Factors affecting the consumer

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SA WHEAT INDUSTRY

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The socio-economic spectrum in South African

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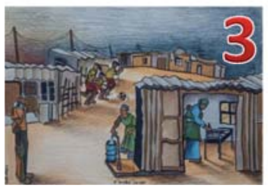
CEREALS



LSM 1, 2 & 3: Low-income consumers

- 10% of the population
- ± 3.7 million adults
- Mostly Rural
- Up to 44% unemployment
- ±R1968–R3082/hh/month
- Earn less than 5% of total income

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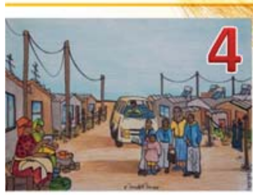
CEREALS



LSM 4, 5 & 6: Lower middle-class

- 52% of the population
- ± 20 million adults (15+)
- LSM 4&5: Mostly rural
- LSM 5&6: Increasingly urban
- Up to 44% unemployment
- ±R3 798–R7 550/hh/month
- About 27% of total income

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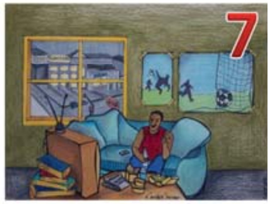
LSM 7 & 8:
Upper middle-class

- 22% of the population
- ± 8.5 million adults
- Urban
- Up to 26% unemployment
- ± R12 789-R18 728/hh/month
- ± 28% of total income



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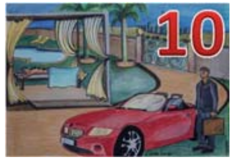
LSM 9 & 10:
High-income consumers

- 16% of the population
- ± 6.1 million adults
- Urban
- 5% to 13% unemployment
- R26 037-R40 337 /hh/month
- **About 43% of total income**



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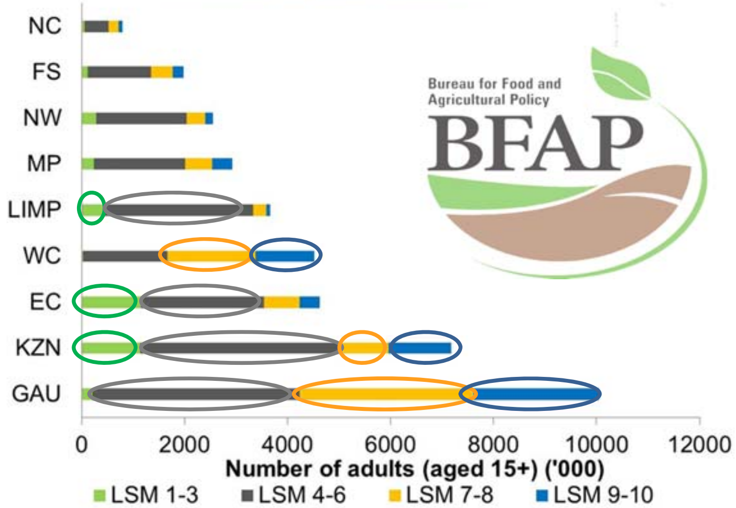
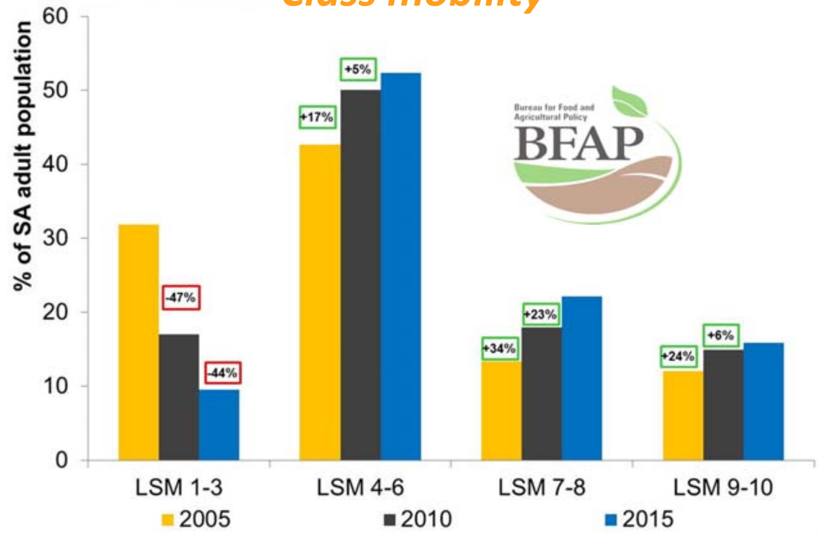
LSM segments: Per province

(AMPS 2015)



