



QUARTERLY REVIEW OF THE PERFORMANCE OF THE DAIRY INDUSTRY¹

The information in this document is from sources deemed to be correct. Milk SA, the MPO and SAMPRO are not responsible for the results of any decisions taken on the strength of this information.

Second Quarter 2023

¹ A publication of Milk SA authored by Bertus van Heerden, Chief Economist MPO

Synopsis of the performance of the dairy industry: Q2 2023.

From the 10-year high in March 2022 to June 2023 the Food and Agricultural Organisation (FAO) Food Price Index (FFPI) dropped by 23.4%. For the period March 2022 to June 2023, the index registered a volatility ranking of 12.32% up from the pre-COVID (period January 2017 – June 2019) ranking of only 2.38%. Volatility in the aggregate food price index of the FAO increased by 418%, illuminating the current levels of uncertainty and the magnitude of the risks that are present in the world's basic food commodity market. The increased volatility is directly correlated with the IMF findings of the significant increase in uncertainty in the world and the consequential increase in risk factors.

The business environment from the input supplier, the farmer, processor and retailer are wholly affected by this and in the case of South Africa, this environment is more challenging due to the failure of the government to deliver basic services. In these circumstances, market signals and variables need to be closely followed.

The June 2023 international dairy commodity prices, in both USD and ZAR terms, are lower than the high levels of 2022 but are still high due to the level of USD prices and the devaluation of the ZAR. Butter, SMP, Cheddar and FMP respectively remain 41%, 51%, 58% and 33% above the pre-COVID-19 levels (June 2019).

Price movements on the New Zealand Future Exchange are flat with some notion of marginal increases for FMP and butter, with the exception of anhydrous milk fat and SMP where more robust price increases are registered.

In 2022 the unprocessed milk price in Europe (in euros) increased by 38.2% from January 2022 to December 2022. However, the constantly rising trend in unprocessed milk prices that were in play for the whole of 2021 and 2022 ended abruptly at the beginning of 2023. The average EU price in May 2023 down by 25.1% compared to the December 2022 price level. The price in Poland dropped by 27.3% and in Germany by 24.5%. These prices are still some 28% higher than the pre-Covid prices for unprocessed milk in the EU27.

Unprocessed milk production in the major exporting countries is showing improved levels of milk production with the exception of Uruguay and Argentina. The most meaningful stimulation of unprocessed milk production occurred in the United States and New Zealand.

Comparing March 2023 with March 2022, the retail sales prices of all nine dairy products monitored by NielsenIQ increased at a rate significantly higher than the inflation rate of 7.1 per cent (rates varied between 11% and 24%). The price increases of four of the nine dairy products were higher than the inflation rate of processed food of 16.2 per cent during that time. From the period April 2022 to March 2023 to the period April 2021 to March 2022 the retail sales quantities of eight of the nine dairy products were lower. The lower demand for dairy products and thus for unprocessed milk is linked to erosion of purchasing power of consumers by widespread increases

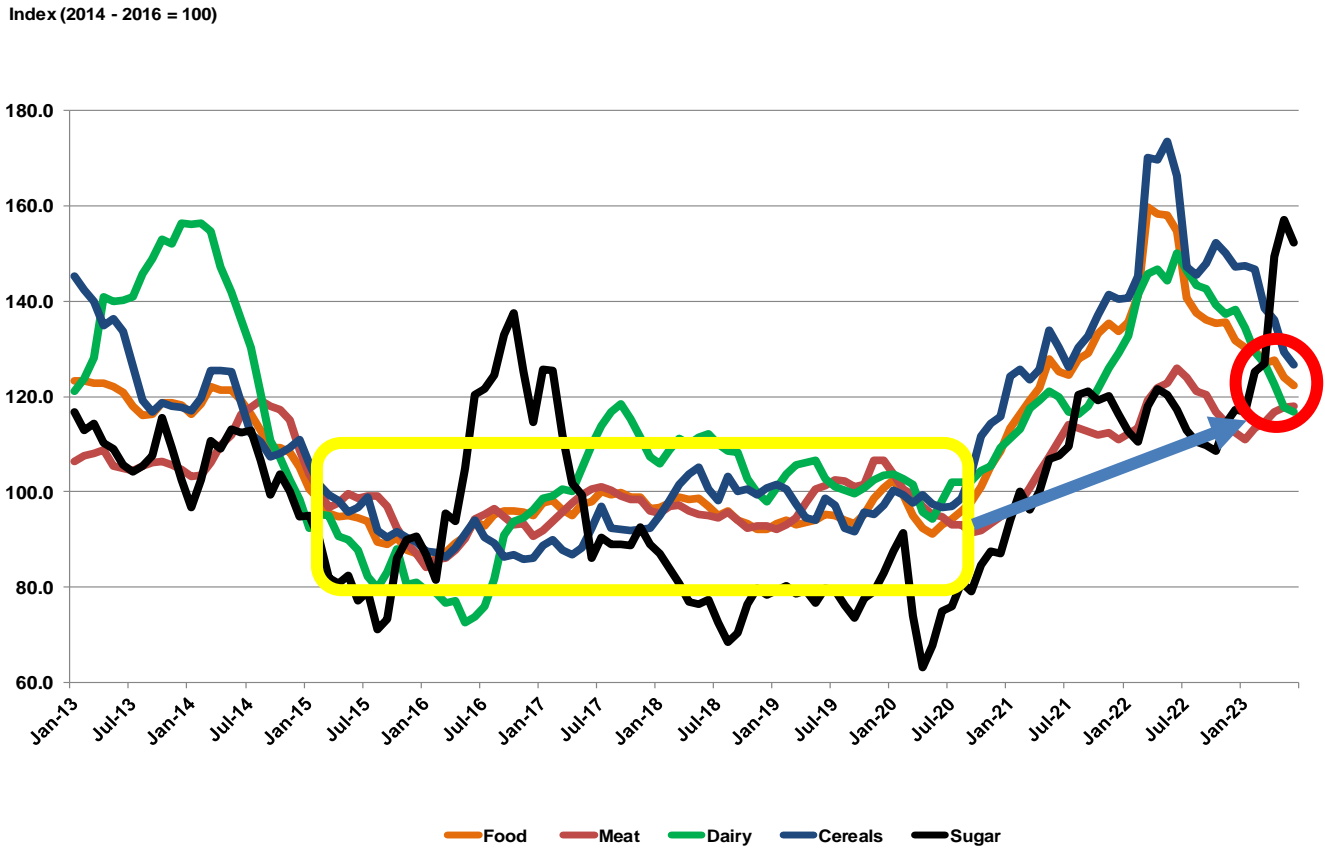
in the prices of consumer goods and services, poor service delivery by the public sector and lack of economic growth in South Africa.

The PPI for unprocessed milk increased by 12.2% from January 2022 to December 2022 and by a further 13.7% from January 2023 to June 2023. Over the same periods, the PPI for dairy products increased respectively by 12.4% and 5.1%, the PPI for other manufactured food by 10.5% and 5.1% and the overall PPI for Agriculture by 15.7% and -1.3%.

The daily average unprocessed milk production in June 2023 is at its lowest during the previous five years. Over the last six years, the maximum daily average level for June was in 2019 at 8.1 million kg while June 2023 came in at only 7.7 million kg.

1. INTERNATIONAL MARKET

FIGURE 1A: Food and Agricultural Organisation (FAO) FOOD PRICE INDICES, JANUARY 2013 – JUNE 2023



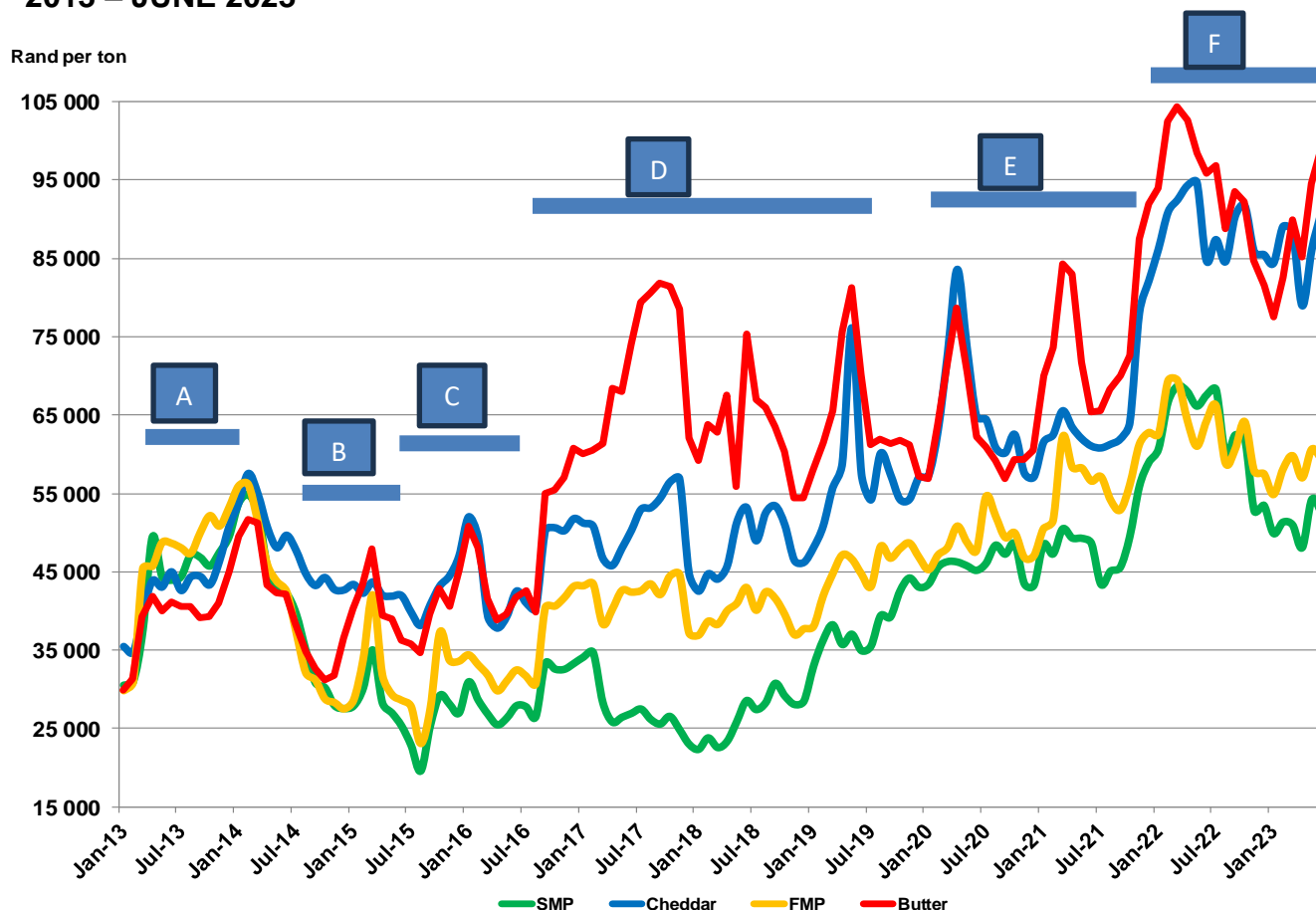
Source: FAO Food price index, July 2023

The FAO Food Price Index (FFPI) reached its highest level since 2010 in March 2022. Since then, the index dropped 23.4% registering a volatility ranking of 12.32% for the period from March 2022 to June 2023. During the period represented in the rectangular square with a yellow border in Figure 1A, the volatility ranking was only 2.38%. Volatility in the aggregate food price index measured by the FAO increased by 418%, illuminating the current levels of uncertainty and the magnitude of these risks that are present in world basic food commodity prices. The volatility metric measures the amount and frequency of price change for possible up or down price movement.

The FAO Dairy Price Index reached its highest level since 2010 in April 2022. Since then, the index dropped 19.9% registering a volatility ranking of 10.76% for the period from April 2022 to June 2023. During the period represented in the rectangular square with a yellow border in Figure 1A, the volatility ranking was 4.54%. The recent volatility in the dairy price index measured by the FAO increased by 137%, markedly lower than the aggregate basic food commodity prices but still at an uncomfortable high level. The significantly higher level in aggregate prices is mostly attributed to the more rapid changes in the world's sugar prices.

The price levels of the commodities (excluding sugar) included in Figure 1A, indicated by the circle with red borders are still some 18% higher than the pre-Covid-19 era, captured as part of the rectangular square with a yellow border.

FIGURE 1B: International Dairy Products Prices: Free-On-Board (FOB): JANUARY 2013 – JUNE 2023



Source: USDA, SARB

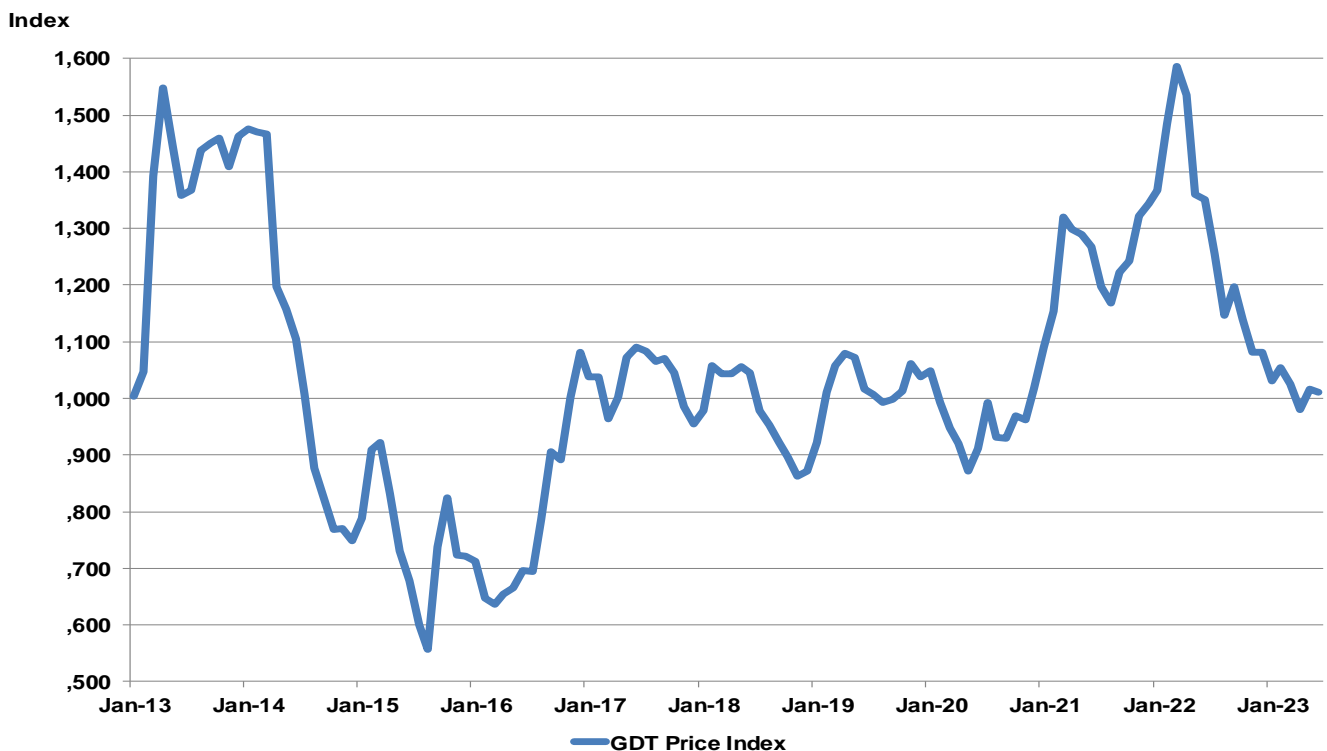
Referencing certain momentous events during the period depicted in Figure 1B:

- A. Climatic issues in Northern Europe and New Zealand
- B. Russian ban EU imports.
- C. End of unprocessed milk quotas in the EU.
- D. EU withdraw the intervention scheme of buying butter and SMP.
- E. Start of COVID-19 pandemic.
- F. Russia invades Ukraine.

