LACTO DATA

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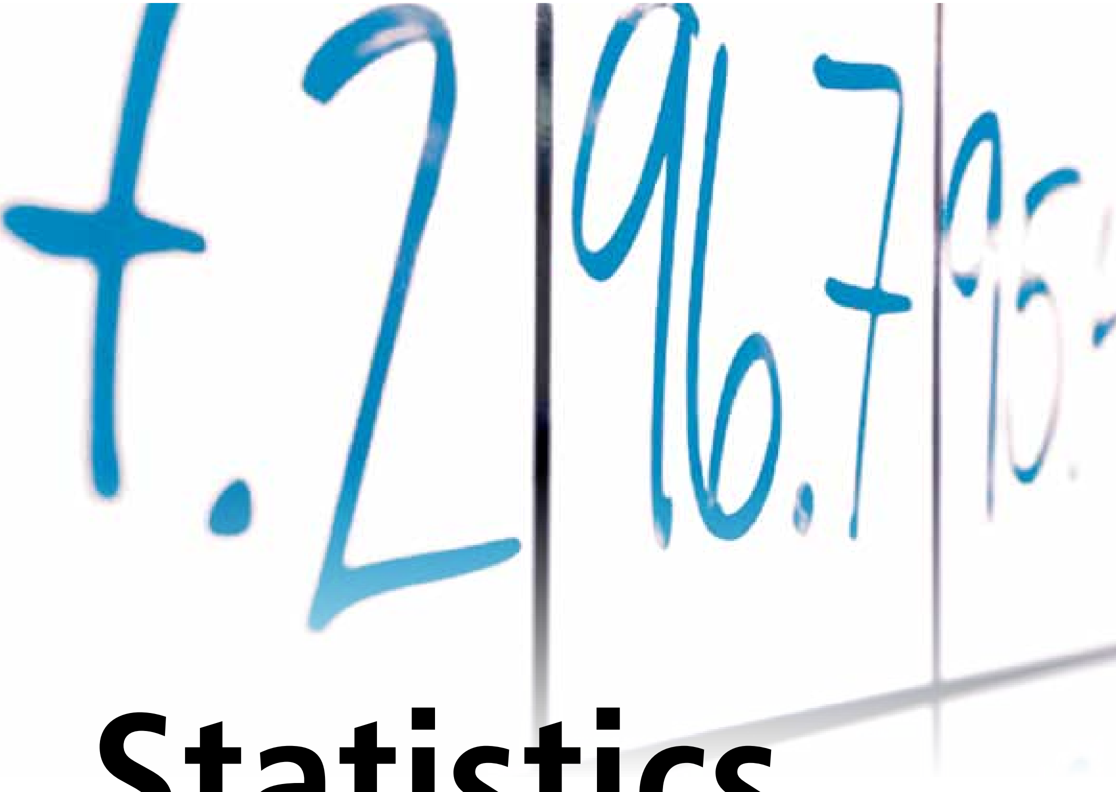

Statistics

A Milk SA publication compiled by the Milk Producers' Organisation

MELK SUID-AFRIKA/MILK SOUTH AFRICA

MELKPRODUSENTE-ORGANISASIE
MILK PRODUCERS' ORGANISATION

MELK SUID-AFRIKA/MILK SOUTH AFRICA

MILK SOUTH AFRICA IS THE INSTRUMENT THROUGH WHICH ITS MEMBERS, THE MPO AND SAMPRO, DEAL WITH COMMON CHALLENGES.

VISION

To promote a healthy South African dairy community.

MISSION

- To promote the image and consumption of South African dairy products among consumers and the broader population.
- To develop the dairy industry through rendering value-added services to industry participants, consumers and the broader South African population.

STRATEGIC DIRECTION

- Broaden the market for milk and other dairy products.
- Improve the international competitiveness of the dairy industry.
- Empower previously disadvantaged individuals.

