

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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South Africa - Republic of

Retail Foods

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Report Highlights:

While South Africa produces a variety of high-quality agricultural products for export, the country continues to offer windows of opportunity for imports of both consumer-oriented and processed fruit and vegetables products. In the ten months of 2015, U.S. exports of consumer-oriented products and processed products to South Africa reached over \$100 million and \$9 million respectively.

Post:
Pretoria

Executive Summary:

A growing middle class and increased tourism continue to drive growth in South Africa's retail food sector, despite lower than expected economic prospects. South Africa produces various world-class agricultural products for export, yet continues to offer windows of opportunity for imports. The convenience store (i.e. gas station shop) retail concept is a growing trend for sales in South Africa, led by changing consumer lifestyles of greater daily mobility and long-distance holiday travel. South Africa continues to serve as a regional trading hub, a gateway to the Southern African region, making it an increasingly appealing export destination for the United States. The country's retail sector has shown a steady increase over the past few years and continues to hold opportunities and strong market potential for consumer-oriented products, given the comparatively limited capacity for food processing. In the ten months of 2015, U.S. exports of consumer-oriented products reached \$104 million.

The United States is South Africa's fifth-largest supplier of consumer-oriented products, despite the strong competition the United States faces from European countries, whose products enter South Africa duty free under the Trade, Development and Cooperation Agreement (TDCA).

Author Defined:

SECTION 1. MARKET SUMMARY

The South African retail sector is sophisticated. Seventy percent of food sales in South Africa occur in modern retail stores rather than traditional shops. The range of outlets include convenience drugstores (called cafes), small general dealers, exclusive boutiques, chain stores (groceries, clothing, toiletries, household goods), department stores, cash and carry wholesale-retail outlets, and co-operative stores serving rural areas. Only a few major holding companies control much of the South African retail sector, including Spar Group Ltd, Shoprite Holdings, Pick n Pay Retail Group, Woolworths Holdings Ltd, and Massmart. Supermarkets account for the greatest sales within these companies' profiles. According to Statistics South Africa, retail sales grew by 3.3% year on year in real terms in July 2015. Over 80 percent of products in these markets are sourced domestically.

South African grocery chains are quickly expanding throughout Sub-Saharan Africa. These companies are responding to the rapid growth in the middle class, the recent demand for modern retail outlets, and urbanization throughout the region. South Africa's leading retail companies are not only infiltrating the market to increase their presence and sales, but they are also setting the standard for grocery shopping throughout the continent.

South Africa is an emerging market with a growing population of 53 million people. The country possesses a modern infrastructure supporting relatively efficient distribution of goods to urban centers, townships and rural areas throughout South Africa and Southern Africa. Since the end of apartheid in 1994, South Africa has experienced rapid growth in its retail food sector. Expectations for long term economic expansion, a rising middle class, and changes in consumer preferences, such as a growing demand for convenience, have resulted in the expansion of the supermarket

retail sector which presents opportunities for U.S. food producers.

The South African food and beverage market is becoming increasingly sophisticated and is supplied by both local and imported products. Retail outlets in South Africa offer the full spectrum of formats available in the United States. It is also important to note that major quantities of almost all consumer goods are offered on a self-serve basis. The hypermarkets, located in suburban shopping centers/malls, have put significant pricing pressure on local retailers by purchasing directly from manufacturers and bypassing the wholesaler, typically with lower margins and higher turnover.

South African retail chains utilize their in-house import departments or third party distributors/importers to facilitate the purchase and delivery of imported goods. The U.S. exporters can enter the retail sector by dealing directly with the chain headquarters who will convey the inquiries to their third party importers.

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 market expertise, 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 South African market.

1.1 Retail trends, Consumer Tastes and Preferences

Based on a recent assessment conducted by FAS/Pretoria in collaboration with the private sector, the following trends were discovered:

- 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-brand labels as consumers see these products as providing good value during economic difficulties caused by the ever-rising costs of living in South Africa.
- Convenience is expected to remain popular with consumers, as supermarkets continue to increase the amount of ready-to-eat food items offered at their fresh food, deli, home meal replacement, and bakery departments.
- There is demand for longer store hours or even 24-hour shopping, including an increase in internet retailing.
- Environmental awareness and ethical behavior such as recycling, waste reduction, and organic farming are important to South African consumers.
- Increased consumption of dairy products such drinking yoghurt, smoothies and ice cream.
- Fresh fruits and vegetables, nuts, grains and legumes are increasingly part of the daily diet for middle to high-income consumers.
- Food labeling, product and service levels is growing in importance in South Africa, as consumers want to be informed about what they are eating as per the revised Consumer Protection Act of March 2011. Under the revised act, both retailers and manufacturers can be held accountable for problems found in a product.
- Trends show that bottled water, including premium, imported, flavored, enhanced, and oxygenated, has achieved success and accounts for a large portion of the beverage market.
- Although many South Africans choose products according to price, consumers in townships often demonstrate contradictory demands and characteristics. For example, spazas and other informal shops tend to only supply leading brand items because their customers demonstrate strong brand loyalty.

