LACTO DATA

VOL 12 NO 1 • APRIL 2009

Statistics

A Milk SA publication compiled by the Milk Producers' Organisation

MELK SUID-AFRIKA/MILK SOUTH AFRICA

MELKPRODUSENTE-ORGANISASIE
MILK PRODUCERS' ORGANISATION

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. In the free market system, information creates a safer investment environment for all role players.

Milk SA is proud to present this publication which was made possible through the contributions of especially the persons / 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

The international financial crisis also affected the international dairy industry. Prices decreased from the 2007 peak levels and has not yet bottomed out.

Local demand remained under pressure as high consumer debt combined with high interest rates limited consumers' spendable income. The situation was aggravated by high and increasing food and fuel prices.

Milk production increased during 2008 as a result of price incentives and a favourable production season. Since end December the situation has changed drastically. Severe drought in various areas and higher production cost resulted in a slowdown in production growth since December 2008.

Lower production and a limited improvement in demand has already resulted in an increase in producer prices.

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

Contents

	Page
The primary industry	
Industry structure	3
Milk production and consumption	7
The secondary industry	
Industry structure	8
Production and consumption	8
Imports and exports	10
Dairy price trends	
International product prices	13
International producer prices	14
South African producer prices	14

Compiled by Dr Koos Coetzee and Dawie Maree for Milk SA
Maps drawn by Johan van den Berg of AgriRisk Specialists
Milk Producers' Organisation
PO Box 1284 | Pretoria | 0001 | Tel + 27 (0)12 843 5600 | Fax + 27 (0)12 804 4811

This publication is funded with a Milk SA grant, which is gratefully acknowledged.

The primary industry

Industry structure

The number of milk producers has decreased from 3 899 in January 2007 to 3 551 in January 2009. The number of producers per province is shown in *Table 1*. Since 1997, the number of producers has decreased by 50%. The biggest decrease in producers, occurred in the Northern Cape (74,4%), while the number of producers in the Free State decreased by 27%.

TABLE 1: Number of milk producers per province, 1997-2009

Province	Number of producers per province				
	Dec '97	Jan '06	Jan '07	Aug '08	Jan '09
Western Cape	1 577	878	827	797	795
Eastern Cape	717	422	420	395	387
Northern Cape	133	39	37	36	37
KwaZulu-Natal	648	402	385	375	373
Free State	1 204	1 067	987	905	884
North West	1 502	649	596	553	540
Gauteng	356	275	245	218	217
Mpumalanga	866	407	357	293	286
Limpopo	74	45	45	36	32
TOTAL	**7 077**	**4 184**	**3 899**	**3 608**	**3 551**

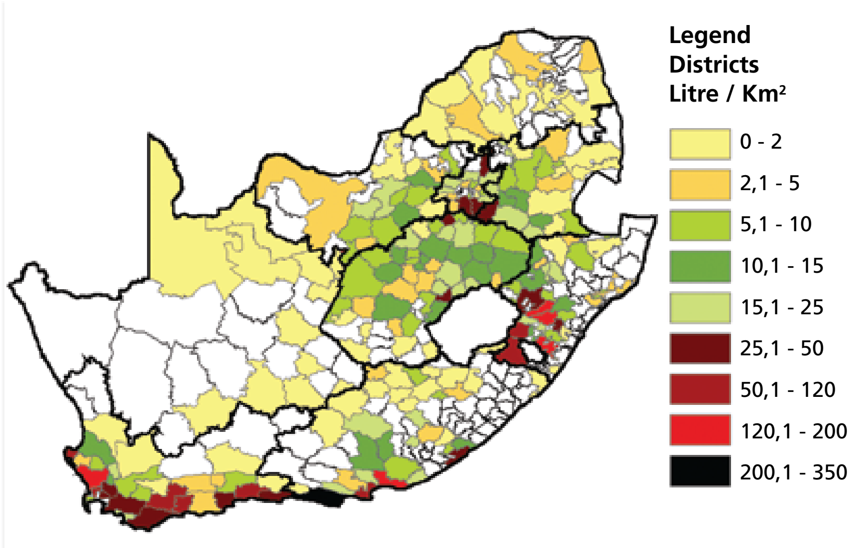
Source: MPO statistics

TABLE 2: Milk production per province, 1997 & 2008

Province	% Distribution of milk production	
	Dec 1997	Mar 2008*
Western Cape	22,9	25,3
Eastern Cape	13,8	21,8
Northern Cape	1,2	0,7
KwaZulu-Natal	15,7	21,1
Free State	18	12,8
North West	12,6	7,1
Gauteng	4,4	3,1
Mpumalanga	11	7,6
Limpopo	0,4	0,5
TOTAL	**100**	**100**

