LACTO DATA

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Statistics

A Milk SA publication compiled by the Milk Producers' Organisation

MILK
MELK SUID-AFRIKA/MILK SOUTH AFRICA

mpo
MELKPRODUSENTE-ORGANISASIE:
MILK PRODUCERS' ORGANISATION

Clover

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 / 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 have 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. Severe drought in various areas and higher production cost, resulted in a slowdown in production growth since December 2008.

Clover foreword

Clover is privileged to be invovled in this edition of *Lacto Data*. Not only is Clover the largest and oldest truly South African dairy company, but after 100 years it is still controlled by milk producers. Clover understands the MPO's passion for milk producers and wishes to ackowledge the role it plays, by supporting the primary and secondary industry through *Lacto Data*.

Clover wishes to sincerely thank everyone involved in the regular and meticulous gathering, assimilation and publication of the information.

In an extremely unstable economy and dairy environment, the availability of reliable information is indispensable for sound decision-making. Clover appeals to all parties to cooperate with the MPO in a bid to ensure that Lacto Data remains a sustainable and reliable source of information. It is without a doubt in the interest of our industry.

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

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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 and cows per producer, specific years

Province	% Distribution of milk production		Number of cows per producer, 2006	
	Dec 1997	Mar 2008	Mean	Median
Western Cape	22,9	25,3	151	100
Eastern Cape	13,8	21,8	349	200
Northern Cape	1,2	0,7	67	50
KwaZulu-Natal	15,7	21,1	267	180
Free State	18	12,8	72	54
North West	12,6	7,1	68	50
Gauteng	4,4	3,1	225	47
Mpumalanga	11	7,6	91	60
Limpopo	0,4	0,5	206*	160*
TOTAL	**100**	**100**	**151**	**80**

Source: MPO statistics
*** Limpopo samples not representative**

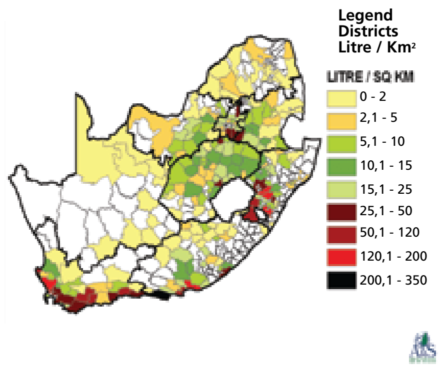
"The number of milk producers has decreased from 3 899 in January 2007 to 3 551 in January 2009. The number of producers per province is shown in *Table 1*. Since 1997, the number of producers has decreased by 50%"

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 2* and the concentration of cows per district in *Figure 3*.

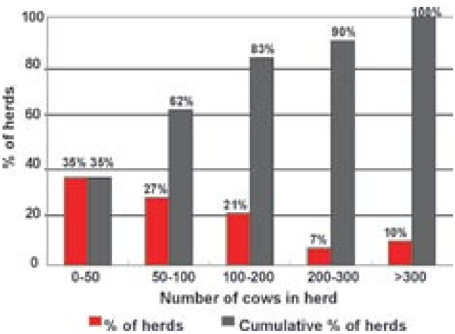
Average milk production per cow per day was 15,2 litres/day in 2006. A total of 89% of milk was sold in the formal market and 3% informally. The rest was used for own consumption and calves. The distribution of herds on production basis is shown in *Figure 4*.

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



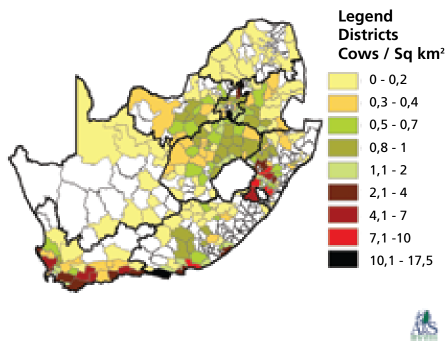
Source: MPO statutory survey

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

> "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 5% on the previous year"

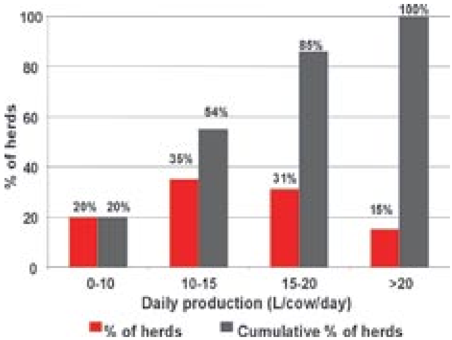
Milk production and consumption

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 5% on the previous year.

