

SOUTH
AFRICA

Factsheet

Investing in South Africa's Agro-processing Sector



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

investSA
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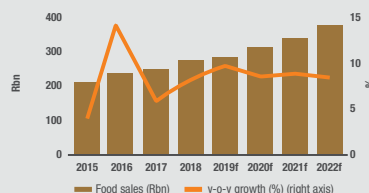
Agro-processing in South Africa

- > South Africa's commercial agricultural sector is well-developed and globally competitive.
- > Thanks to diverse climatic and geological conditions, South Africa is well suited for the cultivation of a wide range of crops.
- > Key agricultural and related products include corn, wheat, sugarcane, fruits (e.g. apples, citrus fruits, table grapes, berries), vegetables, nuts (e.g. groundnuts, pecan nuts, macadamias), beef, poultry, mutton, wool, fish and seafood.
- > A sophisticated and competitive agro-processing industry is built and supported by South Africa's diverse agricultural sector, accounting for 23% of the country's manufacturing sector and making it the largest sub-sector of manufacturing.
- > The food and beverages sector was one of the best performing manufacturing sub-sectors in the last five years, growing from R392bn in 2014 to R537bn in 2018.

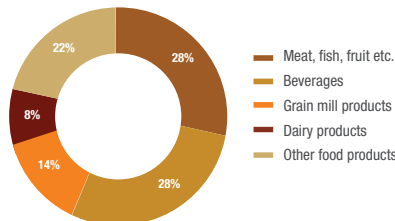
Top producer in Africa, 2017

PRODUCT	IN AFRICA	GLOBAL
Maize	#1	#9
Macadamia nuts	#1	#1
Apples	#1	#15
Sugar cane	#1	#15
Grapes	#1	#8
Lemons	#1	#9
Oranges	#2	#13
Chicken	#2	#24

Food sales, 2015-22f



Food and beverages manufacturing by category, 2018



R537bn

in food & beverages manufacturing

23%

of South Africa's manufacturing output

Why invest?

Counter-seasonality

Located in the Southern Hemisphere, South Africa enjoys counter-seasonality to the Northern Hemisphere, positioning it well to supply agricultural products to lucrative consumer markets in Europe and North America.

US\$10bn
agriculture-related exports

Globally-competitive exporters

Agricultural and agro-processing products account for about 11% of South Africa's exports, reflecting global demand and its competitiveness. Citrus, wine, table grapes, apples and pears are the largest agricultural export earners.

Fully-integrated value chain

South Africa's rich agro-processing history has led to the creation of a sophisticated and elaborate value chain ranging from agricultural inputs, equipment, packaging and specialised logistics to marketing and retail. The strong linkages to other sectors ensure sustainability of the industry.

Strong linkages
to other sectors

High-quality wine production

South Africa produces about 10 million hectolitre of wine per year. With its high quality wines, the country is well positioned to capitalise on the growth in the global wine market, which is expected to grow to US\$412bn in 2022 from US\$325bn in 2018.