STRATEGIC OBJECTIVES

The strategic direction of Milk SA resulted in strategies that are financed by the levies implemented in terms of regulations promulgated in terms of the Marketing of Agricultural Products Act, as well as other strategies that are not financed from levy income, which include:

- Consumer education.
- Improvement of the quality of milk and other dairy products.
- Empowerment of previously disadvantaged individuals through actions that improve knowledge and skills.
- Promotion/facilitation of research and development.
- Collection and publication of industry information.
- Promotion of South Africa's trade dispensation regarding milk and other dairy products.
- Constructive cooperation with the industry role players and government.

www.milksa.co.za or Tel +27 12 460 7312

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 decreasing trend in international dairy product prices continued during the first half of 2012. Since June 2012 prices recovered slightly. Milk production in South Africa during 2011 was marginally down on production during 2010. Production during the first eight months of 2012 is higher than during the same period in 2011.

The total mass of imports and exports during the first half of 2012 are higher than during the same period in 2011.

The demand (retail sales) of most of the dairy products grew during the first half of 2012. Retail and producer prices increased during the first half of 2012. Producer prices have since decreased slightly.

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

Contents

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The primary industry

Industry structure

The number of milk producers has decreased from 3 899 in January 2007 to 2269 in September 2012. The number of producers per province is shown in table 1. Since 2007, the number of producers has decreased by 41,8%. The biggest decrease in producer numbers occurred in Limpopo (60%).

Table 1: Number of milk producers per province, 2006 – 2012

Province	Jan '06	Jan '07	Jan '08	Jan '09	Jan '11	Jan '12	Sept '12	% Change 07-12
Western Cape	878	827	815	795	683	647	603	-27,1
Eastern Cape	422	420	407	387	314	283	279	-33,6
Northern Cape	39	37	34	37	28	21	21	-43,2
KwaZulu-Natal	402	385	373	373	323	322	303	-21,3
Free State	1 067	987	919	884	601	535	489	-50,4
North West	649	596	549	540	386	352	292	-51,0
Gauteng	275	245	228	217	127	126	121	-50,6
Mpumalanga	407	357	302	286	201	164	143	-59,9
Limpopo	45	45	38	32	23	24	18	-60,0
TOTAL	**4 184**	**3 899**	**3 665**	**3 551**	**2 686**	**2 474**	**2 269**	**-41,8**

Source: MPO statistics Sep 12

Table 2: Milk production and cows per producer, specific years

Province	% Distribution of milk production		Number of cows in milk per producer, 2012	
	Dec 1997	Feb 2012	Mean	Median
Western Cape	22,9	27,4	246	180
Eastern Cape	13,8	24,3	536	365
Northern Cape	1,2	1,0	188	112
KwaZulu-Natal	15,7	23,5	425	315
Free State	18	10,5	111	79
North West	12,6	3,5	78	52
Gauteng	4,4	5,5	248	151
Mpumalanga	11	3,6	116	75
Limpopo	0,4	0,7	207	105
TOTAL	**100**	**100**	**293**	**167**

Source: MPO statistics
* Limpopo samples not representative

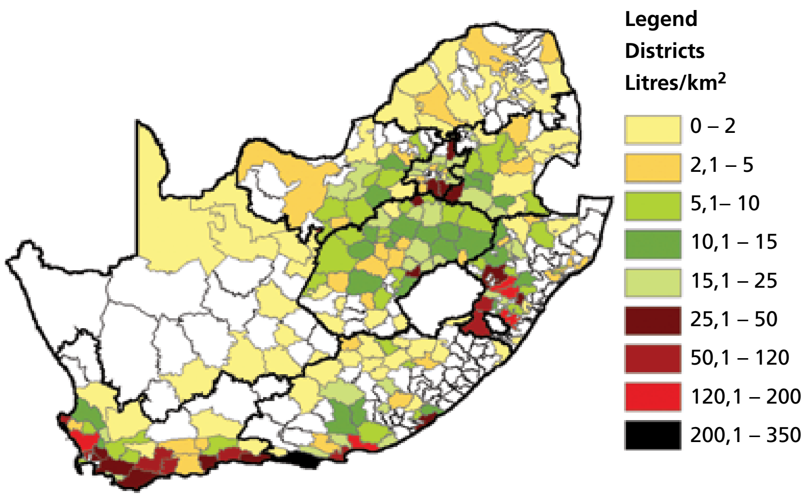
> "The number of milk producers has decreased from 3 899 in January 2007 to 2 269 in September 2012. Since 1997, the number of producers has decreased by 41,8%."

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.

