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South Africa HRI Sector Report 2014

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Report Highlights:

South Africa, the largest foodservice market in Sub-Saharan Africa, has a large and highly competitive hospitality industry. Hospitality and tourism are the fastest growing sectors in the South African economy, offering a wide range of accommodation and attracting a mix of business and holiday travelers. And despite the impact of the recent global economic recession, the total income generated by the South African food and beverage industry increased by 11.5 percent in October 2014 compared with October 2013. South Africa's world-renowned wines and cuisine draw millions of tourists to the country, and tourism is a major contributor and one of the fastest growing sectors of the South African economy. There were 1,277, 825 million foreign visitors to South Africa in March 2014, an increase of 3.4 percent over March 2013.

SECTION 1: MARKET SUMMARY

South Africa, the largest foodservice market in Sub-Saharan Africa, has a large and highly competitive hospitality industry. Hospitality and tourism are the fastest growing sectors in the South African economy, offering a wide range of accommodation and attracting a mix of business and holiday travelers. Growth in international travel and rising room rates has bolstered the market, despite the country's weakened economy overall.

Despite the impact of the recent global economic recession, data released by Statistics South Africa reveal that the total income generated by the South African food and beverage industry increased by 11.5 percent in October 2014 compared with October 2013. Food sales contributed 13.0 percent, bar sales 2.9 percent, and other income 3.3 percent.

Among the sectors within the food and beverage industry, the main contributors to the 11.5 percent annual growth in total income for October 2014 were takeaway and fast-food outlets at 15.2 percent, restaurants and coffee shops at 11.0 percent, and catering services at 5.3 percent.

Total income generated by the accommodation industry increased by 8.0 percent in October 2014 compared with the previous year, with income from accommodation increasing by 9.3 percent, the number of stay units increasing by 6.9 percent, and the number of stay unit nights sold increasing by 2.2 percent. Growth in the hotel industry is linked to foreign tourism, which is expected to grow considerably in the future.

South Africa's world-renowned wines and cuisine draw millions of tourists to the country, and tourism is a major contributor and one of the fastest growing sectors of the South African economy. It accounts for 8.3 percent of the country's Gross Domestic Product (GDP). Tourist travels to South Africa has increased since the end of apartheid in 1994. According to recent tourism figures, numbers of international tourists to South Africa has increased. There were 1,277, 825 million foreign visitors to South Africa in March 2014, an increase of 3.4 percent in comparison to 1,235, 930 million in March 2013.

The sector is concentrated and dominated by independent and franchised foodservice players. It includes contract catering who tailor their services and products to high-end consumers. In general, the players do not import food and beverages directly; instead they buy local and imported products from local manufacturers, wholesalers, and distributors. In order to capture consumer traffic, convenience stores, shopping malls, supermarkets, and airports play a vital role within the industry.

The foodservice industry is comprised of the commercial and institutional/service sectors. The commercial sector includes hotels, restaurants, fast food independents, fast food chains, clubs, and national parks/resorts. Within the commercial sector, the franchise industry continues to grow due to a shift in consumption away from eating at home.

The institutional/service sector includes transport services, health (public and private hospitals), educational institutions, and prisons. It is dominated by a few large contract catering companies, including Fedics (owned by Tsebo Outsourcing Group), Kagiso Khulani Supervision Food Services (owned by Compass Group Southern Africa), and Royal Mnandi (owned by MvelaServe Group).

