



QUARTERLY REVIEW OF THE PERFORMANCE OF THE DAIRY INDUSTRY¹

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

Synopsis of the performance of the dairy industry: Q3 2023.

The FAO Food Price Index* (FFPI) reached an all-time high in March 2022, of 160 index points. Since then, the index reversed the upward trend and reduced to 121.5 index points in September 2023, representing a drop of 24%. At this level, the index stood 14.6 points (10.7 percent) below its corresponding level a year ago. From January 2016 to December 2020 the FFPI mostly moved sideways with the average index level at 95.8 points (a low of 84.9 points and a high of 108.5 points over the five-year period). Comparing the average level over this five-year period to the index level in September 2023, the FFPI is still some 22% higher. This goes a long way to explain the current high cost of living despite the 24% drop already experienced in the FFPI.

The FAO Cereal Price Index reached an all-time high in May 2022, of 173.5 index points. Since then, the index reversed the upward trend and reduced to 126.3 index points in September 2023, representing a drop of 27.2%. The level of the index for September is 1.3 points up from August and at this level, the index stood 21.6 points (14.6 percent) below its corresponding level a year ago. From January 2016 to December 2020 the FAO Cereal Price Index also experienced relatively low volatility and mostly moved sideways with the average index level at 95.8 points (a low of 86.1 points and a high of 115.9 points over the five-year period). Comparing the average level over this five-year period to the index level in September 2023, the FAO Cereal Price Index is still some 24.2% higher.

The FAO Dairy Price Index reached an all-time high in July 2022, of 147.3 index points. Since then, the index reversed the upward trend and reduced to 108.6 index points in September 2023, representing a drop of 26.3%. The level of the index for September is 2.6 points down from August and at this level, the index stood 34.1 points (23.9 percent) below its corresponding level a year ago. The FAO Dairy Price Index experienced more volatile price movements from January 2015 to December 2020 if compared to the FFPI or Cereal Price indices. However, if one would take a stab at a more stable phase for the FAO Dairy Price Index, the level of 100 index points could suffice. In that realm, the dairy index is only 8.6% higher than in that period.

The September 2023 ZAR price for the international dairy products monitored in this report is lower than for the same month of 2022. Butter, SMP, Cheddar, and FMP respectively with 4%, 29%, 13%, and 15%. In taking a longer view, the September 2023 dairy product prices in Figure 1B for butter, SMP, Cheddar, and FMP respectively remain 46%, 13%, 36%, and 10% above the pre-COVID-19 levels (September 2019). The ZAR weakened by 28% from September 2019 to September 2023.

New Zealand Future Exchange: Over the next eight months, the price of butter is marking time (5 000US\$ per ton) on the New Zealand Future Exchange, a moderate increase for Anhydrous milk fat is possible with strong runs for SMP (up 21.9%; 3 085US\$ per ton) and FMP (up 15.8%; 3 360US\$). (Future market prices as of 26 October 2023).

Unprocessed milk production in the major dairy exporting countries is showing improvement with New Zealand and Australia being the most stimulated.

Unprocessed milk prices in Europe declined sharply over the first five months of 2023 but started to level out in June 2023 with the Euro/100kg price for August at 43.65.

Average retail prices of the nine dairy products monitored through NielsenIQ and covered in this report were higher in June 2023 than in June 2022, and all the prices increased with more than the Headline inflation rate of 5.4%. All the product prices also increased with more than the food inflation rate of 11.1% except for cream cheese. For the period July 2021 to June 2022 compared to July 2022 to June 2023, only cream cheese sales quantity improved marginally while the rest saw sales quantity declining.

The PPI's for unprocessed milk, dairy products, other manufactured food, and agriculture in general, declined significantly from the high levels earlier in 2023 and are all in single-digit percentages except the PPI for unprocessed milk.

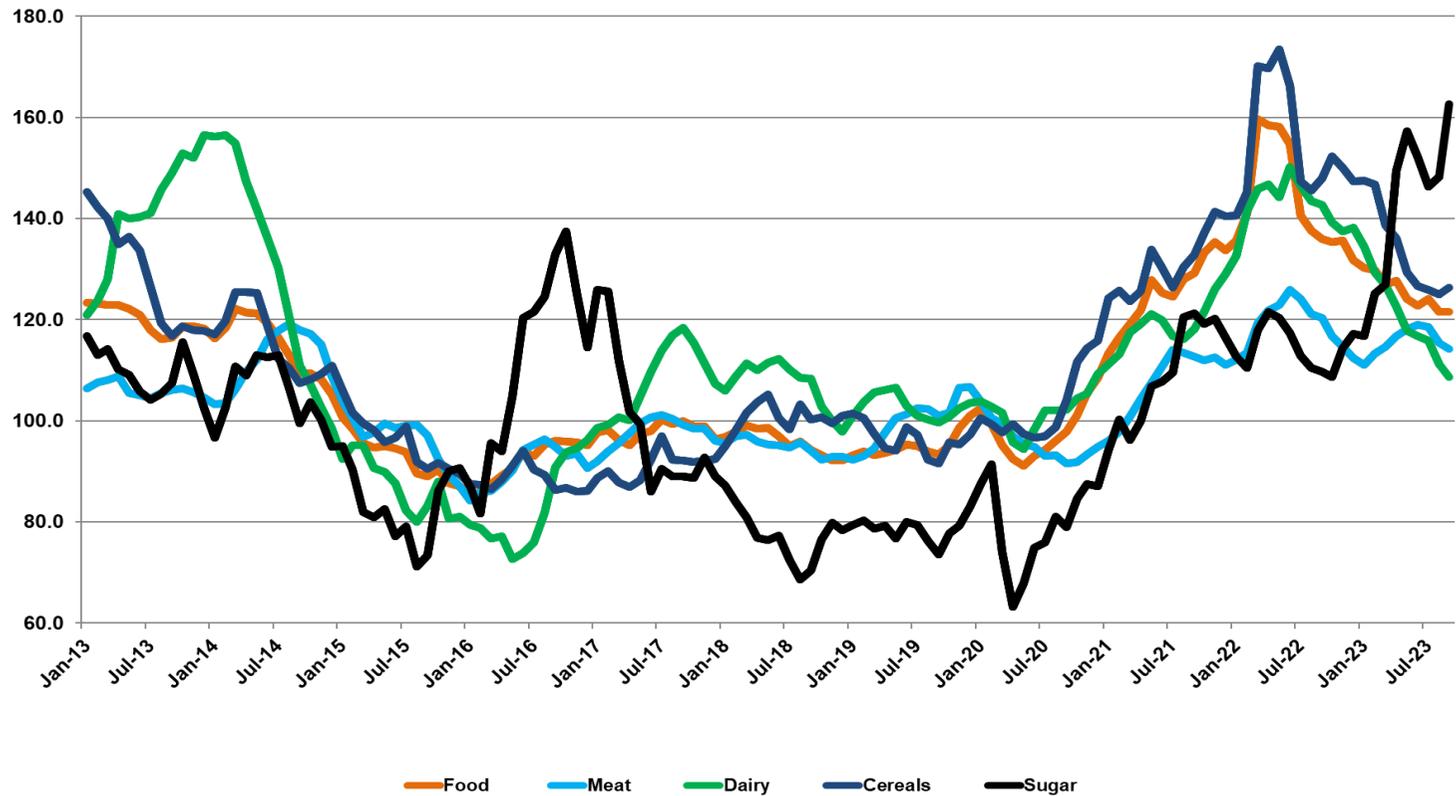
The CPI for milk, cheese, and eggs started to reduce in August 2023, moving from 14.4% in July to 11.9% in August and to 11.2% in September 2023. The CPI for food started to reduce earlier, in May 2023 moving from 14.3% in April 2023 to 12.0% in May 2023. This trend continued with the CPI for food in September 2023 registering 8.0%.

Daily average unprocessed milk purchases in 2023 are generally lower compared to 2022, except for August and September where daily purchases outstripped 2022 with both months recording record levels compared to the previous four years.

1. INTERNATIONAL MARKET

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

Index (2014 - 2016 = 100)



Source: FAO Food price index, October 2023

The FAO Food Price Index* (FFPI) reached an all-time high in March 2022, of 160 index points. Since then, the index reversed the upward trend and reduced to 121.5 index points in September 2023, representing a drop of 24%. The level of the index for September is almost unchanged from its value in August, as declines in the price indices of vegetable oils, dairy, and meat had offset increases in the sugar and cereal price indices. At this level, the index stood 14.6 points (10.7 percent) below its corresponding level a year ago. From January 2016 to December 2020 the FFPI mostly moved sideways with the average index level at 95.8 points (a low of 84.9 points and a high of 108.5 points over the five-year period). Comparing the average level over this five-year period to the index level in September 2023, the FFPI is still some 22% higher. This goes a long way to explain the current high cost of living despite the 24% drop already experienced in the FFPI.

