

# LACTO DATA

**VOL 17 NO 2 • NOVEMBER 2014**

## Statistics

A Milk SA publication compiled by the Milk Producers' Organisation



MELK SUID-AFRIKA/MILK SOUTH AFRICA



MELKPRODUSENTE-ORGANISASIE  
MILK PRODUCERS' ORGANISATION



MELK SUID-AFRIKA/MILK SOUTH AFRICA



## MILK SOUTH AFRICA IS THE INSTRUMENT THROUGH WHICH ITS MEMBERS, THE MPO AND SAMPRO, DEAL WITH COMMON CHALLENGES.

### VISION

To promote a healthy South African dairy community.

### MISSION

- To promote the image and consumption of South African dairy products among consumers and the broader population.
- To develop the dairy industry through rendering value-added services to industry participants, consumers and the broader South African population.

### STRATEGIC DIRECTION

- Broaden the market for milk and other dairy products.
- Improve the international competitiveness of the dairy industry.
- Empower previously disadvantaged individuals.

### STRATEGIC OBJECTIVES

The strategic direction of Milk SA resulted in strategies that are financed by the levies implemented in terms of regulations promulgated in terms of the Marketing of Agricultural Products Act, as well as other strategies that are not financed from levy income, which include:

- Consumer education.
- Improvement of the quality of milk and other dairy products.
- Empowerment of previously disadvantaged individuals through actions that improve knowledge and skills.
- Promotion/facilitation of research and development.
- Collection and publication of industry information.
- Promotion of South Africa's trade dispensation regarding milk and other dairy products.
- Constructive cooperation with the industry role players and government.

## Milk SA foreword

**The purpose of this publication is to make information available regarding the structure and performance of the dairy industry, with a view to promote the optimal development of the industry to the benefit of the South African dairy industry and consumers.**

Milk SA is proud to present this publication, which was made possible through the contributions of especially the persons or entities sharing their information via the statutory regulations, the SA Milk Processors' Organisation (SAMPRO), the Milk Producers' Organisation (MPO) and the Milk SA Advisory Committee. A special word of thanks to the MPO for the compilation of the information contained in *Lacto Data*.

## Executive summary

**After reaching a record high in February 2014, the FAO price index of dairy products in the international market decreased by 26,9% to August 2014.**

In South Africa, milk production increased from 2012 to 2013 by 2,2%. Production during the first nine months of 2014 was marginally above production during the same period last year. Imports during the first six months of 2014 were 3,9% higher than during the same period last year, while exports decreased by 7,3%. Retail sales of dairy products, with the exception of fresh and flavoured milk and cream cheese, increased in the 12 months to June 2014, compared to the previous 12 months.

*Lacto Data* is also available on [www.milk.co.za](http://www.milk.co.za) and [www.dairyconnect.co.za](http://www.dairyconnect.co.za)

## Contents

	Page		Page
<b>Executive summary</b>	03	<b>South African primary dairy sector</b>	18
<b>World economic situation</b>	04	<b>South African secondary dairy sector</b>	23
<b>World dairy situation</b>	06	<b>Dairy price trends</b>	27
<b>International primary sector</b>	13	<b>South African dairy market</b>	31

Compiled by Dr Koos Coetzee for Milk SA

Milk Producers' Organisation

PO Box 1284 | Pretoria | 0001 | Tel + 27 (0)12 843 5600 | Fax + 27 (0)12 804 4811

Design and Layout by Agri Connect

**This is a publication of Milk SA**

Lactodata is compiled from sources that are deemed to be reliable. However, the publisher accepts no responsibility for any errors or the effect of any decisions based on this publication.

# World economic situation

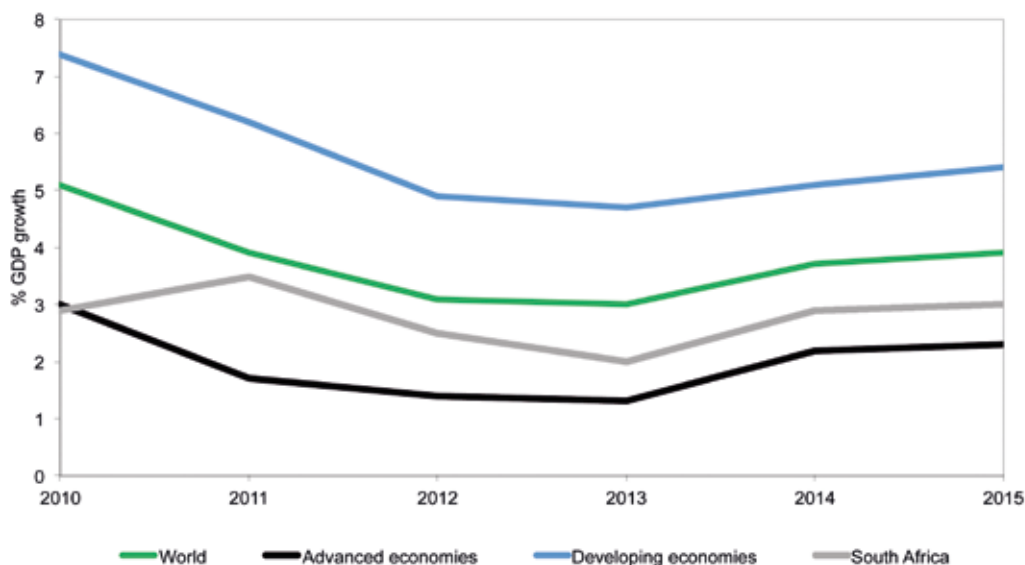
## Global economic growth

Global economic growth strengthened during the second half of 2013. The International Monetary Fund (IMF) expects further improvement in 2014/15, largely on account of recovery in the advanced economies. Global growth is now projected to be slightly lower in 2014, at around 3,4%, rising to 4,0% in 2015. However, there are still downside risks present in some economies. In the developed world, the gap between actual and potential production remains large and necessitates an accommodating monetary policy from

governments. Downward revisions to growth forecasts in some economies highlight continued fragilities, and downside risks remain. In advanced economies, output gaps generally remain large and, given the risks, the monetary policy stance should stay accommodative while fiscal consolidation continues. In many emerging markets and developing economies, stronger external demand from advanced economies will lift growth, although domestic weaknesses remain a concern.

“ Global growth is now projected to be slightly lower in 2014, at around 3,4%, rising to 4,0% in 2015. ”

**Figure 1: International economic growth and expected growth, 2010 – 2015.**



Source: IMF, 2014

“ After a period of adjustment, global food prices increased again to new record levels in February 2014. ”

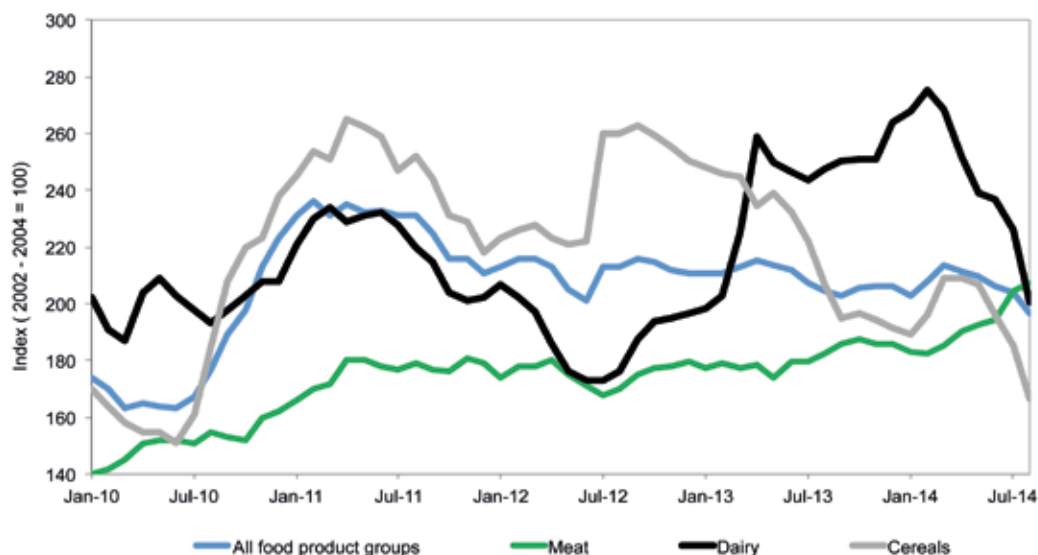
## Global food prices

International food prices have decreased from record levels in 2008 to bottom out in 2009. Prices peaked in 2011, but have moved erratically ever since. However, all food products did not react in the same way. After reaching a record high in February 2014, the FAO price index of dairy products in the international market decreased by 26,9% to August 2014. The Food and Agricultural Organisation (FAO)'s food price indices for food, meat, dairy products and cereals are shown in Figure 2.

## Food price outlook

Recently published baseline studies show moderate growth in food prices in the period to 2023. Both the Food and Agricultural Products Institute (Fapri) and the US Department of Agriculture (USDA) predict a slow and moderate increase in food prices in the next decade. While livestock product prices are expected to increase, in the short term, grain prices will decrease as good crops push prices down to export parity levels. A more favourable outlook is provided for livestock farmers than for grain producers.

**Figure 2: FAO food price indices of internationally traded product groups, 2010 – 2014.**



Source: FAO Food price index, 2014

“ Cow’s milk production remains the most important part of total milk production and comprises 83% of the total global milk production.”

