LACTO DATA

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Statistics

A Milk SA publication compiled by the Milk Producers' Organisation

MILK SOUTH AFRICA
Promoting a healthy dairy community
MILK
MELK SUID-AFRIKA

mpo
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

During the second half of 2012 dairy product prices firmed steadily. During the first quarter of 2013, lower production growth in exporting countries during the last half of 2012 and first quarter of 2013 resulted in sharp increases in international dairy product prices. Production during 2012 was higher than in 2011, with negative production growth in the first two months of 2013.

Imports and exports were higher in 2012 than in 2011. Retail sales growth continued with some exceptions during the first three quarters of 2012. Producer prices decreased slightly since mid-2012. Producer, processor and retail prices increased during the first quarter of 2013.

Lacto Data is also available on ***www.milksa.co.za*** and ***www.dairyconnect.co.za***

Contents

Compiled by Dr Koos Coetzee for Milk SA
Milk Producers' Organisation
PO Box 1284 I Pretoria I 0001 I Tel + 27 (0)12 843 5600 I Fax + 27 (0)12 804 4811
Design and Layout by Agri Connect

This is a publication of Milk SA

The primary industry

Industry structure

The number of milk producers has decreased from 3 899 in January 2007 to 2123 in January 2013. The number of producers per province is shown in table 1. Since 2007, the number of producers has decreased by 46%. The biggest decrease in producer numbers occurred in Limpopo (64%).

Table 1: Number of milk producers per province, 2006 – 2013

Province	Jan '06	Jan '07	Jan '08	Jan '09	Jan '11	Jan '12	Jan '13	% Change 07-13
Western Cape	878	827	815	795	683	647	563	-35
Eastern Cape	422	420	407	387	314	283	270	-36
Northern Cape	39	37	34	37	28	21	28	-24
KwaZulu-Natal	402	385	373	373	323	322	295	-23
Free State	1 067	987	919	884	601	535	433	-56
North West	649	596	549	540	386	352	268	-55
Gauteng	275	245	228	217	127	126	120	-51
Mpumalanga	407	357	302	286	201	164	130	-64
Limpopo	45	45	38	32	23	24	16	-64
TOTAL	**4 184**	**3 899**	**3 665**	**3 551**	**2 686**	**2 474**	**2 123**	**-46**

Source: MPO statistics Sep 12

Table 2: Milk production per province and cows per producer, specific years

Province	% Distribution of milk production		Number of cows in milk per producer, 2012	
	Dec 1997	Feb 2012	Mean	Median **
Western Cape	22,9	27,4	246	180
Eastern Cape	13,8	24,3	536	365
Northern Cape	1,2	1,0	188	112
KwaZulu-Natal	15,7	23,5	425	315
Free State	18	10,5	111	79
North West	12,6	3,5	78	52
Gauteng	4,4	5,5	248	151
Mpumalanga	11	3,6	116	75
Limpopo	0,4	0,7	207*	105
TOTAL	**100**	**100**	**293**	**167**

Source: MPO statistics
* Limpopo samples not representative
** Value seperating lower half from top half

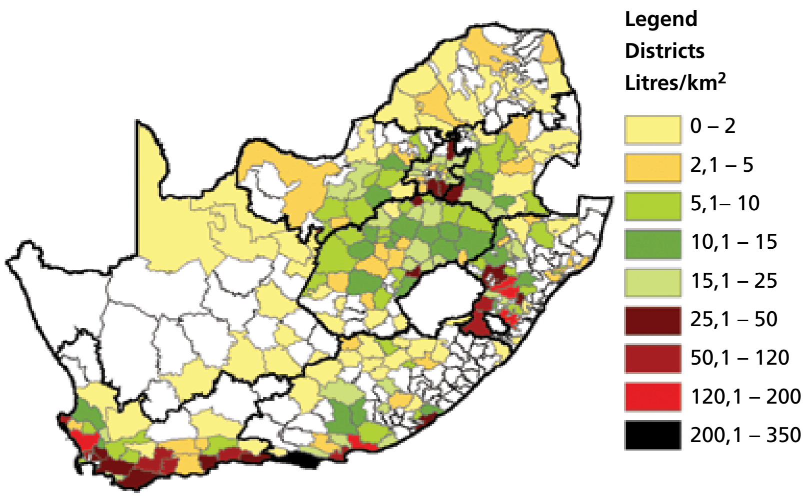
"The number of milk producers has decreased from 3 899 in January 2007 to 2 123 in January 2013. Since 1997, the number of producers has decreased by 46%."

