

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



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.

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 increase in milk production growth evident since mid-2014 continued during the first seven months of 2015.

Total production for the period January to July 2015 was 10,1% up on the same period in 2014. Total production during 2014 was 2,7% higher than during 2013. During the first half of 2015, South Africa imported 43 100 tonnes of dairy products, up 133,3% on the same period last year, and exported 28 700 tonnes, 12,0% less than during the same period last year. International dairy product prices continued the decreasing trend that started in 2014, with a slight spike early in 2015. International dairy product prices are currently 20% lower than a year ago.

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

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International outlook

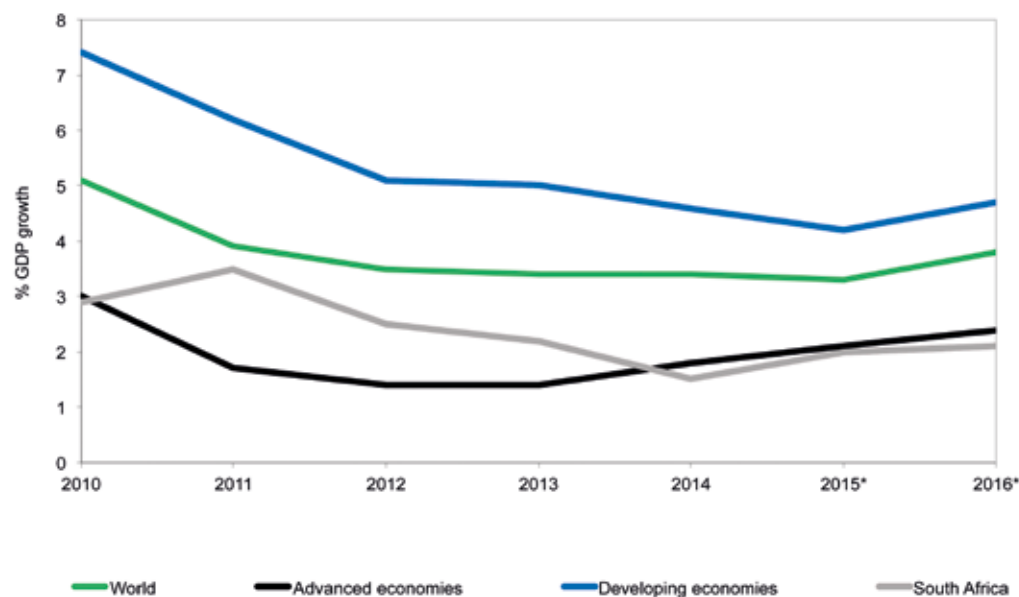
Global economic growth

In its July 2015 update, the International Monetary Fund (IMF) adjusted its projected global growth for 2015 down from their April projection by 0,2 percentage points to 3,3%. Growth in 2016 is expected to strengthen to 3,8%. The small downward revision on expected growth for 2015 was sparked by slower than expected growth, especially in the USA in the first quarter of 2015. In developed countries, slightly higher growth is expected in 2016. This is the result of

easier financial conditions as well as neutral fiscal policy in the eurozone combined with lower fuel prices and improved confidence and employment. In emerging economies, a slowdown was caused by lower commodity prices, tighter financial conditions, structural problems, concerns in China and distress caused by geopolitical factors. Increased activity in 2016 is expected to lead to slightly higher growth. World economic growth and expected growth are shown in Figure 1.

“ The International Monetary Fund (IMF) adjusted its projected global growth for 2015 down from their April projection by 0,2 percentage points to 3,3%. ”

Figure 1: International economic growth and expected growth, 2010 – 2016*.



Source: IMF, 2015

* 2015, 2016 IMF projection

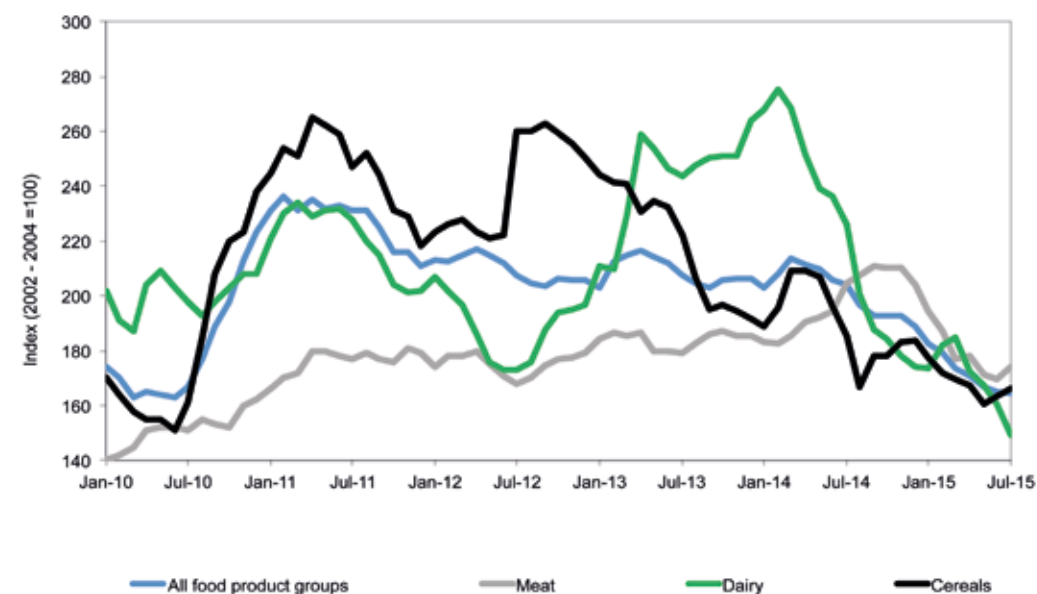
“ Dairy prices peaked in February 2014 and have since fallen by 45%. ”

Global food prices

Global food prices are highly volatile. The Food and Agricultural Organisation’s all-food price index peaked in March 2014 and has since decreased steadily. Dairy prices peaked in February 2014 and have since fallen by 45%. Cereal prices have decreased to the same extent but over a longer period. Meat prices showed a slow but steady increase to November 2014, a decreasing trend

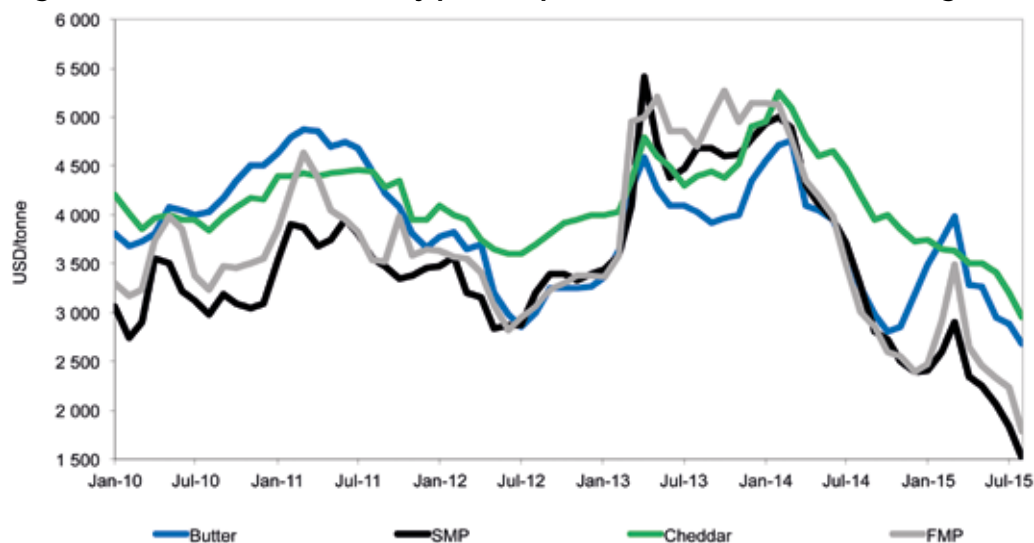
to June 2015 and have since improved slightly. The Bureau for Food and Agricultural Policy (BFAP) at the University of Pretoria expects that food prices will trend lower in the next decade, with grain prices decreasing more than the prices of animal products. Demand for the latter is driven by the continued rise of the middle class, internationally and in South Africa.

Figure 2: FAO food price indices of internationally traded product groups, 2010 – 2015.



Source: FAO Food price index, 2015

Figure 3a: International FOB dairy product prices, US\$/tonne, Jan 2010 – Aug 2015.



