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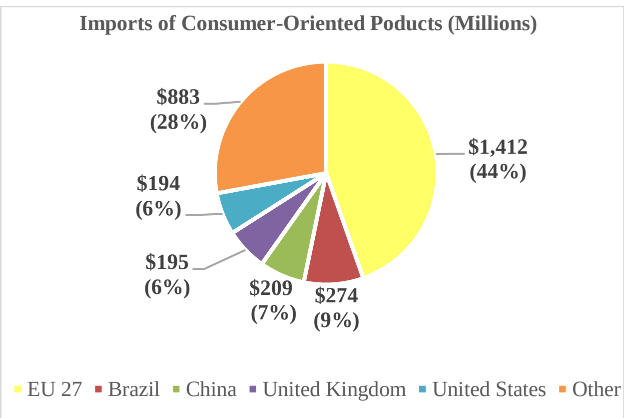
Report Highlights:

The South African retail food sector is well-developed and continues to expand into other African countries. In 2021, South African retail food sales totaled $40 billion, a 0.2 percent increase from 2020 as the South African economy began to recover from the effects of the COVID-19 pandemic. The growth followed the easing of COVID-19 regulations and rising rates of in-store shopping. South Africa remains the gateway for trade to other countries in Southern Africa, and the strength and resilience of the food retail industry in South Africa was evident during the pandemic and the civil unrest in July 2021. The COVID-19 crisis seems to be subsiding, but its effects hit household incomes and jobs, especially in poorer communities. South Africa's economy recovered to pre-pandemic levels in the first quarter of 2022, but unemployment remains at near-record levels and supply chain disruptions and food price inflation have drastically increased food security concerns in recent months.

Market Fact Sheet: South Africa

Executive Summary: South Africa is a middle-income emerging market with an estimated population of 60 million (64 percent live in urban areas). The country's GDP was $351 billion in 2021. South Africa's well-developed agribusiness sector plays a significant role in job creation and economic growth. The country is the largest exporter of agricultural products in Africa. Although largely self-sufficient in production, South Africa offers some opportunities for U.S. exports.

Imports of Agricultural Products: In 2021, imports of agricultural products were $7.3 billion, compared to $ 6.2 in 2020. South Africa's imports of consumer-oriented products were $3.1 billion in 2021, compared to $2.6 billion in 2020. The EU 27+UK accounted for 50 percent of total consumer-oriented imports, while 6 percent were from the United States.



Food Processing Industry: South Africa's demand for ingredients for processed foods drives imports for a wide range of products. There are over 1,000 food production companies in South Africa, and the top 10 companies account for more than 80 percent of the sector's revenue.

Food Retail Industry: The sector is well-developed and continues to expand into other African countries. South Africa's food sales totaled $40 billion in 2021, as the economy began to recover in the wake of the COVID-19 pandemic.

Data and Information Sources: Trade Data Monitor, Statistics South Africa (Stats SA), Euromonitor International, local trade contacts, local industry publications, and trade press

For more information, please contact FAS Pretoria.
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CY 2021 Quick Facts

Imports of U.S. Agricultural Products: $313 million

Top 10 U.S. Agricultural Exports to South Africa

1. Poultry cuts and edible offal (chicken and turkey)	6. Almonds
2. Prepared foods	7. Corn seed
3. Soybeans	8. Wheat
4. Essential oils/odoriferous substances	9. Dextrin and other modified starches
5. Whiskey	10. Beef liver

2021 South African Food Industry Channels

Food Industry Output	$44 billion
Food Exports	$12.4 billion
Food Imports	$7.3 billion
Retail	$40 billion
Food Service	$3.7 billion

Top Food and Beverage Retailers in South Africa

Shoprite Holdings Ltd.	Spar Group Ltd.
Pick n Pay Retailers Pty Ltd.	Massmart Holdings Ltd.
Woolworths Holdings Ltd.	Food Lovers
Africa Cash and Carry	Wellness Warehouse

Analysis for U.S. Ag Exports to South Africa

Strengths	Weaknesses
South Africa is an advanced market economy, has well-developed infrastructure, and boasts modern retail chains with established food and beverage distribution networks in the region.	Distance from the United States results in high transportation costs; electric outages present a challenge for cold chain products; limited technical capacity of regulators contributes to trade barriers and delays in resolving access issues.
Opportunities	**Challenges**
South African retailers and importers are interested in expanding the array of U.S. products available in the market. The country has extensive distribution linkages to other African countries, which provides multiple channels to diversify distribution to other markets in the region.	Trade agreements with EU, UK, and MERCOSUR reduce duties for products from those countries; political preference for BRICS countries (Brazil, Russia, India, and China); high tariffs for U.S. food and beverage products; decreased consumer purchasing power due to high unemployment and effects of pandemic.

