

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## South Africa - Republic of

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## Exporter Guide

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**Report Highlights:**

South Africa, with a population of about 51 million has a market-oriented economy with a well developed infrastructure. In addition, a growing consumer demand for convenience foods is driving up imports of consumer-oriented products. This report highlights important factors for exporters to keep in mind when engaging in this market.

## SECTION 1: MARKET OVERVIEW

The Republic of South Africa (RSA) with a population of about 51 million has a market-oriented economy with a well developed infrastructure. The commercial agriculture sector is highly diversified and is self sufficient in primary foods with the exceptions of wheat, oilseeds and rice. South Africa has a well-developed processed food and competitive horticultural sectors such as wine, fresh fruits, and vegetables.

South Africa is a net exporter of agricultural, fish and forestry products. In the past three years, from January to September 2010, 2011 and 2012 respectively, imports of agriculture, fish, and forestry products to South Africa totaled \$3.7 million, \$4.9 million, and \$5.1 million respectively, whereas exports totaled \$5.7 million, \$6.4, and \$6.1 million. Limitations in some of South Africa's agro-processing sector has driven import growth for consumer-oriented foods/beverages including food ingredients for further processing, and edible fishery products. The United States is the third largest consumer-oriented products trading partner with South Africa after the Netherlands and Brazil. While South Africa produces diverse, world-class agricultural products for export, it is also a major agricultural importer from most countries including the United States.

### 1.1: South Africa's Top 10 Imports of Consumer-Oriented Products

South Africa Import Statistics From World - Consumer-Oriented Products								
Year To Date: January – September								
Commodity	Description	US Dollars			% Share			% change 2012/2011
		2010	2011	2012	2010	2011	2012	
World		1,071,971,211	1,392,328,316	1,537,023,882				10.39
020714	Chicken cuts & edible offal	105,390,226	171,386,179	201,232,565	9.83	12.31	13.09	17.41
210690	Food preparations	94,151,091	118,131,862	119,456,019	8.78	8.48	7.77	1.12
020329	Meat of swine, nesoi, frozen	39,184,666	55,221,444	61,659,100	3.66	3.97	4.01	11.66
020712	Meat & offal of chickens	45,147,030	64,502,846	57,590,401	4.21	4.63	3.75	-10.72
220210	Waters, incl mineral & aerated, sweetened or flavored	23,415,914	25,841,053	45,696,498	2.18	1.86	2.97	76.84
200979	Apple juice, nesoi, nt fortified w vitamins, unferm	23,096,881	19,377,898	43,917,721	2.15	1.39	2.86	126.64
180690	Cocoa preparations, not in bulk form, nesoi	19,548,907	28,628,661	38,568,973	1.82	2.06	2.51	34.72
230910	Dog & cat food, put up for retail sale	29,540,507	37,106,955	37,658,851	2.76	2.67	2.45	1.49
350790	Enzymes & prepared enzymes, nesoi	29,680,317	29,386,353	34,698,572	2.77	2.11	2.26	18.08
040690	Cheese, nesoi, including cheddar & colby	15,394,961	15,534,867	31,746,364	1.44	1.12	2.07	104.36

Source: GTA

### 1.2: South Africa's Top 10 Trading Partners of Consumer-Oriented Products

South Africa Import Statistics From World - Consumer-Oriented Products							
Year To Date: January – September							
Partner Country	US Dollars			% Share			% Change
	2010	2011	2012	2010	2011	2012	2012/2011
World	1,071,971,211	1,392,328,316	1,537,023,882				10.39
Netherlands	67,895,039	106,308,762	145,851,457	6.33	7.64	9.49	37.20
Brazil	148,779,084	165,768,251	138,66,242	13.88	11.91	9.02	- 16.35
United States	72,443,371	87,342,837	115,132,955	6.76	6.27	7.49	31.82
Germany	57,825,867	88,218,557	111,944,109	5.39	6.34	7.28	26.89
France	64,641,426	82,947,681	85,285,922	6.03	5.96	5.55	2.82
China	66,989,862	74,987,828	85,158,464	6.25	5.39	5.54	13.56
Italy	47,690,770	69,600,171	79,171,205	4.45	5.00	5.15	13.75
United Kingdom	25,348,786	54,511,956	71,301,807	2.36	3.92	4.64	30.80
Ireland	33,156,397	49,802,039	63,180,886	3.09	3.58	4.11	26.86
Argentina	30,739,766	46,513,802	62,447,407	2.87	3.34	4.06	34.26

