



QUARTERLY REVIEW OF THE PERFORMANCE OF THE DAIRY INDUSTRY¹

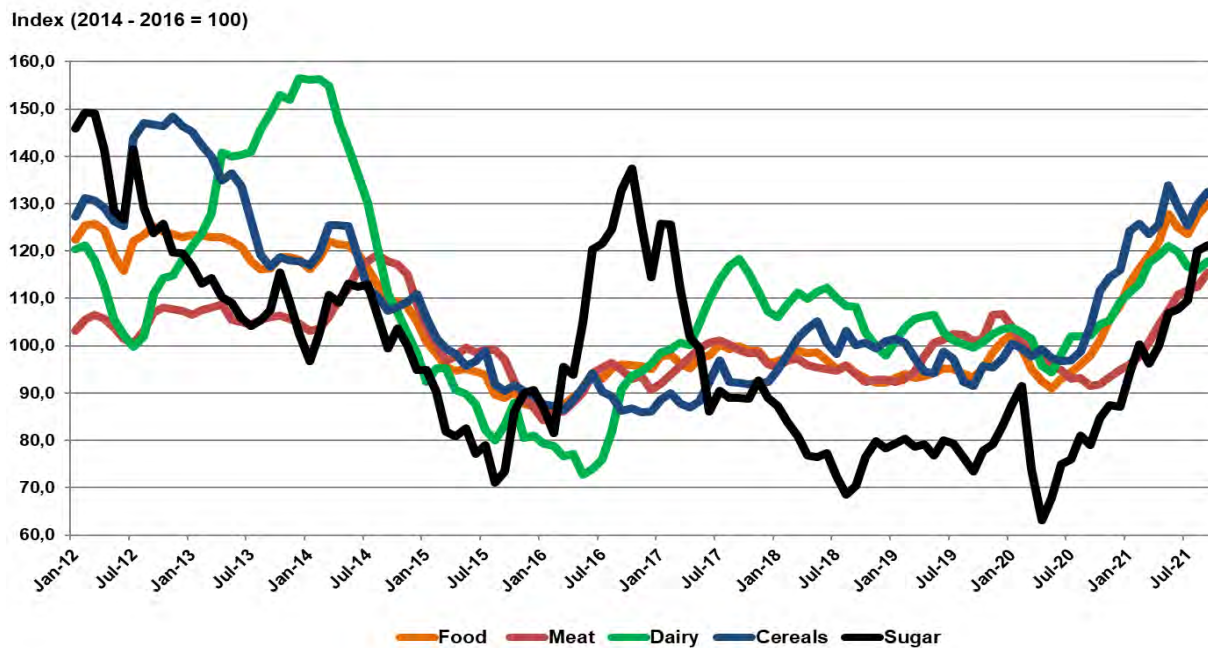
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Third Quarter 2021

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1. INTERNATIONAL MARKET

FIGURE 1a: Food and Agricultural Organisation (FAO) FOOD PRICE INDICES, JANUARY 2012 – September 2021



Source: FAO Food price index, Oct. 2021

The FAO Food Price Index (FFPI) index started the current bull-run in June 2020, shortly after the worldwide hard lockdown, and is currently at a level last seen in Sept 2011. It seems that various factors are continuously contributing to market imbalances in the indices being reflected in Figure 1a, ranging from low stock levels, to route to market congestion to increased economic activity in certain part of the world outstripping demand. The FFPI averaged 130.0 points in September 2021, up 1.5 points (1.2 percent) from August and 32.1 points (32.8 percent) from the same month last year. The latest rise of the FFPI was largely driven by higher prices of most cereals. Dairy and sugar prices were also firmer, while the meat price index remained stable.

The FAO Dairy Price Index averaged 117.9 points in September, up 1.7 points (1.5 percent) from August and exceeding by 15.6 points (15.2 percent) its value in the corresponding month last year. In September, international quotations for all dairy products represented in the index rose, with skim milk powder (SMP) and butter rising sharply, underpinned by solid global import demand amid limited export availabilities, especially from Europe on the back of low inventories and seasonally declining milk production. Limited milk production at this early stage of the new season in Oceania, coupled with low stocks, also lifted world butter and SMP prices. Meanwhile, whole milk powder (WMP) and cheese prices rose moderately, owing to a combination of constrained production, low inventories and steady internal demand in Europe.

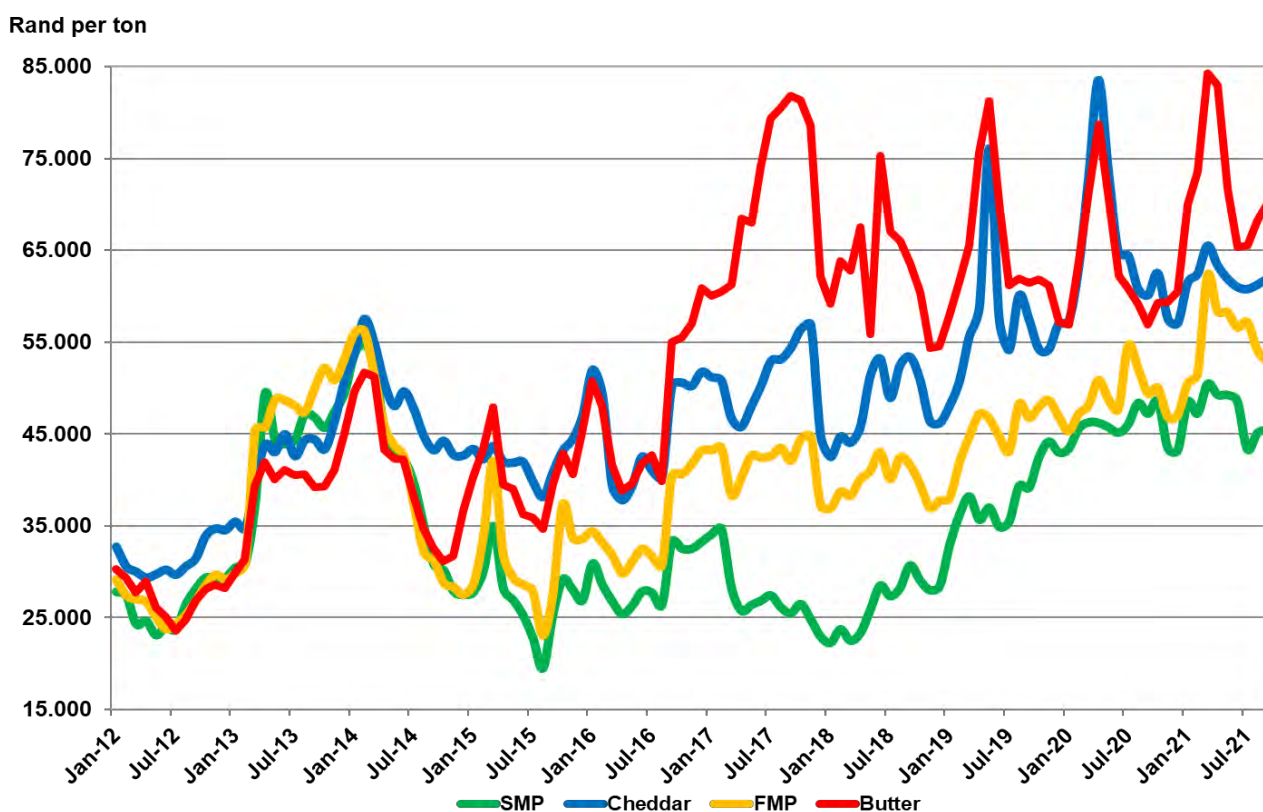
The FAO Cereal Price Index averaged 132.5 points in September, up 2.6 points (2.0 percent) from August and 28.5 points (27.3 percent) above its level of September 2020.

Among the major cereals, world wheat prices increased the most in September, up almost 4 percent month-on-month and as much as 41 percent year-on-year. Tightening export availabilities amidst strong world demand continued pushing up international wheat prices. Rice prices rose in September to stand above the multi-year lows touched in August 2021, sustained by a mild improvement in trading activities. By contrast, world maize prices remained generally stable, up only 0.3 percent from August, as upward pressure from hurricane-related port disruptions in the US was countered by improved global crop prospects and the start of harvests in the US and Ukraine. Nonetheless, maize prices remained elevated at nearly 38 percent above their levels of September 2020.

The FAO Meat Price Index* averaged 115.5 points in September, virtually unchanged from its revised value for August and 24.1 points (26.3 percent) above its value in the corresponding month a year ago.

The FAO Sugar Price Index averaged 121.2 points in September, up 0.6 points (0.5 percent) from August and 42.2 points (53.5 percent) above the level registered in the corresponding month last year. Concerns over a reduced output in Brazil, the world's largest sugar exporter, due to prolonged dry weather conditions and frosts, continued to underpin the increase in world sugar prices.

