



15

March 2017

www.cloverfonterra.com

Clover Fonterra Ingredients Newsletter

MARKET REPORT:

Supply:

EU milk production has continued to decline for the 7th consecutive month, -3% in December 2016, mainly due to France, Germany and UK experiencing low production.

Interesting to note is that these 3 countries contribute almost half of all EU milk production. Despite this decline in volume, the yearly production is in line with the same period the previous year.

NZ's milk production has also continued the downward trend, reducing 2% for the 12 months to January 2017. Milk production in January alone ended -1% compared to the same period last year.

Milk production in **Australia** is still under pressure as they are down 7% for the 12 months to December 2016 compared to the same period last year.

US milk production seems to be the only positive growth, increasing 2% YOY, compared to the same period last year. This is the 5th consecutive month that US milk increases monthly by 2%. The increase in milk production is mainly in response to favourable weather conditions and grain prices.

In **South Africa**, the recovery of rainfall in certain parts of the country saw increases in the production levels of grain. This indicate positive change toward the

second and third quarter of 2017 as feed prices should soften during the winter months when natural pasture growth is limited.

Demand:

Although **Chinese** demand has increased 12% for the 12 months to January 2017, demand has decreased by 13% in January compared to the same period last year, despite falling global prices. This is following a 2% decline in December 2016 YOY.

The rest of **Asia's** demand is showing a 5% increase for the 12 months up to November 2016, which is supported by strengthening demand for SMP and Cheese, while demand for WMP has decreased.

Latin America's demand for the 12 months to November 2016 has increased 12% YOY, with strongest growth being on SMP, WMP and cheese.

Russia's YOY demand for December 2016 has decreased 12%; however are 4% up for the 12 months. SMP and WMP remain the focussed categories.

Middle East & Africa's demand decreased further to -4% for the month of November 2016 as well as for the 12 months leading up to November, YOY. Although the decreasing trends is ongoing, the rate is easing.

Overall:

The steady demand growth in Asia and LAM continues while China's demand is softening. Market trends for the past 12 months has shown a strong demand for butter-fat, leading to an increase in butter and WMP pricing. These increases are considerably more than that of SMP and cheese. It is expected that US and EU will start producing butter as it is their peak milk production season, however, if demand remains stable and supply tight, prices could increase further. SMP is under pressure as there has been a significant decline in international prices while EU intervention stock levels remain high.

During the month of March, the ZAR vs USD has strengthened over 3%, trading below the R12.50 per USD mark for certain intervals. This was the best trading levels for the past 12 months.

However, the effects of political decisions will be evident during April 2017. Since the Cabinet reshuffle by President Zuma on 31 March, the exchange dipped over 6% to end around R13.42 vs USD the next day.

COMING SOON!

CFI Annual Survey

Launching May 2017



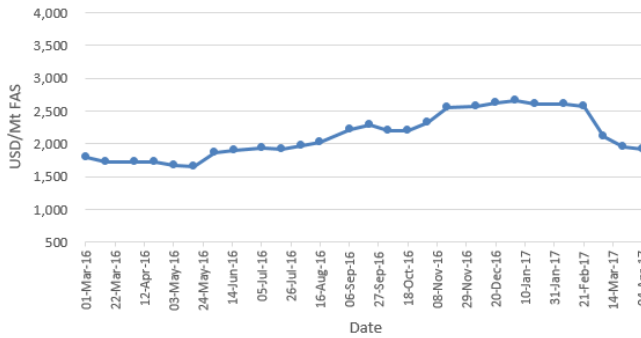
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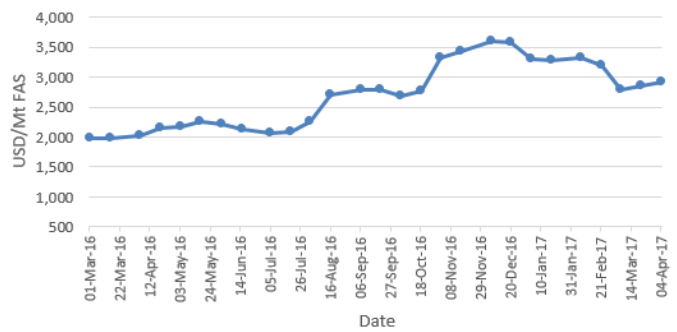
Sources used: NZ Perspective; www.xe.com; MPO; www.globaldairytrade.info;

COMMODITY PRICE MOVEMENTS

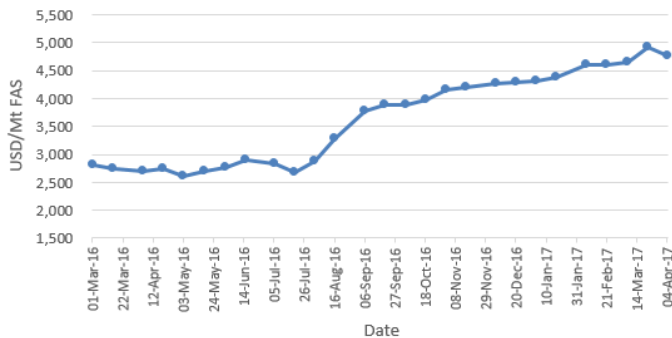
SMP Average Price Trend



WMP Average Price Trend



Butter Average Price Trend



ZAR/USD Movements



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

Now that we know the benefits of Casein and Caseinate, let's look at the various types of Casein and Caseinates available. In our April edition, we will close out this product group by discussing the various applications for these ingredients.

Ingredient	Shared characteristics	Unique Characteristics
CASEIN		
Mineral Acid Casein: It's produced from pasteurised skim milk by controlled acidification with sulphuric acid.	Clean flavour; High protein level; Low lactose, ash and fat;	Excellent solubility level in alkali.
Lactic Acid Casein: It's produced from pasteurised skim milk by controlled acidification with lactic acid producing bacteria – a natural fermentation process.	High nutritional value; 30 Mesh particle size provides excellent wettability, dispersability and hydration.	Excellent solubility level when converted to caseinate.
Rennet Casein: It's produced from pasteurised skim milk by controlled coagulation with microbial rennet enzymes.	Clean flavour; High level of functional protein; Low lactose, ash and fat;	30 Mesh particle size provides low dust, free flowing, slower hydration. 90 Mesh particle size provides fast hydration.
CASEINATE		
Sodium Caseinate: It is formed from the reaction of acid casein with sodium hydroxide or other alkaline sodium salts.	Clean flavour profile; High nutritional value; Good heat stability;	Very low lactose content.
Calcium Caseinate: It is formed from the reaction of acid casein with calcium hydroxide.		Excellent solubility in cold water; Low sodium and viscosity; Source of calcium; High opacity in water.



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