

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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**GAIN Report Number:**

## **South Africa - Republic of**

### **Exporter Guide**

### **Exporting to South Africa**

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**Report Highlights:**

South Africa has a well-developed business market, and is a gateway to Sub-Saharan African markets. In 2017, imports of agricultural products reached US\$ 6.7 billion, an increase of 6 percent compared to 2016. Changing South African consumer trends are creating opportunities to increase U.S. exports of convenience and ready-to-eat goods, natural, and organic products. Despite the growth in overall imports, U.S. exports of consumer-ready goods remain low, at only 5 percent of total imports, due mainly to preferential trade agreements with the European Union and Mercosur countries, which enjoy lower tariffs than the United States

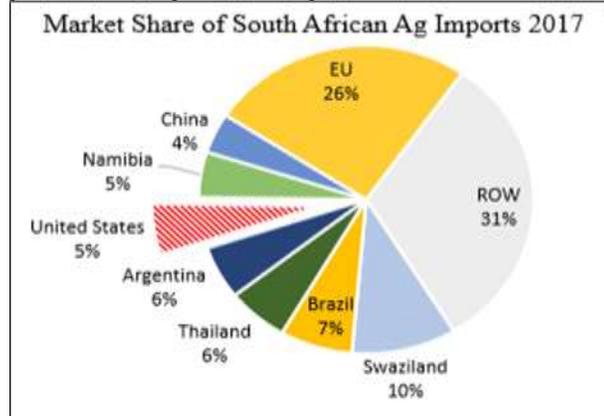
## Fact Sheet: South Africa

### Executive Summary

South Africa is an upper middle-income economy, with a population of 57 million people (64 percent are in urban areas). 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, primarily citrus, wine, fruits, and corn. Although largely self-sufficient in agriculture, the country has opportunities for imports. In 2017, imports of agricultural products reached US \$6.7 billion, an increase of 6 percent compared to 2016.

### Imports of Agricultural Products

In 2017, South Africa's imports of agricultural products were valued at US \$6.7 billion, up 6 percent from 2016. The EU accounted for 25 percent of the imports, while 5 percent were from the United States



### Food Processing Industry

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 in Africa, South Africa's appetite for ingredients drives demand for a wide range of products.

### Food Retail Industry

South African food retail sales were valued at US \$44.8 billion in 2017. The sector is well developed and aggressively expanding into other African 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](mailto:AgPretoria@fas.usda.gov)

### Quick Facts CY 2017

#### Imports of Agricultural Products from USA

US \$358 million

#### List of Top 10 Agricultural Product from USA exported to South Africa

- Chicken cuts and edible offal
- Corn (maize) other than seed corn
- Almonds
- Food preparations
- Enzymes and prepared enzymes
- Corn (maize) seed, certified excluding sweet corn
- Spirits and liquors
- Animal (not fish) guts, bladders, stomach & parts
- Essential oils used food/drink
- Livers of bovine animals, frozen

#### Food Industry by Channels (US \$ Billion) 2017

Food Industry Output	\$143.0 billion
Food Exports	\$9.2 billion
Food Imports	\$6.7 billion
Retail	\$44.8 billion

#### Food Industry Gross Sales (US \$ billion) 2017

Food Industry Revenue-Domestic market: US\$ 55 billion

#### Top Host Country Food Retailers

- 1) Shoprite
- 2) Pick n Pay
- 3) Cambridge (Walmart)
- 4) Spar
- 5) Woolworths
- 6) Food Lover's Market
- 7) Choppies

#### GDP/Population

Population (millions): 56.5  
 GDP (billions USD): 350  
 GDP per capita (USD): 6,166

Sources: GTA, Statssa, Euromonitor

### Strengths/Weaknesses/Opportunities/Challenges

<b>Strengths</b>	<b>Weaknesses</b>
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.
<b>Opportunities</b>	<b>Threats</b>
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.

## **SECTION 1: Market Overview**

South Africa is one of the most advanced and diverse economies on the African continent. 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 African 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 meat, and oilseeds. Despite South Africa's well-developed processed food and competitive horticultural sectors such as wine, fresh fruits, and vegetables, it continues to offer windows of opportunities for imports.

