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The peanut butter market in South Africa

Between 20 000 and 25 000 tons of peanuts were used annually for the manufacturing of peanut butter between 2006 and 2013 in South Africa. This volume includes splits and 80/100s.

The peanut butter segment is an important one in the groundnut market of the country. The prospects for this market segment are promising.

Socio-economic factors

The demand for a product is influenced by the financial status of the consumer and the socio-economic factors in the country. The percentage of citizens who passed matric increased by 27% between 2010 and 2014 (Figure 1). The number of people with a monthly income of between R5 000 and R20 000 increased from 44 to 63% (Figure 2) between 2001 and 2015.

Figure 1: Education levels.

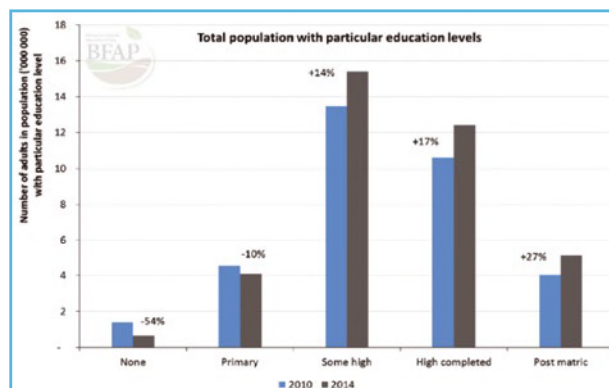
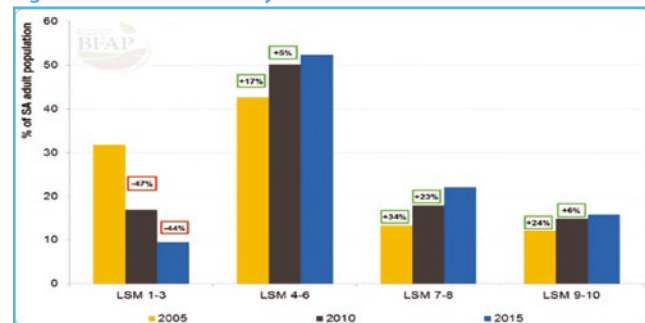


Figure 2: Household income. (Source BFAP)

Total population average monthly household income:	2009	2015
	Share of adult population:	
R1 - R799	5.7%	1.7%
R800 - R1 399	17.1%	5.4%
R1 400 - R2 499	14.6%	8.4%
R2 500 - R4 999	19.0%	21.2%
R5 000 - R7 999	13.8%	18.9%
R8 000 - R10 999	10.2%	12.0%
R11 000 - R19 999	10.3%	14.4%
R20 000+	9.3%	18.7%
	56%	37%
	44%	63%

The increase in household income and the decrease in unemployment from 41% in 2001 to 24% in 2015, equate to an increase in the number of people in the middle to upper classes as indicated in Figure 3.

Figure 3: LSM class mobility.



The upper middle and upper classes have steadily grown between 2005 and 2010 according to the information presented in Figure 3. This is significant because according to the information in Table 1, peanut butter forms part of the diet of the middle and upper classes.

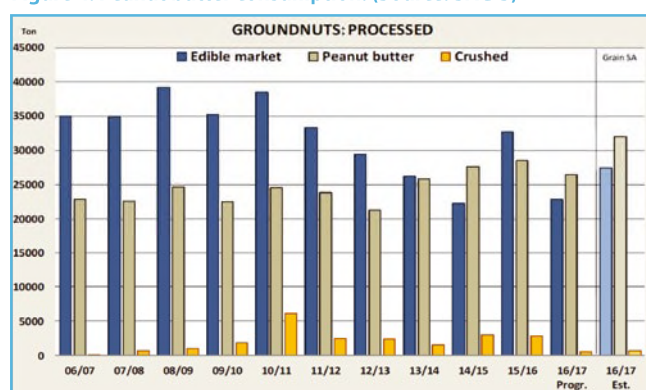


Table 1: Food choices. (Source: BFAP)

