



For the Month of: October 2023

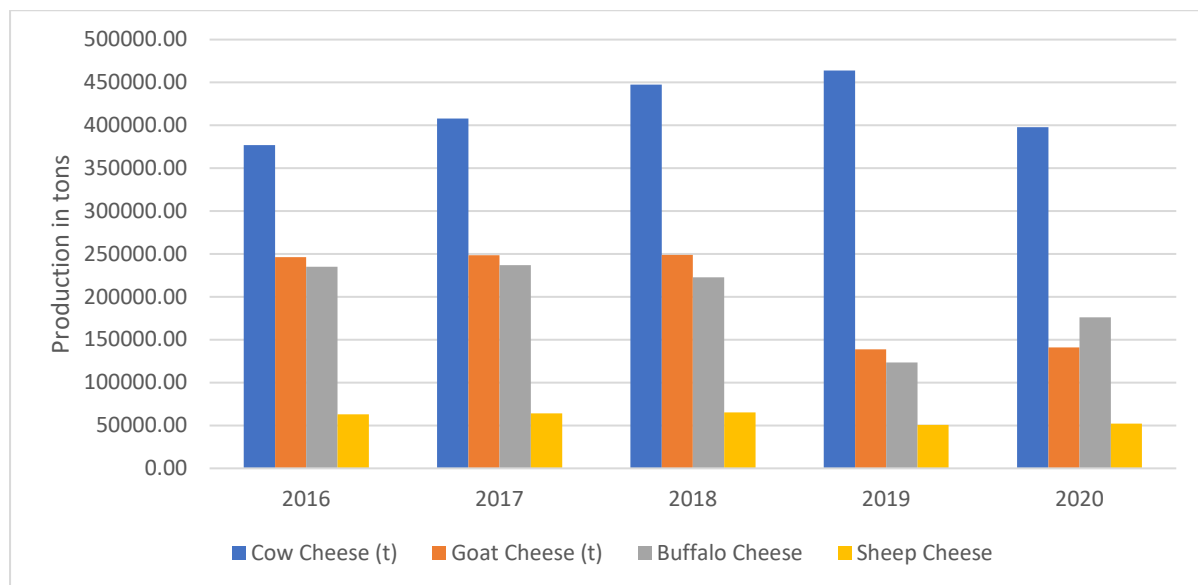
Report Completed: November 14, 2023

Executive Summary

Overview

This brief will focus on five markets which are Egypt, Morocco, Rwanda, Kenya, and South Africa. Egypt and Morocco are the largest importers of cheese on the continent, South Africa is the most advanced cheese market on the continent, and Kenya and Rwanda have growing cheese industries that produce for both domestic consumption and export markets in East and Central Africa.

The African cheese market is characterized by limited domestic production, specialized cheese varieties, and growing demand. The African market has four main types of cheese which include cow cheese, goat cheese, buffalo cheese, and sheep cheese. The prominent cheese is cow cheese. In 2020, about 398 687 tons of cow cheese was produced in Africa. A depiction of the domestic production of the four cheese types between 2016 and 2018 is shown below.

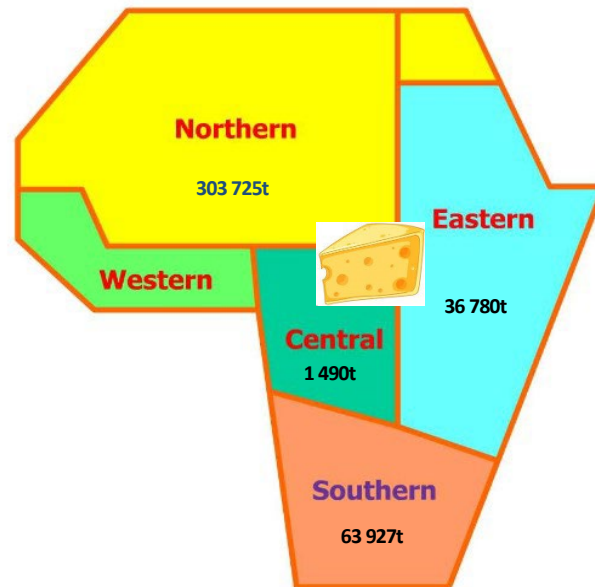


Source: FAOSTAT

Figure 1: Quantity of Cheese produced by Africa.

Before 2020, the production of cow cheese had been steadily increasing as shown in the figure above. Goat cheese production is also popular in Africa, however, its production started showing a decreasing trend in 2019.