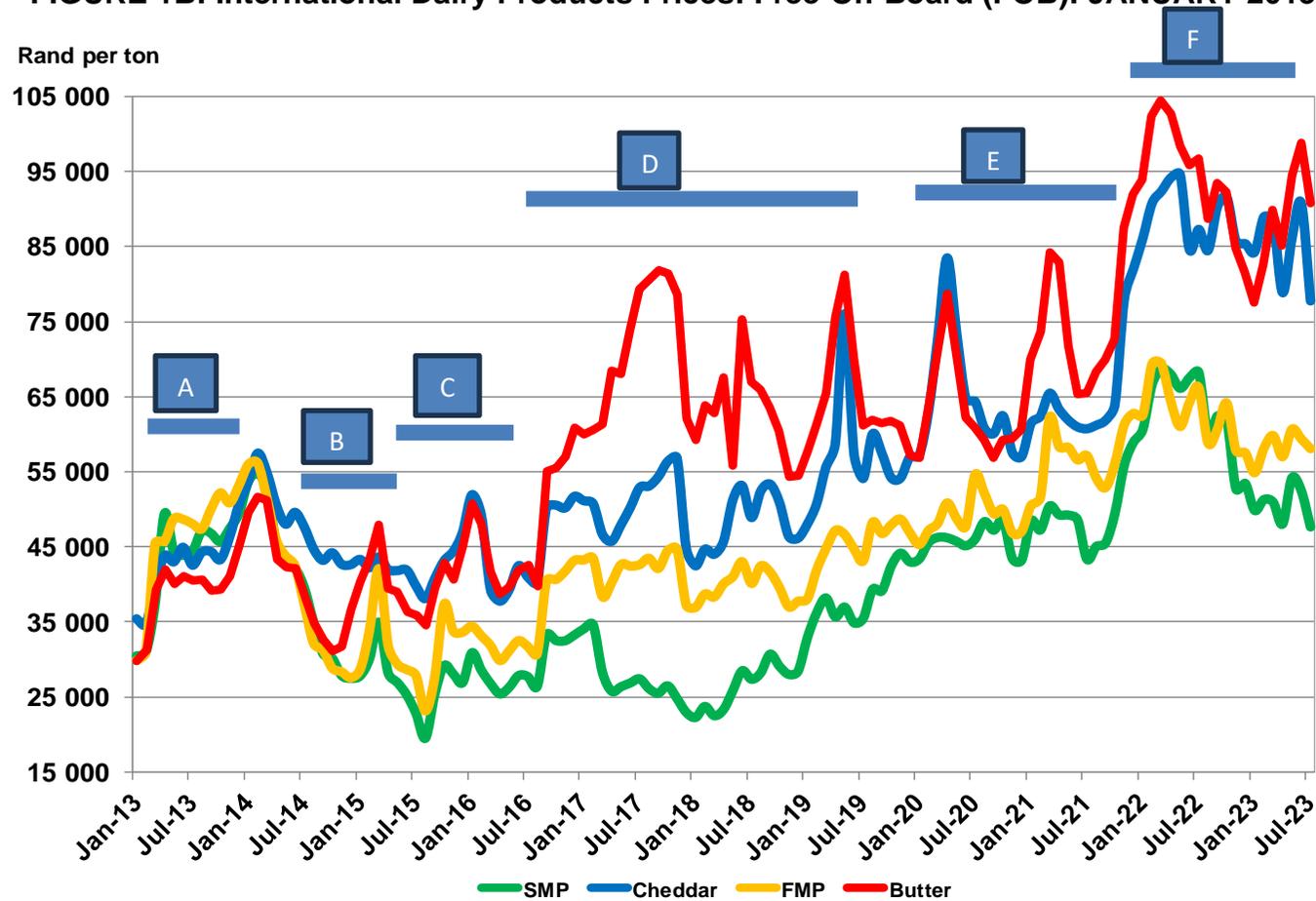
The prices of cereal and dairy were the most important contributors to the all-time high of the FFPI.

The FAO Cereal Price Index reached an all-time high in May 2022, of 173.5 index points. Since then, the index reversed the upward trend and reduced to 126.3 index points in September 2023, representing a drop of 27.2%. The level of the index for September is 1.3 points up from August and at this level, the index stood 21.6 points (14.6 percent) below its corresponding level a year ago. From January 2016 to December 2020 the FAO Cereal Price Index also experienced relatively low volatility and mostly moved sideways with the average index level at 95.8 points (a low of 86.1 points and a high of 115.9 points over the five-year period). Comparing the average level over this five-year period to the index level in September 2023, the FAO Cereal Price Index is still some 24.2% higher.

The FAO Dairy Price Index reached an all-time high in July 2022, of 147.3 index points. Since then, the index reversed the upward trend and reduced to 108.6 index points in September 2023, representing a drop of 26.3%. The level of the index for September is 2.6 points down from August and at this level, the index stood 34.1 points (23.9 percent) below its corresponding level a year ago. The FAO Dairy Price Index experienced more volatile price movements from January 2015 to December 2020 if compared to the FFPI or Cereal Price indices. However, if one would take a stab at a more stable phase for the FAO Dairy Price Index, the level of 100 index points could suffice. In that realm, the dairy index is only 8.6% higher than in that period.

The FAO Meat Price Index reached an all-time high in June 2022, of 125.9 index points. Since then, the index reduced to 111.1 points in January 2023 but then increased to 119.0 points in June 2023 whereafter the index reduced again to register 114.2 points in September 2023 representing a drop of 12.1%. From January 2016 to December 2020 the FAO Meat Price Index also experienced relatively low volatility and mostly moved sideways with the average index level at 95.9 points (a low of 84.2 points and a high of 106.6 points over the five-year period). Comparing the average level over this five-year period to the index level in September 2023, the FAO Meat Price Index is still some 16.1% higher.

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



Source: USDA, SARB

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

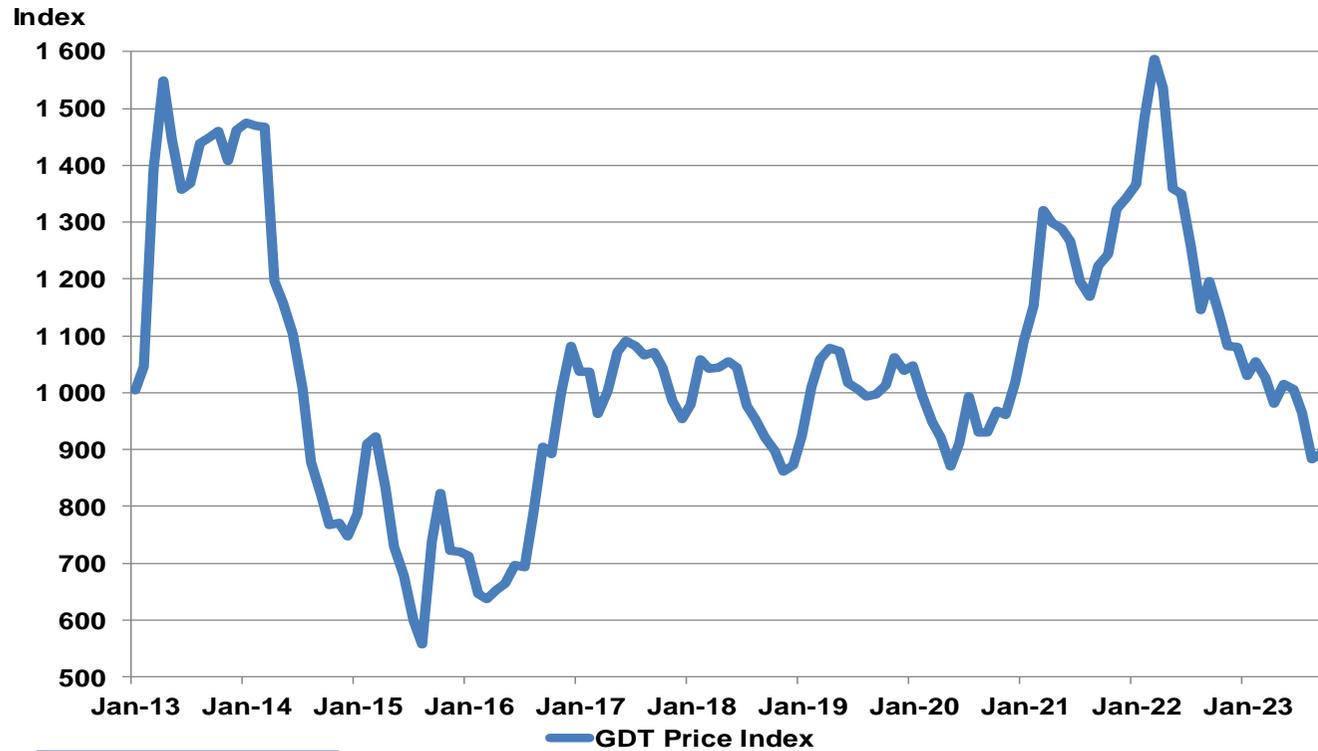
A. Climatic issues in Northern Europe and New Zealand

- B. Russia banned EU imports.
- C. End of unprocessed milk quotas in the EU.
- D. EU withdrew the intervention scheme of buying butter and SMP.
- E. Start of COVID-19 pandemic.
- F. Russia invades Ukraine.

The September 2023 USD price for all the international dairy products is lower than for the same month of 2022. Butter, SMP, Cheddar, and FMP respectively with 12%, 35%, 20%, and 22%. Despite the significant downward trend in the dairy products monitored in Figure 1b, the September 2023 USD prices for butter and Cheddar respectively remain 14% and 7% above the pre-COVID-19 levels, while the powder prices reduced with SMP down by 12% and FMP by 14%. (September 2019).

The September 2023 ZAR price for all the international dairy products is lower than for the same month of 2022. Butter, SMP, Cheddar, and FMP respectively with 4%, 29%, 13%, and 15%. In taking a longer view, the September 2023 dairy product prices in Figure 1B for butter, SMP, Cheddar, and FMP respectively remain 46%, 13%, 36%, and 10% above the pre-COVID-19 levels (September 2019). The ZAR weakened by 28% from September 2019 to September 2023.

FIGURE 2a: Global dairy trade-weighted price index. JANUARY 2013 – SEPTEMBER 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 September 2023. The GDT price index dropped from September 2022 to September 2023 with 25%. The index based on USD prices is at a lower level compared to 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. All the prices have a steady upward trend, except for butter. The price for butter increased from 4 950\$ (October 2023) to 5 150\$ (February 2024) but then reduced to 5 010\$ in June 2024. The price for SMP, FMP, and Anhydrous milkfat increased respectively by 21.9%, 15.8%, and 5.8% from October 2023 to June 2024.

