



# **WORLD DAIRY SITUATION : GLOBAL AND LOCAL**

**A 20 minute presentation to the SASDT Symposium**

**Based on research reports of SAMPRO**

**16 MAY 2024**

This presentation is available to any interested party and copies can be obtained from the Office of SAMPRO – telephone number 012 991 4164.

Enquiries regarding the content of the presentation should be directed to Alwyn P Kraamwinkel, telephone number 012 991 4164 or [alwyn@sampro.co.za](mailto:alwyn@sampro.co.za)

# **WORLD DAIRY SITUATION : GLOBAL AND LOCAL**

- **CONDITIONS IN THE WORLD**
- **THE INTERNATIONAL MARKETS FOR DAIRY PRODUCTS**
- **CONDITIONS IN SOUTH AFRICA**
- **THE SOUTH AFRICAN MARKETS FOR DAIRY PRODUCTS**

# CONDITIONS IN THE WORLD

- **Economic growth undermined and uncertainty increased due to increased intensity and number of military and other conflicts in the world.**
- **Potentially conflicts can expand.**
- **Even if the conflicts stop immediately, negative consequences will to a large extent, be a reality in the coming years.**

# CONDITIONS IN THE WORLD (Continue)

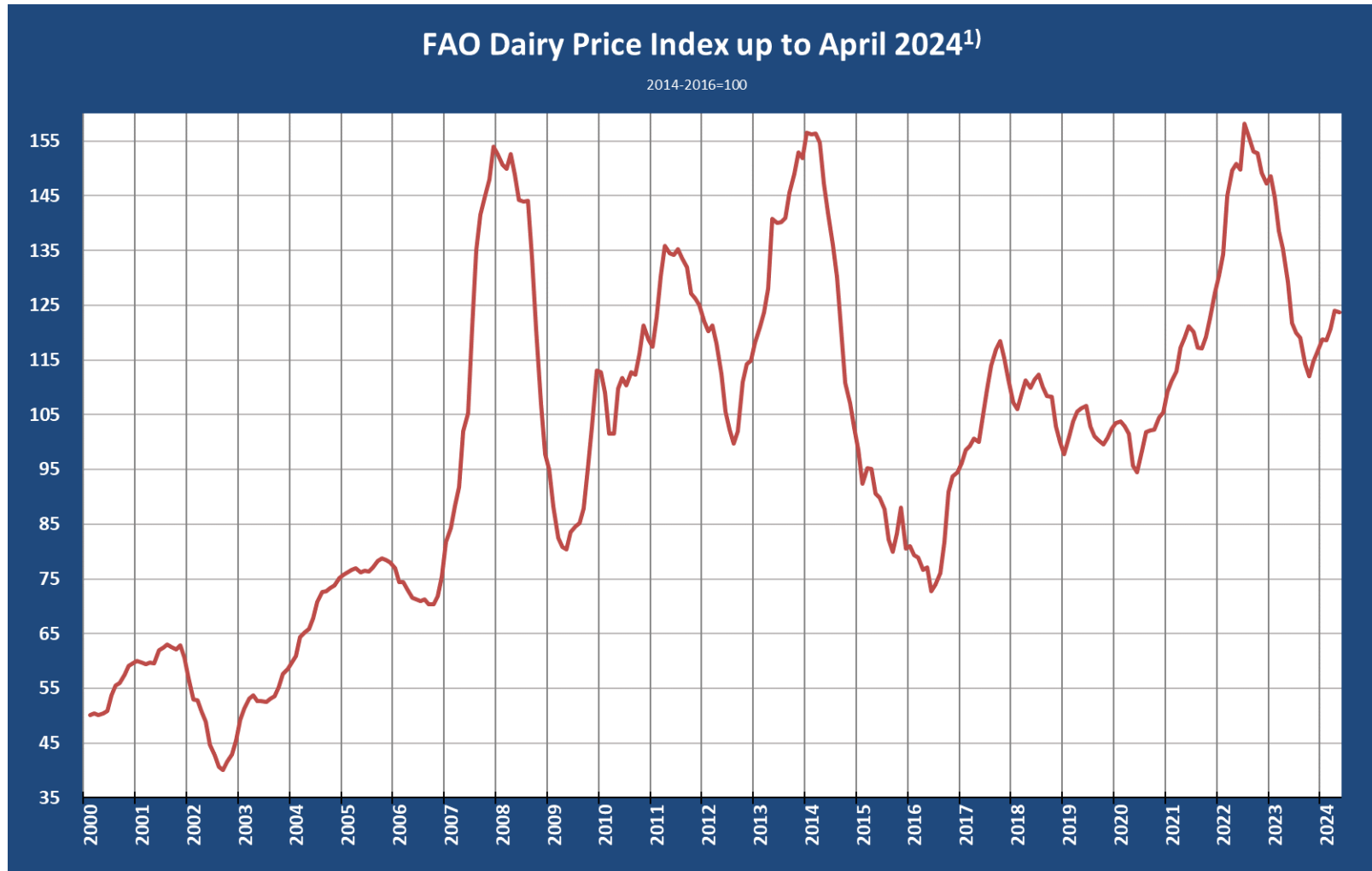
- Economic growth rate in the world, according to the World Bank, below the historic average.
- Growth rates stated by the IMF in January 2024:
  - 3.5% in 2022
  - 3.1% in 2023
  - 3.1% in 2024
  - 3.2% in 2025
- GDP growth in China (the engine of growth in the world) at historically low levels. Growth rates stated by the IMF in January 2024:
  - 3.0% in 2022
  - 5.2% in 2023
  - 4.6% in 2024
  - 4.1% in 2025

# CONDITIONS IN THE WORLD (Continue)

- **According to FAO, 46 countries of which 33 are African countries, in need of “external assistance for food”.**
- **Downward pressure on unprocessed milk production in especially Europe, due to environmental protection policies and measures, with potentially long-term implications for other unprocessed milk producing countries.**
- **Increased disputes in Europe about impact of environmental protection measures on agriculture.**
- **Disputes about Government measures intended to influence supply and to protect the environment.**
- **Increase in number of studies which question the claims about the lower environmental impact of plant-based alternatives for dairy products taking into account the relative nutritional values.**

