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GAIN Report

Global Agricultural Information Network

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Retail Foods

South Africa Retail Food Industry

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Report Highlights:

The South African retail food sector is sophisticated and well developed relative to other markets on the African continent. In 2016, the retail sector contributed 9 percent to overall GDP, reaching R491.60 billion (USD \$38 billion) in sales. Local retailers are aggressively expanding their footprints into other African countries giving United States' companies that do business with South African retailers a gateway to the rest of Sub-Saharan Africa.

Post:

Pretoria

Section I: Market Summary

In 2016, the retail sector contributed nine percent to overall GDP reaching R491.60 billion (USD \$38 billion) in sales. The sector recorded a positive and slight growth performance than eight percent over the previous year, despite tough challenging economic environment.

Sales in the South African Retail Sector

	2015 Sales (US\$ bn)	2016 Sales (US\$ bn) (Estimate)	2010-2015 Annual Growth Rate (%)	2015-2020 Annual Growth Rate (Forecast %)
Convenience Stores	\$1.7	\$2.0	2.8	1.8
Discounters	\$0.4	\$0.5	5.1	4.6
Hypermarkets	\$1.8	\$2.0	3.7	2.5
Supermarkets	\$16.5	\$17.8	2.9	3.7
Traditional Grocery Retailers	\$12.9	\$14.0	3.1	2.4
Independent Small Grocers	\$7.0	\$7.5	1.0	0.4
Grocery Retailers	\$34.8	\$37.8	2.9	2.9

Source: Euromonitor International

To remain competitive, most retailers from across all retailing channels operating within South Africa had to diversify their portfolios, and adopted various multichannel approach and strategies and expanded product lines; and launched online stores to supplement their store-based retailing sales which led to growth in online channel of shopping. The rising internet penetration and number of consumers that have internet access and realize its convenience coupled with better delivery services has increased online shopping to capitalize on the prevailing trends. However, online food shopping is currently not doing well as expected.

Local retailers are aggressively expanding with solid growing footprints into other African countries giving United States' companies that do business with South African retailers a gateway to the rest of Sub-Saharan Africa. Most South African retailers have entered the Sub-Saharan Africa market successfully, exceeding projections and expectations of income. An example is South Africa's biggest retailer, Shoprite, which has opened stores in fifteen other African countries along with expanding its retail space locally.

Retail Food Sector Opportunities and Challenges

Opportunities	Challenges
South Africa represents a gateway to business in the Sub-Saharan Africa region, providing access to neighboring country markets.	Limited technical capacity and political will on the part of South African regulators contribute to trade barriers and delays in resolving technical issues.
The South African middle class continues to grow and has an increasing appetite for	Local products are preferred over imported goods on a perception that imports harm the local economy and

high value consumer goods.	jobs.
Consumers place an increasingly high value on choice, and U.S. products are regarded as adding variety to the retail landscape.	European products are regarded as high quality and have greater market access due to the Trade, Development and Cooperation Agreement (TDCA) and the South Africa-EU Free Trade Agreement.
Some parts of the South African government and industry are interested in strengthening the U.S.-South Africa trade relationship.	Protectionist policies on livestock products continue to undermine the bilateral trade relationship.
South Africa importers and distributors actively market brand name consumer goods, including U.S. products.	Lower-income consumers do not exhibit brand loyalty. Consumers in general are price-conscious so product promotion must be ongoing.
A growing young population which tends to prefer processed, easily-available foods and are active users of the internet and mobile devices.	Differences in consumer classes and regions are distinct.