The trend towards higher production in the pasture-based areas continued. The concentration of milk production per district is shown in figure 1. Milk production per province, according to the latest MPO statutory information, is shown in table 2.

The number of cows varies widely among producers. The percentage distribution of herd size is shown in figure 2. The average herd size per producer in the different provinces is shown in table 2 and the concentration of cows per district in figure 3.

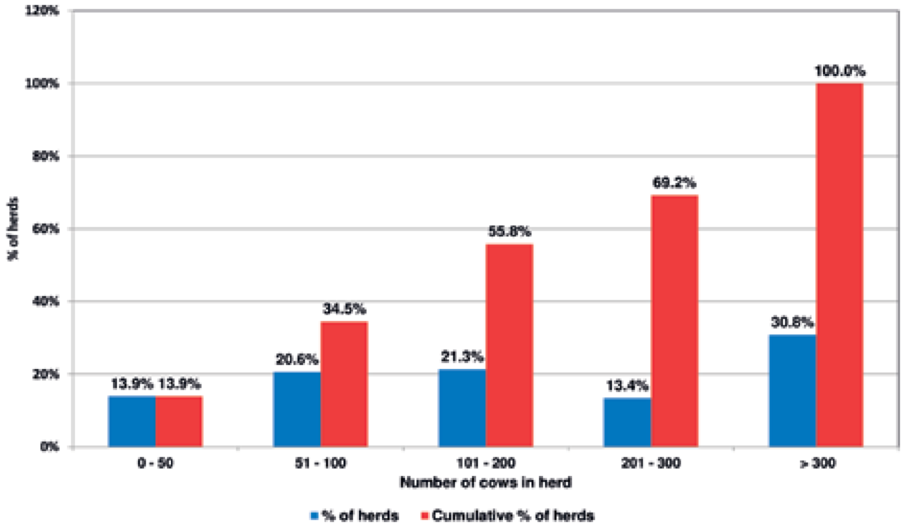
Average milk production per cow per day was 20,1 litres in 2012. A total of 98% of milk was sold in the formal market and 2% informally. The rest was used for own consumption and calves. The distribution of herds on a production basis is shown in figure 4.

