# LACTO DATA

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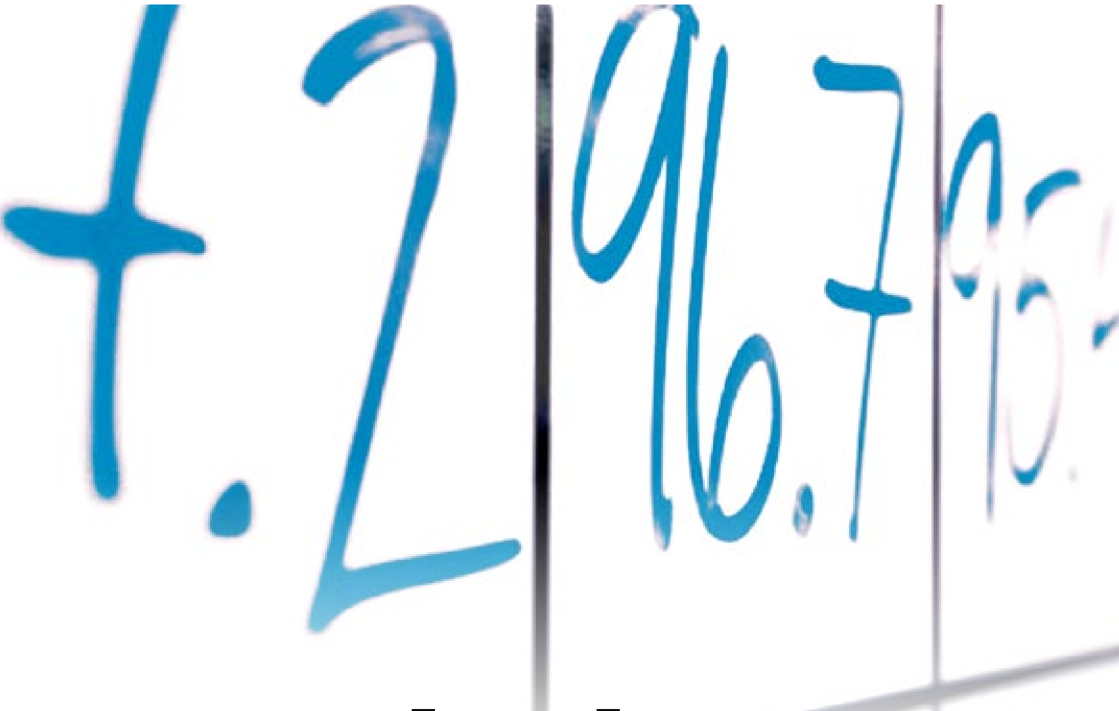

# Statistics

A Milk SA publication compiled by the Milk Producers' Organisation

MELK SUID-AFRIKA/MILK SOUTH AFRICA

MELKPRODUSENTE-ORGANISASIE/
MILK PRODUCERS' ORGANISATION


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## 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

**The international financial crisis has had a major impact on the international dairy industry. The decrease in dairy product prices was followed by a sharp decrease in producer prices. Lower world prices resulted in the reintroduction of export subsidies by the EU and of the US's Dairy Export Incentive Programme (DEIP).**

Since the beginning of 2009, world dairy product prices have moved sideways. The *FAO Dairy Price Index* for August is at 129, still 43% lower than in August 2008. The index has increased by 13% since February 2009.

Local demand remains under pressure, although the lower interest rates have brought some relief. The growth in milk production has slowed down since late 2008 and monthly milk production for the first seven months of 2009 was 4,3% less than during the same period in 2008.

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

## Contents



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This publication is funded by Milk SA.

