

Required Report: Required - Public Distribution

Date: January 03, 2024

Report Number: SF2023-0048

Report Name: Exporter Guide

Country: South Africa - Republic of

Post: Pretoria

Report Category: Exporter Guide

Prepared By: Nevolan Reddy and Katie Woody

Approved By: Ali Abdi

Report Highlights:

South Africa is an important market for agricultural products from the United States. The country is a favorable site for enterprises due to its developing market, which facilitates the effective transportation of both imported and domestically produced agricultural products to major urban centers and the greater Southern Africa region. South Africa's commercial agriculture business is extremely diversified and self-sufficient in most basic products, apart from wheat, rice, and poultry, although the country remains open for imports from the United States. South African consumers' willingness to try new products and rising demand for imported goods because of changes in health-conscious eating and drinking habits have created opportunities for U.S. agricultural exports in specialized food and beverage categories, but American exporters face challenges such as local suppliers with trade partnerships with other countries and the volatile exchange rate.

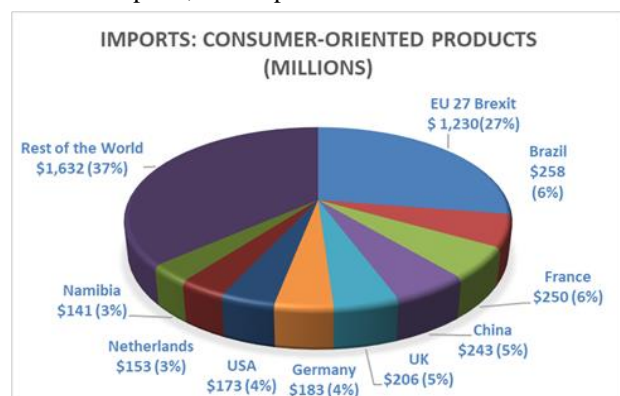
Market Fact Sheet: South Africa

Executive Summary

South Africa is a middle-income emerging market with an estimated population of 62 million (68 percent live in urban areas). The country's estimated GDP decreased in 2023 to \$381 billion, from \$406 billion in 2022. South Africa exports more agricultural goods than any other country in Africa. Although the country is mostly self-sufficient in terms of production, there is demand for food ingredients and consumer-oriented goods, providing opportunities for U.S. exports.

Imports of Consumer-Oriented Products

Imports of all agricultural products totaled \$7.7 billion in 2022, compared to \$7.3 billion in 2021. At the same time, imports of consumer-oriented products reached \$3.2 billion in 2022, compared to \$3.1 billion in 2021. The EU accounted for 27 percent of total consumer-oriented imports, with 4 percent from the United States.



Food Processing Industry

A vast range of products are imported into South Africa due to the country's need for ingredients for the food processing industry. Although there are more than 1,800 food processing enterprises in the nation, the top 10 companies generate more than 80 percent of the industry's revenue.

Food Retail Industry

The food retail sector, accounting for almost 50 percent of all retail sales in South Africa, is highly concentrated and distinguished by a well-developed market. The sector has seen continued growth in e-commerce, home delivery services, health and wellness product offerings, and demand for halal and plant-based products.

For more information, please contact FAS Pretoria:
AgPretoria@usda.gov
www.usdasouthernafrica.org

2022 Quick Facts

Imports of Consumer-Oriented Products: \$3.2 billion

List of Top 10 Growth Products in South Africa

- | | |
|-------------------------------|----------------------|
| 1) Dairy Products | 6) Condiments |
| 2) Chocolate & Cocoa Products | 7) Processed Fruit |
| 3) Confectionary Products | 8) Wine |
| 4) Bakery Goods | 9) Distilled Spirits |
| 5) Non-Alcoholic Beverages | 10) Pork Products |

South African Food Industry by Channels

Food Industry Output	\$43 billion
Food Exports	\$12.8 billion
Food Imports	\$7.7 billion
Retail	\$38 billion
Food Service	\$5 billion

Food Industry Gross Sales

Food Industry Revenue – \$4 billion
 Food (Domestic market) – \$3.8 billion

Top 10 South African Food Retailers

- | | |
|----------------------|------------------------------|
| 1. Shoprite | 6. Food Lovers Holdings |
| 2. Pick n Pay | 7. CCBSA |
| 3. Woolworths | 8. Kit Kat Group |
| 4. Spar Group Ltd. | 9. Quantum Foods |
| 5. Massmart Holdings | 10. Wellness Warehouse (Pty) |

