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South Africa - Republic of

Food Service - Hotel Restaurant Institutional

Hotel Restaurant and Institutional Guide 2018

Approved By:
Laura Geller, Senior Agricultural Attaché

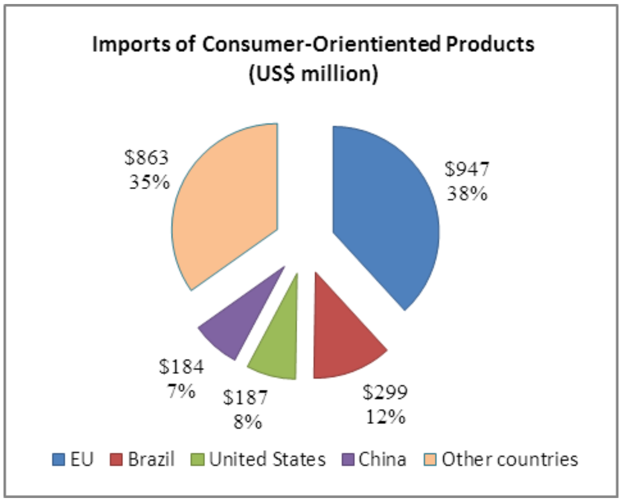
Prepared By:
Margaret Ntloedibe, Marketing Specialist

Report Highlights:
South Africa has the largest foodservice market in Southern Africa, and a highly competitive hospitality industry. In 2017, the combined value of the hotel, restaurant and institutional sector was US $4.3 billion up 8 percent from 2016. The growth was due to consumer demands of healthy eating alternatives, free delivery options, and the ongoing development of fast food market. The growth of the industry offers export opportunities to U.S. food products that are quick and convenient, healthy, innovative, and have the value for money.

Fact Sheet: South Africa

South Africa is a middle-income emerging market economy, with an estimated population of 57 million people (64 percent are in urban areas). South Africa's GDP reached US $300 billion in 2017. 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, primarily citrus, wine, fruits, and corn. Although largely self-sufficient in agriculture, the country has opportunities for imports. In 2017, imports of agricultural products reached US $7.7 billion, an increase of 5 percent compared to 2016.

In 2017, South Africa's imports of consumer-oriented agricultural products were valued at US $2.5 billion, up 20 percent from 2016. 38 percent of the imports were from the European Union, while 8 percent were from the U.S.



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.

South African food retail sales reached US $44.8 billion in 2017. The sector is well developed and aggressively expanding into other African countries.

Quick Facts CY 2017

Imports of Consumer-Oriented Products
US $2.5 Billion

Combined Value of Hotels, Restaurants, and Institutions
US $4.307 Billion

Leading Consumer Foodservice Chains

- KFC (Yum Brands Inc)
- Debonair Pizza, Steers, and Wimpy (Famous Brands Ltd)
- Nando's (Nando;s Group Holding)
- McDonald's (McDonald's Corporation)
- Fish & Chips Co, Maxi's (Taste Holdings)

Leading Hotel Chains

- Mercure Accor
- Sheraton Group
- Hilton
- Legacy Hotel & Resorts
- Sun City Resorts
- Protea Hotels

Food Industry Output	$143.0 billion
Food Exports	$9.2 billion
Food Imports	$6.7 billion
Domestic Market	$55.0 billion
Retail	$44.8 billion
Food Service	$4.3 billion

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	**Threats**
Sophisticated and growing middle class. A well-developed retail sector, and linkage to the rest of Sub-Saharan Africa.	FTA with EU. A political preference towards BRICS countries.

	Data and Information Sources: Global Trade Atlas (GTA); Statistics South Africa (Stats SA); Local food processing industry publications, and trade press. **Contact**: FAS Pretoria, South Africa, Agpretoria@fas.usda.gov

SECTION 1: MARKET SUMMARY

South Africa has the largest consumer foodservice sector in Southern Arica. The industry is made up of over 140,000 chain stores including well known franchises and independent food businesses. The food service sector is closely linked to the hospitality and tourism sector. The hospitality and tourism sector is highly competitive and one of the fast-growing sectors in the South African economy, offering a wide range of accommodation and attracting a mix of business and holiday travelers. As a result, this has had a positive impact to the food service sector, particularly food sales at restaurants and hotels. Table 1 show that food sales to restaurants and coffee shops, including hotels, are the largest contributor to total foods sales.

