



DairyMatters

Trust. Loyalty. Integrity.

Newsletter Volume 10, February 2010

FOREWORD

Only a while ago the year 2010 was just a dream and now we're already in the second month of 2010. May it be an extremely blessed and prosperous year for each and every one of you!

We are going to try our best this year to make DairyMatters even more actual and relevant and keep you abreast of what's happening in and around Clover. It's already evident in the more comprehensive market review.

Climate change and sustainable dairy farming are interlinked issues these days, which is why we are starting a series on sustainable dairy farming in this issue. In time it will also form part of our Best Farming Practices, which is already well-established.

Congratulations to those of you who have once again come out on top in the monthly benchmarking. In this issue we also introduce a bit of cross-pollination, where one of these producers shares his winning formula with us.

Please enjoy this edition of DairyMatters. We trust that it will be of value to you.

Tobie de Villiers

General Manager Milk Procurement



Market review

Last year, during a series of information sessions we reported in detail on Clover's position as well as on developments within the South African and international dairy arena. Since January 2010 there has been unexpected pressure on market volumes and market realisations and that goes to show that the South African consumer has not yet recovered from the recent recession, or may have overspent during the festive season. The traditional low summer market realisations are also still continuing without fail and indicate that the normal high season supplies are set to influence the market negatively for another month or two.

Internationally it is clear that fluctuations in producer prices, market prices and volumes are here to stay. Producer prices in the EU have dropped by 22% during the past 12 months and those in the USA by 27%. Who would have thought that USA producer prices would equal those of New Zealand? On the other hand, commodity prices have suddenly started declining in January 2010 after a steady growth of almost 95% over the past nine months. Predictability is therefore highly unlikely.

Old instruments such as intervention measures and export subsidies were widely used internationally in 2009 and there are now fears in international dairy circles that this hampers growth and innovation. Internationally everyone agrees that the good long term prospects for dairy markets have not changed. Increased demand is, however, of crucial importance for a turnaround and



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only the expected recovery of the economy will send the demand on a path of growth once again. The world population continues to increase and more people need more food and specifically, innovative dairy products.

Nationally South Africa produces plus minus 0,4% of the world's milk and the SAMPRO-members' milk intake during November 2009 was approximately 3,5% lower than November 2008. Even though statistics are limited, one gets the feeling that the lower milk intake and slightly better market volumes are closer to being in balance as in 2008. According to the Dairy Mail, the demand for import permits for 2010 is already higher and this might indicate that people are scared that milk supply won't meet the demand. It's encouraging to see that the consumer price for the dairy category has only increased by 8% over the period from October 2008 to October 2009, in comparison to the 27% of fresh vegetables and the 21% of processed vegetables.

Clover's milk intake and market demand over a 12-month period, is close to being in a balanced position, although seasonality still causes surpluses in summer and

shortages in winter. We were able to manage the stock of 2008 down to a large extent.

Although Clover will have enough raw milk to supply its market demand during the coming autumn and winter, we are expecting that certain milk buyers will experience a shortage in raw milk. The drought in the Eastern- and Southern Cape is largely to blame for this, but rumours of substantial quantities of UHT milk being imported might buffer this possible shortage to a certain extent.

Clover is able to keep fixed costs under the estimated levels on a month to month basis. With the recapitalisation that has been completed with the sale of Clover's stake in Danone Clover and the restructuring nearing finalisation, we are extremely excited about the future. We are currently undertaking an extended critical evaluation of the Clover network and markets to enable further productivity increases.

Jacques Botha

Chief Financial Officer





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Environment friendly milk – should dairy farmers go green?

“Each one [of the earth’s 5 million invertebrate species] plays a role in its ecosystem. It’s like we’re tearing the cogs out of a great machine. The machine might work after you tear out ten cogs, but what happens when you tear out a hundred?”

— **Scott Black**

The new buzz word is ‘global warming’. Is this only a farfetched phenomenon or is there really something to consider in all of this? Let’s just start with the definition of global warming. One definition of global warming is the increase of the average temperature on earth. As the earth is getting hotter, disasters like hurricanes, droughts and floods are becoming more frequent.

The main greenhouse gases (GHGs) are carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O). In order to calculate the carbon footprint, equivalents are used; carbon dioxide equals 1 CO₂, methane equals 23 CO₂, and nitrogen oxide equals 296 CO₂. These CHG emissions are mainly responsible for global warming, as they form a “blanket” in the atmosphere.

According to the UN Climate change report the recent increase in CO₂ emissions was fuelled more by economic growth than by growing populations. It is not the poor masses, but the new and old rich that fuel global warming.

But how guilty are our dairy cows? What is Daisy’s carbon hoof print and what is her real impact on earth? If cows are still one of the few animals that can efficiently convert roughage into healthy milk or meat, do they really have a negative impact on the environment?

Results may vary, but according to research, cows can produce up to 150 kg methane over a period of a year. To put this into context, it can represent about 1-2% of the total greenhouse gas emissions.



Does this mean we should stop drinking milk? Not if you consider that about 3.4 billion hectares of the world are pastures. That amount of biomass can only get converted into high quality food by ruminants and therefore it will be wrong to look at livestock as the main contributor to climate change.

The food security debate and appropriate land use should also be taken into account and therefore calculating the dairy cow’s hoof print is rather complicated.



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Methane is the most important contributor to GHG emissions on dairy farms, however, options to reduce methane are limited. Anders Fagerberg, retired vice president of De Laval and now a consultant, says: "As dairy farmers, we need to speed up milk production to meet growing global demands and we have to manage it in a sustainable way. Communication and sharing information will help us do this."

