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HRI Food Service Sector

HRI Food Service Sector Report

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Report Highlights:

The biggest growth industry in South Africa is tourism. Hotels, restaurants, institutional and other food service sector outlets play an integral part in the tourists' experience of South Africa. The sector is expected to continue growing, as convenience fast food chain restaurants become more and more important in the South African way of life. South Africa is ranked 25th by the Global Competitiveness Report out of 75 countries, the highest place among all developing countries globally. This means that the country's business environment is both competitive and sophisticated. The restaurant sector dominates roughly 70% of the market, hotels and resorts 20%, and institutional contract food catering sector has a 10% share of the market.

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Section 1. Overview of South Africa

South Africa is one of the richest countries on the continent and in the world in terms of minerals and other natural resources. It was, and still is, amongst the world's largest exporters of gold and diamonds as well as a range of other industrial minerals. The excellent Mediterranean climate of its southern region makes it a major world exporter of citrus fruits and wine.

This abundant natural wealth led European settlers here as early as the 17th century. The economy boomed and physical infrastructure was developed. In the middle of the 20th century, the country faced the problem of apartheid, decisively resolved in 1994 with the first democratically elected government. Since then the country has continued to rebuild its economy and work toward achieving its potential.

Today South Africa has a population of 44 million and a GDP of *US\$126 billion* (2003). It is rated at the low end of the OBED countries in terms of its business environment and at the top end of developing countries in international competitiveness. The Global Competitiveness Report ranks South Africa 25th out of 75 countries, the highest place among all developing countries globally. Current tourist arrivals are 5.9 million per annum, with 1.0 million from Europe, 200,000 from North America, 155,000 from Asia and the rest from other parts of Africa. For general infrastructure, the country is rated 22nd; for financial market sophistication 16th. It has a strong technological base, unlike most developing countries, and has patented products such as the computer tomograph using indigenous technology. Well developed, tourism-related infrastructure and tourism support services, in particular transport infrastructure, play an important role in the tourism industry and are indispensable to tourism development and promotion. Road transport at 70% showed the highest share of all travel modes, mainly because the country is adjacent to six other countries.

There are 20 national parks in South Africa, all of which are administered by the South African National Parks (SANParks). The system of parks represents the indigenous fauna, flora, landscapes and associated cultural heritage of the country. Of the 20 national parks, 14 have overnight tourist facilities and have their own restaurants, with an unrivalled variety of accommodation in arid, coastal, mountain and bushveld habitats. South Africa has added 121,000 hectares of new land to seven of the country's 20 national parks.

National parks offer visitors an unparalleled diversity of adventure tourism opportunities including game viewing, bush walks, canoeing and exposure to cultural and historical experiences. Conferences can also be organized in many of the parks.

The national parks are: Kruger; Cape Peninsula; Marakele; Golden Gate; Vaalbos; Mountain Zebra; Addo Elephant; Tsitsikamma, Knysna; Wilderness; Bontebok; Agulhas; West Coast; Karoo; Namaqua; Richtersveld; Augrabies; Kalahari; Vhembe-Dongola and Tankwa Karoo.

In addition, South Africa has concluded highly attractive preferential trade agreements with South African Customs Union (SACU), the European Union (EU), the Southern African Development Council (SADC) countries and is negotiating other agreements with the United States and MERCOSUR. These agreements open up new market and business opportunities for businesses wanting to invest directly in South Africa or partner with it for other types of business collaboration.

Section 2. Market Summary

2.1 South Africa's food service sector in overview

South Africa has a large and complicated food service market. The foodservice sector of the South African economy is not only the largest employer in the country, but has the potential to make a real difference in terms of economic empowerment, skills transfer and social upliftment. The foodservice establishment is comprised of sectors such as Commercial, Institutions and Services; and Staff Feedings. Classified under commercial sector are hotels, restaurants, fast food independents, fast food chains, clubs and national parks/resorts; Institutions and Services includes transport services, hospital (public and private), educational institutions and prisons; Staff feeding sector includes canteens (in-house cafeteria's), mines, South African Police, and the South African Defence Force.

