

MPO Newsletter / Nuusbrieff

Represents and empowers the producer

8

April 2011

Price decrease will impact on farm profitability

The price decrease of 5c/l from May 2011 announced by Clover SA will have a negative impact on milk producers' profitability and sustainability. Farmers are facing a significant increase in production costs as a result of increases in fuel, electricity and feed prices. Preliminary calculations show that the production cost per litre of milk increased by 20 to 30 cents from the end of 2010. Milk producers who already find it difficult to survive at current producer prices will not be able to produce at lower prices. According to MPO economist Dr Koos Coetzee, the price decrease is contrary to current positive international and local market trends. World prices are considerably higher than a year ago and emerging markets, in particular, show positive growth. Local milk production during January and February was only 1% higher than the corresponding period in 2010, while local demand has also improved from February. Furthermore, several milk processors in the Gauteng area currently need additional milk to supply in the demand.

Improvement in export performance

Dairy exports during the first quarter of 2011 are 87% more than during the same period in 2010. On a milk equivalent basis, 23,7 million litres were exported compared to 12,7 million litres during the same period in 2010. Imports during the first quarter also increased, albeit not at the same rate as exports. According to MPO economist Dr Koos Coetzee, the increase in exports indicates that the dairy industry's normal African markets are recovering from the recession. If the current trend continues, total exports during 2011 may exceed total imports.

**Table 1: Total imports and exports (milk equivalent basis)
January to March 2010 and 2011**

| | Jan – Mar 2010 | Jan – Mar 2011 | % Change |
|--|----------------------|----------------------|-------------|
| Imports (million litres milk equivalent) | 26,5 | 32,2 | 21% |
| Exports (million litres milk equivalent) | 12,7 | 23,7 | 87% |



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| | | | |
|--|------|-----|------|
| Net imports (million litres milk equivalent) | 13,8 | 8,4 | -40% |
|--|------|-----|------|

Source: SARS statistics supplied by Agri Inspec

First meeting of Animal Health Forum

Dr Nico Schutte of the MPO's Cendel attended a meeting on Wednesday afternoon to revive the Animal Health Forum. Dr Schutte is the dairy industry's representative at the Forum which was established in 2007 and on which all livestock industries are represented. A memorandum regarding problems, challenges and proposed solutions for South Africa's State Veterinarian Services was already submitted in 2007 by the Forum to the Minister of Agriculture. To date no formal acknowledgement of receipt for the document has been received. The current Foot and Mouth disease crisis once again made the members of the Forum realise that a serious need should exist with government to utilise this Forum on a continuous basis and not only to prevent crises. For this purpose it is essential that an effective communication system be established. The new chairman of the Forum is Dr Pieter Vervoort with Mr Dave Ford as vice chairman and Drs Danie Odendaal and Langa Simela as additional committee members. The Forum also decided to appoint an executive officer who will drive the inputs of the livestock industries with regard to effective disease control with the necessary dedication.

FMD update

In reply to an enquiry by the MPO, Dr Caroline Gibbs, state veterinarian at the Import and Export Policy Unit of the Department of Agriculture, Forestry and Fisheries (DAFF), stated that the Unit sent letters to Botswana to request that the importation of South African dairy products that have been fully processed to inactivate the FMD virus be considered. This was done in accordance with the World Organisation for Animal Health (OIE) guidelines, which require a sterilisation process at an ultra-high temperature (UHT) or a high temperature short time pasteurisation (HTST) process. The veterinary authority of Botswana replied that the importation of UHT milk and cheeses will be allowed. A further letter was sent to request that the importation of milk processed according to the prescribed HTST processes be considered, but to date no response has been received. Mauritius has not yet responded to the request to consider the importation of dairy products from South Africa. DAFF will send an update on the FMD situation in South Africa to our trade partners, including Botswana and Mauritius, shortly. In the meantime, Agri Inspec has been commissioned to verify the extent to which existing and planned government measures will prohibit the spread of FMD.

MPO meets with Pick n Pay

Mr Bertus de Jongh, MPO CEO, and Ms Barbara Bieldt,



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manager market protection and development, met with Messrs Kevin Korb and Peter Arnold of the Pick n Pay merchandise division on Monday to discuss the detrimental effect of low priced consignments of imported dairy products, cheddar cheese in particular, on milk producers. Issues discussed included the international competitiveness of the primary dairy industry, the decline in the number of milk producers over the past decade, the effect of subsidies in the European Union on export prices of dairy products and the downward price pressure experienced by milk producers as a result of low priced cheddar cheese imports by Pick n Pay. The fact that the MPO has submitted detailed information regarding the low priced imports to the relevant authorities was emphasised. The representatives from Pick n Pay welcomed the opportunity to share information with the MPO and confirmed the retailer's commitment to support and promote South African produced products. The MPO representatives left the meeting with an open invitation for future discussions with Pick n Pay representatives. Mr Bertus de Jongh said the MPO achieved its objective with the meeting, namely to sensitise Pick n Pay to the current state of the primary dairy industry and the effect of low priced imports on milk producers.

