



QUARTERLY REVIEW OF THE PERFORMANCE OF THE DAIRY INDUSTRY¹

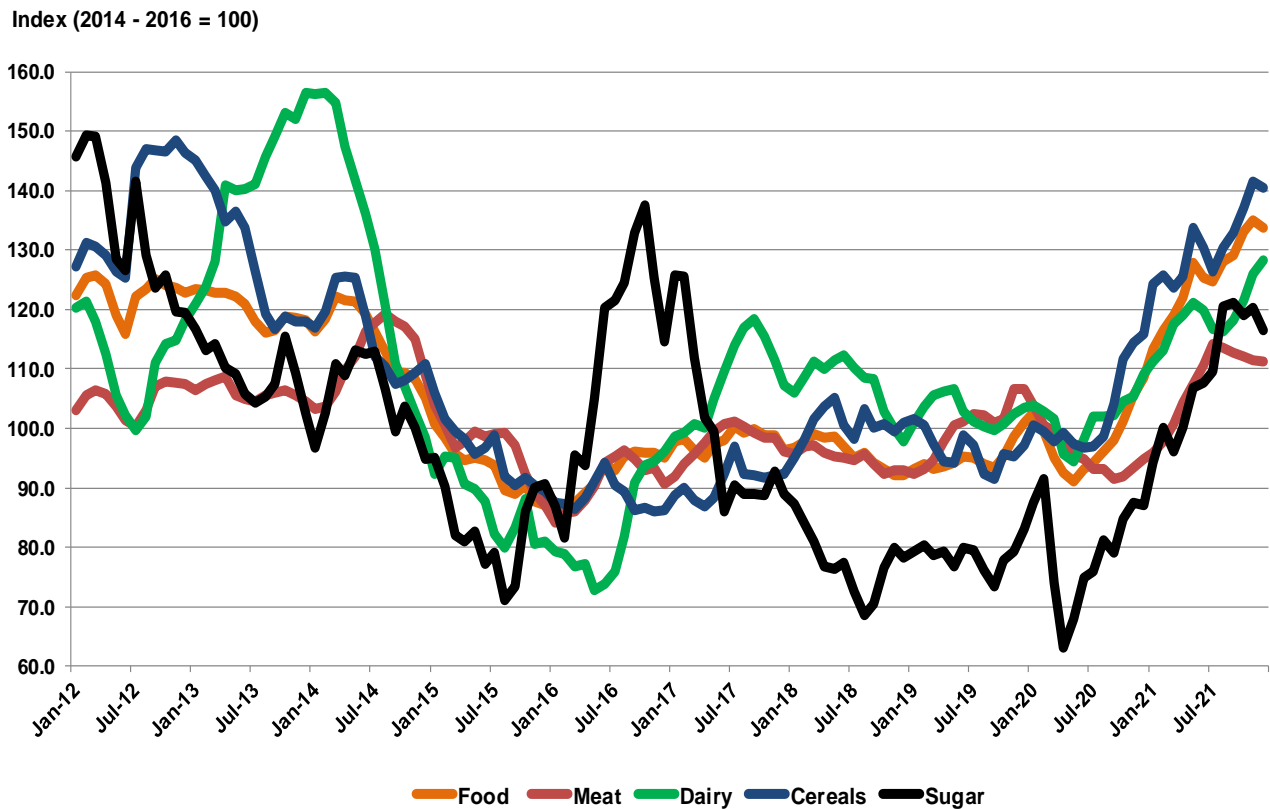
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Fourth Quarter 2021

¹ A publication of Milk SA prepared by the MPO

1. INTERNATIONAL MARKET

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



Source: FAO Food price index, January 2022

The FAO Food Price Index (FFPI) started the current bull-run in June 2020, shortly after the worldwide hard lockdown, and is currently at a level last seen in July 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 increased from June 2020 to December 2021 with 44%. The index decreased in June and July 2021, increased in August 2021 to November 2021 but reversed again in December 2021. The average monthly rate of increase from June 2020 to December 2021 was 2.30%. After the decrease in June and July 2021, the index increased with 8.27% from July 2021 to November 2021, an average monthly rate of increase of 2.07%. The monthly rate over the last consecutive monthly increase period, is slightly slower than over the total period from June 2020 to December 2021.

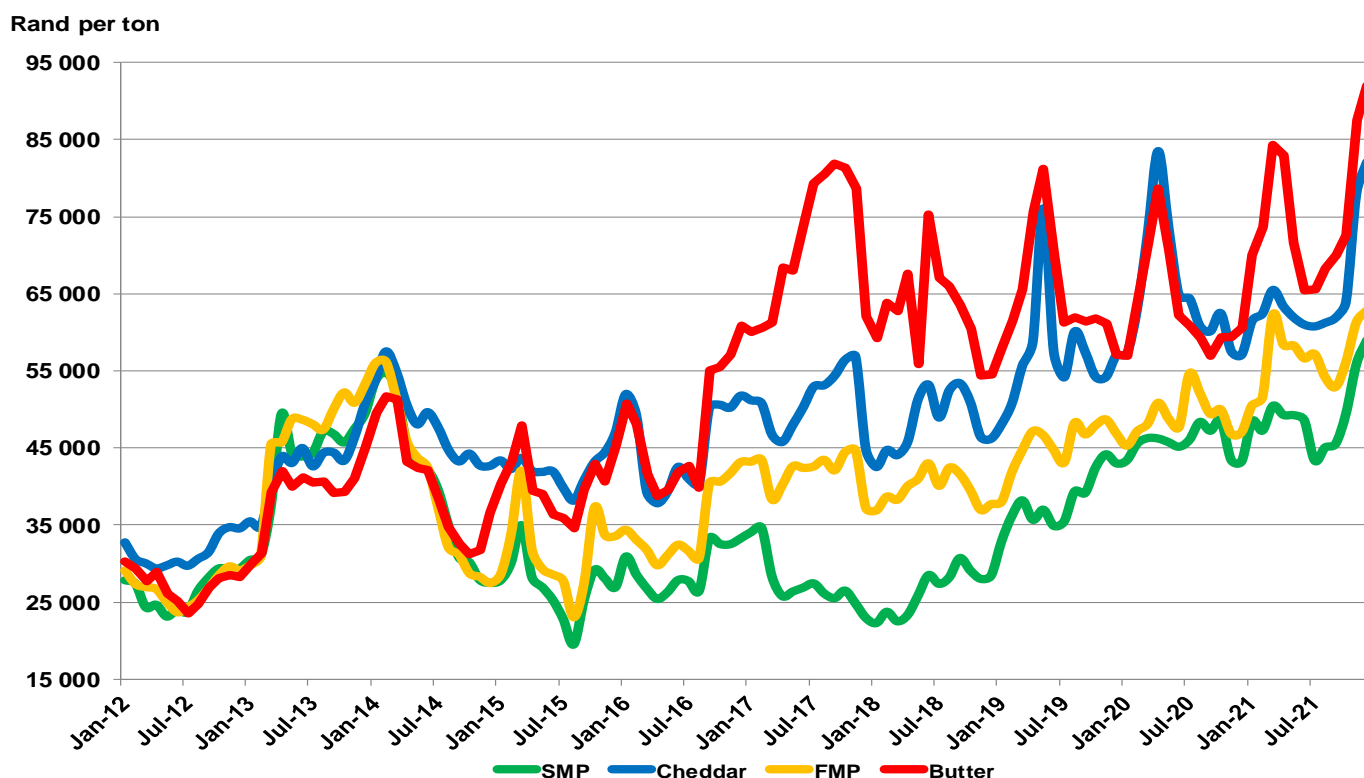
The FAO Dairy Price Index also started the current bull-run in June 2020, and is currently at a level last seen in September 2011. The FAO Dairy Price index increased from June 2020 to December 2021 with 30%, significantly lower than the combined index. The index decreased in June, July and August 2021 and then started to increase again in September

2021 to December 2021. The average monthly rate of increase from June 2020 to December 2021 was 1.60%. After the decrease in June through August 2021, the index increased with 8.55% from August 2021 to December 2021, an average monthly rate of increase of 2.14%. The monthly rate over the last consecutive monthly increase period, is significantly higher than over the total period from June 2020 to December 2021.

The FAO Cereal Price Index also started the current bull-run in June 2020, and is currently at a level last seen in March 2013. The FAO Cereal Price index increased from June 2020 to December 2021 with 45%, correlating significantly with the combined index. The index decreased in June and July 2021 and then started to increase again in August 2021 to November 2021. The average monthly rate of increase from June 2020 to December 2021 was 2.50%. After the decrease in June and July 2021, the index increased with 11.96% from July 2021 to November 2021, an average monthly rate of increase of 2.99%. The monthly rate of increase over the last consecutive monthly increase period, is significantly higher than over the total period from June 2020 to December 2021.

