



**The Regulatory and Other
Challenges Facing the Baking
Industry Today**

Geoff Penny SACB

SA WHEAT INDUSTRY

Baking Industry Structure

- 1. Plant bakers (wholesale) (vertically integrated) ****
- 2. Plant bakers (independent) (non-vertically integrated)****
- 3. In-store (retail) ****
- 3. Craft and speciality/niche bakers**
- 4. Biscuits, Pies and Other wheaten product bakers**
- 5. Emerging and Informal bakers**

**** use approx. 80% of flour produced in SA**

Baking Industry Structure (cont.)

1. Plant bakers (wholesale)

- Albany, Sunbake, Blue Ribbon, Sasko, VKB, Godrich

Note: Above companies are part of larger groups that own flour mills = vertical integration

2. Plant bakers (independent)

- Sunshine, Globakeries

3. In-store (retail)

- SPAR, Pick n Pay, Shoprite-Checkers, Woolworths

4. Craft and specialist/niche bakers

- Lupo, La Petit Pain, Concordia, Famous Brands, Eastbalt

5. Biscuits, pies, frozen and other product bakers

- Bakers, Mama's, Goosebumps, Nibbly Bits

6. Emerging and Informal bakers

- Mama Mimi's, BreadREV, BICSA, Jhb Metro (mango bread!)

Recent Milestones and Significant Bread Industry Events

- **Demise of control boards including the Wheat Board (early-1990s)**
- **Deregulation of the baking industry resulting in large scale rationalization and plant bakery closures (1990s)**
- **Corporate activity and bakery acquisitions by the major food groups, including expansion into Africa**
- **Sliced and bagged bread and “introduction” of 700 gram loaf (late 1990s)**
- **Competition Commission investigation into price fixing and cartels in the bread industry (2008 onwards)**

REGULATIONS AFFECTING THE BREAD INDUSTRY

Current Regulations

- **Trade Metrology Act (Act 77 of 1973)**
- **Agricultural Product Standards Act (Act 119 of 1990)**
- **Foodstuffs, Cosmetics and Disinfectants Act (Act 54 of 1972)**
 - R.2147 of 1987 Additives**
 - R.146 of 2010 Labelling & advertising**
 - R.504 of 2003 Fortification**
 - R.2527 of 1987 Emulsifiers, stabilisers & thickeners**
 - R.214 of 2013 Sodium reduction**
- **Compulsory Standards under SANS as published by the SABS (SANS 289 & 458)**

REGULATIONS AFFECTING THE BREAD INDUSTRY

Regulations under review and new legislation not yet implemented:

- **R.419 & R.146 Labelling & advertising**
- **R.214 Sodium reduction (comments closed 06.12.2016)**
- **R.504 Fortification in draft form**
- **Assigned Inspection Services (LEAF) per APS Act Section 2(3) (a) of 119 of 1990 and notice 345 of 2016**
- **Plant Improvement Act – cultivar list ex APS Act**

CHALLENGES FACING THE BAKING INDUSTRY

- **REGULATORY**
- **OTHER**

CHALLENGES FACING THE BAKING INDUSTRY

“REGULATORY”

- **Assigned Inspection Services (LEAF)**
- **Cultivar list to the PIA**
- **Ineffectiveness of monitoring e.g. EHPs (municipalities), NRCS (SABS)**
- **Non-compliance by smaller operators e.g. labelling, fortification, sodium**
- **Prosecutions?**

CHALLENGES FACING THE BAKING INDUSTRY

“OTHER”

- 1. Wheat industry unity to support industry revival initiatives**
- 2. Socio-economic issues (unemployment, food insecurity, affordability of bread)**
- 3. Currency weakness/exchange rate volatility and its effect on wheat prices, flour, ingredients and ultimately bread**
- 4. Affordability of bread and down-scaling (600 gram the future “standard” loaf?) and consequent upstream effects on the value chain**
- 5. Crime and loss of life – bakeries are soft targets**
- 6. Industry attractiveness and retention of skilled personnel**
- 7. Competition Commission investigation carryover**

SA WHEAT INDUSTRY

CHALLENGES OTHER (continued)

8. Organized labour (COSATU) action over bread prices

9. Uninformed or under-informed media

10. Fads and diets e.g. Banting, affects sales to upper LSM groups

11. Legislation and pending legislation, and the time taken to finalize such legislation can restrict innovation in the industry

**** Department of Health is to be commended on its interaction with the milling and baking industries in respect of legislative changes, e.g. fortification*

12. “Arab Spring” issues

13. Leading Company Views

ARAB SPRING

The ten most important conditions that prevailed in Tunisia and Egypt prior to the “Arab Spring” uprising are listed below. Please consider whether these prevail in our own society in SA today and the link between bread, hunger and these ten conditions.