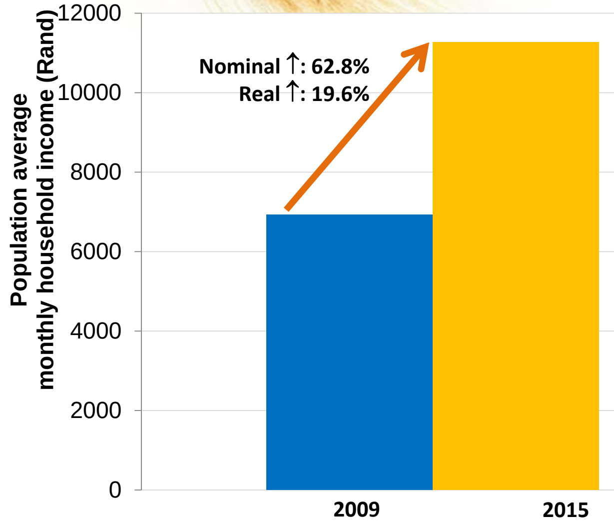
SA CONSUMER DYNAMICS

Class mobility



SA CONSUMER DYNAMICS CEREALS

Household income



2009 to 2015:

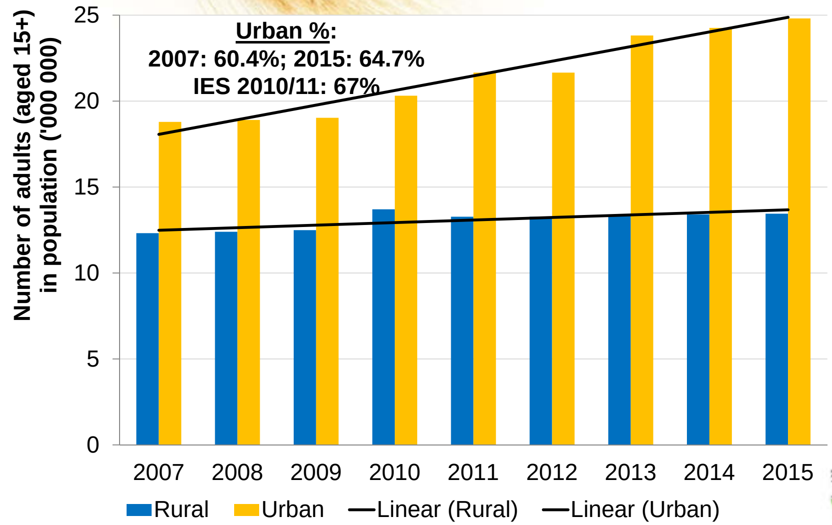
LSM 1-4: +81%(n)
+51%(r)

LSM 5-8: +45%(n)
+15%(r)

LSM 9-10: +57%(n)
+27%(r)

