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**PRESS RELEASE ISSUED BY ETIENNE TERRE'BLANCHÉ,
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Milk producers urged to carefully manage grain purchases

Milk producers must carefully manage their grain purchases over the next few months, said Etienne Terre'Blanché, managing director of the Milk Producers' Organisation (MPO). He warned milk producers that grain prices may possess considerable upward potential and that milk producers must make sure that they are not caught unawares by price fluctuations.

According to MPO economist, Dr Koos Coetzee, October 2008 futures contracts for yellow maize are currently trading at R1 890 per ton, compared with an export parity of R1 660 and an import parity of R2 771 per ton. July 2008 contracts are trading at R2 132.

Several factors can cause prices to rise. The sharp increase in input costs will result in less maize being planted; higher sunflower and soy prices will result in larger plantings of these crops; and the sharp devaluation of the rand, will also result in upward pressure on prices. If total production is lower, prices can easily move towards import parity levels, which are currently R1 000 per ton higher.

Maize producers presently still have large supplies in farm and other silos. Milk producers could enter agreements with maize producers who have not yet traded their grain, to the benefit of both seller and buyer.

Milk producers who are currently under pressure as a result of lower producer prices, will find it difficult to survive, should grain prices suddenly rise. It would be sensible for milk producers to safeguard themselves against possible price increases.

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