# The primary industry

## Industry structure

The number of milk producers has decreased from 3 899 in January 2007 to 3 458 in August 2009. The number of producers per province is shown in *Table 1*. Since 1997, the number of producers has decreased by 52%. The biggest decrease in producer numbers, occurred in the Northern Cape (65%), while the number of

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

| Province | Number of producers per province | | | | |
|---|---|---|---|---|---|
| | Dec '97 | Jan '06 | Jan '07 | Jan '08 | Aug '09 |
| Western Cape | 1 577 | 878 | 827 | 815 | 787 |
| Eastern Cape | 717 | 422 | 420 | 407 | 352 |
| Northern Cape | 133 | 39 | 37 | 34 | 46 |
| KwaZulu-Natal | 648 | 402 | 385 | 373 | 346 |
| Free State | 1 204 | 1 067 | 987 | 919 | 862 |
| Northwest | 1 502 | 649 | 596 | 549 | 536 |
| Gauteng | 356 | 275 | 245 | 228 | 215 |
| Mpumalanga | 866 | 407 | 357 | 302 | 284 |
| Limpopo | 74 | 45 | 45 | 38 | 30 |
| **TOTAL** | **7 077** | **4 184** | **3 899** | **3 665** | **3 458** |

**Source: MPO statistics (1997) & MPO statutory information (2008)**

**TABLE 2: Milk production and cows per producer, specific years**

| Province | % Distribution of milk production | | Number of cows per producer, 2008 | |
|---|---|---|---|---|
| | 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 |
| Northwest | 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 3 458 in August 2009. The number of producers per province is shown in *Table 1*. Since 1997, the number of producers has decreased by 52%"

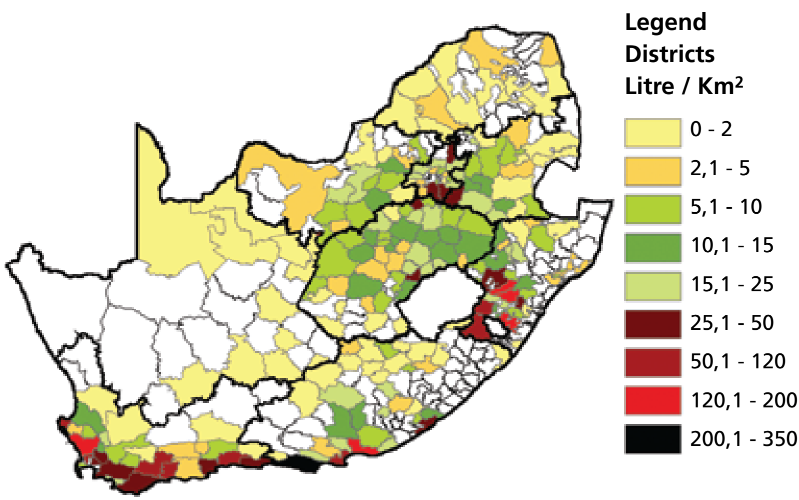
producers in the Free State decreased by 16%.

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 information, 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*.

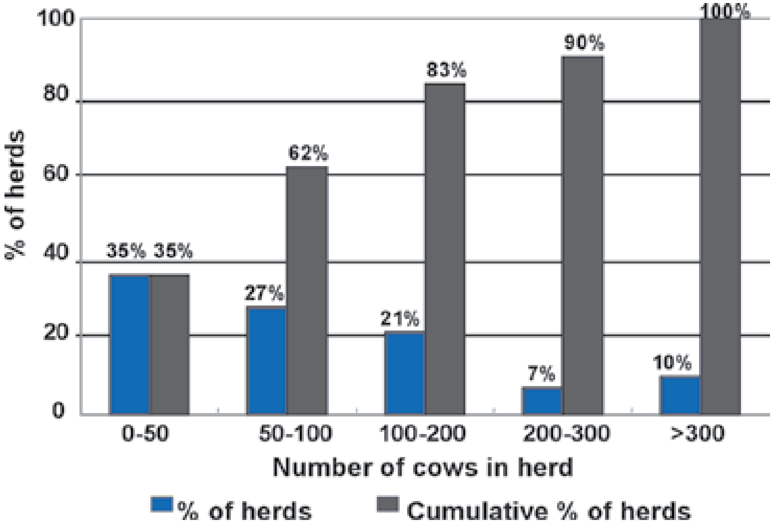
Average milk production per cow per day was 16,5 litres/day in 2008. A total of 89% of milk was sold in the formal market and 3% informally. The rest was used for own consumption and calves. The distribution of herds on a production basis, is shown in *Figure 4*.

