Required Report - public distribution

Date: 6/28/2019
GAIN Report Number: SA1921

South Africa - Republic of

Retail Foods

The South African Retail Foods Industry

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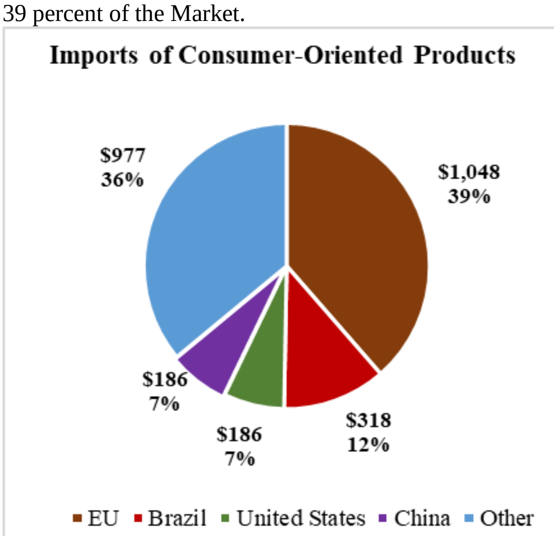
Report Highlights:
South Africa has a well-developed retail sector expanding into other African countries. The country is the biggest market for food and beverage products in Southern Africa and serves as a gateway to other Sub-Saharan African countries. The market gives opportunities for U.S. exporters of food and beverages who can offer quality products at competitive prices.

Market Fact Sheet: South Africa

South Africa is a middle-income emerging market economy, with an estimated population of 58 million people (64 percent in urban areas). South Africa's GDP reached $218 billion in 2018, representing 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, there are opportunities for imports. In 2018, imports of agricultural products totaled $6.7 billion, a slight decline of 0.9 percent from 2017.

South African imports of consumer-oriented agricultural products increased 9 percent in 2018 to $2.6 billion. The European Union had the largest share with 39 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 retail 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 $52.2 billion in 2018. The sector is well developed and aggressively expanding into other African countries.

Quick Facts CY 2018

Imports of Consumer-Oriented Products
US $2.6 Billion

List of Top 10 Growth Products in South Africa

1) Food ingredients
2) Rice
3) Wheat & Meslin
4) Chicken cuts and edible offal
5) Palm oil
6) Food Preparations
7) Whiskies
8) Live Cattle
9) Soybean Oilcake
10) Beer made from malt

Food Industry by Channels (US $billion) 2018

Food Industry Output	$143.0
Food Exports	$9.8
Food Imports	$6.7
Retail	$52.2
Food Service	$6.8

Food Industry Gross Sales (US $ billion) 2018
Food Industry Revenues
- Food (Domestic market) US$ 56

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: 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

The South African food retail market is highly concentrated with the top seven companies of Shoprite, Pick n Pay, Cambridge – (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 totaled $52.2 billion in 2018 and imports of all agricultural products decreased by 0.98 percent to $6.7 billion. Imports of consumer-oriented agricultural products increased by 9 percent to $2.6 billion in 2018.

South Africa local retailers are expanding with solid growing footprints into other African countries, thereby providing an opportunity for U.S. companies doing business in South Africa with market and potential business partners to Sub-Saharan Africa. In addition to the major chains, the evolution of 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 2018, convenience stores totaled US $3.1 billion, an increase of 6 percent compared to 2017.

Woolworths/Engen which maintained dominance in the convenience stores with the expansion of its Food Chain stores including partnership with UberEATS for consumers to order groceries to have it delivered to their door-step. Pick n Pay/British Petroleum (BP) continues to convert stores into Pick n Pay Spaza stores to service the lower-income areas. Others include Fruit & Veg City of Food Lovers Market/Caltex; Burger King/Sasol; Steers/Shell, and Wimpy/Engen. Shoprite Holdings, a significance player in convenience stores benefits from the success of its OK Franchise chains stores that has own identity and personality and offers shopping facilities appropriate to the market in which they trade.

Key consumer market drivers and consumption trends

- The South African consumer is becoming increasingly health conscious. Wellness foods, health and convenience continue to be key drivers.
- Growth in the South African retail sector prompts development and expansion of shopping malls and supermarkets convert or revamp their less successful store brands to boost sales and to improve quality control.
- A major population change shift from rural to urban living leading to rapid urbanization due to expansion of middle class and rise of single households driving demand and create opportunity for convenient-ready-to eat food items, including longer store hours or even 24-hour shopping.
- Changing consumer needs and immigrant demands require a diversification towards a mix of products for ethnic foods.
- Population ageing leads to shift of lifestyle and purchasing decisions, including demand for health and wellness and "free-from" products.
- Fair trade and organic products remain important with some of the South African grocery retailers, specifically Pick n Pay and Woolworths, health stores and organic markets.

- South Africa consumers want food labels to inform them about what they are eating and want both retailers and manufacturers to be held accountable for problems found in a product.

Table 1: Advantages and Challenges facing the U.S. exports

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.
	Labelling requirements may make small shipment cost prohibitive.

