



Collection, processing and dissemination of national & international information for the dairy industry of South Africa.

(PRJ-0044-2014)

Milk Producers' Organisation

Quarter 3 2014 (July 2014 till September 2014)

Project goals

Goal 1 - Summary Report on the World Dairy Situation in November 2014

Achievements

Information for the 2014 World Dairy Situation Report shared with Milk SA Industry Information Workgroup. Information as requested supplied to editors of report. Report will be published in November 2014.

The following is a summary of key developments reported on in the SA country page.

KEY DEVELOPMENTS

The trend towards fewer larger dairy farms continued. The number of processors and producer distributors also decreased. Producer prices increased by 6.9%, prices processors receive increased by 6.7% and retail prices remained steady even during 2013. Consumption of pasteurised milk decreased while the consumption of UHT milk, cheese and other dairy products increased. Income patterns are changing as more people enter the middle class; this largely drives the demand for dairy products.

A new Consumer Protection Act came into effect a year ago. This had a large impact on the labeling of food products. South Africa is involved in tri- and multilateral trade negotiations with the European Union and European Free Trade Area. Progress in these negotiations is slow. Economically South Africa weathered the recession fairly well. During 2013 and the first half of 2014, we have been facing a slowdown in economic activity. Although consumer debt decreased, the quality of debt has deteriorated with a huge effect on consumers and may in the coming year impact negatively on local demand.

Mid-term outlook for the dairy industry is positive. Both local and export demand is growing and production will grow to accommodate this increased demand.

The country page is appended as Country report South Africa 2014

No Non-achievements / underperformance has been reported

Goal 2 - Written Report on the World Dairy Summit (Tel Aviv) in December 2014

Achievements

World Dairy Summit (Tel Aviv) was cancelled. The International Dairy Federation's business meetings will be

Non-achievements / underperformance

A written report on the World Dairy

held in Paris in December 2014. Information from the minutes of the SCFM and SCDPE will be used to compile a short report.

Summit will not be possible

Planned remedies for non-achievements / underperformance

Action is taken to recover fees already paid for registration and accomodation in Tel Aviv.

Goal 3 - A summary report from the IFCN Dairy Report on the competitiveness of SA dairy farms - by J31 anuary 2015

Achievements

IFCN Dairy Report 2014 is published in October 2014. Report on the 2014 IFCN Dairy Conference was sent to Milk SA.
Appended here:

Initial report on IFCN Conference 2014

15th Conference of the International Farm Comparison Network (IFCN)
Asiago, Italy 11 June – 18 June

The IFCN Conference consist of two parts, a pre-conference during which technical issues regarding the model used for calculations and the relationship between the IFCN Centre in Kiel and the scientists in the different countries are discussed and decided on. The second part of the Conference looks at the collected data and use it, as well as presentations by visiting scientists as basis for a discussion and outlook for the global dairy industry in future.

The impact of high global milk prices was discussed in a presentation by IFCN analyst Barbara Siwirska. The IFCN use a combined indicator based on skimmed milk powder and butter, cheese and whey and full-cream milk powder to calculate world milk prices. The sharp increase in prices in 2013 was caused by negative production growth at the beginning of 2013. Dairy product prices increased from a producer price level of US\$ 38/ 100 kg milk in 2012 to US\$50/ 100 kg milk in 2013, to peak at US\$55 /100 kg in March 2014. Since then prices decreased to US\$ 46/100 kg milk, or R 4,72 per litre (at R10,60 per US\$). Analysis of producer prices in individual countries show that in most countries producer prices followed international prices. South Africa is one of the countries where this did not happen. In the United States and Germany producer prices followed international process closely.

Higher national milk prices are closely coordinated with high production cost. South African producer prices lies in the same range as Australia and Brazil and lower than the New Zealand producer price. South African milk producers produce milk at similar cost as farmers in Australia and New Zealand and slightly higher than in Brazil and Chile. The higher producer prices and lower production cost did result in higher farm profitability. Farm profitability was mainly driven by increased non-milk returns, growth in farm sizes and higher milk yield. Globally land is the major limiting factor, followed by labour and management skills.

The future of milk production in the European Union after the abolishment of quotas in 2015 was discussed in depth. With the exception of a few countries like Holland and parts of Germany, the milk density in EU countries are still low. In eastern Europe between 10 tonnes and 30 tons of milk is produced per square meter, while production density in The Netherlands is larger than 300 tons per square kilometre. Most European countries thus have the capacity to increase milk production. Production in the EU is expected to increase steadily from the current 160 million tonnes to 190 million tonnes by 2024. Production growth will exceed consumption growth and will result in higher EU exports in the next decade. This baseline projection is based on EU subsidies remaining at current levels. This may not hold true.