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



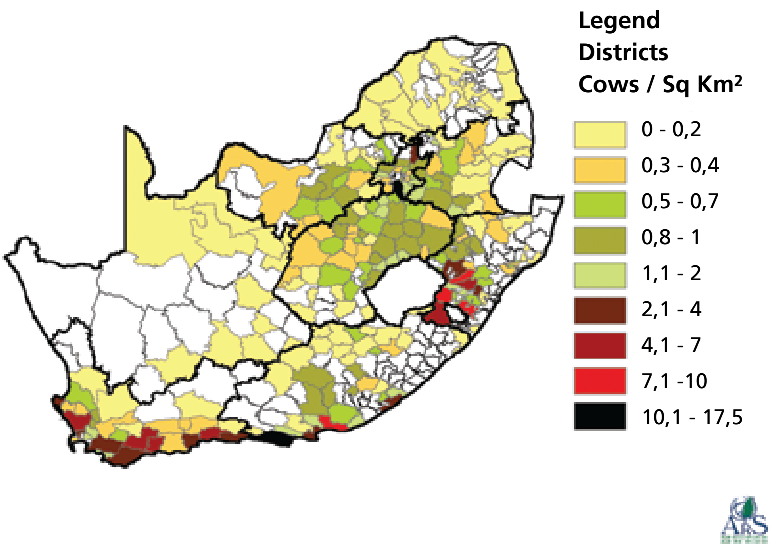

**Source: MPO statutory information**

FIGURE 2: Size distribution of dairy herds, 2007




Source: MPO statutory information

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



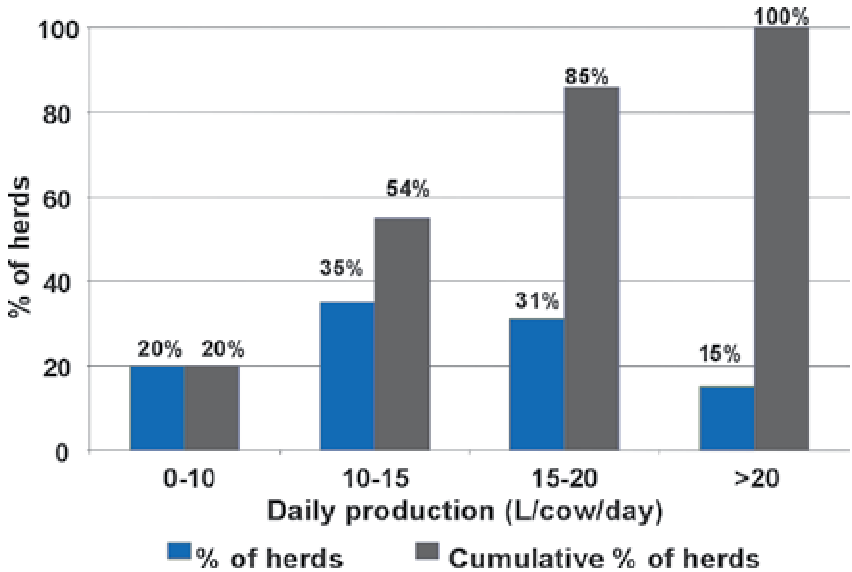

Source: MPO statutory information

"Average milk production per cow per day was 16,5 litres/day in 2008.
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*"