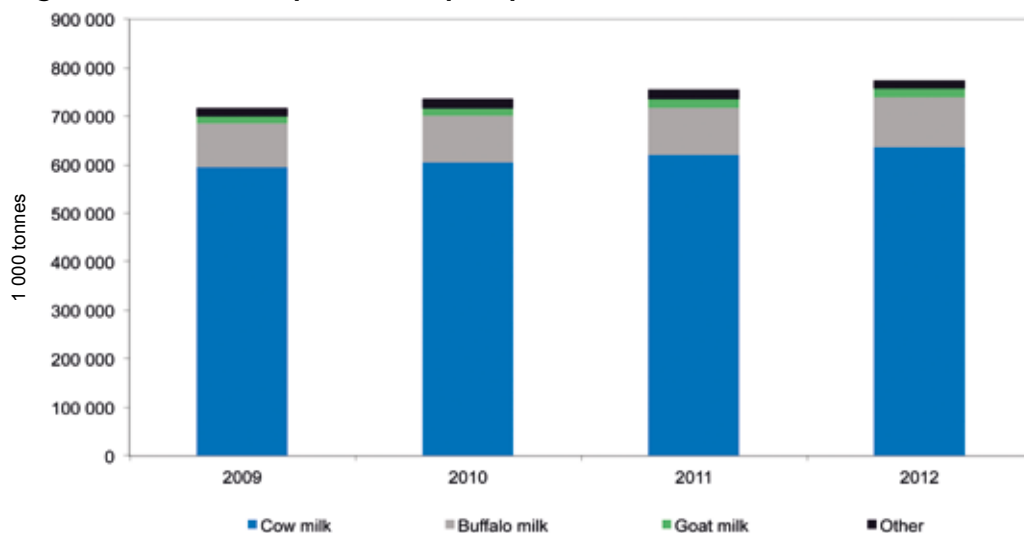
## World dairy situation

### World milk production

World cow milk production has increased by 2,1% in 2012, down from the 2011 growth of 2,5%. Lower prices and less favourable production conditions resulted in a slowdown in production growth since the second half of 2012. A devastating drought in New Zealand at the beginning of 2013 and a slow start to the 2013 European production season

resulted in a decrease in production growth in the first half of 2013. Milk production has increased since 2013 as a result of higher milk prices and more favourable production conditions. Cow’s milk production remains the most important part of total milk production and comprises 83% of the total global milk production. Global milk production per species is shown in Figure 3.

**Figure 3: Global milk production per species, 2009 – 2012.**



Source: IDF Bull 470/2013

Asia produces the most raw milk internationally, followed by the European Union (EU-27) and North and Central America. The geographical distribution of milk production is shown in Figure 4.

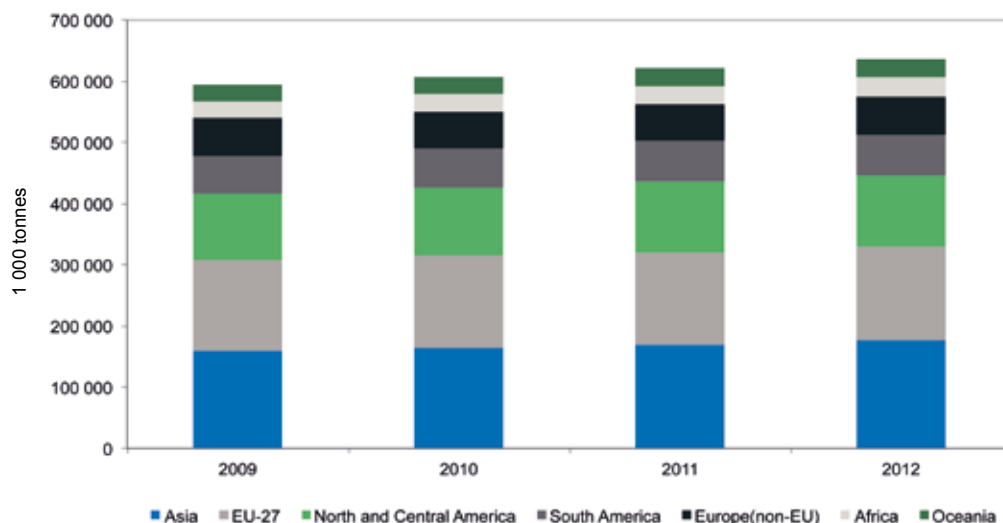
Milk production growth during 2014 in major exporting countries was generally higher than during 2013. Total production growth for the first part of 2014 in major dairy trading countries is shown in Table 1.

**Table 1: Milk production growth: 2014 compared to 2013, selected countries.**

Country	Period	% Growth 2014/2013
Australia	Jan - Jul	+4,2%
European Union	Jan - Jul	+5,0%
New Zealand	Jan - Jun	+16,3%
United States	Jan - Jul	+1,7%

Source: CNIEL, 2014

**Figure 4: Cow's milk production per region, 2009 – 2012.**



Source: IDF Bull 470/2013

“ Total global butter production is estimated at 10 million tonnes. Output increased by 3,3% during 2012. Global cheese production equals 20 million tonnes. Of this, more than 80% is manufactured from cow's milk. Europe and the USA dominate more than 70% of the global natural cheese market. ”

In spite of reasonable production growth in the first half of 2012, production conditions deteriorated during the second half and resulted in weak growth during the second half of the year. This trend continued to mid-2013. Substantially higher international producer prices and lower grain prices, as well as more favourable climatic conditions since then have resulted in an increase in production in 2014. Total production during 2014 was higher than during 2013.

### Production of dairy products

Milk deliveries to dairy processors increased by 1,8% during 2012, compared to average growth of 1,9% during the last decade. In 2012, milk deliveries increased in New Zealand (8,5%), the US (2,1%), Turkey (12,2%) and the EU (0,6%). Several countries such as Australia (-3,0%) delivered less milk.

While production of all dairy products has increased, the highest growth was recorded for butter, cheese and milk powder. World liquid milk production increased in 2012. High growth rates were recorded in China, while production decreased in Mexico and the EU. Fermented products continued to grow at high rates.

Total global butter production is estimated at 10 million tonnes. Output increased by 3,3% during 2012. Global cheese production equals 20 million tonnes. Of this, more than 80% is manufactured from cow's milk. Europe and the USA dominate more than 70% of the global natural cheese market.

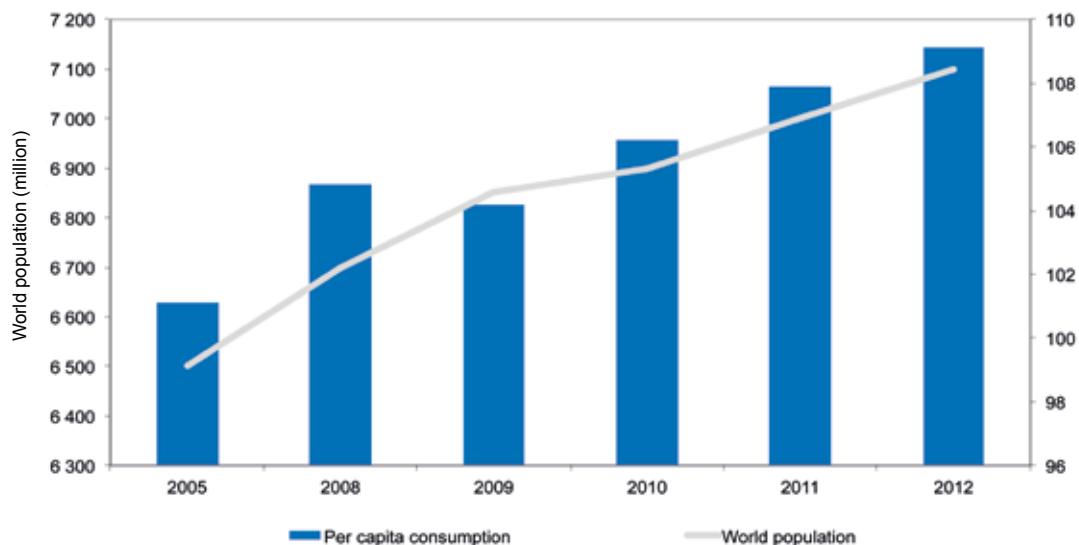
World milk powder production is estimated at 8,5 million tonnes, about evenly distributed between full-cream and skimmed milk powder. Argentina, China and New Zealand increased their production of full-cream milk powder (FMP) in 2012. European FMP production continues to decrease. Firm demand resulted in growth of skimmed milk production.

### Consumption of dairy products

Dairy consumption is driven by global population growth and growth in per capita consumption. World population and per capita consumption of dairy products are shown in Figure 5. Recent analysis by the International Farm Comparison Network (IFCN) indicates that global dairy demand will grow by 20 million tonnes per year, 8 million tonnes as result of population growth and 12 million tonnes resulting from increased per capita consumption. Actual and estimated dairy demand growth is shown in Figure 6.

