TRENDS IN THE RETAIL SALES OF DAIRY PRODUCTS
UP TO DECEMBER 2023

INTRODUCTION

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.

1. For the effective working of the different markets in respect of raw milk and each of the dairy products, objective information regarding key variables is necessary.

2. SAMPRO regularly provides a number of reports regarding different key variables (market signals)[1)] to members and other parties. From December 2009, retail sales are also covered by quarterly reports of SAMPRO.

3. Information regarding the trends in the dairy retail markets in the recent past is extremely important to stimulate timeous adjustment to changes in the needs of the different markets. 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

1) On 25 July 2008, the Management Committee of SAMPRO confirmed that:

- ***i.*** ***The task of the Office of SAMPRO in respect of the economic aspects of the dairy industry, is to objectively analyze the available information in respect of market signals;***
- ***ii.*** ***The analysis referred to under i) should be conducted by the Office of SAMPRO independently from the commercial interest of any and all the members of SAMPRO;***
- ***iii.*** ***The analysis should strengthen the knowledge of participants in the markets in respect of market signals in order to promote effective competition which is the prerequisite for a market economy; and***
- ***iv.*** ***The Office of SAMPRO should interact with institutions in the public sector and private sector on issues regarding the development of the dairy industry and conditions in the dairy industry, on the basis of objective information and objective analysis.***

4. "NielsenIQ" 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 NielsenIQ surveys.

5. The surveys of NielsenIQ in respect of UHT milk, flavoured milk, yoghurt, maas and pre-packaged cheese, cover the retail sales in the following types of stores:

   - Major stores (Hypermarkets and a defined group of supermarkets consisting of Shoprite, Checkers, Pick 'n Pay Supers, Pick 'n Pay Family, Superspar and Woolworths (Food));
   - Convenience stores (Branded Superettes consisting of Kwikspar, OK Foods, Sentra, Pick 'n Pay mini, Score, Friendly, Shield (Retail), Friendly's and 7-Eleven and Forecourts);
   - Urban Counter and Self Service;
   - Rural Independents.

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

7. Although the surveys of NielsenIQ 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 NielsenIQ sample for 2022, is expressed as a percentage of the estimated total demand in the same period[2)].

NIELSENIQ SAMPLE AS PERCENTAGE OF THE ESTIMATED TOTAL DEMAND

PRODUCT		A NIELSENIQ SAMPLE	B ESTIMATED TOTAL DEMAND [4)]	A AS PERCENTAGE OF B
Pasteurised milk and ESL milk	(Litre)	221 337 851	421 606 169	52.5
UHT and sterilised Milk	(Litre)	562 466 603	1013 678 785	55.5
Flavoured milk	(Litre)	18 849 761	40 718 108	46.3
Yoghurt	(Litre)	198 556 506	249 984 958	79.4
Maas	(Litre)	208 239 567	267 047 015	78.0
Pre-Packaged cheese[3)]	(Kg)	37 408 255	90 950 180	41.1
Cream cheese	(Kg)	2 821 291	4 522 392	62.4
Butter	(Kg)	9 554 219	22 786 048	41.9
Cream	(Litre)	10 510 125	19 074 182	55.1

2) ***Retail sales plus non-retail sales for the period January to December 2022.***
3) ***Includes hard and semi-hard cheeses, pre-packaged and other (excluded cream cheese).***
4) ***Estimated figures calculated by the Office of SAMPRO are based on the unprocessed milk allocations for the manufacturing of dairy products as supplied by Milk SA. In the case of cream cheese and cream the estimated figures are based on BMI figures of 2012 and 2013 and inflated by the growth rates as shown by NielsenIQ.***

8. In assessing the research results of NielsenIQ the following should be considered:

- *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-packaged 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, and cream cheese;*
- *The NielsenIQ figures are revised on monthly bases by NielsenIQ for a 12-month moving period. As a result, the information contained in this report in respect of the months also covered by the previous report, may differ from the figures in the previous report;*
- *The surveys do not cover non-retail sales of dairy products and 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 dairy 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 in 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 a 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 which are used daily are, for lower income consumers, luxuries purchased in smaller quantities, or less frequently. This situation explains why a change in 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 a <u>production-orientated approach</u>, the different dairy products are closely related but, in terms of a <u>market-orientated approach,</u> 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;*
- *The retail situation is much more complex than a few decades ago. <u>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.</u> 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; and*

9. In the next sections of this report, separate attention is given to fresh milk, UHT milk, flavoured milk, yoghurt, maas, pre-packaged cheese, cream cheese, butter and cream.

10. Regarding the retail sales of yoghurt, as reported in this report, the following:

    (a) The data received by NielsenIQ from some of the retailers does not enable NielsenIQ to report accurately and separately in respect of the retail sales of respectively yoghurt and yoghurt snacks,

    (b) The reasons for the situation described in (a) are that:

    - In particular cases, the same brand name appears on yoghurt as on dairy snacks,
    - Brand names and containers, which in the past were used in respect of yoghurt, (spoonable and drinking) are in the last number of years also used in respect of dairy snacks; and
    - Some dairy snacks, although correctly labelled on the containers, are described in the records of particular retailers in such a way that it is not possible to determine whether it is a yoghurt or a dairy snack.

