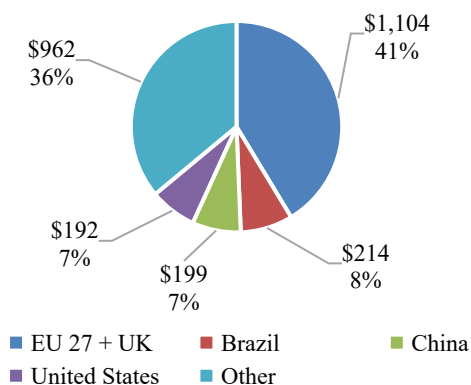
Food Processing Industry

There are over 1,800 food production companies in South Africa. However, the top ten companies are responsible for more than 80 percent of the industry's production revenue. The industry employs 450,000 people in the subsectors of meat, fish, fruit, dairy products, grain mill products, and beverages. As a major producer and exporter of finished processed food products. South Africa's appetite for ingredients drives demand for a wide range of products inputs.

Food Retail Industry

South Africa food retail sales were valued at U.S. \$54.2 billion in 2019 and imports of all agricultural products in 2019 decreased by 4 percent to 6.4 billion. The sector is well developed and aggressively expanding into other African countries.

Graph Imports of Consumer-Oriented Products



Quick Facts CY 2019

Imports of Consumer-Oriented Products from USA

U.S. \$191 million

List of Top 10 Consumer-Oriented Products from USA exported to South Africa

- Poultry meat & products (ex. eggs)
- Food preparations & miscellaneous beverages
- Tree nuts
- Dairy products (lactose syrups, milk albumin)
- Meat products
- Beef & beef products
- Condiments & sauces
- Processed vegetables
- Dog & cat foods
- Processed fruit

Food Industry by Channels (US \$billion) 2019

Food Industry Output	\$143
Food Exports	\$9.2
Food Imports	\$6.4
Retail	\$54.2
Food Service	\$6.1

Top Retailers in South Africa

- Shoprite Holdings Ltd
- Pick n Pay Retailers Pty Ltd
- Spar Group Ltd
- Massmart Holdings Ltd (Walmart-owned)
- Woolworths Holdings Ltd

Strengths/Weaknesses/Opportunities/Challenges

Strengths	Weaknesses
Advanced economy with well-developed infrastructure.	Limited technical capacity and weak political will by regulators contribute to trade barriers and delays in resolving access issues.
Opportunities	Challenges
Diversification of trade partners brought, deepening linkages for regional and intra-African trade.	Decreased consumer spending associated with COVID19 measures. FTA with EU and political preference towards BRICS countries.

Data and Information Sources:

Trade Data Monitor (TDM), Statistics South Africa (Stats SA); Euromonitor International, Local industry publications, and trade press.

Contact: FAS Pretoria, South Africa, AgPretoria@fas.usda.gov.

SECTION 1. Market Summary

The South African food retail market is highly concentrated with the top five companies of Shoprite Holdings Ltd, Pick n Pay Retailers Pty Ltd, Spar Group Ltd, Massmart (Walmart-owned), and Woolworths Holdings Ltd accounting for about 80 percent of all retail sales, with remaining 20 percent accounted for by the informal retailing sector. In 2019, the retail sector reflected a growth rate of 2.6 percent towards the overall GDP with total sales amounting to R956.9 billion (US \$54.2 billion). Imports of agricultural products decreased by 4 percent to US \$6.4 billion in 2019. Imports of consumer-oriented agricultural products decreased by 2 percent to \$2.6 billion in 2019.

South African retail sales are expected to decline in 2020 due to the impact of the COVID-19 crisis. This is based on constrained consumer incomes following job losses, restrictions to trading hours, prohibition of alcohol sales between March and May, closure of businesses restaurants, and disruptions to some supply chains which affected supply of certain products. All retail stores have put social distancing and sanitation measures in place, which in some cases had led to long lines outside of stores.

