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Food Processing Ingredients

South Africa's Food Processing Sector Offers Opportunities for U.S. Exporters

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Report Highlights:

South Africa's food and beverages processing sector remains a significant component of the manufacturing economy. The sector is developed, highly concentrated and competitive, producing high quality and niche products for local and international markets. It also offers U.S. exporters good opportunities to supply raw materials or inputs for food processors. The key factors to supplying to this market are competitive pricing, good quality products, and consistency in both quality and availability.

SECTION 1: MARKET SUMMARY

South Africa's agro-food and beverages processing sector, serving a population of about 51 million, remains a significant component of the manufacturing economy. The sector is developed, highly concentrated and competitive, producing high quality and niche products for local and international markets. South Africa largest export products are wine, citrus, grapes, sugar, apples, pears and quinces. Other important export products are avocados, pineapples, dates, and preserved fruits and nuts.

The January-October 2011 global trade statistics reveal that trade between the United States and South Africa increased from 2010 to 2011. U.S. exports of agricultural, fish and forestry products to South Africa jumped by 66 percent so far to \$384 million mostly due to increases of cereals exports, whereas South Africa exports to United States increased by 1.5 percent so far to \$196 million.

U.S. exports to South Africa of bulk products surged by 129 percent to \$177 million due to higher wheat exports. U.S. exports of intermediary agricultural products to this market also jumped by 61 percent to \$90 million due to various products such as sunflower-seed or safflower oil, malt, fats of bovine, and glucose and syrups. South African agricultural exports to United States have been dominated by wine, citrus, grapes, macadamia nuts, and raw sugar; accounting for about half of total exports. Intermediary products from South Africa to the United States increased by 15 percent to \$22 million due to higher sales of essential citrus fruit oils of lemon.

This South African 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 to 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 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 turnover. 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.

Manufacturing Production and Sales

According to Statistics South Africa, the production of food and beverage manufactured products for October 2011 grew by 3.6 percent and total estimated value sales increased by 8.2 percent compared to October 2010.

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

| Food and Beverage Manufacturing Divisions | Percentage of Total SA Manufacturing Industry | Indices (base 2005=100) | | | | Value of Sales (US\$ million) | | | |
|---|---|-------------------------|----------------|---------------------------------------|-----------------------|-------------------------------|----------------|---------------------------------------|---|
| | | Jan – Oct 2010 | Jan – Oct 2011 | Annual % Change between 2010 and 2011 | Contribution % points | Jan – Oct 2010 | Jan – Oct 2011 | Annual % Change between 2010 and 2011 | Difference in sales between 2010 and 2011 |
| Food and beverages | 15.4 | 111 | 115 | 3.6 | 0.3 | 25,014 | 27,065 | 8.2 | 2,051 |
| Meat, fish, fruit, etc | 1.8 | 113 | 117 | 4.2 | 0.1 | 6,781 | 7,554 | 11.4 | 773 |
| Dairy products | 0.8 | 108 | 114 | 5.5 | 0.0 | 2,275 | 2,408 | 5.9 | 133 |
| Grain mill products | 0.8 | 110 | 107 | -2.2 | 0.0 | 4,335 | 4,716 | 8.8 | 381 |
| Other food products | 5.2 | 117 | 115 | -1.3 | -0.1 | 5,655 | 6,007 | 6.2 | 352 |
| Beverages | 6.8 | 111 | 115 | 3.6 | 0.3 | 5,970 | 6,380 | 6.9 | 410 |

Source: Statistics South Africa

Advantages and Challenges for U.S. Exporters

| Advantages | Challenges |
|---|---|
| To sell directly to processors, local importers/agents and/or directly to distribution centers. | South Africa is a strong food producer. |
| 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 | Already acquired tastes and preferences for traditional |

| | |
|--|--|
| ingredients industry needs imported food and beverage products. | locally produced products. |
| South Africa is the gateway for regional markets. Established agro-processing industry. | Competition is stiff from other countries and locally produced products. 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 2: 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:

