Flavoured milk loses zest

BMi Research's report on the flavoured milk category in 2016, indicate that it did not perform at the same level as 2015 and the volumes declined by 5.2%.

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The category recorded a total volume of 26.9 million litres in 2016 and was estimated to be worth R777.3 million in value terms, although the value increased year on year by 7.8%. This may be attributed mainly to a higher increment in pricing of 13.8%, thus increasing the annual value, despite the declining volume consumption. The flavoured milk price saw the largest increase for the last five years, which was twice as high as the annual average inflation measure (CPI index 6.4%).

This category is considered a small dairy beverage category in volume terms, but does have a higher industry price than other dairy liquids. The average industry selling price was R28.91 per litre in 2016 and translated into a pricing of 13.8%. This was considered on par with pricing increases seen in other dairy beverages and products in 2016.

Top end retail remained the mainstay channel where flavoured milk was sold and distributed. Although the market was declining, top end retail performed better than the overall market. Exports showed the largest relative decline in volume terms, and it is believed that the high transport costs across borders hampered sales in this channel.

Drought affects figures

South Africa experienced one of the worst droughts in the summer of 2015/2016 and this had a direct impact on failed agricultural crops and the resultant shortage of feed for livestock. It was foreseen at the beginning of 2016 that the milk category would be one of the worst affected, with shortages of milk expected for industrial processing. Although many regions received late rainfalls in 2016, the Western Cape and Eastern Cape regions, where most raw milk production takes place, still experienced severe drought conditions.

This put severe strain and pressure on the dairy industry in 2016, with many dairy categories hamstrung by the short supply of raw milk. It is theorised that the drought and supply shortages contributed to the flavoured milk volume decline in 2016. Many smaller, localised players had already exited the flavoured milk category in 2015, with only larger, more diversified players staying afloat in 2016, by increased pricing to absorb the rising input costs.

Promotional activity, in terms of print ad spend for the category, increased by 19.1% in value from 2015 to 2016. These promotions were not sufficient in reducing the category volumes for the year. Most regions, with the exception of the Eastern Cape, declined in terms of volume consumption. Correspondingly, the highest annual increase in print ad spend from 2015 to 2016 was from regional publications in the Eastern Cape (59.3%) and the Northern Cape (64.7%).