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Report Highlights:

This report provides more information on the South African food processing sector, including strategies for U.S. exporters interested in entering the market. South Africa is a middle-income emerging market with a well-developed agribusiness and food sector that plays a significant role in job creation and economic growth. Although largely self-sufficient in agricultural production, South Africa is a net importer of food ingredients. The country has an advanced food processing sector with more than 1,800 firms, which drives strong demand for food ingredients, an estimated 90 percent of which must be imported. The United States is already a reputable exporter of food ingredients to South Africa, and diverse opportunities exist to expand U.S. food ingredients exports in a wide range of categories.

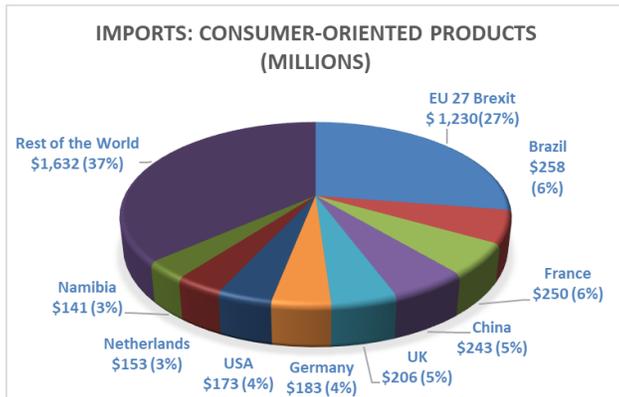
Market Fact Sheet: South Africa

Executive Summary

South Africa is a middle-income emerging market with an estimated population of 61 million (68 percent live in urban areas). The country's GDP increased by 1.6 percent in 2022, reaching \$420 billion. South Africa exports more agricultural goods than any other country in Africa. Although the country is mostly self-sufficient in terms of production, there is substantial demand for food ingredients, providing opportunities for U.S. exports.

Imports of Consumer-Oriented Products

Imports of all agricultural products totaled \$7.7 billion in 2022, compared to \$7.3 billion in 2021. At the same time, imports of consumer-oriented products were \$3.2 billion in 2022, compared to \$3.1 billion in 2021. The EU accounted for 27 percent of total consumer-oriented imports, while 4 percent were from the United States.



Food Processing Industry

South Africa's demand for ingredients for the food manufacturing sector drives imports of a wide range of products. The country boasts more than 1,800 food production companies, although the 10 largest firms account for more than 80 percent of the sectors revenue.

For more information, please contact FAS Pretoria:

AgPretoria@usda.gov
www.usdasouthernafrica.org

Food Retail Industry

The food retail sector, which makes up more than half of all retail sales in South Africa, is characterized by a dependable supply of high-quality foods, a mature market, and market concentration. The growth of national supermarket chains has also significantly altered the structure and operation of agriculture, upstream food processing, and wholesale food industries.

Quick Facts CY 2022

Imports of Consumer-Oriented Products: \$3.2 billion

List of Top 10 Growth Products in South Africa

- | | |
|-------------------------------|----------------------|
| 1) Dairy Products | 2) Condiments |
| 3) Chocolate & Cocoa Products | 4) Processed Fruit |
| 5) Confectionary | 6) Wine |
| 7) Bakery Goods | 8) Distilled Spirits |
| 9) Non-Alcoholic Beverages | 10) Pork Products |

Food Industry by Channels (U.S. billion)

Food Industry Output	\$43 billion
Food Exports	\$12.8 billion
Food Imports	\$7.7 billion
Retail	\$38 billion
Food Service	\$5 billion

Food Industry Gross Sales

Food Industry Revenues – \$4 billion

Food (Domestic market) – \$3.8 billion

Top 10 South African Food Retailers

- | | |
|----------------------|------------------------------|
| 1. Shoprite | 6. Food Lovers Holdings |
| 2. Pick n Pay | 7. CCBSA |
| 3. Woolworths | 8. Kit Kat Group |
| 4. Spar Group Ltd. | 9. Quantum Foods |
| 5. Massmart Holdings | 10. Wellness Warehouse (Pty) |

