Required Report - public distribution

Date: 3/28/2019
GAIN Report Number: SA1910

South Africa - Republic of

Food Processing Ingredients

South Africa: Food Processing Ingredients Report 2019

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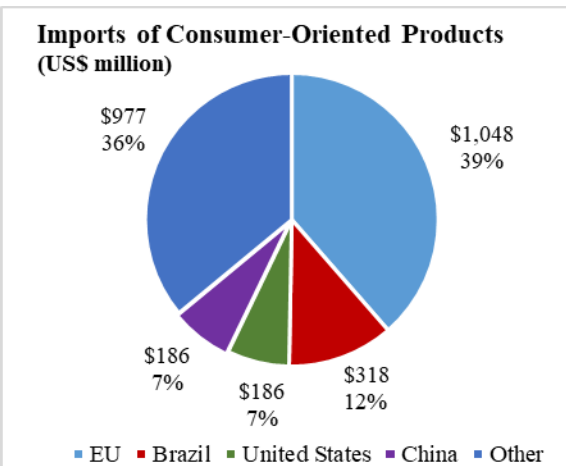
Report Highlights:
In 2018, South Africa imported US$3.2 billion in processed foods, an increase of 5.5 percent from 2017, with the top five products being palm oil, food preparations, whiskies, beer made from malt, and animal guts, bladder and stomach parts. In the same year, the United States processed foods exports to South Africa, were valued at U.S. $111 million, and consisted of largely food preparations, whiskies, animal guts, bladder & stomach parts, sauces and mixed condiments, and nuts and seeds. Other products with good sales potential in South Africa include poultry meat, beer made from malt, organic products, oils, sardines prepared and preserved, dairy products, including dog and pet food.

Market Fact Sheet: South Africa

South Africa is a middle-income emerging market, with an estimated population of 58 million people (64 percent are in urban areas). South Africa's GDP reached $218 billion in 2018, representing a 0.2 percent growth from 2017. South Africa has a well-developed agribusiness sector, which plays a significant role in job creation and economic development. South Africa is the largest exporter of agricultural products in Africa. Although largely self-sufficient in agriculture, the country has opportunities for imports. In 2018, imports of agricultural products reached $6.7 billion, a slight decline of 0.9 percent from 2017.

In 2018, South Africa's imports of consumer-oriented agricultural products reached $2.6 billion, up by 9 percent from 2017. Thirty-nine percent of the imports were from the European Union.



There are over 1,800 food production companies in South Africa. However, the top ten companies are responsible for more than 80 percent of the industry's production revenue. The industry employs 450,000 people in the subsectors of meat, fish, fruit, dairy products, grain mill products, and beverages. As a major producer and exporter of finished processed food products, South Africa's appetite for ingredients drives demand for a wide range of products inputs.

South African food retail sales totaled $44.9 billion in 2018. The sector is well developed and aggressively expanding into other African countries. Refer to the 2018 Retail Report guide.

Quick Facts CY 2018

Imports of Consumer-Oriented Products
U.S. $2.6 Billion

Top 10 Growth Products in South Africa

1) Chicken cuts & edible offal
2) Food preparations
3) Beer made from malt
4) Meat & Offal of chicken
5) Coffee extracts
6) Meat of swine
7) Enzymes & prepared enzymes
8) Cocoa preparations
9) Waters & minerals
10) Dog and cat food

Food Industry by Channels (US $billion) 2018

Food Industry Output	$143.0
Food Exports	$9.8
Food Imports	$6.7
Domestic Market	$55.0
Retail	$44.9
Food Service	$4.5

Food Industry Gross Sales (US $ billion) 2017
Food Industry Revenues
- Food (Domestic market) US$ 55

Strengths	Weaknesses
Advanced economy with well-developed infrastructure	Limited technical capacity and weak political will by regulators contribute to trade barriers and delays in resolving market access issues.
Opportunities	**Challenges**
Sophisticated and growing middle class. A well-developed retail sector, and linkage to the rest of Sub-Saharan Africa.	FTA with EU. A political preference towards BRICS countries.

Data and Information Sources:

	Global Trade Atlas (GTA); Statistics South Africa (Stats SA); Local food processing industry publications, and trade press. **Contact**: FAS Pretoria, South Africa, Agpretoria@fas.usda.gov

SECTION 1. Market Summary

South Africa, with its well-developed infrastructure, serves as a major producer and exporter of agricultural products in Sub-Saharan Africa. South Africa's agro-processing sector contributes a significant component of total manufacturing value-addition as well as employment and poverty eradication. In 2018, South Africa's GDP was $218 billion. The South African commercial agricultural sector is highly diversified and is self-sufficient in most primary foods, with the exception of wheat, rice, oilseeds, pork, and poultry products. Commercial farmers, small holder farmers, and subsistence farmers are all part of South Africa's well-developed agribusiness sector, which plays a significant role in job creation and economic development. However, South Africa continues to offer windows of opportunities for imports, particularly in urban areas where 64 percent of South Africans live. In 2018, imports of agricultural products totaled
$6.7 billion, a slight decline of 0.98 percent compared to 2017.

