Required Report: Required - Public Distribution **Date:** September 29, 2023

Report Number: SF2023-0031

Report Name: Food Service - Hotel Restaurant Institutional

Country: South Africa - Republic of

Post: Pretoria

Report Category: Food Service - Hotel Restaurant Institutional

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Report Highlights:

The hotel, restaurant, and institutional (HRI) sector in South Africa is gradually beginning to recover from the COVID-19 pandemic, but challenges remain due to frequent power outages, known as load shedding, and rampant food price inflation. In 2022, the South African food service industry brought in US$4.3 billion, an increase of over 20 percent from the previous year. Post contacts note a growing trend towards convenience foods, fast service restaurants, and takeaways. Also evident in the sector is the move towards providing healthier choices. The South African fast-food industry is highly developed and dominated by companies with many domestic and international outlets, supported by well-established and competitive franchising models and a well-developed network of industry associations. Post sees numerous market opportunities for American exports to the South African HRI sector.

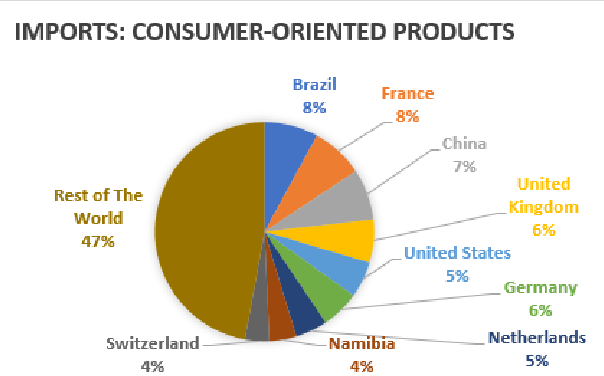
Market Fact Sheet: South Africa

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 sector's revenue.

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 the wholesale food industry.

For more information, please contact FAS Pretoria.
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Quick Facts CY 2022

Imports of U.S. Agricultural Products: $313 million

Imports of U.S. Consumer-Oriented Products: $3.2 billion

Combined Revenue of Hotels, Restaurants, and Institutions:
$4.3 billion

Food Industry by Channels (USD) in 2022

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

Leading Hotel Chains

Marriot Hotels & Resorts	Hilton Hotels & Resorts
Legacy Hotels & Resorts	Sun International Group
Mercure Accor	

Leading Food Service Chains

KFC (Yum Brands Inc.)	McDonald's
Nando's (Nando's Group Holding)	Debonairs Pizza, Steers, and Wimpy (Famous Brands Ltd)
Chicken Licken	

Data and Information 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**
South Africa is an advanced market economy, with developed infrastructure and boasts modern retail chains with established food and beverage distribution networks in the region.	High Transportation costs due to distance from the United States; electricity outages present a challenge for cold chain products; high non-tariff barriers especially for animal products
Opportunities	**Challenges**
South African retailers and importers are interested in expanding the array of U.S. products available in the market. The country has extensive distribution linkages to other African countries, which provide multiple channels to diversify distribution to other markets in the region	Trade agreements with EU, UK, and MERCOSUR reduce duties for products from those countries, making some U.S. products less price competitive; high tariffs for U.S. food and beverage products; decreased consumer purchasing power due to high unemployment.

SECTION 1: Market Summary

The South African hotel, restaurant, and institutional (HRI) industry is made up of chain stores, including well-known franchises and independent food businesses. Post contacts noted a growing trend towards convenience foods, fast service restaurants, and takeaways, which was probably aided by the increased delivery capacity of many outlets during the pandemic. In 2022, consumers reverted to sit-down and takeaway orders. However, takeaway and restaurant food sales have been steadily dropping since July 2022. Power outages have caused substantial losses due to food spoiling, service interruptions, shortened business hours, and the inability to serve certain foods and beverages.

