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Fishery Products

Voluntary

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Report Highlights:
Imports of fish and seafood products from the United States have increased for the past two years due to the appreciation in the value of the rand and decreased local catches. Domestic demand for seafood has risen, and many consumers are looking to seafood as a healthy source of protein. In FY2004 South Africa saw a $3 million increase in imports from the US from $1.7 million in 2003 to $4.5 million in 2004. Categories which have shown the most growth from 2003 to 2004 are: other seafood (0307) from $20,922 to $870,533; prepared or preserved fish from $761,980 to $1.6 million; frozen fish from $633,833 to $1.3 million; and fish fillets from $39,780 to $551,403. Canned salmon imports have shown consistent growth for the past five years, and this increase is expected to continue. The Unites States enjoys a dominant position in the canned salmon market and holds 88% market share.

Includes PSD Changes: No
Includes Trade Matrix: No
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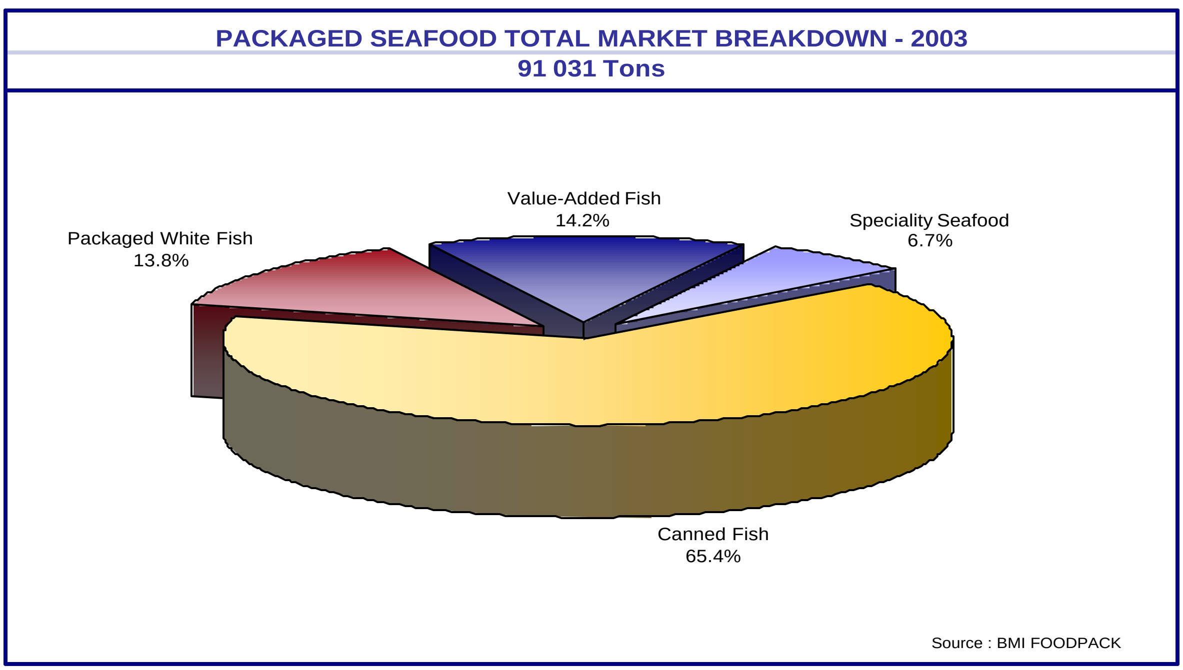
SECTION I. MARKET OVERVIEW

The United States is South Africa's largest trading partner and has been the largest foreign direct investor in South Africa since 1994. South Africa benefits from duty-free exports to the U.S. under the Generalized System of Preferences and the African Growth and Opportunity Act (AGOA) in the United States. A bilateral commission has been established to strengthen relations between the two countries, and a Free Trade Agreement is being negotiated between the United States and the Southern Africa Customs Union, which includes South Africa. However, the negotiations have been at a standstill for a year while the principals agree on the modalities.

