



***QUARTERLY REVIEW OF THE PERFORMANCE OF THE DAIRY INDUSTRY<sup>1</sup>***

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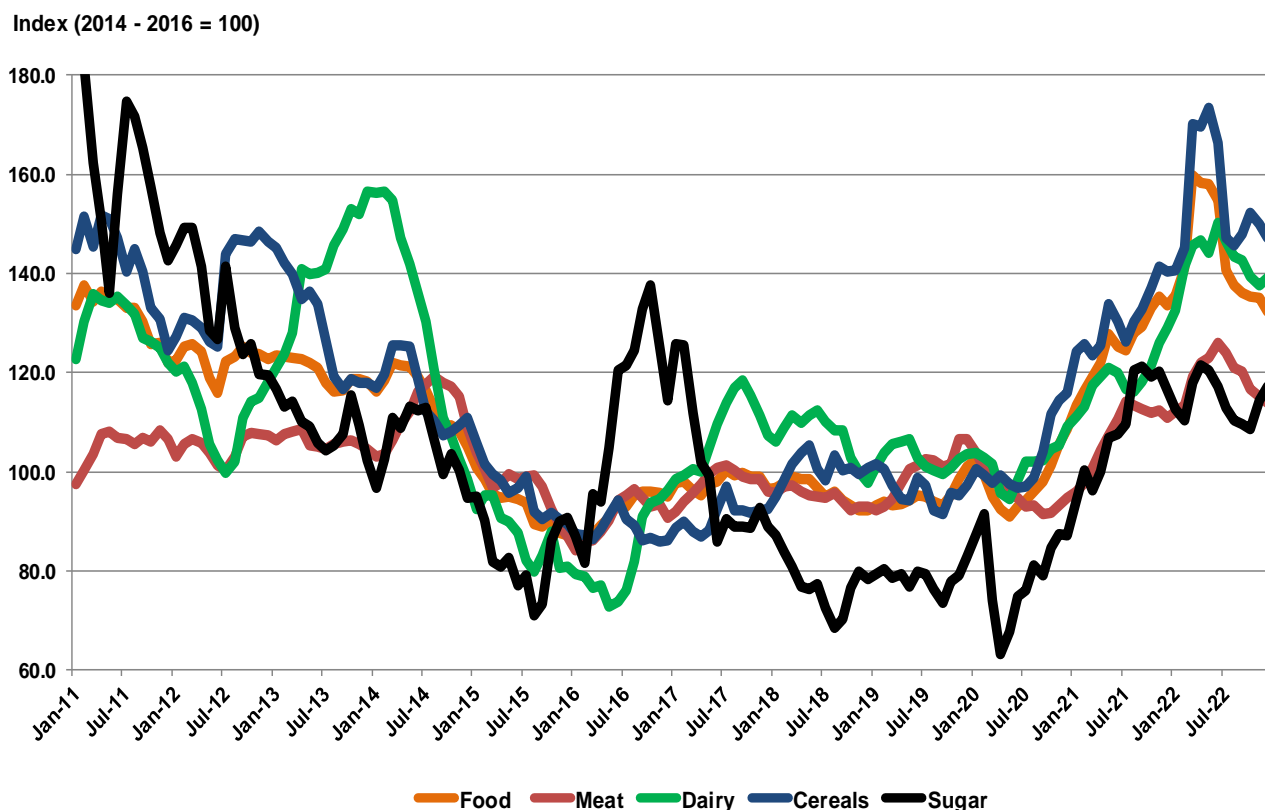
Fourth Quarter 2022

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<sup>1</sup> A publication of Milk SA prepared by the MPO

## 1. INTERNATIONAL MARKET

**FIGURE 1a: Food and Agricultural Organisation (FAO) FOOD PRICE INDICES, JANUARY 2011 – DECEMBER 2022**



Source: FAO Food price index, January 2023

For 2022 as a whole, the FAO Food Price Index (FFPI) averaged 143.7 points, up from 2021 by as much as 18 points, or 14.3 percent. The FFPI averaged 132.4 points in December 2022, down 2.6 points (1.9 percent) from November, marking the ninth consecutive monthly decline and standing 1.3 points (1.0 percent) below its value a year ago. The decline in the index in December was driven by a steep drop in the international prices of vegetable oils, together with some declines in cereal and meat prices, but partially counterbalanced by moderate increases in those of sugar and dairy.

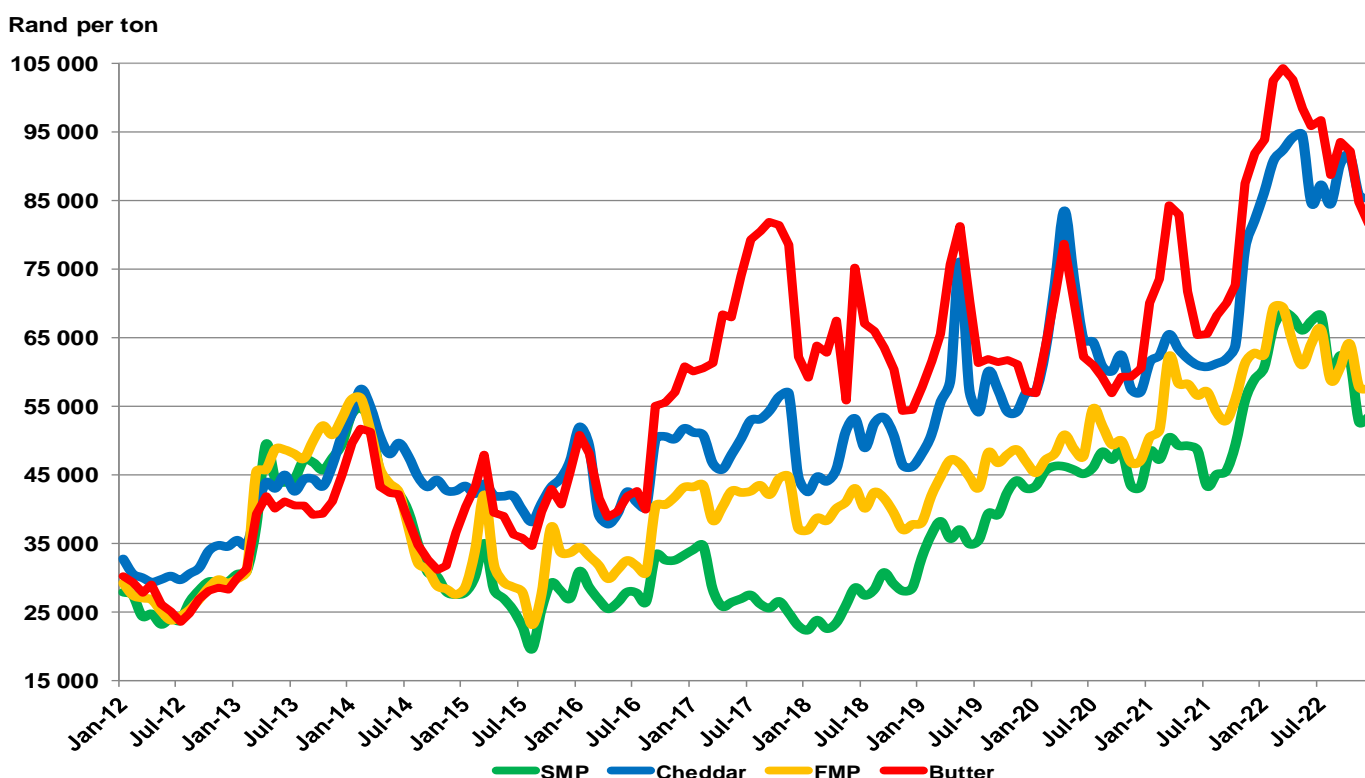
In 2022 as a whole, the FAO Dairy Price Index averaged 142.5 points, up 23.3 points (19.6 percent) from 2021 and registering the highest annual average on record since 1990. The FAO Dairy Price Index averaged 139.1 points in December, up 1.5 points (1.1 percent) from November, registering an increase after five months of consecutive declines. In December, international cheese prices rose, mainly reflecting a robust global import demand and somewhat tighter export availabilities amid high internal retail and services sector sales, especially in Western Europe. By contrast, international butter prices fell for the sixth consecutive month, underpinned by the continued sluggish global import demand and the availability of adequate domestic inventories to cover near-term needs. Meanwhile,

international milk powder prices decreased slightly, as lower prices in Western Europe, driven mainly by sluggish demand for spot supplies, outweighed increases in quotations for supplies from Oceania, primarily reflecting active buying from Southeast Asia.

For 2022 as a whole, the FAO Cereal Price Index reached a new record high of 154.7 points, up 23.5 points (17.9 percent) from 2021, surpassing by 12.5 points (8.8 percent) the previous annual average record registered in 2011. World prices of maize and wheat reached new record highs in 2022, averaging, respectively, 24.8 and 15.6 percent higher than their 2021 averages. The increase in the FAO Cereal Price Index in 2022 was due to a host of factors, including significant market disruptions, increased uncertainties, higher energy and input costs, adverse weather in a few key suppliers, and continued strong global food demand. The FAO Cereal Price Index averaged 147.3 points in December, down 2.9 points (1.9 percent) from November, but still 6.8 points (4.8 percent) above its December 2021 value. Wheat export prices fell in December, as ongoing harvests in the southern hemisphere boosted supplies and competition among exporters remained strong. World maize prices also eased month-on-month, mostly driven by strong competition from Brazil, although concerns over dryness in Argentina provided some support.

The FAO Meat Price in 2022 as a whole averaged 118.9 points, up 11.2 points (10.4 percent) from 2021, marking the highest annual average registered since 1990. The FAO Sugar Price Index in 2022 as a whole averaged 114.5 points, up 5.1 points (4.7 percent) from 2021 and reaching its highest annual average since 2012.