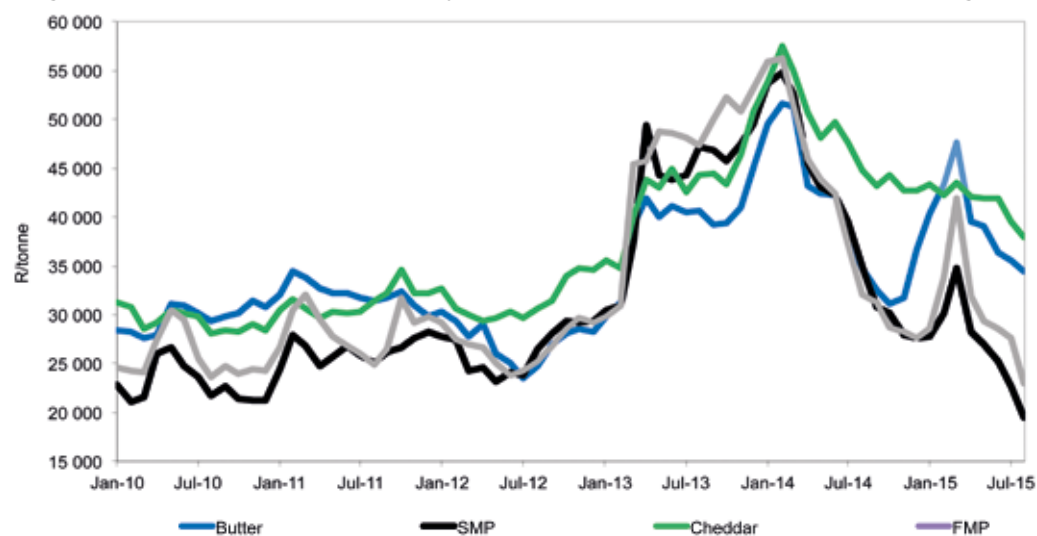
Source: USDA

International dairy product prices

Dairy product prices decreased during 2014. After a short recovery at the end of 2014 and beginning of 2015, caused by uncertainty about a possible New Zealand drought, prices decreased from

January 2015 to August 2015. Various factors resulted in the decrease. Russia instituted a ban on dairy from the EU and various other countries and Chinese demand decreased because of

Figure 3b: International FOB dairy product prices, R/tonne, Jan 2010 – Aug 2015.



Source: USDA, Reserve Bank

high stock levels carried over from 2014 and weaker growth of the Chinese economy. In the EU, uncertainty about the possible effect of the abolishment of quotas added further uncertainty. The higher 2014 producer prices also resulted in higher production. European interventions stock increased to maximum levels. At the end of August and beginning of September 2015, there was a slight improvement in global dairy product prices. International dairy product prices are shown in Figure 3 (a) and Figure 3 (b).

International raw milk producer prices
 Lower international dairy product prices resulted in lower raw milk producer prices, especially in countries directly linked to world prices through large export markets. In countries where imports and exports play a smaller role, prices did not react at the same speed and did not reach the same high and low levels. South African producer prices did not follow the same trend in 2013 and 2014 and remained relatively stable to August 2015 when South African prices also decreased. It is uncertain to what extent the lower producer prices will result in lower milk production growth.

Table 1: International calculated standardised raw milk producer prices, 2013 – 2015 (R/litre).

Country	Jan '13	Jan '14	Jan '15	Jun '15
Belgium	3,94	5,54	3,85	4,19
Germany	3,84	5,51	3,72	4,05
Denmark	3,73	5,51	3,82	4,39
Finland	4,67	5,83	5,47	5,55
France	3,90	5,68	4,38	5
Great Britain	4,07	5,35	4,69	4,63
Ireland	3,75	5,25	3,95	4,18
Netherlands	3,92	5,60	3,84	4,36
New Zealand	3,15	5,44	3,26	3,65
USA	3,78	5,13	4,47	5,47
* South Africa	3,60	4,05	4,45	4,30

Source: LTO Nederland

Based on 4% fat-corrected milk

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

Exchange rates: Reserve Bank monthly middle rates

* Based on MPO price survey

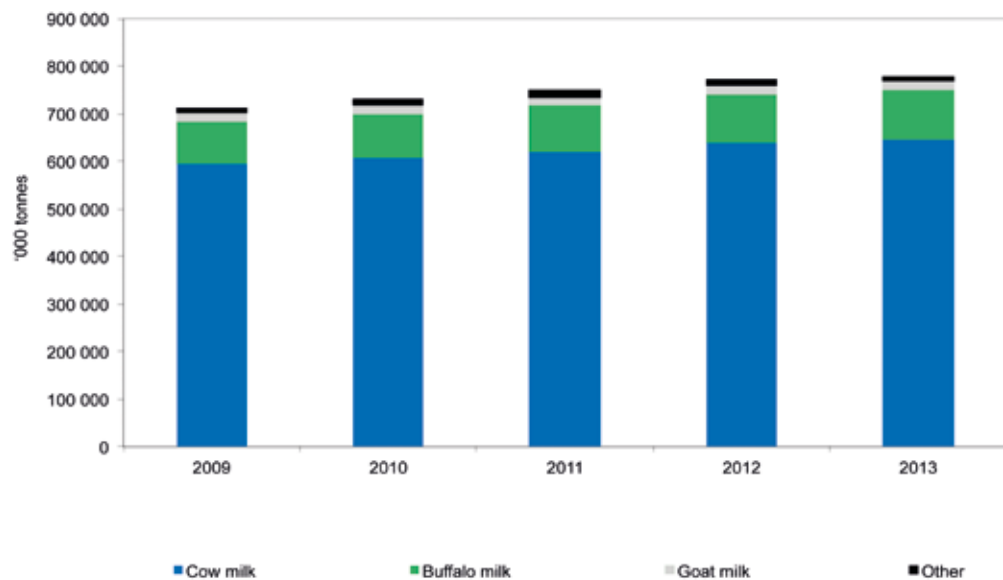
“ Cow’s milk production remains the most important part of total milk production and comprises 83% of the total global milk production.”

World milk production

World cow’s milk production increased by 1,3% in 2013, down from the 2,1% growth in 2012. Drought in New Zealand and a slow start to the European season resulted in slow production growth. The opposite occurred in 2013 when higher producer prices and favourable production conditions resulted in accelerated growth. Producer

prices decreased again during 2014. This, coupled with a drought in New Zealand, has resulted in slower than expected production growth. Cow’s milk production remains the most important part of total milk production and comprises 83% of total milk production. Global milk production per species is shown in Figure 4.

Figure 4: Global milk production per species, 2009 – 2013.



Source: IDF Bull 476/2014

Asia produces the most raw milk internationally, followed by the European Union (EU-27) and North and Central America. The geographical distribution of milk production is shown in Figure 5.

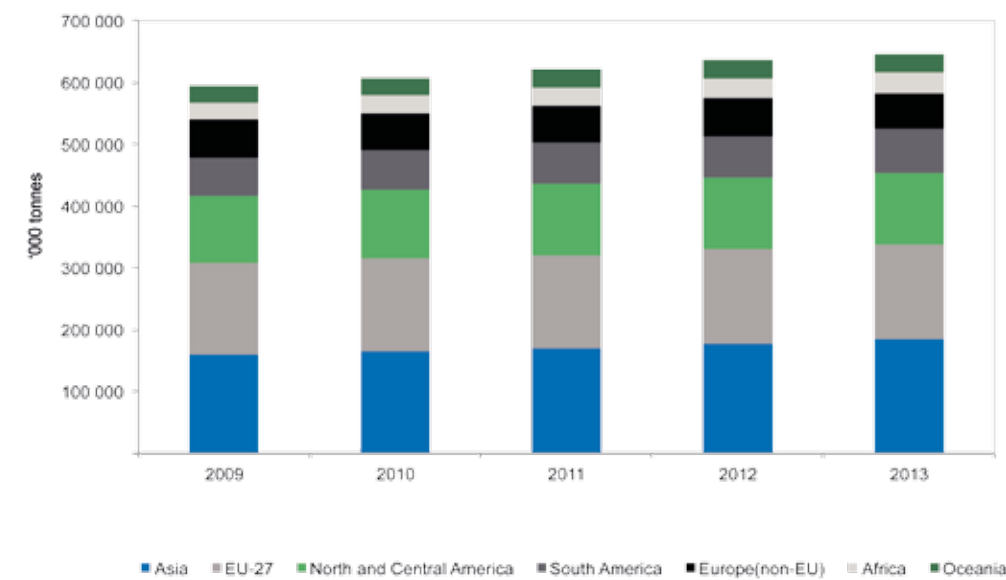
Milk production growth during 2014 in major exporting countries was generally higher than during 2013. Total production growth for 2014 and 2015 in major dairy trading countries is shown in Table 2.

Table 2: Milk production growth: 2014 compared to 2013, and January to June 2015 compared to January to June 2014, selected countries.

Country	% Growth 2014/2013	% Growth 2015/2014
Australia	+3,7%	+3%
European Union	+4,6%	+0,6%
New Zealand	+8,4%	+0,9%
United States	+2,4%	+1,7%

Source: CNIEL, 2015

Figure 5: Cow’s milk production per region, 2009 – 2013.



Source: IDF Bull 476/2014

“ Dairy consumption is driven by global population growth and growth in per capita consumption. ”

Production of dairy products

Cow's milk deliveries to dairies increased globally by only 0,5% in 2013, much less than in 2012 and also well below the long-term average annual growth of 1,9% per year. The slowdown in deliveries was caused by serious production problems in the US, New Zealand and the EU. New Zealand milk deliveries decreased by 1,8% from 2012 to 2013. In turn, US and EU deliveries increased by 0,3% and 0,6%, respectively. China also faced a decrease in deliveries of 1,7%. Milk deliveries did not decrease to the same extent as milk production, showing that the percentage of milk delivered to dairies is on the increase.

World output of most major dairy products increased in 2013 although at a slower pace than in 2012. Liquid milk production increased by 2,3% in 2013, a slower rate than in previous years. The fastest growth took place in leading Asian markets such as China (+9%) and India (+6%). Fermented products also showed sustained growth in most parts of the world. China (+8%), the EU (+2%) and the USA (+5%) contributed most of the growth. The shortfall in milk availability in the first half of 2013 resulted in zero growth in the production of milk powders, butter and cheese. World butter production is estimated at about 10 million tonnes. More than 66% of this is produced in India (47%) and the EU (20%). Other major producers are the USA (8%), Pakistan (7%) and New Zealand (5%). World butter output increased by 2,1% in 2013, substantially lower than in 2012.

