



insights
to
grow

Media Feedback Report 2018

Buttermilk and Maas in South Africa

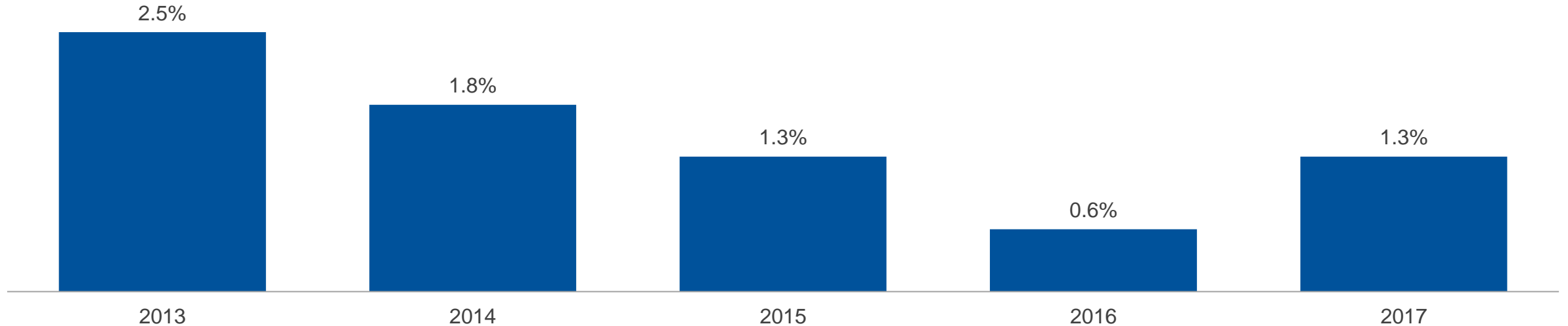
July 2018

South African Economy

South Africa's GDP

GDP is the market value of all officially recognised final goods and services produced within a country in a given period of time.

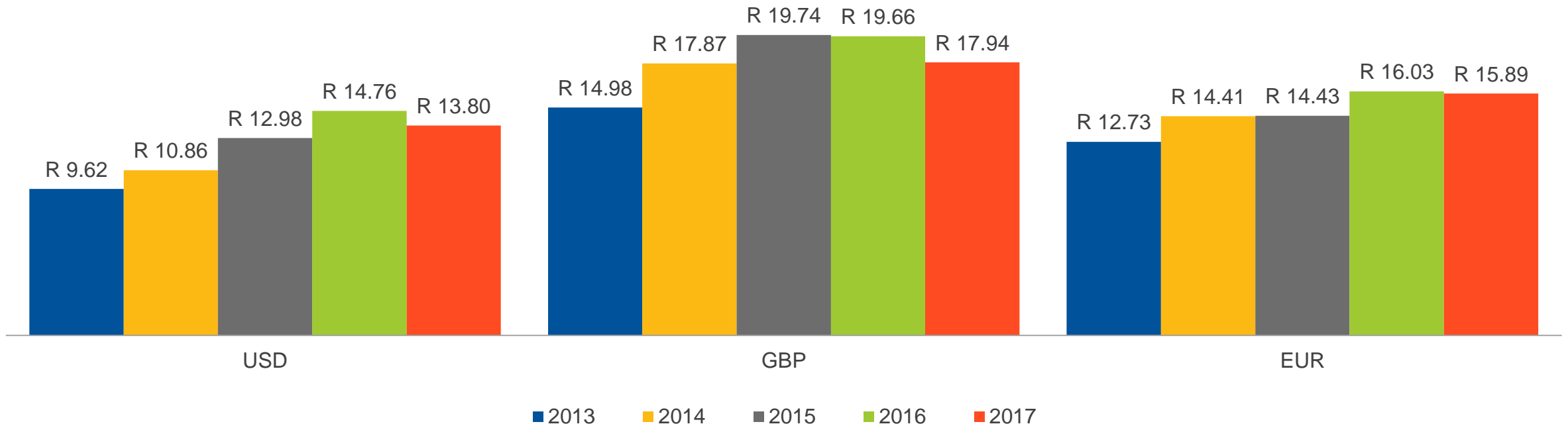
Growth rates in industry value added and GDP (constant 2010 prices)



The South African economy grew by 1.3% in 2017, up by 0.7 percentage points compared to 2016. The World Bank estimates local economic growth as at least 1.4% for 2018. Buttermilk and maas increased by 5.6% in volume during the same period as consumers opt for cheaper protein alternatives.