Productivity per animal should increase, some changes in the diet might be necessary, getting the right genetics for a more efficient cow might be the key and more efficient nitrogen use can have an enormous impact. Making use of renewable energy may in most cases be a direct tool in cutting the impact of a dairy farm on the environment.

More detailed information will be discussed in future issues of DairyMatters. Topics which will be covered include:

- Climate change (including the economic perspectives on climate change)
- Global warming and greenhouse gas (GHG) emissions
- Energy sources and utilisation of energy (including energy audits on-farm)
- Deforestation and bio-diversity
- Water access and usage
- Pollution and contamination

At the end of the day, we all have to lessen our impact on the environment. To go 'green' is no longer just another fashion trend – green issues are right on top of everyone's social, economic and political agendas. Whether we like it or not, green projects will sooner or later be part of our everyday life. Should dairy farmers consider going green? A definite YES.





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Restructuring

As mentioned in the Market Review, the restructuring is nearing completion and we confirm that the following gentlemen are taking responsibility for the various regions:

Area	Manager Producer Services	Cell number
Eastern Highveld	Pieter van Zyl	082 458 5639
Western Highveld	Johan Havenga	082 496 0285
KwaZulu-Natal	Ian Keen	082 499 0252
Eastern & Western Cape	Willie Botha	082 447 2173

We trust that you will enjoy working with them!



Information sessions

We'd like to thank each and every producer who attended the various information meetings last year for their presence and positive contribution.





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Top producers in the Clover benchmarking system – what's the secret to their success?

Quite often, a producer will ask what he/she could do to constantly score high in the Clover benchmarking system for milk producers. How can they achieve these results? We asked Viv and Kirsty Turner from Hlogoma Farming Trust to share some thoughts and ideas which work for them.

THIS IS WHAT THEY SAY:

1. We religiously do milk recording every five weeks in both our dairies to get a handle on the cows that are problematic as well as those that are not obviously problematic.
2. Once they have been identified, they are treated or in extreme cases, culled.
3. Incentive schemes have been set up for the milkers that directly relate to bacteria and somatic cell counts. Maybe of interest is our reward scheme:

Rewards scheme for Dairy 1 (which serves first and second calvers):

Milking staff each receives a R200 bonus for somatic cell counts of less than 250 000/ml per month and a R300 bonus for counts of less than 150 000/ml per month.

Rewards for Dairy 2 (which serves all the third lactating and older cows):

Milking staff each receives a R200 bonus for somatic cell counts of less than 300 000/ml per month and a R300 bonus for counts of less than a 250 000/ml per month.

4. The milking machines are checked and religiously serviced according to De Laval specs.
5. Emphasis is placed on meeting milk estimations by producing good quality pastures, balanced with maize silage. To aid us, pasture meter readings are done weekly.
6. We strongly believe in receiving advice from semen consultants which will constantly improve the genetic material in our herd's performance and conformation.
7. Cows with bad udders are quickly filtered out of the system.

Constantly achieving good results is all about going back to basics – the better you manage your system, the more control you'll have and it will show in the results.



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Benchmarking of producers

The following shows the 10 producers within Clover with the highest average index values over the period October to December 2009.

The Top 10 Producers - National

October	November	December
Davies DL (Estcourt)	Kobus Hendriks Bestuurstrust (Heilbron)	Hlogoma Farming Trust (Ixopo)
Hlogoma Farming Trust (Ixopo)	Davies DL (Estcourt)	Smith GH (Estcourt)
Forde Inchgarth Dairies (Ixopo)	Sunnyside Farming Trust (Ixopo)	Clovelly Farming Trust (Ixopo)
Sunnyside Farming Trust (Ixopo)	Smith GH (Estcourt)	Rilu Farms (1) (Pty) Ltd (Port Elizabeth)
Stratford IA (Estcourt)	Clovelly Farming Trust (Ixopo)	Stapylton-Smith Farming CC (Ixopo)
Milkamoo Trust (Port Elizabeth)	Stratford IA (Estcourt)	Nanaga 3 Farming Trust (Port Elizabeth)
Oakleaf Business Trust (Port Elizabeth)	Rilu Farms (1) (Pty) Ltd (Port Elizabeth)	Davies DL (Estcourt)
Rilu Farms (1) (Pty) Ltd (Port Elizabeth)	Mooi Valley Enterprise (Pty) Ltd (Estcourt)	Allwood B (Ixopo)
Balcairn (Pty) Ltd (Estcourt)	Paradise Farming Trust (Ixopo)	Forde Inchgarth Dairies (Ixopo)
Waterfall Dairy (Pty) Ltd (Estcourt)	Birchlea Farming Trust (Port Elizabeth)	BRH Ballantyne (Pty) Ltd (Port Elizabeth)

The following producers achieved the highest index values per region over the same period:

Top 10 Achievers per region

Region	October	November	December
Boksburg	Battlefields (PTY) Ltd	Battlefields (Pty) Ltd	Hartley JJ
Heilbron	GJ Knobel en Seun Edms Bpk	Kobus Hendriks Bestuurstrust	Kobus Hendriks Bestuurstrust
Lichtenburg	Strydom (Jnr) JP	Dreyer MDW	Linde HJ
Wesselsbron	Rabie JJ	Le Roux DJDT	Pieterse FP
Estcourt	Davies DL	Davies DL	Smith GH
Ixopo	Hlogoma Farming Trust	Sunnyside Farming Trust	Hlogoma Farming Trust
Port Elizabeth	Milkamoo Trust	Rilu Farms (1) (Pty) LTD	Rilu Farms (1) (Pty) Ltd
Cape Town	Neethling CJ	Neethling CJ	Neethling CJ

Congratulations to each and every producer with this excellent performance.