Table 1: Advantages and Challenges Facing U.S. Products in South Africa

Advantages	Challenges
South Africa is the gateway for regional markets. Visit USDA’s website at www.fas.usda.gov for a list of promotional opportunities and trade shows in the country.	Strong competition from other countries and from local food producers. Despite inconsistent quality, price is still a strong decision making factor in the industry.
South Africans are developing a taste for western foods and are willing to try new products.	Consumers may need to be educated in preparing and eating products.
The growing HRI food industry needs imported food and beverage products.	Already acquired tastes and preferences for traditional locally produced products.
Established HRI industry.	While sophisticated for a developing country, much of the U.S. technologies are far beyond the horizons of the most richly-resourced food companies.
South African HRI processors and importers seek suppliers who can offer reliable and quality products at competitive prices.	Challenges for U.S. suppliers to respond to trade inquiries in a timely fashion. Also, South Africa is a smaller market and may not be able to deal in the volumes that U.S. companies are used to.
South African consumers view U.S. products as high quality.	Limited knowledge of the variety and quality of U.S. products.
English is one of the 11 official South African languages and virtually everyone is proficient in English.	Processors have long-standing relationships with European suppliers due to historical ties.
Importers and distributors can help develop heavy brand loyalty.	Consumers are price-conscious and some do not exhibit brand loyalty. Products must constantly be promoted.
South African importers seek consolidators of mix containers at competitive prices.	Higher prices for U.S. food products relative to local market and neighboring countries’ products.

SECTION 2: ROAD MAP FOR MARKET ENTRY

2.1 Hotels and Resorts

There are an estimated 30,000 establishments nationally in South Africa, ranging from three- to five-star hotels, including game lodges and bed & breakfasts (B&B), to more economical options, such as youth hostels. Out of all establishments, the B&B and game lodges represent the fastest growing segment of the tourism industry. In the Hospitality Resort and Hotel area, many are managed by the Premier Group, owned by Anglo American. Premier and Anglo American also have extensive holdings in the milling, baking, dairy, fish, confectionery, and edible oils industries.

The Department of Environmental Affairs and Tourism (www.environment.gov.za) is responsible for the growth and the development of South Africa tourism. The Department has mandated the Tourism

Grading Council of South Africa (www.tourismgrading.co.za) to grade tourism establishments in the country and oversee the quality control. The Council employs a five star grading system, which is displayed on most advertising material and at hotel entrances. It has graded over 8,000 establishments since 2003. Grading and registration fees are available on the Tourism Grading website. Establishments are assessed according to the type of accommodation they provide:

- Bed & Breakfasts (B&Bs)
- Guest houses
- Hotels
- Self-catering
- Backpacker and hostelling
- Caravans and camping
- Country houses
- Meetings, exhibitions and special events
- Restaurants

Prospects:

- Despite the economic recession, the long term outlook for the hotel industry remains healthy.
- Foreign and domestic tourists are key sources of demand for hotel accommodations.
- The latest trend in hotel investment in South Africa has been joint ventures between local operators and overseas investors.
- Smaller and independent owners are benefiting from an injection of capital, infrastructure, and expertise enabling them to compete with larger groups.
- The industry continues to benefit from the awards offered by the National Department of Tourism’s National Tourism Sector strategy for responsible tourism, including the National Minimum Standards for Responsible Tourism and the Responsible Tourism guidelines for the South African hospitality industry. The award encourages industry members to respect voluntary guidelines promoting responsible tourism.
- The Tourism Grading Council manages the star grading system of all South Africa’s accommodation establishments to ensure quality accommodation offerings.
- There exist quality accommodation offerings in all nine South African provinces. The cities of Johannesburg, Cape Town, and Durban are the major tourist attractions, with Johannesburg being the leading city followed by Cape Town and then Durban.
- The growth of the industry offers export opportunities to U.S. suppliers of food and beverage ingredients for hotels, restaurants, and the institutional food service sector.

