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GAIN Global Agricultural Information Network

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Report Highlights:

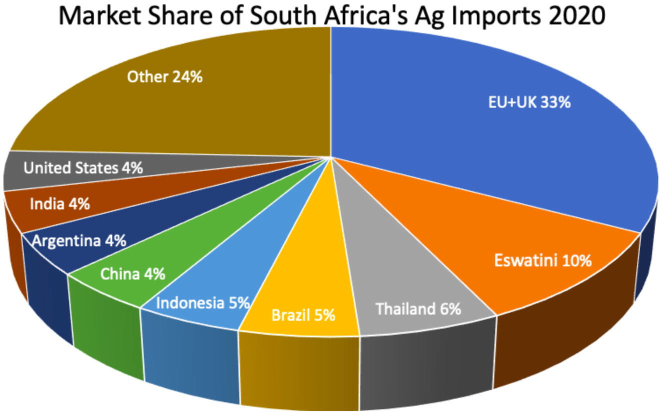
South Africa continues to be an important market for U.S. agricultural products. The country is an attractive business destination due to its growing market and a well-developed infrastructure, catering to efficient distribution of both imported and locally produced agricultural products to major urban centers and the entire Southern Africa region. Although 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, and oilseeds), the country continues to offer opportunities for imports from the United States. South Africa consumers' willingness to try new products and a growing demand for imported products due to changes in health-conscious eating and drinking habits has created opportunities for U.S. agricultural exports in niche food and beverage categories, but American exporters face competition from domestic suppliers and countries that have preferential trade relationships with South Africa.

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 $302 billion in 2020. 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, the country offers some opportunities for U.S. exports.

Imports of Agricultural Products: In 2020, South Africa's imports of agricultural products were valued at $6 billion, a decrease from $6.4 billion in 2019 due to the pandemic. The EU 27 plus UK accounted for 33 percent of total agricultural imports, while 4 percent came from the United States.

Market Share of South Africa's Ag Imports 2020



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 are responsible for more than 80 percent of the industry's production revenue. The sector employed approximately 400,000 people in 2020, an 11 percent decrease from the previous year due to the impact of the pandemic, which reduced demand for meat, fish, fruit, dairy products, milled grain products, and beverages.

Food Retail Industry: The sector is well-developed and continues to expand into other African countries. South Africa's food sales totaled $39.8 billion in 2020, a decrease of 6 percent from 2019 due to the impact 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 at AgPretoria@usda.gov

2020 Quick Facts

Imports of U.S. Agricultural Products:
$324 million

Top 10 U.S. Agricultural Products Exported to South Africa:
- Chicken cuts and edible offal
- Animal feed preparations (mixed feeds)
- Soybeans, other than seed
- Food preparations
- Wheat
- Almonds
- Vegetables (including dried and mixtures)
- Food/drink ingredients
- Beef liver
- Dextrins and other modified starches

South African Food Industry Channels

Food Industry Output	$40 billion
Food Exports	$10 billion
Food Imports	$6 billion
Retail	$40 billion
Food Service	$3 billion

Analysis for U.S. Ag Exports to South Africa

Strengths	**Weaknesses**
Advanced economy, well-developed infrastructure, modern retail chains for food and beverage distribution	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**
Retailer and importers interested in expanding U.S. products available in the market, distribution linkages to other African countries provide 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 other 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 OVERVIEW

South Africa, the thirty-third largest economy in the world, is one of the most advanced and diverse economies on the African continent. The country has a gross domestic product (GDP) of $302 billion, making it the third largest economy in Africa, after Nigeria and Egypt. 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 Africa 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, and oilseeds. Despite South Africa's well-developed processed food and competitive horticultural sectors (e.g., wine, fresh fruits, and vegetables), the country continues to offer opportunities for imports from the United States.

