

# MPO Newsletter / Nuusbrief

25 February 2011

## Further increases in producer prices

In addition to the increase in producer prices by Parmalat reported last week, other processors have also announced an increase in the producer price or are in negotiations with producers to increase prices. In the Eastern Cape Woodlands has announced a 20 cent per litre increase in producer prices from the beginning of March. In the Free State producers are in negotiations with their milk buyers and will probably get a 15 cent to 25 cent per litre increase from the beginning of March. These trends are a clear indication of the improved supply/demand situation both locally and internationally. MPO Managing Director Mr. Bertus de Jongh said that MPO appreciate the action of milk buyers who are prepared to support their suppliers with higher prices.

## Strategic plan for the primary dairy industry

The MPO Board of Directors was involved in the development of a strategic plan for the primary dairy industry this week. High on the agenda was plans to capitalise on the current growth in the consumption of dairy products in South Africa, to improve the quality and effectiveness of current marketing campaigns and to minimize the impact of imports. Furthermore, the Board concentrated on managing the legal and regulatory process by identifying key issues specific to the dairy industry and also to empower producers to improve their profitability and standing in the value chain. The Board was also eager to develop and explore support structures to empower farmers to manage and negotiate optimum prices. The Board decided that it is necessary to counter poor service delivery by Government institutions by offering such support and services through the MPO. The promotion of the image of milk producers and the primary industry was identified as a priority matter. The facilitation of the implementation of a national school milk feeding scheme was recognised as a key element for future industry growth and the Board also wishes to accommodate all segments within the primary dairy industry such as small and large commercial farmers and emerging farmers. Read more about this next week.

## MPO Board meets

  
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The MPO Board met on Thursday to discuss various issues of importance to milk producers in a meeting that was characterised by positive interaction. Concern was expressed about the current relationship with Milk SA and the Board also undertook to assist in the continuous improvement of the dairy industry's generic advertising campaign. The Board expressed its appreciation towards the MPO for limiting dairy imports under difficult circumstances to a very low level in 2010 and for the effective structures established with relevant authorities. Agri Inspec was praised for its activities which resulted in virtually no illegal and sub-standard dairy products currently being imported. Furthermore, it was decided that MPO management must investigate alternative financing sources for milk producers and the consequences of the implementation of the new Consumer Protection Act. The Board took note of the MPO's Annual General Meeting and Conference this year which will be hosted by MPO Kwa-Zulu Natal (KZN) at the Fern Hill Hotel, Midmar Dam on 21 September.

#### **High prices paid for dairy cows**

At auctions held this week in the North West Holstein cows were sold at prices ranging from R10 000 to R15 000 each. According to reports from the region an increase in the demand for dairy cows gave rise to the high prices obtained. A number of milk producers are currently expanding their dairy herds and source animals of good genetic quality country wide. Dr Koos Coetzee says this is a display of confidence in the future of the dairy industry and is encouraging.

#### **Fonterra increases forecasted milk price by 23%**

New Zealand milk processor Fonterra has announced an increase of 23% in their predicted payout to farmers from NZ\$ 6,10 in 2009/2010 to NZ\$ 7,50 for 2010/2011. According to Fonterra Chairman Sir Henry van der Heyden the improved situation is the result of a further strengthening in global prices in recent months.

#### **Keep a close watch on grain prices**

Milk producers should keep a close watch on grain prices in coming months. According to MPO economist Dr Koos Coetzee, international grain prices increased substantially since April 2010. Maize export parity has increased to R1 894. The carry-over stock from the previous season is high and an above average crop is also quite possible in 2011. Local prices will therefore remain at or near to export parity. However, chances are that global prices can increase, especially if speculation about the Chinese demand becomes true. Farmers should therefore keep a close watch on grain prices and carefully consider their strategies. South African maize prices on SAFEX as well as import and export parity prices are shown in Figure 1.

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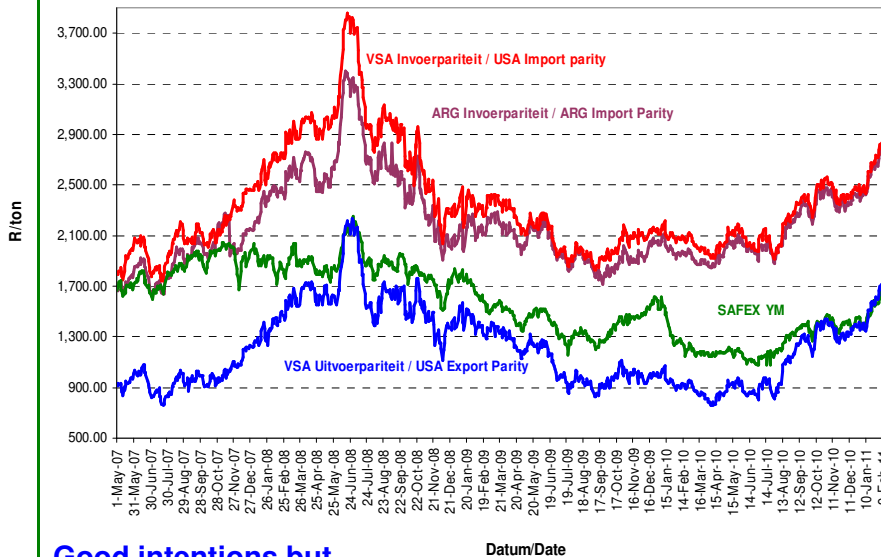
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**Figure1**

