

In brief

• Local news

New and 'green'

Coega Dairy will be opening its state-of-the-art, energy efficient dairy processing plant soon, which is set to give a much needed economic boost to the Eastern Cape.

Coega Dairy (Pty) Ltd is owned by the Coega Milk Producers' Organisation (CDMPO), which is in turn owned by 13 commercial dairy farmers. The company is investing R175 million over four years, starting with an initial investment of approximately R50 million to tool and operate the plant in the 3 956m² building in the Coega Industrial Development Zone (IDZ) at Coega-harbour. The plant is expected to create 754 indirect jobs, 200 farm jobs, 70 operational jobs and 50 construction jobs.

The idea was conceived by a group of dairy farmers during 2010, to ensure that farmers have a secure outlet for their milk, whilst protecting the beautiful Eastern Cape countryside.

In order to increase the positive economic impact in the Eastern Cape, ownership of Coega Dairy will be modified by 2012, when shareholding will be expanded to include Coega Empowerment Trust, a body which shall include selected previously disadvantaged community commercial dairy projects, black factory employees of Coega Dairy, as well as the dairy farm labourers who are employed by the commercial dairy farms that are shareholders in the project.

Coega Dairy chief executive, Dr Hennie Kleynhans, says the main draw card for choosing Coega IDZ as their preferred location for business is due to the excellent infrastructure it provides.

"The strategic importance of this venture is that it will substitute imports worth more than R130 million, as well as some exports of South African companies that are currently buying overseas to supply their African businesses," he says, adding that this will also translate to improved sustainability for farmers by allowing seasonal farmers to optimise their farming methods without being penalised by their buyer.

Combining green technology and farm fresh goodness lead to the development of a UHT processing plant with one of the smallest carbon footprints. This plant has been designed to consume 50% less water, energy and chemicals than any other South African UHT processing plant, while producing only 33% of the normal effluent quantity.

The project will initially have a raw milk intake of 150 000ℓ a day, which will be processed into UHT milk, custards and butter, aiming to embark on projects that will yield value added products specifically for the export market as from 2013. – *Press release*

Huge recycling deal sealed

Tetra Pak, the food processing and packaging equipment and services supplier, has inked an agreement with Gayatri Paper Mills to recycle carton waste in South Africa.

Gayatri, part of the Golden Era Group of companies and one of the fastest growing packaging companies in South Africa, already recycles in excess of 6 000 tons of cardboard a month and began carton recycling in August this year.

"The partnership evolved because Gayatri needed more pulp for their paper mill and downstream operations, while Tetra Pak wanted to increase carton recycling in South Africa," says Rodney Reynders, environmental manager for Tetra Pak in sub-Saharan Africa.

"The Tetra Pak carton waste will add a lot of value to their recycled pulp quality, due to the quality of board used in the manufacturing process of our cartons, and the recovered pulp will be used for the manufacture of secondary packaging, which could be used by our customers."

Southern Africa produces 24 000 tons of carton waste annually, West Africa 7 000 tons, and East Africa 6 000 tons. Each of those represent current and growing markets for Gayatri's facility, since Africa has an extremely poorly developed carton recycling infrastructure. Carton from South Africa is currently exported to India so it is at least not going to landfill in the country, but 75% of Tetra Pak's cartons are valuable board that could and will be used in the production of local goods.

Gayatri's plant, once up-to-speed, will be capable of recycling 7 200 tons each year, an enormous ramp up from South Africa's current 1 500 ton per annum carton recycling effort.

"We have based our business model on the highly successful rollout of carton recycling partnerships between Tetra Pak and local recyclers in Brazil," explains Rodney. "While we don't expect to do their volumes, which are in excess of 50 000 tons per annum, we do see enormous potential for the local market to stimulate revenues, job creation and a greater positive impact on the local environment." – *Press release*

Fairtrade for Kraft

Kraft Foods South Africa will become the first major South African business to achieve Fairtrade certification for its much-loved chocolate brand, Cadbury Dairy Milk.

With over 4 000 Cadbury Dairy Milk slabs unwrapped and enjoyed by South Africans every day, that "glass and a half of joy" feeling is set to multiply with the very people who farm the ingredients that make every slab so special.

Fairtrade certification is a system designed to ensure better working and living conditions for small scale farmers, farm workers and their communities through fairer prices, better labour conditions, community development and sustainability of the environment.

"The Fairtrade accreditation means that the cocoa used in the making of our leading chocolate brand will be sourced from certified Fairtrade producers," says Mike Middleton, marketing director of Kraft Foods South Africa. "It demonstrates our commitment to fair trade practices and to the sustainability of cocoa farmers and their communities. We are very proud to be the first major business to achieve this certification in South Africa."

