



Strategic Opportunity for Pasta Producers in SA Market

Overview

The Italian-South African Chamber of Trade and Industries has conducted market research into South Africa’s pasta sector and from our work derived results that present both strategic opportunities and significant threats to traditional pasta brands’ market share, not just locally but regionally and even globally.

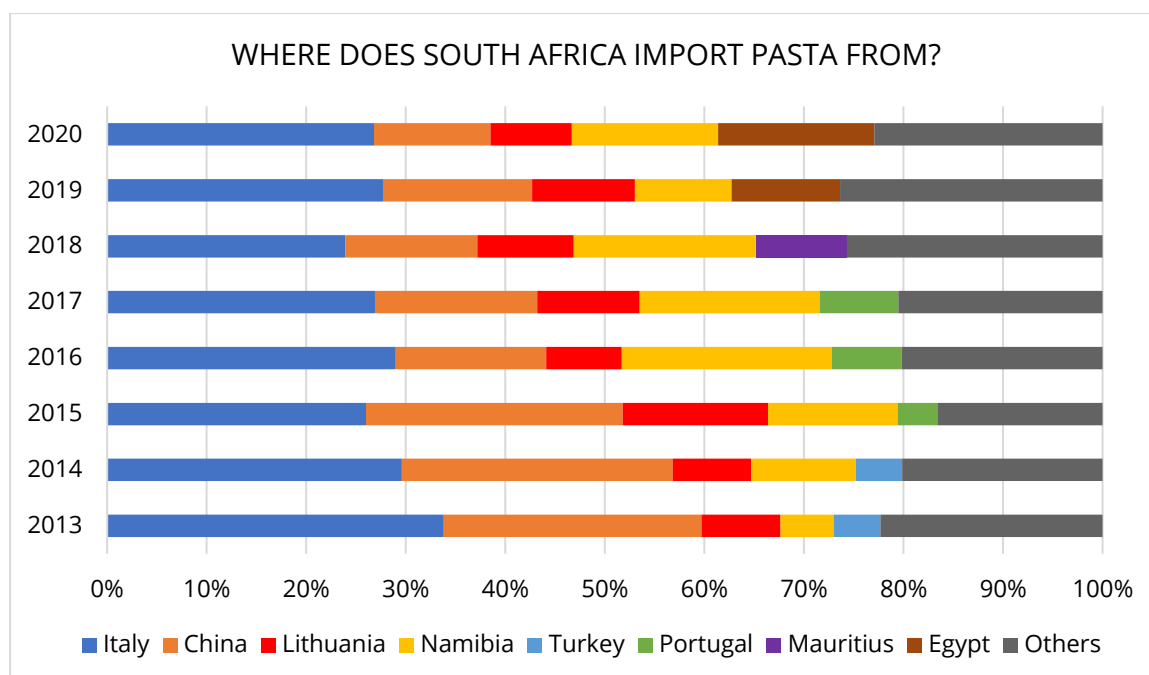
The competitive South African pasta market is significant on its own but South Africa, as a gateway to the broader and unsaturated Southern African market is also strategic for future growth prospects. Amongst multiple competing pasta products and food substitutes, there is an opportunity for an Italian product, if marketed and priced correctly, to become the Italian brand in SA and the broader region. This would require reinscribing the value of Made in Italy product generally and attaching a particular brand-name to the value of Made in Italy.

As per the below, we estimate the retail value of South Africa’s pasta market to be €250-million.