### **1.1 Population and Key Demographic Trends**

South Africa has a population estimated at 57 million people, an increase of 1.55 percent from 2017. Of the nine provinces of South Africa, the Gauteng province, which contains Johannesburg and Pretoria, has the largest share of the population at 25.4 percent, followed by KwaZulu-Natal province with 19.7 percent. An estimated 29.5 percent of the population is younger than 15 years, with 8.5 percent over 60 years old. Source:

<http://www.statssa.gov.za/publications/P0302/P03022018.pdf>

### **1.2 Size of Economy, Purchasing Power & Consumer Behavior**

The economy of South Africa is the second largest in Africa, after Nigeria. It is one of most industrialized countries in Africa. South Africa is an upper-middle-income economy as classified by the World Bank, one of only four such countries in Africa. Since 1996, and the end of over twelve years of international sanctions stemming from apartheid rule, South Africa's Gross Domestic Product almost tripled to peak at \$400 billion in 2011, but has since declined to roughly \$350 billion in 2017. In the same period, foreign exchange reserves increased from \$3 billion to nearly \$50 billion creating a diversified economy with a growing and sizable middle class within two decades of ending apartheid.

Although property, jewelers and cars represent obvious signs of wealth, there is another, less apparent indicator of the country's growing affluence: the food consumers are putting on their plates. Over the past two decades, steady economic growth and increased average income per capita, pushed large numbers of consumers towards protein-filled diets and as a result meat consumption levels have skyrocketed. In 2016, South African consumers spent approximately R205 billion (US\$15.8 billion) on meat products, which represented one third of total expenditure on food. Ten years ago South Africa spent R46 billion (US\$3.5 billion) on meat products, representing only about a quarter of total expenditure on food.

Currently, the middle class represents about 70 percent of the South African population and 55 percent of total income earnings. In the past five years the percentage of the population earning less than R5,000 (US\$385) per month decreased from 56 percent to 40 percent, while the percentage of the population earning more than R5,000 (US\$385) per month increased from 44 to 60 percent.

### 1.3 Overall Business Climate

South Africa has a well-developed market economy, offering investors a mature financial service sector, modern infrastructure, experienced local partners, and investment opportunities. South Africa is a rainbow nation with many opportunities conducive to U.S. business. One positive aspect South Africa’s business and investment climate is the new president, Cyril Ramaphosa, who assumed office in February 2018 and emerges from the economic mismanagement of the former president. The South African administration aims to accelerate progress, build a more inclusive society, eliminate poverty and inequality, and double the GDP by 2030. The government is in the process of addressing the challenges that have led to South Africa’s deterioration in the business environment as scored by the World Bank, including skills shortage and a weak education system, which exacerbates South Africa’s growth and service delivery.

South Africa is a net exporter of agricultural products. In 2017, exports of agricultural products totaled US\$9.2 billion, an increase of 14 percent from the previous year. Major exports included fresh oranges, fresh grapes, wine, corn (maize) other than seed corn, fresh apples, wool, fresh or dried lemons and limes, fresh pears, mandarins, and food preparations.

In 2017, South Africa imported US\$6.7 billion agricultural products, an increase of 5 percent from the previous year. The major products imported were mixtures odoriferous food/drink ingredients (\$474 million), semi or wholly milled rice (\$460 million), wheat and meslin (\$330 million), palm oil (\$328 million), chicken cuts and edible offal (\$324 million), cane/beet sugar (\$215 million), food preparations (\$168 million), cane sugar solid (\$164 million), live cattle other than purebred breeding (\$149 million), and frozen meat and offal of chickens (\$120).

In 2017, the United States exported \$358 million of agricultural products to South Africa, up 24 percent from the previous year. Major products exported by the United States to South Africa included, frozen chicken cuts and edible offal (\$68 million), corn (maize) other than seed corn (\$36 million), food preparations (\$29 million), enzymes and prepared enzymes (\$21 million), almonds (\$15 million) corn (maize) seed (\$12 million), animal (not fish) guts, bladders, stomach & parts, food/drink ingredients (\$12 million), edible frozen livers of bovine animals (\$8 million), frozen turkey cuts and edible offal (\$6 million), and protein concentrates (\$6 million).