The June 2023 USD price for all the international dairy products prices is lower than for the same month of 2022. Butter, SMP, Cheddar and FMP respectively with 13%, 34%, 9% and 22%. Despite the significant downward trend in the dairy products monitored in Figure 1b, the June 2023 USD prices for butter, SMP, Cheddar and FMP respectively remain 10%, 17%, 23% and 3% above the pre-COVID-19 levels (June 2019).

The June 2023 ZAR price for international dairy products prices is a mixed bag when compared to the same month in 2022. Butter and Cheddar are respectively 3% and 7% higher while SMP and FMP are respectively 22% and 8% lower. In taking a longer view, the June 2023 dairy product prices monitored in Figure 1B for butter, SMP, Cheddar and FMP respectively remain 41%, 51%, 58% and 33% above the pre-COVID-19 levels (June 2019). The ZAR weakened by 18% from June 2022 to June 2023 and by 28% from June 2019 to June 2023.

FIGURE 2a: Global dairy trade-weighted price index. JANUARY 2013 – JUNE 2023



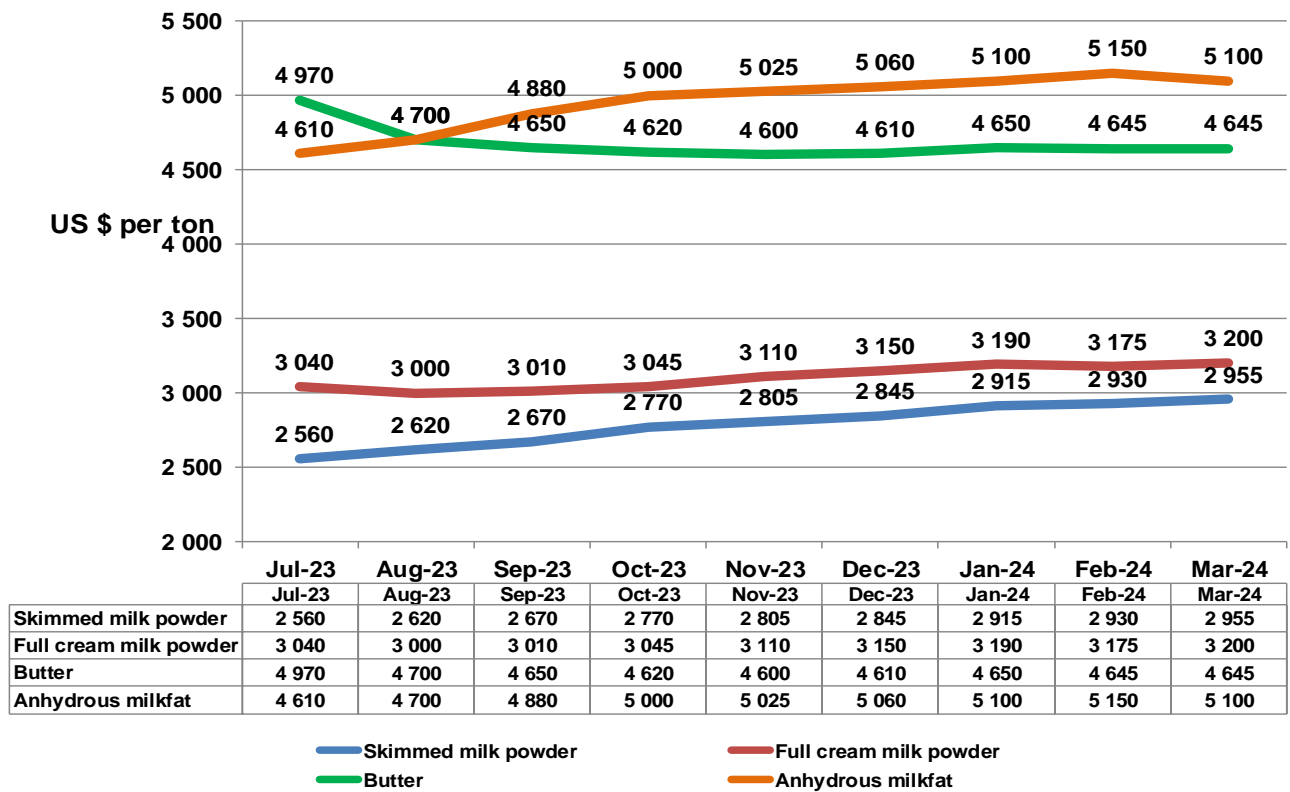
Source: Global Dairy Trade

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 June 2023. The GDT price index dropped from June 2022 to June 2023 with 25%. The index based on USD prices is at the same level as the average index level before the COVID-19 pandemic.

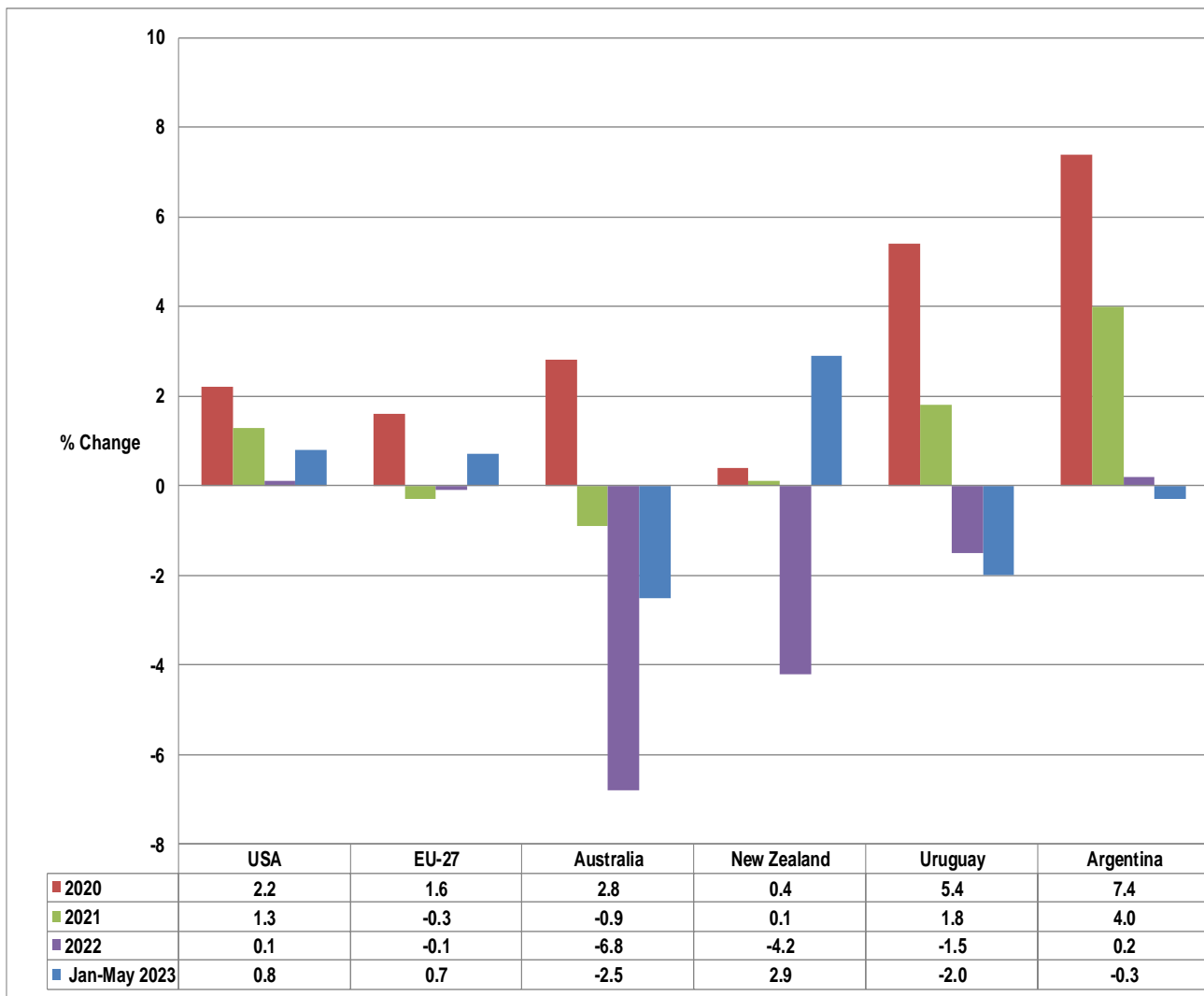
Figure 2B consists of the future prices on the New Zealand Future Exchange for butter, anhydrous milkfat, SMP and FMP. The price for butter is largely moving sideways, bar the dip from July 2023 to August 2023. Anhydrous fat is increasing from 4 610\$ to 5 150\$ during the period July 2023 to February 2024 and then drop to 5 100\$ in March 2024. SMP is increasing over the total period covered in Figure 2B while FMP is flat between the period July 2023 to October 2023 whereafter the price starts to increase marginally.

FIGURE 2B: FUTURE PRICES FOR DAIRY PRODUCTS ACHIEVED ON THE NEW ZEALAND FUTURES EXCHANGE (NDX): JULY 2023 – MARCH 2024



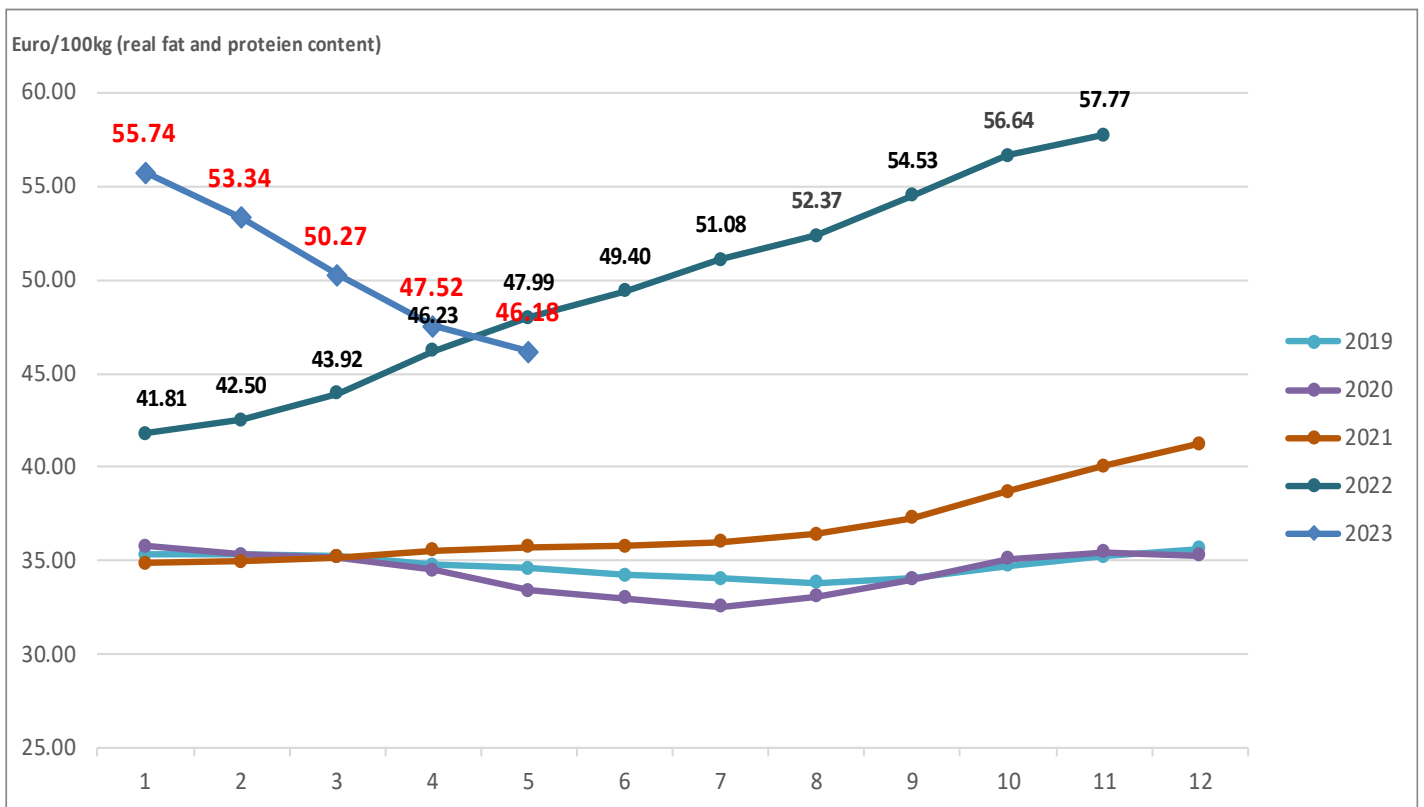
Source: NZX Futures, JULY 2023

FIGURE 3: YEAR ON YEAR CHANGE IN UNPROCESSED MILK PRODUCTION IN MAJOR DAIRY EXPORTING COUNTRIES, 2020 – 2023 (first five months) Source: CLAL, JULY 2023



Unprocessed milk production in the countries monitored in Figure 3, are all showing improved levels of unprocessed milk production with the exception of Uruguay and Argentina. The most meaningful stimulation of unprocessed milk production occurred in the New Zealand and Australia.

