



LEAD THE WAY

Guess who's back and on the right track? The trusty steed of the South African economy; agriculture.

In 2020, agriculture's export figures provided welcoming support to South Africa's balance of payments and played a crucial role in stimulating economic growth and social stability in the country. The expected growth of agriculture's gross domestic product for 2020 is in the range of 10–13% year-on-year and, based on the first three quarters, the upper-end estimation seems very likely. Amid the turbulent and devastating events of 2020, the more favourable climatic conditions led

“The FAO's *Dairy Market Review* reports that, despite hurdles, world milk output is rising.”

to excellent summer grain, winter grain, and fruit crops. The positive growth of the country's agricultural production could not have come at a better time.

WORLD DAIRY TRADE

The Food and Agriculture Organization (FAO) of the United Nations released the *Food Outlook Biannual Report on Global Food Markets* at the end of 2020. According to the report, world dairy trade in 2020 is forecast to grow to 78 million tonnes (milk

equivalent), up 1,5% year-on-year, nearly equal to the average growth rate for the preceding five years.

The FAO's *Dairy Market Review* reports that, despite hurdles, world milk output is rising. World milk production is forecast to reach nearly 860 million tonnes in 2020, up 1,4% from 2019, with expected increases in Asia, Europe, and North America, along with small gains in Oceania, Central America and the Caribbean, and Africa. In contrast, milk output in South America will likely contract.

In Africa, milk output is pegged at 47 million tonnes in 2020, up slightly (0,3%) from 2019. Several leading milk producers in Africa encountered many constraints stemming from economic downturns, conflicts, displacements, droughts in some regions, floods elsewhere, and market disruptions related to the COVID-19 pandemic.

In Kenya, for example, milk marketed through

formal channels has declined because of mounting challenges to milk sales, coupled with a possible production shortfall on farms as a result of limited rainfall and fodder availabilities. South Africa's milk production may decline slightly due to reduced milk production in earlier months, thanks to subdued demand and lower farm-gate prices.

WORLD OUTLOOK

In the *OECD–FAO Agricultural Outlook 2020–2029*, the share of fresh dairy products in world consumption is expected to increase over the coming decade caused by strong demand growth in India, Pakistan, and Africa, driven by income and population growth. In Africa, only a small share of skimmed milk powder supplies is produced locally, and demand for this product is expected to grow fast over the coming ten years.



World milk production is projected to grow at 1,6% per annum over the next decade, faster than most other primary agricultural commodities. While the average world growth of herds (0,8% per annum) is greater than the world average yield growth (0,7%), the changing averages are the result of herds growing faster in countries with relatively low yields. In almost all world regions, yield growth is expected to contribute more to production increases than herd growth. The drivers of yield growth include the optimisation of milk production systems, improved animal health, improved efficiencies in feeding, and better genetics.

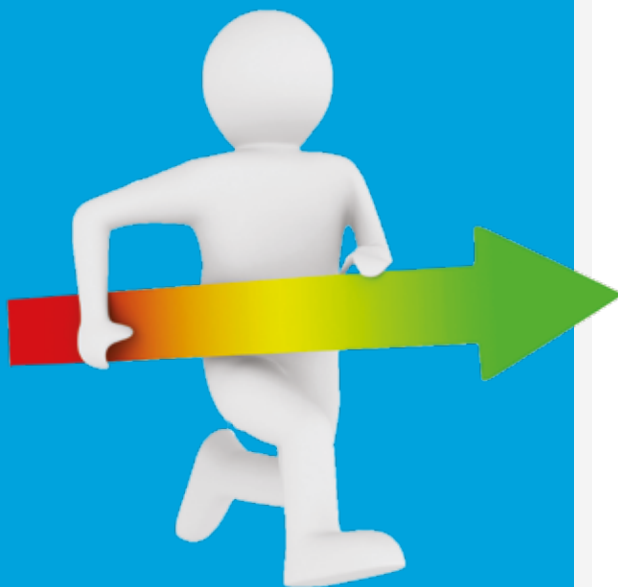
AFRICA WINDOW

Strong production growth is expected in Africa, mostly due to larger herds. These will usually have low yields and a considerable share of milk production will come from goats and sheep. Most cows, goats, and sheep graze and are used for other purposes, such as meat production, traction, and savings. The additional grazing is expected to occur on the same pasture area, leading to more intensive use, resulting in local over-grazing. Over the projection period, about a third of the worldwide herd population is projected to be located in Africa and account for about 5% of world milk production.

LEAD THE WAY

Data is continuously gathered and published about trade, production, consumption, and expected values based on historical events. In my view, the measurement of success of the data and the realisation of the expected values lie within the underlying forces of leadership we employ.

The ability to evaluate the data, weigh it up against realistic expectations, and identifying the opportunities within your 'grazing' field, will define the new frontiers of growth within your agribusiness, while contributing to the collective benefit of the South African dairy industry. Plant the corner posts of the growth you want to achieve. Don't create what is, create what is supposed to be. Become the leader you need. [mpo](#)



TINEIL HURTER holds a master's degree in agricultural economics from the University of Pretoria and contributes on an ad hoc basis to the field of consumer economics. Contact her at tineil.agri@gmail.com.