

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **South Africa - Republic of**

## **Food Processing Ingredients**

## **Food Processing Ingredients Market Report**

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**Report Highlights:**

South Africa's agricultural exports reached an estimated \$256 million in 2014, up from \$226 million in 2010. The country dominates the African agribusiness market with ten of the top twenty agribusinesses on the continent. The South Africa food processing sector is expanding, offering opportunities for U.S. exporters of high quality food ingredients.

**Post:**  
Pretoria

## **SECTION I. MARKET SUMMARY**

South Africa's agro-food and beverages processing sector, serving a population of about 54 million, remains a significant component of the manufacturing economy. The sector is self-sufficient, developed, highly concentrated and competitive producing high quality and niche products for local and international markets. The sector has a number of competitive advantages, making it an important trading partner to create employment in South Africa. To enhance growth and development of the sector, the Department of Trade and Industry has the Manufacturing Competitiveness Enhancement Program (MCEP) scheme in place to support and help agro processing businesses improve their competitiveness.

South Africa January-October 2014 exports of agricultural, fish and forestry products to the United States increased by 12 percent to \$256 million as a result of export of edible fruit & nuts. South Africa largest exports products are grapes, wine, apples, pears, citrus, and food preparations. Other important export products are avocados, pineapples, dates, and preserved fruits and nuts.

Based on the GTA Statistics, the January-October 2014 U.S. exports of agricultural, fish and forestry products to South Africa increased by 3 percent to \$236 million due to cereals, and beverage spirits & vinegar. The sector offers U.S. exporters opportunities to supply raw materials or inputs for food processors. However, according to importers and buyers, the key factors to supplying this market are competitive pricing, good quality products, and consistency in both quality and availability. It is important to know that the sector is divided into several subsectors: Canned and prepared meats; dairy products; canned fruit and vegetables; fish products; vegetables and animal oils and fats; baked products; sugar confectionery and cocoa; roasted peanuts and other nuts; coffee roasting, tea blending and packaging; animal feeds; beverages such as distilleries and wineries; and soft drinks.

This industry is dominated by a few very large, diversified, national and multinational food manufacturers, who have established market shares and control both production capacity and sales in most food categories. These conglomerates tend to be involved in a number of food groups, as well as in the production and retailing of these products. New and smaller processors play an important role and continue to change the competitive environment of food processing in South Africa despite their limited market share.

Additionally, big multinational companies, such as Nestle (Switzerland), Unilever-Unifoods (UK), and Borden (US), operate their own manufacturing plants in South Africa, which produce and market their well-known brands. Other multinationals companies do not have processing facilities, but have arrangements with local manufacturers. For example, branded packaged foods of Knorr are manufactured under license by Robertson's, a major South African spice packer and food processor.

Many South African companies have formed associations with international companies, giving South Africa access to the latest technology and expertise. Examples of these are Simba and Frito-Lay (US), Robertson's and Best Foods (US), NCD Clover and Danone (France); and H. J. Heinz (US) and Pioneer Foods South Africa which formed a joint venture company Heinz Foods South Africa (SA). This allows foreign companies penetration into the local market.

Food companies are among the largest holders of intellectual property rights (Unilever, Proctor & Gamble, and Nestle being the top three in South Africa), which involve patented processes, products, equipment, packaging technology, and trademarks.

Although there are over 1,800 food production companies, the top ten are responsible for 70 percent of the industry's production. South Africa's key players include national and multinational companies such as Tiger Brands, AVI, Premier Foods, Pioneer Foods, FoodCorp, First SA Foods, Nestle, Clover SA, Parmalat SA, Rainbow, Kellogg's SA, and South African Breweries. All of these food processors depend on formal retail chains to sell their manufactured products.

Massmart/Walmart is a retail group invested in a portfolio of focused wholesale and retail chains which distribute well-known brands of food, liquor and general merchandise to a broad range of consumers in thirteen countries in Southern Africa. Massmart launched some farm initiative programs to develop its sourcing capacity in fresh produce, whereby they will provide training and market linkages with approximately 1 million small holder farmers. In addition, \$1 billion in food will be sourced from these farmers over the next five years.

### Manufacturing Production and Sales

According to Statistics South Africa, the production of food and beverage manufactured products for October 2014 grew by 2.1 percent contributing 0.5 of a percentage point.

The table below highlights food and beverage annual percentage change in volume of manufactured production and estimated value of sales:

| Food and Beverage Manufacturing Divisions | Production Indices (base 2010=100) |              |   | Value of Sales (US \$'000) |              |   |  |
|---|------------------------------------|--------------|---|----------------------------|--------------|---|--|
|   | October 2013                       | October 2014 | Annual % Change between October 2013 and October 2014 | October 2013               | October 2014 | Annual % Change between October 2013 and October 2014 |  |
| Food and beverages                        | 120                                | 123          | 2.1   | 3,309                      | 3,615        | 9.3   |  |
| Meat, fish, fruit, etc                    | 116                                | 121          | 4.5   | 866                        | 943          | 8.9   |  |
| Dairy products                            | 118                                | 123          | 4.2   | 287                        | 330          | 14.8  |  |

|                     |     |     |      |     |       |      |
|---------------------|-----|-----|------|-----|-------|------|
| Grain mill products | 115 | 109 | -4.7 | 546 | 551   | 1.0  |
| Other food products | 121 | 119 | -1.8 | 683 | 758   | 11.0 |
| Beverages           | 124 | 133 | 6.4  | 928 | 1,033 | 11.5 |

