TRENDS OF THE RETAIL SALES OF NINE DAIRY AND EIGHT OTHER GENERALLY USED FOOD PRODUCTS, BASED ON INFORMATION UP TO DECEMBER 2019

(A report prepared for Milk SA)

SYNOPSIS

- ***This report covers the performance (sales quantities and average prices) in the retail market of 17 food products consisting of 9 dairy products and 8 other generally used food products;***
- ***The performance (retail sales quantity and price) of any particular food product can, and typically does, change meaningfully during a period of even as short as a few months;***
- ***The performance (retail sales quantity and price) of the different food products differs;***
- ***In the year which ended in December 2019, the retail sales quantities of 10 of the 17 food products were higher than in the previous year and 5 of the 10 products are dairy products;***
- ***In the three-month period which ended in December 2019, the retail sales quantities of 9 of the 17 food products were higher than in the same period of the previous year and 3 of the 9 products are dairy products;***
- ***The retail sales quantities in December 2019, of 12 of the 17 food products were higher than in December 2018, and 6 of the 12 food products are dairy products;***

  In December 2019, the retail sales quantities of 5 of the 17 food products were lower than two years ago and 3 of the 5 food products were dairy products;
- ***The retail sales prices in December 2019, of 11 of the 17 food products were higher than a year ago and 6 of the 11 products are dairy products; and***
- ***In the three month period which ended in December 2019, the retail prices of 4 of the 17 food products increased and 3 of the 4 products are dairy products;***
- ***From November 2019 to December 2019, the retail sales prices of 3 of the 17 food products increased and 2 of the 3 products are dairy products and;***
- ***The figures and analyses in this report are of macro nature and the position of the different role-players may differ meaningfully from the macro position.***

TRENDS OF THE RETAIL SALES OF NINE DAIRY PRODUCTS AND EIGHT OTHER GENERALLY USED FOOD PRODUCTS BASED ON INFORMATION UP TO DECEMBER 2019 OBTAINED FROM THE NIELSEN COMPANY

(A report prepared for Milk SA)

This report was compiled by the Office of SAMPRO and forms part of the Industry Information Project of SAMPRO. The purpose of the project is to make market signals available to members and other interested parties, which is a prerequisite for effective competition, as envisaged by the Competition Act.

All activities of the Industry Information Project of SAMPRO are designed and implemented in accordance with the Competition Act and independently from commercial interest of any and all the members of SAMPRO.

Introduction

1. In the report attention is given to trends of retail sales (quantity and average price) of nine dairy products and eight other generally used food products which consist of four starch products, one fat product and three beverages. The products are listed in Table 1.

TABLE 1: PRODUCTS COVERED BY THIS REPORT

DAIRY PRODUCTS	OTHER FOOD PRODUCTS
Fresh milk	Instant cereal
Long life milk (UHT)	Bread
Flavoured Milk	Rice
Yoghurt	Maize meal
Maas	Margarine
Pre–packaged cheese	Tea
Cream cheese	Coffee
Butter	Short life juice
Cream	

2. In the next sections of this report, separate attention is given to the performance in terms of quantity and price in the retail market of:

   (a) Nine dairy products;
   (b) Eight other food products; and
   (c) A comparison between (a) and (b)

Dairy Products

3. The trends in the retail markets for the different dairy products in the recent past are important market signals to stimulate timeous adjustment of the supply of each of the different products to follow demand. Such adjustment is in the interests of the consumer, the dairy industry, the appropriate use of national resources and effective competition in the markets concerned.

4. "The Nielsen Company" provides information based on monthly surveys of the retail sales of milk and other dairy products. Non-retail sales, such as sales to wholesalers and industrial buyers, which form significant parts of the total sales of dairy products, are not part of the Nielsen surveys.

