

#7

## Food for thought:

“If opportunity doesn’t knock, build a door. – Milton Berle”

### MARKET REPORT:

#### Supply:

**EU** milk production started to slow during April 2016, with an increase of only 1% YOY. This is the lowest rate of increase since early 2015. Key producers in the UK; Ireland and Spain has increased their rate of cow culling. The EU Commission announced a €50 million farmer support package with the aim of incentivising reduced milk production, therefore the expectation is that milk production will continue to slow in the next few months.

**US** milk production remained unchanged at end May 2016 with an increase of 1% YTD. Mixed weather conditions are still experienced with above normal temperatures and high rainfall in certain areas, with the south-west states enduring dry conditions. There are growing concerns that the heat of La Nina will aggravate the current dry conditions.

**NZ** milk production had a good late-season milk supply, increasing 4% in May when compared to the same month last year. However, the total milk production has decreased 2% for the 12 months ending May 2016. Volumes have reduced due to seasonality of supply, but forecasts indicate positive weather conditions for NZ winter.

**Australian** milk production levels have decreased 6% in May, compared to the same month last year. Net result is a decline of 1% for the 12 months ending May 2016. The hot and dry season is aided by rising costs for irrigation and feed and cow culling have increased 37% in the last year.

**Local:** The negative milk production trend started end 2015 is still continuing with June

2016 milk production being 5.8% lower than June 2015. Although farm-gate prices have increased since March 2016, milk production is still slow due to seasonality and the continued high input prices and scarcity and quality of feed.

#### Demand:

**China’s** demand has increased significantly in May 2016, 30% compared to the same month last year. These gains may be in response to the rise in futures commodity prices. Imports for the 12 month period ending May 2016 has increased 23%.

Similar trends, just at a smaller scale, are seen in the rest of Asia with demand growth of 4% for the 12 months to March 2016.

**Russia’s** import growth has continued to increase to 9.6% YOY in March 2016, despite announcing that it will extend its food ban to the end of 2017. The ban is applicable to the US, EU, Canada, Australia and Norway, therefore it’s likely that a large portion of these imports are sourced from Belarus as it has the same customs union as Russia.

The consistent lower demand for dairy products from **MEA** is driven by the continued suppression of oil prices, impacting key economies in the region. Imports have decreased 4% for the 12 months to March 2016.

#### Overall:

Milk production has slowed in most regions, however inventories are still high with SMP intervention levels capped at 350kMT. Global demand has increased in the majority of regions indicating that the market is in a recovery phase.

Global dairy prices remained unchanged during July, following a minor decrease of 0.4% early in July. Future markets seem to be positive with expected growth for SMP, butter and cheeses in the upcoming 6 month while expectations on WMP are mixed.

Commentators are indicating a likely rise in prices but now at a slower rate than previously forecasted.

The pound declined to multi-year lows following the Brexit decision in June 2016. Since January 2016 the pound has weakened over 20% compared to the ZAR. However, following Brexit, the Rand has strengthened with 5.9% during mid-June to mid-July, trading around R14.35 per USD.



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## Let's get Technical: CREAMERS



In this edition we will take a closer look at Creamers which is locally produced by Clover.

**What is Creamer?** It is a blended product consisting of corn syrup solids, vegetable fat, milk solids and protein in a powder form. Important to note is that it does not contain any preservatives. It does contain a stabilising and an emulsifying agent as well as a free-flowing agent. There are 4 variants currently, each with a different fat level, suited for your application.

