Digging into the minds of our dairy consumers

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What will be covered?

- How big is the South African Dairy Industry?
- What are the consumers buying and why?
  - UHT Milk vs Fresh Milk
  - Yoghurt vs Yoghurt Snack
- Brand Loyalty
- Local & Global Dairy Trends
- Future expectations

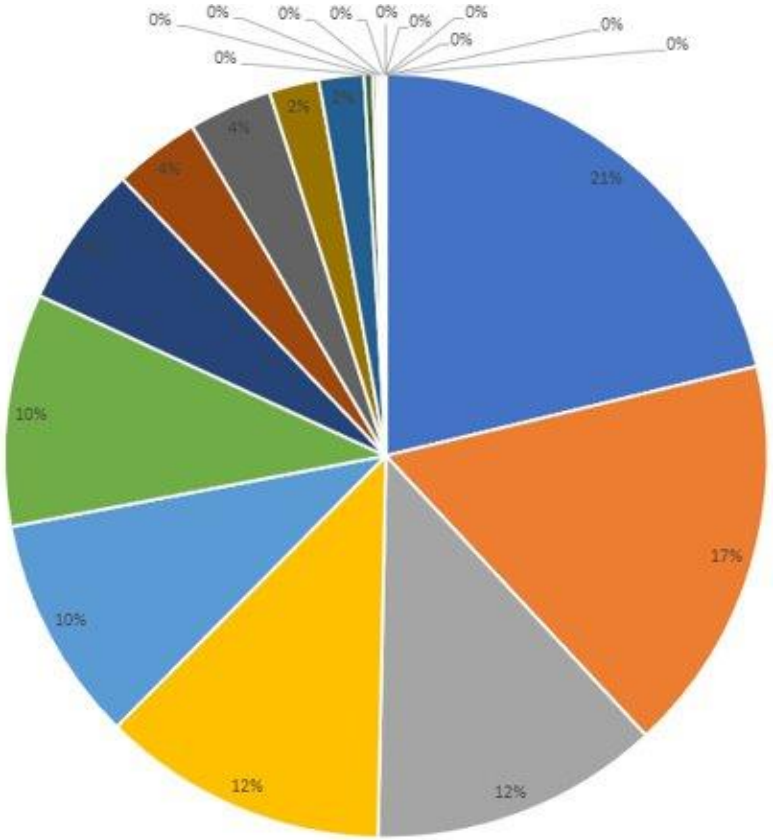
Sources:

- Market observation
- Mintel
- Business Insider
- South African Milk Producers Organization (SAMPRO)

Total Dairy Market -RSA

> R 38bn

- Liquid Milk - Shelf Stable
- Cheese - Fresh Fixed Weight
- Yogurt Flavoured
- Dairy Beverages
- Liquid Milk - Fresh Refrigerated
- Meat - (Raw) Refrigerated
- Ice Cream/Novelties - Frozen
- Cheese - Fresh Variable Weight
- Butter
- Yogurt (Plain)
- Dairy Cream Fresh Refrigerated
- Dairy Cream Fresh Shelf Stable
- Cream (Sour) Refrigerated - Unflavoured
- Dairy/Milk/Cream - Fresh - Other
- Butter Seasoned/Flavoured
- Cheese - Ambient
- Cream (Sour) Shelf Stable - Unflavoured
- Ice Cream/Novelties - Frozen Variable Weight
- Dairy Cream Fresh Refrigerated - Flavoured Sweet
- Cheese - Frozen
- Dairy/Milk/Cream - Fresh Variable Weight
- Dairy/Milk/Cream - Frozen

