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Required Report - public distribution

Date: 5/3/2018

GAIN Report Number:

South Africa - Republic of

Food Processing Ingredients

South Africa: Food Processing Ingredients 2018

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Report Highlights:

South Africa is a middle-income emerging market economy with well-developed infrastructure and a domestic food market worth \$55 billion. South Africa is also the gate-way to the rest of Sub-Saharan Africa, a region with a growing middle class of upwards to a 100 million people. Products with good sales potential on the South African market include poultry meat, food preparations, sauces, and almonds.

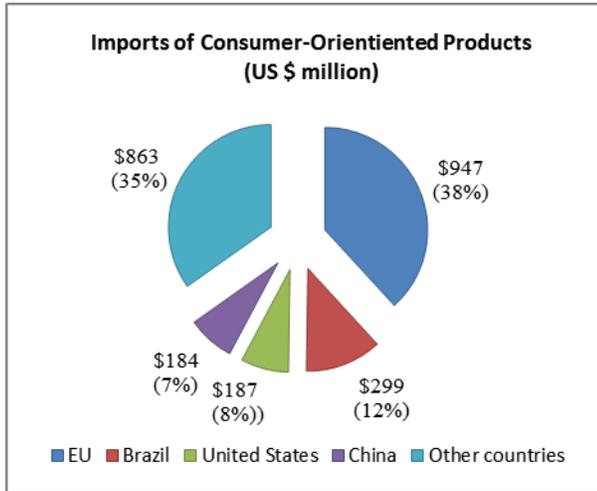
Post:

Pretoria

South Africa

South Africa is a middle-income emerging market economy, with an estimated population of 57 million people (64 percent in urban areas). South Africa's GDP reached US \$300 billion in 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 2017, imports of agricultural products reached US \$7.7 billion, an increase of 5 percent compared to 2016.

In 2017, South Africa's imports of consumer-oriented agricultural products reached US \$2.5 billion up by 20 percent from 2016. 35 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.

South African food retail sales reached US \$44.8 billion in 2017. The sector is well developed and aggressively expanding into other African countries. Refer to the 2017 [Retail](#) Report guide.

Quick Facts CY 2017

Imports of Consumer-Oriented Products

US \$2.5 Billion

List of Top 10 Growth Products in Host country

- | | |
|----------------------------------|-----------------------|
| 1) Chicken cuts and edible offal | 6) Meat of swine |
| 2) Food preparations | 7) Coffee extracts |
| 3) Meat & offal of chicken | 8) Cocoa preparations |
| 4) Animal guts, bladder | 9) Dog and cat food |
| 5) Beer made from malt | 10) Black tea ferment |

Food Industry by Channels (US \$billion) 2017

Food Industry Output	\$143.0
Food Exports	\$9.2
Food Imports	\$6.7
Domestic Market	\$55.0
Retail	\$44.8
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 access issues.
Opportunities	Threats
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.

	<p>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</p>
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Section I. 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 is a middle-income emerging market economy with a population of 56.5 million people, 64 percent of which live in urban areas. In 2017, South Africa’s GDP reached US \$300 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. In 2017, imports of agricultural products reached US \$7.7 billion, an increase of 5 percent compared to 2016.

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

Advantages	Challenges
South Africa is an attractive developed business market, and a gateway to Sub-Saharan Africa markets.	South Africa market may not be able to deal in the volumes that U.S. companies are used to.
South Africa has a well-developed food processing industry, and the demand for food ingredients are 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.

Source: Market observations of FAS Pretoria Office

Section II. Road Map for Market Entry

A. 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 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.

- The financial strength of the targeted food processor.
- 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. Cooperators regularly organize trade missions which are often organized around trade shows or other events. See <https://www.fas.usda.gov/programs/market-access-program-map/state-regional-trade-groups>
- Attending trade shows in the regions to meet South Africa food processing industry players. Click on this [link](#) for Food and Beverage Trade Show events in the region.

B. Import Procedure Links

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. Click also on this [link](#) for more information on South Africa regulations, standards, and import requirements, which includes a list of responsible ministries for those policies. Updates on imports certificates are available on this [link](#). Updates on sweetened beverages tax deductions can be found at this [link](#).

