

Local dairy market uncertain

Notwithstanding the drought in the Eastern and Western Cape, the estimated production of raw milk in the first eight months of 2017 is higher than in the first eight months of 2016 and the estimated production in July and August 2017 is significantly (1.7 and 5.9 percent respectively), higher than in the same months of 2016.



MasimbaTinasheMadondo via [pixabay](#)

In the next quarter the challenge to the South African dairy industry could be to find a balance between, on the one hand, higher production of raw milk and thus higher production of dairy products due to the normal sharp seasonal increase in production and, on the other hand, weak demand for dairy products in South Africa.

The weak demand is not only in respect of dairy products but also other food products and it is the result of the weak economic growth in South Africa, which will probably continue in the coming months.

The key variables to monitor in the coming weeks and months are:

- Rainfall: In the immediate future in the winter rainfall region; from October in the summer rainfall region

- Development in respect of demand in South Africa. Continuation of weak demand in South Africa in the coming months is highly probable due to the expected continuation of low economic growth

- Continuation of extremely high levels of political and policy uncertainties
- Imports as influenced by international prices – the exchange rate
- Expectations about production in South Africa in the immediate future, of raw milk and thus of dairy products.

The rest of 2017 should be approached with great caution as the uncertainty regarding key factors is high. – *SAMPRO*

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