5. In assessing the research results of Nielsen, the following should be taken into account:

- *The research is based on surveys which do not cover all retail outlets in South Africa;*

- *The research results show the performance of the retail outlets covered by the surveys and cannot in an unqualified way be described as the performance of the total South African consumer market;*

- *In respect of UHT milk, flavoured milk, yoghurt, maas and pre-packed cheese, the surveys cover a significantly higher number of different types of retail shops than is the case in respect of fresh milk, cream, butter, cottage cheese and cream cheese;*

- *The surveys do not cover non-retail sales of dairy products. Non-retail sales represent a meaningful part of the total sales of dairy products;*

- *The surveys cover the retail sales of South African and imported products;*

- *As market signals, it is important not to report on only the change in the quantity (mass or volume) of sales but also the changes of the average price due to the very obvious fact that there is significant interaction between the price and the quantity of sales;*

- *The figures and analyses in this report are of macro nature and the position of the different role-players may differ meaningfully from the macro position;*

- *The consumer market consists of different segments, like segments based on the income of consumers. The dairy products which are regarded by higher income consumers as necessities and which are used daily, are for lower income consumers' luxuries purchased in smaller quantities or less frequently. This situation explains why change of the price of even the most basic dairy product, namely pasteurised milk, influences the quantity sold. Similarly, changes in the income of consumers impact on the quantity sold;*

- *In terms of the production orientated approach, the different dairy products are closely related but, in terms of a market orientated approach the differences between the different dairy products are significant. This is due to especially the differences in respect of the nature, use, price and image of the different dairy products; and*

- *The retail situation is much more complex than, for example, a few decades ago. Dairy products are not only competing with substitute products, but also with a host of other products and services which are offered by different industries to the consumer. For example, in some market segments, the consumer weighs up the benefits of purchasing dairy products versus the benefit of buying totally unrelated products and services.*

6. In the case of fresh milk, cream, butter and cream cheese, the surveys of ACNielsen Marketing and Media cover only "major stores" as described in paragraph 5.

7. Although the surveys of ACNielsen Marketing and Media in respect of the products mentioned in the previous paragraph only cover "major stores", the results of the surveys should be regarded as meaningful indicators of the trends in retail sales. In the table below, the ACNielsen Marketing and Media sample for 2019, is expressed as a percentage of the estimated total demand in the same period[1].

NIELSEN SAMPLE AS PERCENTAGE OF THE TOTAL DEMAND

PRODUCT		A NIELSEN SAMPLE	B ESTIMATED TOTAL DEMAND [1]	A AS PERCENTAGE OF B
Pasteurised milk and ESL milk	(Litre)	285 021 732	617 813 757 [3]	45.3
UHT and sterilised Milk	(Litre)	503 810 025	1 044 372 792 [3]	47.5
Flavoured milk	(Litre)	22 041 362	38 646 999 [3]	57.1
Yoghurt	(Litre)	202 957 973	255 097 345 [3]	86.5
Maas	(Litre)	205 222 392	256 347 136[3]	80.0
Pre-Packaged cheese	(Kg)	29 488 602	113 661 621 [2], [3]	27.4
Cream cheese	(Kg)	2 829 088	4 882 230 [3]	58.1
Butter	(Kg)	8 838 564	21 075 970 [3]	43.3
Cream	(Litre)	9 936 487	20 792 763 [3]	46.1

1. ***Retail sales plus non retail sales for the period January to December 2019.***
2. ***Includes hard and semi-hard cheeses, pre-packaged and other.***
3. ***Estimated figures calculated by the Office of SAMPRO based on the BMI figures of 2012 and 2013 and inflated by the growth rates as shown by ACNielsen Marketing and Media figures.***

8. The performance of the dairy products concerned in the retail market, as measured by Nielsen, is set out in Tables 3 to 5.

TABLE 3:

CHANGES IN THE RETAIL SALES QUANTITIES FROM THE YEAR JANUARY 2018 TO DECEMBER 2018, TO THE YEAR JANUARY 2019 TO DECEMBER 2019, AND CHANGES IN THE RETAIL PRICES FROM DECEMBER 2018 TO DECEMBER 2019 OF SPECIFIC DAIRY PRODUCTS

DAIRY PRODUCT	Change in Retail Sales Quantity Percent	Change in Retail Prices Percent
FRESH MILK	-1.7	5.5
LONG LIFE MILK (UHT MILK)	-1.5	8.3
FLAVOURED MILK	0.1	-0.5
YOGHURT	8.7	-2.0
MAAS	18.7	2.1
PRE-PACKAGED CHEESE	5.6	1.1
CREAM CHEESE	-1.0	6.2
BUTTER	3.2	-3.0
CREAM	-3.5	8.0