Source: GTA

### 1.3: The United States Trade Position with South Africa

South Africa's Consumer-Oriented Agricultural Imports from the United States			South Africa's Consumer-Oriented Agricultural Exports to the United States		
Product	Jan-Sept 2011 (Thousands Of Dollars)	Jan-Sept 2012 (Thousands Of Dollars)	Product	Jan-Sept 2011 (Thousands Of Dollars)	Jan-Sept 2012 (Thousands Of Dollars)
<b>Consumer-Oriented Totals:</b>	<b>87,343</b>	<b>115,133</b>	<b>Consumer-Oriented Totals:</b>	<b>123,086</b>	<b>113,375</b>
Snack Foods	1,646	1,150	Snack Foods (excl nuts)	723	586
Breakfast Cereals/Pancake Mix	279	1,377	Cheese	0	4
Red Meats, FR/CH/FR	15	227	Other Dairy Products	0	0
Red Meats, Prep/Pres	6,728	8	Other Fresh Fruit	0	0
Poultry Meat	9,895	14,640	Fresh Vegetables	669	130
Dairy Products	158	10,393	Processed Fruit & Vegetables	6,616	5,782
Eggs & Products	184	293	Fruit & Vegetables Juices	12,723	12,304
Fresh Fruit	194	0	Tree Nuts	19,865	23,366
Fresh Vegetables	7,971	21	Wine and Beer	29,409	36,126
Processed Fruit & Vegetables	439	6,956	Nursery Products	2,445	2,000
Fruit & Vegetable Juices	39	333	Roasted & Instant Coffee	0	0
Tree Nuts	453	43	Spices	0	0
Wine and Beer	70	54	Other Consumer Oriented	9,284	9,049
Nursery Products	1,806	45			
Pet Foods (Dog & Cat Foods)	48,719	2,330			
Other Consumer Oriented		64,385			

Source: BICO Trade Data

### 1.4: Advantages and Challenges Facing U.S. Products in South Africa

Advantages	Challenges
South Africans are developing a taste for U.S. foods and are willing to try new products.	Consumers need to be educated in preparing and eating products.
Growing consumer demand for convenience foods and packaging will drive imported food and beverage products.	Acquired tastes and preferences for traditional, locally produced products.
Favorable exchange rate, strong rand with the weak dollar make American products more affordable.	Competition from other countries and locally produced products. About 85 percent of products in the retail outlets are locally produced. In order to create jobs and foster economic growth the South Africa's major retailers have joined a continuous forces with the Proudly South African (PSA) <a href="http://www.proudlysa.co.za">www.proudlysa.co.za</a> campaign launched by the government since 2001 to give PSA suppliers preferential tendering for shelf space, and to promote South African products.
South Africa presents opportunities as a gateway for regional markets.	Consumers are price-conscious and low income earners do not exhibit brand loyalty. Products must constantly be promoted.
South African importers seek suppliers who can offer reliable and quality products, consolidators of mixed containers at competitive prices.	U.S. suppliers have difficulty in responding to trade lead inquiries in a timely fashion.
Importers and distributors can help develop brand loyalty.	Continued promotional and marketing related activities.

## SECTION II: EXPORTER BUSINESS TIPS

### 2.1: Local Business Practices and Customs

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 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, 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. 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.

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

## **2.2: Trade and Marketing Services Including Establishing an Office:**

The newly formed Companies and Intellectual Property Commission (CIPC), herewith referred to as the Commission was established through the merger of the Office of Companies and Intellectual Property Enforcement (OCIPE) and the Companies and Intellectual Property Registration Office (CIPRO). Amongst the functions of the Commission is Registration of Companies, Co-operatives and Intellectual Property Rights such as trademarks, patents, designs and copyright and maintenance thereof.

The Commission, and as mandated by the Companies Act, 2008 (Act 71 of 2008), has jurisdiction throughout the Republic, is independent and subject only to the Constitution and the law and any policy statement, directive or request issued to it by the Minister of Trade and Industry in terms of this Act.

For more information on company formation and registration contact CIPC at:

Companies and Intellectual Property Commission (CIPC)

Postal Address: P O Box 429, Pretoria, 0001

Physical Address: The DTI Campus, Block F, 77 Meintjies Street, Sunnyside, Pretoria

Tel: +27 12 394 9973 or 27 86 100 2472; Fax: 27 12 394 1015 or 27 86 517 7224

Email: or [info@cipc.co.za](mailto:info@cipc.co.za)

Website: <http://www.cipc.co.za>

**Franchising:** It is estimated that in South Africa, less than 20 percent of retail business is conducted through franchising. Franchise concepts continue to grow in the retail, food and service businesses.