Tourism, 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% of GDP. Tourism plays a significant role in the domestic economy employing some 500,000 or 3% of the total workforce and contributing R73 billion or 7,1% to Gross Domestic Product. Expenditure on tourism and related industries totaled R49 billion in 2003. An average tourist spends R1,466 per day, staying about 12 days in the country. The strong rand eroded South Africa's price competitiveness as a tourist destination. By 2010, South Africa plans to increase the proportion of protected land from 5.44 to eight per cent. The government is also aiming to expand its marine-protected network from 17 to 30 per cent of the coastline. According to the South African Department of Environmental Affairs and Tourism, more than 1,5 million foreigners visited South Africa between Jan through October 2003, a 5.2 per cent increase from the previous year.

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, restaurants, cafes, resorts, country clubs, fast food outlets, bars, airlines, supermarkets and convenience stores.

South Africa, with an expanding middle class and a relatively stable economy, presents growing opportunities for U.S. niche food products. In addition, with its well-developed transportation infrastructure, South Africa is ideally placed to serve as an export hub to markets throughout the region. The table below provides the structure of the foodservice establishments in South Africa, but excludes informal market segments such as tuck shops, taverns, spazas and hawkers (known as street vendors).

2.2 Advantages and Challenges for US exporters

Advantages	Challenges
South Africans are developing a taste for western foods and are willing to try anything once.	Consumers may need to be educated in preparing and eating products.
The growing retail food industry needs imported food and beverage products.	Already acquired tastes and preferences for traditional locally produced products.
Importers and distributors can help develop heavy brand loyalty.	Consumers are price-conscious and do not exhibit brand loyalty. Products must constantly be promoted.
South African importers seek suppliers who can offer reliable and quality products, consolidators of mix containers at competitive prices.	Higher prices for U.S. food products relative to local market products and neighboring countries.
South Africa is a gateway for regional	Competition is stiff from other countries and

markets.	locally produced products.
South African consumers view U.S. products as high quality.	Limited knowledge of retailers and consumers of the variety and quality of U.S. products.

Section 3. Road Map for Market Entry

3.1 Hotels and Resorts

There is a huge range of accommodation types in South Africa, from five star hotels including hotel chains to lodges, guesthouses, bed & breakfast (B&B) establishments, self-catering properties, youth hostels and international hotels. The B&B, Guest House & Game Lodge market sectors represent the fastest growing segment of the tourism industry in South Africa. The Tourism Grading Council of South Africa is an official body launched in 2003 mandated to grant Star grading to accommodation establishments in South Africa, from B&B; Guest House; Hotel; Lodge; Self-Catering; Backpacker and Hostelling; Caravan and Camping; and Country House. There are approximately 1,600 graded establishments. There are an estimated 30,000 establishments nationally, ranging from luxury Guest Houses & Game Lodges that regularly host visiting heads of state, to the more economical B&B's which together offer thousands of bed nights. Hospitality Resorts and Hotels are owned by the Premier Group, which is owned by Anglo American. Premier and Anglo American have extensive holdings in the milling, baking, dairy, fish, confectionery and edible oils industries.

There are 20 national parks in South Africa, all of which are administered by the South African National Parks (SANParks). Most of these resorts have their own restaurants. Generally, the trend towards healthier eating is evident in this sector once again with an increase in the consumption of fresh vegetables and salads. The consumption of red meat has not changed, because the National Parks often offer venison on the menu, which is a novelty to tourists.

The National Parks negotiate contracts for certain products, and resorts are then able to buy independently from these sources. Most perishable items are purchased from local specialist retailers, while dry groceries are often sourced from catering wholesalers.

Prospects: The latest trend in hotel investment in South Africa is that a number of significant joint ventures are taking place between local operators and overseas investors. Smaller and independent owners, particularly are benefiting from an injection of capital, infrastructure and expertise enabling them to compete on equal terms with large groups.

