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Post: Pretoria

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Report Highlights:

South African retail food sales totaled US\$ 39.8 billion in 2020, a 6 percent decrease from 2019 due to the impact of the COVID-19 pandemic. A nationwide lockdown in March 2020 brought rapid changes to the South African retail sector, as retail operations adapted to new ways of doing business. Some of the government's restrictions to reduce the spread of COVID-19 negatively affected retail sales, constrained consumer spending, slowed GDP growth, and caused massive unemployment, which according to Statistics South Africa (StatsSA), increased to 32.5 percent in the fourth quarter of 2020, up from 30.8 percent in the third quarter. South Africa remains the biggest market for food and beverage products in Southern Africa and is a gateway to other Sub-Saharan African countries, with opportunities for U.S. exporters that can offer quality products at competitive prices.

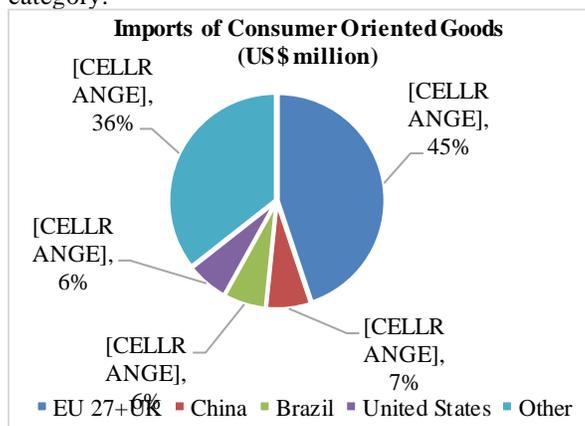
Market Fact Sheet: South Africa

Executive Summary:

South Africa is a middle-income emerging market with an estimated population of 59 million (64 percent live in urban areas). South Africa's GDP was US\$358 billion in 2020. South Africa has a well-developed agribusiness sector, which plays a significant role in job creation and economic growth. South Africa is the largest exporter of agricultural products in Africa. Although largely self-sufficient in agriculture, the country offers some opportunities for imports. In 2020, imports of agricultural products were valued at US\$6 billion, compared to US\$6.4 billion in 2019.

Imports of Consumer-Oriented Products:

In 2020, South Africa's imports of consumer-oriented products were valued at US\$2.2 billion, compared to US\$2.6 in 2019. The EU 27 plus UK accounted for 45 percent of total consumer-oriented imports, while the United States accounted for 6 percent of imports in the category.



Food Processing Industry:

South Africa's appetite for ingredients drives demand for a wide range of products. There are over 1,000 food production companies in South Africa, and the top ten companies are responsible for more than 80 percent of the industry's production revenue. The sector employed approximately 400,000 people in 2020, an 11 percent decrease from the previous year due to the impact of the pandemic reducing demand in the subsectors of meat, fish, fruit, dairy products, grain mill products, and beverages.

Food Retail Industry:

The sector is well developed and expanding into other African countries. South African retail food sales were US\$39.8 billion in 2020, a decrease of 6 percent from 2019 due to the impact of the COVID-19 pandemic. Imports of all agricultural products in 2020 decreased by 6 percent to US \$6 billion.

Quick Facts CY 2020

Imports of Consumer-Oriented Products from the United States: US\$154 million

List of Top 10 U.S. Consumer-Oriented Products exported to South Africa:

- Poultry meat & products (ex. eggs)
- Prepared foods & miscellaneous beverages
- Dairy products
- Chocolate and cocoa products
- Wine and beer
- Processed vegetables
- Coffee - roasted and extracts
- Meat products (not elsewhere included)
- Snack foods (not elsewhere included)
- Fresh fruit

2020 Food Industry by Channel (US \$billion)

Food Industry Output	\$40
Food Exports	\$9.6
Food Imports	\$6
Retail	\$39.8
Food Service	\$3.1

