Executive summary

Dairy demand is on a positive trend and this is a good sign for the industry. The trend should be viewed against the backdrop of a struggling SA economy that expanded with less than one percent in 2018, disposable income of consumers being under constant pressure due to increased administered prices such as increased property taxes and the increased cost of electricity.

Milk production for June 2019 is estimated at 234-million litres, 0.41% more than in June 2018. The comparative growth percentage for June 2018 was 5.74% and -1.07% for June 2017. Cumulative milk production for 2019 inclusive of June is 1 519 million litres registering a growth of 0.08% if compared over the same period in 2018. It is worth to note that in two of the three previous year’s growth in June was negative.

Cumulative milk production for 2017 inclusive of June was is 1 416 million litres registering a growth of 0.45% if compared over the same period in 2016, and we ended the year with a growth of 3.02%.

Cumulative milk production for 2018 inclusive of June was is 1 517 million litres registering a growth of 7.17% if compared over the same period in 2017, and we ended the year with a growth of 4.82%.

In 2017 the average national producer price of milk was R4.90 – moving from R4.70 in January to R5.00 in December. In 2018 the average producer price of milk was R4.45 – moving from R5.00 in January to R4.05 in December. In 2019 the average producer price of milk for the first seven months was R4.50 – moving from R4.15 in January to R4.57 in July.

Farmers’ production decisions are not based on absolute prices, but on relative prices. If producer milk prices decrease in relation to feed prices, farmers will tend to produce less, and if prices increase relative to feed prices, production will increase. The milk: feed price ratio is illustrated in figure 10. The ration decreased on the back of higher grain prices in June and July. At the current ratio of 1.3:1 production will be slowing down.

The total cumulative monthly supply of milk, consisting of locally produced milk less net exports (total exports inclusive of sales to BLNS countries less total imports) is reflected in Figure 6. The total cumulative supply of milk in June 2019 is lower than in the previous two years. Compared to June 2018, it is 12% lower.

South Africa currently is one of the countries with the lowest producer prices in the world. In April 2019 unprocessed milk priced as follows in the following countries: USA R5.21/l , New Zealand/Fonterra R4.45/l (4.25 fat and 3.4% protein), Brazil R5.81/L (3% fat) and Uruguay R4.48/l. (Sources: Hoard’s Dairyman, New Zealand CLAL, Brazil CLAL, Uruguay Inale).

Milk production at farm level is down for all the major exporting countries.

The upward trend for dairy product prices since the beginning of 2019 was led by cheese with butter providing further momentum. This trend reversed in June and July with all product prices reducing but maintaining levels higher than in July 2018 with the exception of butter which is lower.
The Global Dairy Trade Index confirms these events (figure 13). Figure 13 shows the movement of the Global Dairy Trade (GDT) price index inclusive of July 2019. The price support at the 900 index level came strongly into play. The January 2019 price bounced off it with upward momentum through April with May slowing down close to the resistance index level at 1100 points. The upward trend was reversed in June and continued in July. The downward momentum in July did slow down indicating a possible higher turn around level.

The MPO is concerned regarding the current producer price level as it relates to the increased cost structure of unprocessed milk production that resulted in production stagnation over the first six months of 2019. Unprocessed milk production and total milk supply is tight and it seems that the downstream value chain role players are banking on a spring and summer super milk flow. Negative profitability numbers are reported across a wide spectrum of dairy farmers.

Frequently milk producers and other role players ask about the meaning and implications of specific market trends on the total dairy market balance and how it will change future markets. While the Milk Producers’ Organisation cannot and will not try to predict the future in any detail, the possible general impact of specific changes will be discussed in this document. This information should not be regarded as financial advice.

While this report is compiled from sources that are deemed to be reliable, MPO cannot take responsibility for any decisions based on the information in this report.
# Contents