Unfortunately, the COVID pandemic has had a large impact on the South African food market. In September 2021, the South African government collaborated with the domestic industry to introduce a strategic localization policy to spur economic recovery. The policy aims bolster the country's local food processing sector to serve both the domestic and export markets and create jobs in the grains and oilseeds, animal and products, and horticultural sectors. The policy discourages imports by urging local retail and food and beverage companies to commit to 100 percent local procurement from South African farmers and processors. The government has come under attack and criticism from some industries citing the policy as a trade barrier and a protectionist measure that blocks some imported products. According to trade contacts, imports actually play a vital role in improving domestic production and product quality by pressuring the local sector to produce high quality products that offer more value for consumers. You can find more information about the localization policy by clicking here and here.

In addition to the pandemic, the South African economy was struck by a wave of civil unrest for several weeks in July 2021. The turmoil following former President Jacob Zuma's arrest cost South Africa $3.5 billion and imperiled at least 150,000 jobs, largely concentrated in the provinces of KwaZulu-Natal and Gauteng. 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. Days after the Port of Durban resumed operations, South Africa's state-owned port, rail, and pipeline authority, Transnet, announced that a cyber-attack had again crippled the flow of goods in and out of the country. Transnet was forced to declare force majeure for the second time in a month after the cyber-attack on July 22, which required port workers to manually track ship movements and resort to a paper-based clearance process for cargo at the Ports of Durban, Cape Town, Ngqura, and Gqeberha. While both challenges resolved by August 2021, vulnerabilities remain in the South African market.

1.1 Population and Key Demographic Trends

Statistics South Africa (StatsSA) estimates South Africa's population at 60 million people. The country is divided into nine provinces, the most populous of which is Gauteng province (containing the cities of Johannesburg and Pretoria). Gauteng is located in the northeast of the country and is home to 26.3 percent of South Africa's population, up from 26.0 in 2020. The second most populous province is KwaZulu-Natal, located along the country's southeastern coast, is home to the largest port in sub-Saharan Africa (Port of Durban) and accounts for 19.1 percent of South Africa's population, down from

19.3 percent in 2020. An estimated 28.3 percent of the population is younger than 15 years, with 9.2 percent over the age of 60, according to StatsSA.

1.2 Size of Economy, Purchasing Power, and Consumer Behavior

South Africa's economy is the third largest in Africa, after Nigeria and Egypt, and one of the most industrialized countries on the continent, boasting an upper middle-income economy and a GDP of $302 billion. The pandemic has impacted many sectors in the South African economy, including hotels, retail outlets, restaurants, and the wine and spirits industry. Pandemic restrictions imposed by the government have at various times restricted business trading hours and established curfews. The situation has forced many businesses to close, which has increased unemployment rates (34.9 percent as of late 2021) and resulted in less disposable income. Consumers have become more conscious of how they spend their limited funds.

1.3 Overall Business Climate

The South African economy is one of the most pro-business markets in Africa, enjoying relatively stable long-term economic growth. Nevertheless, the pandemic has posed major challenges over the last two years. While the South African economy expanded in 2018 and 2019, the pandemic brought that growth to a halt in 2020, with GDP shrinking by 14 percent, from $351.4 billion on 2019 to $301.9 billion in 2020. While the economy has shown positive signs in 2021, the emergence of the omicron COVID variant led to another slowdown concentrated in the travel and tourism sectors. See the U.S. International Trade Administration's South Africa Country Commercial Guide for additional information on the South African business climate.

South Africa is a net exporter of agricultural products. In 2020, agricultural exports totaled $10 billion, up from $9 billion in 2019, despite the pandemic. Major exports include citrus fruits, grapes, pears, apples, wine, wool, sugar, and corn. South Africa imported $6.2 billion in agricultural products in 2020, down from $6.8 billion in 2019. Major agricultural imports include rice ($521 million), wheat and meslin ($473 million), mixed food/drink ingredients ($387 million), palm oil ($321 million), sugar including cane sugar solids ($194 million), prepared foods ($179 million), chicken products including edible offal and frozen meat ($176 million), sunflower seeds ($150 million), soybean oilcake ($138 million), and beer made from malt ($118 million).