GDP/Population

Population: 62 million people
 GDP: \$381 billion
 GDP per capita: \$6,145

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

Strengths	Weaknesses
South Africa is an advanced market economy, with developed infrastructure and modern retail chains with established food and beverage distribution networks in the region.	High transportation costs due to distance from the United States; electricity outages present a challenge for cold chain products; decreased consumer purchasing power due to currency devaluation and high unemployment
Opportunities	Challenges
South African retailers and importers are interested in expanding the array of U.S. products available in the market and extensive distribution linkages to other African countries, which provide multiple channels to reach other markets in the region	Trade agreements with EU, UK, and MERCOSUR reduce duties for products from those countries, making some U.S. products less price-competitive; high tariffs for U.S. food and beverage products; non-tariff barriers especially for animal products

SECTION 1: MARKET OVERVIEW

South Africa, the forty-first largest economy on the planet, is one of the most developed and diverse economies in Africa. The nation has a GDP (gross domestic product) of \$381 billion, making it the third-largest economy in Africa after Nigeria and Egypt. South Africa boasts a strong business sector and advanced distribution networks to major urban centers in the country and throughout the entire Southern African region for both imported and locally produced agricultural products. The commercial agricultural sector in South Africa is highly diversified and is self-sufficient in the production of most primary foods, with the exceptions of wheat, rice, and poultry. Nevertheless, South Africa offers opportunities for U.S. exports, especially for ingredients to supply the growing food-processing sector.

The South African economy has suffered several setbacks in recent years, including [rolling blackouts](#), also known as load shedding, which have become routine since 2021 due to a deteriorating electric grid. While many companies have invested in generators and solar power infrastructure to mitigate the effects of the power outages, load shedding remains a significant threat to the South African food sector, especially for products that require an unbroken cold chain and for smaller food processors that have not been able to adapt. Load shedding has also affected many poultry processing plants in the country, while the sector has also faced an [outbreak of highly pathogenic avian influenza](#) that has caused egg shortages and the culling of a large number of birds. At the same time, South African consumers have seen the devaluation of the rand, as well as [rampant food price inflation](#), which surged to a 14-year high in March 2023, a departure from global easing of food prices. While inflation rates have come down slightly since then, food prices remain high for many products, including vegetables, wheat- and corn-based products, plant-based oils, and animal protein.

1.1 Population and Key Demographic Trends

South Africa's current population is estimated to be 62 million people. About 27 percent of the population is younger than 15 years old and do not have much purchasing power. The population aged between 35-49 years old are understood to have the greatest purchasing power due to their current working status. Due to high youth unemployment (estimated at around 60 percent), many people over the age of 60 support unemployed younger members of their extended family. South Africa has a shrinking middle class, currently accounting for about 30 percent of the population, as individuals need to earn between \$14,857 to \$28,571 to be considered middle class. South Africa has one of the highest rates of income inequality in the world.

Like many other nations, South Africa is going through a demographic change that will have a significant impact on both human and economic development. Life expectancy in the 1980s and 1990s fell due the impact of the HIV/AIDS epidemic (South Africa has the highest rate of HIV infection worldwide). However, health programs such as the U.S. President's Emergency Plan for AIDS Relief ([PEPFAR](#)), have helped improve outcomes, and life expectancy has risen to 65.3 years, up from 55.8 years in 2000, according to the World Health Organization.

1.2 Size of Economy, Purchasing Power, and Consumer Behavior

South Africa has the second-largest economy in Sub-Saharan Africa, with an estimated GDP of \$381 billion. The official unemployment rate remains high at 32 percent (informal unemployment is likely

much higher), although it has decreased by 2 percent year over year, falling to its lowest level in three years as the South African economy emerges from the effects of the COVID pandemic. This decrease will have a knock-on effect supporting an increase the purchasing power of South African consumers.

While the rate of increases slowed in the latter half of 2023, food price inflation remains high in South Africa and continues to be a major cause for concern. Many South Africans had to reassess their food purchasing behaviors as inflation rose and diminished the purchasing power of consumers. This lower purchasing power has resulted in South Africans prioritizing necessities over luxury imported goods. In September 2023, the price of food grew an additional 5.4 percent over the same period the previous year, on top of an 11.9 percent increase year over year in September 2022. Prices in the last quarter of 2023 continued to rise at a slower rate, even though income has not risen to keep up with already high inflationary prices.

The rand-dollar exchange rate was relatively steady in 2023, generally fluctuating around R18-19 to the dollar. However, it was still quite difficult for South African importers to purchase international goods, resulting in a lower-than-normal levels of imports from countries such as the United States.