FIGURE 4: WEIGHTED AVERAGE PRODUCER PRICE OF UNPROCESSED MILK IN THE EU27 (excluding the UK). JANUARY 2019 – MAY 2023 (last month's estimate)

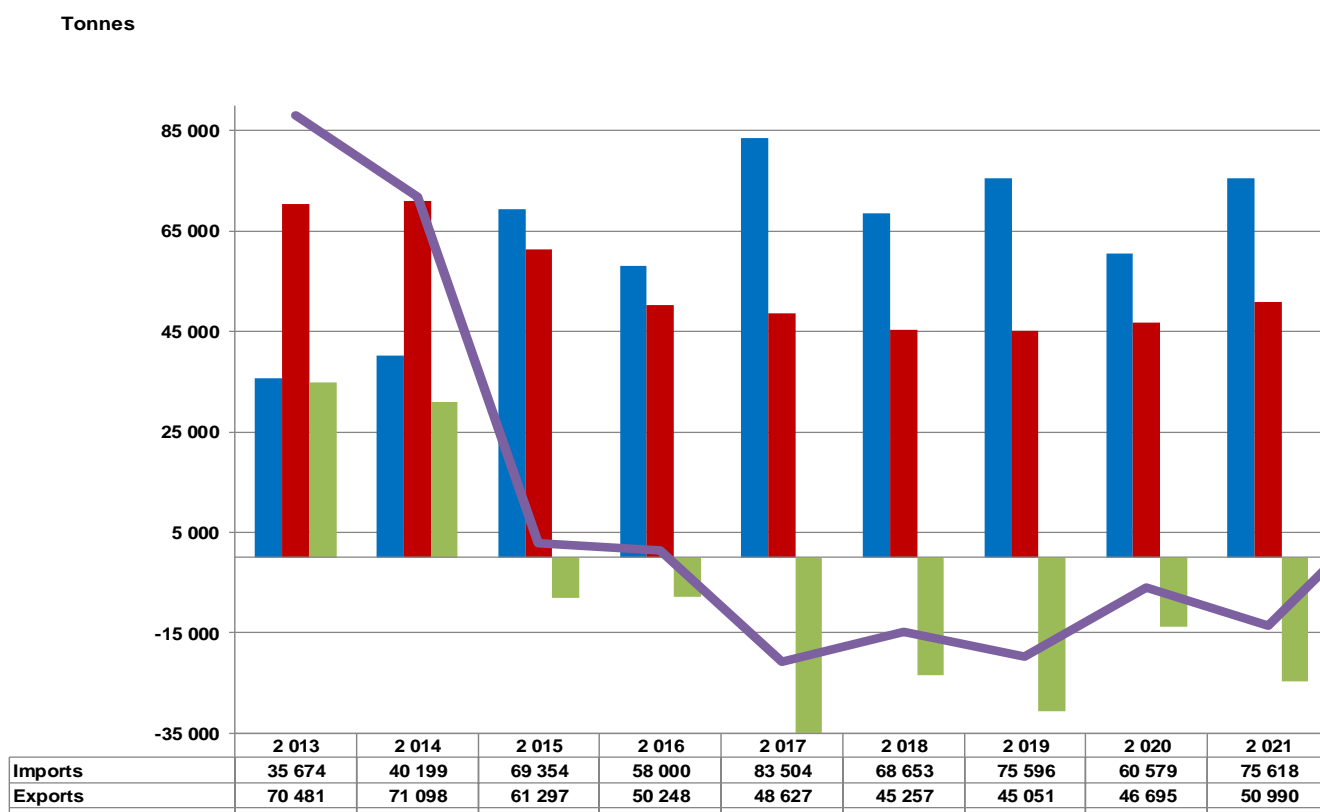


Source: European Commission, July 2023

The constantly rising trend in Figure 4 that was in play for the whole of 2021 and 2022 ended abruptly at the beginning of 2023. The average EU price in May 2023 is down by an 25.1% compared to the December 2022 price level. The price in Poland dropped dramatically by 27.3% and in Germany by 24.5%.

2. SOUTH AFRICAN DAIRY MARKET

FIGURE 5: TOTAL SOUTH AFRICAN IMPORTS AND EXPORTS OF DAIRY PRODUCTS, 2013 – 2022



Source: SARS as supplied by SAMPRO

The information regarding imports and exports by South Africa of dairy products in 2022, showed that:

- The mass of imports in 2022, was 30.0 percent lower than in 2021, and 12.6 percent lower than in 2020. The mass of imports of buttermilk powder (04.03) and whey and whey powder (04.04) was higher in 2022, compared to 2021, while the mass of the other four products was lower.
- The mass of exports in 2022, was 1.9 percent higher than in 2021 and 11.3 percent higher than in 2020. 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 2022, showed that South Africa was a net 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 same net importer and net exporter status per product were applicable in 2021.
- 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, the BeNL countries) in 2022, 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 all the dairy product categories in 2022, exceeds the mass of exports by South Africa. See Table 1.

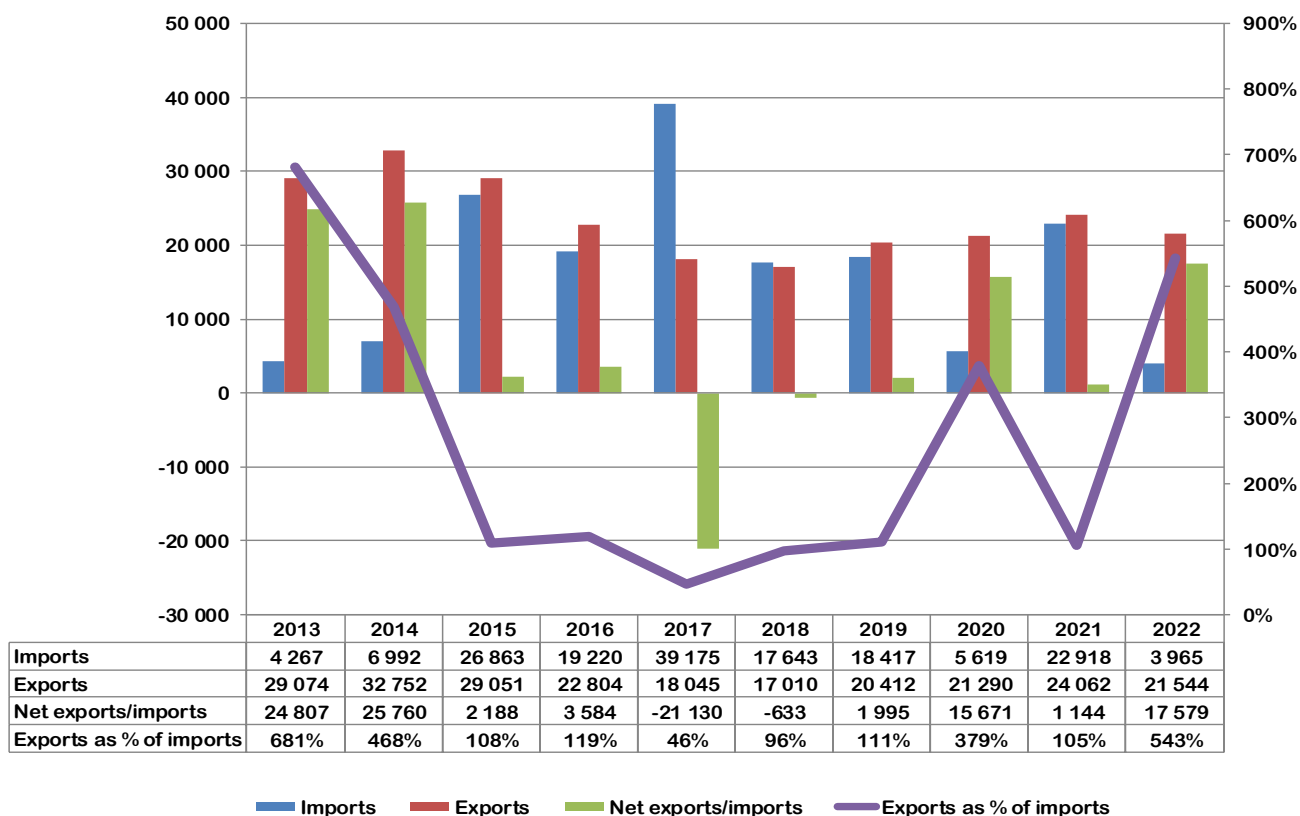
Table1: Mass of sales to the BeNL countries compared to exports outside of SACU in the period January 2022 to December 2022.

| Heading | Description | (A) | (B) | (A+B)=(C) | A |
|--------------|---------------------------------------|--------------------|-----------------------------------|---|-------------|
| | | Sales To BeNL | Exports to Countries Outside SACU | Sales to BeLN plus exports outside SACU | as % of C |
| | | Kilogram | | | % |
| 04.01 | Milk and cream, unsweetened | 66 615 847 | 21 544 230 | 88 160 078 | 75.6 |
| 04.02 | Milk, concentrated | 36 556 368 | 10 422 221 | 46 978 588 | 77.8 |
| 04.03 | Buttermilk powder, yogurt | 23 431 721 | 10 472 455 | 33 904 175 | 69.1 |
| 04.04 | Whey, whey powder, etc | 3 067 708 | 1 930 683 | 4 998 391 | 61.4 |
| 04.05 | Butter, butter spreads and butter oil | 1 828 965 | 1 225 720 | 3 054 685 | 59.9 |
| 04.06 | Cheese and curd | 6 657 546 | 6 349 359 | 13 006 905 | 51.2 |
| Total | | 138 158 155 | 51 944 668 | 190 120 823 | 72.7 |

Source: SARS as supplied by SAMPRO

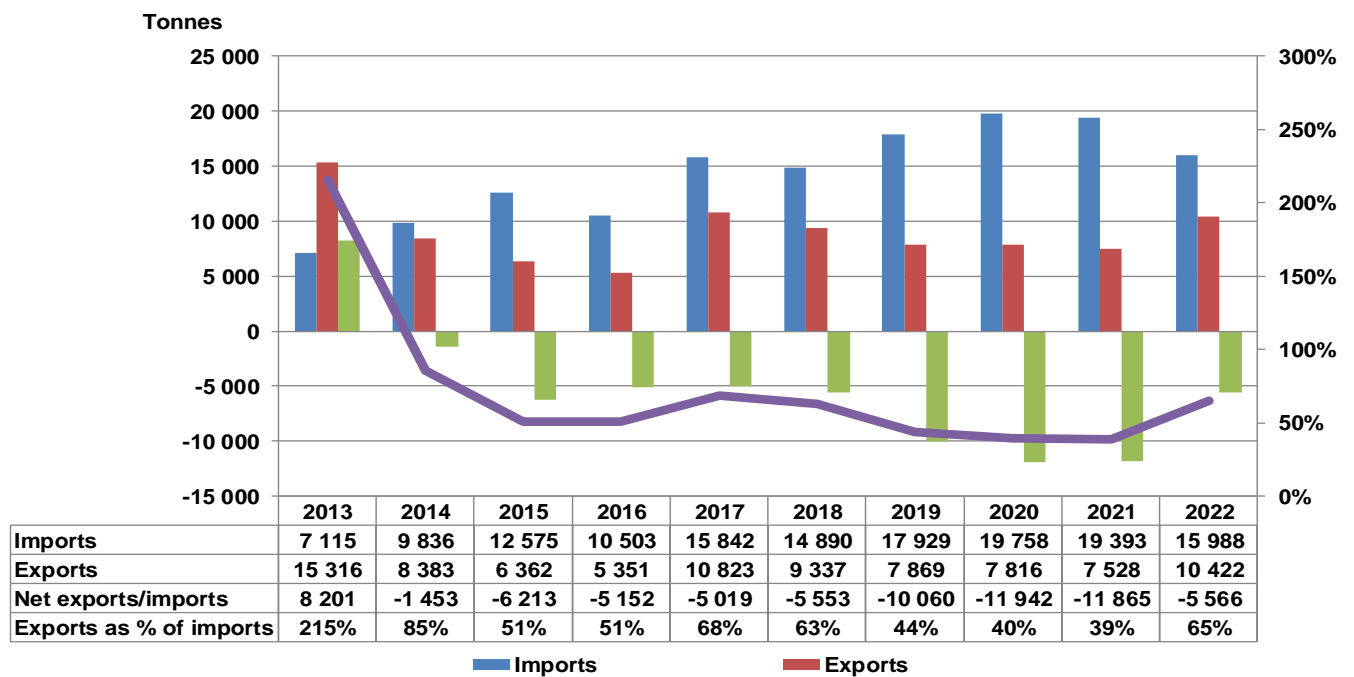
FIGURE 6: SOUTH AFRICAN IMPORTS AND EXPORTS OF MILK AND CREAM (04.01), 2013 – 2022