3.1.1 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. The Sun International Group runs hotels and resorts including the renowned Sun City Resort in Rustenburg in the North West Province, while the Protea Group runs the Protea Hotel chain. The table below provides an overview of some of the key hotel chains.

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

3.1.2 Entry Strategy

Although the majority of the hotels are part of the chain groups, each hotel 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 as to what foods are served and whom their suppliers are. Hotels prefer to buy directly from local manufacturers, this is always not possible, and it is usually only perishable product that are bought in this manner. Dry groceries are usually sourced from catering wholesalers, while local specialist retailers provide hotels with bakery goods, fruit and vegetables, meat, and dairy products. Many hotels have in-house bakeries and contract caterers to run in-house restaurants. Growth in the hotel industry is largely reliant on the growth in foreign tourism, which is expected to increase considerably in future.

3.1.3 Distribution Channel

In general, hotels do not import food and beverages but obtain their requirements from the local manufacturers, catering wholesalers, specialist retailers and others. This is because most if not all hotel kitchens have the policy of holding only sufficient quantities of food and beverages for short term needs only. The following table highlights and summarize source of supply in percentage.

SOURCES OF SUPPLY TO THE HOTEL INDUSTRY

Sources of Supply	% of total
Direct from manufacturers	28
Catering Wholesalers	20
Cash & Carry	5
Specialist Retailers	32
General Retailer	3
Fresh Produce Market	12
TOTAL	100

3.2 Restaurants

Restaurants plays an integral part in the tourists' experience of a country. The Restaurant Association of South Africa (RASA) was launched in November 2002 in order to gather statistics and provide evidence of the size and importance of the foodservice industry to the tourism industry, as well as South African economy. Restaurants and Groups represented in the Association are The Grill House, News Café, The M & A Group, Mikes Kitchen, The Steers Group, Nandos, Mugg & Bean, Global Wrapps, Dulce Continental Cafes, O'Hagans and the Spur Group. South Africa has a highly developed web of fast-food and chain restaurants. The changing trend shows that people are eating out of home more often than ever before. The restaurant industry, particularly the fast food sector is faced with stiff competition from

the supermarket, retail chains and convenience store sector. The supermarkets also offer ready meals every day of the week.

On food spending, visiting restaurants and bars is one of the favorite activities of overseas tourists in South Africa. Overseas visitors spend approximately R290.00 per day on food during their trip to South Africa, which represents about 20% of the total daily spend.

3.2.1 Restaurant Company profiles

The table below provides information on the major fast food and family restaurants involved in this sector.

Restaurant Name and Outlet Type	Ownership	Sales (US\$ million)	No. of outlets	Location	Purchasing Agent Type
Nando's Group	Local	Not available	185	Major cities	Local agent
Steers group	Local	Not available	989	Major cities	Local agent
King Consolidated Holdings	Local	Not available	188	Major cities	Local agent
Tricon Global Restaurants	Local	Not available	450	Major cities	Local agent

3.2.2 Entry Strategy

Specialist retailers such as bakeries, butcheries and green grocers are the main suppliers to restaurants. Dry groceries are often purchased through catering 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 – for goodwill assured supply, or due to a corporate relationship with a supplier. However, as the number of outlets increases, and competition between retail chains rises, it will become more difficult for them to meet their needs in the local market and maintain their quality and price competitiveness.
- The South African fast-food market has witnessed strong growth in recent years due to changes in lifestyle trends and a 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, which has brought about interest in American-style cuisine and consumption patterns. South Africa, has an extensive number of franchise restaurants chains serving fried chicken, hamburgers, steaks, hoagie-style deli sandwiches, and pizza. Portuguese and Italian-style cuisines are also popular, as well as seafood, steak and ribs. Some of the major chains are Nando's Group Holdings (Nando's Chicken land); The Steers Group (Steers, Debonair Pizza, FishAways, Church's Chicken, House of Coffees, Brazilian, ESP Iily Boutique, Wimpy and Whistle Stop); King Consolidated Holdings (McGinty's, Keg SA, Saddles Steak Ranches, Bimbos, and Dockside Porterhouse); McDonalds; Mike's Kitchen, Mugg & Bean, Global Wrapps, Dulce Continental Cafes, O'Hagans, the Spur Group, Something Fishy, Ocean Basket, Pleasure Foods, Chicken Licken, News Café, Pizza Perfect, St. Elmo's Pizza, Leisure Net (Bulldogs-British type-style pup), Black Steer (Steakhouse and take-out store), Flame Diners, and Max Frango's Chicken take-outs; Shoprite-Checkers; Tricon Global Restaurants Inc (Kentucky Fried Chicken and Pizza Hut); Subway Sandwiches; and