Recent years have seen the popularity of franchises increase significantly, emerging in South Africa due to the service orientation of franchises. Franchising sectors such as fast food, forecourts (convenience stores linked to gas stations) also play an important role in furthering the development of small and medium businesses. Restaurant franchises are joining with gas stations to create an enticing atmosphere and to encourage customers to purchase food while refueling their vehicles. Franchising, with its advantages of skills-transfer, start-up support and ongoing operational assistance, is becoming a preferred type of business to address job creation, poverty alleviation, economic growth and black empowerment. Business format franchising, in particular, is a proven concept offering potential opportunities for U.S. franchises to reap the benefits in profit from the convenience provided for consumers in forecourts. This business concept is when the franchisor permits the franchisee the use of product, service and trademark, including marketing, selling, inventory, accounting and personnel force.

More information about the sector including Member listing can be found at:

Franchise Association of Southern Africa (FASA)  
Postnet 256, Private Bag X4, Bedfordview, 2008  
Tel: +27 0 11 615 0359; Fax: +27 0 11 615 3679  
Email: [fasa@fasa.co.za](mailto:fasa@fasa.co.za)  
Website: <http://www.fasa.co.za>  
Other additional resources include: [www.whichfranchise.co.za](http://www.whichfranchise.co.za)  
[www.franchise.co.za](http://www.franchise.co.za)

**Joint Venture/Licensing:** Exchange control regulations stipulate that the South African Reserve Bank (SARB) must approve the payment of royalties. When a licensing agreement involves no manufacturing, the request for exchange control approval is sent directly to SARB. For a company interested in entering into a licensing agreement with a local company to manufacture a product in South Africa, the South African licensee must submit an application to the industrial Development Branch of the Department of Trade and Industry. The Department of Trade and Industry, in turn, will make a recommendation to the SARB. Exchange control regulations stipulate that SARB's Exchange Control Section must approve payment of royalties. When a licensing agreement involves no manufacturing, the request for exchange control approval is sent directly to SARB.

Additional information on licensing regulations can be obtained from:

Department of Trade and Industry  
Directorate of Licensing  
Private Bag X84, Pretoria, 0001  
Tel: +27 12 394 9500; Fax: +27 12 394 9501  
Website: <http://www.thedti.gov.za>

**Selling to the Government:** Government purchasing is a significant factor in the South African economy. Nearly all such purchasing (at all three levels of government, i.e. national, regional, and provincial) is done through competitive bidding on invitations for tenders, which are published in an official state publication, the State Tender Bulletin <http://www.info.gov.za/documents/tenders/index.htm>, including online government gazette at [www.greengazette.co.za](http://www.greengazette.co.za), and sometimes in leading newspapers. Although the purchasing procedures of the central government and parastatal institutions favor products of local manufacturers, an overseas firm is not precluded from bidding if the firm has an agent in South Africa to act on its behalf. As a general practice, payment is made to the local agent.

For more information, contact the SA Department of Finance (Treasury) who administers the government procurement process at:

South African National Treasury  
Public Private Partnership Unit  
Private Bag X115, Pretoria, 0001  
Tel: +27 0 12 315 5455 or 315 5741  
Website: <http://www.treasury.gov.za>

### 2.3: Consumer Behavior, Tastes and Preferences

- The South African consumer is becoming increasingly health conscious, whereby wellness foods, health and convenience continue to be key drivers.
- There is increased demand for house or private labeled-brands as consumers see these products as providing good value.
- Convenience is expected to remain popular with consumers, as supermarkets will increase the amount of ready-to eat food items offered at their fresh food departments, deli, home-meal-replacement, and bakery department.
- There is demand for longer store hours or even 24-hour shopping.
- Environmental awareness and ethical behavior such as recycling, waster reduction and organic farming and produce are important to South African consumers.
- Increased consumption of dairy products such as drinking yoghurt, smoothies and ice cream.
- Fresh fruit and vegetables, nuts, grains and legumes are increasingly part of the daily diet for middle to high-income consumers.
- Major supermarket retail chains increasingly have organic sections.
- Food labeling is growing in importance, as consumers want to be informed about what they are eating. (Please see South Africa's new draft Consumer Protection Act).
- Trends show that bottled water either premium, imported, flavored, enhanced and oxygenated has achieved success and account for a large portion of the beverage market.
- Supermarket retail chains continue to their less successful store brands to a more targeted consumer base in order to boost sales.
- Supermarket chains buying back their franchised outlets to improve quality control.