**Source: Statistics South Africa**

### Producer Price Index

The table below depicts the producer price index numbers and percentage change contributions for domestic output of processed food products.

| Food Product                                | Indices       |               | % change 2014 |
|---|---------------|---------------|---------------|
|   | November 2013 | November 2014 |               |
| Meat and meat products                      | 108,7         | 124,7         | 14,7          |
| Fish and fish products                      | 120,6         | 128,0         | 6,1           |
| Fruit and vegetables                        | 105,6         | 113,7         | 7,8           |
| Oils and fats                               | 107,0         | 105,1         | -1,8          |
| Grain mill products                         | 104,7         | 107,0         | 2,2           |
| Starches,, starch products and animal feeds | 108,6         | 117,4         | 8,1           |
| Bakery products                             | 112,7         | 122,2         | 8,4           |
| Sugar                                       | 100,5         | 103,9         | 3,4           |
| Beverages                                   | 106,0         | 111,4         | 5,1           |
| Other food products                         | 101,2         | 108,7         | 7,4           |

**Source: Statistics South Africa**

### Advantages and Challenges for U.S. Exporters

| Advantages   | Challenges  |
|--|---|
| It is possible to sell directly to processors, local importers/agents and/or directly to distribution centers. | South Africa is a strong food producer in its own right (this can also be an advantage, in terms of supplying production ingredient). |
| South Africans are developing a taste for western foods and are willing to try new products.                   | Consumers may need to be educated in preparing and eating products.   |
| The growing food processing ingredients industry needs imported food and beverage products.                    | Already acquired tastes and preferences for traditional locally produced products.  |
| South Africa is the gateway for regional markets.  | Competition is stiff from other countries and locally produced products.  |
| Established agro-processing industry.  | While sophisticated for a developing country, much of the latest U.S. technology is far beyond the horizons of                        |

|  |   |
|--|---|
|  | even the most richly-resourced SA food companies.   |
| South African processors and importers seek suppliers who can offer reliable and quality products at competitive prices. | Challenge for U.S. suppliers to respond to trade inquiries in a timely fashion. Also South Africa is a smaller market and may not be able to deal in the volumes that U.S. companies are used to. |
| South African consumers view U.S. products as high quality.  | Limited knowledge of processors and consumers of the variety and quality of U.S. products.  |
| English is one of the 11 official South African languages and virtually everyone is proficient in English.               | Processors already have long-standing relationships with European suppliers due to historical ties.   |

## SECTION II. ROAD MAP FOR MARKET ENTRY

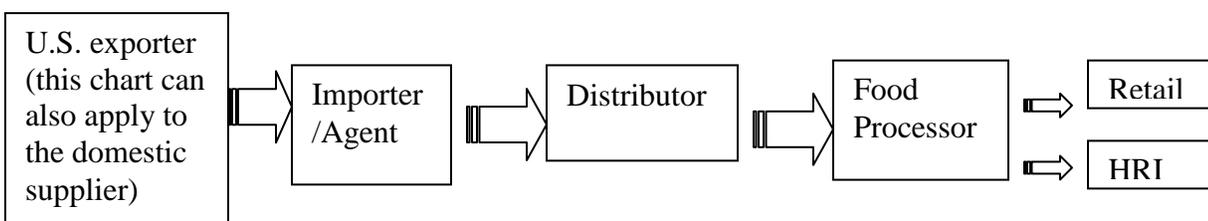
### Entry Strategy

New U.S. exporters in this market need to fully understand the food processors' needs and how best to meet their purchasing requirements and specifications. They should consider the following when planning to enter the market:

- South Africa has a strong domestic food processing industry, but continues to import food ingredients and additives from all over the world.
- Will the price for U.S. products be competitive with other suppliers?
- The food processor's purchasing policy, i.e. whether it buys directly from overseas suppliers or via local importers/agents.
- It is important to note that some companies prefer to buy through local agents because they are better positioned to deal immediately with any quality problems encountered by the buyer.
- The financial strength of the targeted food processor, the geographical network of its target markets, level of demand for imported food ingredients, level of R&D activities and investments into new product introduction, and level of interest in using new ingredients from the United States.

### Market Structure

The following chart provides an overview of the usual distribution channel for imported food ingredients from U.S. exporters to food processors.



Large food processing companies prefer to source their food ingredients directly from overseas suppliers instead of using local agents because they can:

- Benefit from cost savings when buying in bulk from the overseas suppliers.
- Control the quality of the ingredients they obtain.

Smaller South African food processors tend to prefer to purchase from local agents because they can:

- Obtain better service from the local agent who buys large quantities from overseas.
- They require small quantities of food ingredients.
- Local suppliers make it more convenient for processors to deal with quality issues.

