sampro

DECREASE IN THE NUMBER OF PRODUCERS OF UNPROCESSED MILK IN MAJOR DAIRY COUNTRIES

1. From time to time the reduction in the number of producers of unprocessed milk in South Africa, is the subject of articles in the news media. The purpose of this report is to present the reduction of the number of producers of unprocessed milk in South Africa in the context of the reduction of the number of producers of unprocessed milk in major dairy countries.

2. The decrease in the number of producers of unprocessed milk, while the production of unprocessed milk increases, occurs in major dairy countries in the world, as shown in Table 1. The countries in respect of which information is provided in Table 1, are countries in which the bulk of the unprocessed milk produced, is used for the production of processed milk and the manufacture of the other dairy products.

Table 1

REDUCTION OF THE NUMBER OF DAIRY FARMS IN PARTICULAR COUNTRIES[1)]

Country	Ranking[2)]	Percentage of production processed	Number of farms ('000)		Percentage reduction of number of dairy farms 1996 to 2018	Percentage increase in production 1996 to 2018
			1996	2018		
USA	2	100	131.0	39.0	70.23	47.55
EU	2	93	4 836.0	1 139.0	76.45	12.27
Brazil	4	72	1 819.0	962.0	46.85	93.06
Germany	5	96	1 860.0	62.8	66.24	12.21
New Zealand	7	100	14.7	12.0	18.37	111.86
France	8	98	141.0	56.0	60.28	-0.88
UK	11	98	34.6	12.8	63.01	7.33
Netherlands	12	99	39.0	17.0	56.41	25.40
Italy	14	90	109.0	31.0	71.56	28.35
Mexico	15	75	119.0	92.0	22.69	58.23
Argentina	17	90	20.0	11.0	45.00	24.26
Canada	18	97	23.8	10.6	55.46	33.19
Australia	19	97	13.9	5.7	58.99	2.10
Ireland	24	95	23.2[3)]	16.2	30.17	65.19
Japan	26	99	41.6	15.7	62.26	-13.83
Belarus	27	87	684.0	50.0	92.69	57.38
Spain	28	99	124.0	14.0	88.71	21.31
Denmark	30	95	14.8	2.8	81.08	25.46
Belgium	36	99	20.7	11.4	44.93	35.35
Switzerland	37	90	30.0	20.0	33.33	4.99
South Africa	39	95	8.0	1.4	82.50	80.86
Sweden	42	92	15.9	3.5	77.99	-15.88
Finland	47	98	30.0	6.5	78.33	1.61
Uruguay	50	94	5.86	3.28	44.03	81.58
Portugal	57	97	48.0	4.6	90.42	8.93

1. *Table prepared by the Office of SAMPRO, based on information contained in the IFCN Dairy Reports of 2019 and 2020. Countries selected are countries in which the bulk of the unprocessed milk produced, is used for the production of processed milk and the manufacture of the other dairy products.*
2. *Ranking in terms of size of production of unprocessed milk relative to other countries.*
3. *Ireland: Information available from 2002 only and the figure of 23.2 shown in the1996 column, is the figure of 2002.*

3. In each of the 25 countries listed in Table 1, the number of producers of unprocessed milk decreased and:

- The decreases in 10 countries (40 percent of the countries) were more than 70.0 percent;
- The decreases in 17 countries (68.0 percent of the countries) were higher than 50 percent;
- The decreases in 21 countries (84.0 percent of the countries) were 40.0 percent or higher.

4. Notwithstanding the decrease in the number of producers of unprocessed milk described in the previous paragraph, the production of 22 of the 25 countries (88.0 percent of the countries) increased and:

- The increases in 4 of the 22 countries (18.1 percent of the 22 countries) were more than 70.0 percent;
- The increases in 7 of the 22 countries (33.3 percent of the 22 countries) were higher than 50.0 percent;
- The increases in 8 of the 22 countries (38.0 percent of the 22 countries) were more than 40.0 percent; and
- The increases in 15 of the 22 countries (68.0 percent of the 22 countries) were more than 20.0 percent.

5. Other important observations in respect of the information contained in Table 1, are as follows:

a) <u>The reduction of the number of producers of unprocessed milk, not only occurred in South Africa, in which the structure of the dairy industry (number of producers and market shares of each) is shaped by market forces, but also in countries in which the dairy industries are regulated</u>. In the case of Canada, comprehensive measures exist which include price control and production quotas in respect of unprocessed milk as well as high protection against imports, which are, amongst other, aimed at maintaining the structure of the unprocessed milk industry. Also, the price of unprocessed milk in Canada is substantially higher than in the USA and in other major dairy countries[4)]. As shown in Table 1, these measures and the high price of unprocessed milk in Canada, did not prevent a reduction of 54.46 percent in the number of producers of unprocessed milk in Canada;

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4. According to the "Dairy Report 2020" of the IFCN, the "farm gate" price of unprocessed milk in Canada was in 2019, 69 percent higher than the "world market price" and the figures for some other countries are: USA 14 percent, European Union 3 percent, France 11 percent and Germany 3 percent.

b) The reduction of the number of producers of unprocessed milk also occurred in countries in which cooperatives, of which the producers of unprocessed milk are the members, are major producers of processed milk and manufacturers of the other dairy products[5)]**.** The existence of cooperatives integrates the business interests of the entities which produce unprocessed milk (farmers), entities responsible for the production of processed milk and the entities which manufacture the other dairy products (processors). The implication of this position is that the producers of unprocessed milk have significant bargaining power in respect of, amongst other, the price of unprocessed milk and that this bargaining power did not prevent the decrease in the number of producers of unprocessed milk in the countries concerned; and

c) The decrease of the number of producers of unprocessed milk in South Africa, is the fourth highest of the 25 countries, while the increase in the production of unprocessed milk in South Africa, is the fourth highest of the 22 countries in which the production increased.

6. In light of the previous paragraph, it is clear that the reduction in the number of producers of unprocessed milk, in the countries concerned, was not prevented by:

   a) Comprehensive government intervention through measures like production quotas, price control and high protection against imports, aimed at maintaining the structure of the dairy industry;

   b) High prices for unprocessed milk; and/or

   c) Integration of the business interest involved in the production of unprocessed milk (farmers), processed milk, and the other dairy products (processors).

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5. *Prominent examples are: Friesland Campina, Arla and DMK in the EU; Dairy Farmers of America, Land O'Lakes in the USA, and Agropur in Canada.*