Currency

Performance of South African Rand

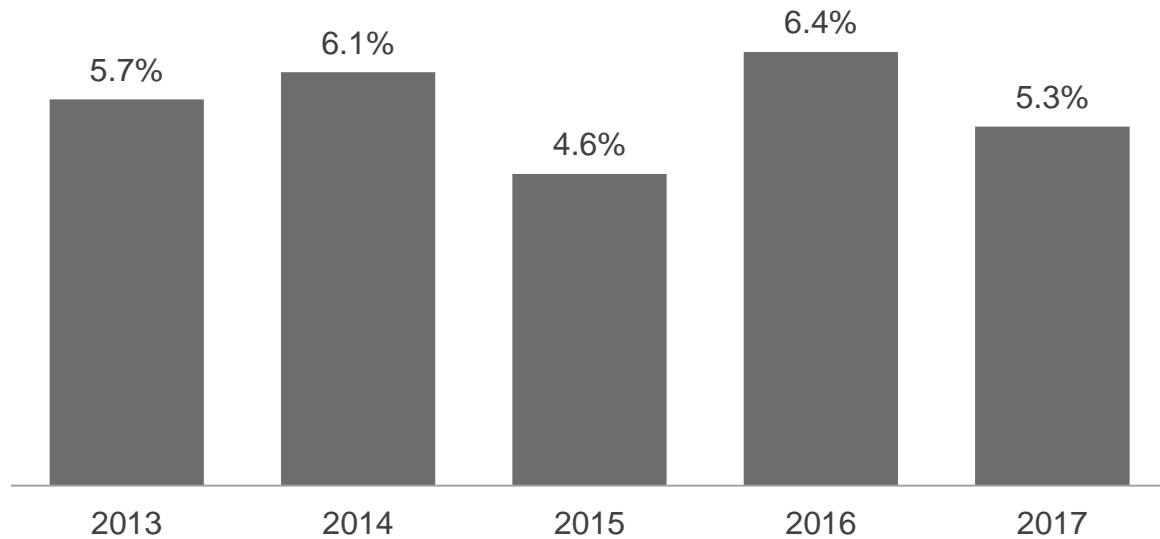


The USD/Rand exchange rate was weaker in the first half of the year, favouring exports. It is hypothesised that there was a notable increase in the volume of buttermilk and maas leaving the country in 2017 before the USD/Rand gained strength in the second half of the year.

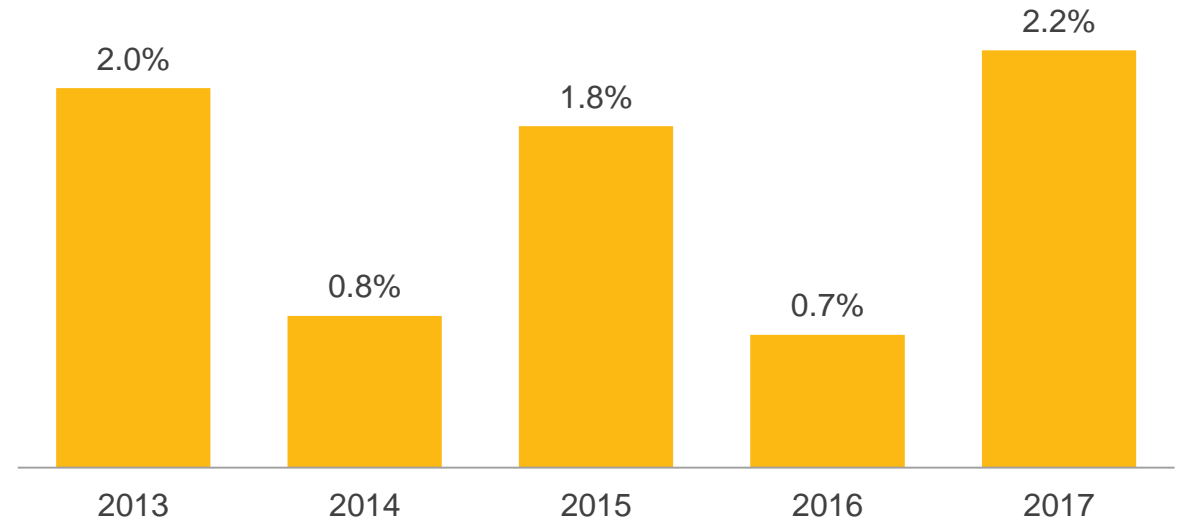
Source: Exchange Rate

South African Economy

Consumer Price Index



Private Consumption Expenditure



The consumer price index was measured at a rate within the SARB inflation target of 3-6% in 2017. The buttermilk and maas category price increased by 5.8% during the same period.