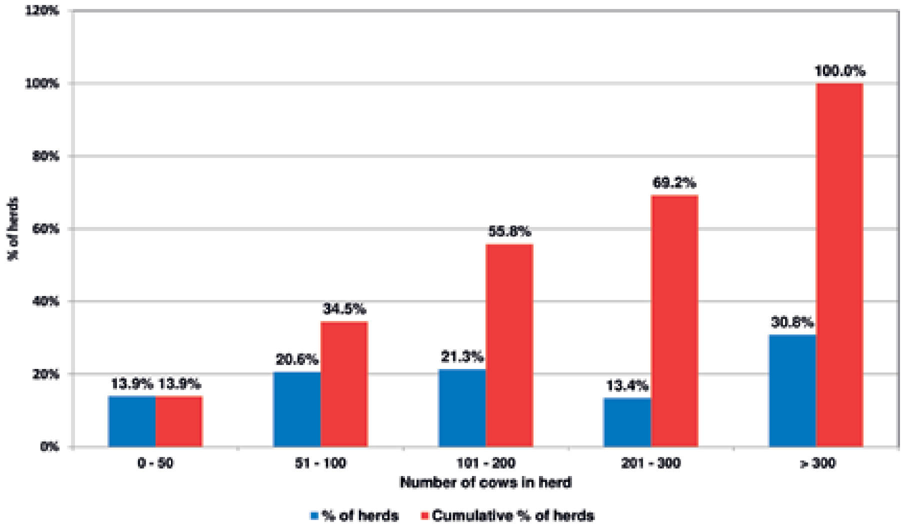
Average milk production per cow per day was 20,1 litres in 2012. A total of 98% of milk was sold in the formal market and 2% informally. The rest was used for own consumption and calves. The distribution of herds on a production basis is shown in figure 4.