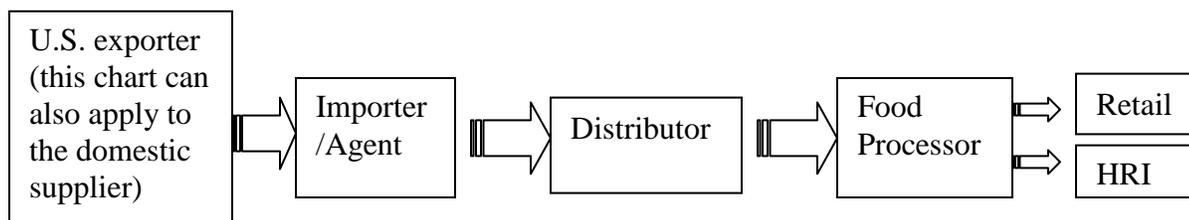
- South Africa has a strong domestic food processing industry, but continues to import food ingredients and additives from all over the world.
- Will the price for U.S. products be competitive with other suppliers?
- The food processor's purchasing policy, i.e. whether it buys directly from overseas 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 with any quality problems encountered by the buyer immediately.
- The financial strength of company, 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

Distribution Channels

This chart gives 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

A table below provides information on South Africa's major national and multinational food processing groups.

| Company and Product types | Sales (US\$ millions) | End-use-channels | Production Location | Procurement Channels |
|---|-----------------------|---------------------------|--|----------------------|
| <p>Tiger Brands is a branded fast moving consumer packaging goods and healthcare company that operates mainly in South Africa including trade partners in selected emerging markets. It also owns a 37 percent market share of the National Foods Holding Limited in Zimbabwe. It is listed on the Johannesburg Securities Exchange (JSE) South Africa with a 50 percent market share. Tiger Brands operates in the Milling and Baking; groceries, confectionery (snacks and treats), beverages, value added meat products, fruit and vegetables, and Out of Home Solutions of the food services sector industries.</p> <p><u>Grain</u> Milling and Baking = \$774 Other Grains = \$270</p> <p><u>Consumer Brands</u> Groceries = \$428 Confectionery (Snacks and Treats) = \$217 Beverages = \$129 Value Added Meats = \$177 Out of Home Solution = \$37 Exports (canned fruit and vegetables) = \$89 Deciduous Fruit = \$120</p> | \$2,241 | Wholesaler/ Retail/HRI | South Africa, Cameroon, Kenya, and Zimbabwe | Direct/ Agents |

| | | | | |
|---|---------------|---|--------------|-------------------|
| http://www.tigerbrands.co.za/ | | | | |
| <p>AVI Group is listed on the JSE. It 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 (Tea, coffee, 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 & J, Five Roses tea, Bakers biscuits (cookies), Ellis Brown coffee creamer, Ciro Coffee, Koffiehuis Coffee, Frisco coffee, House of Coffee, Willard's potato chips, and Quali Juice.</p> <p>www.avi.co.za</p> | \$1,116 | Wholesaler/ Retail/HRI | South Africa | Direct/ Agents |
| <p>Premier Foods is one of South Africa's largest manufacturer, distributors and marketer of milling and baking products. Categories include maize/corn, bread, wheat and rice. The company carries five of the top 20 of South Africa consumer brands.</p> <p>www.premierfoods.com</p> <p>Premier Fishing is a subsidiary of Sekunjalo Foods. Sekunjalo's product categories include organic aquaculture (fertilizers and organic abalone farming), and fishing (processors of lobster, squid and hake).</p> | Not available | Retail/ Convenience Stores | South Africa | Direct/ Agents |
| <p>Pioneer Foods is one of the leading food manufacturers in South Africa and the dominant player of the staple food sector. The company products categories include baking aids or cake mixes; groceries, tea/coffee, breakfast cereals, biscuits, condiments, juices and acidic drinks, dried fruits, eggs and broiler rearing, and animal feeds.</p> <p>http://www.pioneerfoods.co.za/</p> | \$2,311 | Distribution Center/ Wholesalers/ Retail/HRI | South Africa | Direct/ Agents |
| <p>FoodCorp is a major South African food manufacturing company. Products range includes consumer brands such as groceries, milling, baking, and beverages, processing of fish, pies; and high-end specialty ready to eat meals. Foodcorp is a subsidiary of Pamodzi Investment Holdings.</p> <p>http://www.foodcorp.co.za/</p> | Not available | Wholesaler/ Retail/HRI | South Africa | Direct/ Agents |
| <p>Clover SA (Pty) Ltd, largest dairy group in South Africa - dairy products categories includes cream, milk/ flavored milk, condensed milk, yoghurts, cheese, health teas, butter/spreads, desserts, and beverages such as fruit juices, nectars, and ice teas. http://www.clover.co.za</p> | \$882 | Distribution Center /Retail/HRI | South Africa | Direct/ Agents |
| <p>Unilever South Africa a subsidiary of Unilever Plc., Manufactures fast moving consumer goods (fmcg's) in foods, home and personal care products product lines includes (spices, sauces, dressings, , margarine, teas, syrups, and food solutions). Food solutions works with caterers, restaurants, hotels and fast food chains.</p> | Not available | Distribution Center /Retail/HRI | South Africa | Direct/ Agents |