Visit to farms and cheese factory

The town of Asiago is the main centre of the largest plateau in Italy, which represents a wide green plain in the heart of the Veneto mountains that reach up to 2,350 metres above sea level. The city centre is located at 1,001 meters above sea level. The Veneto region is well known as a

cheese producing area. Two dairy farming systems and two cheese producing methods are found. A dairy farm with 78 cows in milk was visited. Average yield is relative high at 10 000 kg per cow in milk per year. The farm has a modern 10 + 10 parlour and uses neck pedometers to manage the herd. As winter temperatures are very low in winter, the water troughs are heated. The farm produces its own forage and buys premixed concentrate from a feed company. Concentrate formulation is based on the rules of the Geographical Indication for Asiago cheese. All milk is supplied to the Pennar Cheese factory for the production of Asiago and other "Protected designation of origin" (PDO) cheeses. The farmer also operates a guesthouse and restaurant. The old barn is used for this purpose. The Pennar cheese factory receives all its milk from farmers in the vicinity of the factory. They produce various cheeses using the strict rules of the PDO designation. Cheese are sold nationally and also through the factory's own retail outlet. The second type of dairy farm lies in the mountain areas where cows graze on the grass areas between the trees (called alms in Italian). This farmer keeps 95 cows and produce milk only from pasture in summer. Half the milk is sold to the cheese company and the other half is used to produce cheese in the original way from unpasteurised milk in a copper kettle on a wood burning fire. The farm lies in an isolated area with no electricity. Electricity is supplied by photocells and a diesel generator. In winter the herd is moved down from the hills and kept in housing. All milk is then supplied to the cheese company. These small dairy herds survive as a result of high subsidies, especially in the hill areas.

Main impressions

Global milk production will grow at a faster rate than in 2013, mainly as a result of the higher producer prices. This may result in a downwards adjustment in international producer prices. Long-term demand growth still exceeds supply growth internationally and will continue to do so. European production in 2015 may exceed European demand. Italian dairy farming is largely about the conservation of culture and way of life. The benefits for Italy in maintaining the cultural richness for tourism and for social reasons clearly exceeds the negative effect of the support on consumers. It is thus clear that domestic support will remain in force in most European countries. Subsidies will in future to a larger extent target less developed and hill areas.

What is the IFCN?

The IFCN is a group of dairy scientists in dairy producing countries who develop and share information on the dairy industries and dairy farming systems in individual countries on an annual basis. The mission of IFCN is to create a better understanding of the dairy world by providing comparable data, knowledge and inspiration. Dairy scientists get together each year in June to compare and validate data and to deliberate about changes in and the outlook for the dairy industry. IFCN analysis consists of a country profile analysis, summarising main properties of the dairy industry in a specific country in one page and a farm comparison analysis where detailed income, cost and physical production parameters of typical dairy farms in different regions are compared. In 2014 country profiles were developed for 100 countries, representing 98% of global milk production. Fifty-five countries took part in the farm comparisons. South Africa's participation in the IFCN is partially funded by Milk SA. IFCN work is managed by a team of experts in the IFCN Centre in Kiel, Germany.

No Non-achievements / underperformance has been reported

Goal 4 - A report on the MPO's statutory obligations in terms of the regulations - by 31 January 2015 (on the 2014 statutory information)

Achievements

Database of milk producers is continuously updated. 2013 Report was adjusted to eliminate erroneous data supplied by milk producers. 2014 Survey will take place in October 2014. The report on the 2013 survey is appended as Statutory Report October 2013 final

No Non-achievements / underperformance has been reported

Goal 5 - Dairy Industry Review (Publication in March 2014, August 2014, December 2014)

Achievements

Dairy Industry Review published in August 2014. Review appended to this report. An inventory of information to be included and specification of the format in which this must be included in this report was developed and finalised by the Industry Information Working Group. Inventory appended to this report as Information inventory - September 2014

No Non-achievements / underperformance has been reported

Goal 6 - Dairy Digits (Monthly publication in 2014)

Achievements

Dairy Digits was published in the July, August and September 2014 issues of The Dairy Mail. Latest publication appended for information. An inventory of information to be included and specification of the format in which this must be included in this report was developed and finalised by the Industry Information Working Group. Inventory appended to this report as Information inventory - September 2014

No Non-achievements / underperformance has been reported

Goal 7 - Lacto Data (May 2014 and November 2014)

Achievements

Lactodata due for publication in November 2014. An inventory of information to be included and specification of the format in which this must be included in this report was developed and finalised by the Industry Information Working Group. Inventory appended to this report as Information inventory - September 2014

No Non-achievements / underperformance has been reported

Income and expenditure statement

Income and expenditure statement	Actual Jan - Sep 2014.xlsx
Unnecessary spending during period	No

Popular Report

No file has been uploaded

Additional documentation

[Milk SA Industry review August 2014 final.pdf](#)
[DD November 11.pdf](#)
[Country report SouthAfrica 2014.pdf](#)
[Statutory report October 2013 final.pdf](#)
[Information Inventory September 2014.pdf](#)

Statement

Levy funds were applied only for the purposes stated in the contract	Yes
Levy funds were applied in an appropriate and accountable manner	Yes
Sufficient management and internal control systems were in place to adequately control the project and accurately account for the project expenditure	Yes
The information provided in the report is correct	Yes