Figure 1: Milk production density (litres/km²) per district, 2012



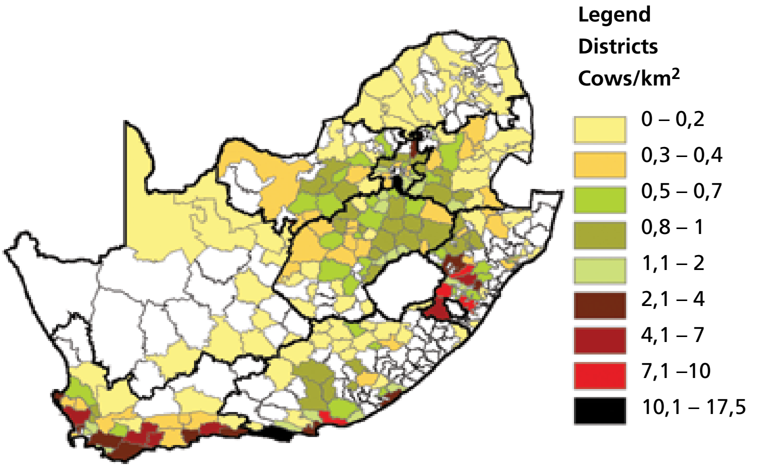
Source: MPO statutory information

Figure 2: Size distribution of dairy herds, 2012



Source: MPO statutory survey, 2012

Figure 3: Cow density per district (cows/km²), 2012



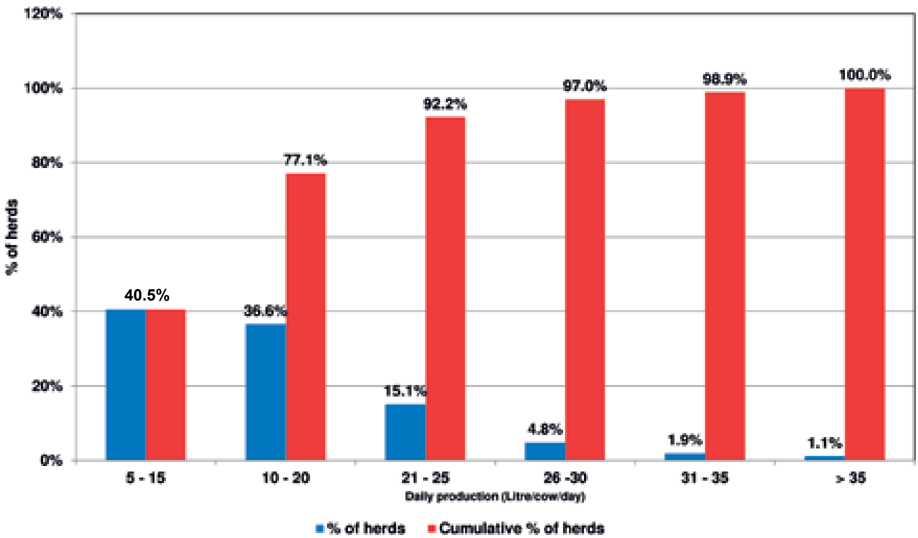
Source: MPO statutory information

"Average milk production per cow per day was 20,1 litres in 2011. A total of 96% of milk was sold in the formal market and 2% informally. The rest was used for own consumption and calves."

Milk production

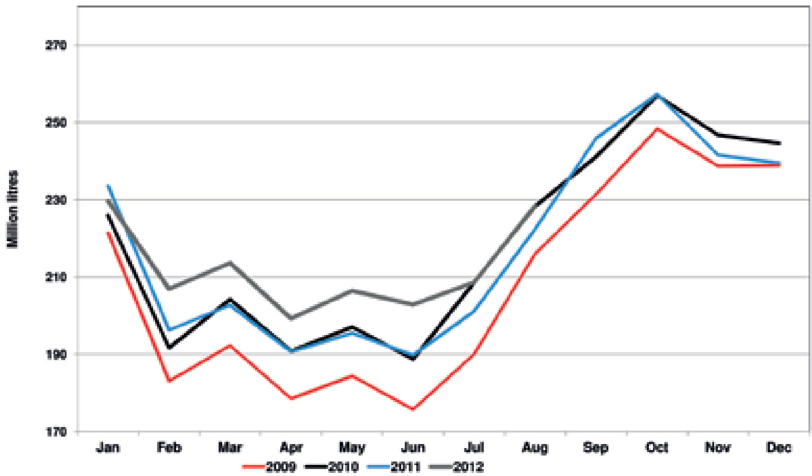
Annual milk production shows a steady linear upward trend over time. Total milk to market for 2011 is 2,616 billion litres, down 0,3% on the previous year. Milk production for the 2009 to 2012 years is shown in figure 5.

Figure 4: Distribution of herds based on daily production per cow in herd, 2012



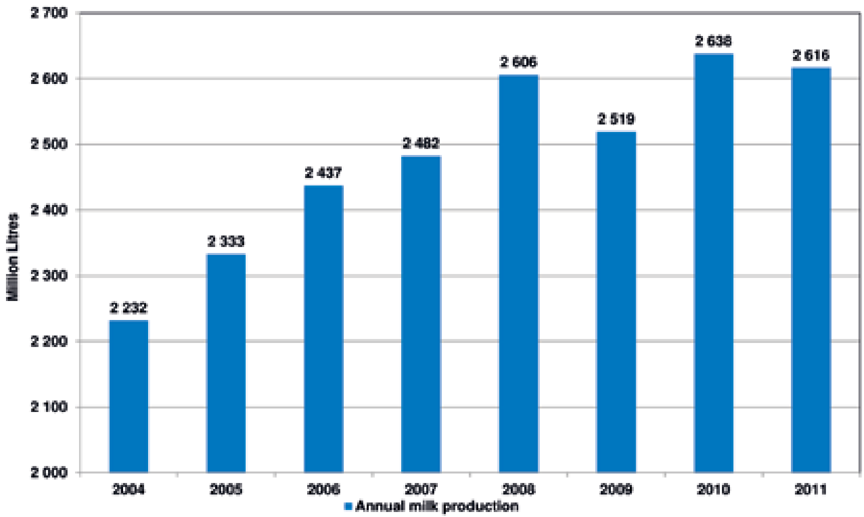
Source: MPO statutory survey, 2012

Figure 5: South African monthly milk production, Jan 2009 - Aug 2012



Source: Milk SA statistics

Figure 6: Annual milk production, 2004 – 2011



Source: 2004 - 250 MPO, SAMO, Milk Board
2006 - 2011 Milk SA

"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 58% liquid and 42% 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.