Figure 1: Milk production density (litres/km²) per district, 2012



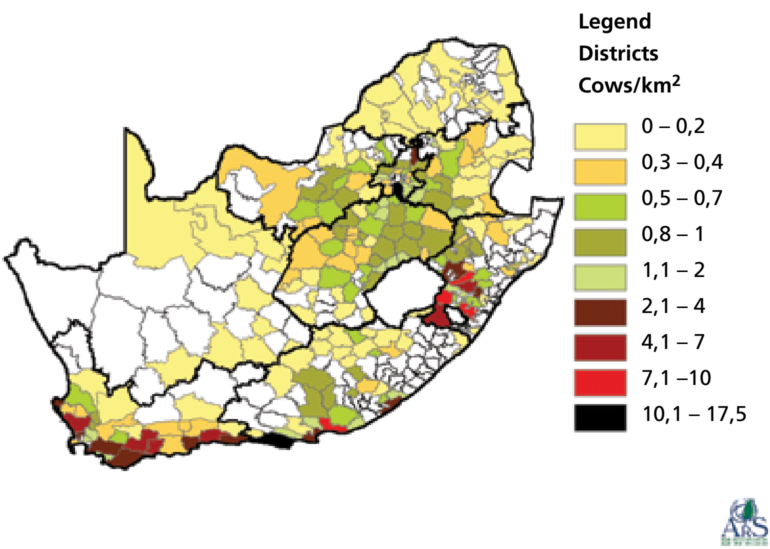
Source: MPO statutory information

Figure 2: Size distribution of dairy herds, 2012



Source: MPO statutory survey, 2012

Figure 3: Cow density per district (cows/km²), 2012



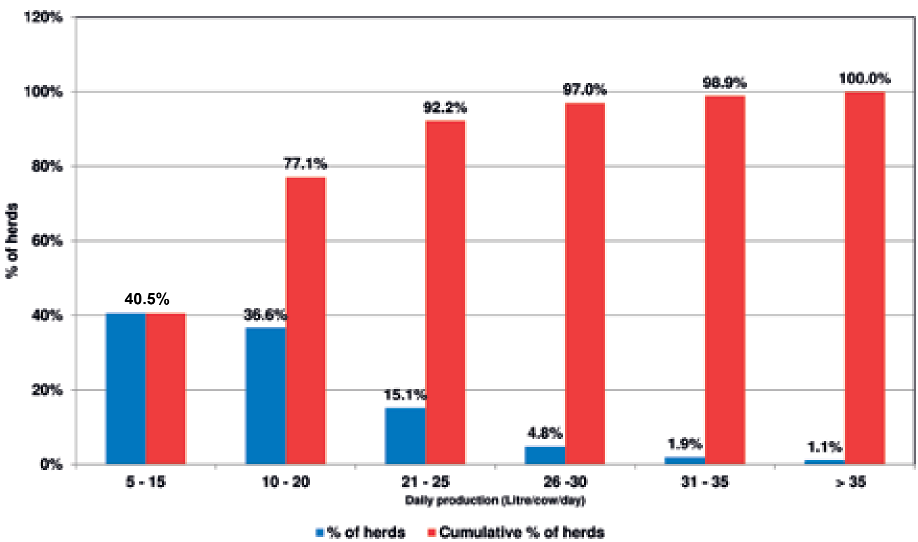
Source: MPO statutory information

"Average milk production per cow per day was 20,1 litres in 2012.
A total of 96% of milk was sold in the formal market and 2% informally.
The rest was used for own consumption and calves."

Milk production

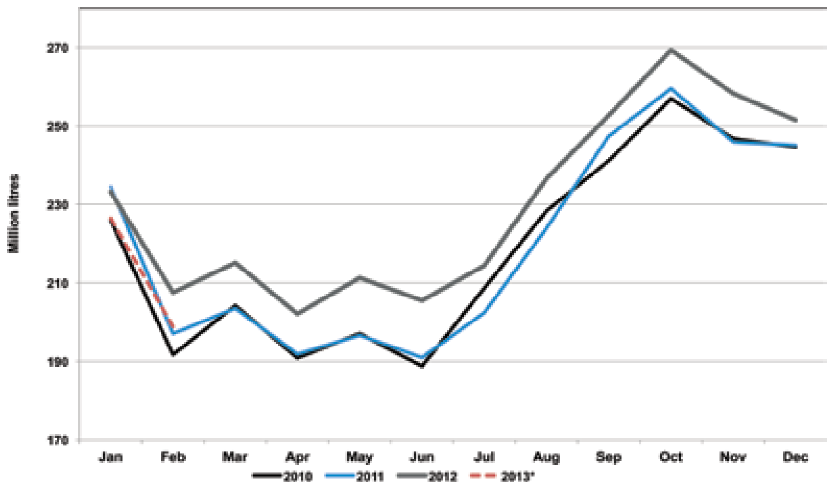
Annual milk production shows a steady linear upward trend over time. Total milk to market for 2012 is 2,757 billion litres, up 4.5% on the previous year. Milk production for 2009 to 2013 is shown in figure 5.