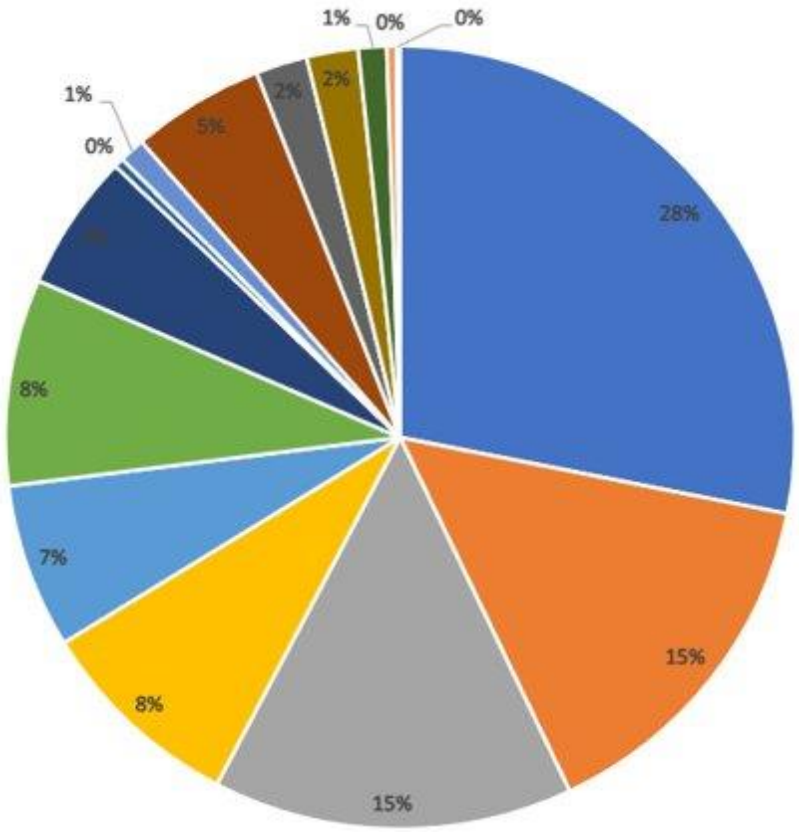


Total Beverage Market

> R 42.5bn

- Drinks Flavoured Rtd
- Juices (10%-100%)
- Coffee
- Sports/Energy Drinks
- Water
- Tea & Infusions
- Dilutables & Concentrates
- Cocoa/Chocolate/Malted Drinks
- Non Animal Milk - Flavoured
- Cultured Milk
- Juice Milk Drink
- Drink Yogurt Refrigerated
- Liquid Flavoured Milk - Shelf Stable
- Dairy Based Drinks & Drinking Yogurt - Other
- Buttermilk - (Cultured Buttermilk)

11%



Decrease in Dairy Consumption

Milk consumption rose during lockdown, but people are now drinking less as prices rise.

"South Africans are consuming less milk, mainly because its dairy products have become more expensive.

Fresh milk, long-life milk, yoghurt, and cream cheese have posted the most significant consumption declines.

Products in these categories have also seen the most significant price increases." - SAMPRO