**FIGURE 1b: International Dairy Products Prices: Jan 2011 – December 2022**



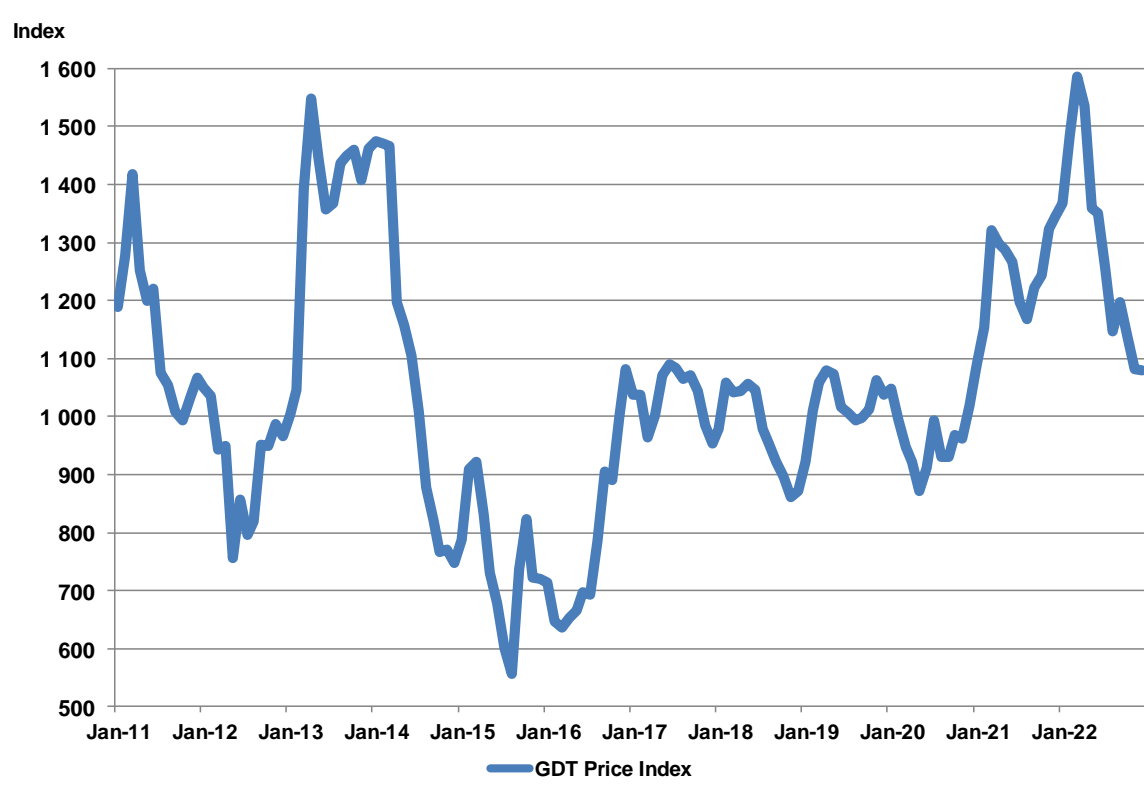
Source: USDA, SARB

Figure 1b shows international Free on Board (FOB) prices for milk powders, butter, and cheddar cheese. International product prices (Figure 1b) for butter, cheddar, full cream milk

powder (FMP), and skimmed milk powder (SMP), as published by the United States Department of Agriculture (USDA) and converted to rand prices by the MPO (rand price source: the South African Reserve Bank). The April 2022 prices initiated a slowdown in the upward momentum of three of the four product prices with full cream milk powder turning negative as reflected in figure1b above. In May and June, prices started to come off, while full cream milk powder bucked the trend with a small uptick. In July 2022 the market entered a zig-zag phase indicating market uncertainty. In the last quarter of 2022, the butter price decreased by 12%, SMP by 14%, cheddar by 7% and FMP by 10%. The Global Dairy Trade Price Index (GDT index) (Figure 2a) confirms the mood change in the market – prices losing significant steam but remaining at high levels compared to prices in the pre-Covid-19 period.

In USD terms butter reduced from the year-to-date high of 6 644\$/ton (April 2022) to 4 731\$/ton in December, cheddar reduced from 6 263\$/ton (April 2022) to 4 956\$/ton in December, skimmed milk powder reduced from 4 588\$/ton (March 2022) to 3 100\$/ton in December and full cream milk powder reduced from 4 638\$/ton (March 2022) to 3 338\$/ton in December.

**FIGURE 2a: Global dairy trade-weighted price index. Jan 2011 – December 2022**



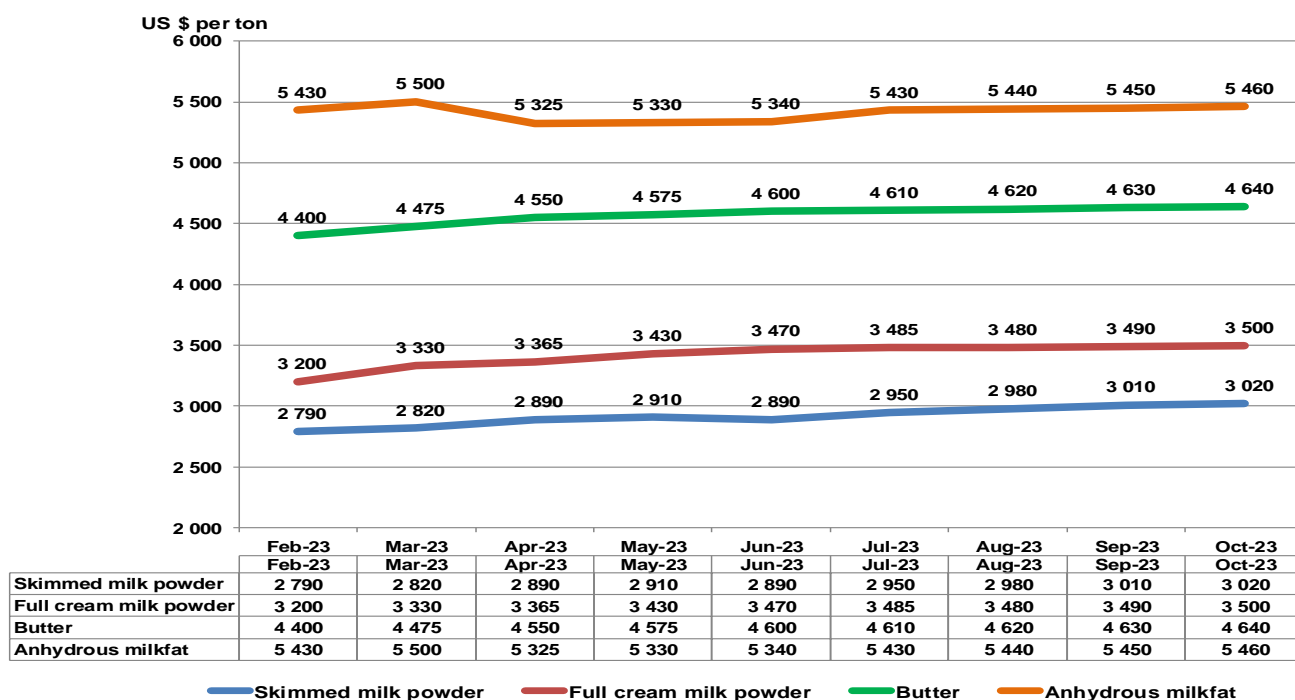
Source: Global Dairy Trade

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 and/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 an 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 a strong upward momentum. **A double upward 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 seems 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.

The index increased aggressively in January and February 2022 and in March averaged 1586 points, up 100 points (6.7 per cent) from February 2022 and setting a new record high, lifting the index 20.1 per cent above its value from a year ago. **A double downward break occurred in May 2022. The 1 500 and 1 400 index support levels were sliced through, indicating a possible new trend and new price levels.** In June the market took some profit (the index turning sideways), with July decreasing through the 1 300 points support level. August saw the index plummet further to 1146 points, smashing another support level (1200) with September putting some breaks on but remaining below the 1200 points level. In the last quarter of 2022, the downward trend continued, breaking the 1100 points index level. The New Zealand Futures Exchange (Figure 2b) below, could signal a turning point in the downward spiral of international dairy product prices that started in April 2022. Indications are that prices could start to move sideways with limited upward movement.

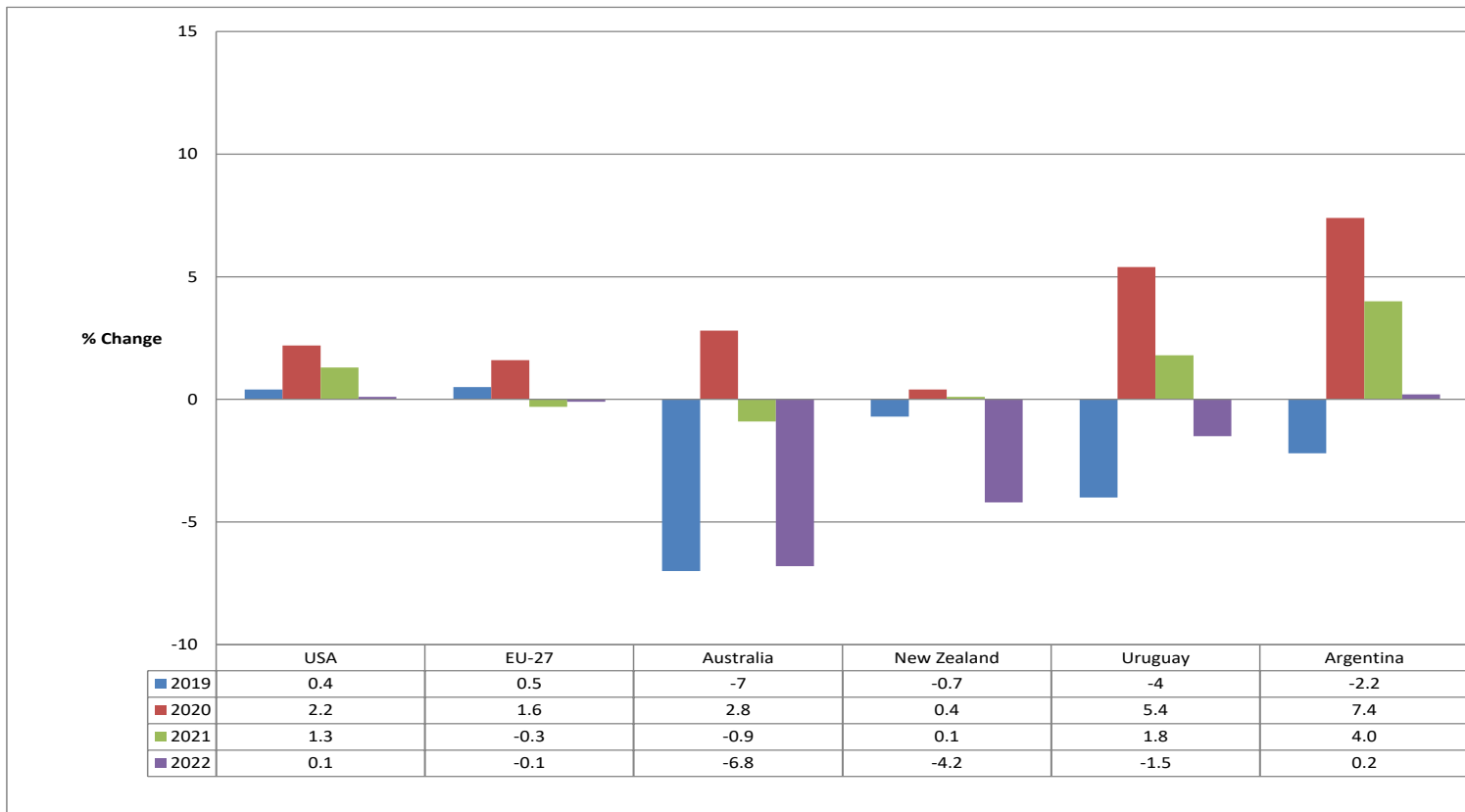
**FIGURE 2b: FUTURE PRICES FOR DAIRY PRODUCTS ACHIEVED ON THE NEW ZEALAND FUTURES EXCHANGE (NDX): February 202 – October 2023**