Section II: Road Map for Market Entry

Entry Strategy

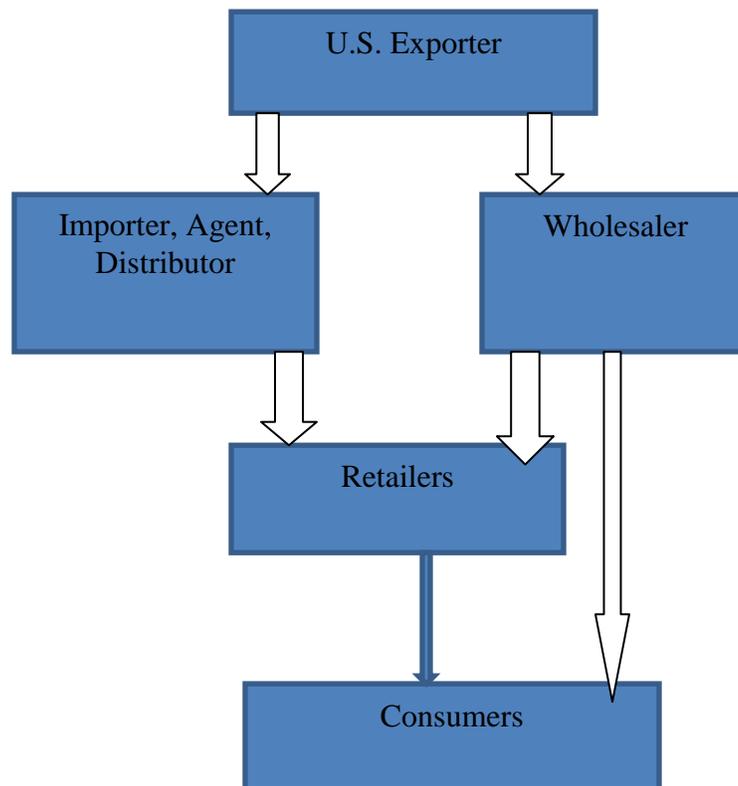
The South African retail market could be very sophisticated and complex. In South Africa's very competitive marketplace it is essential that U.S. exporters choose the correct agent or distributor. Exporting through agents or representatives would give a new-to-market entry advantages and is the safest way to enter the South African retail food market. In addition to their role as local representatives of U.S. exporters, agents should be able to handle the necessary customs clearance, regulatory requirements, port and rail charges, documentation, warehousing, and financing arrangements.

The agent or representatives are also fully liable under the South African Import Control Law for all regulations and control imposed on imported products. Agents are required to register with the Director of Import and Export Control of the Department of Trade and Industry. Evidence shows that the most successful U.S. company ventures are those that have researched their market thoroughly before engaging in a search for agents and distributors. 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.

Distributors buy and hold stock of products, and can be granted exclusive rights to sell the product in a particular area or to a particular type of customer. An agreement with a distributor is similar to an agreement with an agent, except that the price and delivery terms will differ because the distributor is the principal. When appointing a distributor in South Africa, the same considerations apply as when appointing an agent.

To help U.S. agricultural exporters meet credible agents, FAS organizes many market development activities, including exhibitions 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 organize 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.



Market Structure

The retail supermarket market structure is somewhat complicated. The supermarket chains maintain their own distribution systems using modern warehouses to allocate goods to supermarket branches. Depending on the size of the supermarket chain, imports can be handled by the head office, their importer or by branches themselves.

This structure for big supermarkets allows U.S. exporters to make agreements of trade directly with the buyers of retail stores at the head office level, who will turn to their importers to purchase the products on their behalf for direct distribution to the consumer. This is a trend in the distribution channel, where supermarkets are moving towards outsourcing the services of importation, warehousing and transportation. The small supermarkets on the other hand, do not import directly but source imported products directly from the importers.

Another strategy in the South African market is through franchising which also provides a good market entry. According to the Franchise Association of South Africa (FASA), there are 625 franchised systems, over 39,000 franchise outlets and 17 franchise business sectors. Franchise sector contributes

around 12.5 percent to South Africa’s gross domestic product (GDP), is an important driver in the country’s economy, in addition to having one of the highest business success rates. Food franchises make up about 25 percent of total franchises, with some segments that are considered saturated such as pizza and burgers. Several U.S. brands have made their entry in the last few years, namely Burger King, Pizza Hut, Krispy Kreme, Domino’s and most recently, Starbucks.

The following are some of South Africa Organized Agriculture structures that might be of interest to note:

The Consumer Goods Council of South Africa (CGCSA) - www.cgcsa.co.za

The Agricultural Business Chamber (ABC) – www.agbiz.co.za

The Association of Meat Importers and Exporters of SA (AMIESA) – www.amiesa.co.za

Animal Feed Manufacturers Association (AFMA) – www.afma.co.za

Wines of South Africa (WOSA) – www.wosa.co.za

Super Stores, Supermarkets, Hyper Markets or Super Centers, Club and Warehouse Outlets

The South African retail food sector is sophisticated and developed relative to other markets on the African continent. Five major locally owned corporations dominate the industry, operating warehouses, wholesale outlets, hypermarkets, supermarkets, and convenient stores throughout South Africa. These local chains have also successfully expanded with solid growing footprints into other countries in the Sub-Saharan Africa and the Asia-Pacific regions. Shoprite has 316 stores in nine countries (Angola, Botswana, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, Swaziland, and Zambia); Pick n Pay has 73 stores in five countries (Botswana, Lesotho, Namibia, Swaziland, and Zambia); Massmart operates stores in eleven countries (Botswana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Swaziland, Tanzania, Uganda, and Zambia); The Spar has 123 stores in four countries (Botswana, Mozambique, Namibia, and Swaziland); Woolworths has 21 stores in five countries (Botswana, Lesotho, Mozambique, Namibia, and Zambia); and Fruit & Veg City operates stores in seven countries of (Botswana, Lesotho, Mauritius, Namibia, Reunion, Zambia, and Zimbabwe. The value of South Africa grocery retail sales was nearly R491.6 billion in 2016 and is expected to grow due to retailers having diversified geographic earnings.