### Company Profiles

The following table provides information on South Africa’s major national and multinational food processing groups.

| Company and Product types   | Estimated Sales (US\$ million) | End-use-channels         | Production Location                         | Procurement Channels |
|---|--------------------------------|--------------------------|---|----------------------|
| <p><b>Tiger Brands</b> is a branded, fast-moving packaged consumer goods and healthcare company that operates mainly in South Africa. It is listed on the Johannesburg Securities Exchange (JSE) South Africa with about a 53 percent market share. Tiger Brands operates in the milling and baking, groceries, confectionery (snacks and treats), beverages, value added meat products, fruits and vegetables, and food services sectors. Some of the well-known Tiger brand names includes All Gold, Black Cat, Cross and Blackwell, Energade, Enterprize, Fattis &amp; Monnis,</p> | 1,500.0                        | Wholesale/<br>Retail/HRI | South Africa, Cameroon, Kenya, and Zimbabwe | Direct/<br>Agents    |

|  |         |                           |   |               |
|--|---------|---------------------------|---|---------------|
| <p>Mabele Meal, Jungle Oats, King Korn, Halls, Koo, Lucky Star, Morvite, Oros, and Tastic Rice. The estimated sales listed are through March 2014.</p> <p><u>Grain</u><br/>Milling and Baking<br/>Other Grains</p> <p><u>Consumer Brands</u><br/>Groceries<br/>Confectionery (Snacks and Treats)<br/>Beverages<br/>Value Added Meat Products<br/>Out of Home Solution<br/>Exports (canned fruit and vegetables, which includes the deciduous fruit)</p> <p><a href="http://www.tigerbrands.com">http://www.tigerbrands.com</a></p> |         |                           |   |               |
| <p><b>ASTRAL FOODS LTD</b> is a leading South African producer of animal feed pre-mixes, hatching eggs, and day old chicks as well as a distributor of various key poultry brands. Brand names include Astral Foods, Country Fair, Ross Poultry Breeders, Earlybird, Mountain Valley, Mozpintos, Meadow Feeds, National Chicks, Tiger Chicks, Tiger Animal Feeds, CAL Labs, and Provimi SSA. The estimated sales listed are through September 2014.</p> <p><a href="http://www.astralfoods.com">www.astralfoods.com</a></p>        | 33.0    | Wholesaler/<br>Retail/HRI | South Africa, an subsidiaries in Mozambique, and Zambia | Direct/Agents |
| <p><b>AVI Group</b> is listed on the JSE in the food product</p>   | 1,027.0 | Wholesaler/<br>Retail/HRI | South Africa  | Direct/Agents |

|   |         |                       |  |                |
|---|---------|-----------------------|--|----------------|
| <p>sector. The group is comprised of trading subsidiaries that manufacture, process, market and distribute branded consumer products in the food, beverage and fashion categories. This report concentrates only on food and beverages. Food categories include groceries, frozen, and fresh to market.</p> <p>Groceries (Beverages, teas, coffee, creamers, biscuits and snacks)</p> <p>Frozen (fish farming, fish and seafood products)</p> <p>Fresh to market (fresh and canned vegetables, especially mushrooms, and juices)</p> <p>AVI is responsible for many of South Africa's favorite brands such as I &amp; J, Five Roses tea, Bakers cookies, Baumann's cookies, Ellis Brown creamer, Ciro coffee, Koffiehuis coffee, Frisco coffee, House of Coffee, Freshpack, Provita, Pyotts, Willard's potato chips, and several juice brands including Sir Juice, The Real Juice, and Quali Juice.</p> <p><a href="http://www.avi.co.za">www.avi.co.za</a></p> |         |                       |  |                |
| <p><b>Tongaat-Hulett Limited</b> is a producer and processor of food products including sugar cane, raw sugar milling and refining, maize/starch and sweeteners, and</p>  | 1,488.0 | Wholesaler/HRI/Retail | South Africa, Botswana, Mozambique, Namibia, Swaziland | Director/Agent |

|   |         |   |  |                   |
|---|---------|---|--|-------------------|
| renewable energy (electricity generation and ethanol production).<br><br><a href="http://www.tonga.com">www.tonga.com</a>   |         |   | and Zimbabwe   |                   |
| <b>Premier Foods</b> is one of South Africa's largest staple food producers, distributors and marketers of milling and baking products and recently ventured into sugar confectionery as well as home and personal care. Categories include maize/corn, bread, wheat and rice. The company carries five of the top 20 South African consumer brands including Blue Ribbon brand, Snowflake flour, and Iwisa No 1 maize meal.<br><br>Premier Fishing is a subsidiary of Sekunjalo Foods. Sekunjalo's product categories include organic aquaculture (fertilizers and organic abalone farming) and fisheries processing (lobster, squid, and hake).<br><br><a href="http://www.premierfoods.com">www.premierfoods.com</a> | 900.0   | Retail/<br>Convenience<br>Stores                      | South Africa,<br>Swaziland<br>and Lesotho<br>and sales<br>Office in<br>UK. | Direct/<br>Agents |
| <b>Pioneer Food Group Ltd</b> , listed in the JSE, is one of the leading food manufacturers in South Africa and a diversified dominant player in both the staple food and value-added product categories. The company's products include baking aids and cake mixes, groceries, tea, coffee, breakfast cereals, biscuits,   | 1,770.0 | Distribution<br>Center/<br>Wholesalers/<br>Retail/HRI | South Africa,<br>Uganda and<br>Zambia                                      | Direct/<br>Agents |