FIGURE 1b: International Dairy Product Prices: Jan 2012 – September 2021



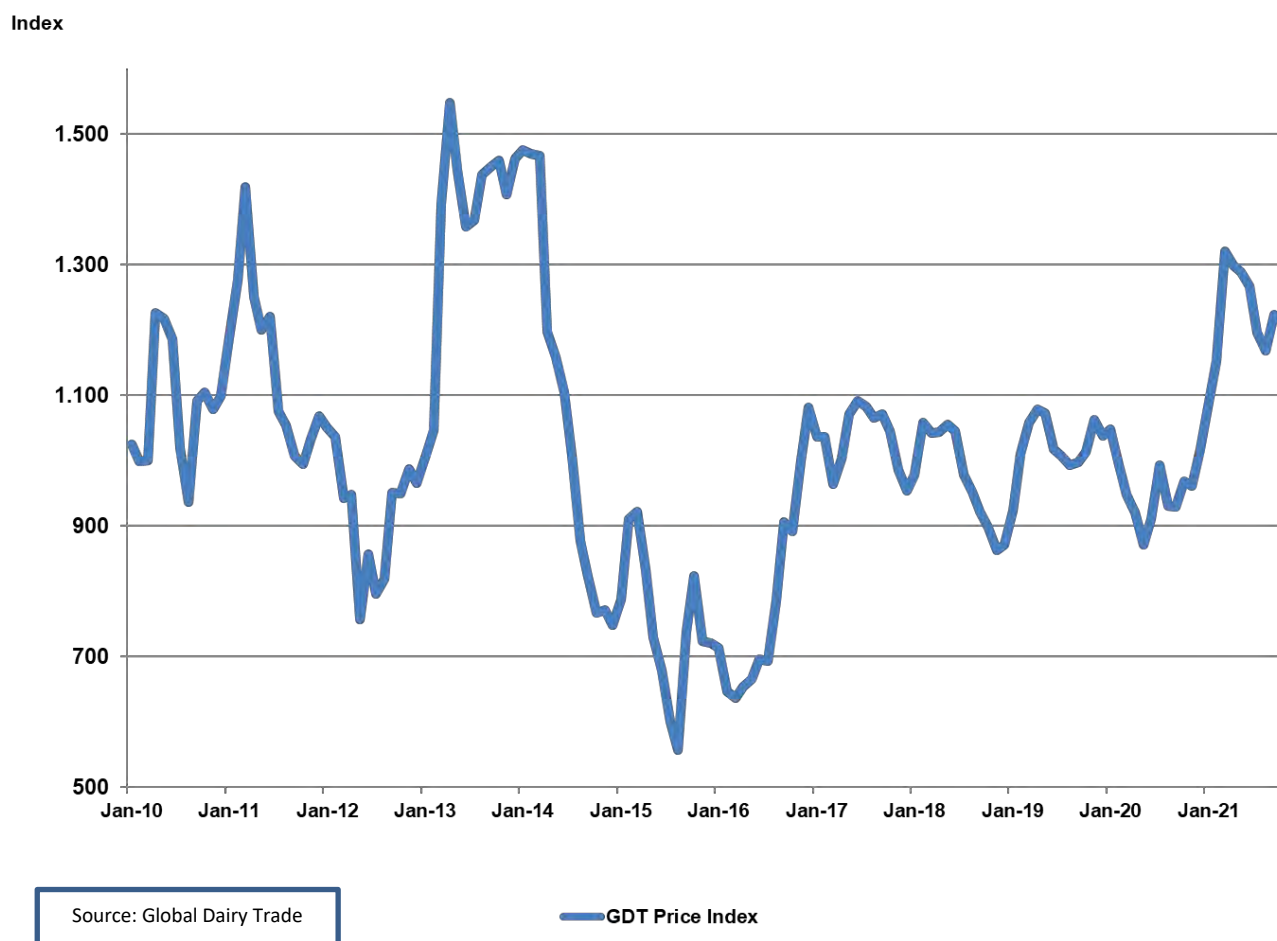
Source: USDA

Figure 1b shows international prices for milk powders, butter, and cheddar cheese as reported by the United States Department of Agriculture (USDA) converted to Rand/tonne inclusive of September 2021. In Rand terms, three of the four dairy product prices being

monitored in the graph above increased from September 2020 to September 2021. Butter, cheddar and whole milk powder (WMP) respectively with 23%, 3% and 7%. Skimmed milk powder (SMP) decreased by 4% from September 2020 to September 2021.

In US dollar terms all four product prices increased from September 2020 to September 2021 with butter up 41%, skimmed milk powder (SMP) up 10%, (WMP) with 23%, and cheddar with 18%.

FIGURE 2a: Global dairy trade-weighted price index. Jan 2010 – Sept 2021

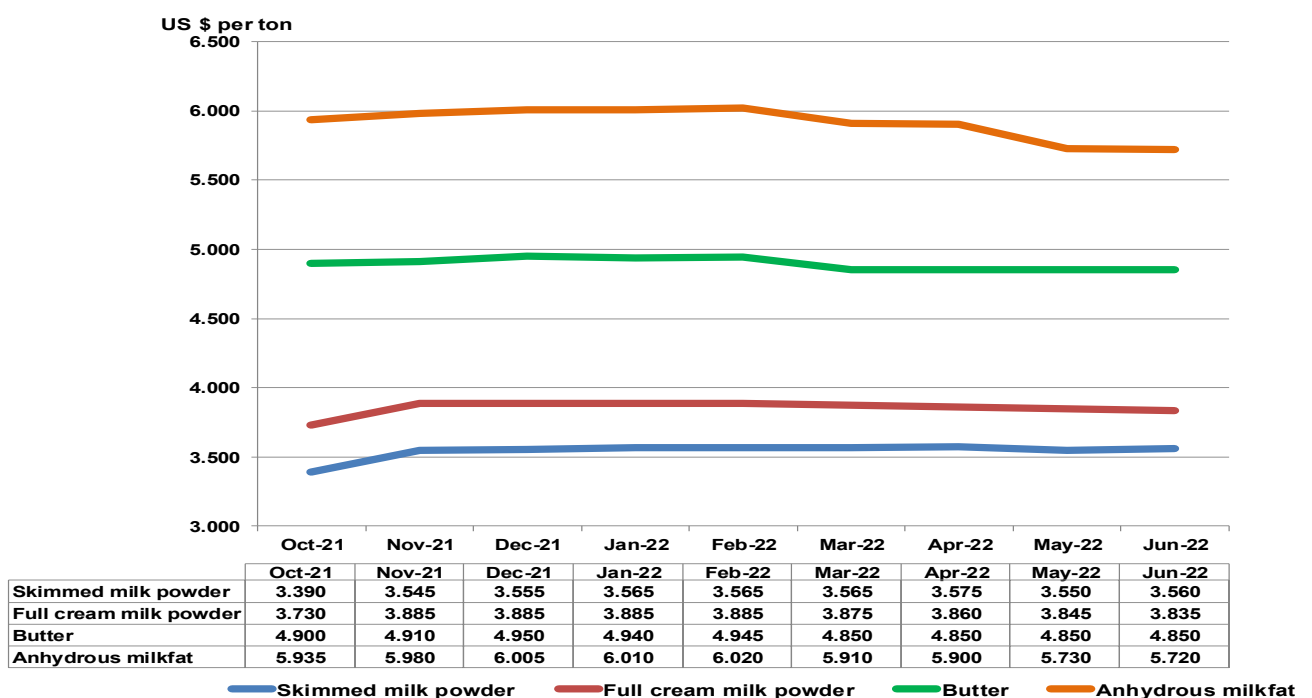


The Global Dairy Trade platform is an online auction through which large volumes of dairy products can be sold or bought. There are two trading events per month where people across the globe can enter bids or offers.

Figure 2a shows the movement of the Global Dairy Trade (GDT) price index inclusive of December 2020. According to this index, international prices (USD) are continuing to zig-zag with the index showing indication of a change in the wavelength and frequency regarding price movement, starting early in 2020. This usually indicates nervousness in the market when unknown variables are introduced which could relate to the influence of the worldwide pandemic. Both December 2020 and January 2021 registered strong upward momentum. A double break occurred in March 2021. The 1100 and 1200 index resistance

levels were sliced through, showing strong demand with limited supply. The April index moved sideways, May retreated to below the 1300 index level and the June through August trend remained downward. It seems that global manufacturing and shipping time lost during the hard lockdown in 2020 has been partially made good with better supply and distribution causing the prices to reduce. However, the September index bounced back from 1168 points in August 2021 to 1223 points in September 2021. The products that contributed to the bounce back were whole milk powder, cheddar (each 4%) and skimmed milk powder with the biggest increase of 6%. It seems that limited export availability, especially in Europe where the growth in unprocessed milk production over the first eight months of 2021 was zero, is causing upward pressure on the index.

