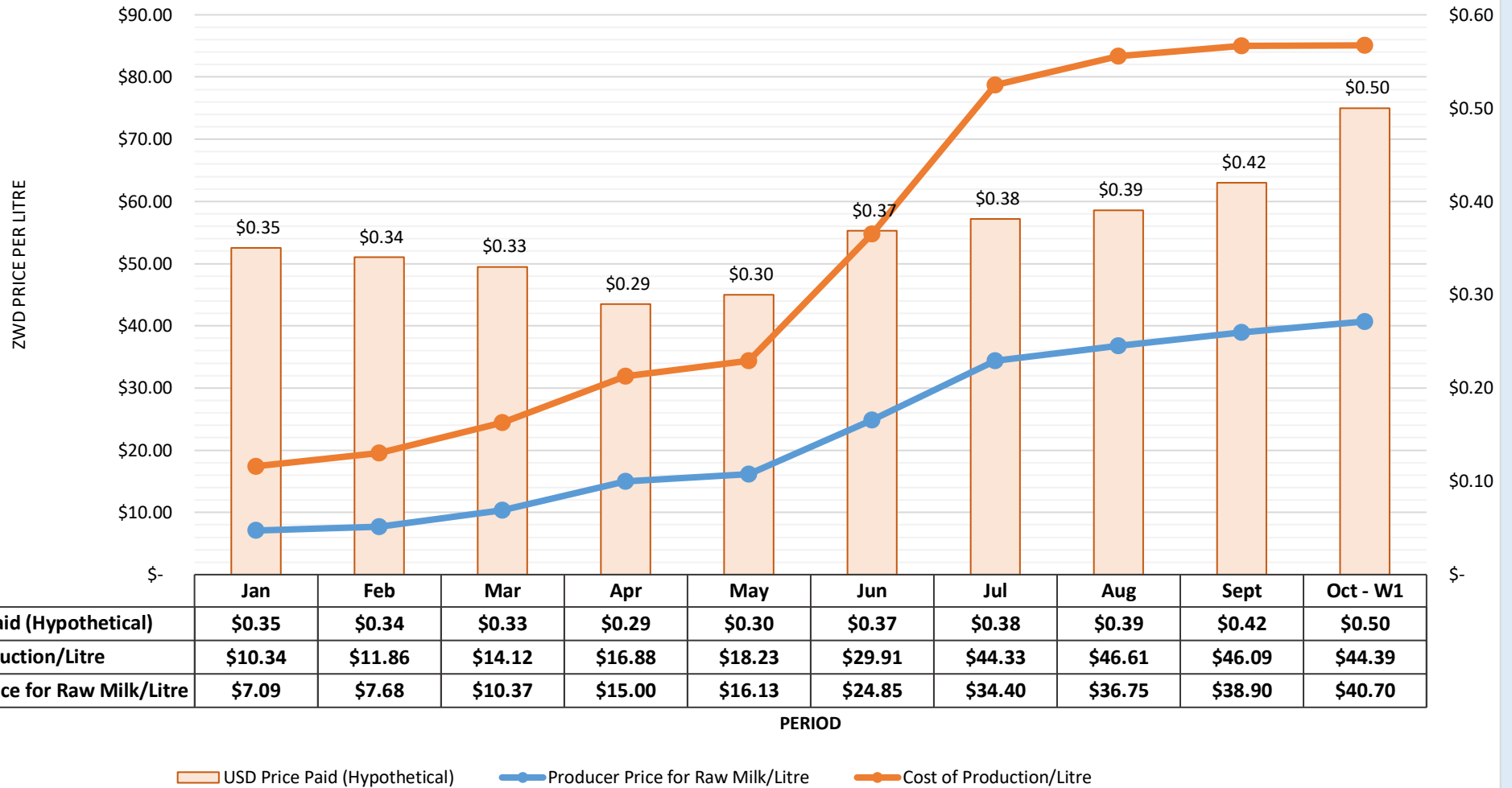


# MILK – PRICING TREND ANALYSIS

## Milk Price Trend (Jan-Oct 2020)



Source: Dairy Milk Model

## MILK PAY-OUT VALUE

Producer Prices					
Local Currency			USD Currency		
Dairy Processors	Current Producer Price/Litre		Auction Rate (ZWD/1USD\$)	Current Producer Price/Litre	
Processor A	\$ 40.72	ZWD	\$ 81.440	US\$	0.50
Processor B	\$ 42.80	ZWD	\$ 81.440	US\$	0.53
Processor C	\$ 39.00	ZWD	\$ 81.440	US\$	0.48
Processor D	\$ 39.00	ZWD	\$ 81.440	US\$	0.48
Processor E	\$ 42.00	ZWD	\$ 81.440	US\$	0.52
Average Market Price of Milk	\$ 40.70	ZWD		US\$	0.50

### COMMENTS & ANALYSIS:

#### a) Interpretation in Local Currency

- i. Current producer price for raw milk stood at \$40.70RTGs/Litre slightly above last week price. However, the Milk prices are standard prices from all processors which is computed based standardized parameters: 3.6% BF; 3.2 Protein, TBC less than 30 & SCC less than 300. However, the cost of production per cow/Litre increased to \$44.35RTGs to \$44.39RTGs during the week. This is attributed to an increase in ZESA charges.

#### b) Policy Options to Govern Operations

##### ➤ Power Cost Minimization

- Management of power is now encouraged in the short-run through use of combination of power sources such as solar, direct electricity power, charcoal on different operations at a farm and at a given time length. Fuel power still retain higher than direct electricity costs.

##### ➤ Operational Strategy relating to Stock feeds and Auction Projected Rates

- For the farmers who produce under concentrates feed regimes, take advantages of the decline in auction rates at procure stock feed to improve milk production and manage the average costs in the long run. There is high probability that stock feed will continue to decline if the companies continue to access forex via the auction and procure raw materials at lower costs (*Take note this assumption holds only if the auction is stable and continue to operate in the same manner it is operating*).
- Take note that own-farm feed formulation is another viable strategy to minimize costs of stock feed which farmers are accessing via ZADF.
- Lastly, take note that due to uncertainties which might come as a result of market inefficiencies, climatic changes, changes in consumer taste and preferences destabilizing market, farmers are encouraged to hedge against such potential adverse effects by take a whole farm or diversification approach.