Table 1: Opportunities and Challenges facing U.S. Food Processing Ingredients in South Africa

Opportunities	**Challenges**
South Africa is an attractive developed business market and a gateway to Sub-Saharan Africa markets.	The South African market may not be able to import the volumes that U.S. companies are used to.
South Africa has a well-developed food processing industry and the demand for food ingredients is growing.	Food safety and phytosanitary restrictions may affect imports of food products and certain food ingredients
South Africans have diverse food tastes and are willing to try new products.	Competition from other countries (especially those with preferential agreements) and local producers

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 and imports food ingredients and additives from all over the world.
- Finding a local agent is a safe approach for entry into the market. Someone who knows the market well for the specific product in question and can provide guidance.
- 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 that can better deal with quality problems sooner.

- U.S. exporters can contact Post, the State Regional Trade Groups (SRTGs) and the National Association of State Departments of Agriculture (NASDA) to obtain additional market entry support. The SRTGs are non-profit trade development organization funded by USDA/FAS and the private industry. They regularly organize trade missions which are often organized around trade shows or other events, to help U.S. food producers and processors to enter overseas markets. For more information, contact the state regional trade group responsible for your state at: https://www.fas.usda.gov/programs/market-access-program-map/state-regional-trade-groups
- Consider attending trade show events in the region to meet importers and byers of general food and beverages.

Import Procedure

Food consignments are subject to random inspection and sampling at any point of entry into South Africa to ensure that the food products are safe and comply with local regulations. See the Country Fairs Report for more information on South Africa regulations, standards, and import requirements, which includes a list of responsible ministries for those policies. This is an update of fairs report on import certificates, including an update on sweetened beverages tax deductions.

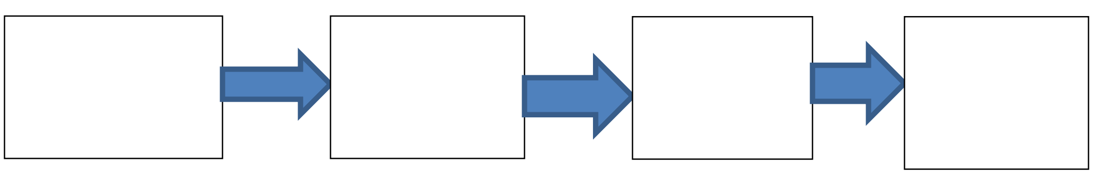
Distribution Channels

- In South Africa's very competitive marketplace, it is essential that U.S. exporters choose the correct agents or distributors.
- Supermarkets, independent retailers, convenience stores (attached to gas stations), and independently owned health stores remain leading food distribution channels in South Africa. These companies generally prefer to deal with local agents or distributors, rather than sourcing direct from a U.S. supplier.
- Major retailers prefer to source directly from U.S. suppliers for products to be delivered to central distribution centers, where products would be distributed to chain stores.
- South Africa's "independent" or smaller retailers prefer to buy from large wholesalers for the distribution of food and beverage.

Market Structure

South Africa's larger food processing companies prefer to source food ingredients directly from overseas suppliers (instead of using local agents) to reduce costs. There is a cost savings when buying in bulk from the overseas suppliers and better control over quality. However, smaller food processors tend to prefer to purchase from local agents to better control storage and supply.

This chart gives an overview of the usual distribution channel for imported food ingredients from U.S. exporters to food processors in South Africa**.**



Company Profiles & Company Products

Tables below provide information on South Africa's major national and multinational food processing groups:

Table 2: National food processing groups

Name of Local Company & Products	**Website**	**Name of Local Company & Products**	**Website**
Tiger Consumer Brands, grocery products.	www.tigerbrands.co.za www.tigerbrands.com	**Pioneer Foods Pty Ltd**, grocery products	www.pioneerfoods.co.za
Clover S.A., dairy products	www.clover.co.za	**Distell Group Ltd.**, Alcoholic and soft drinks	www.distell.co.za
Capespan, juices	www.capespangroup.com	**Ceres Fruit Juices.,**	www.ceres.co.za
SAB Miller Plc., beer and soft drinks	www.sab.co.za www.sablimted.co.za	**RCL Foods,** poultry products	www.rclfoods.co.za
Premier Foods, milling and baking products, and fishery products.	www.premierfoods.com	**Oceana Group Ltd**, fish and seafood products.	www.oceana.co.za
Famous Brands Ltd, meats, cheese, sauces, bakery, and beverages.	www.famousbrands.co.za	**Illovo Sugar Ltd**, cane sugar, and sugars.	www.illovosugar.com

Source: Industry websites and trade press

Table 3: International food processing groups

International Companies with Local Operations & Products	**Websites**	**International Companies with Local Operations & Products**	**Websites**
Nestle, grocery products	www.nestle.co.za	**Unilever,** groceries	www.unilever.co.za
Mondelez International, confectionery.	www.mdlz.com	**Parmalat**, dairy products.	www.parmalat.co.za
McCain Foods, fresh and frozen vegetables.	www.mccain.co.za	**Kellogg,** cereals	www.kelloggs.co.za