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

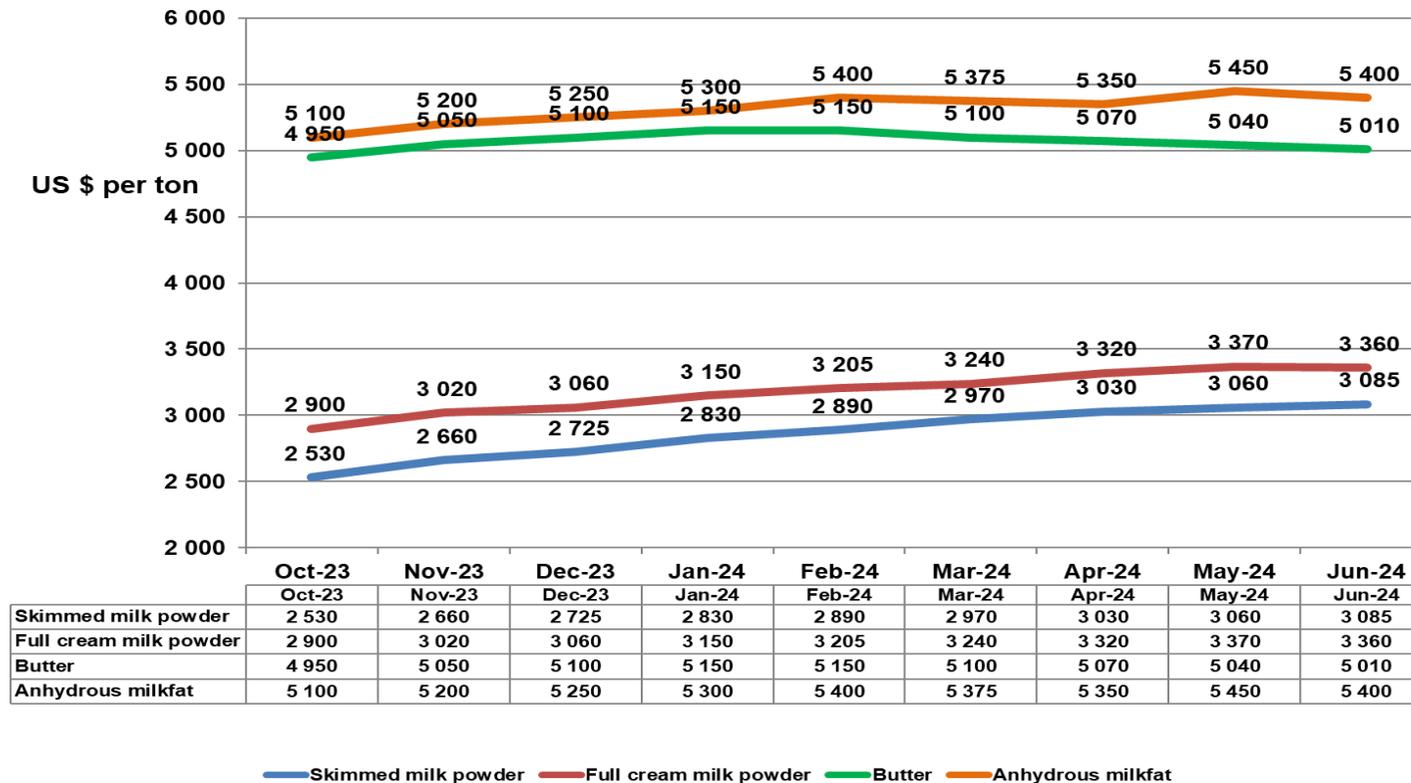
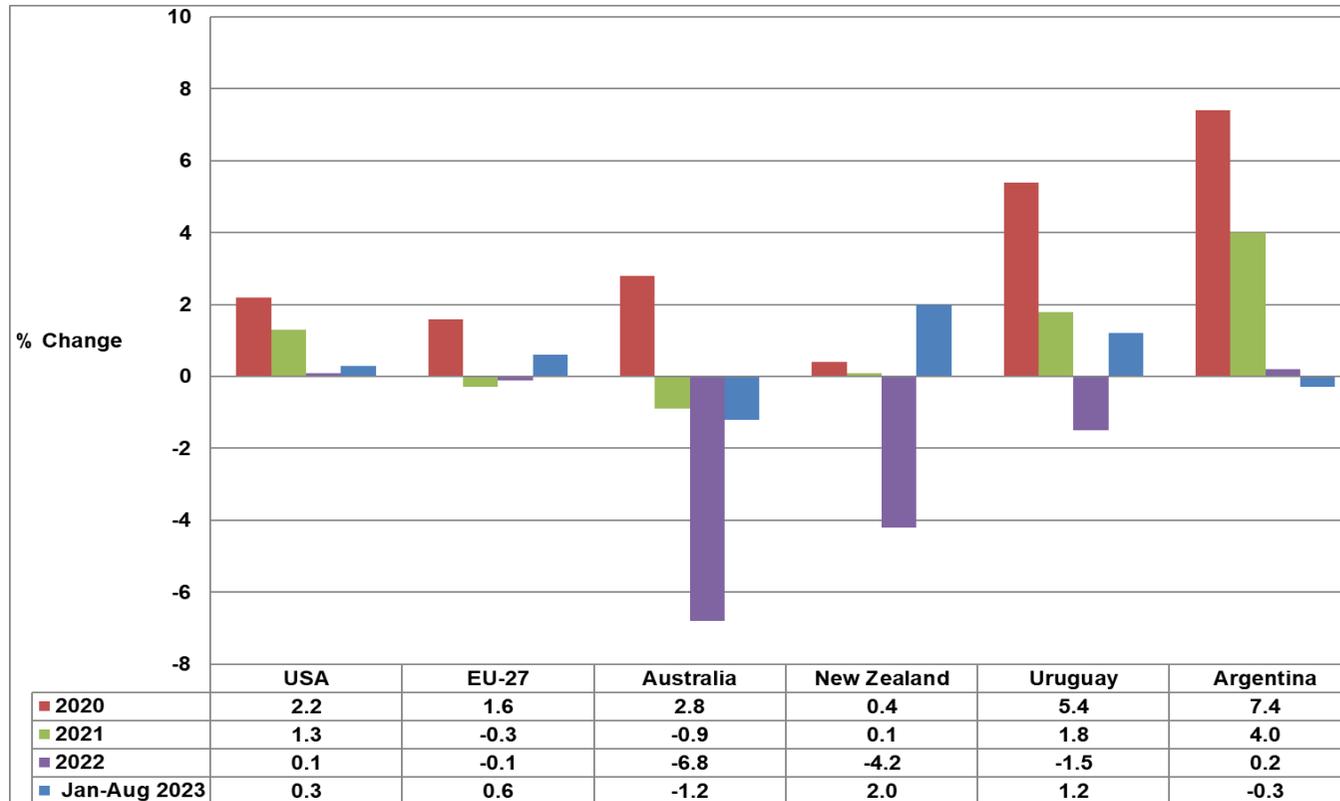
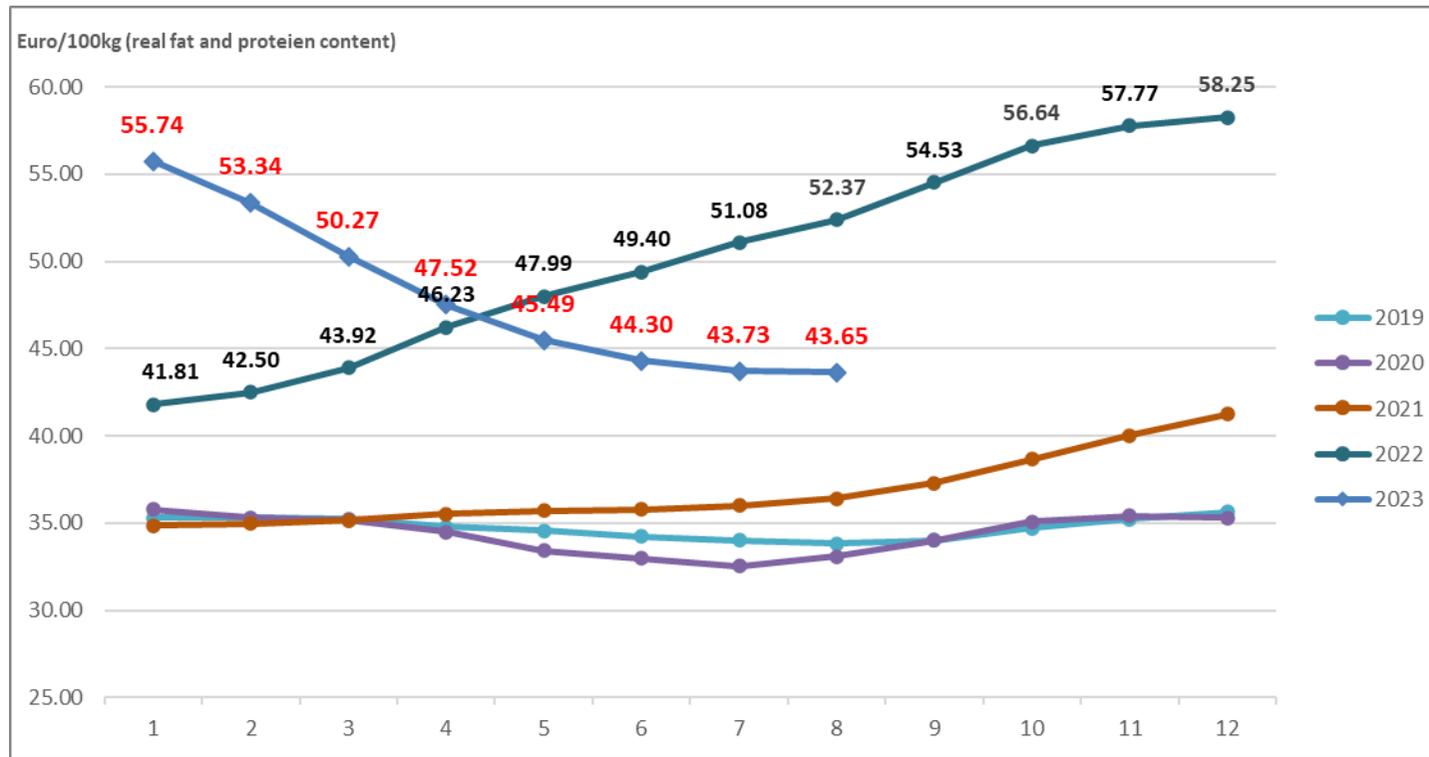