Overberg Action Committee meets

Resulting from current low producer prices and strong international prices, a meeting was held between Overberg milk producers and businessmen in Bredasdorp yesterday to discuss possible action steps to increase the producers' share of the consumer rand in the area. Mr Bertus de Jongh, who facilitated the meeting, said discussions took place in a positive fashion and definite action steps will follow.

MPO visits milk producers in North West Province

Mr Philip Swart, head of the MPO's member services, visited 18 milk producers in Vryburg, Louwma, Kameel, Delareyville, Coetzersdam, Broedersput and Klerksdorp last week. Fifteen of these producers signed the membership form, which gives their milk buyers permission to deduct the planned increased MPO membership fee and pay it to the MPO. According to Mr Swart the meetings were characterised by positive attitudes and support for the MPO. It was decided to establish an MPO branch at Broedersput and the necessary arrangements will be made at the beginning of the new school term. In general, the producers expressed their appreciation that an MPO representative paid them a visit, which gave them the opportunity to discuss issues of mutual interest.

Dairy industry information discussed

At a meeting between representatives of the MPO and the secondary industry on Wednesday, the dairy industry information compiled and interpreted by Dr Koos Coetzee, MPO economist, on behalf of the industry, was discussed. Dr Coetzee

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represented the MPO at the meeting. He said that relevant, up to date information is essential for producers to make informed decisions and to negotiate meaningfully with other role players in the value chain, such as milk buyers.

Promote South African dairy

Well-known agricultural economist and head of the Department of Agricultural Economics at the University of the Free State, Prof Johan Willemse, is in favour of a 'buy South African' campaign, especially in view of the government's policy of increased market access to imports. Read more about this interesting topic on page 26 of the April issue of *The Dairy Mail*.

Mr Johann Theron passes away

Mr Johann Theron, former manager of the South African Milk Organisation, which represented the bigger milk processors, passed away on 31 March after a long battle with cancer. The MPO wishes to extend its condolences to his family.

Chinese dairies forced to close

Almost half of China's 1 176 dairies have been forced into temporary closure after failing to comply with safety requirements. According to *The China Daily*, the English language newspaper published by the Chinese government, "only 643 dairy producing companies, or about 55% of the country's total 1 176 milk enterprises, were granted licenses to continue production by the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ)". Production at the non-compliant dairies was stopped immediately, although it could re-start if the operators met the required standards. The agency threatened tough action against companies found guilty of unlicensed production in a bid to ensure compliance and also requested local government departments to step up the supervision of dairies that passed the latest inspections in order to ensure that standards are maintained. The Chinese dairy industry is still struggling to restore confidence in its products after the 2008 **melamine** scandal, which resulted in the death of six children and 300 000 sick children across the country.

Guidelines for claims in respect of mineral rights

Agri SA recently published guidelines for farmers who want to institute a claim for compensation against the state in respect of mineral rights. Get a copy of this document from the MPO's website by following this < [link](#) >.

Important dates

- **MPO roadshow meetings:**
 - **North** - Contact Alta van Zyl at 012 843 5615 or alta@mpo.co.za
Monday, 11 April, 10:00 – De Oude Werf, Bronkhorstspuit



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Tuesday, 12 April, 10:00 – Farm of Hannes Lombard, Morgenzon
Tuesday, 12 April, 14:00 – Farm of Hein Aucamp, Ermelo
Wednesday, 13 April, 10:00 – The Outpost (Wiesenhof), Heidelberg
Wednesday, 13 April, 14:00 – Usambara, Krugersdorp
Thursday, 14 April, 11:00 – ALZU Farm, Middelburg

- **Large Herds Conference**, 6 to 8 June 2010, The Regent hotel, East London. To avoid disappointment please contact Julie McLachlan at 012 998 6616 or 083 740 2720 or send an e-mail to julie.mclachlan6@gmail.com or julie@cendel.co.za. <Click here> for a direct link to the official website.
- **Dairy farm managers' course**, 12 to 14 July in Caledon. This course will be presented in Afrikaans. Please contact Julie McLachlan at 083 740 2720 or send an email to julie@cendel.co.za for programme information and a registration form.

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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