Top Retailers in South Africa

- Shoprite Holdings Ltd
- Pick n Pay Retailers Pty Ltd
- Spar Group Ltd
- Massmart Holdings Ltd (Walmart-owned)
- Woolworths Holdings Ltd

Strengths/Weaknesses/Opportunities/Challenges

Strengths	Weaknesses
Advanced economy with well-developed infrastructure	Limited technical capacity and weak political will by regulators contribute to trade barriers and delays in resolving access issues
Opportunities	Challenges
Diversification of trade partners through the African Continental Free Trade Area, can deepen linkages for regional and intra-African trade	FTA with EU and political preference toward Brazil, Russia, India, China, and South Africa (BRICS), known to have significant influence on regional trade

Data and Information Sources:

Trade Data Monitor (TDM); Statistics South Africa (Stats SA); Euromonitor International; Local industry publications; and trade press.

Contact: FAS Pretoria, South Africa, AgPretoria@usda.gov.

SECTION 1. Market Summary

The South African retail food market is highly concentrated among the five largest companies, including Shoprite Holdings Ltd, Pick n Pay Retailers Pty Ltd, Spar Group Ltd, Massmart (Walmart-owned), and Woolworths Holdings Ltd. Together, they account for about 80 percent of all retail sales, with the remaining 20 percent coming from the informal retail sector. In 2020, the South African Competition Commission eliminated the use of exclusive lease agreements in South Africa's retail industry. South Africa's four major supermarket chains (Shoprite, Pick n Pay, Spar, and Woolworths) had entered into exclusive lease agreements with shopping mall landlords for decades, preventing one another and small, medium, and micro enterprise (SMMEs) grocers from opening stores at particular shopping malls. South Africa's Competition Commission announced additional details in this [media release](#).

South African retail food sales amounted to US\$39.8 billion in 2020, a decrease of 6 percent compared to 2019 due to the impact of the pandemic. South African imports of agricultural products decreased by 6 percent to US\$6 billion in 2020 compared to US\$6.4 billion in 2019. Imports of consumer-oriented agricultural products decreased by 17 percent to US\$2.2 billion in 2020, down from US\$3.1 billion in 2019.

The impact of the COVID-19 crisis posed many challenges for the South African retail sector, which shrank by 6 percent in 2020, compared to growth rate of 3 percent in 2019. This is based on constrained consumer incomes following job losses. The unemployment rate grew to 32.5 percent in the fourth quarter of 2020, up from 30.8 percent in the third quarter of 2020, according to Statistics South Africa (StatsSA). Additionally, government-imposed restrictions on business hours, the periodic prohibition of alcohol sales, restaurant closures, and disruptions to some supply chains affected the sector. All retail stores were required to implement social-distancing policies and sanitation measures, which in some cases led to long lines outside of stores, particularly when deals and discounts were offered. The [Business Impact Survey of the COVID-19 pandemic in South Africa](#), conducted by StatsSA, provides additional insights into how the pandemic affected South African companies.

Table 1: 2020 Sales in the South African Retail Sector

	Sales (US\$ billion)	Annual Rate (%)	Major Market Leaders % share
Convenience Stores	\$2.1	3%	Shoprite = 38% Others = 61% - These are mostly small, informal convenience stores ("spaza shops") in the townships and informal settlements.
Discounters	\$0.5	7%	Shoprite = 98%
Hypermarkets	\$1.9	7%	Pick n Pay = 55% Shoprite = 46%
Supermarkets	\$18.9	5%	Shoprite = 36% Pick n Pay = 21% Spar = 18% Woolworths = 9%
Traditional Grocery Retailers	\$12.8	-15%	Pick n Pay = 4% as a market

			leader in smaller-format stores in townships Spar = 3.4% leader in Tops liquor stores
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Source: Euromonitor International