FIGURE 3: YEAR ON YEAR CHANGE IN UNPROCESSED MILK PRODUCTION IN MAJOR DAIRY EXPORTING COUNTRIES, 2020 – 2023 (first eight months) Source: CLAL, October 2023



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

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

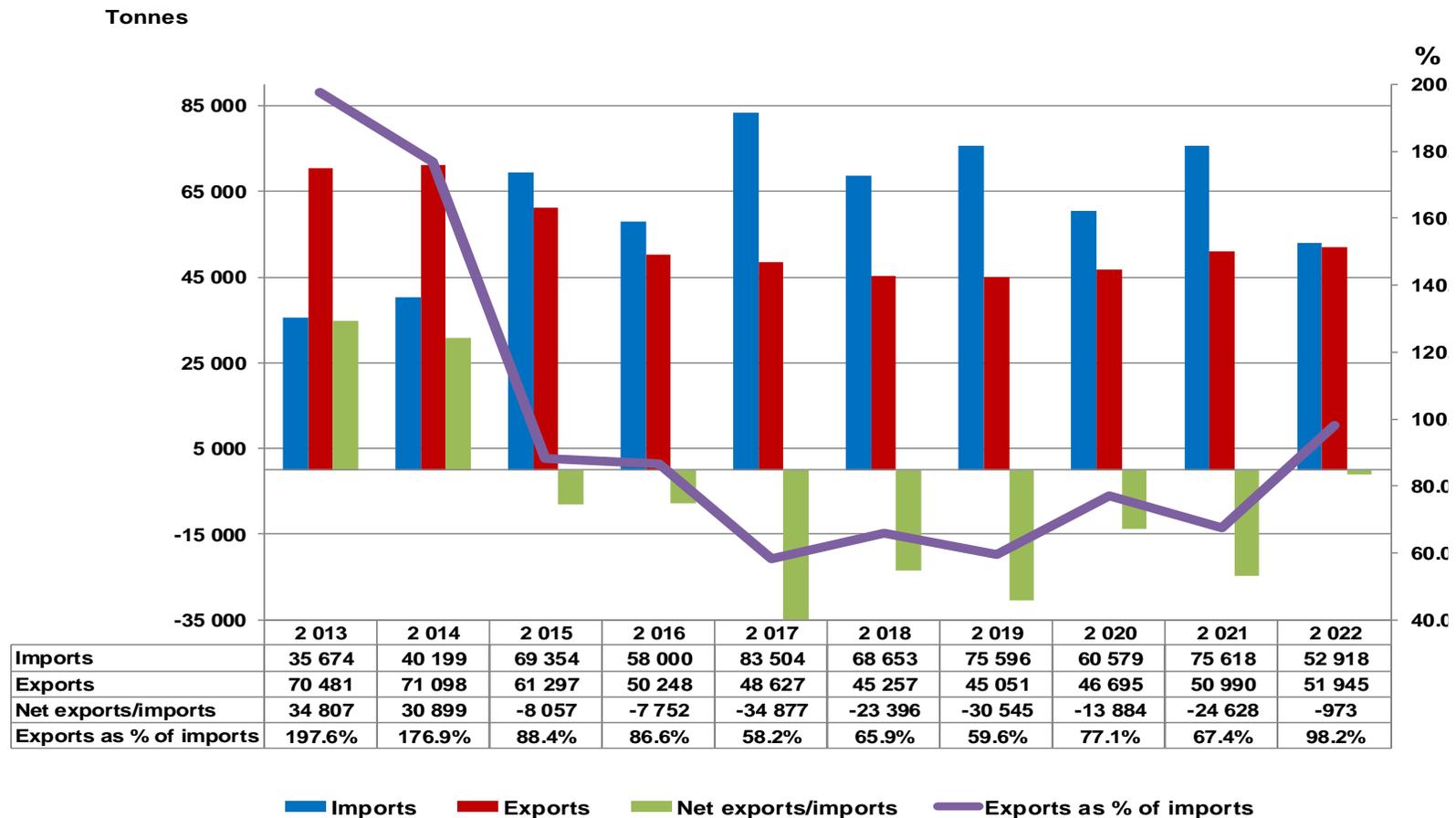


Source: European Commission, October 2023

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 August 2023 is down by 25.1% compared to the December 2022 price level. The price in Poland dropped by 31.8% and in Germany by 33.6%. The steep drops started to level out in June 2023.

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:

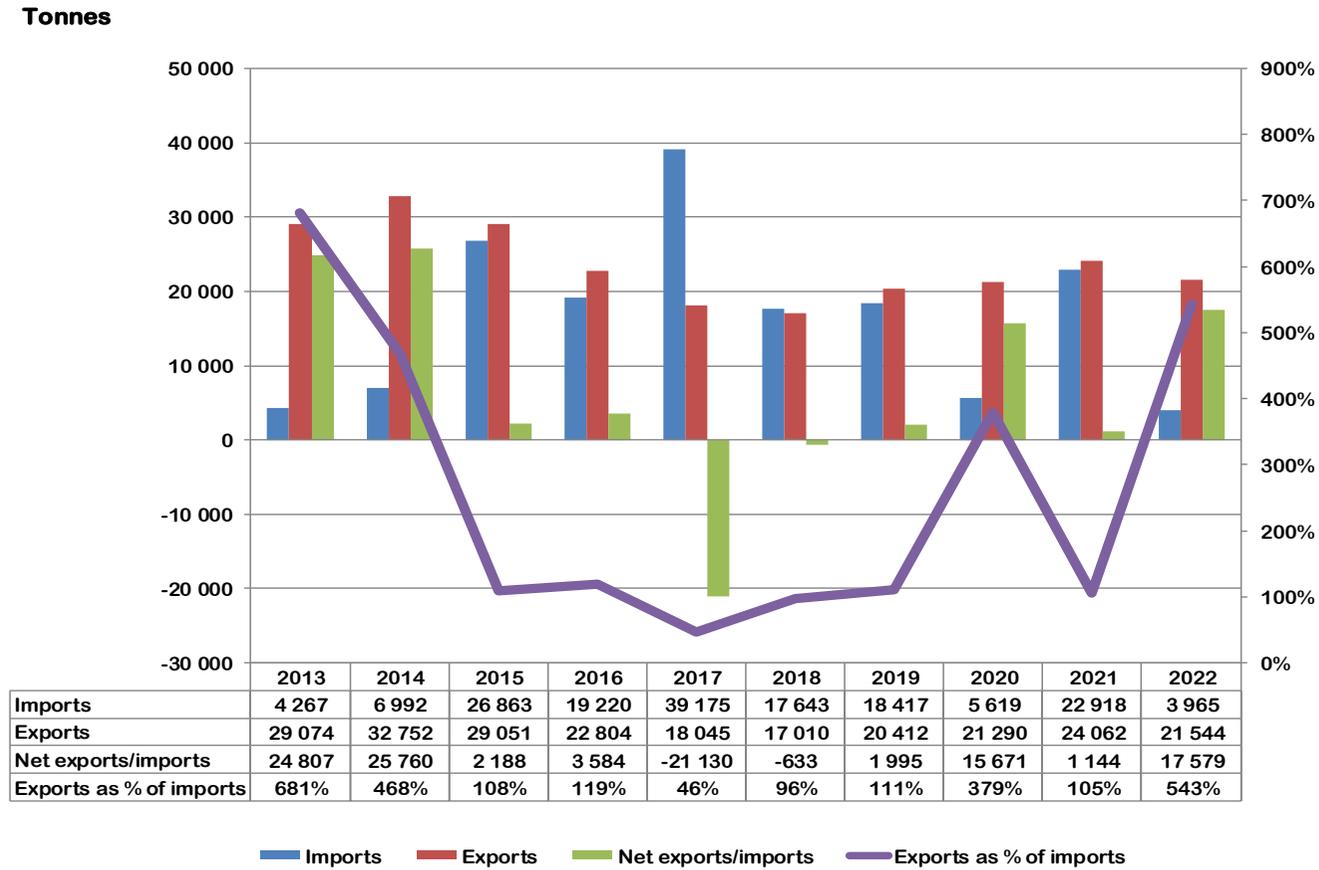
- The mass of imports in 2022, was 30.0 percent lower than in 2021, and 12.6 percent lower than in 2020. The mass of imports of buttermilk powder (04.03) and whey and whey powder (04.04) was higher in 2022, compared to 2021, while the mass of the other four products was lower.
- The mass of exports in 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 Table1.