The United States exported $324 million of agricultural products to South Africa in 2020, down from $363 million in 2019. Major U.S. agricultural exports to South Africa include chicken ($59 million), animal feed preparations ($36 million), soybeans ($25 million), food preparations ($16 million), wheat and meslin ($16 million), almonds ($15 million), vegetables and dried vegetable mixtures ($11 million), mixed food/drinks ($10 million), beef livers ($10 million), and dextrins and other modified starches ($9 million).

Table 1: Advantages and Challenges Facing U.S. Exporters

Advantages	Challenges
South Africa has a highly developed retail and HRI industry and new international brands are driving demand growth for food ingredients.	Competition from local producers and other countries, especially those with preferential or free trade agreements, may disadvantage certain U.S. origin products.
South Africa boasts a well-developed business environment, paired with well-maintained trade and transportation infrastructure.	Food safety and phytosanitary restrictions may affect imports of some food products, particularly fresh produce and animal origin products.
The country serves as a gateway to other Sub-Saharan Africa markets, allowing U.S. exporters to use centralized distribution channels to reach diverse consumer populations.	Security concerns and high crime rates plagues some areas of South Africa, but many businesses manage to continue operating.
South Africans have diverse food tastes and are willing to try new products, leading importers to seek out new-to-market products to expand their offerings.	It can be difficult to acquire shelf space in large supermarket chains, which already stock a large array of competing products.
The country's online retail sector continues to expand for food and beverage products. Retailers are increasing engagement with consumers through social media platform, while modern infrastructure and distribution channels allow for efficient distribution.	South African consumers have experienced decreased consumer purchasing power due to the high unemployment rate and effects of the pandemic.
English is the common language in South Africa, allow U.S. exporters to conduct business more efficiently and cost-effectively.	Geographic proximity favors competing suppliers due to higher shipping and freight costs from the United States.

SECTION 2: EXPORTER BUSINESS TIPS

2.1 Market Research

The U.S. suppliers are advised to comprehensively research the market before exporting to South Africa. This research should include regulatory issues, market size dynamics, consumption trends, and import procedures and regulations. Interested U.S. suppliers are encouraged to read Section 3 of this report for more information on import regulations.

Resources for South African market research:

- The Nielsen Company South Africa
- BMI Research Pty Ltd
- Ipsos South Africa
- KLA Market Research
- South African Marketing Research Association (SAMRA)

2.2 Local Business Customs and Trends

South Africa is a complex market with combined European and African elements and largely follows western business practices. Exporting through a reliable distributor or import agent with knowledge of the South African food and beverage sector is the safest way to enter the market. Some importers have long-standing relationships with suppliers, making them a valuable asset to enter the market. U.S. suppliers are encouraged to contact FAS Pretoria for help connecting with importers. Making an in person visit to the market (when travel is safely available) is an excellent way for American companies that wish to expand exports to Southern Africa to establish relationships, build networks, acquire firsthand knowledge, and identify opportunities. FAS Pretoria has held several virtual trade events while travel has been limited during the pandemic and many regional trade shows were cancelled, but these are not a full substitute for meeting buyers face-to-face.

U.S. exporters are encouraged to reach out to FAS Pretoria is they are interested in participating in future trade events in the region. It is also useful to connect with relevant State Regional Trade Groups (SRTGs) and/or cooperator groups and trade associations to obtain additional market entry support and education.

2.3 General Consumer Tastes and Trends

- The Covid-19 pandemic reduced consumer purchasing power, declining retail sales growth.
- Improved awareness across various social media platforms related to health and wellness has boosted the demand for various food products and in particular, fresh fruits and vegetables, natural and organic foods, functional beverages.
- Increased consumer financial vulnerability, and gloomy consumer confidence.
- Increased online buying behavior.
- Increased demand for high quality goods and services at competitive prices by cost conscious consumers.

