The primary and secondary industry sectors of the South African dairy industry are, in respect of issues of collective interest, united in Milk South Africa and therefore, the Milk Producers Organization (MPO) and the SA Milk Processors Organization (SAMPRO) are the members of Milk South Africa. The MPO is the representative body of the producers of unprocessed milk and SAMPRO is the representative body of the milk processors and manufacturers of dairy products in South Africa.

Since 2002 already, Milk South Africa has been adding value to the South African dairy industry through the promotion of the image and consumption of South African dairy products and the development of the South African dairy industry through value-added services such as to:

- Educate the consumer about the nutrition and health benefits of dairy;
- Improve the quality and safety of dairy products;
- Publish reliable statistical and other information;
- Promote the South African dairy trade dispensation;
- Co-ordinate, initiate and fund research and development projects; and
- Transfer knowledge and skills to previously disadvantaged persons.
Dairy Quality Project

The primary objective of the Dairy Standard Agency (DSA) as self-regulatory initiative of the organised dairy industry is the promotion of compliance with product composition, food safety and metrology standards of milk and other dairy products.

Proactive and reactive approaches are followed by the DSA in a multi-dimensional environment due to its involvement in the regulatory environment relating to product composition, food safety, animal health, animal feed, milking parlours, the transportation of milk, processing plants and storage.

The DSA is well recognised by the respective government bodies, the organised primary and secondary dairy industry sectors and other stakeholders such as national consumer bodies and the retail sector on a national level. Functional relationships had been developed with government departments responsible for legislation regarding dairy and enforcement thereof, namely:

- Department of Health, provincial health departments and municipal health authorities;
- Department of Agriculture, Forestry and Fisheries and provincial departments;
- National Regulator of Product Specifications (NRCS) and the application of the relevant regulations in terms of the Trade Metrology Act, 1973 (Act 77 of 1973);
- SABS - technical committees.

The DSA manages a number of statutory projects funded by Milk SA, including:

- National monitoring of milk and other dairy products in collaboration with Health Authorities;
- Investigations of complaints received regarding product compliance with legal standards;
- Special investigations relating to food safety, product composition and metrology standards;
- Identification of risks pertaining to national and imported dairy products;
- Remedial action programmes with processors and distributors;
- Communication with authorities and other organisations;
- Information and education programmes with tertiary institutions;
- Development of guideline documentation.

Industry Information Project

The project’s purpose is to provide, in full compliance with the Competition Act, objective statistical and other information regarding the South African and international dairy industries to interested parties. The information is especially needed to provide market signals to all interested parties.
The purpose of the project is to communicate the health and nutritional advantages of dairy products, which is impossible to convey by individual dairy companies to the South African society, through advertising and other promotional activities. Therefore, the project also serves to empower consumers with information to enable them to make responsible choices.

This project is based on scientific knowledge regarding nutrition, health and the perceptions of consumers regarding dairy products.

The communication campaign consists of two elements namely a) General Communication which convey messages to the consumers of a general nature regarding the health and nutritional advantages of dairy products; and b) Specialised Communication which convey proactive and reactive messages regarding the health and nutritional advantages of dairy products to selected target groups which are opinion formers in the South African society.

The target market for the General Communication element is LSM 6-10 as determined by the advisory committee, while the target market for the Specialized Communication element is health professionals namely doctors, nurses, dietitians and nutritionists.

In a deregulated market environment, it is critically important for the viability of the dairy industry that market signals are available to all interested parties, so as to ensure the effective working of the markets. Such market signals are also required for effective competition as envisaged by the Competition Act, and the optimal use of national resources. The project includes the publication of Dairy Digits, Lactodata, Dairy Industry Review, Annual Reports on the outcomes of the research of the International Farm Comparison network (IFCN), and Annual Overviews of the international dairy industry as compiled by the International Dairy Federation (IDF).
The purpose of the project is to promote import and export dispensations which support the development of the dairy industry in accordance with national objectives. The project covers a range of activities, namely:

- **Customs (import) duty dispensation** - Successful objections were lodged against a number of applications for removal of import duties on certain dairy products.
- **Monitoring of imports** - Imports are monitored on a monthly basis.
- **Export facilitation** - Different technical issues regarding exports (ranging from animal health issues to export protocols with different countries), are attended to in close co-operation with the relevant sections of the departments of health, trade and industry and agriculture and the Dairy Standard Agency. The project contributed to, for example, a revised “Veterinary Procedure Notice” of the Department of Agriculture, Forestry and Fisheries, which is a key element of the export dispensation, as well as to the booklet “Standard Operating Procedures for the Export of Dairy Products” as published by Milk SA.
- **Trade Agreements** - South Africa is a party to different trade agreements such as SACU, SADC, EU and the WTO. Detailed work is conducted by the project and due to the work, concessions requested by, for example the EU, were successfully dealt with. Expert advice is given in respect of issues such as infant industry protection in terms of the SACU agreement.