SECTION 1: Market Summary

The South African retail food market is highly concentrated among the five largest companies, including Shoprite Holdings Ltd, Pick n Pay Retailers Pty Ltd, Spar Group Ltd, Massmart (Walmart-owned), and Woolworths Holdings Ltd. Together, they account for about 80 percent of all retail sales, with the remaining 20 percent largely coming from the informal retail sector. In 2020, the South African Competition Commission eliminated the use of exclusive lease agreements in South Africa's retail industry. Prior to that, South Africa's four major supermarket chains (Shoprite, Pick n Pay, Spar, and Woolworths) had entered into exclusive lease agreements with shopping mall landlords for decades, preventing small, medium, and micro enterprise (SMMEs) grocers from opening stores in popular locations. However, the regulatory change has opened new opportunities for smaller food retailers.

In 2021, South African retail food sales amounted to $40 billion, compared to $39.8 billion in 2020 as the economy began to recover in the wake of the COVID-19. In 2021, South African imports of consumer-oriented agricultural products totaled $3.1 billion, up from $2.6 billion in 2020. Though the outlook for the South African retail sector has started to improve, hard lockdowns imposed by the South African government in an effort to curb the spread of COVID-19 caused a number of retailers to close less-trafficked locations, and many small retailers were forced out of business entirely. Moreover, the official unemployment rate was 34.5 percent in the first quarter of 2022, down slightly from a record high set in the previous quarter. Coupled with the effects of recent spikes in food price inflation, retailers are concerned about the potential for slumping sales. As of June 2022, South African consumers were paying almost 14 percent more for basic food and personal hygiene items that they were a year ago, prompting fears of food insecurity and political instability. Hunger has been on the rise in South Africa, with an estimated 6.5 million people (about 11 percent of the population) facing some degree of food insecurity, with women and children particularly at risk.

Other challenges to the retail sector over the last year included a wave of civil unrest that rocked the country for several weeks in July 2021. The turmoil following former President Jacob Zuma's arrest cost the country $3.5 billion and imperiled at least 150,000 jobs, largely concentrated in the provinces of KwaZulu-Natal and Gauteng. Retail stores were looted, gas stations and fast-food restaurants were vandalized, several warehouses and cold chain storage facilities were damaged, and the country's largest port shut down during the worst of the unrest. Several shopping centers located in townships closed due to extensive damage. Shoprite leveraged the flexibility of its Usave eKasi mobile trucks to provide essentials to communities such as Soweto. Nevertheless, performance across the retail sector was hampered by extended curfews, with some temporary lockdown alert levels forcing outlets to close as early as 8:00 p.m., a sharp contrast to the average 11:00 p.m. closure for neighborhood stores and 24-hour operations of gas station convenience stores.

Despite political and economic strife, the South African government has moved to spur recovery as COVID-19 caseloads have fallen dramatically. In early April, the government lifted the national state of disaster that had been in place since the start of the pandemic. Then, on June 22, the South African Minister of Health cancelled all remaining COVID-19 restrictions, eliminating the requirement for face masks in public, limits on the size of indoor gatherings, and vaccination and testing rules for travelers entering the country. While government officials are eager to get back on track and grow the economy, non-pandemic challenges remain, including political division, crumbling infrastructure, and regular power outages (known as "loadshedding").

More information on the South African market can be found in the FAS Pretoria Exporter Guide. The U.S. International Trade Administration's South Africa Country Commercial Guide also provides background information on the country's business climate.