TGIF's. Tex-Mex or south western cuisine has yet to significantly penetrate the South African market, although this cuisine would be popular, due to the South African consumer's preference for hot, spicy sauces. Pub-style restaurants are also booming.

- Franchising in South Africa contributes a massive 11.6% (including fuel) and 6.8% (excluding fuel) to Gross Domestic Product (GDP). The turnover for the franchise sector in South Africa is estimated at R134.7 billion. Turnover excluding fuel is estimated at R78.4 billion. Currently, there are 165 franchisers and affiliates registered with the Franchise Association of South Africa (FASA) and over 6000 franchisees. 89.7% of franchises in South Africa have been locally developed while 10.3% were developed internationally.
- There is a growing awareness among South Africans of healthy eating, and along with this is the trend towards lighter meals. Consumption of chicken and fish has grown considerably, at the expense of red meat and demand for fresh produce and foods without preservatives is increasing. Trade sources report that chicken appears to be South Africa's most popular take-away food, with 44% of people who purchased takeaways in the space of a month choosing meals from a specialized chicken outlet at least once. Kentucky Fried Chicken, Chicken Licken and Nando's were voted the top three takeaway venues. Of the 43% who chose chicken (1.8 million people), 66% were black, 18% white, 8% colored and 7% Indian. The research shows that 4.2 million people (26% of the urban adult population) bought takeaways during the month surveyed. Kentucky Fried Chicken came out on top, with 1.2 million buyers, followed by McDonalds (446,000), Nandos (382,000), Spur (322,000) and Steers (310,000).
- Prospects: The fast food industry has experienced phenomenal growth over the last two years, and this is set to continue in future. As food trends in South Africa develop, U.S. exporters are well positioned to provide South African restaurants with innovative products (i.e., seasoned French fries, curly fries) to entice consumers. Thus, according to a local magazine's brief discussions with some of the major chains, opportunities exist for U.S. exporters to be supplementary suppliers of certain new food products.

3.2.3 Distribution Channel

The following table highlights sources of supply to the Restaurant Industry:

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

Growth in the restaurant industry is mainly attributed to the middle and upper class restaurant goer's as well as the increase in the number of blacks who previously did not frequent restaurants on a regular basis. Additional current trends are the move of more blacks from the townships to the city.

3.3 Institutional Contract Food Services

Currently the South African Contract Catering and Institutional sector is valued at R4.3 billion. State tenders and parastatals alone account for R1.18 billion. With 80% of this market still remaining in-house. This sector constitutes a very large market for food and beverages and include various institutions such as Commercial Sector, Institutions and Services; and Staff Feeding. It is estimated that only 28% of public-sector and 55% of private-sector catering have 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 few large catering companies. Total value of staff catering market in South Africa is approximately R5.5 billion per annum. Estimated value of outsourced market between R2.8 and R3 billion. Contract caterers include Tsebo Outsourcing Group (formerly the Fedics Group) owned by ICS Holdings, Royal Food Services, Kagiso Khulani Supervision Food Services owned by Tongaat Hulett, Delmont Caldwell Caterers, Sodexo Southern Africa, and Sixel & Patterson. In general, they do not import food and beverages but instead purchase food products directly from the local manufacturers, catering wholesalers and distributors. By far the most significant of the catering companies is Tsebo Outsourcing. Tsebo Outsourcing, South African Leader in outsourced catering, is South Africa's largest black-owned outsourced catering company, and enjoys a 34% market share of the currently outsourced catering market. The catering at all major airports within South Africa are contracted out to Fedics in-flight catering company, Air Chefs. Air Chefs prepares a total of 650,000 meals per month of which 450,000 are manufactured in Johannesburg.

