

Happy 1st Edition

We hope you enjoy this 1st edition of the CFI Newsletter!

Our aim is to provide you with some insight to the dairy market, both globally and locally.

We look forward to hearing your feedback and/or suggestions.

We hope you enjoy this journey with us!

MARKET REPORT:

Supply:

EU milk production continues to grow and is 1.8% up on last year. US milk production is declining and is forecasted to be 1.6% down for 2016.

NZ milk production is down and forecasted to be approximately 6% down on last season. This decline is due to drought in parts of NZ during the peak production months and supplementary feed costs. Australia has been slightly less affected by the drought than New Zealand and are 0.2% down compared to the same time last year.

Milk production in South Africa has been positive for the first 10 months of 2015, however the effect of the drought, rising cost of feed, and the lack of availability of feed is having a negative impact on current milk production.

Demand:

Global demand is relatively soft on the back of weak demand from China, Asia and MEA.

The Chinese economy continues to slow, while the commodities market is negatively impacting the emerging markets.

The continued Russia ban on EU imports remains in place, closing the borders on 27,000Mt of cheese trade per month.

Overall:

Milk inventories remain high but could decrease through 2016 due to the decline in production growth in NZ and US, and post the EU peak production period.

Therefore, pricing is likely to remain relatively soft over the short-term but could firm later in the year.

Volatility in the rand continues with a significant devaluation in December 2015 due to the Finance Minister announcements.

For example, the ZAR has softened 21% over the last 3 months, against the USD.

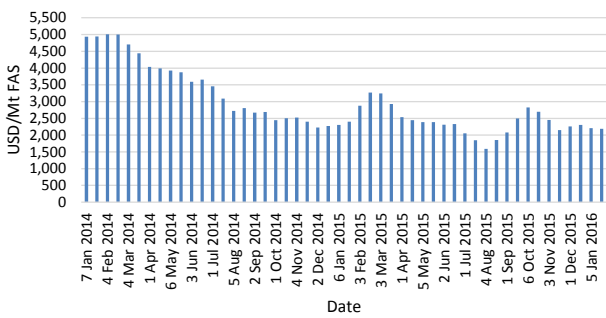


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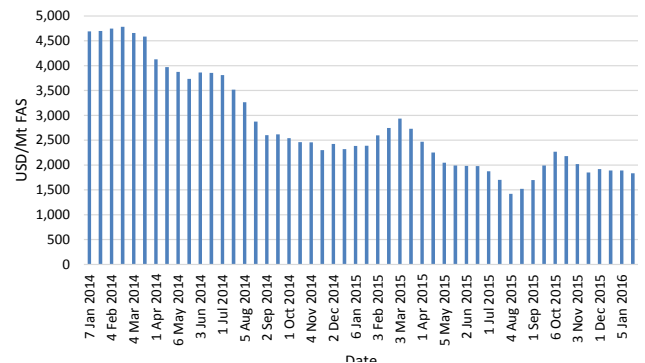


COMMODITY PRICE MOVEMENTS

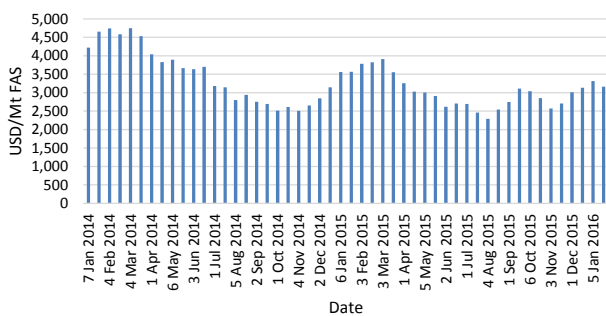
WMP Average Price Trend



SMP Average Price Trend

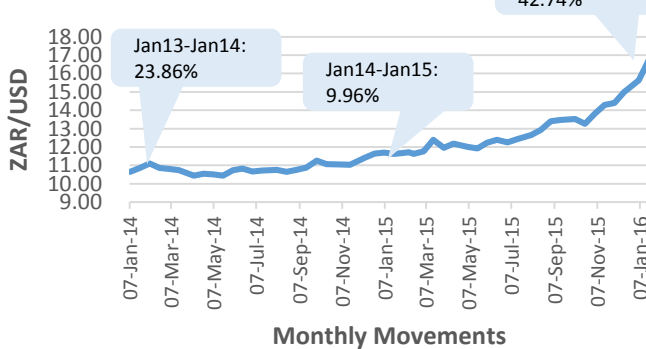


Butter Average Price Trend



FEATURE: EXCHANGE VOLATILITY

R/USD Movement



Commentary:

The above graph is to indicate the exchange volatility from January 2013 to January 2016. To form an overall view of the current market, both the exchange and product movements need to be considered.

Let's get Technical:

If you think of sourcing new dairy ingredients:
Think of Us!

Between our Clover and Fonterra manufacturers, we can supply you with a number of dairy ingredients:

Commodity products including:

- Skim milk Powder; Wholemilk Powder; Buttermilk Powder; Butter & Creamer

More specialised products include:

- AMF; Milk replacers; Whey powder & Whey Proteins; Milk proteins; Caseinate products – both Sodium and Calcium Caseinate & Casein products – both Lactic Acid Casein and Rennet Caseins

Look out for more information on Dairy products in our next "Let's get technical" section.

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