



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 THE RETAIL SALES OF NINE DAIRY AND EIGHT OTHER
GENERALLY USED FOOD PRODUCTS BASED ON INFORMATION UP
TO **DECEMBER 2015**
(A report prepared for Milk SA)**

SYNOPSIS

- *This report covers the performance (sales quantities and average prices) in the retail market of nine dairy products and eight 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;*
- *The average retail prices of four of the nine dairy products in December 2015 were lower than a year ago;*
- *The average retail prices of five of the nine dairy products in December 2015 were higher than a year ago but the price increases of four of the five dairy products concerned, were lower than the increase in the consumer price index;*
- *The average retail prices of all eight other food products in December 2015 were higher than a year ago, but the price increase of three of the other food products was lower than the increase in the consumer price index;*
- *The retail sales quantities of seven of the nine dairy products and five of the eight other food products in the year which ended in December 2015, were higher than the previous year;*
- *Seven of the twelve products (dairy and other) of which the retail sales quantities increased the most from the year which ended in December 2014 to the year which ended in December 2015, are dairy products; and*
- *Four of the first ten products (dairy and other) of which the average prices increased the most from December 2014 to December 2015, are dairy products.*

TRENDS OF THE RETAIL SALES OF NINE DAIRY PRODUCTS AND EIGHT OTHER GENERALLY USED FOOD PRODUCTS BASED ON INFORMATION UP TO **DECEMBER 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 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 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. Although the surveys of Nielsen do not cover the total retail market, the results of the surveys should be regarded as meaningful indicators of the trends in retail sales.
7. In Table 2, the Nielsen sample for the period January to December 2015 is expressed as a percentage of the total estimated demand in the same period.

TABLE 2: NIELSEN SAMPLE AS PERCENTAGE OF THE ESTIMATED TOTAL DEMAND

PRODUCT		A NIELSEN SAMPLE	B ESTIMATED TOTAL DEMAND ¹⁾	A AS PERCENTAGE OF B
Pasteurised milk and ESL milk	(Litre)	329 072 132	716 384 275 ³⁾	45.9
UHT and sterilised Milk	(Litre)	460 635 178	841 135 495 ³⁾	54.8
Flavoured milk	(Litre)	22 157 247	36 836 468 ³⁾	60.2
Yoghurt	(Litre)	184 835 471	219 721 970 ³⁾	84.1
Pre-Packaged cheese	(Kg)	22 014 102	84 064 310 ^{2), 3)}	26.2
Cream cheese	(Kg)	3 407 576	5 971 080 ³⁾	57.1
Butter	(Kg)	9 400 037	21 748 401 ³⁾	43.2
Cream	(Litre)	10 330 919	21 398 059 ³⁾	48.3

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

1. Retail sales plus non retail sales for the period January to December 2015.
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 Nielsen figures.

TABLE 3:

CHANGES IN THE DEMAND FROM THE YEAR JANUARY 2014 TO DECEMBER 2014 TO THE YEAR JANUARY 2015 TO DECEMBER 2015 AND CHANGES IN THE RETAIL PRICES FROM DECEMBER 2014 TO DECEMBER 2015

DAIRY PRODUCT	CHANGE IN RETAIL SALES QUANTITY	CHANGE IN RETAIL PRICES
	PERCENT	PERCENT
FRESH MILK	-1.6	-3.6
LONG LIFE MILK (UHT MILK)	14.4	-10.7
FLAVOURED MILK	6.7	5.3
YOGHURT	6.5	3.4
MAAS	8.6	-2.6
PRE-PACKAGED CHEESE	7.2	-2.4
CREAM CHEESE	0.0	3.5
BUTTER	5.0	10.2
CREAM	9.8	0.1

9. According to Table 3:

- a) The average retail prices of four of the nine dairy products in December 2015 were lower than a year ago;
- b) The average retail prices of five of the nine dairy products in December 2015 were higher than a year ago and the price increases in respect of three of the five products were lower than the average inflation rate of 5.2 percent for the year which ended in December 2015;
- c) The sales quantities of seven of the nine products were higher in the year which ended in December 2015, than the previous year; and

- d) The retail sales quantities of fresh milk were 1.6 percent lower and long life milk were 14.4 percent higher in the year which ended in December 2015 than in the previous year. Based on these figures, and assuming that the shares of fresh and long life milk in the market for unflavoured and unsweetened milk are respectively 46 and 56 percent, the demand for unflavoured and unsweetened milk in terms of quantity was 6.4 percent higher in the year that ended in December 2015 than in the previous year. As indicated in Table 3, the sharp increase in the retail sales quantity of long life milk coincides with a decrease of the average retail price⁴⁾.

