USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Report Highlights:

AgTradeNews is a bimonthly newsletter by FAS/Pretoria and focuses on trade opportunities in the Southern Africa region.

USDA

AgTradeNews

Bimonthly Updates and Opportunities

Foreign Agricultural Service

Southern Africa

May 2015

FAS Calendar Highlights

May 11-15	FAS Office of Trade Programs/Credit Programs Division visits Angola for outreach to banks and importers
May 14-19	South African Buyers Delegation to the National Restaurant Association trade show in Chicago, Illinois
June 1-3	Distilled Spirits Council of the United States (DISCUS) visits South Africa for a standards alliance workshop
June 10-12	FAS/Washington, Pretoria and Mozambique staff participate in Feed the Future regional workshop in Pretoria.
June 17-19	FAS Agricultural Specialists accompany World Wide Sires to Botswana for outreach visit promoting genetic sales
June 22-26	FAS Office of Capacity Building and Development regional SPS workshop in Cape Town to facilitate increased trade
July 2	FAS invites U.S. companies to the American Embassy Pretoria Independence Day Celebration with Ambassador Patrick Gaspard
July 13-22	FAS Office of Global Analysis Poultry Analyst visits South Africa and Angola for research and outreach
August 1-15	FAS hosts Pakistani horticultural growers visiting South Africa for training in the fruit and vegetable export value chain
August 12-13	Produce Marketing Association Summit in Cape Town

Upcoming Trade Events

Sept 29-Oct 3	South African and Mozambican Buyers Delegation to the World Dairy Expo in Madison, Wisconsin
October 26-27	Americas Food and Beverage trade show in Miami; following the show, South African Buyers Delegation will participate in business-to-business meetings with SUSTA members in Atlanta, Georgia
May 3-5, 2016	Food & Hospitality Africa trade show in Johannesburg; FAS will facilitate business-to-business meetings and other trade services for visiting U.S. companies participating in the endorsed U.S. Pavilion.

Questions? Concerns? CONTACT FAS PRETORIA:

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UPDATES FROM THE OFFICE

National Restaurant Association (NRA) Trade Show in Chicago

FAS/Pretoria recruited a group of trend-setters from the South African food & beverage industry to participate in the May 2015 National Restaurant Association trade show in Chicago. The group included two journalists, three procurement directors from the region's top hotel chains, a leading food service importer, and a representative of the South African Chefs Association. The delegation had a little over three days to cover more than 60,000 square meters of exhibit space, along with a full schedule of business-to-business meetings with U.S. suppliers arranged by FAS/Pretoria and a slate of educational seminars on hot topics including "Hospitality Trends-2015," "What Millennials Want," and "Biotech Ingredients on the Menu." FAS Agricultural Attaché Abigail Nguema accompanied the South African delegation to the show, arranged buyer-supplier meetings in the USDA-sponsored American Food Fair Pavilion, and recruited U.S. companies to market their products in South Africa at future trade events.

FAS Administrator Phil Karsting (center) meets with FAS staff at the NRA Trade Show Abigail Nguema, FAS Pretoria, pictured fourth from the left.

Cochran Fellowship Program

We are pleased to announce the selection of 21 new Cochran Fellows for 2015:

Course	# Participants	Country	Date
Soy Utilization	1	South Africa	June 2015
Soy School Feeding Program	2 1	South Africa Angola	Fall 2015
U.S. Lumber Grading Standards	3	South Africa	Fall 2015

Agricultural Policy	7 1	South Africa Angola	Fall 2015
Plant Health Systems Analysis	6	South Africa	June 2015

Credit Programs Division Outreach in Angola

On May 11-15, the FAS Office of Trade Programs/Credit Programs Division met with Angolan banks and importers to discuss details of financing options under the GSM-102 Export Credit Guarantee Program. Currently, Banco Angolano de Investimentos (BAI bank) is approved to participate under the GSM-102 Export Credit Program. The financing of poultry under GSM since 2012 was accomplished through Investec (South Africa) and Africa Export Import Bank (a multilateral bank in Egypt). While there is interest in the program from banks and importers, the uncertainty of foreign exchange availability has resulted in banks' non – issuance of L/Cs (a requirement for the GSM program) and even if a bank would issue an L/C, the cost to the importer would likely incur collateral costs of over 100 percent. In 2014 and 2015, GSM sales for poultry to Angola declined partly due to a proposed quota system (that is currently suspended) and to the more pressing issue of foreign exchange availability. U.S. companies have reported that while they usually receive payments within two weeks, many accounts are in arrears by as much as five months due to a severe scarcity of foreign exchange. Unless the Government of Angola can make foreign exchange available by the first week in June, Angolans risk losing U.S. poultry availability and 65% increased prices in the retail market.

