

MPO Newsletter / Nuusbrief

3 February 2011

Sharp increase in international dairy product prices

Dairy product prices increased by 7,2% within two weeks from the previous to the latest Fonterra *global* Dairy Trade sale. The gDT trade-weighted price index of all products is now at 1 289, the highest level since July 2008. Prices increased for all products and also for both the short- and long-term contract periods. Full cream milk powder traded at US\$ 3 995 per tonne, skimmed milk powder at US\$ 3 913 and anhydrous milkfat at a record US\$ 6468 per tonne. According to the bi-weekly report from the USDA, butter prices are now 22% higher than in January 2009, skimmed milk prices are 15% higher, full cream milk powder is 17% more while cheese prices are 5% higher. The rand has strengthened by 29% against the US\$ from January 2009 to January 2011. The stronger rand has somewhat isolated the South African dairy industry from the effect of the higher prices. Rand-based prices for dairy products are shown in Table 1.

Table 1: International dairy product prices, Rand/tonne

Month	Rand per tonne			
	Butter	SMP	Cheddar	FMP
Jan-08	28 298	29 695	37 032	30 743
Jan-09	18 297	17 308	24 231	18 297
Jan-10	28 348	22 846	31 332	24 618
Jan-11	32 923	25 099	31 240	27 420
% change 2008 - 2011	16%	-15%	-16%	-11%
% change 2009 - 2011	80%	45%	29%	50%

According to MPO economist Dr Koos Coetzee, the South African situation is lagging behind the international situation. Local prices on all levels did not follow the sharp increase in

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international prices. While the current situation is stable and no big changes in production and consumption are expected, this may change suddenly. Milk producers should keep a close watch on the local and international situation. MPO will inform producers about the latest developments.

Disparity between processor and producer price trends

Stats SA' recently published PPI data shows that the price of manufactured dairy products did not follow the downward trend experienced by milk producers. Raw milk prices were 6% lower in December 2010 than in December 2009, while prices received for dairy products by processors increased by 0,1%.

Milk producers faced lower producer prices and higher input cost in 2010. In the 12 months to July 2010, the price of farm requisites increased by 13%, diesel fuel was 20% more expensive in January 2011 than in January 2009, and increased by a further 3,8% to February 2011. Feed prices are still lower than at the beginning of 2009. However, higher international grain prices have already resulted in increases in concentrate and mixed feed prices. The milk:feed price ratio, which is an important indicator of relative profitability in the primary sector, is currently below the break-even value of 1,5:1. Any further increase in feed cost will have a negative effect on milk production in the near future.

MPO and Samelko strengthen relationship

MPO chairperson Dèan Kleynhans and CEO Bertus de Jongh met with representatives from Samelko this week. Matters of common interest were discussed with Samelko chairperson and CEO, Douw de Kock and André van Heerden respectively, and new avenues for cooperation were investigated. Mr de Jongh said afterwards the healthy long-standing working relationship between these two organisations is to the benefit of all milk producers.

Parmalat meeting positive

Messrs Kleynhans and De Jongh also met with Ms Louise Cook, new Parmalat CEO. The meeting discussed items of mutual interest, such as the importance of correct and timely price signals from buyers to promote and establish stability in the primary industry. Ms Cook assured the meeting that the long-term health of Parmalat, in particular, and the industry in general, is important to her and all future strategies will support these values.

More processors seen

A meeting also took place between Dr Christa van Louw from Intshona and Messrs Kleynhans and De Jongh. Several matters aimed at achieving greater synergy between the two

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organisations were discussed. Issues like Intshona's possible involvement in the MPO's endeavour to establish a national school milk scheme enjoyed priority attention. Mr de Jongh said that such a scheme would have a significant effect on the growth of the industry. Follow-up meetings will be held in this regard.

Truck drivers vote to strike

Truckers have resolved to strike from February 13 in a bid to put pressure on employers to agree to wage increases. Satawu first deputy president June Dube said the decision to strike was unanimous and it would be joined in solidarity by the Transport and Allied Workers' Union of SA, the Motor Transport Workers' Union and the Professional Transport Workers' Union.

Information day in Polokwane

An information day for milk producers will be held on February 8 at the Thatch Palace in Polokwane. Items on the agenda include the MPO's Institute for Dairy Technology (IDT)'s holistic approach to sustainable farming, including financial aspects of farming and more. The discussion is scheduled from 11:00-14:00. Contact Dr Jan du Preez at 083 656 3638 or send an e-mail to jan.dupreez@mpo.co.za to RSVP.

Grain SA appoints new GM

Mr Jannie de Villiers, former manager of the Chamber of Milling, has been appointed as Grain SA's new CEO to succeed Dr Kobus Laubscher, who retires in March.

Extension service established

The MPO Institute for Dairy Technology (IDT) has launched a holistic extension service for MPO members. Judging by the number of members who have already subscribed to this service, the IDT has identified the solution to the many challenges milk producers face. Dr Jan du Preez, managing director of the IDT, said this does not mean the services currently offered will be discontinued. The contribution made by existing services is valuable and will be incorporated in the holistic approach, which is embraced by specialists within and outside of the dairy industry. Information days will be presented countrywide this year to launch the new service. Contact Dr Jan du Preez at ist@mpo.co.za for more information.

Master Dairyman crowned

The MPO congratulates Philip Blanckenberg from Klipheuwel near Malmesbury on being named National Master Dairyman of the Year. Philip is the current MPO chairperson in the Western Cape and is the son of former national MPO chairperson Boy Blanckenberg.

Irish cheese causes concern

Import statistics and other relevant information discussed by the



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MPO and Agri Inspec at their monthly import meeting this week further confirmed risks with regard to low priced consignments of cheddar cheese imported from Ireland during 2010. Investigations by Agri Inspec revealed that major retailers in the country sell the Irish cheese. The MPO alerted the Department of Trade and Industry's (dti) import task team about the imports where subsidies might be involved and will submit relevant information to the dti and the International Trade Administration Commission. This followed discussions with Dr Rob Davies, Minister of Trade and Industries late last year regarding this issue. A letter of complaint was sent to the Irish Dairy Board (IDB) by the MPO. The IDB was also warned that the MPO reported the matter to the relevant authorities who will take the necessary action.

Sub-standard UHT milk from Argentina

Agri Inspec recently found full cream UHT milk imported from Argentina that does not comply with South African requirements in terms of butterfat content. The product was sold at a retail outlet in Durban. The MPO requested the Department of Agriculture, Forestry and Fisheries to urgently investigate the matter and remove the product from the shelves. Mr Bertus de Jongh, CEO of the MPO will release a press statement cautioning consumers to buy local rather than imported dairy products of possible questionable quality.

Links

Milk Producers' Organisation – The Dairy Mail

Contact us

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