**PRYSE VAN GEELMIELIES GELEWER IN RANDFONTEIN  
PRICES OF YELLOW MAIZE DELIVERED IN RANDFONTEIN  
Mei/May 2007 - Februarie / February 2010**



**Good intentions but ...**

In his budget speech Minister Pravin Gordhan promised a lot of good things like increased employment, more money for education and even a hefty sum to address Gauteng's lake of acid water beneath Johannesburg. Unfortunately the Minister did not really say much about the specific ways of achieving employment growth, better education and the other goals. The Minister resisted pressure to limit government expenditure or increase taxes substantially to limit the budget deficit and kept it at 5,1% of the GDP, higher than the 'ideal' 3% but still much lower than in most other countries. According to MPO economist Dr Koos Coetzee the actual impact of the budget, especially on farmers, will only become clear in the individual Ministers' budgets. Click [<here>](#) to get a copy of the Minister's budget speech.

**Stick that sticker**

The MPO bumper sticker competition is going strong and a new winner was announced this week, a person driving a vehicle with registration number BCH 176 L. Congratulations on winning the two-weekly prize of R500. MPO members who get *The Dairy Mail* in the post all received a MPO sticker with their magazines in February. Anybody spotted driving with that sticker on a vehicle, stand a chance to win the cash prize. Winners are announced every second Tuesday on RSG Landbou, between 12:30 and 12:45. Should the prize not be claimed, it rolls over to the next draw.

**Riding to Cairo**

Rufus Dreyer, Vice Chairman MPO Eastern Cape and three

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friends Richard Bennett and Norman Emslie, livestock farmers, and Stelios Georgiou, a business man decided to travel from Cape Town to Cairo on motorcycles, covering about 13 000 kilometres to raise money for the Adelaide Hospital. The small, 60 bed rural hospital is situated between East London and Port Elizabeth. On the website called "Three Farmers and a Greek" Rufus states "*Life is short, opportunities seldom reoccur and tomorrow might be too late...*" Read more by following this [link](#)

### Important dates

- MPO road show meetings:
  - **Western Cape** - Contact Liana Stroebel at 084 264 1422 or [liana@mpo.co.za](mailto:liana@mpo.co.za)
    - Monday, 7 March, 12:00 - Oudtshoorn
    - Monday, 7 March, 17:00 - George
    - Tuesday, 8 March, 08:00 – Herbertsdale
    - Tuesday, 8 March, 11:00 - Heidelberg
    - Tuesday, 8 March, 17:00 – Riversdal
    - Wednesday, 9 March, 10:00 – Swellendam
    - Wednesday, 9 March, 17:00 – Bredasdorp
    - Thursday, 10 March, 10:00 – Caledon
    - Thursday, 10 March, 17:00 – Philidelphia
    - Friday, 11 March, 10:00 - Porterville
  - **North** - Contact Alta van Zyl at 012 843 5615 or [alta@mpo.co.za](mailto:alta@mpo.co.za)
    - Wednesday, 23 March, 09:00 - Lichtenburg Guest House, Lichtenburg
    - Wednesday, 23 March, 14:00 – Commando Hall, Ottosdal
    - Thursday, 24 March, 09:00 - Vryburg Club Hall
    - Thursday, 24 March, 14:00 - Pigmy Lodge, Delareyville
    - Monday, 11 April, Tuesday 12 April – Gauteng, more details to follow.
    - Wednesday to Friday, 13 to 15 April – Mpumalanga, more details to follow.
- Veterinarian livestock farmer summit, 25 March, 14:00 - De Stijl Hotel, Gariiep Dam. Contact Madaleen Schultheiss at [vetlink@mweb.co.za](mailto:vetlink@mweb.co.za)

### Links

**Milk Producers' Organisation – The Dairy Mail**

### Contact us

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**Barbara Bieldt** – Manager: Market protection and development

**Dr Koos Coetzee** – Economist

**Philip Swart** – MPO member services



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