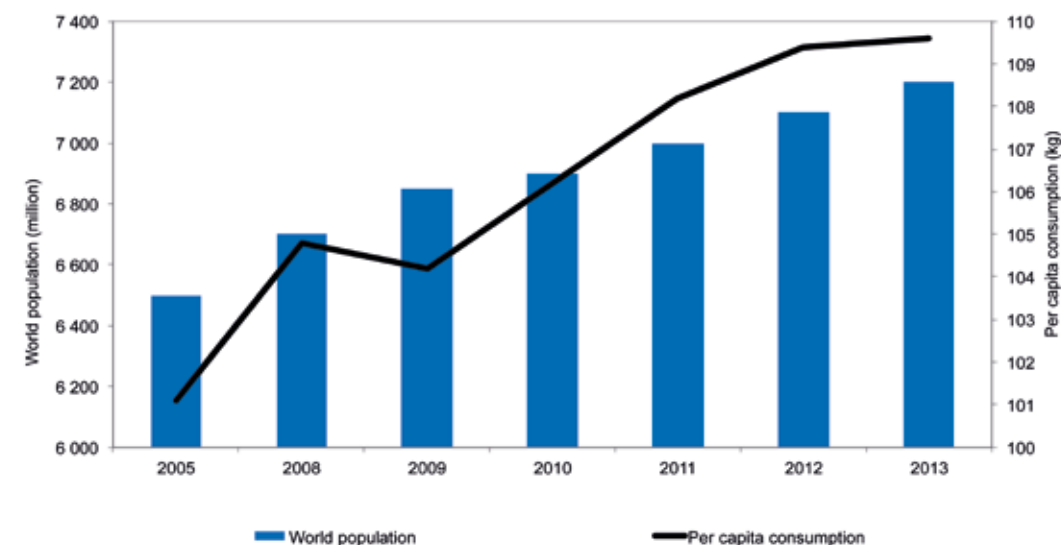
In 2013, 23 million tonnes of natural cheese, excluding processed cheese, was produced. Cow's milk cheese, manufactured industrially, represents more than 80% of the total production. The rest is made up of farmstead and homemade cheese as well as cheese from non-cow's milk. The EU and USA together represent more than 70% of the total volume of cheese produced annually.

In 2013, an estimated 4,9 million tonnes of full-cream milk powder was produced. New Zealand and China together account for half the total production. Skimmed milk production is estimated at 4,1 million tonnes, slightly down on 2012. The EU and USA between them produce more than 50% of total skimmed milk production. Both of them produced less in 2013.

Consumption of dairy products

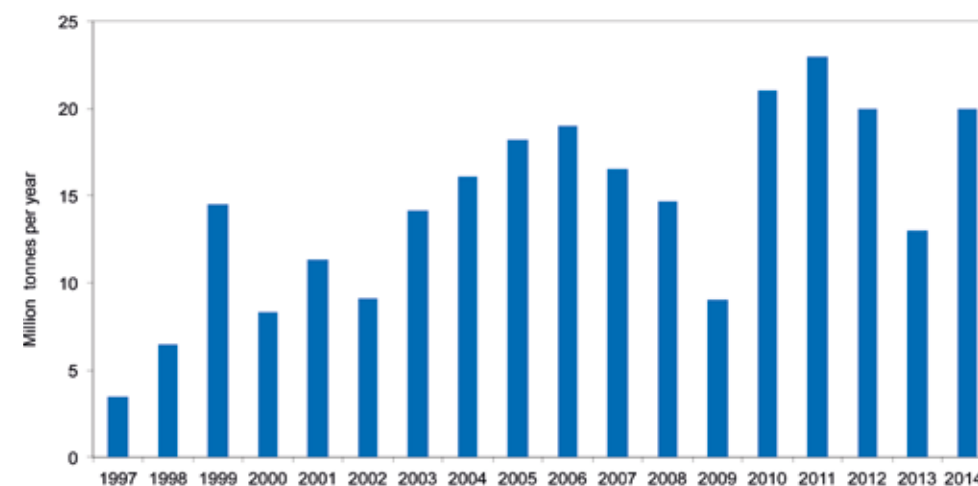
Dairy consumption is driven by global population growth and growth in per capita consumption. World population and per capita consumption of dairy products are shown in Figure 6. Recent analysis by the International Farm Comparison Network (IFCN) indicates that global dairy demand will grow by 20 million tonnes per year, 8 million tonnes as a result of population growth and 12 million tonnes as a result of higher per capita consumption. Actual and estimated dairy demand is shown in Figure 7.

Figure 6: World population and per capita consumption of dairy products, 2005, 2008 – 2013.



Source: IDF Bull 476/2014

Figure 7: Annual increase in dairy demand, 1997 – 2014*.



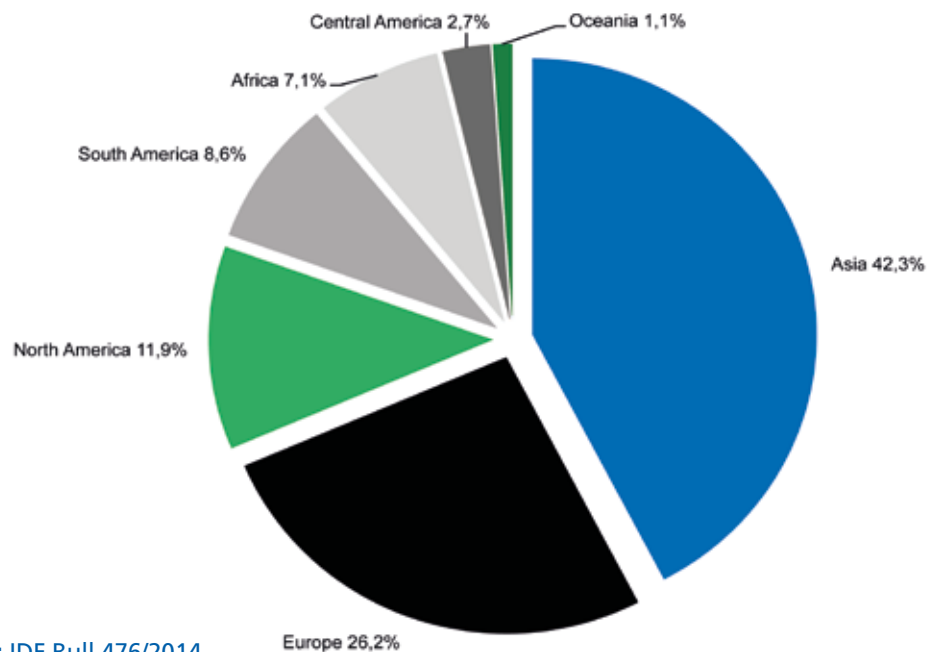
Source: IFCN Conference, 2014

* 2014 IFCN projection

Asia is the highest consuming region with 42% of total dairy demand, followed by Europe (26%). Asia still has large growth potential as its per capita consumption (75 kg per person per year) is still low compared to other areas, with the exception of Africa (49,2 kg). The regional distribution of dairy consumption is shown in Figure 8. Consumption of individual dairy products varies greatly between countries. Countries in northern Europe and Australia have the highest per capita liquid milk consumption.

Western Europe has the highest butter consumption while Europe and the USA together have the highest per capita cheese consumption. According to the OECD/FAO Agricultural Outlook, the global average per capita dairy consumption should increase by 13,7% between 2013 and 2023. The main drivers remain the growth in the global population, income levels and urbanisation. Faster growth is expected in developing countries with current low per capita consumption.

Figure 8: Regional distribution of total demand for dairy products, 2013.



Source: IDF Bull 476/2014

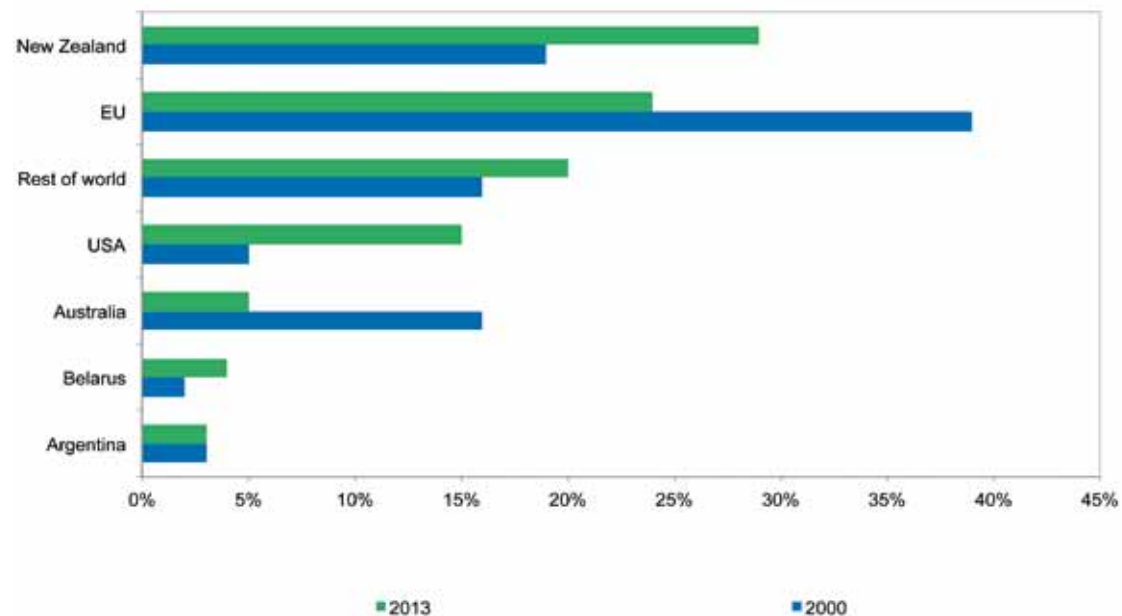
“ Only about 63 million tonnes or 8% of total world production is traded internationally, excluding intra-EU trade. ”

International dairy trade

Only about 63 million tonnes or 8% of total world dairy production is traded internationally, excluding intra-EU trade. Dairy trade volumes increased by less than 2% from 2012 to 2013, compared to 8% growth between 2011 and 2012. The lower growth in trade was mainly caused by reduced milk

supplies in the first half of 2013. This limited the export performance of major exporters such as New Zealand, the EU and Australia. The share of key exporting countries in total dairy trade is shown in Figure 9. New Zealand is the major exporter, followed by the EU, USA and Australia. These regions account for 73% of total dairy trade.