Aggregately, the North African region produces a significant volume of cheese followed by the Southern African region. The figure below shows the average cow cheese production by each region between 2016 and 2020 as depicted below. The data for West Africa is not included due to lack of availability.



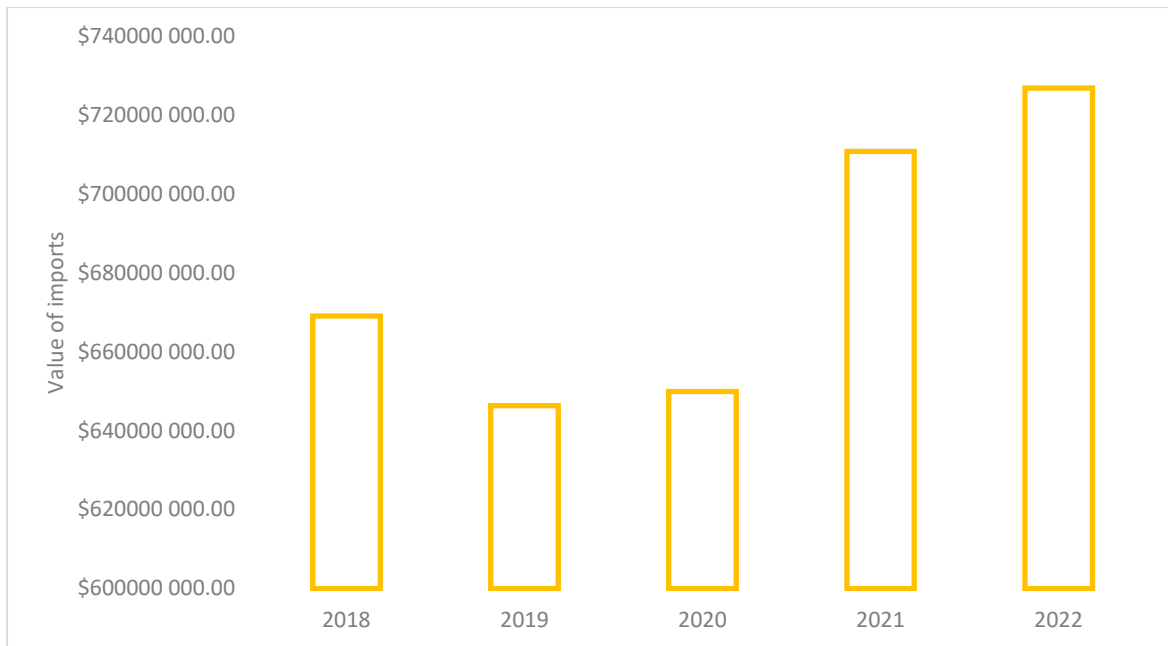
Source: Figures from FAOSTAT

Figure 2: Cheese production by region

According to Nyamakwere et al., (2021), the main cheese producing country in North Africa is Egypt, South Africa in Southern Africa, and Ethiopia in East Africa. Another significant cheese producer is Rwanda with about 25 cheesemakers producing for both domestic and export markets (Africa Business, 2021).

Although there is production of cheese in Africa, the local production is limited. Most African countries do not have a well-developed dairy industry, and therefore are unable to produce enough cheese to meet domestic demand. Only 2.1% of the world's cheese is produced in Africa and the industry is dominated by artisanal cheesemakers (Nyamakwere et al.,2021). Moreover, there are specialized cheese varieties of cheese, such as cheddar and brie, that require specific production techniques and climates that are not available in all African countries.

Although the changes are not uniform across the continent, there are reports of the shift in the structure of consumer's diets towards value-added dairy products such as cheese (Ronquest *et al.*, 2015). As a result, the continent has been importing a huge volume of cheese. In 2022, cheese worth \$726 million was imported by Africa from the rest of the world. A depiction of the cheese imports in 5 years is shown in the figure below.