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 2015 versus the sales in the month of December 2014	Sales in the 3 months from October 2015 to December 2015 versus the sales in the 3 months from October 2014 to December 2014	Sales in the 6 months from July 2015 to December 2015 versus the sales in the 6 months from July 2014 to December 2014	Sales in the 9 months from April 2015 to December 2015 versus the sales in the 9 months from April 2014 to December 2014	Sales in the 12 months from January 2015 to December 2015 versus the sales in the 12 months from January 2014 to December 2014
	percent		percent		percent
Fresh Milk	-6.7	-6.2	-5.3	-3.1	-1.6
UHT milk	33.4	28.5	23.3	17.6	14.4
Flavoured milk	14.0	16.1	10.2	7.4	6.7
Yoghurt	15.1	12.4	9.4	8.2	6.5
Maas	19.1	18.3	12.7	10.7	8.6
Pre-packaged cheese	17.7	11.3	8.8	7.0	7.2
Cream cheese	5.2	2.2	-0.5	-0.1	0.0
Butter	4.0	6.3	9.0	4.4	5.0
Cream	6.6	7.7	9.4	9.4	9.8

4) As indicated in Table 3 and 5, the average retail price of UHT milk in December 2015 was 10.7 percent lower than in December 2014. More detailed analysis, of which the detail is not presented in this report, shows that the average retail price per month of UHT milk, after reaching a record high level in April 2015, decreased from May to December 2015.

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	December 2015 versus November 2015 (1 month ago)	December 2015 versus September 2015 (3 months ago)	December 2015 versus June 2015 (6 months ago)	December 2015 versus March 2015 (9 months ago)	December 2015 versus December 2014 (12 months ago)	December 2015 versus June 2014 (18 months ago)	December 2015 versus December 2013 (24 months ago)
	Percent	Percent	Percent	Percent	Percent	Percent	Percent
FRESH MILK	-0.6	-3.6	-5.8	-4.8	-3.6	1.6	8.9
UHT MILK	-4.1	-7.8	-12.4	-12.7	-10.7	-6.5	5.8
FLAVOURED MILK	-1.6	0.7	-0.8	2.7	5.3	7.7	11.3
YOGHURT	-2.6	-1.4	-0.4	-0.9	3.4	3.8	10.7
MAAS	0.1	-0.9	-2.5	-3.7	-2.6	3.0	9.9
PRE-PACKAGED CHEESE	-7.2	-6.8	-7.7	-5.3	-2.4	0.3	6.1
CREAM CHEESE	-1.7	-3.5	-3.5	0.6	3.5	7.8	14.5
BUTTER	-1.7	-4.8	2.8	5.5	10.2	21.6	38.5
CREAM	3.9	2.6	2.2	6.4	0.1	10.0	18.9

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 OF SPESIFIC FOOD PRODUCTS FROM THE YEAR JANUARY 2014 TO DECEMBER 2014 TO THE YEAR JANUARY 2015 TO DECEMBER 2015 AND CHANGES IN THE RETAIL PRICES FROM DECEMBER 2014 TO DECEMBER 2015

FOOD PRODUCTS	CHANGE IN RETAIL SALES QUANTITY PERCENT	CHANGE IN RETAIL PRICES PERCENT
INSTANT CEREALS	8.0	1.5
BREAD	0.9	0.5
RICE	3.7	6.4
MAIZE MEAL	-1.0	20.7
MARGARINE	-0.3	7.5
TEA	-4.1	13.3
COFFEE	3.3	6.0
SHORT LIFE JUICE	3.7	4.5

13. According to Table 6:
- The average retail price of all eight food products were higher in December 2015 than a year ago;
 - The price increases of three of the products were lower than the increase of the consumer price index in the year which ended in December 2015 of 5.2 percent; and
 - The sales quantities of five of the eight food products were higher in the year which ended in December 2015 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 2015 versus the sales in the month of December 2014	Sales in the 3 months from October 2015 to December 2015 versus the sales in the 3 months from October 2014 to December 2014	Sales in the 6 months from July 2015 to December 2015 versus the sales in the 6 months from July 2014 to December 2014	Sales in the 9 months from April 2015 to December 2015 versus the sales in the 9 months from April 2014 to December 2014	Sales in the 12 months from January 2015 to December 2015 versus the sales in the 12 months from January 2014 to December 2014
	percent		percent		percent
Instant Cereals	10.9	9.5	9.5	9.0	8.0
Bread	3.5	0.8	-0.2	0.7	0.9
Rice	5.0	-0.1	1.7	2.6	3.7
Maize Meal	3.2	3.5	1.9	0.4	1.0
Margarine	0.4	-0.1	0.1	-0.4	-0.3
Tea	-6.7	-6.9	-3.9	-4.1	-4.1
Coffee	4.3	1.1	2.7	2.7	3.3
Short Life Juice	13.1	13.1	9.0	5.8	3.7