South Africa imported $58 million of fish and seafood products in FY 04 primarily from Thailand, Philippines, Mozambique and India. Imports mainly consisted of crustaceans $19 million; other seafood, primarily squid $15 million; and fish meat $20 million. The South African packaged seafood market includes: Canned Fish 65.4%; Value Added Fish 14.2%; Packaged White Fish 13.8%; and Specialty Seafood 6.7%. In the restaurant sector the products with the highest consumer demand are fish and chips, calamari and prawns. This trend has been consistent for the past ten years and is expected to continue for at least the next five years. The most desired U.S. products for the restaurant sector are Boston calamari, Pacific Salmon, Alaskan crab and tuna.

The two biggest challenges faced by the South African Seafood Industry are the fluctuating value of the rand and the worldwide scarcity of seafood. Seafood demand is increasing annually while catches are decreasing, and a large majority of local high value seafood is exported, so South African wholesalers and distributors often have difficulty fulfilling the domestic demand for seafood. Scarcity of seafood is expected to grow as time goes on and industry leaders believe this will continue to be one of the largest difficulties in the industry.

South Africa Market Breakdown – Packaged Seafood



Imports of fish and seafood products from the United States have increased for the past two years due to the appreciation in the value of the rand and decreased local catches resulting from over fishing and more restrictive catch quotas in South Africa. The overall demand for seafood has risen as well because income levels in South Africa are rising, so more people can afford to purchase seafood, and many consumers are looking to seafood as a healthy source of protein. In FY2004 South Africa saw a $3 million increase in imports from the US from $1.7 in 2003 to $4.5 million in 2004. Categories which have shown the most growth from 2003 to 2004 are: other seafood (0307) from $20,922 to $870,533; prepared or preserved fish from $761,980 to $1.6 million; frozen fish from $633,833 to $1.3 million; and fish fillets from $39,780 to $551,403. The demand for U.S. seafood products is high given its superior quality and good reputation. Yet South African importers find it difficult to contract for U.S. seafood because it is still quite expensive, given the currency exchange rate, even with the current strength in the value of the rand.

Advantages and Challenges Facing Sales of U.S. Seafood Products in South Africa

Advantages	Challenges
More favorable exchange rate. Strong rand and euro with the weak dollar make American seafood imports more affordable.	Retailers and consumers want U.S. seafood products but they still remain extremely costly given the currency exchange rate.
South African consumers view U.S. products as high quality.	Acquired tastes and preferences for traditional, locally produced products.
South African importers seek suppliers who can offer quality products at competitive prices.	Long period of time needed to transport to South Africa and await import inspections. (6-8 weeks standard seafood shipping time)
Demand for seafood as a protein source is increasing in South Africa.	Competition from other countries and locally packaged seafood products.
Transparent import regulations.	Challenging for U.S. suppliers to respond to trade-lead inquiries in a timely fashion.
U.S. exporters provide innovative products.	

SECTION II. MARKET SECTOR OPPORTUNITIES AND THREATS

South Africa has an established seafood market of nationally provided products, and local competition proves to be the greatest threat to success in the sector because of the additional costs incurred by U.S. exporters including shipping, storage, time and tariffs. However, local production is insufficient to meet the demand for certain items such as shrimp, prawns, tuna, horse mackerel, snoek and pilchards; which provides excellent trade opportunities for U.S. exporters. Suppliers in other African countries pose the second largest threat as they have the advantage of location allowing decreased shipping time and transportation costs. Many African countries also receive favored nation trade status from South Africa, which includes preferential treatment and decreased or waived tariffs as well.

There are opportunities in South Africa to gain market share in the seafood industry by providing a more modern, differentiated product to consumers. Fish has traditionally been preserved and sold by simple methods such as drying, salting and smoking. The most commonly provided types of fish products include smoked and dried fish, shrimp powder, fermented fish sauces, other fish and shrimp sauces, minced fish products (cakes and fingers), fried fish and fish pates. However, in recent years, demand has called for more value added products, which can be provided by American companies.