- Supermarket retail chains continue to convert or revamp 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.
- Growth in the retail sector outlets including mixed retailers, prompts development and expansion of shopping malls in South Africa and in neighboring countries.

1.2 Import and Export Trade Data

Imports: In the ten months of 2015, imports of South Africa consumer-oriented products from the World totaled \$1,779 million. Whereas imports from the United States totaled \$104 million, a decrease of 11 percent compared to 2014 due to a decline in food preparations (210690) exports. Other high value products showing consistent growth over the last five years are almonds (080212), tomato paste (200290), vegetables (071290), and tea extracts (210120).

The top ten leading suppliers of consumer-oriented products to South Africa were the Netherlands (\$142 million), Brazil (\$128 million), France (\$118 million), Germany (\$115), the United States (\$104 million), Namibia (\$97 million), Spain (\$86 million), China (\$85 million), Italy (\$80 million), and the United Kingdom (\$73 million). South Africa's major imported agricultural commodities from the World were chicken cuts (020714) and food preparations (210690), from the Netherlands were chicken cuts (020714), from Brazil were chicken cuts (020714) and meat & offals (020712), from France were chicken cuts (020714) and wine (220410), from Germany were pork meat (020329) and food preparations (210690), from the United States were food preparations (210690) and almonds (080212), from Namibia were beer (220300), from Spain were chicken cuts (020714) and coffee extracts (210111), from China were apple juice (200979), from Italy were cocoa preparations (180690) and food preparations (210690), and from the United Kingdom were chicken cuts (020714) and food preparations (210690).

Exports: South Africa's January – October 2015 exports of consumer oriented products to the world totaled \$4,904 million. Major exports included citrus (080510), wine (220421), fresh apples (080810), fresh grapes (080610), and fresh or dried lemons (080550). South Africa's major exports to the United States were wine (220421), citrus (080510), and sauces and condiments (210390). A successful partnership between the Animal and Plant Health Inspection Service (APHIS), South Africa's Department of Agriculture, and the Deciduous Fruit Producer's Trust has set up pre-clearance programs for fresh apples, citrus, grapes, and pears, which has expanded market access for South African fresh fruit exports to the United States and other markets.

South Africa exports to the United States under the Generalized System of Preference (GSP) program and the African Growth and Opportunity Act (AGOA). AGOA enables 39 eligible Southern African countries to export most products duty free to the United States has seen total African exports the United States more than quadruple.

1.3 Trends in Online Shopping

South African internet use is gaining in reach, though it is still mostly utilized by middle and upper-income consumers who can afford internet access at home. The online shopping sector is growing; its growth is expected to continue due to the increasing service quality brought about by competition among the leading internet services providers. Some surveys reveal that the retail industry online contributes about 7 percent to sales, which is changing the face of retailing. However, a large percentage of South African shoppers, especially lower income consumers, do not have reliable access to the internet, are not computer literate, and prefer to visit traditional stores to physically experience a product prior to purchase.

Surveys reveal that most retailers are expected to adopt internet retailing. Currently, Pick n Pay and Woolworths are the two major grocery retailers involved in online sales. Trends indicate the most popular goods to purchase online are cosmetics and toiletries, and toys and games, but not grocery items. Surveys also reveal South Africa's high and rising penetration by mobile internet access devices, including smartphones and tablets.

1.4 Food Standards and Regulations

FAS/Pretoria has prepared a [2014 GAIN Report on South Africa's Food and Agricultural Import Regulations and Standards \(FAIRS\)](#).

The updated 2015 FAIRS report will soon be available on the USDA GAIN system.

Consumer Protection Act: *South Africa's new Consumer Protection Act became effective in March 2011. U.S. exporters who intend to sell goods and services destined for South Africa will have to comply with the new legislation, which includes provisions on product liability and labeling.*

The Act states that, "if a defective or incorrectly labeled product was to cause harm or injury to a South Africa consumer, the manufacturer could become co-defendant together with the local retailer or supplier in product liability litigation." The Consumer Protection Act places the burden of proof squarely on the shoulders of the supplier, and not on the consumer as in the past. "Strict liability means that the onus is on the supplier to prove that the product was not defective. The South African consumer only has to show harm or loss and that this was caused by the product concerned." Suppliers will have to be particularly careful about proper labeling of products that need warnings or special instructions for usage. Where any product has a risk of an unusual nature that an ordinarily alert consumer could not be expected to know about, the supplier is compelled to bring this to the consumer's attention in plain and understandable language.