**Executive summary** .................................................................................................................. 2  
**Contents** ....................................................................................................................................... 4  
**List of figures** ............................................................................................................................... 5  
**List of tables** ............................................................................................................................... 5  
1. **Milk supply, demand and prices** ............................................................................................... 6  
   1.1 Milk production ......................................................................................................................... 6  
   1.2 Dairy imports ............................................................................................................................ 7  
   1.3 Dairy exports and sales to BLNS countries .............................................................................. 8  
   1.4 Net exports ............................................................................................................................. 9  
   1.5 Total milk supply ...................................................................................................................... 10  
   1.6 Milk demand ........................................................................................................................... 11  
   1.7 Producer prices ....................................................................................................................... 12  
   1.8 Retail prices ............................................................................................................................ 13  
   1.9 Feed prices .............................................................................................................................. 13  
   1.10 Input prices ............................................................................................................................ 15  
   1.11 International prices ................................................................................................................. 16  
   1.12 Import parity and producer prices ......................................................................................... 18  
2. **International producer prices** .................................................................................................. 20  
3. **Economic overview** .................................................................................................................. 21  
   3.1 International economic outlook ............................................................................................... 21  
   3.2 South African economy .......................................................................................................... 22  
      3.2.1 Economic activity and growth ......................................................................................... 22  
      3.2.2 Household debt and income ............................................................................................ 24  
      3.2.3 Inflation ........................................................................................................................... 24  
4. **The performance of the South African dairy industry in 2019 will especially be shaped by:** ................................................................................................................................. 255
List of figures

Figure 1  Monthly milk production (‘000 L.) .................................................................6
Figure 2  Annual imports, mass and milk equivalent basis, 2009-2018 ..................7
Figure 3  Monthly cumulative imports, (Mil. L.) milk equivalent basis ................8
Figure 4  Monthly cumulative dairy exports (Mil. L.), milk equivalent basis ......9
Figure 5  Cumulative net exports, milk equivalent basis (Mil. L.) .....................10
Figure 6  Total Cumulative monthly milk supply .........................................................11
Figure 7  Monthly milk producer prices, 2015-2019 ..............................................12
Figure 8  Monthly producer and retail prices, 2010- 2019 .......................................13
Figure 9  Calculated dairy feed prices, 2014-2019 .....................................................14
Figure 10 Milk: feed price ratio, 2014-2019 ...............................................................15
Figure 11 Quarterly Farm Requisites Price Index and Producer Price Index ......16
Figure 12 Monthly FAO food price indexes .................................................................17
Figure 13 Global dairy trade-weighted price index .....................................................17
Figure 14 International dairy product prices (Rand/ton) ........................................18
Figure 15 Monthly producer and import parity prices .........................................19
Figure 16 International economic growth and estimated growth ......................22
Figure 17 Leading and co-incident indicator of economic activity ....................23
Figure 18 Quarterly change in real gross domestic product ..........................23
Figure 19 Consumer price index and consumer price inflation, 2007-2019 .....25

List of tables

Table 1  Retail market growth ....................................................................................12
1. Milk supply, demand and prices

1.1 Milk production

Milk production for June 2019 is estimated at 234-million litres, 0.41% more than in June 2018. The comparative growth percentage for June 2018 was 5.74% and -1.07% for June 2017. Cumulative milk production for 2019 inclusive of June is 1 519 million litres registering a growth of 0.08% if compared over the same period in 2018. It is worth to note that in two of the three previous year’s growth in June was negative.

Cumulative milk production for 2017 inclusive of June was is 1 416 million litres registering a growth of 0.45% if compared over the same period in 2016, and we ended the year with a growth 3.02%. Cumulative milk production for 2018 inclusive of June was is 1 517 million litres registering a growth of 7.17% if compared over the same period in 2017, and we ended the year with a growth 4.82%.

In 2017 the average producer price of milk was R4.90 – moving from R4.70 in January to R5.00 in December. In 2018 the average producer price of milk was R4.45 – moving from R5.00 in January to R4.05 in December. In 2019 the average producer price of milk for the first seven months was R4.50 – moving from R4.15 in January to R4.57 in July.

Monthly milk production is reflected in Figure 1 below.

Figure 1 Monthly milk production (‘000 L.).

Source: Milk SA, April and May preliminary
1.2 Dairy imports

Figure 2 illustrates the fluctuation in dairy imports on a mass and milk equivalent basis over the past 10 years. Imports for 2018 are at the same level as in 2015, registering a 19% drop in imports when compared to 2017. This is mainly due to reduced imports of UHT milk as a result of high levels of milk production in SA and the accelerated depreciation in the value of the rand in the second and third quarter of 2018.

Figure 3 illustrates cumulative dairy imports. It is evident when compared to 2015, 2017 and 2018 dairy imports are at a much lower level. The June 2019 cumulative import figure is 22% less than the June 2018 cumulative figure and 24% less than the June 2017 cumulative figure.