Seafood consumers have begun to seek, new non-traditional seafood products such as fish sausages and fish burgers. There has also been a surge in demand for frozen seafood and processed fish. For shrimp and prawns, horse mackerel and snoek, local demand has called for frozen products rather than canned goods and this provides opportunities for U.S. suppliers to focus on frozen items rather than canned goods, except for salmon. Canned salmon imports have shown consistent growth for the past five years, and this increase is expected to continue. The United States enjoys a dominant position in the canned salmon market and holds 88% of this sector. The United Kingdom and South Korea each have 4% market share, followed by China 3%, and Canada 1%.

South Africa is a net exporter of seafood, and the industry is quota driven. Players in the industry are allocated fishing quotas at the beginning of the season in order to regulate catches so that local waters do not become depleted of stocks. The quota system came in response to decreased catches and concerns of declining fish stocks in the area. The greatest total allowable catches are for hake, pilchards and anchovies, and the number of fishermen demanding permits exceeds the current total allotment.

Fish, particularly hake, caught in local waters by South African fishing companies are destined for the international market. The international demand for South African hake is high due to its excellent quality, and it is sought after in Mediterranean countries such as Spain and Portugal. Exports of fresh fish have traditionally comprised a large percentage of the South African seafood industry, but the international market has become more difficult for South Africans with the appreciation in the value of the Rand relative to U.S. Dollars and other currencies.

The local players either catch and distribute the product themselves or pass the item on to alternative players to distribute on their behalf. For example, certain companies have a catch allocation but will also purchase fish from other suppliers to supplement the supply to their customers. Distributors supply the retail fresh fish counters, but the largest portion of their business involves supplying the foodservice sector. These distributors include various companies such as Blue Marine, Blue Continent, Sea World, Breco and Lusitania. I&J and Sea Harvest are also active in the distribution of fresh fish to the foodservice market. Although white fish makes up the bulk of this volume, fresh or frozen specialty seafood is harvested by the same major fisheries and is channeled to the markets by these same larger distributors.

The strong Rand has helped to increase U.S. imports in South Africa because it makes imports more affordable for South African consumers. However, the strong Rand can also create additional competition for U.S. producers even though U.S. products become more affordable. South African seafood loses its attractiveness in foreign markets because the strong rand makes it more expensive, and seafood that would normally be exported will consequently find its way inland to the South African market. In addition, there has recently been an influx of Namibian imports. With the local currency not being as strong against the Dollar, Namibian fisheries have not achieved good international prices for their stock and have therefore channeled much of their supply into South Africa.

The fish stocks in South Africa are a natural, husbanded resource rather than being a pure farming operation. As this stock cannot readily be controlled, it needs to be protected and managed well. In order to prevent the collapse of fish stocks through excessive harvesting, the Department of Marine and Coastal Management has recently restructured the quota allocation system, causing much controversy in the market, particularly amongst the smaller South African players because they are hit harder by marginal adjustments in their catch allotments. The tightening of quotas for South African landings should prove beneficial for U.S. producers who can make up for the resulting lost catches.

The South African Deep Sea Trawling Industry hopes for a reduction in the 25% import tariff on white fish. The local market is complaining of a shortage of hake due to the majority of fish caught locally being exported at a premium above the local price. If the import tariff on white fish was reduced, it would open up the market to cheaper imports (lower graded fish), which could be used for processed fish products thus increasing the availability of affordable fish products for the local market. The lower grade imported fish would not harm the local industry while the international demand for good quality hake remains high, thus providing a benefit for both foreign and national producers.

The fishing industry in South Africa will continue to remain an export driven market so long as the demand in the international market for quality fish remains high. Locally the quota system will continue to remain in place in order to ensure the existence of the industry in the future.

