South African Milk Processors' Organisation

The voluntary organisation of milk processors for the promotion of the development of the secondary dairy industry to the benefit of the dairy industry, the consumer and the South African society.

(A report prepared for Milk SA)

TRENDS OF THE RETAIL SALES OF NINE DAIRY AND EIGHT OTHER GENERALLY USED FOOD PRODUCTS BASED ON INFORMATION UP TO MARCH 2015

SYNOPSIS

- ***This report covers the performance (sales quantities an average prices) in the retail market of 9 dairy products and 8 other generally used food products;***

- ***The performance of the products concerned in the retail market differs;***

- ***The performance of the products often change meaningfully even in a period as short as a few months;***

- ***In March 2015 the average retail prices of each of the 9 dairy products and the average retail prices of 6 of the 8 other food products were higher than a year ago (see table 3 and 6);***

- ***The retail sales quantities of each of the 9 dairy products and 5 of the 8 other food products in the year which ended in March 2015, were higher than in the previous year (see table 3,6 and 9); and***

- ***7 of the 10 products (dairy and other) of which the average prices increased the most from the year which ended in March 2014 to the year which ended in March 2015, are dairy products (see table 10).***

TRENDS OF THE RETAIL SALES OF NINE DAIRY PRODUCTS AND EIGHT OTHER GENERALLY USED FOOD PRODUCTS BASED ON INFORMATION UP TO MARCH 2015 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 don't 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 include retail outlets which can be regarded as modern and which increase their market share. This increased in the market share can also be at the expense of the market shares of outlets outside the surveys. This means that the growth rate of the sales recorded by the surveys can be higher than the growth rates of the total market for each of the products concerned;*

   - *The surveys do not cover non-retail sales of dairy products. Non-retail sales represents 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 <u>not to report on only the change in the quantity (mass or volume) of sales but also the changes of the average price</u> 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 frequent. 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 demand;*

- *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 the especially the differences in respect of the nature, use and image of the different dairy products; and*

- *The retail situation is much more complex than, for example, 20 years 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 markets segments, the consumer weighs up the benefits of purchasing dairy products versus the benefit of buying totally unrelated products and services.*

6. In the table below, the Nielsen sample is expressed as a percentage of the total demand [1)].

TABLE 2: NIELSEN SAMPLE AS PERCENTAGE OF THE TOTAL DEMAND

PRODUCT		A NIELSEN SAMPLE	B BMI TOTAL DEMAND	A AS PERCENTAGE OF B
Pasteurised milk and ESL milk	**(Litre)**	**315 733 890**	**719 400 000[4)]**	**43.9**
UHT and sterilised Milk	**(Litre)**	**357 514 585**	**706 300 000[4)]**	**50.6**
Flavoured milk	(Litre)	20 219 116	25 000 000[3)]	80.9
Yoghurt	(Litre)	142 047 600	198 893 000[3)]	71.4
Pre-Packaged cheese	(Kg)	12 815 919	74 685 000[2)]	17.2
Cream cheese	(Kg)	3 287 078	5 796 000[3)]	56.7
Butter	(Kg)	6 004 083	17 429 000[3)]	34.5
Cream	(Litre)	9 968 322	17 763 000[3)]	56.1

7. The performance of the dairy products concerned in the retail market, as measured by Nielsen and as set out in Tables 3 to 5, can be summarised as follows:

- ***Tables 3 to 5 this report covers the retail sales of 9 different dairy products;***

- ***The performance (quantity of retail sales and retail price) of the different dairy products differs meaningfully;***

- ***The performance of the dairy products often change meaningfully even during a period as short as a few months;***

- ***Changes in the retail price impact on sales quantities. The consumer demand (quantity of retail sales) of each of 9 dairy products covered by the survey, was in the year which ended in March 2014, higher than in the year which ended in March 2013;***

- ***The average retail prices of all the dairy products in March 2015 were higher than a year ago, and***