Figure 9: Share of key exporting countries in total trade in dairy products, 2000, 2013.



Source: IDF Bull 476/2014

The secondary dairy industry consists of many smaller local dairy companies and a few larger multinationals active in many countries. Major international dairy companies are shown in Table 3.

Table 3: Major dairy companies, 2013.

Rank	Company name	Origin and main operation countries	Milk intake, in mill t milk equivalents	Estimated turnover per kg milk, in US\$	Market share in % of world milk production
1	Dairy Farmers of America	USA	27,8	0,5	3,7%
2	Fonterra Cooperative Group	New Zealand/ others	22	0,7	2,9%
3	Groupe Lactalis (incl Parmalat)	France/others	15	1,3	2%
4	Nestlé	Switzerland/ others	14 – 15	1,25*	2%
5	Arla Foods	Denmark/ Sweden/others	12,7	1,1	1,7%
6	FrieslandCampina	Netherlands/ others	10,3	1,1	1,4%
7	Dean Foods	USA	10,1	0,9	1,4%
8	Danone	France/others	8 - 9	1,9*	1,1%
9	California Dairies	USA	8,1	0,7	1,1%
10	DMK Deutsches Milchkontor	Germany	6,8	1	0,8%
11	Saputo	Canada/USA/ others	6	1,1	0,8%
12	Glanbia Group	Ireland/USA/ others	6	0,7	0,8%
13	Land O' Lakes	USA	5,4	0,7*	0,7%
14	Groupe Sodiaal	France	5,2	1	0,7%
15	Amul (GCMMF)	India	4,8	0,5	0,6%
16	Yili Group	China	4,5 - 5	1,6*	0,6%
17	Unternehmensgruppe Theo Müller	Germany/UK, others	4,4	1,5	0,6%
18	Mengniu Dairy Company	China	4 – 4,5	1,6*	0,6%
19	Bongrain	France/others	4,2	1,4	0,6%
20	Dirigold (Northwest Dairy Association)	USA	3,6	0,6	0,5%
Sum of Top 20			184,2	1	24,8%

Source: IFCN, 2014

“ Currently, there are an estimated 145 million dairy farms and between 0,7 billion and 1 billion people live on dairy farms. The average dairy farmer keeps 2,8 cows. The largest average herds are found in Saudi Arabia with 8 125 cows per herd, followed by New Zealand (393), South Africa (357) and Australia (241). ”

International primary sector

Number and size of dairy farms

Currently, there are an estimated 145 million dairy farms and between 0,7 billion and 1 billion people live on dairy farms. The average dairy farmer keeps 2,8 cows. The largest average herds are found in Saudi Arabia with 8 125 cows, followed by New Zealand (393), South Africa (357) and Australia (241). The average farm size increased by 838 cows in herd from 2009 to 2012 in Saudi Arabia, by 25 in South Africa and by 10 in Australia. There are only 13 countries with herd sizes over 100. The largest number of dairy farms are in India (77 million), while the original 15 EU member countries have 325 000 dairy farms. The entry of the 12 new Central and Eastern European

countries added another 1,26 million dairy farms. In the Near and Middle East there are 4,6 million dairy farms and 13,4 million in Africa. Nearly 95% of all dairy farms are described as household farms with only own labour, producing mainly for own use. These farmers own 58% of all dairy cows. Six per cent of dairy farms are family farms with own and some hired labour but with family members doing the bulk of the farm work. They own 26% of all dairy cows. Business farms with professional management and hired labour own 16% of all cows and comprises only 0,4% of all farms. The number of dairy farms, average herd size and change in herd size from 2009 to 2012 is shown in Table 4.



Table 4: Number of dairy farm units 2014, average herd size 2012 and annual change in average herd size, 2009 – 2012.

Rank	Dairy farm numbers	Mil.	Average farm size	Cows in herd	Annual change in average farm size	Cows
1	India	76,2	Saudi Arabia	8 125	Saudi Arabia	+838
2	Pakistan	7,14	New Zealand	393	South Africa	+25
3	Russian Federation	3,12	Australia	241	Australia	+10
4	Ethiopia	2,43	South Africa	238	New Zealand	+9
5	Tanzania	2,33	Czech Republic	175	USA	+6
6	Uzbekistan	2,19	USA	160	Denmark	+6
7	Uganda	2,18	Argentina	147	Uruguay	+6
8	Nepal	1,94	Denmark	147	United Kingdom	+5
9	China	1,85	Israel	134	Israel	+5
10	Afghanistan	1,75	United Kingdom	128	Spain	+4

Source: IFCN Conference, 2013

The distribution of farmer per country per herd size shows that smaller herds predominate in countries in the former USSR, Asia, the Middle East and Brazil. Larger herds are the norm in the USA, Argentina, South Africa, Australia and New Zealand.

In developed countries, milk production is intensifying as average farm size is

increasing. The quantity of milk produced per farm is also increasing because of higher cow numbers and an increase in yield per cow.

The opposite is true for developing countries. The number of farms, and cows and buffaloes are increasing while farm size and production per farm remains constant.



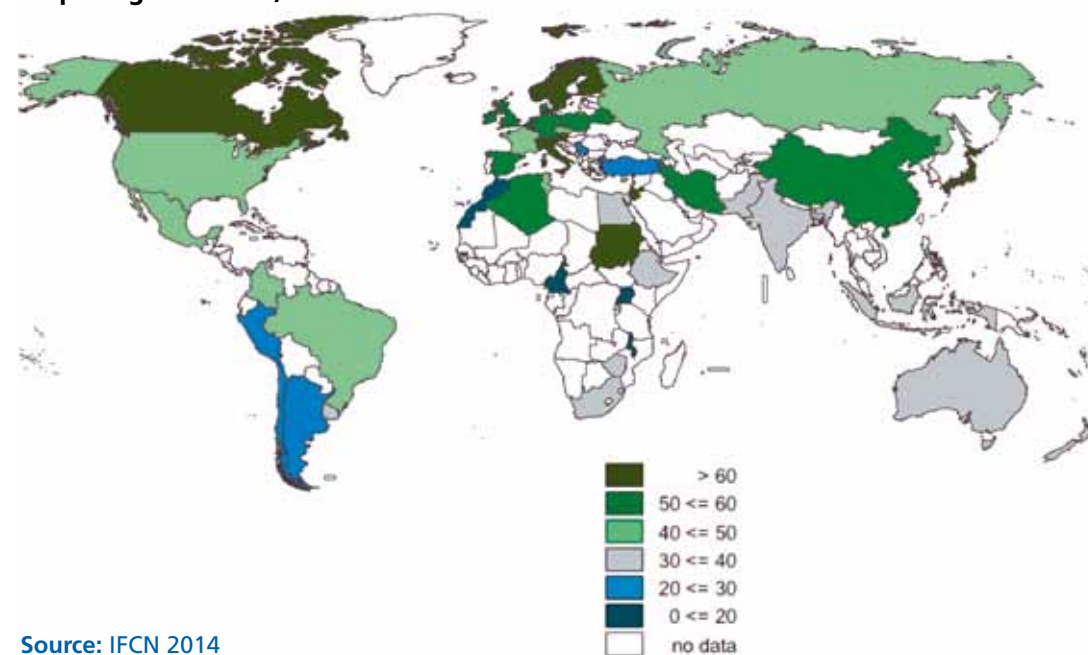
“ South African production cost lies slightly above \$35 per 100 kg while production cost in Western Europe ranges between \$40 and \$55. The highest production cost in the world is found in Japan (\$100 per 100 kg).”

Cost of milk production

The average cost of milk production for the 128 dairy farms analysed by the IFCN in 2013 was US\$46/100 kg energy-corrected milk. The average cost level decreased by US\$0,7 from 2012. On average, Africa, central and eastern Europe (CEEC), South America, Asia and Oceanic countries were able to produce milk at lower than average cost. The average cost level of typical farms in Western Europe, North America, and central Asia was at US\$57,5/100 kg of energy-corrected milk, significantly above the average level. Since

2012, the average cost level of high-cost countries increased while cost levels in low-cost countries decreased. South African production cost lies slightly above US\$35 per 100 kg of milk, on par with the New Zealand cost level but lower than most other dairy countries. Switzerland had the highest production cost for average and larger herds, with Japan, Finland and Norway following shortly behind. The average estimated production costs (US\$/100 kg) for average dairy farms are shown in Figure 10.

Figure 10: Estimated milk production cost (US\$/100 kg) per average farm in participating countries, 2013.



