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Apr

## Clover Fonterra Ingredients Newsletter

### APRIL TRENDING NEWS: Emerging trends to look out for in 2019 – Proteins

The protein trend has taken many food categories by storm, but we believe the dairy category presents numerous opportunities to satisfy these protein savvy customers. Once just a trend amongst the health-obsessed millennials, this trend has extended to families with children as well as senior couples who are also putting high-protein foods into their shopping trolleys. We're now seeing high protein yoghurts, ice cream and convenient snack products which fit into the 'on-the-go lifestyle' of so many consumers these days. New dairy proteins make formulating protein-fortified products even easier. We're now seeing a completely new category for protein emerging because a form of whey protein which can function in clear beverages is now available. Consequently, 'Protein Waters' is a category which is growing at a rapid rate. Furthermore, consumers are becoming more aware of the importance of gut health and the benefits of the fermentation process. Nutritional ingredient companies have been quick to respond to this trend and are now offering a whey protein isolate with prebiotic-promoting properties, tapping into the interest in the gut microbiome.

#### Supply:

**EU:** 2019 milk production has been reported to be below expectations thus far. This has been attributed to the effect of the drought from last year. The Brexit challenges are still reported to be causing market uncertainties in the region.

**NZ:** The region is on a seasonal downward trend, with the lowest point being during June - July. Reports show that March production was lower than same period last year, mainly due to the hot weather. March was recorded to be the 2<sup>nd</sup> warmest March on record, with rainfall below normal.

**US/America:** Reports are that there is expectations of milk production improving during the Q2 and Q3, enough to meet manufacturer's needs.

**SA:** The region is reported to be experiencing increased temperatures and water variability, with more heat waves being experienced. The Western Cape's recovery from the drought is slower than expected, and the

Northern Cape continues to experience drought conditions.

#### Demand and product information:

Oceania butter production currently on the lower side, with most of it going towards fulfilling contracts.

Demand for EU cheese remains strong, but production is limited due to the low milk production in the region. Cheese production out of Oceania is also limited due to seasonal decline.

SMP supply out of the EU is tight for spot market, with interest currently for contracts covering the second half of the year. Due to milk production seasonal decline Oceania's SMP supply is currently tight and any production is filling contracts.

EU production of WMP is focussed on fulfilling future deliveries, with supply tight for spot market. On the other hand Oceania is prioritising WMP production with the limited milk available to meet the high demand of the product.

#### Outlook:

Supply of dairy products is currently reported to be tight due to seasonal declines as well as weather conditions in the different regions. Trade wars are also reported to still be causing uncertainties in the global market.

**Local:** Reports show that a lot is being expected from the government with regards to stabilising the economy and implementing practical policies. There are expectations that business confidence will improve. On the international front SA is carefully observing the outcomes of the Brexit deal as it will have implications on trade agreements.

There are no secrets to success. It is a result of preparation, hard work and learning from failure – Colin Powell

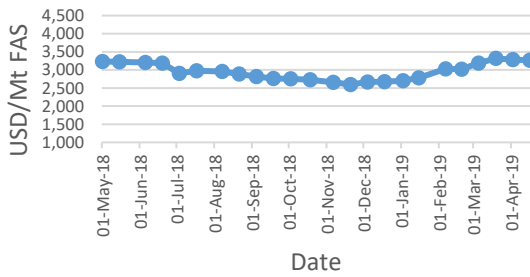
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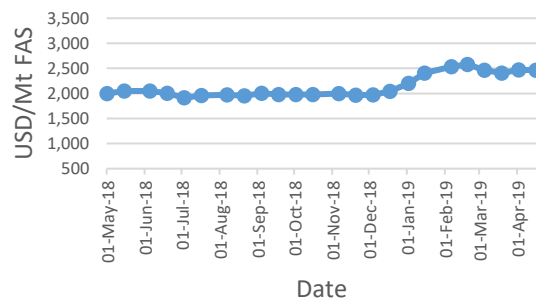