SECTION 3: IMPORT FOOD STANDARDS, REGULATIONS, AND IMPORT PROCEDURES

Food and agricultural products entering the South African market are subject to the country's food laws, legislation, and regulatary standards. This section provides links to FAS Pretoria's Food and Agricultural Import Regulations and Standards (FAIRS) Country Report, which provides an overview of relevant standards and regulations, and the FAIRS Export Certificate Report, which outlines documentation requirements for U.S. food and agricultural products destined for South Africa.

3.1 Customs Clearance

The FAIRS Country Report offer information on customs clearance, as well as an assessment of South African laws and import requirements applicable to food and agricultural imports.

3.2 Documents Generally Required by South Africa Authorities for Imported Food

Both the FAIRS Country Report and to the FAIRS Export Certificate Report include information on the documents required by South African authorities for various imported products.

In addition to relevant import permits and applicable health certificates, the following basic documentation should generally accompany all shipments to South Africa:

- 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
- Bill of entry documentation that provides the correct physical addresses of supplier and storage facilities
- Bill of lading
- Insurance documents and any other special documentation or certificates that may be required by the importer (e.g., laboratory results/certificates if the product claims to be organic)

3.3 South Africa Language Labelling Requirements

Labels must be in English. Please refer to the FAIRS Annual Country Report for more information.

3.4 Tariffs and Free Trade Agreements (FTAs)

Information on South African tariff schedules and trade agreements can be found through these sources:

- Tariff information: https://www.sars.gov.za/customs-and-excise/tariff
- Tariff investigations, amendments, and trade remedies: http://www.itac.org.za
- Trade agreements:
    - https://www.sars.gov.za/legal-counsel/international-treaties-agreements/trade-agreements/
    - http://www.thedtic.gov.za/sectors-and-services-2/1-4-2-trade-and-export/market-access/trade-agreements/
    - https://www.sadc.int/member-states/south-africa/
    - https://www.trade.gov/country-commercial-guides/south-africa-trade-agreements
    - https://ec.europa.eu/trade/policy/countries-and-regions/countries/south-africa/

3.5 Trademarks and Patents Market Research

Trademarks and patents are regulated by the South Africa Companies and Intellectual Prosperities Commission. More information can be found in Section VIII of the the FAIRS Country Report.

SECTION 4: MARKET SECTOR STRUCTURE AND TRENDS

4.1 Top Sectors for Growth

Table 2: Top Five Countries Exporting Consumer-Oriented Products to South Africa

2020 South African Imports of Consumer-Oriented Products			
Country	**Value (USD Millions)**	**% of Total Imports**	**Top Product Categories**
EU	1,179	45	Dairy products, distilled spirits, soups and other food preparations, chocolate and cocoa products, poultry meat and products, processed vegetables
China	177	7	Meat products, fruit and vegetable juices, processed vegetables, spices, bakery goods, cereals and pasta, nursery products and cut flowers
United Kingdom	173	7	Distilled spirits, dairy products, bakery goods, cereals and pasta, chocolate and cocoa products, soup and other food preparations, non-alcoholic beverages (excluding juice, coffee, and tea)
Brazil	169	6	Poultry meat and products, meat products, pork meat and products, chewing gum and candy, spices, distilled spirits
United States	166	6	Poultry meat and products, tree nuts, soups and other food preparations, processed vegetables, beef and beef products, distilled spirits

4.2 Consumer-Oriented Product Prospects Based on Growth Trends

Table 3: South Arica's Top 10 Imports of Consumer-Oriented from the United States

	Value (USD)		
Product Description	**2018**	**2019**	**2020**
All Consumer-Oriented Products	195,176,267	199,978,381	170,368,764
Poultry Meat and Products (excluding eggs)	94,087,747	89,285,109	65,159,169
Tree Nuts	19,268,086	25,580,484	22,261,407
Soups and Other Food Preparations	13,072,961	17,815,750	17,067,119
Processed Vegetables	2,872,832	2,313,438	13,347,112
Beef and Beef Products	13,484,527	8,908,986	11,803,916
Distilled Spirits	16,047,234	15,758,048	9,798,310
Dairy Products	14,127,180	16,871,594	8,757,107
Condiments and Sauces	4,4860,856	6,651,267	5,568,221
Processed Fruit	3,333,035	2,074,842	2,281,691
Chocolate and Cocoa Products	1,290,788	865,150	2,229,331

Source: Trade Data Monitor

4.3 Retailer Information

Retail chains in South Africa use loyalty programs, promotions, bulk discounts, and online purchasing with home delivery to attract and maintain customers in a very competitive industry.
Additional information can be found in the 2021 FAS South Africa Retail Foods Report.