Lifestyle trends in South Africa for 2023 were focused on wellness, sustainability, technology, and the gig economy. Online shopping continued to surge, with more consumers preferring to order their consumables via retailers' online platforms or shopping apps. Consumers increased their online orders for groceries, and for consumers in lower-income and rural areas, grocery stores such as Boxer and Spar have partnered with delivery services to extend service to these regions. Fewer consumers see the need to go into physical stores as product information is available via retailers' websites or mobile apps.

1.3 Overall Business Climate

South Africa has the most broad-based, productive, and industrialized economy in Africa. The country has enjoyed macroeconomic and political stability for the last 30 years, supporting a strong pro-business environment and making it an attractive option for American exporters wishing to expand their footprint. However, South Africa has faced several challenges in recent years, leading to economic growth of just 0.3 percent in the first nine months of 2023. The third quarter of calendar year actually saw a slight contraction of the South African economy due to lower output in the mining, construction, and agriculture sectors. Deteriorating infrastructure (roads, rail, water, electricity), high crime rates, high unemployment, and periodic policy uncertainty around trade continue to pose challenges to the development of South Africa's business climate.

South Africa has a highly diversified agricultural sector, with production and processing of a wide variety of crops including all the major grains (except rice), oilseeds, deciduous and subtropical fruits, sugar, citrus, wine, vegetables, cattle, dairy, pigs, sheep, broilers, ostriches, and eggs. The agricultural sector consists of about 40,000 commercial farmers, 200,000 smallholder farmers, and 2 million subsistence farmers. Agricultural output increased by more than 50 percent the past 20 years (due in part to widespread adoption of genetically engineered varieties) and currently contributes almost 3 percent to South Africa's GDP.

South Africa's total imports of agricultural goods reached \$7.7 billion in 2022, up from \$7.3 billion in 2021, which was already a rebound from the \$6.2 billion imported in 2020. U.S. agricultural exports to

South Africa reached \$351 million in 2022, while South African agricultural exports to the United States were \$648 million last year, a 38 percent increase over the country’s export volume to the United States in 2020. In the first 10 months of 2023, the United States exported \$211 million of agricultural products, reflecting a 32 percent drop in the pace of trade compared to the same point in 2022.

Table 1: *South Africa’s Top 10 Agricultural Imports*

Palm Oil	Food Preparations
Wheat	Cane Sugar
Rice	Cattle
Mixtures of Odiferous Substances	Whiskies
Sunflower Seed	Chicken Meat

1.4 Recent Trends

Due in large part to high fuel costs and food inflation, South African consumers have maintained the habit of buying their groceries in bulk to reduce the frequency of their shopping trips. Industry analysts also report that South Africans are buying more plant-based and meat-alternative snacks and foods. The table below gives an overview of the major advantages and challenges that U.S. exporters to South Africa may encounter.

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	Internet service and cellular data is expensive in South Africa, limiting the option of online shopping for some consumers.
Well-developed infrastructure and modern retail chains with established food and beverage import and distribution networks	Electricity outages due to load shedding have increased costs and reduced store hours for some retailers. Consumers may not have access to online sales platforms during load shedding. Water outages are also creating issues in terms of service delivery.
Importers and distributors are capable of increasing brand loyalty.	Consumers and retailers with limited knowledge of available U.S. products
South African consumers are interested in new and different foods, especially in the snack food, prepared food, health food, halal, and beverage categories.	European and BRICS countries have preferential market access or free trade agreements with South Africa, while U.S. products face high import tariffs.
Retailers are expanding the variety of private-label or store label products targeted for various consumer groups.	Differences in consumer classes, with a large portion of the population priced out of the market for imported foods
Importers are interested in expanding the array of U.S. products available in the market.	Rampant food price inflation has eroded consumers’ disposable income and hampered spending.
South Africa has extensive distribution linkages to other African countries, which	The rand-dollar exchange rate can complicate planning, especially for smaller or new-to-market

provide multiple channels to diversify distribution in the region.	firms. Interest rates tend to be higher than in United States and other developed markets.
Retail chains offer larger format stores to accommodate one-stop shopping, including a larger selection of imported and private-label food and beverage product lines.	Food safety and phytosanitary restrictions may limit the importation of certain foods, while labelling requirements may make small shipments cost prohibitive.
Young consumers tend to prefer processed and easy-to-prepare foods, including brands that they have seen on social media and in movies and TV series.	