Milk production for 2005 to 2008 and early 2009 is shown in *Figure 5*.

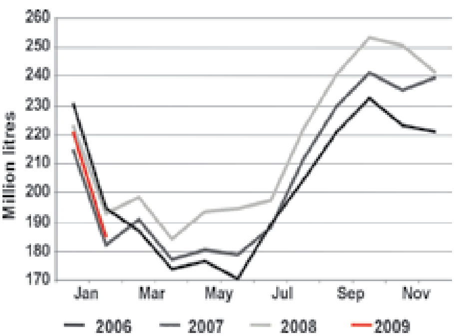
The growth of dairy consumption has decreased as a result of higher food and fuel prices, as well as higher interest rates. The weaker growth in demand will continue for some time.

FIGURE 4: Distribution of herds per production class, 2007



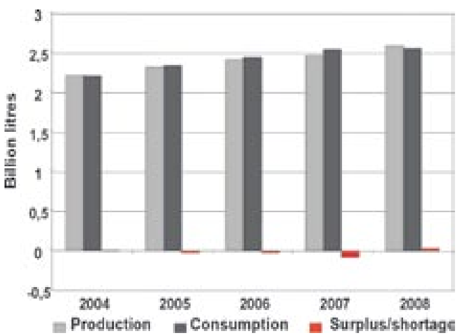
Source: MPO statutory survey

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 3*. The number of milk buyers has decreased by 53% since 2003.

Production and consumption

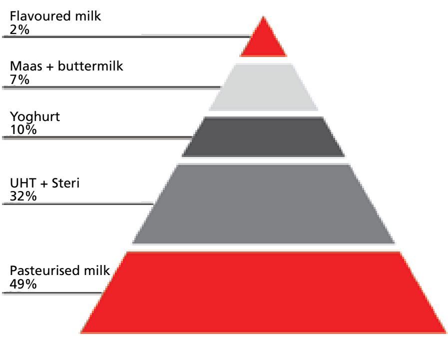
The South African dairy market is divided into 60% liquid and 40% concentrated products. Pasteurised liquid milk and UHT milk are the major liquid products, while hard cheese is the major concentrated product. The estimated composition of the markets for liquid and concentrated products, is shown in *Figures 7* and *8*.

TABLE 3: Number of producer-distributors (PDs) and milk buyers per province

Province	Number of PDs (Jan '09) (1)	Number of milk buyers (Jan '09) (2)
Western Cape	18	23
Eastern Cape	20	10
Northern Cape	11	4
KwaZulu-Natal	16	13
Free State	23	11
North West	13	16
Gauteng	20	36
Mpumalanga	19	13
Limpopo	13	1
Total	**153**	**127**

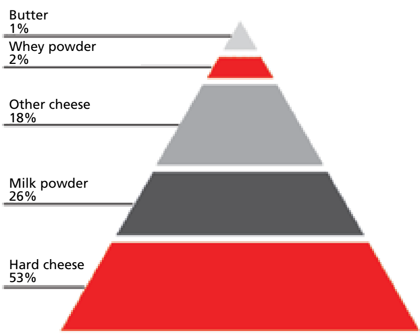
(1) Source: MPO data • (2) Milk SA registrations