Figure 4: Distribution of herds based on daily production per cow in herd, 2012



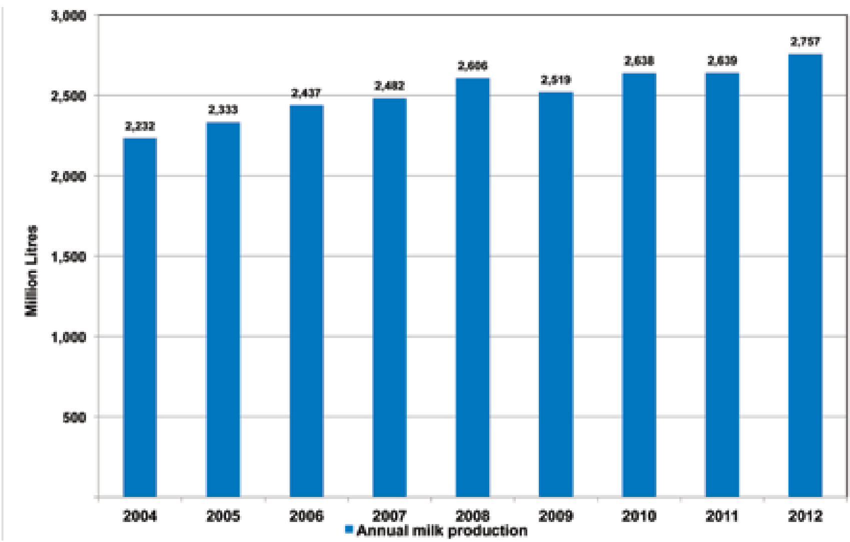
Source: MPO statutory survey, 2012

Figure 5: South African monthly milk production, Jan 2009 - Feb 2013



Source: Milk SA statistics, *2013 estimate based on Milk SA sample.

Figure 6: Annual milk production, 2004 – 2012



Source: 2004 - 2005 MPO, SAMO, Milk Board
2006 - 2012 Milk SA levy returns.

"The South African secondary industry consists of a few larger processors operating nationally, a large number of smaller processors who operate 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 milk buyers has decreased by 54% since 2003."

The secondary industry

Industry structure

The South African secondary industry consists of a few larger processors operating nationally, a large number of smaller processors who operate 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 3. The number of milk buyers has decreased by 54% since 2003.

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 7 and 8.

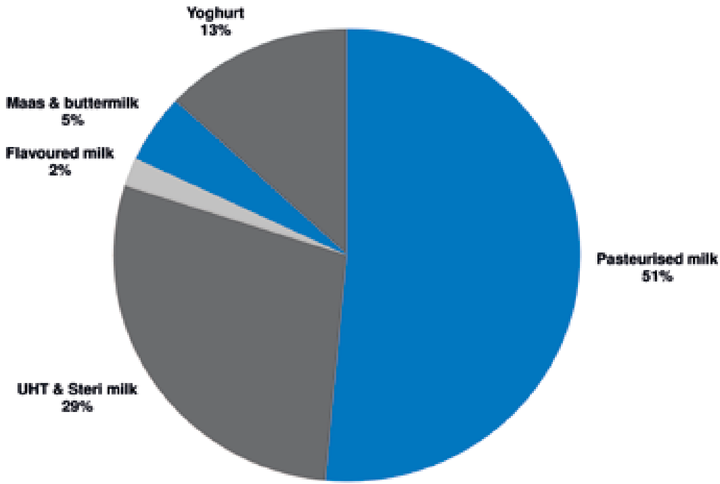
Table 3: Number of producer-distributors (PDs) and milk buyers per province, as registered with Milk SA, March 2013

Province	Number of PDs	Number of milk buyers
Western Cape	21	36
Eastern Cape	18	18
Northern Cape	11	4
KwaZulu-Natal	12	16
Free State	14	14
North West	10	20
Gauteng	19	52
Mpumalanga	11	11
Limpopo	9	3
Total	**125**	**169**