Various technical analyses of the data series for the combined index, dairy index and cereal index do not indicate strong signals of directional trend changes. Consensus seems to be that high prices will prevail in 2022 but that the upward momentum will slow down significantly. However, new variables such as the 100 000 plus Russian soldiers on the border of the Ukraine could change current views overnight.

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



Source: USDA, SARB

Figure 1b shows international Free On Board (FOB) prices for milk powders, butter, and Cheddar cheese as reported by the United States Department of Agriculture (USDA)

converted to Rand/tonne inclusive of December 2021. International dairy product prices (US\$) achieved good growth in the last six months of 2021 and even more aggressive growth in ZAR terms. Three of the four dairy products prices (ZAR terms) are at the highest levels seen over the past 10 years with the remaining product Cheddar, at the second highest level. Over the last six months of 2021, the ZAR depreciated with nine percent against the US\$ and with the increased dollar prices of dairy products, the combined effect fuelled dairy product prices in ZAR terms to all-time highs: butter up 40%, SMP up 36%, Cheddar increased with 35% and FMP with 10%.

Three of the major dairy products traded internationally achieved good price growth in terms of US\$ prices in the last six months of 2021. Butter increased with 29%, skimmed milk powder (SMP) up by 25% and Cheddar up by 24%. Full cream milk powder (FMP) essentially moved sideways. The main driver of the higher prices is limited export availability.

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



Source: Global Dairy Trade

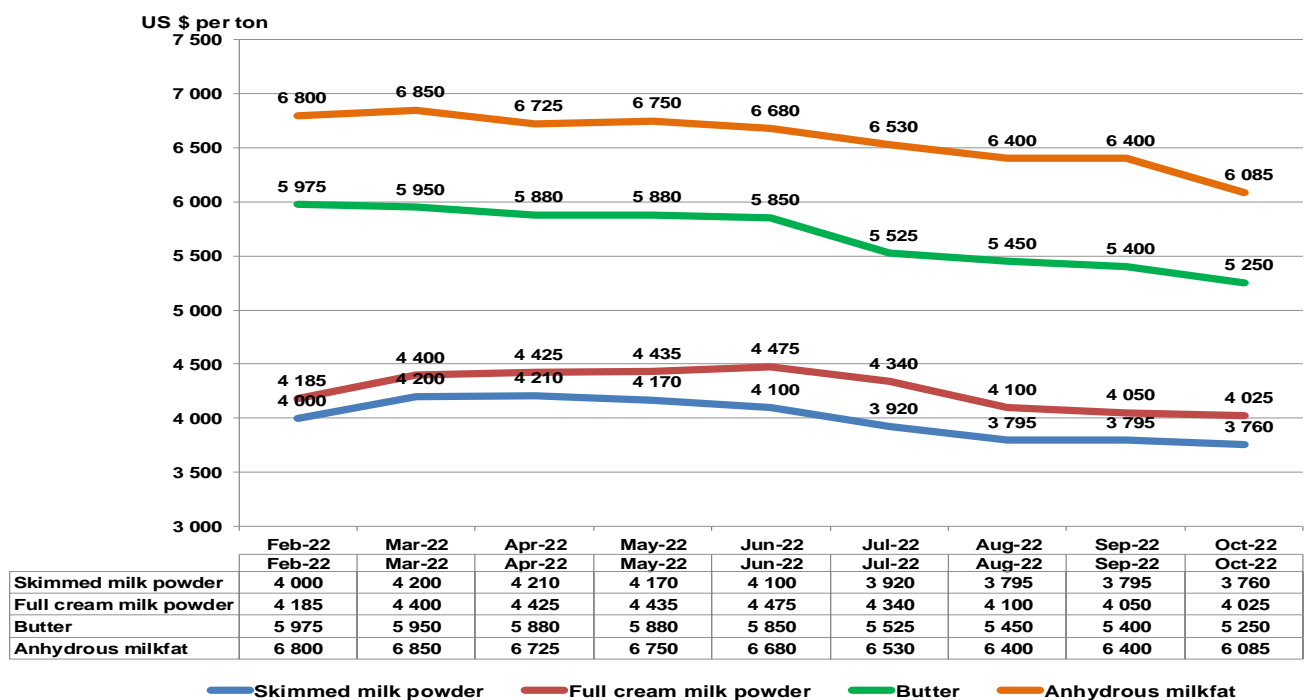
GDT Price Index

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 2021. At the initial stages of the worldwide pandemic, the index zig-zagged 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 1 100 and 1 200 index resistance levels were sliced through, showing strong demand with limited supply. The April index moved sideways, May retreated to below the 1 300 index level and the June through August trend remained downward. It seemed 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 upward trend continued until December 2021, breaking the 1 300 resistance level once again at 1 344 points.

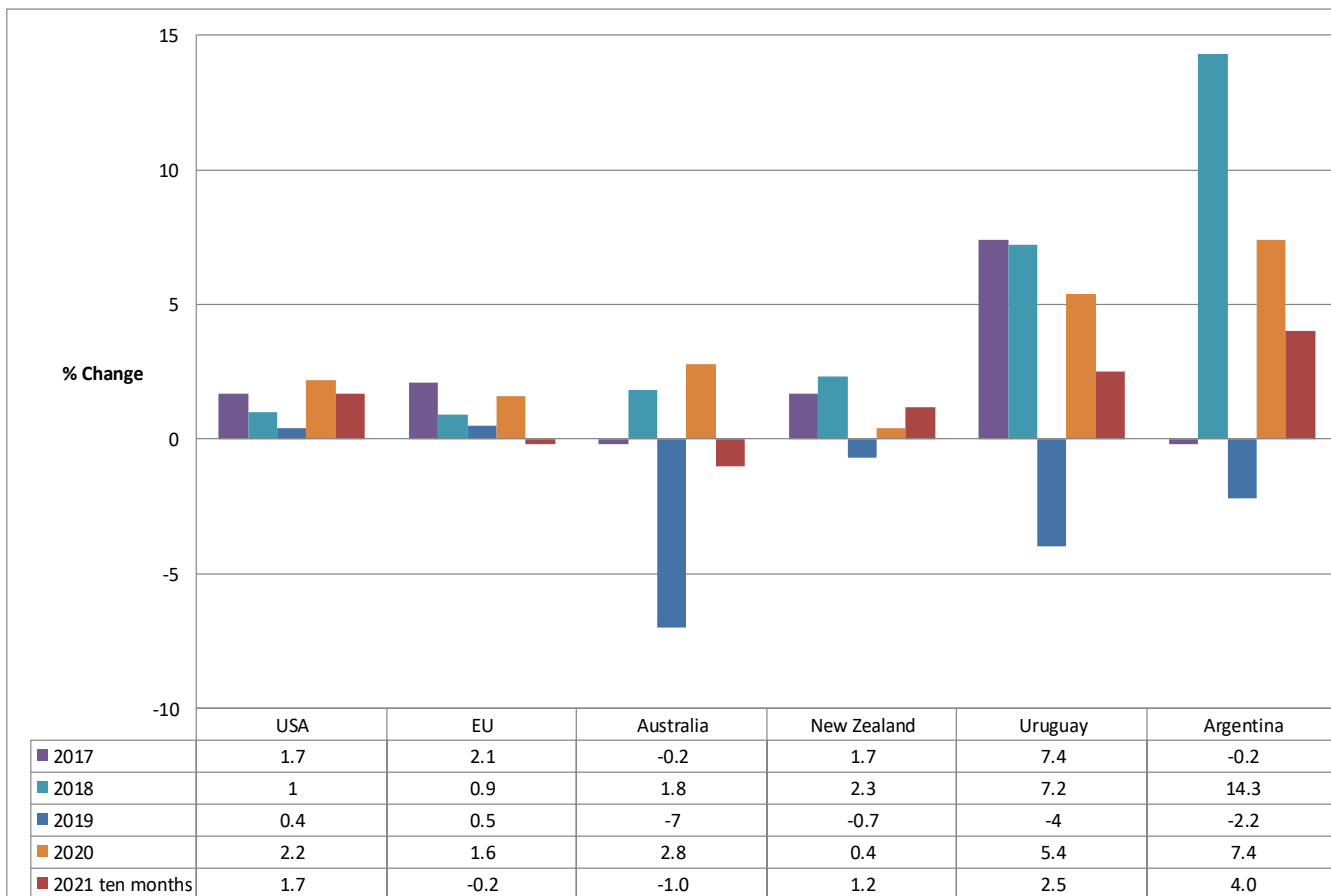
FIGURE 2b: FUTURE PRICES FOR DAIRY PRODUCTS ACHIEVED ON THE NEW ZEALAND FUTURES EXCHANGE (NDX): Feb 2022 – Oct 2022



Source: NZX Futures, January 2022

The New Zealand Future Exchange over the above period reflects significant downward momentum for anhydrous milkfat and butter prices. Anhydrous milkfat prices decreasing over the above period with 11% and butter with 12%. From February 2022 to June 2022, full cream milk powder (FMP) increase with 7% from US\$4 185 per ton to US\$4 475 per ton. Thereafter the price decrease with 10% to US\$4 025 per ton. Skimmed milk powder increase from February to March 2022 with 5% from US\$4 000 per ton to US\$4 200 per ton and then starts to decrease to US\$3 760 per ton in October 2022, a percentage decrease of 11%.