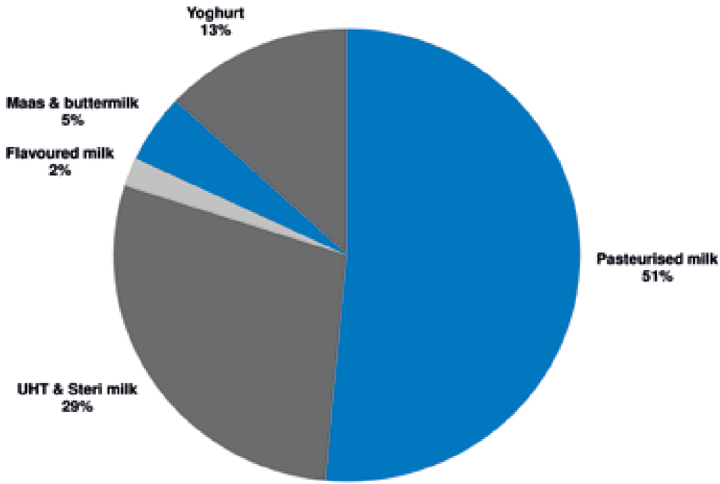
Table 3: Number of producer-distributors (PDs) and milk buyers per province, as registered by Milk SA, September 2012

Province	Number of PDs	Number of milk buyers
Western Cape	22	37
Eastern Cape	19	13
Northern Cape	11	4
KwaZulu-Natal	12	19
Free State	15	13
North West	10	19
Gauteng	20	53
Mpumalanga	12	12
Limpopo	10	3
Total	**131**	**173**

Note: Milk buyers indicated according to position of registered head office.