Table 1: Sales of Food and Beverage at Current Prices and Actual Figures in Billions: 2014-2017

	2014	**2015**	**2016**	**2017**
Restaurants and coffee shops	$1.73	$1.86	$2.02	$2.18
Takeaway and fast-food outlets	$1.13	$1.29	$1.44	$1.55
Catering services	$0.55	$0.58	$0.59	$0.59
Total Industry Sales, Billion US$	$3.42	$3.73	$4.05	$4.31

Source: Statssa

Restaurants and Coffee Shops: Enterprises involved in the sale and provision of meals and drinks, ordered from a menu, prepared on the premises for immediate consumption and with provided seating. This category includes hotels.

Takeaway and fast-food outlets: Enterprises involved in the sale and provision of meals and drinks, ordered from a menu, prepared on the premises for takeaway purposes in a packaged format, at a stand or in a location, with or without provided seating.

Catering Services: Enterprises involved in the sale and supply of meals and drinks prepared on the premises on a contract basis and brought to other premises chosen by the person ordering them, to be served for immediate consumption to guests or customers. Catering services also include bars, taverns, other drinking places, ice-cream parlors, etc.

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

Advantages	Challenges
South Africa developed HRI industry together with the appearance of new international brands fuel growth in demand for food ingredients.	Competition from local producers and other countries, especially those with preferential or free trade agreements.
South Africa is an attractive developed business market, and a gateway to Sub-Saharan Africa markets.	Food safety and phytosanitary restrictions may affect imports of food products and certain food ingredients.
South Africans have diverse food tastes and are willing to try new products.	Security issues are real and extreme in some cities, but businesses continue operating.

SECTION 2: ROAD MAP FOR MARKET ENTRY

2.1 Entry Strategy

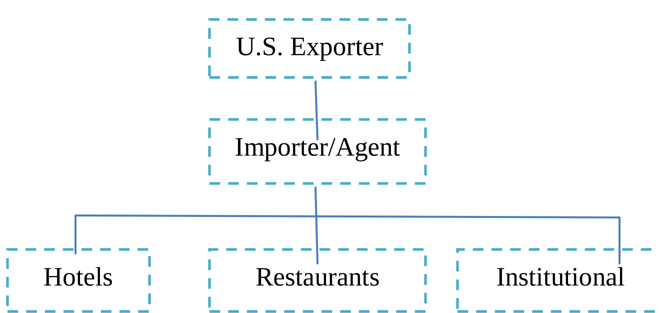
It is essential that U.S. exporters choose good partners to work with. Exporting through distributors or import agents with knowledge of the South African market is the safest or easiest way to enter the South African HRI food service market. Agents must be registered with the South African Revenue Services (SARS), and should be able to handle the necessary custom clearance, compliance with all the regulatory requirements, documentation, warehousing, and financing arrangements.

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, 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.

To help U.S. agricultural exporters meet credible agents, FAS participates in many market development activities, including exhibitions such Africa's Big 7, Food and Hospitality Africa, 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 from the region. 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 B2B meetings, answering inquiries, and maintaining a buyer-seller database.

2.2 Market Structure
The Head Offices of hotels, restaurants, and institutions utilize a centralized purchasing policy to supply products to all their food service sector branches located in various parts of the country. Some chains are flexible and permit each of their stores throughout the country to deal directly with United States exporters or local distributors and import agents. This is an excellent opportunity for U.S. suppliers ready to enter the South African food service market to deal or trade directly with the buyers at the HRI/Retailer Head Offices.

2.3 Distribution
In general, the HRI companies do not import directly, but instead purchase products directly from the local manufacturers, catering wholesalers, specialist retailers, and from buyers/distributors importing food and beverages. **The chart provides an overview of the usual distribution channel for imported food products from U.S. exporters to the HRI businesses**.



2.4 Company Profiles

2.4.1 Fast Food

South Africa has a large number of domestic and international restaurants chains. South Africa has a highly developed network of fast-food and chain restaurants and a well-established franchising model. In addition, the Franchise Association South Africa (FASA) (www.fasa.co.za) shows that people are opting to eat out more often than ever before. This shift is creating opportunities in the restaurant industry. However, fast food restaurants are facing increased competition from supermarkets, retail chains, and convenience stores as they also offer readymade meals.

Table 3: Fast Food Chains

Global Brand Owner	Brand	Website
Yum Restaurants International	KFC	www.yum.com/tag/south-africa/
Famous Brands Ltd	Debonairs pizza, Steers, Wimpy, FishAway, Milk Lane	https://famousbands.co.za
Nando's Group Holdings Ltd	Nando's	www.nandos.co.za
McDonald's Corp	McDonald's	www.mcdonalds.co.za/mcdonaldssa
Taste Holdings	Fish & Chips Co, Maxi's, Zebro's,	www.tasteholdings.co.za

Source: Euromonitor

2.4.2 Hotels and Resorts

South Africa hospitality establishments ranges from one-star to five-star hotels, including game lodges, guest houses, self-catering, and bed & breakfast (B&B), to more economical options, such as youth hostels. The Tourism Grading Council of South Africa (www.tourismgrading.co.za) is an official ranking of tourism establishments in the country and oversea the quality control. Establishments are graded from one-star up to five-stars; one-star offers very basic facilities, whereas five-stars provides high-end offerings. The grading is displayed on most advertising material and at establishment entrances.