### 2.4: Food Standards and Regulations

FAS/Pretoria has prepared a GAIN Report on Food and Agricultural Import Regulations and Standards for South Africa, which can be found at the following links:

- [http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations\\_Pretoria\\_South%20Africa%20-%20Republic%20of\\_3-15-2012.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations_Pretoria_South%20Africa%20-%20Republic%20of_3-15-2012.pdf)
- [http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative\\_Pretoria\\_South%20Africa%20-%20Republic%20of\\_12-22-2011.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative_Pretoria_South%20Africa%20-%20Republic%20of_12-22-2011.pdf)

**Consumer Protection Act:** The South African Department of Trade and Industry (DTI) published regulations in the Gazette that bring the R 293 Consumer Protection Act (68/2008) into enforcement on April 1, 2011. Implementation of the Act was delayed for some time as the legislation generated significant comments from the private sector over the basis of many provisions and uncertainty in how the Act would be enforced.

Under the Act however, are several genetically engineered (GE) labeling provisions that appear to have no scientific basis. In response to the outpouring of comments from the business community and trade partners, on October 9, 2012, DTI proposed amendments to the regulations of the Consumer Protection Act, in particular the product labeling and trade descriptions of genetically engineered (GE)

ingredients in products. The DTI proposed changing the wording “genetically modified organisms” in the regulation to “genetically modified ingredients or components”. Exporters must read more information about the Act before engraining in this market. ([GAIN: Consumer Protection Act](#)).

## **2.5: General Import and Inspection Procedures**

**Import Permits:** All food consignments are subject to random inspection and sampling at all points of entry in South Africa to ensure food items imported into the country are safe and comply with the prescribed standards and regulations. International freight forwarders normally handle documentation and other formalities with authorities at entry points. Provided all necessary documents are in order, no problems or delays should occur with customs clearance. Note that under the Import and Export Control Act of 1963, the Minister of Trade and Industry may control the import of certain goods into South Africa. The list of restricted goods has decreased in recent years. Products that still require import permits are fish and fish products.

**Customs Procedures:** South Africa introduced the Single Administrative Document (SAD) for all customs clearances purposes. All clearances with Customs are done on a SAD form 500; continuation sheet - SAD 501; and transit control form - SAD 502.

The SAD is also capable of being used to clear a consignment through Customs in two or more countries. Such use of the SAD form will expedite Customs clearance and enhance the effectiveness of Customs Control.

SAD forms and additional information is available at this link:

[www.sars.gov.za/home.asp?pid=3585](http://www.sars.gov.za/home.asp?pid=3585)

**Tariffs:** Since 1994, South Africa continues to reform and simplify its tariff structure in order to comply with its WTO commitments. It has reduced tariff rates from an import-weighted average tariff rate of more than 20 percent to 7 percent. Notwithstanding these reforms, importers have complained that South Africa’s tariff schedule remains complex and can create uncertainty. Tariff rates mostly fall within eight levels ranging from 0 percent to 30 percent, but some are higher.

The importer must consult the relevant schedules to the Customs and Excise Act to determine whether the potential imports are eligible for rebate duty. Information can be found on the International Trade Administration Commission (ITAC) of South Africa’s website at: [www.itac.org.za](http://www.itac.org.za)

Department of Trade and Industry  
International Trade Administration Commission (ITAC)  
Import Control  
Private Bag X773, Pretoria, 0001  
Tel: +27 0 12 394 3590/1; Fax: +27 0 12 394 0517  
Website: [www.itac.org.za](http://www.itac.org.za)

**Biotechnology:** South Africa is seen as a leader in the biotechnology front in Africa, and many neighboring countries look to South Africa for guidance and direction. South African biotechnology policy is formulated under the Genetically Modified Organisms (GMO) Act of 1977. This act was



modified by cabinet in 2005 to bring it in line with the Cartagena Biosafety Protocol and again in 2006 in order to address some economic and environmental concerns. In June 2001, the South African government published the National Biotechnology Strategy for South Africa, expressing the South African government's intent to stimulate the growth of biotechnological industries. The document states that biotechnology can make an important contribution to national priorities, particularly in the area of human health, food security, and environmental sustainability.

For more information, refer to FAS's Pretoria annual Biotechnology report.