Source: AgriInspec
1.3 Dairy exports and sales to BLNS countries

Monthly cumulative exports on a milk equivalent basis are reflected in Figure 4 below. Cumulative dairy exports to June 2019 remain at the same levels as for the previous four years. This is an indication that export markets are well looked after by the SA exporters and that the markets are satisfied with the product range and quality.
Figure 4  Monthly cumulative dairy exports (Mil. L.), milk equivalent basis

Source: Agrilnspec

1.4 Net exports

For the time period end June 2019, the SA dairy industry continued to be a net exporter of dairy products (43 million litres milk equivalent). This is due to reduced imports while exports were maintained at same levels as previous years. The SA dairy Industry regained its status as a net exporter of dairy products in 2018. Exports in 2018 exceeded imports with 82 million litres. Net exports in 2018 were higher than in 2017 and 2016 and only slightly below the level of 2015. Cumulative net exports (total exports plus sales to BLNS countries less total imports) on a milk equivalent basis are shown in Figure 5 below.
1.5 Total milk supply

The total cumulative monthly supply of milk, consisting of locally produced milk less net exports (total exports inclusive of sales to BLNS countries less total imports) is reflected in Figure 6. The total cumulative supply of milk in June 2019 is lower than in the previous two years. Compared to June 2018, it is 12% lower.
Table 1 contains information with regard to the change in retail demand for dairy products for different periods. The figure in brackets in the Dec 2018 column is the percentage change in the retail price for the product. Demand for fresh milk in 2018 continued the downward trend of the previous three years while the price remained flat. Although the demand for UHT milk and Maas in 2018 showed strong growth and increased per capita consumption, it was only achieved through lower retail prices. Prepacked cheese and yoghurt are increasing its market share despite increased prices and even butter gained increased sales albeit at lower prices. In the case of fresh milk the drivers of the downward trend are the changing profile of the traditional consumer and the profile of “new consumers”.

Dairy demand is on a positive trend and this is a good sign for the industry. The trend should be viewed against the backdrop of a struggling SA economy that expanded with less than one percent in 2018, disposable income of consumers being under pressure due to increased administered prices such as increased property taxes and the increased cost of electricity.

An industry that can produce these levels of sales growth amid timid consumer financials needs to be looked after. The capacity in the value chain needs to be nurtured especially at farmer level given the multiplier effect up and down the value chain. If the industry can guard this capacity it will improve even more when proper economic growth is achieved in future.

1.6 Milk demand
Table 1 Retail market growth, formal market

<table>
<thead>
<tr>
<th>Product</th>
<th>Dec-13</th>
<th>Dec-14</th>
<th>Dec-15</th>
<th>Dec-16</th>
<th>Dec-17</th>
<th>Dec-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fresh milk</td>
<td>-5.9</td>
<td>1.2</td>
<td>-1.6</td>
<td>-3.9</td>
<td>-3.7</td>
<td>-5.2 (1)</td>
</tr>
<tr>
<td>UHT milk</td>
<td>8.0</td>
<td>4.1</td>
<td>14.4</td>
<td>1.0</td>
<td>9.0</td>
<td>14.5 (-4)</td>
</tr>
<tr>
<td>Flavoured milk</td>
<td>1.5</td>
<td>-2.2</td>
<td>6.7</td>
<td>5.5</td>
<td>-6.7</td>
<td>5.8 (4)</td>
</tr>
<tr>
<td>Yoghurt</td>
<td>1.2</td>
<td>2.5</td>
<td>6.5</td>
<td>3.7</td>
<td>-0.1</td>
<td>3.1 (.4)</td>
</tr>
<tr>
<td>Pre-packed cheese*</td>
<td>17.1</td>
<td>29.0</td>
<td>7.2</td>
<td>10.8</td>
<td>8.2</td>
<td>6.8 (2)</td>
</tr>
<tr>
<td>Butter</td>
<td>17.2</td>
<td>1.4</td>
<td>5.0</td>
<td>-2.1</td>
<td>-5.5</td>
<td>1.5 (-3)</td>
</tr>
<tr>
<td>Maas</td>
<td>5.3</td>
<td>8.6</td>
<td>9.2</td>
<td>4.0</td>
<td>15.9</td>
<td>(-7)</td>
</tr>
</tbody>
</table>

* Market movement from bulk to pre-packed cheese may have inflated figures in the past.

