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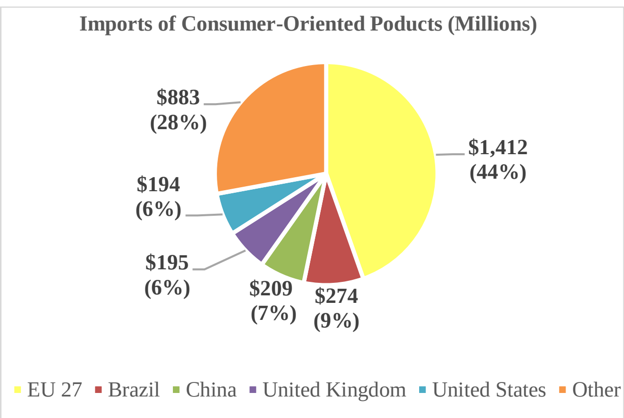
Report Highlights:

South Africa's food service sector generated revenues valued at US$3.5 billion in 2021, an upsurge of almost 30 percent from 2020. The South Africa hotel, restaurant, and institutional industry was severely affected by the strict restrictions imposed by the South African government to control the COVID-19 pandemic from March 2020. After the restrictions were gradually lifted in 2021, the industry recorded an uptick in food and beverage sales but has not yet reached pre-pandemic levels.

Market Fact Sheet: South Africa

Executive Summary: South Africa is a middle-income emerging market with an estimated population of 60 million (64 percent live in urban areas). The country's GDP was $351 billion in 2021. South Africa's well-developed agribusiness sector plays a significant role in job creation and economic growth. The country is the largest exporter of agricultural products in Africa. Although largely self-sufficient in production, South Africa offers some opportunities for U.S. exports.

Imports of Agricultural Products: In 2021, imports of agricultural products were $7.3 billion, compared to $ 6.2 in 2020. South Africa's imports of consumer-oriented products were $3.1 billion in 2021, compared to $2.6 billion in 2020. The EU 27+UK accounted for 50 percent of total consumer-oriented imports, while 6 percent were from the United States.



Food Processing Industry: South Africa's demand for ingredients for processed foods drives imports for a wide range of products. There are over 1,000 food production companies in South Africa, and the top 10 companies account for more than 80 percent of the sector's revenue.

Food Retail Industry: The sector is well-developed and continues to expand into other African countries. South Africa's food sales totaled $40 billion in 2021, as the economy began to recover in the wake of the COVID-19 pandemic.

Data and Information Sources: Trade Data Monitor, Statistics South Africa (Stats SA), Euromonitor International, local trade contacts, local industry publications, and trade press

For more information, please contact FAS Pretoria.
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CY 2021 Quick Facts

Imports of U.S. Agricultural Products: $313 million

Imports of U.S. Consumer-Oriented Products: $194 million

Combined Revenue of Hotels, Restaurants, and Institutions: $3.5 Billion (up 30 percent from 2020)

2021 South African Food Industry Channels

Food Industry Output	$44 billion
Food Exports	$12.4 billion
Food Imports	$7.3 billion
Retail	$29 billion
Food Service	$3.5 billion

Leading Hotel Chains

Marriot Hotels & Resorts	Hilton Hotels & Resorts
Legacy Hotels & Resorts	Sun International Group
Mercury Accor	

Leading Food Service Chains

KFC (Yum Brands Inc.)	McDonald's
Nando's (Nando's Group Holding)	Debonairs Pizza, Steers, and Wimpy (Famous Brands Ltd)
Chicken Licken	

Analysis for U.S. Ag Exports to South Africa

Strengths	Weaknesses
South Africa is an advanced market economy, has well-developed infrastructure, and boasts modern retail chains with established food and beverage distribution networks in the region.	Distance from the United States results in high transportation costs; electric outages present a challenge for cold chain products; limited technical capacity of regulators contributes to trade barriers and delays in resolving access issues.
Opportunities	**Challenges**
South African retailers and importers are interested in expanding the array of U.S. products available in the market. The country has extensive distribution linkages to other African countries, which provides multiple channels to diversify distribution to other markets in the region.	Trade agreements with EU, UK, and MERCOSUR reduce duties for products from those countries; political preference for BRICS countries (Brazil, Russia, India, and China); high tariffs for U.S. food and beverage products; decreased consumer purchasing power due to high unemployment and effects of pandemic.