Table 2: Contribution Income from Each Type of Accommodation

Type of Accommodation	Aug – Oct 2013 (\$ million)	Weight	Aug – Oct 2014 (\$ million)	% change between Aug – Oct 2013 and Aug – Oct 2014	Contribution (% points to the total % change)
Hotels	269.7	63.5	295.8	9.7	6.2
Caravan parks and camping sites	2.71	0.6	3.19	17.7	0.1
Guest-houses and guest-farms	25.4	6.0	27.6	8.5	0.5
Other accommodation	126.7	29.8	138.8	9.6	2.9
Total income from accommodation	424.5	100.0	465.4	9.6	9.6

Source: Statssa

2.1.1 Hotel Profiles

Most of the key hotels are owned by large locally listed companies and managed through agreements with international hotel management chains, in particular Mercure Accord Hotel (French), Sheraton Group (US), Hilton (US), Legacy Hotels and Resorts (US), and Days Inn (US). In addition to major foreign tourism projects, two South African groups also have activities. One is the Sun International Group, which runs hotels and resorts such as the renowned Sun City Resort in Pilanesburg, North West Province. Another one is the Protea Group, which runs the Protea Hotel chain. The table below provides an overview of some of the major hotel chains.

Table 3: Leading Hotel Chains in South Africa

Hotel Group	Sales (US\$ million)	No. of Hotels	Location	Purchasing Agent Type
Mercure Accord	Not available	28	Major cities and Tourist centers	Local agents
Sheraton Group	Not available	3	Major cities	Local agents
Hilton	Not available	2	Major cities	Local agents
Legacy Hotels & Resorts	Not available	17	Major cities and Tourist centers	Local agents
Sun International Groups	Not available	49	Major cities and Tourist centers	Local agents
Protea Group	Not available	74	Major cities and Tourist centers	Local agents

2.1.2 Entry Strategy

Although the majority of the hotels are part of hotel chains, each one operates autonomously in terms of food purchases. In some cases the head office may recommend regional or national suppliers, but generally, hotels have a free reign regarding what foods are served and whom their suppliers are. Dry groceries are usually sourced from catering wholesalers. Baked goods, fruits and vegetables, meat, and dairy products tend to be sourced from local specialist retailers. Many hotels also have in-house bakeries and contract caterers to run in-house restaurants.

2.1.3 Distribution Channel

In general, hotels do not import food and beverages; instead they place their orders through local manufacturers, processors, wholesalers, specialty retailers and others. This is because most, if not all, hotel kitchens have a policy of holding only sufficient quantities of food and beverages for short-term needs. The following table summarizes sources of supply by percentage.

Table 4: Hotel Food and Beverage Supplier Breakdown

Sources of supply	% of total
Specialist Retailers	32
Direct from manufacturers	28

Catering wholesalers	20
Fresh Produce Market	12
Cash & Carry	5
General Retailer	3
TOTAL	100

2.2 Restaurants

Since food and wine are an integral part of the tourism experience, restaurants have a major role to play in the sector. Foreign visitors spend approximately \$30 per day on food and beverage during their trip to South Africa, which represents about 20 percent of the total daily expenditure. Since tourism is such an important source of revenue for the restaurant industry, the Tourism Grading Council is responsible for the grading scheme. To have an effective scheme, the Grading Council continuously hosts countrywide road shows on restaurant grading in order to meet the Council's target of all restaurants graded.

The Restaurant Association of South Africa (RASA) (www.restaurant.org.za) acts in the interest of the South African restaurant industry. RASA members include independent restaurants, fast food outlets, coffee shops, casual dining establishment, hospital canteens, mobile restaurants, Quick Service Restaurants (QSR's), and major franchise groups.

South Africa has a highly developed network of fast-food and chain restaurants and a well-established franchising model. In addition, the Franchise Association South Africa (FASA) (www.fasa.co.za) shows how people are opting to eat out more often than ever before. This shift is creating opportunities in the restaurant industry. However, fast food restaurants are facing increased competition from supermarkets, retail chains, and convenience stores as they also offer readymade meals.

Trends:

- Less dining out as consumers search for value-for-money take home menu offerings.
- Local brands continue to dominate food service despite increasing presence of international players.
- Demand for healthy yet convenient menu offerings, which continue to be key demand of busy and working South Africans.