Tonnes



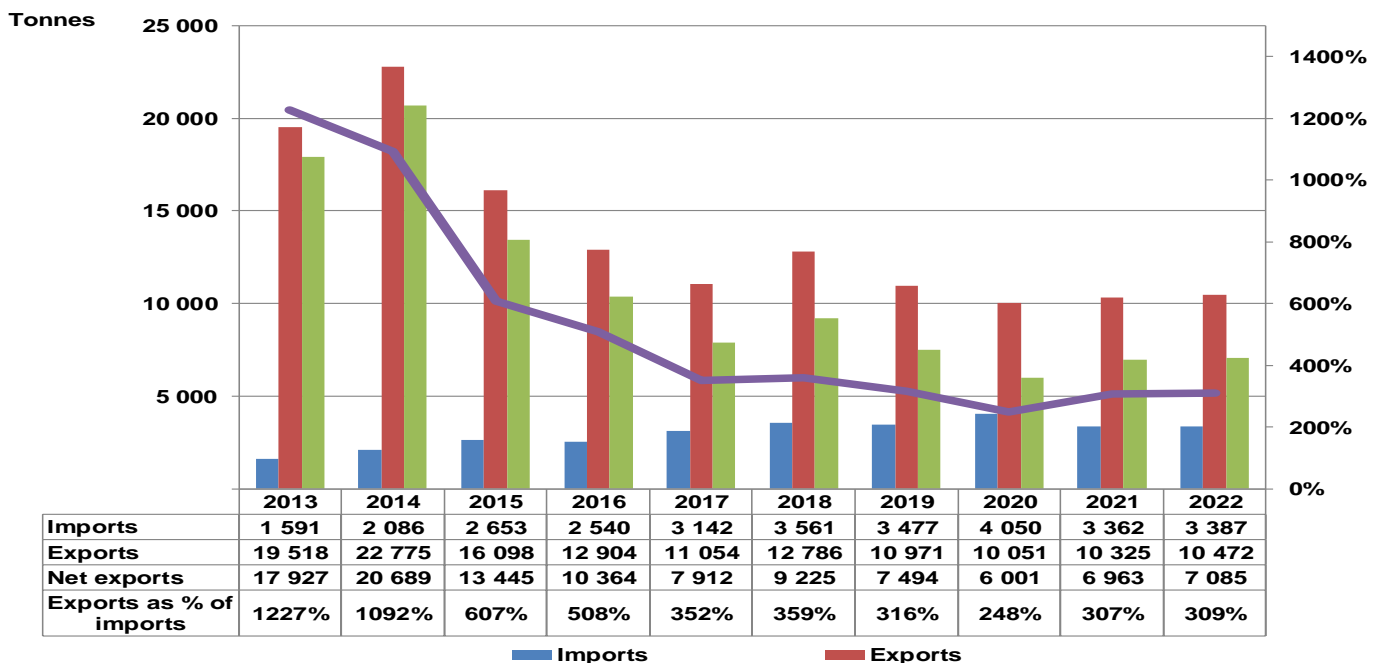
Source: SARS as supplied by SAMPRO

FIGURE 7: S.A. IMPORTS AND EXPORTS OF CONCENTRATED MILK, (04.02) 2013 – 2022



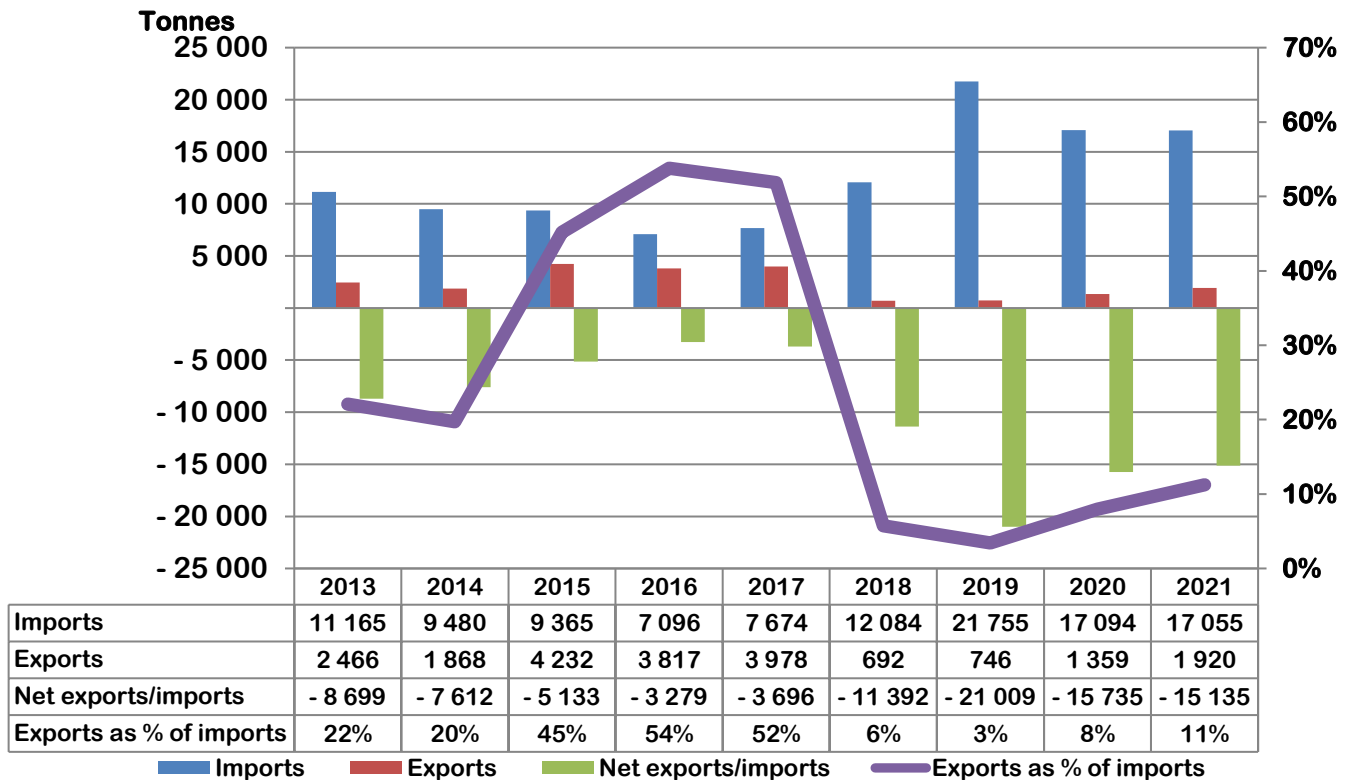
Source: SARS as supplied by SAMPRO

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



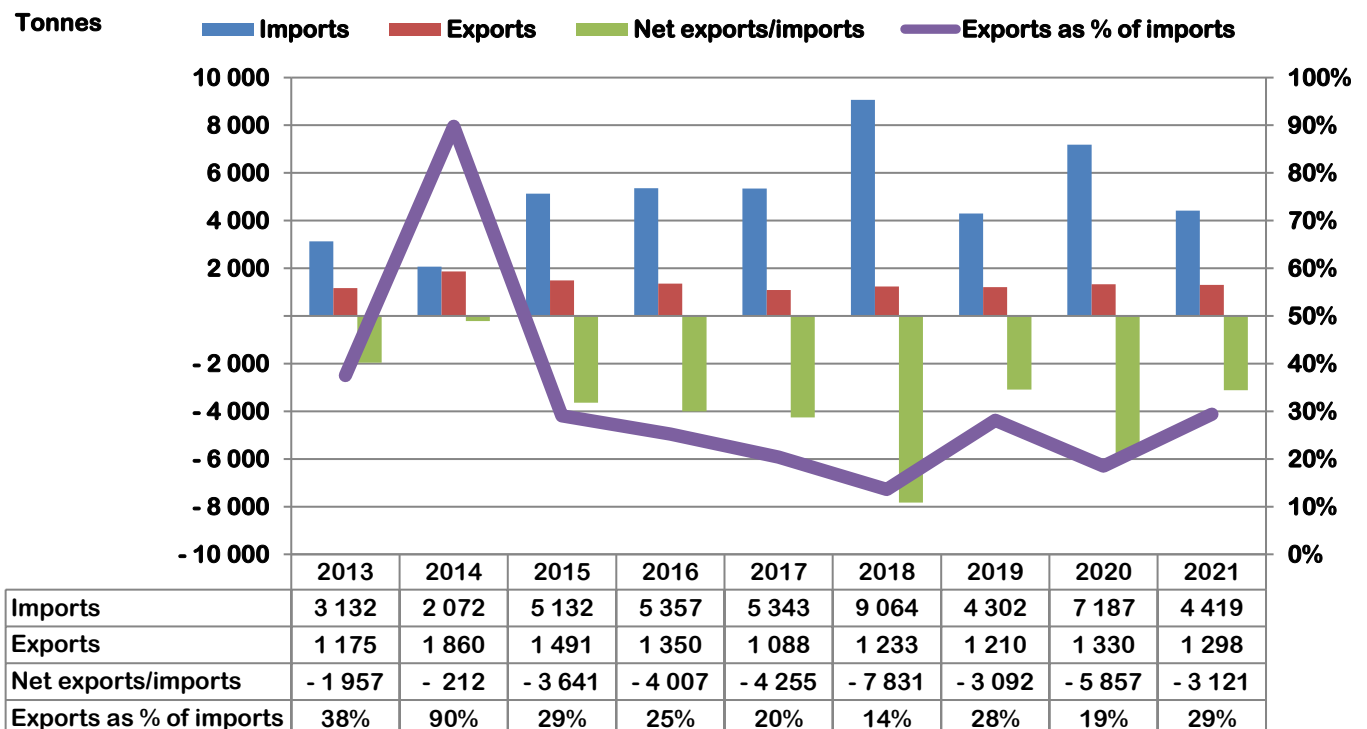
Source: SARS as supplied by SAMPRO

**FIGURE 9: SOUTH AFRICAN IMPORTS AND EXPORTS OF WHEY AND WHEY POWDER, (04.04)
2013 – 2022**

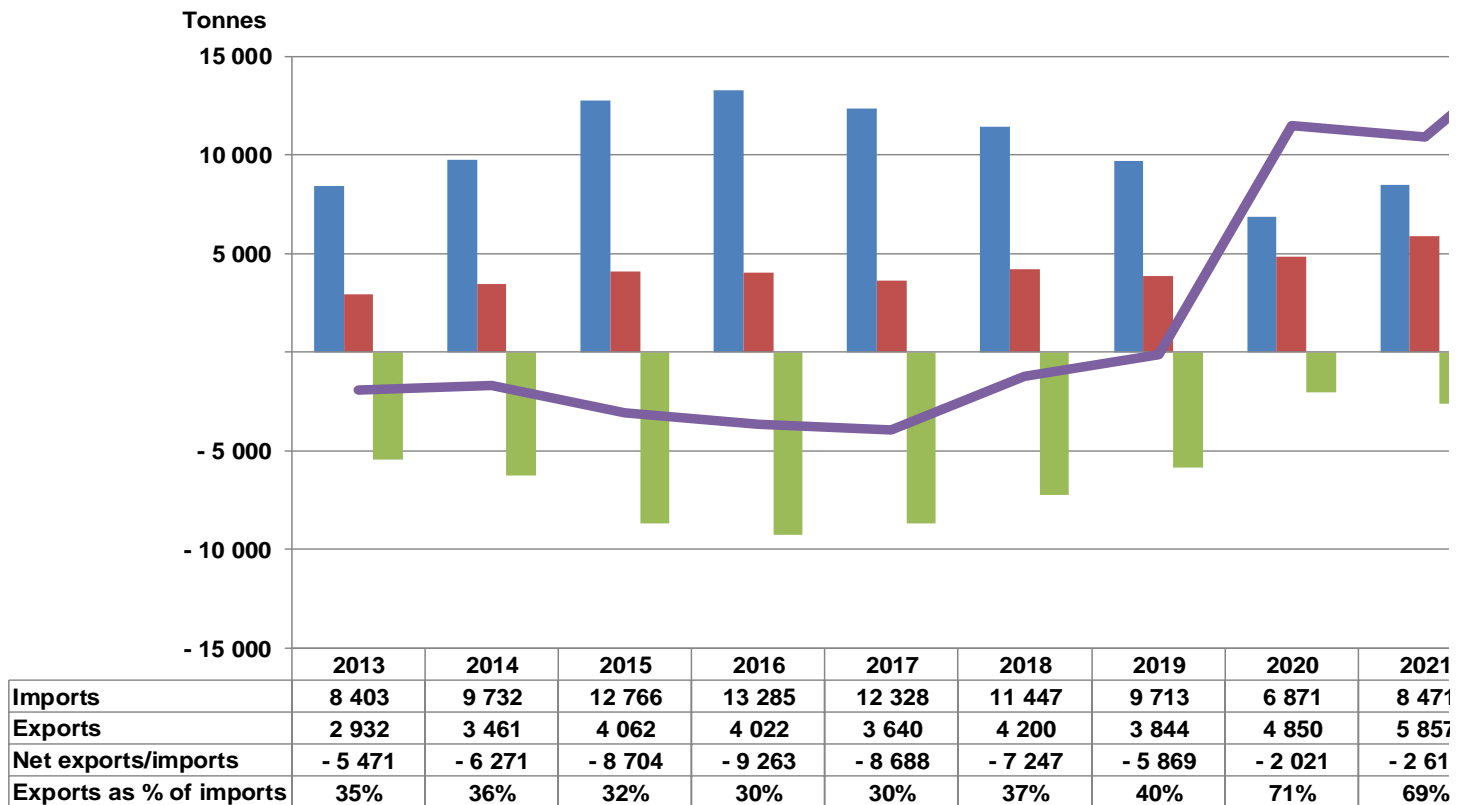


Source: As supplied by SAMPRO

**FIGURE 10: SOUTH AFRICAN IMPORTS AND EXPORTS OF BUTTER AND MILKFATS,
(04.05) 2013 – 2022 (As supplied by SAMPRO)**



**FIGURE 11: SOUTH AFRICAN IMPORTS AND EXPORTS OF CHEESE AND CURD, (04.06)
2013 – 2022**



Source: SARS as supplied by SAMPRO

TABLE 2: AVERAGE SOUTH AFRICAN IMPORT AND EXPORT FOB PRICES FOR DAIRY PRODUCTS, 2018– 2022

| Tariff heading | Description | Import price (R/kg) | | | | | Export price (R/kg) | | | | |
|----------------|----------------------|---------------------|-------|-------|-------|-------|---------------------|-------|-------|-------|-------|
| | | 2018 | 2019 | 2020 | 2021 | 2022 | 2018 | 2019 | 2020 | 2021 | 2022 |
| 04.01 | Milk & cream | 8.00 | 8.95 | 10.32 | 9.04 | 13.78 | 11.20 | 11.30 | 12.23 | 13.14 | 15.49 |
| 04.02 | Concentrated milk | 30.84 | 36.49 | 46.22 | 46.68 | 63.22 | 36.56 | 36.97 | 46.98 | 49.56 | 63.53 |
| 04.03 | Buttermilk & yoghurt | 23.51 | 32.27 | 40.32 | 40.13 | 60.42 | 18.45 | 21.02 | 20.28 | 24.25 | 22.54 |
| 04.04 | Whey | 29.33 | 25.77 | 39.68 | 33.53 | 36.14 | 18.71 | 18.03 | 19.50 | 21.71 | 38.93 |
| 04.05 | Butter | 72.84 | 70.17 | 69.25 | 67.01 | 87.18 | 67.27 | 56.89 | 73.57 | 69.04 | 79.38 |
| 04.06 | Cheese | 62.92 | 69.85 | 79.19 | 70.06 | 88.67 | 53.15 | 56.25 | 58.17 | 62.69 | 70.75 |

Source: SARS as supplied to SAMPRO

The average free-on-board (F.O.B) export prices in 2022, for five of the six different categories of dairy products, were higher than in 2021, while for import F.O.B prices of all the categories are higher in 2022 compared to 2021.