GDP/Population

Population: 60.8 million people

GDP: \$420.28 billion

GDP per capita: \$6,739

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

Strengths/Weaknesses/Opportunities/Challenges

Strengths	Weaknesses
<ul style="list-style-type: none"> Advanced economy Relatively developed infrastructure. Modern retail chains for food and beverage distribution 	<ul style="list-style-type: none"> High transport costs. Load shedding presents challenges for constant cold-chain products. Policies favoring other markets such as BRICs.
Opportunities	Challenges
<ul style="list-style-type: none"> U.S. retailers and exporters interested in expanding to SA market. South Africa could function as a hub to facilitate distribution to other Southern African countries. 	<ul style="list-style-type: none"> Lower duties due to trade agreements with EU, UK, and MERCOSUR. Political preference for other BRICS countries. High tariffs for U.S. food and beverage products. Decreased purchasing power due to high unemployment.

SECTION 1: Market Summary

South Africa, the thirty-third largest economy in the world, is one of the most advanced and diverse economies on the African continent. The country has a gross domestic product (GDP) of \$420 billion, making it the third largest economy in Africa, after Nigeria and Egypt. The country is an attractive business destination due to its growing market and a relatively developed infrastructure, catering to efficient distribution of both imported and locally produced agricultural products to major urban centers and the entire Southern Africa region. In contrast to other African nations, South Africa's agricultural industry is not dominated by community subsistence farming; rather, many farms are sizable, commercially successful, family-run businesses. The commercial agricultural sector in South Africa is highly diversified and is self-sufficient in the production of most primary foods, with the exceptions of wheat, rice, chicken, and oilseeds. Despite South Africa's well-developed processed food and competitive horticultural sectors (e.g., wine, fresh fruits, and vegetables), the country continues to offer opportunities for imports from the United States.

South Africa does not produce enough food ingredients to meet local demand, and an estimated 90 percent of food ingredients must be imported for the food processing sector. The United States is already a reputable exporter of food ingredients to South Africa, and diverse opportunities exist to expand U.S. food ingredients exports in a wide range of categories. In 2022, U.S. exports of food preparations and ingredients to South Africa totaled \$27 million, down from \$29 million in 2021. Leading product categories include beverage bases; protein concentrate; baking inputs, mixes and doughs, flavorings, and thickeners. The table on the next page provides a breakdown of the major opportunities and challenges faced by U.S. exporters to South Africa.

The primary characteristics of the South African food processing sector are high production rates and small profit margins. Faced with rising commodity prices and economic uncertainty, food manufacturers in South Africa are looking to optimize their manufacturing processes and enter new markets with a variety of new products.

While the South African economy has largely recovered from the effects of the COVID pandemic (unemployment dropped from 35.3 percent to 32.7 percent last year), the country continues to face significant challenges stemming from its fragile electric grid. Business and citizens face scheduled daily power outages (known as loadshedding) as the state-owned electricity provider, Eskom, must force users to share the limited available energy supply to protect the integrity of the power grid. The situation has had a significant impact on businesses, including food processors and retailers that have been forced to purchase generators and large amounts of fuel to maintain operations. There are also concerns about the integrity of the country's cold chain, as many businesses and individuals lack the appropriate equipment and knowledge to limit the risk of foodborne illness caused by the frequent power outages. Small and medium-sized food processors and retailers are typically more severely impacted by loadshedding than larger and chain competitors. Large generators are very costly, and many small businesses do not have any back up power available. However, even large processors and retailers have faced a rapid expansion of costs associated with keeping their businesses operational, which in turn affects manufacturing and sales plans. Post contacts report that loadshedding has changed some retailers' buying patterns, with many stores buying smaller volumes more frequently to avoid large losses of stocks due to a breakdown of the cold chain. You can read more about the challenges posed by loadshedding in South Africa in

these reports: [Prolonged Power Outages Raise Serious Concerns about Food Safety](#) and [Loadshedding and the Economic Strain on the Food Supply Chain](#).