The impact of COVID-19 led South African retailers to accelerate growth in online shopping so that consumers could do their shopping conveniently at home while restrictions in movement were in place. South Africa has been slow on the digital front over the years relative to more developed countries such as the United States. However, the trend is turning, with most retailers investing in a strong online presence, growing competition for communication networks and increasing use of payments via electronic bank transfers. The COVID-19 pandemic has highlighted the importance and growing need of online shopping and contactless delivery. The rising number of consumers that have internet access, improvements in delivery services, and consumers' growing trust in online shopping are expected to see a marked increase. Approximately 35 percent of South African consumers had shopping apps on their phones in 2020, compared to 30 percent in 2019. Major retailers like Woolworths and Pick N' Pay have invested in better delivery services and easy-to-use online platforms to increase sales. Spar, which franchises their stores, takes orders over the phone for individual stores to deliver, and some stores offer online ordering.

Most South African retailers have entered the Sub-Saharan Africa market successfully and exceeded income projections. An example is South Africa's and the continent's largest retailer, Shoprite Holdings, which has a footprint in most African countries and has adapted their business model by creating "U-SAVE" discount store to service the lower income areas. Other South African retailers have growing footprints regionally, providing an opportunity for U.S. retail exporters a gateway to the rest of Sub-Saharan Africa.

South African convenience stores attached to shopping plazas, gas stations, and fast-food outlets were severely affected in 2020 by the pandemic. Major retail chains operate most South African convenience stores, including small spaza shops in townships and informal settlements. Shoprite Holdings, a market leader in convenience stores with a 38 percent market share, benefits from the success of its OK franchise stores, including USAVE discount stores that offer shopping facilities appropriate to the market in which they trade. Pick n Pay, including their partnership with BP gas stations, continues its expansion to service the low-income areas throughout the country. Woolworths/Engen's expansion of its food chain stores has included a partnership with Uber Eats that allows consumers to order groceries to have it delivered to their doorstep. Other companies showing growth in the convenience sector include Fruit & Veg City of Food Lovers Market/Caltex; Burger King/Sasol; Steers/Shell; and Wimpy/Engen.

Key consumer market drivers and changes envisioned by the retail sector over the coming years as a result of the pandemic:

- Increasing local procurement in case a future pandemic impacts the global supply chain
- Healthier offerings in the fresh food, health, and wellness niches
- Introduction of supply chain management that can be accessed virtually without a reliance on international travel

- Consumer demand for online purchases leading retailers to accelerate their online presence and partnership with home delivery services
- Roll-out and expansion of one-stop shops to bring families into outlets and limit their time in public while doing grocery shopping in one location
- Increased consumer demand for affordable prices from the range of retailers’ private-label lines offerings

Advantages and Challenges Facing U.S. Exporters

Advantages	Challenges
Retail chains offering larger format stores to accommodate one-stop shopping, including a larger selection of imported private-label food and beverage products lines	Lack of consumer awareness of and interest in preparing and eating new-to-market products
Importers and distributors capable of increasing brand loyalty	Consumers and retailers with limited knowledge of available U.S. products available
Diversification of trading partners to curb global supply chain disruptions and transportation restrictions	Europe and BRICS countries have preferential market access or free trade agreements with South Africa, while U.S. products face high import tariffs.
Young population tends to prefer processed and easy-to-prepare foods	Food safety and phytosanitary restrictions may limit the importation of certain food ingredients, while labelling requirements may make small shipments cost prohibitive.
Retailers are leveraging technology to drive online sales and improve customer engagement in response to the COVID-19 pandemic.	Differences in consumer classes and regions are distinct.
Retailers are expanding the variety of private-label products targeted at various consumer groups.	High unemployment, estimated at almost 50 percent as a result of the COVID crisis, has eroded disposable income. Increasing debt-to-income ratio has hampered consumer spending.
	Electricity outages due to load shedding have increased costs and reduced store hours.