Source: NZX Futures, January 2023

The New Zealand Future Exchange prices for Anhydrous fat indicate stronger February and March 2023 prices, a drop in April 2023 and then steady low incremental stronger prices in May through to October 2023. The other three dairy products, butter, SMP and FMP exhibit stronger prices from March 2023 through to October 2023. These increases are at a faster rate from February to May, thereafter low incremental stronger prices are in play.

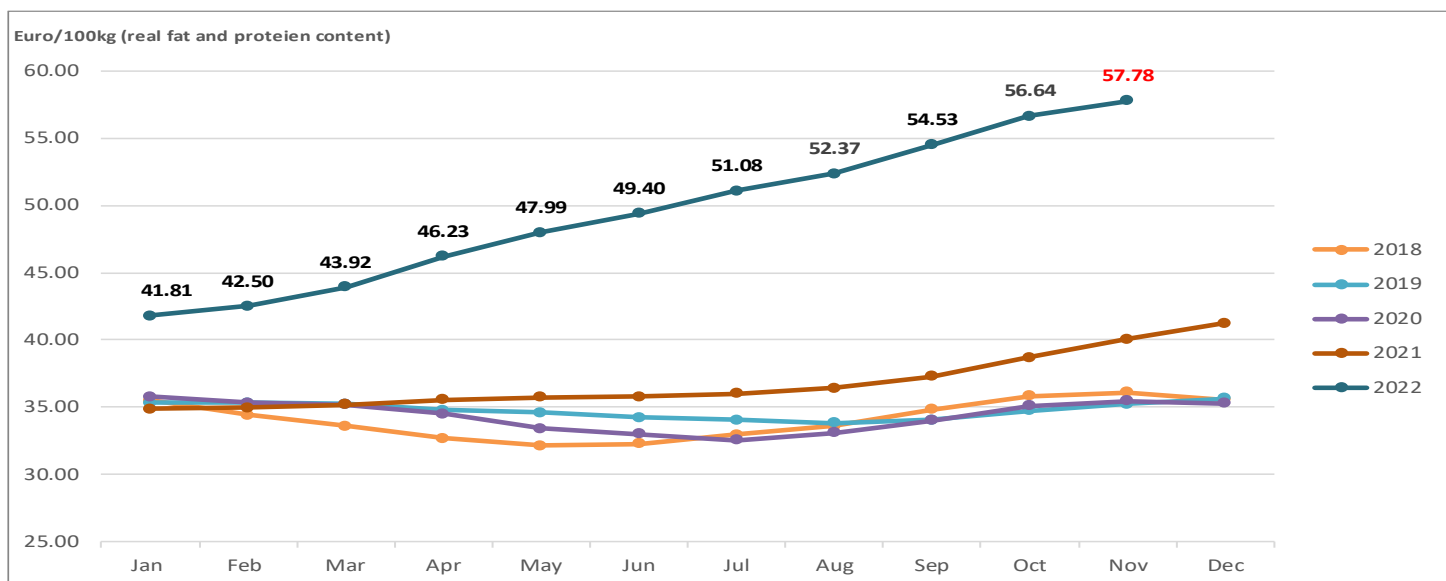
**FIGURE 3: YEAR ON YEAR CHANGE IN UNPROCESSED MILK PRODUCTION IN MAJOR DAIRY EXPORTING COUNTRIES, 2019 – 2022 (first eleven months of every year)**



Source: CLAL, January 2023

Unprocessed milk production for the first eleven months of 2022 marginally increased in Argentina and the USA, while the other major exporting countries – EU-27, Australia, New Zealand and Uruguay all registered reduced output for the first eleven months of 2022.

**FIGURE 4: WEIGHTED AVERAGE PRODUCER PRICE OF UNPROCESSED MILK IN THE EU (excluding the UK). January 2018 – November 2022 (last month's estimate)**

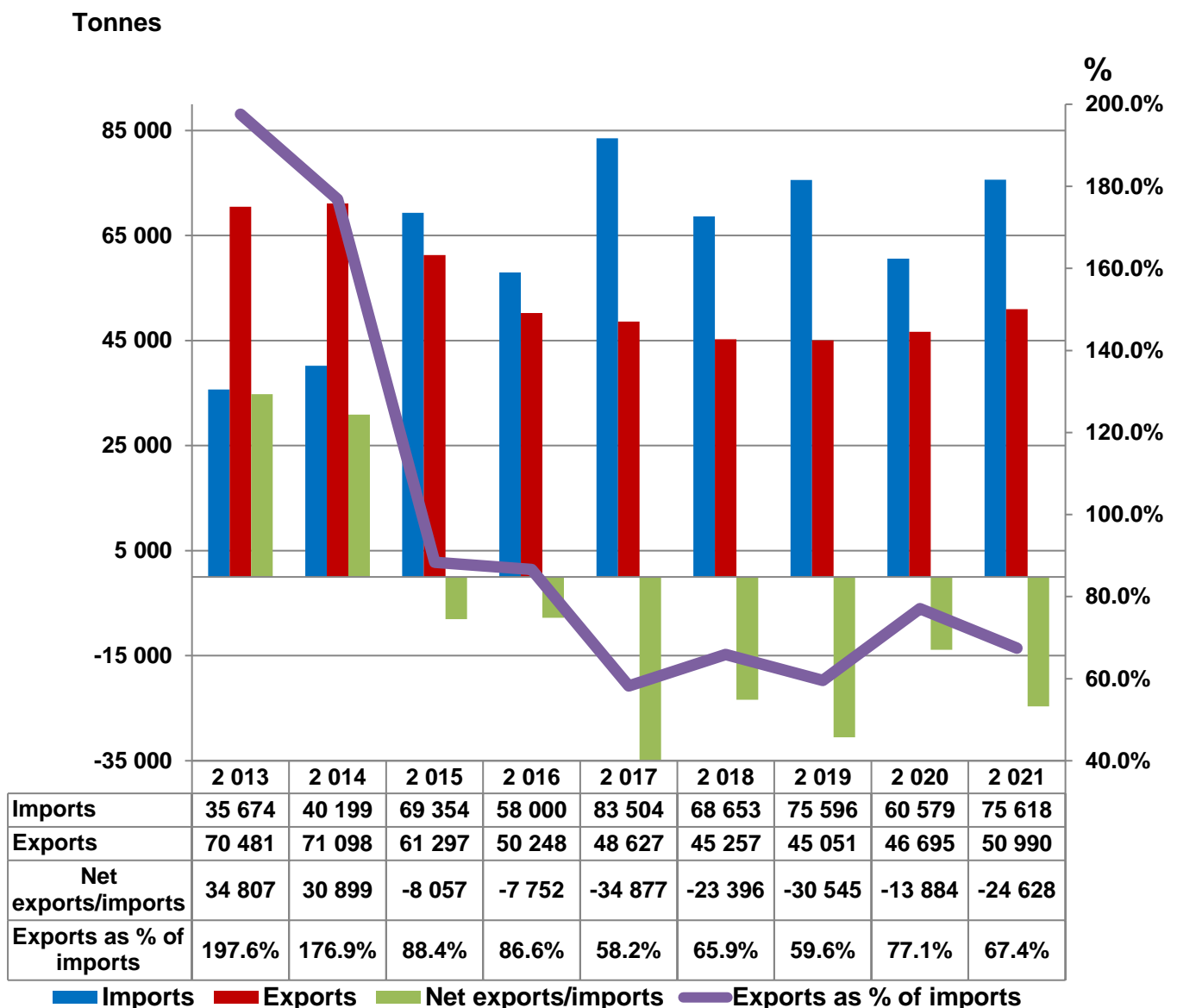


Source: European Commission, January 2023

The 2021 and 2022 cycles in the producer price of unprocessed milk in Europe are different from the cycles that prevailed in the previous three years. The current trend is a constantly rising trend for the whole of 2021, which continued into 2022. It seems that a new price regime is coming into effect, with the main driver being exorbitant price increases over a wide front of production factors (input cost). The weighted average EU price for unprocessed milk price in November 2022 is 44% higher compared to the November 2021 price.

