



# 39

May 2019

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## Clover Fonterra Ingredients Newsletter

### MAY TRENDING NEWS: Dairy Proteins

Global demand for milk proteins, which are high-quality proteins naturally found in milk, is growing primarily due to the need for ingredients with higher protein concentrations. The applications of milk proteins vary, depending on the protein content. Depending on the category and concentrated milk protein ingredients used, they can serve as emulsifiers, flavour enhancers, flavouring agents, formulation aids, humectants, stabilizers and thickeners, texturizers and sources of high-quality protein. Milk proteins. Due to their nutritional and functional benefits, milk protein ingredients expand the possibilities to formulate protein-packed foods and beverages that consumers demand. Published nutrition research on the health and nutritional benefits of dairy proteins continues to rise each year, supporting the benefits of incorporating whey and milk proteins into the daily diet.

#### Supply:

**EU:** Reports show that the milk production seasonal peak ended earlier than typical in the region. The western side of the region has also reported an output lower than the previous season by 1 to 2%, and the eastern side has shown an increase of up to 4%.

**NZ:** A 10% drop in milk production was reported for April 2019, compared to the same period last year, but a 2% annual increase was recorded for the 12 months to April. Dry conditions and below normal soil moisture are still being reported for the region.

**US/America:** The milk volumes reported to date are significantly lower than the previous season. There are positive reports out of the south side, showing a seasonal increase in milk output.

**SA:** The agricultural sector reported a 13.2% decrease for the first 3 months of 2019, compared to the last 3 months of 2018, in the agricultural sector. This was mainly due to dry weather conditions, mainly in the central and western parts of the region.

#### Demand and product information:

Reports show that EU butter demand is soft in the short-term, with supply expected to fill Q3 and Q4 contracts.

Oceania reports show that butter production is currently light with limited stock available, thus spot sales cannot be filled with current production.

Reports out of Oceania show that the cheese market is currently volatile, resulting in buyers being cautious. The EU local cheese market is reported to be steady and expected to improve as summer approaches.

Oceania is reporting a calm market for SMP, with most orders filled for the short-term. This is similar to EU reports, which show that SMP supply is tight with very little product available for spot market. Current production out of the region has already been committed to contracts.

Oceania's WMP seasonal production is currently decreasing and is at a seasonal low. Despite this, contracts are reportedly being filled on time. Reports out of the EU show that WMP supply out of the region is prioritized towards fulfilling local demand. To date production out of the region has been

reported to be approximately 11% lower than same period last year.

#### Outlook:

General supply is on the lower side in all the regions, which are all reported to have experienced unseasonal warm and dry weather. Trade wars are still causing global market uncertainty as per recent reports, with UK's Brexit plans still unclear as well.

**Local:** Moody's rating agency has expressed concern regarding SA's complex economic problems which could result in a technical recession in 2019. In the first quarter of 2019 the economy is reported to have decreased by 3.2% quarter-on-quarter, which is reported to be the biggest plunge since the 2008 global crisis and second highest drop in over 2 decades.

Some people dream of success, while others wake up & work hard at it - Unknown

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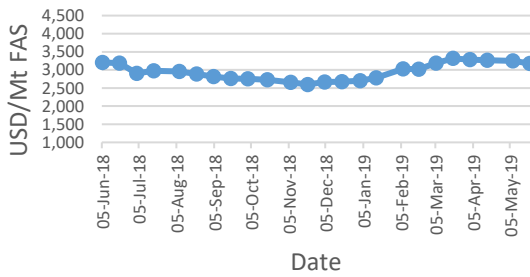
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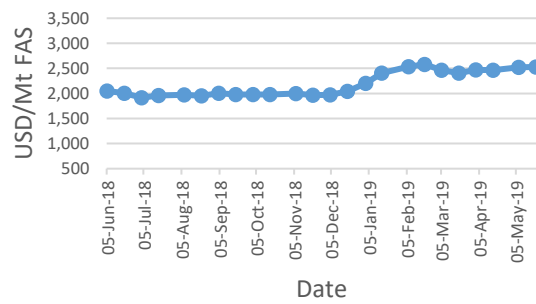
INGREDIENTS | Quality Dairy. Quality Life.