Source: Nielsen figures supplied by SAMPRO

1.7 Producer prices

Producer prices are indicated in Figure 7. Milk buyers announced price decreases in June 2019 some taking effect in July others only in August.

![Figure 7 Monthly milk producer prices, 2015-2019](source: MPO calculations)
1.8 Retail prices

Retail prices of fresh milk in different packaging are supplied by the South African National Consumer Union (SANCU). The retail prices of fresh milk per litre for milk packaged in 2-litre plastic containers are compared to producer prices in Figure 8. The graph indicates that the spread was most favourable for retailers in July 2016 due to a strong uptick in retail prices while producer prices were kept level. The spread bottomed out towards the end of 2017 and increased since then, up to and including, January 2019. The following three months presented a decline in the spread with May and June 2019 increasing once again.

![Figure 8 Monthly producer and retail prices, 2010-2019](source: MPO, SANCU)

1.9 Feed prices

Feed cost is the most important cost item for milk producers. Internationally the price of maize and soybeans are used as a proxy for feed prices. A derived feed price is thus defined as the weighted price per kilogram of maize and soybeans (70% maize, 30% soybeans). Feed prices, based on Safex nearest month prices, are reflected in Figure 9. Farmers’ production decisions are not based on absolute prices, but on relative prices. If producer milk prices decrease in relation to feed prices, farmers will tend to produce less, and if prices increase relative to feed prices, production will increase. Unfavourable milk: feed price ratios will result in slower production growth or lower production over time. The December 2018 milk: feed price ratio of 1.2 reflects lower producer price versus increased feed cost. At a milk:feed price ratio of 1.2
many dairy farmers are below breakeven level and that will consequently reduce production and may lead to dairy farmers exiting the industry.

The upward trend in feed cost is clearly visible since July 2018 while December prices registered a spike as a result of late and inadequate rain in many summer crop producing areas.

The milk: feed price ratio is illustrated in figure 10. The ration decreased on the back of higher grain prices in June and July. At a ratio of 1.3 production will be slowing down.

![Figure 9: Calculated dairy feed prices, 2015-2019](source: Safex nearest month data)
1.10 Input prices

The Department of Agriculture, Forestry and Fisheries publishes price indexes for farm requisites on a quarterly basis. As with all indexes, this index simplifies a very complex dataset to a level that does not correspond to individual farm data-sets. However, the trend in this index gives an indication of the direction of input price changes. The farm requisite index and producer price index are shown in Figure 11. The developments early in 2019 indicate that the cost price squeeze has reduced slightly, however still at a severe level. Cost management will be crucial over the coming months and optimising energy utilisation will play a big role in containing costs.

The slope of the downward trend in producer prices during 2018 is more severe than the slope of the trend that occurred in July 2015 which resulted in financial difficulty for many farmers. The downward trend depicted in the All Farm Requisite Price Index from the beginning of 2018 was reversed in the third quarter of 2018 on the back of the continued weak rand resulting in, amongst other, higher fuel and fertiliser prices.

Figure 10  Milk: feed price ratio, 2015-2019  

Source: MPO calculations
Figure 11  Quarterly Farm Requisites Price Index and Producer Price Index

1.11 International prices

The price index of food and other foodstuffs in figure 12 started to increase since mid-2016 (excluding sugar), as the world economy started with an expansive cycle that resulted in increased demand for food. There are shorter cycles evident within the different time series that are food type specific. The sugar spike was a result of adverse weather conditions in South America that created a shortage on the world market. The high volatility of the sugar market is clearly visible in the graph while the meat market exhibits a lower volatility compared to all other foodstuffs.

For the first five months of 2019, international dairy product prices were on an upward trend due to strong export demand while export availability from Oceania was low and being reinforced by the seasonal decline in production in Oceania. Milk production in Europe and the USA stagnated in terms of growth compounding short supply. Adverse climate conditions are centre to slower supply.

A cyclical trend in the international price for dairy products can be detected from middle 2016 with the cyclical trend presenting stronger in 2017 and 2018. The 2019 cycle is presenting in a similar fashion. International dairy product prices started to pull back in June and July and illustrated in figure 12. The downward momentum reduced in July. Please refer to 2.3.

