



20

August 2017

www.cloverfonterra.com

Clover Fonterra Ingredients Newsletter

MARKET REPORT:

Supply:

EU: Milk production is reported to be flat, as the region goes into its off – peak season. Milk collection for the first half of the year has shown a 0.6% reduction compared to the same period last year, mainly due to the warm weather which affected pasture conditions. The region is still suffering from another heat wave that is expected to affect production. SMP production in the same period shows a 10.4% decline, with butter showing a 6% decline. WMP, on the other hand, showed a 1% increase.

NZ: The region's 2016/17 season ended in June 2017 with a significant increase in milk volumes, which were 21.2% higher than the same period last year but overall down by 1%. Exports for the first 6 months of the year showed a reduction of 13% for SMP, 10% for butter and 2% for cheese due to a slow start to the milk production season. There was a slight improvement of 1% for WMP exports.

AUS: Milk production for the first 6 months of 2017 showed a 6.9% decrease compared to the same period last year. The south of the region experienced much needed rainfall in July, with the southern west region still experiencing increased dryness.

US: There was a notable increase in export for SMP (+20%) and cheese (+23%) for the first 6 months of the year compared to the same period last year.

On the contrary WMP exports decreased by 20% and butter exports by 2% for the same period. The cheese making regions are currently enjoying improved weather conditions and building cheese inventories. This is mainly due to milk supplies being adequate and manufacturing being at full capacity. **SA:** Milk intake for the first 7 months of the year was the same as last year. The effect of the drought is still affecting milk production as pasture still needs to improve, and not much milk production improvement is expected.

Demand and product information:

Global demand for **cheese** has supported the recent price increases in the market, with very tight supply out of the EU. A significant increase in demand for cheese has been reported for Mexico, which has increased by 29% in the first half of the year compared to the same period last year. There is expectation though that these prices will face serious downward pressures from the global cheese market later in the year. Demand for **butter** still far exceeds supply, and buyers continue to go short which increases short term premium. Prices for butter are currently at record high, and will only ease if supply catches up with demand. The supply for **SMP** has remained strong due to the high demand of butter.

It was reported that approximately 780 metric tonnes of SMP product went into EU intervention during August, which was the first time since May 2017. Intervention is open until end September 2017, and a possibility of more product going into intervention before it closes.

WMP prices in the EU have strengthened significantly, reaching their highest levels in 2017. The strongest demand for WMP is still coming out of China, which showed a 64.9% increase in July 2017 compared to the same period last year.

Outlook:

EU milk production remains flat, and Australia is continuing to show a decline in milk production, which is expected to affect supply from these regions. NZ on the other hand is going into its peak season in October 2017. The NZ region has had a slow start to the beginning of the 2017/18 season, primarily due to the spell of wet cold weather which is challenging for dairy farmers as the pasture is affected. The supply for butter remains tight, and media reports is that there is expectation of the short supply continuing until Christmas of 2017.

FOOD FOR THOUGHT:

You are not your resume,
you are your work.
– Seth Godin



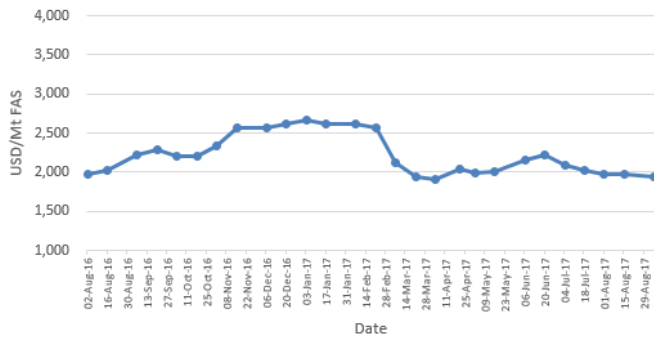
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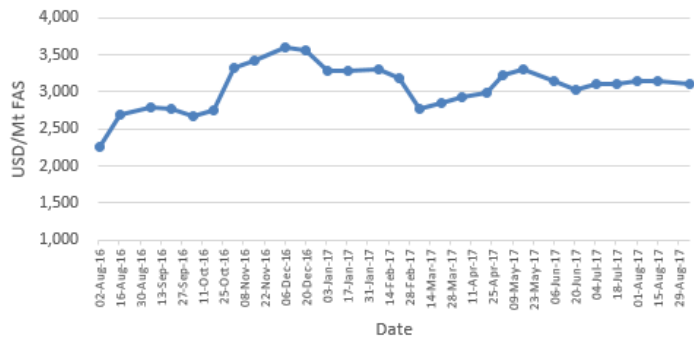
Sources used: NZ Perspective; www.xe.com; MPO; www.globaldairytrade.info;