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

Advantages	Challenges
South Africans are developing a taste for western foods and are willing to try new products.	Consumers may need to be educated in how to prepare new products.
The growing convenience segment in retail food industry needs imported food and beverage products.	High import tariff rates faced by U.S. suppliers relative to European competitors due to the SA-EU Free Trade Agreement.
South Africa presents opportunities as a gateway for regional markets.	Competition from other countries and locally produced products. Ninety percent of products in the retail outlets are locally produced. South Africa's major retailers have joined forces with the "Proudly South African" (PSA) campaign, launched by the Government, to give PSA suppliers preferential tendering for shelf space, and to promote South African products.
Importers and distributors can help develop brand loyalty.	Consumers are price-conscious and most do not exhibit brand loyalty. Products must constantly be promoted.
South African consumers view U.S. products as high quality.	Retailers and consumers have limited knowledge about the variety of U.S. products.
South African importers seek suppliers who can offer reliable high-quality products, in particular consolidators of mixed containers	Unfavorable exchange rate, relatively strong dollar and weak rand, make American imports more affordable.

at competitive prices.	
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SECTION 2: ROAD MAP FOR MARKET ENTRY

2.1 Supermarkets

2.1.1 Entry Strategy: Introducing a product successfully depends on strong promotion and product support. In South Africa's very competitive marketplace it is essential that U.S. exporters choose the correct agent or distributor. Evidence shows that the most successful U.S. company ventures are those that have researched their market thoroughly before engaging in a search for agents and distributors. Once contacts are established, it is advisable to visit South Africa, since firsthand knowledge of the market is highly useful. Research has shown that new opportunities may be developed in South Africa through aggressive marketing by product sampling and advertising.

In South Africa the terms "Agent" and "Distributor" have a very specific meaning. Agents work on a commission basis after obtaining orders from customers. Distributors buy and sell products directly to their customers. It is common to appoint a single agent capable of providing national coverage either through one office or a network of branch offices. In addition to their role as the local representatives of U.S. exporters, agents should be able to handle the necessary customs clearance, port and rail charges, documentation, warehousing, and financing arrangements. The local agents representing foreign exporters outside South Africa who export goods to South Africa, and the foreign exporters, are fully liable under the South African Import Control Law for all regulations and control imposed on imported products. Local agents are required to register with the Director of Import and Export Control of the Department of Trade and Industry. It is important for a U.S. exporter to maintain close contact with the local agent to track changes in importing procedures and to ensure that the agent is effectively representing his or her interests.

2.1.2 Retail Market Structure

The basic flow of imported food products goes from 1) the exporter; through 2) importers, agents, distributors, and brokers; to 3) wholesalers, cooperatives, membership stores, hypermarkets, supermarkets, and convenience stores; and finally to 4) consumers. Alternately, exporters supply directly to wholesalers, cooperatives, membership stores, hypermarkets, supermarkets, and convenience stores, which sell to consumers.

- Retail supermarket chains maintain their own distribution systems, using modern warehouses to allocate goods to supermarket branches.
- Depending on the arrangements, in some instances imports are handled by the supermarket chain's head office, their identified importer or by branches themselves.
- Trends in the distribution channels show that some of the supermarkets are moving toward outsourcing the services of warehousing and transportation.

2.1.3 Major Supermarket Chains:

For the most part, South Africa's major supermarket chains offer much the same range of products and brands. Gaining a competitive edge through image and service is their major focus. The retailers work hard at establishing their own particular appeal. Some, like Woolworths and Spar, do this by targeting a particular shopper segment, such as upper-income groups. Others, like Pick n Pay and Shoprite-Checkers group, go head-to-head more on price and "shopping experience."

These retail groups in South Africa enjoy enormous bargaining power. They are all able to dictate their buying terms to suppliers who are expected to deliver products to central depots or warehouses, where the products are then distributed to supermarkets and retail outlet stores using their own transportation trucking system. Shoprite-Checkers and Spar, for example, are very strong in the predominantly black areas (townships) whereas Woolworths is stronger in the smaller "up-market" segments.

Major supermarkets retail chains have a presence in the urban and rural areas and continue to open new stores. Most supermarkets sell their own-label products as well as manufacturer's brands.

The retail industry prefers to buy directly from local manufacturers. For imported products, some supermarkets prefer to deal directly with U.S. manufacturers, because an import agent or a distributor acting as a middleman can add up to 30 percent to the cost of the product, resulting in lower margins for the supermarket.

Supermarkets have recognized the growing demand for prepared food, and compete with convenience stores or quick service stores and have increased the offering of fresh, prepared foods, and ready-to-eat meals.