Source: MPO statistics
*Preliminary

FIGURE 1: Milk production density (litre/km²) per district, 2006



Source: MPO statutory survey

TABLE 3: Number of cows-in-milk per producer, 2006

Province	Number of cows	
	Mean	Median
Western Cape	151	100
Eastern Cape	349	200
Northern Cape	67	50
KwaZulu-Natal	267	180
Free State	72	54
North West	68	50
Gauteng	225	47
Mpumalanga	91	60
Limpopo*	206	160
South Africa	**151**	**80**

* Limpopo sample not representative

Source: MPO statutory survey

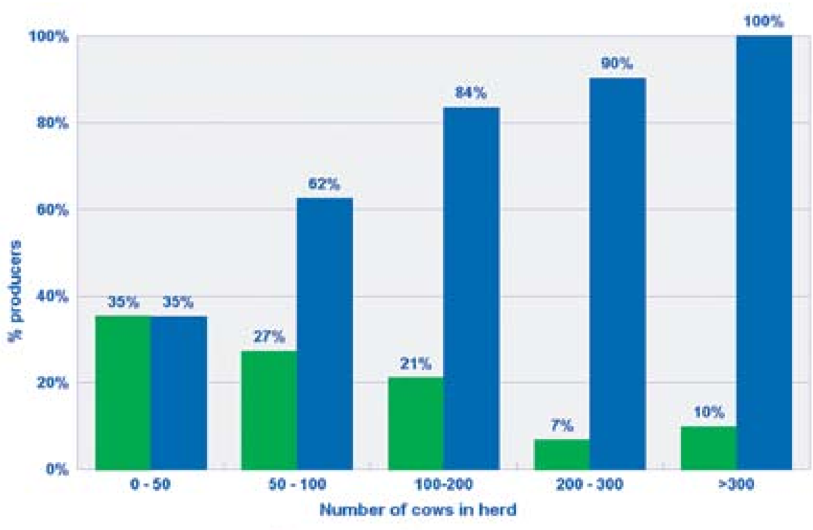
"The number of milk producers has decreased from 3 899 in January 2007 to 3 551 in January 2009. The number of producers per province is shown in *Table 1*. Since 1997, the number of producers has decreased by 50%"

The trend towards higher total 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 review, is shown in *Table 2*.

The number of cows varies widely among different 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 3* and the concentration of cows per district in *Figure 3*.

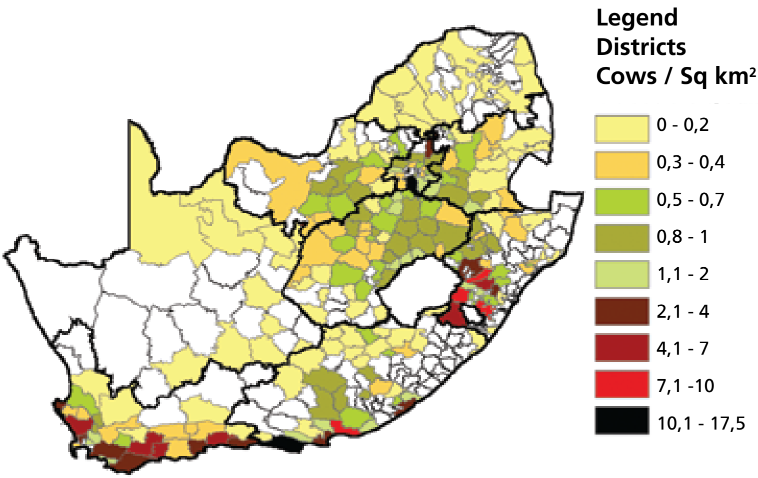
Average milk production per cow per day was 15,2 litres/day in 2006. Of this, 89% was sold in the formal market and 3% informally. The rest was used for own consumption and calves. The distribution of milk producers on production basis is shown in *Figure 4*.