Table 4: Leading Hotels Chains in South Africa

Hotel Group	Website
Mercure Accor (French)	www.accorhotels.com
Sheraton Group (US)	www.marriott.com/hotels/travel/prysi-sheraton-pretoria-hotel
Hilton (US)	www.hilton.com/hotels/southafrica
Legacy Hotel & Resorts (US)	www.legacyhotels.co.za
Sun City Resort (SA)	www.suninternational.com
Protea Hotels (US)	www.south-african-hotels.com/groups/protea-hotels-group

2.4.3 Institutional Food Service

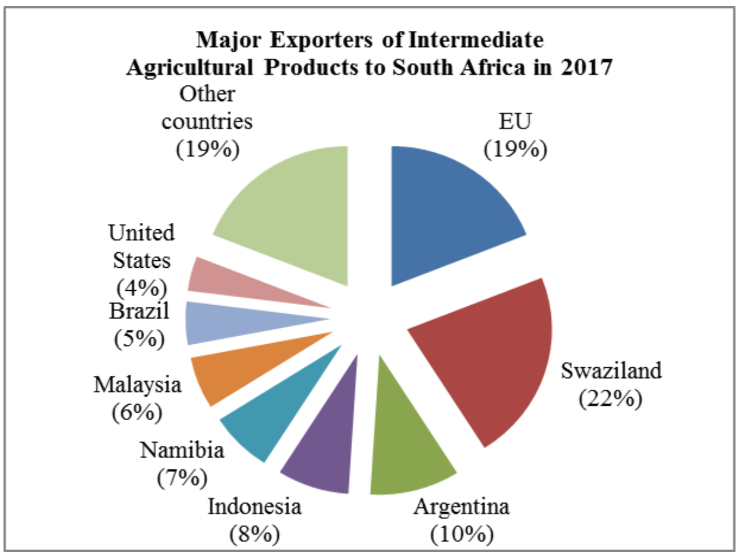
The South African institutional sector, which consists of schools, hospitals, prisons, and other state run entities is run through state tenders and parastatals. This sector constitutes a very large market for food and beverages and includes various institutions and services providers. It is estimated that 28 percent of the public sector and 55 percent of the private sector catering has 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 as outlined below.

Table 5: Institutional: Contract Catering Companies

Business Name	Website
Fedics (Tsebo Outsourcing Group)	www.fedics.co.za / www.tsebo.co.za
Bidfood (BidCorp Group)	www.bidfood.co.za / www.bidcorp.co.za
Royal Mnandi Food Service Solutions (Bidvest Group)	www.royalmnandi.co.za / www.bidvest.co.za
Kagiso Khulani Supervision Food Services (Compass Group Southern Africa)	www.compass-group.co.za
Feedem Pitseng Pty Ltd (Independently owned)	www.feedem.co.za

SECTION 3: COMPETITION

Intermediate Agricultural Exports: U.S. exports face competition from producers in the Southern African Development Community (SADC), the European Union (EU) and MERCOSUR, as South Africa has signed Free Trade Agreements (FTA) with both SADC and the European Union and has a preferential trade agreement with MERCOSUR. Other exporters of intermediate agricultural products to South Africa include Swaziland (food/drink ingredients and raw cane sugar), Argentina (soybean oil cake and soybean oil), and Indonesia (palm oil and palm kennel).



SECTION 4: BEST PRODUCT PROSPECTS CATEGORIES

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

- Nuts: almonds, chestnuts, hazelnuts, cashew nuts, walnuts, and pistachios
- Fish and seafood, especially salmon
- Oils: vegetable and soybean oil
- Sugar and sugar syrups, especially lactose and lactose syrups
- Sauces and condiments
- Distilled spirits
- Food preparations, and food ingredients
- Snack foods
- Bakery products
- Beer hops
- Pork meats
- Poultry meats (The link provides more updates on the poultry situation in the country).

