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Clover Fonterra Ingredients Newsletter

JANUARY TRENDING NEWS: Formulating High Protein Functional Food with Dairy Ingredients

Most producers struggle to successfully incorporate dairy protein ingredients into everyday products. NZMP has overcome these processing challenges to capture a growing market opportunity. It's no secret that today's consumers are demanding mainstream foods with nutritional benefits they need to live an active lifestyle. One of the difficulties with fortifying normal foods with dairy ingredients is that high temperature processing can cause proteins to denature, resulting in undesirable end-product tastes and textures. This issue is particularly prevalent when attempting to fortify products with dairy protein ingredients, especially whey protein, to reach a high protein content. Using its NZMP's SureProtein, NZMP has collaborated with partners and customers to overcome processing issues to successfully create indulgent but healthier everyday foods – such as high protein ice cream and apple pie – to provide active consumers with the great tasting nutrition they desire.

Supply:

EU: Milk production currently reported to be slightly down, partly as a result of the 2018 summer drought impact on feed in the western side of the region. There are expectations that the spring weather will improve the situation. EU - Japan Economic Partnership will be effective from 01 Feb 2019, with a significant tariff reduction on cheese being part of the agreement. The Brexit Withdrawal agreement is causing uncertainty in the region, as well as in the global market.

NZ: Reports show that December's good weather and rain improved soil moisture and pasture levels recovery across the region, which resulted in milk volumes being higher than the same period last season. Even though the favourable conditions are expected to continue, milk production is currently on a seasonal decline in the region.

US/America: The South of the region is reported to be suffering from heavy rains as a result of the El Nino effect. Despite milk yields in Argentina and Uruguay being adversely affected by the humid conditions, manufacturing needs in the region are being met.

SA: The region is still experiencing dry weather conditions, which has delayed crop planting and also affected livestock feed. Farmers in the western parts of the region are reported to have experienced less than normal yields for at least 5 years due to drought. There are reports that farmers are concerned about threat on crops and livestock caused by the persistent dryness and hot weather.

Demand and product information:

Reports out of the EU show that butter demand has increased in the region, with Q3 & Q4 contract discussions already taking place. Butter production out of Oceania is reported to be filling contracts already in place and very limited butter available for spot market. Reports show that cheese production is currently enough to take care of existing commitments and supply reported to be tight out of Oceania. Reports on SMP Intervention stock show that 99% of stock has been sold out, with only about 4 000 tonnes left as of January 2019. Reports out of the EU and Oceania show that there is steady to

supply of product.

EU WMP production continues to service the internal market, with very little being available for global market. Oceania WMP production is fulfilling commitments for Q1 & Q2, with very little available for spot buying.

Outlook:

Reports show that milk production in all regions is expected to be tight due to weather conditions or seasonal decline. Product availability is also tight as most supply is going towards commitments and very little is available for spot buying. **Local:** The reserve bank is reported to forecast a lower inflation outlook, which will result in steady interest rates for the country. An increase in fuel price has also been reported for February as a result of an increase in crude oil prices. There is political uncertainty in the country ahead of the upcoming elections and reports are that this is affecting investor confidence

Easy is not an option- L. Brown

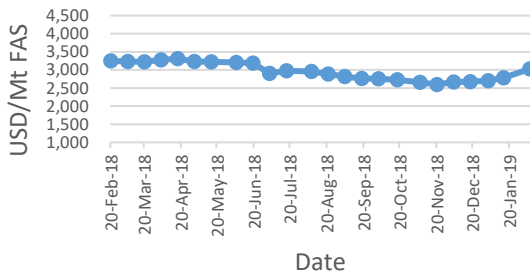
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Sources used: <https://www.ams.usda.gov/mnreports/dyweeklyreport.pdf>; <https://www.ams.usda.gov/market-news/individual-dairy-market-news-commodity-reports>; https://ec.europa.eu/agriculture/sites/agriculture/files/market-observatory/milk/pdf/market-situation-presentation_en.pdf; <http://www.usdec.org/member-services/periodicals/global-dairy-market-outlook>; https://www.clal.it/en/?section=latte_world; <https://www.nzmp.com/global/en/news/low-down-on-nzmps-protein-advantage.html>; <https://www.nzmp.com/global/en/ingredients/proteins/functional-proteins>