FIGURE 2: Size distribution of dairy herds, 2007



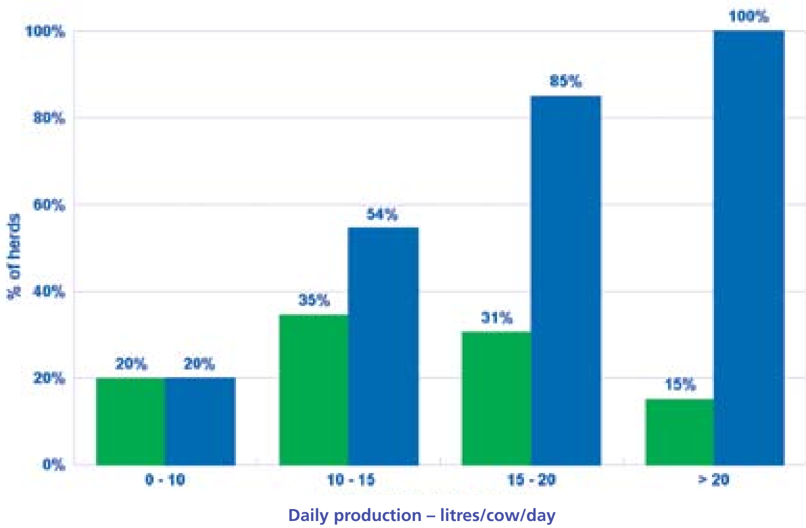
Source: MPO statutory survey

FIGURE 3: Cow density per district (cows/km²), 2006



Source: MPO statutory survey

FIGURE 4: Distribution of herds per production class, 2007



Source: MPO statutory survey

Milk production and consumption

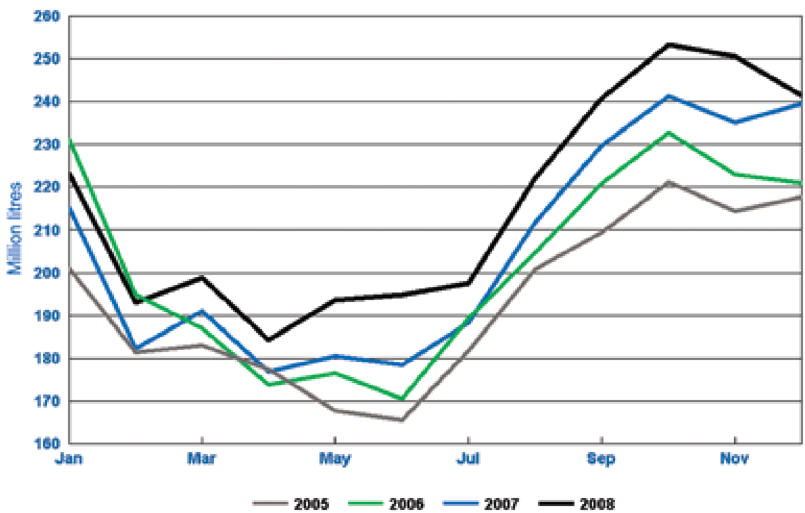
Annual milk production shows a steady linear upward trend over time. Total milk to market for 2008 is currently estimated at 2,59 billion litres, up 1,9% on the previous year.

Milk production for 2005 to 2008 is shown in *Figure 5*.

The growth of dairy consumption has decreased as a result of higher food and fuel prices, as well as higher interest rates. The weaker growth in demand will continue for some time.