## COMMODITY PRICE MOVEMENTS

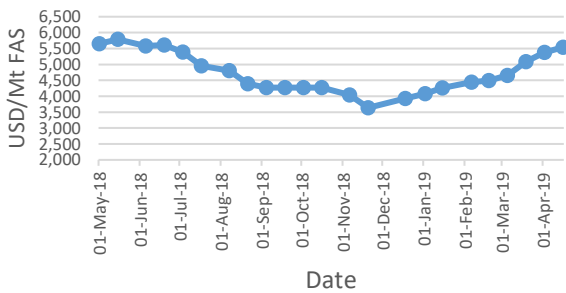
### WMP Average Price Trend



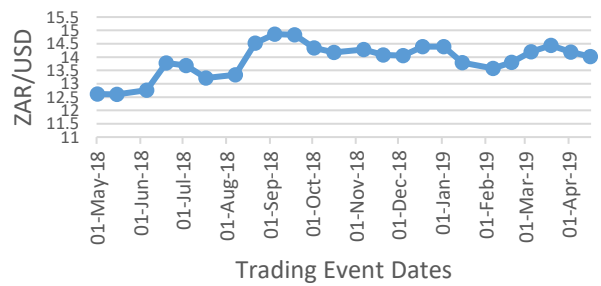
### SMP Average Price Trend



### Butter Average Price Trend



### ZAR/USD Movements



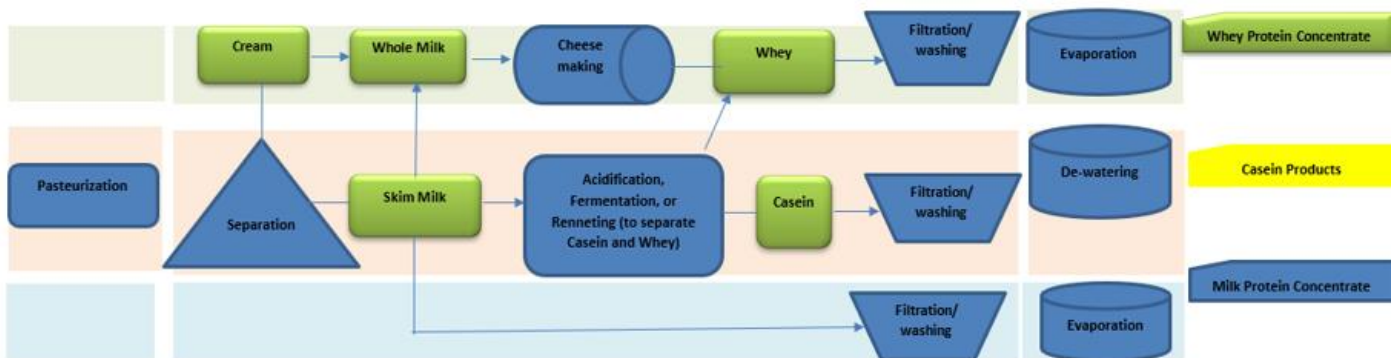
## Let's get Technical: Protein

Today we discussing the manufacturing of the 3 proteins: whey protein concentrate, casein products and milk protein concentrate.

### Heat Treatment

### Purification

### Concentration



Milk is pasteurised (heat treatment to greater than 72°C for more than 15 seconds) to kill pathogenic and other micro-organisms.

Cream (fat) is removed from Milk to produce Skim Milk. For cheese making, the fat content is standardised to produce Whole Milk with a consistent composition. Casein, Caseinate and MPC are manufactured from Skim Milk.

Rennet and/or acid is added to the milk to make it curdle, which enables us to separate the curds (cheese/casein) from the whey.

Filtration is used to purify the protein by removing excess lactose and minerals prior to water removal (concentration). Some concentration (water removal) can occur during this stage also.

Initial water removal for WPC and MPC uses evaporators, but for Casein and Caseinate filter presses and centrifuges are used prior to drying.



INGREDIENTS | Quality Dairy. Quality Life.

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