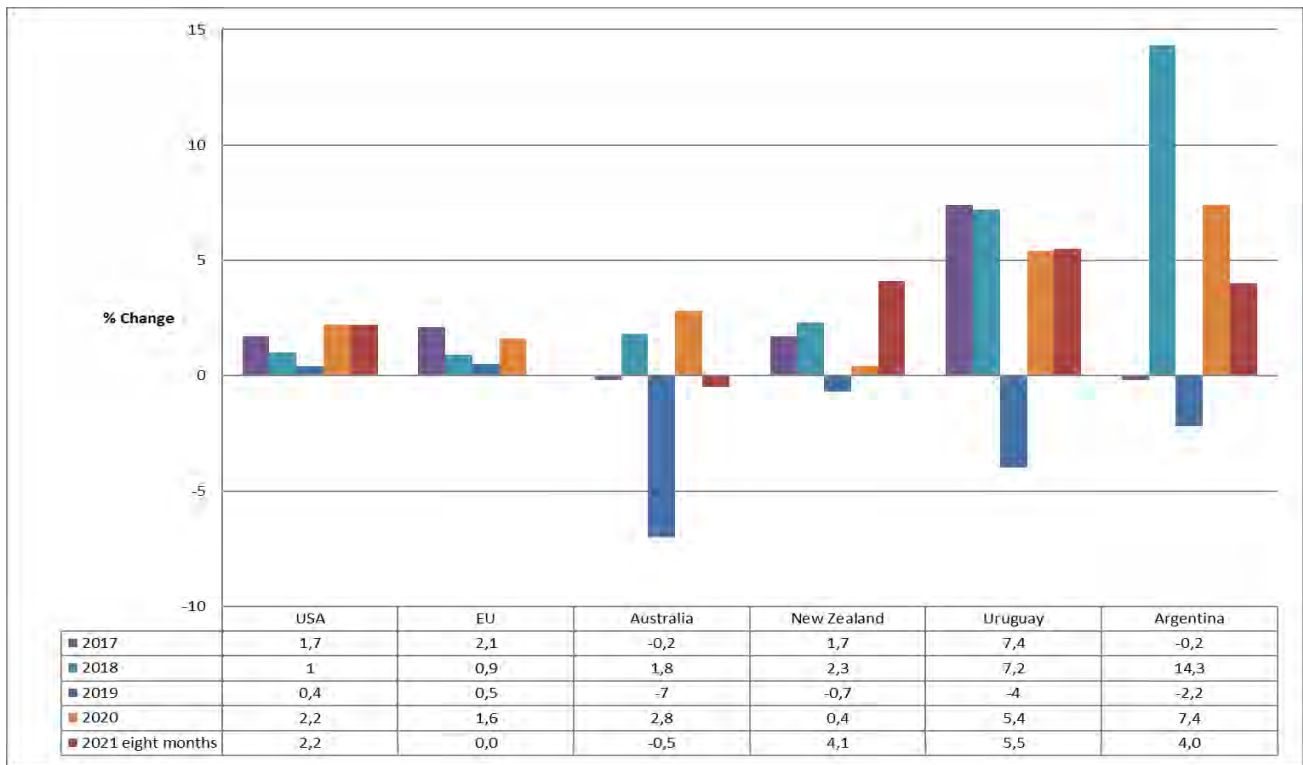
FIGURE 2b: FUTURE PRICES FOR DAIRY PRODUCTS ACHIEVED ON THE NEW ZEALAND FUTURES EXCHANGE (NDX): Oct 2021 – June 2022



Source: NZX Futures, July 2021

The New Zealand Future Exchange reflects an uptick in the prices of skimmed milk powder (SMP) and full cream milk powder (FMP) from October 2021 to November 2021 and then moving sideways through June 2022. Butter indicates a slight downward trend during the above period, while the decline in the anhydrous milkfat is more pronounced, decreasing with 3,6%.

FIGURE 3: YEAR ON YEAR CHANGE IN UNPROCESSED MILK PRODUCTION IN MAJOR DAIRY EXPORTING COUNTRIES, 2017 – 2021 (first eight months of every year)



Source: CLAL, September 2021

Unprocessed milk production during 2020 increased if compared to 2019. All the major exporting countries/region show positive growth, with the exception of Europe registering a zero-growth factor for the first eight months of 2021 and Australia on a negative growth of -0.5%.

FIGURE 4: WEIGHTED AVERAGE PRODUCER PRICE OF UNPROCESSED MILK IN THE EU (excluding UK). January 2018 – September 2021 (last month estimate)

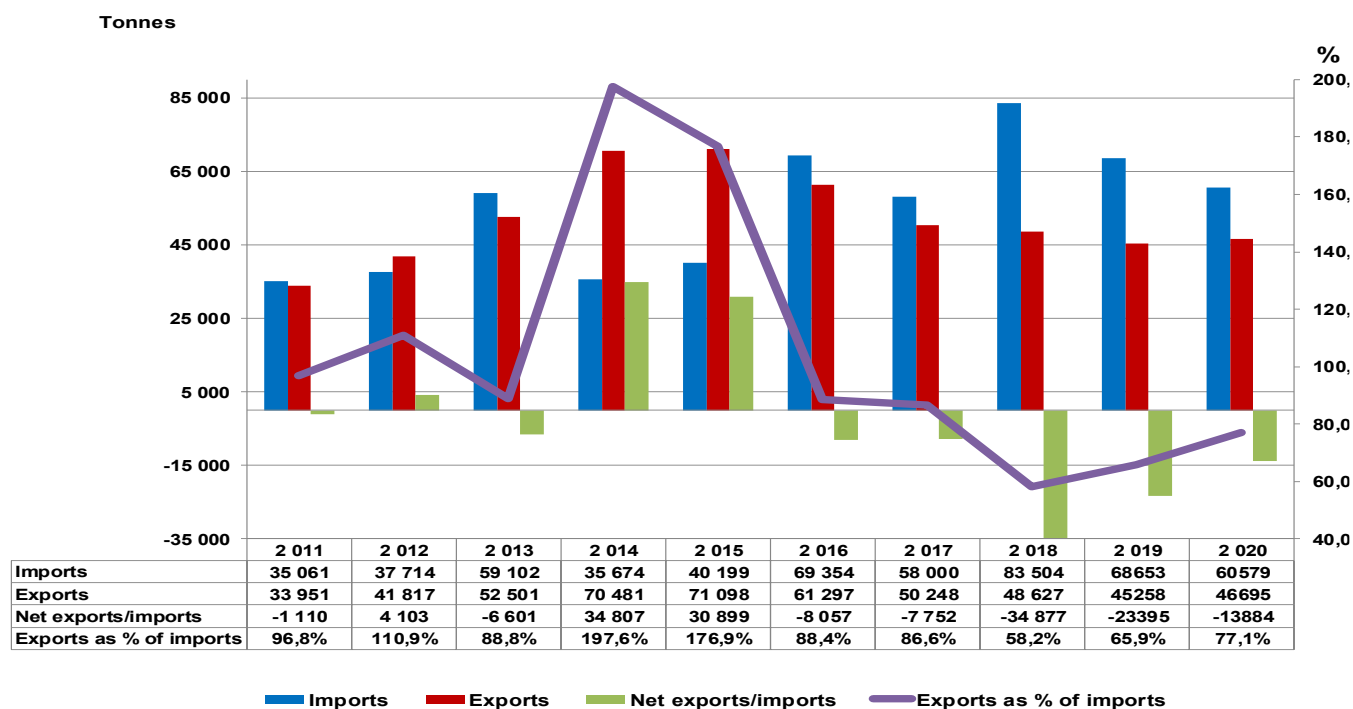


Source: European Commission, October 2021

The weighted average EU price for unprocessed milk price in June 2021 is 9.1% higher compared to the June 2020 price. From January 2021 to September 2021 the price increased from 34.9 Euros/100kg to 36,8 Euros per 100Kg, an increase of 5,4%. The 2021 trend in the producer price of unprocessed milk in Europe is different from trends in the previous three years. The current trend is a constant rising trend for the first nine months of 2021.

2. SOUTH AFRICAN DAIRY MARKET

FIGURE 5: TOTAL SOUTH AFRICAN IMPORTS AND EXPORTS OF DAIRY PRODUCTS, 2011 – 2020



Source: SARS as supplied by SAMPRO

The information regarding imports and exports by South Africa of dairy products in 2020, showed that:

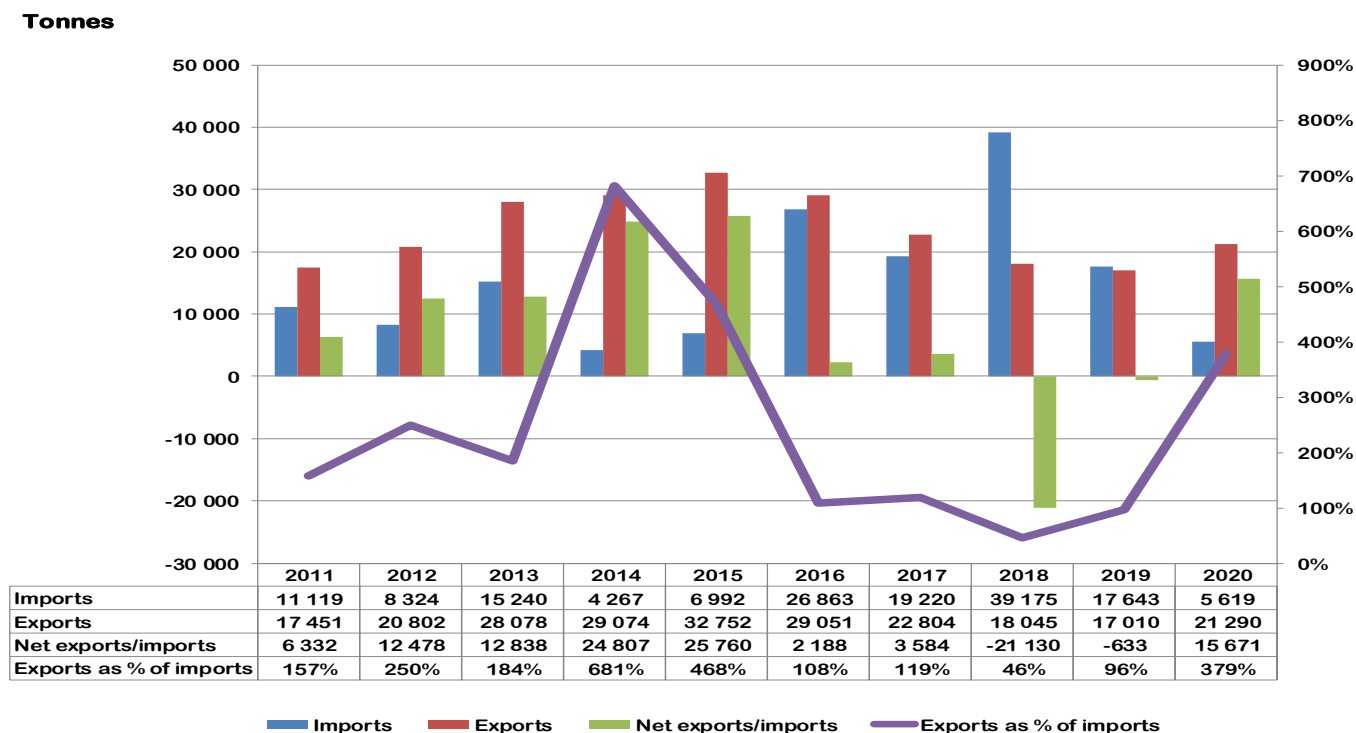
- The mass of imports of dairy products in 2020 was 11,8 percent lower than in 2019. The decrease from 2019 to 2020 is due to the decrease in imports of three of the six categories of dairy products.
- The mass of exports of dairy products in 2020 was 3,2 percent higher than in 2019. The increase from 2019 to 2020 is due to the increase in exports of four of the six categories of dairy products.
- The mass of imports and exports in 2020, showed that South Africa was a net importer of, concentrated milk (04.02), whey and whey powder (04.04), butter and milk fats (04.05) and cheese and curd (04.06) but a net exporter of milk and cream (04.01) and buttermilk and yoghurt (04.03).
- The mass of sales by South Africa to the other members of the Southern African Customs Union (Botswana, Namibia, Lesotho and Eswatini), in period 2020, of each of the six categories of dairy products, was higher than the mass of South African exports of the dairy products in the same period. See Table 1.

Table1: Mass of sales to the BeLN countries compared to exports outside of SACU in the period January to December 2020.

Heading	Description	(A)	(B)	(A+B)=(C)	A
		Sales To BeLN	Exports to Countries Outside SACU	Sales to BeLN plus exports outside SACU	as % of C
		Kilogram			%
04.01	Milk and cream, unsweetened	76 002 530	21 290 150	97 292 680.00	78.1
04.02	Milk, concentrated	49 396 924	7 815 738	57 212 662.00	86.3
04.03	Buttermilk powder, yogurt	30 426 894	10 050 795	40 477 689.00	75.2
04.04	Whey, whey powder, etc	4 404 158	1 359 203	5 763 361.00	76.4
04.05	Butter, butter spreads and butter oil	1 922 255	1 329 523	3 251 778.00	59.1
04.06	Cheese and curd	8 103 615	4 849 976	12 953 591.00	62.6
Total		170 256 376	46 695 385	216 951 761	78.5