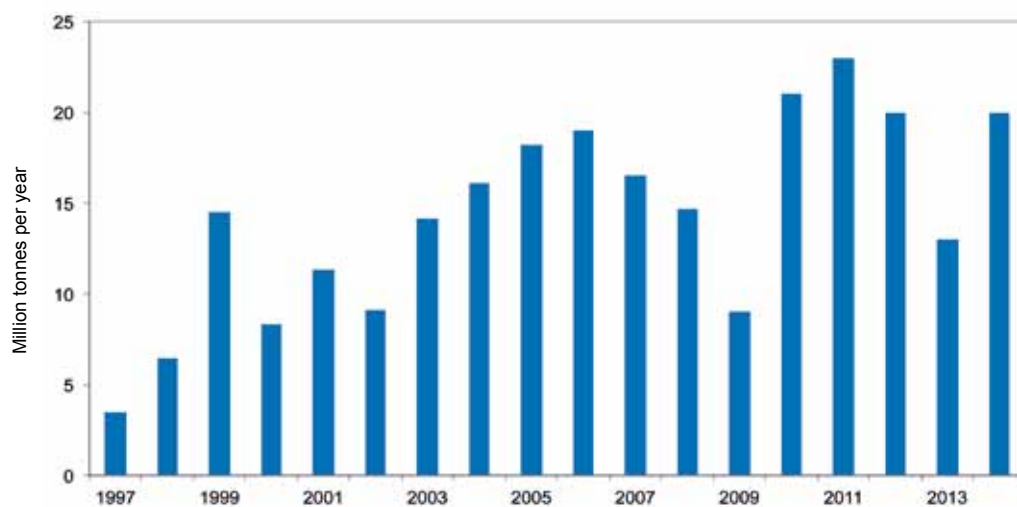


**Figure 5: World population and per capita consumption of dairy products, 2005, 2008 – 2012.**



Source: IDF Bull 470/2013

**Figure 6: Annual increase in dairy demand, 1997 – 2014\*.**



Source: IFCN Conference, 2014

\* 2014 IFCN projection

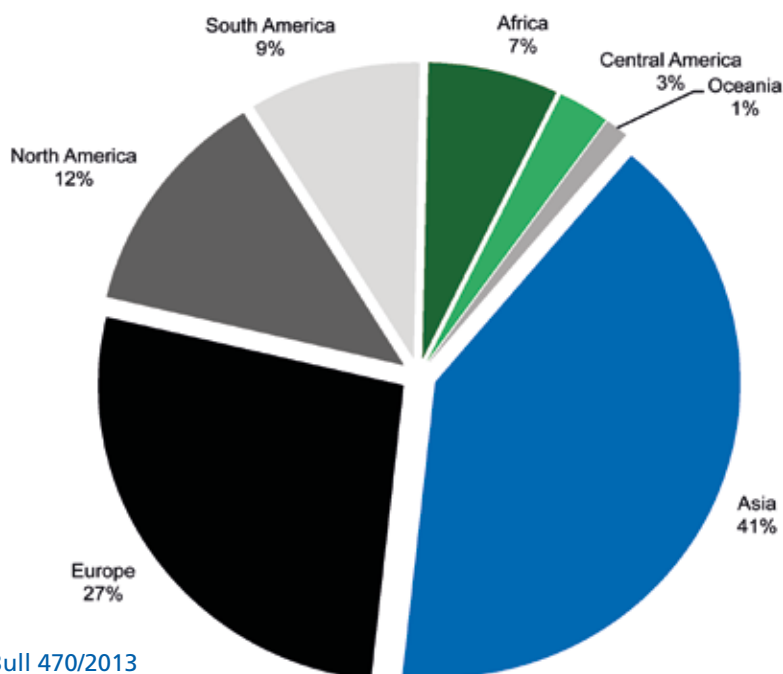
“ Cheese consumption largely follows the same pattern as butter, with high consumption in Western Europe and low consumption in Africa and Asia. ”

Consumption of individual products varies greatly between countries. Liquid milk consumption is high in Europe and Oceania and low in Asia and Africa. Northern European countries have the largest per capita consumption of liquid milk. Butter consumption is high in European countries and low in Asia and Africa. France has the highest

butter consumption at 7,5 kg per capita per year. Cheese consumption largely follows the same pattern as butter, with high consumption in Western Europe and low consumption in Africa and Asia.

The regional distribution of total dairy consumption is shown in Figure 7. Asia accounts for 41% of total dairy demand.

**Figure 7: Regional distribution of total demand for dairy products, 2012.**



Source: IDF Bull 470/2013

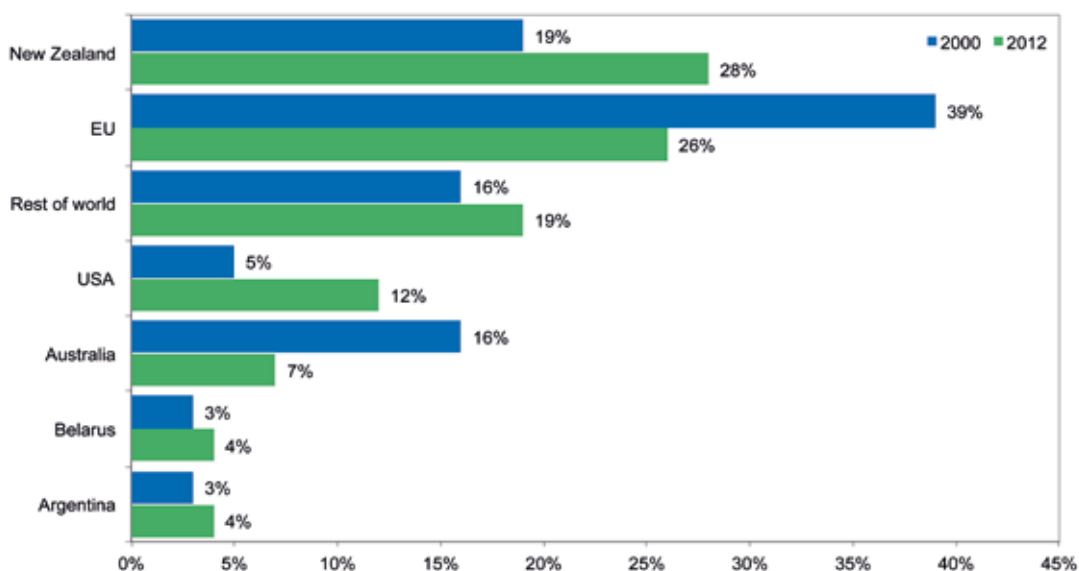
“ Only about 62 million tonnes or 8% of total world production is traded internationally, excluding intra-EU trade.”

### International dairy trade

Only about 62 million tonnes or 8% of total world production is traded internationally, excluding intra-EU trade. Dairy trade volumes increased by 8% between 2011 and 2012. Solid economic development in various areas resulted in increased demand. The share of key exporting countries in the total global dairy trade is shown

in Figure 8. New Zealand and the European Union are the main exporters of dairy products. New Zealand's share of total exports increased while the EU's share decreased. The top four exporting countries had a share of 79% in total trade in 2000. While the top fours' total exports have increased, their share of total exports have decreased to 73%.

**Figure 8: Share of key exporting countries in total trade in dairy products, 2000, 2012.**



Source: IDF Bull 470/2013

## Major dairy companies

The secondary dairy industry consists of many smaller local dairy companies and a few larger

multinationals active in many countries. Major international dairy companies are shown in Table 2.

**Table 2: Major dairy companies, 2013.**

Rank	Company name	Origin and main operation countries	Milk intake, in mill t milk equivalents	Estimated turnover per kg milk, in US\$	Market share in % of world milk production
1	Dairy Farmers of America	USA	27,8	0,5	3,7%
2	Fonterra Cooperative Group	New Zealand/ others	22,0	0,7	2,9%
3	Groupe Lactalis (incl Parmalat)	France/others	15,0	1,3	2,0%
4	Nestlé	Switzerland/ others	14 – 15	1,25*	2,0%
5	Arla Foods	Denmark/ Sweden/others	12,7	1,1	1,7%
6	FrieslandCampina	Netherlands/ others	10,3	1,1	1,4%
7	Dean Foods	USA	10,1	0,9	1,4%
8	Danone	France/others	8 - 9	1,9*	1,1%
9	California Dairies	USA	8,1	0,7	1,1%
10	DMK Deutsches Milchkontor	Germany	6,8	1,0	0,8%
11	Saputo	Canada/USA/ others	6,0	1,1	0,8%
12	Glanbia Group	Ireland/USA/ others	6,0	0,7	0,8%
13	Land O' Lakes	USA	5,4	0,7*	0,7%
14	Groupe Sodiaal	France	5,2	1,0	0,7%
15	Amul (GCMMF)	India	4,8	0,5	0,6%
16	Yili Group	China	4,5 - 5	1,6*	0,6%
17	Unternehmensgruppe Theo Müller	Germany/UK, others	4,4	1,5	0,6%
18	Mengniu Dairy Company	China	4 – 4,5	1,6*	0,6%
19	Bongrain	France/others	4,2	1,4	0,6%
20	Dirigold (Northwest Dairy Association)	USA	3,6	0,6	0,5%
Sum of Top 20			184,2	1,0	24,8%

Source: IFCN, 2014

“ Currently, there are an estimated 145 million dairy farms and between 0,7 billion and 1 billion people live on dairy farms. The average dairy farmer keeps 2,8 cows. The largest average herds are found in Saudi Arabia with 8 125 cows per herd, followed by New Zealand (393), South Africa (357) and Australia (241). ”

## International primary sector

### Number and size of dairy farms

Currently, there are an estimated 145 million dairy farms and between 0,7 billion and 1 billion people live on dairy farms. The average dairy farmer keeps 2,8 cows. The largest average herds are found in Saudi Arabia with 8 125 cows, followed by New Zealand (393), South Africa (357) and Australia (241). The average farm size increased by 838 cows in herd from 2009 to 2012 in Saudi Arabia, by 25 in South Africa and by 10 in Australia. There are only 13 countries with herd sizes over 100.

The largest number of dairy farms are in India (77 million), while the original 15 EU member countries have 325 000 dairy farms. The entry of the 12 new Central and Eastern European

countries added another 1,26 million dairy farms. In the Near and Middle East there are 4,6 million dairy farms and 13,4 million in Africa. Nearly 95% of all dairy farms are described as household farms with only own labour, producing mainly for own use. These farmers own 58% of all dairy cows. Six per cent of dairy farms are family farms with own and some hired labour but with family members doing the bulk of the farm work. They own 26% of all dairy cows. Business farms with professional management and hired labour own 16% of all cows and comprises only 0,4% of all farms. The number of dairy farms, average herd size and change in herd size from 2009 to 2012 is shown in Table 3.