Proposed Results Workshop for FAS-Funded Agroforestry Project in Mozambique

TechnoServe plans to share its community agroforestry program with stakeholders as part of the 2010 Food for Progress project Agro Forestry Village (AFV) in Mozambique. The purpose of the AFV closeout workshop is to facilitate broader utilization of the land use planning and community consultation tools developed by the project. These tools were developed as part of the fourth project component, "Improve Local Government Capacity." The workshop will provide the opportunity for provincial and district authorities, private investors, donors and civil society, to learn about the tools developed by the Agro Forestry Village project and begin planning their full roll out and implementation over the coming months and years in their respective provinces and districts. The workshop is still in the conception phase, with a proposed date of July or August.

SHORT-TERM ADDITIONS TO THE FAS TEAM IN PRETORIA

Sean Hennessy (Agricultural Specialist)

Given his passion for international development, Sean Hennessy is excited to intern as an Agricultural Specialist at FAS Pretoria from May to August of 2015 to further the embassy's work and gain invaluable career experience. Originally from Riverside, Illinois, Sean is currently earning his M.S. in Agricultural and Applied Economics at the University of Illinois at Urbana-Champaign. Sean also works on an agricultural development project in Tanzania as a graduate research assistant and serves as teaching assistant for a World Food Economy course. Before beginning graduate school, Sean studied International Development at the University of Vermont, spending a semester in Cameroon to take development-related classes and to conduct an independent research project on income mobility by surveying employees of cyber cafes to see how their wages had changed over time. Outside of academia, he has also interned for the City of Chicago's Department of Planning and Development, organizing financial data and administering a tax exemption program. Sean is proficient in French, speaks basic Spanish, and expects to enter the job market in May of 2016.

Dineo Rakumakoe (Marketing Consultant)

FAS has a new contractor, Ms. Dineo Rakumakoe, who is developing the FAS Southern Africa Contact Database for the food and agricultural trade sector, including importers, retailers, and food service buyers (hotels, restaurants, and institutions). With the goal of better serving U.S. exporters seeking clients in the region, Dineo is meticulously combing through an existing importer database to identify companies with an interest in importing U.S. products; she also uses the opportunity to inform the companies of upcoming trade event opportunities. Dineo is experienced in market research and outreach and has strong communication and organizational skills. Her background includes successfully initiating, implementing and monitoring projects in addition to employee training management. She holds a certificate in entrepreneurship with Gordon Institute of Business Science, for which she was one of 10,000 women sponsored by Goldman Sachs. Dineo started her first business, micro-distribution franchise at the age of twenty-three.

AGRICULTURAL TRADE IN THE NEWS

"SA poultry producers in bid to end Agoa logjam," by Banele Ginindza of Independent Online (IOL) on April 21st, 2015

SOUTH African poultry producers are making concessions in order to end a dispute with the US over local poultry tariffs and keep the country on track to be included in the renewal of the Africa Growth and Opportunity Act (Agoa).

The South African Poultry Association (Sapa) was drafting a letter with "realistic, rational and reasonable proposals", which if accepted by their US counterparts would form the basis of a new agreement, Sapa chief executive Kevin Lovell said yesterday.

This comes after the Minister of Trade and Industry Rob Davies late last week agreed with US trade representative Michael Froman to strengthen and deepen their bilateral trade and investment relations during the Trade and Investment Framework Agreement (Tifa) Council meeting that was held in

Washington.

In a statement, the Department of Trade and Industry (dti) said that Davies and Froman had fruitful and constructive discussions on Agoa, outstanding market access issues and the investment climate, as well the multilateral trade agenda.

Sapa was expected to table an improved offer that would likely lead to a deal being finalized.

According to the dti, the proposed deal will see US chicken bone-in cut exports being restored to their value prior to 2000 with a growth factor that takes into account current dynamics in the South African market.

Quantity

The outstanding issue is for both poultry associations to agree on the quantity of US chicken that will be excluded from anti-dumping duties.

Davies appealed to the US to engage its poultry industry to also show flexibility in the negotiations so that the outcome was reasonable and in line with what both parties could live with.

Lovell said he was drafting the letter whose contents were discussed over dinner with his US counterpart and that if the letter was agreed to, it would be escalated to an agreement.

“I am confident that what we propose is fair and rational. For the Americans, the sweet spot is to get sufficient access to not find it worthwhile to pursue the matter,” he said.

Lovell, who could not give out details of the new agreement, said Sapa was trying a fair way to give the US access to the local market without harming the local industry.

He said what was clear was the signing of a new trade deal by the relevant representatives indicated that the poultry dispute was in itself not sufficient reason for the exclusion of South Africa from Agoa, hence the poultry practitioners had to meet and resolve their disagreements.

“We will get an outcome quite soon,” Lovell said.

The two countries signed the revised Tifa in 2012, a key platform to address issues of bilateral concerns and boost bilateral relations.

Davies had committed that South Africa would work towards concluding the poultry discussions soon, the dti said.

The same message was communicated in his meeting with US Senators Chris Coons and Johnny Isakson, who have been lobbying for greater access for US poultry to the local market.

For 15 years, US poultry exports to South Africa have been subjected to what US officials have called punitive anti-dumping tariffs – more than 30 percent raising the ire of US lawmakers in recent months.

Coons and Isakson have pushed for South Africa to be kicked out of Agoa if it does not scrap the poultry tariffs.

