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South Africa - Republic of

Retail Foods

The South African Retail Foods Industry

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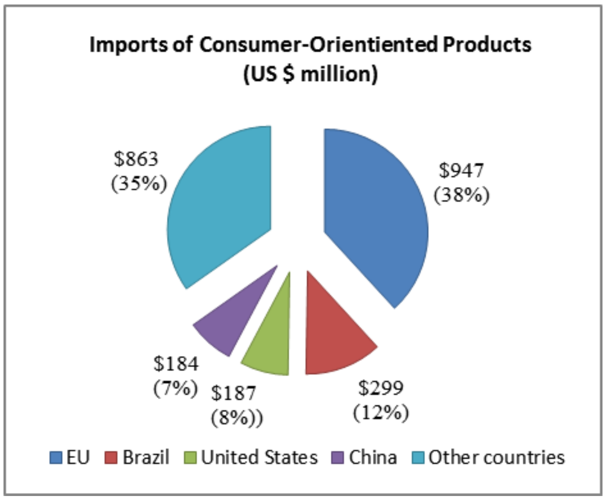
Report Highlights:
The South African food retail sales reached US $44.9 billion in 2017. The sector is well developed, producing high quality and niche products aggressively expanding into other African countries. The South African market gives opportunities for U.S. exporters of food and beverages who can provide quality products at competitive prices. There is an increasing consumer demand for organic and natural produce and products, and supermarket chains such as Woolworths, Pick n Pay, and Checkers are continually introducing new organic and natural options to their range of foods to meet this increasing demand.

Market Fact Sheet: 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.

South African imports of consumer-oriented agricultural products increased 20 percent in 2017 to US $2.5 billion. The European Union had the largest share with 35 percent of the market.



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 totaled US $44.9 billion in 2017. The sector is well developed and aggressively expanding into other African countries.

Quick Facts CY 2017

Imports of Consumer-Oriented Products
US $2.5 Billion

Top 10 Growth Products in South Africa
1) Chicken cuts and edible offal
2) Food preparations
3) Beer made from malt
4) Meat of swine
5) Coffee extracts
6) Water and mineral
7) Dog and cat food
8) Apple juice unferm
9) Bread, pastry, cakes
10) sugar confection

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.

	Data and Information Sources:
	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 I. MARKET SUMMARY

The South African food retail market is highly concentrated with the top seven companies of Shoprite, Pick n Pay, Massmart-(Walmart owned), Spar, Woolworths, the Food Lovers Market, and Choppies- (Botswana owned) accounting for about 80 percent of all retail sales. South African food retail sales reached US $44.9 billion in 2017. Local retailers are expanding with solid growing footprints into other African countries, thereby providing an opportunity for U.S. companies that do business with South African retailers a gateway to the rest of Sub-Saharan Africa.

In addition to the major chains, convenience stores attached to forecourts retailing gas stations and fast food including smaller format express stores, and small grocery shops catering to the convenience retail market is growing at a rapid rate in South Africa. In 2017, convenience stores sales totaled US $2.4 billion at 872 outlets. Some of the forecourts partnership include Woolworths/Engen; Pick n Pay/British Petroleum (BP); Fruit & Veg City of Food Lovers Market/Caltex; Burger King/Sasol; Steers/Shell, and Wimpy/Engen.

Table 1: Sales in Grocery Retailers by Channel: 2015-2017

US$ billion	**2015**	**2016**	**2017**
Convenience Stores	$2.0	$2.2	$2.4
Discounters	$0.4	$0.5	$0.6
Forecourt Retailers	$1.4	$1.6	$1.7
Hypermarkets	$1.9	$2.1	$2.4
Supermarkets	$17.9	$19.4	$21.1
Modern Grocery Retailers	$23.7	$26.0	$28.1
Food/Drink Specialists	$3.6	$4.0	$4.5
Independent Small Grocers	$7.6	$8.2	$8.7
Other Grocery Retailers	$2.8	$3.1	$3.5
Traditional Grocery Retailers	$14.0	$15.3	$16.7
Grocery Retailers	$37.7	$41.3	$44.9

Source: Euromonitor International

Table 2: Advantages and Challenges Facing the U.S. Retail Food Sectors

Advantages	**Challenges**
South Africa is an attractive developed business market, and a gateway to Sub-Saharan Africa markets.	South African importers may not be able to deal in the volumes that U.S. companies are used to for procurement.
South Africa has a well-developed food and beverage retail 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 local producers and other countries, especially those with preferential or free trade agreements.