Spar Group Ltd: Spar Group Ltd, a subsidiary of Dutch retailer Spar is a wholesaler and distributor of grocery and non-grocery to independent stores that operate under Spar brand. The Spar organization consists of two types of members: Spar Retailers, who are independent store owners, and Spar Distribution Centers, which provide leadership and services to the Spar Retail members. Both members belong to the Spar Guild of Southern Africa, a non-profit company set up to coordinate and develop Spar in Southern Africa. The members pay subscriptions to the Guild, which uses these monies to advertise and promote Spar. The Spar grocery chain emerged in the 1963 when a group of eight wholesalers were granted exclusive rights to the Spar name in South Africa to service 500 small retailers. A number of mergers and take-overs followed, and today all but one of the wholesalers are owned by the Spar Group Limited, which operates six distribution centers that supply goods and services to over 1,800 Spar outlets in South Africa, Botswana, Namibia, Mozambique and Swaziland. Retail formats and brands are comprised of Super Spar (hypermarkets), Spar and Kwik Spar (supermarkets), and TOPS (Spar liquor stores). TOPs are the largest liquor stores chains in South Africa, mostly located next to Spar brand stores to provide convenience for consumers to purchase both grocery items and alcoholic beverages.

All SPAR stores are independently owned, and many of the purchasing decisions are made at the individual store level. Spar targets high-income consumers and locates its stores in more up-market neighborhoods. Shopping at a Spar can be similar to shopping at an upmarket Giant or Shaw's in an up-market neighborhood in the United States. For more information on the group visit www.spar.co.za

Shoprite Holding: Shoprite, part of the Shoprite Group, is South Africa's second largest food retailer and has about 34 percent market share of the food retailing market. Shoprite caters to the lower-end of the consumer market with a focus on private label or branded products on food for their more price-conscious consumers. The group consists of over 1,400 outlets in urban and rural locations of South Africa and throughout Southern Africa in Angola, Botswana, Democratic Republic of Congo (DRC), Ghana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Tanzania, Uganda, and Zambia. The retail formats and store brands are comprised of Shoprite supermarkets, Checkers Supermarkets, Checkers Hypers, Usave stores, distribution centers supplying group stores with groceries, non-foods and perishable lines, OK Furniture outlets, OK Power Express stores, House & Home stores, and Hungry Lion fast food. Through its OK Franchise

Division, the Group procures and distributes to the OK Minimark convenience stores, OK Foods supermarkets, OK Grocer stores, Megasave wholesale stores, Sentra stores, and Value Stores. Shoprite Holdings with its Checkers brand (Checkers Housebrand and Checkers Choice) remain a dominant player in the hypermarkets in South Africa.

Checkers Hypers have a special section devoted entirely to imported foods as well as kosher and halal sections. Checkers Hyper chain targets middle to high-income groups for their more expensive and niche offerings. Shoprite Checkers are similar to a Shoppers Food Warehouse type of shopping experience. Shoprite Head Offices are based in Cape Town, South Africa. For more information on the group visit website www.shoprite.co.za

Pick n Pay: The Pick n Pay Group is South Africa's second largest supermarket retail chain with head offices based in Cape Town and Johannesburg. Pick n Pay has over 15 percent of the retail market share with over 1,000 stores in the South African food sector. The group has outlets in South Africa, Southern Africa, and in Australia through its Franklin outlets. To take advantage of the South Africa fast growing demand for convenience shopping including global trends, Pick n Pay entered the market through the British Petroleum (BP) forecourt gasoline stations with an introduction of Pick n Pay Express outlet in the major metropolitan areas across South Africa. The group offers three private label ranges which offers consumer good quality at lower price than branded products such as Pick n Pay, Pick n Pay Choice, and Pick n Pay No Name. The Retail Division manages Pick n Pay branded businesses such as food, clothing and general merchandise in hypermarkets, supermarkets, family-owned franchise stores, mini market franchises, butcheries, and gas station shops. The Group Enterprises Division operates the Group's other non-Pick n Pay branded group activities including Score Supermarkets, TM Supermarkets, property franchises, and Go Banking, as well as finding new investment opportunities for the group worldwide.

The emphasis of the supermarket division is on total convenience and freshness, with stores trying to add value through the fresh food supply chain. Traditionally, Pick n Pay Score supermarkets have had a presence in townships when other retailers have stayed away. Pick n Pay is the most modest of the high-end super market chains which focus on low-priced stapled products for low-income consumers. For more information visit the group website at www.picknpay.co.za

Woolworths: Woolworths Holdings Ltd South Africa is a South Africa-based retail group chain that operates locally and internationally through two subsidiaries, Woolworths Proprietary Limited and Country Road. Woolworths Proprietary operates and franchises stores in Africa and the Middle East, while Country Road Limited, listed on the Australian Stock Exchange, operates in Australia, New Zealand and Singapore. Woolworths offers select ranges of apparel, clothing, cosmetics, toiletries, footwear, jewelry and food under its own brand name. There are about 400 Woolworths outlets stores. Woolworths stores presence are mainly in shopping malls or shopping centers, and currently are opening food stand-alone stores in convenient suburban locations, including Owned Woolworths, Franchised Woolworths, and Owned and Franchised Country Road outlets.

