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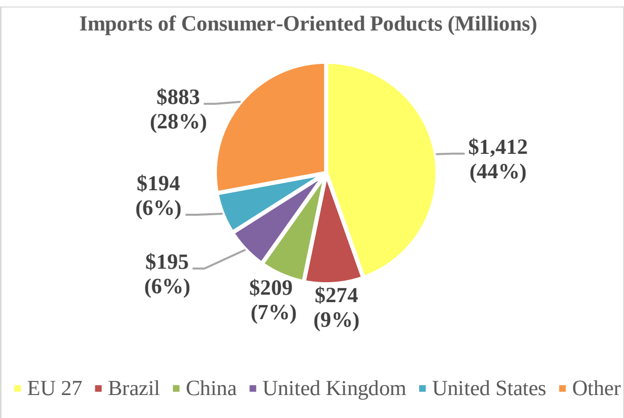
Report Highlights:

South Africa is a middle-income emerging market with a well-developed agribusiness sector that plays a significant role in job creation and economic growth. Although largely self-sufficient in agricultural production, South Africa offers some opportunities for U.S. exports, especially in the food ingredients sector. The country has a well-developed and advanced food processing sector, which drives strong demand for food ingredients. South Africa 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. Importers are interested in expanding the array of U.S. products available in the market, as well as other Sub-Saharan markets since South Africa serves as a gateway to the region. This report provides more information on the South African food processing sector, including strategies for U.S. exporters interested in entering the market.

Market Fact Sheet: South Africa

Executive Summary: South Africa is a middle-income emerging market with an estimated population of 60 million (64 percent live in urban areas). The country's GDP was $351 billion in 2021. South Africa's well-developed agribusiness sector plays a significant role in job creation and economic growth. The country is the largest exporter of agricultural products in Africa. Although largely self-sufficient in production, the country offers some opportunities for U.S. exports.

Imports of Agricultural Products: In 2021, imports of agricultural products were $7.3 billion compared to $ 6.2 in 2020. South Africa's imports of consumer-oriented products were $3.1 billion in 2021, compared to $2.6 billion in 2020. The EU 27+UK accounted for 50 percent of total consumer-oriented imports, while 6 percent were from the United States.



Food Processing Industry: South Africa's demand for ingredients for processed foods drives imports for a wide range of products. There are over 1,000 food production companies in South Africa, and the top 10 companies are responsible for more than 80 percent of the industry's production revenue.

Food Retail Industry: The sector is well-developed and continues to expand into other African countries. South Africa's food sales totaled $40 billion in 2021, as the economy began to recover in the wake of the COVID-19 pandemic.

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

For more information, please contact FAS Pretoria.
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Quick Facts CY 2021

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

Top 10 U.S. Agricultural Exports to South Africa

1. Poultry cuts and edible offal (chicken and turkey)	6. Almonds
2. Prepared foods	7. Corn seed
3. Soybeans	8. Wheat
4. Essential oils/odoriferous substances	9. Dextrin and other modified starches
5. Whiskey	10. Beef liver

2021 South African Food Industry Channels

Food Industry Output	$44 billion
Food Exports	$12.4 billion
Food Imports	$7.3 billion
Retail	$40 billion
Food Service	$3.7 billion

Top Food and Beverage Retailers in South Africa

Shoprite Holdings Ltd.	Spar Group Ltd.
Pick n Pay Retailers Pty Ltd.	Massmart Holdings Ltd.
Woolworths Holdings Ltd.	

Analysis for U.S. Ag Exports to South Africa

Strengths	Weaknesses
Advanced economy, well-developed infrastructure, modern retail chains for food and beverage distribution	Distance from the United States results in high transportation costs, electric outages present a challenge for cold chain products, limited technical capacity of regulators contributes to trade barriers and delays in resolving access issues.
Opportunities	**Challenges**
Retailer and importers interested in expanding U.S. products available in the market, distribution linkages to other African countries provide channels to diversify distribution to other markets in the region.	Trade agreements with EU, UK, and MERCOSUR reduce duties for products from those countries, political preference for other BRICS countries (Brazil, Russia, India, and China), high tariffs for U.S. food and beverage products, decreased consumer purchasing power due to high unemployment and effects of pandemic.