The Global Dairy Trade Index in figure 13 confirms these events which is reflected in figure 14 (international dairy product prices).
Figure 12  Monthly FAO food price indexes

Source: FAO food price index

Figure 13 shows the movement of the Global Dairy Trade (GDT) price index inclusive of July 2019. The price support at the 900 index level came strongly into play. The January 2019 price bounced off it with upward momentum through April with May slowing down close to the resistance index level at 1100 points. The upward trend was reversed in June and continued in July. The downward momentum in July did slow down indicating a possible higher turn around level.

Figure 13  Global dairy trade-weighted price index
Figure 14 shows international prices for milk powders, butter and cheddar cheese as reported by USDA in Rand/ton inclusive of July 2019. The upward trend for dairy product prices since the beginning of 2019 was led by cheese with butter providing further momentum. This trend reversed in June and July with all product prices reducing but maintaining levels higher than in July 2018 with the exception of butter which is lower.

![International dairy product prices (Rand/ton)](image)

**Figure 14** International dairy product prices (Rand/ton)

1.12 Import parity and producer prices

The MPO’s benchmark import parity is based on the published USDA prices, SA Rand/$ exchange rates, standard import tariffs and import and production cost as supplied by industry sources. The calculation methodology is standardised and while import parity may differ for a specific importer, based on a specific import mix and individual cost structure, the trend indicated by the import parity index is applicable to all importers.

Import parity and producer prices are reflected in Figure 15.

The current difference in import parity and SA producer prices reduced from the extreme level registered in May 2019.
**Figure 15**  Monthly producer and import parity prices

*source: MPO calculations*

**Import parity and producer prices**
Import parity at or below average producer prices implies that processors can import dairy products at current international prices at a lower price per litre than they have to pay local producers. An importing processor will still have to service the fixed cost on infrastructure and an importing retailer has to pay for packaging and manage returns.
2. International producer prices

In the above graph it is clear that the producer price for unprocessed milk in Poland is constantly lower than the average EU price and that SA is even lower than Poland. In April 2019 unprocessed milk priced as follows in the following countries: USA R5.21/l, New Zealand/Fonterra R4.45/l (4.25 fat and 3.4% protein), Brazil R5.81/L (3% fat) and Uruguay R4.48/l. (Sources: Hoard’s Dairyman, New Zealand CLAL, Brazil CLAL, Uruguay Inale).

The above graph illustrates the trends in producer prices for New Zealand, Uruguay, USA, Brazil and SA. This is not price levels and cannot be compared as such but the trends in the producer prices of the different countries can be analysed. The significant lower indices level for USA prices is evident. The USA entered a new price regime from Jan 2015.
All the trends of the different countries are increasing since the end of 2018.

It is also significant to note how close the different country indices stayed together until Jan 2015 and since then the subsequent divergence that took place. This coincides with the abolishment of milk quotas in the EU and could indicate less government involvement all round with market forces playing a bigger role in price discovery.

Changes (%) in cumulative unprocessed milk production in the major dairy exporting countries and South Africa 2015 – 2019 (2019 only first 5 months). SA first 6 months last two prelim.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>1.2</td>
<td>1.6</td>
<td>1.7</td>
<td>1.1</td>
<td>0.0</td>
</tr>
<tr>
<td>EU</td>
<td>2.1</td>
<td>0.2</td>
<td>2.1</td>
<td>1.4</td>
<td>0.3</td>
</tr>
<tr>
<td>AUS</td>
<td>2.2</td>
<td>-6.9</td>
<td>0</td>
<td>0.9</td>
<td>-12.0</td>
</tr>
<tr>
<td>NZ</td>
<td>-1.4</td>
<td>-2.0</td>
<td>1.7</td>
<td>1.3</td>
<td>-1.2</td>
</tr>
<tr>
<td>URU</td>
<td>-2.0</td>
<td>-10.4</td>
<td>7.6</td>
<td>5.7</td>
<td>-8.3</td>
</tr>
<tr>
<td>ARG</td>
<td>1.5</td>
<td>-14.4</td>
<td>-1.6</td>
<td>6.4</td>
<td>-6.4</td>
</tr>
<tr>
<td>ZA</td>
<td>6.4</td>
<td>-0.5</td>
<td>3.0</td>
<td>5.0</td>
<td>0.08</td>
</tr>
</tbody>
</table>

Milk production at farm level is down for all the major exporting countries. This provides illumination on the strong increases in international product prices all round for the first 4 months of 2019 and the producer price increases since end 2018.