SECTION 2. Road Map for Market Entry

2.1 Entry Strategy: Post recommends that U.S. exporters consider the following when entering the South African retail market:

- U.S. exporters are encouraged to contact FAS Pretoria to request a list of South African food and beverage importers.
- Exporting through distributors or import agents with knowledge of the South African market is the safest or easiest way to enter the South African retail food market. It is essential that U.S.

exporters choose and nominate a competent agent registered with the South African Revenue Services (SARS). The agent should be capable of handling the necessary customs clearance, comply with all the regulatory requirements, and plan for necessary documentation, warehousing, and financing arrangements

U.S. exporters must also be registered with the South African Revenue Services (SARS). The U.S. exporter registration will only be processed after the nomination of a registered agent based in South Africa. The following link has additional details about the registration process:

<https://www.sars.gov.za/customs-and-excise/registration-licensing-and-accreditation/exporters/>

- Evidence shows that the most successful U.S. exporters to South Africa are those that have comprehensively researched the market prior to engaging retailers, agents, or importers. Once contacts are established, it is advisable to visit the country when travel is safely available, since firsthand knowledge of the market is highly useful. It is important for a U.S. exporter to maintain close contact with their local agent to track changes in importing procedures and ensure that the agent is effectively representing the sales interests of the exporter. Teleconferencing platforms, such as WhatsApp, Zoom, and Microsoft Teams are widely used in South Africa and can be helpful in establishing relationships with importers in the absence of safe travel options during the COVID-19 pandemic.
- FAS organizes many market development activities, including exhibitions and trade missions promoting U.S. food and agricultural products to help U.S. exporters meet credible agents. U.S. exporters can participate in these large, multinational exhibitions that draw tens of thousands of buyers and distributors. FAS also organizes buying teams of foreign importers and buyers to visit U.S. food exhibitions to meet with potential U.S. suppliers. At these exhibitions and trade, FAS provides one-stop service to potential customers, providing information to buyers, facilitating trade contacts, answering inquiries, and maintaining a buyer-seller database.
- U.S. exporters can contact their respective State Regional Trade Groups (SRTGs) and the National Association of State Departments of Agriculture (NASDA) to obtain additional market entry support. Cooperator groups regularly organize trade missions, which are often organized around trade shows or other events. See [State Regional Trade Groups | USDA Foreign Agricultural Service](#)
- Most 2021 trade show events and travel to the region are on hold due to the pandemic, but some groups are organizing virtual events in lieu of large gatherings. Updates will be provided as available.

2.2 Market Structure

- The South African retail industry is undergoing changes to accommodate growing consumer interest in online shopping, simplified transactions, and delivery services.
- The South African supermarket sector is well-developed relative to other markets on the African continent and utilizes both centralized and decentralized distribution systems.

- Large supermarket chains and big franchises maintain their own centralized distribution centers and modern warehouse systems to supply their supermarket branches located in various parts of the country. U.S. exporters usually trade directly with the buyers at the headquarters of large retail chains.
- Other retail supermarkets are flexible and permit each of their stores throughout the country to deal directly with U.S. exporters or local distributors and import agents.
- In addition to major retailers, there are independent retailers who often buy from large independent wholesalers. These distributors also sell to small grocery stores, street sellers, and others.
- Convenience stores attached to forecourts and gas stations are mostly owned by major retail groups and stocked by the retailer's head office purchasing policy. The COVID-19 pandemic had a major impact on gas stations despite being classified as essential businesses, as most motorists stayed home due to government-imposed lockdowns and travel restrictions. Some stores were forced to reduce staffing, and the expansion of gas stations slowed down.

Links to Access Top Food Retailers Information

Name of Retailer	Website
Shoprite Holdings Ltd	https://www.shopriteholdings.co.za/
Pick n Pay Retailers (Pty) Ltd	https://www.picknpayinvestor.co.za/
Spar Group Ltd	https://www.spar.co.za/
Massmart Holdings Ltd	http://www.massmart.co.za
Woolworths Holdings Ltd	http://www.woolworths.co.za/

SECTION 3. Competition

In general, U.S. exports mostly face competition from South African producers in the Southern African Development Community (SADC), BRICS, the European Union (EU) and MERCOSUR trade blocs. South Africa has Free Trade Agreements (FTA) with SADC and the EU, and a preferential trade agreement with MERCOSUR. Visit <http://ec.europa.eu/trade/policy/countries-andregions/countries/south-africa/> ; <https://www.bilaterals.org> ; and <https://www.sars.gov.za/legal-counsel/international-treaties-agreements/trade-agreements/> for more information on these trade agreements.