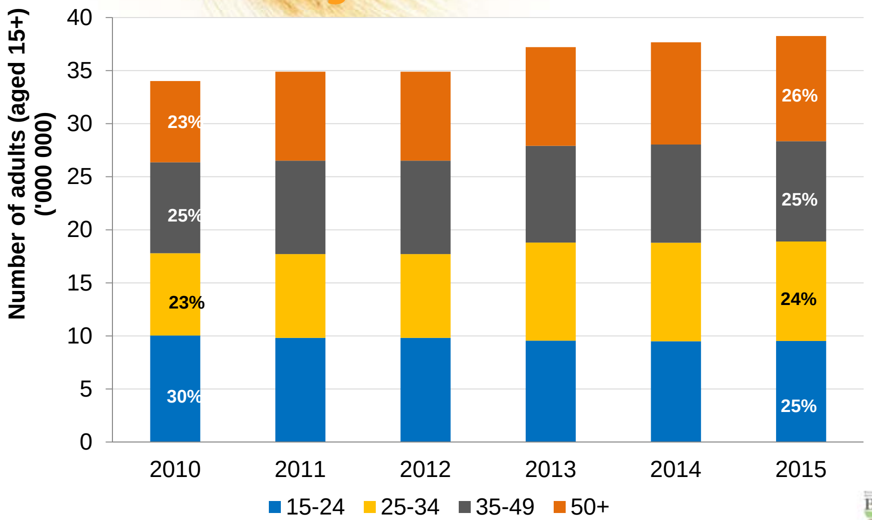
SA CONSUMER DYNAMICS CEREALS

Urbanisation



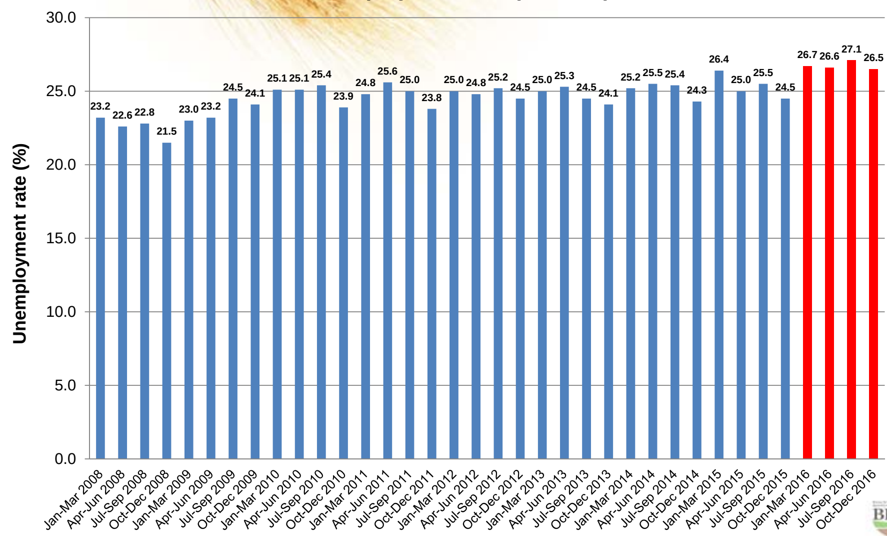
SA CONSUMER DYNAMICS CEREALS

Age distribution



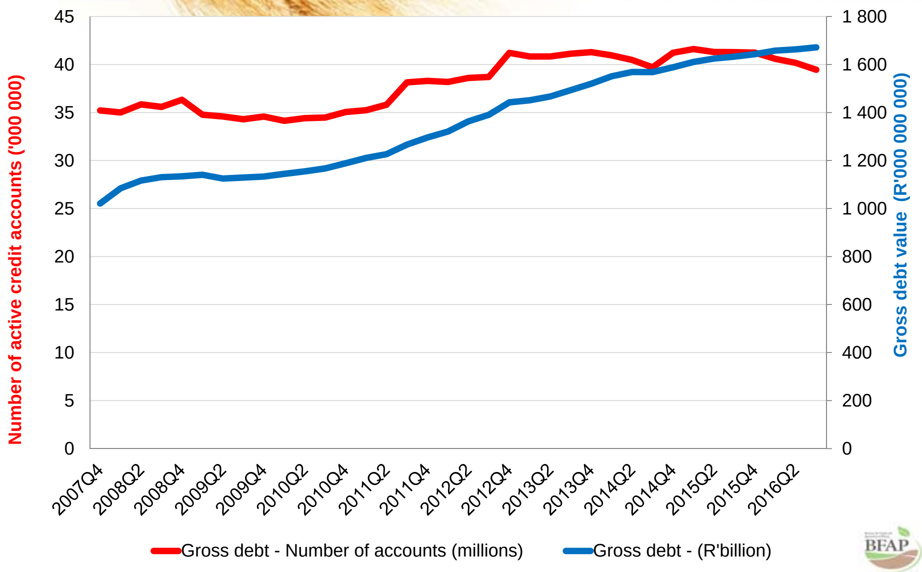
SA CONSUMER DYNAMICS CEREALS

Unemployment rate (StatsSA)



SA CONSUMER DYNAMICS: *DEBT* *(National Credit Regulator statistics)*

CEREALS



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FOOD EXPENDITURE OVERVIEW (StatsSA IES 2010/11)

CEREALS

	Poorest 30%	Lower middle-class	Upper middle-class	Wealthiest 20%
Est share of inc spent on food	37%	31%	22%	12%
Est contribution to total food exp	14%	25%	24%	37%
Est share of food exp allocated to grain foods	33%	30%	26%	17%
Est share of food exp allocated to prot foods	23%	25%	28%	31%
Est contribution to total exp on grain foods	18%	31%	25%	26%

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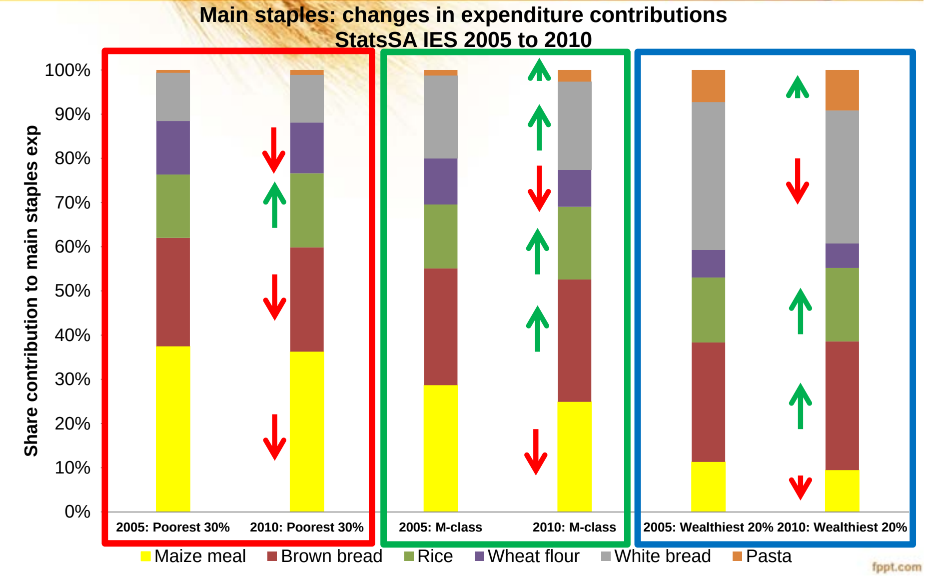
STAPLE FOOD EXPENDITURE DYNAMICS (StatsSA IES 2010/11)

