



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.

TRENDS OF RETAIL SALES OF NINE DAIRY PRODUCTS AND EIGHT OTHER FOOD PRODUCTS BASED ON INFORMATION UP TO **JUNE 2014 OBTAINED FROM THE NIELSEN COMPANY**

(A report submitted to 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 for dairy products;*
 - *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 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 or products which are never or seldom purchased. 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. The results of the surveys of Nielsen in respect of the dairy products concerned should be regarded as meaningful indicators of the trends in retail sales.

7. In the table below, the Nielsen sample is expressed as a percentage of the total demand ¹⁾ for the period January to December 2012.

Table 2: Nielsen sample as percentage of the total demand

PRODUCT	A NIELSEN SAMPLE	B BMI ³⁾ TOTAL DEMAND	A AS PERCENTAGE OF B
	Kg / Litre		%
Pasteurized milk	335 130 136	742 000 000	45.2
UHT Milk	341 717 791	615 200 000	55.6
Flavoured milk	20 219 116	25 000 000	80.9
Yoghurt	142 047 600	198 893 000	71.4
Pre-Packaged cheese	12 815 919	74 685 000 ²⁾	17.2
Cream cheese	3 287 078	5 796 000	56.7
Butter	6 004 083	17 429 000	34.5
Cream	9 968 322	17 763 000	56.1

8. 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:

- ***This report covers the retail sales of 9 different dairy products;***
- ***The performance (quantity of sales and retail price) of the different dairy product can differ meaningfully;***
- ***The performance of any particular dairy product can change meaningfully during a period of even as short as a few months;***
- ***Changes in the retail price impact on sales quantities;***

1) Retail sales plus non retail sales. Total demand is based on information obtained from BMI (an independent research organisation) and Industry sources.

2) Includes hard and semi-hard cheeses, pre-packaged and other.

3) BMI period January to December 2012.

- ***The average retail prices of all the dairy products in June 2014 were higher than a year ago, but the price increases of 4 of these products were lower than the inflation rate of 6.3 percent;***
- ***The sales quantities of 6 of the 9 products in the year which ended in June 2014, were higher than the previous year but, in the case of 3 of these products, it was at the expense of price; and***
- ***The demand for unflavoured and unsweetened milk (fresh and long-life milk) in the year which ended in June 2014, is estimated to be 1.18 percent higher than in the previous year, notwithstanding the decrease in the demand of fresh milk. Unflavoured and unsweetened milk utilize approximately 49 percent of the total raw milk production in South Africa.***

9. 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 DEMAND FROM THE YEAR JULY 2012 TO JUNE 2013 TO THE YEAR JULY 2013 TO JUNE 2014 AND CHANGES IN THE RETAIL PRICES FROM JUNE 2013 TO JUNE 2014

<i>Dairy product</i>	<i>Change in demand (quantity)</i>	<i>Change in retail prices</i>
	<i>Percent</i>	<i>Percent</i>
<i>Fresh Milk</i>	<i>-3.4</i>	<i>9.1</i>
<i>Long Life Milk (UHT Milk)</i>	<i>6.0</i>	<i>10.1</i>
<i>Flavoured Milk</i>	<i>-0.4</i>	<i>5.0</i>
<i>Yoghurt</i>	<i>1.3</i>	<i>5.1</i>
<i>Maas</i>	<i>6.4</i>	<i>6.4</i>
<i>Pre-packaged Cheese</i>	<i>28.4</i>	<i>5.2</i>
<i>Cream Cheese</i>	<i>-1.2</i>	<i>8.6</i>
<i>Butter</i>	<i>10.1</i>	<i>4.9</i>
<i>Cream</i>	<i>4.2</i>	<i>10.2</i>

10. The demand for unflavoured and unsweetened milk (fresh and long-life milk) in the year July 2013 to June 2014 is estimated to be 1.18 percent higher than in the previous year, notwithstanding the decrease in the demand of fresh milk. Unflavoured and unsweetened milk utilize approximately 49 percent of the total raw milk production in South Africa.
11. 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 certain dairy products**

<i>Product</i>	<i>Sales in the</i>	<i>Sales in the</i>	<i>Sales in the</i>
	<i>6 months from July 2013 to December 2013</i>	<i>6 months from January 2014 to June 2014</i>	<i>12 months from July 2013 to June 2014</i>
	<i>versus the sales in the</i>	<i>versus the sales in the</i>	<i>versus the sales in the</i>
	<i>6 months from July 2012 to December 2012</i>	<i>6 months from January 2013 to June 2013</i>	<i>12 months from July 2012 to June 2013</i>
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
<i>Fresh Milk</i>	<i>-4.8</i>	<i>-1.9</i>	<i>-3.4</i>
<i>UHT milk</i>	<i>8.3</i>	<i>3.7</i>	<i>6.0</i>
<i>Flavoured milk</i>	<i>4.5</i>	<i>-5.0</i>	<i>-0.4</i>
<i>Yoghurt</i>	<i>0.9</i>	<i>1.8</i>	<i>1.3</i>
<i>Maas</i>	<i>8.1</i>	<i>4.9</i>	<i>6.4</i>
<i>Pre-packaged cheese</i>	<i>23.6</i>	<i>32.9</i>	<i>28.4</i>
<i>Cream cheese</i>	<i>-1.0</i>	<i>-1.5</i>	<i>-1.2</i>
<i>Butter</i>	<i>15.2</i>	<i>5.2</i>	<i>10.1</i>
<i>Cream</i>	<i>2.5</i>	<i>6.1</i>	<i>4.2</i>