Neighboring African countries also provide additional challenges for U.S. exporters given their ease of entry into the market largely resulting from their location and political ties with South Africa. Mozambique and Namibia specifically have a strong presence in the South African seafood market, and are working to strengthen their positions. Namibia is preparing to set up a fish food project in the Omusati region in the effort to increase the profitability and number of fish farms in the country. Namibian fish farmers currently import fish food from South Africa, and by creating their own fish food product they can increase their competitiveness with farm-raised fish. Spain has partnered with the Namibian government to help create the fish food program as Namibia serves as a low cost provider of fish. By decreasing production costs with the fish food program, Namibia is expected to be a more enticing, lower cost supplier and could potentially become more threatening to U.S. producers.

SECTION III. COSTS AND PRICES

Tariffs

In general there are few tariff barriers in the fish and seafood market with the exception of salmon, trout, tuna, caviar, mackerel and anchovies. Most other products face zero import tariffs, thus eliminating this potential source of increased costs for other seafood items. Salmon and trout have an import tariff of 25%, caviar import tariffs are 30% and the other tariffs vary by product. In addition to tariffs, there are further import restrictions, which are detailed in Appendix A.

There are additional taxes payable on imports, which include a Value-added tax of 14% payable on all imports and on locally manufactured goods, which is determined based on the value of the customs duty plus an additional 10% to any further duties paid.

It is strongly recommended that exporters join with a South African partner to help facilitate the details of import taxes and regulations.

Preferential Treatment: Crustaceans of Mozambique origin qualify for preferential treatment under the terms of the trade agreement with South Africa. Such preferences are subject to quotas. Goods of Malawian origin are admitted to South Africa free of duty in terms of the trade agreement with South Africa. Imports from member states of South African Customs Union (SACU) South Africa, Botswana, Lesotho, Namibia, and Swaziland are also admitted free of duty.

IV. MARKET ACCESS

According to the Foodstuffs, Cosmetics and Disinfectants Act of 1972: Regulations Relating to Labeling and Advertising of Foodstuffs, labels on food products must include the following points:

a. The name of the product
b. The name and address of the manufacturer, packer, seller, importer, or person on whose behalf the foodstuff is pre-packed
c. A list of ingredients in descending order (of mass) under the heading "Ingredients"
d. A label written in at least one of the official languages of South Africa. (This includes English)
e. Instructions for special storage conditions, when applicable
f. The product's country of origin

In practical terms, most U.S. products meet South African labeling regulations. However, there are regulations regarding the usage of certain words and expressions that imply health-giving properties. Precise explanations of the terms and conditions for food product labeling can be found at http://www.doh.gov.za/. (Click on Documents, then Regulations, then Regulations Relating to Labeling and Advertising of Foodstuffs, August 8, 2002; #1055. Note that the annexure section of this document provides information on required nutrition analysis).

A useful reference is the GAIN Report SF4029, Food and Agricultural Import Regulations and Standards for South Africa, which was written by our office in August 2004 and can be found at the following link: http://www.fas.usda.gov/gainfiles/200410/146117652.pdf

Fish and seafood products require permits to be imported into South Africa. The permits are handled by the Director of Import and Export Control of the following Departments in South African Government: Department of Agriculture, Directorate of Veterinary Services;

Department of Health, Directorate of Food Control; South African Bureau of Standards; and South African Health Officials, commonly known as Port Health Officers. U.S. seafood exporters may find it easiest to rely on experienced South African seafood importers to organize the details regarding the import permits.

Various types of seafood items need permits from different departments in the government. Fish and crustaceans, fresh, chilled or frozen, require an import permit by the Department of Trade and Industry. Crustaceans and mollusks (tariff code 0306 and 0307 respectively) require a permit from the Directorate of Plant and Seed Control.