# THE INTERNATIONAL MARKETS FOR DAIRY PRODUCTS

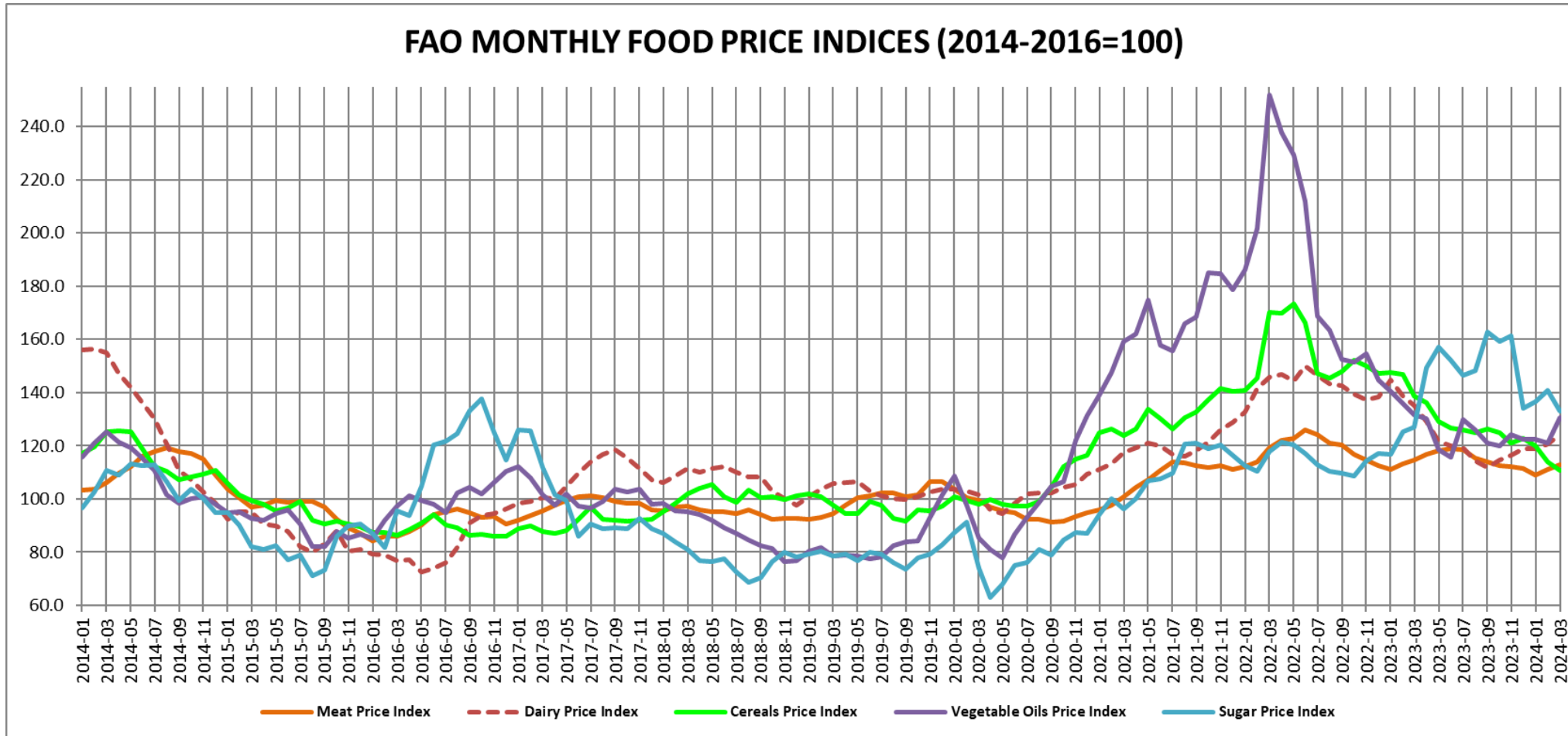
**Graph 1** PRICE INDEX OF DAIRY PRODUCTS TRADED INTERNATIONALLY UP TO APRIL 2024



1) Graph prepared by the Office of SAMPRO, based on information published by the Food and Agricultural Organisation (FAO) of the United Nations.

# THE INTERNATIONAL MARKETS FOR DAIRY PRODUCTS (Continue)

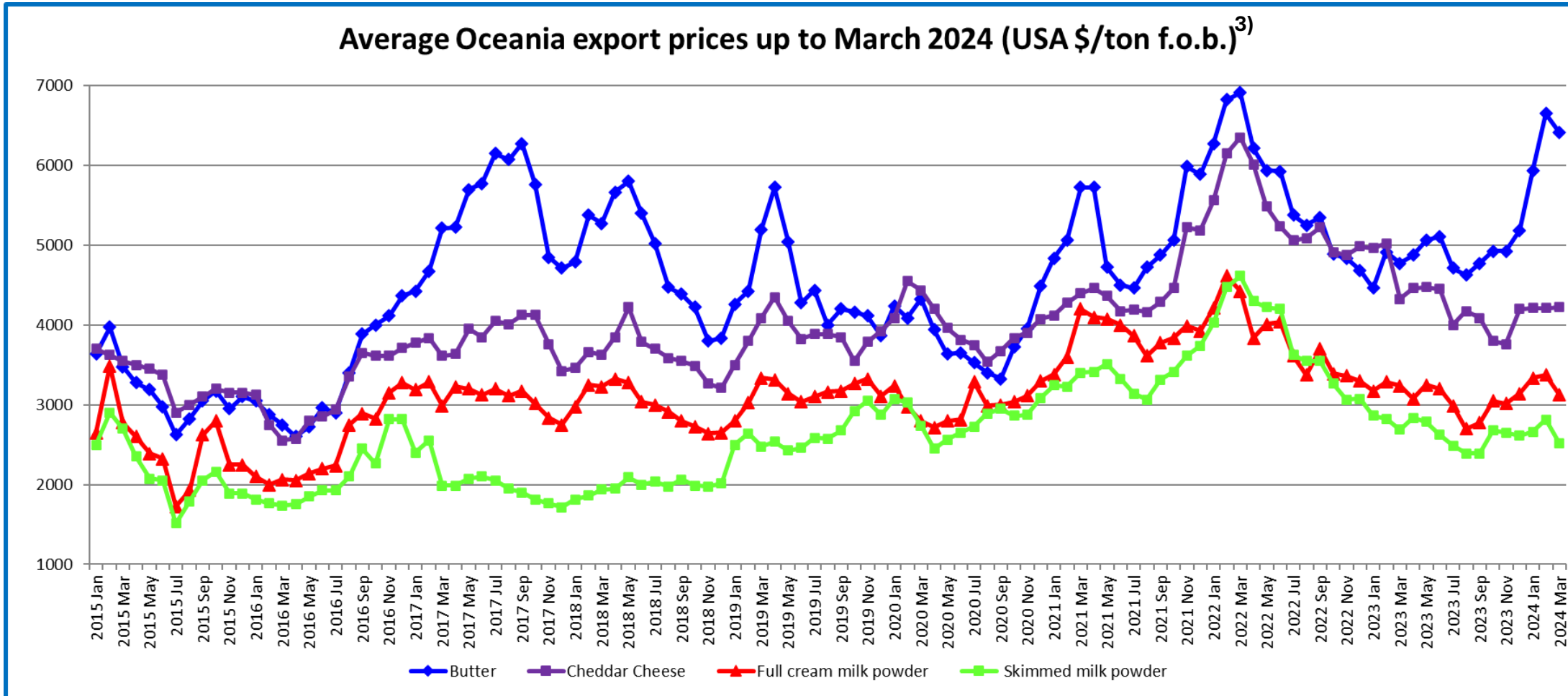
**Graph 2 THE PRICE HISTORY OF DIFFERENT FOOD PRODUCTS IN THE INTERNATIONAL MARKET FROM 2014 TO MARCH 2024<sup>2)</sup>**



2) Graph prepared by the Office of SAMPRO, based on information published by the Food and Agricultural Organisation (FAO) of the United Nations.