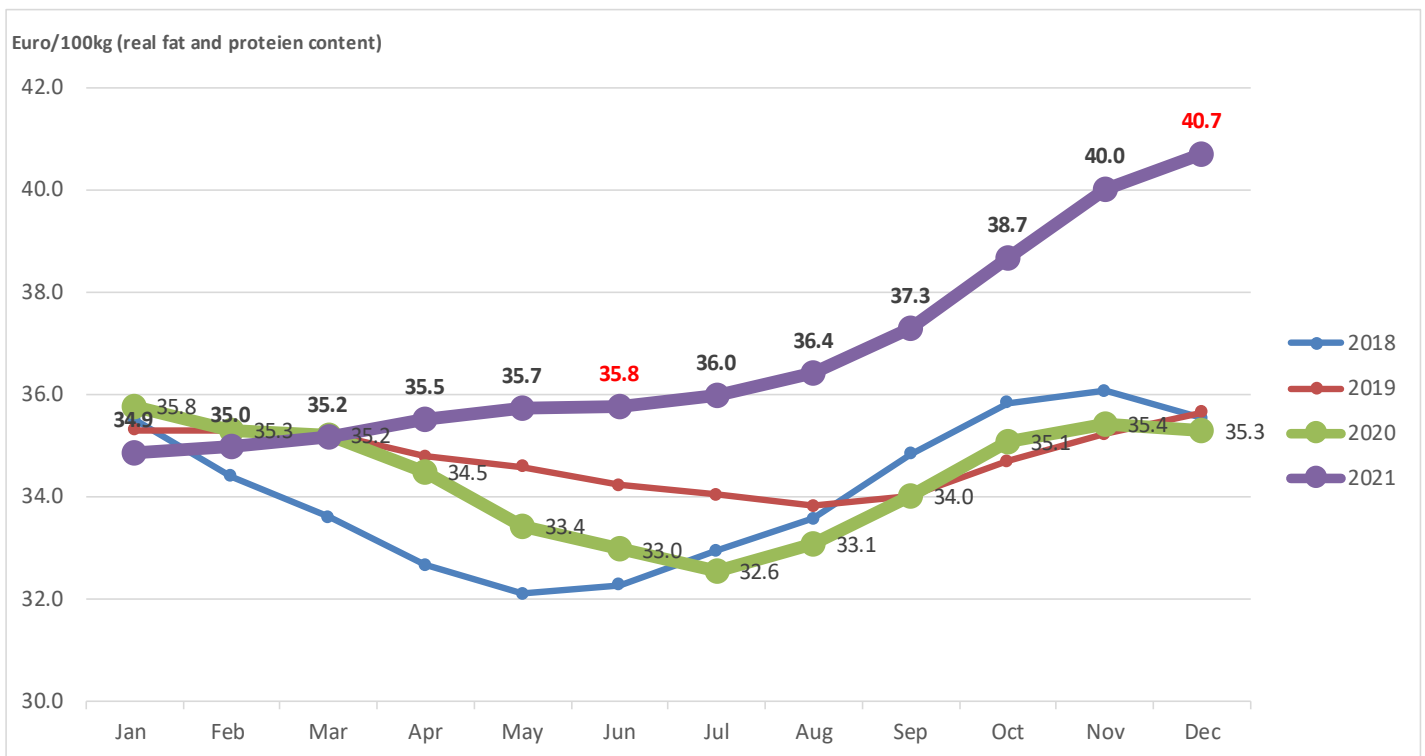
FIGURE 3: YEAR ON YEAR CHANGE IN UNPROCESSED MILK PRODUCTION IN MAJOR DAIRY EXPORTING COUNTRIES, 2017 – 2021 (first ten months of every year)



Source: CLAL, January 2022

Unprocessed milk production during 2020 increased if compared to 2019. All the major exporting countries/region show positive growth for the first ten months of 2021, with the exception of Europe registering -0,2% and Australia -1,0% growth.

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

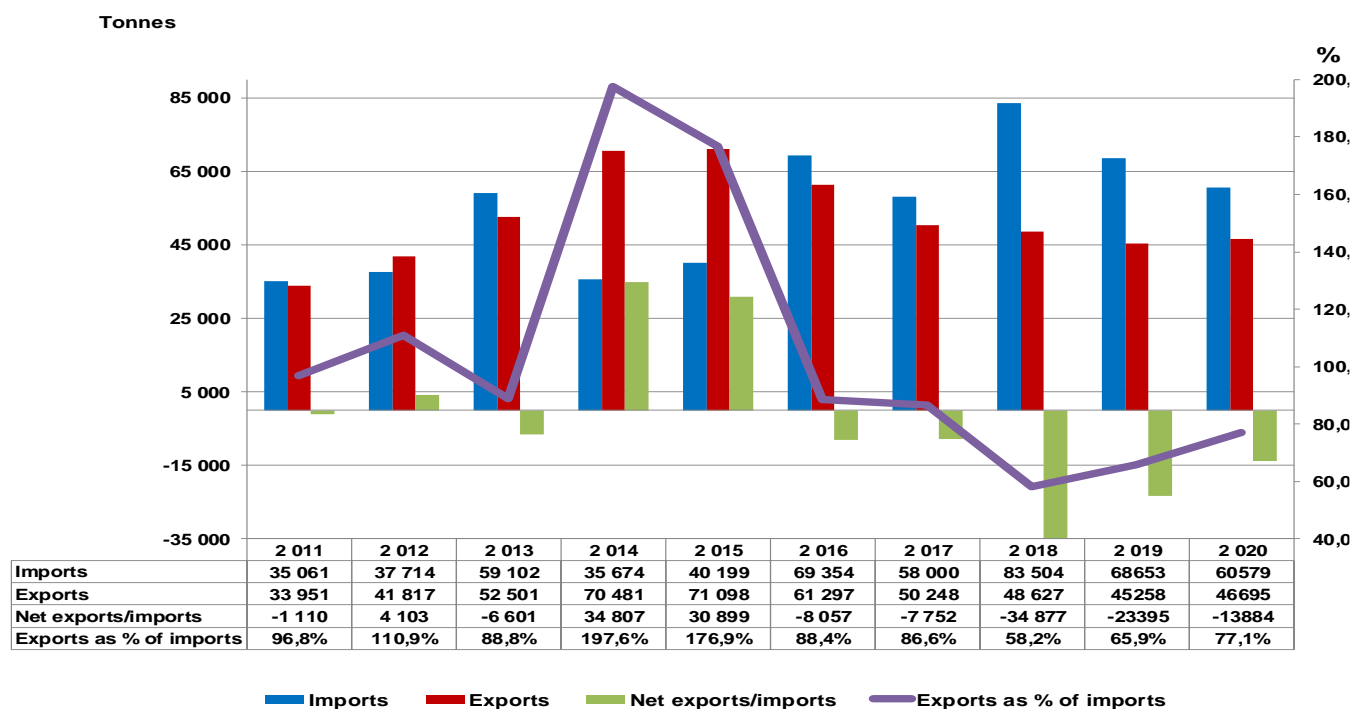


Source: European Commission, January 2022

The weighted average EU price for unprocessed milk price in December 2021 is 15,3% higher compared to the December 2020 price. From January 2021 to December 2021 the price increased from 34.9 Euros/100kg to 40,7 Euros/100Kg, an increase of 16,6%. 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 whole 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:

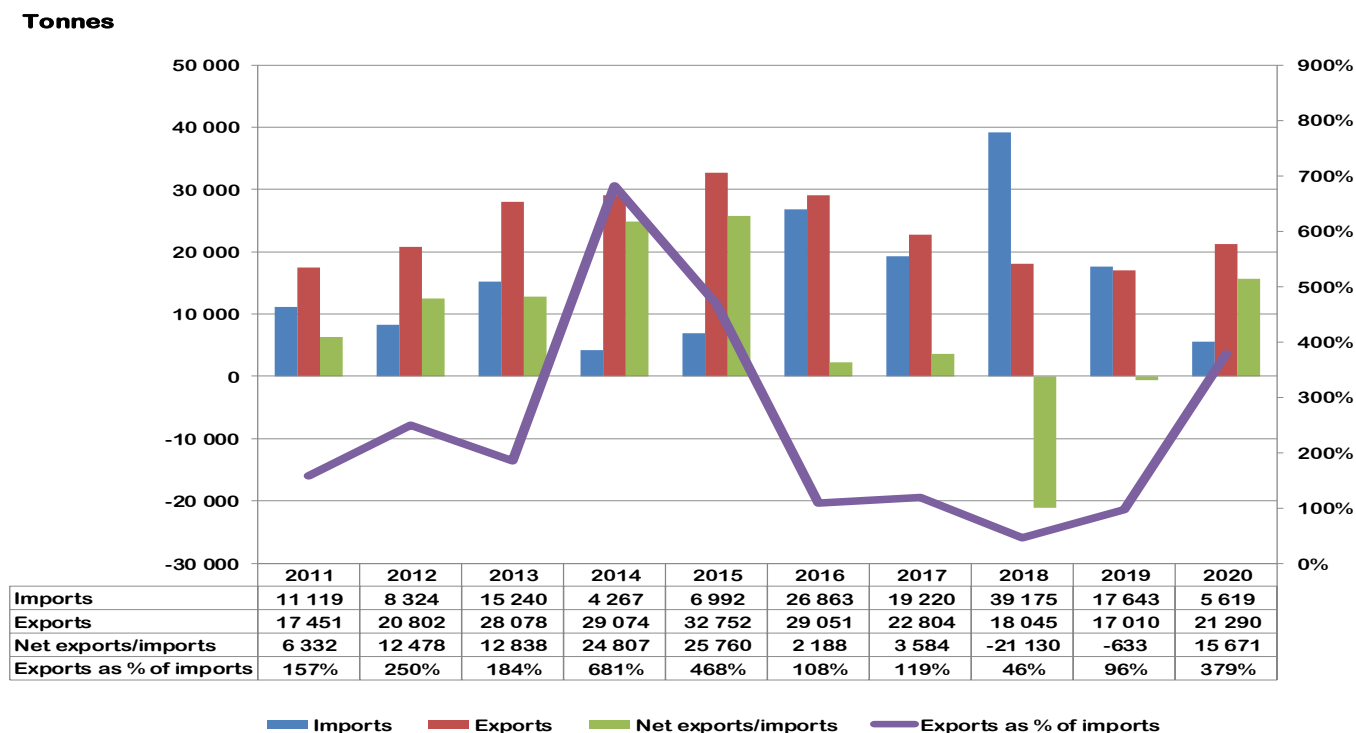
- The mass of imports of dairy products in 2020 was 11,8 percent lower than in 2019. The decrease from 2019 to 2020 is due to the decrease in imports of three of the six categories of dairy products.
- The mass of exports of dairy products in 2020 was 3,2 percent higher than in 2019. The increase from 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 Table1.

