MPO Pointer 2: 23 January 2026
Farmgate prices are not conclusively reflecting current market conditions.

Synopsis:

- **Based on the last five quarters of dairy sales growth reported by NielsenIQ, demand for unprocessed milk has continued to increase despite the weak performance of the South African economy.**

- **The anticipated stimulation of unprocessed milk production during 2025, expected to result from a favourable farm-gate milk-price–to–feed-concentrate-price ratio, did not materialise. This, together with the largely sideways movement in farm-gate milk prices over the past two years, underscores the urgent need for a meaningful increase in the farm-gate price of milk.**

- **Such an adjustment would also put retailers' concerns about the adequacy of milk supply during the winter of 2026 to rest.**

- **In the context of the severe challenges currently facing the industry, the prospect of importing products such as UHT milk due to inadequate domestic supply is untenable.**

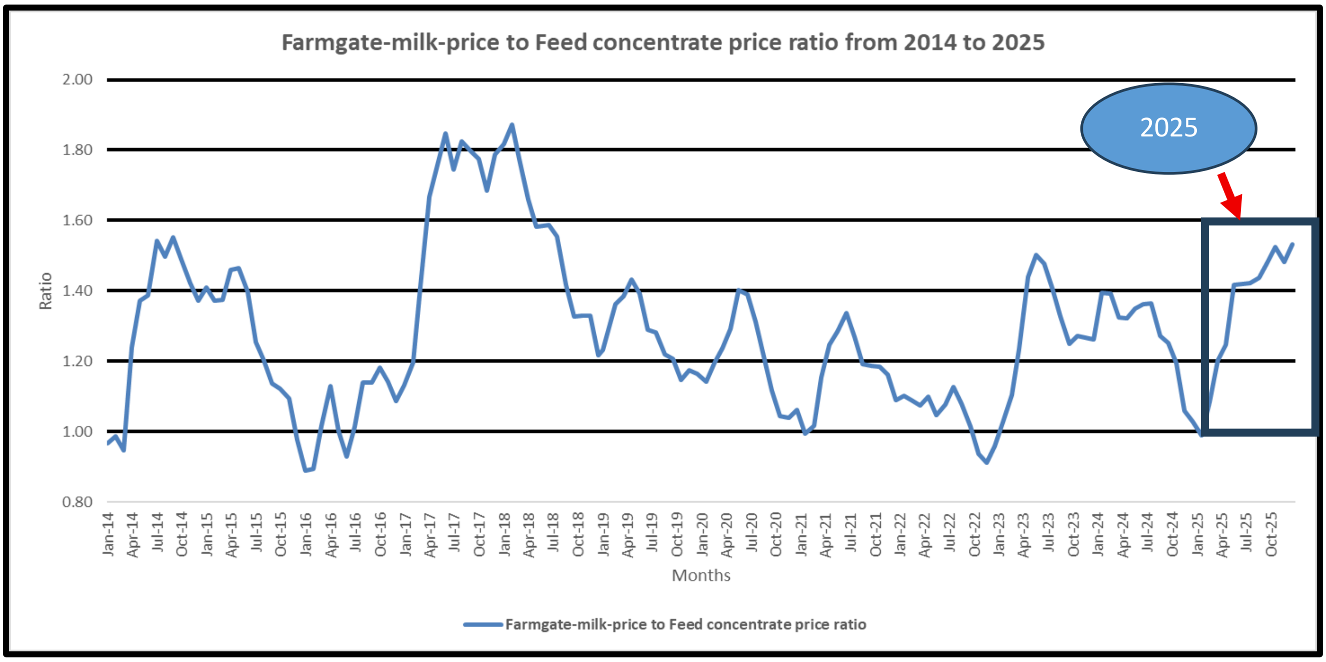
Dairy retail developments as reported in the September 2025 NielsenIQ report:
Between October 2024 and September 2025, compared with the period from October 2023 to September 2024, retail sales volumes increased for seven of the eight dairy products. These included UHT milk (5.2 per cent), flavoured milk (1.4 per cent), yoghurt (2.5 per cent), maas (8.4 per cent), pre-packaged cheese (2.7 per cent), cream cheese (4.5 per cent) and cream (5.0 per cent). Only fresh milk recorded a decline in retail sales volumes, decreasing by 0.6 per cent.

Over the same period, retail sales prices increased for five dairy products, namely flavoured milk (3.1 per cent), yoghurt (0.9 per cent), pre-packaged cheese (3.3 per cent), cream cheese (2.0 per cent) and cream (0.5 per cent). In contrast, retail sales prices declined for three products: fresh milk (1.2 per cent), UHT milk (0.3 per cent) and maas (1.5 per cent).
It should be noted that:

- In the March 2024 NielsenIQ report, all the dairy products registered negative growth in sales. Thereafter, every quarterly report of NielsenIQ indicated sales growth. A total of six quarters, inclusive of September 2025.
- The noteworthy increase in sales that was experienced since the third quarter of 2024 materialised despite the poor economic growth experienced during these quarters:

Table1: Economic growth

Quarters	% Growth
24-3	**-0.1**
24-4	**0.5**
25-1	**0.1**
25-2	**0.9**
25-3	**0.5**