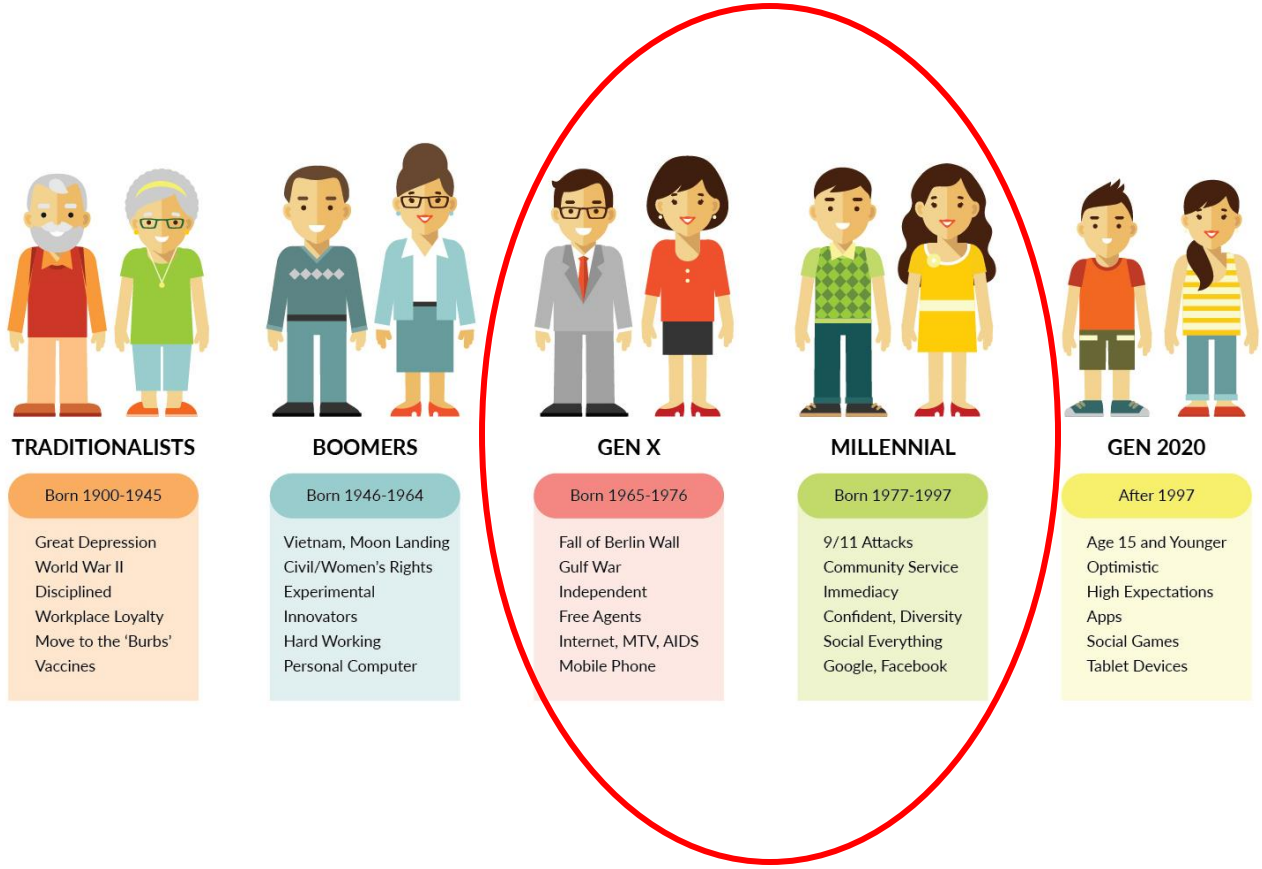
UHT Milk vs Fresh Milk

UHT vs Fresh Milk Shopper

Who buys in this category?

- Age and gender does not play a role in this decision.

- However, Millennials and Generation X are the generations that covers the largest part of this market.



UHT vs Fresh Milk Shopper

UHT Full Cream milk growth :

- **Mainly** due to increase in consumption
- **3.4%** of the increase came from switching

- Maas growth is mainly due to increased consumption.

UHT Low Fat Milk growth:

- **Mainly** due to increased consumption
- **16.6%** due to switching

UHT vs Fresh Milk Shopper

Where did the growth come from?

- Mostly from Fresh full cream milk
- UHT Low Fat Milk
- Fresh Low Fat Milk

Regulation change (R1510) Nov 2019

TABLE 1
CLASSES OF AND STANDARDS FOR MILK

Type of primary dairy product	Class/ Class designation	Alternate class designation	Milk fat content (%)(m/m)	Minimum milk solids non-fat content		Minimum milk protein content calculated on a fat-free basis (%)(m/m)	pH value at 20 - 25°C	Maximum freezing point (°C)	Additional requirements
				Calculated on the total content (%)(m/m)	Calculated on a fat-free basis (%)(m/m)				
1	2	3	4	5	6	7	8	9	10
1. Milk	High fat milk	High cream milk	More than 4.5	8.2	8.6	3	6.5 - 6.85	-0.512	Table 2, Regulation 29 (3), (4) and (6)
	Full fat milk	Full cream milk/ Whole milk/ Milk	More than 3.3 - 4.5	8.3	8.6	3	6.5 - 6.85	-0.512	Table 2, Regulation 29 (3), (4) and (6)
	Medium fat milk	Medium cream milk	More than 1.5 - 3.3	8.4	8.6	3	6.5 - 6.85	-0.512	Table 2, Regulation 29 (3), (4) and (6)
	Low fat milk	*	More than 0.5 - 1.5	8.5	8.6	3	6.5 - 6.85	-0.512	Table 2, Regulation 29 (3), (4) and (6)
	Fat free milk	Skim(med) milk	Not more than 0.5	8.6	8.6	3	6.5 - 6.85	-0.512	Table 2, Regulation 29 (3), (4) and (6)