3.3.1 Major Contract Caterer's Profiles

The table below provides information on the major businesses involved in the catering sector.

Name and business type	Ownership	Sales (US\$ million)	No. of Contracts	Location	Purchasing Agent Type
Fedics Food Services	ICS Holdings	Not available	650	nationwide	Local agents
Royal Food Service	Rebserve Holdings (Wholesale & Distribution Division)	45	175	nationwide	Local agents
Kagiso Khulani Supervision Food Services (KKS)	Compass Southern Africa	Not available	703	nationwide	Local agents

3.3.2 Entry Strategy

Contract caterers purchase the bulk of their supplies directly from the manufacturers on a contract basis. Companies running their own canteens usually buy food as and when needed from catering wholesalers and localized specialist retailers, as this is more convenient when buying smaller quantities.

In general, contract caterers do not import food and beverages but instead purchase food products directly from the local manufacturers, catering wholesalers and distributors.

3.3.3 Distribution Channel

The following table highlights the source of supply to the Institutions Caterer's:

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

Section 4. Competition

The South African market offers opportunities for suppliers of food and beverage products. Approximately 80% of food products found on the South African supermarket shelves are locally produced. South Africa is aggressively marketing local products and has introduced the "Proudly South African" campaign whereby consumers will associate the campaign with products and services made in South Africa. Sources reports that recognition of the Proudly South African logo has grown from 10% to 64% with 32% of the population having seen the logo on products. Currently 20% - 30% of the population is consciously buying products with the logo on it. There are smaller niche markets for processed products.

South Africa's food and beverage industry is a strongly competitive sector producing high quality commodity and niche products for local and international markets. There are smaller niche markets for processed products. South African importers are seeking suppliers who can offer a reliable source of top quality products at competitive prices. The following table highlights the key products offered in each category of foods and beverages in 2002.

Product	Import Market Size in 2002 (Millions of South African Rand)	Major Supply Countries in 2002	Reasons for Strengths of Key Supply Countries
Meat and Poultry products	662.1 Beef (42) Pork (104) Lamb (65) Offal (65.8) Poultry Meat (368,317) Dried Meat (7)	Brazil (29%) Australia (19%) Canada (11%) France is major supplies of Pork (65%), Australia Lamb (94%) and Offal (49%), Brazil major supplies of Poultry Meat (52%), and 98% of dried meat comes from Zimbabwe. USA is a minor supplies of 7% of offal, 4% of Poultry meats, and .13% of pork products.	South Africa is a net importer of meat and meat products. Brazil supplies price competitive beef. Australia and Canada products are demanded by the high end food service sector. Opportunities in this sector exist mainly for frozen boneless beef forequarter cuts, turkey, frozen whole chicken, frozen boneless poultry cuts and prepared poultry cuts. In July 2000, South Africa imposed prohibitive anti-dumping duties of U.S. chicken leg quarters, an action