In Table 3, the mass of imports in January to March 2023, is compared to the mass of imports in January to March 2022. The mass of imports of concentrated milk (04.02) is higher in January to March 2023, than in January to March 2022, while the mass of the other products is lower.

Table 3: Imports in January to March 2023 compared to January 2022 to March 2022.

| Heading | Description | A 2023 Kg | B 2022 Kg | A as % of B |
|--------------|---------------------------------------|-------------------|-------------------|-------------------|
| 04.01 | Milk and cream, unsweetened | 558 152 | 1 532 555 | 36.4 |
| 04.02 | Milk, concentrated | 5 863 099 | 3 413 900 | 171.7 |
| 04.03 | Buttermilk powder, yogurt | 810 938 | 935 985 | 86.6 |
| 04.04 | Whey, whey powder, etc | 3 230 875 | 4 616 977 | 70.0 |
| 04.05 | Butter, butter spreads and butter oil | 408 342 | 1 455 520 | 28.1 |
| 04.06 | Cheese and curd | 1 281 577 | 2 094 519 | 61.2 |
| Total | | 12 152 982 | 14 049 456 | 86.5 |

Source: SARS as supplied by SAMPRO

In Table 4, the mass of exports in January to March 2023, is compared to the mass of exports in January to March 2022. On the export front, the mass of two of the six categories of dairy products are higher in January 2023 to March 2023, than in January 2022 to March 2022. The two categories are milk and cream (04.01) and cheese (04.06)

Table 4: Exports in January to March 2023 compared to January 2022 to March 2022.

| Heading | Description | A 2023 Kg | B 2022 Kg | A as % van B |
|--------------|---------------------------------------|-------------------|-------------------|--------------------|
| 04.01 | Milk and cream, unsweetened | 5 511 238 | 5 310 628 | 103.8 |
| 04.02 | Milk, concentrated | 2 169 725 | 2 364 770 | 91.8 |
| 04.03 | Buttermilk powder, yoghurt | 2 408 975 | 2 525 614 | 95.4 |
| 04.04 | Whey, whey powder. etc | 380 834 | 534 264 | 71.3 |
| 04.05 | Butter, butter spreads and butter oil | 241 858 | 321 298 | 75.3 |
| 04.06 | Cheese and curd | 2 151 790 | 1 013 918 | 212.2 |
| Total | | 12 864 419 | 12 070 493 | 106.6 |

Source: SARS as supplied by SAMPRO

TABLE 5: CHANGES IN THE RETAIL SALES QUANTITIES FROM THE YEAR APRIL 2021 TO MARCH 2022, TO THE YEAR APRIL 2022 TO MARCH 2023, AND CHANGES IN THE RETAIL PRICES FROM MARCH 2022 TO MARCH 2023 OF SPECIFIC DAIRY PRODUCTS

| PRODUCT | CHANGE IN RETAIL SALES QUANTITY | CHANGE IN RETAIL PRICES |
|---------------------------|---------------------------------------|-------------------------------|
| | PERCENT | PERCENT |
| FRESH MILK | -5.9 | 17.5 |
| LONG LIFE MILK (UHT MILK) | -3.0 | 17.1 |
| FLAVOURED MILK | -6.1 | 19.0 |
| YOGHURT | -4.3 | 16.0 |
| MAAS | 0.3 | 24.1 |
| PRE-PACKAGED CHEESE | -0.02 | 15.6 |
| CREAM CHEESE | -1.4 | 10.9 |
| BUTTER | -4.3 | 11.5 |
| CREAM | -6.4 | 13.7 |

Source: Nielsen figures supplied by SAMPRO

The average retail prices of all nine dairy products monitored in Table 5, were higher in March 2023, than in March 2022. Comparing March 2023 with March 2022, the retail sales prices of all nine dairy products increased and none of the nine products' retail sales prices increased at a rate less than the inflation rate of 7.1 percent. The price increases of four of the nine dairy products, were higher than the inflation rate of processed food of 16.2 percent during that time. From the period April 2022 to March 2023 to the period April 2021 to March 2022 the retail sales quantities of eight of the nine dairy products were lower.

The percentage changes in the average retail prices indicated in Table 5, do not mean that the prices changed continuously at the same rate, during the period concerned. This situation is illustrated in Table 6.

TABLE 6: CHANGES IN THE QUANTITIES OF RETAIL SALES OF SPECIFIC DAIRY PRODUCTS AND SPECIFIC OTHER FOOD PRODUCTS

| Product | SALES IN THE MONTH OF MARCH 2023 VERSUS THE SALES IN THE MONTH OF MARCH 2022 | | SALES IN THE 6 MONTHS FROM OCTOBER 2022 TO MARCH 2023 VERSUS THE SALES IN THE 6 MONTHS FROM OCTOBER 2021 TO MARCH 2022 | | SALES IN THE 12 MONTHS FROM APRIL 2022 TO MARCH 2023 VERSUS THE SALES IN THE 12 MONTHS FROM APRIL 2021 TO MARCH 2022 | |
|---------------------|--|---------|--|---------|--|---------|
| | % | Ranking | % | Ranking | % | Ranking |
| Rice | 11.2 | 1 | 10.4 | 1 | 12.3 | 1 |
| Bread | 6.6 | 3 | 8.3 | 2 | 8.2 | 2 |
| Maize Meal | 3.0 | 4 | 1.7 | 3 | 3.2 | 3 |
| Maas | -1.6 | 7 | -0.9 | 6 | 0.3 | 4 |
| Pre-packaged cheese | -2.9 | 10 | -0.7 | 5 | -0.02 | 5 |
| Margarine | -4.5 | 12 | -3.5 | 8 | -0.9 | 6 |
| Cream cheese | 7.7 | 2 | -0.1 | 4 | -1.4 | 7 |
| Instant Cereals | -1.9 | 8 | -2.0 | 7 | -1.7 | 8 |
| UHT milk | -7.3 | 15 | -4.9 | 12 | -3.0 | 9 |
| Tea | -5.8 | 13 | -4.2 | 10 | -3.4 | 10 |
| Yoghurt | -4.2 | 11 | -5.6 | 13 | -4.3 | 11 |
| Butter | 2.8 | 5 | -4.0 | 9 | -4.3 | 12 |
| Fresh Milk | -2.3 | 9 | -4.3 | 11 | -5.9 | 13 |
| Flavoured milk | -15.3 | 17 | -9.3 | 16 | -6.1 | 14 |
| Cream | 0.6 | 6 | -6.7 | 14 | -6.4 | 15 |
| Coffee | -6.4 | 14 | -7.6 | 15 | -6.4 | 16 |
| Short Life Juice | -13.2 | 16 | -11.9 | 17 | -6.9 | 17 |

Source: Nielsen as supplied by SAMPRO

The sales quantities of six of the dairy products reflected in Table 6, were lower in March 2022 compared to March 2023 and for specific other food products sales for five products were lower. In total, 12 of the 17 products monitored in Table 6 over that period were lower. Comparing sales in the six-month period from October 2022 to March 2023 versus October 2021 to March 2022 the sales quantities of 14 products in Table 6 were lower over that period, with nine of the 14 products being dairy products, with coffee, short-life fruit juice, flavoured milk and cream taking serious shots. In the 12-month period from April 2022 to March 2023 versus April 2021 to March 2022, 13 products registered reduced sales of which eight were dairy products.

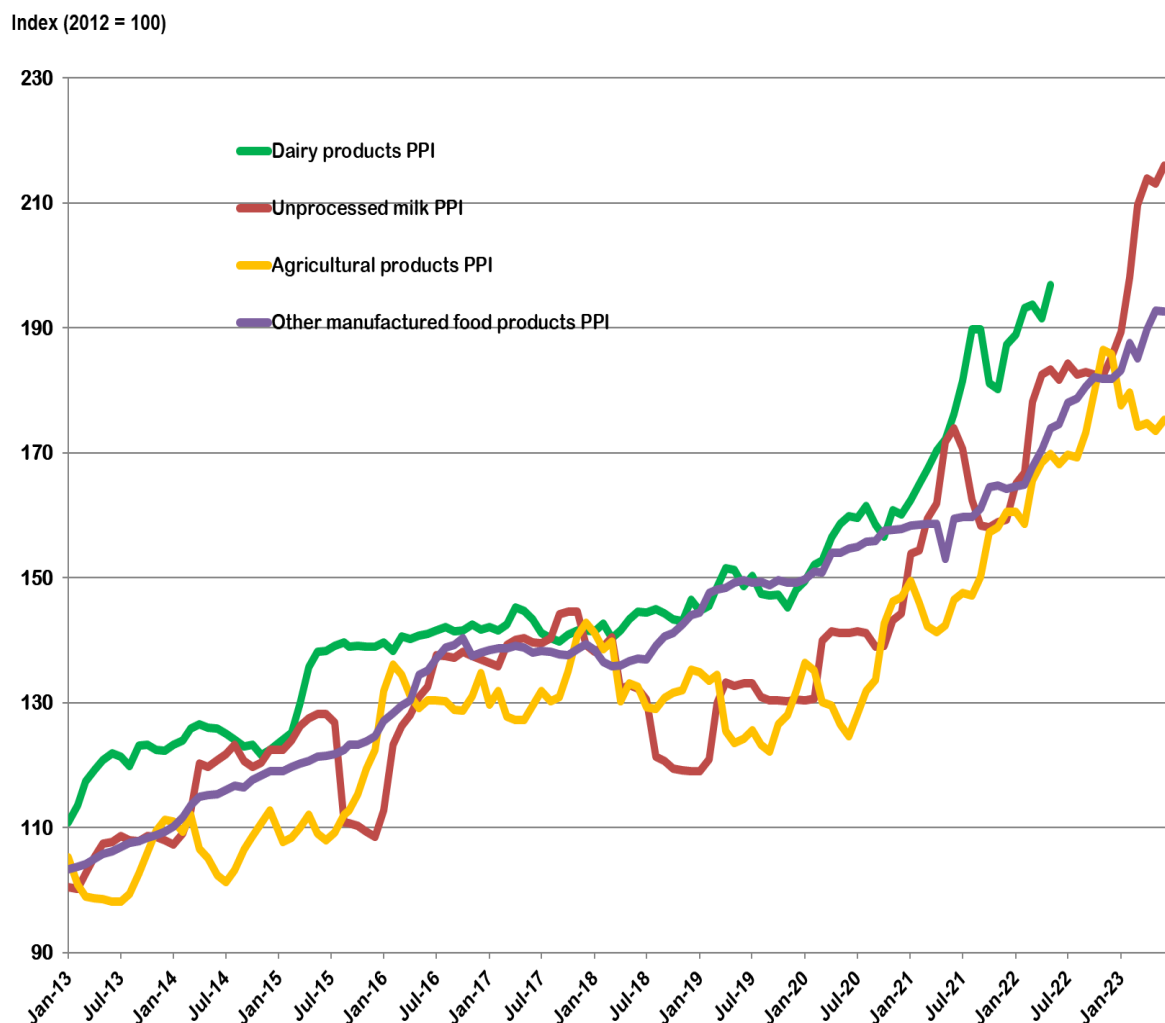
TABLE 7: CHANGES IN THE AVERAGE RETAIL PRICES OF SPECIFIC DAIRY PRODUCTS AND SPECIFIC OTHER FOOD PRODUCTS

| Product | MARCH 2023 VERSUS FEBRUARY 2023 (1 MONTH AGO) | | MARCH 2023 VERSUS SEPTEMBER 2022 (6 MONTHS AGO) | | MARCH 2023 VERSUS MARCH 2022 (12 MONTHS AGO) | |
|---------------------|--|---------|--|---------|---|---------|
| | % | Ranking | % | Ranking | % | Ranking |
| Maize Meal | -1.3 | 13 | 11.2 | 3 | 31.7 | 1 |
| Maas | 4.4 | 1 | 14.2 | 1 | 24.1 | 2 |
| Short Life Juice | -1.8 | 14 | 2.5 | 14 | 19.4 | 3 |
| Flavoured milk | 1.6 | 6 | 7.7 | 5 | 19.0 | 4 |
| Fresh Milk | 4.0 | 2 | 11.8 | 2 | 17.5 | 5 |
| UHT milk | 1.0 | 7 | 5.2 | 11 | 17.1 | 6 |
| Yoghurt | 0.18 | 8 | 7.9 | 4 | 16.0 | 7 |
| Bread | 1.7 | 5 | 1.5 | 15 | 16.0 | 8 |
| Coffee | -2.8 | 17 | 6.8 | 8 | 15.8 | 9 |
| Pre-packaged cheese | -0.5 | 11 | 7.5 | 7 | 15.6 | 10 |
| Cream | 2.4 | 4 | 6.7 | 9 | 13.7 | 11 |
| Instant Cereals | -0.02 | 9 | 6.7 | 10 | 12.9 | 12 |
| Butter | -2.6 | 16 | 4.1 | 12 | 11.5 | 13 |
| Cream cheese | 2.8 | 3 | 3.9 | 13 | 10.9 | 14 |
| Tea | -0.3 | 10 | 7.6 | 6 | 9.7 | 15 |
| Margarine | -1.8 | 15 | -0.6 | 17 | 8.4 | 16 |
| Rice | -1.0 | 12 | 1.5 | 16 | 4.8 | 17 |

Source: Nielsen as supplied by SAMPRO

Comparing month on month (March 2023 with February 2023), eight of the 17 food products registered price increases in Table 7, with seven being dairy products. Comparing year on year (March 2023 with March 2022), the retail sales prices of all 17 food products increased, with 16 products increasing with more than the year-on-year Headline inflation rate of 7.1%.