## Milk production and consumption

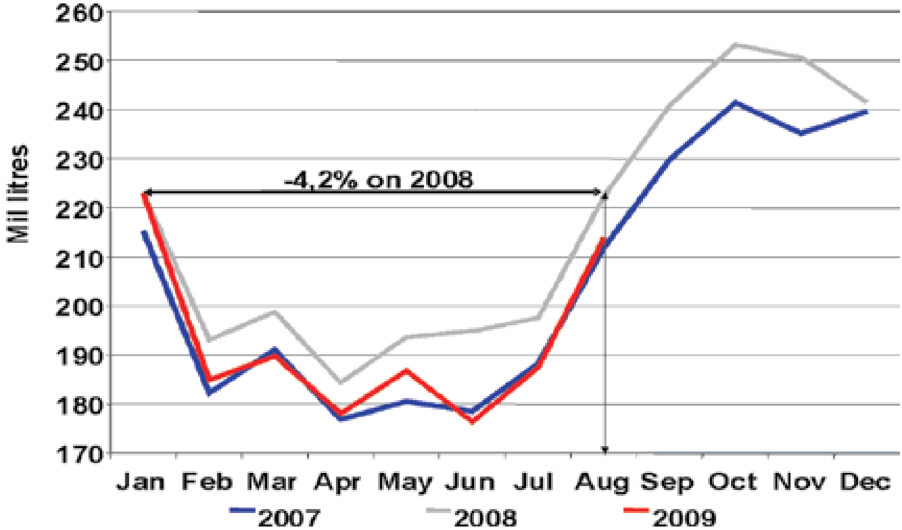
Annual milk production shows a steady linear upward trend over time. Total milk to market for 2008 is estimated at 2,59 billion litres, up 5% on the previous year. Milk production for 2005 to 2008 and January to August 2009, is shown in *Figure 5*. The growth of dairy consumption has decreased as a result of higher food and fuel prices, as well as higher interest rates. Response from consumers on the lower interest rates, is still slow.

**FIGURE 4: Distribution of herds per production class, 2007**



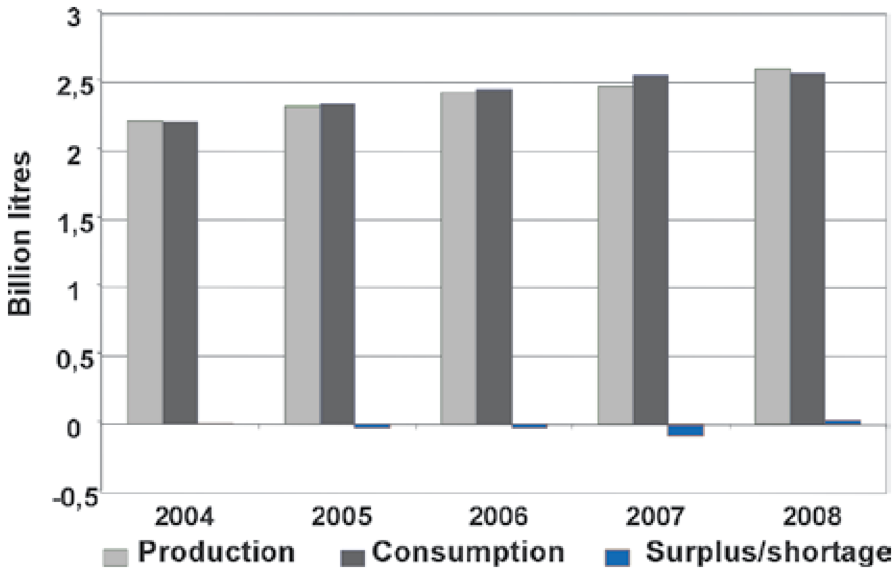

Source: MPO statutory information

**FIGURE 5: South African seasonal milk production**




Source: Milk SA data

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




Source: Production: Milk SA
Consumption: MPO estimate

"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 53% 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 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*.

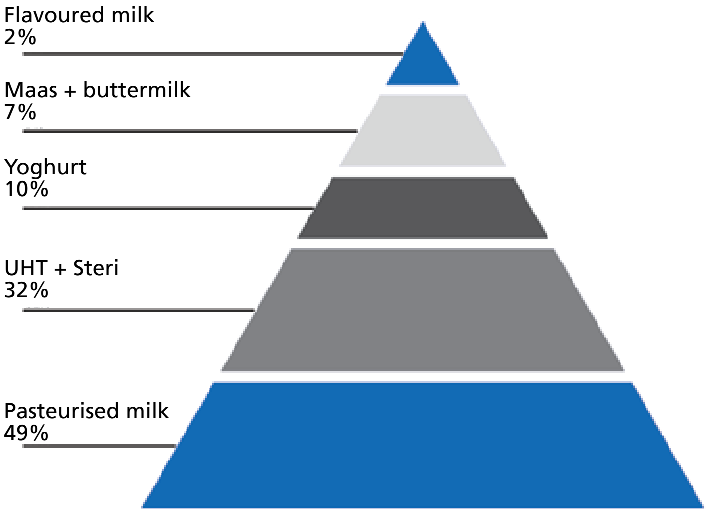
**TABLE 3: Number of producer-distributors (PDs) and milk buyers per province, as registered by Milk SA**

