

Nestlé looks to Africa for growth boost

By [Annaleigh Vallie](#)

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Global food producer Nestlé is hoping emerging markets will contribute about 50% of sales by 2020, with Africa's contribution growing more than 10%, CEO Paul Bulcke said yesterday, 6 August 2012.

Emerging markets currently make up about 40% of sales, with Africa contributing about 5%.

Consumer goods companies are increasingly seeking to tap into the growing African market of 1-billion people.

"We have been present on the African continent for more than a hundred years, and we see great growth opportunities for the future," Bulcke said, adding that the company had spent about Sf1bn (1,03bn) over the past two years in SA and Africa.

Bulcke was speaking at the opening of Nestlé SA's new factory in Babelegi, north of Pretoria. The Swiss food group has invested about R500m in constructing a new 16,000m² factory to produce its Cheerio and Milo cereals in SA for the first time, and has added new production lines to manufacture Maggi Noodles.

The company also spent R47m to expand the capacity of its creamers factory, and expanded one of its distribution centres to cope with the rising demand for its product range.

"With about 50-million people - and a middle and lower-middle class with growing purchasing power - we see ... great growth opportunities for Nestlé in SA.

"That is why we have invested, and continue to invest, heavily in this country," Bulcke said.

From last year until 2014, for example, Nestlé SA's average capital expenditure was R400m a year, he said.

Nestlé's new move to the local production of cereal would be watched closely by competitor Pioneer Foods, which also produces cereals, analysts have said.

However, US brand Kellogg's is market leader in the breakfast cereal market in SA.

Nestlé's Babelegi investment created more than 130 permanent jobs and 300 indirect jobs over a 20-month period during the construction phase, the company said. The company believes local businesses will benefit from the new factory as raw and packaging materials required for the manufacturing of its products will be sourced locally, creating a market for local

business and farmers.

Trade and Industry Minister Rob Davies, who attended the opening, said Africa was the next global growth frontier. "The world is changing. Africa will play a significant role in food security around the world."

The number of African households with an income above 5,000, at which point people spend roughly half their income on food, is likely to surge from 59-million, or 35%, in 2000, to 128-million, or 52%, by 2020, a recent report by McKinsey's research arm shows.

Source: *Business Day*

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