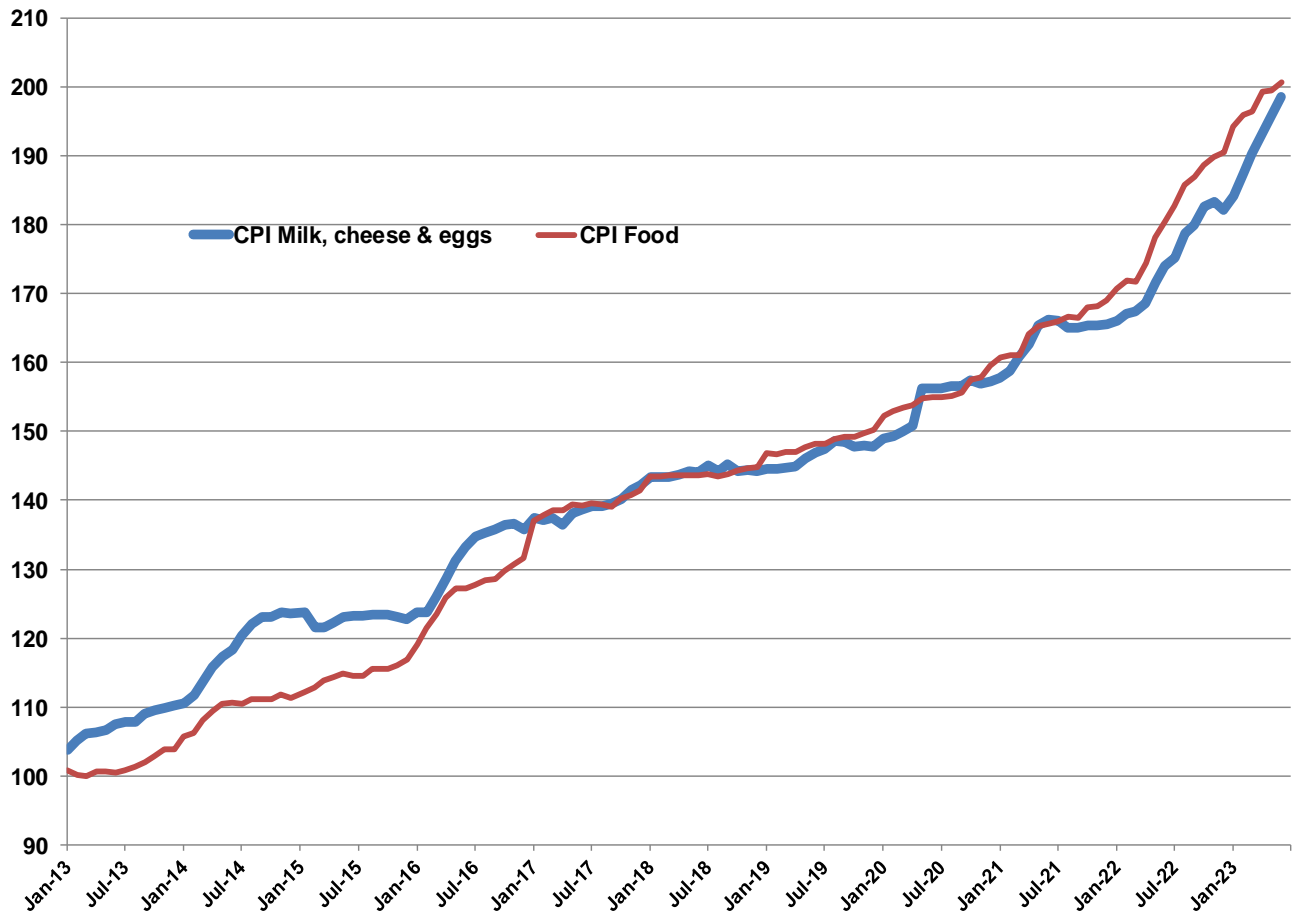
FIGURE 12: PRODUCER PRICE INDICES OF SOUTH AFRICAN AGRICULTURAL AND FOOD PRODUCTS, JANUARY 2013 – June 2023.



Source: Stats SA

The PPI for unprocessed milk increased by 12.2% from January 2022 to December 2022 and by a further 13.7% from January 2023 to June 2023. Over the same period, the PPI for dairy products increased respectively by 12.4% and 5.1%, PPI for other manufactured food by 10.5% and 5.1% and the overall PPI for Agriculture by 15.7% and -1.3%. The intensity of the increases came as a result of a wide range of raw materials reaching all-time highs or levels near that, high energy prices and higher than normal levels of uncertainty in the world due to geopolitical tension and the international financial system being tested by an inflationary environment not experienced in recent years which in turn suppressed the production of food and fibre and created the need for prices in the production space to increase to enable the supply side to respond to demand.

FIGURE 13: CONSUMER PRICE INDICES OF SOUTH AFRICAN FOOD AND DAIRY PRODUCTS, JANUARY 2013 – JUNE 2023

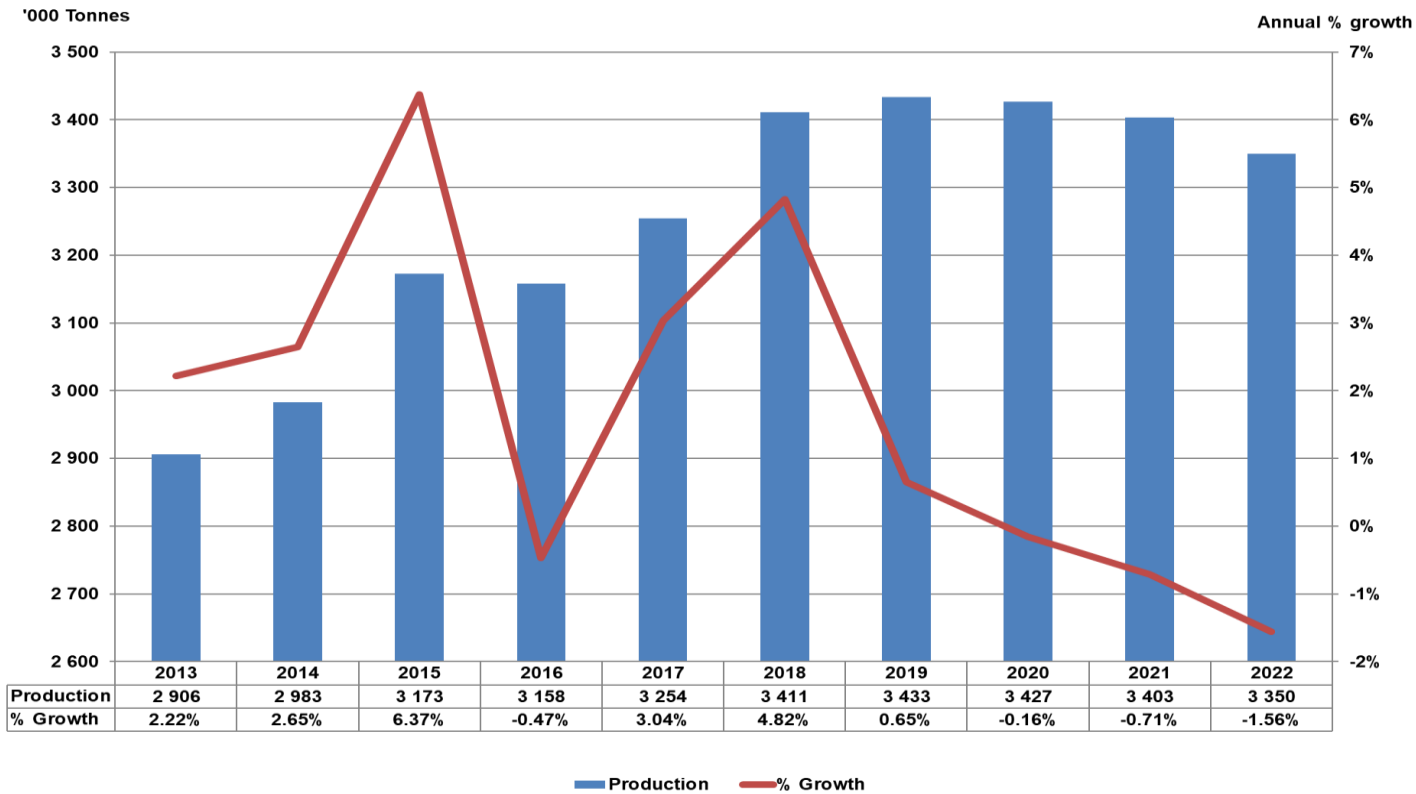


Source: Stats SA

In January 2022 the change to a steeper upward slope for the two indices are clearly visible. Up until that time the pressure build-up in producer price indices was absorbed/partly absorbed by role players in the different value chains in an effort to protect affordability of food and sales volume. The pressure build-up lasted too long and was aggravated by erratic electricity supply, dilapidated infrastructure, poor service delivery and the cost of energy in general with the consequential effect that price transfer spilled into consumer prices. The CPI for milk, cheese and eggs increased by 19.6% from January 2022 to June 2023 and the CPI for food by 17.6%.

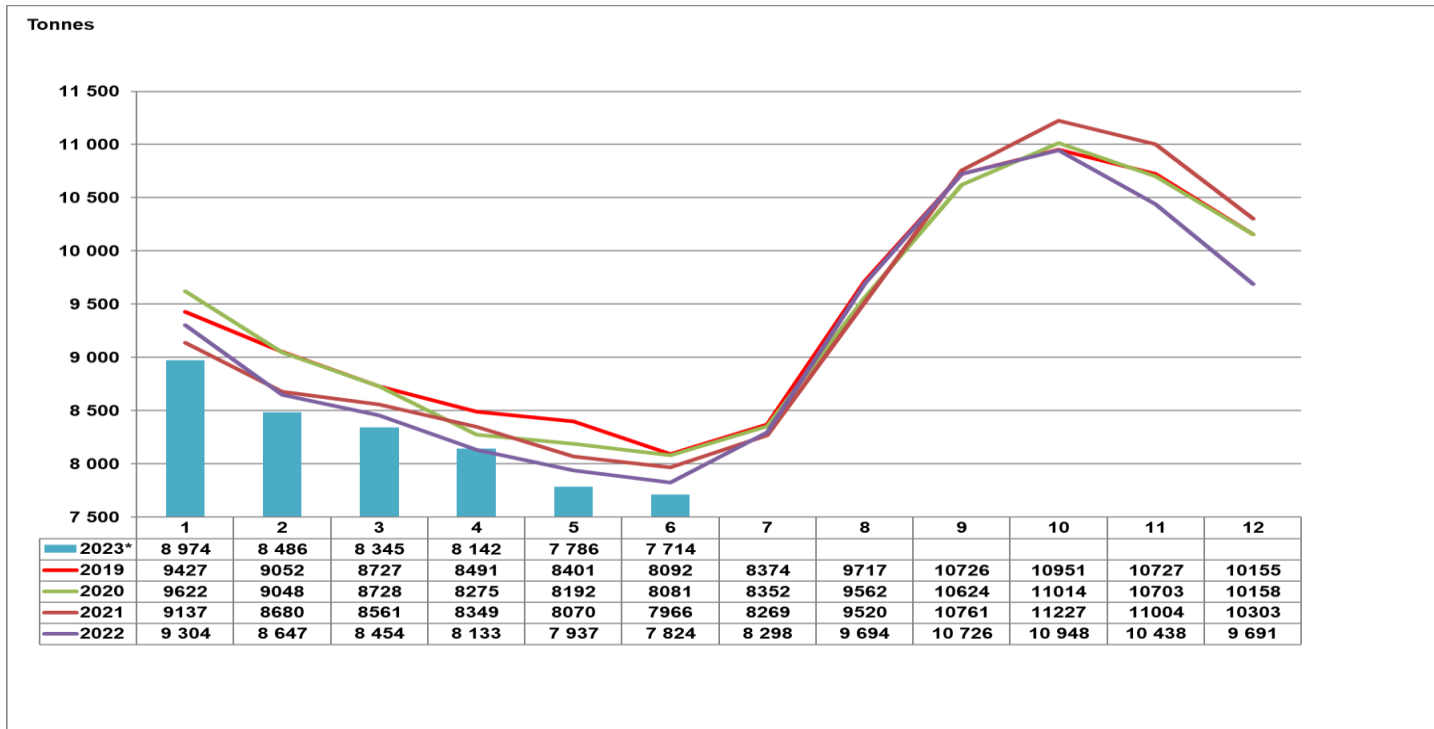
The CPI for milk, cheese and eggs started to slow down, dropping from 14.2% in May 2023 to 14.1% in June 2023 and the CPI for food cooled off to 11% in June 2023 from 12.0% in May 2023.

FIGURE 14: ANNUAL SOUTH AFRICAN UNPROCESSED MILK PURCHASES, 2013 – 2022



Source: Milk SA

FIGURE 15: SOUTH AFRICAN UNPROCESSED MILK PURCHASES DAILY AVERAGE PER MONTH, JANUARY 2019 – JUNE 2023



Source: Milk SA. Last two months preliminary.

Daily average unprocessed milk purchases in 2022 is a mixed bag of higher and lower daily purchases when compared to 2021. In general, daily purchases in 2022 were lower than in 2021.

TABLE 8: CUMULATIVE UNPROCESSED MILK PURCHASES (Tonnes), 2019 – 2023

| Month | 2019 | 2020 | 2021 | 2022 | 2023 |
|-----------|-----------|-----------|-----------|-----------|-----------|
| January | 292 222 | 298 287 | 283 260 | 288 433 | 278 186 |
| February | 545 682 | 560 678 | 526 286 | 530 550 | 515 784 |
| March | 816 208 | 831 233 | 791 682 | 792 617 | 774 464 |
| April | 1 070 927 | 1 079 473 | 1 042 152 | 1 036 592 | 1 018 736 |
| May | 1 331 360 | 1 333 417 | 1 292 311 | 1 282 647 | 1 260 117 |
| June | 1 574 114 | 1 575 855 | 1 531 293 | 1 517 370 | 1 491 525 |
| July | 1 833 695 | 1 834 773 | 1 787 625 | 1 774 605 | |
| August | 2 134 907 | 2 131 205 | 2 082 757 | 2 075 131 | |
| September | 2 456 699 | 2 449 933 | 2 405 584 | 2 396 918 | |
| October | 2 796 179 | 2 791 371 | 2 753 615 | 2 736 299 | |
| November | 3 117 985 | 3 112 446 | 3 083 722 | 3 049 429 | |
| December | 3 432 802 | 3 427 335 | 3 403 100 | 3 349 861 | |

Source: Milk SA. Last two months' preliminary

During 2022, 3 349 861 tonnes of unprocessed milk were purchased, which is 1.56% less than in 2021. The cumulative unprocessed milk purchases for the first six months of 2023 were 1.70% less than the same period in 2022.

