



27

April 2018

www.cloverfonterra.com

Clover Fonterra Ingredients Newsletter

MARKET REPORT:

Supply:

EU: The spring milk flush is expected to start in late May, versus the normal early May start. This is due to the cold weather conditions experienced earlier in the season and will result in tight product supply out of the region.

Oceania New Zealand & Australia:

March 2018 milk production is 1.5% down compared to March 2017 for NZ. With the current season drawing to a close, supply will be limited until next season start-up in August/ September. In Australia, animal feed is in short supply due to the hot and dry weather, but it is not expected to result in any significant impact on the international market.

US: Most of the milk production is for regional consumption.

Favourable weather conditions have resulted in farmers ramping up production in the region. With summer approaching the demand for cream is expected to increase thereby placing upward pressure on the price of cream derivatives.

SA: Favourable weather conditions have been recorded in March and April, resulting in improved soil

moisture levels and veld conditions ahead of winter.

This has resulted in lower feed prices, contributing to the improved milk supply.

Most of the milk supply continues to be destined for the retail market.

Demand and product information:

Firm product price trends are being reported, especially for butter and cream due to the high demand and limited milk supply out of the EU and NZ.

EU prices are currently reported to be at their highest levels this year.

SMP demand for fresh production is improving, resulting in slight price strengthening. This trend is expected to continue in the foreseeable future as most of the available SMP stock is committed. WMP demand is reported to have picked up recently. Supply remains tight as most of the current production is committed, and buyers are already contracting for late 2018, resulting in the recent upward pricing trends.

Cheese production is currently

high out of the US and remains stable out of the EU.

Demand for product continues to be relatively strong and has resulted in pricing continuing to strengthen.

Outlook:

Even though SMP prices are soft, the future market is reflecting tight stock levels on fresh stock and therefore slight price increases are expected in the short term.

Butter stock remains limited and future pricing is showing an increase in pricing until the end of 2018.

Reports are that the global demand for dairy products continues to be strong and will continue into the foreseeable future.

On the local front, the 25 basis-point interest rate cut at the end of March, and the inflation rate coming down to within the 3 - 6% target band, has improved customer confidence and it is expected to boost domestic demand.

Quality means doing
it right when no one
is looking.
~ Henry Ford



INGREDIENTS | Quality Dairy. Quality Life.

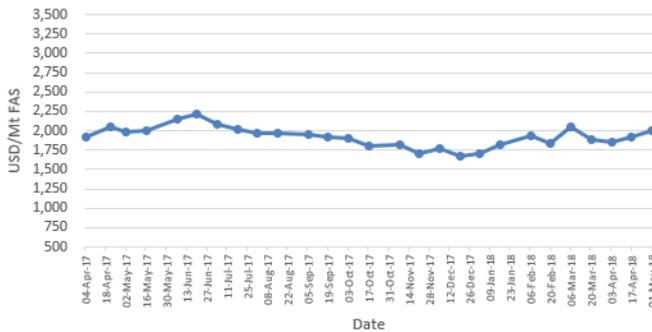
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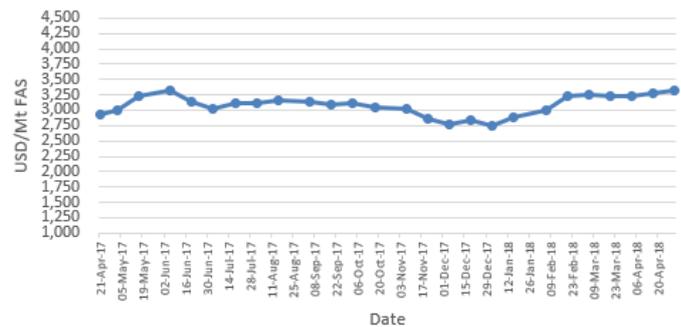
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COMMODITY PRICE MOVEMENTS

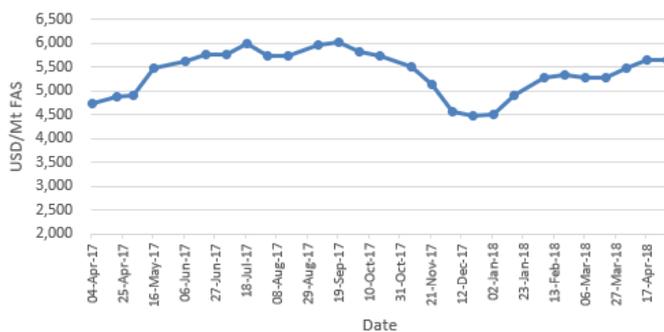
SMP Average Price Trend



WMP Average Price Trend



Butter Average Price Trend



ZAR/USD Movements



Let's get Technical: A bucket of milk continued... Lactose

Previously, we've discussed the proteins and minerals found in milk. In this edition, we will explore the **sugar** that is naturally found in milk called **Lactose**. Milk contains 4.5% lactose compared to the 3.5% protein and 0.8% minerals. Interesting to note is that lactose is only 1/6 as sweet as table sugar.



What is Lactose?

- ~ The sugar is 'in solution', that is, dissolved in milk, however, it can be purified and dried into its crystalline form, similar to table sugar.
- ~ Lactose is a disaccharide and is made of a combination of glucose & galactose.
- ~ Lactose is used to provide consistent protein content in skim and whole milk powders, where it is typically added prior to drying.
- ~ Lactose is very 'hygroscopic'-it absorbs water readily, which causes problems in some of our dairy ingredients.
- ~ This property of lactose means that it must be handled with care in order not to expose certain dairy ingredients to high humidity levels during storage and transportation.

Application examples:

- ~ Breast milk contains more lactose (typically 6.5-7%) than cow's milk and as a result, lactose forms an important ingredient in the manufacturing of infant formulas to reduce the protein and increase the lactose of cow's milk to mimic that which is found in breast milk.
- ~ Lactose is important for some finished product manufacturing, for example for yoghurt and cheese production, lactose is an important component as it is converted to lactic acid by starter bacteria, which then causes the protein to gel (e.g. casein coagulation with acid).

In the next edition, we will look at the last component of milk, which is **Fat**.



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