Agriculture and Agri-Food Canada / Agriculture et Agroalimentaire Canada

Agri-Food
Past, Present & Future Report

South Africa

January 2011

Canada

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Canada

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Overview

South Africa is sub-Saharan Africa's regional power, significantly influencing regional GDP, trade, and investment flows. With a strong infrastructure, increasingly prominent middle class, and fairly stable economy, South Africa is an important emerging market and export gateway to the sub-Saharan region. The country also possesses the largest, most advanced and diversified economy in Africa.

Since 1994, South Africa has re-entered the global market, strengthened international relations, and now possesses membership in a number of international organizations. Overall, South Africa's development has been a social, political and economic success story.

South Africa's market comprises consumer segments with high standards of living. Most importantly, South Africa's black population is increasingly gaining economic power and moving toward middle class status, which is creating more demand for imported food products. Increasingly urban consumers with more income and less time are creating demand for quality and convenience products, while increasing health awareness are also providing opportunities for nutritional/health and diet products. This evolving market and consumer trends combine to provide a number of growing opportunities for Canadian agri-food exporters.

Canada-South Africa Relations

Canada-South Africa relations are amicable and co-operative. In the past, Canada applied strict sanctions to South Africa. However, since 1994 with the commencement of multi-racial elections, Canada-South Africa relations have improved and been fully restored. Canada was a major supporter of South Africa's re-entry into a number of multilateral organizations and has continued to provide the country with governance assistance and support through Canadian- and internationally-led organizations.

Export Development Canada (EDC) business volume in South Africa in 2008 was $411.9 million, increasing 162% from 2003. In 2007, EDC signed a co-operative Memorandum of Understanding (MOU) with Rand Merchant Bank (RMB) of South Africa worth US$150 million. This was for the creation of a new facility with the goal of increasing Canadian involvement in sub-Saharan projects and business in the region. Another agreement was made in 2009 with Nedbank of South Africa, involving US$100 million to create a facility to support Canadian exports to Africa. Canadian International Development Agency (CIDA) assistance for projects and initiatives to South Africa was $20.7 million in 2008-2009.

A number of high-level visits between Canada and South Africa have taken place since 1997, with Nelson Mandela's (South Africa's president at the time) 1998 visit to Canada further strengthening bilateral relations between. Canada and South Africa currently share a number of bilateral agreements that foster development, trade and investment, and strengthen co-operation and dialogue on a variety of multi-lateral issues. A well-established trade relationship exists between the countries and there is significant potential for trade and investment opportunities. South African Foreign Direct Investment (FDI) in Canada was $611 million in 2009, while Canadian direct investment to South Africa was $1.9 million.

Canada-South Africa Bilateral Trade	
South Africa Total Trade	**$144.3 billion**
Exports	$70.7 billion
Imports	$73.6 billion
Trade balance	($2.9 billion)
Canada-South Africa Trade	**$1.1 billion**
Exports	$454.8 million
Imports	$631.8 million
Trade balance	($177.0 million)
Canada–South Africa Ag Trade	**$250.4 million**
Exports	$106.4 million
Imports	$144.0 million
Trade balance	($37.6 million)

- South Africa's top exports include precious stones (25%), mineral fuel and oil (10%), ores, slag and ash (10%), iron and steel (9%), and non-railway vehicles (8%).
- South Africa's top imports include machinery fuel and oil (21%), machinery reactors and boilers (15%), electrical machinery (11%), non-railway vehicles (7%), and nesoi (5.5%).
- Top Canadian exports to South Africa are machinery reactors and boilers (21%), electrical or electronic machinery and equipment (15%), meat and edible meat offal (8%), optical, medical instruments (6%), and products of the milling industry, malt, starches, inulin and wheat gluten (5%).
- Top imports into Canada from South Africa are machinery reactors and boilers (24%), precious stones (15%), edible fruit and nuts (11%), beverages, spirits and vinegar (9%), and non-railway vehicles (6%).
- Canada's exports to South Africa dipped significantly in 2009, decreasing 52% from a value of $944.6 million in 2008. Before the drop in 2009, Canada's exports to South Africa had been growing steadily for the past five years, increasing 159% from 2004 to 2008.
- This increase is not far behind Canada's export growth to emerging economies, such as India and Brazil, which was 181% and 172% respectively from 2004 to 2008.

Sub-Saharan Africa's opportunities are believed to be similar to those of the world's emerging economic powers: Brazil, Russia, India, and China. Canadian exports to the region grew at approximately the same rate as Canadian exports to China and India between 2000 and 2005, at an annual average rate of 14%. From 2005 to 2008, Canada's export growth to Sub-Saharan Africa (90%) was lower than export growth to India (123%), but noticeably higher than export growth to China, which was 45%. Sub-Saharan Africa has also been identified as a priority market in Canada's International Market Access Report for 2009, with South Africa representing Canada's second largest two-way trade partner in the region, after Angola.

Sub-Saharan Africa presents considerable opportunities for Canadian exporters. As the region's most prominent country, South Africa remains an attractive market and strategic point of entry into the region. The nation has proven to be a significant trading partner, producing many high quality exports and importing a diverse array of products from international suppliers. Canada's trade with South Africa is greatly diversified, with its top ten export groups (HS4 Codes) accounting for only approximately 40% of total exports. Cereals consistently rank as one of Canada's top export chapters to South Africa, accounting for only 4.9% of exports in 2009, but representing a 14.9% and 9.1% share in 2007 and 2008 respectively.