| Province | Number of PDs (Jul '09) | Number of milk buyers (Jul '09) |
|---|---|---|
| Western Cape | 18 | 26 |
| Eastern Cape | 21 | 9 |
| Northern Cape | 11 | 4 |
| KwaZulu-Natal | 15 | 15 |
| Free State | 25 | 11 |
| Northwest | 10 | 18 |
| Gauteng | 19 | 38 |
| Mpumalanga | 17 | 13 |
| Limpopo | 12 | 1 |
| **Total** | **148** | **135** |

**Source: Milk SA**

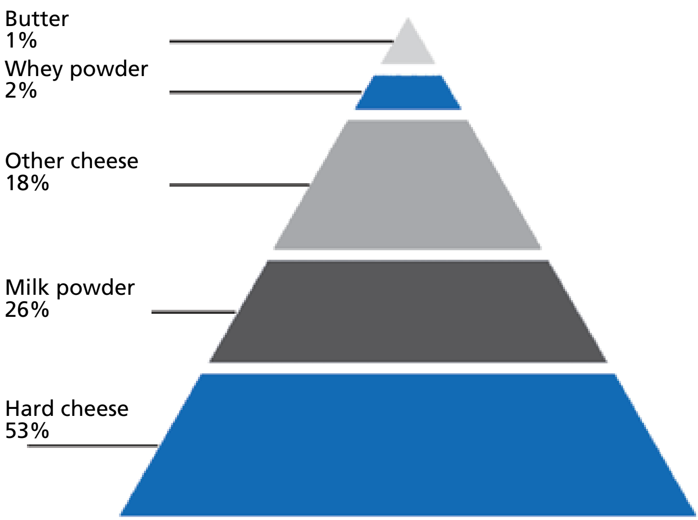
**Note:** During September 2009, Milk SA was in the process of having five milk buyers and 36 producer-distributors registered