|  |       |                                    |   |                   |
|--|-------|------------------------------------|---|-------------------|
| <p>condiments, juices and acidic drinks, dried fruits, eggs and broiler rearing, and animal feeds. Some of leading brands include Essential Foods, Quantum Foods, Bokomo Foods, and Ceres Beverage. The estimated sales listed are through September 2014.</p> <p><a href="http://www.pnr.co.za">www.pnr.co.za</a></p>   |       |                                    |   |                   |
| <p><b>FoodCorp Pty Ltd</b> acquired <b>RCL Foods</b> in May 2013, becoming South Africa's third largest food producer. The company manufactures, markets, and distributes a diversified portfolio of food products from its 6 production units, including groceries, milled products, baked goods, pies, beverages, and convenience meals. Brand names include Canola Oil, Fifers Bakery, Gourmet Foods, Glenryk, Mageu Number 1, Nola, Ouma Rusks, Pieman's, Ruto Mills, Sunbake, Super Mabela, Superting, and Yum Yum. In April 2014, <b>Oceana Group</b> acquired the fishing operations of <b>Foodcorp</b>.</p> <p><a href="http://www.foodcorp.co.za/">http://www.foodcorp.co.za/</a></p> | 0.78  | Wholesaler/<br>Retail/HRI          | South Africa  | Direct/<br>Agents |
| <p><b>Clover Industries Ltd</b>, listed with the JSE, is the largest dairy group in South Africa. Product categories include flavored, UHT and fresh milk; beverages such as dairy fruit mix, pure fruit</p>   | 80.05 | Distribution<br>Center /Retail/HRI | South Africa with subsidiaries in Botswana, Namibia, Swaziland, | Direct/<br>Agents |

|   |               |                                 |                  |                 |
|---|---------------|---------------------------------|------------------|-----------------|
| juice, and fruit nectars; processed cheese, feta, and pre-packed cheese; maas, cream, butter, and spreads; bottled water; and health and iced teas. Clover acquired DairyBelle in May 2014. The estimated sales listed are through June 2014.<br><br><a href="http://www.clover.co.za">www.clover.co.za</a>   |               |                                 | and West Africa. |                 |
| <b>Mondelez South Africa</b> is South Africa's largest confectionery producers in the chocolate, chewing gum and bubble gum categories. Product lines include international brands such as Cadbury Dairy milk, Jacobs coffee, Halls, Oreo, and Stimorol gum as well as local brands such as Chappies bubble gum, Lunch Bar, Dentyne chewing gum, and Royal baking powder.<br><br><a href="http://www.mdlz.com">www.mdlz.com</a> | Not available | Distribution Center/Retail      | South Africa     | Director/Agents |
| <b>Unilever South Africa Holdings Pty Ltd</b> , a subsidiary of Unilever Plc., manufactures fast moving consumer goods (fmcg's) in the foods, home and personal care categories. Products include spices, sauces, dressings, margarine, teas, syrups, and food solutions. Food solutions works with caterers, restaurants, hotels and fast food chains.<br><br><a href="http://www.unilever.co.za">www.unilever.co.za</a>       | Not available | Distribution Center /Retail/HRI | South Africa     | Direct/Agents   |
| <b>Rainbow Chicken Ltd</b>  | Not           | Distribution                    | South            | Direct/Agent    |

|   |               |  |   |              |
|---|---------------|--|---|--------------|
| <p>processes and markets chicken products. Subsidiaries of Rainbow Chicken Ltd include Rainbow Farms Pty Ltd, Rainbow Chicken Foods (Pty) Ltd, and Vector Logistics (Pty) Ltd.</p> <p>Rainbow brands include the Rainbow name brand, Farmer Brown, Bonny Bird, Rainbow Food solutions, and Vector Logistics Solutions. The company also produces dealer own brands for some retailers and wholesalers.</p> <p><b>Vector Logistics Solutions</b> is an in-house distribution arm responsible for fleet management within the group.</p> <p><a href="http://www.rainbowchicken.co.za/">http://www.rainbowchicken.co.za/</a></p> | available     | Center/Wholesaler/Retail/<br>HRI                         | Africa, Botswana, Mozambique, Swaziland, and Zambia       | s            |
| <p><b>Parmalat South Africa</b>, owned by the Italian dairy company Parmalat SpA, is a leader in the South African dairy industry. Their products include milk, flavored milk, UHT milk, yoghurt, ice cream, cheese, and fruit juices.</p> <p><a href="http://www.parmalat.co.za">http://www.parmalat.co.za</a></p>   | 23.7          | Distribution Center /Distributor/Wholesaler / Retail/HRI | South Africa, Botswana, Mozambique, Swaziland, and Zambia | Direct/Agent |
| <p><b>Kellogg Company of South Africa Pty Ltd</b> leads the South Africa market for ready-to-eat cereals. Their product category includes breakfast cereals,</p>  | Not available | Distributor/Wholesaler/Retail                            | South Africa  | Direct/Agent |