**Table 3: Number of dairy farm units 2012, average herd size 2012 and annual change in average herd size, 2009 – 2012.**

Rank	Dairy farm numbers	Mil.	Average farm size	Cows in herd	Annual change in average farm size	Cows
1	India	76,94	Saudi Arabia	8 125	Saudi Arabia	+838
2	Pakistan	7,20	New Zealand	393	South Africa	+25
3	Russian Federation	3,15	Australia	241	Australia	+10
4	Tanzania	2,30	South Africa	238	New Zealand	+9
5	Ethiopia	2,14	Czech Republic	175	USA	+6
6	Uganda	1,98	USA	160	Denmark	+6
7	Uzbekistan	1,96	Argentina	147	Uruguay	+6
8	Afghanistan	1,84	Denmark	147	United Kingdom	+5
9	China	1,79	Israel	134	Israel	+5
10	Kenya	1,69	United Kingdom	128	Spain	+4

Source: IFCN Conference, 2013

The distribution of farmer per country per herd size shows that smaller herds predominate in countries in the former USSR, Asia, the Middle East and Brazil. Larger herds are the norm in the USA, Argentina, South Africa, Australia and New Zealand.

In developed countries, milk production is intensifying as average farm size is increasing. The quantity of milk produced per farm is also increasing because of higher cow numbers and an increase in yield per cow.

The opposite is true for developing countries. The number of farms, and cows and buffaloes are increasing while farm size and production per farm remains constant.



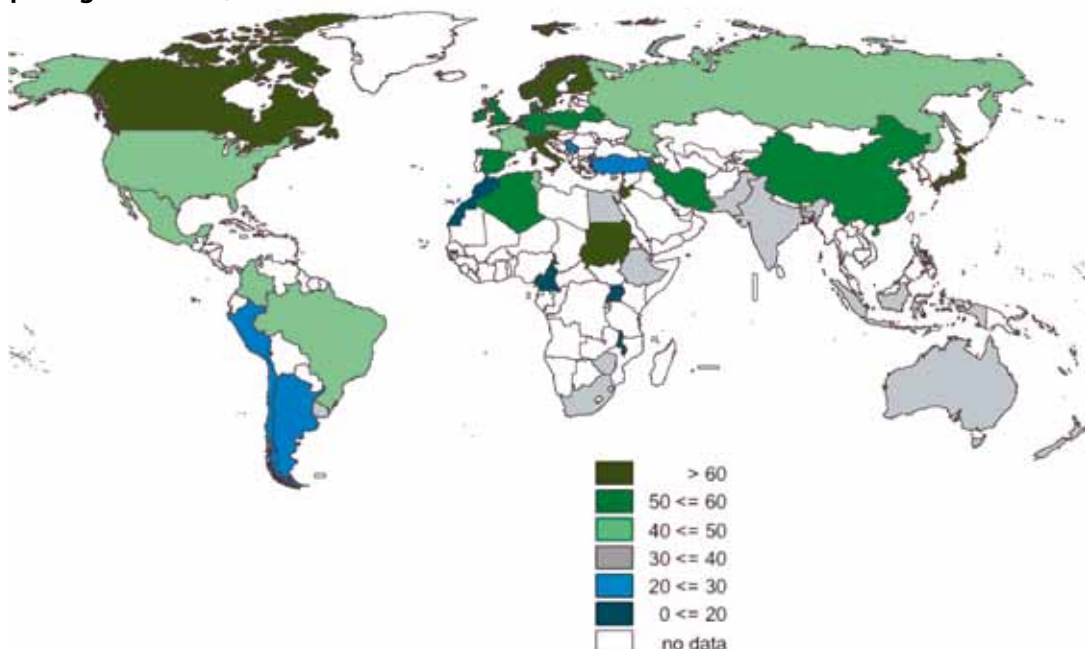
“ South African production cost lies slightly above \$35 per 100 kg while production cost in Western Europe ranges between \$40 and \$55. The highest production cost in the world is found in Japan (\$100 per 100 kg). ”

### Cost of milk production

The cost of milk production varies from US\$0,40 to \$1 per litre. Regionally, farmers in Western Europe have the highest cost of production (\$58/100 kg of milk) followed by the Middle East, North America and Asia. South America produces milk at the lowest cost, closely followed by New Zealand, Australia and South Africa. There are only a few countries that produce milk at less than \$35 per 100 litres

such as Argentina, Uruguay and Oceania. South African production cost lies slightly above \$35 per 100 kg while production cost in Western Europe ranges between \$40 and \$55. The highest production cost in the world is found in Japan (\$100 per 100 kg). Milk production cost for average farms in countries participating in the IFCN analysis is shown in Figure 9.

**Figure 9: Estimated milk production cost (US\$/100 kg) per average farm in participating countries, 2013.**



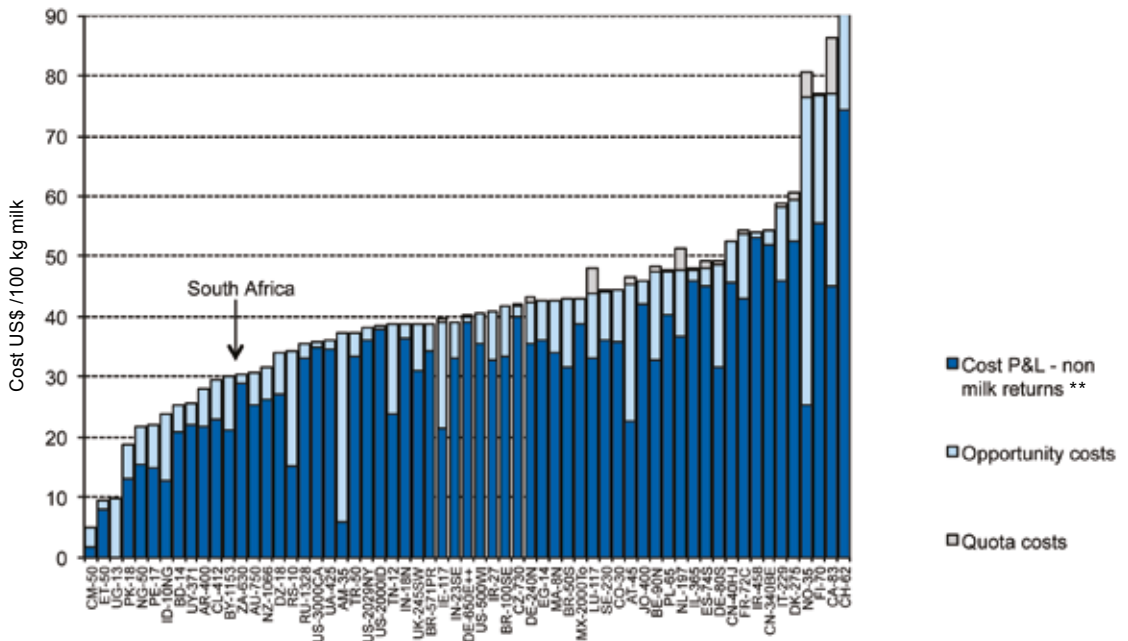
Source: IFCN 2014

In most cases countries with very low milk production costs do not produce milk for commercial use but only for home consumption or direct sales to neighbours. South African dairy farms compare well with dairy farms in recognised dairy-producing countries such as New Zealand and Australia. South African production cost is higher than in Argentina and other South American countries mainly because of lower grain prices in these countries. The very high production cost in Europe is evident from the figure.

Milk production cost per average farm for the countries participating in the IFCN analysis in 2012 is shown in Figure 10.



**Figure 10: Estimated cost of milk production per farm (US\$ per 100 kg), average farms in IFCN analysis, 2012.**



**\*\*P & L – profit and loss account**

Country by international country code and herd size, ZA 470 = ZA 470 cow herds.

Source: IFCN, 2013



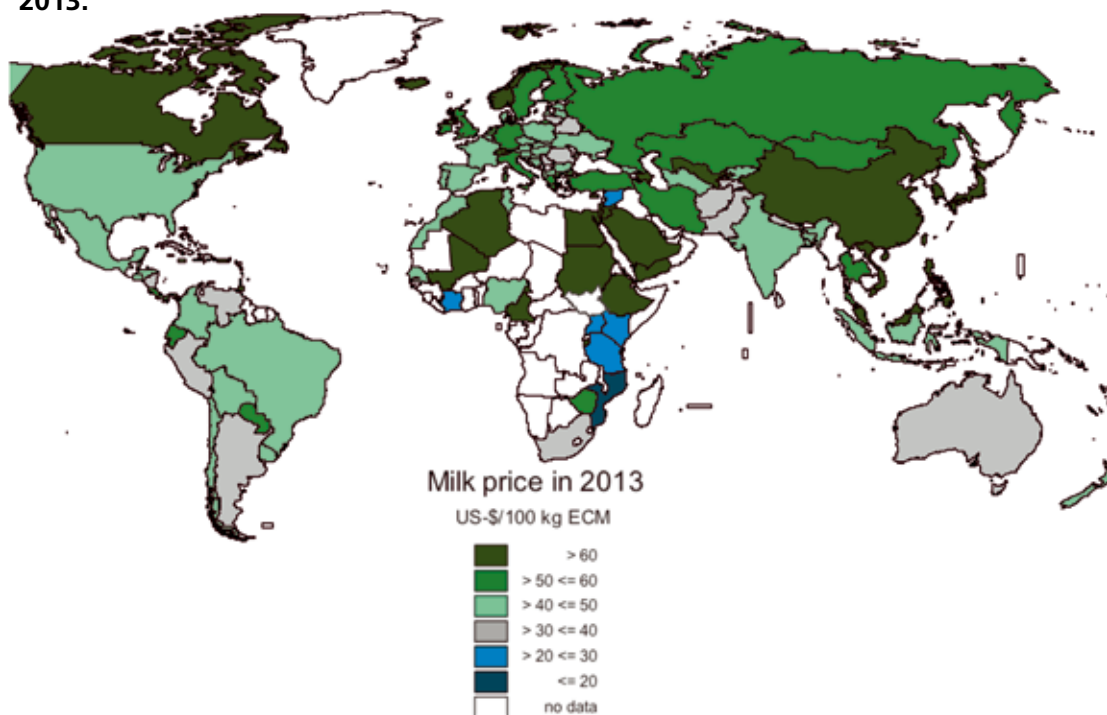
“ In most low-priced regions, milk volumes per farm are low and quality is not comparable to countries where a high percentage of total milk production is sold to the market. ”

## Milk prices

Producer prices for milk vary from very high (US\$1 per litre) in subsidising countries to below \$0,20 in developing countries where the bulk of milk is consumed on farm and very little is sold to the market. Milk prices per world region are

shown in Figure 11. In most low-priced regions, milk volumes per farm are low and quality is not comparable to countries where a high percentage of total milk production is sold to the market.