SECTION 2: EXPORTER BUSINESS TIPS

2.1 Market Research

Before exporting to South Africa, U.S. suppliers are recommended to conduct in-depth market research. Regulation-related concerns, market size dynamics, consumption patterns, and import procedures and regulations should all be covered in this research. Post publishes annual reports about South Africa’s [retail](#), [food service](#), and [food processing](#) sectors. Additional reporting and data can be located by visiting the Post’s website: www.usdasouthernafrica.org

Additional market research can be conducted through private sector firms such as:

- [BMI Research Pty Ltd](#)
- [Ipsos South Africa](#)
- [KLA Market Research](#)
- [South African Marketing Research Association \(SAMRA\)](#)

For more information on import rules and regulations, please consult Section 3 of this report.

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 an asset to enter the market. U.S. suppliers are encouraged to contact FAS Pretoria for assistance. Making an in-person visit to the country 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.

U.S. exporters who are interested in attending upcoming trade events in the area can contact FAS Pretoria for more information. To acquire additional market entrance support and knowledge, it is often helpful to engage with pertinent [State Regional Trade Groups](#) (SRTGs), [cooperator groups](#), and [trade associations](#).

2.3 General Consumer Tastes and Trends

- South African retail food sales totaled \$38 billion in 2022.
- Online research into products has increased and consumers are able to make informed decisions prior to visiting the store.
- Sustained consumer shift to electronic payments
- South African consumers are interested in new and different foods, especially in the snack food, prepared food, sauces and dips, and beverage categories.
- Healthier offerings in the fresh food and wellness niches due to improved awareness by consumers
- Increased demand for natural and organic foods, as well as sports, energy, and performance beverages.
- Increased interest in plant-based and meat-alternative products
- 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.
- Increased consumer demand for affordable alternatives from retailers' private label offerings.
- Food prices inflation has pressured South Africans decrease spending on food and an increased awareness of decreasing food waste.
- Consumers often make more frequent grocery shopping trips, buying smaller amounts of fresh and frozen goods, so they can cut down on spoilage due to frequent power cuts.
- A new wave of grocery delivery businesses has evolved to service new groups of customers. For example, Zulzi established a niche for itself by combining neighborhood companies into an online marketplace that offers same-day delivery. Yebo Fresh provides vegetables to those living in remote locations who were unable to make the trip to the nearest grocery store.

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

It is mandatory to adhere to applicable food laws and regulations when exporting in South Africa. Post publishes annual reports on South Africa's food and agricultural import regulations and standards (FAIRS). The [2023 FAIRS Country Report](#) provides an overview of relevant standards and regulations, while the [2023 FAIRS Export Certificate Report](#) outlines the documentation requirements for U.S. food and agricultural products heading to South Africa.

3.1 Customs Clearance

The [FAIRS Country Report](#) includes information on customs clearance.

3.2 Documents Generally Required by South Africa Authorities for Imported Food

The [FAIRS Export Certificate Report](#) and the [FAIRS Country Report](#) both include information on the documentation that South African authorities demand for certain imported items.

In addition to any required import permits and health certifications, all shipments to South Africa should normally be accompanied by the following:

- Commercial invoice that details the price paid by the importer in addition to the ship's loading costs for the export of the goods
- Documentation for the bill of entry that includes the precise addresses of the supplier and storage facilities
- Bill of lading
- Insurance paperwork
- Additional documentation or certificates that the importer may need, such as laboratory test results or certificates if the product makes organic claims, for example

3.3 South Africa Language Labelling Requirements

English must be used on labels. For further details, please consult the [FAIRS Annual Country Report](#).

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](#)
- [Tariff investigations, amendments, and trade remedies](#)
- Trade agreements:
 - o [Southern African Customs Union \(SACU\)](#) Agreement between the Governments of the Republic of Botswana, the Kingdom of Lesotho, the Republic of Namibia, the Republic of South Africa and the Kingdom of Eswatini
 - o Treaty of the [Southern African Development Community \(SADC\)](#) and Protocols
 - o [Preferential Trade Agreement between the Southern Common Market \(MERCOSUR\) and SACU](#)
 - o [SADC-EU Economic Partnership Agreement](#)
 - o Agreement establishing the [African Continental Free Trade Area \(AfCFTA\)](#)

3.5 Trademarks and Patents Market Research

The [South Africa Companies and Intellectual Prosperities Commission](#) oversees trademarks and patents. Section VIII of the [FAIRS Country Report](#) has more details.