Table 1: 2019 Sales in the South African Retail Sector

	Sales (US\$ billion)	Annual Rate (%)	Major Market Leaders % share
Convenience Stores	\$2.1	7%	Woolworths = 86%
Discounters	\$0.6	1%	Shoprite = 97%
Hypermarkets	\$1.6	4%	Pick n Pay = 57% Shoprite = 43%
Supermarkets	\$16.9	5%	Shoprite = 39% Pick n Pay = 22% Spar = 19%
Traditional Grocery Retailers	\$14.5	5%	Spar = 4% as a market leader in Tops liquor stores.

Source: Euromonitor International

While the growth in online shopping in South Africa has been slow over the years relative to developed countries such as the United States, the trend is turning with most retailers investing heavily in establishing a strong online presence. The COVID-19 epidemic has highlighted the importance and growing need of online shopping and contactless delivery. The rising number of consumers that have internet access, improvement in delivery services, and consumers changing perception of the convenience, safety and cost-benefit of online shopping is expected to see a marked increase in online shopping over the coming months. Major retailers, like Woolworth's and Pick N' Pay, have a centralized online shopping platform. Spar, which franchises their stores, takes orders over the phone for individual stores to deliver.

Most South African retailers have entered Sub-Saharan Africa market successfully by exceeding projections and expectations of income. An example is South Africa's first ranked retailer in the country and the largest retailer in Africa, Shoprite Holdings, which has a footprint in most African countries and has adapted their business model by creating "U-SAVE" discounters store to service the lower income areas. While, most countries have restricted cross-border travel for passengers due to COVID-19, most food products are still being permitted to be transported by trucks in the region. Other

South African retailers also have growing footprints into other African countries, thereby providing an opportunity for United States retail food exporters or local distributors that do business with these South African retailers a gateway to the rest of Sub-Saharan Africa.

The evolution of convenience stores attached to forecourts, retailing gas stations, and fast food outlets is growing at a rapid rate in South Africa. In 2019, sales in convenience stores totaled R38.2 billion (US \$2.1 billion), an increase of 7 percent compared to 2018. Woolworths/Engen which maintained dominance in the convenience stores with 86 percent the expansion of its Food Chain stores including partnership with UberEATS for consumers to order groceries to have it delivered to their door-step. Pick n Pay/British Petroleum (BP) continues to convert stores into Pick n Pay Spaza stores to service the lower-income areas. Others supporting growth in convenience include Fruit & Veg City of Food Lovers Market/Caltex; Burger King/Sasol; Steers/Shell, and Wimpy/Engen. Shoprite Holdings, a player in convenience stores, benefits from the success of its OK Franchise chains stores that offers shopping facilities appropriate to the market in which they trade.

Key consumer market drivers and changes envisioned by the retail sector over the next coming years as a result of the pandemic:

- The industry is considering reconfiguring to strengthen the local procurement in case a similar threat to COVID-19 surfaces and impacts the global supply chain.
- Businesses introduction of supply chain management which can be accessed virtually, without a reliance on international travel.
- Consumer demand for online purchases versus visits to physical stores led to retailers to accelerate their online presence and home delivery.
- While social distancing measures are in place, growth has slowed in the South African retail sector’s expansion into shopping malls. COVID-19 restrictions to public spaces, such as malls, is affecting supermarket sales in multi-use complexes.
- South African consumers want food labels to inform them about what they are eating and want both retailers and manufacturers to be held accountable for problems found in a product.

Advantages and Challenges Facing U.S. exporters

Advantages	Challenges
The growing convenience segment in retail food industry needs imported food and beverage products.	Consumers may need to be educated on preparing and eating new-to-the market products.
Importers and distributors can help develop brand loyalty.	Consumers and retailers have limited knowledge about the variety of U.S. products available.
Diversification of trading partners to curb global supply chain disruptions and transportation restrictions.	Europe and BRICS remains South Africa’s strongest importers with preferential or free trade agreements leading to high import tariff rates faced by U.S. suppliers.
A growing young population active users of the internet and mobile devices tends to processed and easily available foods.	Food safety and phytosanitary restrictions may affect imports of food products and certain food ingredients, including labelling requirements who may make small shipment cost prohibitive.