2.2.1 The major contributors to the growth in October 2014 were takeaway/fast-food outlets and restaurants/coffee shops.

Table 5: Income Estimated by Type of Enterprise

Type of Enterprise	Aug – Oct 2013 (\$ million)	Weight	Aug – Oct 2014 (\$ million)	% change between Aug – Oct 2013 and Aug – Oct 2014	Contribution (% points) To the total % change
Restaurants and coffee shops	491.1	46.0	523.6	6.6	3.0
Takeaway and fast-food outlets	393.3	36.8	434.8	10.6	3.9
Catering services	184.3	17.2	192.9	4.7	0.8
Total	1,068.6	100.0	1,151.2	7.7	7.7

Source: Statssa

2.2.2 Restaurant Company Profiles

South Africa has a large number of domestic and international restaurant chains. These include Famous Brand, King Consolidated Holdings, Taste Holdings, Nando's Group Holdings, McDonalds, Mike's Kitchen, Global Wrapps, Dulce Continental Cafes, the Spur Group, Something Fishy, Ocean Basket, Pleasure Foods, Chicken Licken, News Café, Pizza Perfect, Leisure Net, Flame Diners, Max Frango's Chicken take-outs, Shoprite-Checkers, Tricon Global Restaurants Inc (Kentucky Fried Chicken, Pizza Hut, and Yum Restaurants), Subway Sandwiches, and TGIF's.

Table 6: Leading South African Multi-National Fast-Food and Family Restaurant Companies

Restaurant Name and Outlet Type	Ownership	Sales (US\$ million)	No. of outlets	Location	Purchasing Agent Type
The Famous Brand Ltd	International	Not available	1,944	Major cities	Local agent
Tricon Global Restaurants	Local	Not available	450	Major cities	Local agent
Nando's Group Holdings Ltd	Local	Not available	273	Major cities	Local agent
King Consolidated Holdings Ltd	Local	Not available	N/Available	Major cities	Local agent

2.2.3 Entry Strategy

Specialist retailers such as bakeries, butcheries, and green grocers are the main suppliers to restaurants. Dry groceries are often purchased through wholesalers, while perishables and frozen products are purchased directly from the manufacturers or designated distributors.

- Export opportunities in this sector may not be readily apparent since these outlets generally prefer to source their inputs locally. However, as the number of outlets increase and competition rises, it becomes more difficult to meet the needs of the local market while maintaining quality and price competitiveness.
- The South African fast food market continues to witness strong growth due to changes in lifestyle and growth in disposable income.
- Although independent restaurants are plentiful, the growth in the number of franchised fast food chain restaurants has been phenomenal over the past number of years. The situation has brought interest in American-style cuisine and consumption patterns.
- Tex-Mex or South Western cuisine has yet to significantly penetrate the South African market. The cuisine has potential to be popular due to the South African consumer's preference for hot and spicy sauces.
- Pub-style restaurants are also booming.
- More information regarding the South African hospitality industry is available at www.fedhasa.co.za.
- More information about the franchise sector is at www.whichfranchise.co.za and www.fasa.co.za. Franchising is more prevalent in some consumer foodservice channels, which

dominate South African consumer foodservice. Nearly 100 percent of home delivery operations are franchised.

- Famous Brands is the largest of the foodservice franchise.

2.2.4 Distribution Channel

Table 7: Suppliers to the Restaurant Industry

Sources of Supply	% of Total
Specialist retailers	42
Catering wholesalers	23
Manufacturers/distributors	20
Cash & Carry	8
General retailers	5
Fresh produce markets	2
TOTAL	100

2.3 Institutional Food Service

Currently, the South African institutional sector is valued at \$71 million and 80 percent of the market is run through state tenders and parastatals. This sector constitutes a very large market for food and beverages and includes various institutions and services providers. It is estimated that only 28 percent of public sector catering and 55 percent of private sector catering has been out-sourced to contract caterers. As with the rest of the South African food industry, this sector is fairly concentrated and is dominated by a relatively small number of large catering companies. The South African food services contract caterers include Fedics, Royal Sechaba, KKS, Royal Mnandi, Feedem Pitseng, and Bosana.