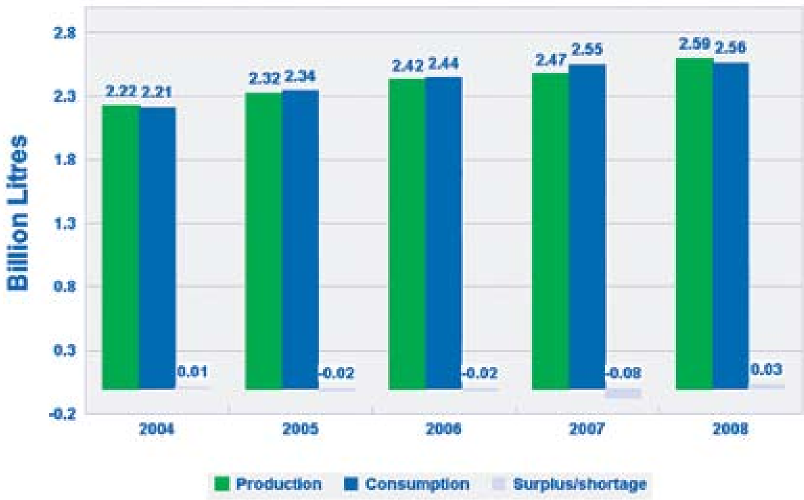
"Annual milk production shows a steady linear upward trend over time. Total milk to market for 2008 is currently estimated at 2,59 billion litres, up 1,9% on the previous year"

FIGURE 5: South African seasonal milk production



Source: MPO and Milk SA data

FIGURE 6: Annual milk production and consumption, 2004-2008



Source: Production: Milk SA
Consumption: MPO estimate

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 or consumers – known as producer-distributors (PDs). The number of PDs and milk buyers per province is shown in *Table 4*.

Production and consumption

The South African dairy market is divided into 60% liquid and 40% 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*.

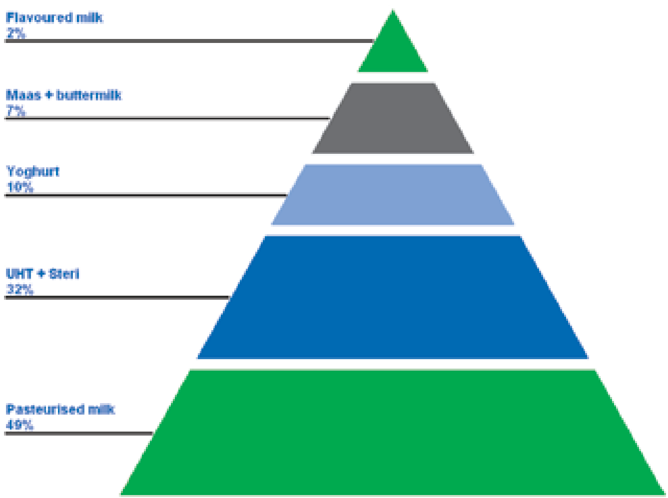
"The South African dairy market is divided into 60% liquid and 40% concentrated products. Pasteurised liquid milk and UHT milk are the major liquid products"

TABLE 4: Number of producer-distributors (PDs) and milk buyers per province

Province	Number of PDs		Number of milk buyers
	Jan '08 [1]	Jan '09 [1]	Jan '09 [2]
Western Cape	35	18	23
Eastern Cape	62	20	10
Northern Cape	20	11	4
KwaZulu-Natal	37	16	13
Free State	98	23	11
North West	52	13	16
Gauteng	64	20	36
Mpumalanga	54	19	13
Limpopo	25	13	1
Total	**447**	**153**	**127**

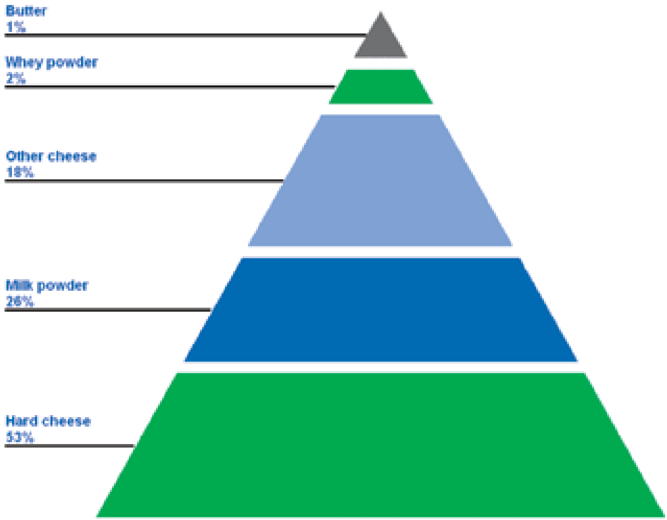
1 Source: MPO data
2 Milk SA registrations