UHT vs Fresh Milk Shopper

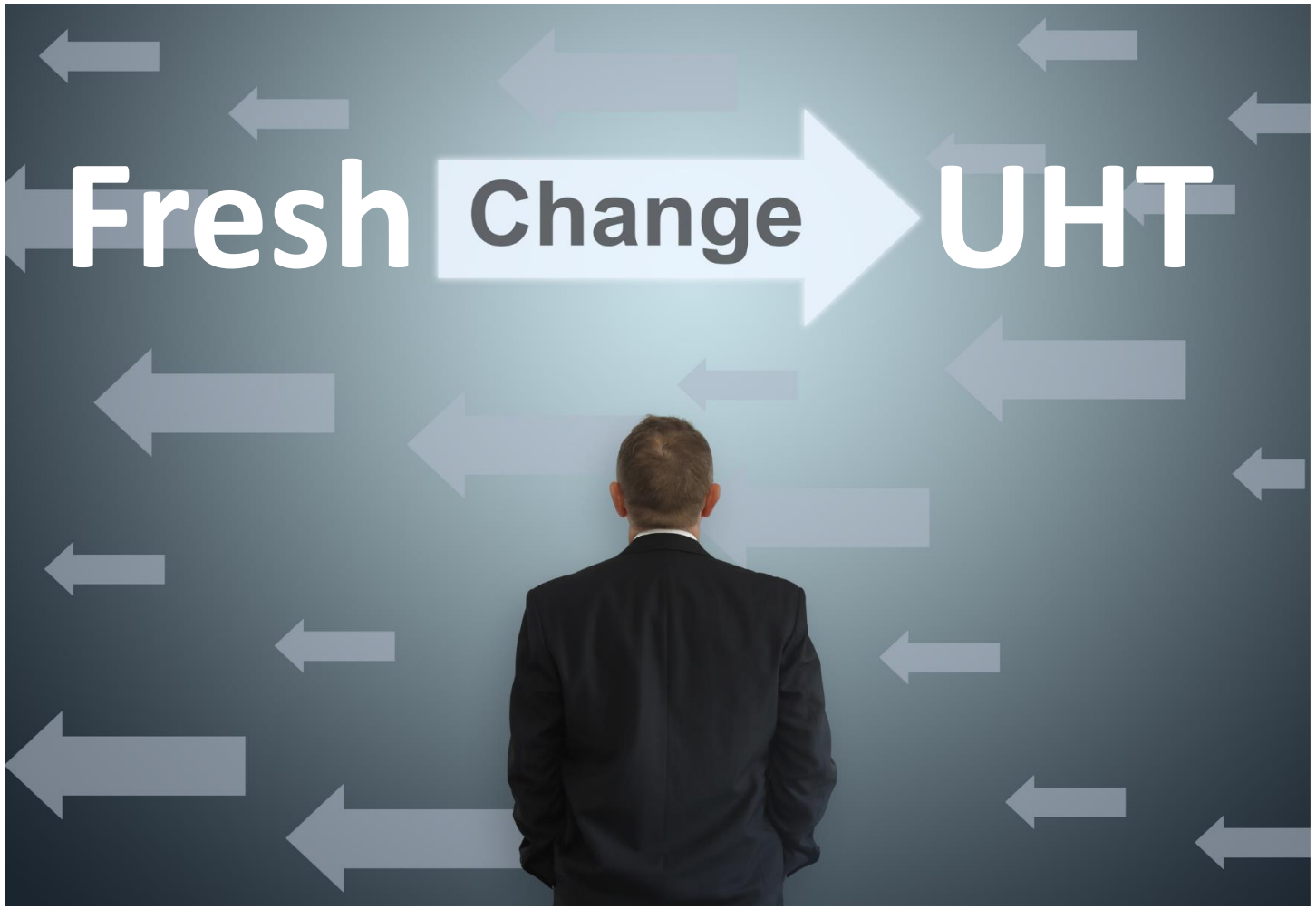
Where did the growth come from?

- Fresh Maas
- Fresh Full Cream Milk
- Fresh Low Fat Milk

UHT vs Fresh Milk Shopper

The customer mostly moved from Fresh Milk to UHT Milk offerings.