Table 2: Competitive Overview of South Africa 2020 Imports of Consumer-Oriented Products

Product Category	Major Supply Countries	Strength of Key Supply Countries	Advantages and Disadvantages of Local Supplies
Tree Nuts 2020 Total Imports: USD: 82 million	USA = 81% Australia = 12% Spain = 7%	The United States is a leading supplier of almonds and ground nuts.	South Africa is a net importer of nuts, though the country is a large producer of macadamia nuts. COVID-19 caused

			sales in nuts to decline by 11 percent in 2020.
Poultry Meat and Products (Excluding Eggs) 2020 Total Imports: USD: 313 million	Brazil = 44% USA = 18% Ireland = 10%	Brazil has the largest market share in chicken cuts and edible offal, chicken breasts, and chicken feet. The United States is the leader in leg quarters and drumsticks.	Poultry is a major source of protein, and there is growing demand for imports to supplement local production.
Soups and Other Prepared Foods 2020 Total Imports: USD: 182 million	USA = 15% Germany = 13% Netherlands = 10%	The United States is a leading supplier of prepared foods, soups, and broths, with Germany being the second largest suppliers of prepared foods.	There is a growing demand for processed food products.
Beef and Beef Products 2020 Total Imports: USD: 51 million	USA = 24% Australia = 19% Argentina = 19%	The United States is the leading supplier of beef livers and the second largest supplier of beef tongues. Australia leads in the supply of bovine tongues and is the second largest supplier of beef livers. Argentina leads in the supply of bovine offal.	Domestic production is unable to meet local demand. Import demand is variable and depends on local conditions.
Condiments and Sauces 2020 Total Imports: USD: 37 million	USA = 16% Italy = 12% UK = 12%	The United States is the second largest supplier of sauces and vinegar. Italy is the leading supplier of vinegar and substitutes, while the UK is also a large supplier of these products.	The competitiveness of local processors and producers has boosted prices and quality standards. The category saw an increase in the volume of retail sales in 2020 due to increased home cooking as a result of COVID-19-induced restrictions.

<p>Dairy Products 2020 Total Imports: USD: 247 million</p>	<p>France = 17% New Zealand = 15% Germany = 12% USA = 3%</p>	<p>France the main supplier of whey, buttermilk, and ice cream, and the second largest supplier of caseinates. Germany is the leading supplier of lactose in solid form, caseinates, and cheese, and is the second largest supplier of lactose and lactose syrup, buttermilk, and processed cheese. New Zealand is the largest supplier of both processed cheese and casein. The United States is the largest supplier of both milk albumin, lactose and lactose syrups.</p>	<p>Demand for imports of dairy products depends on the ability of local production to meet domestic demand in each product category.</p>
<p>Distilled Spirits 2020 Total Imports: USD: 190 million</p>	<p>UK = 51% France = 22% Ireland = 6% USA = 6%</p>	<p>The UK is the leading supplier of whiskies and gin, while France is the largest supplier of vodka, and the United States is the largest supplier of rum and tafia and the second largest supplier of liqueurs and cordials.</p>	<p>South Africa has insufficient production of high value alcoholic beverages to meet domestic demand.</p>
<p>Beer Made from Malt (Craft Beer) 2020 Total Imports: USD: 118 million</p>	<p>Mexico = 50% Namibia = 29% Netherlands = 17% USA is a minor supplier.</p>	<p>Mexico is the leading supplier of craft beer to South Africa.</p>	<p>South Africa has insufficient domestic production of craft beer to meet local demand.</p>