Source: Market observations of FAS Pretoria Office

Section II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy
Post recommends two entry strategies into the South African retail market, namely, establishing relationships with the buyers from the main retail companies, and/or through using an established and reputable distributor or import agent. Notably, U.S. exporters need to fully understand the food retail market needs and how best to meet their purchasing requirements and specifications. Due to the competitiveness of the South African retail market, it is recommended that United States exporters consider the following:

- It is essential that U.S. exporters choose and nominate the correct agent. Exporting through distributors or import agents with knowledge of the South African market is the safest or easiest way to enter the South African retail food market. Agents must be registered with the South African Revenue Services (SARS), and should be able to handle the necessary custom clearance, compliance with all the regulatory requirements, documentation, warehousing, and financing arrangements.

- United States exporters must also be registered with the SARS. The U.S. exporter registration will only be processed after the nomination of a registered agent based in South Africa. The following link has all the details for registrations, http://www.sars.gov.za/ClientSegments/Customs-Excise/Processing/Pre-assessmnt/Pages/Foreign-import.aspx .

- Evidence shows that the most successful U.S. company ventures are those that have comprehensively researched their market prior to engaging retailers, agents or importers. Once contacts are established, it is advisable to visit the country, since firsthand knowledge of the market is highly useful. It is important for a U.S. exporter to maintain close contact with the local agent to track changes in importing procedures and to ensure that the agent is effectively representing the sales interest of the exporter.

- To help U.S. agricultural exporters meet credible agents, FAS organizes many market development activities, including exhibitions and trade missions promoting U.S. food and agricultural products. 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 U.S. food exhibitions to meet with potential U.S. suppliers. At the exhibitions, FAS provides one-stop service to potential customers, providing information to buyers, facilitating trade contacts, answering inquiries, and maintaining a buyer-seller database.

B. Contact the OAA

- U.S. exporters are encouraged to contact FAS Pretoria to request a list of South Africa foreign buyers of food and beverage products.

- U.S. exporters can contact 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

- Post is currently recruiting U.S. exporters for the upcoming USDA Agribusiness Trade Mission to South Africa, October 27 – November 3, 2018, which will be led by Ted McKinney, Under Secretary of Trade and Foreign Agricultural Affairs.

- Attending trade shows in the regions to meet South Africa food and beverage retail group and processing industry players. Click on this link for Food and Beverage Trade Show events in the region.

C. Market Structure

- The South African retail supermarkets utilize centralized and/or decentralized distribution systems.

- The large supermarket chains and big franchises maintain their own centralized distribution and modern warehouse systems which supplies products to all their supermarket branches located in various parts of the country. U.S. exporters usually deal or trade directly with the buyers at the retail head offices.

- Other retail supermarkets are flexible and permit each of their stores throughout the country to deal directly with United States exporters or local distributors and import agents.

- In addition to major retailers, there are independent retailers who often buy from the large independent wholesalers to sell to their segments to independent small grocer shops, street sellers, and others.

- Convenience stores attached to forecourts gas stations are mostly owned by major retail groups and would be stocked as per the retailer Head Office purchasing policy. Convenience and express stores catering to the convenience retail market is growing at a rapid rate from US $2 billion in 2015 to reach US $2.4 billion in 2017.