# THE INTERNATIONAL MARKETS FOR DAIRY PRODUCTS (Continue)

**Graph 3**



3) Graph prepared by the Office of SAMPRO, based on information published by the United States Department of Agriculture.



# THE INTERNATIONAL MARKETS FOR DAIRY PRODUCTS (Continue)

**Table 1 FUTURE PRICES IN USA\$ AND RAND (\$=R18.64) PER TON ACHIEVED AT GLOBAL DAIRY TRADE AUCTION ON 7 MAY 2024, FOR DELIVERY IN JUNE 2024 TO OCTOBER 2024<sup>4)</sup>**

	2024				
	Jun	Jul	Aug	Sep	Oct
<b>Whole Milk Powder</b>					
PRICE: \$	3 332	3 329	3 539	3 388	3 326
PRICE: R	61 775	61 720	65 613	62 814	61 664
Index	100.0	99.9	106.2	101.7	99.8
<b>Skimmed Milk Powder</b>					
PRICE: \$	2 543	2 523	2 549	2 626	2 649
PRICE: R	47 147	46 776	47 258	48 686	49 112
Index	100.0	99.2	100.2	103.3	104.2
<b>Cheddar</b>					
PRICE: \$	4 335	4 257	n.a	4 230	4 265
PRICE: R	80 371	78 925	n.a	78 424	79 073
Index	100.0	98.2	n.a	97.6	98.4
<b>Butter</b>					
PRICE: \$	6 903	6 692	6 649	6 405	6 210
PRICE: R	127 982	124 070	123 272	118 749	115 133
Index	100.0	96.9	96.3	92.8	90.0

4) Table prepared by the Office of SAMPRO, based on the prices published by "Global Dairy Trade" on 2 May 2024 and the indices are based on USA\$ prices.

# **SUMMARY OF CONDITION IN THE INTERNATIONAL MARKET OF THE DAIRY INDUSTRY**

- **Very high levels of uncertainty and predictions should be viewed with caution.**
- **Prices decreased significantly from very high levels achieved in 2022.**
- **Demand undermined by slower economic growth in the world.**
- **Disputes about government measures intended to influence supply and to protect the environment.**
- **The FAO and OECD expecting that:**
  - **EU will remain the main cheese exporter;**
  - **NZ will remain the main exporter of butter and WMP;**
  - **USA export of SMP will increase**

# CONDITION IN SOUTH AFRICA

- ❖ **Initiatives to promote economic growth undermined by:**
  - **Poor performance of State Enterprises;**
  - **Poor service delivery by the public sector on national, provincial and local authority levels;**
  - **Specific Government Policies and Measures undermine economic growth;**
  - **Widespread corruption;**
  - **High crime rate and increase in organised crime;**
  - **Social unrest and damage to assets required for economic and social development;**
  - **High interest rate;**
- ❖ **General election in 2024 increases uncertainty and may add to social instability;**
- ❖ **Outcome of election can impact on economic growth; and**
- ❖ **Government's views and actions about international affairs potentially threaten economic growth.**

# CONDITION IN SOUTH AFRICA (Continue)

**Table 2** THE GROSS DOMESTIC PRODUCT (GDP) OF SOUTH AFRICA AT CONSTANT 2015 PRICES<sup>5)</sup> AND MID-YEAR POPULATION ESTIMATES<sup>8)</sup>

	GDP		Mid-year population estimate	
	R million	Index	Total	Index
2018	4 571 783	100.0000	57 725 600	100.00
2019	4 583 667	100.2599	58 775 022	101.82
2020	4 310 327	94.2811	59 622 359	103.28
2021	4 513 044	98.7152	60 142 978	104.19
2022	4 599 261	100.6010	60 604 992	104.99
2023	4 626 933	101.2063	Not available from Stats SA	Not available from Stats SA
2024 Estimates				
IMF <sup>6)</sup>	4 668 575	102.1100		
SA Reserve Bank <sup>7)</sup>	4 682 456	102.4208		

5) Table prepared by the Office of SAMPRO based on information published in Statistical Release P0441 Gross Domestic Product, Fourth Quarter 2023 of Stats SA.

6) In January 2024, the International Monetary Fund (IMF) stated that a growth rate of 1 percent is expected, but in April 2024 the IMF reduced it to 0.9 percent.

7) In January 2024, the South African Reserve Bank stated that a growth rate of 1.2 percent is expected.

8) Mid-year population estimates as published by Statistics SA

# CONDITION IN SOUTH AFRICA (Continue)

**Table 3 INDICES OF RATE OF UNEMPLOYMENT<sup>9)</sup> IN SOUTH AFRICA (FIRST QUARTER 2015 = 100)**

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Average <sup>10)</sup>
2015	100.00	94.64	96.59	92.80	96.00
2016	101.13	100.75	102.65	100.37	101.22
2017	104.92	104.92	104.92	101.13	103.97
2018	101.13	103.03	104.16	102.65	102.74
2019	104.54	109.84	110.22	110.22	108.70
2020	114.01	88.25	116.66	123.10	110.50
2021	123.48	130.30	132.19	133.71	129.92
2022	130.68	128.40	124.62	123.86	126.89
2023	124.62	123.48	120.83	121.54	122.63

9) Table prepared by the Office of SAMPRO based on information published by Statistics South African in its STATISTICAL RELEASE P0211 titled "Quarterly Labour Force Survey Quarter 1: 2023" and STATISTICAL RELEASE P0211 titled "Quarterly Labour Force Survey Quarter 4: 2023"

10) Average calculated by the Office of SAMPRO by dividing the sum of the quarterly figures of the year by four.