FIGURE 7: Percentage composition of the South African liquid market



Source: Industry sources

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

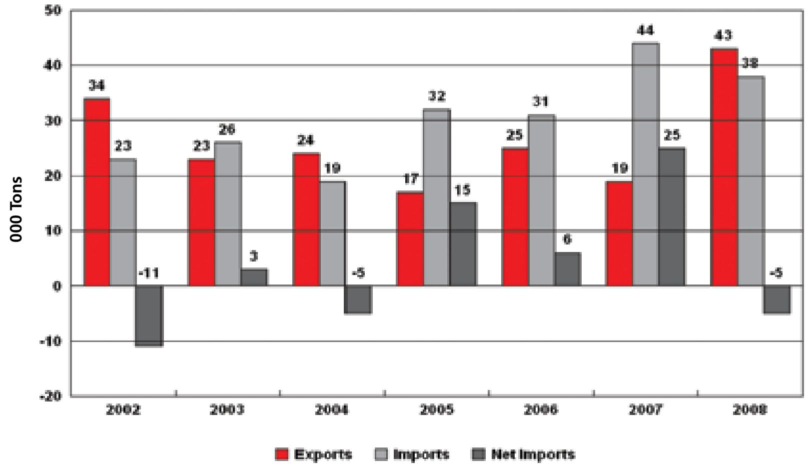


Source: Industry sources

Imports and exports

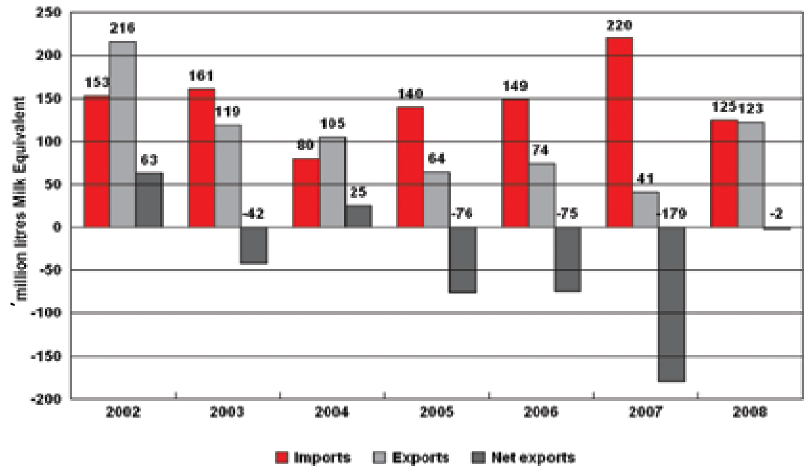
Total dairy product imports and exports are shown in *Figure 9.* During 2008, 37 664 tons of product were imported. On a milk equivalent basis, South Africa has been a net importer of dairy products since 2005. The positive growth of exports during 2008, resulted in a decrease in net imports of 73%.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

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



Source: MPO; Sampro

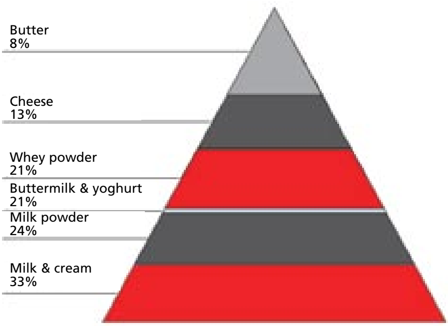
FIGURE 10: Dairy product imports and exports (milk equivalent basis), 1996-2007



Source: MPO; Sampro

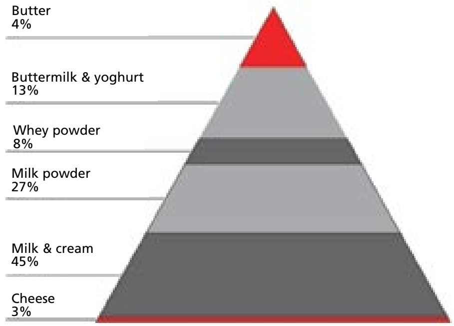
"The positive growth of exports during 2008, resulted in a decrease in net imports of 73%. Total exports are estimated at 28 000 tons"

FIGURE 11: Percentage composition of imports, 2008*



Source: MPO Analysis; Mass base

FIGURE 12: Percentage composition of exports, 2008



Source: MPO Analysis; Mass base

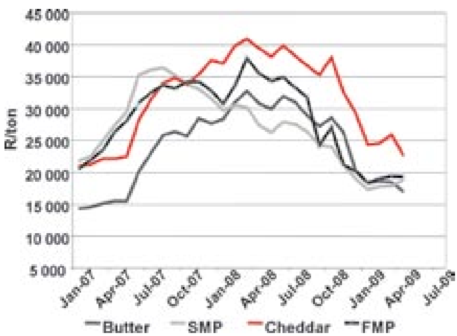
Dairy price trends

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.