Phytosanitary certificates are required after inspection of all fishery and seafood products at the point of entry into South Africa by the Port Health Officer. Stringent health requirements and standards specifications apply to all seafood imports. Import requirements along with labeling and packaging specifications of products are enforced by the South African Bureau of Standards (SABS). SABS should be contacted prior to exportation of the following products to ensure that product specific import measures are followed:

- canned fish, canned fish products and canned marine mollusks
- canned crustaceans
- frozen fish, frozen marine mollusks and frozen fish and frozen marine mollusks products
- frozen rock lobster products
- frozen shrimps (prawns), langoustines and crabs
- smoked snoek

The SABS requires notification of all imports of fish and seafood products entering South Africa. Each shipment must be tested for quality assurance and it is preferred that importers work through local agents to facilitate the testing process. The size of the sample varies according to the size of the shipment. Samples are inspected for bacteria, odor, uniformity, general quality, and to ensure that the product has been kept frozen at –20 degrees Celsius. Each inspection normally takes five working days. Meanwhile, the importer is provided an embargo release certificate, which allows the transfer of the products to a designated refrigeration area to await the outcome of the analysis. Once all the tests have been passed, the Health Authorities will approve the consignment and a certificate of compliance will be issued.

Canned crustaceans, frozen rock lobster and smoked snoek are also subject to compulsory inspection. A potential exporter can provide the SABS with six cans or samples of each product intended for export to South Africa, which will then be submitted for a written report on the suitability of the products at no charge for the first five sets of samples.

V. KEY CONTACTS AND FURTHER INFORMATION

A. Importers and Distributors

FAS/Pretoria maintains a list of South African seafood importers. Interested U.S. companies may contact us for the latest version.

B. POST CONTACT

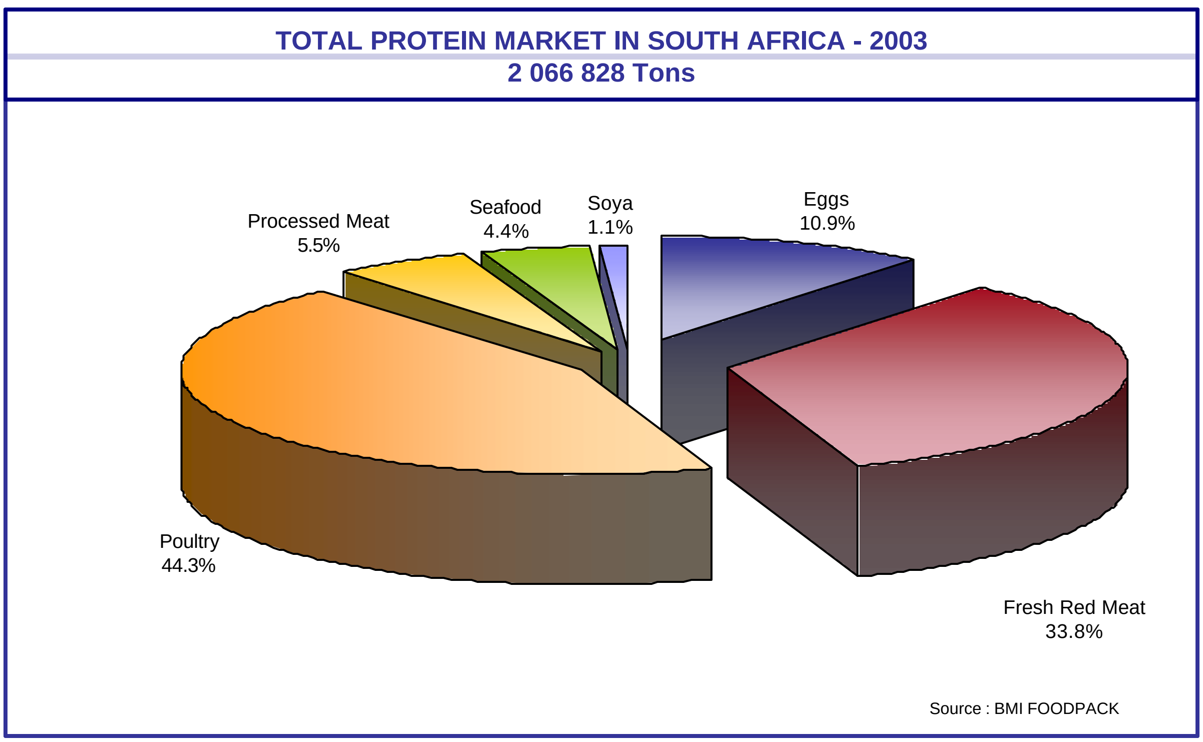
If you have any questions or comments regarding this report or need further assistance, please contact AgPretoria at the following address:

Foreign Agricultural Service
U.S. Embassy Pretoria, South Africa
Washington, D.C., 20521 – 9300
Tel: 011-27 12 431 4235
Fax: 011-27 12 342 2264
Email: agpretoria@fas.usda.gov

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

VI. APPENDIX I: STATISTICS

A. PROTEIN MARKET SEGMENTS



B. MAJOR SEAFOOD MARKET SECTORS AND DISTRIBUTION

Canned Fish Distribution in South Africa

Canned Fish				
Market Sector	**2002 (Tons)**	**% Change 2002 - 2003**	**2003 (Tons)**	**% of Market 2003**
Export	7 568	-27.0%	5 523	9.3%
Retail	21 935	16.5%	25 555	42.9%
Wholesale/ Foodservices	28 440	0.0%	28 453	47.8%
Grand Total	**57 943**	**2.7%**	**59 531**	**100.0%**

Source : BMI FOODPACK

Packaged Fish Distribution in South Africa

Packaged Fish				
Market Sector	**2002 (Tons)**	**% Change 2002 - 2003**	**2003 (Tons)**	**% of Market 2003**
Foodservices direct	9 054	2.1%	9 247	36.4%
Retail	12 627	3.5%	13 062	51.4%
Wholesale/Industrial	2 847	9.5%	3 117	12.3%
Grand Total	**24 528**	**3.7%**	**25 426**	**100.0%**

Source : BMI FOODPACK

Specialty Seafood Distribution in South Africa

Speciality Seafood				
Market Sector	**2002 (Tons)**	**% Change 2002 - 2003**	**2003 (Tons)**	**% of Market 2003**
Foodservices direct	2 370	-2.6%	2 308	38.0%
Retail	1 576	-7.7%	1 455	24.0%
Wholesale/Industrial	1 700	35.9%	2 311	38.0%
Grand Total	**5 646**	**7.6%**	**6 074**	**100.0%**

Source : BMI FOODPACK

Total Packaged Seafood Distribution in South Africa

Seafood				
Market Sector	**2002 (Tons)**	**% Change 2002 - 2003**	**2003 (Tons)**	**% of Market 2003**
Foodservices direct	11 605	1.2%	11 744	12.9%
Retail	36 138	10.9%	40 072	44.0%
Wholesale/Industrial/ Export	40 375	-2.9%	39 215	43.1%
Grand Total	**88 118**	**3.3%**	**91 031**	**100.0%**

Source : BMI FOODPACK

Provincial Distribution of Packaged Seafood

Province	2002 Tons	2003 Tons	% Change 2002 - 2003
Eastern Cape	4 202	4 642	10.5%
Free State	3 821	4 447	16.4%
Gauteng	28 532	31 237	9.5%
KwaZulu-Natal	17 858	18 449	3.3%
Limpopo Province	5 769	5 993	3.9%
Mpumalanga	3 706	3 868	4.4%
North West Province	4 155	4 364	5.0%
Northern Cape	1 894	1 971	4.0%
Western Cape	10 532	10 469	-0.6%
Local Total	**80 468**	**85 441**	**6.2%**
Export	7 649	5 590	-26.9%
Grand Total	**88 118**	**91 031**	**3.3%**