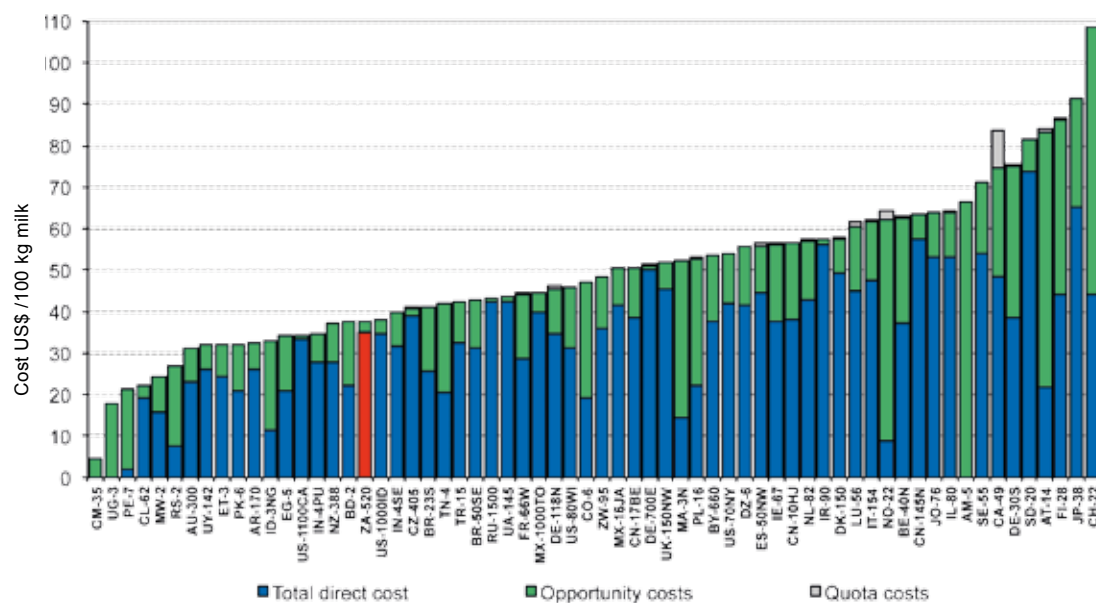
Source: IFCN 2014

In most cases, countries with very low milk production costs do not produce milk for commercial use but only for home consumption or direct sales to neighbours. South African dairy farms compare well with dairy farms in recognised dairy-producing countries such as New Zealand and Australia. South African production cost is higher than in Argentina and other South American countries mainly because of lower grain prices in these countries. The very high production cost in Europe is evident from the figure.

Milk production cost per average farm for the countries participating in the IFCN analysis in 2013 is shown in Figure 11.



Figure 11: Estimated cost of milk production per farm (US\$/100 kg), average farms in IFCN analysis, 2013.



**P & L – profit and loss account

Country by international country code and herd size, ZA 520 = ZA 520 cow herds.

Source: IFCN, 2013

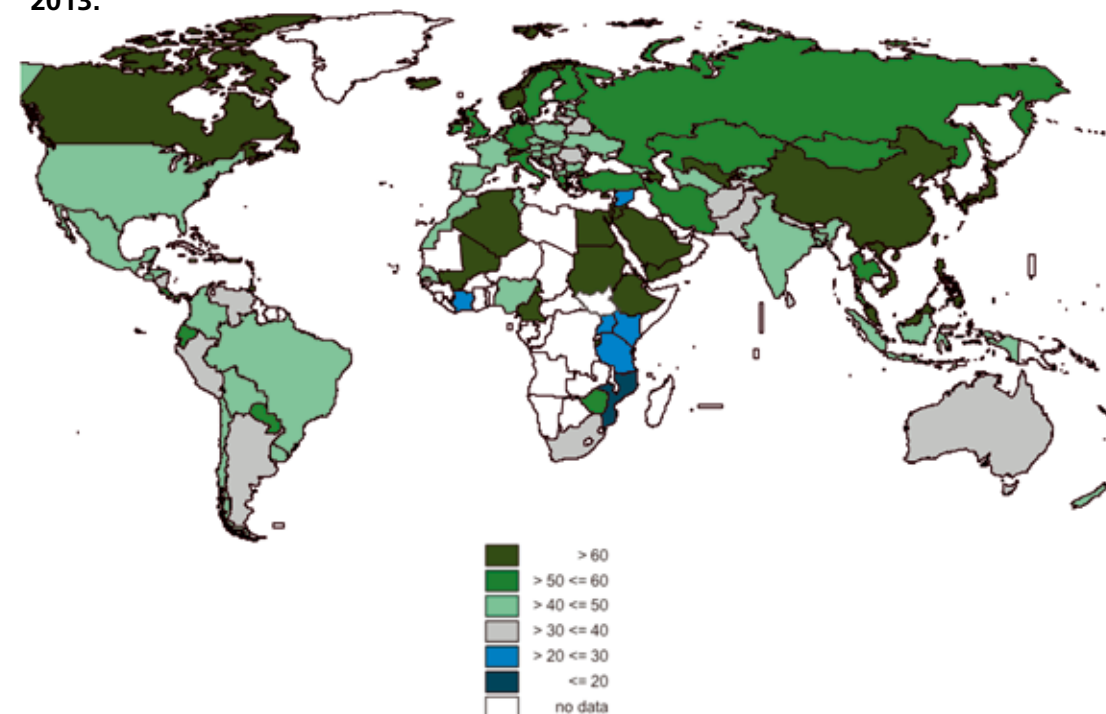
“ In most low-priced regions, milk volumes per farm are low and quality is not comparable to countries where a high percentage of total milk production is sold to the market. ”

Milk prices

Producer prices for milk vary from very high (US\$1 per litre) in subsidising countries to below \$0,20 in developing countries where the bulk of milk is consumed on farm and very little is sold to the market. Milk prices per world region are

shown in Figure 12. In most low-priced regions, milk volumes per farm are low and quality is not comparable to countries where a high percentage of total milk production is sold to the market.

Figure 12: Estimated producer milk prices in various regions (US\$/100 kg milk), 2013.



Source: IFCN, 2014

South African outlook

South African primary dairy sector

Industry structure

The number of milk producers has decreased from 3 665 in January 2008 to 1 728 in August 2015. The number of producers per province is

shown in Table 5. Since 2008, the number of producers has decreased by 47,1%. The biggest decrease in producer numbers occurred in Mpumalanga (74%).

Table 5: Number of milk producers per province, 2008 – 2015.

Province	Jan '08	Jan '09	Jan '11	Jan '12	Jan '14	Jan '15	Aug '15
Western Cape	815	795	683	647	529	533	515
Eastern Cape	407	387	314	283	264	262	256
Northern Cape	34	37	28	21	25	14	16
KwaZulu-Natal	373	373	323	322	281	267	262
Free State	919	884	601	535	389	328	281
North West	549	540	386	352	233	222	191
Gauteng	228	217	127	126	109	100	98
Mpumalanga	302	286	201	164	117	94	92
Limpopo	38	32	23	24	14	14	12
TOTAL	3 665	3 551	2 686	2 474	1 961	1 834	1 728

Source: MPO

Table 6: Milk production per province and cows in milk per producer, specific years.

Province	% Distribution of milk production		Number of cows in milk per producer, 2014
	Dec 1997	Oct 2014	Mean
Western Cape	22,9	26,8	281
Eastern Cape	13,8	27,7	769
Northern Cape	1,2	0,8	76
KwaZulu-Natal	15,7	26,8	574
Free State	18	7,3	140
North West	12,6	4,2	90
Gauteng	4,4	2,3	117
Mpumalanga	11	3,3	169
Limpopo	0,4	0,8	230
TOTAL	100	100	353

Source: MPO estimates (October 2014 survey)

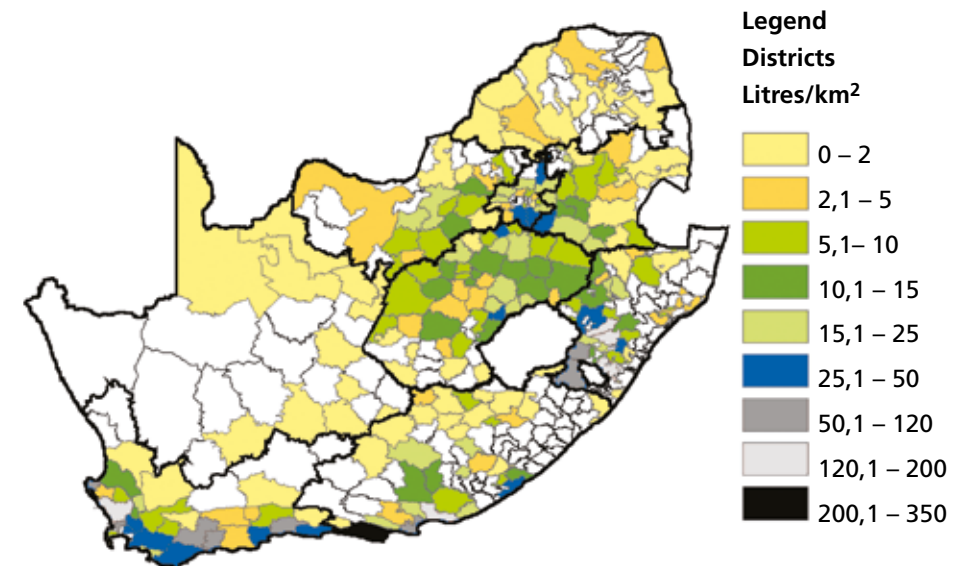
The trend towards higher production in the pasture-based areas has continued. The concentration of milk production per district is shown in Figure 13. Milk production per province, according to MPO estimates taking into account the results of the October 2014 statutory survey, is shown in Table 6.

