

MAY 2016

www.cloverfonterra.com

#5

Food for thought:

“If the plan doesn’t work;
change the plan BUT never
the goal. “

Trust you will find this
edition informative and as
always, we welcome your
feedback and/or
suggestions.

MARKET REPORT:

Supply:

EU milk production remains strong, even with a decrease in farm-gate milk prices of -8% YOY. The main contributors to this growth is Netherlands, Germany, UK and France. The planned anti-phosphate regulations coming into effect 1 January 2017 in the Netherlands, could possibly curb milk production and might result in an estimated 60k – 100k cows being culled.

US milk production slowed, but was still positive at 2% YOY and YTD. The increased production is driven by lower feed prices and higher cow numbers compared to last year. The Southwest region has recovered from the effects of the December blizzard, however California’s 2.4% decline speaks of persistent drought conditions in the West Coast.

NZ’s milk production appears to be closing in on last year’s result, now just 2% down on annual volumes. This reflects the good rainfall earlier this year, followed by a warmer than average autumn. Production is expected to slow as NZ moves into their off season.

Australia: Volumes remain negative at 1-2% YOY as production decline accelerated towards the end of summer. This has been contributed by mixed weather conditions and the rain experienced during February, was not in the dairying regions.

Farmers are battling to cope with the falling milk prices and are now increasing the rates of cow-culling.

Local: Milk production is still under pressure due to the drought, access to feed and the quality of feed as well as feed prices. Any upside in milk production may only be seen next season due to the low winter milk production period.

Demand:

China’s demand for milk powders has continued to increase over the past couple of months, as well as the rest of Asia. Although demand for milk powders have increased, a large percentage of China’s dairy requirements are met by a growing local dairy industry.

Russia’s EU ban is still in effect, however they have finalised a Trade protocol with India at the end of April, seeing imports of Indian Cheese come into effect by end of June. The next review of the EU ban is due in August 2016, but unlikely to change.

Demand in **MEA** continues to be lower, as their purchasing is closely tied to economic conditions determined by oil prices which is currently depressed.

Overall:

Demand is showing positive signs as volumes have increased in many regions. However, EU milk production remains relatively high which stills sees the market in an imbalance.

The EU’s peak production season has come to an end and it is expected that milk production should ease. However due to the high inventories, there can still be pressure on the rest of the market. The Southern hemisphere production will be slow as they are in their winter months. Their peak production season is expected to start in September.

Global dairy prices slightly increased during May, on average 1.4%. The weakening of the ZAR is not welcoming for local importers. From April to May, the ZAR has weakened by 10.5% compared to the USD.



Remember to please place order
in advance as **Thursday, 16 June
2016** is a **Public Holiday**.

Disclaimer: All statements made on this newsletter are made in good faith and we believe they are accurate and reliable and made without any express or implied warranty. CFI does not give any warranty as to the accuracy, reliability or completeness of information that is contained in this website. CFI, their directors, employees and their representatives do not accept any liability for any error or omission on this newsletter or for any resulting loss or damage suffered by the recipient or any other person.



Let's get Technical:

We have discussed WMP and SMP and will now be focusing on Buttermilk Powder (BMP). Buttermilk is derived from the manufacturing of Cream Products and it is then spray dried into BMP.

Why is BMP used?

FUNCTION:

High in phospholipids which improve the heat stability of evaporated milk and recombined UHT milks.

RELIABLE:

Excellent solubility, uniform fat content and good emulsifying properties adding a rich creamy flavour.

FLEXIBLE:

Improves the heat stability performance of other milk powders from different sources producing consistent final products.

FLAVOUR:

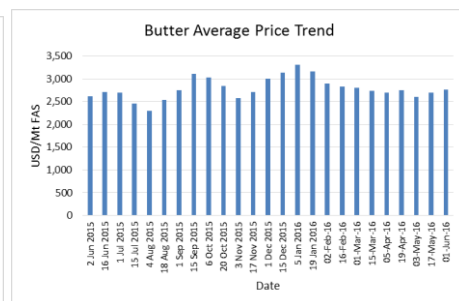
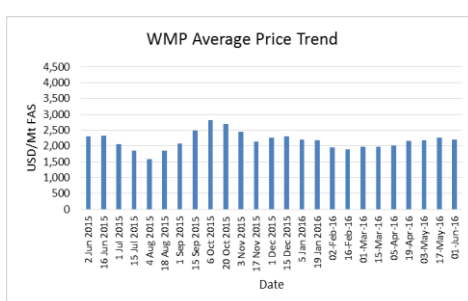
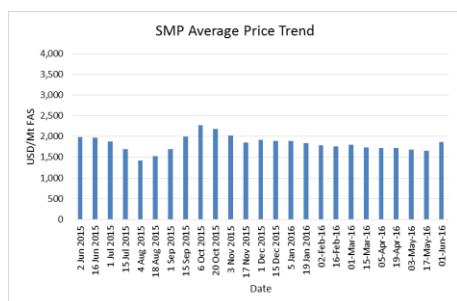
The high levels of phospholipids enhances the flavour of recombined milks by imparting a full rich creamy flavour.

What does BMP offer for your application?

Property	Explanation	Application
Browning	The proteins in BMP react with lactose and other reducing sugars to develop a brown colour when a product is heated.	Baked goods, Breading, Batter.
Emulsification	Proteins in BMP function as emulsifiers, stabilizing oil-water interfaces in emulsified products.	Sauces, Dressings, Ice Cream, Chocolate.
Foaming	Milk proteins stabilize the air-water interface and promote foam formation and stability in products.	Baked goods.
Water binding	Milk proteins can bind water and in doing so, increase the viscosity of products.	Puddings, Baked goods, Ice Cream, Beverages, Cheese slices and spreads.
Flavour	BMP can enhance the dairy flavour of products.	Baked goods, Dry mixes, Coating for snack food, Chocolate.



COMMODITY PRICE MOVEMENTS



General Advice Warning: The Information in this newsletter is provided for information purposes only. The Information is not intended to be and does not constitute financial, tax, legal, investment, or other advice, is general in nature and not specific to you. Before making any decision or taking any action regarding your finances, you should consult a qualified Financial Adviser. CFI is not responsible for any investment decision made by you. You are responsible for your own investment research and investment decisions. CFI and its affiliates, shareholders, its respective directors, agents, consultants or employees shall not be responsible and disclaims all loss, liability or expenses of any nature whatsoever which may be attributable directly, indirectly or consequentially to the use of the information provided. This includes, without limitation, any direct, indirect, special, incidental, consequential or punitive damages, whether arising out of contract, statute, and delict or otherwise and regardless of whether we were expressly advised of the possibility of such loss or damage.

