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Clover Fonterra Ingredients Newsletter

FEBRUARY TRENDING NEWS: Digestive health comes to the fore

The concept of food as medicine and relying on the natural goodness of certain food ingredients continues, with much of the spotlight being on digestive health. Scientific evidence highlighting the importance of the microbiome, and the positive effect on consumers' overall health and wellbeing are being reported. Other than the digestive health claims, interesting to watch out is how the narrative around digestive health will evolve. We expect a progression from digestive comfort messaging to how holistic wellness starts from the gut, covering benefits from weight management, immunity, beauty and brain health. The digestive health interest will also lead to different paths to making this claim. This will include highlighting ingredients like Komucha, probiotics, fibre, plant or A2 dairy, as well as processing like fermentation. With the growing interest in digestive health, there will be plenty of opportunities to tap into this trend with new formats as well as a range of positioning stories.

Supply:

EU: Reports show that relatively mild weather has contributed to improved milk production, especially in the western region. Despite this manufacturing is struggling to keep up with demand - mainly with cheese production.

NZ: A positive outlook is being reported for the current season's milk production, mainly due to favourable weather conditions that the region enjoyed earlier in the season. Hot and dry weather conditions during February were however reported for the region and expected to impact milk production for the remainder of the season if they continue.

US/America: Milk production in the south of the region has been reported to have improved due to favourable weather conditions. Reports are predicting El Nino especially in the mid-west area in the coming months, which is expected to cause unfavourable weather conditions and affect milk production.

SA: The Eastern Cape is experiencing severe drought, with dam levels in the area reported to be very low. Some parts of the area such as Makhanda have been declared disaster areas. The Kwazulu Natal area has been forecasted to have favourable weather conditions in the medium term, which will be good for crops and pasture.

Demand and product information:

Oceania butter supply is currently good but is committed to fulfilling demands for the coming months. The EU is reporting low butter demand with most buyers' requirements currently covered. Cheese production out of Oceania is reported to be good but supply mainly fulfilling contracts. On the other hand, EU production is not able to keep up with demand and stock levels are reported to be lower than desired. Reports out of Oceania and EU show strong demand for SMP. Buyers out of the EU are currently contracting for Q2 and beyond. A balance of 1 784 tonnes of SMP Intervention Stock is reported

and will go out to tender during March 2019.

EU WMP market is currently quiet, with very few new contracts taking place. Production out of Oceania remains strong.

Outlook:

Reports are showing that the global milk supply is generally getting tight in the foreseeable future, mainly due to weather conditions and strong demand. Concern regarding the global economic uncertainty due to global politics such as Brexit and trade relations disputes are also being reported.

Local: The South African economy was reported to have increased by 1.4% in the fourth quarter of 2018, which was stronger than expected. The largest contributors being transport, manufacturing, finance and agriculture. Consumers are expected to be negatively affected by the rising food costs due to the recently announced increase in electric tariffs, and the fuel increase expected in March.

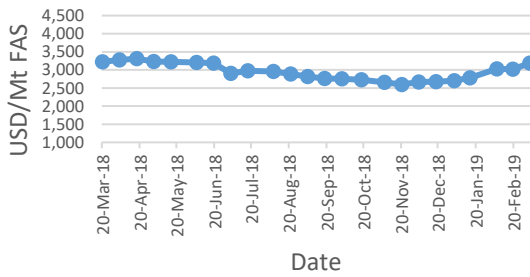
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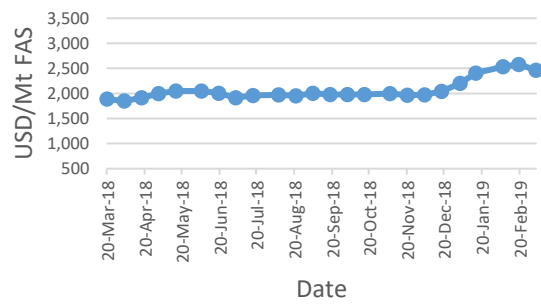


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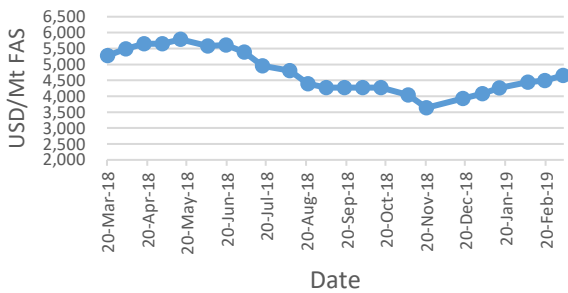
WMP Average Price Trend



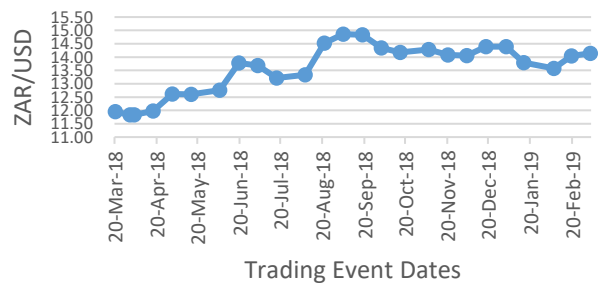
SMP Average Price Trend



Butter Average Price Trend



ZAR/USD Movements



Let's get Technical: Protein

ABOUT PROTEIN

What is protein?



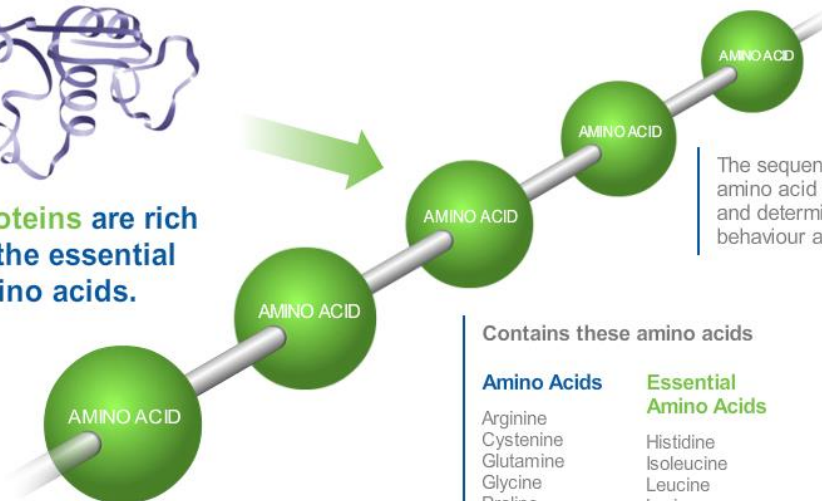
Milk proteins are rich in all the essential amino acids.

The nutritional quality of a protein is determined by its amino acid composition.

An organic compound made up of amino acids arranged in a chain (most milk proteins are made up of between 120 and 210 amino acids per chain).



Click each amino acid



The sequence and proportion of each amino acid is unique to each protein, and determines a protein's shape, behaviour and biological role.

Contains these amino acids

Amino Acids	Essential Amino Acids
Arginine	Histidine
Cystenine	Isoleucine
Glutamine	Leucine
Glycine	Lysine
Proline	Methionine
Tyrosine	Phenylalanine
Alanine	Threonine
Aspartic	Tryptophan
Asparagine	Valine
Glutamic Acid	
Serine	



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