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

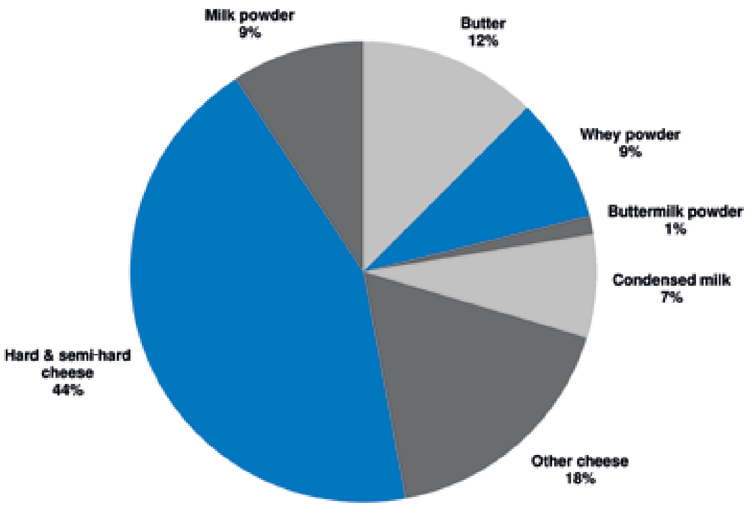
Source: Milk SA

Figure 7: Composition of the South African liquid products* market, 2011



Source: Industry estimate
* Milk equivalent basis

Figure 8: Composition of the South African concentrated products market, 2011**

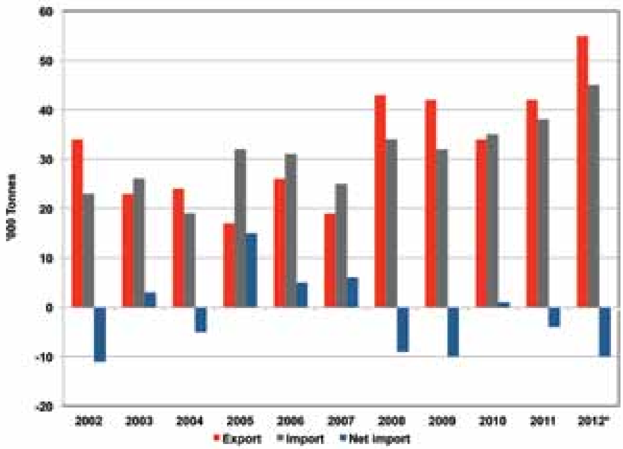


Source: Industry estimate
** Mass basis

Imports and exports

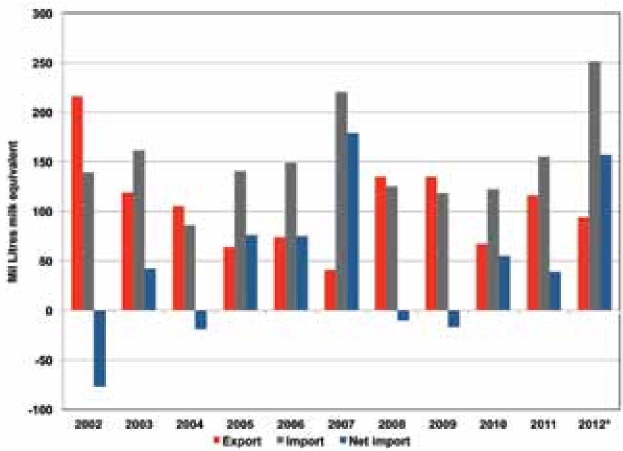
Total dairy product imports and exports are shown in figure 9. During 2011, 37 700 tonnes of products were imported. On a milk-equivalent basis, the positive growth of exports since 2008 resulted in a decrease in net imports. Total exports during 2011 were 41 800 tonnes.

Figure 9: Dairy product imports and exports ('000 tonnes), 2002 – 2012*



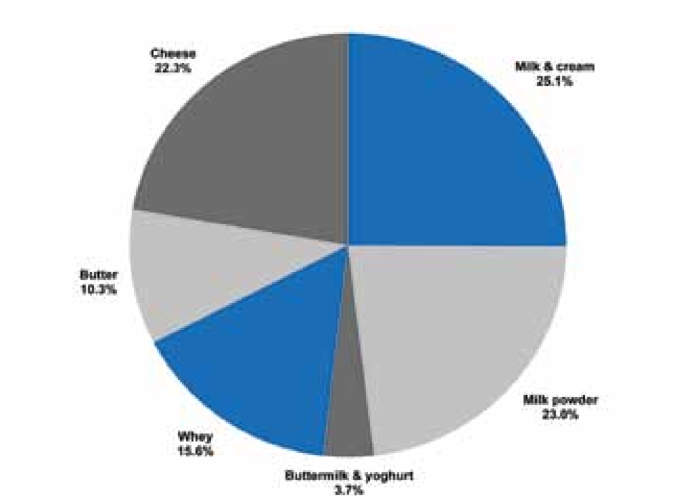
Source: SARS data, SAMPRO. *2012 = January - November

