



# MPO Newsletter / Nuusbrief

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2011

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## **Dti approves funding of dairy value chain analysis**

The Industrial Development Division (IDD) of the Department of Trade and Industry (dti) informed the MPO on Tuesday that the request to fund an analysis to investigate the dairy value chain and factors affecting the competitiveness of the dairy industry in general and milk producers in particular, has been approved. The IDD indicated that the study will be funded from its budget during the current financial year, up to a maximum of R350 000. The study should commence within three months, since the IDD has to follow the dti's procurement process in appointing a service provider. Ms Barbara Bieldt, manager market protection and development of the MPO, said that the study is critical in identifying the factors that impact on the profitability of milk producers.

## **Exports exceed imports during first four months**

Total exports exceeded total imports during the first four months of 2011. During this period 10 898 tonnes of dairy products were imported and 12 257 tonnes exported. Imports during April 2011 were 50% lower than during March 2011, while exports decreased by 40%. According to MPO economist Dr Koos Coetzee, the main reason for the decrease in imports is the sharp increase in international prices. Lower exports were mainly caused by the temporary closure of the SA-Botswana border that resulted from the foot and mouth disease outbreak. This border has now been opened for pasteurised products. The MPO will keep members updated on changes in imports and exports.

## **Sharp increase in global producer prices**

A recent Outlook report published by Dairy Australia shows that producer prices in many countries have increased substantially from the lower levels of the previous year. US prices are 19% higher, while Fonterra's New Zealand prices are 23% higher and EU farmers receive 18% more for their milk. Australian exporters pay 22% more for milk. Higher producer prices were caused by the sharp increase in dairy product prices as demand recovered in developing and developed countries. South African farmers are not yet sharing in these higher

prices. According to Stats SA, raw milk prices in South Africa were 7,5% lower in March 2011 than in March 2010.

### **Rumours of low priced milk powder investigated**

The MPO received information that full cream milk powder (FCMP) was allegedly on offer in the market at a price of R23,00 per kg, and conducted an investigation to ascertain if the information is correct. Detailed monthly import statistics from December 2010 to March 2011 do not reflect imports of FCMP at the alleged low prices. Enquiries with the company concerned, revealed that the product is currently being sold at R43,00. The MPO regards such information in a serious light, since rumours about low-priced dairy products available in the trade are often used as a tactic to either reduce producer prices or keep them at a low level. Milk producers are urged to contact Ms Barbara Bieldt at the MPO head office immediately with information like this, in order for it to be verified. Call Ms Bieldt at 012 843 5600 or 083 235 2629 or send an e-mail to [barbara@mpo.co.za](mailto:barbara@mpo.co.za).

### **MPO KZN and Department of Agriculture meets again**

On Wednesday, 4 May 2011, representatives from MPO KZN met with the Department of Agriculture as part of the Memorandum of Cooperation (MOC) between the two organisations. At this meeting, action plans were put into place with special reference to the need for active and enthusiastic extension officers to support emerging dairy farmers who are already in operation and new projects in the province. Mr Tom Turner, MPO KZN chairman, highlighted the fact that the MPO has pledged to support these extension officers with as much practical advice and technical expertise as possible. MPO KZN believes that the partnership with the Department is starting to bear fruit, with good relationships being established to the benefit of the industry.

### **Demand for milk increases**

During the past week, the MPO received requests for assistance from several milk buyers to source additional milk, particularly in the Gauteng region. Prices as high as R4,00 per litre were mentioned. Milk producers planning to change from their existing buyers are cautioned to ensure that the milk buyers involved are stable and that appropriate long term contracts with acceptable pricing arrangements are in place before taking the step. An example of a milk supply agreement is available on the MPO's website. To download the agreement, please <[click here](#)>.

### **Suspected outbreak of FMD in Botswana**

On 30 April, the Department of Veterinary Services in Botswana announced that about 300 animals in one of the country's veterinary disease control zones were reported as showing feet and oral lesions associated with foot and mouth disease. Samples for testing at the Botswana Vaccine Institute are collected on a continuous basis. A countrywide movement ban of all cloven-hoofed animals and their derived fresh products was instituted with immediate effect and all cattle slaughter facilities, including abattoirs, were closed. Veterinary



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