



## **MPO INFORMATION DOCUMENT 22 JANUARY 2021**

### **WHAT CAN MILK PRODUCERS EXPECT IN 2021?**

#### **Milk price**

The MPO is optimistic that the producer price paid to milk farmers could improve this year. The upward momentum in the producer price for unprocessed milk is expected to continue until at least August this year. Since the beginning of 2018 the role players downstream in the value chain have neglected the milk price paid to dairy farmers and recently they have also been too slow to make sufficient upward adjustments in the milk price. Milk production should be stimulated through an upward movement in the farmgate price.

Rising feed prices in 2020 have aggravated the cost squeeze experienced by farmers. The November 2020 level of yellow maize and soya-bean prices reduced the milk-to-feed price ratio to 1,1:1, which has had a detrimental effect on the production of unprocessed milk. The result has been that milk producers are producing at a loss, which means in turn that they are having to draw on their reserves, borrow more money, produce less optimally or leave the industry.

#### **Risk of imports**

The risk of imports has risen with the strengthening of the rand against the American dollar, making it necessary to monitor the situation continuously. Agri Inspec keeps a particularly close eye on the country of origin of imported products to make certain that products are not coming into South Africa tariff-free via countries belonging to the Southern African Development Community.

In September 2020, Agri Inspec started investigating UHT-processed milk which was entering the country via the Mananga border post between South Africa and eSwatini and also turned their attention to low-priced skimmed milk powder which is being imported from Belgium and France.

#### **Water meters for irrigation farmers**

The extended compliance period of 120 working days with effect from 18 September 2020 which the Department of Water and Sanitation has granted the users of irrigation water to install water meters comes to an end on 10 March 2021. Non-compliance with this instruction may lead to legal sanctions against water users who have failed to comply with instructions and could result in a fine or imprisonment for a period not exceeding five years.

The requirement applies to both irrigation water users within water management institutions (as previously required in terms of Government Notice No. 141 of 23 February 2018) and to water users who are not members of water management institutions (as previously required in terms of Government Notice No. 34 of 17 January 2020).

#### **Animal health**

This year the MPO and the national animal health forum intend to focus on brucellosis, zoonotic diseases and diseases like enzootic bovine leukosis (EBL), among others. Foot-and-mouth is fairly well controlled, but will still receive a lot of attention to ensure that South Africa will be able to regain its foot-and-mouth free status. Because of the wetter weather we have been experiencing, insect-borne diseases such as lumpy skin disease and Rift Valley fever remain a hazard. Farmers need to ensure that their animals are immunised against these diseases.



Although the dairy industry is managing the impact of COVID-19 fairly well, biosecurity is not yet adequately entrenched on dairy farms. Every participant in the dairy value chain needs to make a contribution to biosecurity and biocontrol in order to protect the integrity of the dairy value chain.

**Animal welfare and environmentally friendly farming practices**

There is increasing pressure from consumers and retailers regarding environmentally friendly farming practices and ethical animal care, which is one of the issues receiving attention this year from the MPO, Milk SA and the national animal health forum.

As part of Milk SA's research project, the Dairy Standard Agency has been asked to do research on the practical implementation of SABS standard SANS 1694 on the welfare of dairy cattle.

Milk producers are encouraged to continuously monitor and improve their stewardship of the environment (soil, water and air).

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