Figure 10: Dairy product imports and exports, milk-equivalent base, 2002 – 2012*



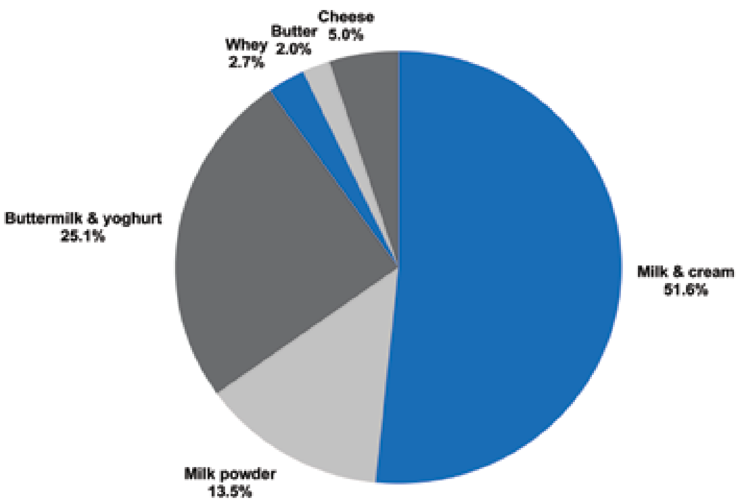
Source: SARS data, SAMPRO. *2012 = January - November

Figure 11: Percentage composition of imports (mass base), 2012*



Source: Data supplied by SAMPRO. *2012 = January - November

Figure 12: Percentage composition of exports (mass base), 2012*



Source: Data supplied by SAMPRO. *2012 = January - November

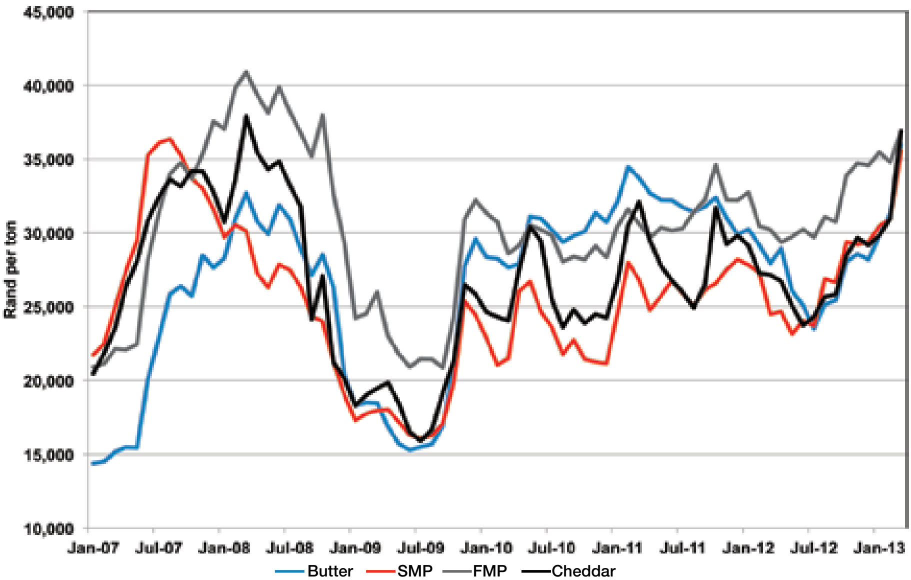
"Prices decreased from mid-2011 to mid-2012.
Since then prices recovered and reached
new record levels in March 2013."

Dairy price trends

International product prices

International product prices peaked in March/April 2008. Since then to late 2009 prices decreased sharply. Prices recovered during 2009 and 2010. Prices decreased from mid- 2011 to mid-2012. Since then prices recovered Since then prices recovered and reached new record levels in March 2013. High volatility is still present in the market.