|  |               |                               |              |                  |
|--|---------------|-------------------------------|--------------|------------------|
| cookies/crackers, natural/organic/frozen products, and specialty cereals.<br><br><a href="http://www.kelloggs.co.za">www.kelloggs.co.za</a>  |               |                               |              |                  |
| <b>The South African Breweries (SAB) Pty Ltd</b> is South Africa's largest producer and distributor of beer and soft drinks. SAB operations in Africa cover fifteen countries. In company dominates the South Africa brewing industry with a market share of about 90 percent. Seventy percent of SAB's income comes from beer, with the rest coming from soft drinks and sorghum beer.<br><br><a href="http://www.sab.co.za">www.sab.co.za</a>  | 22,311.0      | Wholesaler/<br>Retail/<br>HRI | South Africa | Direct/<br>Agent |
| <b>Distell Group Ltd</b> , partly owned by SABMiller, is South Africa's leading fine wine, spirits, and ready-to-drink (RTD) alcoholic beverage producer, marketer and distributor. One of its major exports is Amarula cream liqueur. Seventy-six percent of the company's production occurs in South Africa, and the company has distribution and sales offices in Angola, Botswana, Mauritius, Namibia, Swaziland, Europe, North and South America, and Asia.<br><br><a href="http://www.distell.co.za">www.distell.co.za</a> | Not available | Wholesalers/<br>Retail/HRI    | South Africa | Direct/Agent     |

|   |          |   |  |              |
|---|----------|---|--|--------------|
| <p><b>Illovo Sugar Limited</b> is Africa’s largest sugar producer. It is a subsidiary of Associated British Foods Plc., with extensive agricultural and manufacturing operations in six African countries, South Africa, Malawi, Mozambique, Swaziland, Tanzania, and Zambia. Eighty-three percent of Illovo’s sugar production by volume is sold in the domestic or premium-priced exports market, twelve percent is sold in regional markets, and the remaining five percent is sold in the world market. To boost exports, Illovo looks to capitalize on tariff-free access to EU countries.</p> <p><a href="http://www.illovosugar.com">www.illovosugar.com</a></p> | 13,000.0 | Wholesaler/<br>Retail/HRI/Bakers/Food<br>processors/Minerals/Sweets | South Africa,<br>Malawi,<br>Mozambique,<br>Swaziland,<br>Tanzania,<br>and Zambia | Direct/Agent |
|---|----------|---|--|--------------|

**Source: Industry websites and trade press**

### Sector Trends

The South African market mirrors global trends related to health, convenience, and value in food products.

- Global trends indicate that consumers are moving towards **healthy** food products that provide **value**.
- Another trend that has been growing for several years and continues to grow is demand for **convenience foods**. This is led by an increasing number of households where both partners work and an increasing number of affluent households that can pay for convenience.
- Manufacturers calibrate towards private labels to capitalize on the growing demand for private label offerings.
- Fruit juice manufacturers import **grape and apple juice for blending** with own fruit juices.
- Numerous pieces of **legislation** impacting the sector include the recently promulgated Consumer Protection Act which gives consumer the right to address to a tribunal with product quality complaints.
- South African **food processors, canners and packers** offer a good opportunity for U.S. suppliers of raw material.

- Market research confirms that consumers expect food that is not only **ready-to eat**, but is safe, nutritious, tasty, natural, like-fresh, and feels like a good value for money.
- Sales of **organic food** are rising and retailers such as Woolworths and Pick-n-Pay capitalize on the trends and stock organic products targeting higher-earning consumers. Products include free range beef, lamb, pork, and chicken; vegetables; and wine.
- Another trend is the demand for **goat-derived dairy products** which is a niche that keeps growing.
- The use of **health ingredients** in many foods and drinks is becoming increasingly important in the food industry, with an increased focus on food safety and security by legislative and regulatory authorities.
- **Flavor** developers feel food processors are overly risk averse and lack insight into changing demographics and consumer habits. Opportunity and growth, they concur, lie in developing ‘cross-over’ or fusion products and flavor profiles for the newly empowered black market that wants to keep in touch with traditional roots but also aspires to previously unaffordable foods.
- **Kosher and Halaal, including fine foods** products are a niche that keeps growing.

### SECTION 3: COMPETITION

U.S. exporters face stiff competition, especially from European countries, Argentina, Brazil and Thailand. The United States is the fourth largest supplier of agricultural, fish and forestry products to South Africa. The rising domestic demand and the inability of local producers to meet it are creating opportunities for imported products. As a result, the sophisticated and expanded middle to upper income groups which have an appetite for foreign tastes and flavors are a major target for imported products.

#### Imports of Selected Ag, Bulk and Intermediary Products in US Dollars: January – October 2014

| Product Category  | Major Supply Sources   | Strengths of key Supply Countries   | Advantages and Disadvantages of Local Suppliers      |
|---|--|---|--|
| <p><b>Red Meats</b><br/><b>Fresh/Chilled/Frozen</b></p> <p>Net imports from the world of \$156 million in 2014 versus \$98 million in 2013.</p> <p>Note: SA net exports were \$116 million in 2014 versus \$40 in 2013.</p> | <p>Namibia – 31%</p> <p>Botswana – 17%</p> <p>Australia – 16%</p> <p>USA is an insignificant supplier.</p> | <p>The pattern of imports in this category is variable and depends largely on local conditions, including quality and competitive pricing by the suppliers. Germany a leading supplier due to Free Trade Agreement (FTA) with South Africa as a member of the European Union.</p> | <p>South Africa produces very high quality beef.</p> |
| <p><b>Poultry Meat</b></p>  | <p>Brazil – 32%</p> <p>Netherlands</p>   | <p>Brazil remains a leading trading partner</p>   | <p>Domestic demand for poultry meat is growing</p>   |