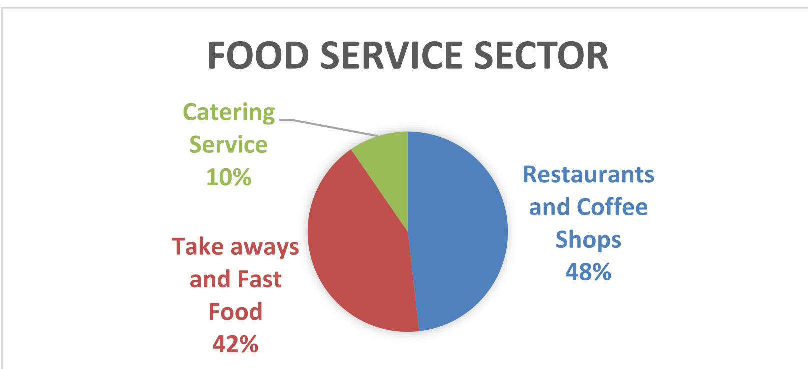
Also evident in the sector is the move towards providing healthier choices. Post contacts have advised that they are seeing more intuitive decision making even in the fast-food sector in terms of healthy choices. According to Statistics South Africa (StatsSA), the industry recorded sales of $4.3 billion in 2022, an upsurge of almost 20 percent from the $3.5 billion seen in 2021. The challenges that the country currently faces such as the constant power outages as well as increasing costs associated with fuel price hikes and inflation have stifled the full recovery of the food service and hotel sectors in terms of earnings.

Table 1: *South African Sales of Food and Beverages by Sector (USD billions)*

Sector	2020	2021	2022
Restaurants and coffee shops	$1.18	$1.51	$1.92
Take-away and fast-food outlets	$0.70	$1.09	$1.50
Catering services	$0.45	$0.43	$0.61
Hotels	$0.17	$0.19	$0.26
Total industry sales	**$2.5**	**$3.22**	**$4.29**

Source: StatsSA
Note: US$1 = Rand 18.50

In 2022, the fast food, catering, and restaurant sectors demonstrated resiliency, although not all businesses had reached their pre-pandemic levels of prosperity. Power outages and water restrictions in some places have severely hampered the recovery and put many operators, particularly independent enterprises, in danger of going out of business. Independent business owners have performed worse than bigger businesses and fast-food franchises.



Source: StatsSA

Restaurants and Coffee Shops: According to StatsSA, restaurants and coffee shops revenues topped $1.9 billion in 2022, up 27 percent from the previous year. Many restaurants continued to trade by means of take-away and home delivery services to supplement in-house dining for this period. The sector also saw steady growth in online deliveries during this period.

Takeaway and Fast-Food Outlets: According to StatsSA, this category is defined as enterprises involved in the sale of meals and drinks ordered from a menu, prepared on the premises for takeaway purposes in a packaged format, at a location with or without seating. This sector recorded a 40 percent surge in revenues from 2021 to 2022 as patrons returned to purchasing fast-food and take-away meals as pandemic conditions eased in the country.

Catering Services: Catering services registered a 40 percent increase in food and beverage revenue in 2022, which can be attributed to more events taking place in the post-pandemic era. According to StatsSA, in addition to event catering and institutional kitchens that service schools, businesses, and prisons, this category also includes bars, taverns, and ice cream parlors.

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

Advantages	Challenges
Expanding online retail food platforms and increased proliferation of rapid delivery services, including for temperature-sensitive products	Internet service and cellular data is expensive in South Africa, limiting the option of online shopping for some consumers.
Well-developed infrastructure and modern retail chains with established food and beverage import and distribution networks	Electricity outages due to load shedding have increased costs and reduced store hours for some retailers. Consumers may not have access to online sales platforms during load shedding. Water outages are also creating issues in terms of service delivery.
Importers and distributors are capable of increasing brand loyalty.	Consumers and retailers with limited knowledge of available U.S. products
South African consumers are interested in new and different foods, especially in the snack food, prepared food, health food, halal, and beverage categories.	European and BRICS countries have preferential market access or free trade agreements with South Africa, while U.S. products face high import tariffs.
Retailers are expanding the variety of private-label or store label products targeted for various consumer groups.	Differences in consumer classes, with a large portion of the population priced out of the market for imported foods
Importers are interested in expanding the array of U.S. products available in the market.	Rampant food price inflation has eroded consumers' disposable income and hampered spending.
South Africa has extensive distribution linkages to other African countries, which provide multiple channels to diversify distribution in the region.	The rand-dollar exchange rate can complicate planning, especially for smaller or new-to-market firms. Interest rates tend to be higher than in United States and other developed markets.
Retail chains offer larger format stores to accommodate one-stop shopping, including a larger selection of imported and private-label	Food safety and phytosanitary restrictions may limit the importation of certain foods, while labelling requirements may make small shipments

food and beverage product lines.	cost prohibitive.
Young consumers tend to prefer processed and easy-to-prepare foods, including brands that they have seen on social media and in movies and TV series.	

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.