Agricultural Trade

South Africa is a net food exporter with an agri-food trade surplus of $1.5 billion. In 2009, the country exported $6.4 billion worth of agri-food; an increase from $5.8 billion worth of exports in 2008. Agricultural products make up 9% of South Africa's total exports, representing an increasingly large portion of the country's total exports, which was 6.9% in 2008. South Africa is one of the top five exporters in the world of avocadoes, grapefruit, tangerines, plums, pears, table grapes, and ostrich products. Other major export commodities include citrus, wine, tobacco, sugarcane, grapes, corn, and deciduous fruit. South Africa's agricultural exports are expected to grow in 2010, although at quite a slow rate.

However, agricultural imports have also been accounting for a larger share of total imports into South Africa, representing 6.6% of total imports in 2009; up from 5.2% in 2008. The country is not fully sufficient in domestic agricultural production and mainly supplements food requirements through consumer-oriented and intermediate products. In 2009, South Africa imported $4.8 billion of agri-food. This was a drop from $5 billion worth of imports in 2008, but still represented overall growth of 45.6% from 2004. Top agri-food imports included cereals (18.1% of total agri-food imports), animal or vegetable fats and oils (13%), beverages, spirits and vinegar (10.8%), residues and waste from food industries (9.9%), and meat and edible meat offal (7%). South Africa's top five agri-food imports (HS2 codes) account for nearly 60% of all agri-food imported into the country.

South Africa's imports of Canadian agri-food have been growing considerably. Canada is South Africa's 12th largest agri-food import source, and accounts for 3.1% of the country's total agri-food imports. South Africa's agri-food imports from Canada have also been growing at a faster rate than their total agri-food imports. From 2004 to 2009, Canadian agri-food imports into South Africa grew 179.2%, while the country's total agri-food imports increased only 45.6%. Of South Africa's top twelve agri-food import source countries, only two experienced higher import growth than Canada: Germany and the Netherlands. In 2008, South Africa was a major export market for specific Canadian products, representing the third largest market for Canadian malt, fifth largest for Canadian poultry, and sixth for Canadian barley.

Canada's Top 5 Agricultural Exports to South Africa (2009)	
Malt, not roasted	$23.1 million
Wheat and meslin	$16.1 million
Swine cuts, frozen	$11.7 million
Peas, dried and shelled	$8.5 million
Chicken and capon cuts and edible offal, frozen	$7.8 million

- Top Canadian agri-food exports to South Africa include: malt, accounting for 21.7% of total Canadian agri-food imports, wheat and meslin (15.1%), frozen swine cuts (11%), dried, shelled peas (7.9%), and frozen chicken and capon cuts and edible offal (7.3%).
- Of these top products, three showed notable growth over the past three years, while two declined. Malt experienced the most growth at nearly 2000%, followed by frozen swine cuts (61.8%), and peas (20.6%). Wheat and meslin exports decreased a significant 83.9%, while chicken, capon cuts and edible offal shrunk less than 1%.
- Grains, bulk and cereals are consistently Canada's major export commodity to South Africa, accounting for a considerable 62% of exports in 2007. However, this share and the amount of exports have been decreasing in recent years, reaching 21% of exports in 2009. Despite this, the proportion of grain, bulk and cereal exports in 2010 already accounts for 31% of exports, as of July of 2010.

- Similar to trade in other countries, which was impacted by the recent global economic recession, imports into South Africa dropped in 2009. Despite this, a number of commodity groups still experienced growth from 2007 to 2009. Some of the larger export chapters with the most notable growth are: grain products, malt, and starches; miscellaneous edible preparations; and oilseeds, seeds for sowing, fodder.

Canada's Top 5 Agricultural Imports from South Africa (2009)	
Grape wines	$43.1 million
Oranges, fresh or dried	$27.9 million
Grapes, dried	$10.4 million
Liqueurs and cordials	$7.4 million
Mandarins, clementines and wil-kings, fresh or dried	$7.3 million

- Agricultural imports from South Africa into Canada totalled $144 million in 2009, with the top five products accounting for 67% of total imports.
- Top import products included: grape wines accounting for 30% of total imports from South Africa, fresh or dried oranges (19.4%), dried grapes (7.2%), liqueurs and cordials (5.1%), and fresh or dried mandarins, clementines and wil-kings (5.1%).
- Fruit and nuts consistently represent the largest category of South African agri-food imports into Canada, accounting for over 40% of imports from the country.