BFAP

CEREALS



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DOMINANT STAPLE FOOD EXPENDITURE OVERVIEW (StatsSA IES 2010/11)

CEREALS

Marginalised (10% of population)	L mid-class (52% of population)	U mid-class (22% of population)	Wealthy (16% of population)
 (31%)	 (28%)	 (22%)	 (17%)
 (23%)	 (20%)	 (21%)	 (16%)
 (13%)	 (15%)	 (13%)	 (12%) (Various baked goods)
 (10%)	 (11%)	 (15%)	 (11%) (Breakfast cereals)

% in brackets: Share of grain food category expenditure

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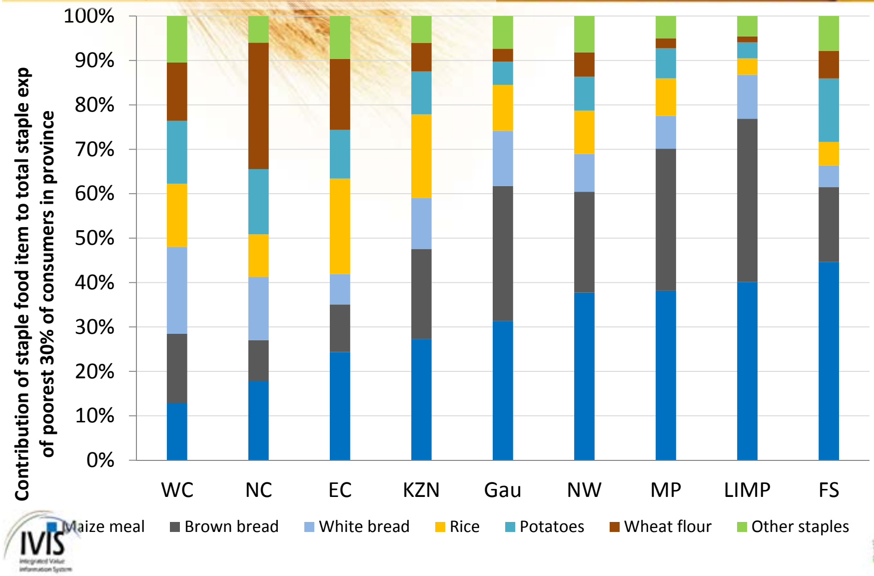
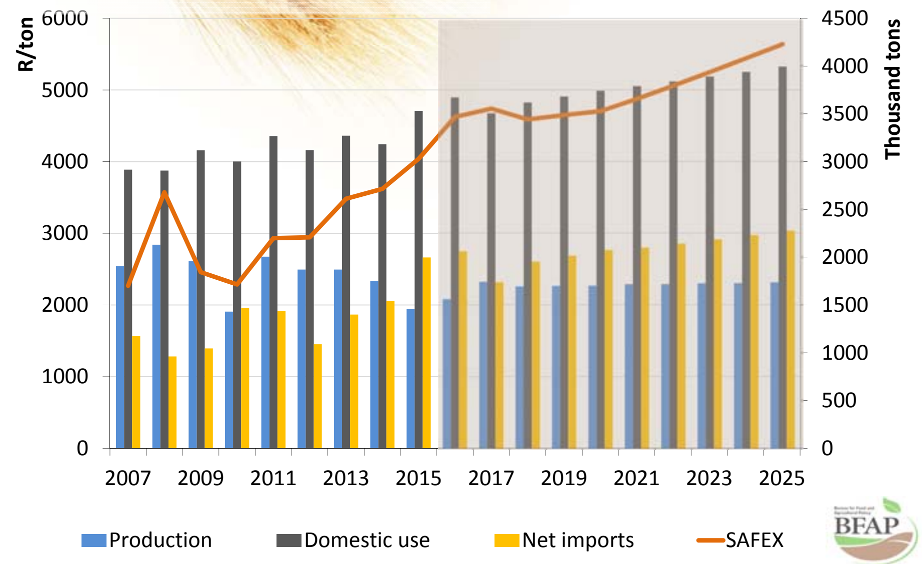
PROVINCIAL STAPLE FOOD EXPENDITURE OVERVIEW (StatsSA IES 2010/11)