Table 4: Major South African Retailers

Retailer	Website	Retailer	Website
Shoprite Holdings Ltd	http://shopriteholding.co.za	Pick n Pay Retailers Pty Ltd	http://www.picknpay-ir.co.za
Massmart Holdings (Walmart)	https://massmart.co.za	The Spar Group Ltd	http://www.spar-international.com/contry/southafrica
Woolworths Holdings Ltd	https://woolworths.co.za		

4.4 Market Opportunities for Consumer-Oriented Products

South Africa is a well-developed entry point to do business in the Sub-Saharan Africa region and often follows the United States in food trends. The 2020 combined sales value of hotels, restaurants, and institutions (HRI) was $ 3.1 billion, a large drop from $5.1 billion in 2019, because of the COVID pandemic. Pandemic travel and curfew restrictions, restricted operating hours (including several bans on alcohol sales), and the aftermath of the July 2021 civil unrest (damaged facilities and infrastructure) all continued to affect the sales of consumer-oriented products in 2021. Additional information can be found in the 2021 South Africa Food Service-HRI Report.

U.S. exports have been affected by South Africa's poultry tariff structure, delays in authorizing market access for certain U.S. fruit and vegetables product, and supply chain interruptions, including delays in issuing imports permits and health certificates for meat products. However, changing consumer trends and the expansion of retail chains are creating opportunities for U.S. niche products, including beef, poultry, distilled spirits, wine, nuts, snack foods, as well as healthier and whole foods alternatives, including gluten-free, sugar-free, and plant-based foods.

4.5 Competition to U.S. Exports

U.S. exports mostly face competition from South African producers and imports from other countries in the Southern African Development Community (SADC), EU, and MERCOSUR trade blocs, as well as a political preference for BRICS countries. South Africa has free trade agreements with SADC and the EU, and a preferential trade agreement with MERCOSUR. The country is also in discussions to negotiate the tariff schedules related to preferential trade within the African Continental Free Trade Area (AfCFTA).

SECTION 5: AGRICULTURAL AND FOOD IMPORTS

5.1 Agricultural and Related Food Import Statistics

Information on U.S. exports of bulk, intermediate, and consumer-oriented (BICO) products to South Africa can be found on the FAS Global Agricultural Trade System (GATS): https://apps.fas.usda.gov/GATS/default.aspx

5.2 Best High-Value and Consumer-Oriented Product Prospects

Potential market opportunities for U.S. agricultural products in the South African food and beverage market include beef and beef products, poultry meat and products, fish and seafood products, tree nuts, liquor (e.g., bourbon whiskey), craft beer, food ingredients, hops, oils and fats, pet food, snack foods, and prepared foods. Despite South Africans' relatively low purchasing power, U.S. agricultural products are growing in demand, and many of these products are on shelves in independent stores and mainstream supermarkets.

SECTION 6: KEY CONTACTS AND FURTHER INFORMATION

6.1 FAS South Africa

If you have questions or comments regarding this report, please contact the FAS Office of Agricultural Affairs in Pretoria at:

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Email: agpretoria@usda.gov
Website: https://www.usdasouthernafrica.org
Other FAS market and commodity reports are available through the FAS website: https://www.fas.usda.gov/data

6.2 Additional Useful Resources

- American Chamber of Commerce in South Africa: https://amcham.co.za
- U.S. International Trade Administration – South Africa Country Commercial Guide: https://www.trade.gov/knowledge-product/exporting-south-africa-market-overview

Attachments:

No Attachments