- Market has not recovered from Covid

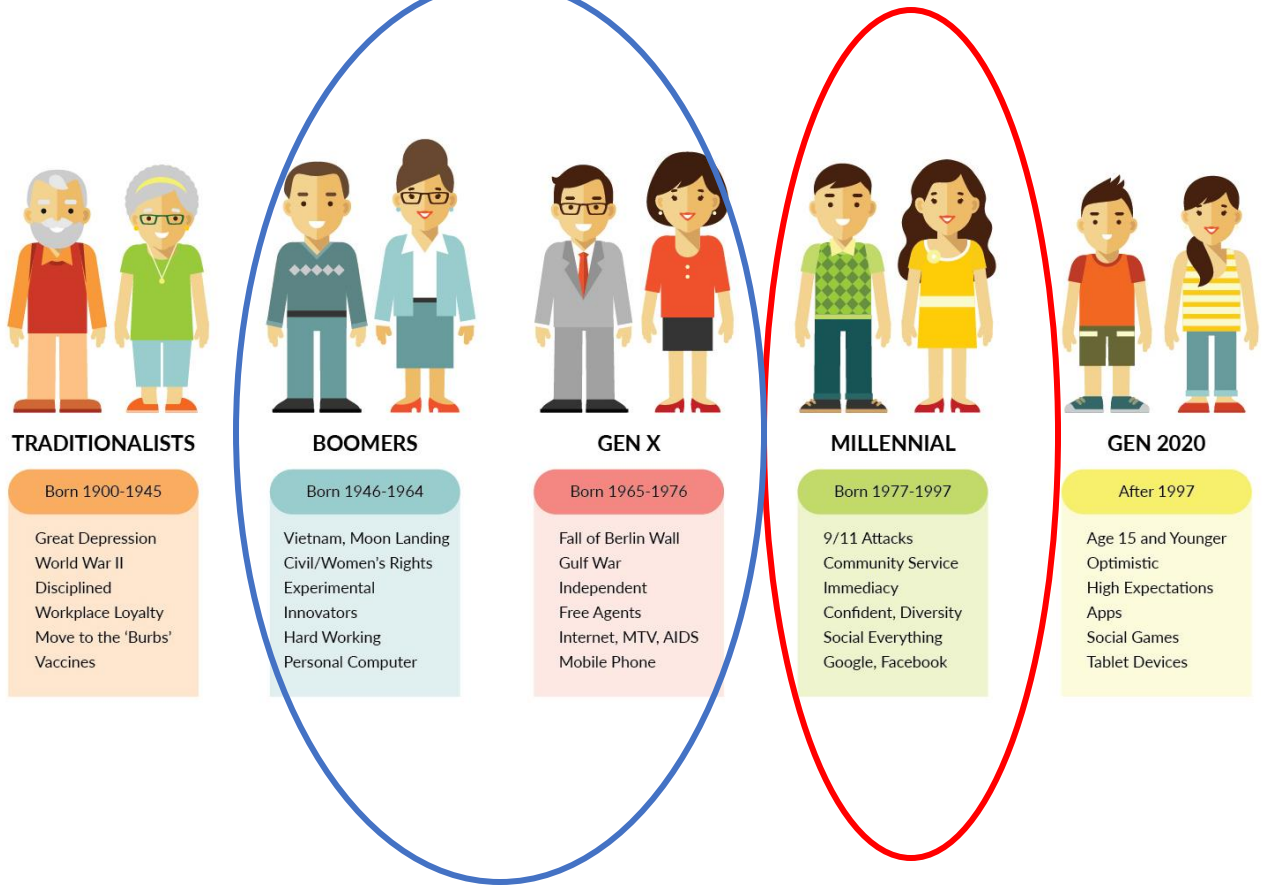


Yoghurt vs Dairy Snack

Yoghurt vs Dairy Snack Shopper

Who buys in this category?

- The younger generation tends to buy more into the yoghurt category rather than the yoghurt snack.



Yoghurt vs Dairy Snack Shopper

Why are the younger generation more interested in yoghurt products?

- Nutrition seekers
- Nutrition vs Price
- Strive for clean labels
- Customer Education

Yoghurt vs Dairy snack Shopper

Smooth & Plain Yoghurt:

- **Mainly** due to increase in consumption
- **9%** of the increase came from switching

Snack yoghurts:

Less due to increased consumption
41% due to switching

Yoghurt vs Dairy Snack Shopper

Where did the growth come from?

- Fruited Yoghurt
- Smooth & Plain Yoghurt
- Kids Yoghurt

Brand Loyalty

How loyal are my customers to my brand?

- Customer loyalty varies from **0.8% - 8.0%**

- Customers aren't very brand loyal when it comes to dairy and dairy products.

Local & Global Dairy Trends

Rising focus on plant-based offering

An increase in vegan offerings

Plant-based drinks in **shelf-stable formats** have recorded a bigger share of launch activity, reflecting consumers' pandemic-related interest in longer shelf-life products. This rise in ambient formats also corresponds with ongoing consumer interest in convenient, on-the-go offerings

