

Instant coffee still South Africa's favourite

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The latest findings from BMi Research's March 2023 coffee report show that the coffee industry has continued to perform positively since 2020, when volumes dropped due to the lockdowns meant to curb the spread of Covid-19.



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The report profiles research that was conducted by BMi Research between January and December 2022, ahead of the final field work and report compilation in March 2023.

Although the category experienced volume growth from 2021 to 2022, the report reveals that overall category volume has not reached the volume achieved in 2019.

Instant coffee is the star of the category, with year-on-year growth that has not been affected by lockdowns. Ground coffee, which is mainly sold to restaurants, has not recovered yet. Sales of ground coffee at retail outlets has remained under pressure, as consumers have opted for lower priced instant coffee alternatives.

Instant coffee is predominantly used at home or in offices as it can be prepared without specialised equipment, like coffee machines or pots. During the various lockdowns and in the months following those periods, South Africans were working from home more and going out less. This translated into greater volumes of instant coffee being consumed. Preparing a cup of coffee at home is also much cheaper than purchasing a cup of coffee for many cash-strapped South Africans.

There has been an increase in imported instant coffee brands being sold in South Africa. These brands are generally sold at a lower price when compared to local brands and are starting to impact the category shares of local players.



What's brewing? The current state of SA's coffee industry

Khathu Musingadi, BMi Research 13 Dec 2022



This trend is expected to continue in the short term, as food and beverage inflation reaches its highest level in decades. Consumers are struggling to make ends meet due to shrinking disposable income and a rise in inflation locally and globally, prioritising staple food over luxury goods – the category into which coffee falls. Price is a significant determinant factor when consumers purchase coffee.

Specialty coffee has seen a minimal increase since 2021, driven by ready-to-drink (canned or iced) coffee. Premix coffee, which was the fastest growing segment before the pandemic, has experienced minimal recovery. This product is seen as a treat and purchased mostly when discounted or on promotion. It is also commonly used in the office, as it provides one serving per sachet. However, this is also seen as one of the most expensive 'cup per serving' products on the market.

The coffee industry is expected to continue with its recovery trajectory, although at a lower rate than previously expected as a result of changing consumer behaviour and restrictive economic conditions.

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