

FEBRUARY 2016

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We trust that you enjoyed the 1st edition of the CFI Newsletter!

We thank you for the kind words received and look forward to your continued feedback and/or suggestions.

There is a saying that 'good things come in pairs' and we hope that our 2nd edition will be found to be informative and helpful.

MARKET REPORT:

Supply:

EU milk production is continuing the upward trend with a 2.5% growth compared to last year. This is mainly due to the lifting of quotas earlier in 2015.

US milk production is negatively impacted by extreme weather, contributing to the forecast of 1.6% down for 2016.

The drought risk in **NZ** has reduced due to increased rainfall in some parts of the country, although some areas remain drier than the historical average. Therefore, NZ milk production has increased from previous forecast (6% down) to be only 2.1% down compared to last year.

Australia is expecting an overall drop in milk production for 2015/16 following a slow spring and summer. They are 0.6% down for the season YTD compared to the same period last year.

The end of 2015 showed a sharp decline in **South African** milk production. This will probably continue as higher feed costs and the lack of good quality feed will negatively impact milk production.

Demand:

Global demand is flat, mainly driven by weak demand from China, Asia and MEA. The Chinese economy, at a growth rate of 6.9% in 2015, is their slowest growth rate for 25 years.

Russia remains closed to imports from the EU. The ban has been in place since 1 August 2014 and is reviewed annually.

Overall:

The imbalance of supply and demand, with high milk inventories against a slow demand, is resulting in soft international dairy prices. These market conditions are most likely to continue beyond the peak production period of the EU (April/May), and it will be interesting to see how the Southern Hemisphere milk production season commences in August / September.

Although international dairy prices are trading around the lower end of the 5-year historical price range, South Africa has not benefitted as the ZAR has devalued significantly (10.6%) against the USD in December 2015.

On a positive note, the Rand has since recovered 6% against the USD for the period mid-January to mid-February 2016.

Please remember the **Public Holidays** on 21, 25 & 28 March.
Kindly ensure all deliveries are planned in advance.



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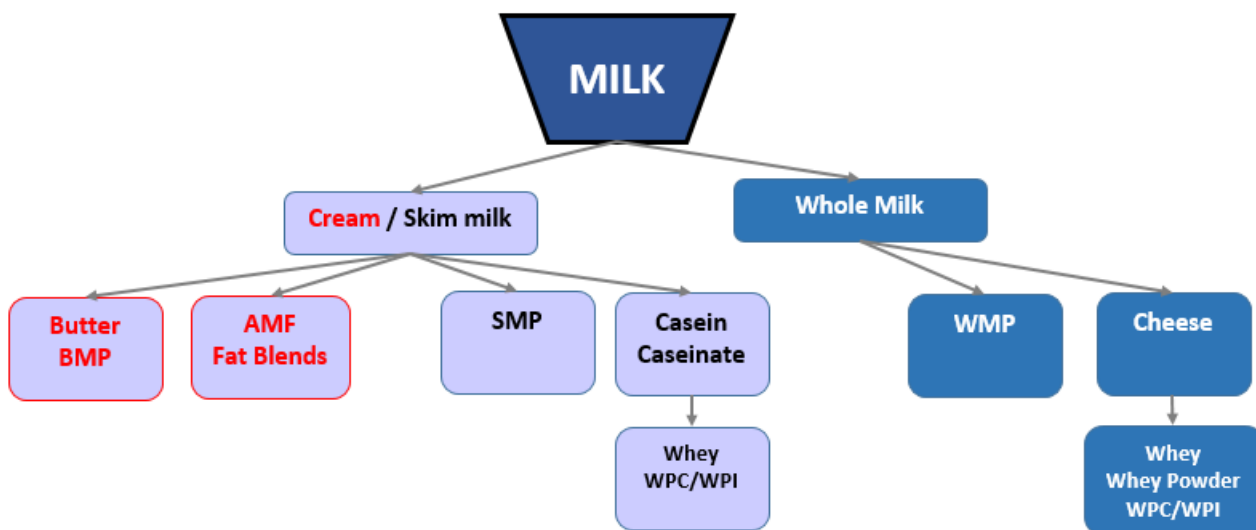


Let's get Technical:

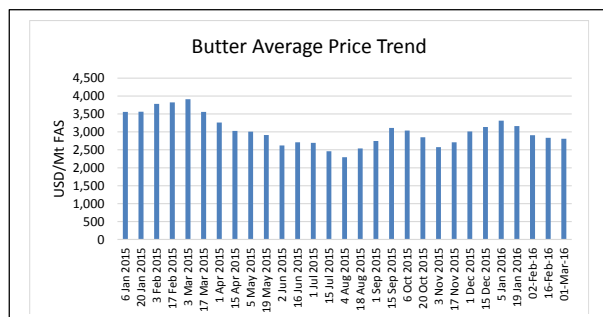
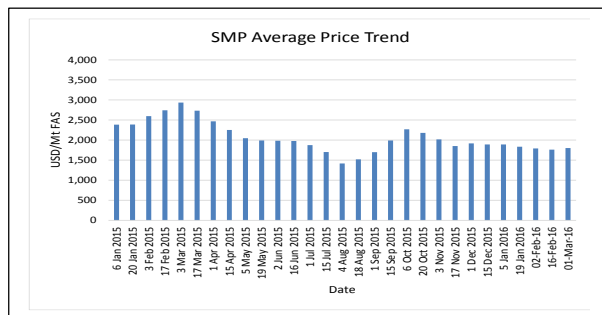
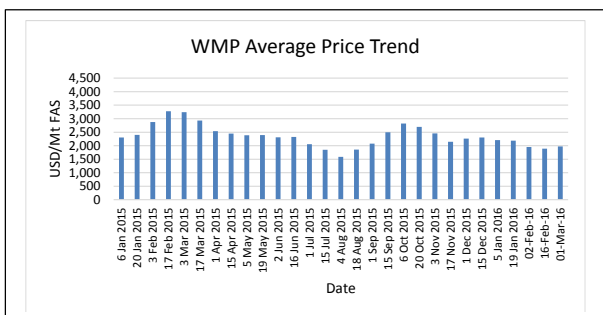
Our previous edition briefly mentioned the range of products available from CFI. **But where does it all start?**

Milk consists of water, fat and solids non-fat (SNF). SNF is made up of mainly Lactose and Protein. From each component, many products are available. We have grouped these products as Commodities; Protein Products; Fat Products; Speciality Products and Blends and will explore these as we progress.

The below is a basic illustration of the product categories which can be made from milk. Look out for our next edition, or if you just can't wait, please feel free to contact your Key Account Manager.



COMMODITY PRICE MOVEMENTS



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