Retailers leveraging technology to drive online sales and improve customer engagement during COVID-19 and beyond.	Difference in consumer classes and regions are distinct.
A growing and sophisticated private label products for retailers for various consumer levels.	High unemployment, estimated at almost 50% during the COVID crisis weakened disposable income and debt to income ratios hampering consumer spending.

SECTION 2. Road Map for Market Entry

2.1 **Entry Strategy** Post recommends that U.S. exporters consider the following for entry strategies into the South African retail market:

- U.S. exporters are encouraged to contact FAS Pretoria to request a list of South African food and beverage importers.
- It is essential that U.S. exporters choose and nominate the correct agent. Exporting through distributors or import agents with knowledge of the South African market is the safest or easiest way to enter the South African retail food market. Agents must be registered with the South African Revenue Services (SARS), and should be able to handle the necessary custom clearance, compliance with all the regulatory requirements, documentation, warehousing, and financing arrangements.
- United States exporters must also be registered with the South African Revenue Services (SARS). The U.S. exporter registration will only be processed after the nomination of a registered agent based in South Africa. The following link has all the details for registrations, <https://www.sars.gov.za/ClientSegments/Customs-Excise/Registration-and-Licensing/Pages/Exporters.aspx>
- Evidence shows that the most successful U.S. company ventures are those that have comprehensively researched their market prior to engaging retailers, agents or importers. Once contacts are established, it is advisable to visit the country when travel is safely available, since firsthand knowledge of the market is highly useful. 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 the sales interest of the exporter. Teleconferencing platforms, such as WhatsApp, Zoom, and MSTeams are widely used in South Africa and can be helpful in establishing relationships with importers in the absence of safe travel options during the COVID-19 pandemic.
- To help U.S. agricultural exporters meet credible agents, FAS organizes many market development activities, including exhibitions and trade missions promoting U.S. food and agricultural products. U.S. exporters can participate in these large, multinational exhibitions that draw tens of thousands of buyers and distributors. FAS also organizes buying teams of foreign importers and buyers to visit U.S. food exhibitions to meet with potential U.S. suppliers. At the exhibitions, FAS provides one-stop service to potential customers, providing information to buyers, facilitating trade contacts, answering inquiries, and maintaining a buyer-seller database.

While many of these activities are not currently available due to COVID-19, Post expects activities to resume in virtual spaces until travel and gatherings can be done safely again.

- U.S. exporters can contact the State Regional Trade Groups (SRTGs) and the National Association of State Departments of Agriculture (NASDA) to obtain additional market entry support. Cooperators regularly organize trade missions which are often organized around trade shows or other events. See <https://www.fas.usda.gov/programs/market-access-programmap/state-regional-trade-groups>
- 2020 trade show events and travel to the region are put on hold due to the pandemic. However, some groups are organizing virtual events in lieu of large gatherings. FAS Pretoria will report on these events as they are announced. Updates will be provided as and when available.

2.2 Market Structure

- The South African retail industry is reeling with uncertainty due to the rapid changes in the global trading environment as a result of COVID and are trying to find their feet in the unusual new way of doing business.
- Eventually, the highlighted market structure will change to accommodate evolved new way of doing business, likely with a focus on online shopping.
- The South African retail supermarket sector is developed relative to other markets in in the African continent and utilizes both centralized and decentralized distribution systems.
- The large supermarket chains and big franchises maintain their own centralized distribution and modern warehouse systems which supplies products to all their supermarket branches located in various parts of the country. U.S. exporters usually deal or trade directly with the buyers at the retail head offices.
- Other retail supermarkets are flexible and permit each of their stores throughout the country to deal directly with United States exporters or local distributors and import agents.
- In addition to major retailers, there are independent retailers who often buy from the large independent wholesalers to sell to their segments to independent small grocer shops, street sellers, and others.
- Convenience stores attached to forecourts gas stations are mostly owned by major retail groups and stocked as per the retailer Head Office purchasing policy. Convenience and express stores catering to the convenience retail market is growing at a rapid rate in South Africa.