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 BeNL 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

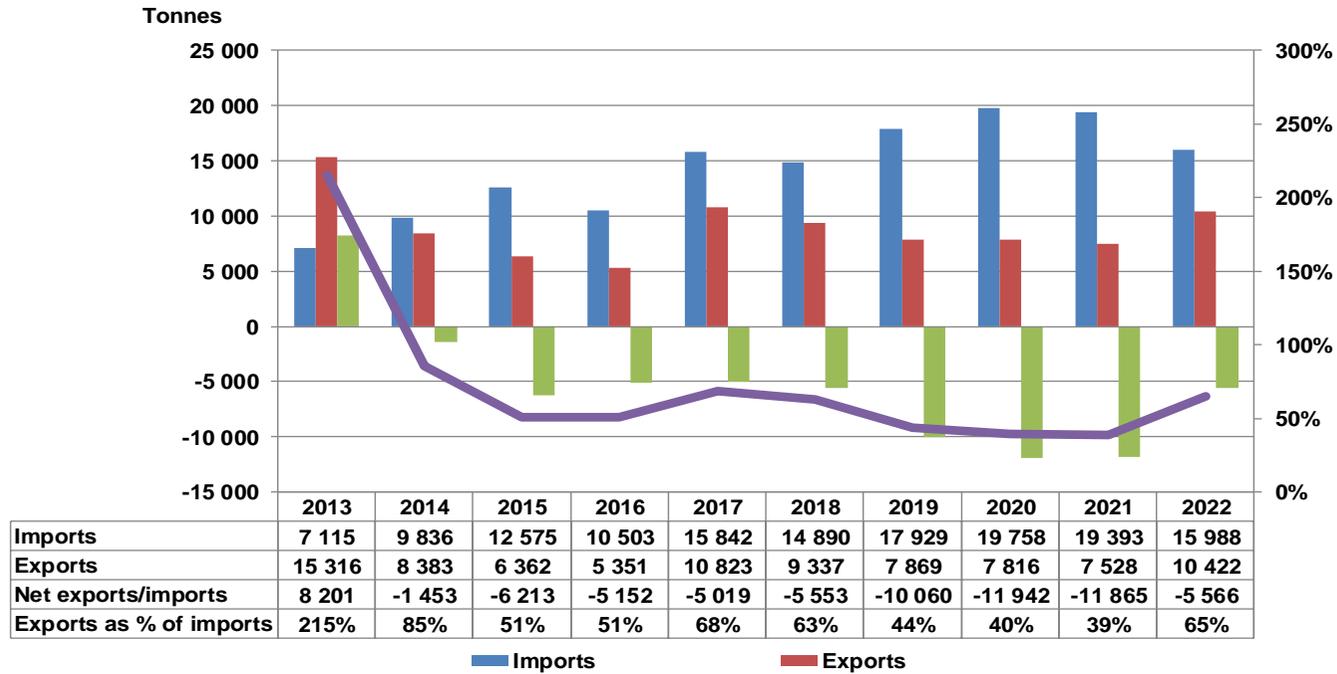
Source: SARS as supplied by SAMPRO

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



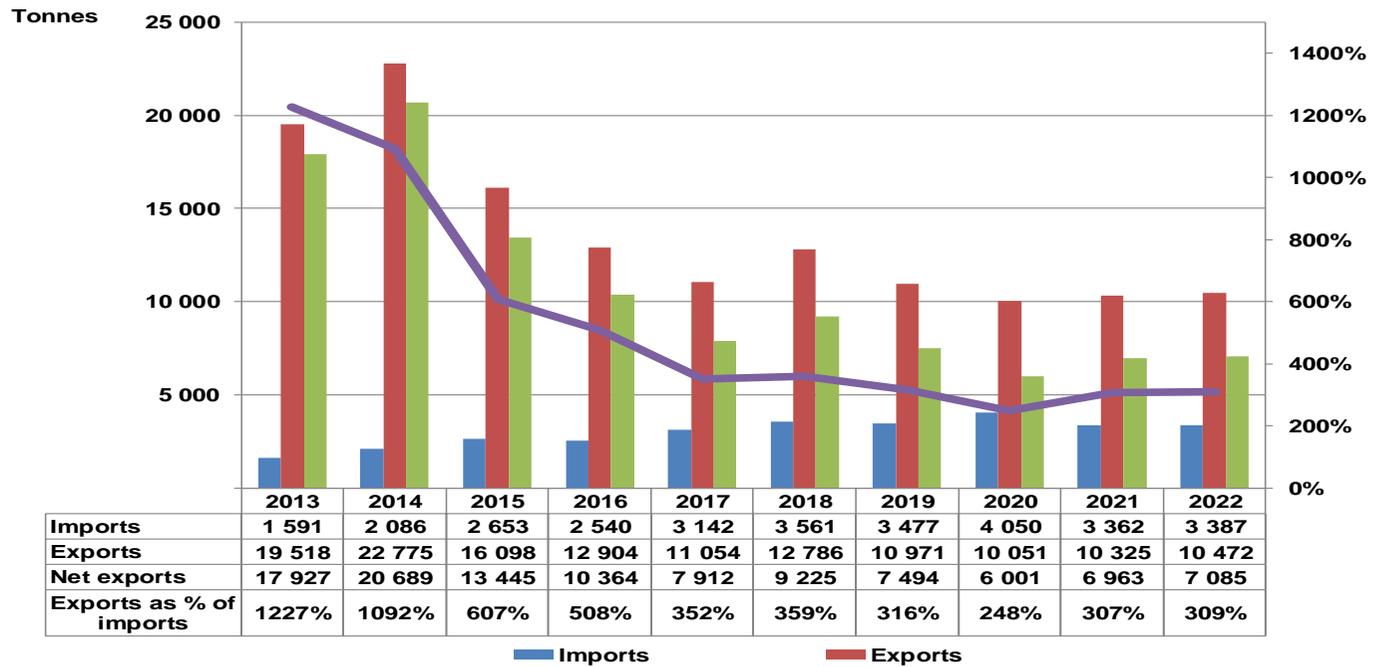
Source: SARS as supplied by SAMPRO

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



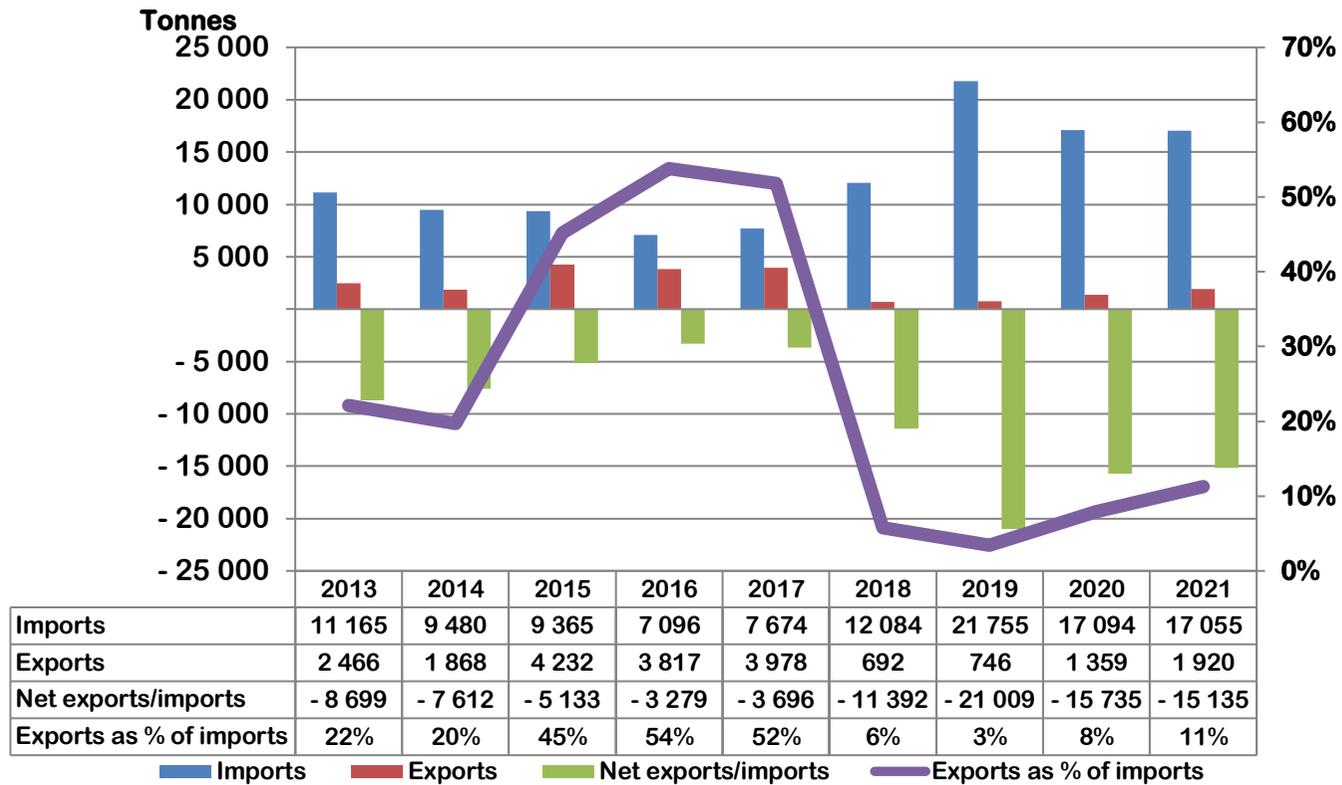
Source: SARS as supplied by SAMPRO

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)