| | | | | |
|--|---------------------------------|---|---|---------------|
| http://www.unilever.com | | | | |
| <p>Rainbow, South Africa's largest processor and marketer of chicken. It is a fully-integrated broiler producer that breeds and rears its own livestock, processes and markets fresh, frozen, value-added and further processed chicken nationally and internationally. Rainbow incorporates Rainbow Farms (supplier of fresh and frozen), Epol (animal feed), Cobb SA (breeding stock operation), and vector Logistics (temperature-controlled distribution).</p> <p>Rainbow brands include own brand, farmer brown, bonny bird, and rainbow food solutions. It also produces dealer own brands for some retailers and wholesalers.</p> <p>http://www.rainbowchicken.co.za/</p> | Not available | Distribution Center/Wholesaler/Retail/HRI | South Africa | Direct/Agents |
| <p>Parmalat South Africa is owned by Parmalat SpA – an Italian dairy company. It is a leader in the South African dairy industry. Their products include milk, yoghurt, ice cream, cheese, and fruit juices.</p> <p>http://www.parmalat.co.za</p> | Not available | Distribution Center /Distributor/Wholesaler/ Retail/HRI | South Africa, Botswana, Mozambique, Swaziland, and Zambia | Direct/Agent |
| <p>Kellogg Company of South Africa Pty Ltd is the world's largest manufacturer of Ready-To-Eat cereals, and the market leaders in South Africa in the ready-to-eat cereals business. Their products category includes breakfast cereals, cookies/crackers, natural/organic/frozen, and specialty cereals.</p> <p>www.kelloggs.co.za</p> | Not available | Distributor/Wholesaler/Retail | South Africa | Direct/Agent |
| <p>South African Breweries (SAB) Ltd, a subsidiary of SABMiller Plc, operates seven breweries in South Africa and dominates the local brewing industry with a market share of about 90 percent. 70% of SAB's income is derived from beer, with the rest coming from soft drinks and sorghum beer. The wine industry is also relatively large, ranked eighth in world output.</p> <p>www.sabmiller.com</p> | Not available | Wholesaler/ Retail/HRI | South Africa and Namibia | Direct/Agent |
| <p>Distell, partly owned by SABMiller is South Africa's leading fine-wine, spirits, and ready-to-drink (RTD) alcoholic beverage producer, marketer and distributor. The company is South Africa's leading wine exporter with one of its product being Amarula cream liqueur (the world's most consumed). Production occurs in South Africa including distribution with sales offices in Botswana, Namibia, Europe, North and Latin America, including Asia. According to the company site, Distell's revenue grew for the 12 months to June 2011 by 4.4 percent to reach R12,3 billion (US\$1.54 billion) on sales.</p> <p>www.distell.co.za</p> | \$1,538 | Wholesalers/ Retail/HRI | South Africa | Direct/Agent |
| <p>Illovo Sugar South Africa, Africa's largest cane sugar and one of the world's lowest-cost producers. It is a subsidiary of Associated British Foods Plc., with extensive agricultural and manufacturing operations in six African countries of South Africa, Malawi, Mozambique, Swaziland, Tanzania, and Zambia producing refined and refined sugar. Illovo's 83 percent of sugar production by volume is sold into domestic or premium-priced exports market, 12 percent sold to regional markets, with the remaining</p> | Year ended March 2011 (\$1,013) | Wholesaler/ Retail/HRI/Bakers/Food processors/Minerals/Sweets | South Africa, Malawi, Mozambique, Swaziland, Tanzania, and Zambia | Direct/Agent |