	Population	Poorest 30%	Lower middle class	Upper middle class	Wealthiest 20%
Animal protein foods (continued)	<ul style="list-style-type: none"> • Eggs • Canned pilchards • Polony • Fresh/frozen/chilled fish • Pork 	<ul style="list-style-type: none"> • Beef sausage • Polony 	<ul style="list-style-type: none"> • Canned pilchards • Polony • Mutton and lamb 	<ul style="list-style-type: none"> • Mutton and lamb • Canned pilchards • Polony • Fresh/frozen/chilled fish 	<ul style="list-style-type: none"> • Eggs • Pork • Fresh/frozen/chilled fish • Polony • Viennas • Canned pilchards
Fats, oils	<ul style="list-style-type: none"> • Edible oils (e.g. cooking oils) • Margarine • Peanut butter 	<ul style="list-style-type: none"> • Edible oils (e.g. cooking oils) • Margarine 	<ul style="list-style-type: none"> • Edible oils (e.g. cooking oils) • Margarine 	<ul style="list-style-type: none"> • Edible oils (e.g. cooking oils) • Margarine • Peanut butter 	<ul style="list-style-type: none"> • Edible oils (e.g. cooking oils) • Margarine • Peanut butter • Butter

Peanut butter is included in the diets of the upper middle and upper classes. An increase in the number of people in the middle class, can equate to an increase in peanut butter consumption. Local peanut butter consumption over a twelve-year period is indicated in Figure 4.

Figure 4: Peanut butter consumption. (Source: SAGIS)



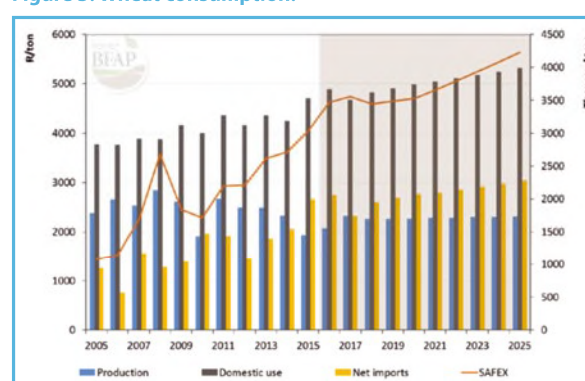
Health and markets

More than 25 000 tons of groundnuts were used for the manufacturing of peanut butter in 2013. It is projected that more than 30 000 tons of groundnuts will be used for peanut butter in 2017.

Groundnut consumption is supported by the socio-economic factors as discussed above and by a focus on a healthy diet. According to *Men's Health* magazine, groundnuts are a good source of protein. The vitamin E helps to protect cells and the magnesium (Mg) in groundnuts assists with metabolic activity.

Peanut butter consumption is also influenced by wheat consumption. Local wheat consumption is indicated in Figure 5. The information indicates a steady growth in wheat consumption due to the growing middle class in South Africa.

Figure 5: Wheat consumption.



Groundnut consumption is also influenced by the price of groundnuts, and normal levels of supply and demand will influence the price. Price movements since 2000 are indicated in Figure 6.

Figure 6: Groundnut prices.



International groundnut prices increased during 2016, as a result of the rain during harvesting in Argentina and the higher demand from China. The possibility exists that prices will decrease if the demand and supply situation returns to normal levels. Lower prices can support the demand for groundnuts and peanut butter.

Conclusion

Growth in the middle and upper classes in South Africa and higher household incomes over the past few years have boosted the peanut butter market in the country. The peanut market has grown by approximately 14% since 2010. Socio-economic factors and the international prices will influence growth in the peanut market in the future.

The percentage of local groundnuts used for peanut butter manufacturing increased from 41% between 2011 and 2013 to 51% between 2014 and 2016, compared to 60% in the United States (US).