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

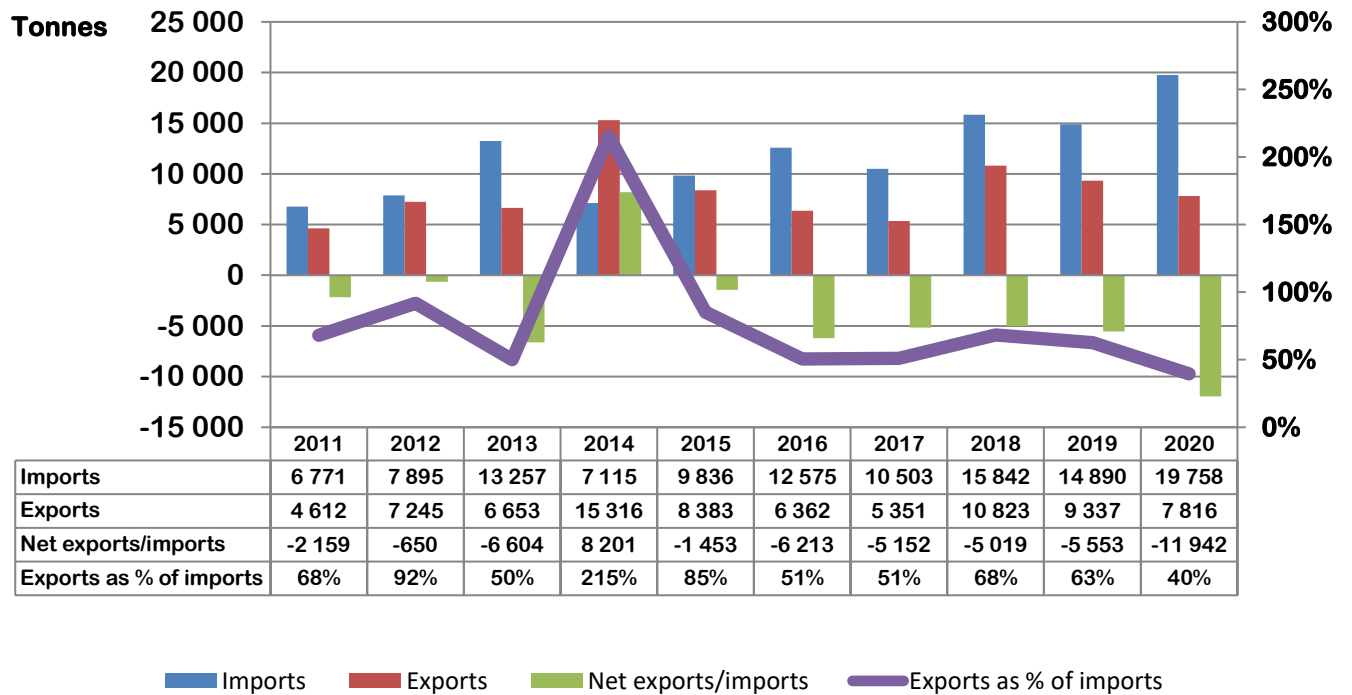
Source: SARS as supplied by SAMPRO

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



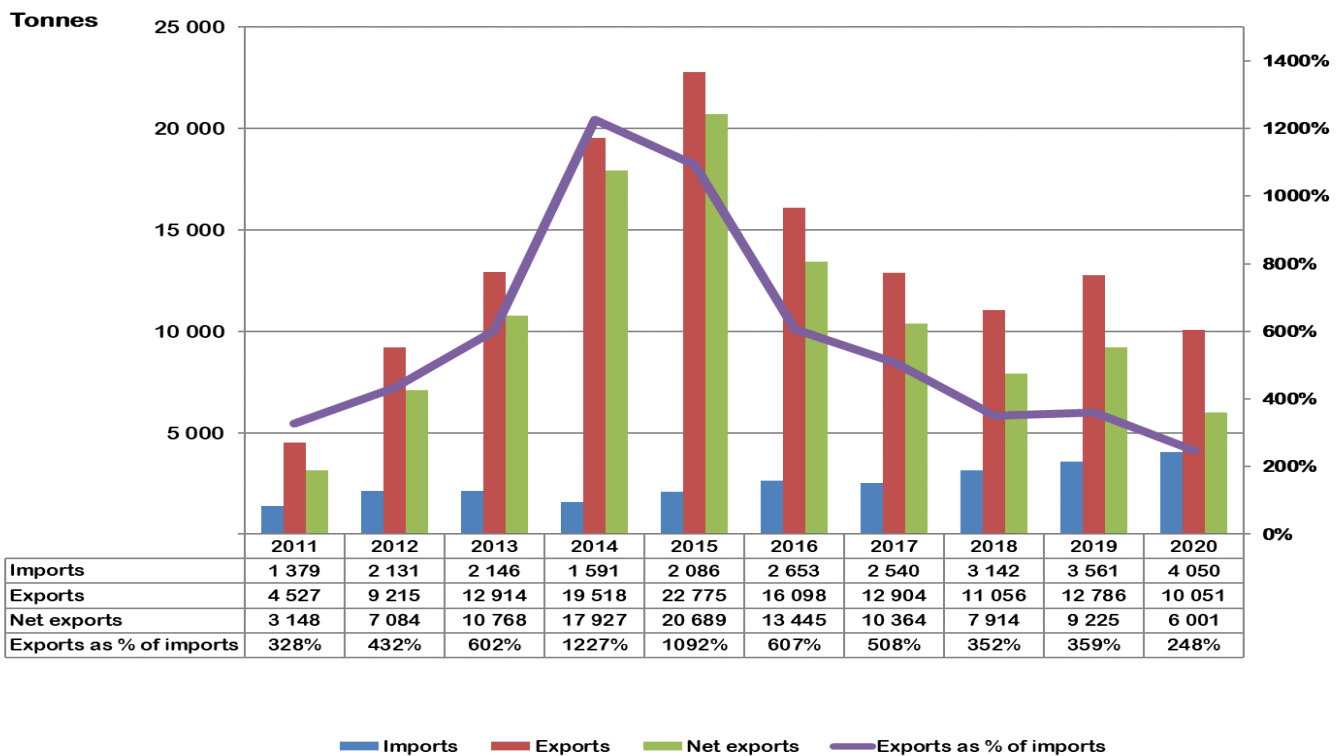
Source: SARS as supplied by SAMPRO

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



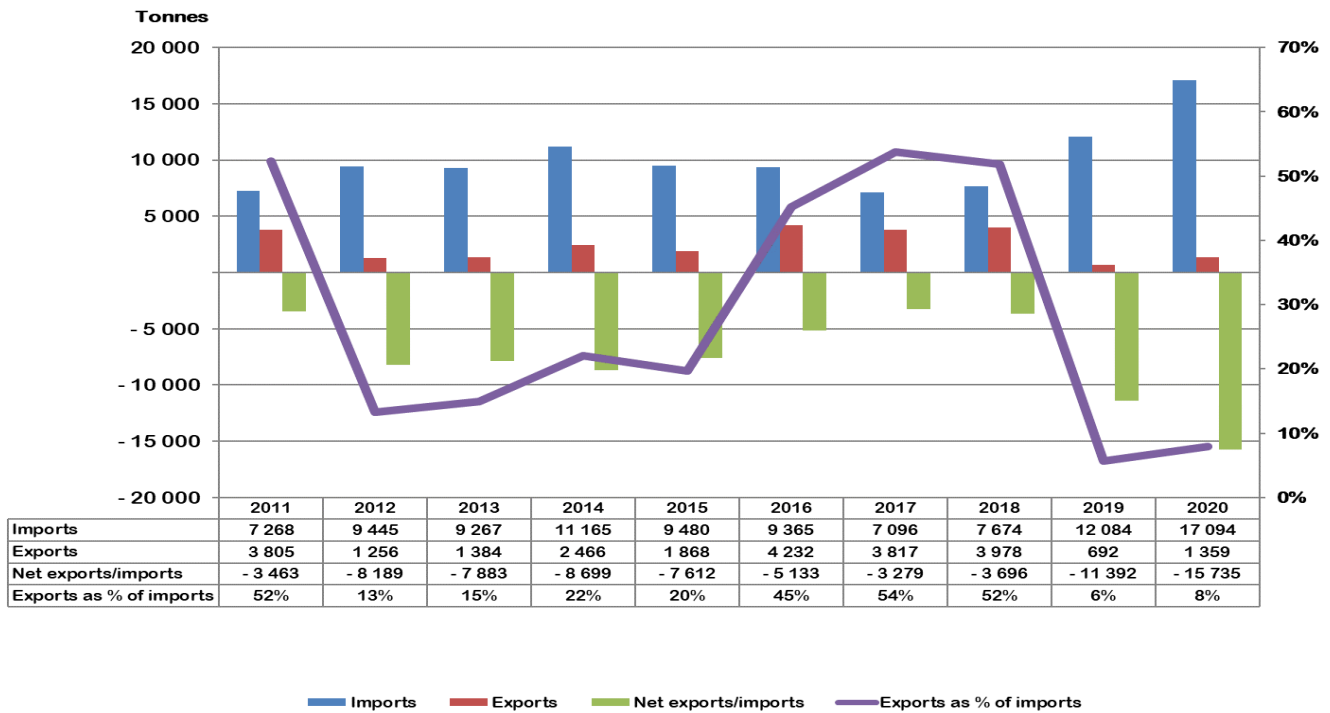
Source: SARS as supplied by SAMPRO

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



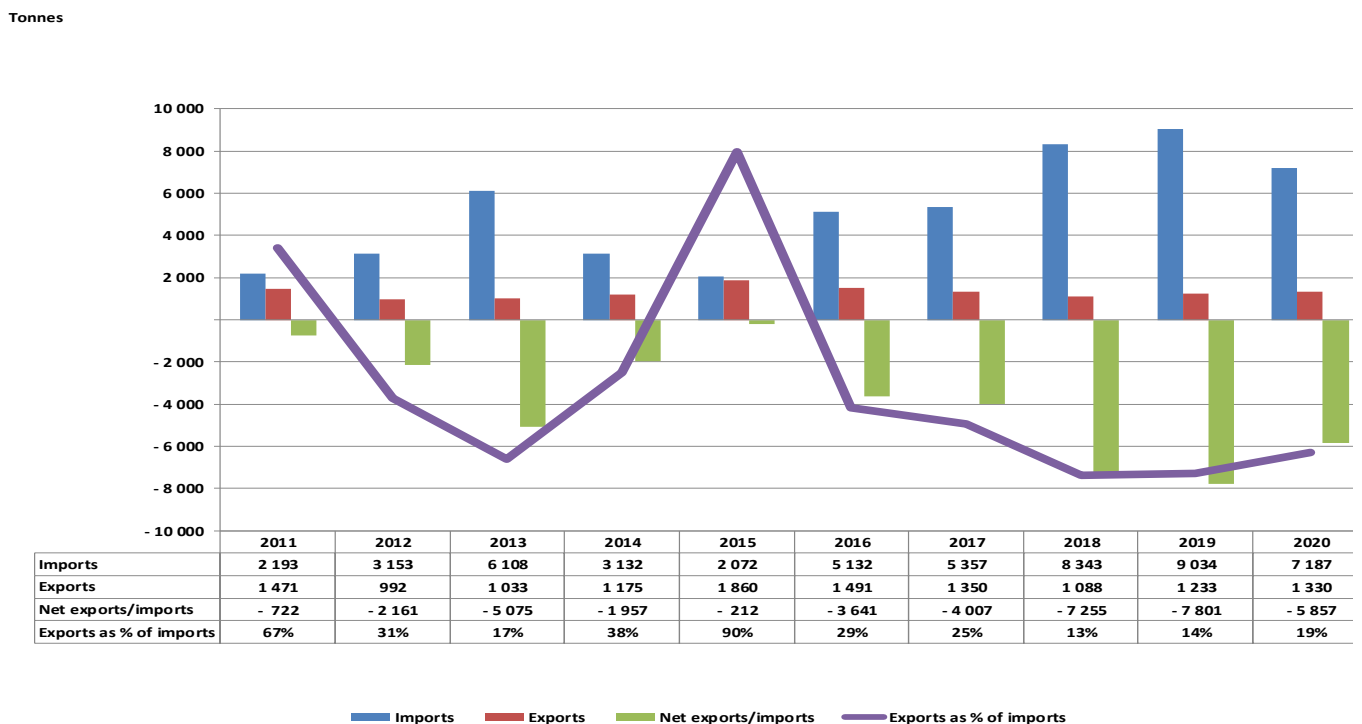
Source: SARS as supplied by SAMPRO

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



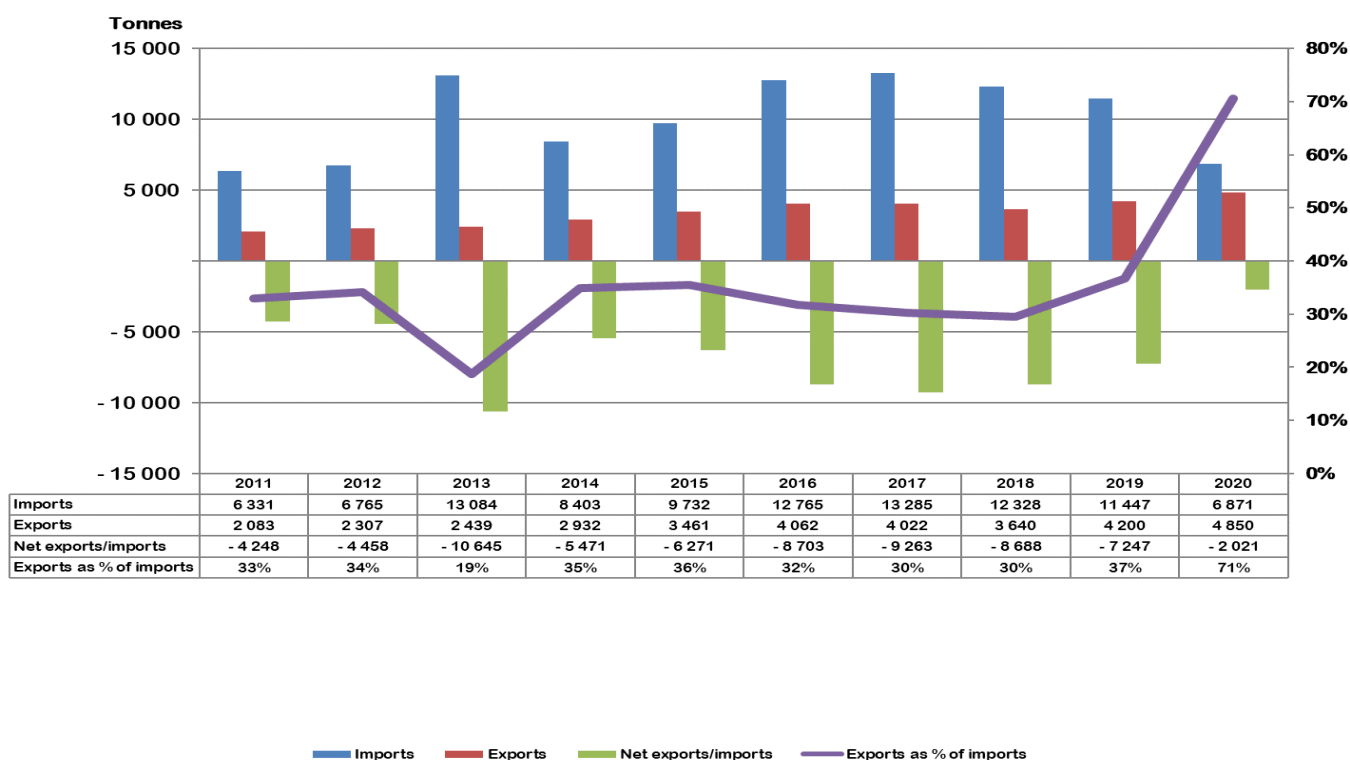
Source: As supplied by SAMPRO

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 November 2021, is compared to the mass of imports from January to November 2020. The import of milk and cream unsweetened products are noteworthy higher in 2021 compared to 2020, while butter and buttermilk powder and yogurt imports are exhibiting a contra outcome.