|  |   |  |   |
|--|---|--|---|
| <p>Net imports of \$313 million in 2014 versus \$332 million in 2013.</p> <p>Note: SA net exports were \$81 million in 2014 versus \$79 million in 2013.</p>   | <p>– 25%<br/>United Kingdom – 14%</p> <p>USA is a minor supplier with a 1.61% market share.</p> | <p>for South Africa in terms of poultry due to its FTA with South Africa. The United States poultry exports to South Africa have been constrained by anti-dumping duties since 2000. Anti-dumping duties against poultry imports were implemented against three EU member nations, the United Kingdom, the Netherlands and Germany until 2 January 2015.</p> | <p>and outpaces the performance of any other proteins on the market. Domestic producers are unable to meet consumption needs. South Africa’s major chicken producers are Astral foods, Rainbow Chickens, Pioneer Foods, Sovereign and Dagbreek.</p>   |
| <p><b>Turkey Meat</b></p> <p>Net imports of \$36 million in 2014 versus \$43 million in 2013.</p> <p>Note: SA net exports were \$3 million in 2014 versus \$2 million in 2013.</p>                     | <p>Brazil –63%<br/>Canada – 13%<br/>USA – 9%</p>  | <p>Competition, price and quality are the key strengths of these suppliers. With the growing trend towards healthier lifestyles, turkey products are becoming popular.</p>   | <p>South Africa is a net importer of turkey meat products. Local production is inadequate since turkey meat is not a South African favorite, and is not commonly consumed except during Christmas time. However, the trend is changing, as turkey is starting to appear more on restaurant menus.</p> |
| <p><b>Fish and Seafood Products</b></p> <p>Net imports of \$340 million in 2014 versus \$296 million in 2013.</p> <p>Note: SA net exports were \$484 million in 2014 versus \$408 million in 2013.</p> | <p>Namibia – 30%<br/>Thailand – 24%<br/>India – 12%</p> <p>USA is a minor supplier with</p>     | <p>Despite being a net exporter, South Africa imports continue to increase to supplement domestic demand.</p>  | <p>Major South African fish traders and processors are Sea Harvest (owned by Tiger brands); Irvin and Johnson (AVI), Oceana, Premier Foods, and Sekunjalo.</p>  |

|   |   |  |   |
|---|---|--|---|
|   | a 1% market share.  |  |   |
| <p><b>Dairy Products excluding cheese</b></p> <p>Net imports of \$114 million in 2014 versus \$100 million in 2013.</p> <p>Note: SA net exports were \$208 million in 2014 versus \$101 million 2013.</p>   | <p>France – 25%</p> <p>New Zealand – 15%</p> <p>Germany – 12%</p> <p>USA - 7%</p>                         | <p>Despite being a net exporter, South Africa imports continue to increase to supplement domestic demand.</p>  | <p>South Africa is a net importer of dairy products particularly whey, concentrated milk and cream to supplement insufficient domestic production.</p>  |
| <p><b>Pulses</b></p> <p>Net imports of \$57 million in 2014 versus \$59 million in 2013.</p> <p>Note: SA net exports were \$10 million in 2014 versus \$4 million in 2013.</p>                              | <p>China – 30%</p> <p>USA – 13%</p> <p>Canada – 12%</p>   | <p>China enjoys a bilateral trade agreement with South Africa. Domestic production is insufficient to cover local demand so imports supplement domestic demand.</p>  | <p>South Africa is a net importer of pulses. Pulses are an important protein source in the South African diet and imports make up for the shortfall between domestic production and demand. Also, pulses are highly seasonal, imported from November – March in 50kg bags. Pulses are used by South African manufacturers for further processing in soups and broths.</p> |
| <p><b>Vegetable Oils Exc. Soybean oil</b></p> <p>Net imports of \$506 million in 2014 versus \$471 million in 2013.</p> <p>Note: SA net exports were \$108 million in 2014 versus \$57 million in 2013.</p> | <p>Indonesia – 53%</p> <p>Malaysia – 16%</p> <p>Romania – 7%</p> <p>USA is an insignificant supplier.</p> | <p>A shortage of domestically-produced oils has led to supplementing with unrefined oil imports, which are refined and packaged by local oil expressers. Malaysia provides quality and competitive prices.</p> | <p>South Africa is a net importer of edible oil productions. Local producers are unable to meet demand due to crop size.</p>  |
| <p><b>Sugar/Sweetener/Beverage Bases</b></p> <p>Net imports of \$132 million</p>  | <p>Brazil – 40%</p> <p>Swaziland – 14%</p> <p>China – 9%</p>  | <p>A growing domestic demand calls for imported products from competitive suppliers.</p>   | <p>South Africa is a leading producer and a net exporter of sugar-related products. Local</p>   |