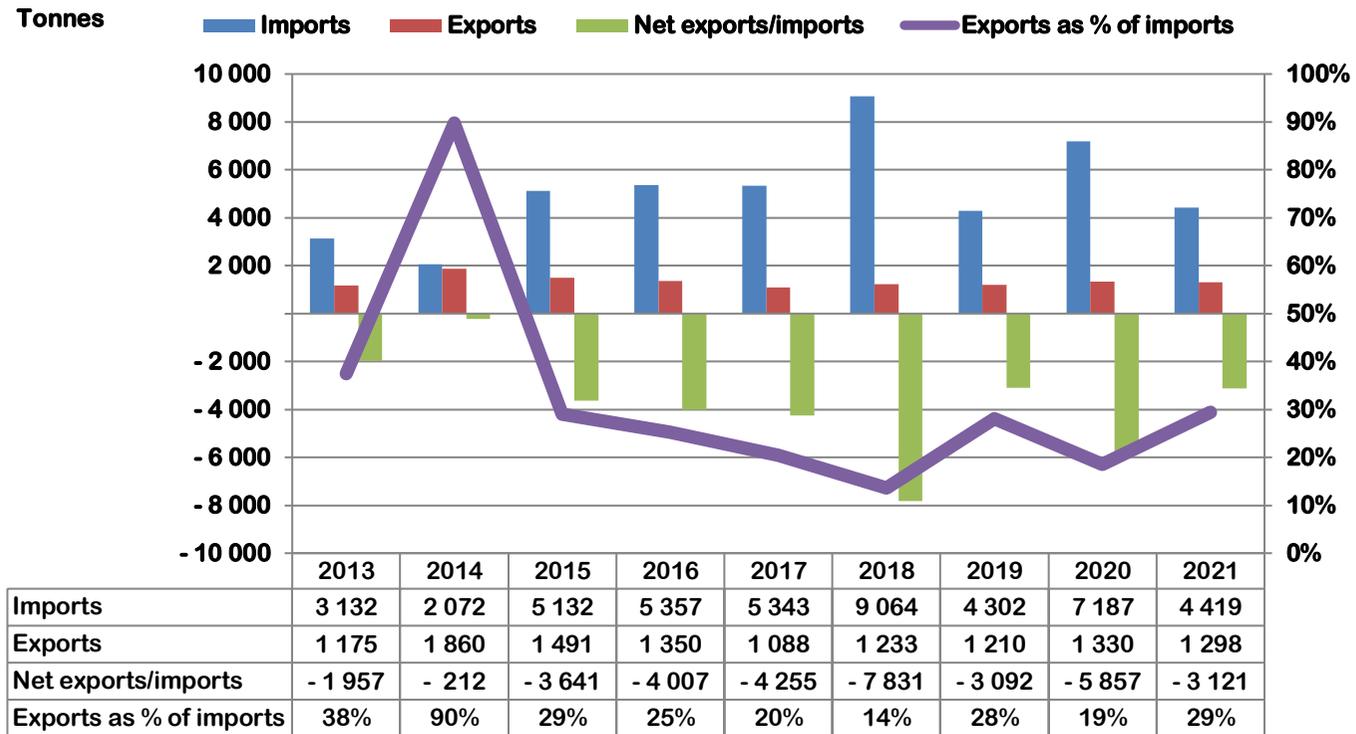
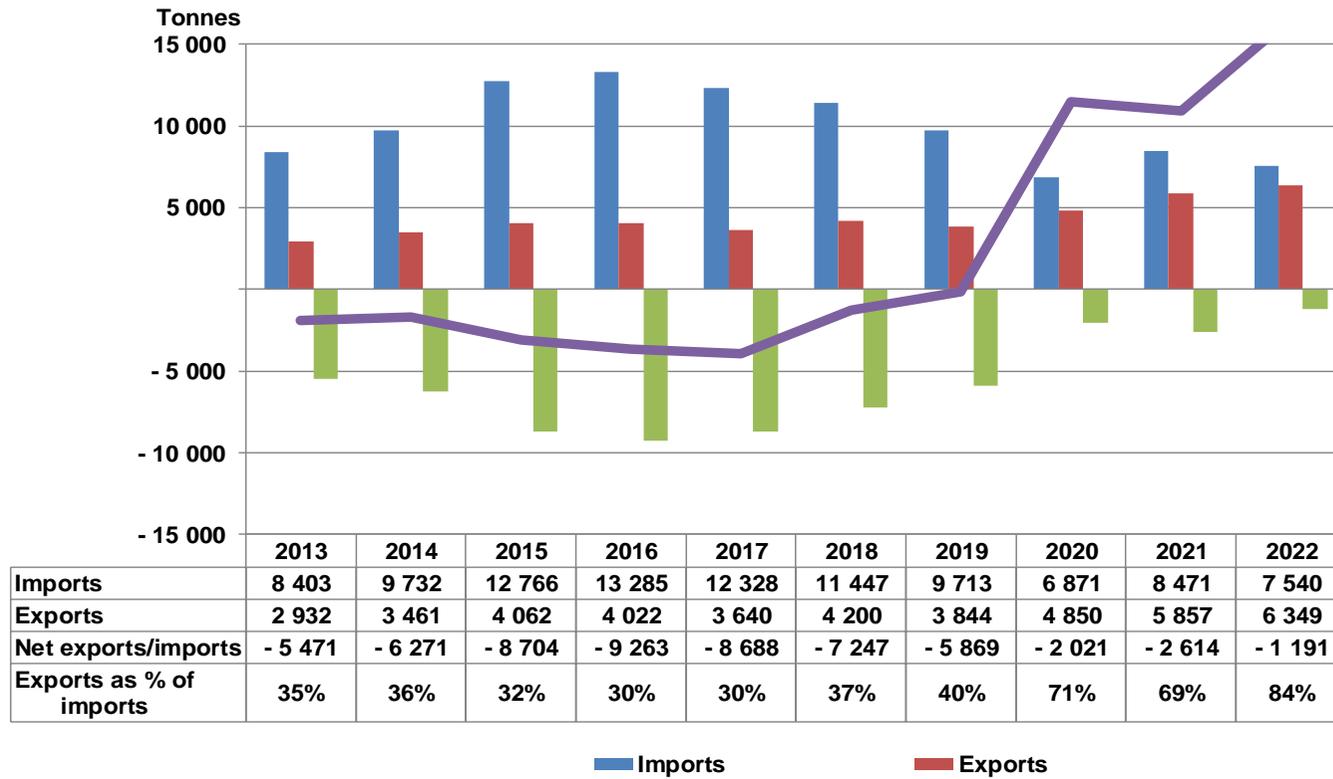


FIGURE 11: SOUTH AFRICAN IMPORTS AND EXPORTS OF CHEESE AND CURD, (04.06) 2013 – 2022



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 were higher in 2022 compared to 2021.

In Table 3, the mass of imports from January to June 2023, is compared to the mass of imports from January to June 2022. The mass of imports of milk and cream (04.01) and concentrated milk (04.02) was higher in January to June 2023, than in January to June 2022, while the mass of the other four products was lower.

Table 3: Imports in January to June 2023 compared to January 2022 to June 2022. Source: SARS as supplied by SAMPRO

Heading	Description	A 2023 Kg	B 2022 Kg	A as % of B
04.01	Milk and cream, unsweetened	3 897 974	1 865 131	209.0
04.02	Milk, concentrated	10 783 675	7 376 867	146.2
04.03	Buttermilk powder, yogurt	1 588 470	1 620 086	98.0
04.04	Whey, whey powder, etc	5 639 673	9 055 136	62.3
04.05	Butter, butter spreads and butter oil	733 646	2 720 225	27.0
04.06	Cheese and curd	3 295 528	3 737 383	88.2
Total		25 938 966	26 374 829	98.3

In Table 4, the mass of exports from January to June 2023, is compared to the mass of exports from January to June 2022. On the export front, the mass of exports of three of the six categories of dairy products was higher in January to June 2023, than in January to June 2022. The mass of exports that were higher, were milk and cream (04.01) buttermilk and yogurt (04.03), and cheese (04.06).

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

Heading	Description	A 2023 Kg	B 2022 Kg	A as % van B
04.01	Milk and cream, unsweetened	11 428 390	10 469 019	109.2
04.02	Milk, concentrated	4 960 284	4 999 269	99.2
04.03	Buttermilk powder, yoghurt	5 361 700	4 762 925	112.6
04.04	Whey, whey powder. etc	708 134	1 053 401	67.2
04.05	Butter, butter spreads and butter oil	481 677	635 083	75.8
04.06	Cheese and curd	3 802 492	2 373 548	160.2
Total		26 742 677	24 293 245	110.1

Source: SARS as supplied by SAMPRO

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

PRODUCT	CHANGE IN RETAIL SALES QUANTITY	CHANGE IN RETAIL PRICES
	PERCENT	PERCENT
FRESH MILK	-5.4	16.6
LONG LIFE MILK (UHT MILK)	-3.0	13.5
FLAVOURED MILK	-6.5	12.8
YOGHURT	-6.5	19.3
MAAS	-3.1	24.0
PRE-PACKAGED CHEESE	-0.1	12.8
CREAM CHEESE	0.8	11.1
BUTTER	-6.8	14.1
CREAM	-4.4	13.5

Source: Nielsen figures supplied by SAMPRO

In Table 5 the average retail prices of all nine products were higher in June 2023, than in June 2022; and all the prices increased with more than the Headline inflation rate of 5.4%. All the products also increased with more than the food inflation rate of 11.1% except for

cream cheese. For the period July 2021 to June 2022 compared to July 2022 to June 2023, only cream cheese sales quantity improved marginally while the rest saw sales quantity declining.

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 JUNE 2023 VERSUS THE SALES IN THE MONTH OF JUNE 2022 <u>ONE MONTH</u>		SALES IN THE 6 MONTHS FROM JANUARY 2023 TO JUNE 2023 VERSUS THE SALES IN THE 6 MONTHS FROM JANUARY 2022 TO JUNE 2022 <u>SIX MONTHS</u>		SALES IN THE 12 MONTHS FROM JULY 2022 TO JUNE 2023 VERSUS THE SALES IN THE 12 MONTHS FROM JULY 2021 TO JUNE 2022 <u>12 MONTHS</u>	
	%	Ranking	%	Ranking	%	Ranking
Rice	2.8	2	7.2	1	9.5	1
Bread	-0.8	6	5.0	2	7.2	2
Maize Meal	1.9	3	0.07	4	2.8	3
Cream cheese	10.6	1	5.0	3	0.8	4
Pre-packaged cheese	0.9	4	-1.7	5	-0.1	5
Margarine	0.12	5	-2.3	6	-2.4	6
Instant Cereals	-2.4	8	-3.3	7	-2.9	7
UHT milk	-3.6	10	-4.5	9	-3.0	8
Maas	-11.5	16	-7.5	13	-3.1	9
Cream	-1.3	7	-3.4	8	-4.4	10
Fresh Milk	-6.4	13	-6.0	12	-5.4	11

Tea	-5.1	12	-5.4	10	-5.7	12
Flavoured milk	-11.9	17	-9.4	16	-6.5	13
Yoghurt	-11.3	15	-9.1	15	-6.5	14
Butter	-2.9	9	-8.0	14	-6.8	15
Coffee	-4.6	11	-5.7	11	-8.4	16
Short Life Juice	-10.4	14	-12.2	17	-9.5	17

Source: Nielsen as supplied by SAMPRO

In Table 6, in the one-month category, retail sales quantities of twelve of the seventeen food products were lower than in the same months of 2022, and seven of the thirteen food products were dairy products. In the six months that ended in June 2023, the retail sales quantities of thirteen of the seventeen food products, were lower than in the same months of 2022, and eight of the thirteen food products were dairy products; and in the twelve-month category, the retail sales quantities of thirteen of the seventeen food products were lower than in the previous twelve months and eight of the twelve food products were dairy products.