FIGURE 7: Percentage composition of the South African liquid market



Source: Industry sources

FIGURE 8: Percentage composition of the South African concentrated product market



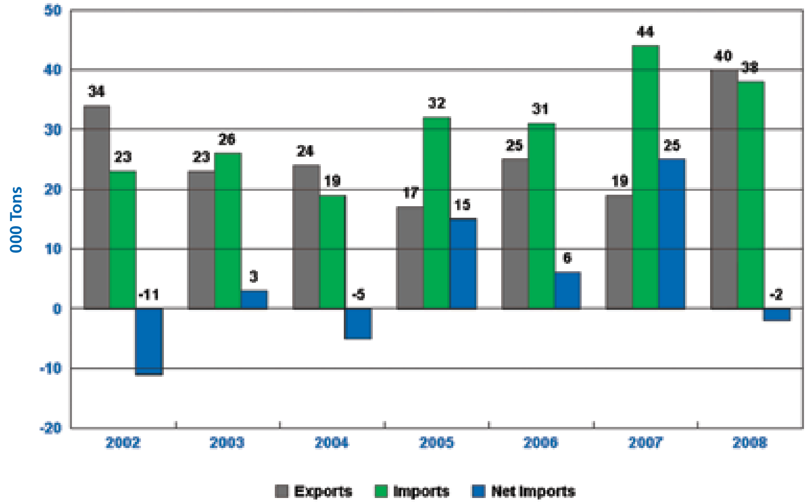
Source: Industry sources

Imports and exports

Total dairy product imports and exports are shown in *Figure 9.* During 2008, 37 664 tons of product were imported. On a milk equivalent basis, South Africa has been a net importer of dairy products since 2005. The positive growth of exports during 2008, resulted in a decrease in net imports of 73%. Total exports are estimated at 28 000 tons.

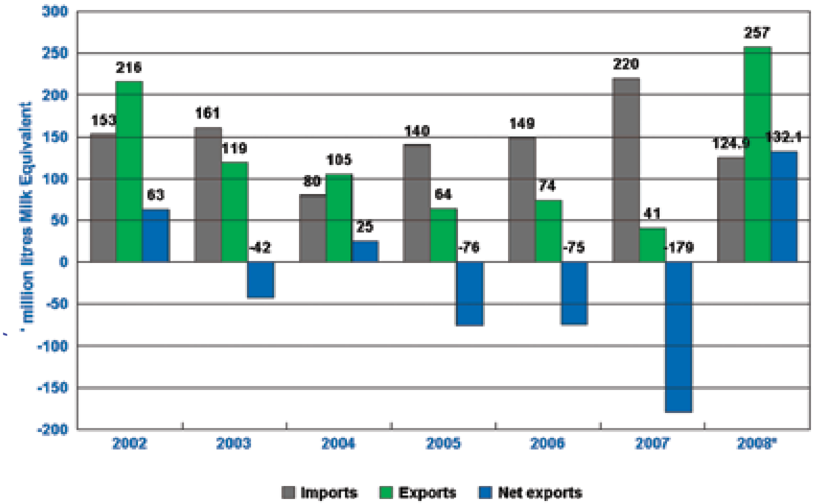
"The positive growth of exports during 2008, resulted in a decrease in net imports of 73%. Total exports are estimated at 28 000 tons"