The next section of figures illustrates the quarterly production of different dairy products in South Africa in relation to the percentage of the product produced compared to the total mass of either liquid or concentrated products. (Source: Milk SA)

Figure 16: Mass(t) of quarterly produced unsweetened and unflavoured milk as a percentage of the total mass of liquid products produced i.r.o. first two quarters.
 (Source: Milk SA)

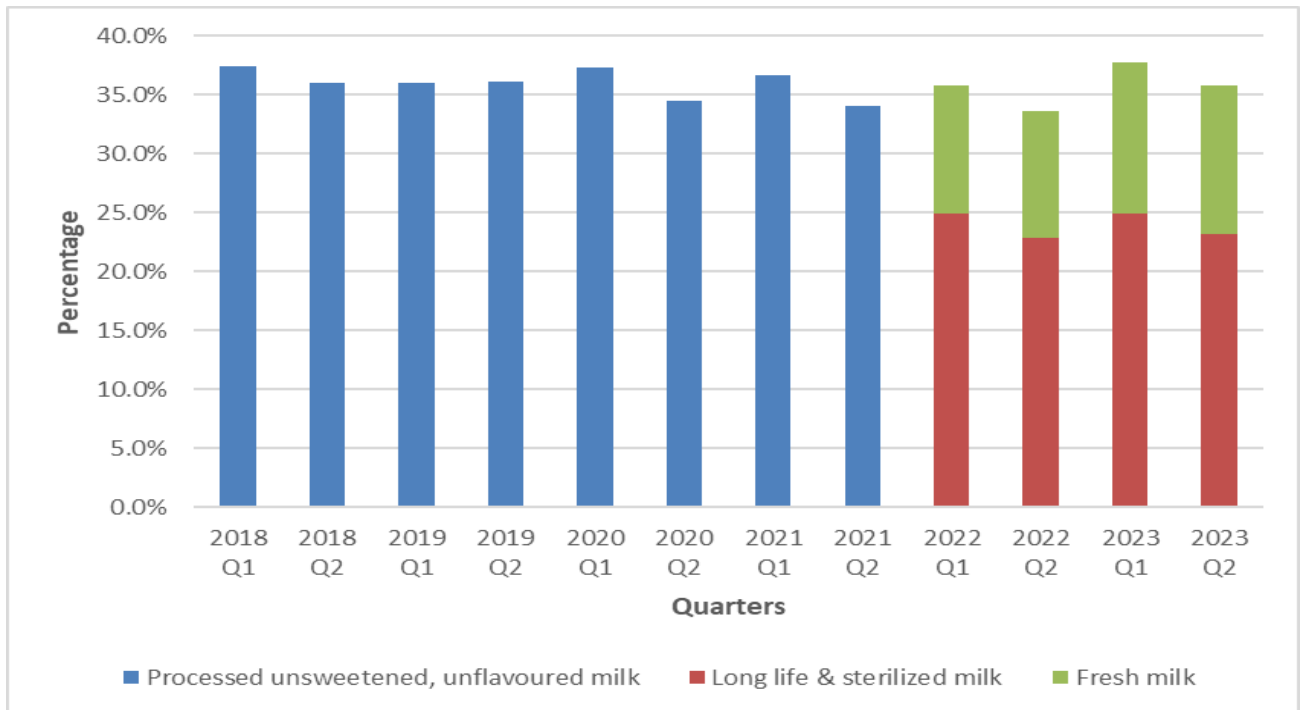


Figure 17: Mass(t) of quarterly produced sweetened, flavoured and coloured milk as a percentage of the total mass of liquid products produced i.r.o. first two quarters.
 (Source: Milk SA)

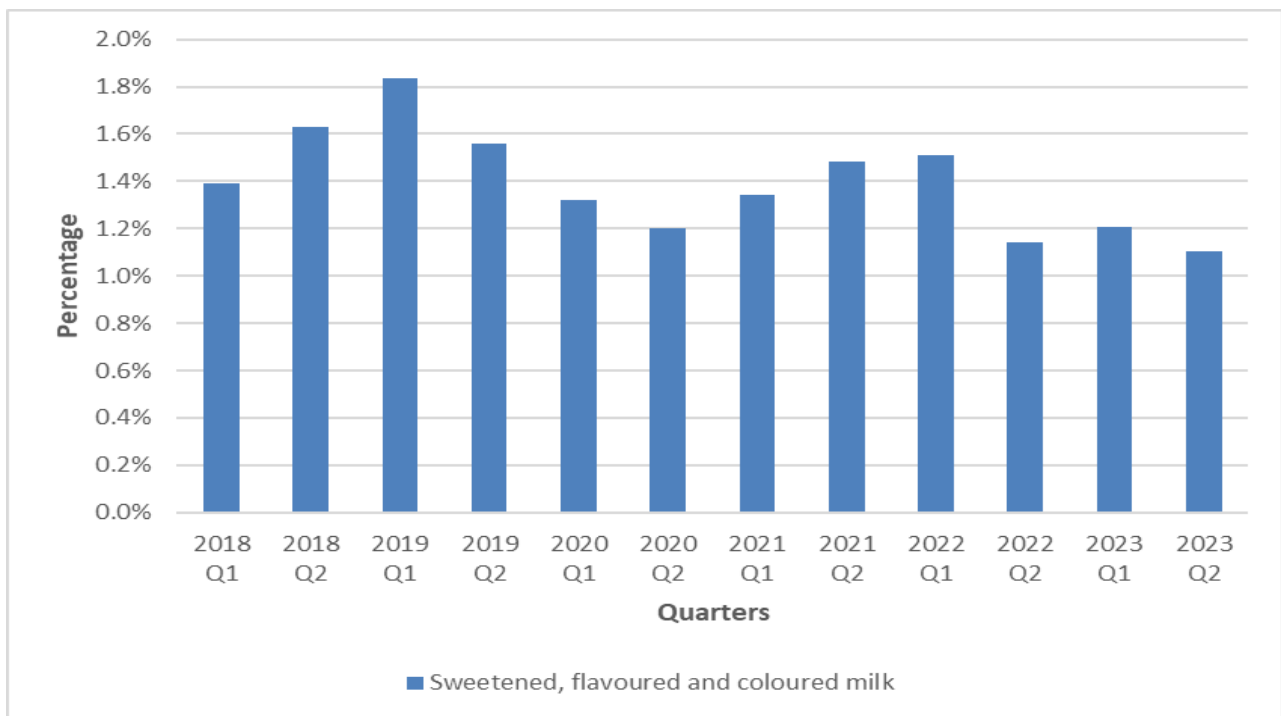


Figure 18: Mass(t) of quarterly produced fermented products as a percentage of the total mass of liquid products produced i.r.o. first two quarters. (Source: Milk SA)

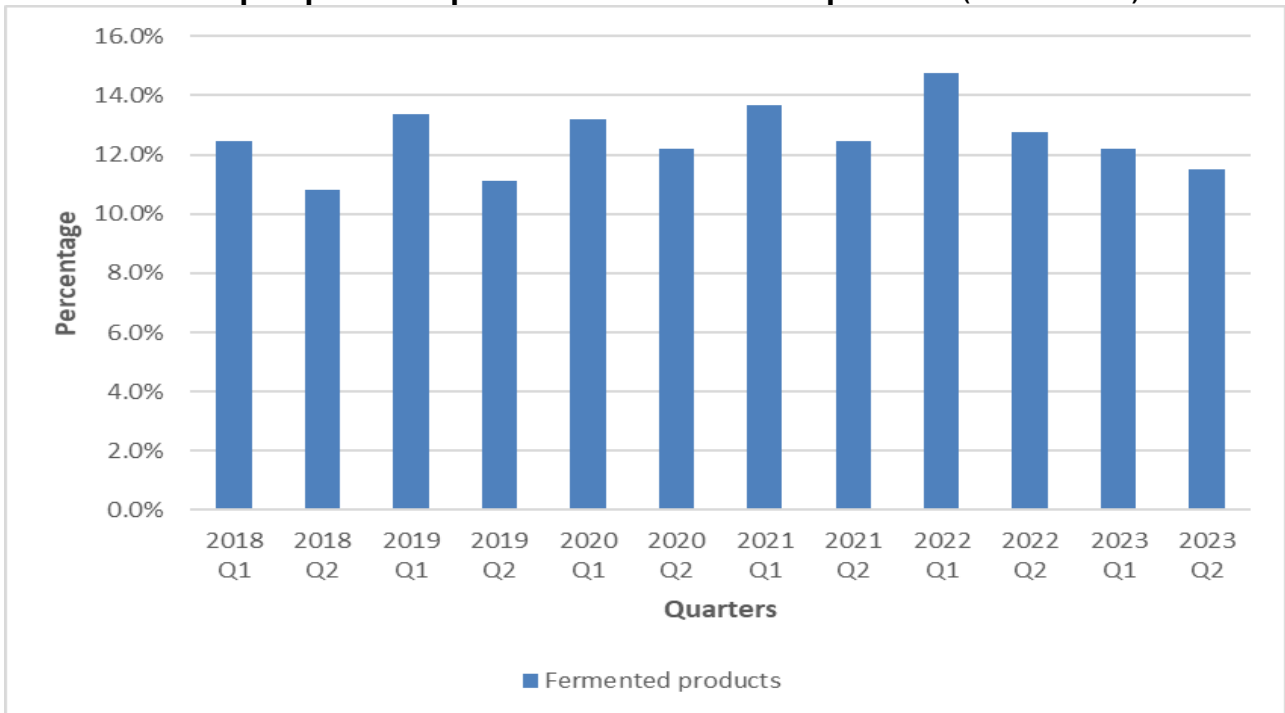


Figure 19: Mass(t) of quarterly produced other liquid products as a percentage of the total mass of liquid products produced i.r.o. first two quarters. (Source: Milk SA)

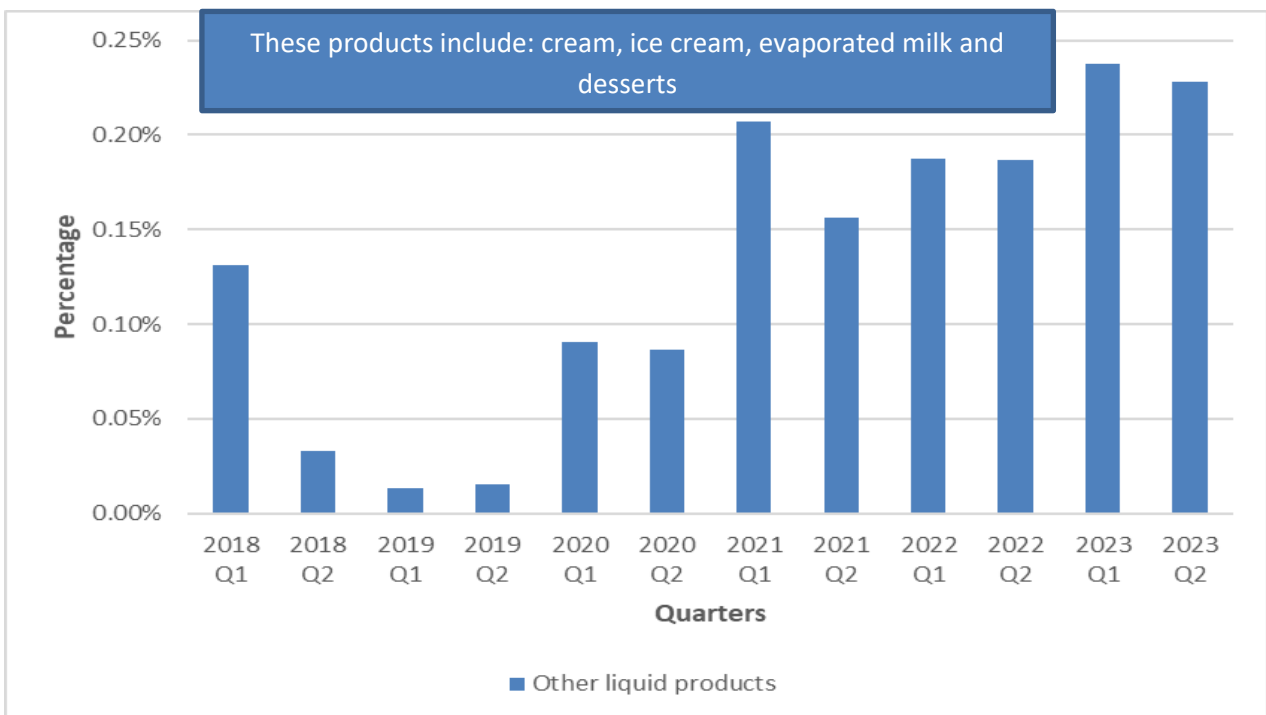


Figure 20: Mass(t) of quarterly produced milk powder as a percentage of the total mass of concentrated products produced i.r.o. first two quarters. (Source: Milk SA)

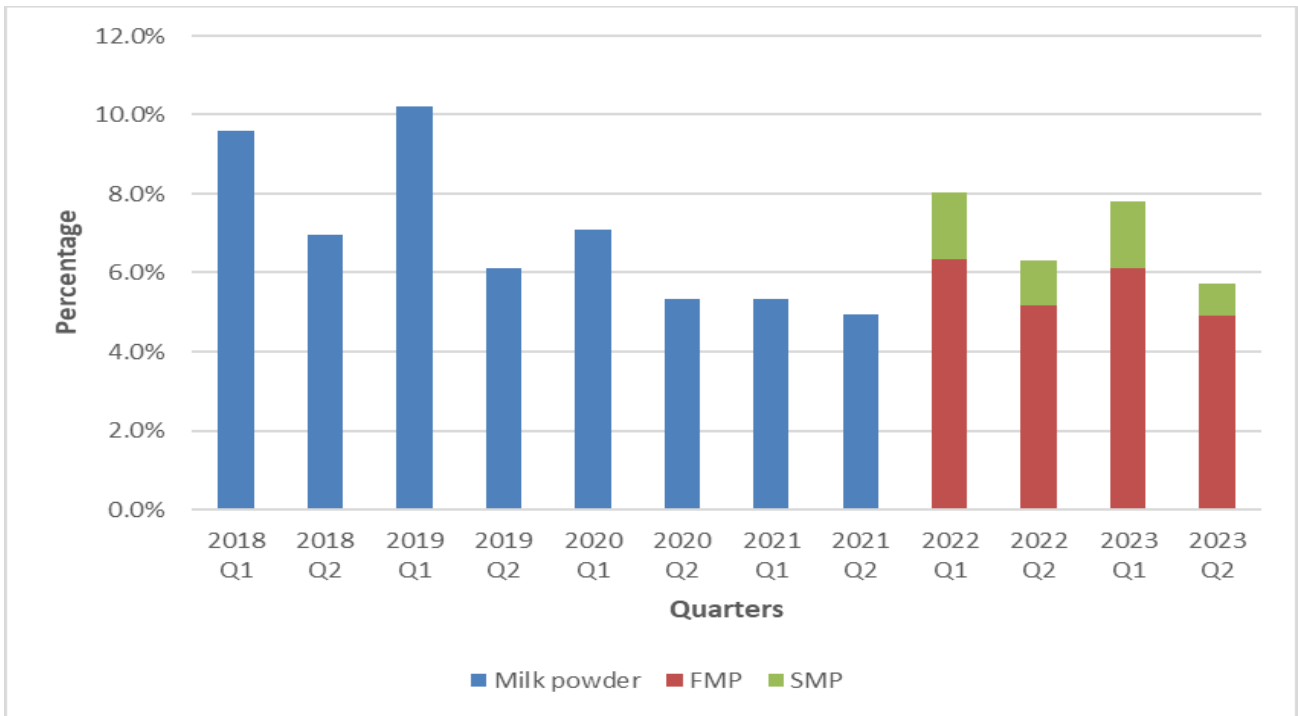


Figure 21: Mass(t) of quarterly produced cheese, excluding cottage and cream cheese as a percentage of the total mass of concentrated products produced i.r.o. each year. (Source: Milk SA)

