



South African Milk Processors' Organisation
The voluntary organisation of milk processors for the promotion of the development of the secondary dairy industry to the benefit of the dairy industry, the consumer and the South African society.

23 June 2016

Dear Reader

MAY 2016 EDITION OF KEY MARKET SIGNALS FOR THE DAIRY INDUSTRY

Please find attached the above mentioned report of which a brief summary was forwarded to you on 20 June 2016.

The essence of the report is captured in the synopsis of the report, which appears on pages 1 to 8 of the report.

In the report attention is given to, amongst other:

- The drastic decrease in the prices of dairy products in the international market since February 2014 (pages 9 and 14);
- The reasons for the drastic decrease of the prices of dairy products since February 2014 (pages 15 and 16);
- The volatility of the prices of dairy products in the international market (pages 18 and 19);
- The volatility of the prices of dairy products in the international market relative to that of other food commodities (pages 20 and 21);
- The different supply and demand positions in the international market of the different types of dairy products (pages 22 to 24);
- The reason why the so-called world price of any particular dairy product cannot be presented as a single figure (page 25);

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*SAMPRO IS A MEMBER OF: The Global Dairy Economist Group, Global Dairy Platform, The National Committee of The International Dairy Federation, Milk SA, Dairy Standards Agency, The CEO Forum and the Service Delivery Forum of the Minister of Agriculture, Forestry and Fisheries.
SAMPRO is also an Accredited Training Provider (with FoodBev SETA) for the secondary dairy industry.*

- The impact of the Russian boycott of dairy products originating from especially the EU (pages 28 and 29);
- The increase in the production of raw milk and dairy products in the EU notwithstanding drastic reduction of the prices of these products and the reason for it (pages 37, 38 and 49);
- The expected movements of the prices of dairy products in the international market in the coming months (page 35);
- The fact that the movements of raw milk prices in the USA and EU are more volatile than the raw milk prices in South Africa (page 40);
- The expected movements of the prices of raw milk in major dairy countries in the coming months (pages 47 and 51);
- The seasonality of the production of raw milk in South Africa (pages 53 and 54);
- The decrease in the production of raw milk in South Africa since November 2015 (pages 53, 54 and 59);
- The impact of the drought in South Africa on the production of raw milk (pages 61 and 62);
- The downward pressure on raw milk production in South Africa (page 64);
- The increase in maize and soya prices (pages 69 to 71);
- The movements of the producer price index of raw milk relative to that of other primary agricultural products (page 73);
- The movements of the producer price index of raw milk relative to that of dairy products (page 76);
- The value adding to create processed milk and other dairy products (pages 77 and 79);
- The bargaining power of raw milk producers, producers of processed milk and manufacturers of other dairy products (page 78);
- The factors that will shape the production of raw milk in South Africa in the rest of 2016 (page 82);
- The import and export of dairy products in South Africa (pages 83 to 85 and Annexure A);
- The reasons why South Africa's import and export of dairy products differ from year to year (page 86);

- The different patterns of import and export (distribution of import and export per month during a year) by South Africa of dairy products in different years (Annexure B);
- The exposure of the South African dairy industry to foreign competition in the years 2002 to 2015 (page 87);
- The differences in the performance of different dairy products in terms of import and export (pages 89 and 90 and Annexure A);
- The average import and export prices of the dairy products and imports at lower prices than the average prices (pages 90 and 91);
- The use of the concept import parity price of raw milk (page 92);
- The reasons why the movements of prices of dairy products and raw milk in South Africa differed from the movements of the prices of respectively dairy products in the international market, and raw milk in major dairy countries, in 2013 and 2014 (pages 93 and 94);
- The movements of the producer price index of dairy products relative to that of other manufactured food products (pages 97 and 98);
- The performance of dairy products in the South African retail market (pages 103 to 109);
- The factors which will influence the performance of the South African dairy industry in the rest of 2016 (page 111).

Regards

Alwyn P Kraamwinkel
CEO: SAMPRO

Svj/SAMPRO/SAMPRO 2016/Jun 22 Ltr to Members reg KMS May

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