Source: Statssa

Market Trends

The category continued to increase year-on-year in both volume and value terms during 2017. The value growth for buttermilk and maas was attributed to increases in both volume and industry price. The average industry selling price grew during 2017. The higher than inflation price increases may be attributed to the fluctuating price of raw milk after the drought season as well as an increase in distribution costs. Particular channels and regions saw an increase in smaller pack sizes that cost more in Rand per litre terms, as customers downgraded pack sizes in alignment with budget constraints.

The forecourt and retail sectors (bottom and top end retail) dominated product distribution in 2017 with a collective volume share of 81.3%. The bottom end retail accounted for 20.9% of the total volume sold in 2017 compared to the 20.6% share achieved in 2016. The channel was used predominantly by regional players selling larger pack sizes to their customers and also included farm stores where customers purchased their products directly from the producer. Top end retail and forecourts accounted for 60.4% of the overall volume sold in 2017. These channels are known for their wide range of brands and price points.

KwaZulu-Natal remained the core region for the production and sales of buttermilk and maas products, accounting for 35.7% of the total volume in 2017. This region has a significant number of farmers producing maas compared to other regions and this product is considered more of a staple diet component in this region than for other provinces. The average selling price of buttermilk and maas in the region was slightly lower compared to other regions, likely as a result of the increased competition in the region. The surplus volume produced in KwaZulu-Natal is supplied to the rest of South Africa.

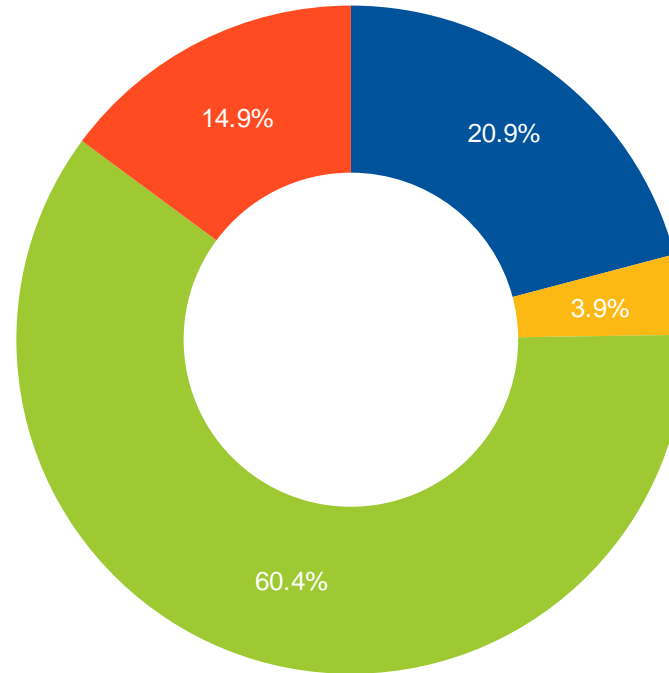
Rigid plastic remains the dominant pack type for the category, accounting for 93.5% of the total volume sold in 2017. The pack type group is easier to transport than sachets. The main denomination driving the pack size share was the 2 litre and above, sold at a cheaper price in Rand per litre terms than other pack sizes.

The category is considered a cheaper protein source that performs well when the economy is struggling to grow. Given this positioning, the category is expected to grow in the short to medium term.

The buttermilk and maas category is considered part of the staple diet in South Africa. The products are eaten with maize or used for cooking and baking.