Source : BMI FOODPACK

C. SEAFOOD CONSUMPTION IN SOUTH AFRICA

Aggregate Annual Retail Consumption of Packaged Seafood

Retail Market		
Year	**Tons**	**%Change p.a.**
1998	42 597	-
1999	41 770	-1.9%
2000	44 217	5.9%
2001	37 138	-16.0%
2002	36 138	-2.7%
2003	40 072	10.9%
2004e	38 135	-4.8%
2005f	*37 966*	*-0.4%*

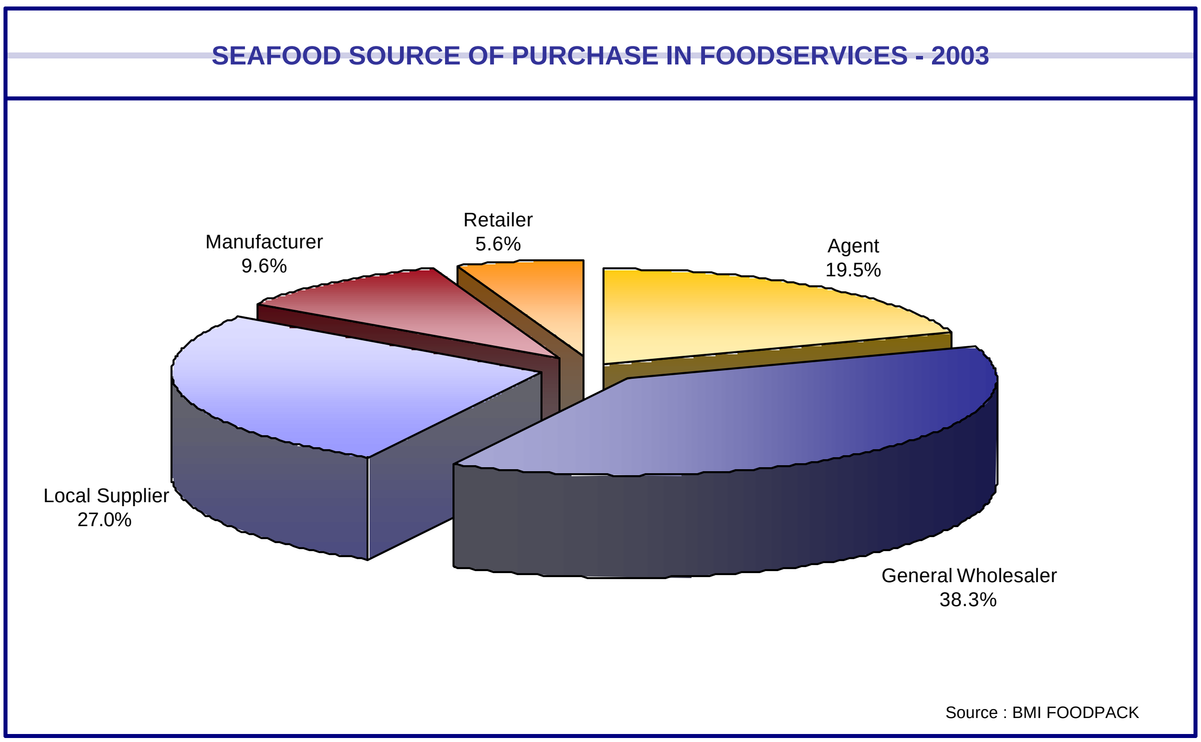
Source : BMI FOODPACK

D. SOUTH AFRICA FOODSERVICE MARKET

Aggregate Annual Foodservice Consumption of Packaged Seafood

Foodservice Market		
Year	**Tons**	**%Change p.a.**
1998	22 109	-
1999	21 344	-3.5%
2000	21 582	1.1%
2001	19 569	-9.3%
2002	19 195	-1.9%
2003	20 228	5.4%
2004e	21 368	5.6%
2005f	*21 801*	*2.0%*

