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NAMIBIAN DAIRY INDUSTRY IN SERIOUS TROUBLE

Windhoek, 13 August 2015

Namibia Dairies – a subsidiary of the Ohlthaver & List (O&L) Group – announced on Thursday, 13 August 2015 that Namibia’s entire dairy industry is on the verge of collapse and requires urgent intervention in order to survive a crisis that will not only cripple the sector, but that would also deliver a major blow to Namibia’s industrialization agenda.

This is as a result of the global dairy crisis which has been described as the “perfect storm” brewed from the culmination of a number of factors causing dairy industries all over the world to reach a state of crisis and landing global dairy prices at a 13-year low. Contributing factors include amongst others, the rapid increase in production by dairy farmers in major dairy producing countries such as New Zealand, Europe and the United States during 2014, resulting in a surplus which could not be absorbed by existing markets. Exacerbating the oversupply, were developments like China’s own rapid increase in dairy production, and Russia’s decreased demand in the wake of EU sanctions. These oversupplies have been flooding international markets, and Africa has been earmarked by global dairy players as the primary target for dairy off-take. The impact on the region has been dire. In South Africa, the total milk supply (consisting of production less net exports) increased by 182 million litres during the first five months of this year, compared to last year. This was due to higher milk production which accounted for 117 million litres (65%) while imports and marginally lower exports contributed 65 million litres (35%). Therefore, while production had also increased in South Africa, imports also increased and contributed to the dairy oversupply in South Africa. This has in turn had a crippling impact on Namibian dairy due to the overflow of lowly priced dairy products, particularly milk from South Africa, into the Namibian market, in order to avoid severe losses as a result of write-offs.

Namibia Dairies Managing Director, Gunther Ling expressed his concern: “Namibia’s own dairy industry is not able to compete with these cheap imports flooding the Namibian market, and the fact that these imports are often sold in Namibia (as low as N$11.99 for 1 litre of UHT) at the same prices or lower than that in their market of origin, (despite the cost of transport and VAT which is charged in Namibia) is
testimony to the under-pricing of these dairy products in Namibia. Please note that not even a litre of flavoured water can be purchased at the price point of N$11.99 in Namibia.”

Ling went on to say that as a result of the under-pricing of imported dairy products, there has been a drastic decline in the demand for Namibian dairy products, as is evidenced with a 23% decline in sales of fresh and UHT milk by Namibia Dairies as compared to the same period (July) last year. “This trend of increased local milk production in the midst of decreased demand for local milk, despite all efforts to try and sell this milk through heavy discounting, has resulted in amongst others, a build-up of 1.4 million litres of UHT milk which is at risk of being written off due to slow movement”, said Ling.

He added that with a capital debt of about N$ 240 million, Namibia Dairies is not in a position to weather out this storm and is therefore appealing for the support of all its stakeholders in the fight for the survival of Namibia’s dairy industry. While Namibia Dairies has already initiated discussions with its milk suppliers to take a price cut in an effort to reduce losses, this is not adequate and the N$10 million monthly income to dairy farmers and their dependents is still at risk if further measures are not put in place to support Namibia’s dairy industry.

Chairperson of the Dairy Producers Association, and a dairy farmer in his own right, Japie Engelbrecht had the following to say: “Dairy farmers in Namibia have invested heavily in order to increase production and build Namibia’s dairy industry. If we are to reduce the price of milk further, our operations are no longer viable and we may as well concede that Namibian industry cannot bear the onslaught of more developed countries.”

Ling concluded by thanking all the players in Namibia’s dairy industry for their continuous efforts in contribution to the fight for the survival of Namibia’s dairy industry and appealed to consumers to support the local industry by purchasing Namibian milk: “Let’s take a stand and work together to ensure that we continue in delivering our mandate of feeding the nation, by bringing local, healthy Nam milk to our people.”