# CONDITION IN SOUTH AFRICA (Continue)

- ❖ **The truth that economic growth, lower unemployment and transformation are dependent on improvement of the competitiveness (productivity) of the public and private sectors, does not receive enough attention in the determination of government policies and measures and in public debates.**

# SOUTH AFRICAN MARKETS FOR DAIRY PRODUCTS

**Table 4** TOTAL IMPORT AND EXPORT OF DAIRY PRODUCTS BY SOUTH AFRICA AND THE EXPOSURE OF THE SOUTH AFRICAN DAIRY INDUSTRY TO INTERNATIONAL COMPETITION  
(INDEX OF THE SUM OF THE MASS OF IMPORTS AND EXPORTS) INDEX: 2002 = 100<sup>11)</sup>

YEAR	IMPORT		EXPORT		IMPORT PLUS EXPORT	
	TON	INDEX	TON	INDEX	TON	INDEX
2002	24 617.40	100.0	34 328.20	100.0	58 945.60	100.0
2003	24 458.80	99.4	22 905.20	66.7	47 364.00	80.4
2004	18 289.50	74.3	23 508.10	68.5	41 797.60	70.9
2005	30 771.40	125.0	17 216.00	50.2	47 987.40	81.4
2006	30 878.60	125.4	26 543.30	77.3	57 421.90	97.4
2007	44 313.00	180.0	18 516.50	53.9	62 829.50	106.6
2008	34 009.40	138.2	42 781.00	124.6	76 790.40	130.3
2009	32 373.40	131.5	41 770.70	121.7	74 144.10	125.8
2010	35 061.20	142.4	33 950.60	98.9	69 011.80	117.1
2011	37 714.40	153.2	41 817.10	121.8	79 531.50	134.9
2012	59 102.53	240.1	52 500.96	152.9	111 513.49	189.2
2013	35 673.76	144.9	70 481.90	205.3	106 155.66	180.1
2014	40 199.03	163.3	71 098.95	207.1	111 297.98	188.8
2015	69 353.98	281.7	61 296.87	178.6	130 650.85	221.6
2016	58 000.35	235.6	50 247.54	146.4	108 247.89	183.6
2017	83 504.44	339.2	48 626.69	141.7	132 131.13	224.2
2018	68 652.58	278.9	45 257.49	131.8	113 910.08	193.2
2019	75 596.08	307,1	45 051.75	131.2	120 647.83	204.7
2020	60 579.33	246.1	46 695.39	136.0	107 274.72	182.0
2021	75 618.94	307.2	50 990.95	148.5	126 609.89	214.8
2022	52 917.65	215.0	51 944.67	151.4	104 862.32	177.9
2023	48 468.87	196.9	56 074.63	163.3	104 543.50	177.4

11) Table prepared by the Office of SAMPRO, based on information obtained from SARS.

# SOUTH AFRICAN MARKETS FOR DAIRY PRODUCTS (Continue)

**Table 5 MASS OF IMPORT AS PERCENTAGE OF THE MASS OF EXPORT, OF THE DIFFERENT TYPES OF DAIRY PRODUCTS BY SOUTH AFRICA<sup>12)</sup>**

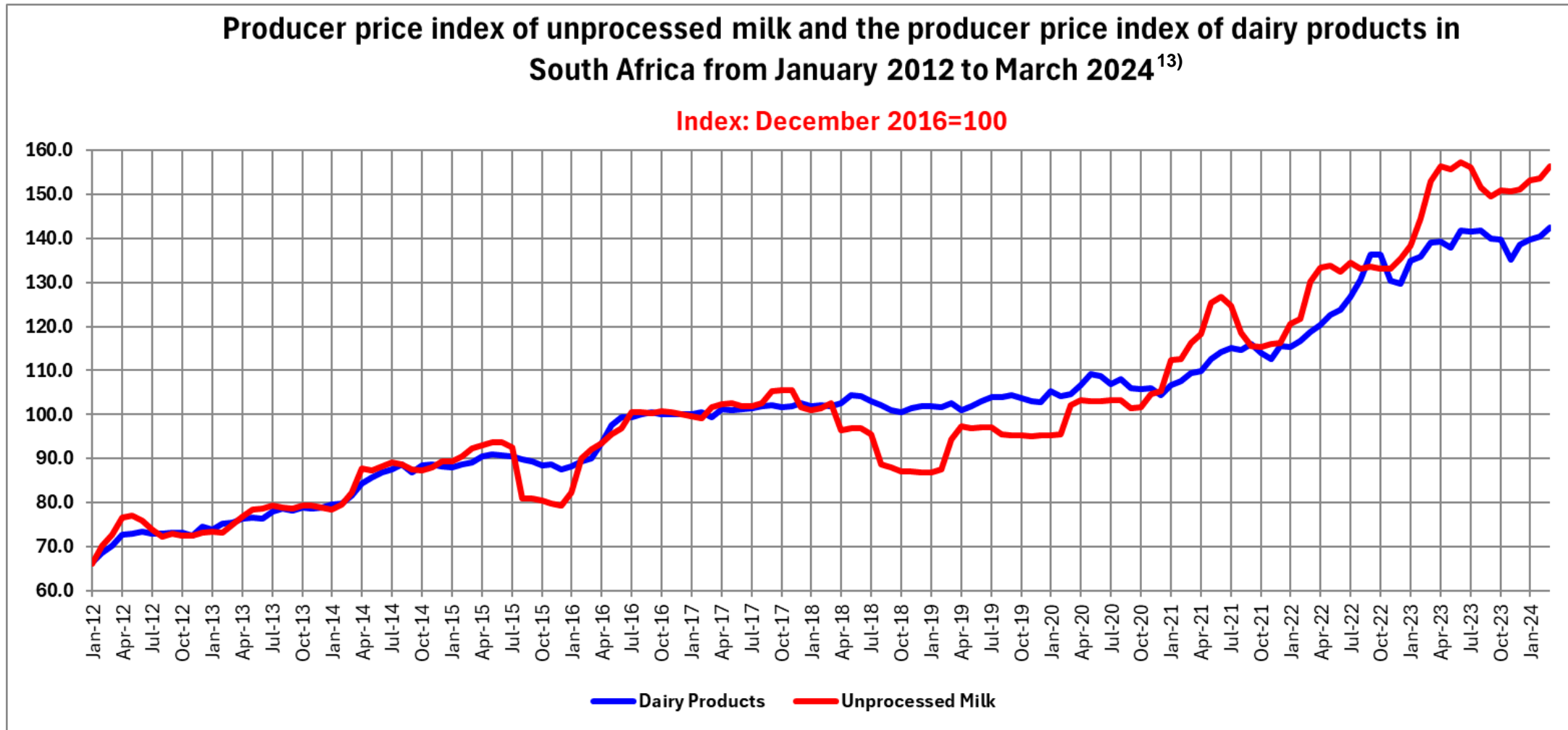
Heading	Description	2015	2016	2017	2018	2019	2020	2021	2022	2023
04.01	Milk and cream, unsweetened	92.5	84.3	217.1	103.7	90.2	26.4	95.2	18.4	25.0
04.02	Milk, concentrated	197.7	196.3	146.4	159.5	227.9	252.8	257.6	153.4	174.1
04.03	Buttermilk powder, yoghurt	16.5	19.7	28.4	27.9	31.7	40.3	32.6	32.3	34.6
04.04	Whey, whey powder, etc	221.3	185.9	192.9	1 741.3	2 917.9	1 257.6	888.3	954.9	640.0
04.05	Butter, butter spreads and butter oil	344.1	396.7	491.2	735.1	355.5	540.6	340.4	293.9	145.6
04.06	Cheese and curd	314.2	330.3	338.7	272.5	252.7	141.7	144.6	118.7	87.0
TOTAL		113.1	115.4	171.7	151.7	167.8	129.7	148.3	101.9	86.4

