Investing in South Africa’s Agro-processing Sector
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.

### 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.

- **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.

- **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.

- **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**

- **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.

### Food and beverages manufacturing by category, 2018

- **Meat, fish, fruit etc.**
- **Beverages**
- **Grain mill products**
- **Dairy products**
- **Other food products**

### Food sales, 2015-22f

- **R537bn** in food & beverages manufacturing
- **23%** of South Africa’s manufacturing output

### Top producer in Africa, 2017

- **Maize**
- **Macadamia nuts**
- **Apples**
- **Sugar cane**
- **Grapes**
- **Lemons**
- **Oranges**
- **Chicken**

### Food sales (Rbn) y-o-y growth (%) (right axis)

- **2015**
- **2016**
- **2017**
- **2018**
- **2019f**
- **2020f**
- **2021f**
- **2022f**

- **Meat, fish, fruit etc.**
- **Beverages**
- **Grain mill products**
- **Dairy products**
- **Other food products**
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.

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.

Grains
Sugar
Forestry
Vegetables
Fruits
Cattle
Sheep
Diverse
Subsistence
None

- **Kwazulu-Natal**
  - Close to 70% of SA's sugarcane is grown within 30km of the coast of Kwazulu-Natal.

- **Eastern Cape**
  - Over 90% of South Africa's wine grapes are produced in the Western Cape.

- **Western Cape**
  - The province accounts for almost 50% of national maize production.

- **Free State**
  - The province accounts for almost 50% of national maize production.

- **Northern Cape**
  - None

- **Western Cape**
  - Over 90% of South Africa's wine grapes are produced in the Western Cape.

- **Kwazulu-Natal**
  - Close to 70% of SA's sugarcane is grown within 30km of the coast of Kwazulu-Natal.
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.

Financial Support

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
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

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

Location identification

Resourcing requirements (HR, capital, finance, IT)

Compliance and legal affairs

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.
Key contacts for more information

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**Information sources**

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