12. 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 certain dairy products

<i>Product</i>	<i>Average prices in the 6 months from July 2013 to December 2013 versus the average prices in the 6 months from July 2012 to December 2012</i>	<i>Average prices in the 6 months from January 2014 to June 2014 versus the average prices in the 6 months from January 2013 to June 2013</i>	<i>Average prices in the 12 months from July 2013 to June 2014 versus the average prices in the 12 months from July 2012 to June 2013</i>
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
<i>Fresh Milk</i>	<i>7.4</i>	<i>8.0</i>	<i>7.7</i>
<i>UHT milk</i>	<i>4.9</i>	<i>8.5</i>	<i>6.7</i>
<i>Flavoured milk</i>	<i>5.2</i>	<i>5.6</i>	<i>5.3</i>
<i>Yoghurt</i>	<i>4.3</i>	<i>5.0</i>	<i>4.7</i>
<i>Maas</i>	<i>2.2</i>	<i>4.5</i>	<i>3.3</i>
<i>Pre-packaged cheese</i>	<i>2.3</i>	<i>2.4</i>	<i>2.4</i>
<i>Cream cheese</i>	<i>7.4</i>	<i>10.8</i>	<i>9.1</i>
<i>Butter</i>	<i>-4.9</i>	<i>5.9</i>	<i>0.3</i>
<i>Cream</i>	<i>7.6</i>	<i>7.2</i>	<i>7.5</i>

Other Food Products

13. 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 sales and retail price) of the different food products, differ meaningfully;***
- ***The performance of any particular food product can change meaningfully during a period of even as short as a few months;***
- ***Changes in the retail price impact on sales quantities;***
- ***The average retail prices of the 8 food products in June 2014, were higher than a year ago but, the price increases in respect of 2 of the 8 food products were lower than the inflation rate; and***
- ***The sales quantities of only 2 of the 8 food products in the year which ended in June 2014, were higher than the previous year.***

14. 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 demand from the year July 2012 to June 2013 to the year July 2013 To June 2014 and changes in the retail prices from June 2013 to June 2014

<i>Food products</i>	<i>Change in demand (quantity)</i> <i>Percent</i>	<i>Change in retail prices</i> <i>Percent</i>
<i>Instant cereals</i>	<i>1.1</i>	<i>7.4</i>
<i>Bread</i>	<i>-2.3</i>	<i>8.6</i>
<i>Rice</i>	<i>-1.1</i>	<i>6.8</i>
<i>Maize meal</i>	<i>2.6</i>	<i>16.1</i>
<i>Margarine</i>	<i>-1.8</i>	<i>4.0</i>
<i>Tea</i>	<i>-1.5</i>	<i>9.3</i>
<i>Coffee</i>	<i>-0.1</i>	<i>11.1</i>
<i>Short life juice</i>	<i>-3.8</i>	<i>5.9</i>

15. 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 certain food products**

<i>Product</i>	<i>Sales in the</i> <i>6 months from</i> <i>July 2013 to December</i> <i>2013</i> <i>versus the</i> <i>sales in the</i> <i>6 months from</i> <i>July 2012 to December</i> <i>2012</i>	<i>Sales in the</i> <i>6 months from</i> <i>January 2014 to</i> <i>June 2014</i> <i>versus the</i> <i>sales in the</i> <i>6 months from</i> <i>January 2013 to June</i> <i>2013</i>	<i>Sales in the</i> <i>12 months from</i> <i>July 2013 to</i> <i>June 2014</i> <i>versus the</i> <i>sales in the</i> <i>12 months from</i> <i>July 2012 to</i> <i>June 2013</i>
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
<i>Instant cereals</i>	3.1	-0.9	1.1
<i>Bread</i>	-3.8	-0.7	-2.3
<i>Rice</i>	-2.0	-0.1	-1.1
<i>Maize meal</i>	5.3	-0.2	2.6
<i>Margarine</i>	-1.3	-2.4	-1.8
<i>Tea</i>	-1.8	-1.0	-1.5
<i>Coffee</i>	-1.7	1.6	-0.1
<i>Short life juice</i>	-7.0	-0.5	-3.8