12) Table prepared by the Office of SAMPRO, based on information obtained from SARS.



# SOUTH AFRICAN MARKETS FOR DAIRY PRODUCTS (Continue)

**Graph 4**



13) Graph prepared by the Office of SAMPRO, based on information obtained from Statistics SA.

# SOUTH AFRICAN MARKETS FOR DAIRY PRODUCTS (Continue)

**Table 6 INCREASE IN THE PRODUCER PRICE INDICES OF UNPROCESSED MILK AND DAIRY PRODUCTS INDEX DECEMBER 2016 = 100<sup>14)</sup>**

	Unprocessed milk Percentage increase	Dairy Products Percentage increase
February to March 2024	1.8	1.5
December 2023 to March 2024 (3-month period)	3.5	2.8
September 2023 to March 2024 (6-month period)	4.5	1.9
March 2023 to March 2024 (12-month period)	2.2	2.6
March 2022 to March 2024 (24-month period)	20.2	20.1
March 2021 to March 2024 (36-month period)	34.4	30.3
March 2020 to March 2024 (48-month period)	53.0	36.2
January 2012 to March 2024 (146-month period)	136.3	115.1

14. The producer price index of dairy products reflects the changes of the producer prices of pasteurised and UHT milk, yoghurt, cheddar cheese and ice cream and not that of the other dairy products like maas, cheese other than cheddar cheese and milk powder.

Table prepared by the Office of SAMPRO based on information published by Statistics SA.

# SOUTH AFRICAN MARKETS FOR DAIRY PRODUCTS (Continue)

**Table 7 CHANGES IN THE RETAIL SALES QUANTITIES FROM THE YEAR JANUARY 2022 TO DECEMBER 2022, TO THE YEAR JANUARY 2023 TO DECEMBER 2023 AND CHANGES IN THE RETAIL PRICES FROM DECEMBER 2022 TO DECEMBER 2023 OF SPECIFIC DAIRY PRODUCTS<sup>15)</sup>**

PRODUCT	CHANGE IN RETAIL SALES QUANTITY  PERCENT	CHANGE IN RETAIL PRICES  PERCENT
FRESH MILK	-5.9	11.5
LONG LIFE MILK (UHT MILK)	-4.3	12.0
FLAVOURED MILK	-8.7	5.8
YOGHURT	-7.1	7.9
MAAS	-5.1	13.6
PRE-PACKAGED CHEESE	-0.6	11.3
BUTTER	-4.3	1.3
CREAM	-1.9	9.6

15) Table prepared by the Office of SAMPRO, based on information obtained from NielsenIQ.

# SOUTH AFRICAN MARKETS FOR DAIRY PRODUCTS (Continue)

**Table 8 CHANGES IN THE QUANTITIES OF RETAIL SALES OF SPECIFIC DAIRY PRODUCTS IN SOUTH AFRICA<sup>16)</sup>**

PRODUCT	Sales in the month of December 2023 versus the sales in the month of December 2022	Sales in the 3 months from October to December 2023 versus the sales in the 3 months from October to December 2022	Sales in the 6 months from July to December 2023 versus the sales in the 6 months from July to December 2022	Sales in the 9 months from April to December 2023 versus the sales in the 9 months from April to December 2022	Sales in the 12 months from January to December 2023 versus the sales in the 12 months from January to December 2022
	percent	percent	percent	percent	percent
Fresh Milk	-4.5	-5.4	-5.9	-5.9	-5.9
UHT milk	-4.2	-2.7	-1.4	-2.6	-4.3
Flavoured milk	1.1	-3.4	-5.9	-7.8	-8.7
Yoghurt	0.2	-1.8	-4.5	-6.4	-7.1
Maas	5.3	0.9	-2.7	-4.8	-5.1
Pre-packaged cheese	1.3	0.04	-0.09	-0.03	-0.6
Butter	8.2	2.4	-0.5	-1.8	-4.3
Cream	1.3	0.1	-0.5	-1.4	-1.9

16) Table prepared by the Office of SAMPRO, based on information obtained from NielsenIQ.