South African retailers are stocked with different brands of products appealing to all. Consumers are learning more about Western foods and food preparations and are interested in a greater variety of products and brands, including U.S. products. There is also growing demand for healthy and ready-to-eat products. Stores are looking to provide the consumer with a simplified shopping experience that saves time. Internet sales are also increasing, albeit slowly for food products.

The following table provides an illustration of the significant retail outlets:

Retailer Name	Ownership	2016 Sales (USD/Year in Mil)	No. of Outlets	Locations (city/region)	Purchasing Agent Type
Shoprite	Local	N/A	2,276	Sub-Saharan Africa	Agent/Importer
Pick n Pay	Local	N/A	1,700	Sub-Saharan Africa	Agent/Importer

Massmart	Local/U.S.	\$7,019	412	Sub-Saharan Africa	Agent/ Importer
The Spar	Local/Dutch	N/A	821	Sub-Saharan Africa	Agent/Importers
Woolworths	Local	\$2,907	940	Sub-Sahara Africa/Asia-Pacific	Agent/ importer
Fruit & Veg City	Local	\$1,071	350	South Africa Africa	Agent/Importer
Choppies	Botswana	N/A	217	Sub-Saharan Africa	Agent/Importer

Company Profiles

Shoprite Holding: Shoprite, part of the Shoprite Group, is South Africa's largest food retailer and had about 12 percent market share of the food retailing market in 2016. Shoprite caters to the lower-end of the consumer market with a focus on their own private label or branded products on food for their more price-conscious consumers. The group consists of over 2,000 outlets in urban and rural locations of South Africa and throughout Southern Africa in Angola, Botswana, Democratic Republic of Congo (DRC), Ghana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Tanzania, Uganda, and Zambia. The retail formats and store brands are comprised of Shoprite supermarkets, Checkers Supermarkets, Checkers Hypers, U-save stores, distribution centers supplying group stores with groceries, non-foods and perishable lines, OK Furniture and House & Home outlets, OK Power Express stores, House & Home stores, and Hungry Lion fast food. Shoprite launched an online shopping aimed at diversifying its reach and increasing the visibility of the brand, especially among higher-income consumers. The group also operates a website for its ticketing business, through Computicket-South Africa's largest ticketing business to improve Shoprite digital platform. Through its OK Franchise Division, the Group procures and distributes to the OK Minimark convenience stores, OK Foods supermarkets, OK Grocer stores, Megasave wholesale stores, Sentra stores, and Value Stores. The Shoprite U-save brand stores are more focused on private label products with the aim of targeting low-income consumers. Shoprite Holdings with its Checkers brand (Checkers Housebrand and Checkers Choice) remain a dominant player in the hypermarkets in South Africa.

Checkers Hypers have a special section devoted entirely to imported foods as well as kosher and halal sections. Checkers Hyper chain targets middle to high-income groups for their more expensive and niche offerings. Shoprite Checkers are similar to a Shoppers Food Warehouse type of shopping experience. Shoprite Head Offices are based in Cape Town, South Africa. For more information on the group visit website www.shoprite.co.za

Pick n Pay: The Pick n Pay Group is South Africa's second largest supermarket retail chain with head offices based in Cape Town and Johannesburg. Pick n Pay has over 9 percent of the retail market share with over 1,125 stores in the South African food sector. The group has outlets in South Africa, Southern Africa, and in Australia through its Franklin outlets. To take advantage of the South Africa fast growing demand for convenience shopping including global trends, Pick n Pay entered the market through the British Petroleum (BP) forecourt gasoline stations with an introduction of Pick n Pay Express outlet in the major metropolitan areas across South Africa. The group offers three private label ranges which offers consumer good quality at lower price than branded products such as Pick n Pay, Pick n Pay Choice, and Pick n Pay No Name. The Retail Division manages Pick n Pay branded businesses such as food, clothing and general merchandise in hypermarkets, supermarkets, family-owned franchise stores, mini market franchises, butcheries, and gas station shops. The Group Enterprises Division operates the Group's other

non-Pick n Pay branded group activities including Score Supermarkets, TM Supermarkets, property franchises, and Go Banking, as well as finding new investment opportunities for the group worldwide.