SECTION 1: MARKET SUMMARY

The South African hotel, restaurant, and institutional (HRI) industry is made up of chain stores including well-known franchises and independent food businesses. This industry faced many challenges in 2021, including, uncertainties brought not only by the Covid-19 pandemic and frequent power outages, but also by the civil unrest that rocket the country for several weeks in July 2021. Retail stores were looted, gas stations and fast food restaurants were vandalized, several warehouses and cold chain storage facilities were damaged, and the country's largest port shut down during the worst of the unrest. Facing these challenges, the food service sector has been forced to adapt and change business models, for example, offering meal kits for sale, beefing up online ordering options, and increasing take-away sales and deliveries. According to Statistics South Africa (StatsSA), the industry recorded sales of $3.5 billion in 2021, an upsurge of almost 30 percent from the $2.7 billion seen in 2020. However, sales have not yet recovered to pre-pandemic levels.

In early April 2022, the South African government lifted the national state of disaster that had been in place since the start of the pandemic. On June 22, the South African Minister of Health cancelled all remaining COVID-19 restrictions, eliminating the requirement for face masks in public, limits on the size of indoor gatherings, and vaccination and testing rules for travelers entering the country. While government officials are eager to get back on track and grow the economy, non-pandemic challenges remain, including political division, crumbling infrastructure, and regular power outages (known as "loadshedding"). It will take time for the HRI sector to fully recover as consumer spending continues to be pressured by the rise of fuel and food prices.

Table 1: *South African Sales of Food and Beverages by Sector (USD billions)*

Sector	2019	2020	2021
Restaurants and coffee shops	$2.65	$1.28	$1.64
Take-away and fast-food outlets	$0.91	$0.76	$1.19
Catering services	$0.94	$0.49	$0.47
Hotels	$0.5	$0.19	$0.21
Total industry sales	**$5**	**$2.72**	**$3.51**

Source: StatsSA
Note: US$1 = Rand 17.10

Restaurants and Coffee Shops: According to StatsSA, restaurants and coffee shops revenues topped $1.6 billion in 2021, up 28 percent from the previous year as the sector began to recover from the effects of the pandemic. Many restaurants opened take-away and home delivery services, but alcohol sales, which contribute a significant portion of a restaurant's revenue, were prohibited during several strict lockdowns in 2021.

Takeaway and Fast Food Outlets: According to StatsSA, this category is defined as enterprises involved in the sale of meals and drinks ordered from a menu, prepared on the premises for takeaway purposes in a packaged format, at a location with or without seating. This sector recorded a 57 percent surge in revenues from 2020 to 2021, as dining in restaurants was prohibited during several strict lockdowns and consumers viewed takeaway meals as a safer option.

Catering Services: Catering services registered a 4 percent drop in food and beverage revenue in 2021, mainly due to strict pandemic lockdown regulations. According to StatsSA, in addition to event catering and institutional kitchens that service schools, businesses, and prisons, this category also includes bars, taverns, and ice cream parlors.

Table 2: *Advantages and Challenges Facing the U.S. Exporters*

Advantages	**Challenges**
Expanding online retail food platforms and increased proliferation of rapid delivery services, including for temperature-sensitive products	Electricity outages due loadshedding have increased costs and reduced store hours for some businesses in the HRI sector.
South African consumers are interested in new and different foods, especially in the snack food, prepared food, sauces and dips, and beverage categories.	Europe and BRICS countries have preferential market success or free trade agreements with South Africa, while U.S. products face high import tariffs.
The country has extensive distribution linkages to other African countries, which provides multiple channels to diversify distribution in the region.	Economic hardships from the pandemic, civil unrest, supply chain disruptions, and spiking food price inflation have eroded consumers' disposable income and hampered spending.
Young population tends to prefer processed and easy-to-prepare foods, including brands that they have seen on social media and in movies and TV series	The rand-dollar exchange rate can complicate planning, especially for smaller or new-to-market firms. Although forward exchange contracts (which fix the rate of exchange for delivery at an agreed future date) are readily available and the rand is a commonly traded currency, interest rates tend to be higher than in United States and other developed markets.

More information on the South African market can be found in the FAS Pretoria Exporter Guide. The U.S. International Trade Administration's South Africa Country Commercial Guide also provides background information on the country's business climate.

SECTION 2: ROAD MAP FOR MARKET ENTRY

2.1 Entry Strategy

Post recommends that U.S. exporters consider the following when entering the South African market:

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

- Exporting through distribution or import agents with knowledge of the South African market is the safest or easiest way to cater to customers in the South African HRI sector. It is essential that U.S. exporters choose and nominate a competent agent registered with the South African Revenue Services (SARS). The agent should be capable of handling the necessary customs clearance, comply with all the regulatory requirements, and plan for necessary documentation, warehousing, and financing arrangements. U.S. exporters must also be registered with SARS. The U.S. exporter registration will only be processed after the nomination of a registered agent based in South Africa.