B. Top Consumer-Oriented Products Imported From The World

South Africa Import Statistics From World
Commodity: Consumer BICO, Minus HS 9801
Calendar Year:2015-2017

Commodity	Description	United States Dollars			% Share			% Change
		2015	2016	2017	2015	2016	2017	2017/2016
Consumer BICO	Minus HS 9801	2,111,094,415	1,997,054,637	2,337,982,554	100	100	100	17.07
020714	Chicken Cuts And Edible Offal (Inc Livers), Frozen	264,365,306	270,768,469	323,707,204	12.52	13.56	13.85	19.55
210690	Food Preparations Nesoi	163,301,117	161,035,507	168,473,894	7.74	8.06	7.21	4.62
020712	Meat & Offal Of Chickens, Not Cut In Pieces, Frozen	71,590,049	70,889,807	120,348,962	3.39	3.55	5.15	69.77
220300	Beer Made From Malt	64,583,441	64,411,522	95,237,695	3.06	3.23	4.07	47.86
350790	Enzymes And Prepared Enzymes, Nesoi	67,444,648	55,185,657	73,456,267	3.19	2.76	3.14	33.11
020329	Meat Of Swine, Nesoi, Frozen	73,105,710	60,155,770	71,058,835	3.46	3.01	3.04	18.12
210111	Coffee Extracts, Essences Etc. & Prep Therefrom	52,609,639	50,648,521	67,281,778	2.49	2.54	2.88	32.84
220210	Waters, Incl Mineral & Aerated, Sweetnd Or Flavord	60,725,446	66,539,501	64,852,762	2.88	3.33	2.77	-2.53
180690	Cocoa Preparations, Not In Bulk Form, Nesoi	55,762,988	47,103,320	59,392,704	2.64	2.36	2.54	26.09
230910	Dog And Cat Food, Put Up For Retail Sale	55,026,947	47,946,833	57,099,467	2.61	2.4	2.44	19.09

C. Top Consumer-Oriented Products Imported from the United States

South Africa Import Statistics From United States Commodity: Consumer BICO, Minus HS 9801 Calendar Year: 2015 - 2017								
Commodity	**Description**	**United States Dollars**			**% Share**			**% Change**
		2015	**2016**	**2017**	**2015**	**2016**	**2017**	**2017/16**
Consumer BICO	Minus HS 9801	122,687,790	131,191,060	199,257,041	100	100	100	51.88
020714	Chicken Cuts And Edible Offal (Inc Livers), Frozen	156,118	16,482,708	68,293,485	0.13	12.56	34.27	314.33
210690	Food Preparations Nesoi	27,355,147	25,611,802	29,341,227	22.3	19.52	14.73	14.56
350790	Enzymes And Prepared Enzymes, Nesoi	19,742,100	14,872,789	21,409,091	16.09	11.34	10.74	43.95
080212	Almonds, Fresh Or Dried, Shelled	19,243,593	17,967,402	14,840,769	15.69	13.7	7.45	-17.4
020622	Livers Of Bovine Animals, Edible, Frozen	-	1,995,850	7,836,983	0	1.52	3.93	292.66
020727	Turkey Cuts And Edible Offal (Includ Liver) Frozen	52,013	1,244,889	5,937,776	0.04	0.95	2.98	376.97
350510	Dextrins And Other Modified Starches	10,456,373	5,608,368	5,657,272	8.52	4.27	2.84	0.87
350220	Milk Albumin,Inc Concen Of 2 Or More Whey Proteins	1,771,286	2,789,348	5,510,003	1.44	2.13	2.77	97.54
230910	Dog And Cat Food, Put Up For Retail Sale	7,182,127	6,571,855	5,428,996	5.85	5.01	2.72	-17.39
170211	Lactose & Lactose Syrup Cont 99% More Lactse By Wt	1,943,351	3,953,938	5,138,825	1.58	3.01	2.58	29.97

D. Products Not Present In Significant Quantities But Have Good Sales Potential

Beef, and pulses.

E. Product Not Present Because They Face Significant Barriers

The United States is currently working with South Africa to obtain full market access for egg products, pork shoulder cuts, pork casings, heat treated and canned meat and poultry products, apples, and blueberries.

SECTION 5: KEY CONTACTS AND FURTHER INFORMATION

A. 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
P.O. Box 9536, Pretoria, 0001
Tel: +27-(0)12-431-4057, Fax: +27-(0)12-342-2264, Email: agpretoria@fas.usda.gov

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

B. **Additional Contacts**

U.S. Foreign Commercial Service, www.export.gov/southafrica
The Franchise Association of South Africa, www.fasa.co.za
The Restaurant Association South Africa, www.restaurant.org.za
South African Tourism, www.tourism.go.za
The Federated Hospitality Association of South Africa, www.fedhasa.co.za
The Tourism Grading Council of South Africa, www.tourismgrading.co.za
See this link for South Africa Government regulators
See this link. for government imports certificate