

APRIL 2016

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## #4

Hope you had a great start to the 2<sup>nd</sup> quarter of 2016!

Food for thought this month:  
“The purpose of a business is to create a customer who creates customers.” - Shiv Singh.

Trust you will find this edition informative and as always, we welcome your feedback and/or suggestions.

### MARKET REPORT:

#### Supply:

**EU** milk production is still strong, however there is some downward pressure as lower farm gate prices are filtering to the farmers. We are expecting EU milk to ease (post peak production) however, this easing is unlikely to rebalance the current relative over supply of milk. Product currently in intervention will also be moved into the market at some stage and could total 218kMT of SMP and 100kMt of Butter.

**US** is still recovering from the bad weather experienced a few months ago, but there have been some relief to the drought-ridden areas with some rainfall. Exports continue to decline due to high domestic demand and the strengthening US dollar has driven buyers to the EU.

**NZ's** milk production has lifted recently with favourable weather conditions. Total milk production is likely to remain lower than last year, however again not likely to lead to a rebalance of market.

**Australia** is still on negative milk production due to dry conditions compounded by the cost of supplementary feed and are 1.1% down YOY. It is not expected to improve soon due to adverse weather conditions, especially lower rainfall, experienced particularly in the main dairy regions.

There has been no change to the **Local** dairy business. The continued drought in some areas, increased grain and electricity prices is not favourable for milk production with some expecting an upward pressure on local milk prices.

#### Demand:

**China's** February imports remained strong following January's increase in demand and this might point towards some level of recovery.

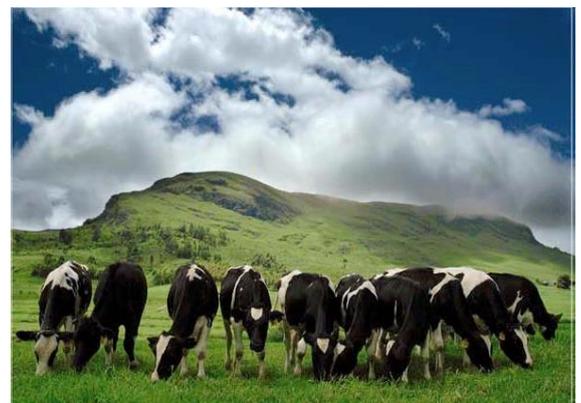
The rest of **Asia's** demand is increasing due to their internal GDP growth and they can now take advantage of the low commodity prices seen during 2015. A large proportion of this demand is sourced from NZ. **MEA** demand continues to be slow and is further affected by the downturn in oil prices.

#### Overall:

Demand has seen slight improvements however due to high inventory levels and continued milk production growth, there has been no real improvement to the supply vs demand imbalance.

EU is currently in their peak milk production season and with high inventories, will keep pressure on the Southern Hemisphere's off peak season. The Southern Hemisphere is now busy preparing and planning for the start of their peak production period starting in September.

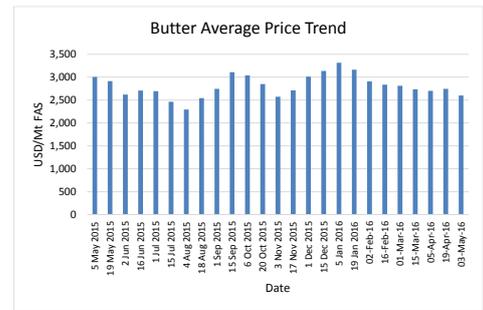
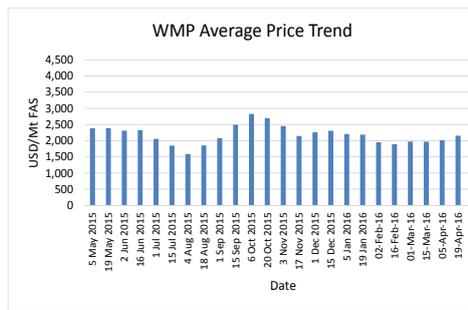
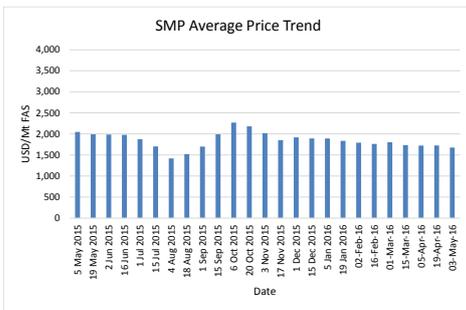
Global dairy prices slightly increased during April, on average 5.9% but slightly recovered with the first gdt event in May. Coupled with the strengthening of the ZAR vs the USD, it is a welcoming sign to local importers. During April the ZAR has improved with 5.36% but has weakened first days in May again to close at -2.78% early May.



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# COMMODITY PRICE MOVEMENTS



## Let's get Technical: Featuring Whole Milk Powder (WMP)

WMP is made by drying fresh standardised, whole milk and contains a min 26% fat and min 34% protein of Solids Not Fat.

WMP is the ideal ingredient providing both milkfat and non-fat milk solids in one ingredient. This means that fewer ingredients are required which makes formulation simpler. It contains all the elements of fresh milk and delivers a full dairy flavour.

There are two main types of WMP: **Regular WMP** and **Instant WMP** and the option will depend on the application. There is also an Agglomerated WMP which is not widely used within South Africa currently. The respective product properties as well as the more common applications are noted below.



WHOLE MILK POWDER	
<b>Instant WMP (I-WMP)</b>	
<b>Application</b>	Consumer focused; Developed for fast and easy reconstitution in consumer applications.
<b>Properties</b>	Excellent reconstitution performance.
<b>I-WMP Use</b>	Repacking into sachets; use in instant hot beverages; any application requiring quick dissolvment.
<b>Regular WMP (R-WMP)</b>	
<b>Application</b>	Commercially focused; Typically used commercially as an ingredient powder to increase milk solids or replace fresh milk.
<b>Properties</b>	Requires vigorous mixing to reconstitute.
<b>R-WMP Use</b>	Wide range of applications incl reconstituted milk; fermented milk foods; yoghurt; ice cream mixes and confectionary products.
<b>A range of R-WMP is available and they differ depending on their target applications:</b>	
<b>R-WMP UHT</b>	Designed for optimum performance and shelf stability in recombined UHT applications, 26% and 28% fat options available.
<b>R-WMP Fortified</b>	Fortified with Vitamins A & D. Used as a consumer powder in regions where the lecithin flavour or the additional cost of I-WMP is undesirable.
<b>R-WMP for Nutritional Application</b>	Meeting tighter microbial standards for paediatric or sensitive population applications. Available in Wet and Dry blending specifications. Also for use in medical nutrition products.
<b>R-WMP for Repack</b>	Soluble powder made by spray drying fresh pasteurised whole milk. Provides good solubility in hot water and tea/coffee. Used as a consumer powder in regions where the lecithin flavour or the additional cost of I-WMP is undesirable.
<b>R-WMP for Recombined Evaporated Milk</b>	Heat stable in concentrated milk at sterilisation temperatures.
<b>R-WMP Organic</b>	A soluble powder made by spray drying fresh pasteurised and certified organic whole milk. For use as an ingredient for organic products.

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