Dairy prices need to change at grassroots level

To be in the dairy industry in South Africa in the current economic climate, is probably one of the toughest jobs around. According to the Milk Producer's Organisation (MPO), the number of milk producers in South Africa decreased from 2686 in January 2011 to just 1164 in January 2020. This means the few farmers who are left have to produce more to make it profitable; they fight a constant battle to get a decent price for their product, suggests Ian van Niekerk from Oakland Dairy.

"The problem is that dairy farmers' prices don't adapt immediately to the international market, while feed prices do adapt. Feed prices are international, while the milk price is national and there's also a delay in the adaptation of prices because supermarkets fix the price months in advance. Also, milk imports have an impact on the price farmers get for their product – as soon as it looks as if there will be a local milk shortage, big supermarket chains import milk from overseas. That means that the natural supply and demand process can't happen – farmers can't raise the price of their product. This has been the case since the world shortage of milk in 2007/2008."

Dr. Chris van Dijk, CEO of the MPO, says that farmers should get at least R5,56 per litre of milk, but the current national average is around R5,17. Van Niekerk feels that a price of R5,70 would be acceptable for the Western Cape Farmers to make ends meet.

"If you look at the difference between what the farmer is paid, and what the product sells for in stores, it is clear that the lines that were running parallel a few years ago, have now started to diverge causing an ever widening gap between the price the farmer gets and the price the consumer pays." Many 'small taxes' on milk, neither beneficial to the consumer nor the farmer, have been introduced over the years, for example, Milk SA takes 1.3c per litre produced and the big retailers charge a rebate as well as additional costs like listing fees that make the farmers product increasingly unaffordable to the consumer.

It's a fact that milk doesn't cost the same countrywide. According to Van Niekerk, supply and demand, feed and transport costs are only some factors that impact the cost of a litre of milk. The picture also looks very different in various provinces. In the Western Cape, there are three big dairy companies who hold the majority share of the market enabling them to set the price paid to farmers. In Gauteng and other inland provinces, the market is much bigger and there are more stores that need to be

Naturally at your side.

AHT a member of DAIKIN group

PARIS

The plug-in freezer/refrigerator that redefines economy and lifts product presentation to an innovative level.

PARIS also maximises your sales space by means of shelf inserts, which will further increase your revenues. PARIS – an extremely efficient all-rounder that can lay claim to prestigious excellence.

ATHENS – Future proof investments in Refrigeration and Freezing

Our overall philosophy is based on four pillars.

- ***Sustainability***
- ***Energy Efficiency***
- ***Innovation***
- ***Maximum customer benefits***

"WE COOL AND YOU SELL" Plug it in, refrigerate or freeze, and sell more – that's our motto at AHT, which has been inspiring customers and boosting their business since 1983.

MANHATTAN - Food Retail

AHT has been the experienced expertise, product and service partner for leading supermarket chains and discounters throughout the world for decades.

The sustainability of our activity is visible in our daily work, our products, and our persistent development efforts. Thinking in a forward-looking manner.

Contact Us:

MULTILAYER TRADING

Phone: 021 851 9616
Email: sales@ahtafrica.co.za
multilayertrading.com

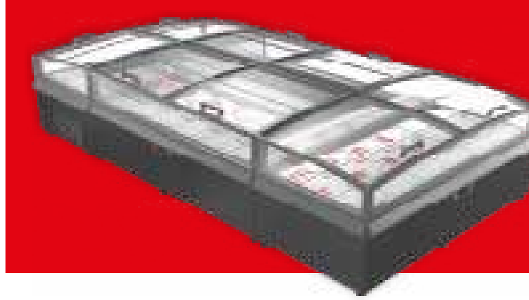
In a globalized world of constant change, we as innovation leaders think it is important to act sustainably and in view to the future. It is our duty to set standards which the following generations can build upon – about environment aspects as well as the ability to finance our future.

The advantages are obvious: Product safety, lower running costs.

AHT showed a "HERO retro chest" at Euroshop that has been used successfully every day for over 20 years. AHT was already focused on energy efficiency at that time. Since then, the technology for the presentation and storage of refrigerated and frozen goods has been continuously improved through more efficient components and new control strategies. As a result, it is now possible to achieve a daily energy consumption of less than 4kWh even with units that have a net volume of 1000 litres and more.

AHT is making a clear statement in regard to the global climate discussion. The most efficient island freezers are those with the closed glass tops. We are seeing a massive drive towards the R290 self-contained units.

With this update that has been in use since 2019, we emphasize our expertise in energy efficiency. We have once again managed to reduce the energy consumption of the AHT chest freezer fleet by up to 20%. It makes us especially proud that we have achieved these savings and at the same time have also optimized product temperature safety in combination with our new defrosting concept. Thanks to this efficiency, with the update, we have managed to achieve the lowest energy consumption in the industry. By using eco-friendly propane, AHT refrigeration technology lets the environment breathe.



Energy efficiency & Cost savings are critical in every supermarket, but how does a store go about achieving concrete savings in the current climate?

Plug-in for cool sales success

AHT is the inventor of the plug-in installation: the revolutionary Plug & Chill concept makes AHT's refrigerated multideck cabinets and chest freezers the logical choice for supermarkets to buy.

Sustainable cost reduction

Thanks to the complete integration of all the refrigeration components, no additional installation costs are incurred. This ensures that AHT appliances are convenient and reduces the cost of developing and/or refurbishing supermarkets.

1998 to 2020 AHT Is continuously expanding our position as a world leader – these principles guide us in everything we think and do!

supplied, providing smaller, private dairies a chance to break into the market.

> The three big dairy companies in the Cape supply most of the supermarkets' milk. This makes it very difficult for smaller, private dairies to compete in this market.

Van Niekerk says for the past 20 years the private dairies like Oakland have operated in the informal market. "In the past we had 15 private dairies operating in the Cape, now there are only two. Oakland's focus has been on supplying the Cape Flats. Thus we have grown to the point where we can afford to buy milk from one of the mega dairy farmers. This turned us into a competitor for the big dairies so when we started paying our farmers more, they had to follow suit."

Interestingly, Van Niekerk says that now the big dairies are moving into the informal sector at a much lower price point with secondary brands, while selling their primary brands for good money in corporate stores, further hampering the growth of private dairies. "This makes it impossible for us to pay our farmers more for their product. Oakland has now started diversifying into yoghurts and we hope to break into the Gauteng market where there is more opportunity for growth. Yoghurt has a shelf-life of up to six weeks so it makes matters easier, especially when it comes to transporting the product."

> Lockdown actually had a positive effect on the dairy business. It was winter, and people were home drinking a lot of tea and coffee, and also doing home cooking.

"Our sales actually looked better during lockdown than they do now," says Van Niekerk.

Bertus van Heerden, chief economist at the MPO, agrees with the problem of a concentration in the processing of milk products. "The farmers certainly pull the short straw in this situation. The problem, Van Niekerk predicts, is that once the larger companies have forced out the private dairies, they will immediately up their prices, causing a negative effect on the consumer, who is already likely to be under financial strain." **SR**