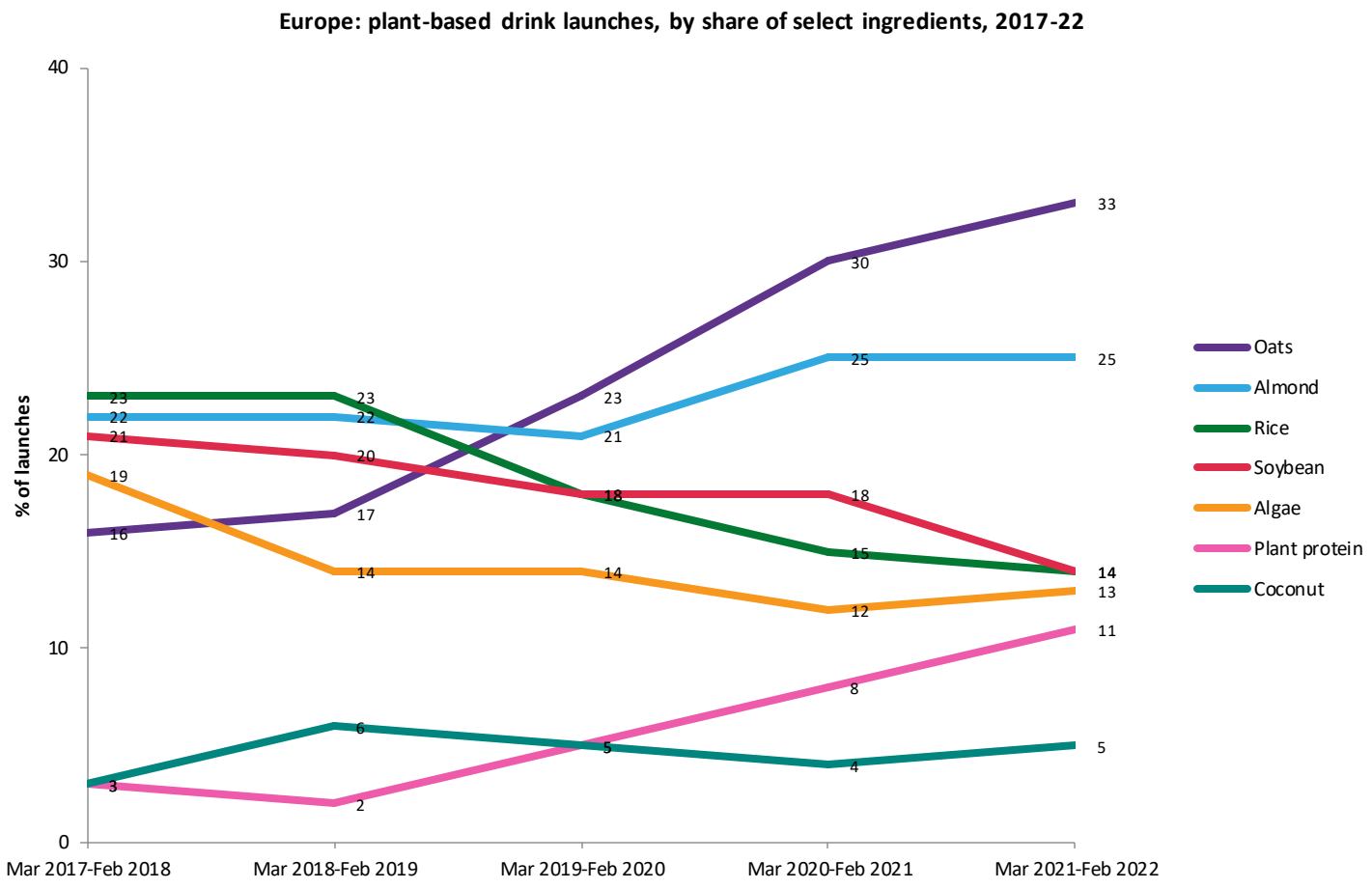
Oat is on FIRE!

Oats continue to gain a bigger share of launch activity as a base ingredient in plant-based drink launches.

Recently surpassed soy to become the No. 2 milk alternative, but still trails almond by a considerable margin

Branching into new categories like ice cream

Oats continue to flourish as the go-to base for plant-based drinks



Launches with oat ingredients continue to gain share of activity, as companies leverage consumer awareness of the positive health and ecological credentials of the cereal grain.

Focus on Health

Lactose Free offerings and alternatives

Launches with no added sugar have recorded a surge in activity in Latin America, as consumers seek more diet-friendly options.

Better-for-you

Innovation in yogurt continues to center around **better-for-you recipes which don't compromise on indulgent appeal**. As with all dairy goods, producers are also facing increasing pressure to improve their ecological credentials and reduce their carbon footprint.