## 2. SOUTH AFRICAN DAIRY MARKET

**FIGURE 5: TOTAL SOUTH AFRICAN IMPORTS AND EXPORTS OF DAIRY PRODUCTS, 2013 – 2021**



Source: SARS as supplied by SAMPRO

The information regarding imports and exports by South Africa of dairy products in 2021, showed that:



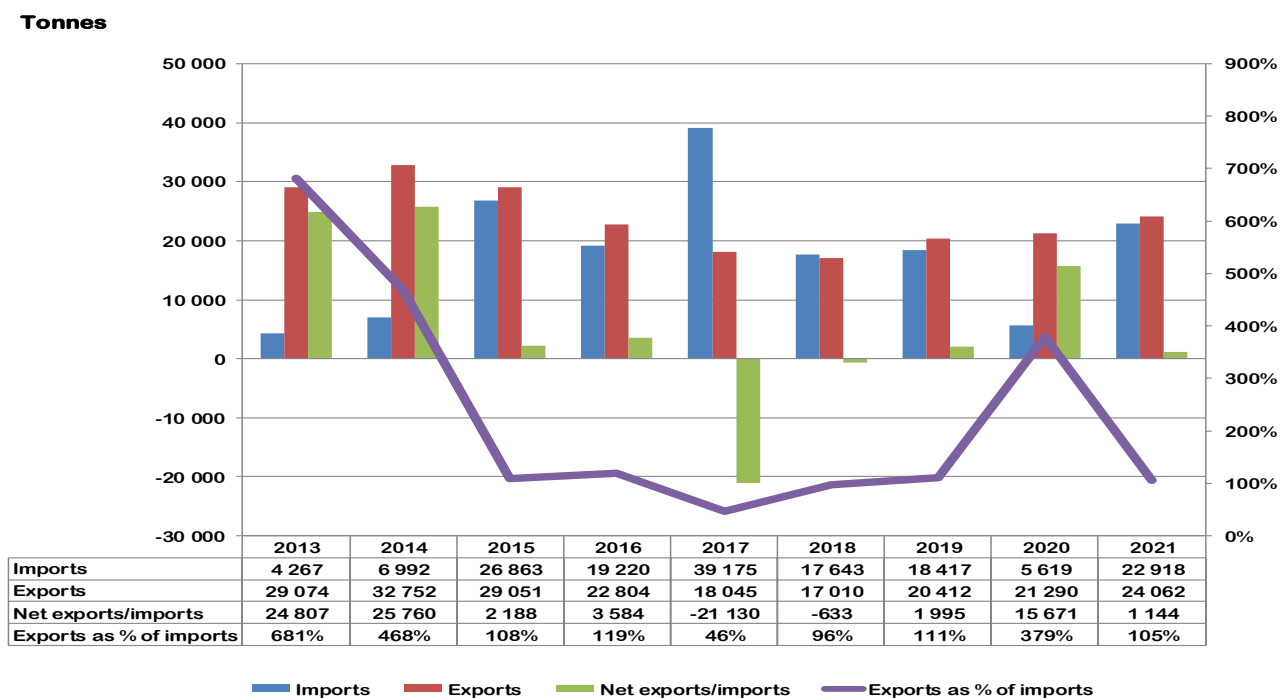
- The mass of imports in 2021, was 24.8 percent higher than in 2020, and 0.03 percent higher than in 2019. The mass of imports of milk and cream (04.01) and cheese (04.06) was higher from January to December 2021, than in January to December 2020, while the mass of the other four products was lower.
- The mass of exports in 2021, was 9.6 percent higher than in 2020 and 13.7 percent higher than in 2019. This increase is due to the increases in exports of four of the six categories of dairy products.
- The mass of imports and exports in 2021, showed that South Africa was a nett importer of concentrated milk (04.02), whey (04.04), butter (04.05 ), and cheese (04.06 ) and a net exporter of milk and cream (04.01), buttermilk and yoghurt (04.03)
- The mass of the total sales of dairy products by South Africa to the other members of the Southern African Customs Union (Botswana, Eswatini, Namibia and Lesotho, BeNL countries) in 2021, exceeds the mass of exports. (Exports are sales to destinations outside SACU); and the mass of the sales by South Africa to members of SACU, of five of the six categories of dairy products in 2021, exceeds the mass of exports by South Africa. See Table1.

**Table1: Mass of sales to the BeLN countries compared to exports outside of SACU in the period January to December 2021.**

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	70 823 789	24 062 085	94 885 874	74.6
04.02	Milk, concentrated	41 751 559	7 528 119	49 279 678	84.7
04.03	Buttermilk powder, yoghurt	24 487 933	10 325 074	34 813 007	70.3
04.04	Whey, whey powder, etc	3 344 211	1 920 121	5 264 332	63.5
04.05	Butter, butter spreads and butter oil	1 543 004	1 298 177	2 841 181	54.3
04.06	Cheese and curd	5 695 988	5 857 371	11 553 359	49.3
<b>Total</b>		<b>147 646 484</b>	<b>50 990 947</b>	<b>198 637 431</b>	<b>74.3</b>