| | | | | |
|---|--|--|--|--|
| balance sold on the world free market. To boost exports Illovo looks to capitalize on tariff-free access to EU countries. www.illovo.co.za | | | | |
|---|--|--|--|--|

Source: Industry websites and trade press

Sector Trends

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

- Global trends indicate that consumers are moving to **healthy and convenient** 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 of private label offerings.
- Fruit juice manufacturers import **grape and apple juice for blending** with own fruit juices.
- Numerous pieces of **legislation** impacting the sector including recent promulgated Consumer Protection Act which gives consumer the right to address to a tribunal complaints on the quality of products.
- South Africa **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 the upper Living Standard Measures (LSM). Products include free range beef, lamb, pork, and chickens including vegetables, and wine.
- Another trend is the demand for **goat-derived dairy products** which is a niche that keeps growing.
- Use of **health ingredients** in many foods and drinks which is becoming increasingly important in the food industry due to increased focus on food safety and security by the recent legislative and regulatory.
- **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 aspires to previously unaffordable foods.
- **Kosher and Halaal** foods products are a niche that keeps growing.

SECTION 3: COMPETITION

The 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 2011)

| Product Category | Major Supply Sources | Strengths of key Supply Countries | Advantages and Disadvantages of Local Suppliers |
|--|---|---|---|
| <p>Red Meats Fresh/Chilled/Frozen</p> <p>Net imports from the world of \$140 million in 2011 versus \$100 million in 2010, and \$279,000 from USA in 2011 versus \$101,000 in 2010.</p> <p>Note: SA net exports were \$39 million in 2011 versus \$72 in 2010.</p> | <p>Germany – 24%</p> <p>Australia – 21%</p> <p>Canada – 14%</p> <p>USA is an irrelevant supplier of 0.20%</p> | <p>The pattern of imports in this category is variable and depends largely on local conditions, including quality and competitive price 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 a very high quality beef with the domestic undersupply made up with imported meat and meat products.</p> |
| <p>Poultry Meat</p> <p>Net imports of \$300 million in 2011 versus \$191 billion in 2010, and \$11 billion from USA in 2011 versus \$4 billion in 2010.</p> <p>Note: SA net exports were \$19 million in 2011 versus \$30 million in 2010.</p> | <p>Brazil – 55%</p> <p>Netherlands – 10%</p> <p>Argentina – 7%</p> <p>USA is a minor supplier with 4% market share.</p> | <p>Brazil remains a leading trading partner for South Africa in terms of poultry due to FTA with South Africa. The United States poultry exports to South Africa have been constrained by anti-dumping duties since 2000.</p> | <p>Domestic demand for poultry meat is growing 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>Turkey Meat</p> <p>Net imports of \$32 million in 2011 versus \$25 million in 2010, and \$4 million from USA in 2011 versus \$1million in 2010.</p> <p>Note: SA net exports were \$699,000 in 2011 versus \$842,000 in 2010.</p> | <p>Brazil – 53%</p> <p>Canada – 16%</p> <p>USA – 13%</p> | <p>Competition, price and quality are the key strengths 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. Not enough local production since turkey meat is a South African favorites or commonly consumed except during Christmas time. However, the trend is changing as they start to make regular appearance in restaurant menus.</p> |
| <p>Fish and Seafood Products</p> <p>Net imports of \$210 million in 2011 versus \$193 million in 2010, and \$7 million from the USA in 2011 versus \$3 million in 2010.</p> <p>Note: SA net exports were \$460 million in 2011 versus \$413 million in 2010.</p> | <p>Thailand – 36%</p> <p>India – 16%</p> <p>China – 10%</p> <p>USA is a minor supplier of 3%.</p> | <p>Despite being a net exporter, South Africa imports continue to increase to supplement domestic demands.</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> |
| <p>Dairy Products excluding cheese</p> <p>Net imports of \$95 million in 2011 versus \$74 million in 2010, and \$7 million from the USA in 2011 versus \$6 million in 2010.</p> <p>Note: SA net exports were \$70 million versus \$58 million 2010.</p> | <p>France – 26%</p> <p>New Zealand – 18%</p> <p>Ireland – 8%</p> <p>USA - 7%.</p> | <p>Despite being a net exporter, South Africa imports continue to increase to supplement domestic demands.</p> | <p>South Africa is a net importer of dairy products particularly whey, concentrated milk and cream to supplement insufficient domestic production.</p> |
| <p>Pulses</p> <p>Net imports of \$65 million in 2011 versus \$66 million in 2010, and \$1.2 million from USA in 2011 versus \$377,000 in 2010.</p> | <p>China – 69%</p> <p>Canada – 13%</p> <p>Ethiopia – 3%</p> <p>USA a minor supplier of 2%.</p> | <p>China enjoys a bilateral trade agreement with South Africa. Domestic production is insufficient to cover local demand so imports supplement domestic demands.</p> | <p>South Africa is a net importer of pulses. Pulses are an important protein source in South Africans 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 in</p> |