Barring South Africa from Agoa would cost South Africa as much as $2.5 billion (R30.1bn) in benefits and put thousands of jobs in jeopardy. Agoa must be renewed ahead of its September expiration date.

"Pick n Pay's recovery plan pays off," by Zeenat Moorat of Business Day on April 20th, 2015

PICK n Pay, the laggard among SA's grocers, will report its full-year results on Tuesday.

While its figures are unlikely to shoot the lights out, given their earlier indications of 6.1% turnover growth, they should go a long way in convincing the market that the retailer's turnaround has gained at least some momentum.

Shoddy stores, high costs and poor distribution are among some of the factors that have facilitated market-share losses to rivals Shoprite and Woolworths over the past few years.

Former Tesco chief Richard Brasher is now leading Pick n Pay's fix-up through better inventory management, cost cutting and customer service.

While underlying earnings have shown improvement, analysts bemoan that change has so far been on the more modest side, made harder by the financial strain on the group's core middle-income customers.

"We're looking at a somewhat lower outlook than what we had anticipated originally given the kind of economic background in which we find ourselves. A few weeks ago it was looking significantly better, because we were getting the benefit of the lower fuel prices — all that has been exhausted," Absa Investments analyst Chris Gilmour, said last week.

Pick n Pay said earnings would come in 20%-30% higher according to INET BFA's consensus forecast, which polled 13 analysts.

According to the group, having substantially completed the first stage of its recovery plan, it was now a stronger business. "The second stage of the plan — changing the trajectory of Pick n Pay — will deliver accelerated improvements in operating efficiency, investment and innovation in the customer offering, a further strengthening of the balance sheet and financial performance and a dynamic approach to expansion," the company said.

While Pick n Pay attempts to restore itself to its former glory, Shoprite embarked on an aggressive store-opening strategy. Meanwhile Woolworths has upped the ante with broader ranges, pushing promotions to combat its image as an expensive food shop.

"Pick n Pay have to rectify an awful lot of things. They really have to make some sort of headway in things like distribution and buying," Mr. Gilmour said.

"Pioneer eyes Africa as earnings slide," by Zeenat Moorad on May 19th, 2015

EAST Africa is high on Pioneer Food’s radar, as the food producer looks to Africa’s booming economies to boost growth.

The fast-moving consumer goods sector is poised to benefit from the rapid pace of urbanization on the continent as middle-class consumers move up the income chain.

"Kenya would be a good East Africa base and then on the west coast (we’re looking at) Ghana, Nigeria, Angola but they are taking strain with currency deprecation given the oil price," CEO Phil Roux said on Monday.

The maker of ProNutro and Weet-Bix breakfast cereal on Monday reported a 10% decline in earnings for the six months ended March as charges relating to the spin-off of its loss-making chicken unit, Quantum Foods weighed. Pioneer has been shedding underperforming and noncore assets as it focuses on its consumer products business.

When it comes to expanding into Africa, the group either exports out of SA, establishes co-packing relationships with players to manufacture its beverages or it acquires existing operations. Earlier this year it announced its first major foray in Nigeria in a $7m deal where it took a majority stake of newly formed company Food Concepts Pioneer, with Lagos-based partner Food Concepts.

African expansion can however go awry, as seen with competitor Tiger Brands’ ill-starred acquisition of Dangote Flour Mills, which has seen it suffer a nearly R1bn write-down since the Nigerian food business was bought in 2012.

With all their promise, operating in Africa’s thriving countries can be thorny as currency swings, infrastructure and bureaucracy pose challenges.

"What all of us must be mindful of is that while you have populous and high growth on the rest of the continent, it’s fraught with all sorts of vagaries from currencies to capital flows. It’s difficult doing business there so you have to be really cautious before you launch into expensive assets," Mr Roux said.

Pioneer’s half-year results reflect the progress on its strategic delivery of the twin objectives of strengthening brands and expanding margins.

Revenue increased 8% on the prior period to R9.5bn. Headline earnings declined to R627.2m in the six months ended March 31 from R694.9m a year earlier, which includes R203.1m associated to a Phase 1 black economic empowerment transaction for Quantum, which the company spun off last October.

In its groceries segment, revenue increased 9% to R2.6bn. Beverage volumes, excluding Pepsi, rose 8%.

Pioneer will not be renewing its bottling contract with US-based PepsiCo and will stop distribution of the firm’s soda brands in July.

Euromonitor sub-Saharan Africa research manager Thomas Verryn said consumers were simply not as aware or familiar with Pepsico’s brands, and were therefore less likely to consider buying it, compared to Coca-Cola’s products.

"Brands such as Pepsi have limited regional representation which results in goal incongruence when outsourcing distribution to third parties, evident in the recent withdrawal of Pioneer Foods in distributing the Pepsi brand in SA."

Mr Verryn said investment by Pepsico to increase distribution, awareness and brand equity of its products would be needed to change consumers’ perceptions "or lack thereof, as consumers simply did not know some of the brands of its brand portfolio.

"The company would have to invest more in terms of research and development as well as product promotion."