



MPO Newsletter / Nuusbrief

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Milk producers unhappy about misleading industry information

Milk producers are unhappy about recent industry information released by sources from the secondary industry, which was, among others, published on landbou.com, and is contradictory to the latest available local and international information. The statement that international dairy product prices have been moving sideways since the start of 2011 is in contrast with international price information, which indicates that prices increased between 10% and 30% from end 2010 to date. At the last Fonterra sale held on 1 June, the price of skimmed milk powder increased by 12,5% from the previous sale. The expectation that dairy product prices will move sideways for the remainder of the year is not supported by international role players. Dairy Australia expects that total demand internationally will still exceed supply and Fonterra very recently announced an increase in payments for the season and a positive outlook for the next season. With regard to the local market, milk production was marginally higher during the first three months of 2011 compared to the corresponding period in 2010. However, during March and April production was lower than in 2010. Heavy summer rainfall had an adverse effect on production in various regions. The strong growth in the market for dairy products is furthermore not mentioned. According to information released earlier by the secondary industry, the demand for fresh milk increased by 5,1% for the twelve months to end of March 2011 compared to the previous twelve months, that of UHT milk with 10,1%, packaged cheese with 13,5% and butter with 14,7%. Compared to the 4,0% increase in total milk production over the same period this indicates a more favourable balance in demand and supply. Producer prices in South Africa currently are at least 7% lower than a year ago. Internationally, producer prices have already adjusted in line with increased international dairy product prices. South African milk producers currently experience unchanged producer prices, while input costs have risen sharply since 2010. Despite the predictions by secondary industry sources, milk buyers who wish to ensure sufficient milk supply will have to adjust producer prices in line with current trends.

Feed prices put pressure on competitiveness

Preliminary results of a farm comparison analysis conducted at the annual congress of the International Farm Comparison Network (IFCN) in Germany last week show that South African farmers are still cost-competitive, but that the sharp increases in feed prices put pressure on their competitive position. According to Dr Koos Coetzee, MPO economist, high grain prices in South Africa are the major contributing factor to high feed costs, with feed companies playing a relatively small role.

Rumours persist about Parmalat sale

In spite of Parmalat's board of directors' unanimous decision in Milan on Tuesday, 17 May, to reject Lactalis' takeover bid, rumours persist that the transaction is going ahead. The MPO was informed that the proposed transaction was notified to the South African Competition Commission in terms of the Competition Act. It therefore seems as if the takeover is in progress, although no official information was released in this regard.

MPO Western Cape has strategic planning meeting

Mr Bertus de Jongh, MPO CEO, and Dr Koos Coetzee, MPO economist, attended a strategic planning session with Western Cape milk producers in Swellendam on Wednesday. The objective of the session was to formulate action plans to address the factors impacting negatively on competitiveness, in particular, low producer prices. The benefits and disadvantages of group forming and investing in processing facilities were discussed at length. Mr de Jongh said the trend of milk producers who invest in the processing and distribution of their own milk is gaining momentum and is expected to grow in future should low producer prices persist.

Report from MPO Audit Committee meeting

At its meeting held last week Wednesday, the MPO Audit Committee decided not to reduce the number of board members on the national board of the MPO. However, it was decided to halve the number of members of the MPO Executive Committee to save costs and to facilitate more efficient functioning of the committee.

Danish dairy company Arla grows through mergers

Arla Foods, a Swedish-Danish **co-operative** based in **Århus, Denmark**, and the largest producer of **dairy** products in **Scandinavia**, is considering a merger with Swedish dairy co-operative Milko due to financial difficulties experienced by Milko. The co-operative's member numbers reduced from 1 945 in 2000 to the current 636. Mr Ake Hantoft, chairman of Arla's board of directors said: "Arla has the strength and the structure required to develop the Milko company and to receive milk from the dairy farmers who will transfer to Arla as a result of the merger, regardless of the volume of milk they supply." [Click here](#) for the full story. Arla is also in the process of merging with German dairy firm Hansa-Milch to increase its presence in Germany. The merger is still subject to approval by European authorities and will result in a dairy company ranked sixth by



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