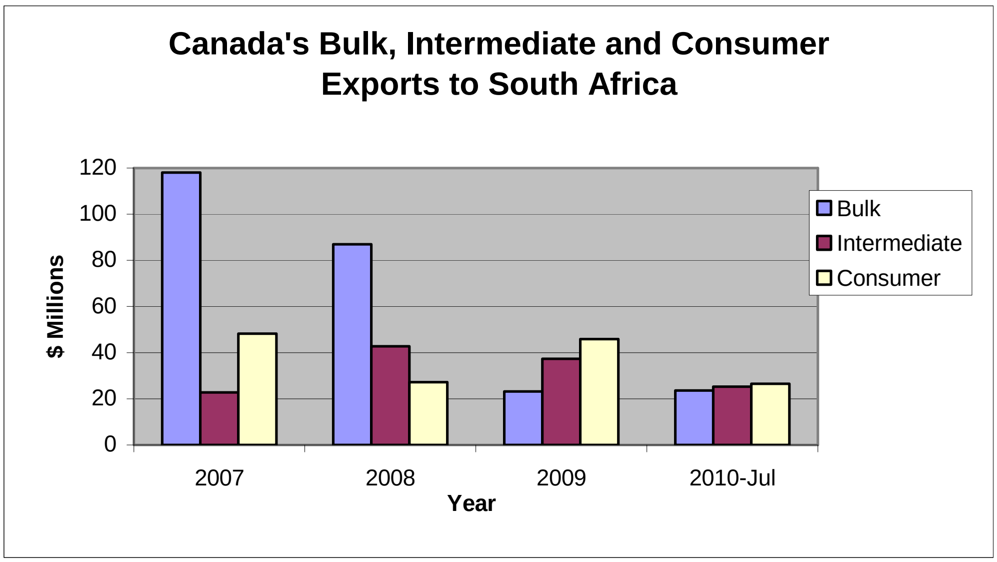
Complete Statistical Summary Available at: www.ats-sea.agr.gc.ca/stats/da-do-eng.htm

Canada-South Africa bulk, intermediate and consumers exports/imports:

In the past, Canada has had success exporting bulk products and commodities to South Africa, but experienced challenges with exporting further added-value products due to a fragmented and small market. Canada's bulk, intermediate and consumer agri-food exports to South Africa have all experienced fluctuations in the past few years. The recent global economic downturn likely had an impact on these exports, and resulted in some fluctuations. However, it is interesting to note that while bulk exports have decreased significantly, both consumer and intermediate goods experienced less fluctuation. This is not an impact you would necessarily expect from an economic downturn, and may actually indicate an evolution in Canada's agri-food exports to South Africa as the country's economy and consumer segments evolve. As of July 2010, all three export-types were at relatively the same value.

- Bulk agri-food exports have significantly decreased in the past three years, from $118.1 million in 2007 to $23.2 million in 2009. However, as of July 2010, bulk exports have already surpassed 2009 totals, at a value of $23.6 million. Top exports in 2009 include: wheat and meslin representing 69.2% of total bulk agri-food exports, barley (24.8%), linseed (3.6%), mustard seeds (1.1%), and canary seed (1%).
- Within bulk agri-food exports, all categories experienced negative growth from 2007 to 2009, except for oilseeds, seeds for sowing, fodder which increased 42.2%. Within this category, products that led this growth were mustard seeds and linseed which increased 182% and 53.6% respectively. Grains, bulk, or cereals grew a considerable 48% between 2004 and 2005, and accounted for 98% of total exports in 2005.
- Although intermediate exports decreased from $42.8 million in 2008 to $37.3 million in 2009, they still experienced overall growth of 63.9% from 2007 to 2009. Top intermediate exports include: non-roasted malt worth 61.9% of total intermediate agri-food exports, dried, shelled peas (22.6%), dried, shelled lentils (8.4%), animal feed preparations (1.8%), and bovine semen (1.7%).

- Categories with the largest growth from 2007 to 2009 were animal/vegetable fats and oils (7,300%) grain products, malt and starches (nearly 2000% growth), and oilseeds, seeds for sowing, fodder (550%).
- Consumer exports experienced a slight decline from 2007 to 2009 of 5%, to a value of $45.9 million. Top exports were: frozen swine cuts, worth 25.6% of total agri-food consumer exports, frozen chicken and capon cuts and edible offal (16.9%), frozen hams, shoulders and cuts (15.8%), frozen turkey cuts and edible offal (9.8%), ethyl alcohol and other spirits (6.6%).
- Dairy products, eggs and honey, and miscellaneous edible preparations experienced the highest growth of consumer categories, with increases of 450% and 220% respectively from 2007 to 2009. Meat and edible meat offal, the largest consumer export category in 2009 ($36.8 million) experienced growth of 16%.



Of South African agri-food imports into Canada, consumer imports are consistently, by far the largest commodity type, totalling $140.5 million in 2009. Bulk and intermediate imports were worth a value of $0.8 million and $2.7 million respectively in 2009. While consumer imports dipped in 2009, the category still experienced overall growth of 3.4% from 2007 to 2009, while bulk and intermediate imports declined 55.3% and 18.9% respectively. However, negative growth in intermediate imports is due to a large drop in 2009, as intermediate imports increased 94.3% from 2007 to 2008.

Economy

South Africa is one of the few African countries whose consumers have achieved upper-middle income status. The country is regarded as sub-Saharan Africa's most prosperous nation, as it holds the largest economy in the region. South Africa also holds a prominent position within the region's economic institutions and is a member of the African Union, Southern African Customs Union (SACU), Southern African Development Community (SADC), and New Partnership for African Development. Internationally, South Africa has also been expanding its presence and involvement with the International Monetary Fund, World Bank and G-20 and G-24. Hosting the 2010 World Cup also helped South Africa grow its profile internationally, and the country is interested in expanding alliances and partnerships with emerging economies such as BRIC (Brazil, Russia, India and China) and IBSA (India, Brazil, South Africa Trilateral Cooperation Forum).