Table 1: 2021 Sales in the South African Retail Sector

Type of Store	Sales ($ billion)	Annual Rate (%)	Major Market Leaders % Share
Convenience Stores	$2.2	5%	Shoprite = 39% Others = 61% (These are mostly small, informal convenience stores, known as "spaza shops," in townships and informal settlements.
Discounters	$0.5	--	Shoprite = 98%
Hypermarkets	$1.98	4%	Pick n Pay = 53% Shoprite = 48%
Supermarkets	$19.7	4%	Shoprite = 36% Pick n Pay = 18% Spar = 18% Woolworths = 9%
Traditional Grocery Retailers	$13.3	4%	Pick n Pay = 4% (market leader in smaller format stores in townships) Spar = 3.7%

Source: Euromonitor International

Key Trends in the South African Food Retail Sector:

- Continued growth in online sales and home delivery services
- Healthier offerings in the fresh food and wellness niches
- Increased interest in plant-based and meat-alternative products
- Increased consumer demand for affordable alternatives from retailers' private-label offerings

Table 2: Advantages and Challenges Facing U.S. Exporters

Advantages	Challenges
Expanding online retail food platforms and increased proliferation of rapid delivery services, including for temperature-sensitive products	Internet service and cellular data is expensive in South Africa, limiting the option of online shopping for some consumers.
Well-developed infrastructure and modern retail chains with established food and beverage import and distribution networks	Electricity outages due loadshedding have increased costs and reduced store hours for some retailers.
Importers and distributors are capable of increasing brand loyalty.	Consumers and retailers with limited knowledge of available U.S. products available
South African consumers are interested in new and different foods, especially in the snack food, prepared food, sauces and dips, and beverage categories.	Europe and BRICS countries have preferential market success or free trade agreements with South Africa, while U.S. products face high import tariffs.
Retailers are expanding the variety of private-label products targeted for various consumer	Economic hardships from the pandemic, civil unrest, supply chain disruptions, and spiking food

groups	price inflation have eroded consumers' disposable income and hampered spending.
South African retailers and importers are interested in expanding the array of U.S. products available in the market	Food safety and phytosanitary restrictions may limit the importation of certain foods, while labelling requirements may make small shipments cost prohibitive.
The country has extensive distribution linkages to other African countries, which provides multiple channels to diversify distribution in the region.	The rand-dollar exchange rate can complicate planning, especially for smaller or new-to-market firms. Although forward cover is readily available and the rand is a commonly traded currency, interest rates tend to be higher than in United States and other developed markets.
Retail chains offering larger format stores to accommodate one-stop shopping, including a larger selection of imported and private-label food and beverage product lines	U.S. companies seeking to do business in South Africa will need to adapt to Broad-Based Black Economic Empowerment (B-BBEE) policies, which aim to redress economic imbalances among historically disadvantaged communities to facilitate socio-economic transformation.
Young population tends to prefer processed and easy-to-prepare foods, including brands that they have seen on social media and in movies and TV series	Differences in consumer classes, with a large portion of the population priced out of the market for imported foods.

SECTION 2: Road Map for Market Entry

2.1 Entry Strategy: Post recommends that U.S. exporters consider the following when entering the South African market:

- U.S. exporters are encouraged to contact FAS Pretoria to request a list of South African food and beverage importers.

- Exporting through distribution or import agents with knowledge of the South African market is the safest or easiest way to enter the South African retail food market. It is essential that U.S. exporters choose and nominate a competent agent registered with the South African Revenue Services (SARS). The agent should be capable of handling the necessary customs clearance, comply with all the regulatory requirements, and plan for necessary documentation, warehousing, and financing arrangements. U.S. exporters must also be registered with SARS. The U.S. exporter registration will only be processed after the nomination of a registered agent based in South Africa.

- The most successful U.S. exporters to South Africa are those who have comprehensively researched the market prior to engaging retailers, agents, or importers. Once contacts are established, it is advisable to visit and meet in person. Maintaining close contact with your local agent to track changes in import producers will help ensure that the agent is effectively representing the exporters' interests. Teleconferencing platforms, such as WhatsApp, Zoom, and

Microsoft Teams are widely used in South Africa and can be helpful in establishing relationships with importers prior to in person travel.