			that has virtually cut off U.S. chicken meat exports to South Africa.
Fish and Seafood	273 Crustaceans (96) Other Seafood (67) Frozen fish, not fillet (59) Fish fillet (19)	Mozambique (21%) India (10%) Norway (9%) Mozambique supplies 56% of crustaceans, Spain supplies 21% of Other Seafood, Japan supplies 28% of frozen fish, and Argentina supplies 33% of fish fillet. US is a minor supplier of 1.3% of Crustaceans, .20% of Other seafood, 1.75% of Fish Fillet, and 5% of Frozen Fish.	South Africa is a net exporter of fish and seafood products. Imports in this category have been increasing steadily over the past years, and thus, despite the fact that South Africa is a net exporter, opportunities do exist. The majority of imports are canned tuna, frozen shrimp and prawns, and frozen fillets. Goods of Mozambican origin are traded to South Africa free of duty and quotas in terms of the trade agreement.
Dairy products	339,742 Milk & Cream concentrated (144) Cheese and Curd (94) Whey (61)	France (20%) New Zealand (17%) Switzerland (10%) Switzerland supplies 21% of Milk & Cream, New Zealand supplies 35% of Cheese and Curd, and France supplies 81% of Whey. US is at present a minor supplier of .01% of Milk and Cream, 2% of Cheese & Curd, and .02% of Whey.	South Africa is net exporter of dairy products. Opportunities exist for the import of cheese, whey, concentrated milks milk powders, and butter. New Zealand has a 66% share of the cheese market.
Edible Vegetables	309,996 Dried legumes (235) Dried vegetables whole cut (39)	China (37%) Canada (14%) Netherlands (10%) China supplies 42% of Legumes, and 28.4% of dried vegetables.	South Africa is a net importer of dried legumes. Imports jumped from R35 million in 2001 to 309,996 in 2002. Opportunities exist for the import of

	Frozen vegetables (24)	US supplies 28.2% of dried vegetables and 5% of legumes.	kidney beans and other dried beans. China supplies price competitive white kidney beans, has 90% of the local market share.
Edible Fruits and Nuts	202,377 Coconuts, Brazil nuts & cashew nuts (64) Other nuts (58) Fruit & nuts temporarily preserved (24)	Italy (11.43%) US (11.42%) Turkey (10%) Italy supplies 85% of fruit and nuts temporarily preserved; US supplies 38% of other nuts and .04% of coconuts, brazils & cashew nuts; Brazil supplies 21% of coconuts, brazil and cashew nuts.	South Africa is a net exporter of dried fruits and a net importer of nuts. However, a small market exists for dried exotic fruits, and opportunities exists for shelled hazelnuts, desiccated coconut, cashew nuts and shelled almonds.
Spices, Coffee, and Tea	517,061 Coffee (192) Tea (171) Spices: - Pepper (45) - Seeds of various spices (42) - Other spices (34) - Cloves (13) - Nutmeg (13)	Malawi (15%) Zimbabwe (12%) Indonesia (11) Indonesia supplies 24 % coffee; Malawi supplies 43% Tea; and on the spices India supplies 46% seed of various spices, 54% of other spices and 37% Nutmeg; Singapore supplies 17% Pepper and 47% Cloves. US supplies .33% Tea, .36% Pepper, 1.18% Other Spices and insignificant amount of coffee, seed of various spices, cloves and nutmeg.	South Africa is a net importer of spices. Local coffee and tea production is insufficient to meet local demand. In terms of the bilateral trade agreements all goods of Malawi origin enter South Africa duty-free.
Prepared Meat, Fish, etc	228,127 Fish and Caviar (170) Crustaceans (49) Meat Offal (7)	Philippines (32.4%) Thailand (32%) Philippines supplies 43% fish and caviar; India supplies 41% Crustaceans; and Zimbabwe supplies	India supplies price competitive Shrimps and Prawns. Philippines and Thailand supplies tuna.