2.3.1 Major Contract Caterers' Profiles

Table 8: Leading South African Contract-Catering Companies

Name and business type	Ownership	Location	Purchasing Agent Type
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Fedics (Pty) Ltd	Tsebo Outsourcing Group	nationwide	Local agents
Royal Sechaba	Royal Serve	nationwide	Local agents
Kagiso Khulani Supervision Food Services (KKS)	Compass Group Southern Africa	nationwide	Local agents
RoyalMnandi	MvelaServe	Nationwide	Local agents
Feedem Pitseng	Independent owners	nationwide	Local agents
Bosasa	Independent owners	nationwide	Local agents

2.3.2 Entry Strategy

- In general, contract caterers do not import food and beverages but instead purchase food products directly from the local manufacturers, catering wholesalers, and distributors on a contract basis.
- Companies operating their own canteens usually buy food, when needed, from catering wholesalers and localized specialist retailers, as this is more convenient when buying small quantities.

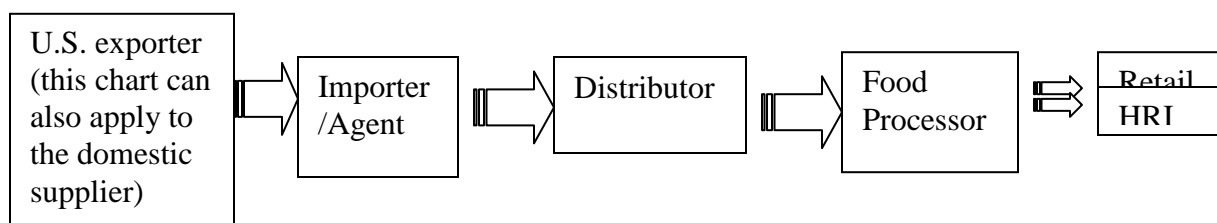
2.3.3 Distribution Channel

Table 9: Contract-Caterer Supplier Breakdown

Source of Supply	% of Total
Specialist retailers	46
Manufacturers/distributors	33
Catering wholesalers	10
Fresh Produce Markets	5
General retailers	4
Cash & Carry	2
Total	100

2.4 Market Entry Flow Chart for U.S. Exporters

The following chart provides an overview of the usual distribution channel for imported food products from U.S. exporters to food processors.



SECTION 3: COMPETITION

South Africa is a member of the World Trade Organization and holds multilateral and bilateral trade agreements with several other nations. For more details please visit http://www.thedti.gov.za/trade_investment/itead_trade_agreement.jsp.