The emphasis of the supermarket division is on total convenience and freshness, with stores trying to add value through the fresh food supply chain. Traditionally, Pick n Pay Score supermarkets have had a presence in townships when other retailers have stayed away, and have now opened its first spaza micro retail outlet. Pick n Pay is the most modest of the high-end super market chains which focus on low-priced stapled products for low-income consumers. For more information visit the group website at www.picknpay.co.za

Massmart Holdings: Massmart is a South Africa based wholesale/retail company, and had a leading position as a mixed retailer in 2016. The US retailer Walmart purchased Massmart in 2011, and has grown its footprint since then. Massmart operates stores in eleven countries of Botswana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Swaziland, Tanzania, Uganda, and Zambia. In South Africa the retailer operates mass merchandisers, and warehouse clubs outlets. Its wholesale division Makro, is a leading wholesaler of general merchandise, home improvement equipment and supplies, and the leading wholesaler of basic foods each focused on high volume, low margin, low-cost distribution of mainly branded consumer goods. The company invested in food retailing with the addition of the Foodco brand outlets operated under Game and Makro. In 2016, Massmart introduced hot prepared food in some of its Game outlets, allowing customers to purchase ready-made food. On the other hand, products purchased in bulk discount outlets such as CBW and Jumbo Cash & Carry are then resold through small neighborhood stores, kiosks, and informal traders. Visit the group website www.massmart.co.za for more information.

Spar Group Ltd: Spar Group Ltd, a subsidiary of Dutch retailer Spar is a wholesaler and distributor of grocery and non-grocery items to independent stores that operate under Spar brand. The Spar organization consists of two types of members: Spar Retailers, who are independent store owners, and Spar Distribution Centers, which provide leadership and services to the Spar Retail members. Both members belong to the Spar Guild of Southern Africa, a non-profit company set up to coordinate and develop Spar in Southern Africa. The members pay subscriptions to the Guild, which uses these monies to advertise and promote Spar. The Spar grocery chain emerged in 1963 when a group of eight wholesalers were granted exclusive rights to the Spar name in South Africa to service 500 small retailers. A number of mergers and take-overs followed, and today all but one of the wholesalers are owned by the Spar Group Limited, which operates six distribution centers that supply goods and services to over 800 Spar outlets in South Africa, and other countries of Botswana, Mozambique, Namibia, and Swaziland. Retail formats and brands are comprised of Super Spar (hypermarkets), Spar and Kwik Spar (supermarkets), and TOPS (Spar liquor stores). TOPS is the largest liquor store chain in South Africa, mostly located next to Spar brand stores to provide convenience for consumers to purchase both grocery items and alcoholic beverages.

All SPAR stores are independently owned, and many of the purchasing decisions are made at the individual store level. Spar targets high-income consumers and locates its stores in more up-market neighborhoods. Shopping at a Spar can be similar to shopping at an upmarket Giant or Shaw's in an up-market neighborhood in the United States. For more information on the group visit www.spar.co.za

Woolworths: Woolworths Holdings Ltd South Africa is a South Africa-based retail group chain that operates locally and internationally through two subsidiaries, Woolworths Proprietary Limited and Country Road. Woolworths Proprietary operates and franchises stores in Africa and the Middle East, while Country Road Limited, listed on the Australian Stock Exchange, operates in Australia, New Zealand and Singapore. Woolworths offers select ranges of apparel, clothing, cosmetics, toiletries, footwear, jewelry and food and beverage mostly under its own brand name. There are about 900 Woolworths outlets stores. Woolworths stores are mainly in shopping malls or shopping centers, and currently are opening food stand-alone stores in convenient suburban locations, including Owned Woolworths, Franchised Woolworths, and Owned and Franchised Country Road outlets.

Woolworths caters to the wealthiest South African consumers with a strong organic food focus and is currently expanding long life and grocery sections to achieve higher basket sizes. In focusing on quality, Woolworths utilizes a high degree of contract farming to supply fresh produce and prepared convenience foods. Contract farming has enabled Woolworths to carry a wider range of gourmet items, but often faces supply issues due to compliance issues with contract terms.

The “Woolies” shopping experience is comparable to the Whole Foods or Trader Joe’s shopping experience in the United States. They carry a relatively small number of branded products, instead promoting their own Woolworths branded private label products. Price points are slightly higher than Checkers and Pick n Pay, comparable to similar retail markets in the United States. Woolworths operates in other African countries including Botswana, Lesotho, Mozambique, Namibia, and Zambia, with plans underway to expand to Angola, and Uganda. For more information visit the group website at www.woolworths.co.za

Fruit & Veg City: The Fruit & Veg City is a private South African-based family business. It is South Africa largest specialist retailer of fruits, and vegetables fresh produce. The Food Lover’s Market chain food emporium stores are part of the Fruit & Veg City which caters for its discerning customer offers a range of fresh and gourmet foods. There are over 129 Food Lover’ market stores across South Africa. The chain has stores throughout Southern Africa in Botswana, Lesotho, Mauritius, Namibia, Reunion, Zambia, and Zimbabwe, and even in Australia. It also has over 200 FreshStop forecourt stores at Caltex gas stores. These are one-stop stores for fruit and vegetables, snacks and takeaways (eat-on-the-go). The chain acquired Market Liquors stores in 2012 to retail and wholesale both liquor and soft drinks. The Coffee Franchise, Seattle Coffee is part of the chain.