|   |  |   |  |
|---|--|---|--|
| <p>in 2014 versus \$141 million in 2013.</p> <p>Note: SA net exports were \$162 million in 2014 versus \$155 million in 2013.</p>   | <p>USA is a minor supplier with a 5% market share.</p>   |   | <p>production is sufficient to meet demand.</p>  |
| <p><b>Breakfast Cereal/Pancake Mix</b></p> <p>Net imports of \$11 million in 2014 versus \$15 million in 2013.</p> <p>Note: SA net exports were \$77 million in 2014 versus \$29 in 2013.</p>                 | <p>United Kingdom – 52%<br/>Germany – 17%</p> <p>USA is a minor supplier with a 5% market share.</p> | <p>Imports from competitive suppliers supplements supply.</p>   | <p>South Africa is a net exporter of breakfast cereal products. Local production is sufficient to meet demand.</p> |
| <p><b>Fruit &amp; Vegetable Juices</b></p> <p>Net imports of \$64 million in 2014 versus \$86 million in 2013.</p> <p>Note: SA net exports were \$270 million in 2014 versus \$192 million in 2013.</p>       | <p>China – 38%<br/>Argentina – 30%<br/>Swaziland – 8%</p> <p>USA is an insignificant supplier.</p>   | <p>Potential exports to South Africa are for exotic fruits and vegetables such as berries, kiwi fruits, and out-of-season fruits and vegetables from competitive suppliers.</p> | <p>South Africa is a net exporter and self-sufficient in basic fruit and vegetable requirements.</p>               |
| <p><b>Processed Fruit &amp; Vegetables</b></p> <p>Net imports of \$170 million in 2014 versus \$136 million in 2013.</p> <p>Note: SA net exports were \$406 million in 2014 versus \$321 million in 2013.</p> | <p>China – 21%<br/>Italy – 11%<br/>Belgium – 8%<br/>USA - 6%.</p>                                    | <p>Opportunities exist for competitive suppliers of grape and apple juice which are used as a base for other fruit juices, prepared and preserved tomatoes, and fruit pulp.</p> | <p>South Africa is a net exporter, and domestic production is sufficient to cover local demand.</p>                |
| <p><b>Wine and Beer</b></p> <p>Net imports of \$91 million in</p>   | <p>Namibia – 66%<br/>France –</p>  | <p>Due to the rapid increase in exports of South African wines</p>  | <p>South Africa is a net exporter of wine and beer, particularly wine</p>  |

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|--|--|---|--|
| <p>2014 versus \$42 million in 2013.</p> <p>Note: SA net exports were \$718 million in 2014 versus \$719 million in 2013.</p>  | <p>19%<br/>Italy – 3%</p> <p>USA is an insignificant supplier.</p> | <p>which creates a niche for specialty wines and beers from competitive suppliers.</p>  | <p>of fresh grapes. The South African wine industry is relatively large and extensive ranked seventh in world output. South Africans' tastes and preferences are becoming more sophisticated and the average consumer is increasingly expecting a wide range of wine and beer.</p> |
| <p><b>Distilled spirits</b></p> <p>Net imports of \$298 million in 2014 versus \$315 million in 2013.</p> <p>Note: SA net exports were \$126 million in 2014 versus \$126 million in 2013.</p> | <p>United Kingdom – 63%<br/>France – 10%<br/>USA – 8%</p>          | <p>Sophisticated tastes and preferences of South Africans calls for a range of whiskey products. UK continues to be leading trade supplier of this category. Despite lack of brand awareness of U.S. whisky products among south African consumers, the U.S. saw an increase in whisky exports.</p> | <p>South Africa is a net importer of distilled spirits particularly whiskies. Local production is not enough to meet local demand.</p>   |

Source: GTA

## SECTION 4: BEST PRODUCT PROSPECTS

### A. Products in the market with good sales potential

Although South Africa is known for its well-developed food processing sector which produces a wide range of processed food products, local production is not enough, providing opportunities for imports to meet domestic demand. Despite stiff competition from the EU countries, which in most instances benefit from low import tariff rates to enter the South African market, the American brands are becoming increasingly popular due to their high-quality attributes, including price.

| Product Category | Jan – Oct 2014 South Africa Imports from the World | Jan – Oct 2014 U.S. Exports to S.A. (\$1,000,000) | Percentage of Annual Import Growth U.S. | U.S. Import Tariff Rate | Key Constraints Over Market Development | Market Attractiveness for U.S. |
|------------------|--|---|---|-------------------------|---|--------------------------------|
|------------------|--|---|---|-------------------------|---|--------------------------------|

|   | (\$1,000,000) |     |     |   |   |  |
|---|---------------|-----|-----|---|---|--|
| Almonds (shelled nuts)<br>HS080212            | 18            | 16  | 64  | free  | Free from the EU countries  | U.S. has largest market share of 87% due to quality and price. South Africa produces only pecans and macadamia nuts. |
| Salmon<br>HS160411                            | 1.5           | 1.2 | 45  | 6c/kg   | 6c/kg   | U.S. has the largest market share of 81%.  |
| Glucose and Glucose Syrup<br>HS170240         | 6.9           | 5.0 | 57  | free  | Free from the EU countries  | U.S. has the largest market share of 72%.  |
| Protein Concentrates<br>HS210610              | 10            | 418 | -14 | 10-20%  | EU countries import tariff rate to enter South Africa is free to 2.6% | U.S. has the largest market share of 48%.  |
| Food Preparations<br>HS210690                 | 149           | 24  | -8  | Varied from free, 5-20%, and 154c/liter for alcoholic preparations. | Varied and from the EU countries import tariff rate is free to 2.6%.  | U.S. has the largest market share of 16%.  |
| Sauces, condiments and seasonings<br>HS210390 | 16            | 5   | 47  | 5-20%   | From the EU countries import tariff rate is free to 2.6%.             | U.S. has the largest market share of 31%.  |