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

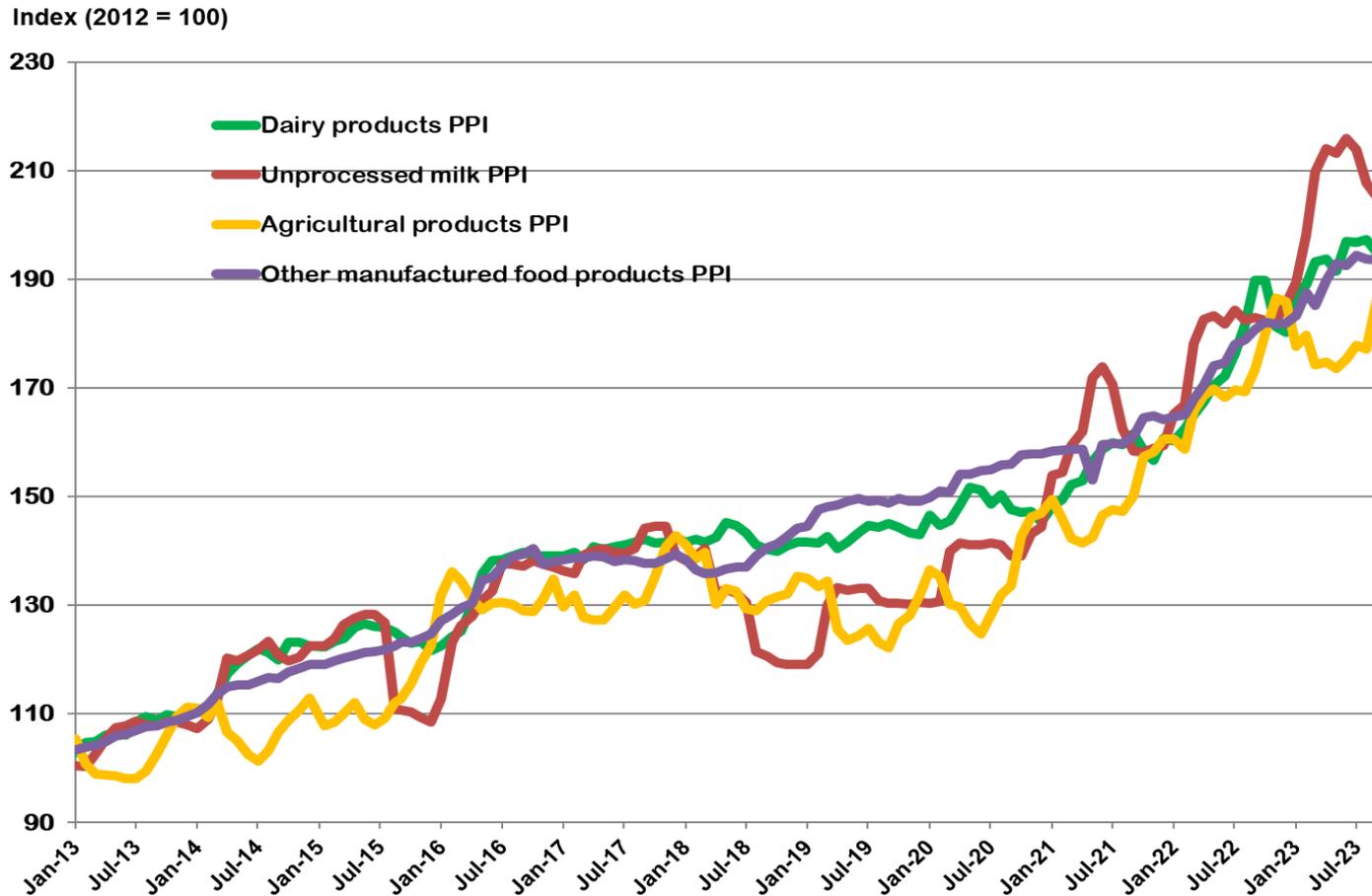
Product	JUNE 2023 VERSUS MAY 2023 (1 MONTH AGO)		JUNE 2023 VERSUS DECEMBER 2022 (6 MONTHS AGO)		JUNE 2023 VERSUS JUNE 2022 (12 MONTHS AGO)	
	%	Ranking	%	Ranking	%	Ranking
Maas	-1.2	12	11.5	2	24.0	1
Yoghurt	-1.0	11	8.7	5	19.3	2
Short Life Juice	0.5	5	8.6	6	19.2	3
Fresh Milk	0.2	7	11.2	3	16.6	4
Coffee	-6.7	17	-4.9	17	15.8	5
Maize Meal	-2.5	14	-0.9	15	14.6	6
Butter	3.0	1	2.1	13	14.1	7
UHT milk	-0.9	10	13.0	1	13.5	8
Cream	0.4	6	7.2	7	13.5	9
Instant Cereals	-3.8	16	0.6	14	13.2	10
Flavoured milk	0.7	3	8.8	4	12.8	11
Pre-packaged cheese	-0.5	8	4.4	10	12.8	12
Tea	-3.1	15	3.7	11	12.3	13

Cream cheese	1.9	2	5.6	9	11.1	14
Rice	-0.6	9	6.8	8	11.0	15
Bread	0.7	4	3.2	12	10.7	16
Margarine	-2.1	13	-4.4	16	2.8	17

Source: Nielsen as supplied by SAMPRO

In June 2023, the retail prices of all seventeen food products were higher than in June 2022 and nine of the seventeen food products are dairy products. In the six months that ended in June 2023, the retail prices of fourteen of the seventeen food products were higher than in December 2022 and nine of the fourteen food products were dairy products; and from May 2023 to June 2023, the retail prices of seven of the seventeen food products increased and five of the seven products are dairy products.

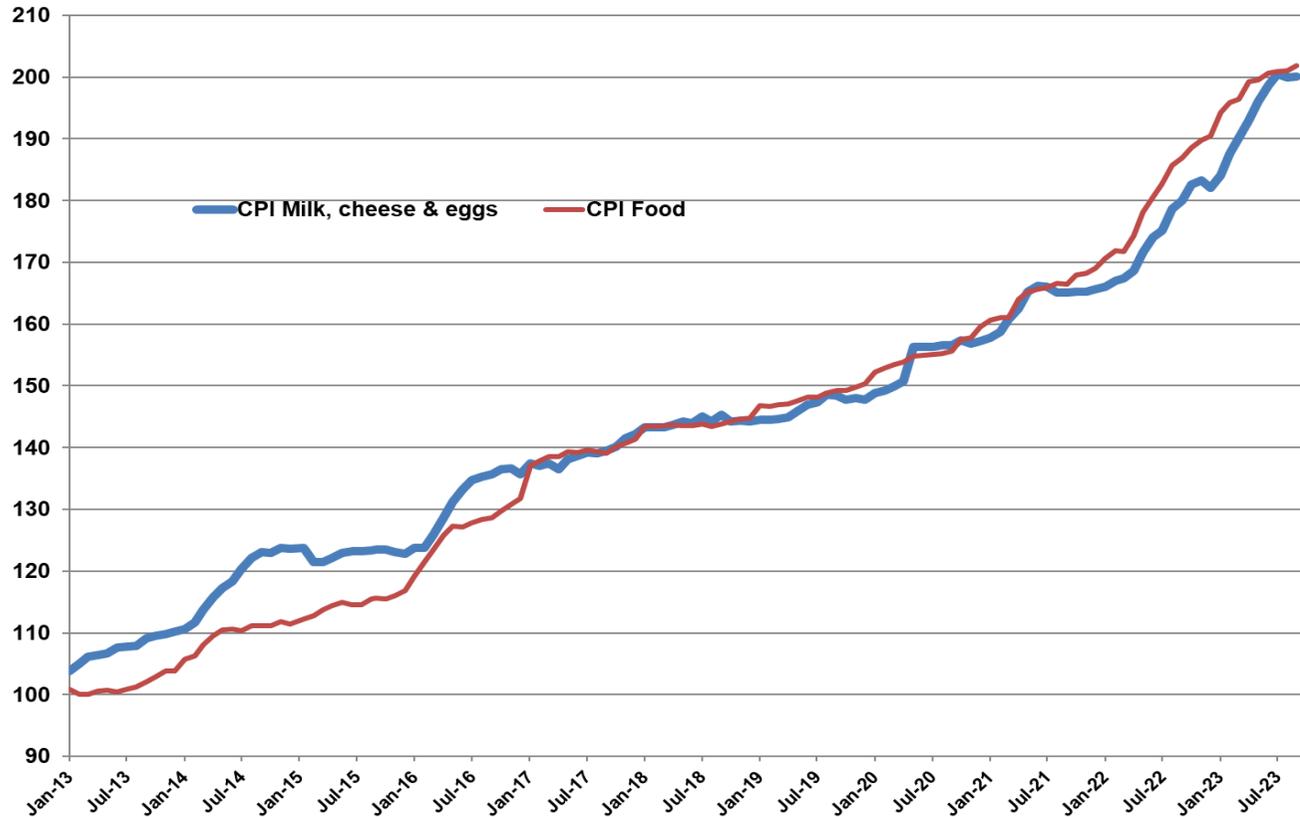
FIGURE 12: PRODUCER PRICE INDICES OF SOUTH AFRICAN AGRICULTURAL AND FOOD PRODUCTS, JANUARY 2013 – SEPTEMBER 2023.