The Choppies Group: Choppies is a food and general merchandise retailer managed through Botswana, selling a range of products at affordable cost. The group commenced operations in Botswana in 1986, with a single store under the name “Wayside Supermarket”. The retail group was listed on both Botswana Stock Exchange in 2012 and the Johannesburg Stock Exchange in 2014. The group has grown over the past thirty one years as a home brand in Botswana with 217 stores in seven countries: South Africa, Kenya, Mozambique, Namibia, Tanzania, Zambia, and Zimbabwe. Over 133 stores are outside Botswana whereby 74 are in the seven provinces (Eastern Cape, Free State, Gauteng, Kwazulu-Natal, Limpopo, Mpumalanga, and Northwest) of South Africa. The group employs over 16,000 people, 7,000 in Botswana, from its 217 stores. The group has developed Centralized Distribution Centers in Botswana, South Africa, and Zimbabwe. Currently, the supply in Botswana is 60 percent centralized, while South Africa and Zimbabwe is at 80 percent and 50 percent respectively. For more information visit the group website at www.choppies.co.za

Convenience Stores, Gas Marts, Kiosks

Convenience is a trend in South Africa's fast moving consumer goods (fmcg) market and continues to be a key growth factor of the South African retail market, due to a growing working middle class demand for convenience purchases. Around 600 convenience outlets are open throughout the country and the major retailers and wholesalers own most of them. Woolworths Holdings remains the leader in convenience stores with Woolworths Food outlets and Woolworths co-located at Engen Forecourts Quickshops, a national gasoline chain. Pick n Pay Express has also partnered with major gasoline chain British Petroleum (BP). Sentra Value stores are owned by Shoprite Holdings and Sasol Forecourts joint ventures focus more in restaurant chains. It is common for convenience stores owned by the same major retailers to be located at key airports and shopping centers.

Convenience stores operate on extended hours or in some instances are open 24 hours, 7 days a week. South Africans shop at convenience outlets because it is time saving and easily accessible. Trends in the food sector confirm increasing demand in the extended choices of food and drink that includes pre-packed fresh produce and meals, fresh meat, baked goods, home replacement hot meals, soft drinks, and alcoholic beverages.

Traditional Markets – “Mom and Pop” Small Independent Grocery Stores and Wet Markets

South Africa's townships and rural areas continue to be seen as key growth areas for retail and it is increasingly recognized by manufacturers and wholesalers as an important deliver channel of foods to consumers in the townships. This has promoted the expansion and development of malls in townships to target on the aspirations of emerging consumers, and major retailers have also extended their services to these townships.

Although the expansion of malls to townships has been seen as a threat to local micro-enterprises, the spaza shop remains a strong competitor within South Africa's retail market. The spaza shop is a small informal convenience store that traditionally stocked small household items such as bread, maize meal, cooking oil, sugar and cigarettes, family-owned/run, and ran from one of the rooms in a house or an outbuilding in the yard. More than 20 percent of spaza owners report that products are now delivered to their shops. The most serious problems encountered by spaza owners are inventory shortages, access to loans for finance, high levels of crime (robbery), severe competition, expensive transport due to distance from the source, and bad debt or the granting of too much credit. Currently, Somali, and Pakistan dominate the spaza sector in the township due to their strategy of group buying from wholesalers, enabling them to offer lower prices to customers than their local competitors. Somali-owned stores are common features in both the cities and townships throughout the country.

Today, with an estimated annual revenue of R7 billion (USD 660 million), South Africa's spaza shops continue to be a significant retail channel, especially in townships and informal settlements. Small grocers such as cafes, street vendors and kiosks also comprise an important part of the independent retail market.

Despite the significance of the information retail market, imported product is rarely featured at these outlets other than offal and poultry products. Informal retailers do not have the capacity to buy imported goods directly and rely mostly on sourcing their products from local wholesale markets.

Independent small grocers presented a value growth of 11 percent in 2016. The government organization Small Enterprise Development Agency (SEDA) aided small businesses with funding and advice enabling the increase in number of outlets of traditional small grocers.

Section III: Competition

South Africa is a member of the World Trade Organization and holds multilateral and bilateral trade agreements with several other nations. U.S. suppliers mostly face competition from exporter members of the European Union (EU) and the European Free Trade Association (EFTA) because of the established free trade agreement with South Africa, including a preferential trade agreement (PTA) with MERCOSUR.