Links to Access Top Food Retailers Information

Name of Retailer	Website
Shoprite Holdings Ltd	www.shopriteholding.co.za
Pick n Pay Retailers (Pty) Ltd	www.picknpay-ir.co.za
Spar Group Ltd	www.spar-international.com/country/south africa/

Massmart Holdings Ltd	www.massmart.co.za
Woolworths Holdings Ltd	www.woolworths.co.za

SECTION 3. Competition

In general, U.S. exports mostly face competition from South African producers in the Southern African Development Community (SADC), BRICS, the European Union (EU) and MERCOSUR. South Africa has Free Trade Agreements (FTAs) with SADC, and the European Union and a preferential trade agreement with MERCOSUR. Visit <http://ec.europa.eu/trade/policy/countries-andregions/countries/south-africa/> ; <https://www.bilaterals.org> ; and <http://www.sars.gov.za/Legal/International-Treaties-Agreements/Trade-Agreements/Pages/default.aspx> for more information on trade agreements.

Table 2: Competitive Overview of South African Imports of Consumer-Oriented and Agricultural Related Products

Product Category	Market Supply Sources	Strength of Key Supply Countries	Advantages and Disadvantages of Local Supplies
Tree Nuts Net Imports: USD: 89 million	USA= 27% Mozambique = 12% Vietnam = 10%	USA is a leading supplier of almonds and pistachios, and the second largest supplier of walnuts. Mozambique leads in cashew nuts and Vietnam second.	South Africa is a large producer of macadamia nuts.
Poultry meat and products (ex. Eggs) Net Imports: USD: 424 million	Brazil = 41% USA= 19% Poland = 12%	Brazil has the largest market share in chicken cuts and edible offal, chicken breast and chicken feet. USA is the leader in leg quarters and drumstick, and second largest supplier of chicken cuts and edible offal.	Poultry is a major source of protein in the country.
Food preps and misc. beverages Net Imports USD: 311 million	Italy = 11% Germany = 10% USA = 9%	Italy is the largest supplier of pasta, couscous, soups and broths, with the United States as the second largest supplier. The USA leads on infants foods, while Germany is the second largest supplier of bread pastry cakes.	Strong domestic food production.
Beef and beef products Net Imports USD: 79 million	Namibia = 23% Botswana = 18% USA = 14%	Namibia a leading supplier of both meat offal and offal of bovine, and second largest of meat of bovine animals. Botswana is a leading supplier of meat of bovine animals, whereas USA a leading supplier of livers of bovine.	Domestic production unable to meet local demand.
Dairy products Net Imports USD: 228 million	France = 19% Germany =	France is the main supplier of whey, buttermilk, and ice cream, and the second largest supplier in caseinates.	The strong domestic dairy production

	15% New Zealand = 13% USA = 6%	Germany leads as the supplier of lactose in solid form, caseinates, cheese, and is the second largest supplier of lactose and lactose syrup, buttermilk, and processed cheese. New Zealand is the leading supplier of both processed cheese and casein. USA is the largest supplier of both milk albumin and lactose and lactose syrups, and the second largest supplier of lactose in solid form.	market of liquid products of UHT and pasteurized milk with major processed products of hard and semi hard cheese.
Condiments and sauces Net Imports USD: \$39 million	USA = 17% UK = 12% Italy = 10%	USA is the leading supplier in sauces and preparations and is the second largest supplier of vinegar and substitutes. UK is the second largest supplier of sauces and preparations. Italy a leading supplier of vinegar and substitutes.	The competitiveness of local processors and producers boosting prices and quality.
Distilled Spirits	United Kingdom = 55% France = 17% USA = 7%	The United Kingdom is the leading supplier of whiskies, gin and geneva, France leading in the supply of vodka, and the USA largest supplier of rum and tafia.	Insufficient production of high value alcoholic beverages.
Wine and beer Net Imports USD: 297 million	Namibia = 29% Mexico = 27% Netherlands = 22% USA = Minor supplier	Namibia is a leading supplier of beer made from malt due to the SADC FTA and competitive prices. Mexico is the second largest supplier of beer made from malt. The Netherlands is the third largest supplier of beer.	Strong domestic wine production, coupled with insufficient beer production.