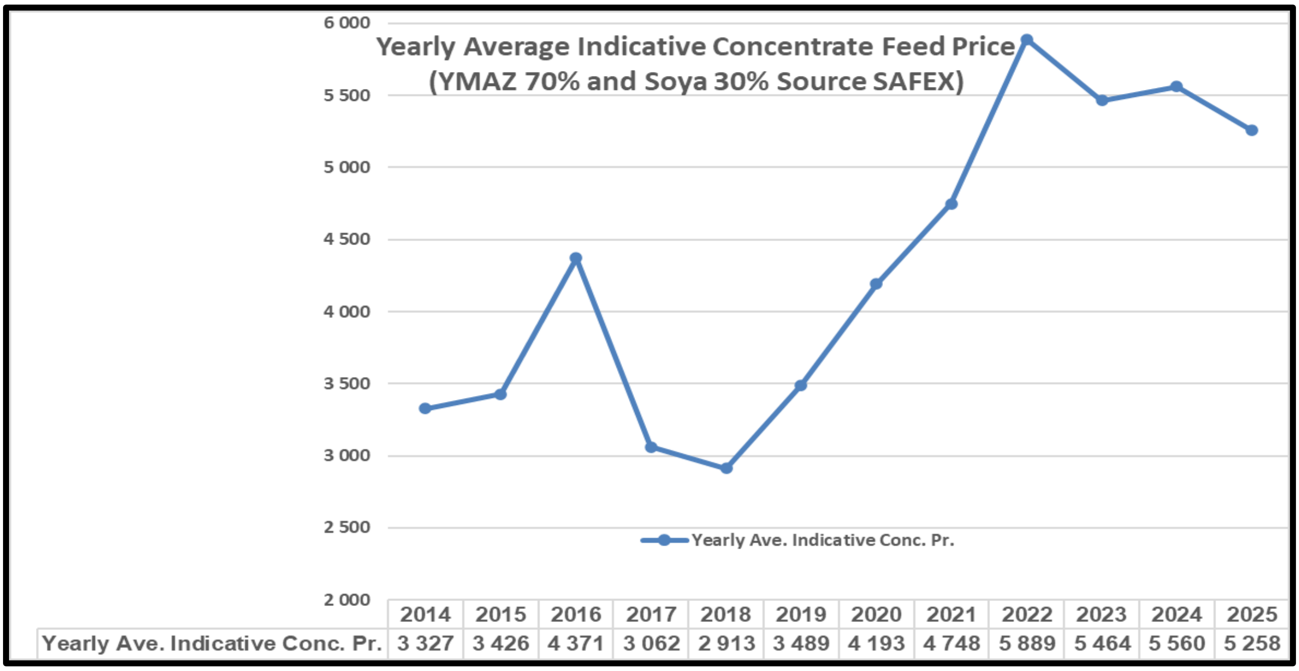
The above graph illustrates the farm-gate-milk-price-to-feed-concentrate-price ratio. The farm-gate-milk-price-to-feed-concentrate-price ratio reached the most favourable ratio in November 2025 since January 2019. The majority of the improvement in the calculation came from reduced grain prices during 2025, as published by the JSE Derivatives Market. It should be noted that in calculating the ratio, naked prices from the JSE are used and not actual dairy feed meal prices.

The JSE Derivatives Market prices are responsible for most of the volatility that can be observed in the graph.

Table 2: Per centage monthly change in unprocessed milk production for 2025 (YoY)

Jan-25	**Feb-25**	**Mar-25**	**Apr-25**	**May-25**	**Jun-25**	**Jul-25**	**Aug-25**	**Sep-25**	**Oct-25**	**Nov-25**	**Dec-25**
1.93	0.74	1.95	-0.91	-3.37	-0.39	0.97	2.97	3.07	1.13	-0.07	

In Table 2, the per centage change in unprocessed milk production is presented on a year-over-year (YoY) basis. Transposing the favourable level of the farm-gate-milk-price-to-feed-concentrate-price ratio to the increase in unprocessed milk production, as per Table 2 above, it indicates that production stimulation associated with a favourable ratio did not materialise in 2025, which is set to end with a cumulative growth of less than 1% (estimate).



The above graph illustrates the yearly average indicative concentrate feed price as calculated from the data published by SAFEX (The JSE Derivatives Market) and does not necessarily reflect the actual prices charged by animal feed manufacturers. Furthermore, calculating the average price over six months provides a different angle on the cost levels of the feed regime.

Table 3: Six-month average indicative concentrate feed price for 2024 and 2025

2024	2025
First six months R5 368	First six months R5 771
Second six months R5 752	Second six months R4 744

Gaging the second six-month average indicative concentrate feed price for 2025 alongside developments in the production of unprocessed (on-farm) milk (Table 2), particularly toward the end of 2025, it is evident that the anticipated production stimulus expected to arise from a favourable farm-gate milk-to-feed-concentrate price ratio did not materialise.

Increased costs associated with FMD infection and the cost to boost the immunity of cows, together with general cost inflation, the actual level of feed meal prices, and adverse climatic conditions, have absorbed most of the benefits of the favourable price ratio. Coupled with the largely sideways movement in the farmgate milk price over the past two years, this underscores the urgent need for a meaningful increase in the farmgate price of milk.

Such an adjustment would also provide reassurance to retailers regarding the adequacy of milk supply during the winter period.

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