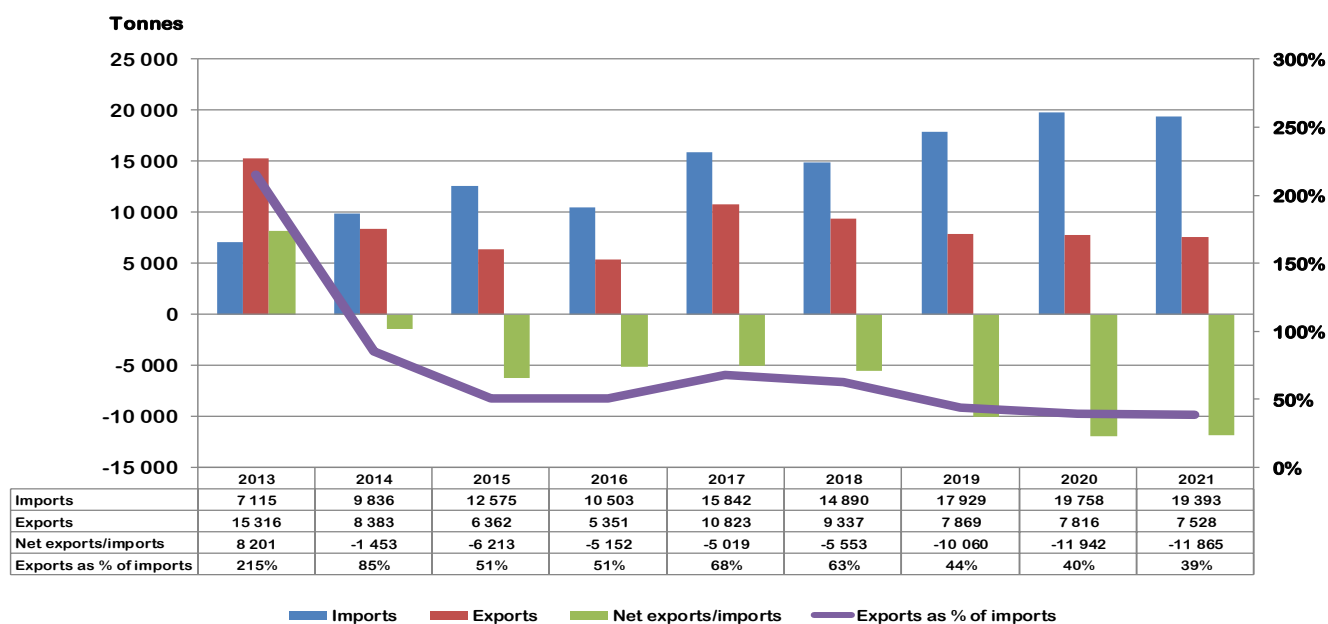
Source: SARS as supplied by SAMPRO

**FIGURE 6: SOUTH AFRICAN IMPORTS AND EXPORTS OF MILK AND CREAM (04.01), 2013 – 2021**



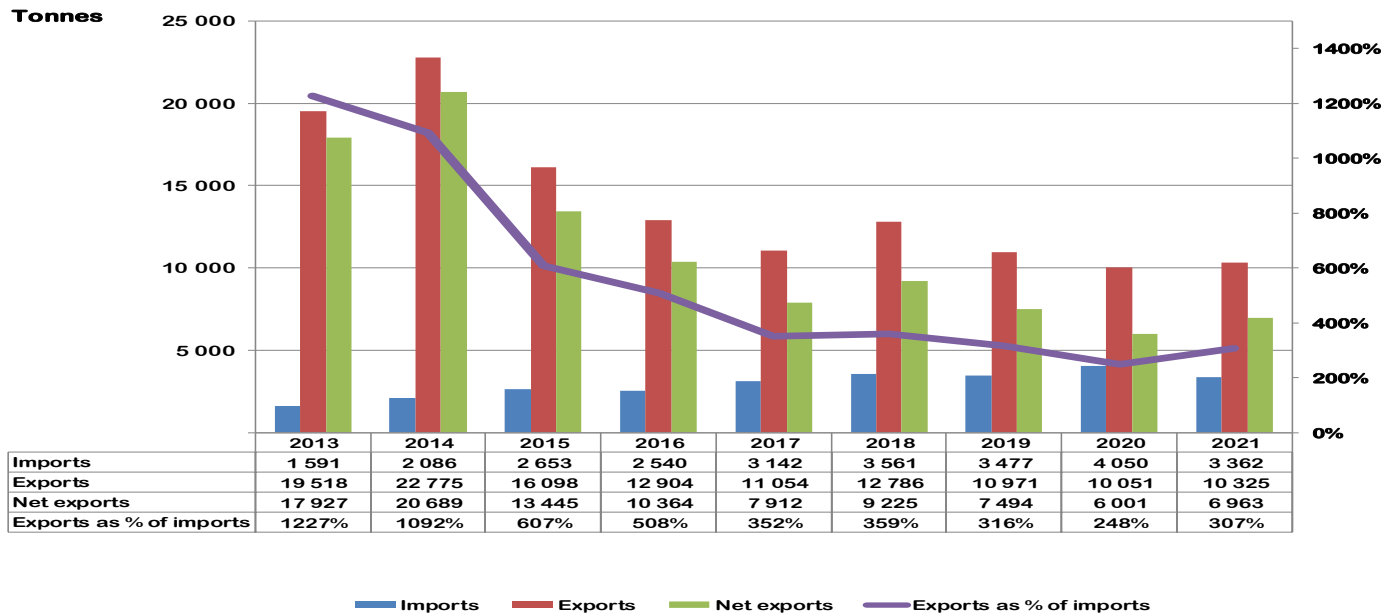
Source: SARS as supplied by SAMPRO

**FIGURE 7: S.A. IMPORTS AND EXPORTS OF CONCENTRATED MILK, (04.02) 2013 – 2021**



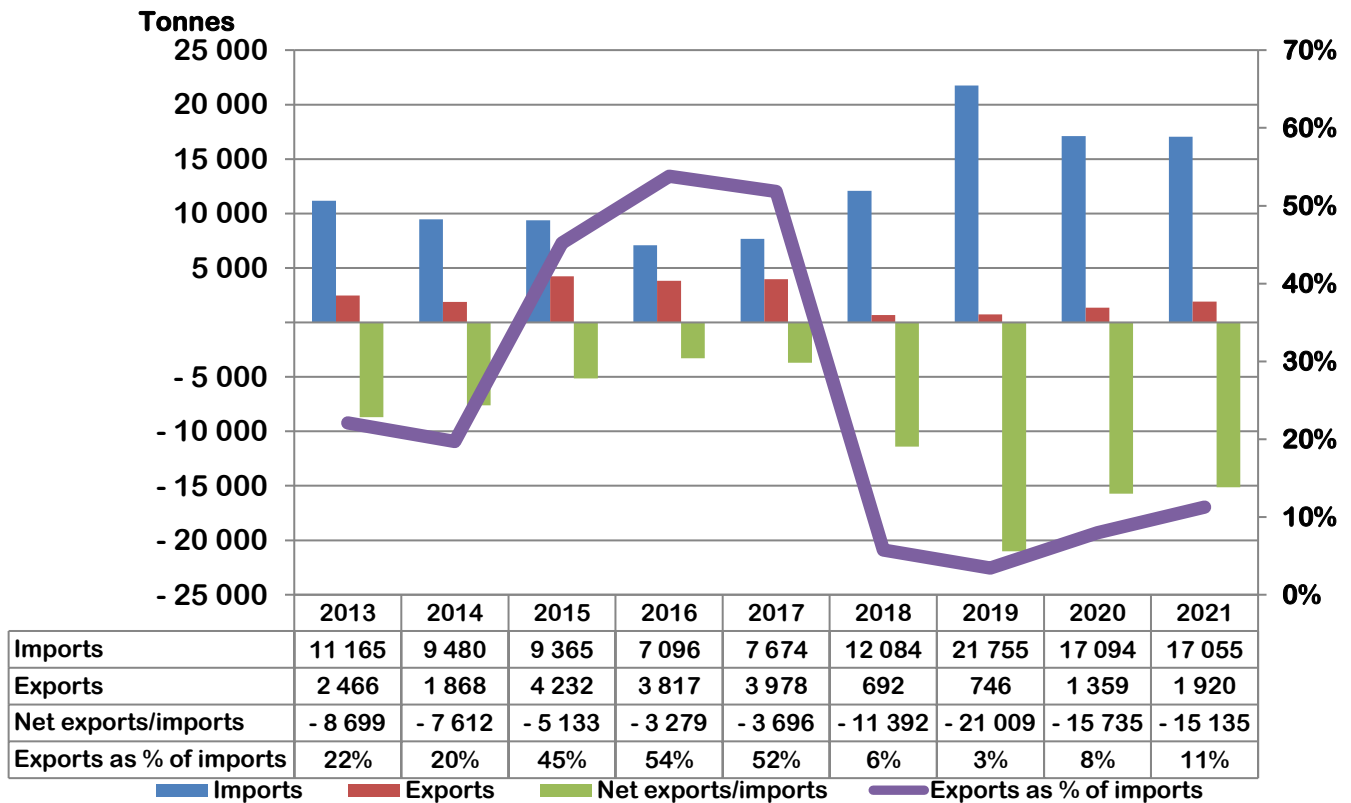
Source: SARS as supplied by SAMPRO

**FIGURE 8: SOUTH AFRICAN IMPORTS AND EXPORTS OF BUTTERMILK AND YOGHURT, (04.03) 2013 – 2021**



Source: SARS as supplied by SAMPRO

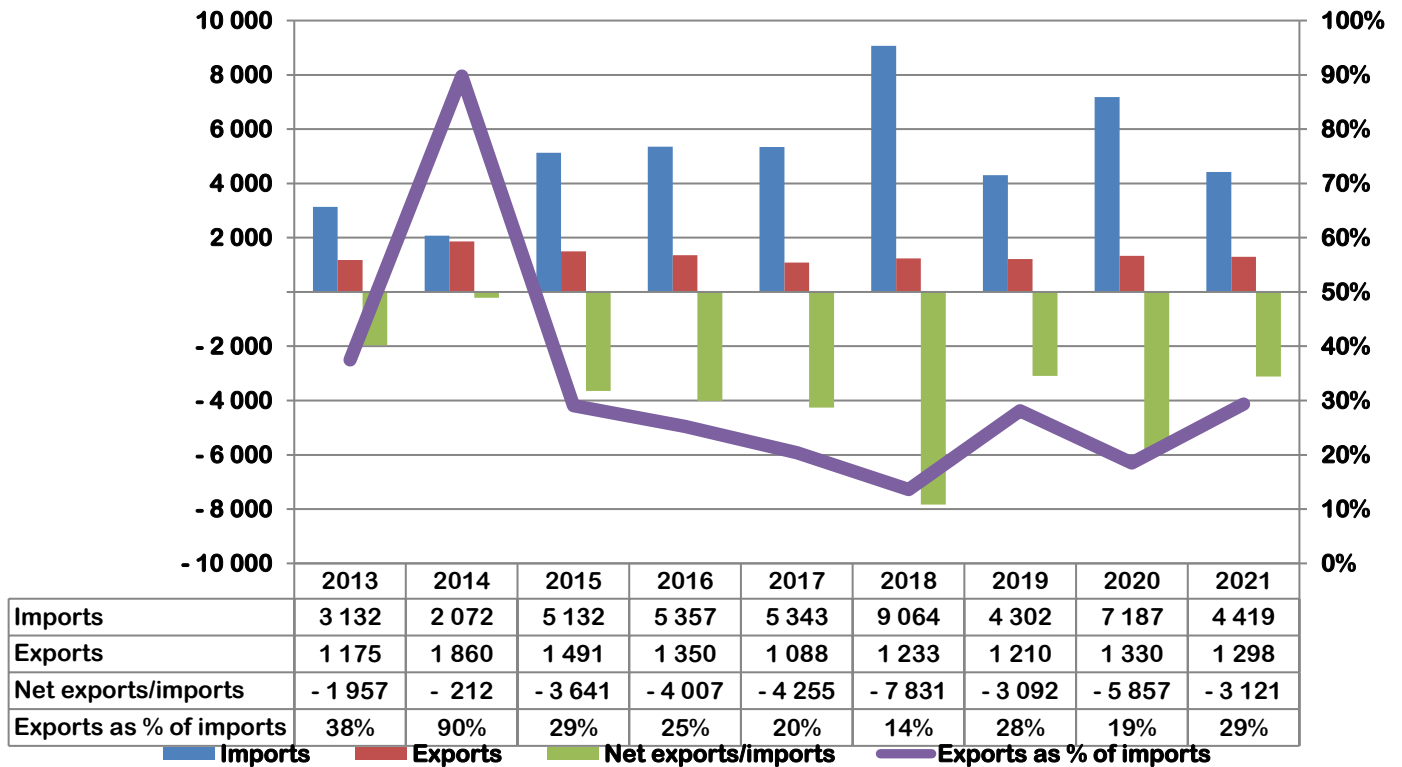
**FIGURE 9: SOUTH AFRICAN IMPORTS AND EXPORTS OF WHEY AND WHEY POWDER, (04.04) 2013 – 2021**



Source: As supplied by SAMPRO

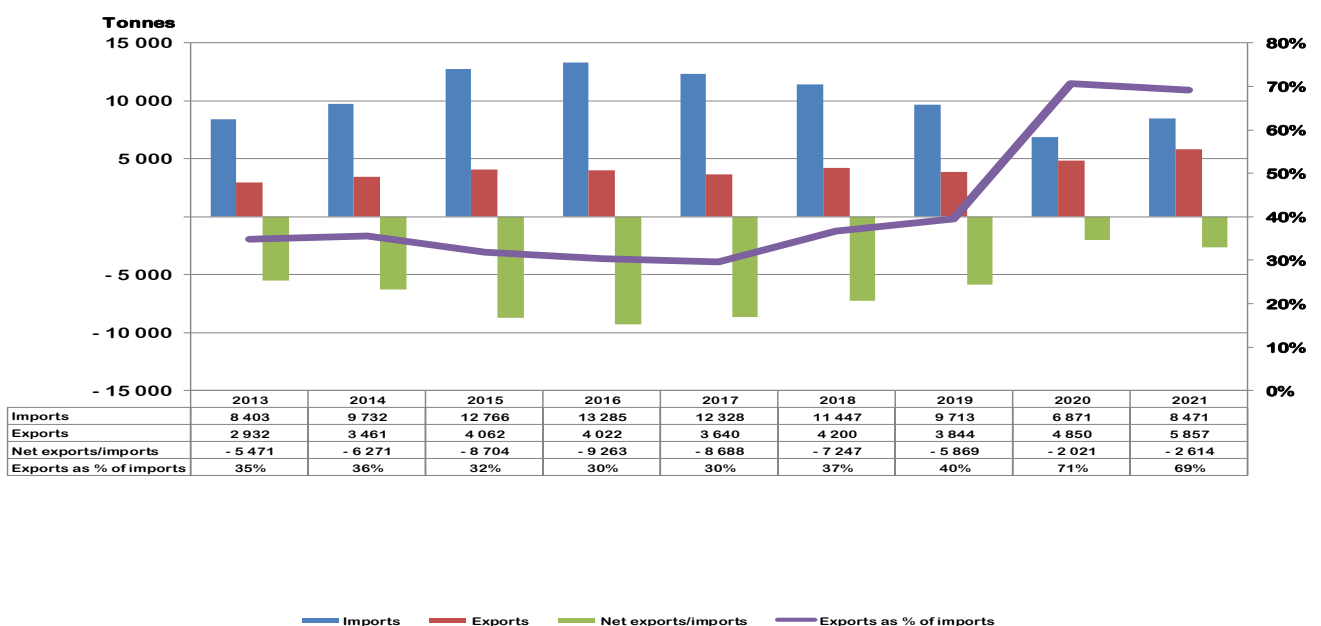
**FIGURE 10: SOUTH AFRICAN IMPORTS AND EXPORTS OF BUTTER AND MILKFATS, (04.05) 2013 – 2021**