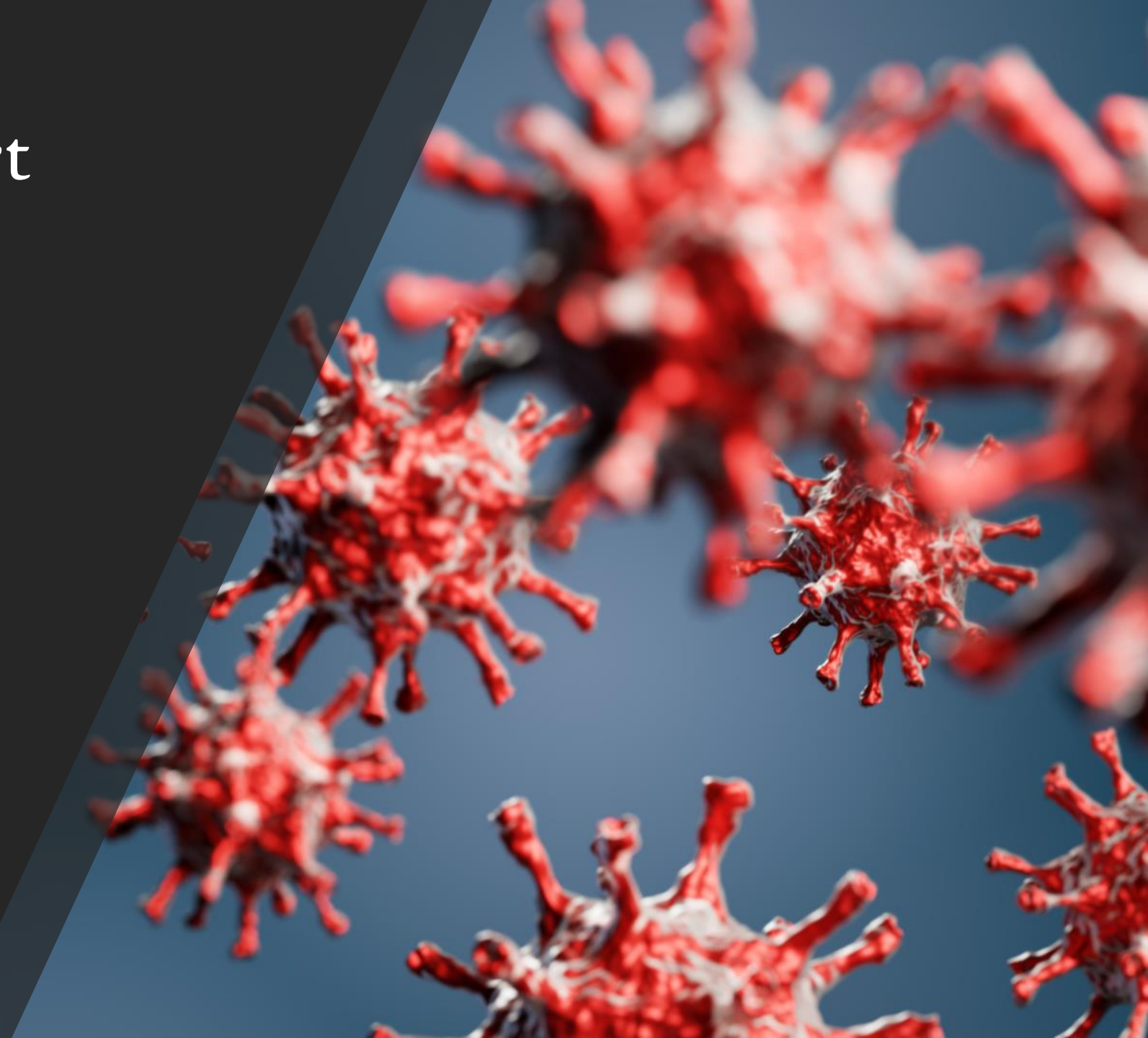
Positive nutrition claims eg **added protein and vitamin/minerals** are appearing in yogurt launches to meet consumers' specific dietary needs. Natural and clean label-positioned yogurts have recorded a decline in activity, despite consumer interest in recipes which are free of artificial ingredients

Immune support

Immune support claims are flourishing among dairy drink launches, as COVID-19 continues to make **preventative health** a bigger priority for consumers.

- calcium
- vitamin D
- To promote **bone health** benefits.

Vitamin-boosted and **lactose-free** claims record a rise among dairy drink launches in North America.



Healthy Snacking stays top of mind

An eating habit that consumers indulged in more during the pandemic, as well as experimenting with home cooking

Digestive Health Claims are still trending

Despite recent inflationary trends, consumers continue to exhibit a willingness to pay a premium for plant-based milk alternatives, specialty yogurts and products such as Halo Top light ice creams and keto series products. We are seeing manufacturers likewise ramp up their offerings of products with probiotic, prebiotic and other claims related to digestive health in response to consumer demand for these items.