South Africa benefits from a stable political system, reputable investment ratings, and a first-rate infrastructure, and communications and tertiary industries. Financial, legal, energy, and transport sectors are well-developed within South Africa, with a well-established and growing services sector comprising the largest portion of the national economy. South Africa's stock exchange is ranked as the 18th largest in the world. However, industrial activity is also growing due to the abundance of natural resources (e.g. mineral and energy). Mining is proving to be the main manufacturing sector, and the country is a leading gold producer and exporter.

South Africa's economy has experienced uninterrupted growth since 1999, with strong macro-fundamentals and global commodity demand resulting in accelerated growth. As a result, South Africa experienced high economic growth levels, with 80% GDP growth between 2000 and 2005. However, economic growth slowed in 2008, due to impacts from the global economic crisis. This negatively affected commodity prices and demand, impacted South Africa more severely than other emerging markets, and triggered the country's first recession in 17 years

The country has a fiscally conservative economic policy, with a focus on trade liberalization and economic growth to increase employment and household income, and attracting foreign direct investment (FDI). Government participation and control over the economy is fairly high, and impacts from the global economic crisis have placed growing pressure on Government to deliver basic services and increase job growth.

Despite being an upper-middle income country and promising economic advances, the country still faces significant social challenges. High unemployment, widespread poverty and outdated infrastructure have continued government focus on social program spending to combat inequalities. The government also faces increasing frustration among South Africans, the poor black population in particular, regarding high unemployment, rising costs of living, and lack of economic empowerment. High rates of immigration into the country have also been a source or growing social tension. Despite a number of remaining issues, South Africa's programs to rectify inequalities have made significant development and achievements.

Gross Domestic Product (2009)	
GDP	$328 billion
GDP growth	-1.8% (2009), 3.7% (2008), 5.5% (2007)
GDP/capita	$6,650.39
GDP/capita (PPP)	US$10,300

Current

- According to the International Monetary Fund (IMF), GDP was estimated to be US$287.2 billion in 2009.
- Inflation rate in 2009 was 8.0%, down from 9.2% in 2008.
- The country's unemployment rate was an estimated 24% in 2009, up from 22.9% in 2008. Strikes arose in 2010 regarding a lack of wage increases.
- South Africa's public debt was an estimated 29.5% of GDP in 2009.
- External debt as of June 30, 2009 was $73.8 billion.
- Economic sectors by GDP composition in 2009: agriculture (3%), industry (31.1%), services (65.8%).
- According to Export Development Canada (EDC), domestic market growth for agriculture, hunting, forestry, and fishing was forecast to be 36.5% in 2009, while growth for processed food products is expected to be 8.6%.
- Consumer household confidence is improving and expenditure has strengthened, aided by growth of real disposable income, and fairly low interest and inflation rates.

Forecast

- According to the IMF, a GDP of US$329.5 billion is expected for 2010, US$343.4 billion in 2011, and US$429.6 billion in 2015 (current prices). GDP is expected to continue to grow in upcoming years, from 2.6% in 2010, to 3.6% in 2011, and 4.5% growth in 2015 (constant prices).
- Inflation rate in 2010 is projected to decrease to 7.2%, remain stable in 2011 and decrease gradually to reach 6.2% in 2015.
- Recovering global commodity demand, along with World Cup 2010 spending, has helped to boost the economy. Near the end of 2010, a 3% annual growth rate is expected to return to the economy.
- While the economy begins to recover, unemployment remains a significant issue and is expected to remain high.
- According to Export Development Canada (EDC), domestic market growth for agriculture, hunting, forestry, and fishing is forecast to slow to 21.4% and processed food products to 0.8% in 2010.

In order to tackle the challenges facing the country, a Medium Term Strategic Framework (MTSF) was launched by South Africa's government. The framework covers ten priorities from 2009 to 2014 and includes issues such as inclusive economic growth, infrastructure, rural development, food security and land reform, education, healthcare, crime and corruption, and sustainable communities and resource management.

Consumer Market

South Africa's ten largest cities or "metropoles" have well-developed infrastructures and are the main centres of economic activity and provincial administration. The country's major metropoles include Cape Town (the legislative capital), Johannesburg, Pretoria (the administrative capital), and Durban. Due to massive urbanization trends, the number of urban area households almost doubled from 1995 to 2007, and millions of people have moved to informal settlements located outside of cities and towns. The largest settlements are in Gauteng, KwaZulu Natal, and the Eastern Cape. Approximately 61% of the country's population now resides in urban areas, where greater employment opportunities and higher living standards continue to attract rural residents. This increasingly urban population is facing the same trends as other rapidly urbanizing countries: benefiting from higher disposable incomes, but increasingly busy lifestyles due to long work hours and commuting. Age groups that are young and economically active comprise the majority of migrants entering city areas, whereas rural areas are mainly comprised of South Africans in middle-to-older age groups.