# SOUTH AFRICAN MARKETS FOR DAIRY PRODUCTS (Continue)

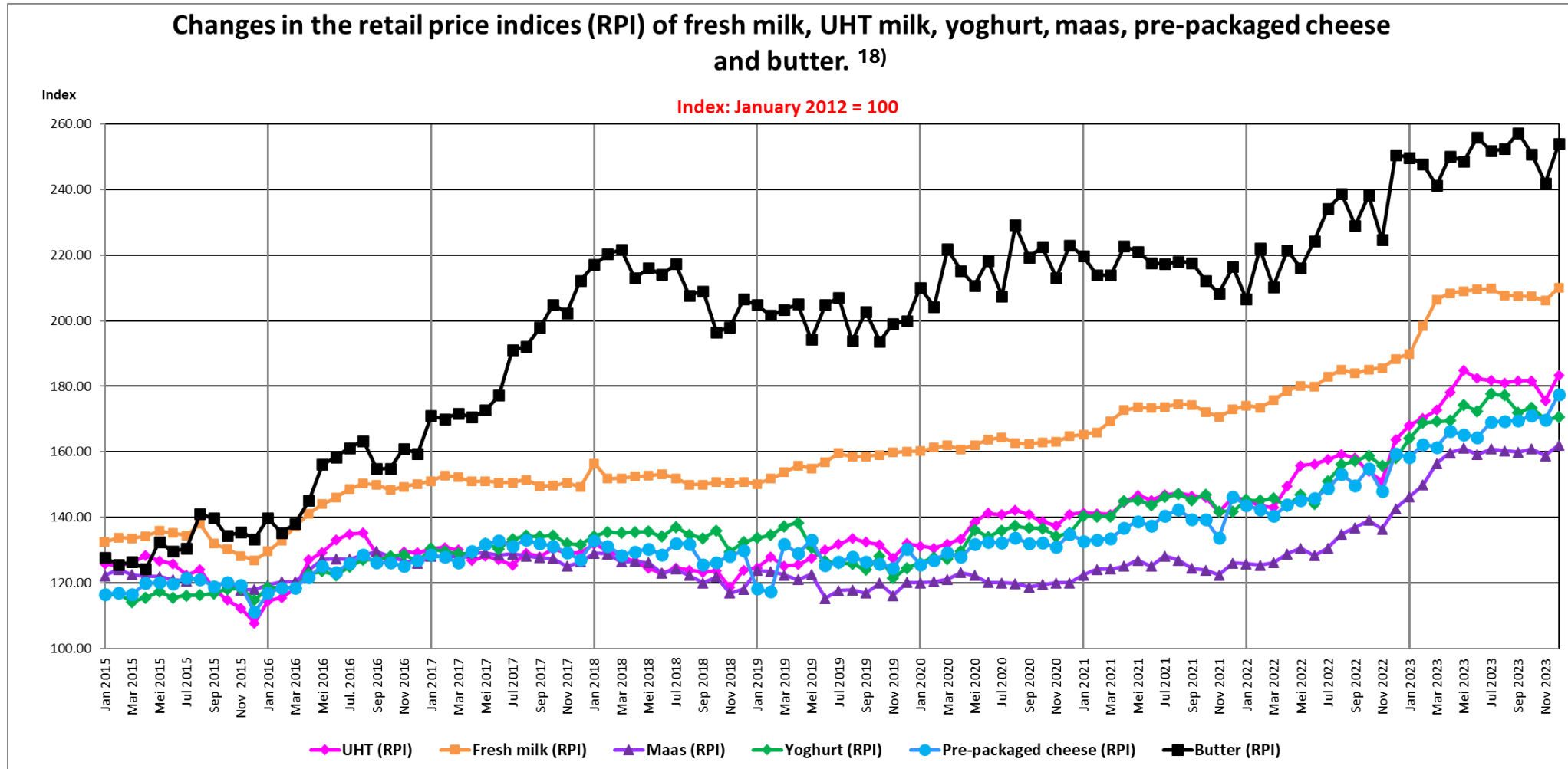
**Table 9 THE AVERAGE RETAIL PRICES OF SPECIFIC DAIRY PRODUCTS IN DECEMBER 2023, COMPARED TO THE AVERAGE RETAIL PRICES OF THE PRODUCTS CONCERNED IN SPECIFIC PREVIOUS MONTHS OF 2022 AND 2021<sup>17)</sup>**

PRODUCT	December 2023 versus November 2023 (1 month ago)	December 2023 versus September 2023 (3 months ago)	December 2023 versus June 2023 (6 months ago)	December 2023 versus March 2023 (9 months ago)	December 2023 versus December 2022 (12 months ago)	December 2023 versus June 2021 (18 months ago)	December 2023 versus December 2021 (24 months ago)
	Percent	Percent	Percent	Percent	Percent	Percent	Percent
FRESH MILK	1.9	1.2	0.2	1.8	11.5	16.8	21.5
UHT MILK	4.4	0.9	0.5	6.2	12.0	17.4	25.4
FLAVOURED MILK	1.7	-4.2	-3.5	-2.6	5.8	10.7	20.8
YOGHURT	0.4	-0.8	-1.0	0.8	7.9	18.3	20.3
MAAS	2.1	1.4	1.9	3.6	13.6	26.3	28.6
PRE-PACKAGED CHEESE	4.5	4.7	8.0	10.0	11.3	21.6	21.3
BUTTER	5.0	-1.3	-0.8	5.3	1.3	13.2	17.3
CREAM	3.1	3.2	2.2	5.2	9.6	16.0	18.7

17) Table prepared by the Office of SAMPRO, based on information obtained from NielsenIQ.