**Figure 11: Estimated producer milk prices in various regions (US\$/100 kg milk), 2013.**



Source: IFCN, 2013

# South African primary dairy sector

## Industry structure

The number of milk producers has decreased from 3 899 in January 2007 to 1 825 in September 2014. The number of producers per

province is shown in Table 4. Since 2007, the number of producers has decreased by 53%. The biggest decrease in producer numbers occurred in Mpumalanga (71%).

**Table 4: Number of milk producers per province, 2006 – 2014.**

Province	Jan '07	Jan '08	Jan '09	Jan '11	Jan '12	Jan '14	Sep '14	% Change Jan '07-Sep '14
Western Cape	827	815	795	683	647	529	533	-36
Eastern Cape	420	407	387	314	283	264	256	-39
Northern Cape	37	34	37	28	21	25	20	-46
KwaZulu-Natal	385	373	373	323	322	281	274	-29
Free State	987	919	884	601	535	389	316	-68
North West	596	549	540	386	352	233	210	-65
Gauteng	245	228	217	127	126	109	102	-58
Mpumalanga	357	302	286	201	164	117	101	-72
Limpopo	45	38	32	23	24	14	13	-71
<b>TOTAL</b>	<b>3 899</b>	<b>3 665</b>	<b>3 551</b>	<b>2 686</b>	<b>2 474</b>	<b>1 961</b>	<b>1 825</b>	<b>-53</b>

Source: MPO

**Table 5: Milk production per province and cows in milk per producer, specific years.**

Province	% Distribution of milk production		Number of cows in milk per producer, 2013
	Dec 1997	Oct 2013	Mean
Western Cape	22,9	26,4	268
Eastern Cape	13,8	26,8	679
Northern Cape	1,2	0,9	191
KwaZulu-Natal	15,7	24,5	561
Free State	18,0	9,5	151
North West	12,6	4,5	112
Gauteng	4,4	3,2	152
Mpumalanga	11,0	3,3	197
Limpopo	0,4	0,9	244
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>391</b>

Source: MPO estimates (October 2013 survey)

“ Since 2007, the number of producers has decreased by 53%. ”

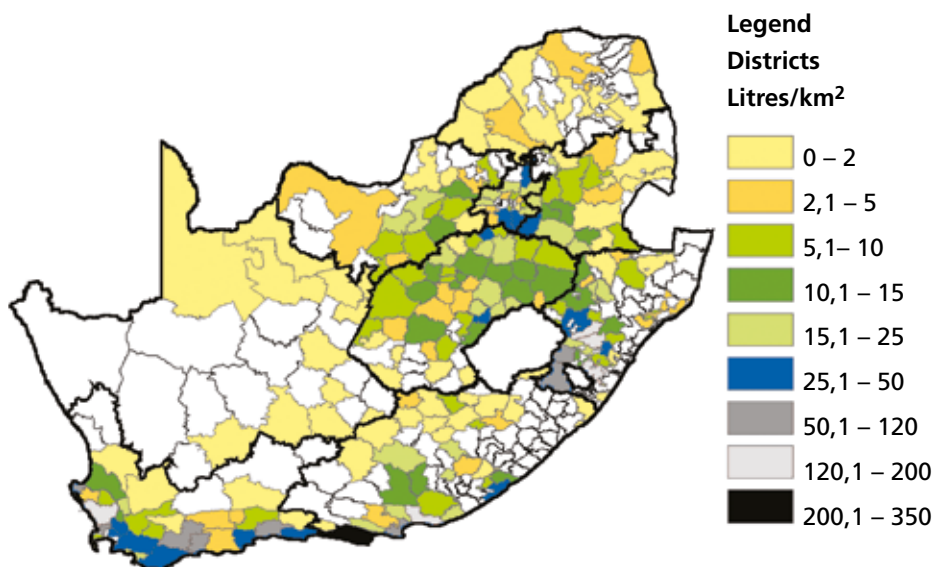
The trend towards higher production in the pasture-based areas has continued. The concentration of milk production per district is shown in Figure 12. Milk production per province, according to MPO estimates taking into account the results of the September 2012 statutory survey, is shown in Table 5.

The number of cows varies widely among producers. The percentage distribution of herd size is shown in Figure 13.

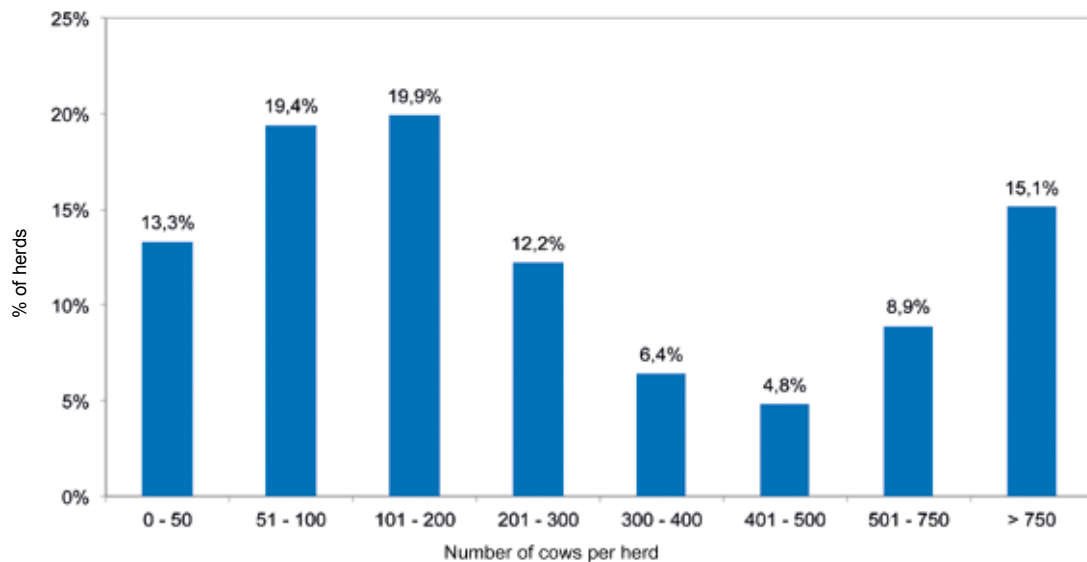
The average herd size per producer in the different provinces is shown in Table 5 and the concentration of cows per district in Figure 14.

Average milk production per cow per day was 20,2 litres in 2013. A total of 95% of milk was sold in the formal market and 2% informally. The rest was used for own consumption and calves. The distribution of herds on a production basis is shown in Figure 15.

**Figure 12: Milk production density (litres/km<sup>2</sup>) per district, 2013.**

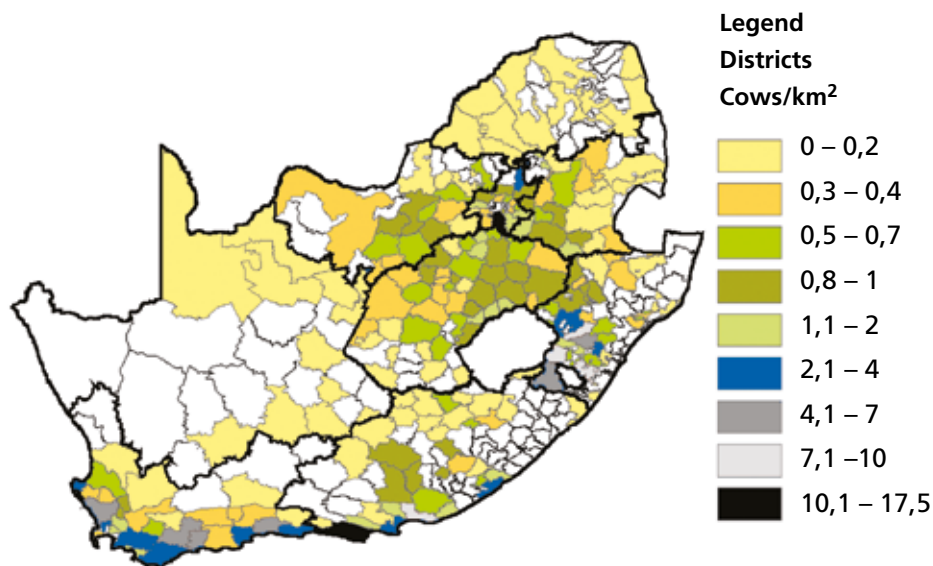


**Figure 13: Size distribution of dairy herds, 2013.**



Source: MPO estimates (October 2013 statutory survey)