- FAS organizes many market development activities, including exhibitions and trade missions promoting U.S. food and agricultural products to help U.S. exporters meet credible agents. 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. trade shows and meet with U.S. exporters. Participation in these programs can provide useful information to buyers, facilitate trade contacts and relationships, and help answer lingering questions.

- U.S. exporters can also contact their respective State Regional Trade Group (SRTG) and the National Association of State Department of Agriculture (NASDA) to obtain additional market entry support. Cooperator groups regularly organize trade missions and help companies participate in trade shows.

2.2 Market Structure

- The South African retail industry is undergoing changes to accommodate growing consumer interest in online shopping, simplified transactions, and delivery services.

- The South African supermarket sector is well-developed relative to other markets on the African continent and utilizes both centralized and decentralized distribution systems.

- Most large supermarket chains and big franchises maintain their own distribution centers and modern warehouse systems to supply their branches around the country. U.S. exporters usually trade with buyers at the headquarters of large retail chains.

- Other retail supermarkets, such as Spar, are flexible and permit each of their stores throughout the country to deal directly with U.S. exporters, local distributors, and import agents.

- In addition to major retailers, there are independent retailers who often buy from large independent wholesalers. These distributors also sell to small grocery stores and street vendors.

- Convenience stores attached to gas stations are mostly owned by major retail groups and stocked according to the retailer's head office purchasing policy.

- See the FAS Pretoria FAIRS Country Report **Error! Hyperlink reference not valid.**for more information on South African regulations, standards, and import requirements, including a list of responsible government departments. The FAIRS export certificate report provides information on health certificates and trade documents needed for various products.

Table 3: Top Food Retailers in South Africa

Retailer	Website
Shoprite Holding Ltd	https://www.shopriteholdings.co.za/
Pick n Pay Retailers (Pty) Ltd	https://www.pnp.co.za/

Spar Group Ltd	https://www.spar.co.za/
Massmart Holding Ltd	https://www.massmart.co.za/
Woolworths Holdings Ltd	https://www.woolworths.co.za/

SECTION 3: Competition

In general, U.S. exports mostly face competition from producers in South Africa and the Southern African Customs Union (SACU), the Southern African Development Community (SADC), BRICS, the EU, and MERCOSUR, which have favorable market access. South Africa has free trade agreements with members of SACU and the EU, as well as a preferential trade agreement with MERCOSUR. South Africa is also negotiating the tariff schedules and preferential trade conditions for the African Continental Free Trade Area (AfCFTA).

Table 4: Competitive Overview of South Africa 2021 Imports of Consumer Oriented Products

Product Category	Market Share of Major Suppliers	Strength of Key Supply Countries	Advantages and Disadvantages of Local Supplies
Tree Nuts 2021 total imports: $84 million	USA = 22% Vietnam = 13% Mozambique = 13%	The United States is a leading supplier of almonds and ground nuts.	South Africa is a net importer of nuts, though the country is a large producer of macadamia nuts.
Poultry Meat and Products (Excluding Eggs) 2021 total imports: $362 million	Brazil = 59% USA = 17% Spain = 13%	Brazil has the largest market share in chicken cuts, edible offal, and chicken feet. The United States is the leader in leg quarters and drumsticks.	Poultry is a major source of protein for South Africans, and there is demand for imports to supplement inadequate local production.
Soups and Other Prepared Foods 2021 total imports: $211 million	Germany = 15% USA = 12% Netherlands = 10%	Germany became the leading supplier of prepared foods, soups, and broths in 2021, with the United States being the second largest supplier.	There is a growing demand for processed and easy-to-prepare food products.
Beef and Beef Products 2021 total imports: $68 million	USA = 20% Argentina = 19% Australia = 15%	The United States remains the leading supplier of beef livers and the second largest of beef tongues, with Argentina leading in the supply of bovine tongues and is the second largest supplier of beef livers. Australia leads in the supply of bovine offal.	Domestic production is unable to meet local demand. Import demand is variable and depends on local market conditions.
Condiments and Sauces 2021 total imports: $41 million	USA = 21% Italy = 12% UK = 10%	The United States is the leading supplier of sauces and vinegars. Italy is the second largest supplier of	The competitiveness of local processors and producers has boosted prices and quality standards.