## **SECTION III: MARKET SECTOR STRUCTURE AND TRENDS**

### **3.1: Competition**

**Imports:** South Africa's January – September 2012 of agriculture, fish, and forestry imports from the world totaled \$5.1 million compared to \$4.8 million in 2011. Whereas South Africa January – September 2012 of agriculture, fish, and forestry imports from the United States totaled \$208 million compared to \$356 million in 2011. A decline was due to lower wheat imports from the United States. Major imported products include edible preparations, beverage spirits and vinegar, and sugar and sugar confectionery.

Argentina is South Africa's largest supplier of agricultural products with 12 percent market share between January – September 2012. The top five leading suppliers were Argentina (\$640 million), Brazil (\$438 million), China (\$409 million), Thailand (\$328 million), and the United Kingdom (\$287 million). South Africa's major imported agricultural commodities from Argentina were prepared animal feed, cereals, and animal or vegetable fats; from Brazil were meat and edible meat offal, cereals, and sugar and sugar confectionery; from China were cereals, edible vegetable and certain roots and tubers, and prepared vegetables, fruit, nuts or other plant parts; from Thailand were cereals, edible prepared of meat, fish, and crustaceans, meat and edible meat offal; and from the United Kingdom were beverage, spirit, and vinegar, meat and edible meat offal, and miscellaneous edible preparations.

**Exports:** South Africa's January – September 2012 of agriculture, fish, and forestry exports to the world totaled \$6.1 million compared to \$6.4 million in 2011. South Africa exports to the United States totaled \$197 million compared to \$205 million in 2011. Major exported products include edible fruits and nuts, citrus or melon peel; beverage, spirits and vinegar; and fish, crustaceans and aquatic invertebrates.

The top five South Africa trade export countries were Netherlands (\$606 million), the United Kingdom (\$500 million), Zimbabwe (\$437 million), Japan (\$282 million), and Mexico (\$271 million). South Africa's major exported agricultural commodities to Netherlands were edible fruits and nuts, beverages, spirit and vinegar, and prepared vegetables fruit, nuts or other plant parts; to the United Kingdom were edible fruits and nuts, beverage, spirit and vinegar, and prepared vegetables fruit, nuts or other plant parts; to Zimbabwe were animal or vegetable fats, oils etc and waxes, milling products, and miscellaneous edible preparations; to Japan were fuel wood in logs, prepared vegetable fruits nuts or other, and edible fruit, nuts, citrus fruit or melon; and to Mexico cereals, raw hides and skins (no fur skins) and leather, and beverage spirit and vinegar.

### 3.2: Distribution Systems for Processed Food Products

**Channels of Distribution:** In South Africa, only a few importers specialize in one product. Most importers are generalists who import a wide range of food products. It is important for an exporter to work with someone locally who knows the market well for the specific product in question. Agents who represent one foreign supplier are also relatively rare.

Retail trade outlets in South Africa offer the full spectrum available in the United States. These range from the neighborhood convenience drugstore (called cafés), to the small general dealer, specialty stores handling a single product line (for example, clothing, electronics, furniture), exclusive boutiques, chain stores (groceries, clothing, toiletries, household goods), department stores, cash and carry wholesale-retail outlets, to co-operative stores serving rural areas. About 90 percent of inventories of consumer-ready products in these stores are domestically sourced. A major phenomenon in South Africa has been the evolution of hypermarkets, which sell large quantities of almost all consumer goods, similar to a Price Club retail store in the United States. The hypermarkets, located in suburban shopping centers/malls, have disrupted the traditional distribution chain by purchasing directly from manufacturers and bypassing the wholesaler, and with low margins achieving high turnover, thereby placing price pressure on all competing outlets. Most U.S. exporters of consumer goods sell directly to South African retail organizations, such as department stores, chain stores, and cooperative groups of independent retailers, which assume the functions of wholesale buying, selling, and warehousing.

It may be necessary to appoint an official after-sales agent for products of a technical nature in South Africa. This may be a company that does not import or market the product in question, but rather, because of its geographical reach, technical abilities, and goodwill in the market, acts as the certified service agent. Appointing an appropriate after sales agent is crucial in ensuring that the product develops a respected reputation in the country through the correct channels.

**Importer/Distributor:** Performs the first leg of the selling in a given country, and is the brand's ambassador in that country and therefore carries a certain amount of prestige as the country representative of your company and brand. They will negotiate the total deal with the exporter, import the goods (which will be pre-paid) and then re-sell the products to retailers (their main customer base) and to smaller wholesalers, mostly in the rural areas. They physically take orders from customers, invoice out the goods, and deliver the goods with their own or third-party transport for re-sale. They will also be responsible for the marketing, after-sale service and promotional activity of the brand in that country.