- The most successful U.S. exporters to South Africa are those who have comprehensively researched the market prior to engaging customers, agents, or importers. Once contacts are established, it is advisable to visit and meet in person. Maintaining close contact with your local agent to track changes in import procedures will help ensure that the agent is effectively representing your interests. Teleconferencing platforms, such as WhatsApp, Zoom, and Microsoft Teams are widely used in South Africa and can be helpful in establishing relationships with importers prior to travel.

- FAS organizes many market development activities, including exhibitions and trade missions promoting American food and agricultural products to help U.S. exporters meet credible agents. U.S. exporters can participate in these large, multinational exhibitions that draw tens of thousands of buyers and distributors. FAS also organizes buying teams of foreign importers and buyers to visit trade shows and meet with exporters in the United States. Participation in these programs can provide useful information to buyers, facilitate trade contacts and relationships, and help answer lingering questions.

- U.S. exporters can also contact their respective State Regional Trade Group (SRTG) and the National Association of State Departments of Agriculture (NASDA) to obtain additional market entry support. Cooperator groups regularly organize trade missions and help companies participate in trade shows.

- In addition to this report, FAS Pretoria also produces an annual report on Food Processing Ingredients, Retail Foods, Food and Agricultural Import Regulations and Standards (FAIRS), and an Exporter Guide. These and other market and commodity reports are available through the FAS website.

2.2 Distribution

In general, South African hotels, restaurants, and institutions do not import directly, but instead purchase food and beverage products through importers and distributors who are familiar with the country's import regulations and have established relationships with U.S. exporters. The usual distribution channel from an American exporter to a South African HRI buyer begins with a U.S. food manufacturer or exporter working with a South African importer, distributor, and/or agent, who then sells and distributes the American product to various entities in the HRI sector.

2.3 Company Profiles

2.3.1 Fast Food

The South African fast food industry is highly developed. The sector is dominated by companies with many domestic and international outlets, supported by well-established and competitive franchising models and a well-developed network of industry associations and lobbyists. For more information, FAS Pretoria recommends visiting the websites of the Federated Hospitality Association of South Africa (FEDHASA), the Franchise Association South Africa (FASA), and the Restaurant Association of South Africa (RASA).

Table 3: *Fast Food Chains in South Africa*

Global Brand Owner	Brand	Website
Yum Restaurants International (USA)	KFC, Pizza Hut	https://www.yum.com/
Famous Brands Ltd (SA)	Debonairs Pizza, Steers, Wimpy, FishAway, Milk Lane, Mugg & Bean, Tasha, Turn & Tender	https://famousbrands.co.za/
Spur Corp Ltd (SA)	Spur Steak Ranches	https://www.spursteakranches.com
McDonald's Corp (USA)	McDonald's	https://www.mcdonalds.co.za
Nando's Group Holdings Ltd (SA)	Nando's	https://www.nandos.co.za

Source: Euromonitor International

2.3.2 Hotels and Resorts

The South African hospitality sector was hard hit by the lockdown after most hotels were forced to close, except those that provided services for guests to isolate or quarantine and for stranded travelers. South African hospitality establishments include game lodges, guest houses, self-catering lodging, youth hostels, and bed and breakfasts. Many of these businesses were forced to close in 2020 and 2021 for the first time since they opened their doors. The pandemic resulted in low occupancy rates, reduced revenue, and cancellations by guests who expected refunds.

The industry started to recover in 2021 with increased rates of domestic and regional travel, but much of the tourism sector has not rebounded to pre-pandemic levels just yet. Nevertheless, South Africa saw new hotels open last year as lockdown restrictions eased and domestic travel resumed. According to industry contacts, small boutique hotels have seen the greatest recovery, especially those establishments that allow self-catering.

The Tourism Grading Council of South Africa offers an official ranking of tourism establishments in the country and oversees quality control. Establishments are graded from one to five stars, with one-star hotels offering very basic facilities and five-star hotels offering high-end accommodation. Hotel grades are displayed in most advertising material and at establishment entrances.

Table 4: *Leading Hotels Chains in South Africa*

Hotel Group	Website
Marriot Groups Hotels and Resorts (US)	https://www.marriott.com
Hilton Hotels and Resorts (US)	https://www.hilton.com
Legacy Hotel & Resorts (SA)	https://www.legacyhotels.co.za
The Sun International Group (SA)	https://www.suninternational.com
Protea Hotels by Marriott (US)	https://protea.marriott.com/
City Lodge Hotels (SA)	https://clhg.com
Mercure Accor Group (France)	https://www.accorhotels.com/

2.3.3 Institutional Food Service

South Africa's institutional food service sector is fairly concentrated. This category includes schools, hospitals, prisons, and other state-run entities, as well as contracted catering companies. It constitutes a very large market for food and beverages and is dominated by the South African service providers listed below, which use centralized kitchens to provide meals to students, patients, and inmates.

