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GAIN Report

Global Agricultural Information Network

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South Africa - Republic of

Exporter Guide

2011 Road Map for Exporting to South Africa

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Report Highlights:

This report offers updated information for U.S. companies interested in exporting food and agricultural products to South Africa. This report also highlights new food labeling laws for foods containing biotech ingredients required under the Consumer Protection Act, which came into effect April 1, 2011.

Post:
Pretoria

Executive Summary:

The 2010 U.S. exports of agriculture, fish and forestry products to South Africa almost doubled and totaled \$310 million (\$178 million in 2009), an increase of 60 percent. The increase is attributable by the Consumer-oriented agriculture products scooped the highest export level of \$94 million in the product category of snack food (\$5 million), breakfast cereals (\$3 million), wine and beer (\$3 million), and fresh fruit (\$955 million).

Author Defined:

SECTION 1: MARKET OVERVIEW

The Republic of South Africa has a market-oriented economy and is a net exporter of agricultural products. 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 one of the United States' leading trading partners in Africa, and accounts for the most diverse basket of U.S. goods exported to an African country. While South Africa produces a diverse, world-class agricultural product for export, it is also a major agricultural importer from most countries including the United States. Limitations in South Africa's agro-processing sector has driven import growth for consumer-oriented, and intermediate products.

South Africa is an important market for U.S. exports of bulk agricultural products totaling \$118 million in 2010 and intermediate goods reaching \$80 million. The major bulk category is wheat (\$102 million), and intermediate products are animal parts, and protein concentrates.

Argentina is South Africa's largest supplier of agro food products with 12 percent of total agro food imports in 2010. The top ten leading suppliers were:

- Argentina (\$628 million)
- Thailand (\$461 million)
- Brazil (\$397 million)
- Germany (\$353 million)
- China (\$313 million)
- Malaysia (\$300 million)
- United Kingdom (\$298 million)
- The United States (\$270 million)
- Indonesia (\$200 million)
- The Netherlands (\$190 million)

South Africa's major imported agricultural commodities from Argentina were animal/vegetables fats and oils, and meat and edible meat offal; from Thailand were Cereals and prepared meat of fish; from Brazil were meat and edible meat offal and tobacco products; from Germany were cereals and animal/vegetable fats and oils; from China were edible vegetables & roots and products of animal

origin; from Malaysia were animal/vegetables fats and oils and sawn wood ; from the United Kingdom were beverages and spirits and prepared cereal; from the United States were cereals and food preparations; from Indonesia were animal/vegetable fats and oils and, coffee, tea and spices; and from the Netherlands were animal/vegetables fats and oils and prepared animal feeds.

South Africa’s 2010 agricultural, fish, and forestry exports to the United States reached the highest export level which totaled \$253 million, an increase of \$53 million over 2009. Major exports which reached the highest export levels include consumer-oriented products, wine and beer, and tree nuts. Other consumer oriented products that have shown consistent growth is other fresh fruit such as citrus fruit, edible fruits and nuts, beverages and spirits, and prepared meat of fish. The United States Department of Agriculture (USDA) cooperation between Animal and Plant Health Inspection Service (APHIS), South Africa’s Department of Agriculture, and the Deciduous Fruit Producer’s Trust in setting up pre-clearance programs for fresh fruit (apples, citrus, grapes, and pears) has led to a continued increase of South Africa’s fresh fruit exports to the United States.

A) The United States Trade Position with South Africa

The table below highlights calendar years of trade of Consumer-Oriented products between the United States and 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-Dec 2009 (Thousands Of Dollars)	Jan-Dec 2010 (Thousands Of Dollars)	Product	Jan-Dec 2009 (Thousands Of Dollars)	Jan-Dec 2010 (Thousands Of Dollars)
Consumer-Oriented Totals:	70,991	93,863*	Consumer-Oriented Totals:	139,261	178,307*
Snack Foods	3,971	5,094*	Snack Foods	818	993
Breakfast Cereals	1,364	3,184*	Cheese	0	0
Red Meats, FR/CH/FR	1,206	349	Other Dairy Products	8,151*	7,592
Red Meats, Prep/Pres	63	14	Other Fresh Fruit	40,277	50,463
Poultry Meat	8,950	14,640	Fresh Vegetables	142	302
Dairy Products	9,895	19,294	Processed Fruit & Vegetables	12,419	20,371
Eggs & Products	249	115	Fruit & Vegetables	11,885	15,792
Fresh Fruit	309	955*	Juices	15,869	28,498*
Fresh Vegetables	719	449	Tree Nuts	39,892	45,086*
Processed Fruit & Vegetables	10,658*	9,654	Wine and Beer	2,989	3,297
Fruit & Vegetable Juices	696*	294	Nursery Products	2	84
Tree Nuts	6,649	9,041	Roasted & Instant Coffee	2,092	2,398
Wine and Beer	256	1,899*	Spices	4,724	3,431
Nursery Products	97	217	Other Consumer Oriented		
Pet Foods	2,508	2,380			
Other Consumer Oriented	23,337	26,093			

Source: BICO Trade Data

B) 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. 90 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) www.proudlysa.co.za 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

A) 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 year. 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 but few, in any stores are 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, but English is the principal language used in commerce.