Source : BMI FOODPACK



E. SOUTH AFRICA SEAFOOD IMPORTS FROM THE WORLD

FISH & SEAFOOD PRODUCTS			
Reporting: South Africa Top 15 Ranking Countries	Import 2001	Import 2002	Import 2003
	Value 1000$	Value 1000$	Value 1000$
Thailand	7841	7261	12245
Philippines	8621	7039	8078
Mozambique	5509	5577	7112
India	4929	4429	6799
Spain	1370	1450	3900
Norway	3831	2570	3607
Taiwan (Estimated)	4646	1813	3391
New Zealand	1888	1534	3331
Argentina	0	978	3190
Japan	1753	1805	2017
United States	1105	849	1902
China (Peoples Republic of)	1476	1762	1495
Chile	599	687	1405
Portugal	1095	814	1332
Canada	431	496	1127
Other	10229	8454	9611
World	55322	47524	70553

F. TARIFF SPECIFICATIONS

Import tariffs on fish and seafood products as of February 16, 2005 are as follows:

HS Code	Description	Rate of Duty
03.01	Live Fish	free
03.02	Fish, fresh or chilled	
0302.11	Trout	25%
0302.12	Pacific salmon	25%
0302.19	Other	25%
0302.20	Flat fish	free
0302.30	Tunas	free
0302.40	Herrings	free
0302.50	Cod	free
0302.60	Other fish	free
0302.61/65/66	Sardines, dogfish, and eels	free
0302.70	Livers & roes	free
03.03	Fish, frozen	
0303.11	Sockeye salmon	25%
0303.21	Trout	25%
0303.22	Atlantic salmon	25%
0303.29	Other	25%

0303.40	Tunas	free
0303.50	Herrings	free
0303.60	Cod	free
0303.70/71/75/76	Other fish, sardines, dogfish and eels	free
0303.80	Livers and roes	free
03.04	Fish fillets, fresh, frozen or chilled	
030410.15	Anchovies	free
030410.9	Other	25%
03.05	Fish, dried, salted or in brine, smoked, flours, meals & pellets	
0305.10	Flours, meals and pellets of fish	free
030530.10	Anchovies	free
030530.90	Other	25%
0305.41	Pacific salmon	25%
03.06	Crustaceans, fresh, chilled, frozen, salted, in brine, flours, meals & pellets	free
03.07	Molluscs, fresh, chilled, frozen, salted, in brine, flours & meals	free
16.04	Prepared or preserved fish, caviar & caviar substitutes	
1604.11	Salmon	6c/kg
1604.12.10	Frozen herrings	25% or 200c/kg
1604.12.90	Other	6c/kg
1604.13.10	Sprats in oil, in airtight metal containers	2,4c/kg net
1604.13.20	Sardines (pilchards), in airtight metal containers	free
1604.13.80	Other, frozen	25% or 200c/kg
1604.13.90	Other	6c/kg
1604.14.10	Tunas, skipjack & bonito, frozen	25% or 200c/kg
1604.14.90	Tunas, skipjack & bonito, other	6c/kg
1604.15.10	Mackerel, frozen	25% or 200c/kg
1604.15.90	Mackerel, other	6c/kg
1604.16	Anchovies	25%
1604.19.10	Other, frozen	25% or 200c/kg
1604.19.20	Horse mackerel	6c/kg
1604.19.90	Other	6c/kg
1604.20.10	Fish paste	16,5c/kg with a maximum of 25%
1604.20.20	Homogenized composite food preparations	free
1604.20.30	Other anchovies	25%
1604.20.40	Other sardines in airtight metal containers	6c/kg
1604.20.80	Other frozen	25% or 200c/kg
1604.20.90	Other	6c/kg
1604.30.10	Caviar	30%
1604.30.20	Caviar substitutes	27%
16.05	Crustaceans & mollusks, prepared &	

	preserved	
1605.10.10	Homogenized food preparations	free
1605.20.80	Other, in airtight metal containers	5,5c/kg
1605.30.90	Other	30%

Source: Customs Tariff
Note: Where two rates are shown, the higher is applicable.