"Both the FAO / OECD Agricultural Outlook and FAPRI predict that prices will decrease during 2009"

FIGURE 13: International dairy product prices, rand/ton, Jan 2007- Mar 2009



Source: USDA; 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 decrease in producer prices.

TABLE 4: International milk producer prices, 2007-2008

Country	Rand per litre – 12 month average*		% Change
	to Dec 2007	to Dec 2008	
USA	3,42	2,56	-25,2%
Belgium	3,75	2,87	-23,5%
New Zealand **	2,54	1,99	-21,7%
Ireland	3,52	2,89	-17,9%
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	22,5%

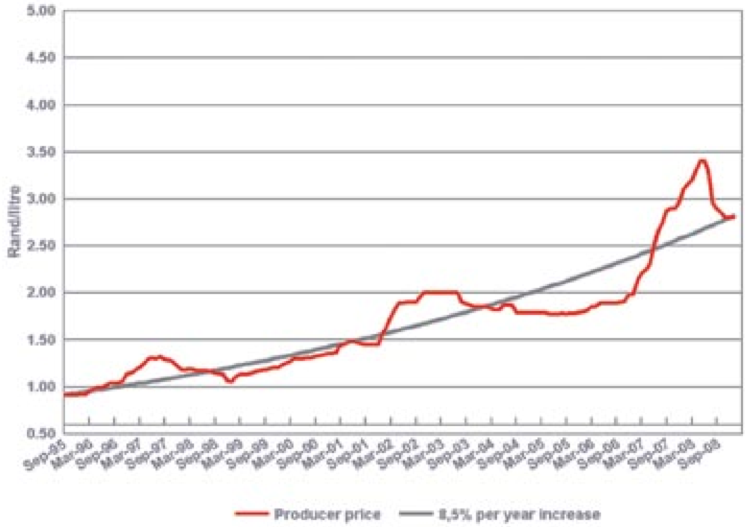
***Exchange rate 2007 R9,65/Euro**
2008 R11,83/Euro
**** Does not include top-up payments**
Source: LTO Nederland: February 2009

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.

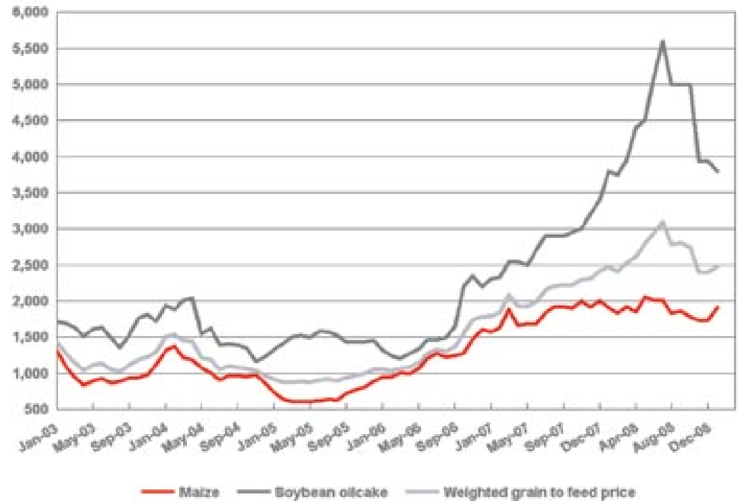
"South African producer prices increased sharply from 2006. Since May 2008, some milk processors have reduced prices. However, the majority of processors did not follow this trend until July 2008"

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



Source: MPO data

FIGURE 15: Maize, soybean and weighted feed prices



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