Product Category	Major Supply Sources	Strengths of key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p>Red Meats Fresh/Chilled/Frozen</p> <p>Net imports from the world of \$156 million in 2014 versus \$98 million in 2013.</p> <p>Note: SA net exports were \$116 million in 2014 versus \$40 in 2013.</p>	<p>Namibia – 31% Botswana – 17% Australia – 16%</p> <p>USA is an insignificant supplier.</p>	<p>The pattern of imports in this category is variable and depends largely on local conditions, including quality and competitive pricing by the suppliers. Germany a leading supplier due to Free Trade Agreement (FTA) with South Africa as a member of the European Union.</p>	<p>South Africa produces very high quality beef.</p>
<p>Poultry Meat</p> <p>Net imports of \$313 million in 2014 versus \$332 million in 2013.</p> <p>Note: SA net exports were \$81 million in 2014 versus \$79 million in 2013.</p>	<p>Brazil – 32% Netherlands – 25% United Kingdom – 14%</p> <p>USA is a minor supplier with a 1.61% market share.</p>	<p>Brazil remains a leading trading partner for South Africa in terms of poultry due to its FTA with South Africa. The United States poultry exports to South Africa have been constrained by anti-dumping duties since 2000. Anti-dumping duties against poultry imports were implemented against three EU member nations, the United Kingdom, the Netherlands and Germany until 2 January 2015.</p>	<p>Domestic demand for poultry meat is growing and outpaces the performance of any other proteins on the market. Domestic producers are unable to meet consumption needs. South Africa's major chicken producers are Astral foods, Rainbow Chickens, Pioneer Foods, Sovereign and Dagbreek.</p>
<p>Turkey Meat</p> <p>Net imports of \$36 million in 2014 versus \$43 million in 2013.</p> <p>Note: SA net exports were \$3 million in 2014 versus \$2 million in 2013.</p>	<p>Brazil – 63% Canada – 13% USA – 9%</p>	<p>Competition, price and quality are the key strengths of these suppliers. With the growing trend towards healthier lifestyles, turkey products are becoming popular.</p>	<p>South Africa is a net importer of turkey meat products. Local production is inadequate since turkey meat is not a South African favorite, and is not commonly consumed except during Christmas time. However, the trend is changing, as turkey is starting to appear more on restaurant menus.</p>
<p>Fish and Seafood Products</p> <p>Net imports of \$340 million in 2014 versus \$296 million in 2013.</p> <p>Note: SA net exports were \$484 million in 2014 versus \$408 million in 2013.</p>	<p>Namibia – 30% Thailand – 24% India – 12%</p> <p>USA is a minor supplier with a 1% market share.</p>	<p>Despite being a net exporter, South Africa imports continue to increase to supplement domestic demand.</p>	<p>Major South African fish traders and processors are Sea Harvest (owned by Tiger brands); Irvin and Johnson (AVI), Oceana, Premier Foods, and Sekunjalo.</p>
<p>Dairy Products excluding cheese</p> <p>Net imports of \$114 million in 2014 versus \$100 million in 2013.</p>	<p>France – 25% New Zealand – 15% Germany – 12% USA – 7%</p>	<p>Despite being a net exporter, South Africa imports continue to increase to supplement domestic demand.</p>	<p>South Africa is a net importer of dairy products particularly whey, concentrated milk and cream to supplement insufficient domestic production.</p>

<p>Note: SA net exports were \$208 million in 2014 versus \$101 million 2013.</p>			
<p>Pulses</p> <p>Net imports of \$57 million in 2014 versus \$59 million in 2013.</p> <p>Note: SA net exports were \$10 million in 2014 versus \$4 million in 2013.</p>	<p>China – 30% USA – 13% Canada – 12%</p>	<p>China enjoys a bilateral trade agreement with South Africa. Domestic production is insufficient to cover local demand so imports supplement domestic demand.</p>	<p>South Africa is a net importer of pulses. Pulses are an important protein source in the South African diet and imports make up for the shortfall between domestic production and demand. Also, pulses are highly seasonal, imported from November – March in 50kg bags. Pulses are used by South African manufacturers for further processing in soups and broths.</p>
<p>Vegetable Oils Exc. Soybean oil</p> <p>Net imports of \$506 million in 2014 versus \$471 million in 2013.</p> <p>Note: SA net exports were \$108 million in 2014 versus \$57 million in 2013.</p>	<p>Indonesia – 53% Malaysia – 16% Romania – 7%</p> <p>USA is an insignificant supplier.</p>	<p>A shortage of domestically-produced oils has led to supplementing with unrefined oil imports, which are refined and packaged by local oil expressers. Malaysia provides quality and competitive prices.</p>	<p>South Africa is a net importer of edible oil productions. Local producers are unable to meet demand due to crop size.</p>
<p>Sugar/Sweetener/Beverage Bases</p> <p>Net imports of \$132 million in 2014 versus \$141 million in 2013.</p> <p>Note: SA net exports were \$162 million in 2014 versus \$155 million in 2013.</p>	<p>Brazil – 40% Swaziland – 14% China – 9%</p> <p>USA is a minor supplier with a 5% market share.</p>	<p>A growing domestic demand calls for imported products from competitive suppliers.</p>	<p>South Africa is a leading producer and a net exporter of sugar-related products. Local production is sufficient to meet demand.</p>
<p>Breakfast Cereal/Pancake Mix</p> <p>Net imports of \$11 million in 2014 versus \$15 million in 2013.</p> <p>Note: SA net exports were \$77 million in 2014 versus \$29 in 2013.</p>	<p>United Kingdom – 52% Germany – 17%</p> <p>USA is a minor supplier with a 5% market share.</p>	<p>Imports from competitive suppliers supplements supply.</p>	<p>South Africa is a net exporter of breakfast cereal products. Local production is sufficient to meet demand.</p>
<p>Fruit & Vegetable Juices</p> <p>Net imports of \$64 million in 2014 versus \$86 million in 2013.</p> <p>Note: SA net exports were \$270 million in 2014 versus \$192 million in 2013.</p>	<p>China – 38% Argentina – 30% Swaziland – 8%</p> <p>USA is an insignificant supplier.</p>	<p>Potential exports to South Africa are for exotic fruits and vegetables such as berries, kiwi fruits, and out-of-season fruits and vegetables from competitive suppliers.</p>	<p>South Africa is a net exporter and self-sufficient in basic fruit and vegetable requirements.</p>
<p>Processed Fruit & Vegetables</p> <p>Net imports of \$170 million in 2014 versus \$136 million in 2013.</p> <p>Note: SA net exports were \$406 million in 2014 versus \$321 million in 2013.</p>	<p>China – 21% Italy – 11% Belgium – 8% USA – 6%.</p>	<p>Opportunities exist for competitive suppliers of grape and apple juice which are used as a base for other fruit juices, prepared and preserved tomatoes, and fruit pulp.</p>	<p>South Africa is a net exporter, and domestic production is sufficient to cover local demand.</p>