Source: Trade Maps

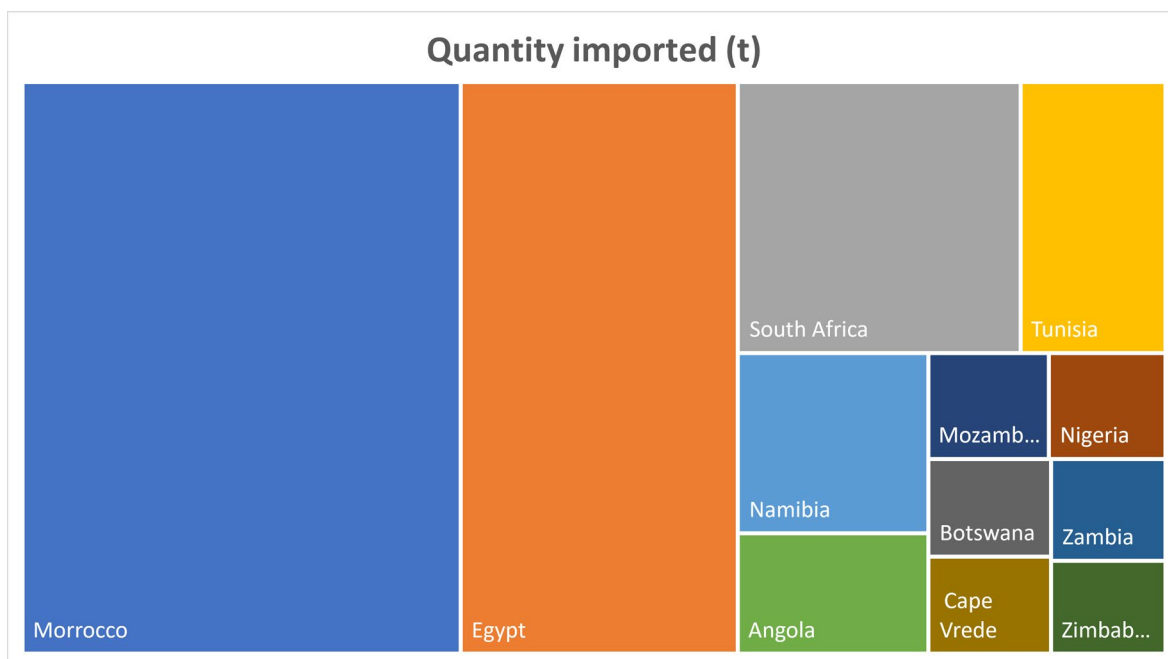
Figure 3: Value of cheese imports by Africa

Between 2021 and 2022, the value of cheese and curd the value of cheese by Africa increased by 8.6% as shown in the table above. The table below the value of imported cheese by African countries in 2022.

Table 1: Value of cheese and curd imports by country

Country	Value of imports
Morocco	\$139 739 000,74
Egypt	\$94 405 000,87
South Africa	\$40 874 000,19
Tunisia	\$18 801 000,21
Namibia	\$16 302 000,33
Angola	\$14 235 000,03
Mozambique	\$6 683 000,00
Nigeria	\$5 164 000,31
Botswana	\$7 271 000,31
Cape Verde	\$6 997 000,75
Zambia	\$5 062 000,97
Zimbabwe	\$4 713 000,70

A representation of the quantities of cheese and curd imported by the listed countries is shown below.



Source: Trade Maps

Figure 4: Quantity of cheese imported.

The top three cheese-importing countries are Morocco, Egypt, and South Africa. In 2022, Morocco imported about 24,605 tons of cheese worth \$139.7 million. In the same year, Egypt imported about 15,554 tons of cheese worth \$94.4 million whilst South Africa imported cheese about 7,522 tons worth \$40.8 million. Both Egypt and South Africa are some of the main cheese producers as discussed above. This therefore implies that both markets high demand for cheese. In addition to South Africa, Kenya is one of the most significant markets for cheese in Sub-Saharan, albeit this is not mentioned in Table 1. Rwanda is reported is also an interesting market that is expanding its domestic market for export while at the same time it also imports some cheese. The expansion of the Rwandan industry is also an indication of the growth of the demand in the market (Africa Business, 2021). The rest of this report will therefore focus on Egypt, Morocco, South Africa, Kenya, and Rwanda.

Market Intelligence Update

This section will discuss the cheese products common in each market, the pricing of cheese, and the challenges in the markets that highlight market opportunities for potential US exporters. This is for the market position and differentiation of US cheese in the five markets.

Domestic cheese production in Africa is increasing, as previously noted, although it has been observed that there is low-quality cheese on the market, including immature cheese. According to industry experts, it will result in the market focusing on artisan cheeses (African Business, 2021). The difficulty of immature cheese, on the other hand, will make more room for imported cheese, as some buyers purchase cheese for its high quality. Imported cheese, on the other hand, is more expensive than locally produced cheese, and even local cheese is considered a luxury commodity in some marketplaces, with costs varying by market. A table summarising the prices of cheese in the five markets covered in this report is shown below. Table 2 below shows the average prices of cheese in the market between June and October 2023.