# SOUTH AFRICAN MARKETS FOR DAIRY PRODUCTS (Continue)

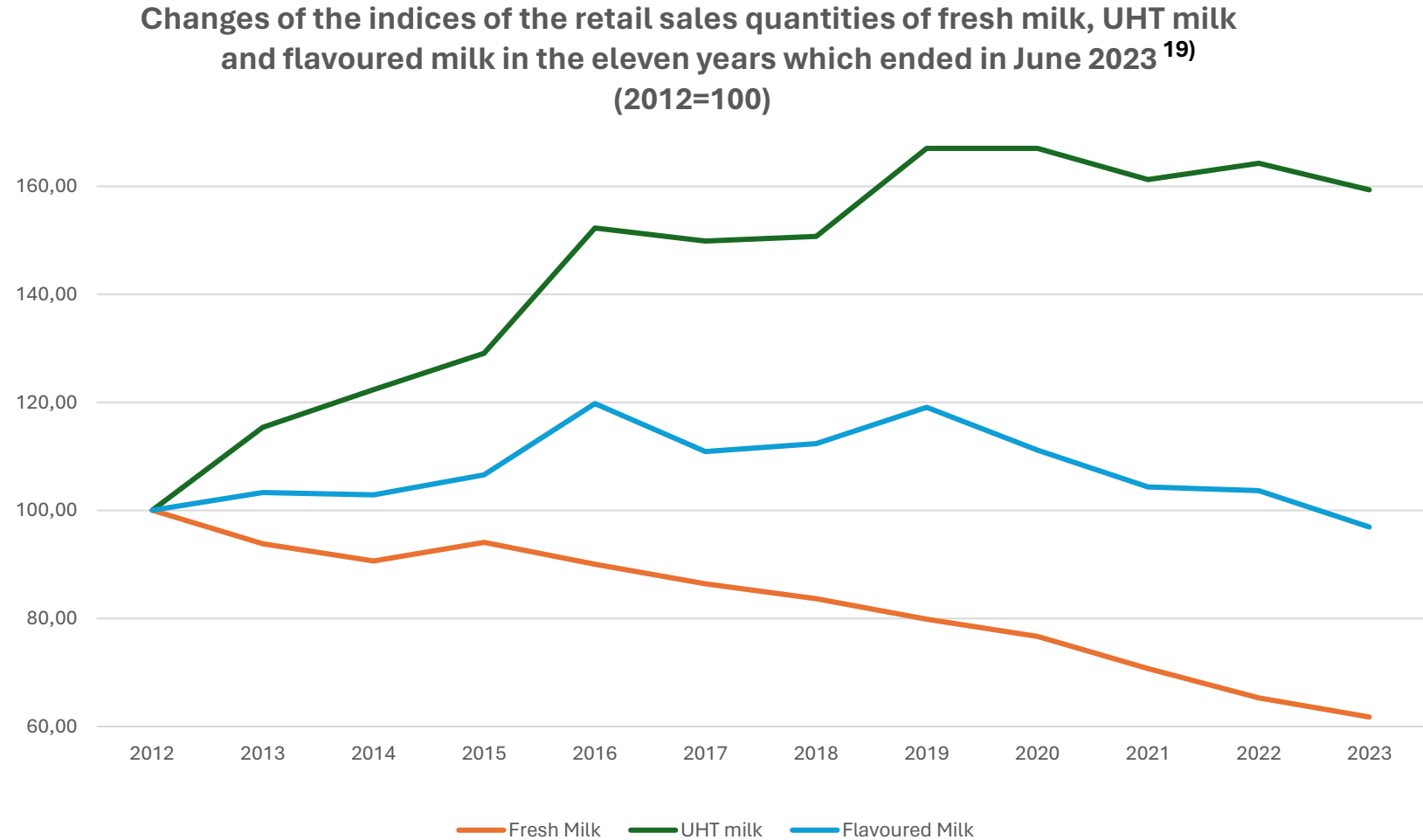
**Graph 5**



18) Graph prepared by the Office of SAMPRO, based on information obtained from NielsenIQ.

# SOUTH AFRICAN MARKETS FOR DAIRY PRODUCTS (Continue)

## Graph 6

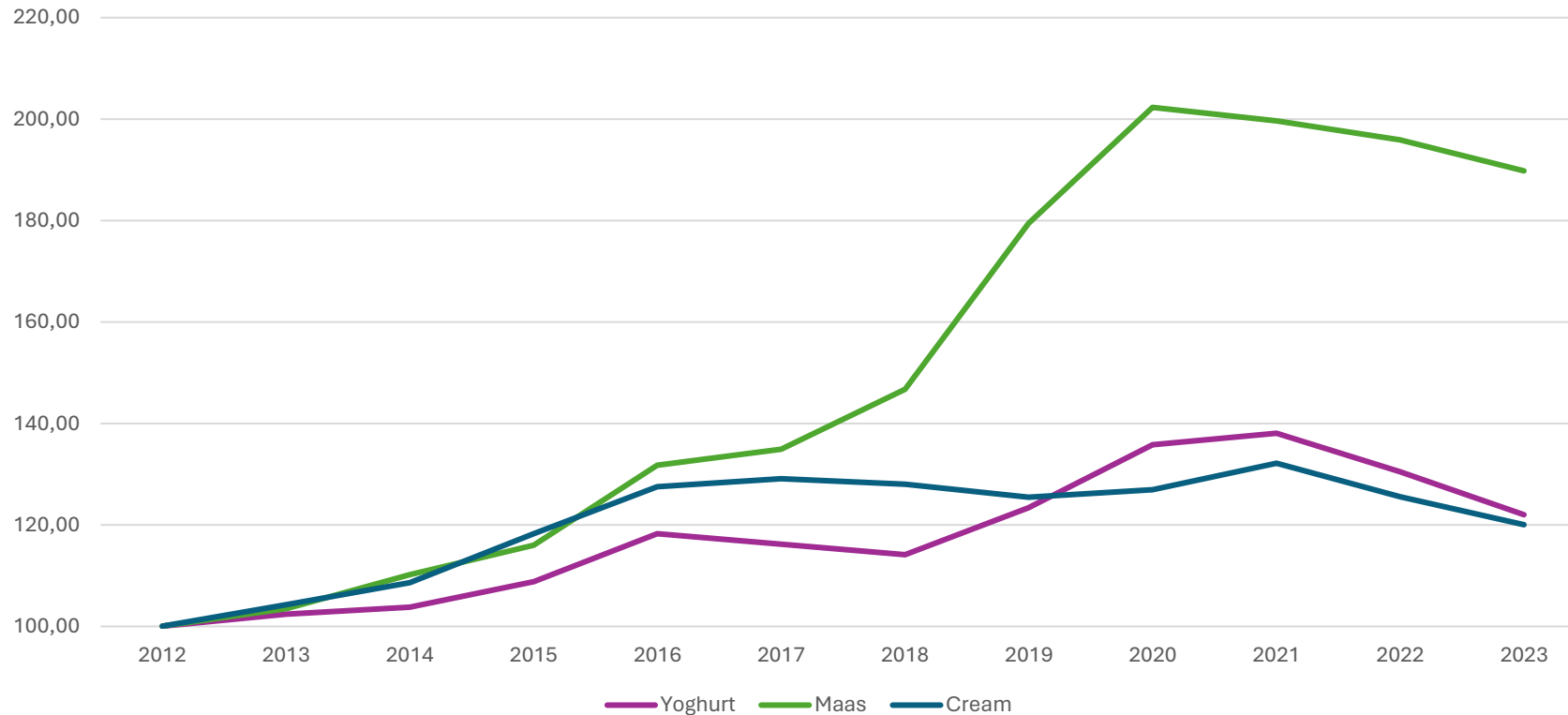


19) Graph prepared by the Office of SAMPRO, based on information obtained from NielsenIQ.

# SOUTH AFRICAN MARKETS FOR DAIRY PRODUCTS (Continue)

## Graph 7

Changes of the indices of the retail sales quantities of yoghurt, maas and cream  
in the eleven years which ended in June 2023 <sup>20)</sup>  
(2012=100)