Tonnes



Source: SARS as supplied by SAMPRO

**FIGURE 11: SOUTH AFRICAN IMPORTS AND EXPORTS OF CHEESE AND CURD, (04.06) 2013 – 2021**



Source: SARS as supplied by SAMPRO

**TABLE 2: AVERAGE SOUTH AFRICAN IMPORT AND EXPORT FOB PRICES FOR DAIRY PRODUCTS, 2017– 2021**

Tariff heading	Description	Import price (R/kg)					Export price (R/kg)				
		2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
04.01	Milk & cream	7.65	8.00	8.95	10.32	9.04	10.93	11.20	11.30	12.23	13.14
04.02	Concentrated milk	32.31	30.84	36.49	46.22	46.68	41.51	36.56	36.97	46.98	49.56
04.03	Buttermilk & yoghurt	28.39	23.51	32.27	40.32	40.13	37.12	18.45	21.02	20.28	24.25
04.04	Whey	31.24	29.33	25.77	39.68	33.53	13.27	18.71	18.03	19.50	21.71
04.05	Butter	68.89	72.84	70.17	69.25	67.01	59.94	67.27	56.89	73.57	69.04
04.06	Cheese	62.19	62.92	69.85	79.19	70.06	60.86	53.15	56.25	58.17	62.69

Source: SARS as supplied to SAMPRO

The average free-on-board (F.O.B) export prices in 2021, for five of the six different categories of dairy products, were higher than in 2020, while for import F.O.B prices in five of the six categories are lower in 2021 compared to 2020.

In Table 3, the mass of imports in 2021, is compared to the mass of imports in 2020. The import of milk and cream unsweetened products and cheese and curd are noteworthy higher in 2021 compared to 2020, while butter and buttermilk powder and yoghurt imports are noteworthy lower in 2021 compared to 2020.

**Table 3: Imports in 2021 compared to imports in 2020.**

Heading	Description	A 2021 Kg	B 2020 Kg	A as % of B
04.01	Milk and cream, unsweetened	22 917 767	5 618 926	407.9
04.02	Milk, concentrated	19 393 125	19 758 063	98.2
04.03	Buttermilk powder, yoghurt	3 362 363	4 049 836	83.0
04.04	Whey, whey powder, etc	17 055 546	17 093 913	99.8
04.05	Butter, butter spreads and butter oil	4 419 336	7 187 133	61.5
04.06	Cheese and curd	8 470 800	6 871 457	123.3
<b>Total</b>		<b>75 618 936</b>	<b>60 579 329</b>	<b>124.8</b>

Source: SARS as supplied by SAMPRO

In Table 4, the mass of exports in 2021, is compared with the mass of exports in 2020. On the export front, milk and cream unsweetened, cheese and curd and whey and whey powder exports increased significantly with the other three categories holding their ground.

**Table 4: Exports in 2021 compared to exports in 2020.**

Heading	Description	A 2021 Kg	B 2020 Kg	A as % van B
04.01	Milk and cream, unsweetened	24 062 085	21 290 150	113.0
04.02	Milk, concentrated	7 528 119	7 815 738	96.3
04.03	Buttermilk powder, yoghurt	10 325 074	10 050 795	102.7
04.04	Whey, whey powder. etc	1 920 121	1 359 203	141.3
04.05	Butter, butter spreads and butter oil	1 298 177	1 329 523	97.6
04.06	Cheese and curd	5 857 371	4 849 976	120.8
<b>Total</b>		<b>50 990 947</b>	<b>46 695 385</b>	<b>109.2</b>

Source: SARS as supplied by SAMPRO

**TABLE 5: CHANGES IN THE RETAIL SALES QUANTITIES FROM THE YEAR OCTOBER 2020 TO SEPTEMBER 2021, TO THE YEAR OCTOBER 2021 TO SEPTEMBER 2022, AND CHANGES IN THE RETAIL PRICES FROM SEPTEMBER 2021 TO SEPTEMBER 2022 OF SPECIFIC DAIRY PRODUCTS**

PRODUCT	CHANGE IN RETAIL SALES QUANTITY	CHANGE IN RETAIL PRICES
	PERCENT	PERCENT
FRESH MILK	<b>-8.0</b>	<b>5.1</b>
LONG LIFE MILK (UHT MILK)	<b>0.2</b>	<b>9.3</b>
FLAVOURED MILK	<b>-3.7</b>	<b>8.9</b>
YOGHURT	<b>-4.2</b>	<b>8.6</b>
MAAS	<b>0.6</b>	<b>10.0</b>
PRE-PACKAGED CHEESE	<b>1.5</b>	<b>5.7</b>
CREAM CHEESE	<b>-2.8</b>	<b>8.4</b>
BUTTER	<b>-1.7</b>	<b>7.4</b>
CREAM	<b>-5.9</b>	<b>8.9</b>

Source: Nielsen figures supplied by SAMPRO

The average retail prices of all the nine products being monitored in Table 5, were higher in September 2022 than in September 2021. The average retail price changes of three of

the dairy products monitored in the above table were less than the September Headline inflation rate of 7.5%. In contrast to that, in the June Nielsen report, all the product price changes were less than the June Headline inflation rate. It seems that retail price pressure is increasing. Sales quantities of all the dairy products reflected in Table 5 were lower than in the previous year, except for long-life milk, Maas and pre-pack cheese.

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 2022 versus the sales in the month of September 2021	Sales in the 3 months from July 2022 to September 2022 versus the sales in the 3 months from July 2021 to September 2021	Sales in the 6 months from April 2022 to September 2022 versus the sales in the 6 months from April 2021 to September 2021	Sales in the 9 months from January 2022 to September 2022 versus the sales in the 9 months from January 2021 to September 2021	Sales in the 12 months from October 2021 to September 2022 versus the sales in the 12 months from October 2020 to September 2021
	percent	percent	percent	percent	percent
Fresh Milk	-3.9	-5.7	-7.6	-8.4	-8.0
UHT milk	0.1	-5.2	-1.1	-0.5	0.2
Flavoured milk	-1.2	-0.6	-2.7	-3.8	-3.7
Yoghurt	-6.1	-3.6	-2.9	-3.1	-4.2
Maas	-1.8	3.4	1.3	1.3	0.6
Pre-packaged cheese	2.1	1.6	0.6	1.2	1.5
Cream cheese	-9.0	-5.8	-3.2	-3.1	-2.8
Butter	-4.9	-10.1	-3.7	-2.9	-1.7
Cream	-6.9	-7.0	-6.2	-7.0	-5.9

Source: Nielsen as supplied by SAMPRO

The sales quantities of seven of the dairy products reflected in Table 6, were lower in September 2022 compared to September 2021. Comparing sales in the six months from April 2022 to September 2022 versus April 2021 to September 2021 the sales quantities of seven of the nine products reflected in Table 6, were lower, with fresh milk and cream taking serious shots. In the 12 months from October 2021 to September 2022 versus October 2020 to September 2021, six products registered reduced sales.

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, and the interpretation of market demand is even more complex.

**TABLE 7: CHANGES IN THE AVERAGE RETAIL PRICES OF SPECIFIC DAIRY PRODUCTS**

PRODUCT	September 2022 versus August 2022 (1 month ago)	September 2022 versus June 2022 (3 months ago)	September 2022 versus March 2022 (6 months ago)	September 2022 versus December 2021 (9 months ago)	September 2022 versus September 2021 (12 months ago)	September 2022 versus March 2021 (18 months ago)	September 2022 versus September 2020 (24 months ago)
	Percent	Percent	Percent	Percent	Percent	Percent	Percent
FRESH MILK	-0.014	2.6	5.1	6.5	5.1	9.0	13.5
UHT MILK	1.0	2.7	11.3	9.8	9.3	13.6	13.2
FLAVOURED MILK	1.7	4.4	10.7	13.0	8.9	19.5	20.4
YOGHURT	1.0	8.3	7.5	9.6	8.6	12.9	16.0
MAAS	1.7	6.8	8.9	8.8	10.0	10.6	15.6
PRE-PACKAGED CHEESE	-2.0	2.4	7.5	4.2	5.7	9.9	11.3
CREAM CHEESE	0.7	2.6	6.6	5.8	8.4	9.7	18.2
BUTTER	-2.6	4.6	7.6	7.3	7.4	8.4	5.9
CREAM	0.6	3.8	6.6	5.9	8.9	12.6	14.0