	Volume (tons)	Value	Average Value per ton
Imports into SA 2022	83 665	R1.6-billion	R19 123
Estimated Local Production	65000		
Exports From SA 2022 (tons)	23 059	R613-million	R26 583
Estimated local consumption 2022 (tons)	125 000		
Estimated Retail Price per ton (R20 per 500g packet)		R40 000 per ton	
Estimated Retail Value of Local Market		R5-billion/ €250-million	

Trade

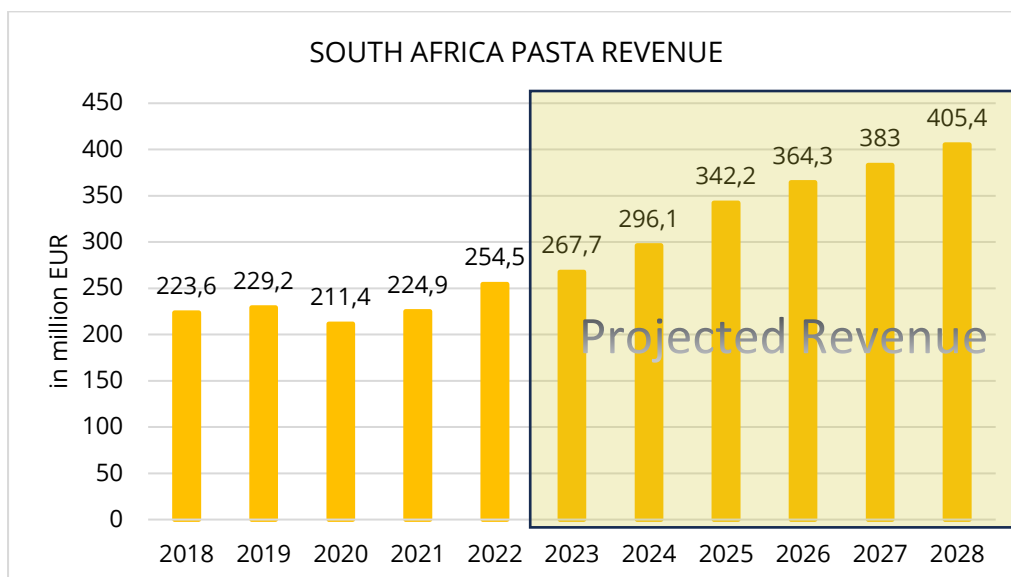
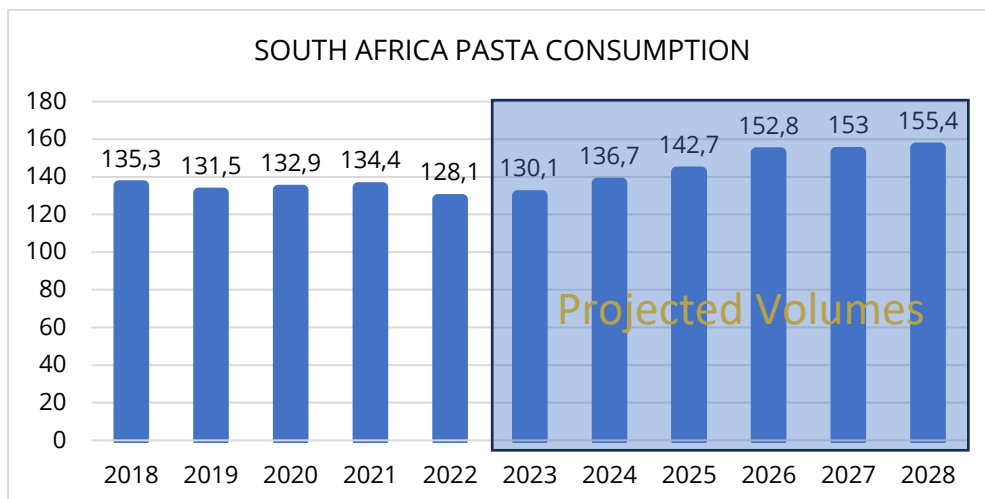
While South Africa is already home to multiple Italian manufacturers, it also houses many of its own pasta manufacturers. Additionally, several other countries export their pasta to South Africa. The graph below shows the balance (in terms of weight of pasta imports into SA which is gradually being captured by other countries).



In recent years producers have been introducing various new pasta products catering to changing preferences. Health-conscious consumers drive demand for nutritious options, such as whole wheat and gluten-free pasta while several local brands have created premium products to compete with Italian exporters.