Woolworths now caters to the wealthiest South African consumers with a strong organic food focus and is currently expanding long life and grocery sections to achieve higher basket sizes. In focusing on quality, Woolworths utilizes a high degree of contract farming to supply fresh produce and prepared convenience foods. Contract farming has enabled Woolworths to carry a wider range of gourmet items, but often faces supply issues due to compliance issues with contract terms.

The "Woolies" shopping experience is comparable to the Whole Foods or Trader Joe's shopping experience in the United States. They carry a relatively small number of branded products, instead promoting their own Woolworths branded private label products. Price points are slightly higher than Checkers and Pick n Pay, comparable to similar retail markets in the United States. Woolworths operates in other African countries including Botswana, Kenya, Namibia, and Ghana,

with plans underway to expand to Angola, Mozambique, Zambia, and Uganda. For more information visit the group website at www.woolworths.co.za

Massmart Holdings: Massmart is a South Africa based wholesale/retail company, and is the fifth largest distributor of consumer goods in Africa, with 44 stores in sub-Saharan Africa, including Botswana, Lesotho, Mozambique, Namibia, Swaziland and Zambia. Its wholesale division Makro, is a leading wholesaler of general merchandise, home improvement equipment and supplies, and the leading wholesaler of basic foods each focused on high volume, low margin, low-cost distribution of mainly branded consumer goods. The Massmart Holding Ltd was acquired by the US-based retail giant Wal-Mart in June 2011 and has grown its footprint since then. The acquisition is yielding positive results for South African consumers, as can be seen by the general price cuts being introduced within the retail market. It is estimated that about 80 percent of the company's food product sales are through membership and non-membership discount stores. The former include Makro, currently with 19 warehouse clubs in South Africa and 23 stores projected in 2015. The latter include Game, CBW, and Jumbo Cash & Carry. Products purchased in bulk discount outlets are then resold through small neighborhood stores, kiosks, and informal traders. Visit the group website www.massmart.co.za for more information.

Metcash: Metcash Africa is the largest distributor of groceries and fast moving consumer goods on the African continent. It has extensive franchise retail interests in South Africa and operates in other African countries (Malawi, Namibia, Lesotho, and Swaziland). The brand stores include Metro Cash and Carry, Trade Centers, Liquor World, Stax, Friendly Warehouses, Alliance Cash & Carry, Seven Eleven, Lucky Seven, Buy Rite, Viva-Supa-Save, and gas station shops. Metro liquor stores such as Liquor World and Liquor Warehouse offering consumers a range of imported liquor are conveniently located next to Trade Centers and Metro Cash and Carry outlets. For more information visit the group website at www.metrogroup.de/en/metro-cash-and-carry

2.2 Convenience Stores

2.2.1 Entry Strategy

South Africa's convenience sector continues to be a key growth factor in the South African retail trade. Major retailers and food service providers have entered into alliances with gas stations to provide 24-hour food service. Woolworths Holdings remains the leader in convenience stores with a 72 percent market share. Woolworths Food outlets and Woolworths outlets are co-located at Engen gas station Quickshops. Other players include food service outlets such as Corner Bakery and Famous Brands Wimpy, Steers, and Debonairs; Sentra Value stores owned by Shoprite Holdings; and Pick n Pay Express outlets with British Petroleum (BP). Other gas stations such as Total and Sasol operates their own retail offerings

Convenience stores operate on extended hours or in some instances they are open 24 hours. South Africans appreciate and typically shop at convenience outlets because they are perceived as time saving, well-lit, safe and convenient. One of the convenience concepts is pre-packed fresh produce, fresh meats, baked goods, and hot meals.

2.2.2 Market Structure:

The market structure is covered in detail under the supermarket section of this report.

2.3 Traditional Markets

2.3.1 Entry Strategy

The informal retail market in South Africa is acknowledged as an important delivery channel of goods to customers. However, the view is held that this sector may have peaked, as more formal shopping centers are being developed in the previously disadvantaged areas. Currently, more stores are trading seven days a week, creating greater convenience for shoppers. Sunday trading is becoming increasingly important as the trend towards convenience continues. End of the month shopping remains extremely significant.

Food retailers in South Africa range from highly sophisticated supermarkets at one end to rudimentary street corner stalls at the other. In years past, predominantly black townships were virtually unserved by large-scale food retailers. The informal retail sector in South Africa is continually growing and is increasingly recognized by manufacturers and wholesalers as an important delivery channel of goods to consumers in the townships. With the end of apartheid, major retailers have also extended their services to these townships. Informal market retailers cater to the needs of the residents via independent grocery stores such as spazas (see more detail below), tuck (snack) shops, general stores, street vendors, kiosks, take-aways, and fast foods.