SECTION 2: ROAD MAP FOR MARKET ENTRY

2.1 Entry Strategy

Post recommends that U.S. exporters consider the following when entering the South African market:

- U.S. exporters are encouraged to contact FAS Pretoria to request a list of South African food and beverage importers.
- Exporting through distribution or import agents with knowledge of the South African market is the safest or easiest way to cater to customers in the South African HRI sector. It is essential that U.S. exporters choose and nominate a competent agent registered with the South African Revenue Services (SARS). The agent should be capable of handling the necessary customs clearance, comply with all regulatory requirements, and plan for necessary documentation, warehousing, and financing arrangements. U.S. exporters must also be registered with SARS. The U.S. exporter registration will only be processed after the nomination of a registered agent based in South Africa.
- The most successful U.S. exporters to South Africa are those who have comprehensively researched the market prior to engaging customers, agents, or importers. Once contacts are established, it is advisable to visit and meet in person. Maintaining close contact with your local agent to track changes in import procedures will help ensure that the agent is effectively representing your interests. Teleconferencing platforms, such as WhatsApp, Zoom, and Microsoft Teams are widely used in South Africa and can be helpful in establishing relationships with importers prior to travel.
- FAS organizes many market development activities, including exhibitions and trade missions promoting American food and agricultural products to help U.S. exporters meet credible agents. U.S. exporters can participate in these large, multinational exhibitions that draw tens of thousands of buyers and distributors. FAS also organizes buying teams of foreign importers and buyers to visit trade shows and meet with exporters in the United States. Participation in these programs can provide useful information to buyers, facilitate trade contacts and relationships, and help answer lingering questions.
- U.S. exporters can also contact their respective State Regional Trade Group (SRTG) and the National Association of State Departments of Agriculture (NASDA) to obtain additional market entry support. Cooperator groups regularly organize trade missions and help companies participate in trade shows.
- In addition to this report, FAS Pretoria also produces an annual report on Food Processing Ingredients, Retail Foods, Food and Agricultural Import Regulations and Standards (FAIRS),

and an Exporter Guide. These and other market and commodity reports are available through the FAS website.

2.2 Market Structure

- The South African retail industry is undergoing changes to accommodate growing consumer interest in online shopping, simplified transactions, and delivery services.
- The South African fast-food industry is highly developed. The sector is dominated by companies with many domestic and international outlets, supported by well-established and competitive franchising models and a well-developed network of industry associations and lobbyists.
- The South African hotel sector is well-developed relative to other markets on the African continent and consists of both local and international hotel chains.
- South African hospitality establishments include game lodges, guest houses, self-catering lodging, youth hostels, and bed and breakfasts. The industry has shown increased rates of domestic and regional travel, as the tourism sector shows positive signs of recovery from the pandemic

See the FAS Pretoria FAIRS Export Country Report for more information and a list of responsible government departments. The FAIRS Export Certificate Report provides information on health certificates and trade documents required for various products.

2.3 Distribution

In general, South African hotels, restaurants, and institutions do not import directly, but instead purchase food and beverage products through importers and distributors who are familiar with the country's import regulations and have established relationships with U.S. exporters. The usual distribution channel from an American exporter to a South African HRI buyer begins with a U.S. food manufacturer or exporter working with a South African importer, distributor, and/or agent, who then sells and distributes the American product to various entities in the HRI sector.

2.4 Company Profiles

2.4.1 Hotels and Resorts

South Africa saw a number of new hotels open recently as tourism once again started to grow in the country. Industry contacts have reported that although there is an influx of foreign tourists, many are still deterred by the political fragility of the country as well as the South Africa's current energy issues. While establishments have taken measures to ensure they can keep the lights on, this comes at a greater price and lower occupancy rates due to higher costs.

The Tourism Grading Council of South Africa offers an official ranking of tourism establishments in the country and oversees quality control. Establishments are graded from one to five stars, with one-star hotels offering very basic facilities and five-star hotels offering high-end accommodation. Hotel grades are displayed in most advertising materials and at the entrances of establishments.

Table 3: *Leading Hotels Chains in South Africa*

Hotel Group	Website

Marriot Groups Hotels and Resorts (US)	https://www.marriott.com
Hilton Hotels and Resorts (US)	https://www.hilton.com
Legacy Hotel & Resorts (SA)	https://www.legacyhotels.co.za
The Sun International Group (SA)	https://www.suninternational.com
Protea Hotels by Marriott (US)	https://protea.marriott.com
City Lodge Hotels (SA)	https://clhg.com
Mercure Accor Group (France)	https://www.accorhotels.com
Black Brick Hotels (SA)	https://www.blackbrickclub.com

2.4.2 Fast Food

For more information, FAS Pretoria recommends visiting the websites of the Federated Hospitality Association of South Africa (FEDHASA), the Franchise Association South Africa (FASA), and the Restaurant Association of South Africa (RASA).

