

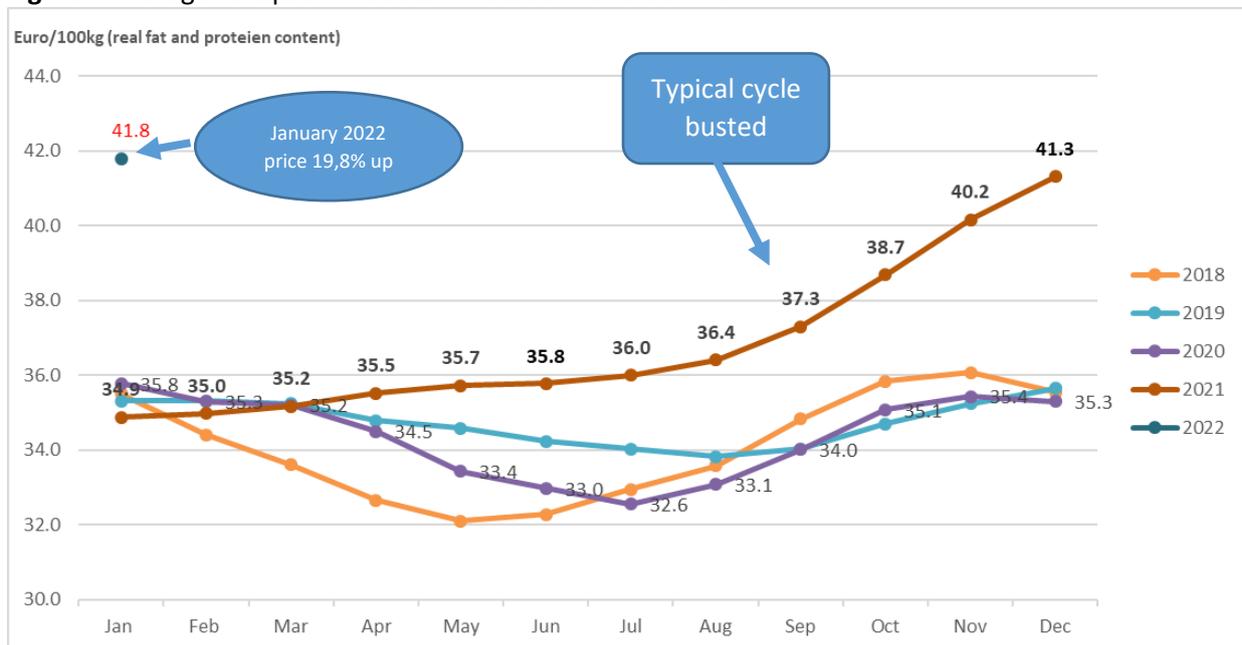
Dairy Market Note 1/9 February 2022

PRODUCER PRICES IN EUROPE SIGNAL A POSSIBLE NEW PRICE REGIME

The preliminary January 2022 farmer price for unprocessed milk in Europe increased with 19,8% compared to January 2021. The level of the increase indicates a real effort of the market to address the significant input cost increases at farmer level.

The typical annual cycle of the previous three years (2018–2020) disappeared in 2021.

Figure 1 Average European Producer Prices Jan 2018–Jan 2022



(Source: European Commission)

Downstream role players in the South African dairy value chain need to populate their decisioning regarding the price level paid for unprocessed milk with real data that exhibits the extreme level of input cost increases at farmer level. It cannot be approached with a historic frame of mind regarding typical percentage increases. The game has changed significantly.

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