9th

largest wine producer in the world



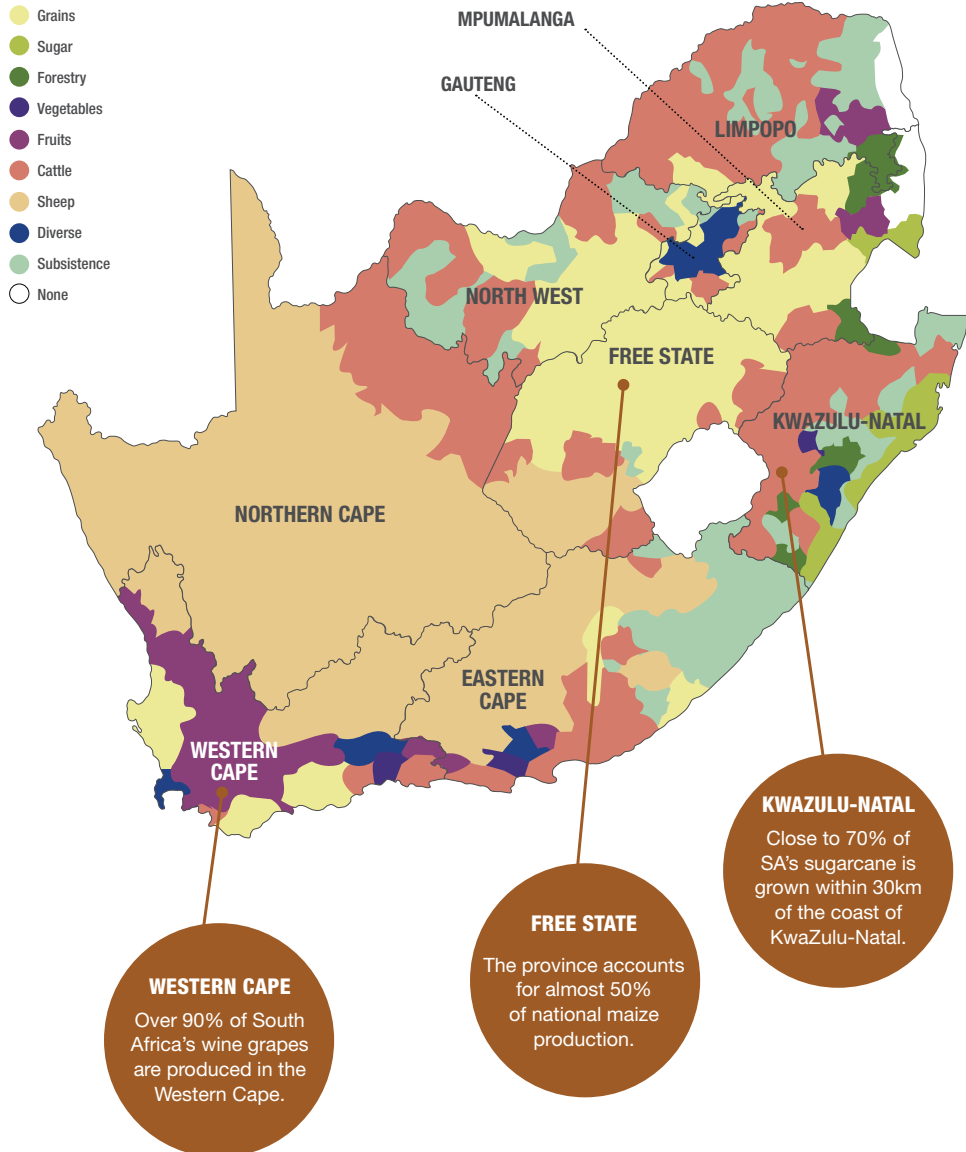
R43bn
logistics and infrastructure investments

Efficient export infrastructure

South Africa has a well-established infrastructure network and thanks to its strategic location the country is well positioned to export agricultural produce to world markets. The national treasury allocated R43bn for agriculture-related logistics and rural infrastructure in the last four years, further supporting the efficient transport of produce.

Where to invest?

- > KwaZulu-Natal, Limpopo, Mpumalanga and the Western Cape dominate South Africa's fruit and vegetable production.
- > KwaZulu-Natal and Mpumalanga are key hubs for sugar production.
- > The Eastern Cape, Free State, Northern Cape and North West are key centres for grain and livestock farming.
- > South Africa's wine industry is concentrated in the Western Cape.
- > Most food processing takes place in proximity to the large urban consumer markets.



What support exists?

- > The agro-processing industry has the potential to substantially contribute to economic growth, job creation, transformation and infrastructure development, all of which are consistent with the government's objectives of inclusive growth. Given this potential, there are a range of sector-specific and general support programmes and initiatives available.



Agriculture/Agro-Processing Support Programmes and Initiatives

- Agro-Processing Support Scheme
- National Agro-Processing Forum
- Strategy for Development of Small and Medium Agro-Processing Enterprises
- Agricultural Policy Action Plan
- National Agricultural Marketing Council (NAMC).