The number of cows varies widely among producers. The percentage distribution of herd size is shown in Figure 14.

The average number of cows per producer in the different provinces is shown in Table 6 and the concentration of cows per district in Figure 15.

Average milk production per cow per day was 20,2 litres in 2014. A total of 95% 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 16.

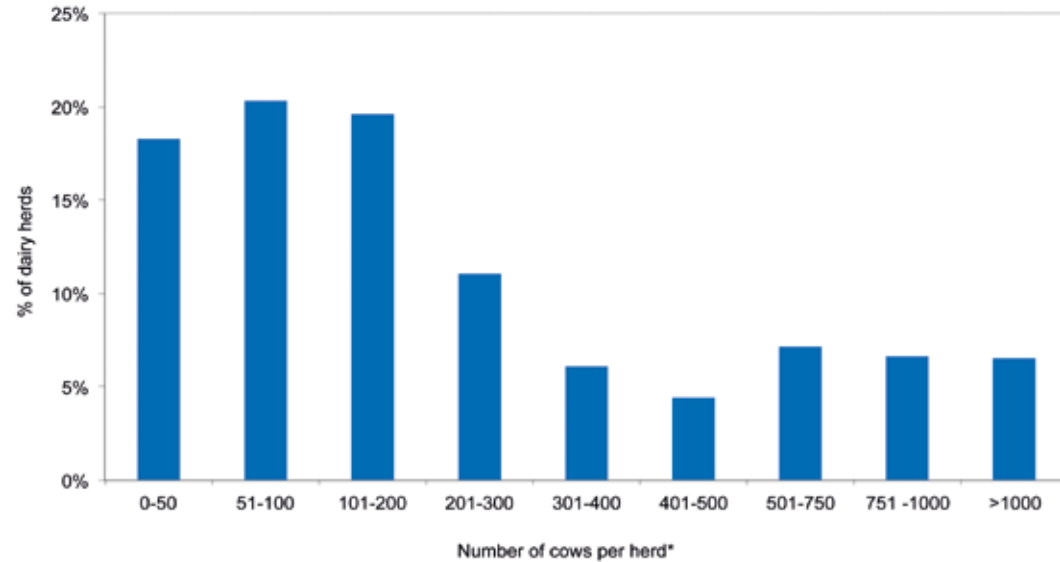
Figure 13: Milk production density (litres/km²) per district, 2014.



Source: MPO estimates (October 2014 statutory survey)

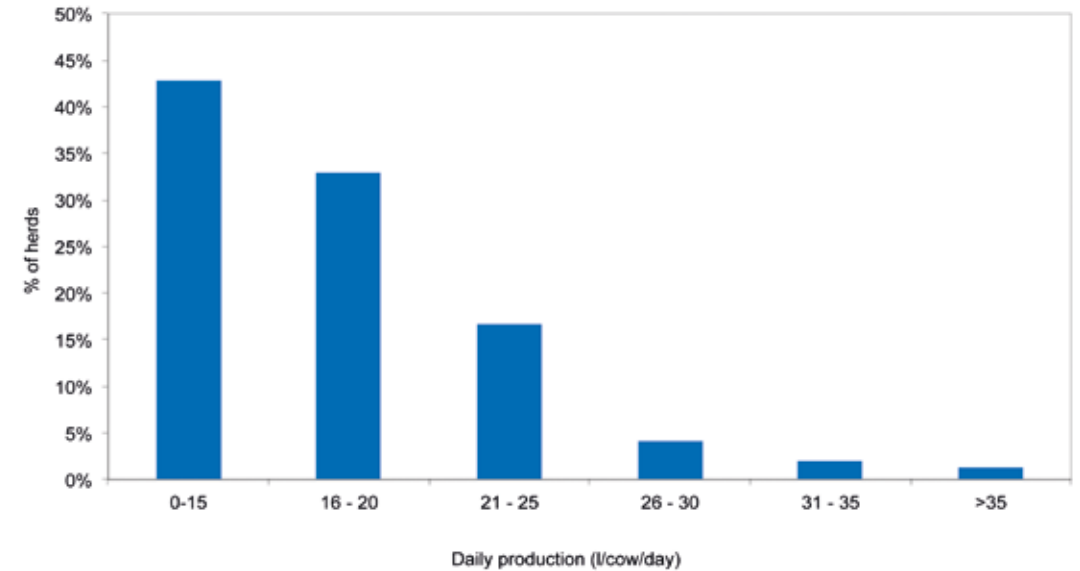


Figure 14: Size distribution of dairy cows per herd, 2014.



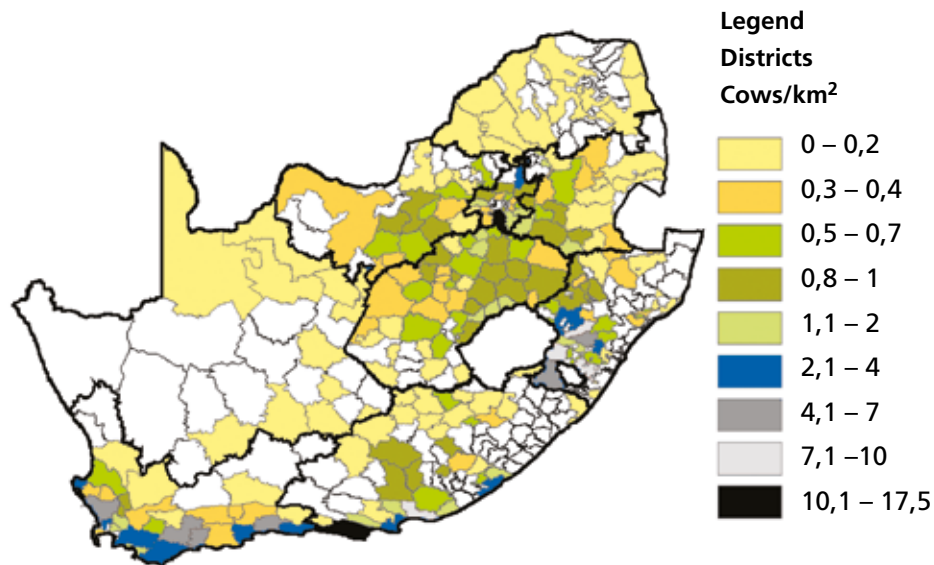
Source: MPO estimates (October 2014 statutory survey)
*Cows in milk and dry cows.

Figure 16: Distribution of herds based on daily production per cow in herd, 2014.



Source: MPO estimates (October 2014)

Figure 15: Cow density per district (cows/km²), 2014.



Source: MPO estimates (October 2014 statutory survey)

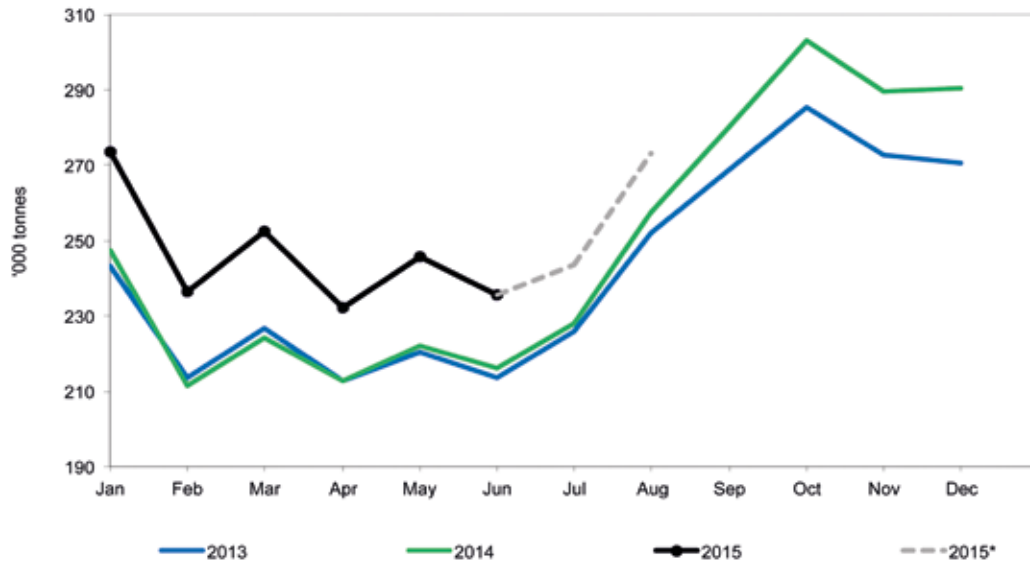


“ Average milk production per cow per day was 20,2 litres in 2014. A total of 96% of milk was sold in the formal market and 2% informally. The rest was used for own consumption and calves. ”

Milk production

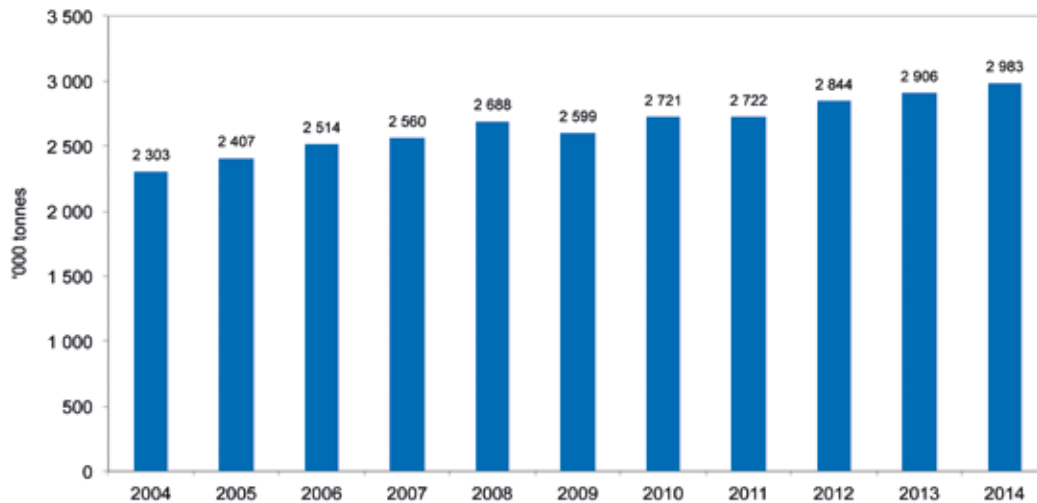
Annual milk production shows a steady linear upward trend over time. Total milk to market for 2014 is 2,98 million tonnes, up 2,6% on the previous year. Monthly milk purchases in 2011 to 2015 are shown in Figure 17.