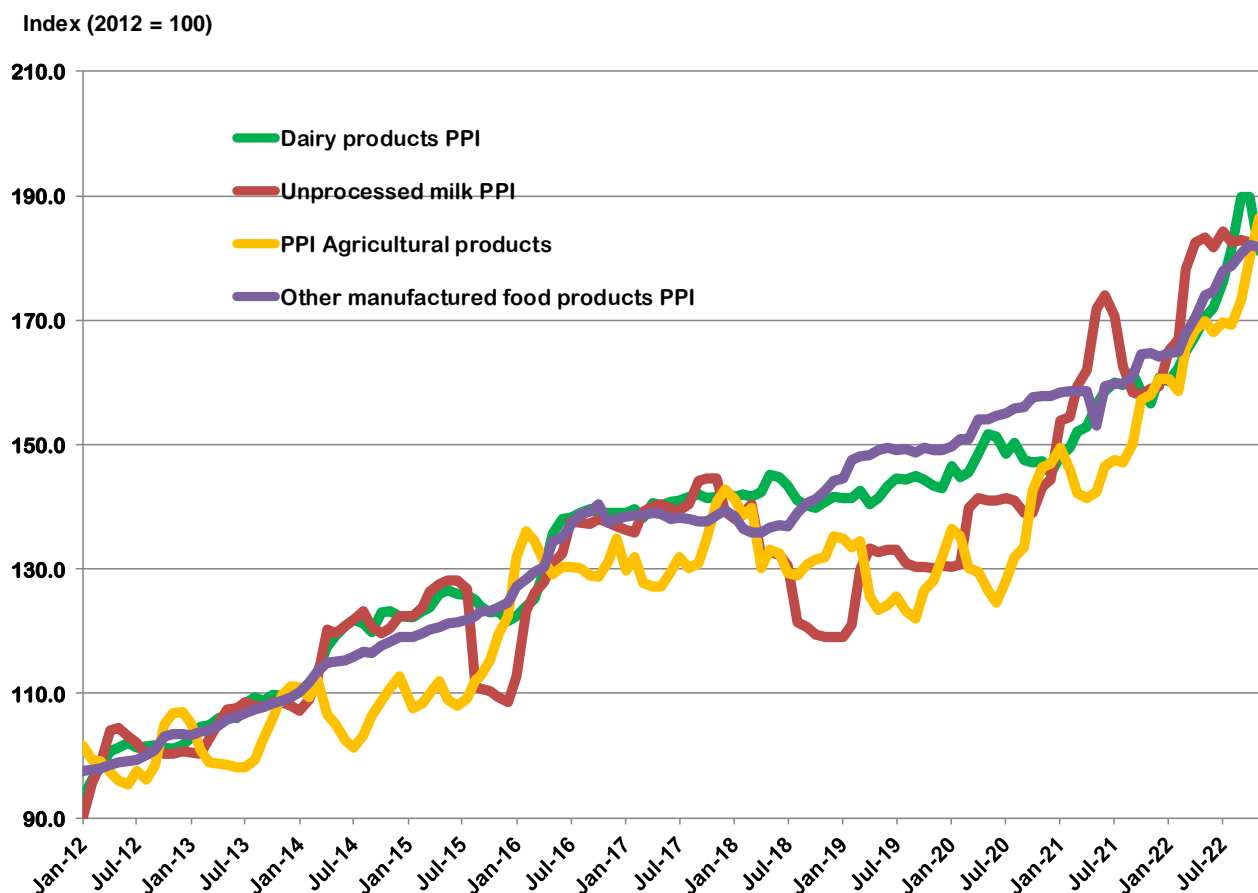
Source: Nielsen as supplied by SAMPRO

Comparing month on month (September 2022 with August 2022), for the six products that registered a price increase in Table 7, the sales price of all six products increased with more than the Headline inflation rate of 0.1 percent, while the prices of three of the nine products decreased.

Comparing year on year (September 2022 with September 2021), the retail sales prices of three of the dairy products monitored in Table 7 increased with less than the year-on-year Headline inflation rate of 7.5%.



**FIGURE 12: PRODUCER PRICE INDICES OF SOUTH AFRICAN AGRICULTURAL AND FOOD PRODUCTS, JANUARY 2012 – NOVEMBER 2022.**



Source: Stats SA

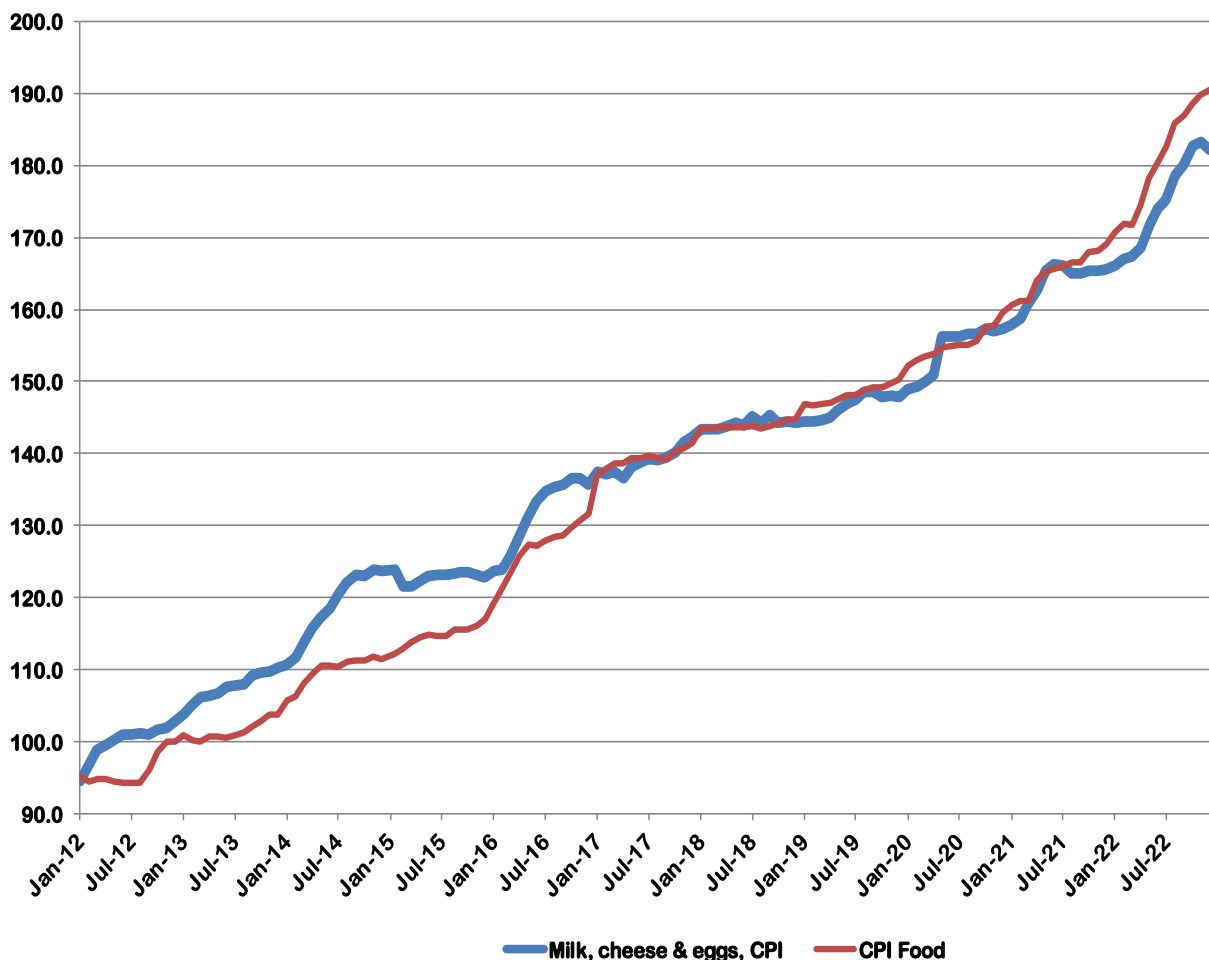
The PPI for unprocessed milk (Figure 12) started to increase in February 2020 from 130.7 points to 173.9 points in June 2021 (33.1% up). The index turned south in July 2021, bottoming at 158.1 index points, a reduction of 9.1%. In the next upswing period, the index increased to 184.3 points (16.6%) in July 2022 – an all-time high index level. From August 2022 through November, the index bounced between 183 index points and 182 index points.

The PPI for other manufactured food products exhibits an upward trend since January 2020 with the October 2022 index at 182.1 points, 21.6% above the January 2020 index. There was a one-month drop in May 2021, thereafter the index continued on an upward trend. The November index level is 181.8 index points. The PPI for other manufactured food products increased by 5.4% from January 2020 to December 2021 and from January 2022 to November 2022 with 10.3%.

The PPI for dairy products increased by 29.5% from 146.5 index points in January 2020 to 189.8 index points in October 2022. The index turned south from September 2020 to December 2020, bottoming out at 145.3 index points (a drop of 3.3%) and again from October 2021 to November 2021, down from 161.5 index points to 156.6 index points. The November index level is 181.2 index points, a drop of 4.5% from October 2022 to November 2022.

The PPI for Agricultural products had a zig-zag start from Jan 2020, falling from 136.4 index points to 124.7 index points in June 2020, then reversing up to 149.4 index points in January 2021, to fall again to 142.4 index points in May 2021 and then continuing mostly upward to reach 186.6 index points in November 2022, an increase of 31%.