Skills Development Support

Eight universities or higher education institutions offer agriculture and/or agro-processing related programmes.



Government Support and Extension Programmes

The government offers various support and extension programmes, especially targeted at the youth in order to improve competitiveness in the sector. Among these programmes are:

- Youth Agricultural Programme
- LandCare Programme
- Junior LandCare.



Financial Support

- Industrial Development Corporation's (IDC) Agro-Processing and Agriculture Strategic Business Unit
- Land Bank
- Agricultural finance by large commercial banks.

What are the opportunities?

- > There are a number of attractive investment opportunities in the agro-processing industry. Investors can take advantage of the opportunities by leveraging the strong upstream, downstream and lateral linkages. In addition to conventional products, the country's unique indigenous flora favourably positions South Africa to service emerging global food and health trends.

Key opportunities include food-based and non-food-based products and activities:

Select food-based opportunities

- Fruit and vegetable **canning**
- Sub-tropical and tropical fruit **juice processing**
- Oil seed **production**, edible oil **processing**, oilcake
- Processing of **soya-based products**
- Grain sorghum production, malt **industry development**
- **Processing** of organic, vegan/vegetarian products, dehydrated foods
- Walnut **farming and processing**
- **Expansion** of dairy, bakery, confectionery **production**
- **Meat processing**, including ostrich meat
- Indigenous plant growing on a **commercial scale**

Select non-food-based opportunities

- **Extracting** high-value additives, nutraceuticals
- Non-edible **oil processing**
- **Commercial planting** of indigenous flowers
- **Production of crops** for feedstock into biofuels production
- **Wool production**, and processing and manufacturing of wool-based textiles
- Artemisinin and respective ingredients for anti-malaria **medicaments**
- Flax **production**

How to invest?

Opportunity identification

- 1 Conduct feasibility study for your product or service
- 2 Evaluate outcome of feasibility study
- 3 Take investment decision
- 4 Decide on investment strategy in order to best align to the market opportunity

Go ahead



Location identification



Resourcing requirements (HR, capital, finance, IT)



Compliance and legal affairs

Investment preparation

- ✓ Decide on geographic location most suitable for investment
- ✓ Consult property specialists, real estate agents to identify suitable offices for operations
- ✓ Conduct site visits of suitable locations
- Consult with HR/recruitment agencies about staff requirements
- Determine immigration requirements
- Determine funding model (e.g. self-funding, debt, equity)
- Consult with IT systems providers
- Determine corporate structure
- ✓ Determine licensing and permit requirements
- Consult with labour lawyers
- ✓ Consult with InvestSA to identify eligibility for incentives, skills and other support initiatives

Investment execution

- Acquire/lease site, rent office space
- Apply for municipal services (e.g. water, electricity)
- Conduct interviews, hire staff
- ✓ Apply for work permits for expatriate staff
- Open a bank account
- Apply for finance
- Set-up IT infrastructure/systems
- ✓ Register company
- ✓ Apply for licenses and permits
- ✓ Apply for National Level Incentives Schemes, Skills and Other Support Programmes

✓ InvestSA ready to assist

1st in 2010:
Sustainable Wine South Africa introduced the world's first seal that certifies a wine's integrity and sustainability.

1st in 2014:
AgriProtein, the world's first commercial fly farm, which supplies natural and sustainable feed for chicken and fish farming, was established.



Notes

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Information sources

BMI, various years; CSIR, various years; Department of Agriculture, Forestry & Fisheries, various years; **the dti**, various years; FAO, various years; GlobalData, various years; Fin24, 2014; International Trade Administration Commission of South Africa, 2016; MarketLine, various years; Rooibos Council, 2017; South African Wine Industry Statistics, 2018; Statistics South Africa, various years; Treasury, various years; Wesgro, various years; Wines of South Africa, 2019

Research partner | **Deloitte.**



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