Product Category	Major Supply Sources (2016)	Strengths of key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p>Red Meats Fresh/Chilled/Frozen</p> <p>Imports from the world of \$124 million in 2016 versus \$152 million in 2015.</p> <p>Note: SA exports were \$134 million in 2016 versus \$134 in 2015.</p>	<p>Botswana – 19%</p> <p>Namibia – 19%</p> <p>Spain - 14%</p> <p>USA is an insignificant supplier.</p>	<p>The pattern of imports in this category is variable and depends largely on local conditions, including quality and competitive pricing by the suppliers. Germany a leading supplier due to Free Trade Agreement (FTA) with South Africa as a member of the European Union.</p>	<p>South Africa produces very high quality beef.</p>
<p>Poultry Meat</p> <p>Imports of \$277 million in 2016 versus \$281 million in 2015.</p> <p>Note: SA exports were \$61 million in 2016 versus \$70 million in 2015.</p>	<p>Brazil – 29%</p> <p>Netherlands – 27%</p> <p>United Kingdom – 11%</p> <p>USA is a minor supplier with a 5% market share.</p>	<p>Brazil and EU countries remain leading trading partner for South Africa in terms of poultry due to the EU's FTA with South Africa.</p>	<p>Domestic demand for poultry meat is growing and outpaces the performance of any other proteins on the market. Domestic producers are unable to meet consumption needs. South Africa's major chicken producers are Astral foods, Rainbow Chickens, Pioneer Foods, Sovereign and Dagbreek.</p>
<p>Turkey Meat</p> <p>Imports of \$21 million in 2016 versus \$20 million in 2015.</p> <p>Note: SA exports were \$2 million in 2016 versus \$3</p>	<p>Brazil –55%</p> <p>Canada – 18%</p> <p>United Kingdom – 11%</p>	<p>Competition, price and quality are the key strengths of these suppliers. With the growing trend towards healthier lifestyles, turkey products are becoming popular.</p>	<p>South Africa is a net importer of turkey meat products. Local production is inadequate since turkey meat is not a South African favorite, and is not commonly consumed except during Christmas time. However, the</p>

million in 2015.	USA is a minor supplier with a 5% market share.		trend is changing, as turkey is starting to appear more on restaurant menus.
Fish and Seafood Products Imports of \$369 million in 2016 versus \$302 million in 2015. Note: SA exports were \$369 million in 2016 versus \$364 million in 2015.	Namibia – 27% Thailand – 16% India – 11% USA is an insignificant supplier.	Despite being a net exporter, South Africa imports continue to increase to supplement domestic demand.	Major South African fish traders and processors are Sea Harvest (owned by Tiger brands); Irvin and Johnson (AVI), Oceana, Premier Foods, and Sekunjalo.
Dairy Products excluding cheese Imports of \$64 million in 2016 versus \$100 million in 2015. Note: SA exports were \$130 million in 2016 versus \$159 million 2015.	France – 23% New Zealand – 18% Ireland – 13% USA - 7%	Despite being a net exporter, South Africa imports continue to increase to supplement domestic demand.	South Africa is a net importer of dairy products particularly whey, concentrated milk and cream to supplement insufficient domestic production.
Pulses Imports of \$44 million in 2016 versus \$43 million in 2015. Note: SA exports were \$12 million in 2016 versus \$8 million in 2015.	China – 37% Canada – 17% Botswana – 9% USA minor supplier with 3% market share.	China enjoys a bilateral trade agreement with South Africa. Domestic production is insufficient to cover local demand so imports supplement domestic demand.	South Africa is a net importer of pulses. Pulses are an important protein source in the South African diet and imports make up for the shortfall between domestic production and demand. Also, pulses are highly seasonal, imported from November – March in 50kg bags. Pulses are used by South African manufacturers for further processing in soups and broths.
Vegetable Oils Exc. Soybean oil Imports of \$380 million in 2016 versus \$324 million in 2015. Note: SA exports were \$104 million in 2016 versus \$88 million in 2015.	Indonesia – 43% Malaysia – 25% Spain – 9% USA is an insignificant supplier.	A shortage of domestically-produced oils has led to supplementing with unrefined oil imports, which are refined and packaged by local oil expressers. Malaysia provides quality and competitive prices.	South Africa is a net importer of edible oil productions. Local producers are unable to meet demand due to crop size.
Sugar/Sweetener/Beverage Bases Imports of \$74 million in 2016	Swaziland – 23% China – 14% Brazil – 13%	A growing domestic demand calls for imported products from competitive suppliers.	South Africa is a leading producer and a net exporter of sugar-related products. Local production is sufficient to meet demand.

