Office: Africa
For the Month of June 2023
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Executive Summary

Overview of the market

With a growing middle class, changing lifestyles, and more consumer knowledge and product awareness driving increasing levels of snack purchasing across the continent, the African snacking sector has seen substantial growth. It is expected to increase by 10.23% between 2023 and 2028 (Statista, 2022). Snacks are more than simply treats for consumers; they are big business for manufacturers and retailers, as snacking has become a regular event for modern consumers (Ipsos, 2021). The snacking industry in Africa is structured into different segments, including savory snacks, sweet and functional snacks. Savory snacks have the largest market share in Africa and this trend is expected to continue as healthy diets including snacking are becoming popular among consumers (6wresearch, 2021; USDA, 2021). This report will therefore focus on the savory snacks market.

Production

The development of the snacking industry in Africa has seen local start-ups, medium-scale family groups, regional giants and conglomerates, and international companies compete for market share. The snacking industry in the African market consists of international brands and local brands. With both international and local brands being distributed in both the formal and informal sectors of the economy. Popular international brands include Nestle, Mondelez, Kellogg's, General Mills, and PepsiCo. The supply chain of the snacking industry consists of manufacturers, supermarkets, hypermarkets, wholesalers, Importers, exporters, agents, convenience stores, online retail stores, and informal traders.

According to a report by Potato Chips Machinery, the top three Kenyan crisp producers process about 10,000 tons of potatoes per year into 2,500 tons of crisps. Half of crisps production is bought at supermarkets by consumers, especially citizens in cities such as Nairobi, and 20% through other distribution channels. Crisps are partly exported to Tanzania, Zimbabwe, and Uganda (Potatopro, 2020).

Trends

The snacking industry is always evolving as consumer preference changes. Below is a summary of some of the trends which are emerging in the industry.

Focus on healthy eating

Consumers are growing more health-conscious and seeking snacks that fit their unique, more active lifestyles, so they are increasingly turning to sugar-free or gluten-free goods to fulfill specific diet demands as well as to promote mindful snacking. They are turning to healthier options such as low-fat snacks and fruit, with fruit snacks and snack bars exhibiting the strongest and fastest rise since they are seen to be healthier than sweet snacks. This tendency is consistent with an increasing emphasis on product quality and detail. Manufacturers such as General Mills, have recently highlighted they will be offering items to assist people who are trying to lose weight.

Rise of plant-based snacks - Plant-based snacks are becoming increasingly popular in Africa. This is being driven by a number of factors, including the growing popularity of veganism and vegetarianism, the increasing availability of plant-based snacks, and the belief that plant-based snacks are often healthier than animal-based snacks (FoodBusiness Africa, 2023).

Local snacks and preferences – Local snacks continue to be essential to African consumers and will continue to be so in the future: for example, in Nigeria, plantain chips are a local product competing with potato crisps (in most African countries crisps is the name used for 'potato chips'). Local snacks will therefore continue to form part of consumer preferences. To retain the local flavors some of the popular brands of chips have introduced local flavors to the chips. For example, in India, you can find flavors like Magic Masala for Lay's chips. In South Africa, they have Simba chips Shisanyama, and Chakalakala flavors. Chakalaka and Shisanyama are two well-known South African market foods. (Mordor Intelligence, 2021; Insider, 2020).