Spaza shops are defined as small retail enterprises operating in residential areas, often out of homes. Spaza shops are located mainly in the townships and offer both food and nonfood products. Somalians dominate the spaza sector due to their strategy of group buying from wholesalers, enabling them to offer lower prices to customers than their local competitors. Somali-owned stores are common features in both the cities and townships throughout the country. Marketers saw the spaza as the beginning of a new form of township convenience retailing, conveniently close to consumers, and open at extended hours.

On average, start-up investment for spaza shops amounts to less than \$1000. Spazas are mainly financed by private savings or loans from relatives or friends. Average employment amounts to about three employees per business. Considering that the number of spazas may be 100,000, this sector of the economy may provide 230,000 to 290,000 jobs, and support more than one million people. The most important products sold by spaza shops are (in descending order): soft drinks, cigarettes, paraffin (liquid petroleum for home use burner stoves), candles, maize meal, alcoholic beverages, bread, poultry products (whole chickens, cut pieces, necks, chicken feet, offal), and sugar.

There is now growing awareness among manufacturers and producers of the importance of the spaza retailers as a marketing channel. More than 20 percent of spaza owners report that products such as soft drinks, dairy, and bakery products are now delivered to their shops. The most serious problems encountered by spaza owners are inventory shortage or access to finance, high levels of crime (robbery), severe competition, expensive transport, and bad debt or the granting of too much credit. Although spaza retailers are often seen as survivalist enterprises, it is clear spazas are becoming not only a permanent phenomenon on the South African economic scene, but more sophisticated and closely linked to the rest of the economy than commonly perceived.

Despite the significance of the informal retail market, imported product is rarely featured at these outlets other than offal and poultry products. Informal retailers do not have the capacity to buy imported goods directly and rely mostly on sourcing their products from local wholesale markets.

2.3.2 Market Structure:

The market structure is covered in detail under the supermarket section of this report.

2.4 Gas station shops

Gas station retailer shops are becoming increasingly popular in South Africa due to a growing consumer demand for convenience purchases, 24 hours a day, 7 days a week. These shops record continued growth as new petrol stations open throughout the country. The inclusion of popular retail brands within gas station retailers will likely boost the number of consumers visiting these stores. South African restaurant chains recognized an opportunity in the sector and continue to expand within it.

Recent trends in the food sector confirm increasing demand in the extended choices of food and drink that includes dishes such as: pap (corn-based staple) and meat, lasagna, roasted vegetables, ready-made and packaged items such as sandwiches, microwavable foods, salads, fresh produce, meat pies, biltong (jerky), home meal replacements, cheese, yoghurt, milk, baked goods, sweets, and chocolates.

SECTION 3: COMPETITION

3.1: South Africa's Key Export and Import Products and Trading Partners in Agricultural and Fisheries: 2013 – 2015 (January – October)

Product Category and HS Code (January – October)	Major Suppliers to SA and market share	SA EXPORTS to USA Millions of US\$ (January – October)			SA IMPORTS from USA Millions of US\$ (January – October)			Opportunities and challenges
		2013	2014	2015	2013	2014	2015	
Meat and Edible Meat Offal (02) South Africa imports from the World of \$475 million in 2015 versus \$474 million in 2014. South Africa exports to the World of \$231 million in 2015 versus \$200 million in 2014.	Brazil – 24% Netherlands – 9% Belgium – 8% USA – insignificant supplier at 0.06%.	0.008	0.0005	0.003	13.5	5.1	0.3	South Africa is a net importer of meat and meat products. Brazil enjoys MFN tariff rates. The Netherlands and Belgium enjoy duty-free access under the SA-EU free trade agreement.
Fish and Seafood (03) South Africa imports from the world of \$190 million	Namibia – 37% India – 13% Norway – 10% USA –	26.6	27.8	21.9	1.6	2.5	1.9	South Africa is a net exporter of fish and seafood products. Major export

<p>in 2015 versus \$196 million in 2014.</p> <p>South Africa exports to the world of \$348 million in 2015 versus \$423 million in 2014.</p>	<p>minor supplier at 1%.</p>							<p>categories are frozen fish (0303), filet (0304), crustaceans (0306), mollusks (0307), and crustaceans (0306).</p>
<p>Dairy Produce (04)</p> <p>South Africa imports from the world of \$134million in 2015 versus \$130 million in 2014.</p> <p>South Africa exports to the world of \$214 million in 2015 versus \$245 million in 2014.</p>	<p>France – 18% New Zealand – 15% United Kingdom – 12% USA – minor supplier at 3%.</p>	0.009	0.009	0.03	8.4	6.2	4.2	<p>South Africa is a net exporter of dairy products.</p> <p>Opportunity for exports to South Africa exist in the categories of cheese and curd (0406), milk and cream (0402), and whey and milk (0404).</p> <p>New Zealand enjoys MFN tariff rates. France and the United Kingdom enjoy duty-free access under the SA-EU free trade agreement.</p>
<p>Edible vegetables (07)</p> <p>South Africa imports from the world of</p>	<p>China – 39% Belgium – 8% Canada – 7%</p>	0.4	0.2	0.7	5.2	9.9	5.0	<p>South Africa is net importer of dried legumes (0713).</p>