**FIGURE 7: Percentage composition of the South African liquid market**




Source: Industry sources

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

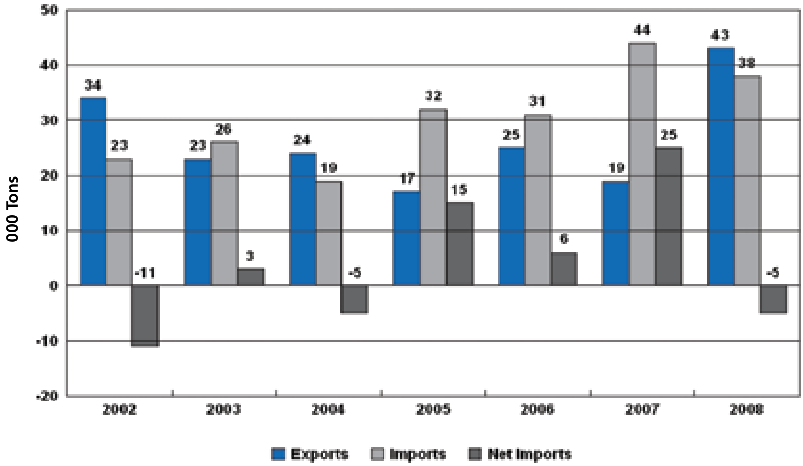



Source: Industry sources

## Imports and exports

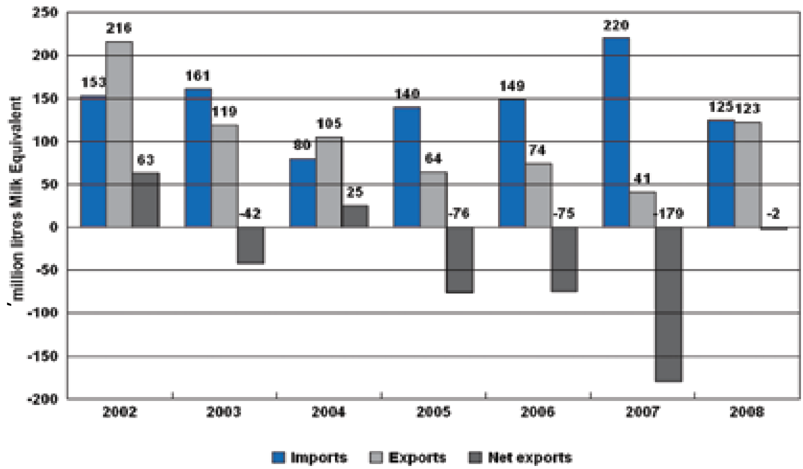
Total dairy product imports and exports are shown in *Figure 9.* During 2008, 37 664 tons of products were imported. On a milk equivalent basis, South Africa has been a net importer of dairy products since 2005. The positive growth of exports during 2008, resulted in a decrease in net imports of 73%. Total exports are rounded off to 43 000 tons.