Demographics

South Africa's low population growth can be attributed to a declining fertility rate due to improved literacy, increasing opportunities for disadvantaged population segments, and the prevalence of HIV/AIDS. While the fertility rate is declining, so is the mortality rate due to improved health awareness and accessibility to health care services, which indicates stabilizing population growth. Younger segments of the population are expected to decline noticeably, while older segments will comprise an increasingly larger portion of the population. South Africa's population is quite ethnically diverse, and all of country's ethnic groups are expected to experience future population growth.

Total Population	50.3 million (2009)
Population Growth Rate	0.3% (2010*) 4.6% (2010-2015*)
Age Breakdown (2010*)	
0-14 years	28.9%
15-64 years	65.8%
65 years and over	5.4%
Median Age	24.7 years (2010*)
Life Expectancy	48.98 years (2010*)
HIV/AIDS Adult Prevalence Rate	18.1% (2007*)
Population living with HIV/AIDS	5.7 million (2007*)
Agriculture and Agri-Food Canada, CIA World Factbook, Euromonitor *Estimates	

Income and Expenditure

South Africa has one of the most skewed income distribution demographics in the world, with the consumer market divided into two segments; a prosperous, largely white consumer group, and a poor, primarily black consumer segment. Urban buyers with high incomes account for a mere 26% of households, but represent over 65% of spending, while 75% of the country's population represents less than 35% of spending.

The majority of South African households fall into lower-income brackets. However, the buying power of the black African population is increasing as consumers are increasingly earning higher incomes. Many lower-income households have entered the middle-income segment, and there is a strong emerging middle-class that is expected to grow more significantly than other income segments.

- Due to higher disposable incomes, consumer expenditure increased 85% from 1995 to 2007. However, the recent economic slowdown has resulted in consumers trading down, being less brand-loyal and increasingly price sensitive. However, in rural areas where consumers tend to have lower incomes, there can be strong brand loyalty.
- The largest portion of consumer expenditure (21%) is spent on food and non-alcoholic beverages, and a notable 28% of food expenditure goes toward meat. This proportion is expected to decrease to 18% in 2015, but still represents expenditure growth of 38% from 2007 to 2015. Consumer expenditure on food is expected to total US$38.5 billion in 2010 and increase to US$42.8 billion in 2015.
- Retail prices in all food categories have risen, in part, due to increasing input costs for food production, and currency fluctuations. These price increases resulted in lower demand from consumers as well as price sensitivity by retailers for their sourcing.
- Grocery shopping is traditionally done on weekends on a weekly basis, with smaller shopping trips used to stock-up on food throughout the week.

Lifestyle and Diet

Since 1994, South Africa has undergone numerous social and economic transformations. As a result, many South Africans have experienced major lifestyle changes and now have more opportunities. Traditional values such as marriage and having large families are increasingly being forgone for the possibility of successful careers and increased wealth. Overall, South Africans are getting married and having children later in life.

Staple foods in the traditional South African diet include meat (the dominant food category) and seafood, maize, vegetables and fruit. Three meals a day are typically eaten. Meat is very popular and is consumed at least once a week, while potato consumption has risen and is becoming a larger staple in South African diets. Other popular foods include cereals, dairy, porridge, sausage, and salads. Barbecuing is a popular method for cooking food and is expected to continue to grow in popularity. Increasing social integration, has led to an increasing trend within the black African population toward western-style foods, while South Africa's white population has increased experimentation with traditional African cuisine. A variety of other cuisines are also popular, including Greek, Italian, Chinese and Mexican.

- Consumers, including lower income segments, are very brand-loyal food shoppers, particularly with rice, spreads, and dairy products. Private-label products are still new to the market place, but are growing, and at a faster rate than the global average.
- Higher-income consumers generally present a market for healthy, convenient, quality food products, while their lower-income counterparts typically represent a market for basic staple products.
- Due to increased education, rising middle-class households, many consumers are more health conscious and are consuming healthier foods and products.
- Fresh food consumption is extremely high and is expected to continue to grow. Fresh fruit and vegetables have particularly experienced expenditure growth due to increasing health awareness, quality and variety.
- With increasingly busy lifestyles, South African's favour products which are convenient and save them time. Processed and packaged food products are popular and are increasing in demand. While consumption is fairly high in comparison to other countries in sub-Saharan Africa, it is less than levels seen in developed countries.
- Alcohol consumption is fairly high as it is largely a social activity and a significant part of South Africa's sports entertainment culture. Beer remains a top selling beverage, while flavoured alcoholic drinks are increasing in popularity, and wine mainly remains a beverage for higher income consumers.
- Health and well being is also an important consideration in beverage purchases. The majority of consumers drink inexpensive tea, as coffee is seen as a premium product. However, a strong social coffee culture exists and coffee is purchased by higher-income South Africans. With the prevalence of rising disposable incomes, more and more consumers have been drinking coffee in place of tea. However, with increased price sensitivity, consumers are expected to trade down from premium products.