#### Advantages and Challenges Facing U.S. Exporters

Advantages	Challenges
South Africa has a developed retail and HRI industry, including the appearance of new international brands fuel growth in demand for good ingredients.	Competition from local producers and other countries, especially those with preferential or free trade agreements with South Africa.
South Africa is an attractive business market, and a gateway to Sub-Saharan Africa markets.	Food safety and phytosanitary restrictions may affect imports of food products and certain food ingredients.
South African have diverse food tastes and are willing to try new products.	Security issues are real and extreme in some cities, but businesses continue operating.
Modern infrastructure, efficient distribution, and English as a primary language.	Difficult to acquire shelf space in large supermarket chains.

South Africa is the biotechnology leader on the Africa continent and the ninth largest producer of Genetically Engineered (GE) crops in the world.	Market uncertainty due to politics and proposed land reform bills in Parliament
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## **SECTION 2: Exporter Business Tips**

### **2.1 Market Research**

Listed here are some of the major South African trade organizations and institutions market research companies who conduct market research activities:

The Euromonitor Cape Town, <https://www.euromonitor.com/locations>

The Nielsen Company South Africa, <https://www.nielsen.com/za/en.html>

BMI Research Pty Ltd, <https://www.bmi.co.za/>

### **2.2 Local Business Customs and Trends**

There are eleven official languages in South Africa, but English is the principal language used in commerce.

Standard Time in South Africa is two hours ahead of Greenwich Mean Time and seven hours ahead of Eastern Standard Time throughout the U.S. daylight savings. South Africa does not follow daylight savings time. Generally, business hours are weekdays from 8:00 a.m. to 5:00 or 6:00 p.m. with a lunch hour in between, ranging between 11:00 – 2:00 p.m. Most offices observe a five-day week, but shops are generally open from 8:30 a.m. to 5:30 p.m. weekdays and from 8:30 a.m. to 4:00 p.m. on Saturdays, with few open on Sundays, including Public Holidays especially those located at major shopping malls. Banks are open weekdays from 8:30 a.m. to 3:30 p.m. and Saturdays from 8:00 a.m. to 12:30 p.m, with others opened on Sunday from 9:00 a.m. to 12:00 noon. The monetary unit of South Africa is the Rand (R), which is divided into 100 cents (c).

Shopping is similar to the United States, with large and modern shopping centers providing diverse product lines similar to those found in the United States. There are only a few stores open 24-hours per day. South African business people tend to dress conservatively, particularly in the banking sector. However, “Smart Casual” clothing has become increasingly popular with executives in the IT and tourism industries. Terminology used in business invitations are as follows:

- Black Tie (dark suit and tie or tuxedo or formal evening dress)
- Business (jacket and tie or a business dress)
- Smart Casual (casual clothing with or without tie, but no jeans and no sneakers)
- Casual (includes jeans but no sport shorts)

Business cards are usually simple, including only the basics such as company logo, name, business title, address, telephone number, fax number, e-mail, and web-address. South Africans are typically punctual, and appointments should be made in advance for a business visit.

### **2.3 General Consumer Tastes and Trends**

- There is greater demand for house or private labeled-brands as consumers see these products as providing good value for money.
- South African consumers are also looking for convenience. Supermarkets and convenience stores are augmenting their stock of snack foods, ready-to-eat meals, and pre-cooked “heat at home” meals.
- At the same time, consumers are becoming increasingly health conscious. Major supermarket retail chains increasingly have organic sections. Consumers are buying more “natural” products; foods with less or no “perceived bad” ingredients (e.g. sugar, salt, trans fat, etc.) are becoming mainstream. Fresh fruits and vegetables, nuts, grains and legumes are increasingly part of the daily diet for middle to high-income consumers.
- Consumers want to indulge in sophisticated and tasty foods. Fresh, higher-quality, luxury ingredients are being incorporated into foods.
- South African consumers are also increasingly interested in food from other countries and cultures.
- The demand for longer store hours is pushing businesses, especially fast food and gas station shops, to move towards 24-hour service.
- There is a greater demand for dairy products such as drinking yogurt, smoothies and ice cream.
- Food labeling is growing in importance, as consumers want to be informed about what they are eating.
- Trends show that bottled water, either premium, imported, flavored, enhanced and oxygenated varieties, now accounts for a large portion of the beverage market.

### **SECTION 3: Import Food Standards & Regulations and Import Procedures**

The section provide links for access to other sites and [Food and Agricultural Import Regulations and Standards \(FAIRS\)](#) GAIN report prepared by USDA FAS Pretoria.