Source: Industry websites and trade press

Table 4: Share of Major Segments in the South African Food Processing Industry

	2018 ($ million USD)
Food & Beverage	4.6
Meat, fish, fruit, etc	1.3

Dairy products	0.4
Grain mill products	0.5
Other food products	1.0
Beverages	1.3

Source: Statistics South Africa

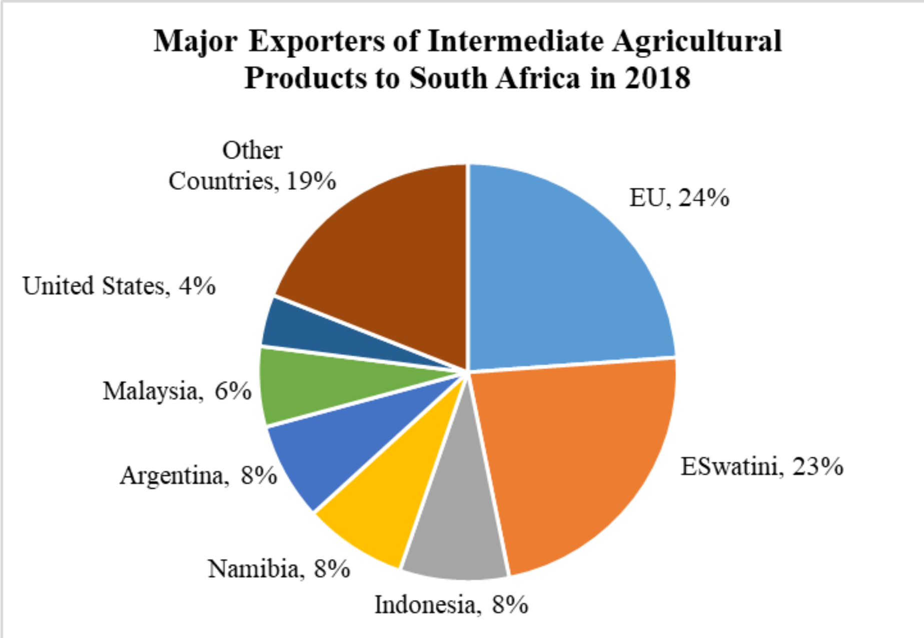
Sector Trends

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

- South Africa serves as the entry point to do business in the Sub-Saharan Africa region.
- The increasing demand for convenience food is driven by increased household income for middle income families.
- 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 their own fruit juices.
- South Africa food processors, canners and packers continue to offer windows of opportunities for imports of raw material not available or produced locally.
- Market research confirms that consumers expect food that is not only ready-to eat, but is also safe, nutritious, tasty, natural, and good value for money.
- Sales of organic food are rising and retailers such as Woolworths and Pick-n-Pay stock organic products targeting the upper middle class. Products include free range chickens, vegetables, and wine.
- Kosher, halal, and goat milk products are niche markets that continue to grow.

SECTION 3. Competition

U.S. exports face competition from South African producers, as well as producers in the Southern African Development Community (SADC), the European Union (EU) and MERCOSUR. South Africa signed an FTA with both SADC and the European Union and a preferential trade agreement with MERCOSUR. Other exporters of intermediate agricultural products to South Africa include eSwatini (food/drink ingredients and raw cane sugar), Argentina (soybean oil cake and soybean oil), and Indonesia (palm oil and palm kennel).



Source: GTA

SECTION 4: Best Products Prospects Categories

Products in the market which have good sales potential
Nuts: almonds, chestnuts, hazelnuts, cashew nuts, walnuts, and pistachios
Fish and seafood, especially salmon
Beer made from malt
Sauces and condiments
Distilled spirits
Sugar and sugar syrups, especially lactose and lactose syrups
Food preparations
Snack foods
Poultry meats (The link provides more updates on the poultry and products situation in the country)
Vegetable oils
Pork meats
Bakery products
Beer made from malt

Products not present in significant quantities, but which have good sales potential
Beef
Pulses

Products not present because they face significant barriers

The United States is currently working with South Africa to obtain full market access for the following products:

Egg products
Pork shoulder cuts
Pork casings
Pork offal
Heat treated canned meat and poultry products

SECTION 5: Key Contacts and Further Information

A. Post

If you have questions or comments regarding this report, please contact the FAS Office of Agricultural Affairs in Pretoria at:

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Other FAS market and commodity reports are available through the FAS website http://www.fas.usda.gov or https://www.fas.usda.gov/regions/south-africa

B. **Other Additional Contacts**

American Chamber of Commerce in South Africa, www.amcham.co.za
U.S. Foreign Commercial Service, publication of South Africa Commercial Guide, https://export.gov/southafrica/businessserviceproviders/index.asp
See South Africa Government regulators in the Fairs Country Report