1. *Retail sales plus non retail sales. Total demand is based on information obtained from BMI (an independent research organisation) and Industry sources.*
2. *Not only pre-packed cheese as it includes hard and semi-hard cheeses, pre-packaged and other.*
3. *BMI and Nielsen period January to December 2012.*
4. *Nielsen and BMI period January to December 2013.*

- ***The demand for unflavoured and unsweetened milk (fresh and long-life milk) in the year which ended in March 2015 is estimated to be 3.35 percent higher than in the previous year. Unflavoured and unsweetened milk utilize approximately 50.6 percent of the total raw milk production in South Africa***

8. The changes in the retail sales quantities and the average retail prices of the different dairy products are indicated in Table 3 to 5.

TABLE 3:

CHANGES IN THE QUANTITIES OF RETAIL SALES FROM THE YEAR APRIL 2013 TO MARCH 2014 TO THE YEAR APRIL 2014 TO MARCH 2015 AND CHANGES IN THE RETAIL PRICES FROM MARCH 2014 TO MARCH 2015 OF SPESIFIC DAIRY PRODUCTS

DAIRY PRODUCT	CHANGE IN RETAIL SALES QUANTITY PERCENT	CHANGE IN RETAIL PRICES PERCENT
FRESH MILK	2.9	9.2
LONG LIFE MILK (UHT MILK)	3.8	18.5
FLAVOURED MILK	0.2	4.2
YOGHURT	2.8	5.1
MAAS	4.6	10.0
PRE-PACKAGED CHEESE	20.0	7.0
CREAM CHEESE	1.8	10.8
BUTTER	2.2	13.3
CREAM	8.1	8.5

9. The demand for unflavoured and unsweetened milk (fresh and long-life milk) in the year April 2014 To March 2015 is estimated to be 3.35 percent higher than in the previous year.[5)] Unflavoured and unsweetened milk utilize approximately 50.6 percent of the total raw milk production in South Africa.

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	Quantity in the 6 months from April 2014 to September 2014 versus the quantity in the 6 months from April 2013 to September 2013	Quantity in the 6 months from October 2014 to March 2015 versus the quantity in the 6 months from October 2013 to March 2014	Quantity in the 12 months from April 2014 to March 2015 versus the quantity in the 12 months from April 2013 to March 2014
	Percent	Percent	Percent
Fresh Milk	1.5	4.4	2.9
UHT milk	0.6	7.1	3.8
Flavoured milk	-4.3	4.6	0.2
Yoghurt	1.7	3.8	2.8
Maas	6.2	3.3	4.6
Pre-packaged cheese	31.2	10.8	20.0
Cream cheese	2.8	0.9	1.8
Butter	0.8	3.7	2.2
Cream	5.7	10.3	8.1

5) Based on the assumption that fresh milk and long life milk represents 49.5 and 50.5 percent respectively of the total sales of unflavoured and unsweetened milk.

11. The percentage changes in 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	AVERAGE PRICES IN THE 6 MONTHS FROM APRIL 2014 TO SEPTEMBER 2014 VERSUS THE AVERAGE PRICES IN THE 6 MONTHS FROM APRIL 2013 TO SEPTEMBER 2013	AVERAGE PRICES IN THE 6 MONTHS FROM OCTOBER 2014 TO MARCH 2015 VERSUS THE AVERAGE PRICES IN THE 6 MONTHS FROM OCTOBER 2013 TO MARCH 2014	AVERAGE PRICES IN THE 12 MONTHS FROM APRIL 2014 TO MARCH 2015 VERSUS THE AVERAGE PRICES IN THE 12 MONTHS FROM APRIL 2013 TO MARCH 2014
	PERCENT	PERCENT	PERCENT
FRESH MILK	10.5	12.5	13.4
UHT MILK	11.7	20.7	17.9
FLAVOURED MILK	6.0	6.7	8.1
YOGHURT	6.2	6.9	7.8
MAAS	7.8	12.0	11.1
PRE-PACKAGED CHEESE	4.1	7.9	6.5
CREAM CHEESE	10.6	12.8	14.7
BUTTER	14.9	20.1	18.6
CREAM	11.5	14.1	14.5