Source: Trade Data Monitor

Table 3: South African Imports of Consumer-Oriented Products from the World

Commodity Description	Annual Series (Value: USD) January 2018 - December 2020		
	2018	2019	2020
Consumer-Oriented All	3,206,278,110	3,170,375,571	2,629,336,079
Poultry Meat & Prods. (ex. eggs)	492,610,202	424,947,957	313,738,383
Dairy Products	250,308,260	240,686,131	247,397,378
Distilled Spirits	302,281,630	304,745,774	190,969,047
Soup & Other Food Preparations	188,939,946	183,939,451	182,071,978
Chocolate & Cocoa Products	170,566,020	158,807,344	162,204,776
Bakery Goods, Cereals, & Pasta	152,627,323	151,460,210	147,279,018
Processed Vegetables	125,447,201	137,834,826	133,014,838
Beer	160,000,140	241,675,971	118,109,780
Coffee, Roasted and Extracts	120,744,711	103,293,120	113,424,229
Meat Products NESOI	150,000,831	139,098,534	107,885,742

Source: Trade Data Monitor

Table 4: United States Top 10 Consumer-Oriented Exports to South Africa

Commodity Description	Annual Series (Value: USD) January 2018 - December 2020		
	2018	2019	2020
Consumer-Oriented All	195,176,267	199,978,381	170,368,764
Poultry Meat & Prods. (ex. eggs)	94,087,747	89,285,109	65,159,169
Tree Nuts	19,268,086	25,580,484	22,261,407
Soups & Other Food Preparations	13,072,961	17,815,750	17,067,119
Processed Vegetables	2,872,832	2,313,438	13,347,112
Beef & Beef Products	13,484,527	8,908,986	11,803,916
Distilled Spirits	16,047,234	15,758,048	9,798,310
Dairy Products	14,127,180	16,871,594	8,757,107
Condiments & Sauces	4,860,856	6,651,267	5,568,221
Processed Fruit	3,333,035	2,074,842	2,281,691
Chocolate & Cocoa Products	1,290,788	865,150	2,229,331

Source: Trade Data Monitor

SECTION 4: Best Products Prospects Categories

4.1 Products present in the market which have good sales potential

The South African market presents market opportunities for U.S. agricultural products, including chicken cuts and edible offal, almonds, prepared foods, craft beers and spirits, enzymes and prepared enzymes, and essential oils for use in food and beverage manufacturing. The FAS Pretoria [Poultry GAIN Report \(No. SF2020-0047\)](#) provides more information on the poultry marketing, and the FAS Pretoria [Tree Nut GAIN Report \(No. SF2020-0053\)](#) provides more information on the almond market.

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

Opportunities exist for U.S. agricultural products in the South African food and beverage market, including beef and beef products, pork and pork products, poultry meat and products, fish and seafood products, tree nuts, liquor products (including bourbon whiskey), wine and craft beers, feed ingredients, hops, oils and fats, pet food, wheat and meslin, snack foods and prepared foods.

SECTION 5: Key Contacts and Further Information

5.1 Post

If you have questions or comments regarding this report, please contact the FAS Office of Agricultural Affairs in Pretoria at:

Office of Agricultural Affairs
U.S. Embassy, Pretoria, South Africa
877 Pretorius Street, Arcadia, Pretoria, 0083
P.O. Box 9536, Pretoria, 0001
Tel: +27-(0) 12-431-4057, Fax: +27-(0) 12-342-2264

Email: agpretoria@usda.gov

Website: <https://www.usdasouthernafrica.org>

Other FAS market and commodity reports are available through the FAS website:

<https://www.fas.usda.gov>

5.2 Other Additional Contacts

Other resources include: the American Chamber of Commerce in South Africa (<https://amcham.co.za>); the U.S. International Trade Administration's commercial guide to doing business in South Africa (<https://www.trade.gov/knowledge-product/exporting-south-africa-market-overview?section-nav=3571>); and the FAS Pretoria [Food and Agricultural Import Regulations and Standards Country Report \(No. SF2020-0048\)](#)

Attachments:

No Attachments