The objective is to promote research and development that is functional in respect of the strategic direction of the South African dairy industry.

Milk SA, together with SAMPRO and the MPO, take actions that promote co-ordination between research institutions, research that is functional in respect of the strategic direction of the South African dairy industry and the practical application of local and international research and development by the South African industry. These actions are taken in consultation with Government research institutions and other research institutions.

Synergy is obtained through the establishment of Co-operative Research Networks, which require that expertise and other resources of different institutions (nationally and internationally) are combined to obtain the maximum results for an industry challenge / problem.

Skills and knowledge transfer not only contribute to empowerment, but is required to improve the competitiveness and thus the viability of the dairy industry.

The training element of the project formally interacts with institutions such as the Department of Higher Education, Quality Council for Trades and Occupations, South African Qualifications Authority, FoodBev Seta, Agriseta and tertiary education institutions in accordance with the different acts concerned.

The objectives of the skills and knowledge development projects include:

Establishment and maintenance of registered learning standards;

- Design, development and registration of qualifications – which includes the revision, redesigning, repackaging and development of learning materials and presentation methodology to align learning interventions with the newest official requirements for occupational learning;
- Development and maintenance of learning materials which service the various needs of industry which are dairy technical in nature;
- Development of policies and procedures for implementation of the Quality Council for Trades and Occupations (QCTO) system of provision, assessment and moderation for qualifications aligned with occupational training requirements;
- Marketing of existing (and soon to be replaced) unit standards based learning materials and coaching manuals (and other learning aids);
- Advisory services to industry to promote the quality of workplace learning;
- Training of personnel on-farm and in-factory.

In respect of enterprise development, the project interacts with national and provincial departments, local authorities, development institutions such as the National Treasury and other relevant parties in the private sector.

The objectives of the enterprise development projects include:

- Maintenance of a database of black dairy enterprises.
- Commercialization of black dairy enterprises by providing tangible assistance such as animal feed, heifers, electricity, parlour equipment and non-tangible assistance in the form of skills and knowledge transfer.
- General liaison and transformation workshops with industry stakeholders, provincial and national government officials.
In total 3,16 billion kilogrammes of milk were supplied to the market in 2016. The national herd is estimated at 1,3 million dairy cows of which approximately fifty percent are cows in production. There are four major dairy breeds in South Africa namely Holstein, Jersey, Ayrshire and Guernsey. The number of milk producers has decreased from 2 470 in January 2012 to 1 680 in January 2016 (-32%).

The production of raw milk in South Africa is very seasonal and the highest production per day is more than 30 percent higher than the lowest production. The actual differences in the last four years were as follows: 2013 -29%, 2014 -38%, 2015 -25% and 2016 -34%.

Most of South Africa’s milk supply comes from the coastal provinces where a pasture based feeding regime generally applies, as opposed to the generally dryer inland provinces with mixed ration feeding regimes. The South African monthly milk production from January 2015 to March 2017 is shown in figure 1.

The dairy processing sector comprises 150 milk processors and manufacturers of dairy products, and 115 producer distributors (April 2016). Producer distributors are milk producers who process the raw milk produced by them and sell the final products to the consumer or the retail. Competition amongst milk processors and manufacturers of dairy products is fierce owing to the many players in the market.

In 2016, 38% of the locally produced milk was used to manufacture concentrated products and 62% to manufacture other dairy products. Pasteurized milk and UHT milk are the major liquid products, while hard, semi-hard and other cheeses are the major concentrated products.
The estimated composition of the markets for liquid and concentrated products is clear from figure 2 (on the right) and figure 3 (on the next page).

**Exposure of the South African dairy industry to international competition** (as measured by the sum of the imports and ex-
Imports of dairy products of South Africa, was significantly higher in 2012, 2013, 2014 and 2015, the highest in the last fourteen years. The indices (2002=100) in the years 2002 to 2007 ranged between 71 and 107. From 2008 to 2011 it moved to a higher level of competition and ranged between 117 and 135. For the period 2012 to 2015 the level of international competition was significantly higher and ranged between 180 and 222 index points.

Dairy imports to and exports from South Africa are more or less in balance. In seven of the 14 years (2002 to 2015) South Africa was a net exporter of dairy products in volume terms. In the years 2002 to 2012 and in 2015, the import index remained higher than the export index, but in 2013 and 2014, the export index was higher than that of import.

The South African dairy industry is one of the most deregulated industries internationally. The industry is not subject to any statutory intervention in the marketing of its products and it is not supported by government subsidies. A totally free and competitive dairy market prevails in South Africa.