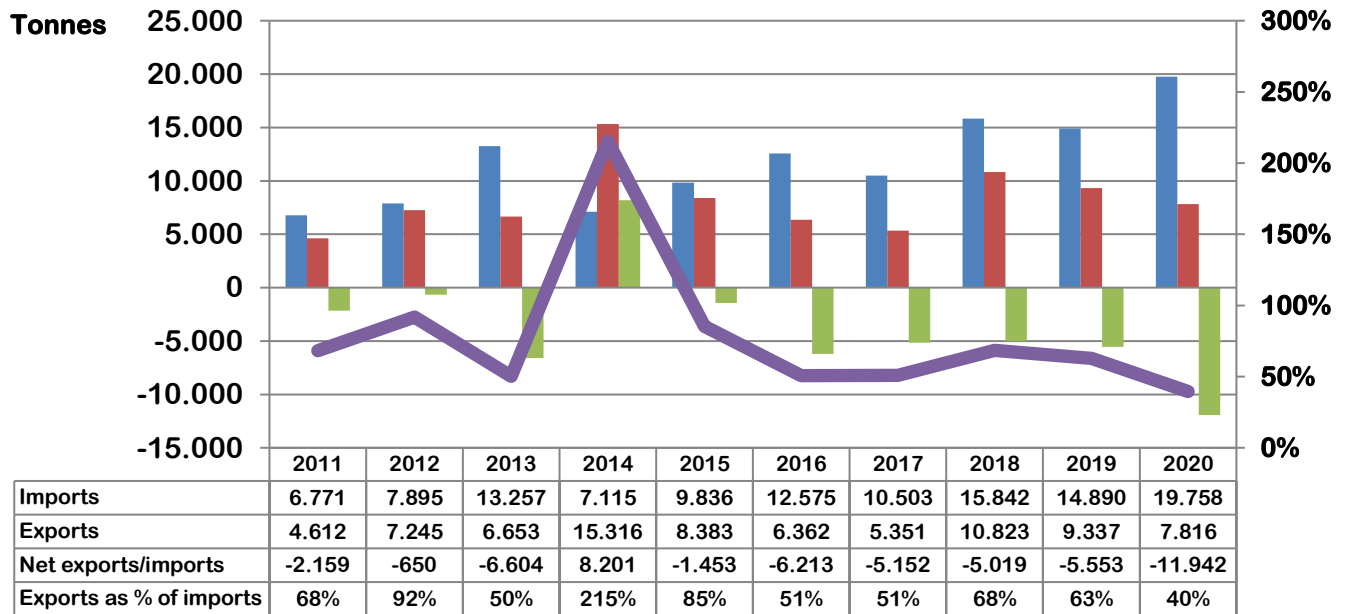
Source: SARS as supplied by SAMPRO

FIGURE 6: SOUTH AFRICAN IMPORTS AND EXPORTS OF MILK AND CREAM (04.01), 2011 – 2020



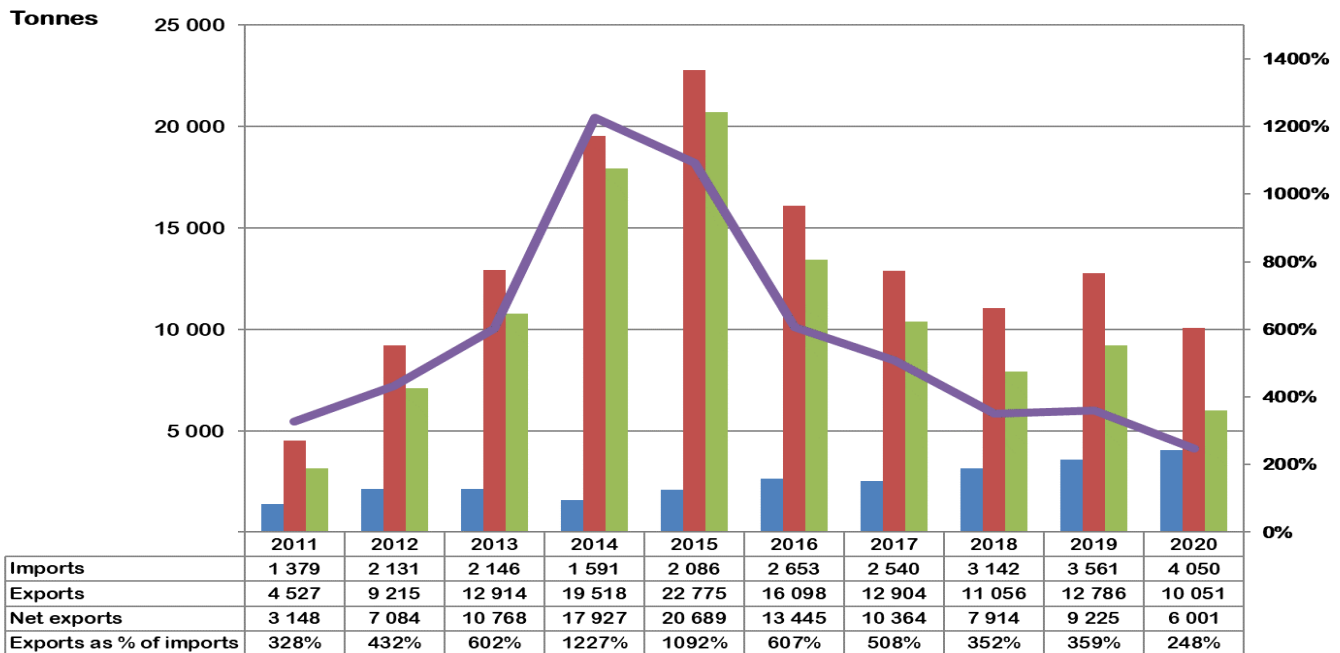
Source: SARS as supplied by SAMPRO

FIGURE 7: S.A. IMPORTS AND EXPORTS OF CONCENTRATED MILK, (04.02) 2011 – 2020



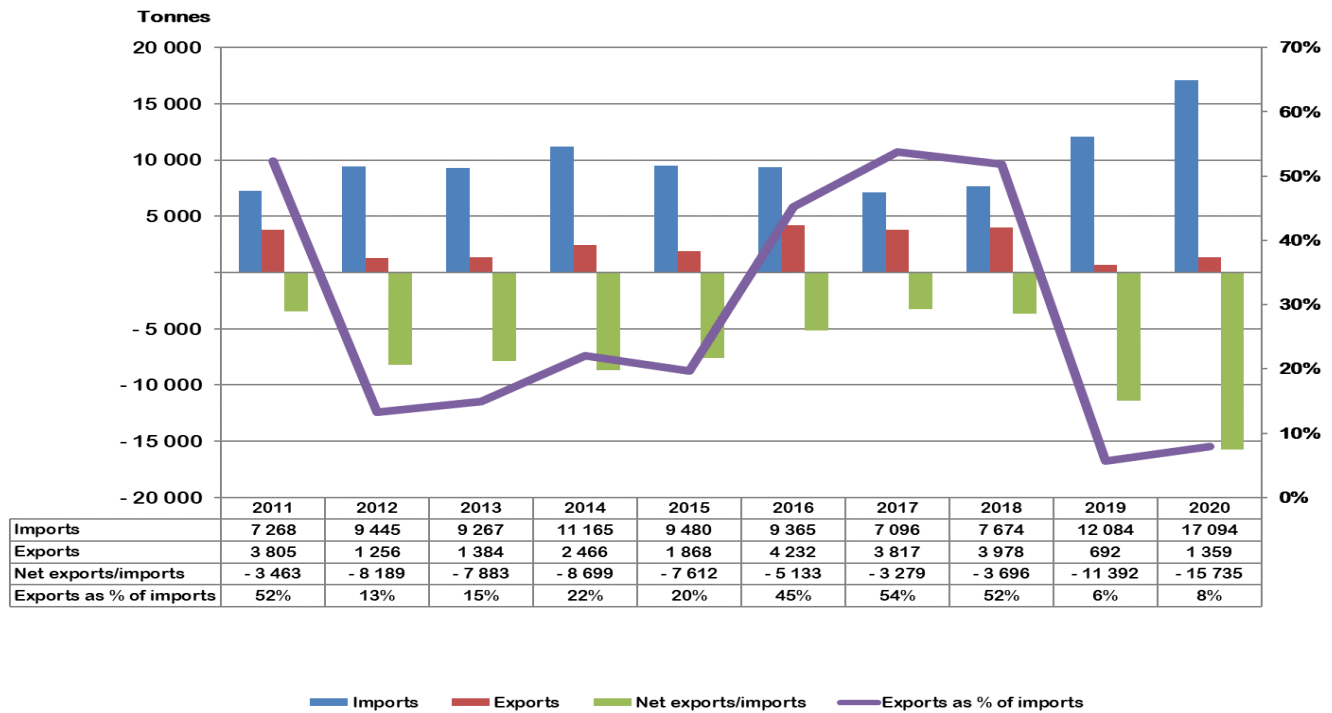
Imports Exports Net exports/imports Exports as % of imports

FIGURE 8: SOUTH AFRICAN IMPORTS AND EXPORTS OF BUTTERMILK AND YOGHURT, (04.03) 2011 – 2020



Imports Exports Net exports Exports as % of imports

FIGURE 9: SOUTH AFRICAN IMPORTS AND EXPORTS OF WHEY AND WHEY POWDER, (04.04) 2011 – 2020



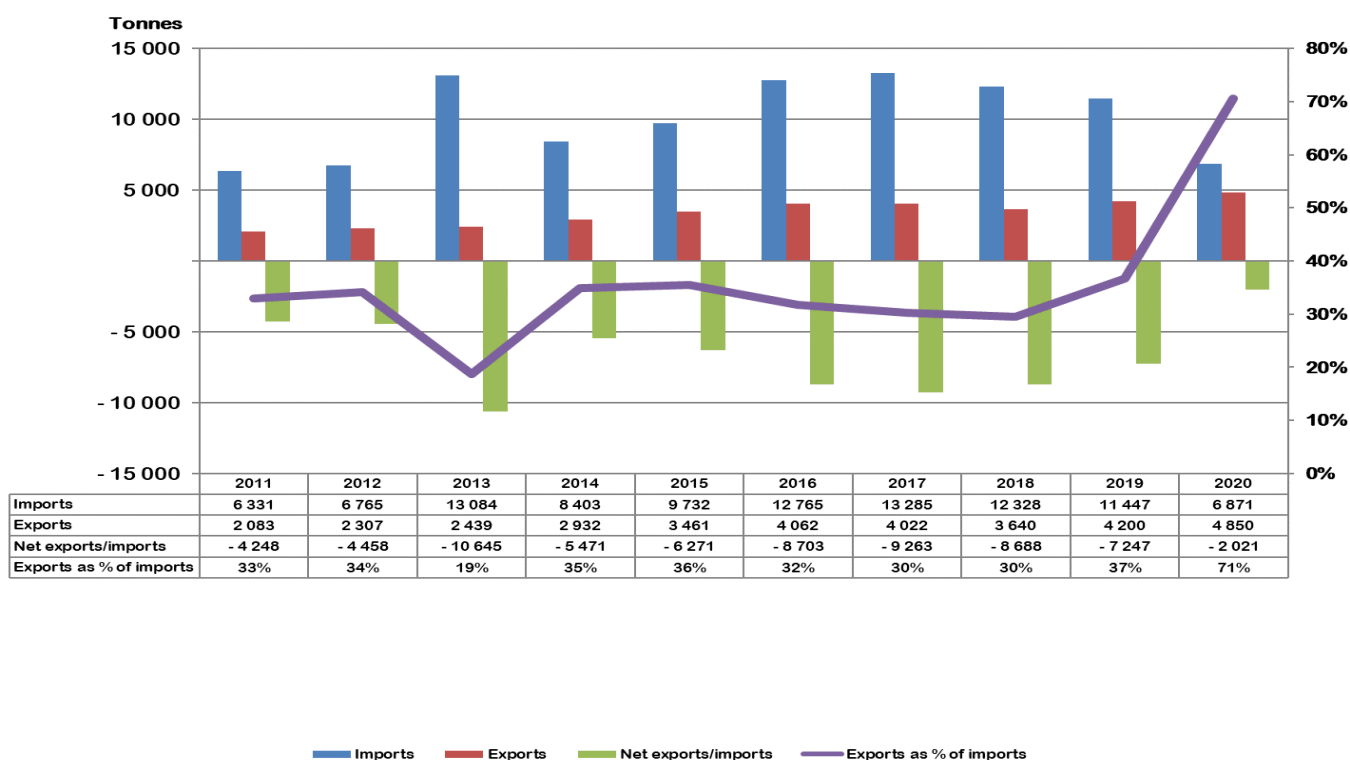
Source: As supplied by SAMPRO

FIGURE 10: SOUTH AFRICAN IMPORTS AND EXPORTS OF BUTTER AND MILKFATS, (04.05) 2011 – 2020



Source: SARS as supplied by SAMPRO

**FIGURE 11: SOUTH AFRICAN IMPORTS AND EXPORTS OF CHEESE AND CURD, (04.06)
2011 – 2020**



Source: SARS as supplied by SAMPRO

TABLE 2: AVERAGE SOUTH AFRICAN IMPORT AND EXPORT FOB-PRICES FOR DAIRY PRODUCTS, 2016– 2020

Tariff heading	Description	Import price (R/kg)					Export price (R/kg)				
		2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
04.01	Milk & cream	7.44	7.65	8.00	8.95	10.32	10.18	10.93	11.20	11.30	12.23
04.02	Concentrated milk	32.94	32.31	30.84	36.49	46.22	37.00	41.51	36.56	36.97	46.98
04.03	Buttermilk & yoghurt	25.57	28.39	23.51	32.27	40.32	21.27	37.12	18.45	21.02	20.28
04.04	Whey	28.90	31.24	29.33	25.77	39.68	25.46	13.27	18.71	18.03	19.50
04.05	Butter	46.87	68.89	72.84	70.17	69.25	49.40	59.94	67.27	56.89	73.57
04.06	Cheese	57.21	62.19	62.92	69.85	79.19	51.99	60.86	53.15	56.25	58.17

Source: SARS as supplied to SAMPRO

The average free on board (F.O.B) export prices in 2020, of five of the six different categories of dairy products, are higher than in 2019, while for import F.O.B prices five of the six categories are higher in 2020 compared to 2019.

In Table 3, the mass of imports from January to June 2021, is compared to the mass of imports from January to June 2020.

Table 3: Imports from January to June 2021 and January to June 2020.

Heading	Description	A 2021 Kg	B 2020 Kg	A as % of B
04.01	Milk and cream, unsweetened	6 523 126	2 018 383	323.2
04.02	Milk, concentrated	11 558 807	11 098 167	104.2
04.03	Buttermilk powder, yogurt	1 565 143	1 853 516	84.4
04.04	Whey, whey powder, etc	9 752 936	7 275 627	134.0
04.05	Butter, butter spreads and butter oil	1 902 322	3 151 500	60.4
04.06	Cheese and curd	4 249 858	3 541 087	120.0
Total		35 552 192	28 938 820	122.9

In Table 4, the mass of exports from January to June 2021, is compared with the mass of exports from January to June 2020.