B) Trade and Marketing Services Including Establishing an Office:

The Companies Act of 1973, which is administered by the Registrar of Companies, regulates the formation, conduct of affairs and liquidation of all companies. The act makes no distinction between locally-owned or foreign-owned companies. Companies may be either private or public. Foreign companies establishing subsidiaries in South Africa must register the subsidiary in accordance with the act.

For more information on company formation and registration contact:

Companies and International Property Registration Office (CIPRO)

Postal Address: P O Box 429, Pretoria, 0001

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

Tel: +27 0 12 394 9500 or 0861 843 384; Fax: 27 0 12 394 9501 or 0861 843 888

Email: contactcentre@cipro.gov.za or info@cipro.gov.za

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

Direct marketing is expected to grow over the next ten years as long as marketing plans include a strong emphasis on clear cut information campaigns intended to pre-empt consumer questions and introduce appropriate solutions all in one effective customized direct marketing package. Companies wishing to conduct advertising or selecting marketing partner in South African market must comply with industry regulations, particularly those regarding Black Economic Empowerment (BEE), <http://www.economic.gov.za/bee/complete.pdf> .

Direct Marketing Channels in South Africa Include:

Direct Marketing: Although South Africa's foreign exchange controls and import documentation requirements have been relaxed, we recommend that U.S. companies contract with a South African agent or partner who would be responsible for marketing the product, holding stock, fulfilling purchasing transactions and remitting revenue to the U.S. company.

For more information contact the Advertising Standards Authority of South Africa (ASA) at:

Postal Address: P O Box 41555, Craighall, Johannesburg, 2025

Physical Address: Willowview, Burnside Island Office Park, 410 Jan Smuts Avenue, Craighall Park, Johannesburg

Tel: +27 0 11 781 2006; Fax: +27 0 11 781 1616

Email: info@asasa.org.za

Website: <http://www.asasa.org.za>

Franchising: The franchising sector in South Africa, which contributes nearly 13 percent to GDP is varied in terms of the types of businesses represented, has huge growth potential with revenue from franchised outlets growing by 48 percent. It is estimated that in South Africa, less than 20 percent of retail business is conducted through franchising. Franchise concepts continue to grow in three 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

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

Other additional resources include: www.whichfranchise.co.za
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.

Royalty fees are based on a percentage of total ex-factory sales, with a maximum of four percent for consumer goods and six percent for intermediate and final capital goods. Down payments will not be approved unless actual costs of transferring tangible technology items are incurred. Minimum or annual payments are not acceptable to SARB. Exchange approval will normally be granted for an initial period of five years. Contract conditions involving obligatory purchasing and pricing agreements or requiring the licensee to sole articles from the licensor are prohibited.

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, 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>

C) 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.

D) 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 link ([FAIRS Report, December 2010](#)):

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. The Consumer Protection Act (CPA) was first published on April 24 2009 when the previous President of South Africa signed the Consumer Protection Bill into law. 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.

South Africa has approved the use of genetically modified organisms (GMO's) since 1992. Under the Act however, are several genetically engineered (GE) labeling provisions that appear to have no scientific basis that have been considered vague and will only result in higher food prices as food manufacturers would pass the increased labeling and packing costs onto consumer ([GAIN: Consumer Protection Act](#)).

E) General Import and Inspection Procedures

Import Permits: The Container Security Initiative (CSI), was developed by the U.S. Customs and Border Protection (CBP), following the terrorist attacks against the United States on September 11, 2001. CBP, which is now within the U.S. Department of Homeland Security, implemented the program at major ports around the world. Durban airport, South Africa is one of the major ports that are now part of the CSI program. Obtain additional information about the CSI program at www.cbp.gov

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. 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

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. There are high tariffs on imports of textiles and apparel. The government, International Trade Administration Commission on South Africa (ITAC) petitioned by the South African Poultry Association instituted antidumping duties instituted in 2000 on U.S. poultry products such as bone in cuts and chicken leg quarters remains. Imports showed exceptional growth prior, but the delay in lifting the anti-dumping duty of U.S. bone-in cuts limits US exports. Of other importance is that current tariff on wheat import is zero.