Source: FAS Pretoria Office

SECTION 2. Road Map for Market Entry

2.1 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:

- U.S. exporters are encouraged to contact FAS Pretoria to request a list of South African food and beverage importers.

- 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 South African Revenue Services (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, https://www.sars.gov.za/ClientSegments/Customs-Excise/Registration-and-Licensing/Pages/Importers.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.

- 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

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

2.2 Market Structure

- The South African retail supermarket sector is developed relative to other markets in in the African continent and utilizes both centralized and 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 in South

Africa.

Links to Access Top Food Retailers Information

Name of Retailer & Profile	Website	Name of Retailer & Profile	Websites
Shoprite Holdings Ltd	www.shopriteholdings.co.za	Pick n Pay Stores Ltd.	www.picknpay-ir.co.za
Massmart Holdings (Walmart)	www.massmart.co.za	The Spar Group Ltd	www.spar-international.com/country/south-africa/
Woolworths Holdings Ltd	www.woolworths.co.za	Food Lover's Market	www.foodloversmarket.co.za
Choppies Enterprise Ltd.	www.choppies.co.za		

SECTION 3. Competition

In general, U.S. exports mostly face competition from South African producers in the Southern African Development Community (SADC), BRICS, the European Union (EU) and MERCOSUR, as South Africa has Free Trade Agreements (FTA) with SADC, and the European Union and a preferential trade agreement with MERCOSUR. Visit http://ec.europa.eu/trade/policy/countries-and-regions/countries/south-africa/ ; https://www.bilaterals.org ; and http://www.sars.gov.za/Legal/International-Treaties-Agreements/Trade-Agreements/Pages/default.aspx for more information on trade agreements.

Table 2: 2018 Competitive Overview of South Africa Imports of Consumer-Oriented Products

Product Category	Major Supply Countries	Strength of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Tree Nuts MT: 22,569 USD: 89 million	**1.USA – 23%** 2.Vietnam – 12% 3. Mozambique – 11%	USA is the leading supplier of almonds, nuts, pistachios, and brazil nuts. Vietnam has the lead in cashew nuts, and Mozambique with a lead in coconut.	Domestic productions are pecans and macadamia nuts.
Beef & Beef Products (HS 0201, 0202, 0206, 1602, and 0210) MT: 69,269 USD: 89 million	1.Botswana – 20% 2.Namibia – 19% 3.Australia – 17% 4.SA – 12%	Availability, FTA and proximity. Botswana and Namibia are leading suppliers of meat and offal of bovine, and carcasses. Australia is a leading supplier of tongues of bovine, and USA a lead supplier of livers of bovine.	Domestic production unable to meet local demand.
Poultry Meat & Products (excl. eggs) (HS 0207 & 1602) MT: 359, 891 USD: 491 million	1.Brazil – 56% 2.USA – 16% 3.Denmark – 5%	Brazil largest market share in leg quarters, breasts, wings, and feet. Africa. USA supplier of drumstick and the second largest supplier of leg quarters and breasts. Denmark lead supplier in whole bird cut in half, and thighs.	Domestic production unable to meet the local demand as a major source of protein in the country.

Dairy Products (HS 0401 – 0406, 1702, 3502) MT: 92,673 USD: 244 million	1.New Zealand – 22% 2.France – 15% 3.Germany – 13% 7.USA – 5%	Trade agreements benefits. New Zealand a leading supplier of butter, processed cheese, milk and cream, casein, including fats and oils derived from milk. France has the lead in whey, buttermilk and ice cream and other edible ice. Germany leads in the supply of food preparations for infants. USA lead supplier in lactose and syrups, and milk albumin.	The strong South African dairy production market of liquid products of UHT and pasteurized milk, with major processed products of hard and semi-hard cheese.
Fish Products (HS 03 & 16) MT: 268,948 USD: 501 million	1.Namibia – 23% 2.Thailand – 20% 3.China – 10% 9.USA – 3%	Namibia leading supplier of hake fillets. Thailand has a lead in sardines and tunas. USA is the largest supplier of frozen hake, Alaska Pollock fillets, and fish of families.	Strong and well-developed domestic fishing industry.
Food Preparations (HS 210690) MT: 30, 603 USD: 187 million	1.USA – 13% 2.Germany – 12% 3.Poland – 10%	FTA, availability and pricing.	Strong domestic food production.
Snack Foods NESOI (HS 1704 & 1905) MT: 3,091 USD: 95 million	1.Swaziland – 28% 2.China – 7% 3.India – 6% 19.USA – 1.31%	FTA, availability and proximity.	Strong production by local producers of snack foods.
Condiments & Sauces (HS 2103 & 2209) USD: 34 million	1.USA – 20% 2.United Kingdom – 12% 3.Italy – 11%	USA a leading supplier of sauces and preparations and is the second largest supplier of vinegar and substitutes, and mustard flour meal. Italy has the lead in vinegar and substitutes.	The competitiveness of local processors and producers boosting prices and quality.
Wine & Beer (HS 2203-2206) Liters: 174,895 USD: 215 million	1.Namibia – 36% 2.France – 17% 3.Netherlands – 16% 9.USA - 0.85%	Suppliers FTA, competitive prices, and reputation.	Strong domestic wine production coupled with insufficient beer production.