**Import Agents:** These company or individuals usually operate by having a showroom only. They invite their customer base to view the products on display and then institute the orders once confirmation has been received. They also actively go into the trade, where they make appointments with their customers, present the relevant products or samples, and collect the confirmed orders. Agents could offer after sales service, either themselves or by out-sourcing from a specialist service company, operating in the relevant country.

Delivery is usually done via drop shipments [www.dropshipping.co.za](http://www.dropshipping.co.za) (country-to-country shipments)

to-foreign shipments) from the supplier and a commission is paid to the agent. It is also quite common for an agent to carry more than one brand or product line, either in the same genre or a mix.

**Export Broker or Brokers:** These individuals work with multiple brands and multiple genres of products. They operate on both sides of the border, for example, they could be based in South Africa and have been tasked by a customer of theirs to look for products in another country, or they could be based in a foreign country and tasked either by retailers, wholesalers or government departments to find products, at the best price for a supplier in, say South Africa. They usually work on a commission or profit-share basis. Broker Agents are mostly involved with government or other large food supply contracts. They tender for government contracts on behalf of different manufacturers. Some agents have their own warehouses and distribution facilities.

**Importer/Distributor/Retailer:** This type of company is very similar to Importer/Distributor, except that they have their own retail arm linked to their distribution system. In this case, they will usually have a number of retail chains throughout the city, town or country areas. They will then distribute exported products from a central warehouse, and/or bond store to their own retail stores, and to other retailers and wholesalers who are their customers. The other responsibilities are the same as those mentioned in the Importer/Distributor above.

**Importer/Wholesaler:** This type of company is similar to a distributor in that their orders are also pre-paid to the supplier, and deliveries to their customers are dependent on their own local and/or prior arrangements. They generally import the goods and other customers come to them to select, pay for and collect the stock. The wholesaler may provide after sales service or outsource to a local service agent, who already has an existing service operation.

**Catering Wholesalers:** Catering wholesalers purchase food products from various manufacturers and resell these products predominantly to catering establishments. Catering wholesalers offer the establishments a variety of food products, and some carry a select product range of specially packed "house brands". They also import large volumes of products that are sold to catering establishments.

**Distributor Agents:** The distributor agent distributes food products on behalf of manufacturers without necessarily taking ownership of the actual products. A distributor is usually required to adhere to prices determined by the manufacturer and is paid a fee to distribute the products.

### **3.3: Trends in Advertising and Trade Promotion**

South Africa has a sophisticated advertising industry. The four key players in South Africa's advertising industry are the Association of Advertising Agencies (AAA), the Association of Marketers (ASOM), and the two major media bodies, the National Association of Broadcasters (NAB) and the Print Media Association (PMA). Additional information can be obtained from the Association of Marketers and the Association of Advertising Agencies (see contact details at the end of the report).

More recently, food promotions have moved towards advertising goods based on health related issues and "nutrition function" claims. Some South African consumers are becoming diet and health conscious, and are becoming more responsive to products that address issues such as weight loss or disease prevention. Also, American television and culture is having an increasing influence on South

Africans, leading to the adoption of social morays like “thin is beautiful.”

**3.4: Trend in Tourism**

Tourism, South Africa’s fastest growing industry, with an estimated annual growth rate of 12 percent, is the fourth largest industry in South Africa, supporting about 700 hotels, 2800 guesthouses and 10,000 restaurants. The Travel and Tourism industry in South Africa is a major contributor to the economy and presently accounts for 8.2 percent of GDP. Tourism contributes about 8 percent to South Africa’s Gross Domestic Product (GDP) and creates about one million jobs both directly and indirectly.

According to Statistics South Africa, the volume of arrivals for foreign travelers increased by 11.9 percent from July 2011 to July 2012. Benefiting from this growth in terms of increased trade and investment opportunities is the hospitality industry, which includes a vast array of well-developed and sophisticated hotels, game lodges, guest houses, self-catering, camping and caravanning, bed and breakfasts, restaurants, cafes, resorts, country clubs, fast food outlets, bars, airlines, hospitals, supermarkets and convenience stores. The Department of Environmental Affairs and Tourism [www.environment.co.za](http://www.environment.co.za) and [www.deat.gov.za](http://www.deat.gov.za) is responsible for the growth and the development of South Africa tourism and the Tourism Grading Council of South Africa is responsible to grade tourism establishment in the country.