		58% of Meat offal. US is a minor supplier 2% fish caviar, and is non significant in crustaceans and meat offal.	
Beverages	1,006,622 Spirit Beverages (742) Non alcoholic beverages (119) Wine of Fresh grapes (80) Undenatured alcohol (28)	UK (52%) Austria (9%) US (5%) UK supplies 69% spirit beverages, Austria supplies 71% non alcoholic beverages, Argentina supplies 43% undenatured alcohol; and France supplies 37% wine of fresh grapes. US is a minor supplier of all products in this category.	South Africa is a net exporter of alcoholic beverages. This market is dominated by well known brands from the UK. Opportunity exists for imports of specialty brand name bourbon and whisky.
Fats and Oils	2,109,479 Palm oil (765) Soybean oil (435) Bovine (141) Coconut (140) Animal/vegetables (128) Margarine edible mix (99) Olive oil (69) Pig poultry (22)	Malaysia (33%) Brazil (17%) US supplies 99% of Pig & Poultry fats and oils and is a minor supplier of the rest of the products in this category. Malaysia supplies 60% of Palm oil, coconut, animal/vegetable, and margarine edible mix. Argentina supplies 59% soybean oil, Australia supplies 79% Bovine, and Italy supplies 43% Olive oil.	South Africa is a net importer of edible fats and oils. Local producers are unable to meet total requirements due to limited crop sizes.
Cocoa	303,193 Butter, Fat and Oil (77) Cocoa Beans (65) Cocoa Paste (53) Cocoa Powder (48)	Cote d'Ivoire (34%) Indonesia (17%) US (2%) Cote d'Ivoire supplies 100% of cocoa beans, and 49% of cocoa paste;	Cocoa is not grown in South Africa and thus offers good opportunities for potential exporters.

		Indonesia supplies 48% Butter, fat and oil; and Singapore supplies 30% cocoa powder. US is a minor supplier of .08% cocoa powder.	
Baking Related	278 Food prep of flour (97) Bread, pastry, cake, etc (78) Pasta, couscous (61) Food prep from cereal (41)	Ireland (21%) Italy (18%) US (2.3%) Italy supplies 67% pasta couscous; Ireland supplies 60% food prep of flour; UK supplies 54% food prep from cereal; and United Arab Emirates supplies 22% bread, pastry, and cakes. US is a minor supplier of all products in this category, but could improve here.	Products in this category are regarded as South African staple food, especially bread, therefore growth is assured. Current trends are in-house bakeries stores in convenience retail stores and hotels.
Sugar	237 Other sugars (102) Confection (74) Cane/beet (57) Molasses (4)	Brazil (16%) Zimbabwe (15%) US (7%) Zimbabwe supplies 57% Cane/beet and 44% Molasses; Brazil supplies 47% confection and New Zealand supplies 23% other sugars. US is a minor suppliers of all products except molasses.	South Africa is a net exporter of sugar. The majority of imports are in the category of other sugar products in solid form, such as cane and beet sugar.
Preserved Food	156 Prep vegetable (45) Fruit & vegetable juice (43) Other fruit nut (33) Tomatoes no vinegar (22)	Italy (17.3%) China (17%) Netherlands (13) Italy supplies 86% of tomatoes without vinegar; China supplies 37% of fruit & vegetable juice; US supplies 24% Other	Italy supplies price competitive products.

		fruit nut and is minor supplies of all products in this category; and Netherlands supplies 12% Prep. Vegetables.	
Food Waste, Animal Feed	1,398,241 Soybean residue (946) Animal feed prep. (228) Other solid residue (100) Bran (38)	Argentina (71%) US (4%) Argentina supplies 94% soybean residues and 36% of other solid residue; Mozambique supplies 49% Bran, and US supplies 21% Animal feed prep. and is minor supplier of all products in this category.	

Section 5. Best product prospects

A: Products Present in the Market Which Have Good Sales Potential

- Fats and oils
- Edible vegetables
- Animal feeds
- Edible fruits and nuts

B: Products Not Present In Significant Quantities but Which Have Good Sales Potential

The hotel-restaurant and institutional sector continues to expand and restaurant chains are rapidly becoming the dominant sector. Findings show that following products have good sales potential.

- Fish and seafood
- Spirits
- Baking related products
- Meat products
- Cocoa powder
- Tea and Spices

C: Products Not Present Because They Face Significant Barriers

Poultry Products: In July 2000, South Africa imposed prohibitive anti-dumping duties on U.S. chicken leg quarters, an action that has virtually cut off U.S. poultry exports to South Africa.

Section 6. Post contact and further information

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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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: Industry websites such as World Trade Atlas; euro monitor, South African Tourism, Department of Environmental Affairs and Tourism, Statistics South Africa, The Department of Trade and Industry, local foodservice industry publications, and individual company websites.