

Analysis of dairy imports – January 2018

Exports

Total milk equivalent dairy products exported in January 2018 amounted to 30,2 million litres. This was slightly higher than the January 2017 volume of 29 million litres. The main components of the export basket calculated in milk equivalent consist of 6,6 million litres UHT (long-life) milk, 8,0 million litres skimmed milk powder and 7,5 million litres cheese and curd. Total UHT exports for 2017 was 78 million litres at an average Free on Board (FOB) export price of R9.28 while total milk equivalent dairy product exports for 2017 was 422 million litres. The average FOB export price in January 2018 for UHTmilk was R8.85 per litre , skimmed milk powder at R32.00 per kg , Cheddar at R41.00 per kg and Gouda at R55.00 per kg.

Imports

Total milk equivalent imported in January 2018 amounted to 43 million liters. This is significantly higher than the January 2017 volume of 33 million liters. The main components of the import basket calculated in milk equivalent terms consisted of 4,3 million litres UHT milk, 18,0 million litres skimmed milk powder and 17 million litres cheese and curd. The last two categories comprise some 81% of the milk equivalent imported in January 2018. The January 2018 UHT milk imports represent 1% of monthly raw milk production. Total UHT milk imports for 2017 was 41 million litres at an average FOB price of R7.64 per litre while total milk equivalent dairy product imports for 2017 was 431 million liters. The FOB price in January 2018 for UHTmilk was R7.80 per litre, skimmed milk powder at R26.79 per kg, Cheddar at R53.00 per kg and Gouda at R65. The international skimmed milk powder price is at a low level stimulating imports.

If one compares the FOB prices between imports and exports you find a mixed bag of prices, some making economic sense and some not. We need to factor into this logic the pressure to perform in terms of supply contracts, unhedged import prices, the need to have an adequate supply in case of adverse processing circumstances and some of the exports is moving stock between countries within the same parent company.

In January 2018 the dairy industry was a net importer of dairy at 12,8 million liters. The main reason for the dairy industry moving to net importer status is the sharp increase in skimmed milk powder and cheese imports in January.

The most prominent dairy export countries to South Africa are as follows: Poland exporting 4,3 million liters UHT, Denmark exporting 35 tons of condense milk, butter from Ireland and Belgium, Cheddar from the UK and Poland and Gouda from the Netherlands. Agri Inspect has launched a special project to determine if these products are labeled correctly if sold at retail level.

Some of the feedback from the project is that retailers are getting more active in the import market as direct importers. This will increase the uncertainty in the market regarding stock levels since the dairy processors who are the normal dairy suppliers to the retailers will be unaware of such imports, the quantities and timing thereof. The MPO will in our quarterly telephone conferences with retailers high light this trend and the risk associated with these action regarding market stability and incorrect price signals.