Specific excise duties are levied on tobacco and tobacco products, and petrol/gas products. Duties on alcoholic beverages are set at fixed percentages of the retail prices. Ad valorem excise duties are levied on a range of "Up market" consumer goods. The statutory rate is currently 10 percent (except that most office machinery, as well as motorcycles, has a duty of 5 percent). Various provisions for rebate of duty exist for specific materials used in domestic manufacturing. 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

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

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.

The production of biotech crops in South Africa continued to expand in 2011 enabling South Africa to retain its position as the eighth largest producer of biotech crops in the world and illustrating that South African farmers have adopted biotech and the benefits thereof. Area planted to biotech crops went from only 197,000 hectares in 2001 to 2.2 million hectares in 2010. Corn, soya beans and cotton are the

major GMO commodities planted by farmers.

U.S. corn is not authorized entry into the Republic of South Africa because the United States has approved maize events that are not approved in South Africa. This restriction was to be reviewed by the Department of Trade and Industry (DTI) through an economic analysis of the effect of the entry of this trait on South African maize production. To date, this analysis has not been completed by the DTI. For stacked events, companies need to start from the beginning of the approval process, even when the individual traits have already been approved. The lengthy process, more than the actual legislation, is a barrier for exporting U.S. biotech products to South Africa. South Africa isn't opposed in principle to these events; they just haven't made it through the regulatory approval process yet.

The health regulations published largely follow Codex Alimentarius scientific guidelines. They mandate labeling of GM foods only in certain cases, including when allergens or human/animal proteins are present, and when a GM food product differs significantly from a non-GM equivalent. The rules also require validation of enhanced-characteristics (e.g., "more nutritious") claims for GM food products. The regulations do not address claims that products are GM-free.

The Consumer Protection Act amendment signed into law by the outgoing President Kgalema Motlanthe in 2009 came into effect on April 1, 2011. The amendment to the Consumer's Protection Act makes it mandatory to label foods which contain genetically engineered ingredients.

SECTION III: MARKET SECTOR STRUCTURE AND TRENDS

A) Competition

Imports: South Africa's 2010 of agriculture, fish, and forestry exports to the United States reached the highest export level which totaled \$253 million, an increase of \$53 million than 2009. Major exports which reached the highest export levels include consumer-oriented products, wine and beer, and tree nuts. Other consumer oriented products that have shown consistent growth is other fresh fruit such as citrus fruit, edible fruits and nuts, beverages and spirits, and prepared meat of fish. The United States Department of Agriculture (USDA) cooperation between Animal and Plant Health Inspection Service (APHIS), South Africa's Department of Agriculture, and the Deciduous Fruit Producer's Trust in setting up pre-clearance programs for fresh fruit (apples, citrus, grapes and pears) has led to a continued increase of South Africa's fresh fruit exports to the United States.

Argentina is South Africa's largest supplier of agro food products with 12 percent of total agro food imports in 2010. The top ten leading suppliers were Argentina (\$628 million), Thailand (\$461 million), Brazil (\$397 million), Germany (\$353 million), China (\$313 million), Malaysia (\$300 million), United Kingdom (\$298 million), the United States (\$270 million), Indonesia (\$200 million), and the Netherlands (\$190 million). South Africa's major imported agricultural commodities from Argentina were animal/vegetables fats and oils, and meat and edible meat offal; from Thailand were cereals and prepared meat of fish; from Brazil were meat and edible meat offal and tobacco products; from Germany were cereals and animal/vegetable fats and oils; from China were edible vegetables & roots, and products of animal origin; from Malaysia were animal/vegetables fats and oils and sawn wood; from the United Kingdom were beverages and spirits, and cereals; from the United States were cereals and food preparations; from Indonesia were animal/vegetable fats and oils, including coffee, tea and

spices; and from Netherlands were animal/vegetables fats and oils and prepared animal feeds.

Exports: The 2010 U.S. exports of agriculture, fish and forestry products to South Africa totaled \$310 million (\$178 million in 2009), an increase of 60 percent. Consumer-oriented agriculture products scooped the highest export level of \$94 million in 2010, an increase of 15 percent of total U.S. food and agricultural products sales to South Africa. The increase is attributable by consumer oriented products such as snack food (\$5 million), breakfast cereals (\$3 million), fresh fruit (\$955), and wine and beer (\$3 million) garnered the highest import levels in 2010 since at least 1970 including the competitiveness of the American suppliers. Other high value products in this category which have shown consistent growth over the last five years and represent important opportunities for U.S. exporters is food preparations (210690), almonds (080212), salmon (160411), and sauces and condiments (210390).

South Africa is also an important market for U.S. exports of bulk products totaling \$118 million in 2010, and intermediate totaled \$80 million. The major bulk category is wheat (\$102 million), and intermediate products are animal parts and protein concentrates.

B) 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 ambassadors 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 (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.

C) 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 mores like "thin is beautiful."