Table 4: *Fast Food Chains in South Africa*

Global Brand Owner	Brands	Website
Yum Restaurants International (USA)	KFC, Pizza Hut	https://www.yum.com/
Famous Brands Ltd (SA)	Debonairs Pizza, Steers, Wimpy, Fish Aways, Milk Lane, Mugg & Bean, Tasha's, Turn & Tender	https://famousbrands.co.za/
Spur Corp Ltd (SA)	Spur Steak Ranches	https://www.spursteakranches.com
McDonald's Corp (USA)	McDonald's	https://www.mcdonalds.co.za
Nando's Group Holdings Ltd (SA)	Nando's	https://www.nandos.co.za

2.4.3 Institutional Food Service

Table 5: *Institutional: Contract Catering Companies*

Business Name	Website
Fedics (Tsebo Outsourcing Group)	https://www.fedics.co.za
Bidvest Group	https://www.bidvest.co.za
Feedem Pitseng Pty Ltd (Independently owned)	https://www.feedem.co.za
LSG Sky Chefs South Africa	https://www.lsgskychefs.com

SECTION 3: COMPETITION

In general, U.S. exports mostly face competition from producers in South Africa and the Southern African Customs Union (SACU), the Southern African Development Community (SADC), BRICS, the EU, and MERCOSUR, which have favorable market access. South Africa has free trade agreements with members of SACU and the EU, as well as a preferential trade agreement with MERCOSUR. South Africa is also negotiating the tariff schedules and preferential trade conditions for the African Continental Free Trade Area (AfCFTA).

The fast food and restaurant industries are fiercely competitive. Compared to small eateries, big businesses and fast-food chains are better able to control rising expenses. According to a dominant brand in the market, there aren't many new rival companies coming on the scene, and the battle is fierce. Additionally, there is fierce internal competition between brands in the big franchising organizations, as well as increased competitiveness amongst franchises, particularly chicken franchises.

Table 6: Competitive Overview of South African 2022 Imports of Consumer-Oriented Products

Product Category	Market Share of Major Suppliers	Strength of Key Supply Countries	Local Supplies of Product
Poultry Meat and Products (excluding eggs) 2022 total imports: $285 million	Brazil = 72% USA = 14% Argentina = 8%	Brazil has the largest market share in chicken meat and edible offal (including livers). The United States is the leader in leg quarters and drumsticks.	Poultry is a major source of protein for South Africans, and there is demand for imports to supplement inadequate local production.
Tree Nuts 2022 total imports: $111 million	USA = 27% Mozambique = 12% Vietnam = 11%	The United States is a leading supplier of almonds and ground nuts.	South Africa is a net importer of nuts, though the country is a large producer of macadamia nuts.
Distilled Spirits 2022 total imports: $354 million	UK = 35% France = 22% Germany = 13% USA = 6%	The UK is the leading supplier of whiskey and gin, while France is the largest supplier of vodka.	South Africa has insufficient production of high-value alcoholic beverages to meet domestic demand.
Soup and Other Food Preparations 2022 total imports: $199 million	Germany = 17% Netherlands = 13% USA = 13%	Germany was the leading supplier of prepared foods and soups/broths in 2022, with Netherlands and the United States each taking a 13 percent market share.	There is growing demand for processed and easy-to-prepare food products in South Africa, especially with frequent power outages that leave consumers limited time windows to prepare meals, especially during weekdays.
Dairy Products 2022 total imports: $290 million	France = 23% New Zealand = 13% Germany = 10% USA = 7%	France is the main supplier of whey and modified whey, buttermilk, milk, and cream. New Zealand is the largest supplier of processed cheese, while Germany is the largest supplier of lactose and lactose syrup.	Demand for imports of dairy products depends on the ability of local producers to meet domestic demand in each product category.
Condiments and Sauces 2022 total imports: $47 million	USA = 21% Italy = 13% UK = 10%	The United States is the leading supplier of sauces, mixed condiments, and mixed seasonings. Italy is the second largest supplier, followed by the UK.	The competitiveness of local processors and producers has boosted prices and quality standards.
Beef and Beef Products 2022 total imports: $55 million	Argentina = 25% USA = 11% UK = 9%	Argentina became the leading supplier of beef offal and beef meat in 2022, while the United States dropped to second place, with the UK as the third largest supplier.	Domestic production is unable to meet local demand. Import demand is variable and depends on local market conditions.
Chocolates and Cocoa Products 2022 total imports: $169	Belgium = 10% Italy = 10% Malaysia = 7%	Belgium is the leading supplier of chocolate and cocoa products, followed by Italy and Malaysia.	South Africa has one of the largest and most established confectionery markets on the African continent.