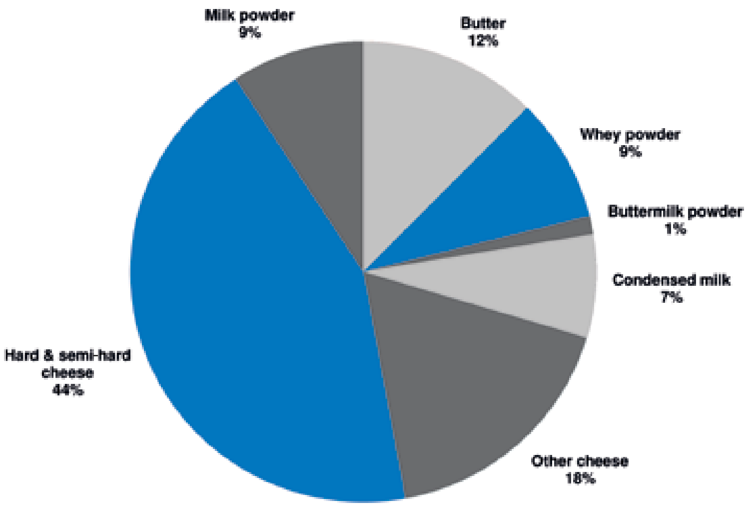
Source: Milk SA

Figure 7: Composition of the South African liquid products* market, 2011



Source: Industry estimate
* Milk equivalent basis

Figure 8: Composition of the South African concentrated products market, 2011**

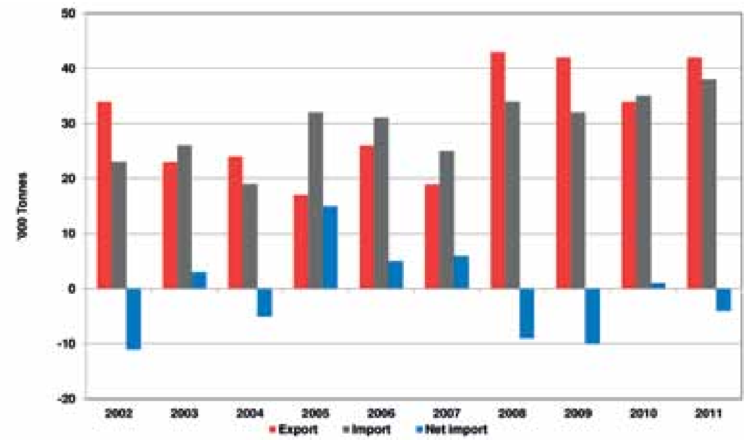


Source: Industry estimate
** Mass basis

Imports and exports

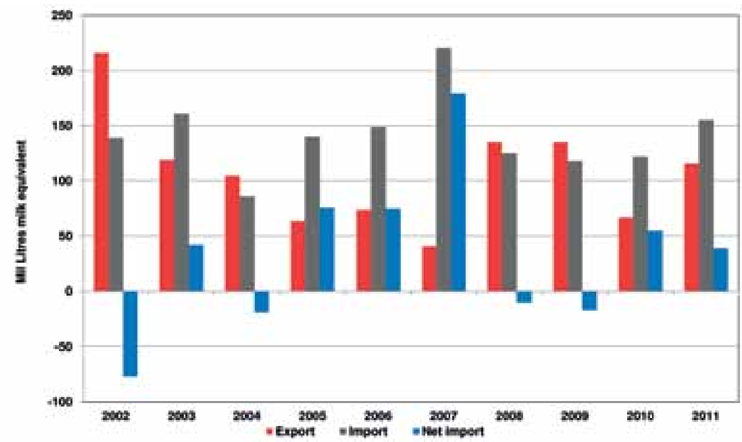
Total dairy product imports and exports are shown in figure 9. During 2011, 37 700 tonnes of products were imported. On a milk-equivalent basis, the positive growth of exports since 2008 resulted in a decrease in net imports. Total exports during 2011 were 41 800 tonnes.