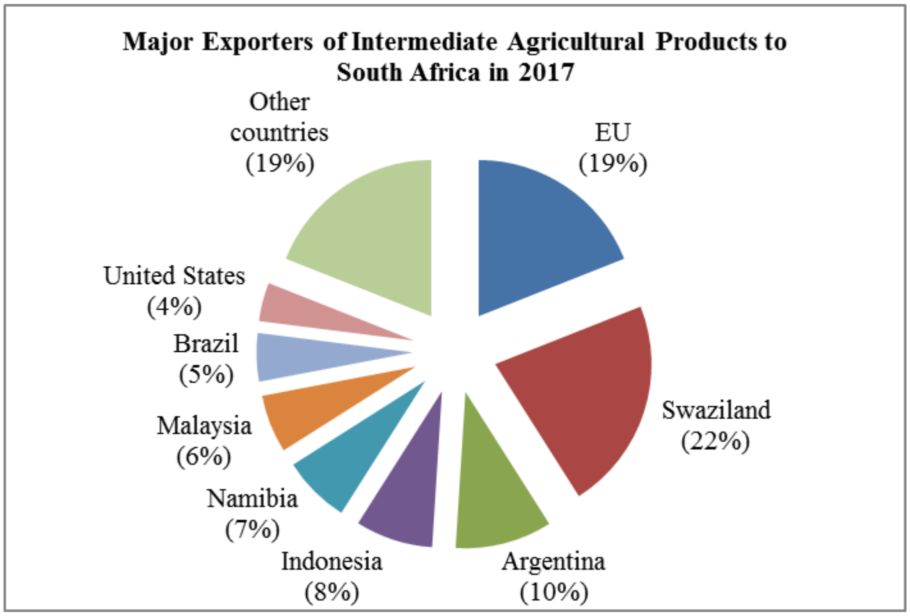
D. Company Profiles & Top South Africa Country Retailers

Name of Retailer & Profile	**Websites**	**Name of Retailer & Profile**	**Websites**
Shoprite Holdings Ltd (Shoprite, Checkers, Checkers Hyper, Checkers Food Services, Usave, Liquor Shop, Hungry Lion, Freshmark), South Africa's largest food retail chain based in Cape Town.	www.shoprite.co.za	**Pick n Pay Stores Ltd** (Supermarket, Hypermarket, PnPLiquor, Boxer), South Africa's second largest supermarket retail chain offices based in Cape Town and Johannesburg.	www.picknpay.co.za
Massmart Holdings (Walmart) (Makro, Game, Fruit Spot, Jumbo, Cambridge Foods, Shield and SaveRight), South Africa based wholesale/retail company purchased by Walmart in 2011 and has grown its footprint since then.	www.massmart.co.za	**The Spar Group Ltd** (Kwikspar, Superspar, Tops Liquors, and SaveMor), a subsidiary of Dutch retailer Spar, and wholesaler and distributor of grocery and non-grocery items to independent stores that operate under Spar brand.	www.spar.co.za
Woolworths Holdings Ltd (Woolworths, Woolworths Foods, and Woolworths Foods at Engen gas station), a South Africa-based retail group chain that operates locally and internationally through two subsidiaries Woolworths Proprietary subsidiary has franchises stores in Africa and the Middle East.	www.woolworths.co.za	**Food Lover's Market** (Fruit & Veg City, Fresh Stop at Caltex gas station, Market Liquors, Seattle Coffee), a chain food emporium part of a private South African-based family business of the Fruit & Veg City company. They sell high end produce and health products.	www.foodloversmarket.co.za
Choppies Enterprise Ltd (Hyper stores, Super stores, and Value stores), a food and general merchandise retailer managed through Botswana where it commenced in 1986	www.choppies.co.za		

and has grown its footprint since then.			

Section III. COMPETITION

A. Intermediate Agricultural Exports: U.S. exports face competition from South African producers in the Southern African Development Community (SADC), the European Union (EU) and MERCOSUR, as South Africa has signed Free Trade Agreements (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 kennel).



SECTION IV: BEST PRODUCTS PROSPECTS CATEGORIES

A. Products Present 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, soybean oil, food ingredients, and beer hops.

B. Top Consumer-Oriented Products Imported from the World

South Africa Import Statistics From World Commodity: Consumer BICO, Minus HS 9801
Calendar Year:2015-2017