Source: Trade Data Monitor

Table 3: South African Imports of Consumer-Oriented Products from the World

Commodity Description	Annual Series (Value: USD) January 2017 - December 2019		
	2017	2018	2019
Consumer-Oriented All	2,479,152,893	2,715,718,828	2,670,575,589
Poultry Meat & Prods. (ex. eggs)	484,542,280	492,610,202	424,947,957
Food Preps. & Misc. Bev	274,003,242	315,152,220	311,884,427
Dairy Products	227,480,121	243,671,496	228,187,101
Wine & Beer	133,324,919	214,869,134	297,760,791
Chocolate & Cocoa Products	155,065,013	170,566,020	158,807,344

Meat Products	148,321,253	150,000,831	139,098,534
Coffee, Roasted and Extracts	103,859,901	120,744,711	103,293,120
Processed Vegetables	114,085,869	112,696,074	123,604,482
Fruit & Vegetable Juices	78,349,693	103,430,022	113,570,790
Beef & Beef Products	89,994,934	98,300,118	79,080,505

Source: Trade Data Monitor

Table 4: United States Top 10 Consumer-Oriented Exports to South Africa

Commodity Description	Annual Series (Value: USD) January 2017 - December 2019		
	2017	2018	2019
Consumer-Oriented All	177,180,070	178,110,392	183,159,769
Poultry Meat & Prods. (ex. eggs)	90,547,098	93,969,861	89,352,091
Tree Nuts	20,447,942	19,268,086	25,461,244
Food Preps. & Misc. Bev	19,436,190	16,414,668	22,465,667
Beef & Beef Products	10,433,222	13,484,527	8,913,356
Dairy Products	16,139,730	12,153,469	14,430,072
Condiments & Sauces	4,296,896	4,860,856	6,651,267
Processed Fruit	2,189,206	3,326,735	2,074,842
Processed Vegetables	2,280,529	2,834,805	2,248,211
Dog & Cat Food	3,897,304	2,051,675	2,857,296
Wine & Beer	889,500	1,479,408	1,916,727

Source: Trade Data Monitor

SECTION 4: Best Products Prospects Categories

4.1 Products Present in the Market which have Good Sales Potential

Potential products in the market that present market opportunities for U.S. agricultural products in the South African retailers and gateway to the rest of Southern Africa include, chicken cuts and edible offal, almonds, food preparations, craft beers and spirits, enzymes and prepared enzymes, and essential oils for use in food/drink. The [Poultry Report](#) provides more updates on the poultry and products situation in the country, and the [Tree Nut report](#) for more information on almonds..

4.2 Products not present in significant quantities but which have good sales potential

Potential market opportunities for U.S. agricultural products in the South African food and beverage market include beef and beef products, pork and pork products, poultry meat and meat products, fish and seafood products, tree nuts, liquor products to include bourbon whiskey, wine and craft beers, feed ingredients, hops, oils and fats, pet food, snack food and prepared food. Post is negotiating for full market access for heat treated and canned poultry meat.

SECTION 5: Key Contacts and Further Information

5.1 Post

If you have questions or comments regarding this report, please contact the FAS Office of Agricultural Affairs in Pretoria at:

Office of Agricultural Affairs
United States Embassy, South Africa
877 Pretorius Street, Arcadia, Pretoria, 0083
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Email: agpretoria@fas.usda.gov

Other FAS market and commodity reports are available through the FAS website
<http://www.fas.usda.gov> or <https://www.fas.usda.gov/regions/south-africa>

5.2 Other Additional Contacts

American Chamber of Commerce in South Africa, www.amcham.co.za
U.S. Foreign Commercial Service publication of South Africa Commercial Guide of doing business in South Africa, <https://export.gov/southafrica/businessserviceproviders/index.asp>
See South Africa Government regulators in the [FAIRS Country Report](#).

Attachments:

No Attachments