D) 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 the National Statistics of South Africa, domestic travel increased by 16.3 percent in 2010 with 707 million trips being undertaken compared to 632 million in 2009. 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 and www.deat.gov.za is responsible for the growth and the development of South Africa tourism and since 2003 has mandated the Tourism Grading Council of South Africa 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.

SECTION IV: BEST CONSUMER-ORIENTED PRODUCT PROSPECTS

BICO 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 2010, such as consumer-oriented products, snack foods, breakfast cereals, fresh fruit, and wine and beer. Within this category, sauces and condiments (HS 210390), fruit prepared and preserved (HS 200899), dried grapes (080620), food preparations (HS 210690) have shown consistent and substantial increases. Other high value exports that have shown sustained growth are almonds (HS 080212), canned salmon (HS 160411), and distilled spirits (HS220830). The United States enjoys a dominant position in the almond, canned salmon and other food preparations markets, holding 86 percent, 58 percent and 22 percent market shares respectively.

Product Category	Jan – Dec 2010 South Africa Imports from the World (\$1,000)	Jan – Dec 2010 U.S. Exports to S.A. (\$1,000)	Percentage of Annual Import Growth U.S.	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for U.S.
Whiskies HS220830	315	22	7	1.54	United Kingdom with 71% market share and a first mover advantage, and US 7%.	American brands lack brand awareness among South African consumers.
Almonds HS080212	7	6	86	Free		U.S. has largest market share of 86%.
Salmon HS160411	3	2	58	25%		U.S. has the largest market share of 58%.
Other Food Preparations HS210690	105	23	23	Varied		U.S. has the largest market share of 22%. American brands are becoming increasingly popular given their high quality attributes.

Source: Global Trade Atlas (GTA)

SECTION V: KEY CONTACTS AND FURTHER INFORMATION

A) Additional Sources and links:

www.ussatrade.co.za: The US Foreign Commercial Service has an annual South Africa Country Commercial Guide at <http://www.buyusa.gov/southafrica/en/353.html> that presents a comprehensive look at South Africa's commercial environment, using economic, political and market analysis. Copies of the guide may be downloaded from the site or be obtained through the US Foreign Commercial Service: Johannesburg.Office.Box@mail.doc.gov Tel: +27 0 11 290 3000.

www.gt.co.za: Grant Thornton site contains information on different aspects of South Africa including an exporter guide entitled “Guide to establishing a presence in South Africa”. Contact Tel: +27 0 11 322 4500 and Fax: +27 0 11 322 4767.

www.werksmans.co.za: Corporate and Commercial law firm, their site also contains general information on doing business in South Africa. Contact Tel: + 27 0 11 535 8000; and Fax: +27 0 11 535 8600

www.cliffedekker.co.za: Cliffe Dekker, Corporate and Commercial law firm site provides general information on basic legal issues for doing business in SA. The topics range from establishing an office in South Africa to taxation and black economic empowerment.

Luyton Driman, Going the EXTRA mile, a guide to trading in Africa,

<http://www.bradmanton.com/Articles/EXPORT%20SA/EXPORT%20Sept%202005.pdf>

B) Post Contact

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

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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

Jan-Dec 2010 Agricultural Imports From All Countries (\$million)/U.S. Market Share	\$9,966/3.58%
Jan-Dec 2010 Consumer Food Imports From All Countries (\$million)/U.S. Market Share	\$6,688/3.09%
Jan-Dec 2010 Edible Fishery Imports From All Countries (\$million)/U.S. Market Share	\$234/1.59%
2010 Total Population (Millions) / Annual Growth Rate (%)	50/1.06% (2010 Mid-year estimates)
Urban Population (Millions) Annual Growth Rate (%)	30,675.2/1.4%
Number of Major Metropolitan Areas	9
Size of the Middle Class (millions) / Growth Rate (%)	
Per Capita Gross Domestic Product Purchasing Power Parity	\$10,498 billion (2010 estimates)
Unemployment Rate (%)	25.2% (2010 estimates)
Per Capita Food Expenditures (U.S. Dollars)	
Percent of Female Population Employed	51%
Exchange Rate	US\$1 = R7.01

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

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

South Africa Imports	January – December	January – December	January – December
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In Millions of Dollars	Imports from World			Imports from U.S.			U.S. Market Share %		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
CONSUMER-ORIENTED AGRICULTURAL TOTAL	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
FISH & SEAFOOD PRODUCTS	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
AGRICULTURAL PRODUCTS TOTAL	10,715	7,770	9,966	491	236	357	4.58	3.03	3.58
AG, FISH & FORESTRY TOTAL	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
CONSUMER-ORIENTED AGRICULTURAL IMPORTS	Value \$1000	Value \$1000	Value \$1000		FISH & SEAFOOD PRODUCTS IMPORTS	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
United States	285	157	206		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		United States	11	3	4
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