FIGURE 9: Dairy product imports and exports ('000 tons), 2002-2007



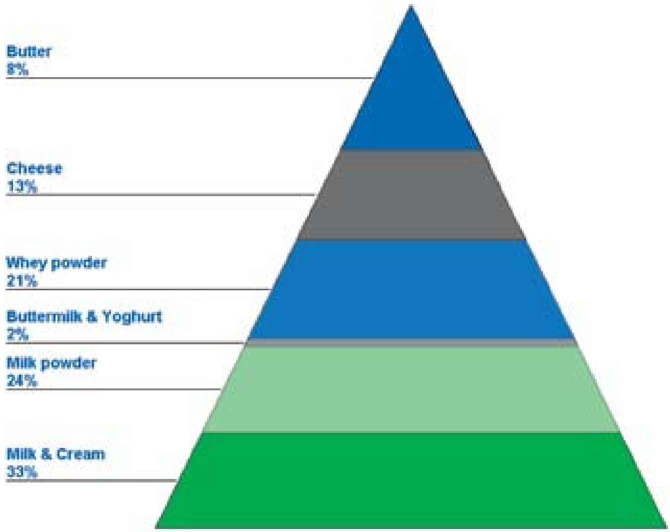
Source: MPO, Sampro

FIGURE 10: Dairy product imports and exports (milk equivalent basis), 1996-2007



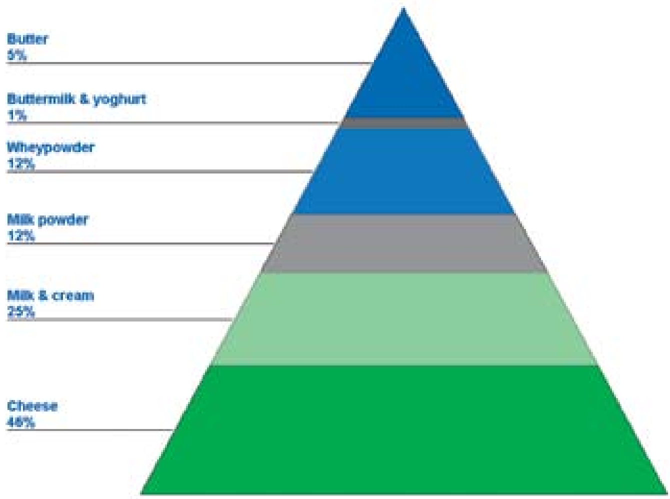
Source: MPO, Sampro

FIGURE 11: Percentage composition of imports, 2008*



Source: MPO Analysis; *Solids basis
*January - ?

FIGURE 12: Percentage composition of exports, 2008*



Source: MPO Analysis; *Solids basis
*January - September 2008

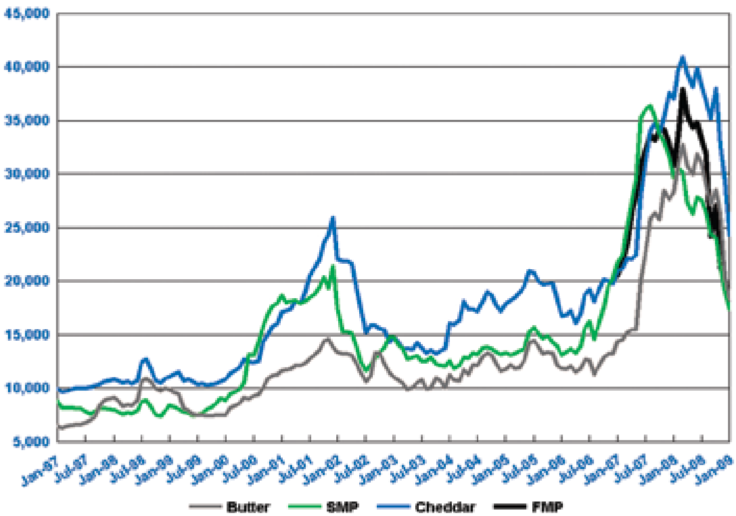
Dairy price trends

International product prices

Since the peak in 2007, world dairy product prices decreased sharply. Both the FAO/OECD Agricultural Outlook and FAPRI predict that prices will decrease during 2009 and will thereafter increase slowly, with the exception of butter prices, for which the decrease may continue.

> "Both the FAO / OECD Agricultural Outlook and FAPRI predict that prices will decrease during 2009 and will thereafter increase slowly, with the exception of butter prices, for which the decrease may continue"

FIGURE 13: International dairy product prices, rand/ton, 1996-2008



Source: USDA; SA Reserve Bank

International producer prices

International producer prices increased substantially in the year to June 2008. New Zealand farmers got the highest price ever. Since June 2008 producer prices decreased from the June peak levels. Price expectations for 2009 are still speculative and will depend on production conditions and international product prices.

FAO/OECD and FAPRI projections also indicate a slowing down in the rate of increase in producer prices. South African producer prices is estimated by BFAP to increase slowly from 2009.