Tourism is central to growth and development in South Africa. In responding to this, the South African government has launched the Accelerated and Shared Growth Initiative (ASGISA), whose ultimate objective is to halve unemployment and poverty by 2014. The ASGISA aims to create at least 500,000 tourism jobs by 2014.

South Africa, with an expanding middle class and a relatively stable economy, presents growing opportunities for U.S. niche food products. In addition, globally there has been a significant improvement in South Africa’s brand following the 2010 FIFA World Cup. Again, South Africa with its well-developed transportation infrastructure is ideally placed to serve as an export hub to markets throughout the region.

Source of statistics on South Africa tourism is available at, [www.southafrica.net/research](http://www.southafrica.net/research).

**SECTION IV: BEST CONSUMER-ORIENTED PRODUCT PROSPECTS**

BICO Fiscal Years (October – September) Five-year data trends show that some U.S. Consumer-Oriented Agricultural exports to South Africa are growing. Of interest are categories which reached the highest export levels in Fiscal Years (October – September 2012), such as consumer-oriented products, snack foods, dairy products, fruit and vegetable juices, tree nuts, and other consumer oriented. Within this category, sauces and condiments (HS 210390), fruit prepared and preserved (HS 200899), food preparations (HS 210690) have shown consistent and substantial increases. Other high value exports that have shown sustained growth are almonds (HS 080212), and canned salmon (HS 160411). The United States enjoys a dominant position in the almond, canned salmon and other food preparations markets, holding the highest market shares of 94 percent, 59 percent and 19 percent respectively.

Product Category	Jan – Sept 2012 South Africa Imports	Jan – Sept 2012 U.S. Exports to	Percentage of Annual Import Growth U.S.	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for U.S.
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	from the World (\$1,000)	S.A. (\$1,000)				
Almonds HS080212	9	8	74	Free		U.S. has largest market share of 94%.
Salmon HS160411	730	427	-61	25%		U.S. has the largest market share of 59%.
Other Food Preparations HS210690	119	23	3.08	Varied		U.S. has the largest market share of 19%. American brands are becoming increasingly popular given their high quality attributes.
Whiskies HS220830	216	13	-21	1.54	United Kingdom with 84% market share and first move advantage, and US 6%.	American brands lack brand awareness among South African consumers.

Source: Global Trade Atlas (GTA)

## SECTION V: KEY CONTACTS AND FURTHER INFORMATION

### 5.1: Additional Sources and Links:

The US Foreign Commercial Service has an annual South Africa Country Commercial Guide that presents a comprehensive look at South Africa's commercial environment, using economic, political and market analysis. To get copies call the US Foreign Commercial Service at +27 11 290 3000, or for more information visit their website at [www.buyusa.gov/Southafrica](http://www.buyusa.gov/Southafrica).

Grant Thornton South Africa's site ([www.gt.co.za](http://www.gt.co.za)) contains information on different aspect of South Africa including guides on establishing a presence in South Africa. They may also be contacted at +27 11 322 4500.

### 5.2: Post Contact

If you have any questions or comments regarding this report or need further assistance, please contact AgPretoria at the following address:

Office of Agricultural Affairs  
U.S. Embassy Pretoria, South Africa  
Washington, D.C., 20521-9300  
Tel: + 27 0 12 431 4057  
Fax: + 27 0 12 342 2264  
[Email: agpretoria@fas.usda.gov](mailto:agpretoria@fas.usda.gov)

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>

## APPENDIX I: STATISTICS

### TABLE A: KEY TRADE & DEMOGRAPHIC INFORMATION

2012 Total Population (Millions) / Annual Growth Rate (%)	50/2%
Urban Population (Millions) Annual Growth Rate (%)	30,675.2/1.4%
Number of Major Metropolitan Areas	9
Size of the Middle Class (millions)	12 million

Unemployment Rate (%)	25.2% (2010 estimates)
Percent of Female Population Employed	51%
Exchange Rate as of December 2012	US\$1 = R8.50

Source: 1) <https://www.cia.gov/library/publications/the-world-factbook/geos/sf.html>

2) Statistics South Africa Link: <http://www.statssa.gov.za/publications/P0302/P03022010.pdf>

3) Euromonitor International [www.euromonitor.com](http://www.euromonitor.com)