<p>\$89 million in 2015 versus \$108 million in 2014.</p> <p>South Africa exports to the world \$145 million in 2015 versus \$161 million in 2014.</p>	<p>USA – fourth supplier at 6%.</p>							
<p>Edible Fruit and Nuts (08)</p> <p>South Africa imports from the world of \$120 million in 2015 versus \$106 million in 2014.</p> <p>South Africa exports to the world of \$2,598 million in 2015 versus \$2,537 million in 2014.</p>	<p>Mozambique – 20% USA – 17% Vietnam – 11%</p> <p>USA is a major supplier of almonds (0802) with a market share of 57 percent.</p>	74.7	81.7	107	12.2	20.5	20.2	<p>South Africa is a net exporter of citrus fruits (0805), fresh apples and pears (0808), fresh and dried grapes (0806), and nuts (0802). A small market exists for imports of dried exotic fruits, and opportunities exist for shelled hazelnuts, desiccated coconut, cashew nuts and shelled almonds.</p> <p>Mozambique enjoys the free trade area of the Southern African Development Community (SADC).</p>
Rice (1006)	Thailand – 56%	0.005	0.062	0.071	2.0	1.9	0.8	South Africa does not

<p>South Africa imports from the world of \$356 million in 2015 versus \$375 million in 2014.</p> <p>South Africa exports to the world of \$58 million in 2015 versus \$55 million in 2014.</p>	<p>India – 34% Vietnam – 4%</p> <p>USA – minor supplier at 0.22%.</p>							<p>produce rice. Opportunity for exports to South Africa exist in semi or wholly milled rice imported in bulk and packaged in South Africa (1006).</p>
<p>Vegetable oils (15)</p> <p>South Africa imports from the world of \$460 million in 2015 versus \$635 million in 2014.</p> <p>South Africa exports to the world of \$218 million in 2015 versus \$245 million in 2014.</p>	<p>Indonesia – 36% Malaysia – 17% Argentina – 14%</p> <p>USA – insignificant supplier at 0.38%.</p>	0.5	0.4	0.4	3.3	3.9	1.7	<p>South Africa is a net importer of both oilseeds and edible oils and fats. Opportunities exist in category (1511) and (1507). Also there is an increasing demand for edible soy products.</p>
<p>Prepared Meat, Fish and Seafood (16)</p> <p>South Africa imports from the world of \$159 million in 2015 versus \$157 million in 2014.</p> <p>South Africa exports to</p>	<p>Thailand – 56% Namibia – 21% China – 10%</p> <p>USA – insignificant supplier at 0.24%.</p>	0.2	0.01	0.006	2.4	1.3	0.4	<p>South Africa is a net importer of prepared meat and fish products.</p>

the world of \$97 million in 2015 versus \$105 million in 2014.								
<p>Sugars and Sugar Confectionery (17)</p> <p>South Africa imports from the world of \$353 million in both 2015 and 2014.</p> <p>South Africa exports to the world of \$219 million in 2015 versus \$455 million in 2014.</p>	<p>Swaziland – 55%</p> <p>Brazil – 13%</p> <p>India – 5%</p> <p>USA – minor supplier at 1.19%.</p>	0.9	26.1	1.022	15.9	10.6	4.2	South Africa is a net exporter of sugar. The majority of imports are in the category of cane or beet sugar in solid form (1701).
<p>Preserved Food (20)</p> <p>South Africa imports from the world of \$158 million in 2015 versus \$187 million in 2014.</p> <p>South Africa exports to the world of \$508 million in 2015 versus \$547 million in 2014.</p>	<p>China – 26%</p> <p>Argentina – 15%</p> <p>Italy – 10%</p> <p>USA – Fifth supplier at 4%.</p>	14	22	18	7.9	8.5	6.6	<p>South Africa is a major exporter of preserved foods in the categories fruit juices (2009) and fruit and nuts (2008).</p> <p>Argentina enjoys MFN tariff rates. Italy enjoys duty-free access under the SA-EU free trade agreement.</p>
<p>Miscellaneous Edible Preparations (21)</p> <p>South Africa imports from</p>	<p>USA – 14%</p> <p>Germany – 13%</p> <p>Netherlands – 8%</p>	11	11	15	36.7	36.2	35.9	South Africa is a net exporter of food preparations (2106) and sauces

