

MPO Newsletter / Nuusbrief

3 December 2010

Milk price starting to recover

A well known Southern Cape cheese manufacturer yesterday informed his producers that their milk price will increase by 10c a litre from January 2011. According to MPO economist Dr Koos Coetzee, this step is to be welcomed as it may be a catalyst for further price adjustments. He said this trend is in line with current industry projections and also reflects international price movements of dairy products. Stats SA's Producer Price Index data indicated an annual increase of 1,6% in the price processors received for their products in September and a further 0,7% in October. Prices increased by an average 1,6% for the previous sale at the two-weekly Fonterra internet sale, held yesterday. Dr Coetzee said milk buyers who interpreted market signals well in time, will benefit next year while those who fail to do so, will have to make bigger adjustments.

Subsidies distort producer price information

South African milk producers actually receive less income per litre of milk than farmers in most other countries. Information provided by Dr Koos Coetzee at the recent directors' meeting of the MPO, indicates the various government subsidies farmers in the European Union and USA receive, increase their total income per litre of milk. The majority are so-called decoupled subsidies where the actual amount is determined by factors not based on milk production. In the figure below, producer prices and subsidy income per litre of milk are indicated for selected countries. South African farmers do not receive any subsidies while EU and USA subsidies range between 33 and 350 cents per litre.

Producer prices and subsidies per litre of milk, 2010

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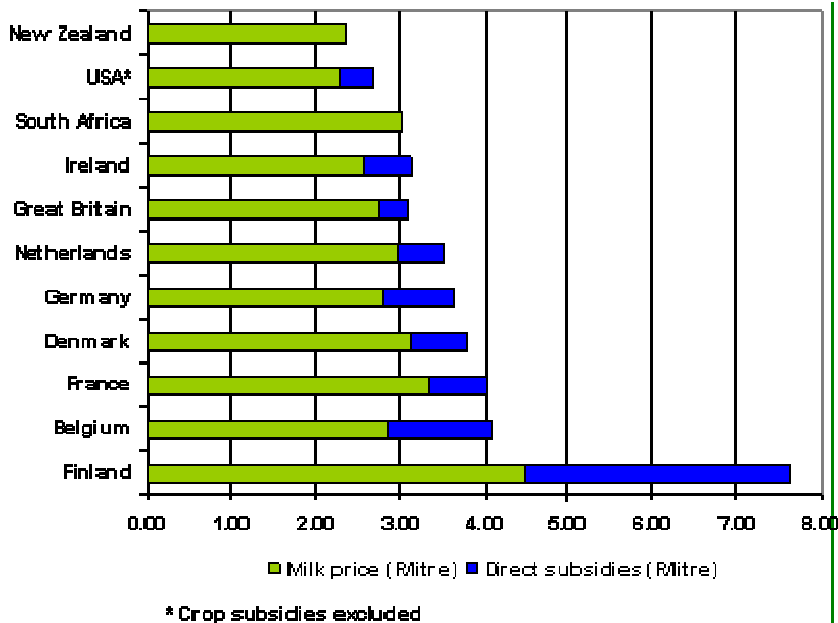
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Source: LTO Nederland, IFCN

Sampro projects receive 61% of Milk SA income

At yesterday's Milk SA board meeting, 61% of Milk SA income of R31,5 million was allocated to projects under Sampro management. These projects include generic advertising, dairy quality and secondary sector training. All these services are essential for the well-being of the dairy industry. MPO projects received 10,8% of the income. Mr Bertus de Jongh said the MPO is grateful for this amount as the intention of the national agricultural marketing act is to benefit agriculture and the MPO is constantly battling to acquire sufficient funds to render its mandated services, which include Black economic empowerment, technology transfer and training of commercial and emerging farmers and farm workers.

Farmer groups successful

Farmer groups achieve more success by balancing supply and demand, which stabilises prices to the benefit of all role players, said Mr Bertus de Jongh, CEO of the MPO this week. This follows discussions with a number of farmer groups. "Figures indicate groups are more successful in stabilising milk prices for both producers and milk buyers. The net effect is that prices do not fluctuate as much between seasons, reducing a major risk factor in dairy farming." However, Mr De Jongh cautioned, the terms of the contract between producers groups and buyers determine the success of these groups. If the arrangements are not mutually beneficial, it defeats the purpose.

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Dairy producers win at Agri Bonus draw

Dairy producers Vaugh Victor and Pieter Naudé won motorcycles and Jan Heymans won a firefighter at Agri Bonus' *My Bonus My Bucks* promotion held in Pretoria last Friday. At this annual event, Agri Bonus invites partners and prize-winners to also give feedback on the past year's successes.

Supplier contracts crucial

A local producer who changed buyers recently had the shock of his life when he realised the verbal agreement he thought he had with his new buyer did not realise. He currently receives a lower price for his milk than offered initially and the new buyer now also refuses to take up his surplus milk. The MPO is attempting to find the producer a new buyer. Dr Koos Coetzee, MPO chief economist, cautioned producers to ensure they have written supplier contracts in place before changing buyers or even to ensure the relationship with their current buyers remains positive. He also warned that changing buyers is a costly process and recommended that producers should find themselves a reliable buyer and give him the necessary support. The best buyer is not always the one offering the highest price.

To access an example of a milk supply agreement, follow this [link](#) to the MPO website.

OBP vaccines available again

Onderstepoort Biological Products has informed the MPO that the recent shortage of vaccines against tick borne gall sickness (Anaplasmosis) from Onderstepoort Biological Products has been solved and the vaccine is now available. Vaccines against red water and heart water are also available again. Producers can phone Kenneth Malahlela, national sales manager at OBP, or Hennie Prinsloo, production manager at 012 522 1500 for further information.

Industry tragically loses two members

The industry was saddened this week after receiving news of the tragic and untimely deaths of two of its members. Mr. Paul Howarth, previous member of the Milk Board, was killed in a work related accident. Mr. Bertus de Jongh said Mr. Howarth had made a significant contribution to the well-being of the dairy industry as a pioneer farmer and member of the Milk Board and will surely be missed. Mr. Howarth is survived by his wife, three married children and grandchildren.

Hardus Troskie, son of well-known Casper Troskie from Jeffreys Bay was tragically killed in a car accident this week.



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This follows the sudden death of his wife in April this year. He leaves two very young children. The MPO expressed its sincere sympathy with both families.

Links

Milk Producers' Organisation – The Dairy Mail

Contact us

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Barbara Bieldt – Manager: Market protection and development

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Philip Swart – MPO member services

The logo for Agriinspec, featuring the word "agriinspec" in a stylized, lowercase font with a green dot above the 'i'.

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Compiled by Agri Connect in conjunction with the MPO

Represents and empowers the producer