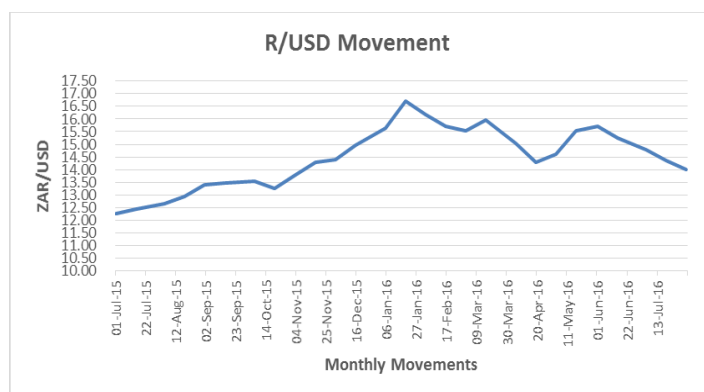
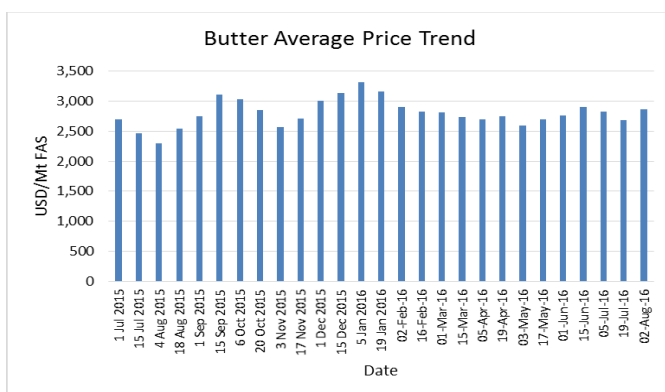
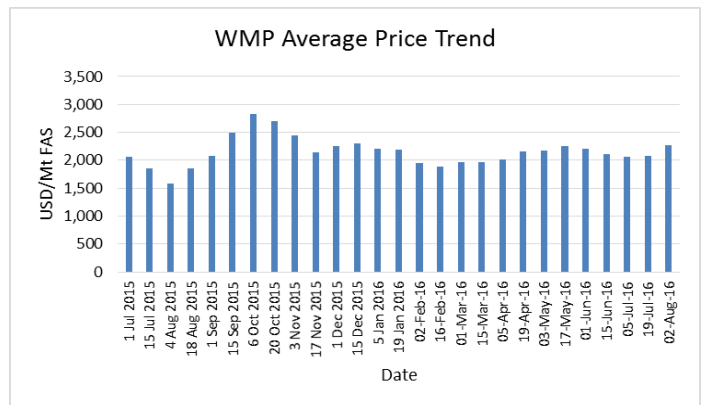
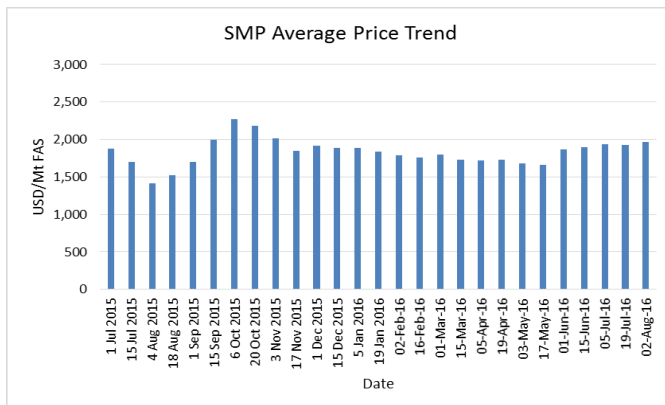
**What is it used for?** Most people only know of its use as a creamer for coffee or tea. It can also be used in the baking industry, in food and in beverages as a replacement for cream and milk, both evaporated and fresh milk.

**Why is Creamer used?** Creamers have the following functions and advantages in the following applications.

Note that it is easier to manage as it can be stored due to the longer shelf-life of the product compared to fresh ingredients.

Coffee Creamer/ Tea Whitener	Bakery Products	Soup	Instant Cereals	Ice Cream	Seasoning & Spices
Colour	Improve texture	Increases the thickness	Adds smoothness & creaminess	Restricts thawing	Improves the taste & seasoning
Restrain bitterness	Improves the flavour	Enhance the whiteness	Improved mouthfeel & taste	Prevents the forming of large ice crystals	Should reduce product cost
Adds smoothness & richness	Improve dough properties	Adds smoothness & richness	A source of vegetable oil	Enhance creaminess & whiteness	
Makes it look more appealing	Pro-long shelf-life	Should decrease cost	A source of milk protein		

## COMMODITY PRICE MOVEMENTS



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