



16

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www.cloverfonterra.com

Clover Fonterra Ingredients Newsletter

MARKET REPORT:

Supply:

EU milk production is showing a 2% decrease in January compared to the same period last year and on par for the 12 month period. The forecast is that EU milk production could slow down compared to last year, as the EU peak milk production period is over.

NZ milk production has seen a decrease of 2% for the past 12 months, and the recent weather conditions in NZ could possibly constrain production at the start of the new season. The effect will be a constraint supply out of NZ.

Australia milk production showed a 5% decline in March compared to the same period last year, and year on year showing an 8.1% decrease.

US has shown a 2% increase in milk production for the 12 months to January, mainly in response to favourable weather conditions and grain prices. Most of the production is for domestic use, and very little is exported.

SA milk production for the first quarter of 2017 estimated at about 725 million litres, which is approximately 0.5% lower than the same period last year. Severe drought conditions in the Eastern

and Western Cape may limit production growth for 2017.

Demand and product information:

Overall demand for fat is strong, showing the highest demand since August 2016, with China having a very strong impact. China's imports were up by 14% in February compared to the same period last year, with dairy imports showing a 41% increase for the same period. The Chinese growth is reportedly due to changes in dietary habits, and an increase in the Gross National Income. The fat trend is expected to last in the short to medium term, and could see an increase in the price of fat as supply is very tight and not expected to ease in the short-term.

In relation, there is a relative surplus of milk powder, with prices soft and expected to stay relatively soft in the short-term. At the end of April it was reported that there was 400 000 MT of Skim Milk Powder Intervention Stock, and it was reported that this is the lowest level it has been since May 2016. The price of Skim Milk Powder though has firmed for the past three GDT events, with the EU price lifting above the intervention price.

Whole Milk Powder supply is relatively low due to the demand for butter, and this has resulted in the price for Whole Milk Powder firming up during April. Prices are expected to remain stable to slightly firming as the EU production peak season has passed and the Southern Hemisphere production is in its off season

Outlook:

Milk production is generally down in most markets compared to the same period last year, with only the US showing an increase in milk production. The majority of this increase is for the local market and therefore will have very little impact on the export market. The supply of fat is currently very tight, with EU butter exports reported to be down by 30%. Fat prices are expected to remain high for the foreseeable future. The milk powder prices are at the lower end of the pricing curve and expected to remain relatively soft for the near future, with potential of firming later on in the calendar year.

FOOD FOR THOUGHT:

You only have to do a very few things right in this life, so long as you don't do too many things wrong. – Warren Buffet



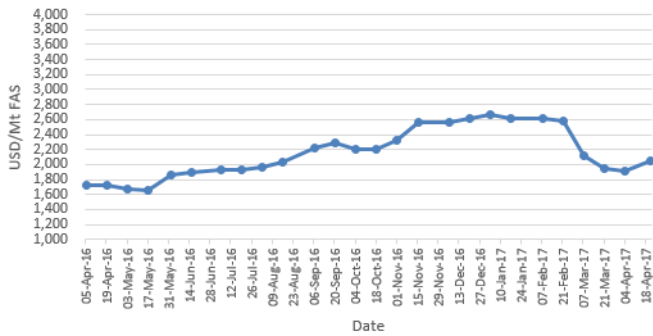
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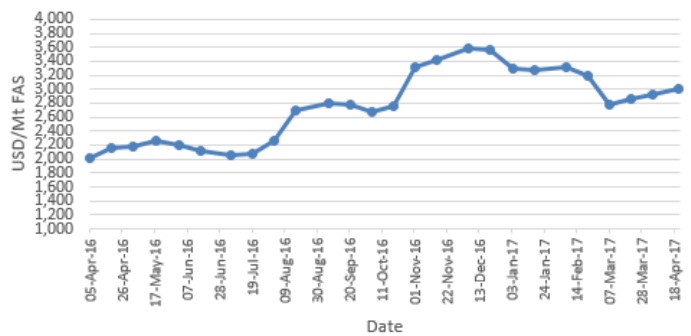
Sources used: NZ Perspective; www.xe.com; MPO; www.globaldairytrade.info;

COMMODITY PRICE MOVEMENTS

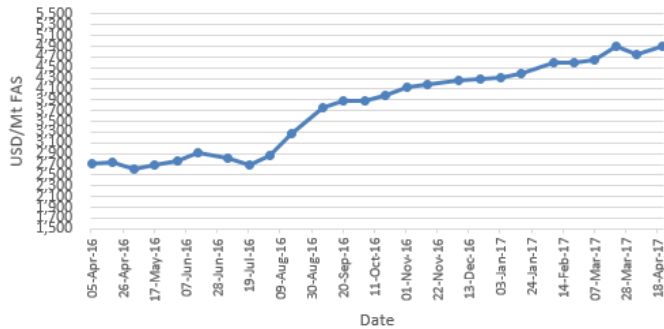
SMP Average Price Trend



WMP Average Price Trend



Butter Average Price Trend



ZAR/USD Movements



Let's get technical: Casein and Caseinate finale...

We've looked at the benefits and the various types of Casein and Caseinate, now let's look at the various applications:

Functionality required	Application
Excellent source of protein nutrition with clean flavour	Medical nutrition products; Protein Bars - providing soft texture at high protein contents; Cheese milk extension and standardisation – increase the protein content.
Adding viscosity and is dispersible	Neutral Sports and Diet Beverages i.e. ready to mix consumer beverages and it will add thicker mouthfeel and appearance to protein shakes; Low fat spreads & Sauces.
Emulsifying properties	Creamers; Salad dressings; Sauces & Soups; Cream liqueur (it contributes to a shelf-stable end product); Whipped toppings (foam stability).
Heat stable	Medical nutrition products; Creamers; Soups Neutral Sports and Diet Beverages i.e. RTD's.
Whitening	Creamers: when the casein(ate) is homogenised with the fat in the creamer it forms stable globules that give the whitening effect; Soups.
Excellent amino acid profile and digestibility	Neutral Sports and Diet Beverages.
Low bacterial count	Medical nutrition products.
Texture and melt-ability	Processed and analogue cheese
Gloss and Film forming	Bakery glazes



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