OTHER FOOD PRODUCTS

12. The performance of the food products concerned in the retail market, as measured by Nielsen, can be summarised as follows:

- ***This report covers the retail sales of 8 different generally used food products consisting of 4 starch products, 1 fat product and 3 beverages;***

- ***The performance (quantity of retail sales and retail price) of the different food products, differs meaningfully;***

- ***The performance of the food products often change meaningfully even during a period as short as a few months;***

- ***Changes in the retail prices impact on sales quantities;***

- ***The average retail prices of 6 of the 8 food products in March 2015, were higher than a year; and***

- ***The retail sales quantities of 5 of the 8 food products in the year which ended in March 2015, were higher than in the previous year.***

13. The changes in the retail sales quantities and the average retail prices of the different food products are indicated in Table 6 to 8.

TABLE 6:

CHANGES IN THE RETAIL QUANTITY OF SALES FROM THE YEAR APRIL 2013 TO MARCH 2014 TO THE YEAR APRIL 2014 TO MARCH 2015 AND CHANGES IN THE RETAIL PRICES FROM MARCH 2014 TO MARCH 2015 OF SPESIFIC GENERALLY USED FOOD PRODUCTS

FOOD PRODUCTS	CHANGE IN RETAIL SALES QUANTITY PERCENT	CHANGE IN RETAIL PRICES PERCENT
INSTANT CEREALS	2.9	-0.9
BREAD	2.2	6.5
RICE	8.3	-2.1
MAIZE MEAL	-3.6	2.5
MARGARINE	0.6	2.8
TEA	-1.2	11.1
COFFEE	3.3	8.7
SHORT LIFE JUICE	-0.4	7.4

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	Quantity in the 6 months from April 2014 to September 2014 versus the quantity in the 6 months from April 2013 to September 2013	Quantity in the 6 months from October 2014 to March 2015 versus the quantity in the 6 months from October 2013 to March 2014	Quantity in the 12 months from April 2014 to March 2015 versus the quantity in the 12 months from April 2013 to March 2014
	Percent	Percent	Percent
Instant cereals	-0.3	6.2	2.9
Bread	0.1	4.4	2.2
Rice	4.4	12.3	8.3
Maize meal	-10.4	3.6	3.6
Margarine	-0.4	1.7	0.6
Tea	-1.3	-1.1	-1.2
Coffee	0.8	6.6	3.3
Short life juice	1.2	-1.8	-0.4

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

Food products	Average prices in the 6 months from April 2014 to September 2014 versus the average prices in the 6 months from April 2013 to September 2013	Average prices in the 6 months from October 2014 to March 2015 versus the average prices in the 6 months from October 2013 to March 2014	Average prices in the 12 months from April 2014 to March 2015 versus the average prices in the 12 months from April 2013 to March 2014
	Percent	Percent	Percent
Instant cereal	6.5	1.2	3.8
Bread	7.7	5.8	6.8
Rice	4.8	-1.3	1.6
Maize meal	19.3	5.3	12.1
Margarine	3.7	1.7	2.7
Tea	9.9	10.6	10.2
Coffee	12.7	12.2	12.6
Short life juice	6.7	8.0	7.4

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

16. The changes in the retail sales quantities of dairy products should be evaluated in the context of the changes in the retail sales quantities of other generally consumed food products. The products are ranked from the highest to the lowest. The highest increase in the relevant period is ranked as 1 and the lowest as 17.

17. In Table 9 the changes in the retail sales quantities of nine dairy products are compared to the changes in the retail sales quantities of:

a) Four starch products, namely maize meal, bread, rice and instant cereals;
b) Three beverages, namely coffee, tea and short life juice; and
c) One fat product, namely margarine.