<p>versus \$125 million in 2015.</p> <p>Note: SA exports were \$61 million in 2016 versus \$89 million in 2015.</p>	<p>USA is a minor supplier.</p>		
<p>Breakfast Cereal/Pancake Mix</p> <p>Imports of \$6 million in 2016 versus \$6 million in 2015.</p> <p>Note: SA exports were \$76 million in 2016 versus \$58 in 2015.</p>	<p>United Kingdom – 34%</p> <p>United States – 12%</p> <p>Germany – 11%</p>	<p>Imports from competitive suppliers supplements supply.</p>	<p>South Africa is a net exporter of breakfast cereal products. Local production is sufficient to meet demand.</p>
<p>Fruit & Vegetable Juices</p> <p>Imports of \$57 million in 2016 versus \$56 million in 2015.</p> <p>Note: SA exports were \$191 million in 2016 versus \$214 million in 2015.</p>	<p>China – 49%</p> <p>Argentina – 21%</p> <p>Spain – 6%</p> <p>USA is an insignificant supplier.</p>	<p>Potential exports to South Africa are for exotic fruits and vegetables such as berries, kiwi fruits, and out-of-season fruits and vegetables from competitive suppliers.</p>	<p>South Africa is a net exporter and self-sufficient in basic fruit and vegetable requirements.</p>
<p>Processed Fruit & Vegetables</p> <p>Imports of \$113 million in 2016 versus \$119 million in 2015.</p> <p>Note: SA exports were \$369 million in 2016 versus \$382 million in 2015.</p>	<p>China – 24%</p> <p>Swaziland – 10%</p> <p>Italy – 9%</p> <p>USA - 8%.</p>	<p>Opportunities exist for competitive suppliers of grape and apple juice which are used as a base for other fruit juices, prepared and preserved tomatoes, and fruit pulp.</p>	<p>South Africa is a net exporter, and domestic production is sufficient to cover local demand.</p>
<p>Wine and Beer</p> <p>Imports of \$59 million in 2016 versus \$73 million in 2015.</p> <p>Note: SA exports were \$526 million in 2016 versus \$556 million in 2015.</p>	<p>Namibia – 51%</p> <p>France – 26%</p> <p>Mexico – 4%</p> <p>USA is an insignificant supplier.</p>	<p>Due to the rapid increase in exports of South African wines which creates a niche for specialty wines and beers from competitive suppliers.</p>	<p>South Africa is a net exporter of wine and beer, particularly wine of fresh grapes. The South African wine industry is relatively large and extensive ranked seventh in world output. South Africans' tastes and preferences are becoming more sophisticated and the average consumer is increasingly expecting a wide range of wine and beer.</p>
<p>Distilled spirits</p> <p>Imports of \$191 million in 2016 versus \$217 million in 2015.</p> <p>Note: SA exports were \$91</p>	<p>United Kingdom – 59%</p> <p>France – 15%</p> <p>USA – 6%</p>	<p>Sophisticated tastes and preferences of South Africans calls for a range of whiskey products. UK continues to be leading trade supplier of this category. Despite lack of brand awareness of U.S. whisky products among south African consumers, the U.S.</p>	<p>South Africa is a net importer of distilled spirits particularly whiskies. Local production is not enough to meet local demand.</p>

million in 2016 versus \$110 million in 2015.		saw an increase in whisky exports.	
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Source: GTA

Section IV: Best Products Prospects

Products Present in the Market That Have Good Sales Potential

Product Category	2016 Market Size	2016 U.S. Imports	5 Year Avg. Annual Import Growth	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for USA
Poultry Meats	\$373,530,285	\$18,017,081	28.02%	Varied. All non-EU members incurs tariffs of 37% on Bone-in portions and 82% in frozen whole birds.	Brazil has the largest market share in the imported poultry industry in South Africa.	South Africa is a net importer of poultry meats. Post forecast that imports will increase, driven by increased demand and market excess of USA broiler bon-in-meat.
Vegetable Oil	\$626,399,143	\$4,703,668	15.48%	10% except for coconut oil which has no tariff rate.	Significant expansion in the local soybean processing facilities.	Rising demand on various vegetable oils.
Distilled Spirits	\$256,851,249	\$13,923,676	-7.52%	154c/li.	The United Kingdom is the largest exporter of spirits to South Africa accounting for 58% of the imported spirits available in the country.	The U.S. is the fourth largest exporter of spirits to South Africa.
Food Preparations	\$172,625,940	\$30,721,023	3.32%	Varied from free, 5-20% and 154c/liter for alcoholic	Varied and from the EU countries import tariff	U.S. has the largest market of 18%.