9. According to Table 3:

a) The average retail prices of 6 of the 9 products were higher in December 2019, than in December 2018;

b) In the year which ended in December 2019, the <u>retail sales prices</u> of two of the eight dairy products that increased, were lower than the inflation rate; and

c) In the year that ended in December 2019, the retail sales quantities of 5 of the 9 dairy products were from 0.1 to 18.7 percent higher than in the previous year, but the sales quantities of 4 of the 9 dairy products were lower than in the previous year.

10. The percentage changes in *retail sale quantities* indicated in Table 3, do not mean that the sales quantities changed continuously at the same rate during the period concerned. This situation is illustrated in Table 4.

TABLE 4:
CHANGES IN THE QUANTITIES OF RETAIL SALES OF SPECIFIC DAIRY PRODUCTS

PRODUCT	Sales in the month of December 2019 versus the sales in the month of December 2018	Sales in the 3 months from October 2019 to December 2019 versus the sales in the 3 months from October 2018 to December 2018	Sales in the 6 months from July 2019 to December 2019 versus the sales in the 6 months from July 2018 to December 2018	Sales in the 9 months from April 2019 to December 2019 versus the sales in the 9 months from April 2018 to December 2018	Sales in the 12 months from January 2019 to December 2019 versus the sales in the 12 months from January 2018 to December 2018
	percent		percent		percent
Fresh Milk	-0.9	-1.6	-0.6	-1.6	-1.7
UHT milk	7.8	-6.0	-7.9	-5.4	-1.5
Flavoured milk	9.8	-5.2	-3.3	-1.7	0.1
Yoghurt	16.8	7.6	8.3	8.0	8.7
Maas	13.4	10.7	14.2	17.4	18.7
Pre-packaged cheese	12.0	5.1	4.7	5.3	5.6
Cream cheese	-4.4	-2.3	-1.6	-1.2	-1.0
Butter	12.1	-1.3	-0.9	1.3	3.2
Cream	-4.3	-5.9	-6.0	-5.0	-3.5

11. The percentage changes in the average *retail prices* indicated in Table 3, do not mean that the prices changed continuously at the same rate during the period concerned. This situation is illustrated in Table 5.

TABLE 5:

CHANGES IN THE AVERAGE RETAIL PRICES OF SPECIFIC DAIRY PRODUCTS

PRODUCT	December 2019 versus November 2019 (1 month ago)	December 2019 versus September 2019 (3 months ago)	December 2019 versus June 2019 (6 months ago)	December 2019 versus March 2019 (9 months ago)	December 2019 versus December 2018 (12 months ago)	December 2019 versus June 2018 (18 months ago)	December 2019 versus December 2017 (24 months ago)
	Percent	Percent	Percent	Percent	Percent	Percent	Percent
FRESH MILK	-0.02	0.6	1.9	4.0	5.5	3.9	6.6
UHT MILK	-2.7	-4.3	-0.9	4.6	8.3	9.2	4.0
FLAVOURED MILK	-9.7	-10.2	-7.9	-4.8	-0.5	-1.1	2.5
YOGHURT	-6.6	-4.9	-6.0	-5.3	-2.0	-3.2	-1.4
MAAS	-3.8	-1.4	-0.8	0.6	2.1	-1.8	-4.6
PRE-PACKAGED CHEESE	-0.7	-1.1	0.7	0.2	1.1	2.1	3.3
CREAM CHEESE	0.6	0.8	0.8	3.9	6.2	3.5	6.2
BUTTER	-1.7	-3.0	-1.5	-2.8	-3.0	-6.4	-5.6
CREAM	2.9	1.8	5.7	10.2	8.0	13.7	11.5

OTHER FOOD PRODUCTS

12. The performance of the eight food products concerned in the retail market, as measured by Nielsen, is set out in Tables 6 to 8.