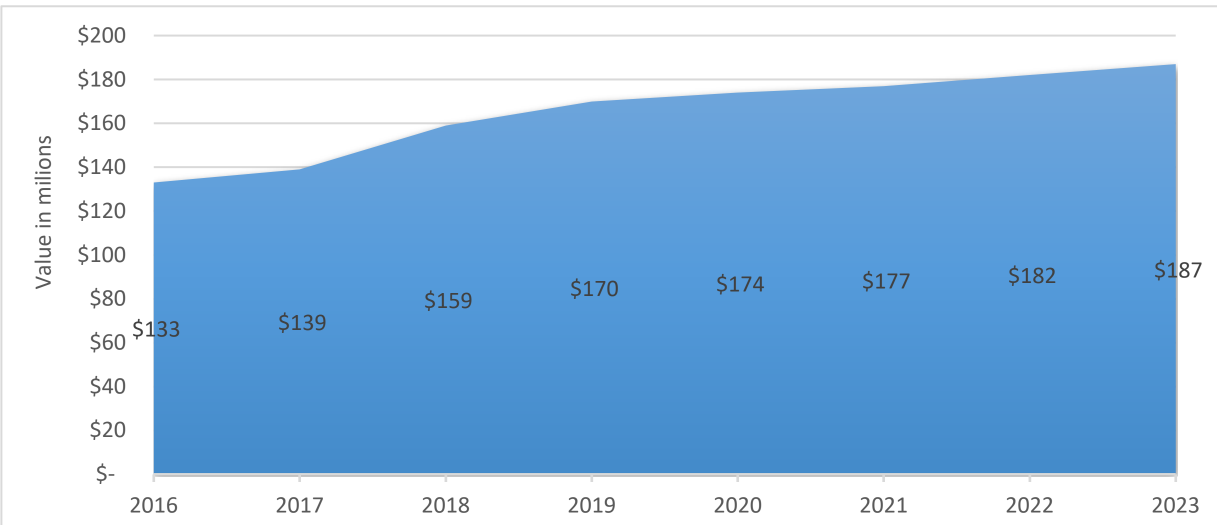
Growth of the snacking on-the-go market - Indulgence and ready-to-eat, practical snacks that fit into people's hectic schedules are already becoming increasingly popular in markets across Africa, especially as more people start to return to their pre-lockdown lives. Granola bars, trail mix, and energy bars are just a few examples of portable foods that are becoming more popular as a result (Bizcommunity, 2021; Foodstuffs, 2022; USDA, 2021)

Snacks Market by Country

South Africa, Kenya, Nigeria, Egypt, and Morocco are among the African countries with a reasonably high demand for snacks and the potential for expansion.

Kenya

The Kenyan retail sales for both sweet and savory snacks have been growing as depicted in the figure below.