CEREALS



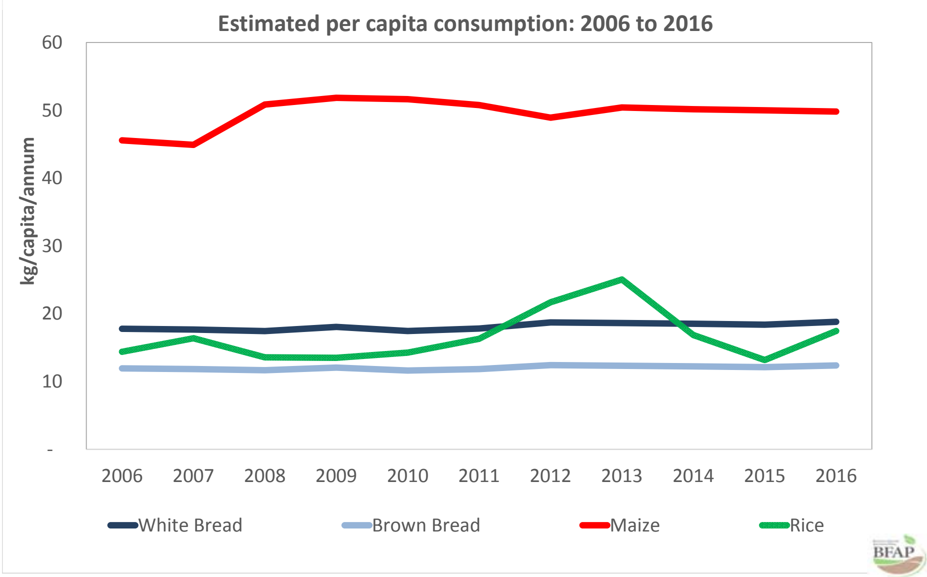
OVERVIEW OF SA WHEAT INDUSTRY

CEREALS



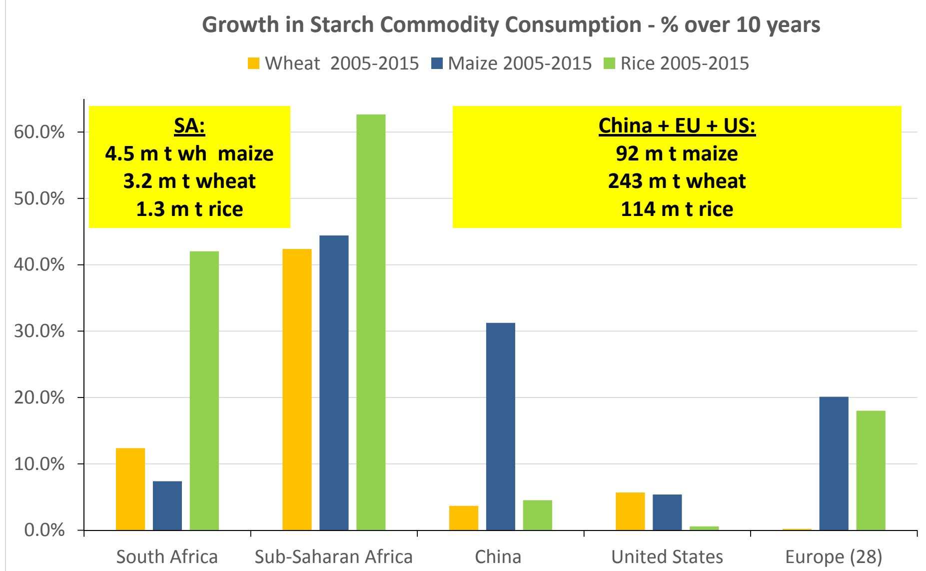
GRAIN CONSUMPTION OVER TIME (BFAP estimates)

CEREALS



INTERNATIONAL COMPARISON

CEREALS



CEREALS

But what about pasta?