Retail and Foodservice

The food and beverage market has been developing in sophistication, with the presence of imported products increasing and presenting opportunities for Canadian agri-food exporters. A well-developed formal retail market exists, with retail chains increasingly expanding into townships and rural areas. Supermarkets and hypermarkets have evolved in the market and are prominent in South Africa's food retail. According to the Virtual Trade Commissioner, a 2006 AC Nielson study found that 54% of retail food sales occur within major supermarket chains. However, the informal retail sector, composed of independent grocers and street vendors that sell staple food products, also has a visible presence where there is a lack of formal retail. These formats are a large source of fruit and vegetable sales.

While consumers prefer home-cooked meals with fresh produce, larger disposable incomes, busier lifestyles, and smaller family units are increasing demand for convenience products and eating-out, particularly fast food. Fast food outlets are frequented throughout the day, particularly by busy consumers. Family restaurants, franchises focused on burgers, chicken and seafood, and home delivery establishments, such as Chinese, Taiwanese, and Italian food are common types of food service. The growing coffee drinking culture has also led to an increase in coffee shops.

- The four leading retailers include Shoprite Checkers, Pick ‘n Pay, Spar and Woolworths: each targeting specific consumer segments. Shoprite targets the middle-lower income consumer segment, Pick ‘n Play the middle-upper income segment, Spar the upper-middle, and Woolworths the highest income segments.
- Many food manufacturers are present in the industry, which provides consumers with a wide range of product choices.
- Retail chains possess their own extensive retail distribution centres, and almost all core products are distributed through supermarkets and hypermarkets.
- The retail industry is continually growing, with large supermarket chains expanding into other regions in Africa, and looking for imported food and beverage products. This presents opportunity for Canadian agri-food exporters looking to enter the South African marketplace and larger African region.

Consumer Segments of Interest

Female consumers are increasingly taking more prominent roles in South Africa; there are an estimated 1.5 million black middle-class women in the market. These consumers are the primary decision makers for household purchases, account for over 40% of spending by all South African women, and represent 10% of the total adult population of South Africa. Increasing demand for women in the work place, combined with higher salaries, will also increase the spending power of this segment.

As one of South Africa’s largest consumer segments, young adults (20 to 39 years) are becoming an increasingly lucrative consumer group. The consumer segment in their twenties is expected to grow 9.7% from 2007 to 2015, representing 19.8% of the population in 2015, while the segment in their thirties is expected to grow 16.4% and represent 15.8% of the population. The largest proportion of South Africa’s population is single, and these consumers represent a large proportion of the growing number of single-person households. Other typical segments of young adults include young couples without children and young families.

The number of consumers over 40 has grown notably, and those aged 50 to 64 years are expected to see the highest growth among all age brackets from 2007 to 2015. Urban consumers, that are 40 years and older, represent a fairly small portion of the population, but are a large income group. More than 90% of high-income earners are 40 years and older, and tend to be evenly distributed across the 40, 50, and 60 age groups. This segment also includes a notable proportion of consumers who are debt free, and are looking for quality products which fit into their lifestyle.

Single person households grew 117% from 1995 to 2007, accounting for approximately 23% of households. This consumer segment largely consists of individuals who are pursuing careers or are engaged in well-paying, full-time work. Such consumers hold significant amounts of disposable income, desire convenient products, and are a growing market for healthy, ready-made meals and easy-to-prepare food products. Rectifying gender inequalities in the work place is expected to result in more demand and higher salaries for females in the work place, leading to more single female households.

Two-person ("double income no kids") households make up a growing consumer segment in South Africa. This group grew the fastest of all households, increasing 120% from 1995 to 2007, representing approximately 24% of households. These consumers generally have well-paying jobs, a considerable amount of disposable income, and consumption patterns similar to those of single-person households.

Areas of Opportunity

- Fresh, healthy food and beverage products are increasingly popular within South Africa's growing health conscious population, while less healthy products that contain high sugar and fat content (e.g. bakery products) are decreasing in popularity. Increasing health through staple foods, such as fruit and vegetable consumption, is one of the fastest growing health trends for consumers of all income groups.
- Similarly to trends occurring in North America, there is a small, but growing trend toward organic products, free-range and "local" food. While currently small, the organics market is rapidly growing.
- With longer working hours and commutes, and less time for meal preparation, convenience foods are in demand, not only with wealthier consumers, but also lower-income consumers who are looking for affordable, but convenient products. Increasingly sophisticated tastes and westernized lifestyles are also fuelling demand for processed and packaged foods, particularly healthy products that require minimal preparation time.

EDC's Trade Opportunities Matrix ranks agriculture, hunting, forestry and fishing as the top trade opportunity in South Africa. Processed food products are ranked as the third greatest trade opportunity, and represent approximately a 2.5% share of South Africa's import market.

The United States is commonly a main competitor of Canada in agri-food export markets, and market opportunities are often similar for both countries. The United States Department of Agriculture (USDA) has highlighted several opportunities in the South African market, which may also apply to Canadian products. These include: consumer-oriented and dairy products, processed fruits and vegetables, and fresh vegetables. Food preparations have also shown growth opportunities, including sauces and condiments, as well as higher value exports such as almonds, canned salmon, and whiskies.