**FIGURE 9: Dairy product imports and exports ('000 tons), 2002-2008**



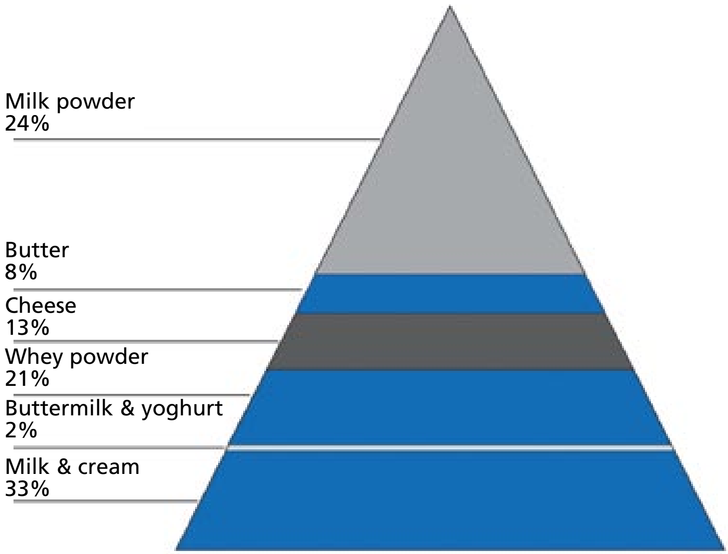

Source: MPO; Sampro

**FIGURE 10: Dairy product imports and exports (milk equivalent basis), 1996-2008**



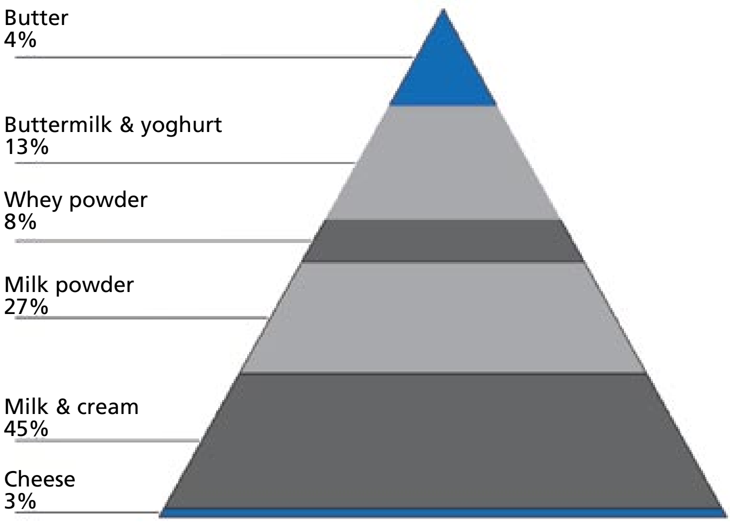

Source: MPO; Sampro

**FIGURE 11: Percentage composition of imports, 2008**




Source: MPO Analysis; Mass base

**FIGURE 12: Percentage composition of exports, 2008**




Source: MPO Analysis; Mass base

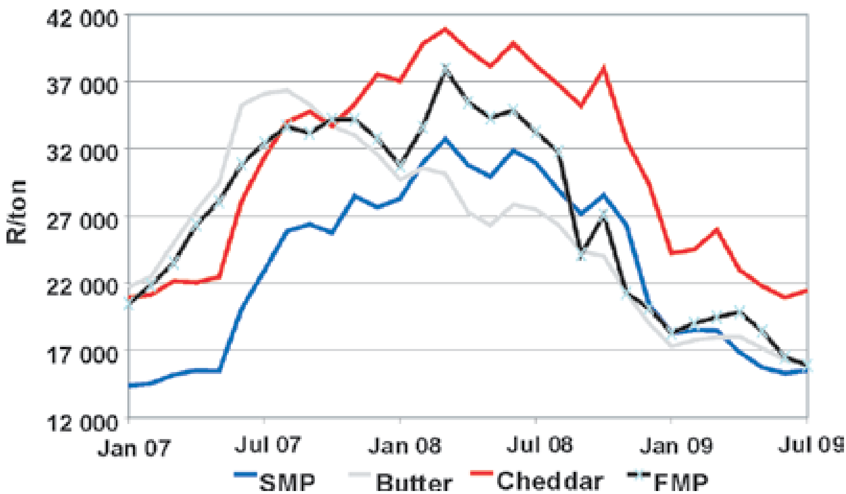
"Since the peak in 2007, world dairy product prices decreased sharply. Both the FAO/OECD Agricultural Outlook and FAPRI predict that prices will decrease during 2009. BFAP predicts an increase in prices from 2010"

# 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. FAP predicts an increase in prices from 2010.

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




**Source: USDA; Reserve Bank**

## International producer prices

International producer prices increased substantially in the year to September 2008. New Zealand farmers received the highest prices ever.

Since June 2008, producer prices decreased significantly from their June peak levels. FAO/OECD and FAPRI projections also indicate a decrease in producer prices.

**TABLE 4: International milk producer prices, June 2009**

| Country | Price * |
|---|---|
| Finland | 4,09 |
| South Africa** | 2,96 |
| France | 2,93 |
| Great Britain | 2,80 |
| Netherlands | 2,68 |
| Germany | 2,65 |
| Denmark | 2,65 |
| Ireland | 2,47 |
| Belgium | 2,35 |
| USA | 2,20 |
| New Zealand | 1,57 |

*12-month moving average to June 2009 for 4% fat corrected milk
R7,95/US$
**MPO estimate
**Source: LTO Nederland**

## South African producer prices

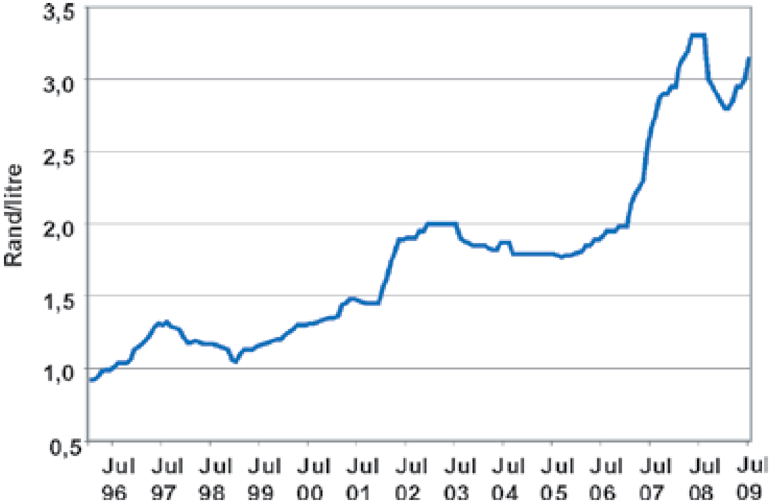
South African producer prices increased sharply from 2006. Since May 2008, some milk processors have reduced prices. However, the majority of processors did not follow this trend until July 2008.

The trend towards lower producer prices then became more general.

Producer prices increased during 2009. Producer prices are still slightly below the 2008 peak.