Figure 9: Dairy product imports and exports ('000 tonnes), 2002 – 2011



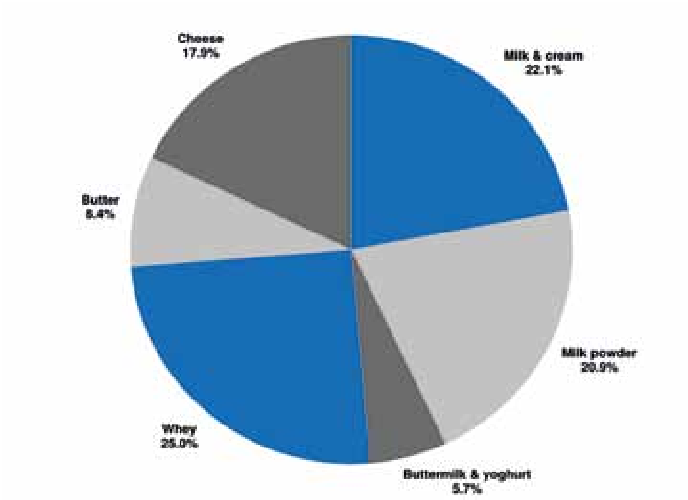
Source: SARS data, SAMPRO

Figure 10: Dairy product imports and exports, milk-equivalent base, 2002 – 2011



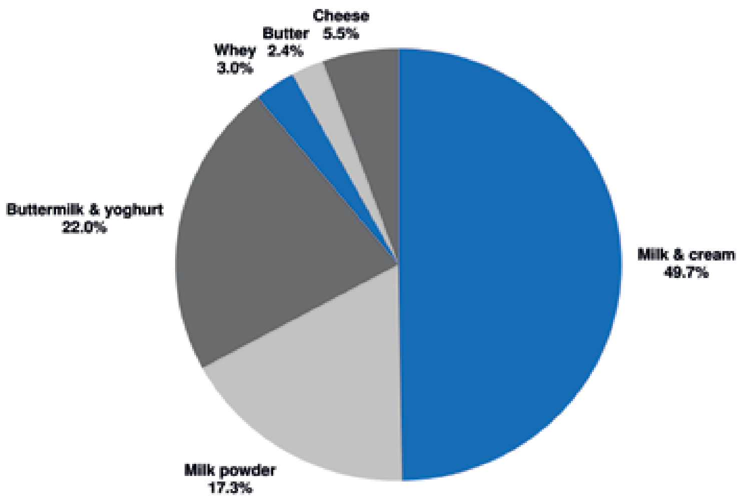
Source: SARS data, SAMPRO

Figure 11: Percentage composition of imports (mass base), 2011



Source: Data supplied by SAMPRO

Figure 12: Percentage composition of exports (mass base), 2011



Source: Data supplied by SAMPRO

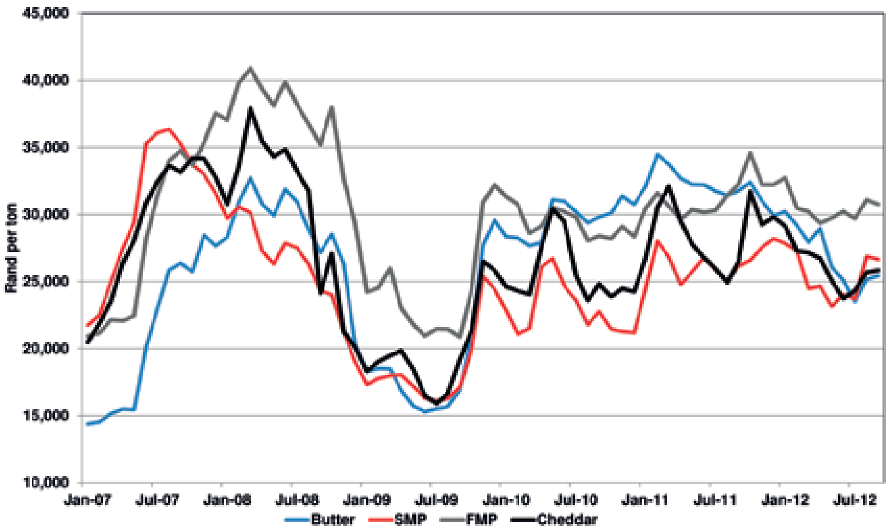
"Prices decreased from mid-2011 to mid-2012. Since then prices recovered slightly. High volatility is still present in the market."

Dairy price trends

International product prices

International product prices peaked in March/April 2008. Since then to late 2009 prices decreased sharply. Prices recovered during 2009 and 2010. Prices decreased from mid-2011 to mid-2012. Since then prices recovered slightly. High volatility is still present in the market.

Figure 13: International FOB dairy product prices, rand/tonne, Jan 2007 – Sep 2012



Source: USDA, Reserve Bank

Table 4: International calculated standardised raw milk producer prices, 2008 – 2012

Country	Jan '10	Jan '11	Jan '12	Jul '12
Belgium	2,89	3,06	3,23	2,70
Germany	2,80	2,96	3,35	2,80
Denmark	2,81	2,90	3,35	3,04
Finland	3,79	3,54	4,14	4,06
France	3,37	3,01	3,58	3,56
Great Britain	2,82	2,69	3,47	3,50
Ireland	2,47	3,16	3,40	2,86
Netherlands	2,91	3,05	3,55	3,07
New Zealand	2,44	3,03	3,22	2,70
USA	2,59	2,27	3,25	3,29
* South Africa	3,14	2,97	3,10	3,35

Source: LTO Nederland
Based on 4% fat-corrected milk
Exchange rates: Reserve Bank monthly middle rates
* Based on MPO price survey

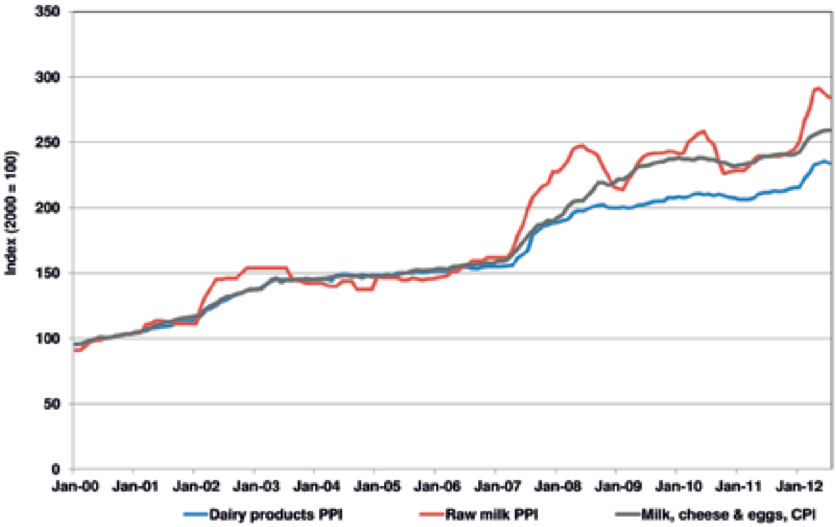
See www.milkprices.nl for detailed definition of LTO standardised price.

