



MPO Newsletter / Nuusbrief

14 January 2011

This is the first newsletter of the new year. We wish all members a prosperous 2011.

Buyers increase milk price

Dairy Belle Cookhouse increased their milk price with 15c with effect from January 1. This is a welcome surprise for milk producers. Woodlands has confirmed that a winter premium of between 20 and 30c will come into effect on 1 March.

Competition Commission refuses Grain SA's application

The Competition Commission refused to grant an exemption to Grain SA to form an export pool for surplus maize. Grain SA applied for the exemption in terms of the objectives set out in the Competition Act namely the maintenance and promotion of exports, changes in productive capacity necessary to stop a decline in an industry and the economic stability of a key industry. In a Government Notice published on 31 December, the Commission sets out its reasons for the refusal. While the Commission's decision is probably in line with the provisions of the Act, it could have dire consequences for other industries that desire to export products collectively. In the long run this decision will definitely impact on the sustainability of the maize industry and may affect intensive livestock producers as they will then have to pay import prices for grain. The Competition Commission's decision does not contribute to the stated goal of the Act to "create greater capacity and an environment for South Africans to compete effectively in international markets".

MPO road shows kick off

The MPO hits the road again with the first road show meeting held in Pietersburg (Polokwane) on January 26 and the next one in Nylstroom (Modimolle) the next day. More information on these meetings will be communicated in next week's newsletter. These meetings offer MPO members and other stakeholders the ideal opportunity to keep abreast of developments and the current situation in the dairy industry. It also affords MPO management and leaders the opportunity to gain first-hand insight into the situation of milk producers.



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Food prices recover from effect of recession

International food prices have recovered from the effect of the 2009 recession. According to the Food and Agricultural Organisation (FAO), food prices in December 2010 were higher than at its peak in August 2008. In its latest Food Review the FAO indicates that expected grain production in 2011 will probably not equal demand and that stock levels will decrease further. Various countries in Africa and the East face food insecurity in 2011. In 2007/2008 higher demand from the emerging middle class, especially for protein foods, resulted in increased demand for grains to feed livestock. The use of grain in the production of biofuel added to this. Production was also disrupted by adverse climate conditions in various countries. As a result prices doubled in a few months. Since then the recession, caused by irresponsible financial actions, resulted in decreased demand and lower product prices. As the effect of the recession diminishes, fundamental factors will once again come into force. Food prices might increase further and a recurrence of the 2008 situation when countries limited exports to safeguard local supplies, could take place. Currently South African farmers do not yet fully share in the higher international prices mainly as a result of the weakness of the US\$ and Euro. However fundamental factors will also result in a weaker rand. In time farmers will benefit from higher food prices. In view of expected substantial food shortages in future, government will need to support and encourage local farmers to produce more food. Government policy will have to be adapted to accomplish this.

Rift Valley Fever risk increases

The recent heavy rains have increased the risk for a Rift Valley Fever outbreak. According to reports, this zoonotic disease (humans and animals can contract it) killed 26 of 232 affected people last year (and a significant number of animals). Farmers who have not yet inoculated their cattle are advised to do so urgently. The new Clone 13 vaccine is freely available, as are the older vaccines. Dr Nico Schutte of the MPO advises farmers to follow instructions carefully. Any exposed tissue of infected animals or any dead animals should not be touched. Please report incidents of Rift Valley Fever to the state veterinarian.

Producers change milk buyers in December

A number of inland producers have changed milk buyers over the festive season. This happened at a time when milk production is at its seasonal high and demand traditionally low. It indicates that milk buyers may have overreacted in their price and volume decisions taken during 2010. According to MPO CEO Mr Bertus de Jongh it will be interesting to see how the situation develops over the next few months.

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Parmalat expects higher prices

In a newsletter to milk producers Parmalat said inflation related price increases are expected before winter. "Because of the national imbalance between supply and demand during summer months, price pressure could be experienced during this time." One of the company's priorities for this year is the stimulation of cheese production. The Parmalat pricing structure in traditional regions where milk is bought for cheese production, is under consideration and it is predicted that milk producers who supply milk with a high solids content to Parmalat cheese plants, will experience a positive effect on their milk price.

Bumper sticker competition on the move

The MPO's 2011 bumper sticker competition kicks off during the first week of February. MPO members are encouraged to attach the stickers to their vehicles to come into consideration for the bi-weekly prize of R500. Should the winner not claim it, the prize rolls over and is added to the next draw. The potential prize-money is currently R1 000. The winners will be announced in the newsletter.

Study shows surprising results

A study funded by the US National Dairy Council has shown the prevalence of lactose intolerance linked to the consumption of dairy foods among African American adults are less than generally assumed. While 49% of African Americans had never experienced 'some type of physical discomfort' after eating dairy foods, 24% nevertheless believe they are lactose intolerant. Within this group, 85% of African Americans are willing to consume more dairy products if they could avoid lactose intolerance symptoms. An unfounded fear of lactose intolerance may be a contributing factor to African Americans and the general US population's insufficient intake of dairy food, calcium and vitamin D. Mr Bertus de Jongh, CEO of the MPO says the dairy industry's generic advertising campaign which was initiated by the MPO, plays a critical role in eliminating misconceptions such as these by educating consumers about the health and nutritional advantages of dairy products.

Quote of the week

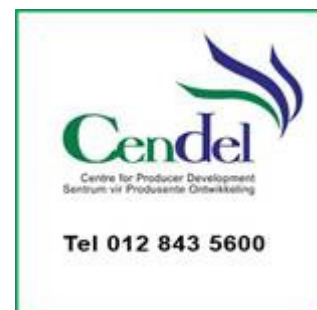
'Everything I own I owe to udders' – seen on a milk delivery van many years ago.

Links

[Milk Producers' Organisation](#) – [The Dairy Mail](#)

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