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 $351 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 well-developed infrastructure, catering to efficient distribution of both imported and locally produced agricultural products to major urban centers and the entire Southern Africa region. The commercial agricultural sector in South Africa is highly diversified and is self-sufficient in 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. As a result, an estimated 90 percent of food ingredients are 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 in a wide range of categories. In 2021, U.S. exports of food preparations and ingredients to South Africa totaled US$ 29 million. Leading product categories include sweeteners, food flavors and enhancers, protein concentrates, baking inputs, mixes and doughs, preservatives, and food colorants. The table on the next page provides a breakdown of the major opportunities and challenges faced by U.S. exporters to South Africa.

Unfortunately, the COVID pandemic has had a large impact on the South African food market. The country's food processing sector was affected by a series of national lockdowns imposed by the government in response to the pandemic. The lockdowns caused job losses as many companies were forced to shut their doors for indefinite periods of time. According to Statistics South Africa (StatsSA), the unemployment rate hit a record high of 35.3 percent in the last quarter of 2021. However, the true unemployment rate is likely even higher, and South African President Cyril Ramaphosa has stated that the rate is likely over 45 percent, including those that have stopped looking for work. The youth unemployment rate is estimated at an astounding 66.5 percent. South Africa has implemented a number of economic relief measures to provide relief and assistance to small and medium-sized businesses struggling to recover from the impacts of the pandemic.

In addition to the pandemic, the South African economy was struck by a wave of civil unrest for several weeks in July 2021. The turmoil following former President Jacob Zuma's arrest cost South Africa $3.5 billion and imperiled at least 150,000 jobs, largely concentrated in the provinces of KwaZulu-Natal and Gauteng. Retail stores were looted, gas stations and fast-food restaurants were vandalized, several warehouses and cold chain storage facilities were damaged, and the country's largest port shut down during the worst of the unrest. Days after the Port of Durban resumed operations, South Africa's state-owned port, rail, and pipeline authority, Transnet, announced that a cyber-attack had again crippled the flow of goods in and out of the country. Transnet was forced to declare force majeure for the second time in a month after the cyber-attack on July 22, which required port workers to manually track ship movements and resort to a paper-based clearance process for cargo at the Ports of Durban, Cape Town, Ngqura, and Gqeberha. While both challenges resolved by August 2021, vulnerabilities remain in the South African market.

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 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 policy 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

See the FAS Pretoria FAIRS Country Report **Error! Hyperlink reference not valid.**for more information on South African regulations, standards, and import requirements, including a list of responsible government departments. The FAIRS export certificate report provides information on health certificates and trade documents needed for various products.

2.3 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 directly 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 the importing company will then sort and distribute products to local stores throughout South Africa and the region. South Africa's smaller retailers prefer to buy from large domestic wholesalers of food and beverages.

2.4 Market Structure

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 from overseas suppliers, 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.

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: 2021 Value of South African Food and Beverage Production by Sector (Dollars)

Meat, fish, fruit, etc.	$12.6 billion
Dairy products	$3.7 billion
Grains/milled products	$7 billion
Other food products	$8.9 billion
Beverages	$11.6 billion
Total Food and Beverages	**$43.8 billion**