International raw milk producer prices

International producer prices largely followed the decrease in product prices during 2009 and the recovery in 2010. Prices increased in the last half of 2011, weakened to mid-2012 and slowly since recovered. South African producer prices did not increase as sharply as international prices during 2008 and were more stable during 2009. South African producer prices decreased from June 2010 to October 2011 and recovered to June 2012. Since then prices decreased again.

"International producer prices largely followed the decrease in product prices during 2009 and the recovery in 2010."

Figure 14: Price index of raw milk on farm level, dairy products at processor level and milk and eggs at consumer level, 2000 – 2012

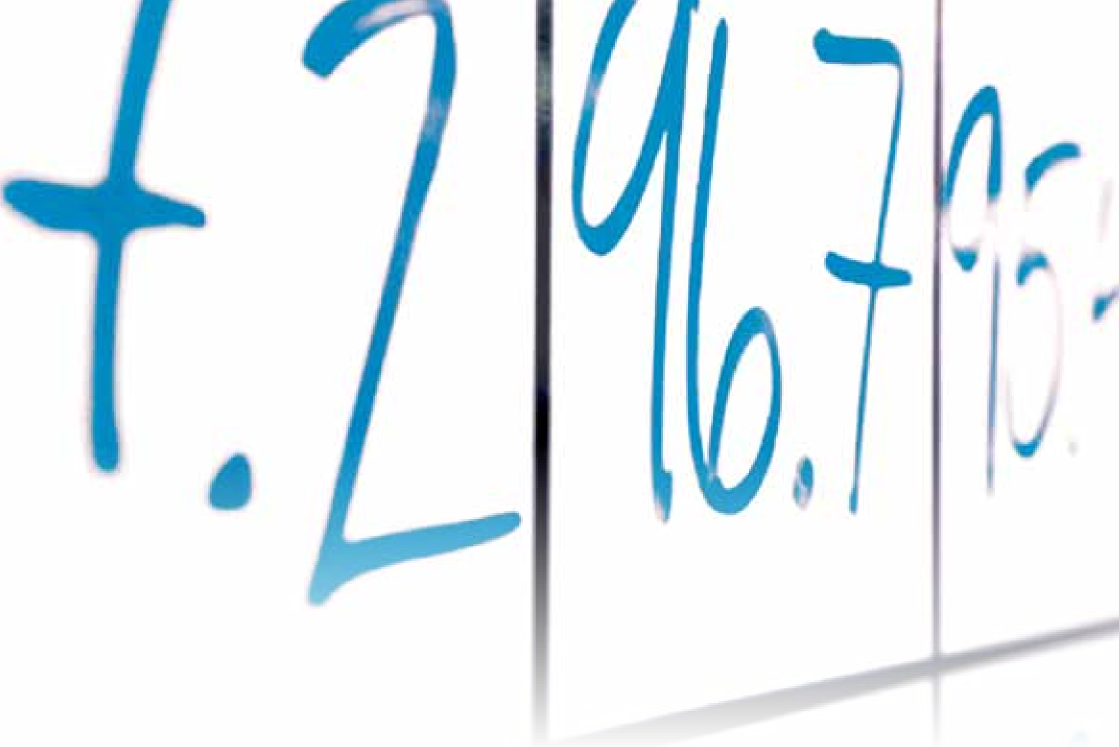


Source: DAFF and Stats SA data

Table 5: Farm requisite price indices, base 2005 = 100

Period	Machinery and implements	Material for fixed improvement	Intermediate goods and services	All farming requisites
2009	133.0	141.6	172.8	166.6
2010	154.9	142.0	193.4	186.6
2011	178.4	153.6	218.6	210.4
CAGR 2009 - 2011*	14.6 %	4.1 %	12.3 %	12.2 %
Apr-09	131.8	144.6	168.5	163.1
Apr-10	152.9	145.5	191.3	184.6
Apr-11	171.2	152.5	215.8	207.5
Apr-12	196.0	159.1	249.5	239.0
CAGR Apr-09-Apr-12*	14.1 %	3.2 %	14.0 %	13.6 %

Source: Department of Agriculture, Forestry and Fisheries
* Computed annual growth rate



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