| | | | |
|--|---|---|--|
| Note: SA net exports were \$4 million versus \$2 million in 2010. | | | South Africa by manufacturer for further processing of soups and broths. |
| Vegetable Oils Exc. Soybean oil Net imports of \$607 million in 2011 versus \$451 million in 2010, and \$17 million from USA in 2011 versus \$3 million in 2010. Note: SA net exports were \$98 million versus \$91 million in 2010. | Malaysia – 38% Indonesia – 32% Argentina – 8% USA - 3% | Shortages of oils are supplemented with unrefined oil imports which are refined and packaged by local oil expressers. Malaysia provides quality and competitive prices. | South Africa is a net importer of edible oil productions. Local producers are unable to meet demand due to crop size. Shortages of oils are supplemented |
| Sugar/Sweetener/Beverage Bases Net imports of \$78 million in 2011 versus \$53 million in 2010, and \$8 million from USA in 2011 versus \$4 million in 2010. Note: SA net exports were \$99 million versus \$119 million in 2010. | Brazil – 46% China – 13% Mozambique – 11% USA - 10% | A growing domestic demand calls for imported products from competitive suppliers to supplements. | South Africa is a leading producer and a net exporter of sugar related products. Local production is sufficient to meet demand. |
| Breakfast Cereal/Pancake Mix Net imports of \$24 million in 2011 versus \$20 million in 2010, and \$1.3 million from USA in 2011 versus \$1.8 million in 2010. Note: SA net exports were \$26 million versus \$22 million in 2010. | France – 21% Germany – 18% Thailand – 17% USA - 5% | Imports from competitive suppliers supplements supply. | South Africa is a net exporter of breakfast cereal products. Local production is sufficient to meet demand. |
| Fruit & Vegetable Juices Net imports of \$65 million in 2011 versus \$45 million in 2010, and \$442,000 from USA in 2011 versus \$364,000 in 2010. Note: SA net exports were \$191 million versus \$176 million in 2010. | China – 41% Argentina – 27% Spain – 10% USA is a small supplier of 1% | Potential exports to South Africa are for exotic fruit and vegetables such as berries, kiwi fruits, including off season fruit and vegetables from competitive suppliers. | South Africa is a net exporter and self-sufficient in basic fruit and vegetable requirements. |
| Processed Fruit & Vegetables Net imports of \$135 million in 2011 versus \$118 million in 2010, and \$9 million from USA in 2011 versus \$10 million in 2010. Note: SA net exports were \$315 million versus \$331 million in 2010. | China – 21% Italy – 13% Belgium – 13% USA - 7%. | 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. | South Africa is a net exporter, and domestic production is sufficient to cover local demand. |
| Wine and Beer Net imports of \$39 million in 2011 versus \$30 million in 2010, and \$454,000 from USA in 2011 versus \$1.5 million in 2010. Note: SA net exports were \$643 million versus \$663 million in 2010. | France – 35% Netherlands – 25% Italy – 21% USA is a minor supplier of 1.16%. | Due to the rapid increase in exports of South African wines which creates a niche for specialty wines and beers from competitive suppliers. | South Africa is a net exporter of wine and beer, particularly wine 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. |
| Distilled spirits | United Kingdom – | Sophisticated tastes and preferences of South Africans calls | South Africa is a net importer of distilled spirits particularly whiskies. Local |