Source: StatsSA

2.6 Company Profiles

The table below provides information on 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 Types**	**Website**
Tiger Brands	Baked goods, snacks, beverages, baby products, etc.	https://www.tigerbrands.com
Clover	Dairy products, snacks, beverages, etc.	https://www.clover.co.za
SAB	Beer and soft drinks	https://www.sab.co.za
Famous Brands	Sauces, bakery, beverages, food service ingredients, frozen foods, etc.	https:/famousbrands.co.za
Montagu	Snacks, candy, dried fruit, nuts, etc.	https://www.montagusnacks.co.za
Pioneer Foods	Bread and other baked goods, crackers, juice blends and other beverages, etc.	https://www.pioneerfoods.co.za
Distell	Beer, cider, distilled spirits, wine, liqueurs, flavored hard seltzers, etc.	https://www.distell.co.za
RCL Foods	Baked goods, corn meal, flour, sweeteners, frozen foods, pet food, etc.	https://rclfoods.com
Oceana Group	Fish and seafood products	https://oceana.co.za
Cape Food Ingredients	Flavorings, baked goods, dairy products, juice concentrates, etc.	https://www.capefoodingredients.com
Crown National	Beef, poultry, pork, and mutton products, seasoning blends, sauces, marinades, etc.	https://www.crownnational.co.za
Carbocraft	Spice blends, freeze-dried fruit, natural fruit bases, additives and processing aids, etc.	https://www.carbocraft.co.za

Zemcor	Spice and herb blends, marinades, sauces, dehydrated vegetables, soy proteins, starches, etc.	https://www.zemcor.co.za
AVI Limited	Baked goods, snack foods, tea and coffee products, beverages, frozen foods, etc.	https://www.avi.co.za
The Beverage Company	Soft drinks, energy drinks, juice blends, etc.	https://www.thebeveragecompany.co.za
Nestle	Chocolate and confectionary products, coffee products, baked goods, cereals, dairy products, beverages, etc.	https://www.nestle-esar.com
Mondelez International	Baked goods, chocolate and confectionery products, beverages, dairy products, etc.	https://www.mondelezinternational.com
McCain Foods	Fresh and frozen vegetable products for retail and food service distribution	https://www.mccain.co.za
Unilever	Personal care products, cleaning products, spices, beverages, ice cream products, etc.	https://www.unilever.co.za
Lactalis	Cheese, yogurt, butter, fruit beverages, ice cream, etc.	https://lactalis.co.za
Kellogg's	Cereals, snack foods, baked goods, noodles, etc.	https://www.kelloggs.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
- After introduction of a sugar tax in 2018, many local processors opted to reduce sugar content within their beverages to avoid the tax, instead substituting sugar for 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
- 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

- 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, 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 Category Prospects

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. In 2021, South Africa imported 406,826 tons of chicken products. U.S. exports of bone-in chicken meat to South Africa may enter the country tariff-free under a quota that increases annually after consideration of the poultry production and consumption trends in the country. The quota for the year 2021/2022 was set at 71,260 tons, an increase of 1.8 percent from the prior year. As a result of logistical issues related to the COVID-19 outbreak, the 2020/2021 quota was 94 percent filled. Post projects that 2022 poultry consumption in South Africa will grow by 3 percent, reflecting strengthening economic recovery. 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 2021, South Africa imported $13 million worth of almonds, with the United States accounting for more than 90 percent of market share. Australia in a distant second at 7 percent.

Enzymes
South Africa is a net importer of enzymes, with 2021 imports amounting to $67 million. The United States had the second largest market share with 29 percent ($13 million) after Denmark with 34 percent. Potential opportunities for expanded U.S. exports include modified starch products such as whey.

Essential Oils
South Africa is a net importer of essential oils used in food and beverages. These products are also referred to as "mixtures of odoriferous substances." In 2021, imports were $498 million. Eswatini was the market leader with 70 percent. There is potential for growth of U.S. exports in this category due to strong demand.

4.2 Products Not Present in Significant Quantities but Have Good Sales Potential
Despite the pandemic challenges, the competitive local market, and alternatives from other producers, U.S. food ingredients have great potential in the South African market. These products include sweeteners, protein concentrates, lactose, whey proteins, beef and beef products, fish and seafood products, tree nuts, frozen goods, hops, oils and fats, specialized wood fiber and starches, condiments and sauces, seasonings and spice blends, 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.

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Other market and commodity reports are available through the FAS website: **Error! Hyperlink reference not valid.**

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

Attachments:

No Attachments