

# Nestle increases local sourcing in South Africa with new processing plant

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Swiss food company Nestle said on Tuesday it would be locally sourcing over 40% of raw materials for a new processing plant in South Africa to offset supply chain challenges and cut costs.



Nestle opened a processing unit for its coffee brand Nescafe on Tuesday in Hamanskraal. Source: Supplied.

Nestle opened a processing unit for its coffee brand Nescafe on Tuesday at its factory in Hammanskraal near the capital Pretoria as it moves to tap into an increasing demand for coffee consumption in South Africa.

## Massive slump

Nestle had said last month that it was ramping up local raw material sourcing in Nigeria and other African countries to reduce foreign exchange exposure.

Food producers in South Africa have been hit by a combination of long hours of power cuts forcing them to run expensive diesel generators and a massive slump in domestic currency making imports dearer.



Nestle ramps up Nigeria raw material sourcing as forex squeeze bites

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Both issues are making the impact of higher food price inflation worse.

"Currently more than 40% of the raw material is locally sourced but you know the ambition," Carl Houry, business executive officer at Nestle East and Southern Africa Region, told *Reuters*.

The company's communications executive Mota Mota said the plant would aim to reach 90% local sourcing in "the immediate near future."

## **Locally sourced**

Nestle, which runs five factories in South Africa, already produces Cremora coffee creamer and Maggi instant noodles, with the raw materials for both are heavily sourced locally.

Its localisation efforts would also help to reduce environmental impact caused by imports, create employment and cut down on time to reach consumers, the company said.

Nestle saw an increased demand in the country since the Covid-19 pandemic, with around 75% of its revenues from east and southern Africa region coming from South Africa alone.

"Being close to the South African consumer means that we have a higher flexibility," Houry said, adding it can quickly react to changing consumer trends.

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