Commodity	Description	United States Dollars			% Share			% Change
		2015	2016	2017	2015	2016	2017	2017/2016
Consumer BICO	Minus HS 9801	2,111,094,415	1,997,054,637	2,337,982,554	100	100	100	17.07
020714	Chicken Cuts And Edible Offal (Inc Livers), Frozen	264,365,306	270,768,469	323,707,204	12.52	13.56	13.85	19.55
210690	Food Preparations Nesoi	163,301,117	161,035,507	168,473,894	7.74	8.06	7.21	4.62
020712	Meat & Offal Of Chickens, Not Cut In Pieces, Frozen	71,590,049	70,889,807	120,348,962	3.39	3.55	5.15	69.77
220300	Beer Made From Malt	64,583,441	64,411,522	95,237,695	3.06	3.23	4.07	47.86
350790	Enzymes And Prepared Enzymes, Nesoi	67,444,648	55,185,657	73,456,267	3.19	2.76	3.14	33.11
020329	Meat Of Swine, Nesoi, Frozen	73,105,710	60,155,770	71,058,835	3.46	3.01	3.04	18.12
210111	Coffee Extracts, Essences Etc. & Prep Therefrom	52,609,639	50,648,521	67,281,778	2.49	2.54	2.88	32.84
220210	Waters, Incl Mineral & Aerated, Sweetnd Or Flavord	60,725,446	66,539,501	64,852,762	2.88	3.33	2.77	-2.53
180690	Cocoa Preparations, Not In Bulk Form, Nesoi	55,762,988	47,103,320	59,392,704	2.64	2.36	2.54	26.09
230910	Dog And Cat Food, Put Up For Retail Sale	55,026,947	47,946,833	57,099,467	2.61	2.4	2.44	19.09

C. Top Consumer-Oriented Products Imported from the United States

South Africa Import Statistics From United States Commodity: Consumer BICO, Minus HS 9801 Calendar Year: 2015 - 2017								
Commodity	**Description**	**United States Dollars**			**% Share**			**% Change**
		2015	**2016**	**2017**	**2015**	**2016**	**2017**	**2017/16**
Consumer BICO	Minus HS 9801	122,687,790	131,191,060	199,257,041	100	100	100	51.88
020714	Chicken Cuts And Edible Offal (Inc Livers), Frozen	156,118	16,482,708	68,293,485	0.13	12.56	34.27	314.33
210690	Food Preparations Nesoi	27,355,147	25,611,802	29,341,227	22.3	19.52	14.73	14.56
350790	Enzymes And Prepared Enzymes, Nesoi	19,742,100	14,872,789	21,409,091	16.09	11.34	10.74	43.95
080212	Almonds, Fresh Or Dried, Shelled	19,243,593	17,967,402	14,840,769	15.69	13.7	7.45	-17.4
020622	Livers Of Bovine Animals, Edible, Frozen	-	1,995,850	7,836,983	0	1.52	3.93	292.66
020727	Turkey Cuts And Edible Offal (Includ Liver) Frozen	52,013	1,244,889	5,937,776	0.04	0.95	2.98	376.97
350510	Dextrins And Other Modified Starches	10,456,373	5,608,368	5,657,272	8.52	4.27	2.84	0.87
350220	Milk Albumin,Inc Concen Of 2 Or More Whey Proteins	1,771,286	2,789,348	5,510,003	1.44	2.13	2.77	97.54

230910	Dog And Cat Food, Put Up For Retail Sale	7,182,127	6,571,855	5,428,996	5.85	5.01	2.72	-17.39
170211	Lactose & Lactose Syrup Cont 99% More Lactse By Wt	1,943,351	3,953,938	5,138,825	1.58	3.01	2.58	29.97

D. Products Not Present in Significant Quantities But Have Good Sales Potential

Beef, and pulses.

E. 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, apples, and blueberries.

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
P.O. Box 9536, Pretoria, 0001
Tel: +27-12-431-4057, Fax: +27-12-342-2264, Email: agpretoria@fas.usda.gov

Other FAS market and commodity reports are available through the FAS website http://www.fas.usda.gor 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/SouthArica
Agricultural Business Chamber (AGBIZ), www.agbiz.co.za
Consumer Goods Council of South Africa (CGCSA), www.cgcsa.co.za
The Association of Meat Importers and Exporters (AMIESA), www.amiesa.co.za
See this link for South Africa Government regulators
See this link. for government imports certificate