COMMODITY PRICE MOVEMENTS

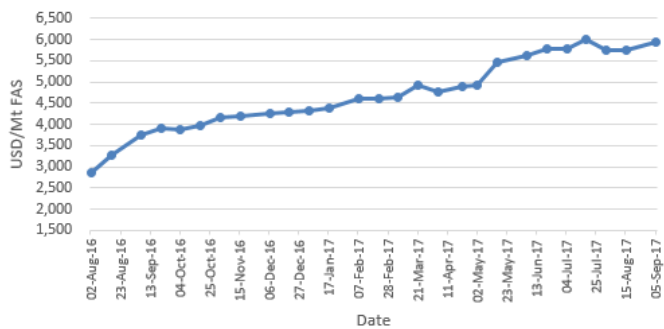
SMP Average Price Trend



WMP Average Price Trend



Butter Average Price Trend



ZAR/USD Movements



Let's get Technical: Cheese: the end.

In this edition, we will close out the Cheese Chapter looking at the various formats and the various applications of the cheese range discussed in July. The formats listed below are the ones that are available from Fonterra and/or Clover.

Type of Cheese	Application	Type of Cheese	Application
Gouda	It's a versatile cheese, from a table or snack cheese to cutting; slicing and shredding. It's also cut for retail. As with Cheddar, Gouda can be used as the base product in processed cheese.	Egmont	It's popular for its unique flavour. It's a good melting cheese used as a pizza-type cheese and in pizza-bread style products. It is excellent for shredding and slicing for use in processing, catering and in retail.
Cheddar	Probably the most popular of the cheeses as it can be used for everything: cut, sliced and shredded. It's also used as the base product in processed cheese.	Blue Vein	Various applications for each of the variants, i.e. gorgonzola can be used as topping on pizza or condiment to pizza/pasta and Roquefort can be used as a table snack with bread or crackers.
Parmesan	Is mostly grated and used as a condiment for cooking, especially pizza and pasta.	Mozzarella	It is mainly shredded and used as a main ingredient on pizza.
Edam	It's most often cut into retail packs but can also be sliced and shredded. It is not as suitable for toasting as other cheeses such as Cheddar.	Feta	Is mostly in the block form & stored in brine. It has a wide range of applications where a salty cheese is required, such as salads and pasta
Swiss/Emmentaler	It is largely used as a table cheese and great with fondue due to its good melting characteristics. It is sliced and cut into smaller retail blocks.		
Format	Available in	Format	Available in
Bulk Block: 20Kg and 2x10Kg	It's an adaptable product format for food makers as it is ideal for cutting/ shredding/ slicing.	Slice: Individual Wrapped Slices (IWS) or Slice on slice (SOS)	Slices come in both square and tri-angular shapes. There are natural cheese slices and processed cheese slices.
Shred: Chilled & individually quick frozen (IQF)	It's convenient, ready to use format is both a time saver and a money saver for meal makers.	Powder: Ambient; shelf-stable ingredient; bulk bag.	Moisture is taken out of mature flavoured cheese to convert it to a powder. It's popular in the industrial food sector for use as a seasoning agent and for the manufacture of sauce bases.



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Sources used: NZ Perspective; www.xe.com; MPO; www.globaldairytrade.info;