TABLE 9:

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

Product	Quantities in the 6 months from April 2014 to September 2014 versus the quantities in the 6 months from April 2013 to September 2013		Quantities in the 6 months from October 2014 to March 2015 versus the quantities in the 6 months from October 2013 to March 2014		Quantities in the 12 months from April 2014 to March 2015 versus the quantities in the 12 months from April 2013 to March 2014	
	%	Ranking	%	Ranking	%	Ranking
Pre-Packaged Cheese	31.2	1	10.8	2	20.0	1
Rice	4.4	4	12.3	1	8.3	2
Cream	5.7	3	10.3	3	8.1	3
Maas	6.2	2	3.3	13	4.6	4
Long Life Milk	0.6	11	7.1	4	3.8	5
Coffee	0.8	10	6.6	5	3.3	6
Fresh Milk	1.5	7	4.4	9	2.9	7
Instant Cereal	-0.3	13	6.2	6	2.9	8
Yoghurt	1.7	6	3.8	10	2.8	9
Bread	0.1	12	4.4	8	2.2	10
Butter	0.8	9	3.7	11	2.2	11
Cream Cheese	2.8	5	0.9	15	1.8	12
Margarine	-0.4	14	1.7	14	0.6	13
Flavoured Milk	-4.3	16	4.6	7	0.2	14
Short Life Juice	1.2	8	-1.8	17	-0.4	15
Tea	-1.3	15	-1.1	16	-1.2	16
Maize Meal	-10.4	17	3.6	12	-3.6	17

18. Important observations and conclusions regarding the quantities of retail sales for the year ending March 2015 relative to the previous year ending in March 2014, as indicated in Table 9, are as follows:

    a) Four of the five food products of which the sales quantities increased the most, are dairy products;

    b) Six of the ten food products of which the sales quantities increased the most, are dairy products;

    c) Fifteen of the seventeen products showed increased retail sales quantities and nine of the fifteen products are dairy products;

    d) Two of the seventeen products showed reduced retail sales quantities and none of the two products is a dairy product;

    e) Most dairy products performed better than the other food products; and

    f) The number and nature of the food products of which the retail sales quantities decreased, or of which the sales quantities only increased slightly, indicate the negative effect of the weak economic growth of South Africa on the consumers.

19. In Table 10, the increases and decreases of 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 OTHER FOOD PRODUCTS

Product	Average prices in the 6 months from April 2014 to September 2014 versus the average prices in the 6 months from April 2013 to September 2013		Average prices in the 6 months from October 2014 to March 2015 versus the average prices in the 6 months from October 2013 to March 2014		Average prices n the 12 months from April 2014 to March 2015 versus the average prices in the 12 months from April 2013 to March 2014	
	%	Ranking	%	Ranking	%	Ranking
Butter	14.9	2	20.1	2	18.6	1
UHT milk	11.7	4	20.7	1	17.9	2
Cream cheese	10.6	6	12.8	4	14.7	3
Cream	11.5	5	14.1	3	14.5	4
Fresh Milk	10.5	7	12.5	5	13.4	5
Coffee	12.7	3	12.2	6	12.6	6
Maize meal	19.3	1	5.3	14	12.1	7
Maas	7.8	9	12.0	7	11.1	8
Tea	9.9	8	10.6	8	10.2	9
Flavoured milk	6.0	14	6.7	12	8.1	10
Yoghurt	6.2	13	6.9	11	7.8	11
Short life juice	6.7	11	8.0	9	7.4	12
Bread	7.7	10	5.8	13	6.8	13
Pre-packaged cheese	4.1	16	7.9	10	6.5	14
Instant cereal	6.5	12	1.2	16	3.8	15
Margarine	3.7	17	1.7	15	2.7	16
Rice	4.8	15	-1.3	17	1.6	17

20. Important observations and conclusions regarding the average retail prices for the year ending March 2015 relative to the previous year ending in March 2014, as indicated in Table 10, are as follows:

a) All of the five food products of which the average prices increased the most, are dairy products;

b) Seven of the ten food products of which the average prices increased the most, are dairy products;

c) All seventeen products showed an increased in the retail average prices; and

d) Most dairy products performed better than the other food products.

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