				preparations.	rate is free to 2.6%.	
Snack Foods	\$153,026,431	2,614,652	25.36%	Varied.	Competition from local producers, neighboring and EU countries.	
Dairy Products	\$93,304,256	\$5,417,541	69.54%	Varied.	France is the top exporter of dairy products into South Africa.	The U.S. is the sixth largest exporter of the dairy in the South African market.
Sausage Casings	\$71,458,939	\$7,007,409	168.14%	Free.	China dominates the market with a market share of 57%.	The U.S. is the third largest exporter with a market share of 10% after Germany.
Sugar and Sugar Syrups	\$54,632,371	\$5,408,058	25.46%	Free.		The U.S. has 10% market share after Swaziland and China with 26% and 18% market share respectively.
Sauces and Preparations	\$28,609,822	\$8,600,690	-9.98%	Varied from 5-20%.		The U.S. has the largest market share accounting for more than 30% of imported sauces and preparations available in South Africa.
Salmon	\$25,324,091	\$237,841	-99.94%	25%	Norway dominates the market.	There is a demand for processed, canned salmon.
Almonds	\$21,931,482	\$18,017,081	28.02%	Free	None.	The U.S. has the largest market share accounting for more than 85% of imported

						almonds available in South Africa.
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Source: Global Trade Atlas

Products Not Present in the Market in Significant Quantities but That Have Good Sales Potential

Product Category	2016 Market Size	2016 U.S. Imports	5 Year Avg. Annual Import Growth	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for USA
Soybean Meal	\$204,669,113	\$710,938	40.40	6.6%	Argentina dominates the market.	The U.S. is the fifth exporter of soybean meal into South Africa.
Olive Oil	\$14,804,606	\$389	-26.55	10%	Aggressive completion from Spain, Italy, and Portugal.	Growing attention to the olive oil market.
Flour and meal of dried leguminous vegetables (HS1106)	\$2,339,955	\$293,164	21.69	Free to 20%	Zimbabwe dominates the market with 24% market share.	The U.S. has a market share of 12%, after Hong Kong.
Vegetable Saps and Extracts (HS1302)	\$19,091,665	\$2,022,924	10.60	Free to 25%	Spain dominates the market with 12.66%.	The U.S. is the third largest exporter of vegetable saps into South Africa with 10.60% market share.
Fats and oils (HS1504)	\$1,443,275	\$209,936	51.31	Free	Norway dominates the market with 44.81% market share.	The U.S. is the second largest exporter of fats and oils into South Africa with 14.53% market share.
Prepared foods obtained by the swelling or roasting of cereal products (HS1904)	\$8,677,188	\$860,233	1.73	5c/kg to 25%	The United Kingdom dominates the market with 33% market share.	The U.S. has 10% market share.

Bread, pastry, cakes, and biscuits (ingredients) (HS1905)	\$55,871,573	\$1,497,643	-42.79	3.6c/kg to 25%	Malaysia dominates the market with 12%.	The U.S. is the insignificant exporter of this category.
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Source: Global Trade Atlas

Products Not Present in the Market Because They Face Significant Barriers

Protectionist policies on livestock and poultry products continue to undermine the bilateral trade relationship.

Pork: South African restrictions on pork due to the Porcine Respiratory and Reproductive Syndrome (PRRS) and other diseases have caused disagreement between the U.S. and the nation and have blocked market access.

Poultry: United States bone-in broiler meat exports to South Africa have been affected by an anti-dumping duty of R2.35/kg that was put in place in 2000. In 2012, the anti-dumping duty was extended for another 5 years to 2017 and was set at R9.40 per kilogram. However, in June 2015, representatives from the United States and South African government and poultry industries met in Paris and agreed in principle on a tariff rate quota of 65,000 tons of United States bone-in broiler meat to enter South Africa without the anti-dumping duty. This allowed South Africa to continue to have duty-free access under African Growth and Opportunity Act (AGOA) to the United States market for a wide range of South African products for the next decade. In January 2016, negotiations of the final health certificates were concluded and the first shipment of United States bone-in broiler meat landed in South Africa in March in 2016. As a result, in 2016, the United States exported almost 25,000 tons of broiler meat to South Africa. As of August 31, 2017, the United States has exported 55,000 tons of broiler meat to South Africa at a value of about US\$44 million.

On November 24, 2017, the International Trade Administration Commission of South Africa released a notice that states its investigation had established that the expiry of the anti-dumping duties on frozen bone-in broiler meat imported from the United States would likely lead to the recurrence of dumping and continuation or recurrence of material injury to the SACU industry. In addition, the South African Minister of Trade and Industry approved the extension of an anti-dumping duty of ChR9.40 per kilogram on frozen bone-in chicken from the United States. Currently, the United States may export up to 65,000 tons of bone-in chicken anti-dumping duty free. However, the United States bone-in chicken exports above the 65,000 ton anti-dumping duty free quota will continue to be subject to the anti-dumping duty for another five years.

Section V: Post Contact and Further Information

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For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service's website at: <http://www.fas.usda.gov>

Post acknowledges the following Sources: The Euromonitor International, the National Statistics of South Africa, Global Trade Atlas, the retail industry publications and websites, trade press, and trade industry interviews.