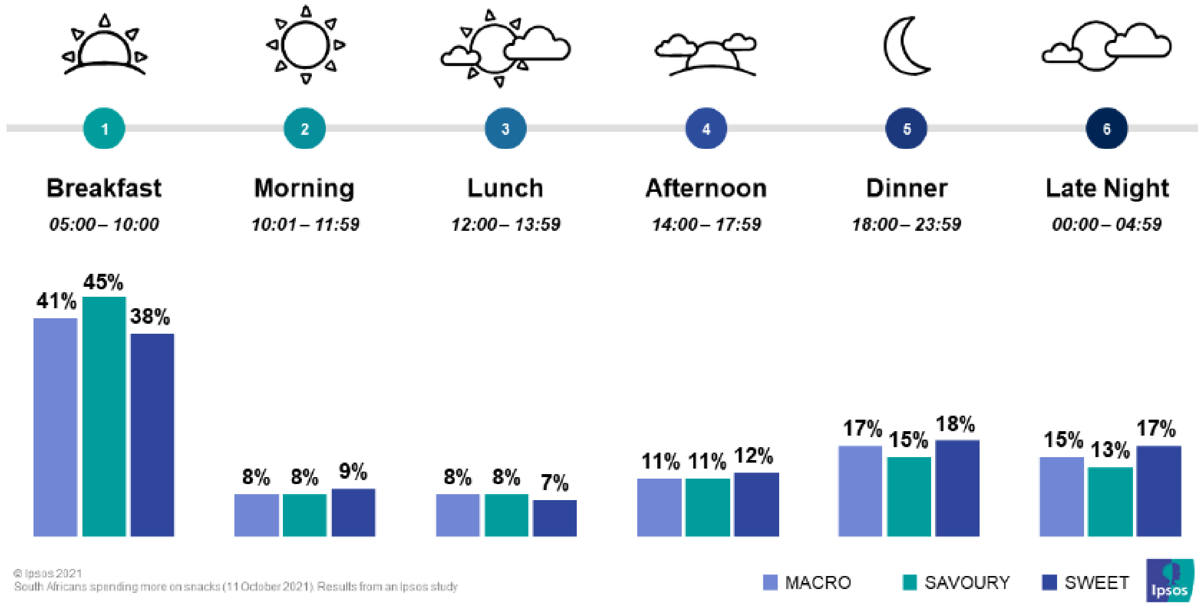
Source: Euro monitor

Figure 1: Retail sales for snacks in Kenya

As shown in the figure above, retail sales grew from $133 million to $174 million between 2016 and 2020 registering about 30% growth despite the effects of the pandemic. With most growth being noted in the savory snacks, the sales are further predicted to be $187 million by 2023. In 2019, the US exported snacks worth $43 000 to Kenya. (USDA, 2021) proving that it is a growing industry.

South Africa

The South African savory snacks market alone was valued at $821 million in 2021 and has been reported to be growing over the years (Statista, 2023; Mordor Intelligence, 2022). A consumption and shopper study conducted in South Africa revealed that the sales of snacks in South Africa had increased by 43% between 2019 and 2023 (Ipsos, 2021). The study further revealed that most consumers in South Africa snack the most in the mornings. A depiction of the snacking behavior of South African consumers is shown below



Source: Ipsos,2021

Figure 2: Snacking behavior in South Africa

As shown above, consumers in South Africa snack more during breakfast traditional hours than at any other time. Salty snacks and popular in South Africa with a relatively high preference for spicy flavors.

Nigeria

The snack industry in Nigeria is growing rapidly. The market is expected to reach US$11.48 billion by 2028, growing at a CAGR of 12.58% from 2023 to 2028 (Statista, 2019). The snack industry in Nigeria is segmented into two main categories: traditional snacks and Western-style snacks. Traditional snacks include snacks such as chin chin (a crunchy, donut-like baked or fried dough of wheat flour, and other customary baking items), kuli kuli (a West African snack primarily made from peanuts), akara (a fritter from West Africa made from black-eyed peas) and plantain chips. These snacks are typically made with local ingredients and are often sold in informal settings, such as roadside stalls and markets.

Western-style snacks include snacks such as potato chips, popcorn, and pretzels. These snacks are commonly manufactured using imported ingredients and offered in formal settings such as supermarkets, convenience stores, and online stores. Although there are limitations in the most recent data, the value of US-imported snacks was considered and is shown in the figure below to provide some insight into Nigerian snack imports. For the period shown in the figure above which is between 2015 and 2019, Nigeria's imports for snacks decreased. However, Nigeria is considered a promising market for snacks with growth potential (USDA, 2021).

Morocco

According to a report by the Canada Department of Agriculture, snacks enjoyed the fastest growing rate of CAGR 5.7% between the years 2016 -2021 in terms of retail sales. Aggregately in 2021, retail sales for snacks in Morocco were about $128 million.

According to USDA, Morocco imported US consumer-oriented product worth approximately $155 million. USDA identified that there are limited quantities of Post of US seafood, chocolates, sauces, and spirits on Moroccan retail shelves. The country imports limited volumes. However, Morocco has a Free-Trade Agreement with the United States which American exporters can take advantage of. (USDA, 2023; Canada Department of Agriculture, 2022).

Egypt

In Egypt, the market for savory snacks was estimated to be worth $787.3 million in 2020. From 2021 to 2025, it is expected to expand by more than 9%. In 2020, Egypt had more savory snack consumption and spending per capita than the rest of the region. In the same year, potato chips had the largest value in terms of sales, followed by processed snacks and nuts and seeds.

According to Global data, consumption of Savory snacks is higher among males than females. Flexible packaging is the most used pack material in the Egyptian savory snacks sector, followed by paper and board, and rigid plastics. The leading players in the Egyptian savory snacks market include: PepsiCo, Egypt Foods, Al Jawhara Group, Edita, Americana Group, Snacktime, El-Sayed, Al-Kabeer, El-Halaby, and El-Mehalla. (Global data, 2021).