**Figure 14: Cow density per district (cows/km<sup>2</sup>), 2013.**



Source: MPO estimates (October 2013 statutory survey)



“ Average milk production per cow per day was 20,2 litres in 2013. A total of 95% of milk was sold in the formal market and 2% informally. The rest was used for own consumption and calves. ”

## Milk production

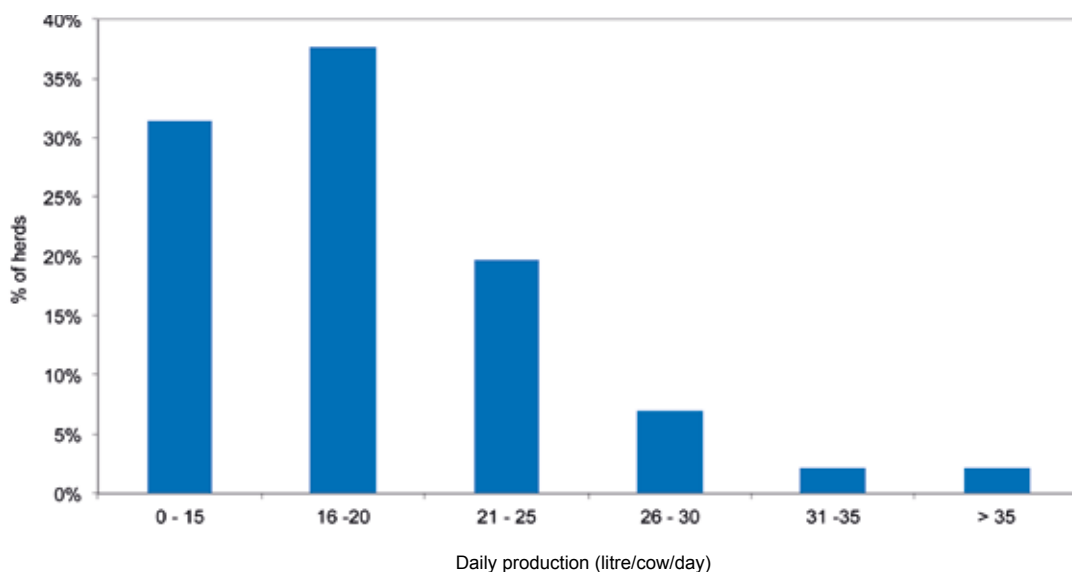
Annual milk production shows a steady linear upward trend over time.

Total milk to market for 2013 is 2,818 bil-

lion litres, up 2,2% on the previous year.

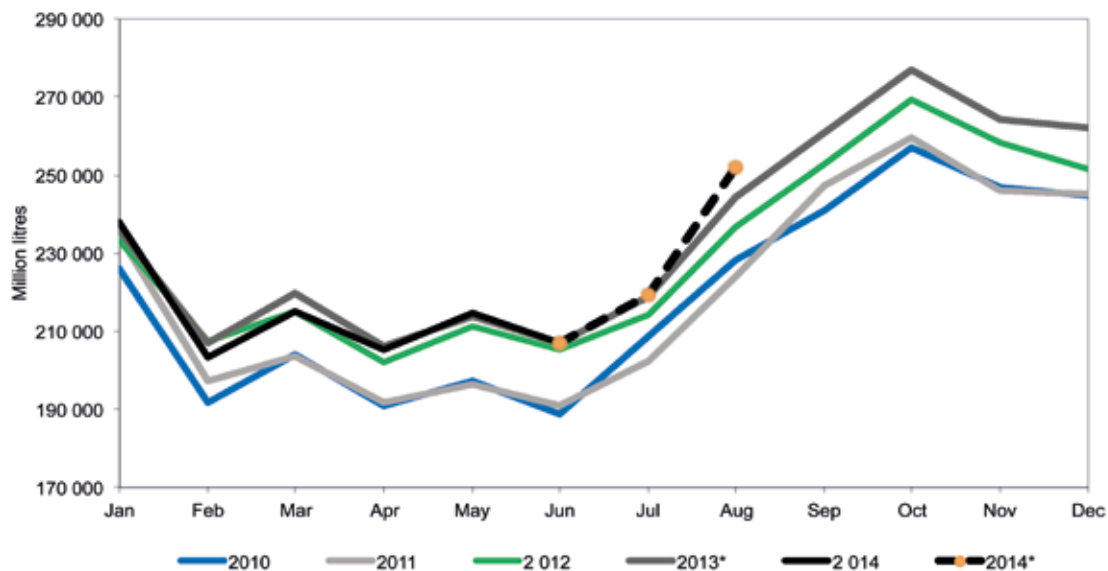
Milk purchases in 2010 to 2014 is shown in Figure 16.

**Figure 15: Distribution of herds based on daily production per cow in herd, 2013.**



Source: MPO estimates (October 2013)

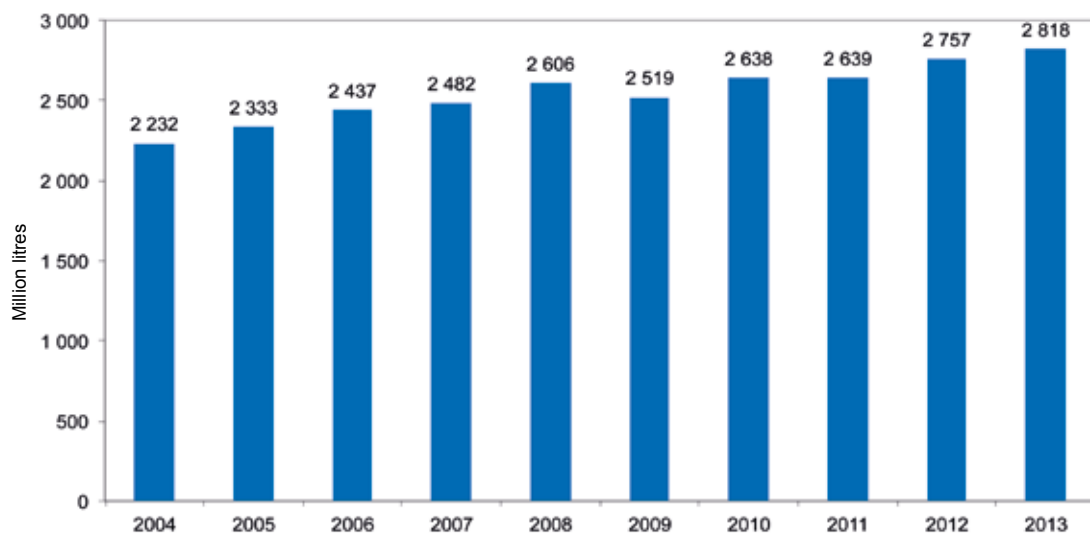
**Figure 16: South African monthly raw milk purchases, Jan 2009 - Aug 2014.**



Source: Milk SA statistics

\*2014 estimate based on Milk SA sample.

**Figure 17: Annual raw milk purchases (million litres), 2004 – 2013.**



Source: 2004 - 2005 MPO, SAMO, Milk Board

2006 - 2013 Milk SA.



The South African secondary dairy industry consists of a few large processors operating nationally, of which a growing number operate in more than one region, a large number of smaller processors who operate in specific areas and a number of milk producers who sell their own produce to retailers and consumers – known as producer-distributors.

## South African secondary dairy sector

### Industry structure

The South African secondary industry consists of a few larger processors operating in one or several regions, a large number of smaller processors in specific areas, and a number of producers who sell their own produce directly to retailers and consumers – known as producer-distributors (PDs). The number of PDs and milk buyers per province is shown in Table 6.

### Production and consumption

The South African dairy market is divided into 58% liquid and 42% concentrated products. Pasteurised liquid milk and UHT milk are the major liquid products, while hard cheese is the major concentrated product. The estimated composition of the markets for liquid and concentrated products is shown in Figures 18 and 19.

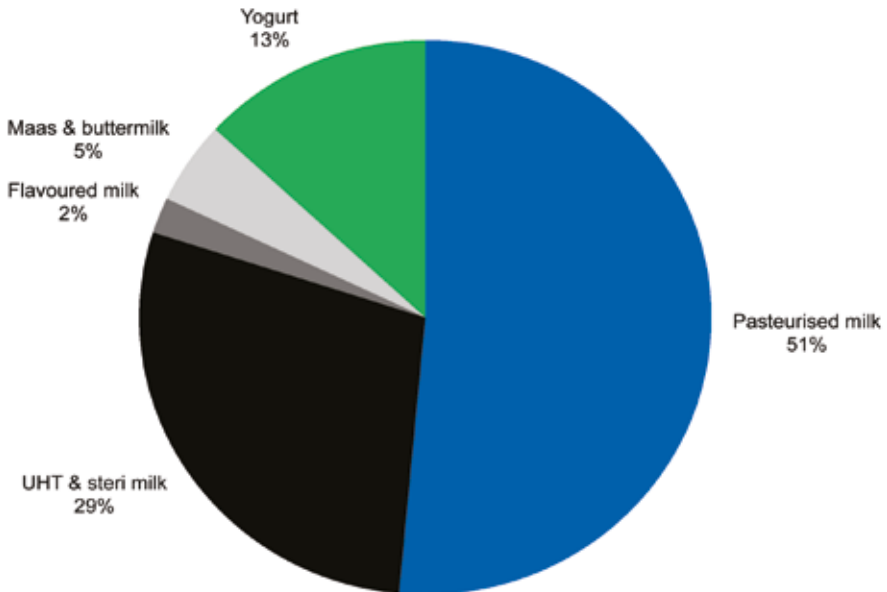
**Table 6: Number of producer-distributors (PDs) and milk buyers per province, as registered with Milk SA, September 2014.**

Province	Number of PDs	Number of milk buyers
Western Cape	26	37
Eastern Cape	16	12
Northern Cape	9	2
KwaZulu-Natal	11	15
Free State	13	13
North West	6	15
Gauteng	24	48
Mpumalanga	9	7
Limpopo	8	4
<b>Total</b>	<b>122</b>	<b>153</b>

Note: Milk buyers indicated according to position of registered head office.

