MPO Pointer 4/March 2020

FEBRUARY HAD AN EXTRA DAY – REMEMBER!

Unprocessed milk production for February 2020 is estimated at 249 million litres, 1,29% more than in February 2019 (source Milk SA). **However, for comparison purposes to February 2019, the February 2020 production needs to be adjusted to reflect 28 days.** The calculated February 2020 production for 28 days is 240 million litres, 2,2% less than in February 2019. Comparing the daily production for February 2020 to February 2019, indicates that the February 2020 daily production reduced from 8,774 million litres to 8,581 million litres per day.

The negative growth in February 2020 is directly linked to farm economics on dairy farms being negative for the most part of 2018, the whole of 2019, and it continued into 2020. The effect of cost cutting and the postponement of maintenance on dairy farms in an effort to stay in production has reduced capacity and responsiveness, leaving farm profitability still in the negative, with fodder banks and reserves depleted.

The milk:feed price ratio has been below 1,4:1 for 2019 and even below 1,2:1 for the past three months. It is directly responsible for the slowdown in unprocessed milk production in 2019 and 2020 and it reflects the poor economy in unprocessed milk production. If the feed cost, in March, stays at the same level as in February, which is the most probable, the ratio improves to 1,26:1 due to the increases in producer prices announced for March. This improvement will, however, not change farm economics enough to stimulate production. The primary dairy sector had been neglected by the other role players in the value chain and this has come home to roost.

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