



26

March 2018

www.cloverfonterra.com

Clover Fonterra Ingredients Newsletter

MARKET REPORT:

Supply:

EU: The milk supply in this region is expected to have a downward trend due to the current cold weather conditions as well as the downward pressure on the EU farmgate prices.

NZ: The hot and dry conditions experienced have affected pasture quality, causing milk production uncertainty going into the winter months, which is June to September 2018. Currently a 2% reduction in milk supply is expected for the season.

AUS: Milk production growth trend is continuing with a 2% increase in milk supply recorded for February 2018 compared to February 2017. Supply is mostly focused on the local market, resulting in very little impact on the international market.

US: Milk supply in this region has shown growth and is expected to remain positive due to the favourable weather conditions. There are good butter production volumes out of the region, however the main focus remains on their local market.

SA: Annual reports indicate that 2017 showed a 5 -7% increase in milk production YoY, with August to December showing the most increase.

This is due to the favourable milk: feed ratio as well as better climatic conditions.

Demand and product information:

Cheese is still generating better returns than the SMP/Butter stream as demand for cheese remains strong.

As of end of March 2018, it was reported that the EU had 375'701MT of SMP in intervention, with another 7'732MT in the UK. It should be noted that this stock is 2 – 3 years old and that currently there is limited fresh stock of SMP available and therefore it is expected to influence prices upwards.

Butter prices are showing an upward trend, with demand remaining relatively strong as customers have taken on short stock positions.

The demand and supply of WMP is currently in balance.

Outlook:

China's demand for SMP and WMP reached record volumes in January 2018, with a total of 184'600MT imported into the country. This is an increase of 31% from January 2017.

95% of this volume was supplied out of NZ. This could have just been a reaction to the supply uncertainty out of NZ going forward due to the region's current unfavourable weather conditions, but this will be monitored going forward.

The reported decrease in farmgate prices in the EU as well as in the US is expected to impact milk supply in the mid to longer term as farmers pull back on milk production due to the milk price: production cost ratio being at an imbalance.

There is a positive outlook on the local economy, with the World Bank forecasting South Africa's GDP to increase from 1.3% in 2017 to 1.4% in 2018. Another positive sign is that Moody's maintained their rating and upgraded the outlook to positive.

We generate fears while we sit.
We over-come them by action.
Fear is nature's way of warning
us to get busy.
~ Dr. Henry Link

A request to please plan slightly further in advance regarding stock levels and delivery planning as there are few public holidays in April and the beginning of May.



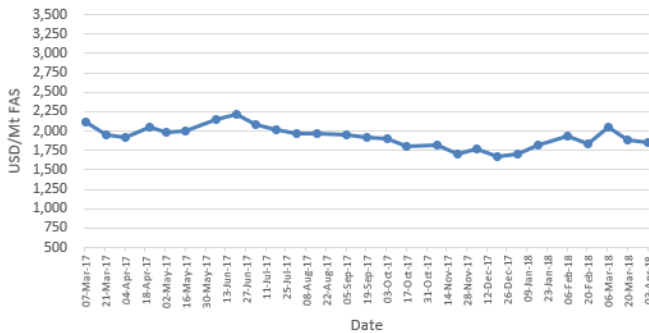
INGREDIENTS | Quality Dairy. Quality Life.

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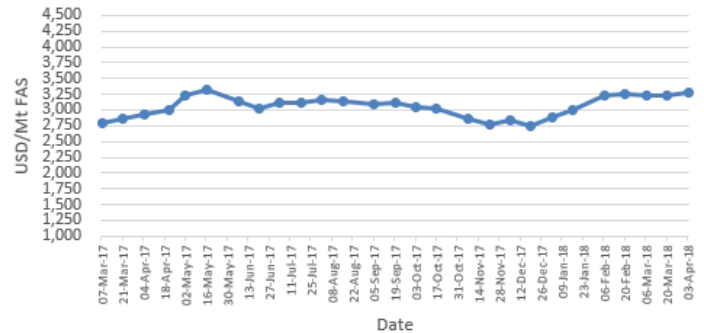
Sources used: NZ Perspective; www.xe.com; MPO; www.globaldairytrade.info; US Market Commentary; <https://www.ams.usda.gov>; <http://www.thebullvine.com>; <http://edairynews.com/en/>

COMMODITY PRICE MOVEMENTS

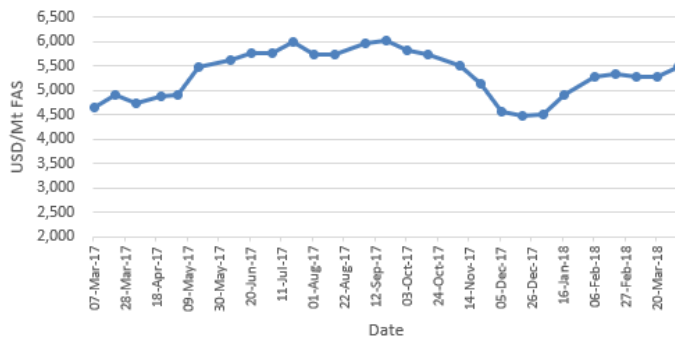
SMP Average Price Trend



WMP Average Price Trend



Butter Average Price Trend



ZAR/USD Movements



Let's get Technical: Milk Protein

We looked at the breakdown of a bucket of milk and explored the Minerals component. In this edition, we will look at **Proteins**.

- ◆ A protein is an assembly of amino acids. Some amino acids cannot be manufactured by the human body (these are known as essential amino acids or indispensable amino acids), so they need to be sourced from food.
- ◆ Milk contains all essential amino acids.
- ◆ These amino acids form 2 types of milk proteins:
 - **Casein Protein** – which makes up 80% of protein in milk.
 - It exists as a stable suspension known as a casein micelle.
 - It precipitates with the addition of acid, salt or enzyme and it heat stable.
 - **Whey Protein** – which makes up 20% of protein in milk.
 - It exists as an individual protein in solution.
 - It remains mostly soluble in acidic conditions where caseins cannot. It is also heat sensitive.
- ◆ Casein is a slow digestion protein, which means it takes longer for the protein to release into the body, making it ideal for sustained protein release in products.
- ◆ Whey protein is quickly digested and absorbed, making it ideal for recovery from exercise.
 - The characteristics of both casein and whey protein has been promoted in many sports nutrition products for many years.



In the next edition, we will be exploring **Lactose**.



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