To achieve Fairtrade certification, Kraft Foods South Africa partnered with cocoa farmers in West Africa (60% of the world's cocoa is grown in Ghana and the Ivory Coast). The certification will see thousands of West African farmers receive internationally-agreed Fairtrade prices for their product (the Fairtrade minimum price or world market price, whichever is higher) and the Fairtrade Premium of \$200 per ton for investment in the development of their businesses and communities.

In 2009, Fairtrade certified sales amounted to approximately R33 billion worldwide, with estimated retail sales of Fairtrade products in South Africa in 2009 at R5,7 million. Estimated retail sales for Fairtrade products in 2010 were worth R18,4 million. Although Fairtrade has been operational in South Africa for the past two years, the agreement with Kraft Foods SA is set to increase retail sales of Fairtrade products by over eight times. – *Press release*

Growing consumers

In 2006, the government approved a plan by the Milk Producers' Organisation (MPO) to distribute milk to certain schools as part of a pilot school feeding scheme. The government will provide R2,3 million for the first year of

the project through which 2 300 children will benefit by receiving milk at school daily. The roll-out over the next two to four years will cost R3,5 million per annum and the number of children benefiting from the scheme will then increase to 4 700.

Milk will be provided to schools in two areas, namely Harrismith in the Free State and Fort Beaufort in the Eastern Cape. The milk will be pasteurised, packed and distributed in 250ml units by Mountainview Dairy for the Qwa-Qwa project and by Clover in Fort Beaufort. All the milk supplied to schools will be approved and certified as per the usual food safety processes.

This will not only benefit the children, but also the emerging dairy farmers in the surrounding areas, as they will supply the milk for the project. In Harrismith the milk will come from QwaQwa dairy farmers and in Fort Beaufort from the Gwebindlala Trust. In total, the project will involve 55 beneficiaries and their families.

The relevant government departments (agriculture, health and education) will, in conjunction with the MPO and researchers, set certain standards by which they will be able to measure, amongst others, school attendance and learners' progress as a means of establishing a benchmark for the health benefits of milk consumption for growing children. The ultimate aim will be to extend the project to other areas.

One of the MPO's primary aims with the project is to establish a need for milk consumption and therefore create a market for emerging farmers in these communities. In addition, the children will be educated on the health benefits of consuming dairy as part of a balanced diet, creating future demand for dairy products by these growing little consumers.

Funded by the Department of Agriculture, Forestry and Fisheries and managed and coordinated by the MPO, the pilot phase of this programme kicked off on 29 July 2011 and is running smoothly. Currently, 1 100 learners at eight schools in the Alice district in the Eastern Cape receive 250ml of long life milk at school every day, Monday to Friday. Clover supplied posters to the schools telling learners where fresh milk comes from, how it is handled and processed, and what the benefits are of including dairy products in a healthy diet.

This is a good example of an industry growing consumers to ensure an ongoing demand for its product in years to come. Perhaps this initiative could also be followed by other industries.

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Juice and dairy juice blends hold firm

A BMI Research report on developments in South Africa's beverage market indicates that dairy juice blends, which may be either yoghurt- or milk-based fruit juice blends, contributed 0,03% to the gross domestic product (GDP) in 2010, which is unchanged from its 2009 contribution. Although this is a smaller beverage category than other healthy, ready-to-drink beverages like fruit juice, it performed well even during the economic downturn, even growing by 1,3% in volume, while the value of the market decreased marginally by 0,4%.

Internationally, dairy juice blends are increasingly being marketed in on-the-go packaging, while the introduction of functional nutrients and the use of organic milk and fruit is also gaining ground, together with ever more exotic flavour combinations.

The report also indicated that ready-to-drink fruit juice sales recovered during 2010 and are expected to continue to do so for the

remainder of this year, with Gauteng and the northern provinces leading in sales volumes. Sales of these products are increasingly occurring through retail and wholesale channels, with pure fruit juices winning over nectars and fruit drinks. – *Food Stuff SA*

Milk prices put pressure on producers

Very few producer price increases have been announced by milk buyers, which is contrary to local and international trends.

Milk production to end June is similar to production in the first half of 2010, the market shows positive growth, imports are lower and exports higher than last year. Internationally, product prices are also much improved on 2010.

According to Dr Koos Coetzee, economist with the Milk Producers' Organisation (MPO), farmers are currently under immense cost pressure and unless they receive higher prices, will not be able to supply the total market requirements.

The stagnation of producer milk prices at the current low levels are causing milk producers of various regions to increasingly consider group forming, self-distribution and processing.

The Overberg Dairy Action Group (ODAG) met with representatives from Parmalat recently to discuss the sustainability of the primary dairy industry in the Overberg.