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

Table 1: Opportunities and Challenges facing U.S. Food Exports to South Africa

Opportunities	Challenges
South Africa is an advanced economy with relatively well-developed infrastructure, modern retail chains, and well-established food and beverage distribution channels.	The South African market may not be able to import the volumes that U.S. companies are used to selling abroad due to a lower consumer purchasing power due to high unemployment and the effects of the pandemic.
South Africa has a well-developed and advanced food processing sector, which drives strong demand for food ingredients. The country is a net importer of food ingredients, and the continued shift from sugar to sweeteners is expected to remain prominent over the next few years.	The long distance from the United States results in high transportation costs, while frequent electrical outages present a challenge for cold chain products, and the limited technical capacity of regulators contributes to trade barriers and delays in resolving access issues.
South African importers are interested in expanding U.S. products available in the market, as well as other Sub-Saharan markets since South Africa serves as a gateway to the region. Local industry players are used to importing food ingredients so most importers will be open to new suppliers and products.	Trade agreements with the EU, UK, and MERCOSUR reduce duties for competing products from those countries, while political preference for other BRICS countries (Brazil, Russia, India, and China) and high tariffs for U.S. food and beverage products make it difficult for some American products to compete.

SECTION 2: Road Map for Market Entry

2.1 Entry Strategy

New U.S. exporters to South Africa need to fully understand their buyers’ needs and how best to meet clients’ purchasing requirements and specifications. They should consider the following when planning to enter the market.

- U.S. exporters are encouraged to contact FAS Pretoria to request a list of South Africa food and beverage importers.
- South Africa has a strong domestic food processing industry, and despite small volumes of orders, imports of food ingredients and additives comes from all over the world. The country imports approximately 90 percent of the ingredients needed by the domestic processing industry. This [FAS Pretoria GAIN report](#) offers more insights on the sector.
- Finding a local agent that knows the market well is the safest way to enter the market.
- Understanding food processors’ purchasing policies is key (e.g., whether the company buys directly from overseas suppliers or via local importers/agents). Some companies prefer to buy through local agents that can better respond to issues quickly.

- It is important for a U.S. exporter to maintain close contact with their local agent to track changes to import procedures and ensure the agent is effectively representing the interests of the exporter. Teleconferencing platforms can help facilitate the relationship when travel is not possible.
- U.S. companies can contact Post, State Regional Trade Groups (SRTGs), and the National Association of State Departments of Agriculture (NASDA) to obtain additional market entry support. SRTGs are non-profit trade development organizations supported by USDA and private industry. They regularly organize trade missions, often planned to coincide with trade shows or other events, to help U.S. food producers and processors to enter overseas markets. For more information, [contact the SRTG responsible for your state](#).
- Consider attending FAS-hosted Virtual Trade Events (VTEs) in the region to meet importers and buyers of general food and beverages products. More [information on upcoming VTEs](#) can be found on the FAS website.
- New-to-market U.S. exporters are encouraged to engage the services of a reputable freight forwarding and/or customs clearance agent that is well-versed in South African regulations.

2.2 Import Procedures

For more details on South African laws, standards, and import requirements, as well as a directory of the relevant government agencies, consult the FAS Pretoria [Food and Agricultural Import Regulations and Standards \(FAIRS\) Country Report](#). The [FAIRS certificate report](#) provides information on the health certificates and trade documents needed for various products.

2.3 Distribution Channels

South Africa's larger food processing companies prefer to reduce costs by sourcing food ingredients directly from overseas suppliers (instead of using local agents). These companies enjoy a cost savings when buying in bulk directly from the supplier, as well as better control over the quality of ingredients. However, smaller food processors tend to prefer to purchase from local agents to better control storage and supply chains. U.S. exporters must be careful to select the right distributors or importers to reach their targeted customers.

2.4 Market Structure

Food manufacturing now employs over 198,522 people, making it the largest manufacturing industry in South Africa, though still with less employees than the agriculture, retail, and food service sectors. Employment in the milling, sugar, dairy, oils, and bakery products subsectors is steadily rising.

Considering the vastness of South Africa's territory, a U.S. exporter should carefully choose a distributor that is well-versed in the market and capable of distributing goods nationwide. South Africa is a diverse country with nine provinces, each with a different array of industries and consumer preferences. Smaller distributors frequently operate on a provincial level because they lack the backing of a national infrastructure. Thus, a U.S. exporter might need to employ distributors in several of the country's major cities, including Johannesburg, Cape Town, Gqeberha (Port Elizabeth), and Durban.

2.5 Share of Major Segments in the South African Food Processing Industry

The table below provides information on South Africa's food and beverage industry by product sector.