**TABLE B: SOUTH AFRICA CONSUMER FOOD & EDIBLE FISHERY PRODUCT IMPORTS**

South Africa Imports	January – December Imports from World			January – December Imports from U.S.			January – December U.S. Market Share %		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
<b>In Millions of Dollars</b>									
<b>CONSUMER-ORIENTED AGRICULTURAL TOTAL</b>	7,411	4,939	6,688	285	157	206	3.84	3.17	3.09
Snack Foods (excl. nuts)	118	104	114	2,0	1,6	2,7	1,78	1,56	2,38
Breakfast Cereals/pancake mix	8,3	20	25	349	226	2,0	4,18	1,13	8,01
Red Meats, Fresh/Chilled/Frozen	105	108	120	531	585	102	0,51	0,54	0,08
Red meats, Prepared/Preserved	11	4	5	16	7	29	0,15	0,19	0,55
Poultry Meat	190	189	240	6,1	6,0	4,8	3,22	3,22	2,03
Dairy Products (excl. cheese)	4,5	6,5	8,9	190	399	978	4,23	6,15	11,03
Eggs & Products	2,8	2,2	1,9	637	267	369	22,89	12,36	18,97
Fresh Fruit	22	31	24	1,2	221	440	0,01	0,99	1,42
Fresh Vegetables	6,5	5,2	9,2	679	98	130	10,45	1,89	1,41
Processed Fruit & Vegetables	113	114	145	8,3	7,4	12,3	7,33	6,49	8,49
Fruit & Vegetables Juices	55	59	55	949	412	489	1,72	0,70	0,89
Tree Nuts	39	32	38	5,9	6,2	7,0	15,18	19,61	18,39
Wine & Beer	117	164	40	259	89	1,5	0,22	0,05	3,67
Nursery Products & Cut flowers	11	11	13	133	140	248	1,24	1,30	1,89
Pet Foods (Dog & Cat food)	27	30	40	2,7	2,6	2,9	9,88	8,79	7,22
Other Consumer-Oriented	6,455	3,984	5,683	238	125	161	3,69	3,15	2,83
<b>FISH &amp; SEAFOOD PRODUCTS</b>	224	251	234	12	3,3	3,7	5,31	1,30	1,59
Salmon	11	9,2	13	3,9	1,0	1,7	35,63	11,46	13,09
Surimi									
Crustaceans	47	59	53	403	184	201	0,85	0,31	0,38
Groundfish & Flatfish	16	17	19	36	497	846	0,22	2,95	4,39
Molluscs	22	14	17	2,2	151	646	10,38	1,12	3,70
Other Fishery Products	127	153	130	5,3	843	289	4,14	0,91	0,22
<b>AGRICULTURAL PRODUCTS TOTAL</b>	10,715	7,770	9,966	491	236	357	4,58	3,03	3,58
<b>AG, FISH &amp; FORESTRY TOTAL</b>	5,221	4,697	5,264	328	178	270	6,27	3,80	5,13

Source: Global Trade Atlas

**TABLE C: TOP 15 SUPPLIERS OF CONSUMER FOODS & EDIBLE FISHERY PRODUCTS**

South Africa – Top 15 Suppliers	Import 2008	Import 2009	Import 2010			Import 2008	Import 2009	Import 2010
	Jan-Dec	Jan-Dec	Jan-Dec			Jan-Dec	Jan-Dec	Jan-Dec
<b>CONSUMER-ORIENTED AGRICULTURAL IMPORTS</b>	Value \$1000	Value \$1000	Value \$1000		<b>FISH &amp; SEAFOOD PRODUCTS IMPORTS</b>	Value \$1000	Value \$1000	Value \$1000
Germany	2,191	1,380	2,076		Thailand	95	124	104
Japan	1,502	778	1,147		China	16	17	25
Brazil	600	423	508		India	26	29	24
Thailand	561	405	490		New Zealand	11	10	12

Spain	140	153	269		Norway	8	8	11
<b>United States</b>	<b>285</b>	<b>157</b>	<b>206</b>		Argentina	2	5	6
United Kingdom	296	147	178		Spain	4	3	6
Netherlands	149	194	151		Indonesia	2	4	4
Sweden	81	51	142		<b>United States</b>	<b>11</b>	<b>3</b>	<b>4</b>
Czech Republic	58	62	140		Mozambique	5	6	3
Austria	159	127	136		Chile	4	5	3
China	119	105	131		Peru	8	3	3
France	161	119	116		Falkland Islands	3	2	3
Italy	80	74	86		Malaysia	1	4	2
India	90	53	84		Portugal	2	2	2
Other	6,455	3,984	5,683		Other	127	153	130
World	7,411	4,939	6,688		World	224	251	234

Source: Global Trade Atlas