<p>the world of \$259 million in 2015 versus \$269 million in 2014.</p> <p>South Africa exports to the world of \$366 million in 2015 versus \$376 million in 2014.</p>							<p>(2103).</p> <p>Opportunities exist for imports of canned products, grape and apple juice (used as a base for other fruit juices), prepared and preserved tomatoes, and fruit pulps.</p> <p>Germany and Netherlands enjoy duty-free access under the SA-EU free trade agreement.</p>	
<p>Beverages (22)</p> <p>South Africa imports from the world of \$412 million in 2015 versus \$455 million in 2014.</p> <p>South Africa exports to the world of \$1,039 million in 2015 versus \$1,143 million in 2014.</p>	<p>United Kingdom – 39%</p> <p>France – 12%</p> <p>Namibia – 12%</p> <p>USA – Fifth supplier at 4%.</p>	66	46	47	24.9	26.6	15.7	<p>South Africa is a net exporter of alcoholic beverages.</p> <p>Opportunity exists for imports of specialty whisky (2208) The South African appetite for American spirits has declined in this category due to price competitive products from the EU (UK, Italy</p>

									and France), which enter South Africa duty free.
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Source: Global Trade Atlas

3.2: South Africa’s Trade Agreements with other Nations

South Africa has signed multilateral and bilateral trade agreements with other nations, whereby some countries’ products enter South Africa duty free. As a founding member of World Trade Organization (WTO), South Africa extends most favored nation (MFN) rate of duty treatment to other trading partners. The following are links to information about relevant trade agreements:

The World Trade Organization webpage:

www.wto.org

The South African Revenue Services webpage:

<http://www.sars.gov.za/Legal/International-Treaties-Agreements/Trade-Agreements/Pages/default.aspx>

South Africa trade with EU link:

<http://ec.europa.eu/trade/policy/countries-and-regions/countries/south-africa/>

3.3: Tariffs

Harmonized tariffs codes are available on www.cargoinfo.co.za

SECTION 4: BEST PRODUCTS PROSPECTS

4.1. Products Present in the Market Which Have Good Sales Potential

The market has contracted in the past two years due to the declining rand and a weakening South African economy. However, five-year trends show growth in some U.S. consumer-oriented agricultural exports to South Africa. Products of note include those in the condiments and sauces category, which reached the highest export levels in 2015, and almonds (HS080212), which have shown sustained growth.

4.2. Products Not Present in Significant Quantities Which Have Good Sales Potential

- Pork casings
- Organics food products especially organic baby foods such as lactose-free milks, soya formula, cereals, beverages such as baby tea range, etc
- Counter seasonal apples, dried grapes, pomegranate, stone fruits, etc
- Baking inputs
- Whey products (HS 040410)
- Sugar confectioneries (HS 170490)
- Seafood
- Dog and cat food (HS 230910)
- Cocoa preparations (HS 180690)
- Sweeteners (lactose, glucose and syrup)

- Breakfast cereal (corn/grit meal)
- Mineral water (natural/artificial/sweetened/flavored) (HS 020210)
- Fruit and vegetables preparations
- Products not currently available or known about in South Africa, such as new food ingredients, condiments and snack foods
- Frozen turkey cuts (HS 020727, and chicken offal (HS 020712),
- Frozen swine cuts (HS 020329)
- Ground nuts (HS 200819)
- Enzymes and prepared enzymes (HS 350790)
- Breads, pastries, cakes and similar baked products (HS 190531 and 190590)
- Flavorings (malt)
- Peanuts (HS 200811)
- Milk and cream concentrated (HS 040210)
- Sparkling wine (HS 220410)
- Non alcoholic beverages (HS 220290)
- Grape juice (HS 200969)
- Tomatoes prepared or preserved (HS 200290)

4.3. Products Not Present Because They Face Significant Barriers

Poultry: United States poultry exports to South Africa are restricted by an anti-dumping duty in tariff number 0207 14 90 (bone in cuts, include the chicken leg quarters) instituted in 2000, which has caused imports from the US to drop significantly. On top of the anti-dumping duty, a duty increase from 17 to 37 percent came into effect on September 30, 2013. In June 2015, representatives from the United States and South Africa poultry industries met in Paris and agreed on a tariff quota of 65,000 tons of United States bone-in broiler meat to enter South Africa without the anti-dumping duty. There are also significant sanitary barriers to U.S. poultry exports to South Africa.

Beef and beef products: U.S. beef exports to South Africa were banned in 2003 following the detection of a bovine spongiform encephalopathy (BSE) positive animal in Washington State. The U.S. has since achieved a negligible risk status for BSE, and USDA is currently negotiating with South Africa on import requirements for beef.

Pork: U.S. pork exports into South Africa were stopped since June 2013. Despite the concessions by the United States, South Africa approved a limited list of United States pork cuts for export to South Africa, which excludes shoulder cuts, a priority for the United States industry. The United States and South Africa are currently negotiating a pork health certificate for trade.

SECTION 5: POST CONTACT AND FURTHER INFORMATION

If you have 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>

Post acknowledges the following Sources: Euromonitor International, retail industry publications and websites, National Statistics of South Africa, trade press, Global Trade Atlas, and trade industry interviews.