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 2015 versus November 2015 (1 month ago)	December 2015 versus September 2015 (3 months ago)	December 2015 versus June 2015 (6 months ago)	December 2015 versus March 2015 (9 months ago)	December 2015 versus December 2014 (12 months ago)	December 2015 versus June 2014 (18 months ago)	December 2015 versus December 2013 (24 months ago)
	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Instant Cereals	-3.6	-1.2	0.1	-1.3	1.5	-1.7	0.9
Bread	-4.9	-5.7	-3.6	-2.0	0.5	1.3	5.5
Rice	0.4	-0.3	1.1	2.3	6.4	2.0	3.9
Maize Meal	-3.4	1.3	5.7	15.3	20.7	7.9	25.9
Margarine	1.1	0.4	5.5	3.5	7.5	8.3	9.2
Tea	-1.7	1.2	6.3	6.7	13.3	16.6	25.3
Coffee	6.7	4.3	10.2	7.6	6.0	13.9	17.6
Short Life Juice	-2.2	-4.1	0.7	2.5	4.5	6.4	13.4

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 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 SPECIFIC DAIRY PRODUCTS AND OTHER FOOD PRODUCTS

PRODUCT	SALES IN THE MONTH OF DECEMBER 2015 VERSUS THE SALES IN THE MONTH OF DECEMBER 2014		SALES IN THE 6 MONTHS FROM JULY 2015 TO DECEMBER 2015 VERSUS THE SALES IN THE 6 MONTHS FROM JULY 2014 TO DECEMBER 2014		SALES IN THE 12 MONTHS FROM JANUARY 2015 TO DECEMBER 2015 VERSUS THE SALES IN THE 12 MONTHS FROM JANUARY 2014 TO DECEMBER 2014	
	%	RANKING	%	RANKING	%	RANKING
LONG LIFE MILK	33.4	1	23.3	1	14.4	1
CREAM	6.6	8	9.4	5	9.8	2
MAAS	19.1	2	12.7	2	8.6	3
INSTANT CEREAL	10.9	7	9.5	4	8.0	4
PRE-PACKAGED CHEESE	17.7	3	8.8	9	7.2	5
FLAVOURED MILK	14.0	5	10.2	3	6.7	6
YOGHURT	15.1	4	9.4	6	6.5	7
BUTTER	4.0	12	9.0	7	5.0	8
RICE	5.0	10	1.7	11	3.7	9
SHORT LIFE JUICE	13.1	6	9.0	8	3.7	10
COFFEE	4.3	11	2.7	10	3.3	11
BREAD	3.5	13	-0.2	13	0.9	12
CREAM CHEESE	5.2	9	-0.5	14	0.0	13
MARGARINE	0.4	15	0.1	12	-0.3	14
MAIZE MEAL	3.2	14	-1.9	15	-1.0	15
FRESH MILK	-6.7	16	-5.3	17	-1.6	16
TEA	-6.7	17	-3.9	16	-4.1	17

17. 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 RETAIL PRICES FOR DECEMBER 2015 VERSUS NOVEMBER 2015 (1 MONTH AGO)		AVERAGE RETAIL PRICES FOR DECEMBER 2015 VERSUS JUNE 2015 (6 MONTH AGO)		AVERAGE RETAIL PRICES FOR DECEMBER 2015 VERSUS DECEMBER 2014 (12 MONTH AGO)	
	%	RANKING	%	RANKING	%	RANKING
MAIZE MEAL	-3.4	13	5.7	3	20.7	1
TEA	-1.7	8	6.3	2	13.3	2
BUTTER	-1.7	9	2.8	5	10.2	3
MARGARINE	1.1	3	5.5	4	7.5	4
RICE	0.4	4	1.1	7	6.4	5
COFFEE	6.7	1	10.2	1	6.0	6
FLAVOURED MILK	-1.6	7	-0.8	11	5.3	7
SHORT LIFE JUICE	-2.2	11	0.7	8	4.5	8
CREAM CHEESE	-1.7	10	-3.5	13	3.5	9
YOGHURT	-2.6	12	-0.4	10	3.4	10
INSTANT CEREALS	-3.6	14	0.1	9	1.5	11
BREAD	-4.9	16	-3.6	14	0.5	12
CREAM	3.9	2	2.2	6	0.1	13
PRE-PACKAGED CHEESE	-7.2	17	-7.7	16	-2.4	14
MAAS	0.1	5	-2.5	12	-2.6	15
FRESH MILK	-0.6	6	-5.8	15	-3.6	16
UHT MILK	-4.1	15	-12.4	17	-10.7	17

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

- (a) Seven of the twelve products of which the quantities of retail sales increased the most from the year which ended in December 2014 to the year which ended in December 2015, are dairy products; and
- (b) Four of the first ten products of which the average retail prices increased the most from December 2014 to December 2015, are dairy products.

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