    (c) As a result of (a) the retail sales figures of yoghurt reported in this report, also include the retail sales of some dairy snacks.

11. The position in respect of flavoured milk and dairy snacks of which the appearance and typical use are the same as that of flavoured milk, is similar to the position in respect of yoghurt, as described in the previous paragraph. In other words, the retail sales of flavoured milk, as indicated in this report, include the retail sales of some dairy snacks. This situation should be considered taking into account the following:

    (a) The composition of the contents of particular brands of flavoured milk, changed as result of which these products became technically dairy snacks and the containers of the last mentioned are similar to that of the first mentioned;

    (b) Products as described under (a), which changed from flavoured milk to dairy snacks, are correctly labelled on the containers of the product, but the data received by NielsenIQ, in respect of flavoured milk, includes some dairy snacks.

12. The situations described in the previous two paragraphs, are the topics of the in-depth and time-consuming interaction between the Office of SAMPRO and NielsenIQ. NielsenIQ indicated that they intend to interact with the relevant retailers with the ambition to differentiate accurately between the retail sales of dairy snacks, yoghurt and flavoured milk. The Office of SAMPRO will keep member informed of progress made.

13. In respect of the factual position described in the previous three paragraphs, it must be taken into account that it is highly likely that many consumers regard yoghurt and yoghurt-like-dairy-snacks, as similar products and that many consumers also regard flavoured milk and flavoured-milk-like-dairy-snacks as similar products.

TABLE 1

CHANGES IN THE RETAIL SALES QUANTITIES FROM THE YEAR JANUARY 2022 TO DECEMBER 2022, TO THE YEAR JANUARY 2023 TO DECEMBER 2023 AND CHANGES IN THE RETAIL PRICES FROM DECEMBER 2022 TO DECEMBER 2023 OF SPECIFIC DAIRY PRODUCTS

PRODUCT	CHANGE IN RETAIL SALES QUANTITY PERCENT	CHANGE IN RETAIL PRICES PERCENT
FRESH MILK	-5.9	11.5
LONG LIFE MILK (UHT MILK)	-4.3	12.0
FLAVOURED MILK	-8.7	5.8
YOGHURT	-7.1	7.9
MAAS	-5.1	13.6
PRE-PACKAGED CHEESE	-0.6	11.3
BUTTER	-4.3	1.3
CREAM	-1.9	9.6

TABLE 2

CHANGES IN THE QUANTITIES OF RETAIL SALES OF SPECIFIC DAIRY PRODUCTS

PRODUCT	Sales in the month of December 2023 versus the sales in the month of December 2022	Sales in the 3 months from October to December 2023 versus the sales in the 3 months from October to December 2022	Sales in the 6 months from July to December 2023 versus the sales in the 6 months from July to December 2022	Sales in the 9 months from April to December 2023 versus the sales in the 9 months from April to December 2022	Sales in the 12 months from January to December 2023 versus the sales in the 12 months from January to December 2022
	percent	percent	percent	percent	percent
Fresh Milk	-4.5	-5.4	-5.9	-5.9	-5.9
UHT milk	-4.2	-2.7	-1.4	-2.6	-4.3
Flavoured milk	1.1	-3.4	-5.9	-7.8	-8.7
Yoghurt	0.2	-1.8	-4.5	-6.4	-7.1
Maas	5.3	0.9	-2.7	-4.8	-5.1
Pre-packaged cheese	1.3	0.04	-0.09	-0.03	-0.6
Butter	8.2	2.4	-0.5	-1.8	-4.3
Cream	1.3	0.1	-0.5	-1.4	-1.9

TABLE 3

THE AVERAGE RETAIL PRICES OF SPECIFIC DAIRY PRODUCTS IN DECEMBER 2023, COMPARED TO THE AVERAGE RETAIL PRICES OF THE PRODUCTS CONCERNED IN SPECIFIC PREVIOUS MONTHS OF 2022 AND 2021

PRODUCT	December 2023 versus November 2023 (1 month ago)	December 2023 versus September 2023 (3 months ago)	December 2023 versus June 2023 (6 months ago)	December 2023 versus March 2023 (9 months ago)	December 2023 versus December 2022 (12 months ago)	December 2023 versus June 2021 (18 months ago)	December 2023 versus December 2021 (24 months ago)
	Percent	Percent	Percent	Percent	Percent	Percent	Percent
FRESH MILK	1.9	1.2	0.2	1.8	11.5	16.8	21.5
UHT MILK	4.4	0.9	0.5	6.2	12.0	17.4	25.4
FLAVOURED MILK	1.7	-4.2	-3.5	-2.6	5.8	10.7	20.8
YOGHURT	0.4	-0.8	-1.0	0.8	7.9	18.3	20.3
MAAS	2.1	1.4	1.9	3.6	13.6	26.3	28.6
PRE-PACKAGED CHEESE	4.5	4.7	8.0	10.0	11.3	21.6	21.3
BUTTER	5.0	-1.3	-0.8	5.3	1.3	13.2	17.3
CREAM	3.1	3.2	2.2	5.2	9.6	16.0	18.7

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