Figure 17: South African monthly raw milk purchases, Jan 2011 – Aug 2015.



Source: Milk SA statistics
*2015 estimate based on Milk SA sample.

Figure 18: Annual raw milk purchases, 2004 – 2014.



Source: 2004 - 2005 MPO, SAMO, Milk Board
2006 - 2014 Milk SA.

Table 8: Farm requisite price indices, base 2010 = 100.

Period	Machinery & implements	Material for fixed improvements	Intermediate goods and services	All farming requisites
2010	100	100	100	100
2011	110,8	105,8	110,9	110,7
2012	123	115,5	126,3	125,4
2013	132,2	122,5	132,7	134,1
2014	143,2	129,5	138,9	142,4
CAGR 2010 - 2014*	9,4%	6,7 %	8,6 %	8,2 %
Jan-12	118,9	113,5	121,2	120,6
Apr-12	122,1	114,7	126,1	125,1
Jul-12	126,3	116,7	129,5	128,5
Oct-12	124,7	116,8	128,6	127,6
Jan-13	128,1	121,8	131,9	131
Apr-13	131,1	123,9	135,6	134,5
Jul-13	136,5	119,1	138,4	137,2
Oct-13	133,2	125	134,1	133,6
Jan-14	135,6	132	139,2	138,4
Apr-14	141,1	132,2	144,1	143,1
Jul-14	147,5	124,3	146,3	145,4
Oct-14	148,7	129,5	142,7	142,8
Jan-15	143,9	137,9	144,4	144
CAGR Jan-12 – Jan-15*	6,6%	6,7%	6,0%	6,1%

CAGR = calculated average growth rate
Source: DAFF

“ The South African secondary dairy industry consists of a few large processors operating nationally, a growing number of processors who operate in more than one region, a large number of smaller processors who operate in specific areas, and a number of milk producers who sell their own produce to retailers and consumers – known as producer-distributors. ”

South African secondary dairy sector

Industry structure

The South African secondary industry consists of a few larger processors operating in one or several regions, a large number of smaller processors 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 7.

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 19 and 20.

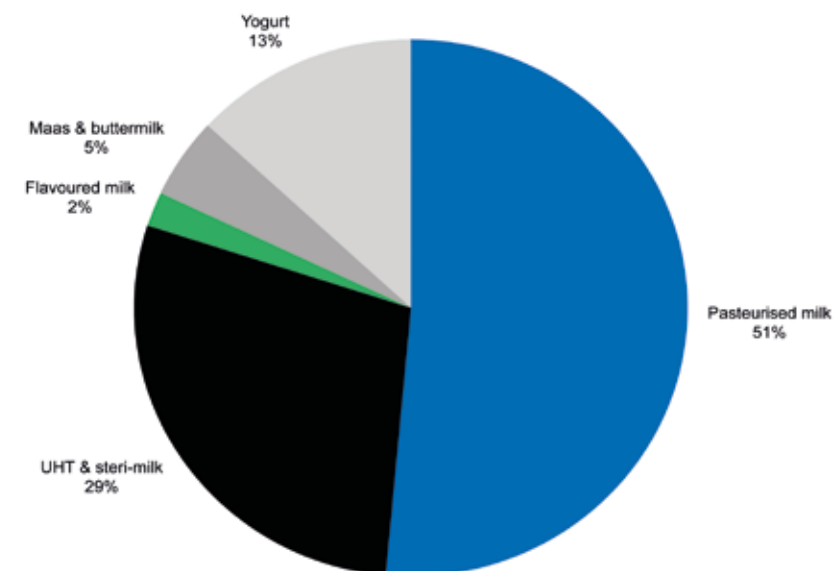
Table 7: Number of producer-distributors (PDs) and milk buyers per province, as registered with Milk SA, September 2015.

Province	Number of PDs	Number of milk buyers
Western Cape	23	36
Eastern Cape	14	12
Northern Cape	9	2
KwaZulu-Natal	11	18
Free State	11	12
North West	4	15
Gauteng	25	43
Mpumalanga	10	7
Limpopo	8	4
Total	115	150

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

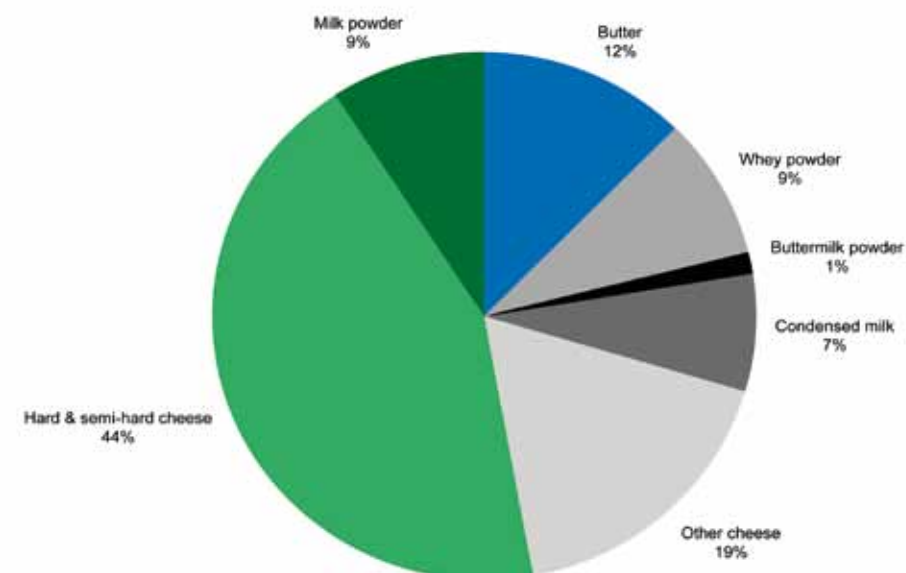
Source: Milk SA

Figure 19: Composition of the South African liquid products* market, 2011.



Source: Industry estimate based on BMI, as supplied by Sampro
* Milk equivalent basis

Figure 20: Composition of the South African concentrated products market, 2011.**



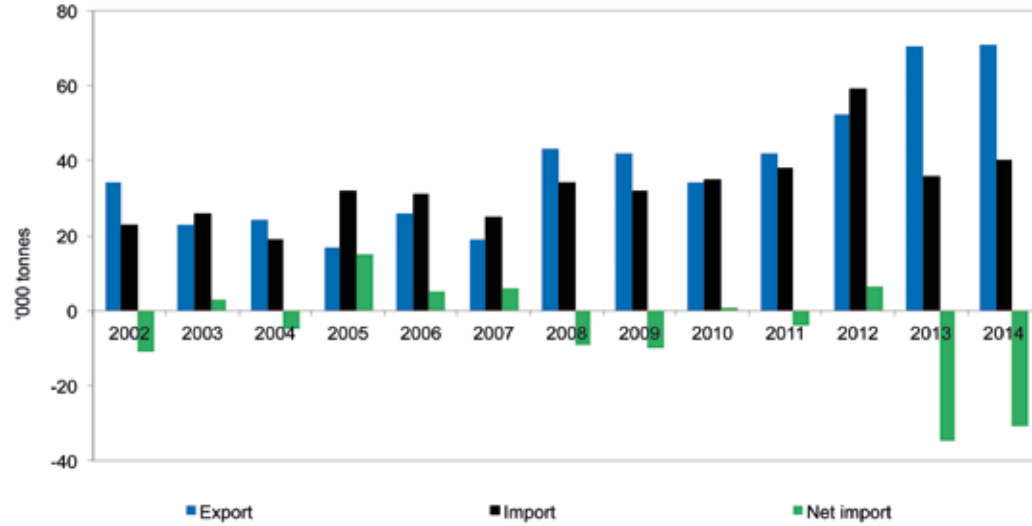
Source: Industry estimate based on BMI, as supplied by Sampro
** Mass basis

Imports and exports

Total dairy product imports and exports are shown in Figure 21 and 22. During 2014, 40 199 tonnes of products were imported. On