Figure 13: International FOB dairy product prices, rand/tonne, Jan 2007 – March 2013



Source: USDA, Reserve Bank

Table 4: International calculated standardised raw milk producer prices, 2008 – 2013

Country	Jan '10	Jan '11	Jan '12	Jan '13
Belgium	2,89	3,06	3,23	3,94
Germany	2,80	2,96	3,35	3,84
Denmark	2,81	2,90	3,35	3,73
Finland	3,79	3,54	4,14	4,67
France	3,37	3,01	3,58	3,90
Great Britain	2,82	2,69	3,47	4,07
Ireland	2,47	3,16	3,40	3,75
Netherlands	2,91	3,05	3,55	3,92
New Zealand	2,44	3,03	3,22	3,15
USA	2,59	2,27	3,25	3,78
* South Africa	3,14	2,97	3,10	3,60

Source: LTO Nederland
Based on 4% fat-corrected milk
Exchange rates: Reserve Bank monthly middle rates
* Based on MPO price survey

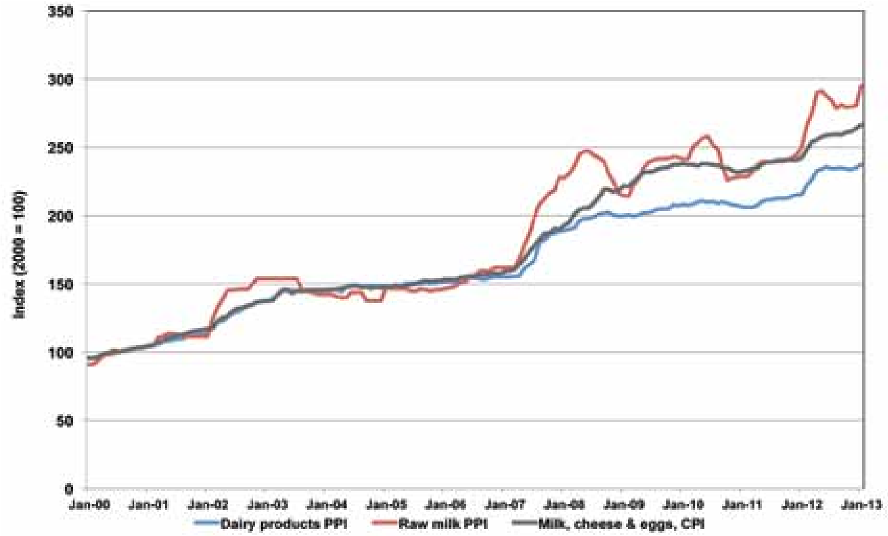
See www.milkprices.nl for detailed definition of LTO standardised price.

International raw milk producer prices

International producer prices largely followed the decrease in product prices during 2009 and the recovery in 2010. Prices increased in the last half of 2011, weakened to mid-2012 and slowly since recovered. South African producer prices did not increase 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. Since then prices decreased again.

"Prices increased in the last half of 2011, weakened to mid-2012 and slowly since recovered."

Figure 14: Price index of raw milk on farm level, dairy products at processor level and milk and eggs at consumer level, Jan 2000 – Jan 2013



Source: DAFF and Stats SA data, raw milk PPI from January includes eggs.

Table 5: Farm requisite price indices, base 2005 = 100

Period	Machinery and implements	Material for fixed improvement	Intermediate goods and services	All farming requisites
2009	133.0	141.6	172.8	166.6
2010	154.9	142.0	193.4	186.6
2011	178.4	153.6	218.6	210.4
2012	187.3	167.5	250.7	239.4
CAGR 09/12	12 %	5.8 %	13.2 %	12.8 %
Apr-09	131.8	144.6	168.5	163.1
Apr-10	152.9	145.5	191.3	184.6
Apr-11	171.2	152.5	215.8	207.5
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
CAGR 09/12	14.1 %	5.6 %	14.6 %	14.1 %

Source: Department of Agriculture, Forestry and Fisheries
* Computed annual growth rate

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