SECTION 4: MARKET SECTOR STRUCTURE AND TRENDS

4.1 Top Sectors for Growth

Table 3: Top Five Countries Exporting Consumer-Oriented Products to South Africa

2022 South African Imports of Consumer-Oriented Products		
Country	Value (USD Millions)	Top 7 Product Categories
Brazil	258	Poultry Meat, Pork, Meat Products, Chewing Gum & Candy, Coffee, Fruit & Vegetable Juices, Beef & Beef Products
France	250	Distilled Spirits, Dairy Products, Wine, Coffee, Soup & other food preparations, Dog & Cat Food, Bakery Goods

China	243	Fruit & Vegetables, Meat Products, Processed Vegetables, Spices, Tobacco, Bakery Goods, Soup & other food preparations
United Kingdom	206	Distilled Spirits, Bakery Goods, Chocolate, Soup & other food preparations, non-alcoholic beverages, Pork, Dairy Products
Germany	183	Distilled Spirits, Soup & other food preparations, Dairy Products, Coffee, Chocolate, Meat Products, Processed Vegetables

4.2 Consumer-Oriented Product Prospects Based on Growth Trends

Table 4: Top Exports of Consumer-Oriented Products from the United States to South Africa

Product	Annual Series (Value: USD)		
	2020	2021	2022
Total Consumer-Oriented	166,809,296	193,542,640	173,155,444
Poultry Meat & Meat Prods (ex. eggs)	56,769,472	61,845,764	42,698,551
Tree Nuts	21,438,532	18,499,568	30,216,479
Distilled Spirits	11,051,287	19,747,595	21,469,298
Soup & Other Food Preparations	28,073,559	27,322,152	19,935,666
Dairy Products	8,565,848	16,975,941	18,688,643
Condiments & Sauces	5,861,110	8,968,883	10,649,284
Beef & Beef Products	12,658,852	13,352,827	6,696,542
Chocolates & Cocoa Products	2,059,907	2,535,003	3,391,325
Processed Vegetables	3,435,557	2,600,551	2,830,804

Source: Global Agricultural Trade System (GATS)

4.3 Retailer Information

In a highly competitive sector, retail chains in South Africa use loyalty programs, promotions, group discounts, and online shopping with home delivery to draw in and keep customers. The 2022 [Retail Foods Report](#) has more information on South Africa's food retail sector.

Table 5: Major South African Retailers

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

4.4 Market Opportunities for Consumer-Oriented Products

South Africa is a well-developed entry point to do business in the Southern African region and often follows the United States in food trends. The 2022 combined sales value of hotels, restaurants, and institutions (HRI) was \$ 4.3 billion, a 22 percent increase over the previous year. Additional information can be found in the 2022 South Africa [Food Service-HRI](#) report. The poultry tariff system of South Africa delays in granting market access for specific goods from the United States, and disruptions in the supply chain continue to have an impact on U.S. exports. Nevertheless, shifting customer preferences

and the growth of retail chains are opening doors for U.S. niche products like distilled spirits, tree nuts, and snack foods, as well as healthier and whole foods like plant-based, sugar-free, and gluten-free alternatives.

4.5 Competition to U.S. Exports

South African production, imports from other nations in the MERCOSUR, EU, and SACU trade blocs, as well as a growing inclination towards BRICS nations, are the main competitors for U.S. exports. In addition to preferential trade agreements with MERCOSUR, South Africa has free trade agreements with SADC and the EU. The African Continental Free Trade Area (AfCFTA) tariff schedules pertaining to preferential trade are now being discussed and negotiated.

SECTION 5: AGRICULTURAL AND FOOD IMPORTS

5.1 Agricultural and Related Food Import Statistics

Table 6: *U.S. Agricultural Exports to South Africa (USD millions)*

	2018	2019	2020	2021	2022	2023 (Jan-Oct)
Consumer-Oriented	193	195	157	185	188	132
Intermediate	104	115	119	101	139	60
Bulk	23	54	48	21	24	19
Total	320	364	324	307	351	211

For additional data about American exports of bulk, intermediate, and consumer-oriented (BICO) products to South Africa, please refer to the [FAS Global Agricultural Trade System](#) (GATS).

5.2 Best High-Value and Consumer-Oriented Product Prospects

The desire for American agricultural products is growing despite South Africans' relatively low purchasing power. Top product prospects include distilled spirits, dairy products, beef, fruit and vegetable juices, meat alternatives, bakery goods, fruit products, and chocolate and confectionary products.

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 at the U.S. Embassy in Pretoria:

Office of Agricultural Affairs
U.S. Embassy, Pretoria, South Africa
 877 Pretorius Street, Arcadia, Pretoria, 0083
 P.O. Box 9536, Pretoria, 0001

Tel: +27-(0) 12-431-4057

Email: AgPretoria@usda.gov

Website: 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: 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 (FEDHASA): <https://fedhasa.co.za>
- The Tourism Grading Council of South Africa: <https://www.tourismgrading.co.za/>

Attachments:

No Attachments