

SYNOPSIS (Continued)

The factual position which the South African dairy industry is confronted with, as shown by the information available up to the first week of September 2022, corresponds with the factual position described in the May 2022 edition of “Summary of the Key Market Signals for the Dairy Industry”, namely:

- *High levels of uncertainty about future economic growth and political developments internationally and in South Africa;*
- *Consumer purchasing power eroded by the increases of administered and other prices and slow economic growth. Only in the first quarter of 2022, the South African Gross Domestic Product (GDP) reached a level higher than in the pre-Covid era, namely 2019, but in the second quarter of 2022, the GDP decreased to a level marginally lower (0.3 percent) than in 2019 and to approximately the same level as in 2018 (0.02 percent lower). The World Bank indicated in June 2022, that it expects that the South African economy will grow with 2.1 percent in 2022 and 1.5 percent in 2023. Due to recent developments, including load shedding, the expectation of the World Bank about growth in 2022, should be regarded as optimistic;*
- *Weak demand for most dairy products in terms of quantity, notwithstanding retail price increases in respect of dairy products, lower than the inflation rate;*
- *Lower production of unprocessed milk in the first seven months of 2022, than in the first seven months of 2019, 2020 and 2021 and an unfavourable relationship between the index of the feed price indicator and the producer price index of unprocessed milk;*
- *The seasonal increase in the production of unprocessed milk, measured from July to October, which varied in the thirteen years from 2008 to 2020, from 24.2 percent to 34.3 percent, while the average seasonal increase in the thirteen years concerned, is 28.7 percent; and*
- *High input cost.*

Simply said, the South African dairy industry is under severe pressure and in the immediate future, high input costs, weak consumer demand and a high level of uncertainty regarding future economic and political developments internationally and in South Africa, will most likely be the position in which the South African dairy industry will have to operate.