



# 13

January 2017

[www.cloverfonterra.com](http://www.cloverfonterra.com)

## Clover Fonterra Ingredients Newsletter

### MARKET REPORT:

#### Supply:

Global milk production continues to decrease, impacted by two key factors namely the adverse weather in key dairy regions of Australia, NZ, Argentina and Brazil, and secondly the subsidies to reduce milk production in the EU.

**NZ's** milk production declined 4.6% for the month of November compared to last year. The east coast on both the North and South Island had drought like conditions posing a risk to production. Reduced cow numbers and challenging weather conditions is expected to delay milk recovery until the second half of 2017.

**Australia's** milk production continues to decrease on the back of a wet winter, which is continuing to affect milk producers. With increasing water prices and predictions of a hot and dry summer, further challenges are ahead for Australian farmers.

**EU** milk production was down 1.5% YOY for October following low farm-gate prices and subsidies to reduce production. This has led to a decline in herd sizes which is likely to cause a medium-term barrier to milk production growth. Therefore the anticipation is that milk production would only improve from Q2 2017.

**US** milk production increased 2.5% YOY in November, largely as a result of increased milk per cow.

**Locally**, milk production during December 2016 vs December 2015

was fairly stable, however total milk production in 2016 is down 1.4% compared to 2015. Hot and drier conditions together with limited irrigation water limited further milk production growth in 2016. High grain prices should continue until the 2017 summer-grain crop is harvested, and this will continue to impact milk production in the inland areas.

#### Demand:

Global demand remain mixed.

**Asia**, excluding China's demand increased 6.6% YOY in September 2016. The majority of growth was in whey powder, lactose and infant formula where-as SMP and WMP hold relatively stable for the 12 months.

**Latin America's** demand increased 15% for the 12 months to September 2016 with increases driven by WMP and SMP. US is the current main SMP supplier to Mexico and with the threat of protectionist trade policies from the US, could present a risk to US prices and drive Mexico to seek SMP elsewhere.

**China** is still showing good demand growth with 24% increase for the 12 months to November 2016. WMP and SMP increased 14% compared to November 2015.

**Middle East Africa's** demand continues to decrease, 15.4% YOY for September 2016.

**Russia's** demand decreased 6.3% for September 2016 YOY, however is 8% up for the 12 months to September 2016.

The import ban is likely to remain until the end of 2017 with talk that Russia is focussing on building domestic dairy production.

#### Overall:

**Pricing** remained relatively stable during January due to a slight increase in the offered quantities on the GDT platform. This has effected a pause in price since the increases seen from August.

Slow **global growth** is still anticipated throughout 2017. However, commentators widely agree that the outlook has rarely been so uncertain. Political decisions will characterise investment in 2017 and have a significant impact on the global economy.

**Demand** outlook is relatively unchanged. Increases in prices in the second half of 2016 could have been driven by concerns over tightening supplies rather than a shift to higher demand.

During January 2017, the ZAR vs USD **exchange** strengthened 1.75% ending at R13.50 per US dollar. The main reason was the weak Q4 GDP results in the US.

**FOOD FOR THOUGHT:**  
Opportunities don't happen, you create them!



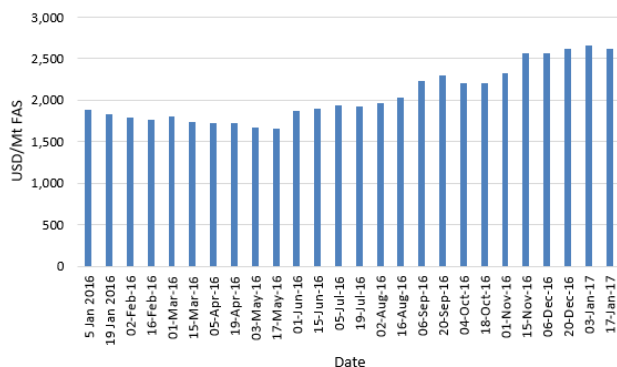
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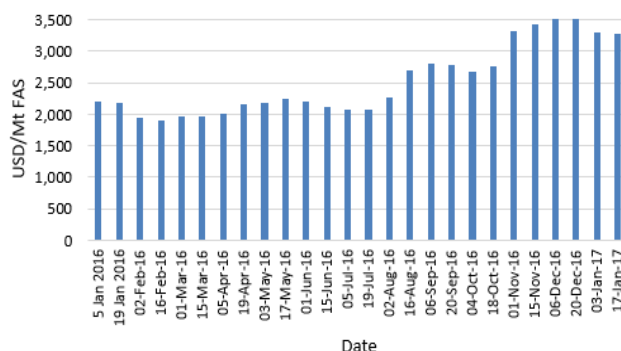
**Sources used:** NZ Perspective; [www.xe.com](http://www.xe.com); MPO; [www.globaldairytrade.info](http://www.globaldairytrade.info); PSG Wealth Newsletter

