

Edible Oils/Fats market- South Africa- Evolution, Opportunities and Entry Strategies

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Back ground/history of current market situation

- Locally produces +/- 450,000 tons annually which is roughly 40% of domestic needs.
- 60% is based on Sunflower Oil ,used mainly for cooking and frying .
- Shortfall requirements estimated at some +/- 800,000 tons ,which will be need to be imported ,mainly in the form of Palm related products such as Palm Olein, stearine, PFAD= +/- 35%
- Soyabean oil = +/- 30%
- Sunflower oil = +/- 30%

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- Imported quantities of the palm related products ie olein.stearine and PFAD have remained fairly “static” from 2007- 2011,where as both Sunflower and soya bean oils have been increasing over the same period ,especially locally produced soya bean oil as it has,the biggest “non-food”application of its “by-product”ie meal for use in the local animal feed industry

Industry Overview

- Cooking Oil Market
- Total ----- +/- 350,000tons covering domestic/retail in form of various size bottles ,catering trade (20litre buckets) and bulk,generally road tankers

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- Table /domestic Margarines
- Total ---- +/- 245,000 tons ,various grades of retail type margarines ie low fat etc and other Industrial types.
- These are typically based on blends of Sunflower, Soya, Canola and Palm based products ie stearine, olein and its kernel oils.
- The use of interesterified blends for these types of margarines is increasing .

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- Soap Market
- Total ----- +/- 200,000tons
- About 65% is for laundry type soap- mainly used in the rural area's for laundry and general bathing. The toilet soap market around 35% is mainly supplied by multi-nationals ie Uni-Lever and Colgate - Palmolive ,which accounts for about 60% of this.
- Most laundry soap is produced from the acid oils obtained from the local oil refineries,

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- Confectionery Fats Market
- Total ----- +/- 40,000tons
- +/- 90% or more is imported
- Reason for this is that local S.A. Manufactures do not have the equipment and expertise to do this plus the fact that the volumes and diversity of the fat types do not justify the expensive capital outlay needed.

Evolution

- Question - “How do we go about “developing” this market ,with regards to increasing Palm based product usage.
- Through "innovation" ie thinking “outside”the box
- Look at countries that dont have the same “natural”resources as S.A. And see how they have “adapted” in replacing ,supplementing and blending to achieve a similar end product result.
- Work side by side with local “competitive” oils producers -”Don't fight use Insight”

Opportunities

- Opportunities are generally “created” and seldom do they “fall” into place.
- Think “outside” the box
- Find a “tame producer” These are your smaller, flexible and “chance taking” manufacturers that want to maybe be first in line,
- Emerging local markets that are suitable for small business ventures
- Current products “redesigned” for retail markets

Entry Strategies

- Take a “ re-look” at past attempts that failed to “ to get off the ground”.
- Co-operation with producers /manufactures of “competing” products to the mutual benefit of both parties
- Re-visit government policies relating to import duties on so called “competing” oils
- Offer local technical back up /advice service that is free.



Conclusion/summary

- Need to combine the “Needs, Wants and expectations of- (a) – the supplier of the material ie the exporter - (b) – local manufacture/ importer and (c) - consumer
- If you can get all three “into the same bed” at the same time ,you have a “game breaker” that will be able to take the lead .