Table 4: Imports from January to June 2021 and January to June 2020.

Heading	Description	A 2021 Kg	B 2020 Kg	A as % van B
04.01	Milk and cream, unsweetened	10 862 274	9 447 946	115.0
04.02	Milk, concentrated	4 063 576	3 228 119	125.9
04.03	Buttermilk powder, yoghurt	5 172 853	4 360 969	118.6
04.04	Whey, whey powder. etc	1 177 547	473 004	249.0
04.05	Butter, butter spreads and butter oil	633 319	732 937	86.4
04.06	Cheese and curd	2 818 842	2 356 766	119.6
Total		24 728 411	20 599 740	120.0

TABLE 5: CHANGES IN THE RETAIL SALES QUANTITIES FROM THE YEAR JULY 2019 TO JUNE 2020, TO THE YEAR JULY 2020 TO JUNE 2021, AND CHANGES IN THE RETAIL PRICES FROM JUNE 2020 TO JUNE 2021 OF SPECIFIC DAIRY PRODUCTS

DAIRY PRODUCT	Change in Retail Sales Quantity	Change in Retail Prices
	Percent	Percent
Fresh milk	-7.7	6.1
Long life milk (Uht milk)	-3.5	3.5
Flavoured milk	-6.1	7.0
Yoghurt	1.7	6.5
Maas	-1.3	5.2
Pre-packaged cheese	2.8	3.7
Cream cheese	-3.9	9.3
Butter	0.4	1.2
Cream	4.1	3.8

Source: Nielsen figures supplied by SAMPRO

The average retail prices of all of the nine products being monitored in Table 5, were higher in June 2021 than in June 2020. Average retail price changes varied between 1,2% and 9,3%. The sales quantities of five of the dairy products reflected in Table 2 were lower than in the previous year, with fresh milk being the hardest hit with a 7,7% drop in sales.

Fresh and long-life milk (UHT) (Unflavoured and unsweetened milk) utilize approximately 49.1 percent of the total unprocessed milk production in South Africa.

Changes in sales quantities and prices during the period in table 5 did not change at the same rate. This situation is illustrated in Table 6 and Table 7.

TABLE 6: CHANGES IN THE QUANTITIES OF RETAIL SALES OF CERTAIN DAIRY PRODUCTS

PRODUCT	Sales in the month of June 2021 versus the sales in the month of June 2020	Sales in the 3 months from April 2021 to June 2021 versus the sales in the 3 months from April 2020 to June 2020	Sales in the 6 months from January 2021 to June 2021 versus the sales in the 6 months from January 2020 to June 2020	Sales in the 9 months from October 2020 to June 2021 versus the sales in the 9 months from October 2019 to June 2020	Sales in the 12 months from July 2020 to June 2021 versus the sales in the 12 months from July 2019 to June 2020
	percent		percent		percent
Fresh Milk	-2.4	-4.2	-6.2	-7.3	-7.7
UHT milk	-3.6	-15.0	-10.8	-6.2	-3.5
Flavoured milk	7.0	6.2	3.2	-2.1	-6.1
Yoghurt	-5.1	-7.2	-3.4	0.5	1.7
Maas	-7.4	-7.4	-5.3	-2.4	-1.3
Pre-packaged cheese	4.5	-6.2	-3.6	0.6	2.8
Cream cheese	-9.0	-13.2	-7.1	-4.9	-3.9
Butter	0.5	-16.8	-5.4	-3.1	0.4
Cream	-7.0	-13.3	-2.5	1.0	4.1

Source: Nielsen as supplied by SAMPRO

The sales quantities of six of the dairy products reflected in Table 6, were lower in June 2021 compared to June 2020. Comparing sales in the six months from January 2021 to June 2021 versus January 2020 to June 2020 the sales quantities of eight of the nine products reflected in Table 6, were lower, with UHT milk being the hardest hit with a 10,8% drop in sales.

Understanding market demand with the distortion caused by the various degrees in severity regarding the restriction on human movement, coupled with no to limited trading hours for certain businesses during 2020 and 2021 due to the Covid-19 pandemic government regulations is difficult. Throw into the mix the change in consumer behaviour in the build-up phase towards the start of the government regulations, the interpretation of market demand is even more complex.

However, the above table indicates that in the relative timeframes sales are mostly down, which should influence the ability of the market to utilise unprocessed milk.

TABLE 7: THE AVERAGE RETAIL PRICES OF SPECIFIC DAIRY PRODUCTS IN June 2021, COMPARED TO THE AVERAGE RETAIL PRICES OF THE PRODUCTS CONCERNED IN SPECIFIC PREVIOUS MONTHS OF 2020 AND 2019

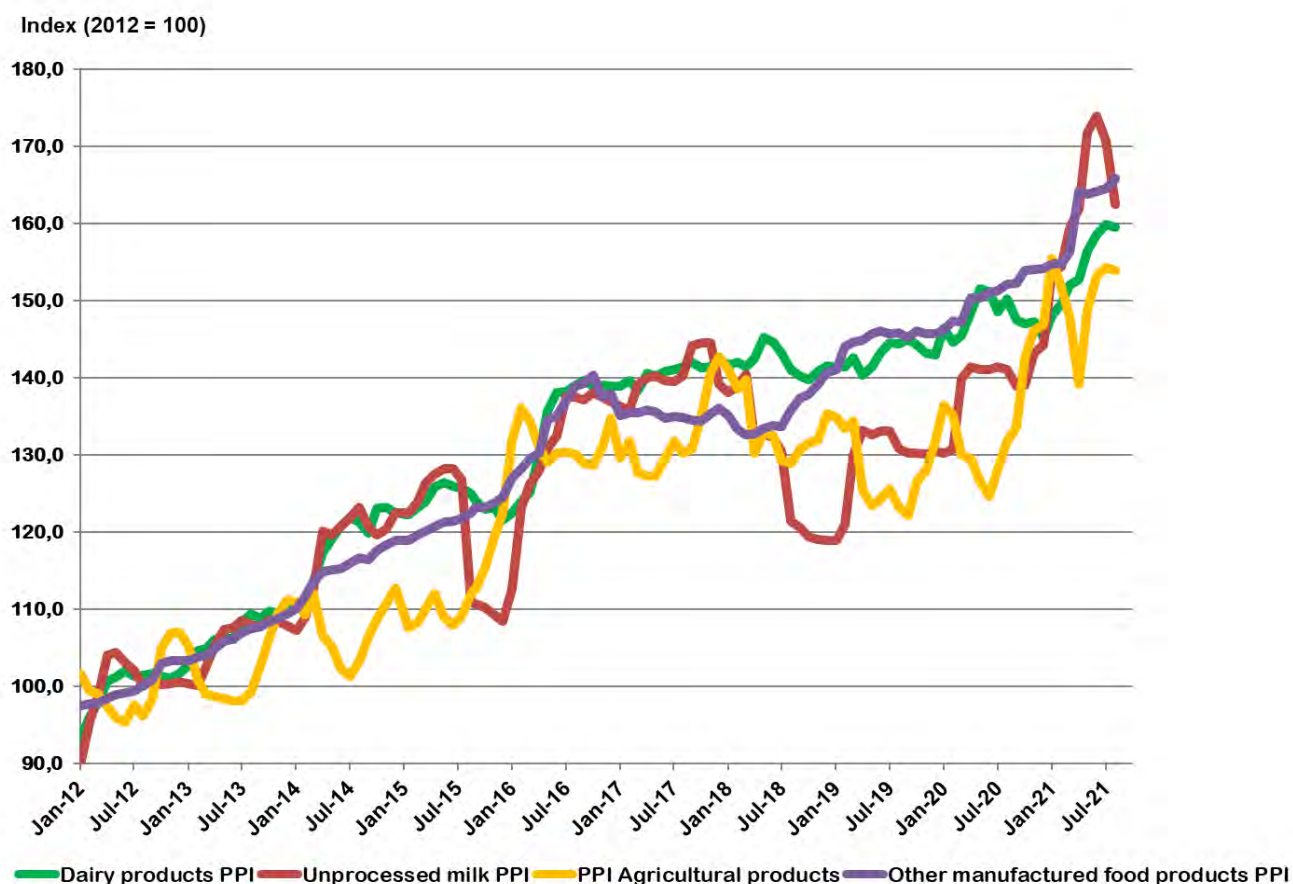
PRODUCT	June 2021 versus May 2021 (1 month ago)	June 2021 versus March 2021 (3 months ago)	June 2021 versus December 2020 (6 months ago)	June 2021 versus September 2020 (9 months ago)	June 2021 versus June 2020 (12 months ago)	June 2021 versus December 2019 (18 months ago)	June 2021 versus June 2019 (24 months ago)
	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Fresh milk	-0.7	2.5	5.5	6.9	6.1	8.5	10.7
Uht milk	0.4	3.7	4.1	3.7	3.5	8.3	10.0
Flavoured milk	3.5	9.5	7.5	9.0	7.0	12.4	14.0
Yoghurt	-1.4	2.7	6.5	6.2	6.5	8.5	6.6
Maas	-0.6	1.6	5.6	6.4	5.2	5.2	9.6
Pre-packaged cheese	0.01	2.8	1.8	4.1	3.7	5.4	9.6
Cream cheese	1.3	1.6	5.5	9.5	9.3	15.5	17.7
Butter	-0.6	2.8	-0.5	0.7	1.2	10.5	7.8
Cream	1.4	2.8	1.0	3.9	3.8	3.2	9.0

Source: Nielsen as supplied by SAMPRO

Comparing month on month (June 2021 with May 2021), for the five products that registered a price increase in Table 7, the sales price of prepacked cheese, increased with less than the Headline inflation rate of 0,2 percent, while the prices of four of the nine products decreased.