TABLE 6:

CHANGES IN THE RETAIL SALES QUANTITIES FROM THE YEAR JANUARY 2018 TO DECEMBER 2018, TO THE YEAR JANUARY 2019 TO DECEMBER 2019, AND CHANGES IN THE RETAIL PRICES FROM DECEMBER 2018 TO DECEMBER 2019 OF SPECIFIC FOOD PRODUCTS

Food products	Change in Retail sales quantity Percent	Change in Retail prices Percent
Instant cereals	3.5	0.5
Bread	2.5	1.0
Rice	6.8	2.3
Maize meal	-1.0	20.7
Margarine	1.7	-1.0
Tea	-1.2	-2.0
Coffee	2.5	-8.5
Short life juice	-0.3	6.3

13. According to Table 6:

a) The average retail prices of 5 the 8 food products were higher in December 2019, than a year ago;

b) The price increases of 2 of the food products were higher than the increase of the consumer price index of 4.0 percent in the year which ended in December 2019; and

c) The sales quantities of 5 of the 8 food products were higher in the year which ended in December 2019, than in the previous year.

14. The percentage changes in *retail sale quantities* indicated in Table 6, do not mean that the sales quantities changed continuously at the same rate during the period concerned. This situation is illustrated in Table 7.

TABLE 7:

CHANGES IN THE QUANTITIES OF RETAIL SALES OF SPECIFIC FOOD PRODUCTS

PRODUCT	Sales in the month of December 2019 versus the sales in the month of December 2018	Sales in the 3 months from October 2019 to December 2019 versus the sales in the 3 months from October 2018 to December 2018	Sales in the 6 months from July 2019 to December 2019 versus the sales in the 6 months from July 2018 to December 2018	Sales in the 9 months from April 2019 to December 2019 versus the sales in the 9 months from April 2018 to December 2018	Sales in the 12 months from January 2019 to December 2019 versus the sales in the 12 months from January 2018 to December 2018
	percent		percent		percent
Instant Cereals	22.1	4.1	2.0	2.5	3.5
Bread	6.0	2.4	1.9	1.5	2.5
Rice	14.0	6.4	6.5	7.4	6.8
Maize Meal	4.6	-2.8	-2.6	-2.6	-1.0
Margarine	21.3	4.4	2.8	2.5	1.7
Tea	15.0	1.1	-0.9	-0.6	-1.2
Coffee	47.6	7.9	3.6	2.6	2.5
Short Life Juice	-3.3	-3.5	-2.6	-0.9	-0.3

15. The percentage changes in *retail prices* indicated in Table 6, do not mean that the price changed continuously at the same rate during the period concerned. This situation is illustrated in Table 8.

TABLE 8:

CHANGES IN THE AVERAGE RETAIL PRICES OF SPECIFIC FOOD PRODUCTS

PRODUCT	December 2019 versus November 2019 (1 month ago)	December 2019 versus September 2019 (3 months ago)	December 2019 versus June 2019 (6 months ago)	December 2019 versus March 2019 (9 months ago)	December 2019 versus December 2018 (12 months ago)	December 2019 versus June 2018 (18 months ago)	December 2019 versus December 2017 (24 months ago)
	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Instant Cereals	-4.1	-2.9	-0.9	-0.6	0.5	4.0	0.5
Bread	-1.4	-1.5	-3.2	-3.4	1.0	5.0	5.7
Rice	-2.0	-1.8	-1.4	-2.3	2.3	2.3	3.0
Maize Meal	-1.3	2.1	5.9	8.3	20.7	26.0	13.1
Margarine	0.7	-1.6	-1.4	-1.6	-1.0	-0.8	-1.3
Tea	-2.7	-5.0	-5.9	-5.2	-2.0	-1.9	6.4
Coffee	-10.1	-6.8	-3.9	-12.2	-8.5	0.8	-6.0
Short Life Juice	-4.5	-4.1	-1.9	1.9	6.3	4.5	11.0

Comparison of the performance in the retail market of the dairy and the other food products concerned

16. In Table 9 the changes in the retail sales quantities of the dairy products and other food products concerned are indicated and ranked from the highest to the lowest. The highest increase in the relevant period is ranked as 1 and the lowest as 17.