## COMMODITY PRICE MOVEMENTS

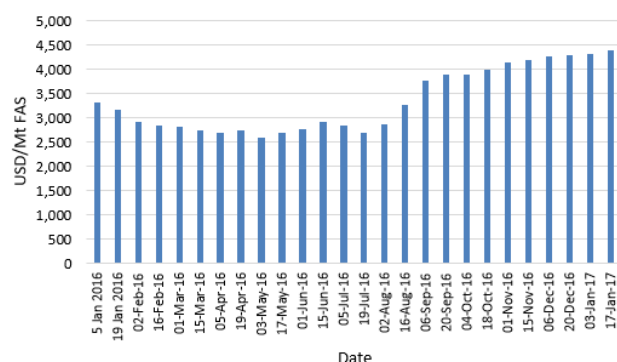
SMP Average Price Trend



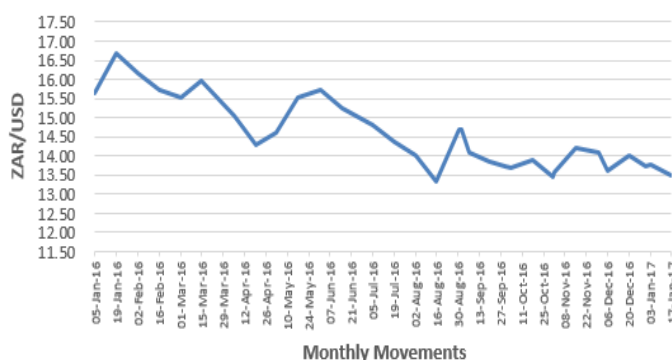
WMP Average Price Trend



Butter Average Price Trend



R/USD Movement



## Let's get technical: Fonterra Whey Protein Isolate

**Whey Protein Isolate** is one of the most concentrated forms of protein (90% protein), and is low in lactose and fat. It is rapidly digested by the body allowing fast absorption of beneficial nutrients into the blood stream and muscles, allowing quick recovery post exercise.

**FUNCTION:** WPIs are highly soluble, providing excellent protein nutrition (including high clarity options); emulsifying, foaming and water binding benefits in various food applications. It also has whipping and gelling properties.

**APPLICATION:** Our functional WPI specifications can be used to fortify numerous consumer products such as cultured dairy products; sports beverages; functional waters; acidic beverages and juices; bars, protein gels; whipped toppings and medical nutrition products.

**RANGE:** NZMP can offer both micro filtered and ion exchange WPIs as well as high clarity WPI ideal for clear beverages and waters, both powder and RTD form.

WPI 894 (MF)	WPI 895 (IX)	INSTANT WPI	WPI 8855
<ul style="list-style-type: none"> <li>Low cholesterol</li> <li>Clean flavour</li> <li>Heat stable under acidic conditions</li> <li>Excellent whipping and gelling properties</li> </ul>	<ul style="list-style-type: none"> <li>Low cholesterol</li> <li>Clean flavour</li> <li>Highest BCAA* and leucine content of all food proteins</li> <li>Good clarity</li> <li>Heat stable in acidic conditions</li> <li>Excellent whipping and gelling properties</li> </ul>	<ul style="list-style-type: none"> <li>Available in both IX and MF WPI</li> <li>Same features and benefits as the others, but with added dispersibility making them ideal for use in powdered beverages</li> </ul>	<ul style="list-style-type: none"> <li>Clear at pH&lt;3.7</li> <li>High stability in RTD beverages</li> <li>Low in sodium, phosphate, lactose, fat and cholesterol</li> <li>Exceptionally clean flavour</li> <li>Highest BCAA* and leucine content of all food proteins</li> <li>Heat stable in acidic conditions</li> </ul>



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**Sources used:** NZ Perspective; www.xe.com; MPO; [www.globaldairytrade.info](http://www.globaldairytrade.info); PSG Wealth Newsletter