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PASTA

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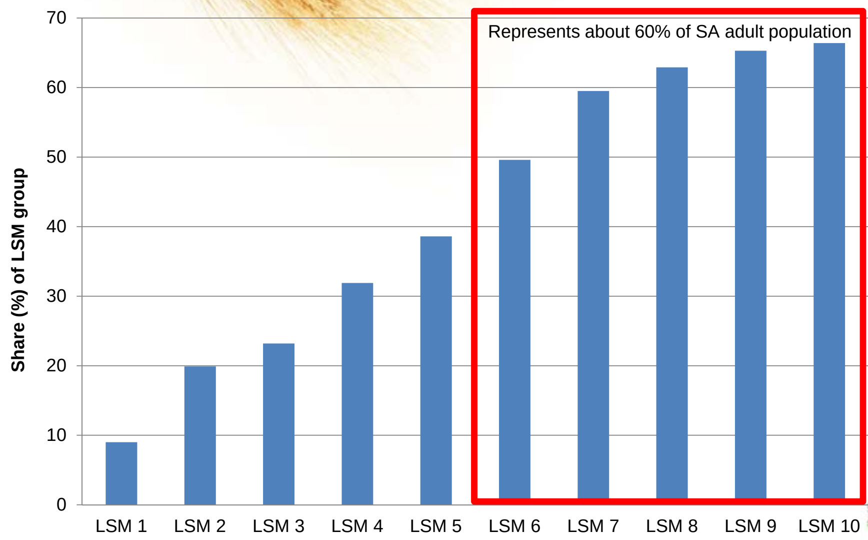
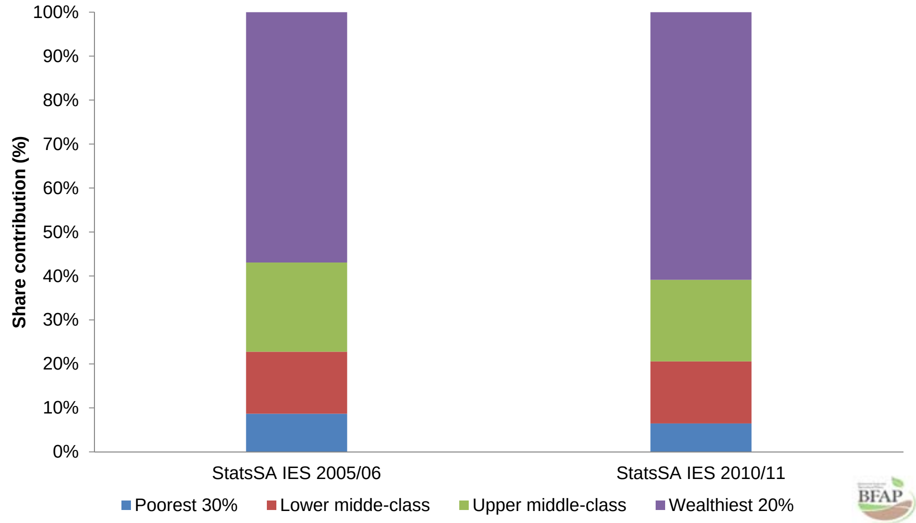
Share of LSM groups purchasing pasta for self/household *(AMPS 2012)*



PASTA

SA WHEAT INDUSTRY

Estimated contribution to total pasta expenditure



CEREALS

WHICH FACTORS INFLUENCE CONSUMERS' FOOD DECISION-MAKING?