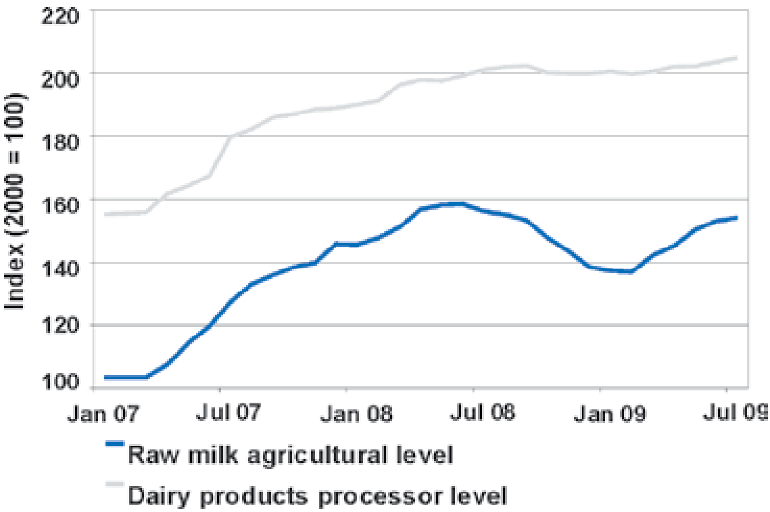
"Producer prices increased during 2009. Producer prices are still slightly below the 2008 peak"

**FIGURE 14: Monthly average South African producer prices, 1995-2009**

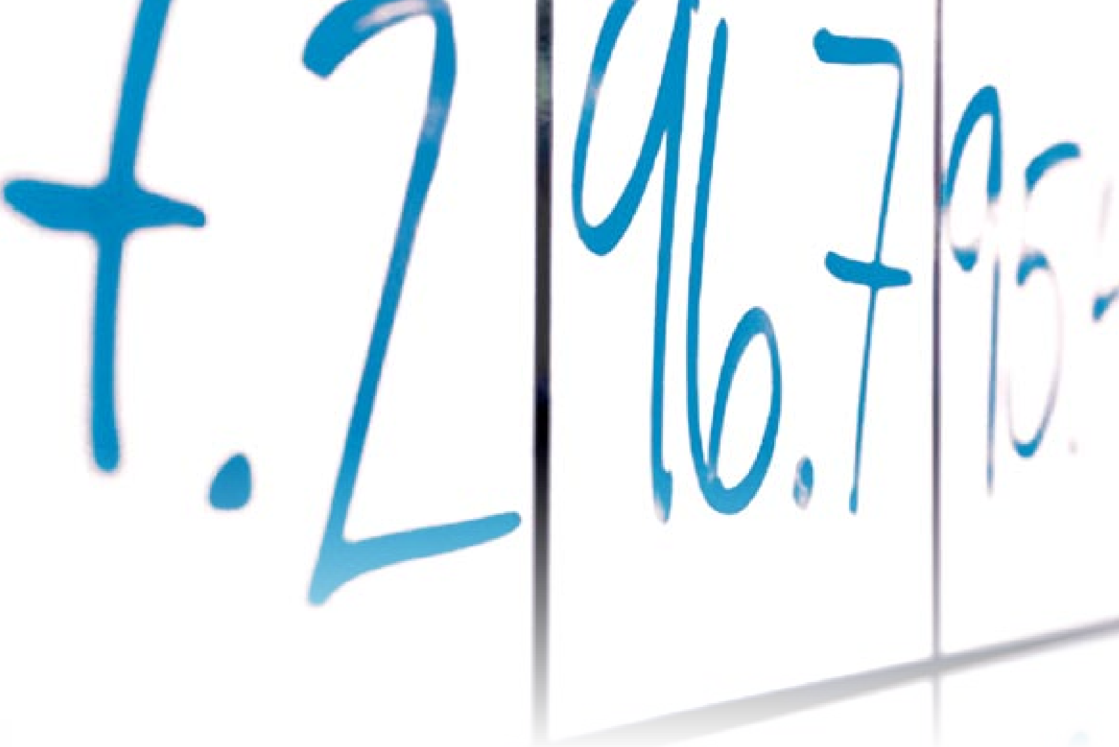



**Source: MPO data**

**FIGURE 15: Price index of raw milk on farm and dairy products at processor level 2007-2009**




**Source: Stats SA, Producer Price Index**



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