

Brief comments on South Africa's bread and maize meal market – 21 July 2016

- South Africa produces on average 168 million units (loaves) of bread a month, with 50% being white bread, 48% brown bread and the balance whole wheat bread (see **Chart 1**).
- Some analysts have argued that recent increases in maize meal prices could possibly drive consumers to substitute products such as bread and potatoes. However, recent bread production trends show a mixed picture – brown bread production has seen an increase, while there has not been any significant shifts in white bread production over the past 11 months (see **Chart 1**).
- More specifically, brown bread production increased by only 5% from July 2015 to May 2016, from 79.7 million units to 84.1 million units. Subsequently, white bread production increased by a mere 1%, from 83.4 million units to 84.5 million units.
- Meanwhile, national bread prices have been increasing, largely driven by rising production and input costs such as wheat prices and electricity costs, amongst others. Brown bread (700g) prices increased by 10%, from R10.64 a unit in June 2015 to R11.66 a unit in June 2016. At the same time, white bread price (700 g) increased by 8%, from R11.89 to R12.85.
- Interestingly, during this period, the price of a 2.5 kilograms (kg) of super maize meal increased by 32%, from R20.50 per kg to R27.10 per kg. That said, maize meal consumption remains firm, with monthly white maize consumption averaging at 252 779 tons (see **Chart 2**). In the past few months, consumption trend showed a slight uptick, despite higher maize prices.
- Against this background, it is less likely that consumers will suddenly switch to bread because of higher maize meal prices. Maize meal and bread are staple foods that are largely inelastic. With that said, the increase in brown bread production could be on the back of increasing demand, as it remains relatively cheaper than that of white bread and maize meal.

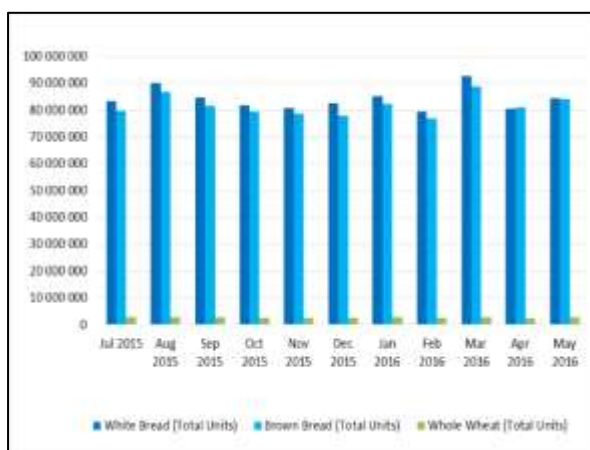


Chart 1: RSA monthly bread production

Source: SAGIS, Agbiz Research

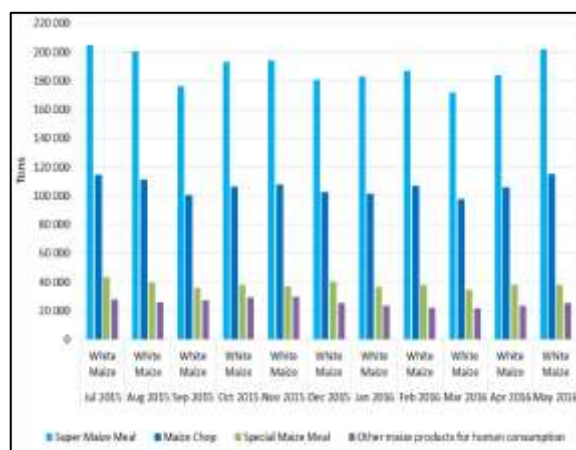


Chart 2: RSA white maize consumption

Source: SAGIS, Agbiz Research

Disclaimer: Everything has been done to ensure the accuracy of this information, however Agbiz takes no responsibility for any losses or damage incurred due to the usage of this information.

