

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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South Africa - Republic of

Post: Pretoria

USDA assists the South African dairy

Report Categories:

Trip Report

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Report Highlights:

FAS/Pretoria was instrumental in identifying and supporting an expert on price forming mechanisms in the United States' dairy industry to participate as key note speaker at the South African Milk Producers Organization's (MPO) national congress. The visit again illustrated the valuable contribution the United States Department of Agricultural (USDA) makes in developing agricultural industries around the world and especially in Southern Africa.

USDA assists the South African dairy industry to discover alternative price forming mechanisms

Background

The MPO requested FAS/Pretoria late last year to identify an expert in the United States that could enlighten the local dairy industry on alternative price negotiation mechanisms. FAS/Pretoria identified Mr. Peter Vitaliano, Vice President, Economic Policy and Market Research at the National Milk Producers Federation as the perfect specialist on the topic. Mr. Vitaliano has many years of experience as chief economist for the National Milk Producers Federation in dealing with price policy, price negotiation and price discovery mechanisms in the United States dairy system. In addition, Mr. Vitaliano is especially skilled at communicating complex dairy market, dairy policy and outlook issues clearly and effectively to dairy producer audiences. FAS/Pretoria paid for Mr. Vitaliano's airfare through CSSF funds.

Mr. Vitaliano's valuable contribution

Mr. Vitaliano arrived two days prior to the congress that was held on the September 11, 2014, in South Africa. He visited three dairy farms and a dairy processing plant to engage in discussions with local farmers and to ascertain more about the local dairy industry. FAS/Pretoria supported Mr. Vitaliano through Senior Agricultural Specialist, Dirk Esterhuizen, who travelled with Mr. Vitaliano and also participated in the visits and discussions. FAS/Pretoria also supplied transport for this visit.



Mr. Vitaliano in discussion with South African dairy farmers

The theme for this year's MPO national congress was, "Price Negotiation Mechanisms for the Dairy Industry". The congress attracted about 150 people that included dairy farmers from all nine provinces in South Africa, as well as processors of dairy products, government officials and other interested parties like universities, input suppliers and commercial banks. FAS/Pretoria Senior Agricultural Specialist, Justina Torry, also attended the congress. Five local presenters covered sub-divisions of the main theme that included specific challenges for agriculture in the short term, comparing the economic characteristics of dairy with other major commodities, reviewing the different price forming

mechanisms in the agricultural sector of South Africa and discussing raw milk and dairy products as traded products on the South African Futures Exchanges (SAFEX).

In his presentation, Mr. Vitaliano, indicated that after sufficient background research he learned that South Africa's dairy industry, from the perspective of dairy farmers, does not seem to have an adequate price forming mechanism. Currently, dairy farmers appear to be too dependent on direct price negotiations with buyers to establish their prices. He indicated that the United States' dairy industry has an evolved milk pricing systems that, while not perfect, has largely removed negotiations between farmers and buyers from a central place in the price discovery process to a more minor role of determining premiums for certain milk supply services. Mr. Vitaliano presented these issues in a succinct and instructive way to the congress audience and did not shy away from being outspoken in stressing the importance of developing, adopting and improving milk price systems that are fair and equitable to farmers. In particular, Mr. Vitaliano emphasized the responsibility that farmers need to take on themselves to make that happen.

Conclusion

The visit by Mr. Vitaliano to South Africa, supported by FAS/Pretoria, again illustrated the valuable contribution that USDA makes in developing agricultural industries, based on economic principles, around the world and especially in Southern Africa.