Competitors

As a prosperous country in sub-Saharan Africa, South Africa holds a very strategic and attractive position in the region, and the country's agribusiness and agriculture sectors have benefitted from improved market access to key trade partners in Africa, and also the European Union and United States. South Africa's membership with the SADC and SACU fosters trade access with other member states, and South Africa's trade with other countries in southern Africa has increased significantly. These memberships allow South Africa to benefit from free trade status with other members, as well as act as an attractive entry-point for foreign exporters looking to reach other nations in the region.

South Africa also holds a Trade, Development and Cooperation Agreement with the European Union. SACU includes Botswana, Lesotho, Namibia and Swaziland as members, as well as South Africa, and has concluded preferential trade agreements with Mercosur (Common Market of the South) members, as well as the European Free Trade Association.

An agreement with the United States is also under development with SACU, which has also shown interest in potential trade agreements with India and China.

European products are dominant in South Africa and have well-established market presence, making the country a more challenging market for Canadian products and companies to penetrate. South Africa's principal agri-food import sources include Argentina (14.2%), Brazil (9.8%), Thailand (8.5%), Germany (6.0%), China (6.0%), United Kingdom (5.2%), and Netherlands (4.9%). The United States ranks as South Africa's 9th largest import source for agri-food, only slightly ahead of Canada, and growing minimally compared to Canada's agri-food exports to South Africa. Canada's top competitors have been increasing their agri-food exports to South Africa. However, only Germany and the Netherlands have experienced faster agri-food export growth to South Africa from 2004-2009 (424% and 202% respectively), than Canada (179% growth).

- South Africa's top imports from Argentina include: residues and waste from the food industry; animal and vegetable fats and oils; cereals; meat and edible meat offal; preparations of vegetables, fruit and nuts.
- Top imports from Brazil are: meat and edible meat offal; tobacco and substitutes; sugars and sugar confectionary; cereals; animal and vegetable fats, and oils.
- Top imports from Thailand: milling industry products; preparations of cereals, flour, starch or milk; dextrins and other modified starches; sugars and sugar confectionary.
- Top imports from the United States: miscellaneous edible preparations; beverages, spirits and vinegar; cereals; residues and waste from the food industries; edible fruit and nuts.

Access Issues

South Africa has an open economy and is working to improve trade flows. The country has well-developed import regulation standards that are established and managed by a number of organizations. In compliance with World Trade Organization (WTO) commitments, South Africa has considerably reduced its number of tariff levels, with nearly all now corresponding with WTO standards, and the average import-weighted tariff rate has decreased from approximately 20% to 7%. South Africa's tariffs generally fall into eight levels that range from 0% to 30%. This has led to decreased duties for a majority of products; however, South Africa's tariff structure still remains fairly complex. Despite remaining complexities, the country is committed to continuing to simplify and reduce tariffs, and import regulations are quite transparent.

South Africa's excellent, modern infrastructure makes the country an attractive export destination for foreign exporters, and allows for efficient distribution to major urban centres. The nation boasts a strategic location with easy access to other SACU and SADC member countries, and acts as a major trans-shipment point between emerging markets in Central and South America and the industrial regions of South and East Asia. Furthermore, the country holds seven of the 16 largest ports in sub-Saharan Africa, which make up the continent's best port system. Thus, South Africa provides a gateway into sub-Saharan Africa, with well-developed highways and rail networks to neighboring countries allowing for the transportation of goods deep into the region. The majority of purchasing/sourcing of international goods occurs in offices in South Africa, who then re-export international goods within Africa, particularly the southern region. Further government investment in infrastructure is expected to increase the feasibility of exporting to South Africa, and in turn boost business and investment in the country.

- South Africa's value-added tax (VAT) of 14% is billed on almost all imports.
- South Africa's food regulations are based on the guidelines of the CODEX Alimentarius Commission.
- Imported agricultural and food products must comply with the food health and phytosanitary laws of South Africa, and be accompanied by a health or phytosanitary certificate that is issued by a regulatory body in the country of export. Certification is required on a number of imports including living plants, seeds, fresh fruit, vegetables, lard, bacon, ham, hides and skins, animal hair and bristles, and honey.
- Restricted imports require an import license prior to shipping and include certain foodstuffs, plants and plant products, animals, birds, poultry and derived products.
- Meat and poultry imports must come from accredited foreign meat establishments (abattoirs, slaughterhouses, cutting plants) approved by the Director of Veterinary Services of South Africa.
- Food labels must include one of South Africa's official languages (e.g. English) and must incorporate the product name; name and address of manufacturer, producer, etc.; ingredient list; specific storage instructions; country of origin; as well as a number of other pieces of information.

Import tariff information requests can be directed to the Tariff and Market Access Division of the Department of Foreign Affairs & International Trade (DFAIT): eat@international.gc.ca.