| | | | |
|---|--|--|---|
| <p>Net imports of \$312 million in 2011 versus \$253 million in 2010, and \$23 million from USA in 2011 versus \$16 million in 2010.</p> <p>Note: SA net exports were \$96 million versus \$75 million in 2010.</p> | <p>68% Ireland – 9% United States – 7%</p> | <p>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, U.S. saw increased in whisky exports.</p> | <p>production is not enough to meet local demand.</p> |
|---|--|--|---|

Source: Global Trade Atlas

SECTION 4: BEST PRODUCT PROSPECTS

A. Products in the market with good sales potential

South Africa is known for its well developed food processing sector which produces a wide range of processed food products, the local production is not enough so opportunities exist for imports to supplement the needs. Despite stiff competition from the EU countries which in most instances benefits from low import tariff rate to enter the South African market, the American brands are becoming increasingly popular given their high quality attributes including price.

| Product Category | Jan – Oct 2011 South Africa Imports from the World (\$1,000,000) | Jan – Oct 2011 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. |
|---|--|---|---|-------------------------|--|---|
| Almonds (shelled nuts) HS080212 | 6 | 5.6 | 24.65 | free | free from the EU countries | U.S. dominates the market. SA produces and macadamias and pecans. |
| Fats of Bovine HS150200 | 12 | 6 | 181.79 | free | Free from the EU countries. | U.S. has largest market share of 51%. |
| Animal Fats and Oils HS150600 | 1.1 | 1.1 | 88.99 | free to 10% | From the EU countries import tariff rate is free to 1.3%. | U.S. has the largest market share of 99%. |
| Salmon HS160411 | 1.7 | 1.2 | -22.07 | 6c/kg | 6c/kg | U.S. has the largest market share of 70%. |
| Sugar Sweeteners : lactose, glucose and syrups (HS170200) | 37 | 15 | 86.12 | free | Free from the EU countries | U.S. has the largest market share of 41%. |
| Protein Concentrates HS210610 | 8 | 3 | -23.21 | 10-20% | EU countries import tariff rate to enter South Africa is free to | U.S. has the largest market share of 40%. |

| | | | | | | |
|---|-----|----|--------|---|--|---|
| | | | | | 2.6% | |
| Food Preparations HS210690 | 130 | 24 | 3.95 | 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 22%. |
| Baking powders (baking inputs) HS210230 | 8 | 4 | 142.10 | 30% | From the EU countries import rate is 3.9%. | U.S. has the largest market share of 51%. |
| Sauces, condiments and seasonings HS210390 | 14 | 3 | 10.78 | 5-20% | From the EU countries import tariff rate is free to 2.6%. | U.S. has the largest market share of 23%. |

Source: Global Trade Atlas

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

Selected products below including products not currently available or known about in South Africa have good sales potential. Despite stiff competition from the EU countries which in most instances benefits from low import tariff rate 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 2011 South Africa Imports from the World (\$1,000,000) | Jan – Oct 2011 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 (HS050400) | 64 | 4 | -11.93 | 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. |
| Cereals Flour (HS1102) | 1 | .038 | 106.75 | 0.65c/kg to 20% | EU countries enter the market duty free to 2.6%. | U.S. has a market share of 4%. |
| Flour and meal of dried leguminous vegetables (HS1106) | .718 | .046 | 42.81 | Free to 20% | From EU countries free to 2.6% | U.S has a market share of 6%. |