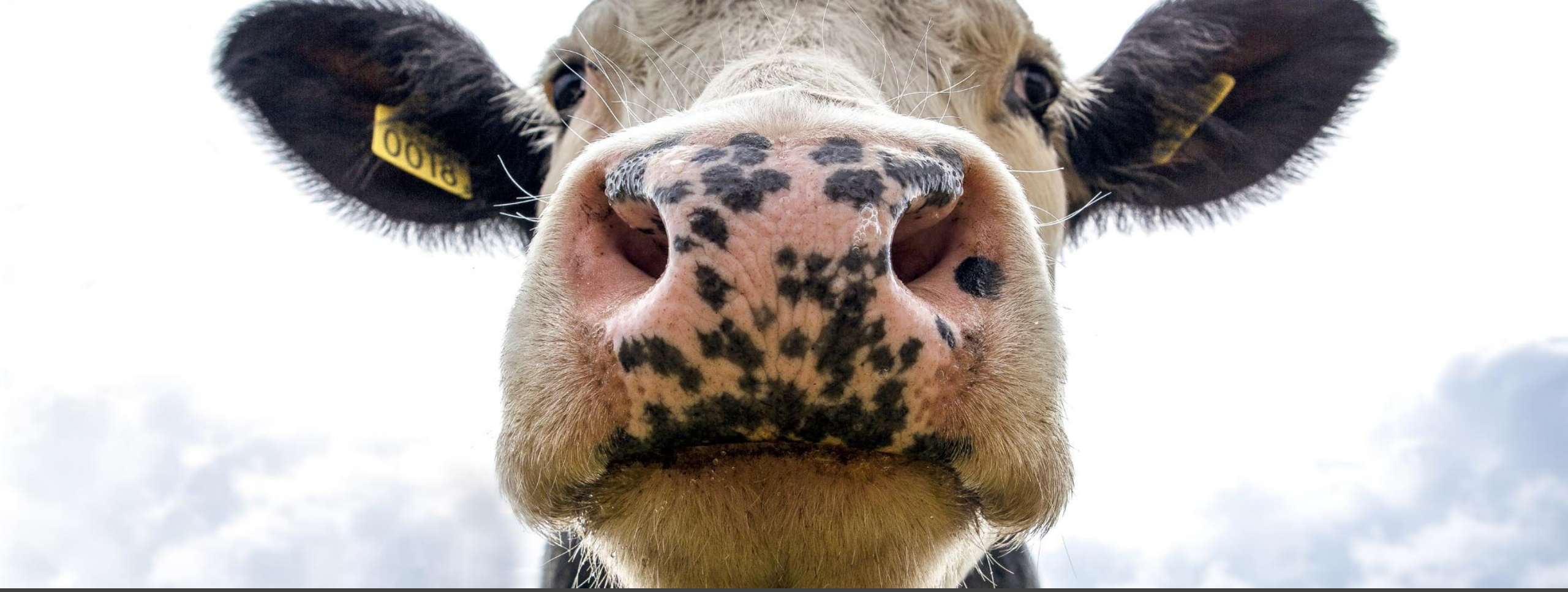
Low / No / Less Carbs / Net Carbs		Animal Diet Claims Vegetarian / Grass Fed		Vegan / Vegetarian		Non GMO		No / Low / Less Sugar	
$ Sales	$ Growth	$ Sales	$ Growth	$ Sales	$ Growth	$ Sales	$ Growth	$ Sales	$ Growth
$262MM	+17.5%	$283MM	+17.5%	$1,207MM	+13.7%	$3,193MM	+13.6%	$238MM	+15.7%

Non / No Added Dairy		or Reduced Lactose		AHA Heart Claims		Digestion Claims		No Soy	
$ Sales	$ Growth	$ Sales	$ Growth	$ Sales	$ Growth	$ Sales	$ Growth	$ Sales	$ Growth
$2,509MM	+14.9%	$2,202MM	+12.7%	$3,397MM	+11.1%	$1,300MM	+11.1%	$3,394MM	+12.5%

What to expect going forward?

Future trends to expect...

- Localization
- Affordable nutrition
- Healthy snacking trend to continue (Functional foods)
- Dairy Alternatives (Milks, Yoghurts, Snacks & Ice-Creams)
- Dairy Blended with Dairy Alternative options
- Immune support
- Sustainability claims



Thank you