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

Heading	Description	A 2021 Kg	B 2020 Kg	A as % of B
04.01	Milk and cream, unsweetened	21 971 579	5 618 926	391
04.02	Milk, concentrated	17 584 263	19 758 063	89
04.03	Buttermilk powder, yogurt	3 227 663	4 049 836	78
04.04	Whey, whey powder, etc	15 307 902	17 093 913	90
04.05	Butter, butter spreads and butter oil	4 146 970	7 187 133	57
04.06	Cheese and curd	7 897 472	6 871 457	115
Total		70 135 848	60 579 329	116

Source: SARS as supplied by SAMPRO

In Table 4, the mass of exports from January to November 2021, is compared with the mass of exports from January to November 2020. On the export front, whey and whey powder exports increased significantly while milk powder exports decreased when compared to 2020.

Table 4: Exports from January to November 2021 and January to November 2020.

Heading	Description	A 2021 Kg	B 2020 Kg	A as % van B
04.01	Milk and cream, unsweetened	21 319 761	21 290 150	100
04.02	Milk, concentrated	6 636 191	7 815 738	85
04.03	Buttermilk powder, yoghurt	9 379 918	10 050 795	93
04.04	Whey, whey powder. etc	1 792 815	1 359 203	127
04.05	Butter, butter spreads and butter oil	1 220 878	1 329 523	92
04.06	Cheese and curd	5 267 033	4 849 976	110
Total		45 616 596	46 965 385	97

Source: SARS as supplied by SAMPRO

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

PRODUCT	CHANGE IN RETAIL SALES QUANTITY	CHANGE IN RETAIL PRICES
	PERCENT	PERCENT
FRESH MILK	-7.4	8.1
LONG LIFE MILK (UHT MILK)	-5.2	3.8
FLAVOURED MILK	-1.2	10.1
YOGHURT	-3.1	7.5
MAAS	-3.7	5.4
PRE-PACKAGED CHEESE	0.1	5.2
CREAM CHEESE	-5.0	8.9
BUTTER	-2.8	-1.3
CREAM	-0.7	4.4

Source: Nielsen figures supplied by SAMPRO

The average retail prices of all of the nine products being monitored in Table 5, were higher in September 2021 than in September 2020, with the exception of butter that decreased with 1.3%. Average retail price changes of the products that increased, varied between 3,8% and 10,1%. The sales quantities of all of the dairy products reflected in Table 5 were lower than in the previous year, with the exception of pre-packed cheese that increased marginally. The drop in sales volumes of fresh milk and long life is especially alarming since these two categories are responsible for a major part of the consumer dairy basket. Fresh and long-life milk (UHT) (Unflavoured and unsweetened milk) utilize approximately 49 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 September 2021 versus the sales in the month of September 2020	Sales in the 3 months from July 2021 to September 2021 versus the sales in the 3 months from July 2020 to September 2020	Sales in the 6 months from April 2021 to September 2021 versus the sales in the 6 months from April 2020 to September 2020	Sales in the 9 months from January 2021 to September 2021 versus the sales in the 9 months from January 2020 to September 2020	Sales in the 12 months from August 2020 to September 2021 versus the sales in the 12 months from August 2019 to September 2020
	percent		percent		percent
Fresh Milk	-7.2	-7.7	-5.9	-6.7	-7.4
UHT milk	-5.4	0.4	-7.7	-7.1	-5.2
Flavoured milk	1.2	2.0	4.1	2.8	-1.2
Yoghurt	-10.0	-11.4	-9.7	-6.5	-3.1
Maas	-4.9	-8.0	-7.7	-6.1	-3.7
Pre-packaged cheese	1.0	-1.3	-3.9	-2.9	0.1
Cream cheese	-3.1	-5.3	-9.4	-6.5	-5.0
Butter	5.2	-2.0	-9.7	-4.2	-2.8
Cream	-6.2	-5.8	-9.7	-3.6	-0.7

Source: Nielsen as supplied by SAMPRO

The sales quantities of six of the dairy products reflected in Table 6, were lower in September 2021 compared to September 2020. Comparing sales in the six months from April 2021 to September 2021 versus April 2020 to September 2020 the sales quantities of eight of the nine products reflected in Table 6, were lower, with UHT milk, yogurt, cream cheese, butter and cream taking serious shots. The 12 month period from August 2020 to September 2021 versus August 2019 to September 2020 reflects the same picture, albeit that the decreases are not so pronounced with fresh milk being the exception, registering a high percentage decrease.

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. The South African gross domestic product (GDP) contracted in the third quarter of 2021 with 1,5%. The poor performance of the South African economy over many years will continuously adversely affect demand in many spheres of the economy.

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

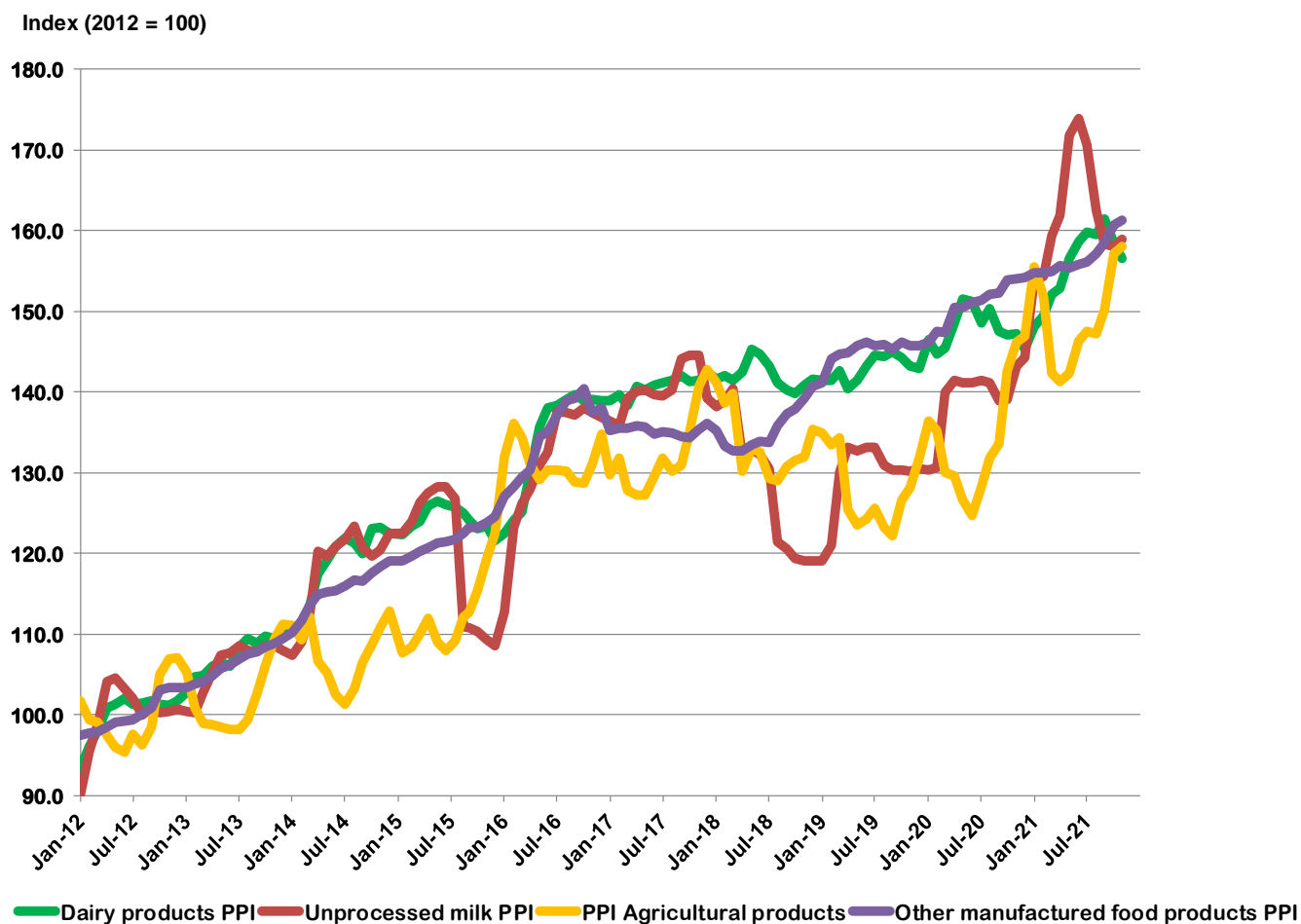
PRODUCT	September 2021 versus August 2021 (1 month ago)	September 2021 versus July 2021 (3 months ago)	September 2021 versus April 2021 (6 months ago)	September 2021 versus January 2021 (9 months ago)	September 2021 versus September 2020 (12 months ago)	September 2021 versus April 2020 (18 months ago)	September 2021 versus September 2019 (24 months ago)
	Percent	Percent	Percent	Percent	Percent	Percent	Percent
FRESH MILK	0.4	1.1	3.6	6.6	8.1	8.4	10.6
UHT MILK	0.3	-0.6	3.9	4.1	3.8	8.7	8.3
FLAVOURED MILK	2.4	1.0	10.5	8.5	10.1	12.5	11.4
YOGHURT	-1.7	0.7	4.0	8.1	7.5	8.4	11.4
MAAS	-2.4	-1.0	0.5	4.5	5.4	3.3	7.0
PRE-PACKAGED CHEESE	-3.0	1.0	3.8	2.9	5.2	7.5	9.8
CREAM CHEESE	-1.7	-0.5	1.1	4.9	8.9	13.8	18.4
BUTTER	-4.7	-1.9	0.8	-2.5	-1.3	-2.3	6.8
CREAM	-1.0	0.5	3.3	1.6	4.4	4.6	6.9