South African importers look for suppliers that can offer quality products that are competitively priced. Working with a reliable importer or distributor is recommended and can assist exporters when completing necessary import applications and paperwork. Importers tend not specialize in one product, but import a wide range, and often represent more than one foreign supplier. Canadian companies have experienced past success selling to traders, which are generally smaller organizations that work with specific food commodities. A well-established network of traders exists in South Africa and can be a successful entry strategy for products that are unprocessed and semi-processed. To reduce costs, supermarkets like to deal with sellers directly, but are often willing to work with agents or traders for bulk goods or niche products. Canadian companies interested in selling to supermarkets should contact the Canadian High Commission Trade Office in Johannesburg: jobrg@international.gc.ca

South African Contacts
International Trade Administration Commission of South Africa: www.itac.org.za
Department of Agriculture, Forestry and Fisheries: www.daff.gov.za
Directorate Plant Health and Quality: www.nda.agric.za/docs/npposa/default.htm
South African Revenue Service – Customs Duty: www.sars.gov.za/home.asp?pid=180

Business Travel Tips

- South African business customs are fairly similar to those in Canada. A handshake is the accepted greeting, and both eye contact and small talk are considered important in establishing a rapport with business partners.
- Business dress tends to be conservative; however, "smart casual" is becoming increasingly popular.
- South Africans are very punctual and expect others to be timely; however, business transactions involve significant bargaining and often take longer than in Canada.
- South Africa's standard time is seven hours ahead of Eastern Standard Time (EST) and two hours ahead of Greenwich Mean Time (GMT).

- South Africa's currency is the rand (R) which is divisible into 100 cents.
- Theft, armed assaults, carjackings, and muggings can occur. Be vigilant and make efforts not to appear as a conspicuous foreign traveller. It is recommended to arrange airport-hotel transportation before arriving in the country, and hotels will often arrange transportation upon request.
- Business scams are prevalent and very sophisticated. Exercise caution and carefully check business proposals that are unsolicited.
- If passports do not contain two blank pages, visitors may be refused entry.
- Cell phone reception is usually good in large towns and cities, but can be irregular in rural areas. Travellers should ensure that their cell phone has international/roaming capability.

For more travel information consult Foreign Affairs and International Trade Canada's South Africa Travel Report: www.voyage.gc.ca/countries_pays/report_rapport-eng.asp?id=270000

Agriculture Sector & Policies

Agriculture and agri-food is one of South Africa's primary sectors, is thought to be the most sophisticated in Africa and the Middle East, and continues to play a significant role in the development and growth of the country's economy. South Africa is largely self-sufficient in agricultural production (wheat, oilseeds and rice are exceptions) and the country produces many high-quality products for export around the world. Approximately 8% of South Africa's total exports are contributed from the farming sector.

In the past South Africa's agricultural sector was highly regulated and protected; however, it has now evolved into an internationally competitive market-oriented sector. For more than a decade, the government has been promoting and developing small-scale farming to stimulate job creation. The government is also working to redistribute commercial farms back to black farmers, with the goal of redistributing 30% of white-owned farms by 2014. However, this process will depend on the willing participation of both stakeholder groups.

The impact of the recent global financial crisis impacted South Africa's economy and is expected to be particularly felt in the agricultural sector, which has already been experiencing financial pressures. As the agricultural and agro-processing sectors continue to develop, a number of opportunities are emerging in capital investment, and services and input supply.

The agriculture industry is comprised of well-developed commercial agriculture in urban areas and more traditionally-based production in rural regions. Although South Africa is less than an eighth the size of Canada, there are seven climatic regions throughout the country which provide an array of biodiversity and allow for the cultivation of a wide range of agricultural and marine products. Crop production and mixed farming is possible in rainfall regions, cattle ranching in the tropical savanna, and sheep farming in dry regions.

South Africa's primary agriculture commodities include corn, wheat, sugarcane, citrus, deciduous fruits, vegetables, beef, poultry, mutton, wool, dairy products, tobacco, and wine. Of crops, maize is grown the most, followed by wheat, oats, sugarcane and sunflowers. Grain represents one of the largest industries in South Africa, and in the world, South Africa ranks ninth for wine production, tenth for sunflower seeds, and thirteenth for sugar. Significant increases for crop harvests are expected for 2010, including corn, sorghum, and wheat. Livestock farming represents the country's largest agricultural sector and includes developed dairy, beef, sheep, and goat farming. Poultry and pig farming is also present, but less extensive, while a diverse gaming industry continues to grow. The aquaculture industry continues to develop in research, technology, and innovation. Primary fish and seafood products include mussels, trout, catfish, and oysters.

- The agriculture sector accounts for 3% of GDP and employs 9% of the work force. Agro-processing is a major industry in South Africa, with the agri-industrial sector contributing an approximate 15% of the country's GDP.
- Despite a warm, dry climate, it is well suited to agriculture. Thirteen percent of land is suitable for crop production; however, only 3% of all land has high-potential as arable terrain. Permanent crops occupy 0.79% of total land and a total 14,980 sq km of land is irrigated. Soil erosion and desertification are environmental concerns for the country.
- Limited water supply is a major constraining factor to agriculture sector and rainfall is uneven throughout the country. Nearly 50% of South Africa's water goes toward agricultural uses. There is also environmental concern over river pollution as a result of agricultural runoff and urban waste.
- South Africa is the lone country in Africa producing and commercially growing genetically modified organisms (GMOs). Crops produced include maize, cotton and soybeans.
- It is anticipated that wine producers in South Africa will begin moving away from lower-value wine toward more premium wine production.
- South Africa's agri-food and processing sector includes both international and local companies. The largest Canadian investor in the sector is McCain, who has four facilities for production. Other international manufacturers in the market are Unilever, Nestle SA, Parmalat, and Danone.

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