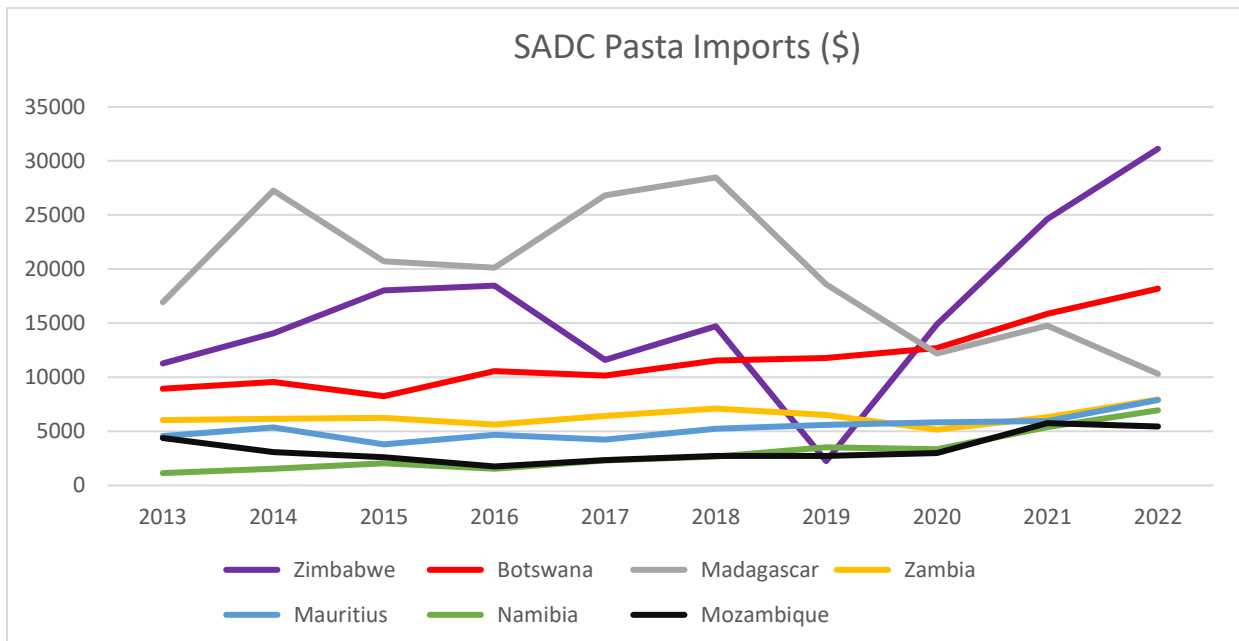
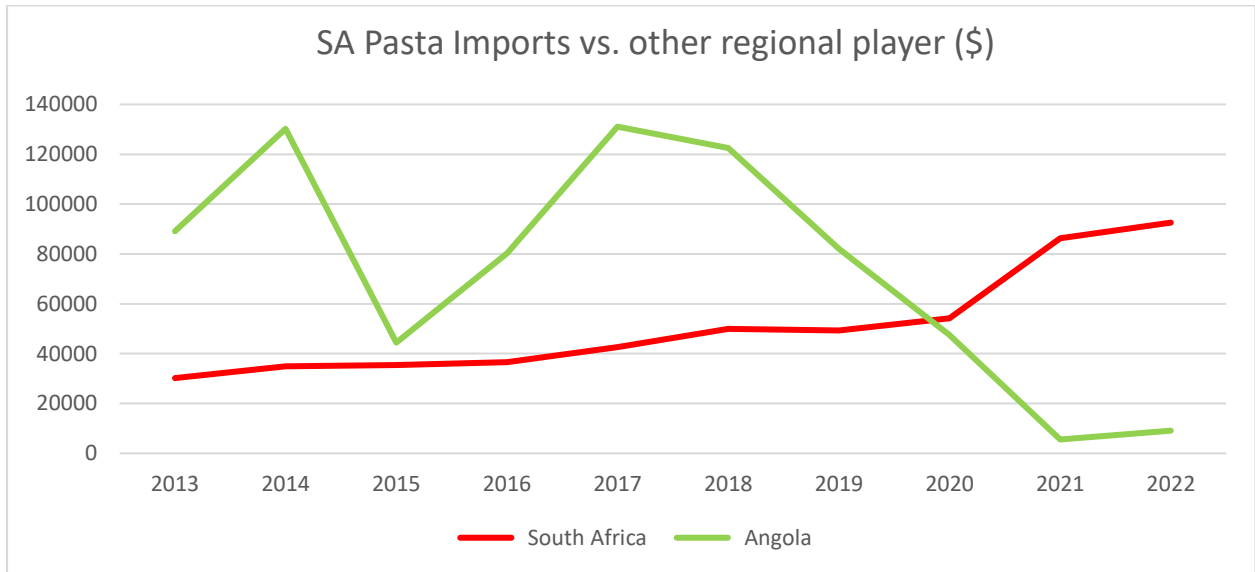
Nevertheless, preference for premium Italian pasta remains robust and means that Italy remains the front-runner in exports to South Africa. This therefore signals an existing advantage that is simultaneously under threat.