Source: Global Trade Atlas

SECTON 4: Best Products Prospects Categories

4.1 Products Present in the Market which have Good Sales Potential

Potential products in the market that present market opportunities for U.S. Agricultural products in the South African retailers and gateway to the rest of Southern Africa include beef & beef products, pork and pork products, poultry meat, meat products, fish and seafood products, tree nuts, liquor products to include bourbon whiskey, wine & craft beers, food ingredients, hops, oils and fats, pet food, snack foods, and prepared food.

Table 3: Top 10 Consumer-Oriented Products Imported from the world

South Africa Import Statistics from World Commodity: Consumer-Oriented Agricultural Total, (2017) Calendar Year: 2016 - 2018								
Commodity	**Description**	**United States Dollars**			**% Share**			**% Change**
		2016	**2017**	**2018**	**2016**	**2017**	**2018**	**2018/2017**
Consumer-Oriented Agricultural Total	(2017)	2,078,098,015	2,477,413,415	2,714,055,860	100	100	100	10
020714	Chicken Cuts and Edible Offal (Inc Livers), Frozen	270,768,469	323,707,204	365,391,759	13	13	13	13
210690	Food Preparations Nesoi	161,035,507	168,473,894	186,589,187	8	7	7	11
220300	Beer Made from Malt	64,411,522	95,237,695	159,877,560	3	4	6	68
050400	Animal (Not Fish) Guts, Bladders, Stomachs & Parts	71,458,571	117,282,851	121,987,449	3	5	4	4
020712	Meat & Offal of Chickens, Not Cut in Pieces, Frozen	70,889,807	120,348,962	86,733,524	3	5	3	-28
210111	Coffee Extracts, Essences Etc. & Prep Therefrom	50,648,521	67,281,778	76,063,631	2	3	3	13
020329	Meat of Swine, Nesoi, Frozen	60,155,770	71,058,835	72,871,813	3	3	3	3
180690	Cocoa Preparations, Not in Bulk Form, Nesoi	47,103,320	59,392,704	65,008,658	2	2	2	9
230910	Dog and Cat Food, Put Up for Retail Sale	47,946,833	57,099,467	53,986,649	2	2	2	-5
200979	Apple Juice, Nesoi,Nt Fortified W Vitamins, Unferm	47,086,847	45,333,535	52,799,920	2	2	2	16

Source: Global Trade Atlas

Table 4: Top 10 Consumer-Oriented Products Imported from the United States

South Africa Import Statistics from United States Commodity: Consumer-Oriented Agricultural Total, (2017)

Calendar Year: 2016 - 2018								
Commodity	**Description**	**United States Dollars**			**% Share**			**% Change**
		2016	**2017**	**2018**	**2016**	**2017**	**2018**	**2018/2017**
Consumer-Oriented Agricultural Total	-2,017	118,823,368	186,651,857	186,189,141	100	100	100	0
020714	Chicken Cuts and Edible Offal (Inc Livers), Frozen	16,482,708	68,293,485	69,869,315	14	37	38	2
210690	Food Preparations Nesoi	25,611,802	29,341,227	24,757,956	22	16	13	-16
080212	Almonds, Fresh or Dried, Shelled	17,967,402	14,840,769	14,741,345	15	8	8	-1
050400	Animal (Not Fish) Guts, Bladders, Stomachs & Parts	7,006,409	12,144,586	12,239,334	6	7	7	1
020622	Livers of Bovine Animals, Edible, Frozen	1,995,850	7,836,983	6,547,896	2	4	4	-16
020727	Turkey Cuts and Edible Offal (Includ Liver) Frozen	1,244,889	5,937,776	6,426,797	1	3	3	8
210390	Sauces Etc. Mixed Condiments and Seasonings Nesoi	7,347,593	4,622,336	5,586,597	6	2	3	21
350220	Milk Albumin,Inc Concen of 2 Or More Whey Proteins	2,789,348	5,510,003	5,177,320	2	3	3	-6
200819	Nuts (Exc Peanuts) And Seeds, Prepared Etc. Nesoi	2,632,340	3,050,873	4,301,013	2	2	2	41
170211	Lactose & Lactose Syrup Cont. 99% More Lactose by Wt.	3,953,938	5,138,825	4,174,077	3	3	2	-19

Source: Global Trade Atlas

4.2 Products Not Present in Significant Quantities but which have Good Sales Potential
Beef, and pulses.

4.3 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. This link provides more updates on the poultry situation in the country.

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:

Office of Agricultural Affairs

United States Embassy, South Africa
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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 publication of South Africa Commercial Guide of doing business in South Africa, https://export.gov/southafrica/businessserviceproviders/index.asp
See this link for South Africa Government regulators
See this link for government imports certificates

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