16. 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 certain food products

<i>Food products</i>	<i>Average prices in the</i> <i>6 months from</i> <i>July 2013 to December</i> <i>2013</i> <i>versus the</i> <i>average prices in the</i> <i>6 months from</i> <i>July 2012 to December</i> <i>2012</i>	<i>Average prices in the</i> <i>6 months from</i> <i>January 2014 to June</i> <i>2014</i> <i>versus the</i> <i>average prices in the</i> <i>6 months from</i> <i>January 2013 to June</i> <i>2013</i>	<i>Average prices in the</i> <i>12 months from</i> <i>July 2013 to</i> <i>June 2014</i> <i>versus the</i> <i>average prices in the</i> <i>12 months from</i> <i>July 2012 to</i> <i>June 2013</i>
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
<i>Instant cereal</i>	4.5	7.3	5.9
<i>Bread</i>	9.4	7.3	8.3
<i>Rice</i>	6.9	8.2	7.5
<i>Maize meal</i>	-0.7	12.7	5.8
<i>Margarine</i>	3.5	4.9	4.2
<i>Tea</i>	11.5	9.5	10.6
<i>Coffee</i>	5.8	8.7	7.3
<i>Short life juice</i>	7.8	5.3	6.6

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

17. In Table 9, the changes in the retail sales quantities of dairy products and other food products 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 certain dairy products and other food products

<i>Product</i>	<i>Sales in the 6 months from July 2013 to December 2013</i>		<i>Sales in the 6 months from January 2014 to June 2014</i>		<i>Sales in the 12 months from July 2013 to June 2014</i>	
	<i>Versus the</i>		<i>Versus the</i>		<i>Versus the</i>	
	<i>Sales in the 6 months from July 2012 to December 2012</i>		<i>Sales in the 6 months from January 2013 to June 2013</i>		<i>Sales in the 12 months from July 2012 to June 2013</i>	
	<i>%</i>	<i>Ranking</i>	<i>%</i>	<i>Ranking</i>	<i>%</i>	<i>Ranking</i>
<i>Pre-Packaged Cheese</i>	23.6	1	32.9	1	28.4	1
<i>Butter</i>	15.2	2	5.2	3	10.1	2
<i>Maas</i>	8.1	4	4.9	4	6.4	3
<i>Long Life Milk</i>	8.3	3	3.7	5	6.0	4
<i>Cream</i>	2.5	8	6.1	2	4.2	5
<i>Maize Meal</i>	5.3	5	-0.2	9	2.6	6
<i>Yoghurt</i>	0.9	9	1.8	6	1.3	7
<i>Instant Cereal</i>	3.1	7	-0.9	12	1.1	8
<i>Coffee</i>	-1.7	12	1.6	7	-0.1	9
<i>Flavoured Milk</i>	4.5	6	-5.0	17	-0.4	10
<i>Rice</i>	-2.0	14	-0.1	8	-1.1	11
<i>Cream Cheese</i>	-1.0	10	-1.5	14	-1.2	12
<i>Tea</i>	-1.8	13	-1.0	13	-1.5	13
<i>Margarine</i>	-1.3	11	-2.4	16	-1.8	14
<i>Bread</i>	-3.8	15	-0.7	11	-2.3	15
<i>Fresh Milk</i>	-4.8	16	-1.9	15	-3.4	16
<i>Short Life Juice</i>	-7.0	17	-0.5	10	-3.8	17

18. 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 certain dairy products and other food products

<i>Product</i>	<i>Average price in the 6 months from July 2013 to December 2013</i>		<i>Average price in the 6 months from January 2014 to June 2014</i>		<i>Average price in the 12 months from July 2013 to June 2014</i>	
	<i>Versus the</i>		<i>Versus the</i>		<i>Versus the</i>	
	<i>Average price in the 6 months from July 2012 to December 2012</i>		<i>Average price in the 6 months from January 2013 to June 2013</i>		<i>Average price in the 12 months from July 2012 to June 2013</i>	
	<i>%</i>	<i>Ranking</i>	<i>%</i>	<i>Ranking</i>	<i>%</i>	<i>Ranking</i>
<i>Tea</i>	11.5	1	9.5	3	10.6	1
<i>Cream cheese</i>	7.4	5	10.8	2	9.1	2
<i>Bread</i>	9.4	2	7.3	8	8.3	3
<i>Fresh Milk</i>	7.4	6	8.0	7	7.7	4
<i>Rice</i>	6.9	7	8.2	6	7.5	5
<i>Cream</i>	7.6	4	7.2	10	7.5	6
<i>Coffee</i>	5.8	8	8.7	4	7.3	7
<i>UHT milk</i>	4.9	10	8.5	5	6.7	8
<i>Short life juice</i>	7.8	3	5.3	13	6.6	9
<i>Instant cereal</i>	4.5	11	7.3	9	5.9	10
<i>Maize meal</i>	-0.7	16	12.7	1	5.8	11
<i>Flavoured milk</i>	5.2	9	5.6	12	5.3	12
<i>Yoghurt</i>	4.3	12	5.0	14	4.7	13
<i>Margarine</i>	3.5	13	4.9	15	4.2	14
<i>Maas</i>	2.2	15	4.5	16	3.3	15
<i>Pre-packaged cheese</i>	2.3	14	2.4	17	2.4	16
<i>Butter</i>	-4.9	17	5.9	11	0.3	17

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

- (a) Six of the eight products of which the quantities of retail sales increased from the year which ended in June 2013 to the year which ended in June 2014, are dairy products; and
- (b) Four of the ten products of which the average retail prices increased the most from the year which ended in June 2013 to the year which ended in June 2014, are dairy products.

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