Table 2: 2022 Value of South African Food and Beverage Production by Sector

Meat, fish, fruit, etc.	\$13.2 billion
Dairy products	\$3.6 billion
Grains/milled products	\$7.4 billion
Other food products	\$8 billion
Beverages	\$11.2 billion
Total Food and Beverages	\$43.4 billion

Source: Statistics South Africa

2.6 Company Profiles

There are over 1,800 food processing companies in South Africa. The table below provides information on the major food processing companies and their product lines in South Africa.

Table 3: National and International Food Processing Companies in South Africa

Company Name	Product Line(s)	Website
Clover	Dairy products, beverages, condiments and sauces	https://www.clover.co.za
Tiger Consumer Brands	Baked goods, snacks, beverages, confectionary	https://www.tigerbrands.com
Premier FMCG (Pty) Ltd	Baked goods, pasta, confectionary, beverages, animal feeds	https://www.premierfmcg.com
Rhodes Food Group	Convenience foods, fresh and frozen ready-made meals, pastry-based products, jams, canned fruit, canned vegetables, canned meat, fruit purees, juice and juice products as well as dairy products.	https://www.rfg.com
SAB	Beer and soft drinks	https://www.sab.co.za
Famous Brands	Sauces, baked goods, beverages, food service ingredients, frozen foods	https://famousbrands.co.za
Montagu	Snacks, candy, dried fruit, nuts	https://www.montagusnacks.co.za
RCL Foods	Baked goods, corn meal, flour, sweeteners, frozen foods, pet food, etc.	https://rclfoods.com
Pioneer Foods	Bread and other baked goods, crackers, juice blends and other beverages	https://pioneerfoods.co.za
Distell	Beer, cider, distilled spirits, wine, liqueurs, flavored hard seltzers	https://www.distell.co.za
Libstar	Baked goods, snacks, spice and	https://www.libstar.co.za

	herb mixes, dairy products, sauces and condiments, fast-moving consumer goods	
Oceana Group	Fish and seafood products	https://oceana.co.za
Cape Food Ingredients	Flavorings, baked goods, dairy products, juice concentrates	https://www.capefoodingredients.com
Crown National	Beef, poultry, pork, and mutton products, seasoning blends, sauces, marinades	https://www.crownnational.co.za
Carbocraft	Spice blends, freeze-dried fruit, natural fruit bases, additives and processing aids	https://www.carbocraft.co.za
I & J	Frozen seafoods, chicken, and beef products, as well as abalone and fresh fish	https://www.ij.co.za
Frey's Food Brands	Meat manufactures, markets and retails processed meats made primarily of pork.	https://freys.co.za
AVI Limited	Baked goods, snack foods, tea and coffee products, beverages, frozen foods	https://www.avi.co.za
Nestle	Chocolate and confectionary products, coffee products, baked goods, cereals, dairy products, beverages	https://www.nestle-esar.com
Unilever	Spices, beverages, ice cream products	https://www.unilever.co.za
Kellogg's	Cereals, snack foods, baked goods, noodles	https://www.kelloggs.co.za
Zemcor	Spice and herb blends, marinades, sauces, dehydrated vegetables, soy proteins, starches	https://www.zemcor.co.za
BevCo	Soft drinks, energy drinks, juice blends	https://www.thebeveragecompany.co.za
Mondelez International	Baked goods, chocolate and confectionery products, beverages, dairy products	https://www.mondelezinternational.com
McCain Foods	Fresh and frozen vegetable products for retail and food service distribution	https://www.mccain.co.za
Lactalis	Cheese, yogurt, butter, fruit beverages, ice cream	https://lactalis.co.za

2.7 Sector Trends

Developments in the South African market mirror global trends related to consumers' increased interest in health and wellness, convenience, and value-for-money for food products. Some notable trends include:

- Spurred by the pandemic, an increased and dramatic shift to online buying and delivery options, with many manufacturers and retailers integrating new sales channels and increasing distribution options
- An increase in eating out since the relaxation of pandemic regulations
- The [Health Promotion Levy on Sugary Drinks](#) (Sugar Tax) has reduced the usage of sugar in the beverage industry by a third. In order to avoid the tax, many local processors have reduced the amount of sugar in their beverages and replaced it with sweeteners
- Increased consumer demand for new types of products, such as ready-to-eat and frozen desserts and unique beverage products
- Manufacturers increasing private label offerings to meet growing demand from retailers
- Growing consumer interest in food sourcing and sustainability
- Consumers seeking out “clean labelling” and avoiding ingredients lists that include names they deem “unnatural,” “synthetic,” or “chemical,” instead choosing ingredients that are simple to pronounce and well-known
- Demand for “healthy” foods, organic products, and foods that address specific dietary needs or environmental demands (free-range chicken products, no added sugar, alternative sweeteners, plant-based, locally sourced, low carb, etc.), including “free-from products (gluten, GMO, meat, dairy, etc.)
- Expanding niche markets sectors, including Kosher-certified, Halal-certified, meat alternatives, vegan, vegetarian, and flexitarian products
- Many customers seek out gluten-free options for both ready-to-eat foods and baking components. The rise of low-carb diets are inspiring food producers to create new recipes to fulfill consumer demand.
- Growing interest by food manufacturers in the benefits of novel food ingredients, including production efficiencies and cost reduction

SECTION 3: Competition

U.S. food ingredient exports to South Africa are very competitive, considering the large demand by food processors and manufacturers. However, American suppliers face competition from local producers in South African, as well as imports from countries in the [Southern African Development Community](#) (SADC), the [EU](#), and [MERCOSUR](#) trade blocs. South Africa has free trade agreements with SADC and the EU, and a preferential trade agreement with MERCOSUR. The country is also in discussions to negotiate the tariff schedules related to preferential trade within the [African Continental Free Trade Area](#) (AfCFTA).

SECTION 4: Best Product Prospects Category

4.1 Products with Good Sales Potential

Chicken Cuts and Edible Offal

Though South Africa is the region's leading producer of chicken meat, imports are regularly required to supplement local production and meet domestic demand. U.S. exports of bone-in chicken meat to South Africa may enter the country exempt from anti-dumping duties under a quota that changes annually after consideration of the poultry production and consumption trends in the country. The FAS Pretoria [Poultry and Products Annual Report](#) provides more information on South Africa's poultry production, trade, and consumption trends.

Almonds

South Africa's growing demand for almonds far exceeds local production. South Africa is the largest importer of U.S. almonds in Sub-Saharan Africa. In 2022, South Africa imported \$25 million worth of almonds, with the United States accounting for 87 percent of market share. Australia in a distant second at 7 percent.

Enzymes

South Africa is a net importer of enzymes, with 2022 imports amounting to \$70 million. The United States had the third largest market share with 14 percent (\$10 million) after Denmark with 40 percent and Finland with 16 percent.

Essential Oils

South Africa is a net importer of essential oils used in food and beverages. In 2022, imports were \$28 million, with the United States accounting for 12 percent of market share, second only to India, which claimed 44 percent of market share. There is potential for growth of U.S. exports in this category due to strong demand.

Distilled Spirits

South Africa imported a total of \$21.5 million worth of distilled spirits from the United States in 2022, with whiskey accounting for \$13.5 million of those imports. Rum imports from the United States also doubled, showing strong demand by South African consumers for American spirits.

Chocolate and Cocoa Products

After two years of decline, the South African cocoa market showed an upturn. The market is expected to grow annually by 4.6 percent. One of the bigger importers in South Africa is Nestle, but there is also room for growth in sales to other importers for American chocolate and cocoa products.

4.2 Products Not Present in Significant Quantities but Have Good Sales Potential

Despite the competitive local market and alternatives from additional international producers, U.S. food ingredients have great potential in the South African market. Products that Post believes have good sales potential include: tree nuts (almonds and pistachios in particular), distilled spirits, dairy products (lactose, whey proteins), condiments and sauces, chocolate and cocoa products, non-alcohol beverages,

beef and beef products, fish and seafood products, frozen goods, hops, oils and fats, seasonings and spice blends, processed fruit, confectionary, and fruit and vegetable juices.

SECTION 5: Key Contacts and Further Information

5.1 FAS Pretoria

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

Office of Agricultural Affairs
U.S. Embassy Pretoria
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Other market and commodity reports are available through the FAS website: www.fas.usda.gov

5.2 Other Additional Contacts

- American Chamber of Commerce in South Africa: www.amcham.co.za
- U.S. Foreign Commercial Service: <https://export.gov/southafrica>
- U.S. International Trade Administration – South Africa Country Commercial Guide: <https://www.trade.gov/knowledge-product/exporting-south-africa-market-overview>
- South African Revenue Service: <https://www.sars.gov.za/>

Attachments:

No Attachments