Market Intelligence Update

This section will focus on the four elements of a marketing strategy which are Product, Price, Place, and Promotion. This will provide US exporters with an overview of the target market and price products competitively.

Product and Price

The focus is on a popular local brand versus a popular international brand in that market. Across the listed countries, the most popular US brand for potato chips is Lays. The comparison of the prices is as of July 2023 and is shown in Table 1 below. An important point to note is that the comparison was on a standard 120g bag of potato chips.

Table1: Comparison of local and international prices for Lays Chips

Country	Local		International	
	Product/120g	Price	Product/120g	Price
South Africa	Frimax	$0.91	Lays 120g	$1.23
Nigeria	Zifort			$3.33
Kenya	Krackles	$1.42		$5.77
Morocco	Leaders Chips	$1.08		$1.70
Egypt	Tiger	$0.33		$0,61

Sources:
South Africa: www.checkers.co.za
Morocco: www.marjane.ma / www.aswakassalam.com
Kenya: www.carrefour.ke /Lay's Flamin' Hot 40g in Kenya | Monty's (montyskenya.com)
Egypt: www.carrefouregypt.com / www.spinneys-egypt.com
Nigeria: Buy Lay's Products Online at Best Prices | Ubuy Nigeria (u-buy.com.ng)

International brands are competing with local brands in some snack categories. For the potato chips market, Lays is a popular international brand in different market segments. As depicted above, South Africa has the second cheapest price of the Lays brand of chips. This may be attributed to the cost of doing business in South Africa. For example, earlier in April the government extended a diesel fuel levy refund to foodstuff manufacturers as a measure to curb food price increases caused by the energy crises (EngineeringNews, 2023). This is in addition to another incentive that some of the manufacturers receive for their investment in the country. In addition, there are no importation costs associated with the Lays chips as they are manufactured locally. A survey conducted in South Africa on the consumption demand for snacks revealed that cheaper snack brands have been gaining more traction in the South African market than other brands (Ipsos, 2021). This implies that South African consumers are also price-conscious when it comes to snacking.

The Lays brand was the cheapest in Egypt $0.61 for 120g. PepsiCo merged with a local Egyptian company and is manufacturing in the country. In countries where PepsiCo has a local presence including South Africa, the brand is cheaper as compared to countries without manufacturing plants. Nigeria for example has one of the highest prices of Lays. PepsiCo has no local manufacturing in Nigeria. Also, potato chips and plantain chips compete with each other in Nigeria. Both snacks are popular and are available in a variety of flavors. However, they have different taste profiles and appeal to different consumer segments. Potato chips are typically seen as being more savory and salty, while plantain chips are sweeter and have a more complex flavor. Potato chips are also more often associated with Western culture, while plantain chips are more traditional Nigerian snacks.

The same trend also seems to appear in Kenya where PepsiCo is not manufacturing locally. Kenya has the most expensive 120g bag of Lays Chips. What is also peculiar about Kenya is that there is an also another Lays chips brand, which comes in cylindrical shaped tin-like pringles that originate from China and are about three times cheaper. This might affect the demand for the other PepsiCo Lay's brand in the Kenyan market.

The distribution channels for potato crisps vary per country. However, the most popular method is from the manufacturers to both retailers and/or wholesalers. In some African countries, however, there are informal traders. The distribution channel either flows from manufacturers to Wholesalers to informal traders or from wholesalers to informal traders. Small local potato chip manufacturers are more likely to engage with informal traders directly. Another distribution channel is the usage of distributors.

Updates on Relevant Market Changes.

Developments in the market

The African market remains an important market for international companies seeking to expand their businesses. African countries are becoming important in the global economy, with some of the fastest-growing economies worldwide coming from Africa. A young and expanding population coupled with an expected increase in household incomes and spending the continent is shaping up for major economic changes. It has already attracted major investment from international companies and this trend will continue. The section below highlights some of the developments in the snacking market segment that might inform market entry strategies for US snack exporters. These developments highlight the need to maintain market positioning.