Comparing year on year (June 2021 with June 2020), the retail sales prices of all the dairy products in Table 7, increased with four of the nine product increasing with less than the year-on-year Headline inflation rate of 4,9%.

FIGURE 12: PRODUCER PRICE INDICES OF SOUTH AFRICAN AGRICULTURAL AND FOOD PRODUCTS, JANUARY 2012 – AUGUST 2021.



Source: Stats SA

The PPI for unprocessed milk (Figure 12) started to increase from 130.3 index points in February 2020 to 144.3 points in December 2020, an increase of 10,6%. The index continued to increase in 2021, with January 2021 registering 153,9 index points and June 2021 increasing to an all-time high of 173,9 index points, an increase of 13,0%. The PPI for unprocessed milk increased with 33,5% from February 2020 to June 2021. The index turned south in July 2021 and continued with this trend in August 2021. The PPI for unprocessed milk increased with 15,2% from August 2020 to August 2021.

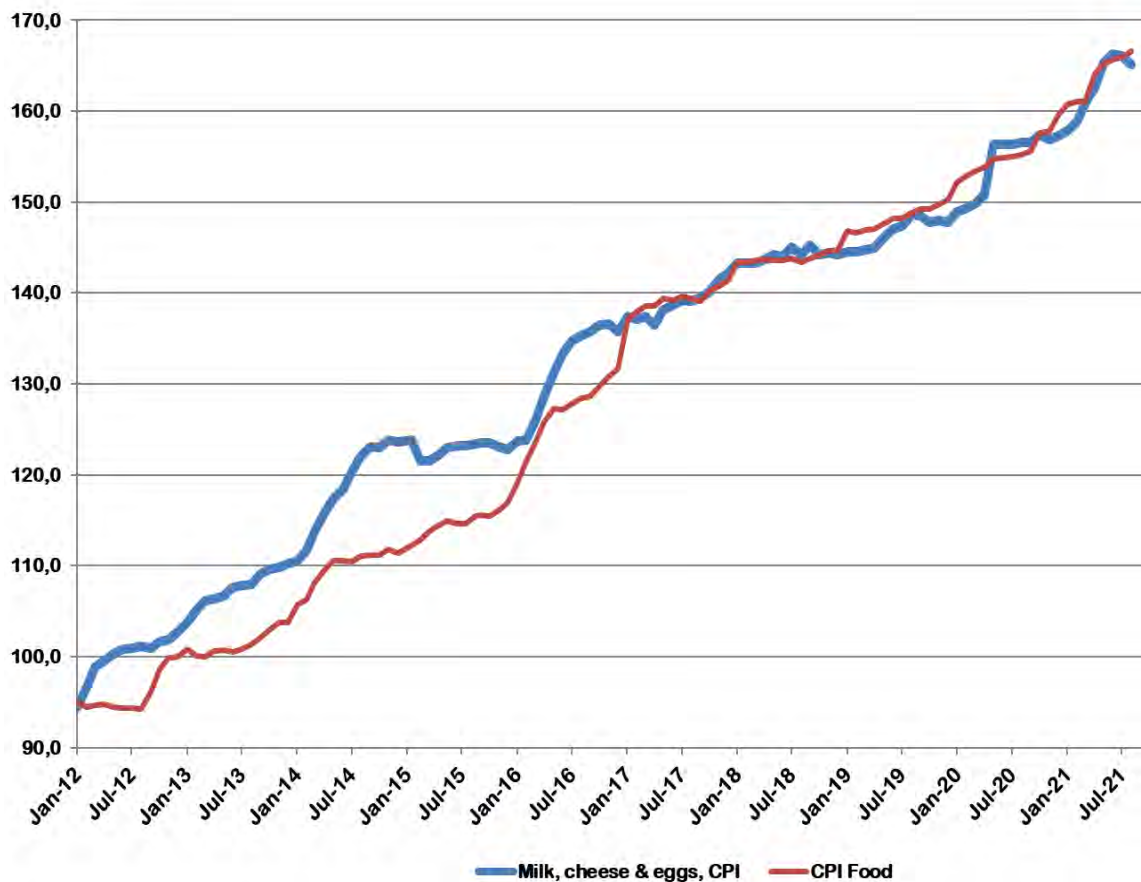
The PPI for other manufactured food products exhibits an upward trend since March 2018. There was some sideways movement from April 2019 to Dec 2019 with the upward trend continuing in 2020 and for the first four months of 2021, but with May 2021 declining from 164,2 index points to 160,9 index points. The PPI for other manufactured food products increased with 9,0% from August 2020 to August 2021.

The PPI for Agricultural products increased with 16,8% from August 2020 to August 2021.

The highest level of the PPI for Dairy products in 2019 was 145 index points (Sept), an increase of 2,5% but the index lost ground falling back with 1,4% in December 2019 to 143 index points. In 2020 the highest level of the index was 151,6 in May 2020, an increase of 6% from the December 2019 index level. The index trend reversed in the second half of 2020 and decreased with 4,2% from May 2020 to December 2020 to 145,3 points. From December 2020 to July 2021 the index increased with 10,0% to 159,9 index points. The trend reversed in August 2021 with the index decreasing with

0,2% to 159,6 index points. The index increased with 6,2% from August 2020 to August 2021, which is significantly less than all the other three indices in the above graph.

FIGURE 13: CONSUMER PRICE INDICES OF SOUTH AFRICAN FOOD AND DAIRY PRODUCTS, JANUARY 2012 – SEPTEMBER 2021



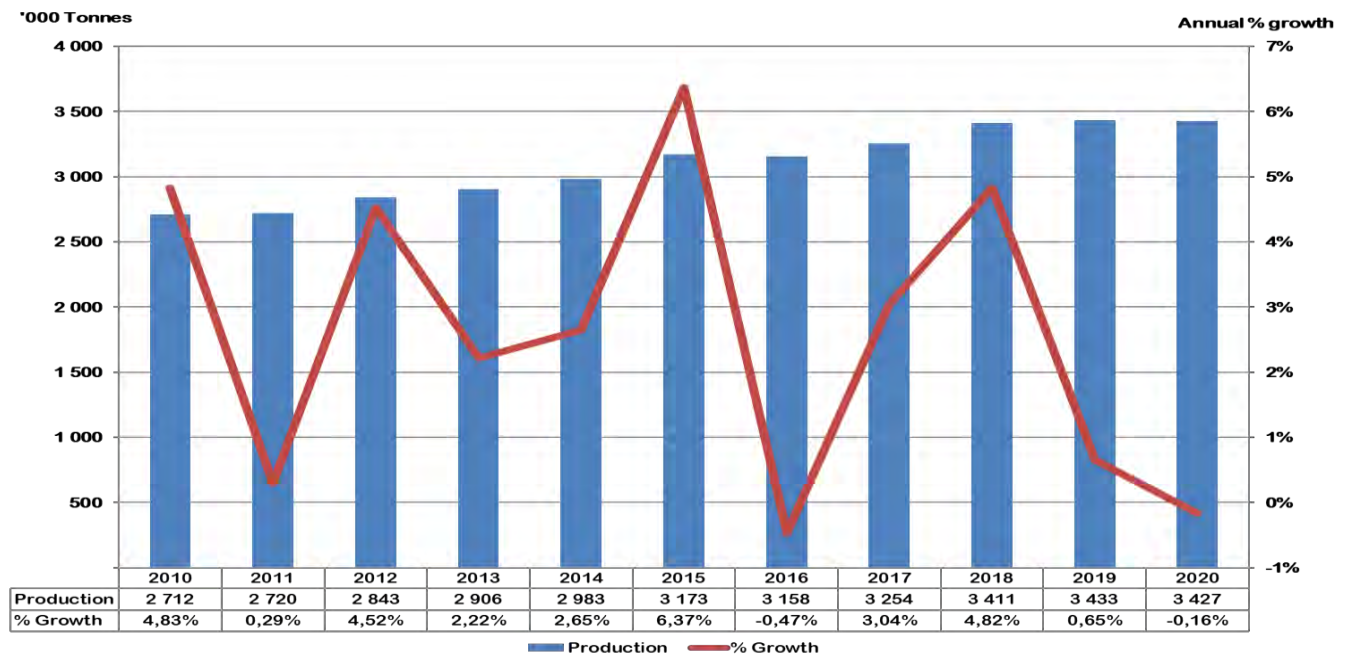
Source: Stats SA

The CPI for food started to increase in February 2019 and continued on this trend through 2019 and for 2020. The index increased with 8,8% from 146,6 index points in February 2019 to 159,6 points in December 2020. The increase from December 2019 (150,3) to December 2020 (159,6) was 4,9%. The index increased with 7,3% from September 2020 to September 2021.