<p>Wine and Beer</p> <p>Net imports of \$91 million in 2014 versus \$42 million in 2013.</p> <p>Note: SA net exports were \$718 million in 2014 versus \$719 million in 2013.</p>	<p>Namibia – 66% France – 19% Italy – 3%</p> <p>USA is an insignificant supplier.</p>	<p>Due to the rapid increase in exports of South African wines which creates a niche for specialty wines and beers from competitive suppliers.</p>	<p>South Africa is a net exporter of wine and beer, particularly wine of fresh grapes. The South African wine industry is relatively large and extensive ranked seventh in world output. South Africans' tastes and preferences are becoming more sophisticated and the average consumer is increasingly expecting a wide range of wine and beer.</p>
<p>Distilled spirits</p> <p>Net imports of \$298 million in 2014 versus \$315 million in 2013.</p> <p>Note: SA net exports were \$126 million in 2014 versus \$126 million in 2013.</p>	<p>United Kingdom – 63% France – 10% USA – 8%</p>	<p>Sophisticated tastes and preferences of South Africans calls for a range of whiskey products. UK continues to be leading trade supplier of this category. Despite lack of brand awareness of U.S. whisky products among south African consumers, the U.S. saw an increase in whisky exports.</p>	<p>South Africa is a net importer of distilled spirits particularly whiskies. Local production is not enough to meet local demand.</p>

Source: GTA

SECTION 4: BEST PRODUCT PROSPECTS

A. Products in the market which have good sales potential

Product Category	Jan – Oct 2014 South Africa Imports from the World (\$1,000,000)	Jan – Oct 2014 U.S. Exports to S.A. (\$1,000,000)	Percentage of Annual Import Growth U.S.	U.S. Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for U.S.
Almonds (shelled nuts) HS080212	18	16	64	free	Free from the EU countries	U.S. has largest market share of 87% due to quality and price. South Africa produces only pecans and macadamia nuts.
Salmon HS160411	1.5	1.2	45	6c/kg	6c/kg	U.S. has the largest market share of 81%.
Glucose and Glucose Syrup HS170240	6.9	5.0	57	free	Free from the EU countries	U.S. has the largest market share of 72%.
Protein Concentrates HS210610	10	418	-14	10-20%	EU countries import tariff rate to enter South Africa is free to 2.6%	U.S. has the largest market share of 48%.
Food Preparations HS210690	149	24	-8	Varied from free, 5-20%, and 154c/liter for alcoholic preparations.	Varied and from the EU countries import tariff rate is free to 2.6%.	U.S. has the largest market share of 16%.
Sauces, condiments and seasonings HS210390	16	5	47	5-20%	From the EU countries import tariff rate is free to 2.6%.	U.S. has the largest market share of 31%.