In the graphs below both the growth of pasta consumption and pasta revenue are visible. Noteworthy however is the disproportionate growth in projected revenue, meaning a higher price paid per unit.



Most recent update: August 2023

These opportunities are to be understood more broadly at a regional level. Despite growing markets for imported pasta across the region, Italian products do not feature as significantly as they do in South Africa. The sum of the imports from Italy to all the Southern Africa countries currently amounts to 3.5-million euros, less than 20% of the value of Italian pasta imported by South Africa alone.



Consumer Market

Making new ground as an Italian producer amongst South Africa's robust but price-sensitive middle-class consumer base will require navigating a landscape where the middle class is under financial pressure, and social inequality remains pronounced.



Wealth distribution in 2021 shows the richest 10% holding around 85% of total wealth. Products considered middle-class in Europe may only be affordable for the richest 10%-30% of the South African population. The same is true for the majority of the region. Imported pasta consumption is primarily driven by the middle and upper classes, representing a smaller portion of the population who exist in pockets across the region and whose particular nature would need to be understood in order to communicate the correct messaging.

This therefore makes the receptive audience for premium products narrow. This South African middle class, which increasingly consists of black South Africans, is historically considered a crucial driver of consumer markets. However, it faces numerous challenges and their unique socio-economic backdrop requires a price-conscious and nuanced approach for Italian pasta manufacturers seeking success in South Africa.

The food retail space is dominated by South African retail giants including SPAR, PicknPay and Shoprite (all with more than 500 branches across) Southern Africa. Food Lovers Market (300 stores) and Woolworths Food (430 stores) are also strong players in the sector. These brands have also entered the online space, most successfully Shoprite under Checkers60. These stores stock a range of locally-manufactured brands and imported ones.

Markets will always reflect the broader socio-economic scenery if a delicate and nuanced analysis can be conducted. Treating the two as interrelated is key to success. In this analysis, it is presented that an attractive new opportunity for Italian companies coexists with formidable constraints. Therefore, the introduction or strategic promotion of a premium product by Italian manufacturers of pasta represents a promising avenue as the rise of price of other foods provide a more fertile ground for the growth of pasta products, including those in the broader Southern African region.



Opportunities and Threats

Opportunities	Threats
<i>New growing middle-class segments</i> <i>Emerging online shopping space</i> <i>Aspirant Consumption Patterns</i> <i>Strong Retail links between Southern African countries</i> <i>Increased price per unit</i>	<i>Narrow consumer base</i> <i>Price-sensitive consumer base</i> <i>Diverse customers, hard to reach all at once</i> <i>Product Innovation and Substitution</i> <i>Competitive retail and pasta sector</i>