1. Unemployment and low living standards *
2. Ruling elite’s incompetence
3. Corruption leading to economic hardship, including crony capitalism, which benefitted a small minority *
4. Bankrupt dictatorships
5. National appeal of the “Arab Spring” which united people across various spectrums and groupings. (Here think of the #FeesMustFall social media movement) *

ARAB SPRING CONDITIONS (continued)

6. Leaderless and spontaneous revolt for which security forces were totally unprepared
7. Social media created powerful anonymous groups e.g. Facebook attracted tens of thousands of people *
8. Rallying call from gatherings at seemingly peaceful points e.g. mosques
9. Bungled state responses
10. Every funeral brought more people onto the streets

**BREAD ON THE TABLE = FOOD IN THE HOUSE
THE BAKING INDUSTRY IS AT THE INTERFACE WITH
CONSUMERS AND CITIZENS**



SA WHEAT INDUSTRY

CHALLENGES AS VIEWED BY A LEADING BAKING COMPANY “REGULATORY”

The Department of Health has embarked on a drive towards healthier foodstuffs, which in itself is not a negative objective but carries direct consequences for the bakery industry. The challenge to the industry will be in terms of product re-innovation to meet the expectations of the DOH. While the DOH has had consultative meetings, briefs and debates with the food industry over healthier food options, they have also indicated their intention for tighter regulatory control. The industry has long been awaiting the new labelling regulations which could be highly restrictive in terms of health claims and other marketing activities. This could directly impact the bread industry if bread is deemed an “unhealthy” foodstuff by the DOH.

The Department of Agriculture, Forestry and Fisheries (DAFF) has also indicated its intention to implement tighter regulatory control with the introduction of DAFF assignees to inspect and regulate the industry which will have direct cost implications for the industry.

The outstanding problem of the wheat cultivar list with no current legislative home presents a possible and direct negative impact on quality going forward.

The numerous pieces of legislation which have been published (by both DAFF and DOH) and the pending legislation which still needs to be published (fortification, labelling, etc.) puts a burden on the industry in terms of innovation costs, packaging design and printing costs.



SA WHEAT INDUSTRY

CHALLENGES AS VIEWED BY A LEADING BAKING COMPANY

“OTHER CHALLENGES”

The perceived negative attitude towards bread as being unhealthy and the growing trend towards gluten free, “low carb, high fat” and ketogenic diets. Although this seems to be restricted to the higher LSM groups the challenge for the industry will be to turn this negative perception and re-educate people as to the benefits of eating baked goods.

The wheat value chain stakeholders are coming across as fragmented and indecisive amongst themselves which runs the risk of the industry being discredited and disrespected as a whole with other major stakeholders like the consumer groups and most importantly the various government bodies. While we (and the baking industry) encourage good and honest competition between the various role players, the industry as a whole, from the farmer to the baker, needs to present a united front on important matters otherwise face the risk of becoming irrelevant in major decision making events.

The revitalisation of the wheat industry is heavily weighted in favour of the producer (farmers) and should be more fairly balanced in terms of the end users (baker and consumer). This would create a pull through effect in the value chain instead of a push through strategy.



SA WHEAT INDUSTRY

CHALLENGES FACING THE BAKING INDUSTRY

Key macro issues needing urgent industry and/or government action:

Affordability of bread & “consumer” food security

Industry unity – “what is good for the industry is good for our sector”

Government understanding and support of the staple food industry, in particular, “bread”



SA WHEAT INDUSTRY

THE OPPORTUNITY

**Produce more wheat ... there is a 1.5 million
ton market waiting!**

SA WHEAT INDUSTRY



Let there be work, bread, water and salt for all.

(Nelson Mandela)

izquotes.com

SA WHEAT INDUSTRY

Thank you