PepsiCo expansion in Egypt - As part of its growth plan in Egypt's Chipsy Food Industries, a division of the PepsiCo Egypt Group, built a new US$20 million production line within the Chipsy factory with a production capacity of 25,000 tons. Chipsy for Food Industries holds an approximately 60% market share of the snack industry in Egypt. It also exports its goods to 11 other countries in Africa, Asia, and the Middle East, including Saudi Arabia, Kuwait, and Lebanon. This highlights the importance of the market to PepsiCo and the need to solidify its position in the market. The expansion in Egypt is not the only development on the continent that PepsiCo has undertaken. Showing that the company sees potential in the market.

Nestle S.A. buys more shares in Nestle Nigeria – Nestle S.A. increased its ownership stake in Nestle Nigeria. The largest shareholder of Nestle Nigeria Plc, Nestle S. A., recently spent N44 million (about $95,000) to purchase an extra 40, 894 shares of the consumer goods manufacturer. The international food corporation with headquarters in Switzerland is increasing its ownership stake in its Nigerian subsidiary for the second time in 2023. Earlier in the year, Nestle S. A spent N84m (about $0.18 million) to acquire 77, 967 units of shares in the Nigerian subsidiary.

Edita Foods expands in Morocco - A second production line has been installed at Edita Foods' newly opened factory in Berrech, an Egyptian manufacturer of packaged snacks, to increase its Moroccan operations. The new Moroccan facility is owned and operated by Edita Food Industries Morocco, in partnership with Dislog Group, a leading Moroccan FMCG distributor, both holding

77% and 20% stake in the new entity respectively. Dislog operates one of Morocco's largest FMCG distribution networks. Local companies are also seeking to expand further in the market. Therefore, the acquisition of existing companies and or partnership with local distributors is a market entry strategy that may be utilized (Food Business Africa, 2020; Mordor Intelligence, 2021).

Labelling in South Africa: In South Africa to promote healthy snacking, South Africa's Department of Health (DOH) intends to modify food labeling to include warning signs on unhealthy foods. In particular, the DOH intends to make food items that are high in sugar and fat content come with large warning labels attached and to block these foods from being marketed to children. The department wants mandatory front-of-package labeling (FOPL) to be present on any pre-packaged commodities that have added sugar, added sodium, or added saturated fat, or that exceed the nutrient cut-off values for total sugar, total sodium, or total saturated fatty acids. A depiction of the labels is shown in the figure below;

Although this is not yet approved, it indicative of where the industry is being directed. An important point to note is the switching to lower pack sizes. Smaller-sized snacks allow those who are health-conscious to enjoy conventional snacks (Business Tech, 2023).

Activities Relating to WUSATA Events

Some of the upcoming events relevant to WUSATA are as below. The list is not exhaustive.

The Kenyan Food Event (KFE)

Date:	5 – 7 September 2023
Venue:	Sarit Exhibition Centre Nairobi, Kenya
Contact:	Angela Kenya (Portfolio Director)
Tel:	+254 714 073 362
Email:	Angela.kinyua@montgomerygroup.com
Website:	www.kenyanfoodevent.com

Morocco Food Expo co-located with SIEMA

Date:	17 – 19 October 2023
Venue:	Centre International des Conferences et d''Expositions de Casablanca, Morocco
Tel:	+ 90 212 274 40 55
Email:	project@elanexpo.net / info@moroccofoodexpo.com
Website:	www.elanexpo.net

Food Africa Cairo

Date: 12 – 14 December 2023
Venue: Egypt International Exhibition Centre, Cairo, Egypt
Tel: +20 2 2528 3101
Email: is@ifpexpo.com
Website: www.foodafrica-expo.com

Agrofood Nigeria

Date: 26 – 28 March 2024
Venue: Landmark Convention Centre, Lagos, Nigeria
Tel: +234 80 30 55 63 75
Email: nigeria@fairtrade-messe.de
Website: www.agrofood-nigeria.com

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