Despite confirming that the Overberg is strategically an important milk producing area for its factory at Bonnievale, Parmalat indicated that it would not be within its means to pay the region's producers the requested tariff of 30c per litre more than the current producer price. During the meeting, Parmalat indicated that it deems the 10c per litre increase "sufficient for some producers" and

that additional tariff increases would not be possible until March 2012. After the meeting, ODAG decided to explore other strategic actions to ensure sustainable primary dairy farming in the Overberg, because it realises that the current business model relating to the share of the consumer spend does not support this.

Milk producers in the Heidelberg region of the Western Cape are to follow the example of their counterparts in the Overberg district, with a strategic planning session aimed at the establishment of a producer group similar to the Overberg Dairy Action Group (ODAG). During the strategic planning session that led to the establishment of ODAG, a need was identified for the establishment of dairy farmer groups per geographic area to benefit from the unique features of specific areas.

Mr Dèan Kleynhans, MPO chairman, said that a definite need exists for milk producers to improve their negotiation power and increase their share of consumer spend.

Furthermore, it is believed that the pool of skills and experience created by producer groups will help address imbalances in the value chain and contribute to the future sustainability of milk production in the Western Cape. Milk produced in the region has a high milk solids content, which renders it highly suitable for further processing. – *MPO newsletter*

Favourable results for Parmalat SA

Parmalat SpA's recently published interim financial statements for the first six months of 2011 show that Parmalat SA enjoyed excellent results during the period. Turnover increased by 1,7% and earnings by 6,7%. According to the statement, total sales volume increased by 3,6%, while UHT sales increased by 6,6%. – *MPO newsletter*

• News from abroad

Danone sells less for higher profit

French dairy company Danone recently released its financial results for the first half of 2011.

The firm's total sales value increased by 6% compared to the same period in 2010, while sales volumes declined by 0,2%.

Overall year-on-year profit increased by 2,7% to €861 million.

It is reported that commodity price hikes for key categories such as milk contributed to increased margins.

According to **Dairyreporter.com**, Danone said it will introduce further increases in view of the expected increases in raw material and packaging costs. – *MPO newsletter*

Swiss cheese stays home

According to the Swiss Milk Producers association, at least five cheese plants in Switzerland have closed since the beginning of 2011, due to reduced export sales as a result of the weakening euro and dollar and the resulting strong Swiss franc. Consequently, many of Switzerland's products have become too expensive to export to other countries.

Overall, Swiss cheese exports for the first six months of 2011 have dropped by 2,3%, while exports of Emmentaler cheese – the country's biggest foreign sales achiever – have decreased by 17,2%. – *DairyReporter.com*

UK companies fined for price fixing

On 10 August 2011, the Office of Fair Trading (OFT) in the UK announced that it is imposing fines to the total of £49,51 million on four supermarkets and five dairy processors for retail price fixing.

According to the OFT, Arla, Asda, Dairy Crest, McLelland, Safeway, Sainsbury's, Tesco, The Cheese Company and Wiseman had infringed the Competition Act of 1998 by co-ordinating increases in the prices consumers

paid for certain dairy products in 2002 and 2003. **Dairyreporter.com** reports that supermarkets indirectly exchanged retail pricing intentions with each other through the dairy processors, referred to as ABC information exchanges.

Arla was the first company to inform the OFT about possible infringements and was granted immunity under the OFT's leniency programme, while Asda, Dairy Crest, McLelland, Safeway, Sainsbury's, The Cheese Company and Wiseman received reductions in their fines because they agreed to early resolution.

OFT chief executive, John Singleton, said that a "strong signal" was sent out to supermarkets, suppliers and other businesses that the OFT would take action and impose significant fines in cases of uncompetitive behaviour. – *MPO newsletter*

Tasmanian industry growing

The dairy industry on Australia's island of Tasmania is growing, and the premier, Lara Giddings, says this is due to favourable farming conditions, the island's low cost of production and government investment in new irrigation projects.

The dairy industry now contributes approximately AUS\$250 million (around R1,9 million) towards gross state product and as a result, huge investments are now being made in the dairy processing plants on the island.

Fonterra is investing AUS\$6,5 million in a gas conversion of their Spreyton and AUS\$12 million in an upgrade of their Wynyard cheese plants, while National Foods is investing AUS\$150 million in the expansion and modernisation of both their Burnie and King Island speciality cheese plants.

In addition, Tasmanian Dairy Products have plans to build a AUS\$60 million milk powder plant in Circular Head and Ashgrove is planning a AUS\$5 million expansion of their Elizabeth Town cheese factory.

– *TheDairySite.com* **M&J**