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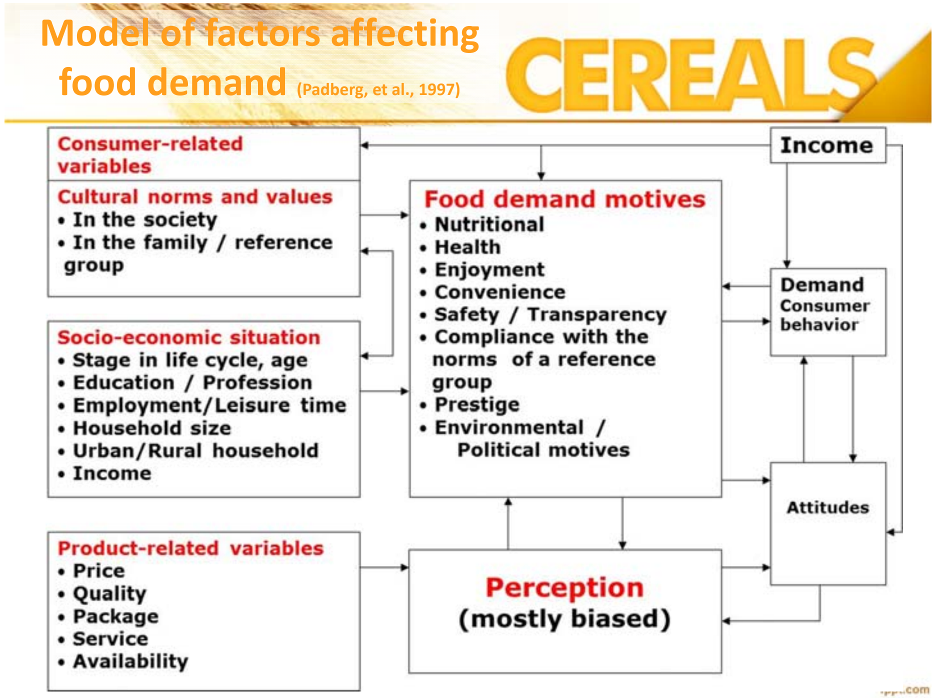
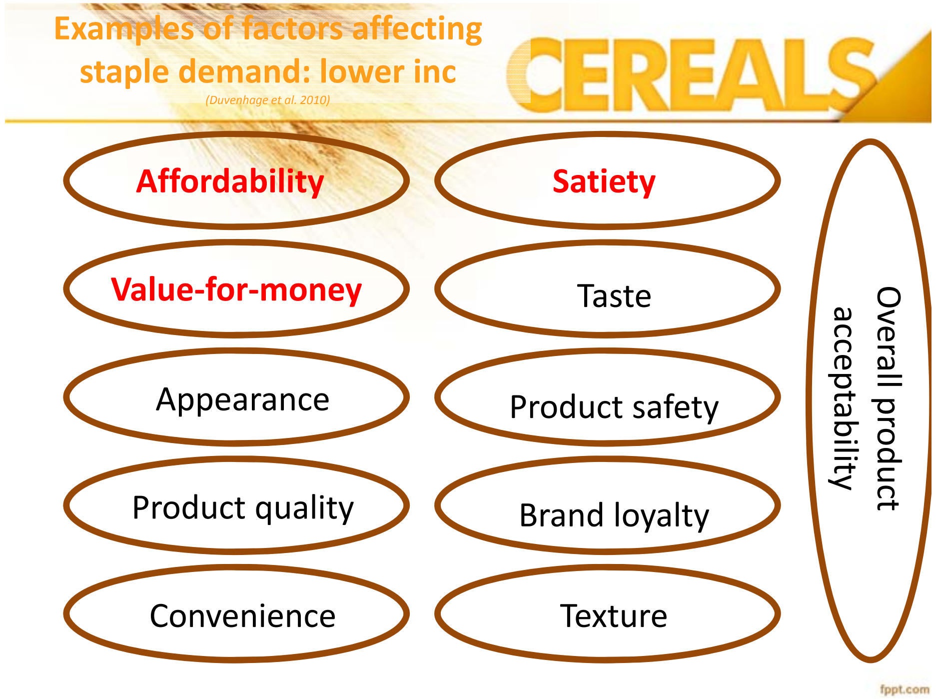


Model of factors affecting food demand (Padberg, et al., 1997)
CEREALS
Consumer-related variables
Income
Cultural norms and values
• In the society
• In the family / reference group
Food demand motives
• Nutritional
• Health
• Enjoyment
• Convenience
• Safety / Transparency
• Compliance with the norms of a reference group
• Prestige
• Environmental / Political motives
Demand
Consumer behavior
Socio-economic situation
• Stage in life cycle, age
• Education / Profession
• Employment/Leisure time
• Household size
• Urban/Rural household
• Income
Attitudes
Product-related variables
• Price
• Quality
• Package
• Service
• Availability
Perception
(mostly biased)



Examples of factors affecting staple demand: lower inc
(Duvenhage et al. 2010)
CEREALS
Affordability
Satiety
Value-for-money
Taste
Appearance
Product safety
Product quality
Brand loyalty
Convenience
Texture
Overall product acceptability
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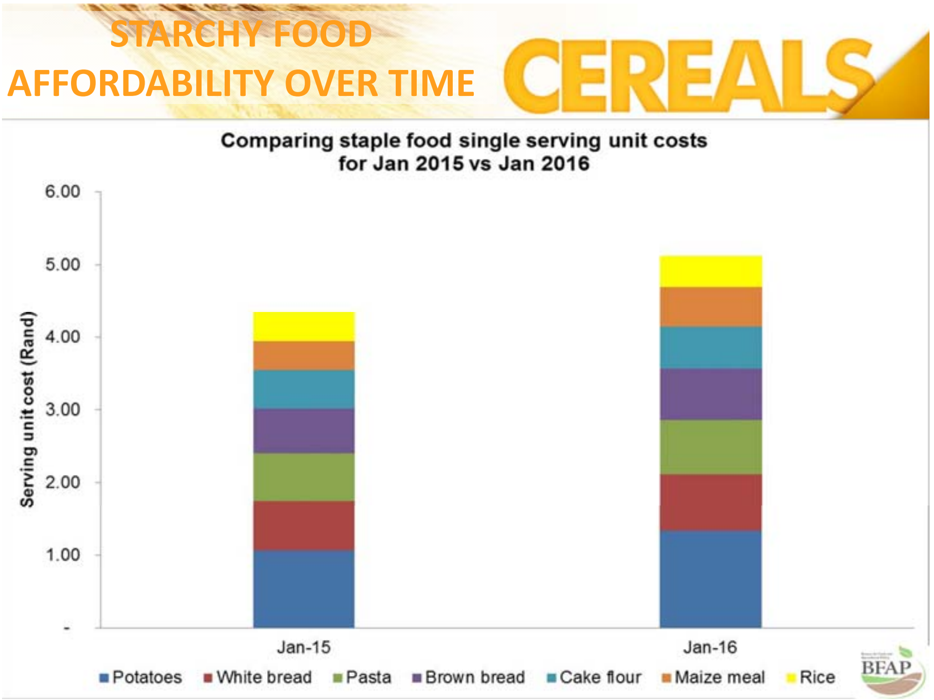