million	USA = 3%		Consumers have shown an increasing demand for chocolate packaged in bags, which are suitable for sharing. Sugar-free products are also making headway in the market.

Source: Trade Data Monitor

SECTION 4: BEST PRODUCT PROSPECTS CATEGORIES

Unique and innovative U.S. products have the best prospects in the South African HRI sector, although price competitiveness is also a major factor for many importers.

4.1 Products present in the market that have good sales potential

South Africa presents market opportunities for U.S. exports of chicken cuts and edible offal, almonds, prepared foods, craft beer, and distilled spirits.

Table 7: *South African Imports of Consumer-Oriented Products from the World*

Product	Annual Series (Value: USD)		
	2020	**2021**	**2022**
All Consumer-Oriented	2,629,336,079	3,166,216,564	3,243,526,264
Distilled Spirits	190,969,047	293,681,377	354,506,526
Dairy Products	247,397,378	277,007,461	290,503,172
Poultry Meat & Product (excluding eggs)	424,947,957	313,738,383	285,097,029
Bakery Goods, Cereals, & Pasta	147,279,018	185,584,929	218,652,865
Soup & Other Food Preparations	182,071,978	211,885,518	198,636,878
Chocolate & Cocoa Products	162,204,776	177,625,500	169,306,050
Processed Vegetables	133,014,838	153,351,031	159,786,490
Coffee, Roasted and Extracts	113,424,229	122,786,644	137,266,673
Non-Alcoholic Beverages (excluding juices, coffee, tea)	88,781,502	104,394,289	134,135,129
Meat Products NESOI	107,885,742	137,757,001	126,637,458

Source: Trade Data Monitor

Table 8: *U.S. Top 10 Consumer-Oriented Exports to South Africa*

Product	Annual Series (Value: USD)		
	2020	**2021**	**2022**
Consumer-Oriented All	166,809,296	193,542,640	173,155,444
Poultry Meat & Meat Prods (ex. eggs)	56,769,472	61,845,764	42,698,551
Tree Nuts	21,438,532	18,499,568	30,216,479
Distilled Spirits	11,051,287	19,747,595	21,469,298
Soup & Other Food Preparations	28,073,559	27,322,152	19,935,666
Dairy Products	8,565,848	16,975,941	18,688,643
Condiments & Sauces	5,861,110	8,968,883	10,649,284
Beef & Beef Products	12,658,852	13,352,827	6,696,542
Chocolates & Cocoa Products	2,059,907	2,535,003	3,391,325

Processed Vegetables	3,435,557	2,600,551	2,830,804

Source: Trade Data Monitor

4.2 Products that are not present in significant quantities that have good sales potential

Opportunities exist for new U.S. products in the South African food and beverage market, including a wider variety of beef cuts and offal, fish and seafood products, and seasonings and spice blends.

SECTION 5: KEY CONTACTS AND FURTHER INFORMATION

5.1 Post

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

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Facebook: www.facebook.com/dinewithUSsa
Instagram: www.instagram.com/delicioUS_southafrica

Other market and commodity reports are available through the FAS website: http://www.fas.usda.gov/

5.2 Additional Contacts

- American Chamber of Commerce in South Africa: www.amcham.co.za
- U.S. Commercial Service: https://www.trade.gov/south-africa
- U.S. International Trade Administration – South Africa Country Commercial Guide: https://www.trade.gov/knowledge-product/exporting-south-africa-market-overview
- The Franchise Association of South Africa: https://www.fasa.co.za
- The Restaurant Association of South Africa: http://www.restaurant.org.za/
- South African Tourism: https://www.tourism.gov.za
- The Federated Hospitality Association of South Africa: https://fedhasa.co.za
- The Tourism Grading Council of South Africa: https://www.tourismgrading.co.za/

Attachments:

No Attachments