Source: Nielsen as supplied by SAMPRO

Comparing month on month (September 2021 with August 2021), for the three products that registered a price increase in Table 7, the sales price of all three increased with more than the Headline inflation rate of 0,2 percent, while the prices of six of the nine products decreased.

Comparing year on year (September 2021 with September 2020), the retail sales prices of dairy products that registered an increase in Table 7, two increased with less than the year-on-year Headline inflation rate of 5,0%.

FIGURE 12: PRODUCER PRICE INDICES OF SOUTH AFRICAN AGRICULTURAL AND FOOD PRODUCTS, JANUARY 2012 – NOVEMBER 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 June 2021 increasing to an all-time high of 173,9 index points, an increase of 13,0% from January 2021. The PPI for unprocessed milk increased with 33,5% from February 2020 to June 2021. The index turned south in July 2021 through to October 2021, decreasing with 9,1%. The November 2021 index is marginally higher. The PPI for unprocessed milk increased with 11,0% from November 2020 to November 2021.

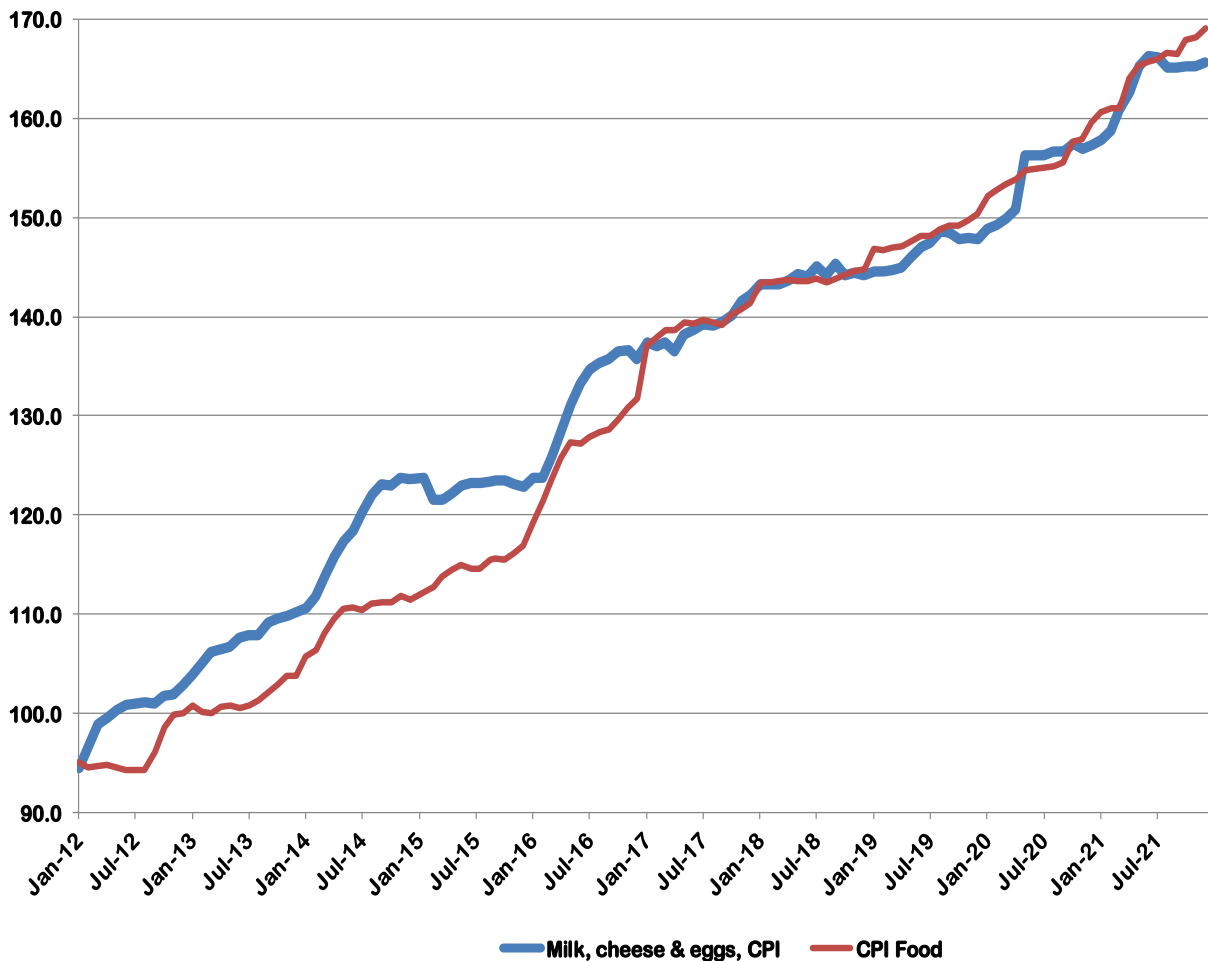
The PPI for other manufactured food products exhibits an upward trend since March 2018. There was some sideways movement from April 2019 to Dec 2019 with the upward trend continuing in 2020 and for the first eleven months of 2021, bar for May 2021 declining marginally. The PPI for other manufactured food products increased with 4,7% from November 2020 to November 2021.

The PPI for Agricultural products increased with 8,1% from November 2020 to November 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. In September 2021 the index increased marginally to 161,5 points, turned south again in October and November 2021 ending at 156,6 points. The index increased with 6,3% from November 2020 to November 2021.

