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Clover Fonterra Ingredients Newsletter

OCTOBER TRENDING NEWS: Snacking Trends

In much of the developed and developing world increasingly busy lifestyle's are driving growth of snacking occasions and fuelling demand for grab-and-go convenience. Globally, attitudes towards snacking are evolving, mainly driven by younger consumers who are more likely to agree that snacking helps to keep energy levels up and that eating healthy snacks is a good way to manage weight. This makes snacking a huge opportunity for connecting with consumers. Offerings include out-of-home dairy: ambient dairy offerings that can be stored at room temperature represents an untapped opportunity; protein-rich snack: a big opportunity to target the on-the-go consumers looking to satisfy a craving and boost energy levels; snack meal: snacks are meal replacements with growing opportunities and flexible for on-the-go.

Supply:

EU: Milk production is reported to be getting tighter due to seasonal decline. The region is reported to be working on improving dairy trades with other countries through trade agreements.

NZ: Reports show that milk production has been higher than expected and the high levels have lasted longer than projected. This has resulted in high milk volumes even as the region experiences seasonal production decline.

US: Milk production reported to have reached its spring flush peak and has now stabilised. It is reported that most of the milk is going towards cheese and butter production due to increased demand for the upcoming holidays.

SA: The Eastern Cape is reported to still be suffering from hot, dry conditions and water restrictions. The drought crisis in this part of the region is still far from being over. Overall the region is expected to experience a delay in rainfall patterns and higher than normal temperatures this summer.

Demand and product information:

US butter production reported to be steady to light, and mostly fulfils local demand. Butter demand in the EU is

reported to be good and production is fulfilling contracts which are confirmed until the end of the year. Oceania is also reporting that butter production is near seasonal peak, but demand is also very strong. Manufacturers are working hard to meet demand and add to stock build up.

Reports show that Oceania cheese stocks are currently high as a result of high milk volume. US production is steady to decreasing as milk production is on a seasonal decrease.

Oceania is reporting near capacity production for SMP as a result of high milk production. EU reports show that SMP supply is meeting domestic demand. At the end of Sep 2018, it was reported that there was 280, 151 tonnes of SMP in EU intervention, and 7, 732 tonnes in UK intervention. There were offers for 62,887 tonnes made at the beginning of November. Most of the product ends up in dry-blending facilities where fat-filled-milk-powders are produced.

WMP market remains steady globally. EU production is currently reported to be fulfilling domestic demand. New Zealand is reporting strong production, and supply is accumulating.

Outlook:

Reports show that different regions are at different seasonal milk production points, affecting dairy products' availability in different ways. A slowdown in global milk production due to expensive feed costs and tight margins for producers is expected to continue into 2019. The trade war between the US and China persists, and reports show that it continues to hurt the global economy.

Local: The government's revised budget policy statement in October highlighted increasing fiscal deficits, higher government debt, restructuring of state-owned enterprises and slow economic growth. The treasury has also reported that the GDP growth has been revised to 0.7% from an estimated 1.5% in February. According to credit agency Moody's the medium-term budget's weaker fiscal outlook is a credit negative. The country is currently in a technical recession.

All roads that lead to success
have to pass through hard
work boulevard at some point
– Eric Thomas

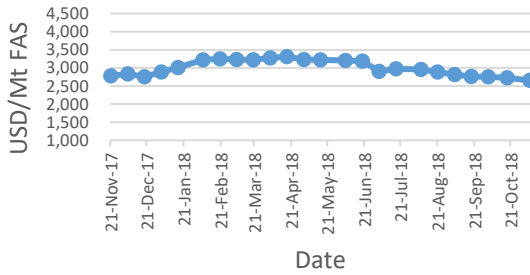
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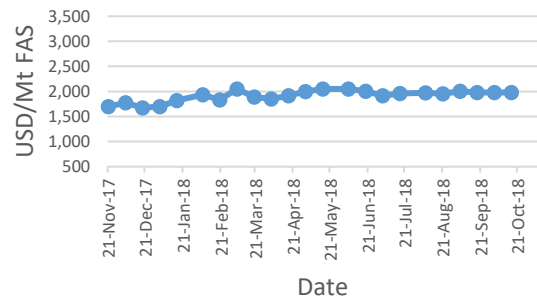


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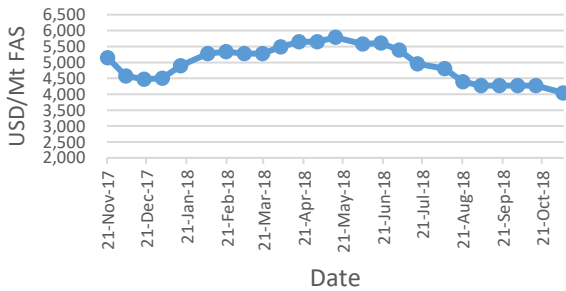
WMP Average Price Trend



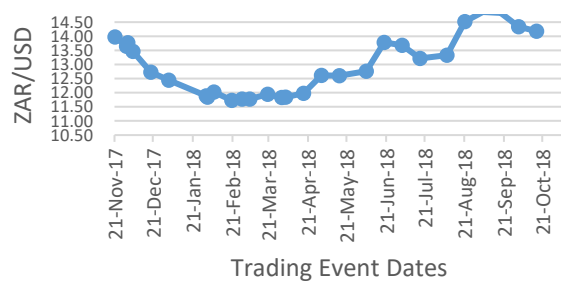
SMP Average Price Trend



Butter Average Price Trend



ZAR/USD Movements



Let's get Technical: Milk Powders continues....

In the previous edition, we started off the tour of the common characteristics of milk powders having a look at bulk density, powder appearance, flavour and scorched particles. We will now wrap up the common characteristics by looking at wettability, dispersibility, solubility and sediment/sludge/slowly dissolving particles.

Wettability

- Wettability is the ability of powder to attract water to its surface and to sink into water. It is measured by the amount of time taken for a fixed amount of milk powder to become fully submerged in water.
- Wettability is influenced by the particle size and the hydrophobic properties of a powder. Instant WMP usually has lecithin added to it to help overcome the hydrophobic nature of the milk fat which would otherwise repel water and make the powder hard to 'wet'.

Dispersibility

- Dispersibility is the measure of how easily the single particles of a powder disperse into liquid (as opposed to forming clumps that are difficult to dissolve).

Solubility

- Solubility is typically tested by an insolubility index which measures how much of the powder can't be dissolved.
- Insolubility is measured by high shear mixing to give the powder particles every chance to dissolve and measure what is left behind. All powders will contain a small amount of insoluble material. Further insoluble particles can be created during drying.

Sediment/sludge/slowly dissolving particles

- These area measure of undissolved particles. Such particles are typically soluble if provided with enough time and energy but do not dissolve easily in a consumer application.
- Sediment/Sludge – particles that accumulate at the bottom of a glass after reconstitution.
- Slowly Dissolving Particles (SDP) -particles that adhere to the surface of the glass after the milk is poured out.

In the next edition, we will close off this module of milk powders by having a look at the nutritional benefits of milk powders.



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