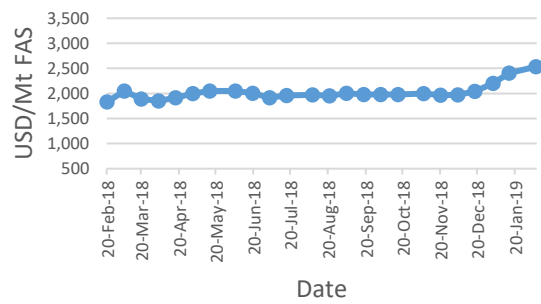


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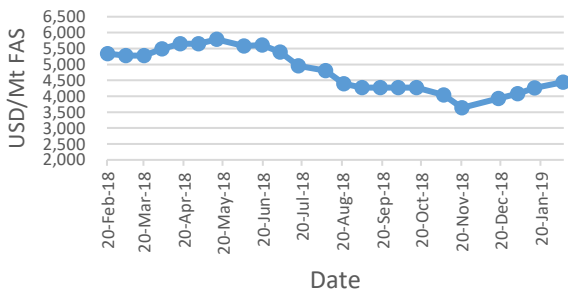
WMP Average Price Trend



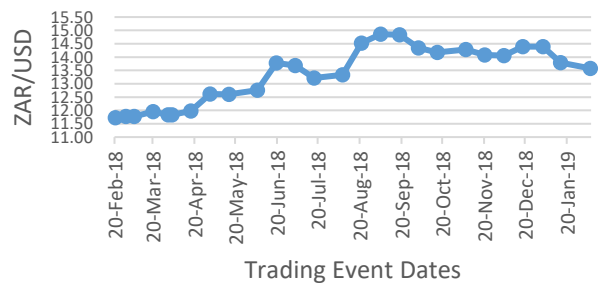
SMP Average Price Trend



Butter Average Price Trend



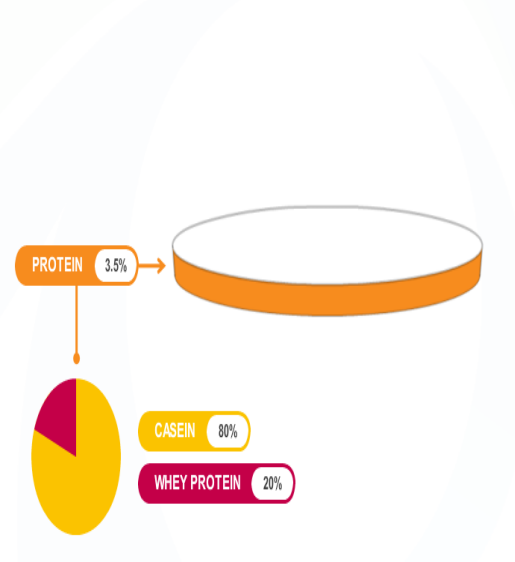
ZAR/USD Movements



Let's get Technical: Protein

We will be starting a new module, i.e. Protein. Join us on this journey discovering Protein.

What's the protein content of milk?



Why we need protein

"...without protein in our diet, we simply couldn't survive."

We need it for tissue development, maintenance and repair.

It's used in the formation of hormones. Peptide hormones help control glucose, fat usage and energy intake.

Specialised immune proteins such as immunoglobulins are a frontline defence for the body.



Click the hotspots on the body

"Protein is the stuff we're made of, the bricks of our biological construction. Our body uses protein to make blood, skin and hair. It creates all the micro machinery inside our cells, makes antibodies to build immunity and fight off infection, and is the essence of our very brain matter".

Aaron Fanning, Fonterra Research Scientist.

It is a source of essential amino acids. Essential amino acids cannot be constructed by our metabolism, so it is 'essential' they are consumed in our diet.

Our body is approx. 16% pure protein

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Sources used: <https://www.ams.usda.gov/mnreports/dyweeklyreport.pdf>; <https://www.ams.usda.gov/market-news/individual-dairy-market-news-commodity-reports>; https://ec.europa.eu/agriculture/sites/agriculture/files/market-observatory/milk/pdf/market-situation-presentation_en.pdf; <http://www.usdec.org/member-services/periodicals/global-dairy-market-outlook>; https://www.clal.it/en/?section=latte_world; <https://www.nzmp.com/global/en/news/low-down-on-nzmps-protein-advantage.html>; <https://www.nzmp.com/global/en/ingredients/proteins/functional-proteins>



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