Table 5: *Institutional: Contract Catering Companies*

Business Name	Website
Fedics (Tsebo Outsourcing Group)	https://www.fedics.co.za
Royal Mnandi Food Service Solutions (Bidvest Group)	https://www.bidvest.co.za
Feedem Pitseng Pty Ltd (Independently owned)	https://www.feedem.co.za
LSG Sky Chefs South Africa	https://www.lsgskychefs.com

SECTION 3: COMPETITION

In general, U.S. exports mostly face competition from producers in South Africa and the Southern African Customs Union (SACU), the Southern African Development Community (SADC), BRICS, the EU, and MERCOSUR, which have favorable market access. South Africa has free trade agreements with members of SACU and the EU, as well as a preferential trade agreement with MERCOSUR. South Africa is also negotiating the tariff schedules and preferential trade conditions for the African Continental Free Trade Area (AfCFTA).

Table 6: *South African Imports of Consumer-Oriented Products from the World*

Commodity	Annual Series (Value: USD)		
	2019	2020	2021
Consumer-Oriented All	3,170,375,571	2,629,336,079	3,166,216,564
Poultry Meat & Prods (excl. eggs)	424,947,957	313,738,383	362,727,536
Distilled Spirits	304,745,774	190,969,047	293,681,377
Dairy Products	240,686,131	247,397,378	277,007,461

Soup & Other Food Preparations	183,939,451	182,071,978	211,885,518
Bakery Goods, Cereals, & Pasta	151,460,210	147,279,018	185,584,929
Chocolate & Cocoa Products	158,807,344	162,204,776	177,625,500
Processed Vegetables	137,834,826	133,014,838	153,351,031
Beer	241,675,971	118,109,780	143,215,674
Coffee, Roasted and Extracts	103,293,120	113,424,229	122,786,644
Meat Products NESOI	139,098,534	107,885,742	137,757,001

Table 7: *U.S. Top 10 Consumer-Oriented Exports to South Africa*

	Annual Series (Value: USD)		
Commodity	**2019**	**2020**	**2021**
Consumer-Oriented All	199,978,381	170,368,764	189,143,565
Dairy Products	16,871,594	8,757,107	20,174,385
Tree Nuts	25,580,484	22,261,407	19,881,995
Soups & Other Food Preparation	17,815,750	17,067,119	17,214,176
Distilled Spirits	15,758,048	9,798,310	15,709,697
Beef & Beef Products	8,908,986	11,803,916	14,339,086
Condiments & Sauces	6,651,267	5,568,221	7,208,936
Processed Vegetables	2,313,438	13,347,112	3,027,045
Fruit & Vegetables Juices	1,171,853	1,004,704	2,508,789
Chocolate & Cocoa Products	865,150	2,229,331	2,220,771

SECTION 4: BEST PRODUCT PROSPECTS CATEGORIES

Unique and innovative U.S. products have the best prospects in the South African HRI sector, although price competitiveness is also major factor for many importers.

4.1 Products present in the market that have good sales potential

The South African presents market opportunities for U.S. exports of chicken cuts and edible offal, almonds, prepared foods, craft beer, and distilled spirits.

4.2 Products not present in significant quantities that have good sales potential

Opportunities exist for new U.S. products in the South African food and beverage market, including a wider variety of beef cuts and offal, fish and seafood products, and seasonings and spice blends.

SECTION 5: KEY CONTACTS AND FURTHER INFORMATION

5.1 Post

If you have questions or comments regarding this report, please contact the Office of Agricultural Affairs in Pretoria, South Africa.

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Other market and commodity reports are available through the FAS website: http://www.fas.usda.gov/

5.2 Additional Contacts

- American Chamber of Commerce in South Africa: www.amcham.co.za
- U.S. Commercial Service: https://www.trade.gov/south-africa
- U.S. International Trade Administration – South Africa Country Commercial Guide: https://www.trade.gov/knowledge-product/exporting-south-africa-market-overview
- The Franchise Association of South Africa: https://www.fasa.co.za
- The Restaurant Association of South Africa: http://www.restaurant.org.za/
- South African Tourism: https://www.tourism.gov.za
- The Federated Hospitality Association of South Africa: https://fedhasa.co.za
- The Tourism Grading Council of South Africa: https://www.tourismgrading.co.za/

Attachments:

No Attachments