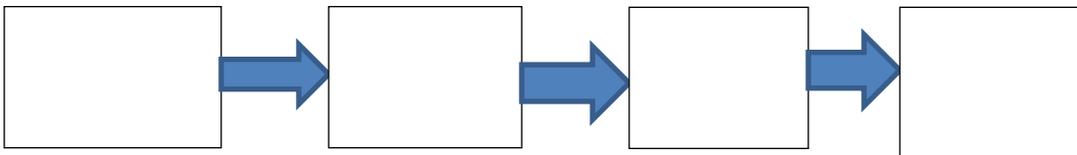
C. Distribution Channels

- In South Africa’s very competitive marketplace, it is essential that U.S. exporters choose the correct agents or distributors.
- Supermarkets, independent retailers and 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.

D. 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.



E. 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.sablimited.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

F. Share of Major Segments in the South African Food Processing Industry

	2017 (\$ million USD)
Food & Beverage	4.1

Meat, fish, fruit, etc.	1.1
Dairy products	0.3
Grain mill products	0.5
Other food products	0.8
Beverages	1.4

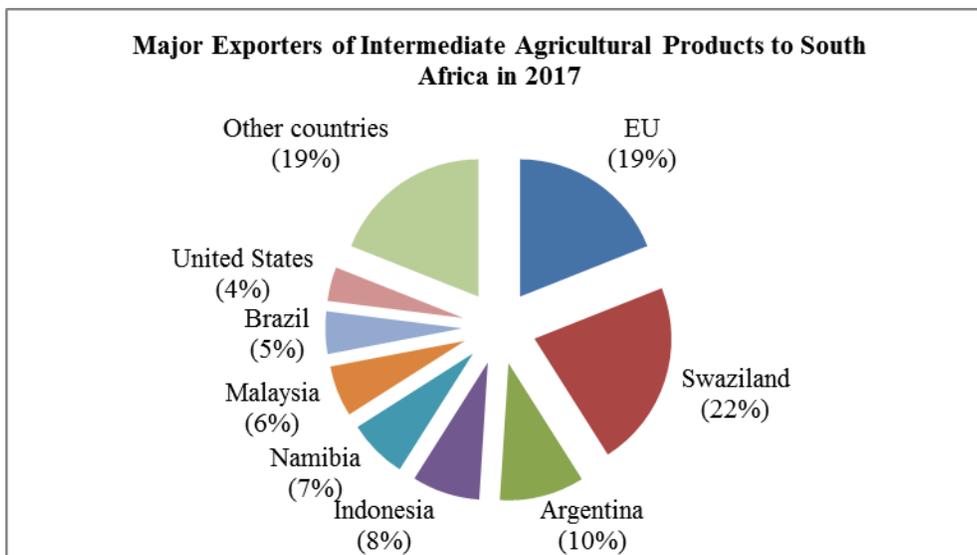
G. Sector Trends

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.
- 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 III. 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 Swaziland (food/drink ingredients and raw cane sugar), Argentina (soybean oil cake and soybean oil), and Indonesia (palm oil and palm kernel).



Section IV: Best Products Prospects Categories

A. Products in the market which have good sales potential

Nuts: almonds, chestnuts, hazelnuts, cashew nuts, walnuts, and pistachios
 Fish and seafood, especially salmon
 Sauces and condiments
 Distilled spirits
 Sugar and sugar syrups, especially lactose and lactose syrups
 Food preparations
 Snack foods
 Sausage casings
 Poultry meats (The link provides more updates on the [poultry](#) situation in the country)
 Vegetable oils
 Pork meats
 Bakery products

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

Beef
 Pulses

C. 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
 Table eggs
 Hatching eggs
 Pork shoulder cuts
 Pork Casings

Heat treated and canned meat and poultry products

Section V: 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:

Office of Agricultural Affairs
United States Embassy, South Africa
877 Pretorius Street, Arcadia, Pretoria, 0083
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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, www.buyusa.gov/SouthAfrica
Agricultural Business Chamber (AGBIZ), www.agbiz.co.za
Consumer Goods Council of South Africa (CGCSA), www.cgcsa.co.za
Association of Meat Importers and Exporters (AMIESA), www.amiesa.co.za
South African Milk Processors' Organization (SAMPO), www.sampro.co.za
See this [link](#) for South Africa Government regulators
See this [link](#) for government imports certificates