Source: GTA

**B. Products not present in significant quantities but with good sales potential**

The selected products below are currently not widely available or well-known in South Africa, yet have good sales potential. Despite stiff competition from the EU countries, which in most instances benefit from low import tariff rates to enter the South African market, American brands are becoming increasingly popular among South African consumers, given their high- quality attributes, including price.

| Product Category                                       | Jan – Oct 2014 South Africa Imports from the World (\$1,000,000) | Jan – Oct 2014 U.S. Exports to S.A. (\$1,000,000) | Percentage of Annual Import Growth U.S. | U.S. Import Tariff Rate | Key Constraints Over Market Development | Market Attractiveness for U.S.   |
|--|--|---|---|-------------------------|---|--|
| Sausage casings (HS0504)                               | 59   | 10  | -3                                      | free                    |   | South Africa is a net importer of sausage casing products. The import tariff rate is free from both the U.S and the EU countries. USA has 17% market share after China with 50%. |
| Flour and meal of dried leguminous vegetables (HS1106) | 901  | 135   | -57                                     | Free to 20%             | From EU countries free to 2.6%          | U.S has a market share of 15%.   |
| Vegetable Saps and Extracts (HS1302)                   | 20   | 2   | 5                                       | Free to 25%             | EU countries duty free to 3.25%         | U.S. has a market share of 11%.  |
| Fats and   | 912  | 158   | 128                                     | Duty free               | Duty free                               | U.S. has a   |

|   |     |     |     |   |  |  |
|---|-----|-----|-----|---|--|--|
| oils<br>(HS1504)  |     |     |     |   | from EU  | market share of 17% after Norway with 37%. |
| Prepared foods obtained by the swelling or roasting of cereal products (HS1904) | 11  | 521 | -59 | 5c/kg to 25%  | EU countries duty free to 3.25%.   | U.S. has 5% market share.                  |
| Bread, pastry, cakes, and biscuits (ingredients) (HS1905)                       | 48  | 3   | -6  | 3.6c/kg to 25%  | EU countries duty free to 2.73%.   | U.S. has a 6% market share.                |
| Ethyl alcohol, spirits, and liqueurs (HS2208)                                   | 296 | 24  | 24  | 136c/liter to 154c/liter including additional costs of R2.31/Liter to R93.03/liter levied on customs and excise respectively. | From EU countries R17.68c/liter to R20.02c/liter including additional costs of R38.00/liter to R93.03 levied on both the Customs, and Excise duties. | U.S. has a market share of 8%.             |

Source: GTA

**C. Products not present because they face significant barriers**

| Product Category | Jan – Oct 2014 South Africa Imports from the World (\$1,000,000) | Jan – Oct 2014 U.S. Exports to S.A. (\$1,000,000) | Percentage of Annual Import Growth U.S. | U.S. Import Tariff Rate | Key Constraints Over Market Development | Market Attractiveness for U.S. |
|------------------|--|---|---|-------------------------|---|--------------------------------|
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|                        |     |   |     |         |   |   |
|------------------------|-----|---|-----|---------|---|---|
|                        | )   |   |     |         |   |   |
| Chicken Cuts<br>020714 | 214 | 2 | -25 | 220c/kg | <p>Netherlands with 32% market and US 0.84.</p> <p>The general rate of duty for this tariff is 220 c/kg in Rand. For the EU the rate is 165 c/kg and it is free for the SADC countries.</p> <p>The anti-dumping duty on product from Tyson Foods is 224 c/kg, from Gold Kist Inc it is 245 c/kg and 940 c/kg from any other United States producers.</p> <p>2014 saw South Africa impose anti-dumping on imports of frozen bone-in chicken from EU trading partner countries from Germany, Netherlands, and the UK.</p> <p>This</p> | <p>Consumer demand continues to increase and domestic production is not keeping up. However, since 2000, U.S. exports to South Africa of chicken leg quarters (02071490) have been limited by an anti-dumping duty.</p> |

|                                   |    |   |     |      |   |   |
|-----------------------------------|----|---|-----|------|---|---|
|                                   |    |   |     |      | followed import duties imposed on Brazilian chicken in 2012.  |   |
| Meat of Bovine frozen (0202)      | 45 | 0 | 0   | 40%  | Botswana with 52% market share to supplement imports. Botswana is part of SADC country, and beef products from SADC countries are imported into South Africa duty free. | U.S. beef exports to South Africa have been banned since 2003.  |
| Animal Feed Preparations (230990) | 67 | 5 | -23 | free | France with 21% market share.   | The U.S. has 7% of the market share. Lysine feed products are impacted due to dumping duties imposed on the U.S. since 2007 |

Source: GTA

## SECTION 5: 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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