Source: Milk SA

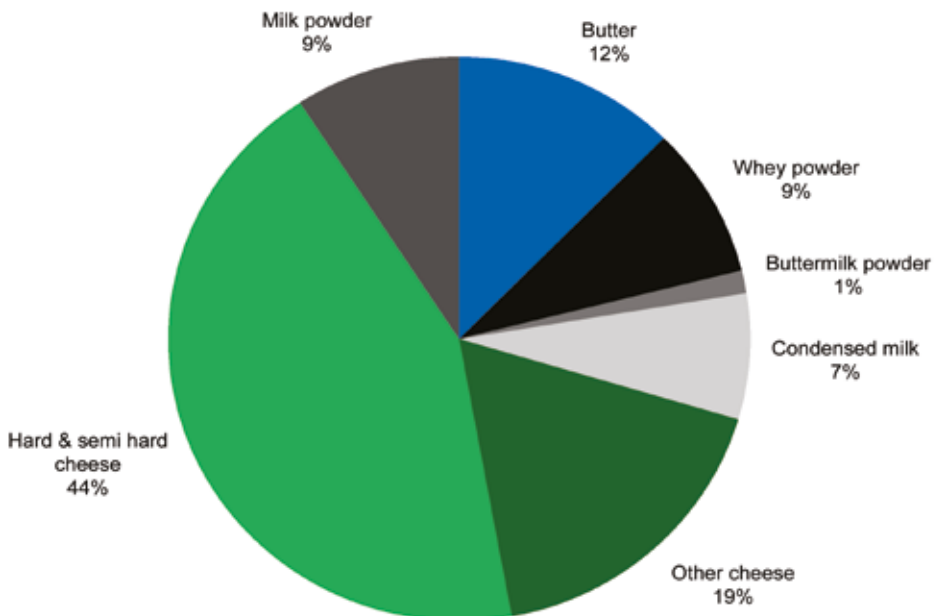
**Figure 18: Composition of the South African liquid products\* market, 2011.**



Source: Industry estimate based on BMI, as supplied by Sampro

\* Milk equivalent basis

**Figure 19: Composition of the South African concentrated products\*\* market, 2011.**



Source: Industry estimate based on BMI, as supplied by Sampro

\*\* Mass basis

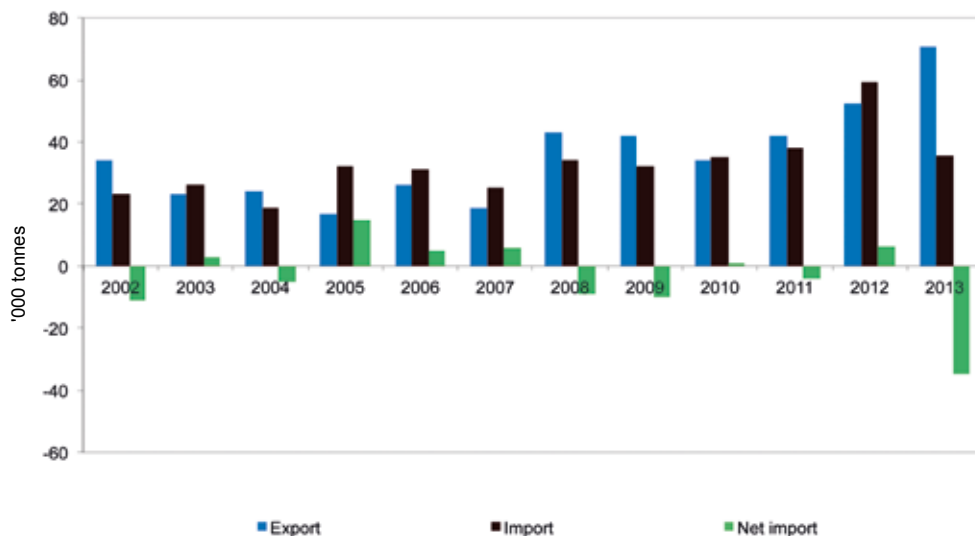


## Imports and exports

Total dairy product imports and exports are shown in Figure 20. During 2013, 35 674 tonnes of products were imported. On a

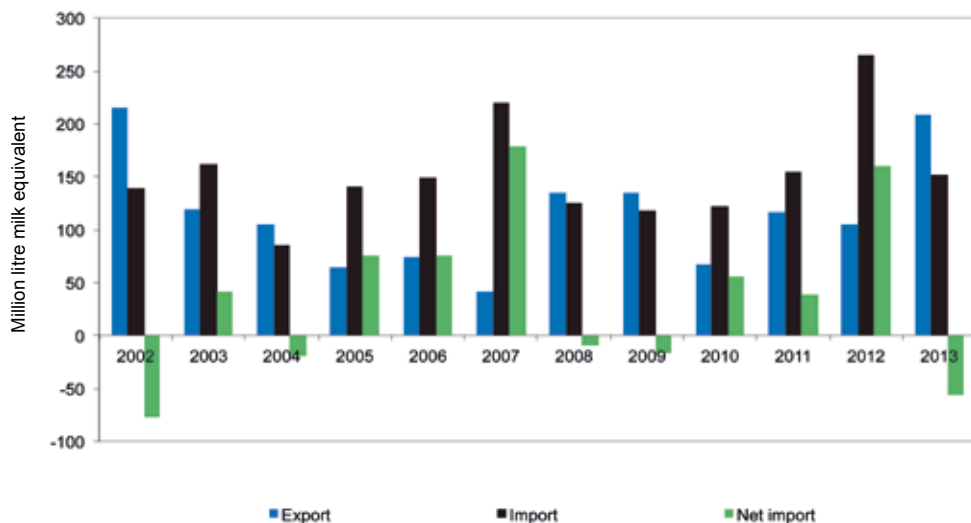
milk-equivalent basis, the positive growth of exports since 2008 has resulted in a decrease in net imports. Total exports during 2013 were 70 482 tonnes.

**Figure 20: Dairy product imports and exports ('000 tonnes), 2002 – 2013.**



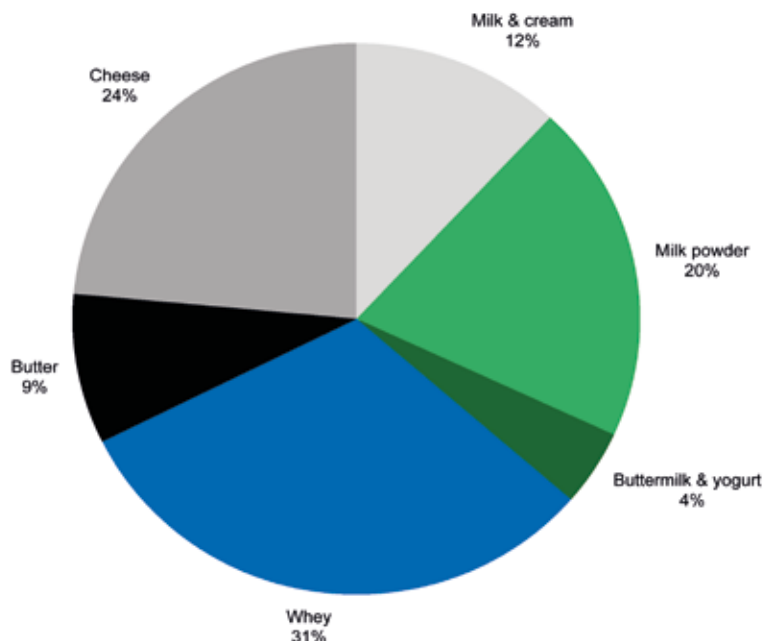
Source: Sars data, supplied by Sampro

**Figure 21: Dairy product imports and exports, milk-equivalent base, 2002 – 2013.**



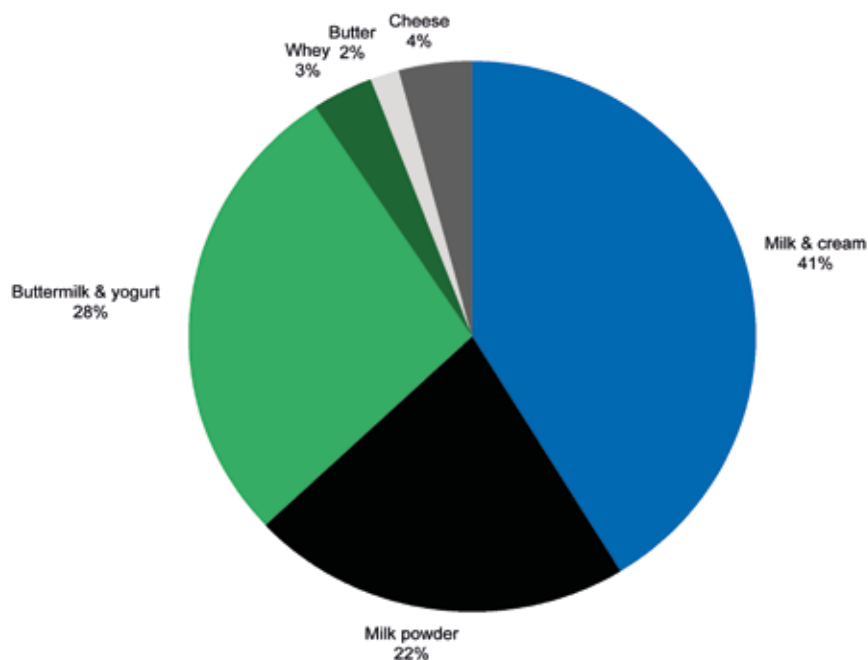
Source: Sars data, supplied by Sampro

**Figure 22: Percentage composition of imports (mass base), 2013.**



Source: Sars data, supplied by Sampro

**Figure 23: Percentage composition of exports (mass base), 2013.**



Source: Sars data, supplied by Sampro

“ Since mid-2012, prices have recovered and have reached new record levels in March 2013 owing to the devaluation of the rand. ”