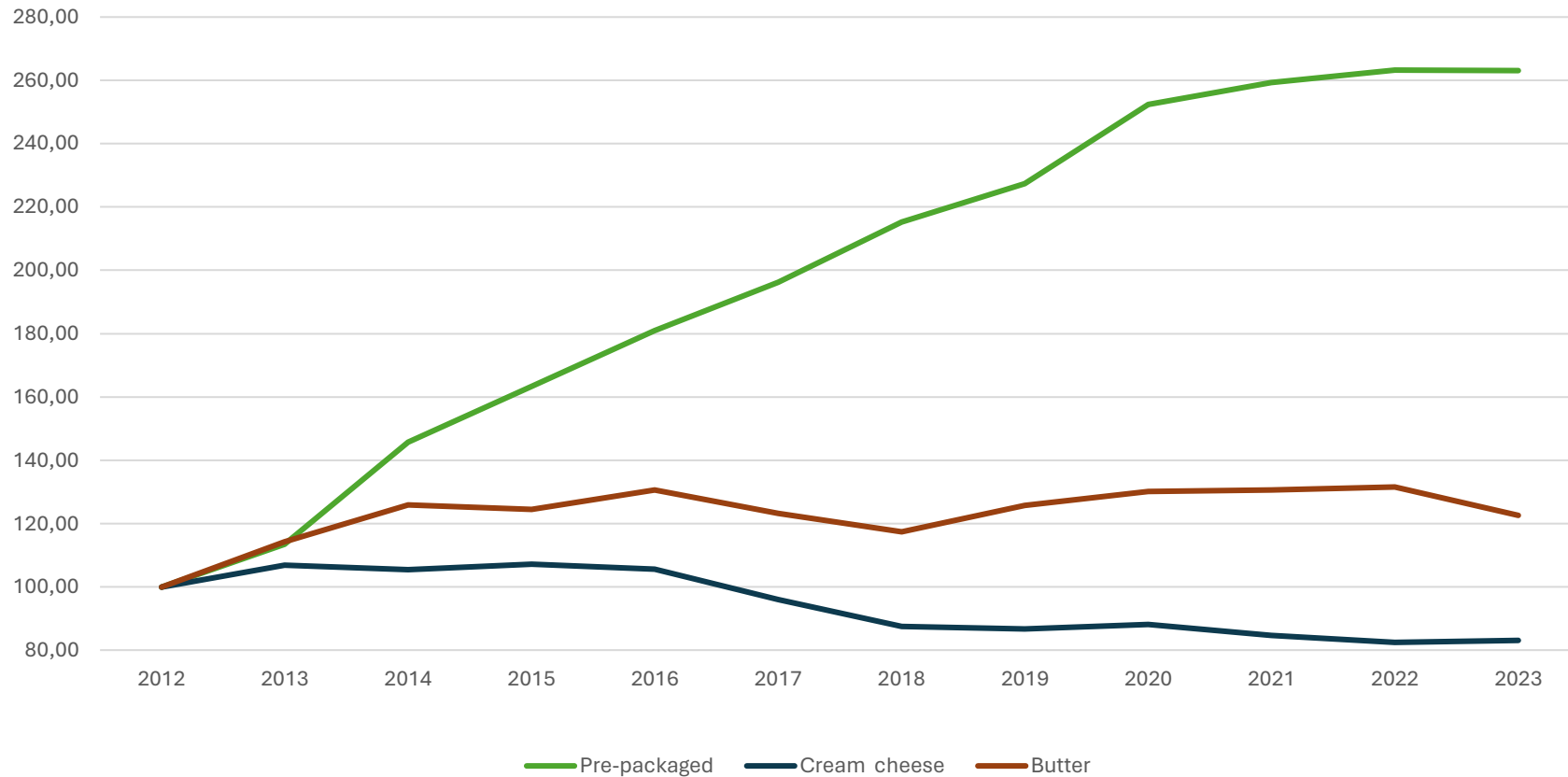
<sup>20)</sup> Graph prepared by the Office of SAMPRO, based on information obtained from NielsenIQ.



# SOUTH AFRICAN MARKETS FOR DAIRY PRODUCTS (Continue)

## Graph 8

Changes of the indices of the retail sales quantities of pre-packaged cheese, cream cheese and butter in the eleven years which ended in June 2023 <sup>21)</sup>  
(2012=100)



21) Graph prepared by the Office of SAMPRO, based on information obtained from NielsenIQ.

# SUMMARY AND CONCLUSION

- Expected GDP growth in 2024, slightly higher than 2023, but still low.
- Risk is high than growth rate in 2024 will be lower than the expectations of Reserve Bank (1.2%) and IMF (0.9%).
- Very high levels of uncertainty in South Africa relative to previous years, due to the very high uncertainty in the world, likely continuation of poor service delivery by the public sector, possible disruptions linked to the general elections, uncertainty about the outcome of the general elections and its impact on policies and economic growth, as well as about the extent of the negative impact of unfavourable weather conditions in the recent past on the production of agricultural products, including the production of unprocessed milk and products used as feed for dairy cattle.
- Consumer purchasing power eroded by the widespread increases of the administrated prices and the prices of consumer goods and services, high unemployment rate, poor service delivery by the public sector and lack of meaningful economic growth.

# SUMMARY AND CONCLUSION (Continue)

- High increases in 2021, 2022 and 2023 of the producer price indices of unprocessed milk and dairy products, as well as high increases in the retail prices of dairy products. These high increases were not the result of higher demand in terms of quantity, as it took place in order to achieve levels of supply of the products concerned, which are more or less equal to the demand (which did not increase) in circumstances of significant increased production, manufacturing, distribution and marketing costs of the products concerned.
- Lack of growth in the demand for most dairy products in terms of quantity and thus lack of growth in the demand for unprocessed milk. In the last quarter of 2023 and in the last month of 2023, increases in retail sales quantities of particular products did occur, but the opposite was true in respect of fresh milk and UHT milk. Approximately 40 percent of the production of unprocessed milk is used for the production of fresh milk and UHT milk.
- Tempo of price increases (PPI) up to March 2024, much lower than before.

# SUMMARY AND CONCLUSION (Continue)

- Seasonal increase in production of unprocessed milk, can put downward pressure on prices. In the 16 years 2008 to 2023:
  - July to August – average 13.3%, lowest 9.7%, highest 18.9%;
  - July to September – average 21.8%, lowest 15.9%, highest 28.1%; and
  - July to October – average 29.6%, lowest 24.2%, highest 35.8%.
- Very limited positive signals:
  - Increase in retail sales quantities of particular dairy products in last quarter of 2023, relative to last quarter of 2022 and in the last month;
  - Lower tempo of increase of PPI of unprocessed milk and dairy products;
  - Expected GDP growth slightly higher in 2024 than in 2023.
- Most elements of the situation can change fairly quickly and meaningfully, the relevant variables should continuously be monitored, and changes should timeously be reacted to, in order to ensure that in South Africa, the supply of unprocessed milk and dairy products follows the demand for these products as closely as possible.

**Alwyn P Kraamwinkel (M.Com)**

**CEO: SAMPRO**

**16 May 2024**

<b>The following contributions to this presentation are acknowledged:</b>	
<b>De Wet Jonker (B.Econ/B.Com Hons), Dr Ndumiso Mazibuko (Bsc Agric Econ, Msc, MBA, PhD) Jan Theron, (B.Com Economy), and Marietjie le Roux (B.Com Human Resources)</b>	<b>Collecting information, compiling of tables and graphs and assessment of information.</b>
<b>Gerhard Venter (M.Sc Agric Food Science)</b>	<b>Dairy Technical advice.</b>
<b>Sonja van Jaarsveldt</b>	<b>Assistance in preparing documents</b>