#### **3.1 Customs Clearance**

Refer to page 20 and 21 of the FAIRS – Annual Country Report on the following link, [FAIRS GAIN Report](#) .

#### **3.2 Documents Generally Required by South Africa Authority for Imported Food**

Refer to the FAIRS Annual Country Report on the following link, [FAIRS GAIN Report](#), and FAIRS – Export Certificate Report for documents, permits and certification required by South African authorities, [FAIRS - Export Certificate Report](#).

Generally, in addition to the import permits, certificates, sanitary and phytosanitary permits, the following basic documentation should accompany all shipments into South Africa:

- A commercial invoice that shows the price charged to the importer in addition to the cost of placing goods on board of the ship for export.
- Bills of entry documentation that provide the correct physical addresses of supplier, storage facilities, correct quantities, grades and HS codes of commodities.
- The Bill of Lading.
- Insurance documents.
- Other special documentation and certifications may be required by the importer e.g. Laboratory results/certificates or Organic Certifications if the product claims to be organic.

### **3.3 South Africa Language Labelling Requirements**

Refer to page 12 – 15 of the FAIRS Annual Country Report on the following link, [FAIRS GAIN Report](#) . Labels have to be in English.

### **3.4 Tariffs and Free Trade Agreements (FTAs)**

The following document provides all the tariffs, [Tariff Link](#).

Free Trade Agreements (FTA) and Preferential Trade Agreements (PTA) applicable to Southern Africa can be found on page 13 and 14 of the following link, [Trade Agreements Link](#)

### **3.5 Trademarks and Patents Market Research**

Refer to page 22 and 23 of the FAIRS – Annual Country Report on the following link, [FAIRS GAIN Report](#) .

## **SECTION 4: Market Sector Structure and Trends**

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 food prints 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.

Source: [USDA South Africa Retail Gain Report](#)

## **4.1 Top 6 sectors for Growth**

### **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 2017, South Africa imported 507,664 tons of chicken meat, including 305,585 tons of broiler meat and 202,079 tons of mechanically deboned meat. In 2017, the United States was the second largest exporter of chicken meat to South Africa with 16 percent market share after Brazil with 61 percent. However, U.S. bone-in chicken imports are constrained by anti-dumping duties that have been in place since 2000. While an annual 65,000 ton Tariff Rate Quota (TRQ) is now in place, the anti-dumping duties apply to and hinder all bone-in chicken imports above the TRQ tonnage. Between January and October 2018, the United States exported 75,500 tons of chicken meat to South Africa, valued at \$62.1 million. It's expected that once the anti-dumping duties are eliminated the TRQ will no longer be needed and poultry can be viewed as a potential market for growth. See this GAIN report for more info: [As Domestic Industry Recovers from Bird Flu, Poultry Imports Forecast to Increase Marginally](#)

### **Almonds**

South Africans are looking to various tree nuts to for more diverse protein and snacks. In 2017, South Africa imported \$18.2 million of almonds. The United States dominates the market for almonds, with 81 percent of the total market share, valued at \$14.8 million, with Australia in a distant second at 8 percent. While year to year the value has decreased, the quantity of almonds continues to rise steadily. South Africa is the largest importer of U.S. almonds in Sub-Saharan Africa.

### **Food Preparations**

South Africa has a well-developed food processing sector and is a net exporter of food preparations. In 2017, exports of food preparations were \$177 million and imports amounted to \$168 million. The United States had the largest market share with 17 percent of South Africa's food preparations imports, valued at \$29.3 million. Products with good sales potential in this category include sugar confectionery, chocolate and other food preparations, malt extracts, pasta, cereals, cake mixes, syrups, and soup mixes.

### **Craft Beers and Spirits**

South Africa is a net importer of craft beers, referred to as "beer made from malt." In 2017, imports amounted to US\$95 million, and exports amounted to US\$63 million. Namibia has the largest market share of 62 percent. There are potential opportunities for U.S. exports in this category due to the huge increase in imports from the United States from \$387 in 2016 to \$481,884 in 2017. Distilled spirits have seen an overall decrease in imports, but imported gins are gaining popularity in the market.

### **Enzymes and Prepared Enzymes**

South Africa is a net importer of enzyme and prepared enzymes. In 2017, imports amounted to US\$73 million, and exports amounted to US\$25 million. The United States had the second

largest market share of 29 percent, valued at \$21.4 million after Denmark with 34 percent. Potential opportunities for U.S. exports are modified starch products such as whey.