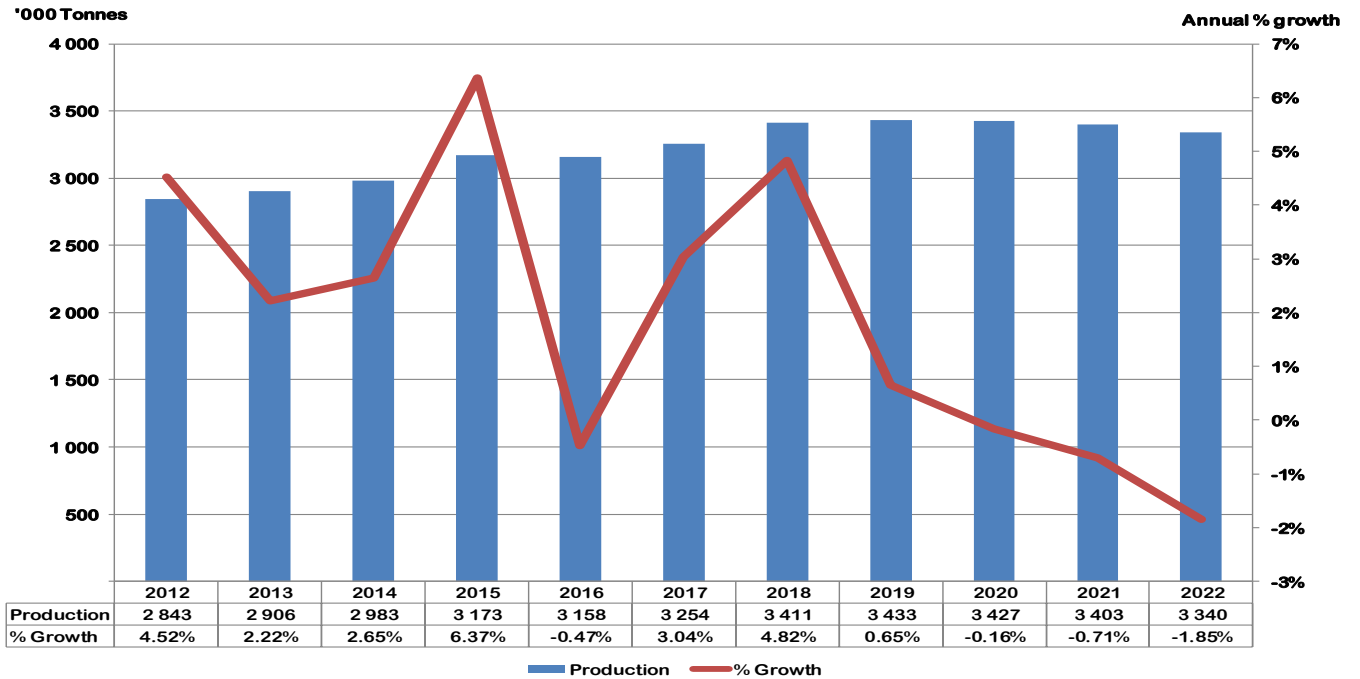
**FIGURE 13: CONSUMER PRICE INDICES OF SOUTH AFRICAN FOOD AND DAIRY PRODUCTS, JANUARY 2012 – DECEMBER 2022**



Source: Stats SA

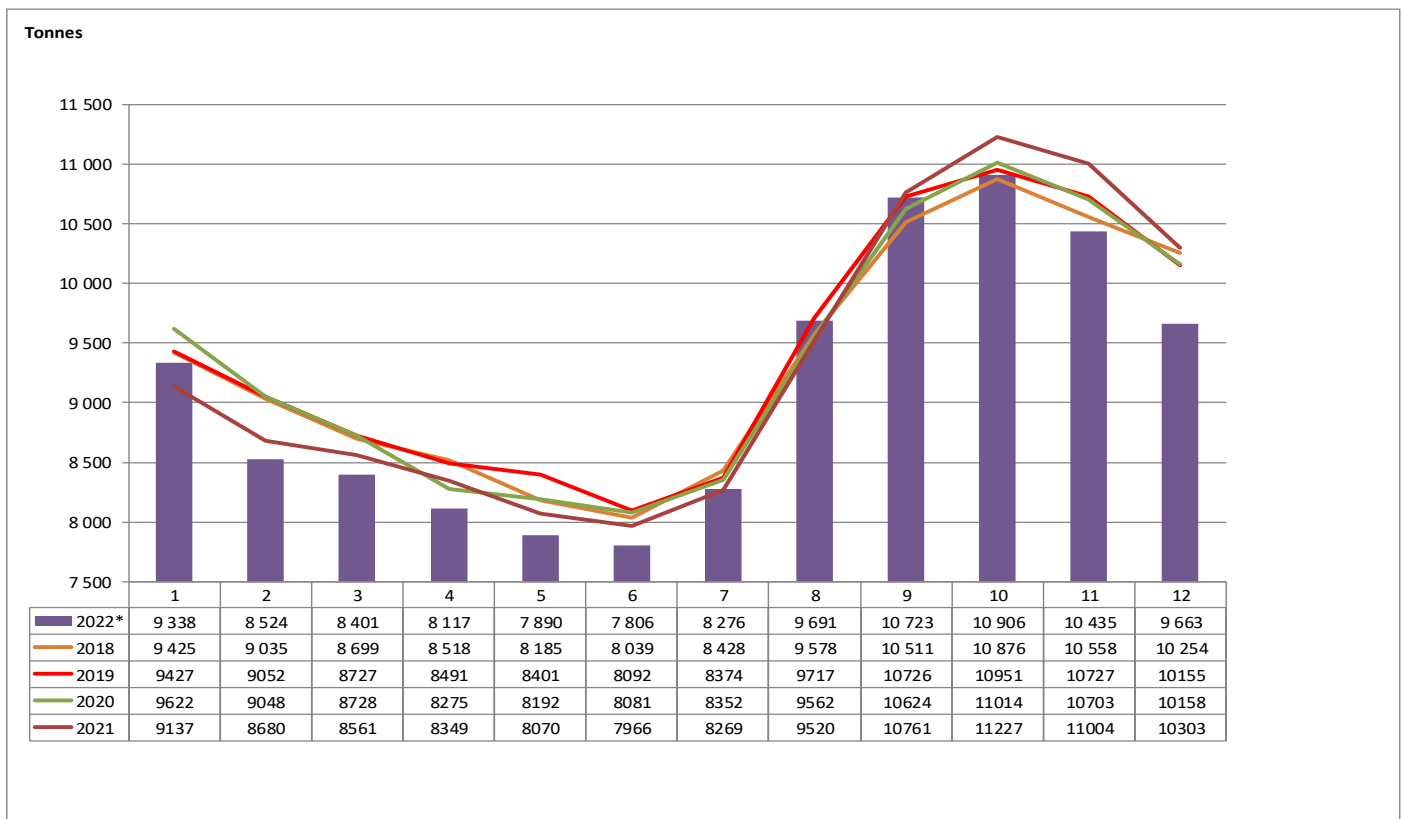
The CPI for milk, cheese and eggs started to increase at a slower rate from August 2021 when compared to the CPI for Food. In April 2022 the rate of increase of the consumer price index for milk, cheese and eggs started to increase, but the index remained below the CPI Food index, as illustrated in Figure 13. The CPI for milk, cheese and eggs increased by 22.3% from 148.9 index points in January 2020 to 182.2 index points in December 2022. The CPI for Food increased by 25.1% from 152.2 index points in January 2020 to 190.5 index points in December 2022.

**FIGURE 14: ANNUAL SOUTH AFRICAN UNPROCESSED MILK PURCHASES, 2012 – 2022**



Source: Milk SA; November and December 2022 = Milk SA estimates

**FIGURE 15: SOUTH AFRICAN UNPROCESSED MILK PURCHASES DAILY AVERAGE PER MONTH, JANUARY 2018 – DECEMBER 2022**



Source: Milk SA; November and December 2022 = Milk SA estimates.

Daily average unprocessed milk purchases for the period February 2022 to June 2022 are lower than the corresponding months of the previous four years, August through October came in line with the previous four-year levels, but November and December dropped below the previous four years as depicted in figure 15 above.

**TABLE 8: CUMULATIVE UNPROCESSED MILK PURCHASES (Tonnes), 2018 – 2022**

Month	2018	2019	2020	2021	2022
January	292 171	292 222	298 287	283 260	289 468
February	545 148	545 682	560 678	526 286	528 145
March	814 832	816 208	831 233	791 682	788 572
April	1 070 368	1 070 927	1 079 473	1 042 152	1 032 078
May	1 324 102	1 331 360	1 333 417	1 292 311	1 276 677
June	1 565 269	1 574 114	1 575 855	1 531 293	1 510 850
July	1 826 534	1 833 695	1 834 773	1 787 625	1 767 417
August	2 123 446	2 134 907	2 131 205	2 082 757	2 067 850
September	2 438 789	2 456 699	2 449 933	2 405 584	2 389 529
October	2 775 933	2 796 179	2 791 371	2 753 615	2 727 617
November	3 092 669	3 117 985	3 112 446	3 083 722	3 040 653
December	3 410 536	3 432 802	3 427 335	3 403 100	3 340 195

Source: Milk SA, last two months, Milk SA estimates

During 2022, 3 340 195 tonnes of unprocessed milk were purchased, which is 1.85% less than in 2021.

## Synopsis

Gauging by the trend in the FAO Food Price Index and the commodities (meat, dairy, cereal and sugar), food prices on a wide front are reducing. The FAO Food Index reduced by 15% at the end of 2022 from the March 2022 high. On average the FAO Food Price Index as a whole was 47% higher in 2022 when compared to 2021. The market is slowly digesting the new levels of uncertainty and risk that were introduced by Covid-19 and the Russian attack. World trade is adjusting to reduce Russian influence.

The Free On Board (FOB) prices for butter, cheddar, full cream milk powder, and skimmed milk powder, as published by the United States Department of Agriculture (USDA) have been reducing since March/April 2022. In the last quarter of 2022, the butter price was reduced by 12%, SMP by 14%, cheddar by 7% and FMP by 10%. The Global Dairy Trade Price Index (GDT index) confirms the mood change in the market – prices losing significant steam but remaining at high levels compared to prices in the pre-Covid-19 period.

Future prices as traded on the New Zealand Futures Exchange could signal a turning point in the downward trend of international dairy product prices that started in April 2022. Indications on the Exchange are that prices could start to move sideways with limited upward movement.

European Union prices for unprocessed milk are at record levels in the wake of unparalleled increases in the price of many important production inputs. The trend and level of the EU-27 average unprocessed milk price could signal the start of a new price regime.

Sales volumes of the nine dairy products monitored by NielsenIQ indicate that in the relative timeframes sales are mostly down, which should influence the demand for unprocessed milk. The average retail price changes of three of the dairy products monitored by NielsenIQ were less than the September Headline inflation rate of 7.5%. In contrast to that, in the June Nielsen report, all the product price changes were less than the June Headline inflation rate. It seems that retail price pressure is increasing. Demand for these products within the current marketing mix is down and this filters through to the demand for unprocessed milk.

The current and future performance of the dairy industry should be viewed and approached within the ambit of very high levels of uncertainty internationally and in South Africa in respect of future economic and political developments.

Cumulative unprocessed milk production in 2022 is 1.85% less than in 2021. This marks three consecutive years of negative growth in unprocessed milk production.

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