3. **Economic overview**

3.1 **International economic outlook**

The global economic expansion has softened with 2018 estimated at 3.7% down from 3.8% in 2017. In its June 2019 publication the IMF again adjusted growth predictions slightly downward. The influencing factors are a softer momentum in demand in 2019 in countries like Germany (automobile industry slowing), Turkey due to tighter macro-economic policy, stricter credit policies in China and the uncertain world trade environment. International economic growth and estimated growth are shown in Figure 16. SA is not participating adequately in the current expansion of the world economy or in the growth levels achieved in the emerging economies. Although the projected growth for SA in 2019 and 2020 is higher than 2018 it is uncertain. Government remains unclear on policy with continued utterances of policy directions that failed in other countries and internal conflict regarding government’s role in the economy.
Figure 16: International economic growth and estimated growth

* Estimate  ** Projection

3.2 South African economy

3.2.1 Economic activity and growth

Indicators of economic activity are provided by the SA Reserve Bank in the form of a co-
incident, leading and lagging indicator. The monthly movement of the leading and co-
incident indicator of economic activity is reflected in Figure 17. The leading indicator signals future
economic activity while the co-
incident indicator reflects what is happening now in the
economy.

Figure 18 shows the quarterly growth rate of the SA gross domestic product. The SA economy
contracted with 3.2% in the first quarter of 2019. The main sectors that contracted were
Agriculture and Forestry -13.2%, Mining and Quarrying -10.8%, Manufacturing -8.8% and
Electricity and Gas -6.9%. Gross Fixed Capital Formatting (investment in the economy) was
negative for the previous five quarters. Of the previous 18 quarters 13 were negative. This is
an indication that the different sectors in the economy are not creating or even replacing
capacity adequately. They are playing a wait and see game.

Indicators of economic activity
The coincident indicator of economic activity show whether the economy is in an upwards
or downwards phase of the business cycle. The current slow downwards trend indicates a
slowdown in economic activity. The leading indicator shows possible changes in economic
activity in future. The decreasing trend points towards still lower economic growth in future.
Figure 17  Leading and co-incident indicator of economic activity

Source: SARB

Figure 18  Quarterly change in real gross domestic product
3.2.2 Household debt and income

Household debt at current prices as a percentage of household income has been on a steady decline since the first quarter of 2008. Household debt decreased from 87.8 to 71.3 in the third quarter of 2018.

3.2.3 Inflation

The consumer price index and monthly inflation rate are reflected in Figure 19. A record low inflation rate in March 2018 enabled the Reserve bank to decrease the repo rate in March 2018. There was a slight upward trend in the inflation rate from March 2018 to July 2018, but the trend was reversed in August 2018 going down from 5.1% to 4.9%, September staying on 4.9%, rising to 5.1% in October and staying on 5.1% in November and a strong move down to 4.5% in December. The slowdown in the inflation rate for December is mainly due to the reduced price of fuel in December and the decrease in the price for food and non-alcoholic beverages flowing through to January 2019 with a further reduction in the inflation rate down to 4%.

The inflation rate increased slightly February 2019 through May 2019 to 4.5% and staying level for June, while at acceptable levels. Inflation is under control with the SARB doing a sterling job.

**Consumer price index (CPI) and inflation**

The CPI is the value of a basket of goods and services on retail price level. The change in the value of this basket compared to the same period a year ago is called the rate of inflation. The Reserve Bank tries to keep the rate of inflation between 3% and 6%.
4. The performance of the South African dairy industry in the next three months will especially be shaped by:

- The balancing act between timeous producer price changes at the correct increments and the level of grain prices coupled to the amount of rainfall in areas where pasture based dairy operations are predominant. Unprocessed milk production stagnated during the first six months of 2019. Growth for increased consumer demand does not exist.
- The climatic conditions for the remainder of the 2019.
- UHT imports started to arrive in noteworthy volumes in June 2019. Total milk supply in SA is the lowest in three years which could create panic at retailer level that could spark knee jerk UHT imports. This could create mixed signals between the role players in the value chain ending in price turmoil. Although these imports expressed as a percentage of production is negligible, it changes the mood in the market and negotiation tactics.