The CPI for milk, cheese and eggs increased with 8,8% from February 2019 (144,5) to December 2020 (157,3), exactly the same percentage as the CPI for food. The increase from December 2019 (147,8) to December 2020 (157,3) was 6,4%. The index increased with 5,4% from September 2020 to September 2021.

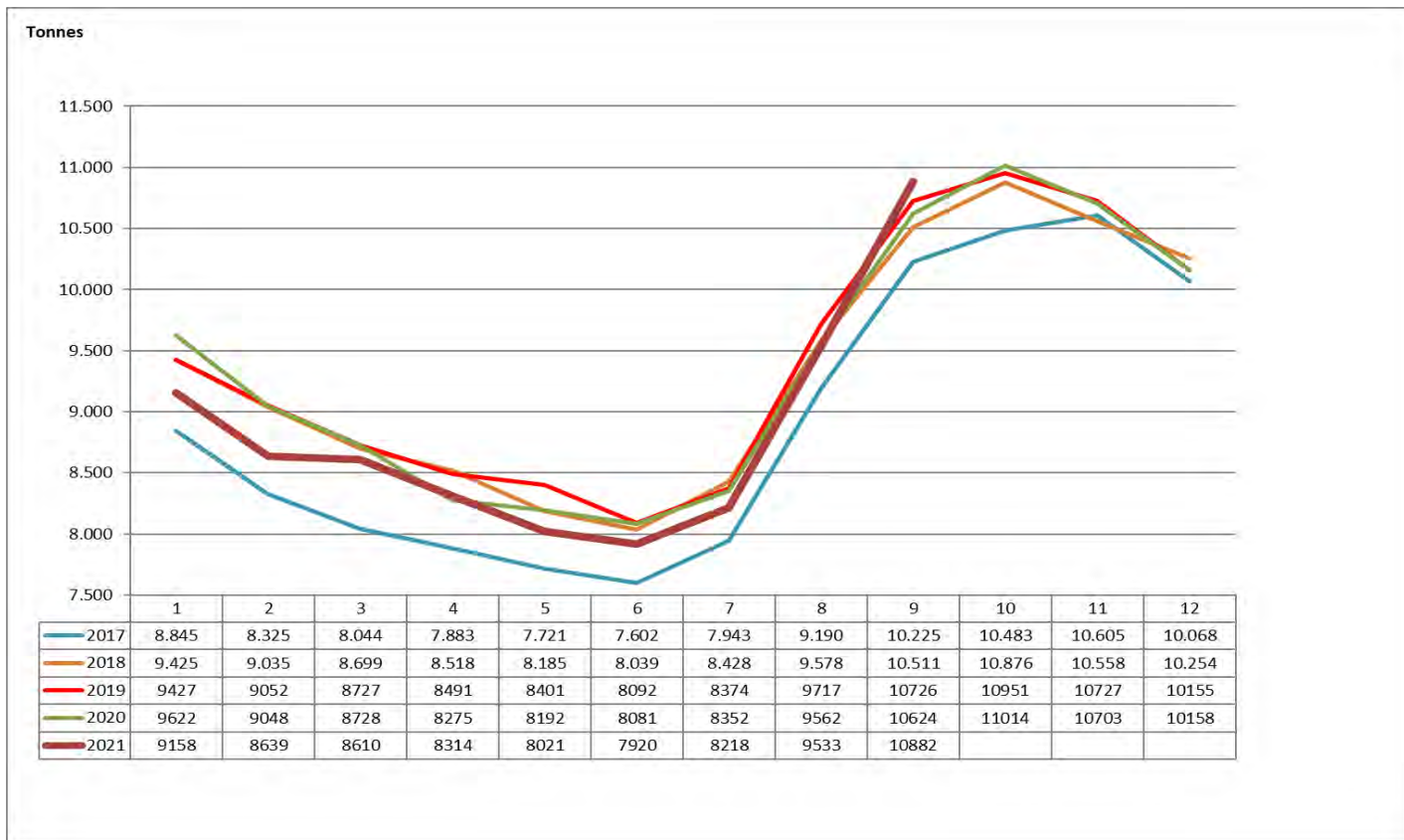
The latest percentage increase (5,4%) in the CPI for milk, cheese and eggs is noteworthy lower than the percentage increase (7,3%) in the CPI for food.

**FIGURE 14: ANNUAL SOUTH AFRICAN UNPROCESSED MILK PURCHASES,
2010 – 2020**



Source: Milk SA

**FIGURE 15: SOUTH AFRICAN UNPROCESSED MILK PURCHASES DAILY AVERAGE PER
MONTH, JANUARY 2017 – Sept 2021**



Source: Milk SA; Aug and Sept 2021 = Milk SA estimates.

Average unprocessed milk purchases in September 2021 are higher than the corresponding month of 2020. September 2021 is the second month in 2021 where the volume purchased exhibits signs that unprocessed milk production is picking up compared to 2020.

TABLE 5: CUMULATIVE UNPROCESSED MILK PURCHASES (Tonnes), 2016 – 2020

Month	2016	2017	2018	2019	2020
January	264 711	274 208	292 171	292 222	298 287
February	505 147	507 314	545 148	545 682	560 678
March	752 227	756 690	814 832	816 208	831 233
April	987 280	993 180	1 070 368	1 070 927	1 079 473
May	1 223 556	1 232 517	1 324 102	1 331 360	1 333 417
June	1 454 086	1 460 583	1 565 269	1 574 114	1 575 855
July	1 694 009	1 706 830	1 826 534	1 833 695	1 834 773
August	1 964 790	1 991 715	2 123 446	2 134 907	2 131 205
September	2 260 473	2 298 450	2 438 789	2 456 699	2 449 933
October	2 574 398	2 623 438	2 775 933	2 796 179	2 791 371
November	2 869 392	2 941 589	3 092 669	3 117 985	3 112 446
December	3 158 446	3 253 682	3 410 536	3 432 802	3 427 335

Source: Milk SA.

During 2020, 3 427 335 tonnes of unprocessed milk were purchased, which is 0.16% less than in 2019.

Synopsis

The FAO Food Price Index (FFPI) index started the current bull-run in June 2020, shortly after the worldwide hard lockdown, and is currently at a level last seen in Sept 2011. It seems that various factors are continuously contributing to market imbalances in the indices being reflected in Figure 1a, ranging from low stock levels, to route to market congestion to increased economic activity in certain part of the world outstripping demand. The FFPI averaged 130.0 points in September 2021, up 1.5 points (1.2 percent) from August and 32.1 points (32.8 percent) from the same month last year. The latest rise of the FFPI was largely driven by higher prices of most cereals. Dairy and sugar prices were also firmer, while the meat price index remained stable.

On the cereal front the FAO reports, tightening export availabilities amidst strong world demand continued pushing up international wheat prices. Rice prices rose in September to stand above the multi-year lows touched in August 2021, sustained by a mild improvement in trading activities. By contrast, world maize prices remained generally stable, up only 0.3 percent from August, as upward pressure from hurricane-related port disruptions in the US was countered by improved global crop prospects and the start of harvests in the US and Ukraine. Nonetheless, maize prices remained elevated at nearly 38 percent above their levels of September 2020.

International dairy product prices monitored in this report increased in US dollar terms, September on a year-on-year basis. Butter up 41%, skimmed milk powder (SMP) up 10%, (WMP) with 23%, and cheddar with 18%. The appreciation of the Rand over the same period softened the effect, butter, cheddar and whole milk powder (WMP) respectively increased with 23%, 3% and 7% while (SMP) actually decreased by 4%.

After five consecutive months of increases in the Global Dairy Trade, the index reversed in May 2021 decreasing further in June through August. It seems that global manufacturing and shipping time lost during the hard lockdown in 2020 has been partially been made good with better supply and distribution causing the prices to retract. However, the September index bounced back from 1168 points in August 2021 to 1223 points in September 2021. It seems that limited export availability, especially in Europe where the growth in unprocessed milk over the first eight months of 2021 was zero, is causing upward pressure on the index.

According to Table 6, dairy demand is down. The sales quantities of six of the dairy products reflected in Table 6 were lower in June 2021 compared to June 2020. Comparing sales in the six months from January 2021 to June 2021 versus January 2020 to June 2020 the sales quantities of eight of the nine products reflected in Table 6 were lower, with UHT milk being the hardest hit with a 10,8% drop in sales. Understanding market demand with the distortion caused by the various degrees in severity regarding the restriction on human movement, coupled with no to limited trading hours for certain businesses during 2020 and 2021 due to the Covid-19 pandemic government regulations is difficult. Throw into the mix the change in consumer behaviour in the build-up towards the start of the government regulations, the interpretation of market demand is even more complex. However, table 6 indicates that in the relative timeframes sales are mostly down, which should influence the ability of the market to utilise unprocessed milk.

The September 2021 percentage increase of 5,4% in the CPI for milk, cheese and eggs is noteworthy lower than the percentage increase of 7,3% in the CPI for food and indicative of the effort in the dairy value chain to lessen the impact of increased costs in the dairy value chain.

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