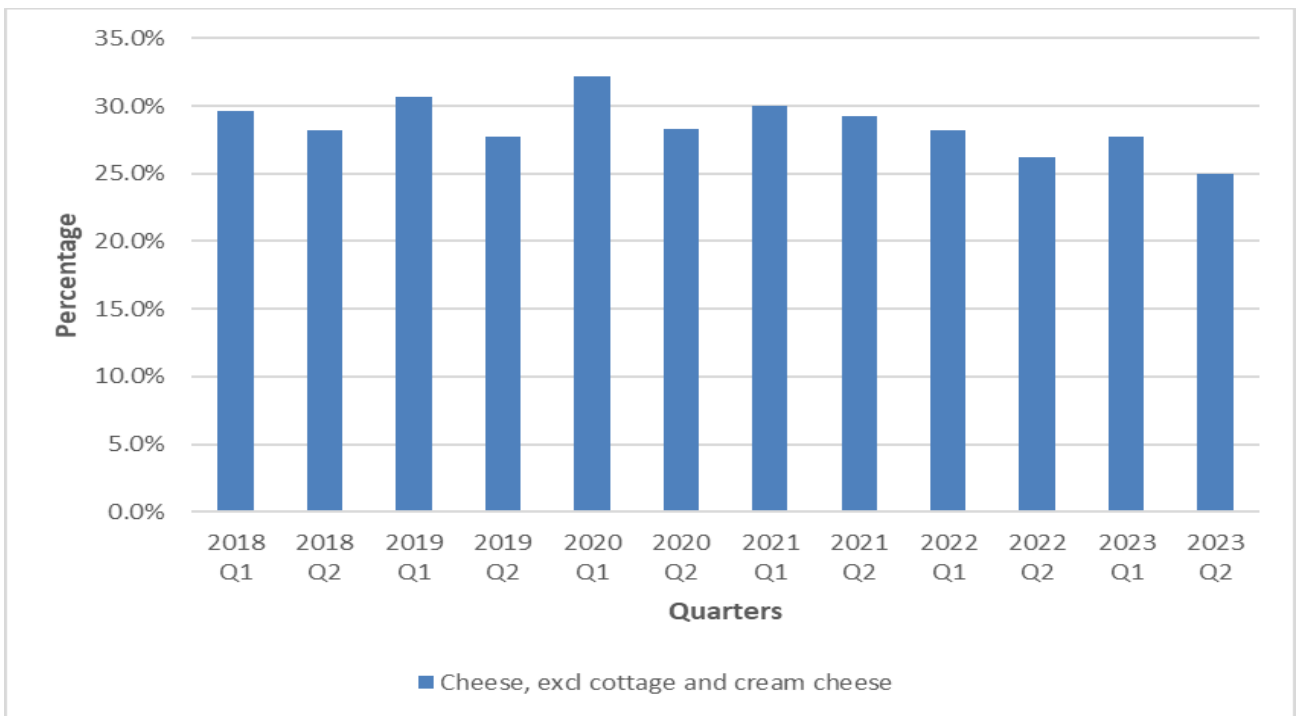


Figure 22: Mass(t) of quarterly produced other concentrated products as a percentage of the total mass of concentrated products produced i.r.o. first two quarters. (Source: Milk SA)

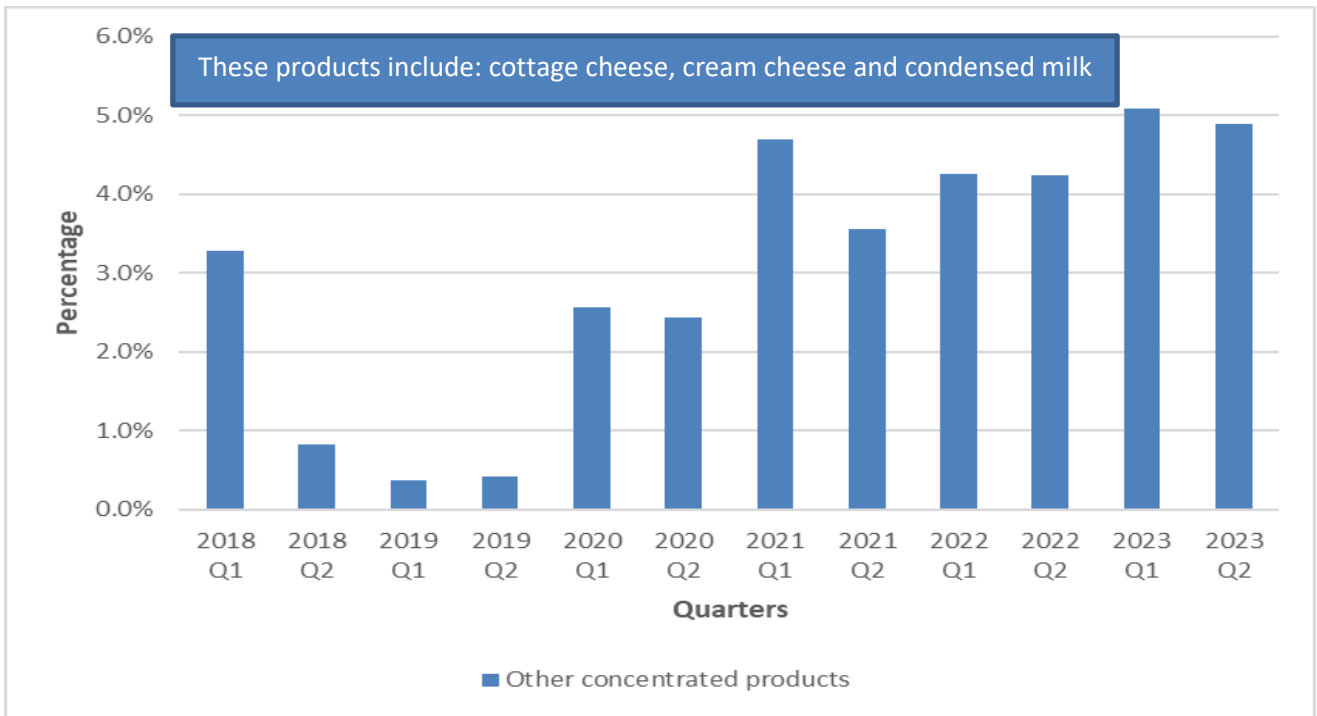


Figure 23: Mass(t) of quarterly manufactured whey powder as a percentage of the total mass of concentrated products produced i.r.o. first two quarters. (Source: Milk SA)

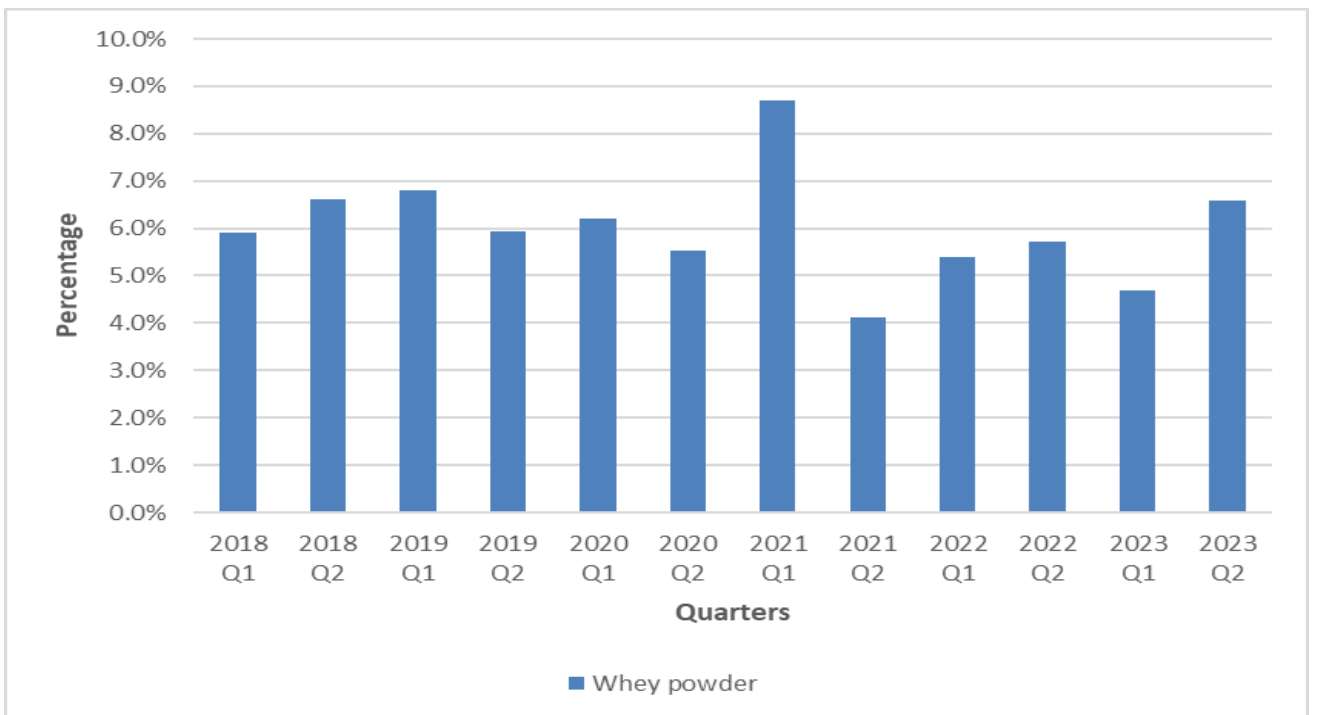
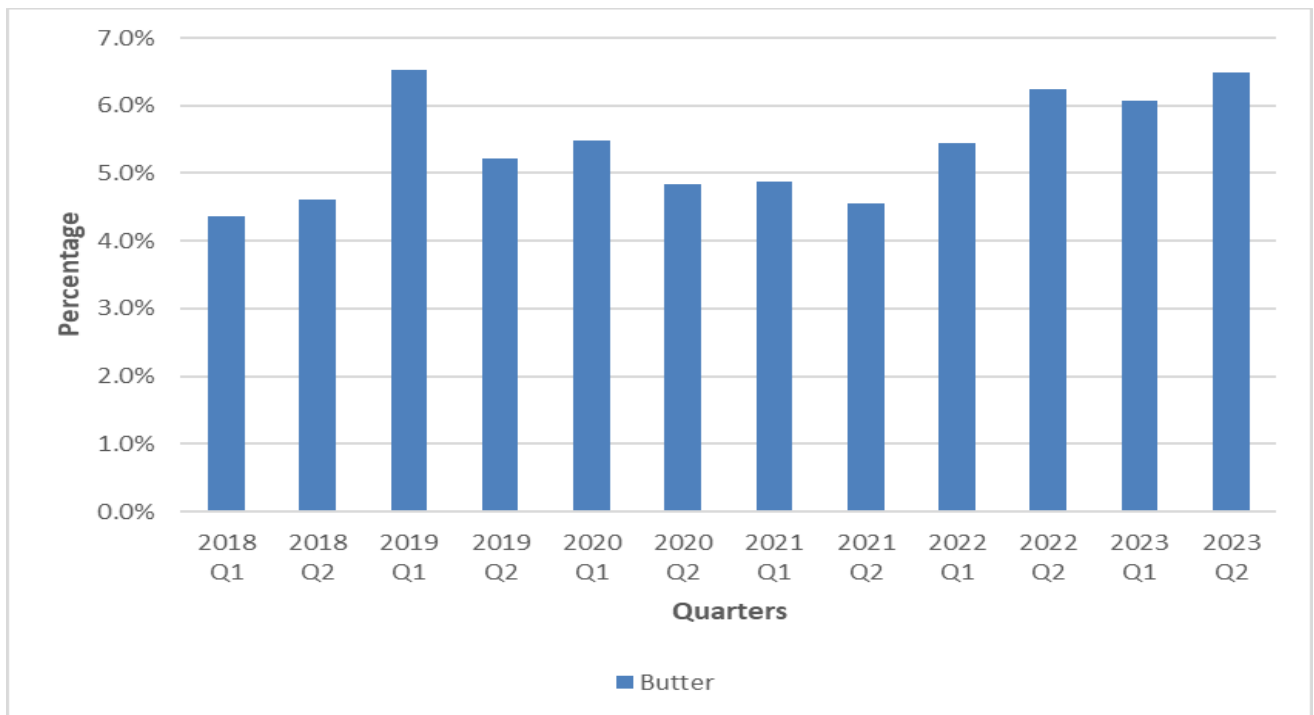


Figure 24: Mass(t) of quarterly manufactured butter as a percentage of the total mass of concentrated products produced i.r.o. first two quarters. (Source: Milk SA)



| | |
|---|--|
| <p>Author: Bertus van Heerden:</p> <p>Contributions from: Nico Fouché Alwyn Kraamwinkel De Wet</p> | <p>Project Manager, Milk SA Project – Economies and Markets</p> <p>CEO Milk SA CEO SAMPRO Business Economist SAMPRO</p> |
|---|--|