Table 2: Average Price for Cheese by Country

Market	Lower Bound Price/kg	Upper Bound Price/kg	Average Price/kg
South Africa	\$3.00	\$6.00	\$4.50
Egypt	\$5.00	\$9.00	\$7.00
Morocco	\$10.00	\$13.00	\$11.50
Rwanda	\$10.00	\$15.00	\$12.50
Kenya	\$12.00	\$14.00	\$13.00

Source: Selina Wamucii, 2023

Kenya. As shown in the table above, the current average price ranges from \$4.50 to \$13. Kenya offers the most expensive cheese in the markets. Kenya considers cheese as a luxury as a “luxury purchase (a non-essential product) and thus buyers are charged a premium for it”. However, cheese consumers who can afford cheese don’t care for the prices thereby supporting the demand. (Collins, 2022; Toasterding, 2023). Though consumer preferences are changing in Kenya the best-selling cheeses are those with relatively bland flavours like cheddar, mozzarella, and paneer (Collins, 2022)

Rwanda. After Kenya, Rwanda pays the second highest price for cheese as shown in table 2 above. Rwanda’s domestic production of cheese has been growing and is also supported by its government. In Rwanda domestically produced cheese is cheaper than imported cheese. In 2021, the price of imported gouda was reported to be twice as much as the price of imported cheese (Africa Business, 2021). Avornu 2023, describes the Rwandan cheese market as being influenced by the Western culture with a greater preference for cheddar and mozzarella as well as a willingness to pay higher prices for imported cheese. This suggests that despite the growing domestic production, there is demand for imported cheese and a willingness to pay for it on the Moroccan market.

Morocco. Morocco's average price is \$11.50, as indicated in table 2 above. According to Moroccan News, 2023, the price of cheese has decreased by 4.4%. This could imply that demand for imported cheese will remain high if prices continue to fall. Morocco is already a major cheese importer, having spent more than \$139 million on cheese imports, as seen in Table 1 above. Cheese is considered one of the dairy products with high margins in Moroccan markets by retailers (Netherlands Agriculture Network, 2021).



Egypt. Egypt offers the second average cheapest price of cheese which is about \$7 per kg as shown in Table 2 above. Egypt produces more than 1.4 million tons of cow cheese (FAOSTAT,2022), and is the highest producer of cheese in the listed market. However, after Morocco, Egypt imports a substantial volume of cheese. The relatively lower average price for cheese can be explained by the significant local production which might influence the price of the cheese. According to Food Business, (2023) through partnerships with local stakeholders, the cheese industry aims to provide more affordable cheese.

South Africa. South Africa offers the lowest price for a kg of cheese as shown in the table above. However, the price of cheese and other dairy products in South Africa increased by 12.3% between February 2022 and February 2023. Notable annual increases were recorded for cheddar cheese, and feta cheese, among other dairy products (IOL News, 2023).

The South African cheese market is the most developed in Africa with more than 12 large and contemporary cheese factories. At least 65% of the cheese consumed in South Africa is domestically produced. Imported cheese constitutes 14% of the concentrated and more than 65% of the cheese consumed is domestically produced (Shislars, 2017; SAMPRO, 2023). The market has a wide variety

of cheese. When it comes to cheese the leading retailers are Woolworths and Checkers. A 2021 News24 article claimed that Woolworths offered the most extensive cheese range whilst Checkers offered relatively better prices for cheese (News24, 2021). A closer look at both retailers' online shops substantiated the claim.

The main categories of different cheese categories from the two retailers are shown in the table below.

Table 3: Cheese types available in Woolworths and Checkers

Cheese Category	Available at Woolworths	Available at Checkers
Cheddar and Gouda	✓	✓
Cooking and melting cheese	✓	X
Vegan and Dairy-free cheese	✓	✓
Stilton and Blue cheese	✓	X
Brie and Camembert soft	✓	✓
Parmesan and Hard	✓	✓
Emmental and Semi-hard	✓	X
Mascarpone, Ricotta and Mozzarella	✓	✓
Soft, cream, and cottage cheese	✓	✓
Feta and halloumi	✓	X
Goat, sheep milk cheese	✓	✓
Snacking and lunchbox cheese	✓	✓
Kids Hormone-free cheese	✓	X
KJ-controlled cheese	✓	X

Source: Woolworths and Checkers

As of November 2023, Woolworths had 188 cheese items available online. Out of the 188 cheese items, about 81% (152) are Woolworths branded cheese products. The rest are imported and local brands. In addition to having a wide variety of cheese, Woolworths also provides its customers with information on the certification of the cheese to cater to its customers' varied preferences. The certification includes Kosher-certified, Halal-certified certified, and organic-certified cheese. Woolworths also offers a hormone cheese option for kids (Woolworths, 2023).