TABLE 9

CHANGES IN THE QUANTITIES OF RETAIL SALES OF SPECIFIC DAIRY PRODUCTS AND SPECIFIC OTHER FOOD PRODUCTS

PRODUCT	SALES IN THE MONTH OF DECEMBER 2019 VERSUS THE SALES IN THE MONTH OF DECEMBER 2018		SALES IN THE 6 MONTHS FROM JULY 2019 TO DECEMBER 2019 VERSUS THE SALES IN THE 6 MONTHS FROM JULY 2018 TO DECEMBER 2018		SALES IN THE 12 MONTHS FROM JANUARY 2019 TO DECEMBER 2019 VERSUS THE SALES IN THE 12 MONTHS FROM JANUARY 2018 TO DECEMBER 2018	
	%	*Ranking*	*%*	*Ranking*	*%*	*Ranking*
Maas	13.4	7	14.2	1	18.7	1
Yoghurt	16.8	4	8.3	2	8.7	2
Rice	14.0	6	6.5	3	6.8	3
Pre-packaged cheese	12.0	9	4.7	4	5.6	4
Instant Cereals	22.1	2	2.0	7	3.5	5
Butter	12.1	8	-0.9	10	3.2	6
Bread	6.0	12	1.9	8	2.5	7
Coffee	47.6	1	3.6	5	2.5	8
Margarine	21.3	3	2.8	6	1.7	9
Flavoured milk	9.8	10	-3.3	15	0.1	10
Short Life Juice	-3.3	15	-2.6	13	-0.3	11
Cream cheese	-4.4	17	-1.6	12	-1.0	12
Maize Meal	4.6	13	-2.6	14	-1.0	13
Tea	15.0	5	-0.9	11	-1.2	14
UHT milk	7.8	11	-7.9	17	-1.5	15
Fresh Milk	-0.9	14	-0.6	9	-1.7	16
Cream	-4.3	16	-6.0	16	-3.5	17

17. In Table 10, the increases and decreases in the average retail prices of dairy products and other food products for the different periods concerned, are indicated and ranked from the highest to the lowest.

TABLE 10:

INCREASES AND DECREASES IN THE AVERAGE RETAIL PRICES OF SPECIFIC DAIRY PRODUCTS AND SPECIFIC OTHER FOOD PRODUCTS

PRODUCT	DECEMBER 2019 VERSUS NOVEMBER 2019 (1 MONTH AGO)		DECEMBER 2019 VERSUS JUNE 2019 (6 MONTHS AGO)		DECEMBER 2019 VERSUS DECEMBER 2018 (12 MONTHS AGO)	
	%	*Ranking*	*%*	*Ranking*	*%*	*Ranking*
Maize Meal	-1.3	6	5.9	1	20.7	1
UHT milk	-2.7	10	-0.9	7	8.3	2
Cream	2.9	1	5.7	2	8.0	3
Short Life Juice	-4.5	14	-1.9	12	6.3	4
Cream cheese	0.6	3	0.8	4	6.2	5
Fresh Milk	-0.02	4	1.9	3	5.5	6
Rice	-2.0	9	-1.4	9	2.3	7
Maas	-3.8	12	-0.8	6	2.1	8
Pre-packaged cheese	-0.7	5	0.7	5	1.1	9
Bread	-1.4	7	-3.2	13	1.0	10
Instant Cereals	-4.1	13	-0.9	8	0.5	11
Flavoured milk	-9.7	16	-7.9	17	-0.5	12
Margarine	0.7	2	-1.4	10	-1.0	13
Yoghurt	-6.6	15	-6.0	16	-2.0	14
Tea	-2.7	11	-5.9	15	-2.0	15
Butter	-1.7	8	-1.5	11	-3.0	16
Coffee	-10.1	17	-3.9	14	-8.5	17

18. From Table 9 and Table 10 it is clear that:

(a) The retail sales quantities of 10 of the 17 food products (dairy and other) covered by this report, increased from the year which ended in December 2018, to the year which ended in December 2019, and 5 of the 10 food products are dairy products; and

(b) 6 of the 17 food products (dairy and other) covered by this report, of which the average retail prices increased from December 2018 to December 2019, are dairy products.

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8 April 2020

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