TABLE 5: International milk producer prices, 2007-2008

Rand per litre			
Country	12 month average*		% Change
	to Dec 2007	to Dec 2008	
USA	3,42	2,56	-25,4%
Belgium	3,75	2,87	-23,4%
New Zealand **	2,54	1,99	-21,5%
Ireland	3,52	2,89	-17,8%
Germany	3,52	2,90	-17,6%
Netherlands	3,61	3,11	-13,9%
Great Britain	3,01	2,77	-8%
Denmark	3,34	3,23	-3,4%
France	3,25	3,16	-2,8%
Finland	3,96	3,95	-0,2%
South Africa **	2,53	3,10	22,4%

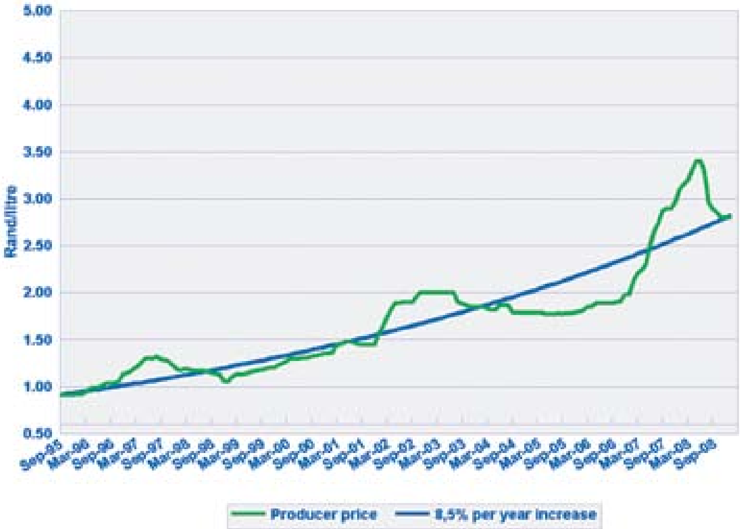
***Exchange rate 2007 R 9,65/Euro**
2008 R 11,83/Euro
**** Does not include top-up payments**
Source: LTO Nederland: February 2009

South African producer prices

South African producer prices increased sharply from 2006. Since May 2008, some milk processors have reduced prices. However, the majority of processors did not follow this trend until July 2008. Since then, the trend towards lower producer prices has become more general. Major companies increased prices during March 2009.

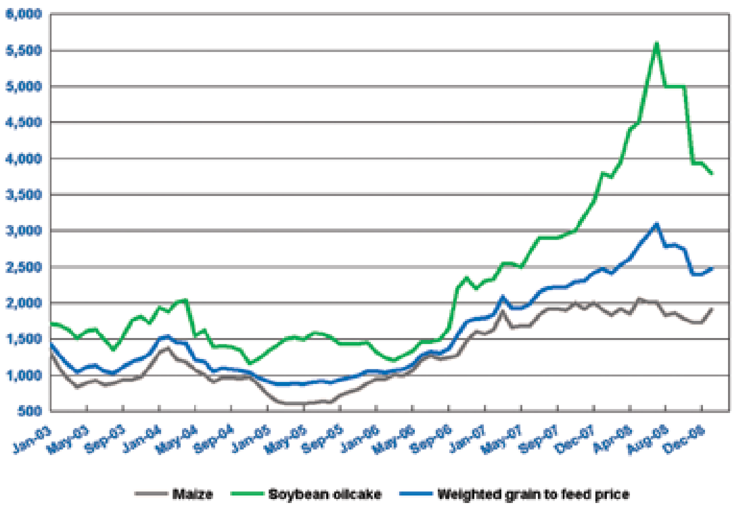
"South African producer prices increased sharply from 2006. Since May 2008, some milk processors have reduced prices. However, the majority of processors did not follow this trend until July 2008"

FIGURE 14: Monthly average South African producer prices, 1995-2008



Source: MPO data

FIGURE 15: Maize, soybean and dairy meal prices



Source: MPO statistics
Calculated meal price = maize x 0,7; soybean oilcake x 0,3

MELK SUID-AFRIKA/MILK SOUTH AFRICA

MELKPRODUSENTE-ORGANISASIE
MILK PRODUCERS' ORGANISATION