### Essential Oils for use in food/drink

South Africa is a net importer of essential oils used in food/drinks, mainly used in food processing. These products are also referred to as “mixtures of odoriferous substances.” In 2017, imports amounted to US\$474 million, and exports amounted to US\$53 million. Swaziland was the market leader with 80 percent. There is potential for U.S. exports in this category due to an increase registered in 2017, valued at \$11.9 million.

## 4.2 Agricultural product prospects based on growth trends

**Table 1: South Africa’s Top 10 Imports of Agricultural Products from the United States**

Product	Values in Million \$				
	2013	2014	2015	2016	2017
Chicken cuts and edible offal	2.8	2	156	16.5	68
Corn (maize) other than seed corn	0.2	0.07	0.007	23	36
Food preparations	30	28	27	25.6	29
Enzymes and prepared enzymes	13	17	20	15	21
Spirits, Liqueurs and other spirituous beverages	22	29	16	14	16
Almonds, Fresh or Dried, Shelled	13	21	19	17	15
Corn (maize) seed, certified excluding sweet corn	8	11	8	10	13
Animal (not fish) guts, bladders, stomach & parts	9	12	3	7	12
Mixtures odoriferous substance	7	8	7	8	12
Livers of bovine animals, frozen	0	0.02	0	2	8
Turkey cuts and edible offal, frozen	9	3	0.05	1	6

Source: GTA

## 4.3 Links to Access Retailer Information

The links provided below contain individual retailer information for sales, stores, locations, ownership, size and expected growth rates of each sector.

**Table 2: Major South African Retailers**

Name of Retailer	Website	Name of Retailer	Website
Shoprite Holdings Ltd	<a href="http://www.shopriteholdings.co.za">www.shopriteholdings.co.za</a>	Pick n Pay Stores Ltd	<a href="http://www.picknpay.co.za">www.picknpay.co.za</a>
Massmart Holdings (Walmart)	<a href="http://www.massmart.co.za">www.massmart.co.za</a>	The Spar Group Ltd	<a href="http://www.spar.co.za">www.spar.co.za</a>
Woolworths Holdings Ltd	<a href="http://www.woolworths.co.za">www.woolworths.co.za</a>	Food Lover’s Market	<a href="http://www.foodloversmarket.co.za">www.foodloversmarket.co.za</a>
Choppies Enterprise Ltd	<a href="http://www.choppies.co.za">www.choppies.co.za</a>		

#### **4.4 Market Opportunities for Consumer-Oriented Products in the Hotel, Restaurants and Institutional, Retail Food and Food Processing sectors**

South Africa is an attractive developed business market with the largest foodservice market in Southern Africa. The food service sector is closely linked to the hospitality and tourism sector and has a positive impact that contributes to the South African GDP. The country developed HRI, retail, and food processing industry together with the appearance of new international brands fuel growth in demand for food convenient, ready-to-eat food ingredients which offer opportunities for U.S. exporters. The following link has all the information on [USDA South Africa HRI](#)

#### **4.5 Competitive Situation**

The U.S. exports of agricultural products 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. For more information on trade agreements visit <https://www.export.gov/welcome>

### **SECTION 5: Agricultural and Food Imports**

#### **5.1 Agricultural & Food Import Statistics**

The 2013-2017 table of BICO report on U.S. exports of agricultural & related products to South Africa is available through USDA website <https://apps.fas.usda.gov/gats/BicoReport.aspx?type=country>

#### **5.2 Agricultural Product Prospects Categories.**

Potential market opportunities for U.S. agricultural products in the South African food and beverage market beef & beef products, pork & 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. Post is negotiating for full market access for all pork cuts.

### **SECTION 6: 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  
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Other FAS market and commodity reports are available through the FAS website <http://www.fas.usda.gov> or <https://www.fas.usda.gov/regions/south-africa>

**A. Additional Contacts**

American Chamber of Commerce in South Africa, [www.amcham.co.za](http://www.amcham.co.za)

U.S. Foreign Commercial Service publication of South Africa Commercial Guide, <https://export.gov/southafrica/businessserviceproviders/index.asp>

See this [link](#) for South Africa Government regulators

See this [link](#) for government imports certificate