STARCHY FOOD AFFORDABILITY OVER TIME
CEREALS
Comparing staple food single serving unit costs for Jan 2015 vs Jan 2016
Serving unit cost (Rand)
6.00
5.00
4.00
3.00
2.00
1.00
-
Jan-15
Jan-16
Potatoes
White bread
Pasta
Brown bread
Cake flour
Maize meal
Rice
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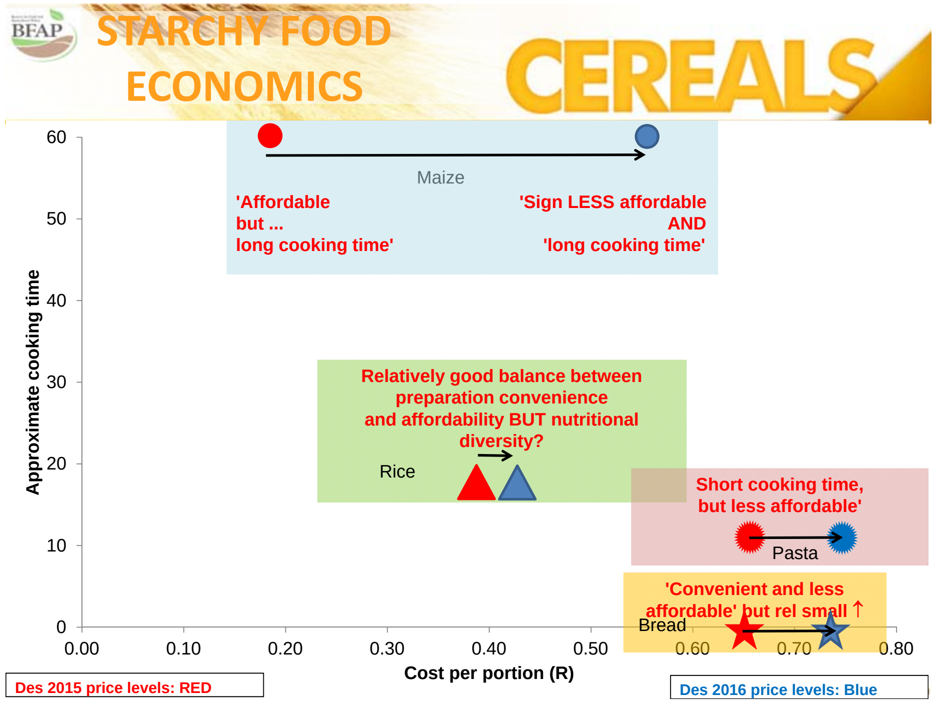

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STARCHY FOOD ECONOMICS
CEREALS
Maize
'Affordable but ... long cooking time'
'Sign LESS affordable AND 'long cooking time'
Relatively good balance between preparation convenience and affordability BUT nutritional diversity?
Rice
Short cooking time, but less affordable'
Pasta
'Convenient and less affordable' but rel small ↑
Bread
Approximate cooking time
60
50
40
30
20
10
0
0.00
0.10
0.20
0.30
0.40
0.50
0.60
0.70
0.80
Cost per portion (R)
Des 2015 price levels: RED
Des 2016 price levels: Blue

More than just a bread... CEREALS

Convenience…Sliced bread the norm

Health…

Indulgence…

**Opportunity:
Greater emphasis on the local origin of grain foods???**

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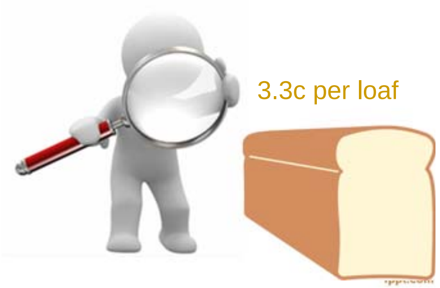
CEREALS

SOME THOUGHTS ON THE POTENTIAL IMPACT OF THE PROPOSED INSPECTION FEES…

R3/ton

3.3c per loaf



CEREALS

* Possible consumer impact:
  3.5c/loaf (+0.2% on 2016 price)

* Cost to industry: White bread
  R72.1 million (0.19% of est 2016 revenue)

* Cost to industry: Brown bread
  R38.1 million (0.21% of est 2016 revenue)

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