Channel Distribution

Million Litres



■ Bottom End Retail

■ On-Consumption

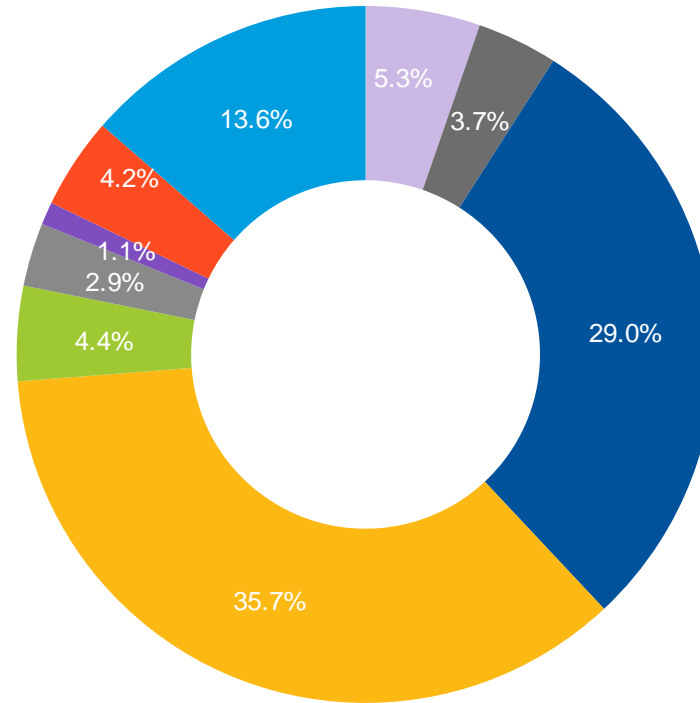
■ Top End Retail/ Forecourt

■ Wholesale/ Industrial/ Export

The product distribution was dominated by the retail sector. The bottom end retail accounted for 20.9% of total volume sold in 2017 compared to 20.6% achieved in 2016. The channel was used predominantly by regional players selling larger pack sizes to their customers, and also included farm stores where customers are purchasing their products directly from the producer.

Local Regional Distribution

Million Litres

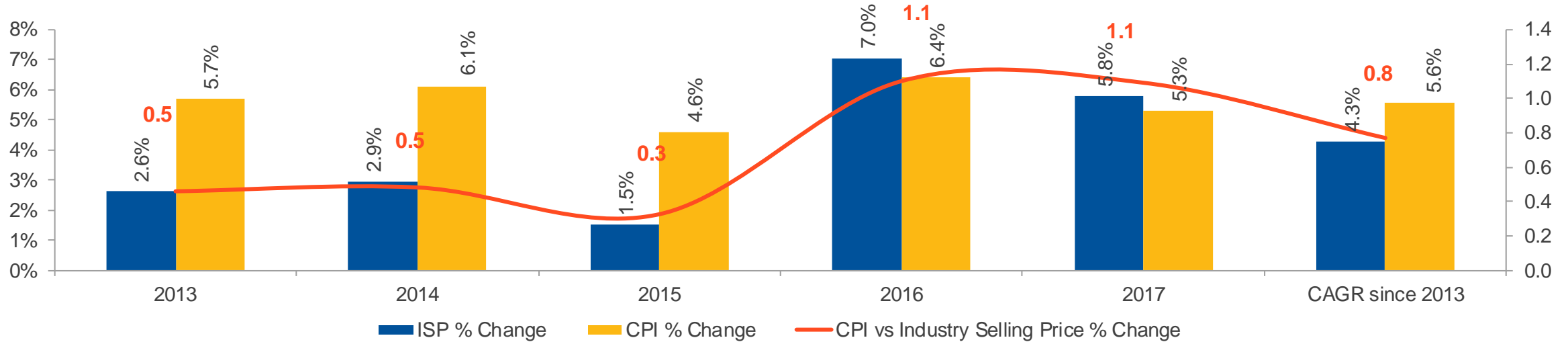


■ Eastern Cape ■ Free State ■ Gauteng ■ KwaZulu-Natal ■ Limpopo ■ Mpumalanga ■ Northern Cape ■ North West Prov. ■ Western Cape

KwaZulu-Natal recorded the highest volume share (35.7%) in 2017 compared to other regions. This region has a greater number of farmers producing maas and in this region the product is considered more integral to the local staple diet. The average selling price of buttermilk and maas in the region was slightly lower compared to other regions, possibly due to the increased competition and reduced distribution costs as sales are in the source/manufacturing regions.

Volume excludes export

Historical Industry Selling Price



The category's ISP grew at an average rate of 4.3% year-on-year over the last five years compared to the CPI's average of 5.6%. The average weighted industry selling price increased by 5.8% from 2016 to 2017. The higher than inflation price increase may be attributed to the fluctuation in price of raw milk.

The industry selling price represents a weighted average selling price across all channels

Thought Starters



DairyDay was placed under liquidation in the beginning of 2018. Which company will take that volume share? Will it be a regional or national brand?



The buttermilk and maas category continued to increase in volume during and after the drought season. What are the major drivers of volume growth for the category?



- Analytics Solution
- Dashboards

- Beverages
- Food
- Packaging



- Advertising & Campaign Testing
- Brand Competitive Advertising Tracking
- Omnichannel

Advertising

Category Quantification

Business Research B2B

- Business Insights
- Market Quantifications



Solutions

Print Ads

Consumer Research

- Consumer Insights
- Shopper Insights



- Print Promotional Pricing Tracker
- Number of Promotional Ads
- Adspend Value
- Print Ads Mobile App
- Promotional Effectiveness

Mystery Shopping

Instore

- Category Ranging
- Compliance Tracker
- Shelf & Promotional Price Surveys
- Shelf Health



- Brand Compliance
- Store Compliance
- Staff Compliance
- Promotional Compliance

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