Source: Stats SA

The PPI for unprocessed milk increased by 12.0% in September 2023 year on year, down from the 2023 high of 18.8% (June). The PPI for dairy products increased by 2.6% in September 2023 year on year, down from the 2023 high of 17.1% (March). The PPI for other manufactured food products increased by 7.1% in September 2023 year on year, down from the 2023 high of 13.7% (February). The overall PPI for agriculture increased by 7.8% in September 2023 year on year, down from the 2023 high of 13.2% (February). All the indices measured in Figure 12 improved in unison with softer raw material prices and reduced inflation worldwide.

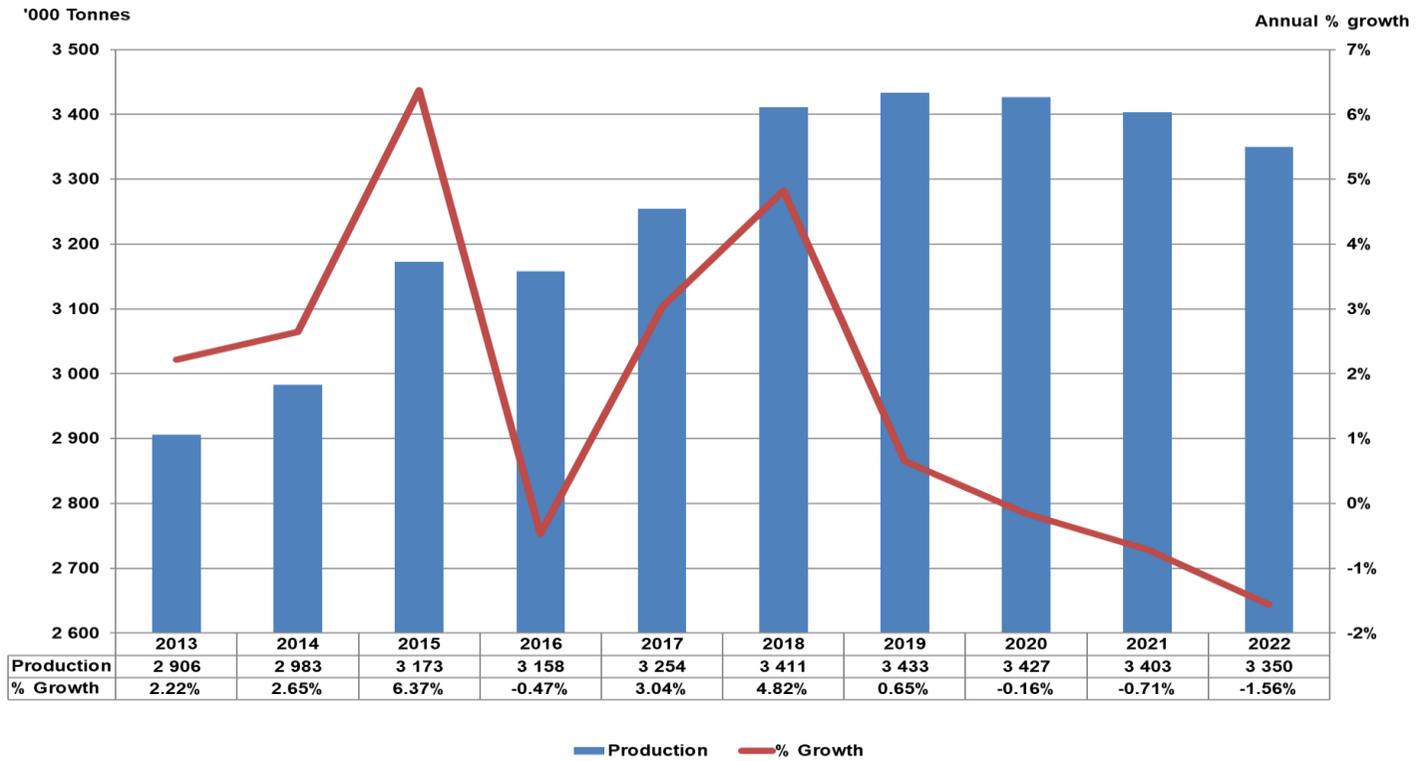
FIGURE 13: CONSUMER PRICE INDICES OF SOUTH AFRICAN FOOD AND DAIRY PRODUCTS, JANUARY 2013 – SEPTEMBER 2023



Source: Stats SA

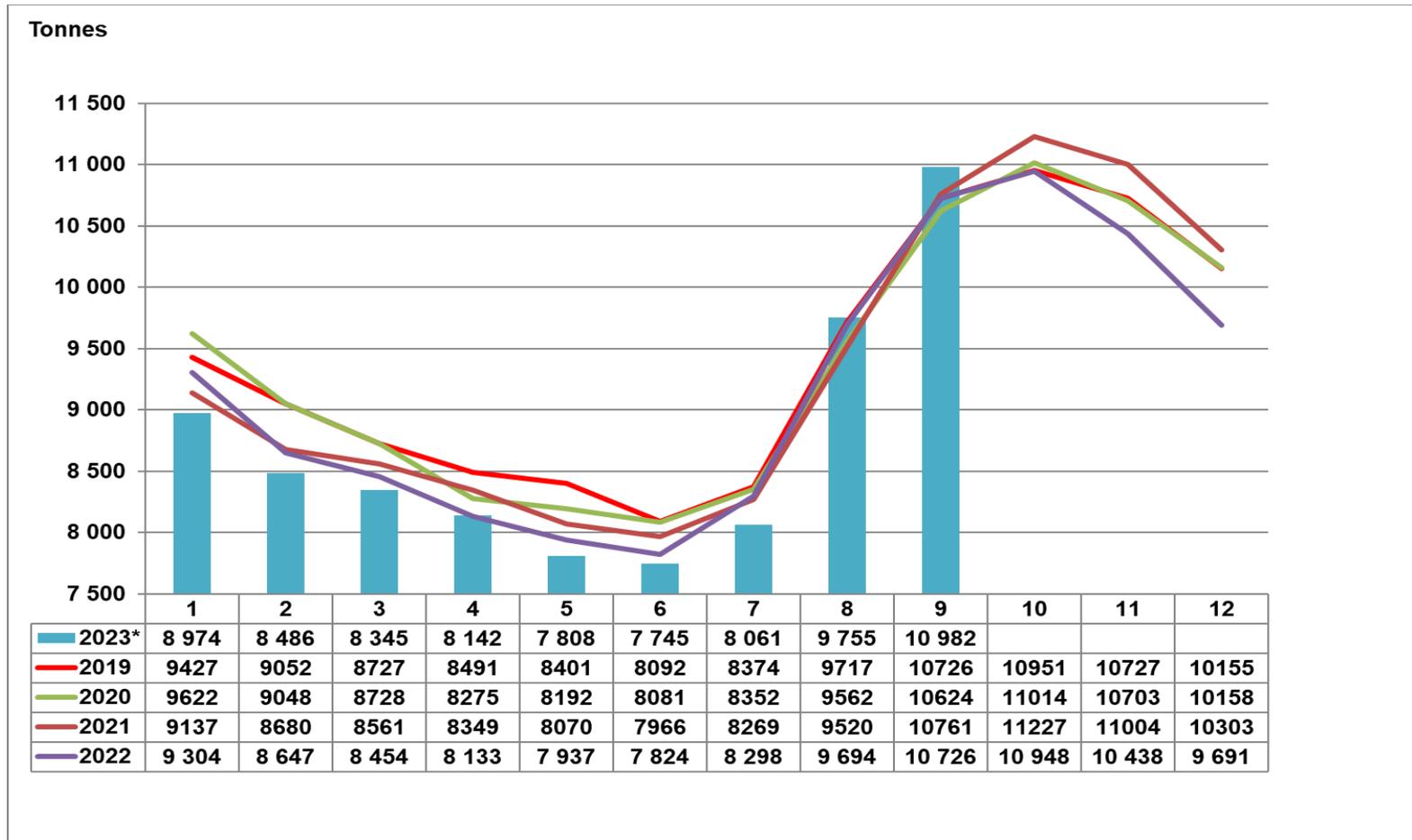
In January 2022 the change to a steeper upward slope for the two indices is visible. Up until that time the pressure build-up in producer price indices was absorbed/partly absorbed by role players in the different value chains to protect the affordability of food and sales volume. The pressure build-up 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 reduce in August 2023, moving from 14.4% in July to 11.9% in August and to 11.2% in September 2023. The CPI for food started to reduce earlier, in May 2023 moving from 14.3% in April 2023 to 12.0% in May 2023. This trend continued with the CPI for food in September 2023 registering 8.0%.

**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 – SEPTEMBER 2023



Source: Milk SA. The last two months are preliminary.

Daily average unprocessed milk purchases in 2023 are generally lower compared to 2022, except for August and September where daily purchases outstripped 2022 with both months recording record levels compared to the previous four years.

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	1 260 780
June	1 574 114	1 575 855	1 531 293	1 517 370	1 493 124
July	1 833 695	1 834 773	1 787 625	1 774 605	1 743 008
August	2 134 907	2 131 205	2 082 757	2 075 131	2 045 411
September	2 456 699	2 449 933	2 405 584	2 396 918	2 374 879
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. The last two months are 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 nine months of 2023 were 0.92% less than the same period in 2022.

Author: Bertus van Heerden:	Project Manager, Milk SA Project – Economies and Markets
Contributions from: Ndumiso Mazibuko Alwyn Kraamwinkel De Wet	Senior Economist CEO SAMPRO Business Economist SAMPRO