

# Flavoured milk volumes decline in 2017

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[A report](#) recently released by BMi Research confirmed that the flavoured milk category declined in volume in 2017. South Africa experienced a drought in 2016 which persisted until the beginning of 2017 and affected many sectors, including the dairy beverage sectors. The flavoured milk category experienced pressure from the supply side as the drought persisted in the beginning of year. This may have potentially resulted in less white milk available for the production of flavoured milk. In addition, economic pressures experienced in 2017 may have also negatively affected the category indirectly, such as the downgrade of South Africa's credit rating to 'junk status'. This announcement rattled many investors and with reduced investment, the nation's money supply decreased, effectively raising the production costs of many goods and services.

The implementation of the sugar tax left many players in the market feeling uncertain about the future of their product lines. This encouraged players to reformulate their products and innovate their brands to reduce the tax load, in order to make them more competitive in the market and potentially improve sales.

All channels saw a decline in volume for 2017, besides the export channel. The South African economy witnessed volatile exchange rates, especially in the first half of the year. This may have encouraged producers of flavoured milk to distribute their products outside the borders of the country. The top end retail channel maintained its position as the dominant shareholder of flavoured milk accounting for a large portion of the total volume, despite the volume decrease for this channel. The channel is said to be taking volume from other sectors in a declining market. In addition, the top end retail channel is known for its promotional activities seen in-store and competitions in social media pages to drive volumes, and this type of activity may have made the sector more resilient to the challenges seen for the category at large. Retail private label products (often a more economical offering), were likely to also have contributed further to top end retail performance.

The key metropolitan regions namely Gauteng, KwaZulu-Natal and the Western Cape remained the mainstay for the category. Most of the players have their plants located in these regions and, due to logistical costs, they may find it more cost effective to distribute locally. These regions also collectively have a large consumer base due to their concentrated population size, thus a large proportion of the flavoured milk players have their market on their doorstep. According to the mid-year estimates published by Stats SA, 56.4% of the total population resided in these regions by mid-2017.

The category is expected to recover in the short to medium term as the country recuperates from the drought.

[Download the report here.](#)

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