		vinegar and substitutes, while the UK is also a large supplier of these products.	
Dairy Products 2021 total imports: $277 million	France = 19% New Zealand = 15% Germany = 13% USA = 6%	France is the main supplier of whey, buttermilk, and ice cream, and the second largest supplier of caseinates. New Zealand is the largest supplier of both processed cheese and casein. Germany is the leading supplier of lactose in solid form, caseinates, and cheese.	Demand for imports of dairy products depends on the ability of local producers to meet domestic demand in each product category.
Distilled Spirits 2021 total imports: $293 million	UK = 37% France = 26% Ireland = 11% USA = 7%	The UK is the leading supplier of whiskey and gin, while France is the largest supplier of vodka.	South Africa has insufficient production of high-value alcoholic beverages to meet domestic demand.
Beer 2021 total imports: $143 million	Namibia = 40% Mexico = 40% Netherlands = 13% USA = 0.04%	In 2021, Namibia and Mexico were the largest suppliers of beer to South Africa.	South Africa has insufficient domestic production of beer, particularly craft beer, to meet local demand.

Table 5: South African Imports of Consumer-Oriented Products from the World

	Annual Series (Value: USD)		
Commodity	**2019**	**2020**	**2021**
Consumer-Oriented All	3,170,375,571	2,629,336,079	3,166,216,564
Poultry Meat & Prods (excl. eggs)	424,947,957	313,738,383	362,727,536
Distilled Spirits	304,745,774	190,969,047	293,681,377
Dairy Products	240,686,131	247,397,378	277,007,461
Soup & Other Food Preparations	183,939,451	182,071,978	211,885,518
Bakery Goods, Cereals, & Pasta	151,460,210	147,279,018	185,584,929
Chocolate & Cocoa Products	158,807,344	162,204,776	177,625,500
Processed Vegetables	137,834,826	133,014,838	153,351,031
Beer	241,675,971	118,109,780	143,215,674
Coffee, Roasted and Extracts	103,293,120	113,424,229	122,786,644
Meat Products NESOI	139,098,534	107,885,742	137,757,001

Table 6: U.S. Top 10 Consumer-Oriented Exports to South Africa

	Annual Series (Value: USD)		
Commodity	**2019**	**2020**	**2021**
Consumer-Oriented All	199,978,381	170,368,764	189,143,565
Dairy Products	16,871,594	8,757,107	20,174,385
Tree Nuts	25,580,484	22,261,407	19,881,995
Soups & Other Food Preparation	17,815,750	17,067,119	17,214,176

Distilled Spirits	15,758,048	9,798,310	15,709,697
Beef & Beef Products	8,908,986	11,803,916	14,339,086
Condiments & Sauces	6,651,267	5,568,221	7,208,936
Processed Vegetables	2,313,438	13,347,112	3,027,045
Fruit & Vegetables Juices	1,171,853	1,004,704	2,508,789
Chocolate & Cocoa Products	865,150	2,229,331	2,220,771

SECTION 4: Best Product Prospects Categories

4.1 Products present in the market that have good sales potential

The South African presents market opportunities for U.S. exports, including chicken cuts and edible offal, almonds, prepared foods, craft beer, and distilled spirits.

4.2 Products not present in significant quantities that have good sales potential

Opportunities exist for new U.S. products in the South African food and beverage market, including beef and beef products, fish and seafood products, tree nuts, frozen foods, pet food, snacks and prepared foods, condiments and sauces, seasonings and spice blends, and fruit and vegetable juices.

SECTION 5: Key Contacts and Further Information

5.1 FAS Pretoria

If you have questions or comments regarding this report, please contact the Office of Agricultural Affairs in Pretoria, South Africa.

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Other market and commodity reports are available through the FAS website: **Error! Hyperlink reference not valid.**

5.2 Additional Contacts

- American Chamber of Commerce in South Africa: www.amcham.co.za
- U.S. Foreign Commercial Service: https://export.gov/southafrica

U.S. International Trade Administration – South Africa Country Commercial Guide:
https://www.trade.gov/knowledge-product/exporting-south-africa-market-overview

Attachments:

No Attachments