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

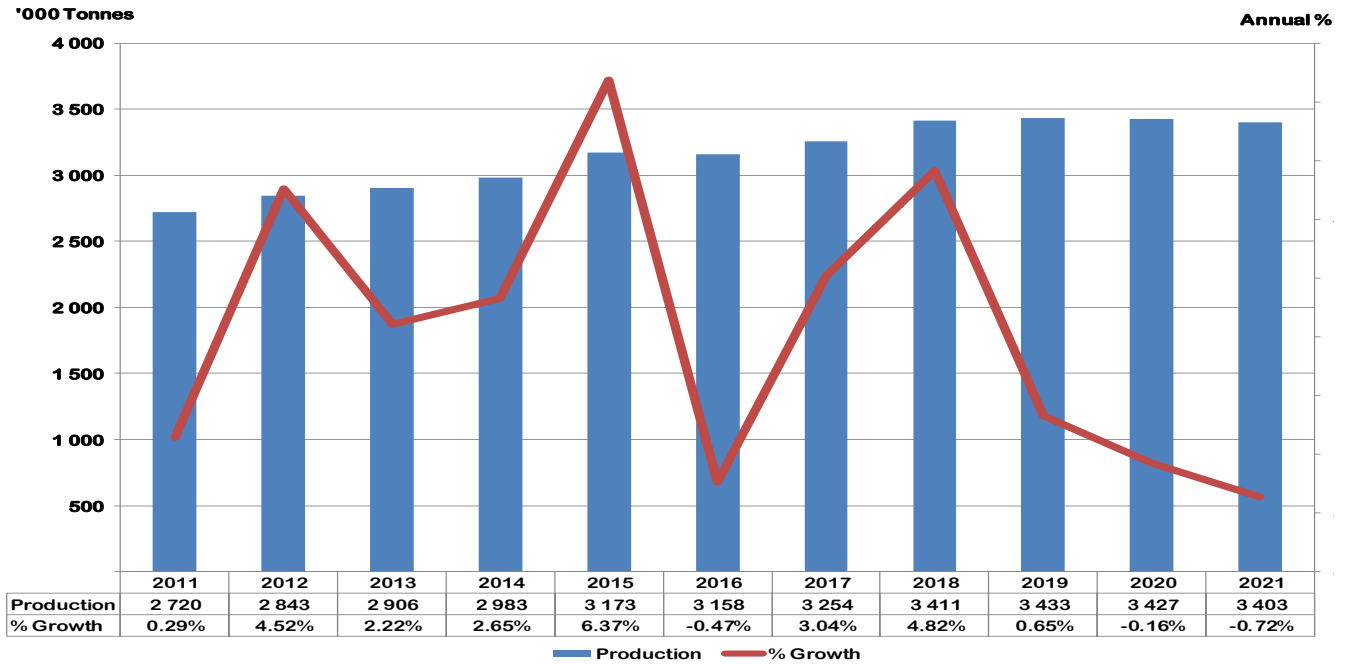


Source: Stats SA

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% and the increase from December 2020 to December 2021 was 5,9%.

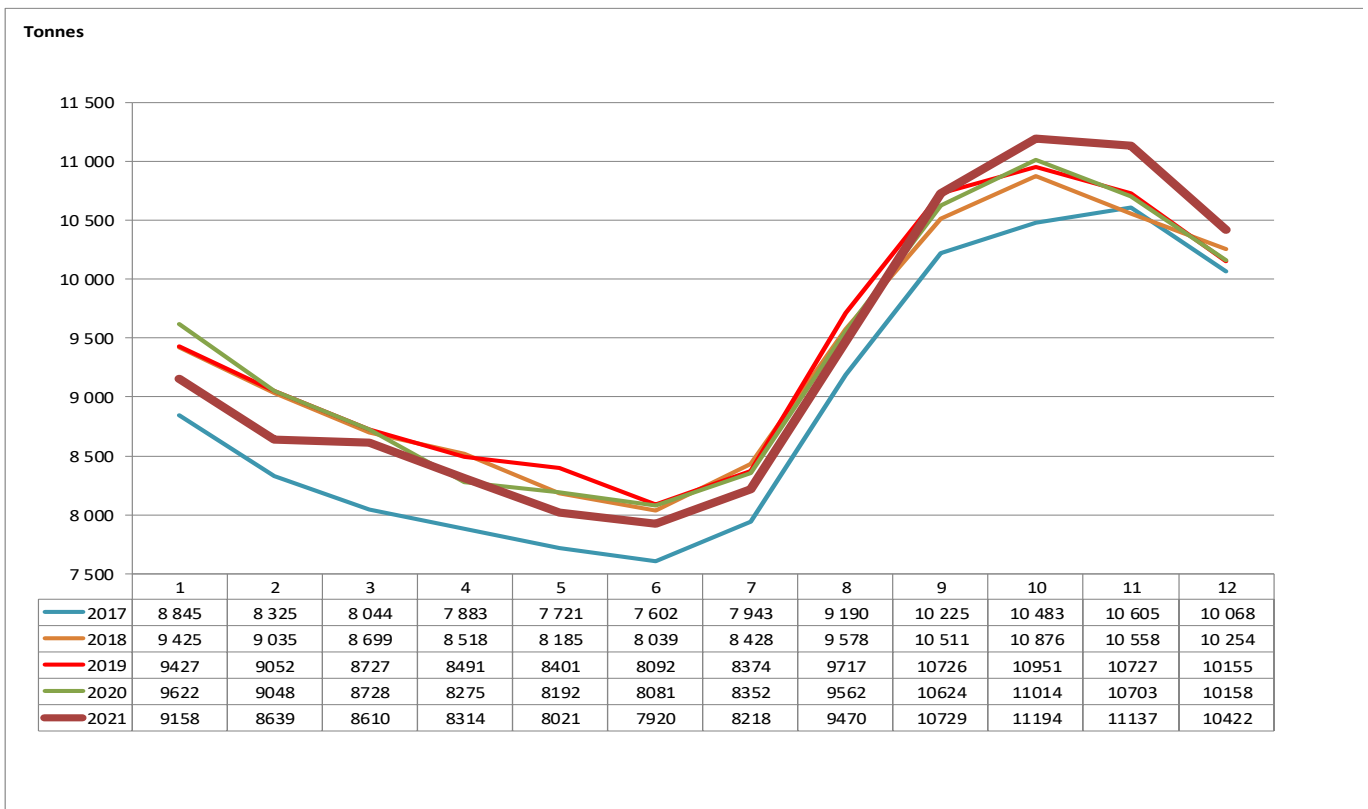
The CPI for milk, cheese and eggs increased with 8.8% from February 2019 (144.5) to December 2020 (157.3), exactly the same percentage as the CPI for food. The increase from December 2019 (147.8) to December 2020 (157.3) was 6.4% and the increase from December 2020 to December 2021 was 5,3%.

**FIGURE 14: ANNUAL SOUTH AFRICAN UNPROCESSED MILK PURCHASES,
2011 – 2021**



Source: Milk SA (November and December 2021, preliminary)

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



Source: Milk SA; Nov and December 2021 = Milk SA estimates.

Daily average unprocessed milk purchases for all three months in the last quarter of 2021 are higher than the corresponding months of 2020. In September 2021 the volume purchased started to exhibit signs that unprocessed milk production is picking-up compared to 2020.

TABLE 5: CUMULATIVE UNPROCESSED MILK PURCHASES (Tonnes), 2017 – 2021

Month	2017	2018	2019	2020	2021
January	274 208	292 171	292 222	298 287	283 906
February	507 314	545 148	545 682	560 678	525 792
March	756 690	814 832	816 208	831 233	792 708
April	993 180	1 070 368	1 070 927	1 079 473	1 042 117
May	1 232 517	1 324 102	1 331 360	1 333 417	1 290 767
June	1 460 583	1 565 269	1 574 114	1 575 855	1 528 380
July	1 706 830	1 826 534	1 833 695	1 834 773	1 783 137
August	1 991 715	2 123 446	2 134 907	2 131 205	2 076 692
September	2 298 450	2 438 789	2 456 699	2 449 933	2 398 550
October	2 623 438	2 775 933	2 796 179	2 791 371	2 745 556
November	2 941 589	3 092 669	3 117 985	3 112 446	3 079 663
December	3 253 682	3 410 536	3 432 802	3 427 335	3 402 754

Source: Milk SA.

During 2021, 3 402 754 tonnes of unprocessed milk were purchased, which is 0.72% less than in 2020.

Synopsis

The FAO Food Price Indices (combined index, meat, dairy, cereal and sugar) increased substantially in 2021. In the latter part of 2021, the combined index exhibited some loss in momentum, resulting predominantly from the downward trend in the meat and sugar indices in the last quarter of 2021. Nevertheless, all indices closed at the end of 2021 at noteworthy higher levels compared to 2020 and the start of 2021. The same situation is observed for prices in the international dairy market, i.e. butter, Cheddar cheese, FMP and SMP, with ZAR prices even more pronounced. Uncertainty in world markets is at an unparalleled level with market analysts differing widely about the future. The majority of analysts agree that a wide range of commodity prices will remain high in 2022 but that the upward momentum will slow down. The supply problems in the energy market is fingered as a driver of uncertainty. On the one hand the increase in the oil price is indicative of increased demand as per increased economic activity while gas supply challenges between the EU and Russia also play a role in the higher price. The latter has nothing to do with increased economic activity. Commodities associated and linked to the energy market will move in tandem, and increased volatility is possible as the temperature in the Ukraine/Russian hostilities change.

Although sales volume interpretation is difficult due to distortions caused by the various degrees in severity regarding restrictions during the COVID-19 pandemic, dairy product sales volumes during 2021 compared to 2020 are down on a wide front. Comparing year on year (September 2021 with September 2020), retail sales prices of dairy products mostly increased with more than the Headline inflation rate of 5,0%.

The producer price indices for Other Manufactured Food, Agricultural Products, Dairy Products and Unprocessed Milk changed at relatively the same rate in the last quarter 2021, following a rollercoaster trend between the different indices earlier in 2021.

During the last quarter of 2021, unprocessed milk production picked-up and outperformed the last quarter of the previous four years. During 2021, 3 402 754 tonnes of unprocessed milk were purchased, which is 0.72% less than in 2020.

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