Source: GTA

B. Products not present in significant quantities but which have good sales potential

Product Category	Jan – Oct 2014 South Africa Imports from the World (\$1,000,000)	Jan – Oct 2014 U.S. Exports to S.A. (\$1,000,000)	Percentage of Annual Import Growth U.S.	U.S. Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for U.S.
Sausage casings (HS0504)	59	10	-3	free		South Africa is a net importer of sausage casing products. The import tariff rate is free from both the U.S and the EU countries. USA has 17% market share after China with 50%.
Flour and meal of dried leguminous vegetables (HS1106)	901	135	-57	Free to 20%	From EU countries free to 2.6%	U.S has a market share of 15%.
Vegetable Saps and Extracts (HS1302)	20	2	5	Free to 25%	EU countries duty free to 3.25%	U.S. has a market share of 11%.
Fats and oils (HS1504)	912	158	128	Duty free	Duty free from EU	U.S. has a market share of 17% after Norway with 37%.
Prepared foods obtained by the swelling or roasting of cereal products (HS1904)	11	521	-59	5c/kg to 25%	EU countries duty free to 3.25%.	U.S. has 5% market share.
Bread, pastry, cakes, and biscuits (ingredients) (HS1905)	48	3	-6	3.6c/kg to 25%	EU countries duty free to 2.73%.	U.S. has a 6% market share.
Ethyl alcohol, spirits, and liqueurs (HS2208)	296	24	24	136c/liter to 154c/liter including additional costs of R2.31/Liter to R93.03/liter levied on customs and excise respectively.	From EU countries R17.68c/liter to R20.02c/liter including additional costs of R38.00/liter to R93.03 levied on both the Customs, and Excise duties.	U.S. has a market share of 8%.

Source: GTA

C. Products not present because they face significant barriers

Product Category	Jan – Oct 2014 South Africa Imports from the World (\$1,000,000)	Jan – Oct 2014 U.S. Exports to S.A. (\$1,000,000)	Percentage of Annual Import Growth U.S.	U.S. Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for U.S.
Chicken Cuts 020714	214	2	-25	220c/kg	Netherlands with 32% market and US 0.84. The general rate of duty for this tariff is 220 c/kg in Rand. For the EU the rate is 165 c/kg and it is free for the SADC countries. The	Consumer demand continues to increase and domestic production is not keeping up. However, since 2000, U.S.

					anti-dumping duty on product from Tyson Foods is 224 c/kg, from Gold Kist Inc it is 245 c/kg and 940 c/kg from any other United States producers. 2014 saw South Africa impose anti-dumping on imports of frozen bone-in chicken from EU trading partner countries from Germany, Netherlands, and the UK. This followed import duties imposed on Brazilian chicken in 2012.	exports to South Africa of chicken leg quarters (02071490) have been limited by an anti-dumping duty.
Meat of Bovine frozen (0202)	45	0	0	40%	Botswana with 52% market share to supplement imports. Botswana is part of SADC country, and beef products from SADC countries are imported into South Africa duty free.	U.S. beef exports to South Africa have been banned since 2003.
Animal Feed Preparations (230990)	67	5	-23	free	France with 21% market share.	The U.S. has 7% of the market share. Lysine feed products are impacted due to dumping duties imposed on the U.S. since 2007

Source: GTA

SECTION 5: POST CONTACT AND FURTHER INFORMATION

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

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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>

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