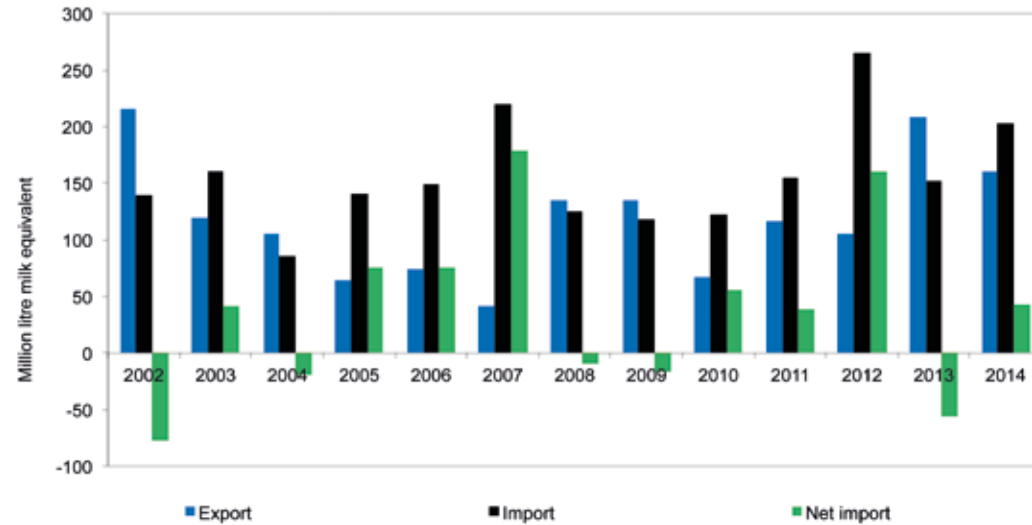
a milk-equivalent basis, the positive growth of exports since 2008 has resulted in a decrease in net imports. Total exports during 2014 were 71 099 tonnes.

Figure 21: Dairy product imports and exports ('000 tonnes), 2002 – 2014.



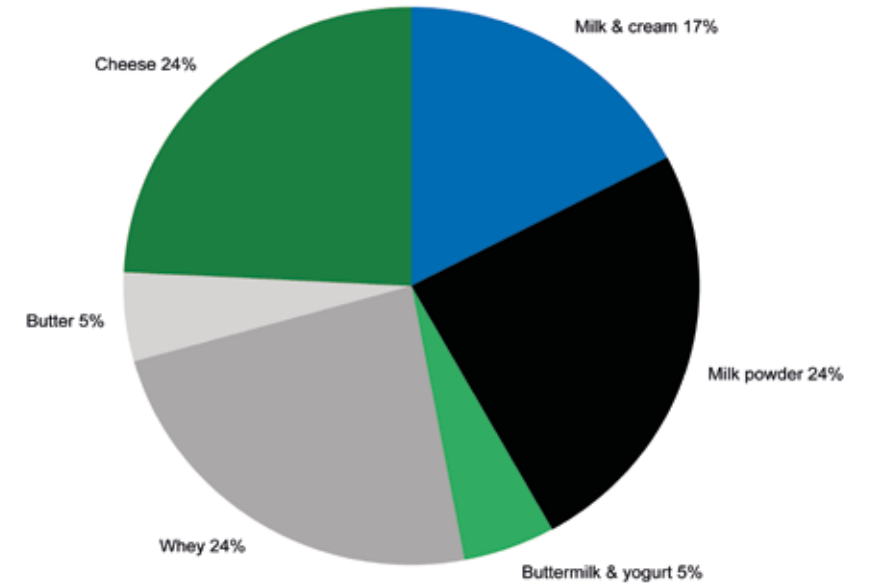
Source: Sars data, supplied by Sampro

Figure 22: Dairy product imports and exports, milk-equivalent base, 2002 – 2014.



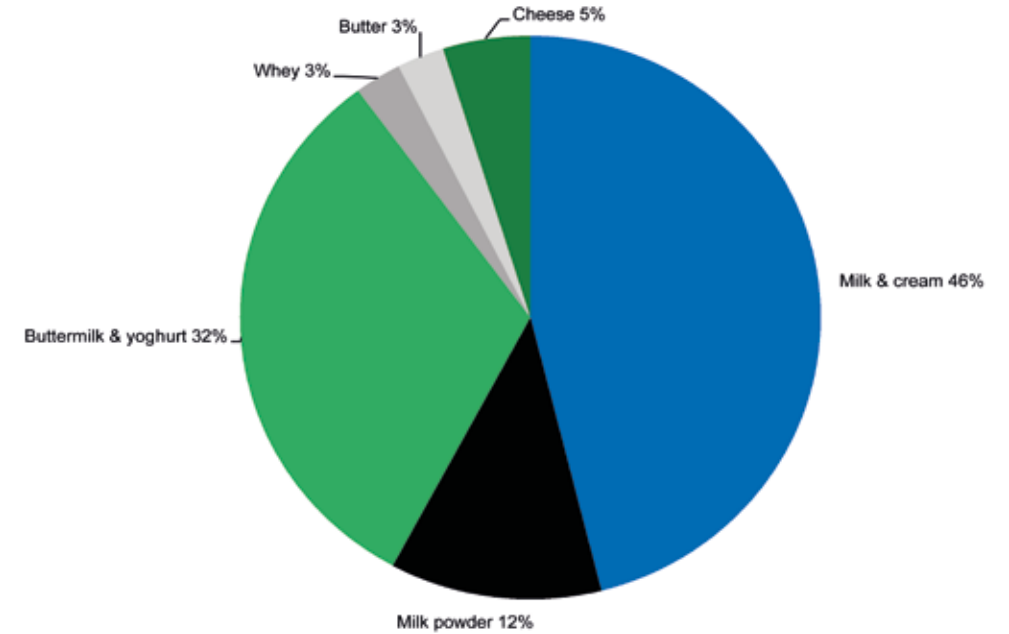
Source: Sars data, supplied by Sampro

Figure 23: Percentage composition of imports (mass base), 2014.



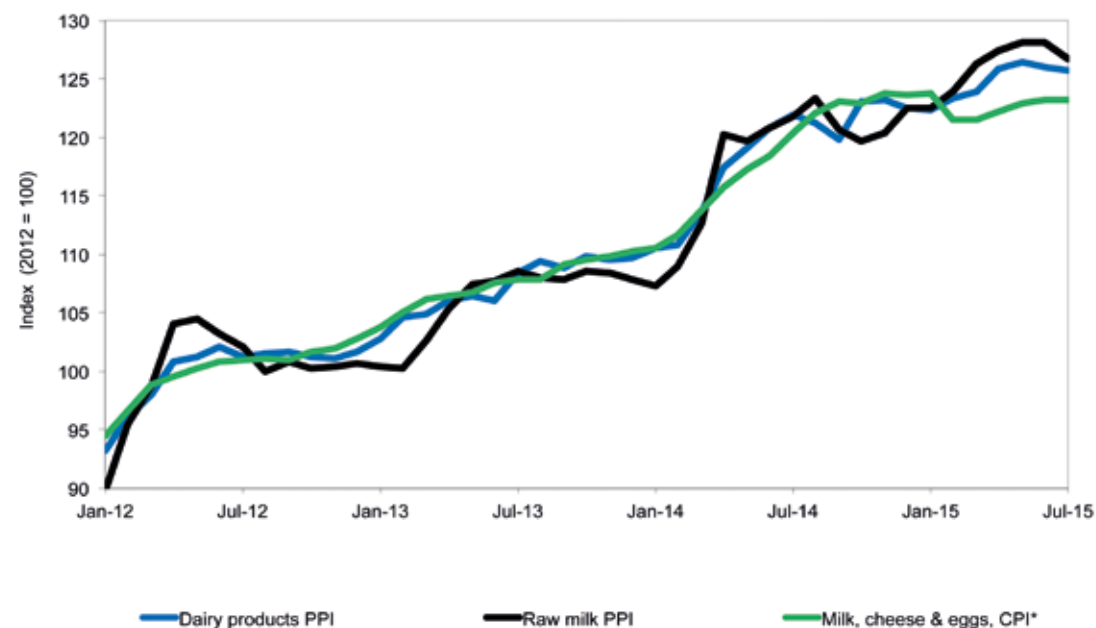
Source: Sars data, supplied by Sampro

Figure 24: Percentage composition of exports (mass base), 2014.



Source: Sars data, supplied by Sampro

Figure 25: Price index of raw milk on farm level, dairy products at processor level and milk and eggs at consumer level, Jan 2012 – Aug 2015.



Source: Stats SA

South African dairy market

The South African dairy market is a growing one. Table 9 indicates the changes in the size of

the formal market for South African products and changes in retail prices as reported by Nielsen SA and collated by Sampro.

Table 9: Year-on-year change in demand and prices of dairy and other food products, July 2014 – June 2015 compared to July 2013 – June 2014.

Product	Change in demand (quantity) per cent	Change in retail prices per cent
Fresh milk	3,8	7,6
Long-life milk (UHT milk)	5,5	11,2
Flavoured milk	3,6	8,6
Yoghurt	4,9	4,2
Maas	5,3	6
Pre-packaged cheese	12,1	8,8
Cream cheese	1,6	11,9
Butter	-1,1	18,5
Cream	8,9	7,5
Instant cereals	5,5	-2,1
Bread	4,6	4,7
Rice	9	0,9
Maize meal	1,9	2,5
Margarine	0,4	3,0
Tea	-2,1	9,6
Coffee	4,2	3,7
Short-life juice	-1,5	5,7

Source: Nielsen as supplied by Sampro



LACTO DATA

Statistics

A Milk SA publication compiled by the Milk Producers' Organisation



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