| | | | | | | |
|---|------|------|---|--|--|---------------------------------|
| Malt (HS1107) | 51 | 7 | 109.85 | Free to 3% | EU free to 0,111c/kg | U.S. has a 13% market share. |
| Plants of parts of plants (including seeds and fruits) (HS1211) | 2.4 | .125 | -23.35 | Free to 20% | EU countries enters duty free to 2.6% | U.S. has a 5% market share. |
| Vegetable Saps and Extracts (HS1302) | 26 | 2 | -16.49 | Free to 25% | EU countries duty free to 3.25% | U.S. has a market share of 6%. |
| Lard (HS1501) | .070 | .025 | -18.05 | Duty free | Duty free from EU | U.S. has a market share of 36%. |
| Fats and oils (HS1504) | .876 | .053 | -39.05 | Duty free | Duty free from EU | U.S. has a market share of 6%. |
| Fixed vegetable fats and oils (HS1515) | 10 | .680 | -45.79 | 10% | EU countries duty free to 1.3% | U.S has a market share of 7%. |
| Animal and vegetable fats and oils (HS1518) | 2 | .385 | -23.81 | 10% | Duty free from EU countries. | U.S has a 20% market share. |
| Malts Extract (flavorings) (HS1901) | 28 | .899 | -13.28 | 20% | EU countries duty free to 20% | U.S. has a 3% market share. |
| Tabioca & Substitutes prepared from starch (HS1903) | .484 | .017 | Zero imports from the U.S for the past two years. | Duty free | Duty free from EU countries. | U.S. has a 4% market share. |
| Prepared foods obtained by the swelling or roasting of cereal products (HS1904) | 24 | 1 | -29.12 | 5c/kg to 25% | EU countries duty free to 3.25%. | U.S. has a 5% market share. |
| Bread, pastry, cakes, and biscuits (ingredient s) (HS1905) | 46 | 2 | 83.73 | 3.6c/kg to 25% | EU countries duty free to 2.73%. | U.S. has a 3% market share. |
| Soups and Broths (HS2104) | 4 | .164 | 61.93 | Free, and 3c/kg to 25% | EU countries duty free to 3.25%. | U.S. has a market share of 4%. |
| Wine of fresh grapes (HS2204) | 18 | .452 | 34.80 | 25% including additional costs of R2.31/liter to | From EU countries R9.49c/liter to 3.25%. | U.S. has a market share of 3%. |

| | | | | | | |
|---|-----|----|-------|---|--|---|
| | | | | R93.03/Liter levied on both the Customs, and excise duties. | | |
| Ethyl alcohol, spirits, and liqueurs (HS2208) | 312 | 23 | 44.26 | 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 7% particularly on (HS220830). |

Source: Global Trade Atlas

C. Products not present because they face significant barriers

| Product Category | Jan – Oct 2011 South Africa Imports from the World (\$1,000,000) | Jan – Oct 2011 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. |
|-----------------------|--|---|---|-------------------------|--|--|
| Chicken Cuts 020714 | 195 | 6 | 173.60 | 220c/kg | Brazil with 47.53% market and US 2.96%. 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. The anti-dumping duty on product from Tyson Foods is 224 c/kg, from Gold Kist Inc it is 245 c/kg and 696 c/kg from any other United States producers. | Consumer demand continues to increase and domestic production is not keeping up. However, prohibition of United States poultry exports to South Africa of chicken leg quarters (02071490) since 2000 are restricted by an anti-dumping duty. |
| Meat of Bovine frozen | 23 | Zero | Zero | 40% | Australia with 45.20% market share | The United States beef products into |

| | | | | | | |
|-----------------------------------|----|---|-------|------|--|---|
| (0202) | | | | | to supplement imports. Beef products from SADC countries are imported into South Africa duty free. | South Africa are banned since 2003. |
| Animal Feed Preparations (230990) | 51 | 4 | 12.01 | free | France with 20.34% market share. | The U.S. has 8% of the market share. Lysine feed products are impacted due to dumping duties imposed on the U.S. since 2007 |

Source: Global Trade Atlas

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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For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service's website at: <http://www.fas.usda.gov>

Post acknowledges the following sources: Industry websites such as World Trade Atlas, Statistics South Africa, the Department of Trade and Industry, local foodservice industry publications, local press, and individual company websites.