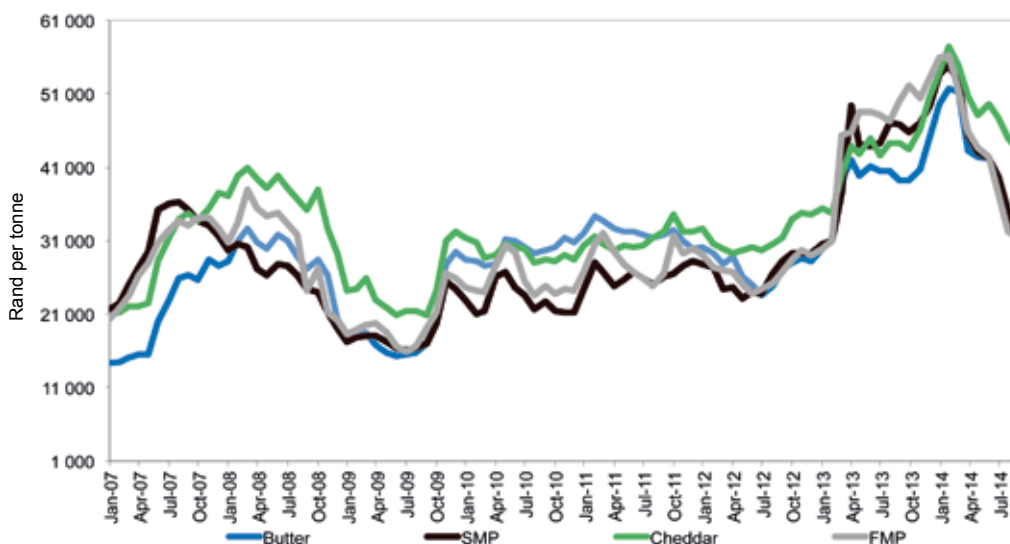
## Dairy price trends

### International product prices

International product prices peaked in March/April 2008. Since then, to late 2009 prices have decreased sharply. Prices recovered during 2009 and 2010. Prices decreased from mid-2011 to mid-2012. Since then, prices have

recovered and have reached new record levels in March 2013 owing to the devaluation of the rand. Prices decreased to end 2013, increased to March 2014 and decreased since. This was caused by higher production.

**Figure 24: International FOB dairy product prices, rand/tonne, Jan 2007 – October 2014.**



Source: USDA, Reserve Bank

**Table 7: International calculated standardised raw milk producer prices, 2012 – 2014 (R/litre).**

Country	Jan '12	Jan '13	Jan '14	Jul '14
Belgium	3,23	3,94	5,54	5,00
Germany	3,35	3,84	5,51	5,18
Denmark	3,35	3,73	5,51	5,36
Finland	4,14	4,67	5,83	6,20
France	3,58	3,90	5,68	5,53
Great Britain	3,47	4,07	5,35	5,79
Ireland	3,40	3,75	5,25	4,88
Netherlands	3,55	3,92	5,60	5,37
New Zealand	3,22	3,15	5,44	4,24
USA	3,25	3,78	5,13	5,53
* South Africa	3,10	3,60	4,05	4,30

**Source:** LTO Nederland

Based on 4% fat-corrected milk

See [www.milkprices.nl](http://www.milkprices.nl) for detailed definition of LTO standardised calculated price.

**Exchange rates:** Reserve Bank monthly middle rates

\* Based on MPO price survey



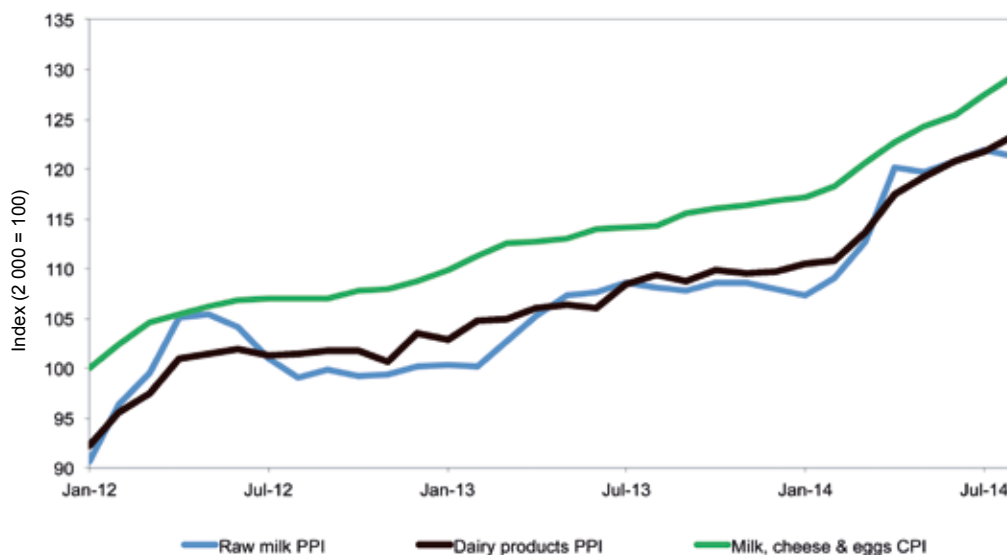
## International raw milk producer prices

International producer prices largely followed the decrease in product prices during 2009 and the recovery in 2010. Prices increased substantially in 2013, while in 2014, prices decreased slightly.

South African producer prices have not increased as sharply as international prices during 2008 and were more stable during 2009. South African producer prices decreased from June 2010 to October 2011 and recovered to June 2012. After a steep decrease in June 2012, SA producer prices recovered slowly during 2013 and 2014.

“International producer prices largely followed the decrease in product prices during 2009 and the recovery in 2010. Prices increased substantially in 2013.”

**Figure 25: Price index of raw milk on farm level, dairy products at processor level and milk and eggs at consumer level, Jan 2012 – Aug 2014.**



**Table 8: Farm requisite price indices, base 2005 = 100.**

Period	Machinery & implements	Material for fixed improvements	Intermediate goods and services	All farming requisites
2009	133,1	141,6	172,9	166,6
2010	154,9	145,1	193,6	186,8
2011	174,8	153,6	218,6	210,4
2012	187,3	167,5	250,7	239,4
2013	201,8	177,7	259,5	248,9
<b>CAGR 09/13</b>	<b>11,0%</b>	<b>5,8%</b>	<b>10,7%</b>	<b>10,6%</b>
Apr-09	131,8	144,6	168,5	163,1
Jul-09	135,9	139,1	172,1	166,3
Oct-09	139,8	141,9	177,8	171,7
Jan-10	146,3	139,6	185,1	178,4
Apr-10	152,9	142,4	191,3	184,5
Jul-10	158,0	142,3	196,7	189,5
Oct-10	162,4	143,7	201,6	194,2
Jan-11	169,4	147,3	209,2	201,6
Apr-11	171,2	152,5	216,7	208,3
Jul-11	175,9	154,2	221,2	212,7
Oct-11	182,6	157,4	227,5	218,9
Jan-12	190,8	160,3	241,7	232,1
Apr-12	196,0	159,1	249,5	239,0
Jul-12	192,8	169,4	258,1	246,3
Oct-12	190,2	169,9	253,4	242,0
Jan-13	196,2	176,6	263,1	251,2
Apr-13	200,9	179,8	267,1	255,2
Jul-13	207,9	173,0	265,2	254,0
Oct-13	203,3	181,4	257,2	247,3
Jan-14	207,8	195,7	268,1	257,6
Apr-14	216,2	191,7	27,4	263,1
<b>CAGR 09/14</b>	<b>10,4%</b>	<b>5,8%</b>	<b>-30,5%</b>	<b>10,0%</b>

Source: Department of Agriculture, Forestry and Fisheries

\* Computed annual growth rate

# South African dairy market

The South African dairy market is a growing one. Table 9 indicates the changes in the size of the formal market for South African products and changes in retail prices as reported by Nielsen SA and collated by Sampro.

**Table 9: Year-on-year change in demand and prices of food products, 12 months to June 2014 compared to same period 2012-2013.**

Product	Change in demand (quantity) per cent (Jul13-Jun14/Jul12-Jun13)	Change in retail prices per cent (Jun14/Jun13)
Fresh milk	-3,4	9,1
Long-life milk (UHT milk)	6,0	10,1
Flavoured milk	-0,4	5,0
Yogurt	1,3	5,1
Maas	6,4	6,4
Pre-packaged cheese	28,4	5,2
Cream cheese	-1,2	8,6
Butter	10,1	4,9
Cream	4,2	10,2
Instant cereals	1,1	7,4
Bread	-2,3	8,6
Rice	-1,1	6,8
Maize meal	2,6	16,1
Margarine	-1,8	4,0
Tea	-1,5	9,3
Coffee	-0,1	11,1
Short life juice	-3,8	5,9

Source: Nielsen as supplied by Sampro



# LACTO DATA Statistics

A Milk SA publication compiled by the Milk Producers' Organisation



MELK SUID-AFRIKA/MILK SOUTH AFRICA



MELKPRODUSENTE-ORGANISASIE  
MILK PRODUCERS' ORGANISATION