The Checkers has over 300 cheese items available on their online store. Though there are twice as many as that of Woolworths, the types are not as extensive as Woolworth's offerings as shown in Table 3 above. Out of the 300 cheese products, only 26 are Checkers branded cheese. The Checkers' household brand is Forest and Feast. The retailer also stocks up a wide variety of imported cheese varieties (Checkers, 2023). Both retailers have competitive house brands, however, what is not known is whether the cheese in the house brands is locally or internationally sourced.

Woolworths cheese products range in price from \$1.12 to \$5.07 per 100g, whereas Checkers cheese products range from \$1.12 to \$3.58 per 100g. The most expensive cheese in both retail sectors is the house-branded cheese. Philadelphia cream cheese is one of the imported brands from the United States carried by both retailers. Checkers sells 250g of cream cheese for \$4.60, whereas Woolworths sells it for \$4.65,



making it more expensive than Checkers (Woolworths, 2023; Checkers, 2023).

Relevant Market Channels.

This section will discuss effective market channels for imported cheese that will enable US cheese exporters to gain market access, reduce market costs such as private labeling, and increase brand awareness and margins. The discussion will be using examples of the markets of focus.

South Africa: The country is gravitating towards private labels, for the promotion of cheese products and other Fast Moving Consumer Goods. Since 2016 South African retail space has been going through a private label revolution whereby there has been an upward trend in the sale of private labelled brands. The rise is being fuelled by increased innovation and differentiation by retailers and suppliers (FoodStuff SA, 2019). Both retailers discussed above have competitive house brands, however, what is not known is whether the cheese in the house brands is locally or internationally sourced. A typical example is the Saint Louis cheese brand which is exclusive to Woolworths as well as the Crystal Valley brand which is also exclusive to Checkers.

The distribution channel for cheese is dominated by large dairy companies and national and international distribution chains. The companies supply most of their products directly to retail chains and food service companies. Large food distributors such as Rialto Foods and Libstar also procure and purvey private label products among others across the world for the South African retail sector. (Rialto, 2023; Libstar, 2023). Private label brands' annual sales have been growing almost twice as much as named brands in South Africa (FoodStuff SA, 2019). This therefore suggests that US cheese exporters interested in the South African market need to identify potential partners, negotiate terms, ensure quality control, and meet the regulatory requirements of the market.



Egypt and Morocco. Arabian Food Industries, one of the biggest cheese manufacturers in Egypt, with its market leader cheese brand Domty has partnered with the Dutch dairy co-operative, Friesland Campina in 2020. Arabian Food Industries also exports cheese to 46 countries, enabling Friesland Campina access to the same markets. Arabian Food Industries has also been working towards increasing its mozzarella production. Its distribution strategy for cheese is starting with small retailers and grocery stores to promote the product. Furthermore, the collaboration intends to bring healthy and affordable cheese to the Egyptian market (Food Business Africa, 2023).

In 2015, the Bel Group which represents popular cheese brands Kiri and Laughing Cow acquired 69.8% of the Moroccan dairy company, Safiliat. In 2022, the Bel Group sold its stake to a Polish dairy company Polmek (Netherlands Agricultural Network, 2021). The acquisition and subsequent sale of Safiliat by the Bel Group highlights the importance of partnerships and acquisitions for US cheese exporters seeking to enter the Moroccan market and other African markets.

Kenya and Rwanda. Kenya exports and imports cheese. Cheese manufacturers in Kenya export to Uganda, Tanzania, South Sudan, Rwanda, Ethiopia, and Eritrea. According to Kenyan cheese industry experts, South Sudan is one of the largest importers of Kenyan cheese in the region. This is attributed to the growth of a large United Nations base with a growing population of expats in South Sudan as well as demand from the local population (Collins, 2022).

Rwanda is a market also a market that considers cheese as a luxury good. However, the cheese industry in Rwanda has been reported to be growing. Production of cheese in Rwanda is both for domestic consumption and export market. Rwanda cheese makers have access to the Burundi and the Democratic Republic of Congo (DRC) markets (African Business, 201). The DRC also hosts a sizeable,

huge expat community. This implies that having strategic partners in Rwanda and Kenya will allow US exporters to gain access to additional markets in East and Central Africa.