## COMMODITY PRICE MOVEMENTS

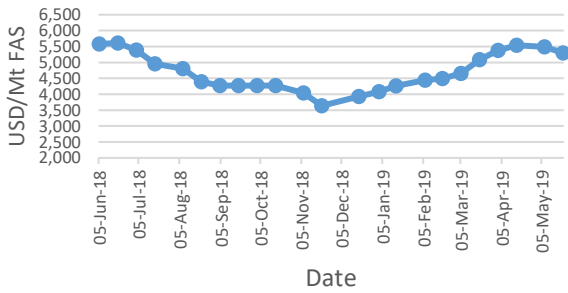
### WMP Average Price Trend



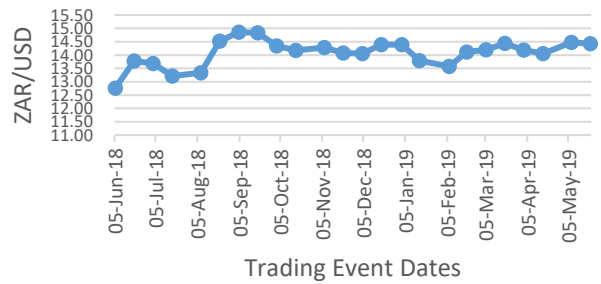
### SMP Average Price Trend



### Butter Average Price Trend

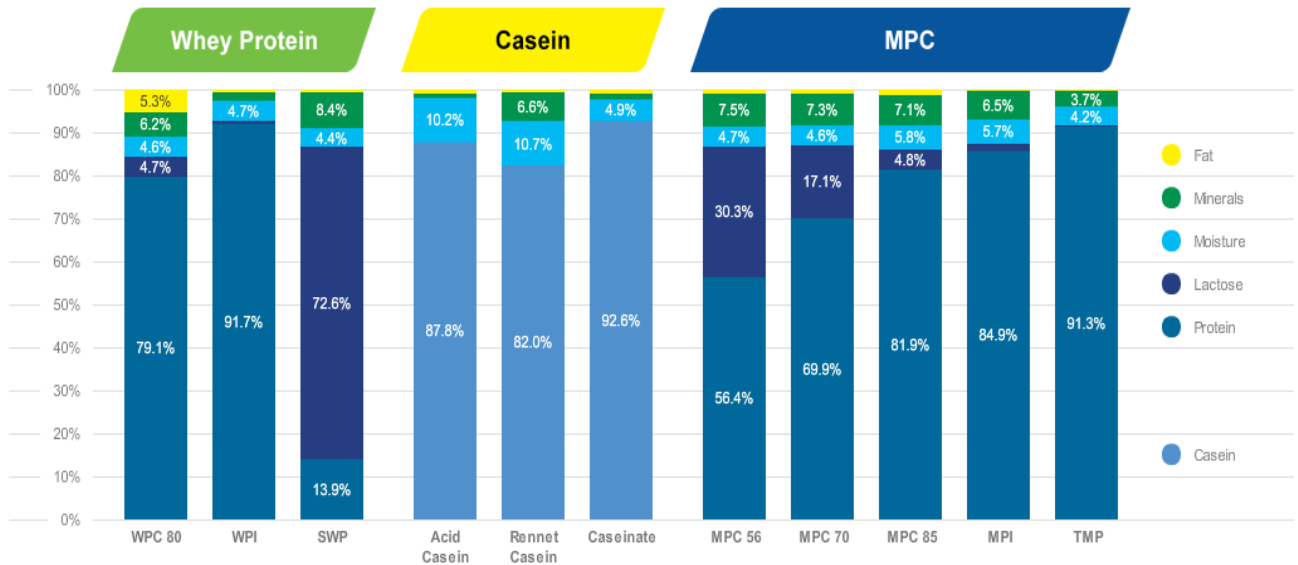


### ZAR/USD Movements



## Let's get Technical: Protein

Below is the approximate composition of various types of protein products.



As whey proteins have quite different characteristics to casein, these products will have different functionality in food systems. For example providing water binding, gelling, viscosity and stability in specific applications.

Nutritionally, they are very popular proteins (especially for muscle synthesis) and are characterised by rapid digestion for recovery following exercise.

Sweet Whey Powder (SWP) is not a high protein product, with lactose rather than protein being the dominant component.



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