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Clover Fonterra Ingredients Newsletter

NOVEMBER TRENDING NEWS: FONTERRA MILKFAT COLOUR

The yellow colour of New Zealand milkfat is indicative of healthy cows feeding outdoors on lush pasture; it is not associated with deterioration of the product in any way.

A major determinant of the colour of moderate to high fat milk products is the colour of the fat.

The principal pigment in milk fat is β -carotene (a carotenoid) which accounts for about 95% of the total carotenoids present. Therefore, it is primarily β -carotene that gives milkfat its yellow colour; the more β -carotene that is present, the more yellow it is. β -carotene is a healthy component and it can be transformed to vitamin A by the body.

Supply:

EU: Milk production for the 12 months to Aug is flat compared to same period last year. Production increased by 1% in Aug vs last year. Production growth was seen from key exporting countries such as Poland, Spain, Ireland, Germany and France.

NZ: Milk production for the 12 months to September was 1.2% higher than last year. Average temperatures were recorded across the country and on farm pasture conditions remain good.

US: Milk production for the 12 months to September was 0.3% up vs same period last year. Despite a decline in cow numbers, an increase in milk per cow in September drove production higher.

SA: Milk production for October 2019 is up 1.7% vs same period last year. The primary industry is clearly losing due to cost price squeeze which is made worse by the unfavourable climate and economic conditions.

Demand and product information:

Demand in NZ increased in August by 11.9% vs same period last year. EU increased by 9.3% in July vs last year. Australia and the US is showing declines in August vs same period last year. China and Latin America is driving the increase in the Global demand with China being the leader. SMP exports was up 12% out of EU vs last year and this is expected to keep prices firm. WMP exports out of NZ is driving their overall export growth of 7% for the 12 months to August. With the demand still strong pricing is expected to stay stable to firm. NZ WMP exports saw their biggest October since 2013 posting a six-month high for exports. Sentiment in the EU is mixed on Butter with cream prices higher but with a lower French price on EEX index gave buyers some time to wait. The EU butter price has risen since early October by 4 – 5%.

NZ Butter exports saw their first year on year increase since February posting its biggest October since 2016. China was the leading destination for NZ butter accounting for 20% of the monthly total. NZ Cheese exports remained ahead of last year in October, up 17% year on year. China was the leading destination accounting for 25% of the monthly total. Cheese prices were steady to a little higher in EU.

Outlook:

It seems dairy markets are starting to slow down, ahead of the Christmas period. But there is still strong demand with production stable and this is estimated to keep pricing stable to firm.

Local: The Rand was stable in November trading on average at R14.70 vs USD. This was surprising with the S&P global ratings agency cutting its outlook on SA's debt to negative. More negative ratings can have a very negative effect on the exchange rate.

Happy Holidays and be safe! – CFI Team



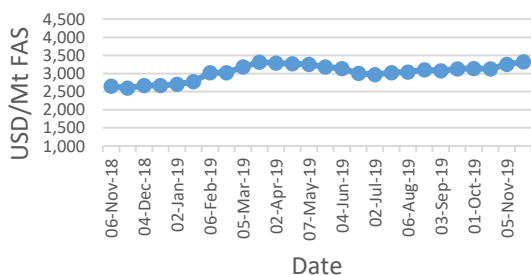
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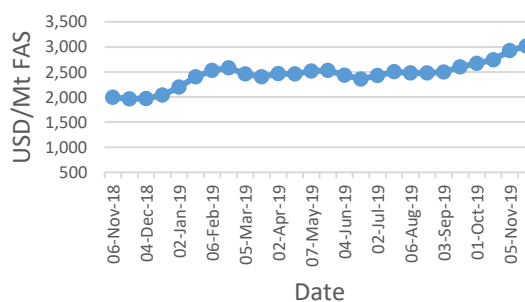
Sources used: <https://dairy.ahdb.org.uk>; <https://www.psg.co.za>; <https://www.intlfcstone.com/>; <https://www.mpo.co.za/>; <https://www.xe.com>; www.trigonadairytrade.nl; NZ Perspective

COMMODITY PRICE MOVEMENTS

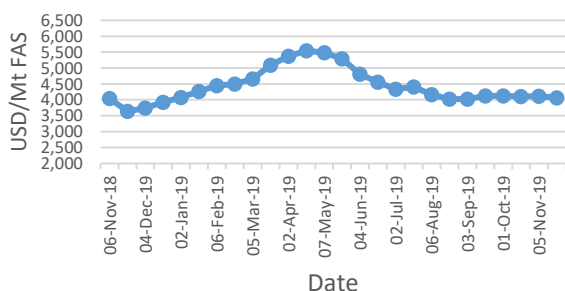
WMP Average Price Trend



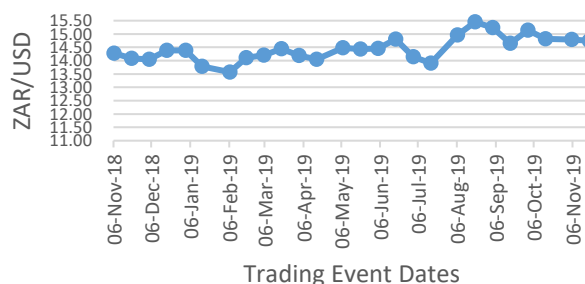
SMP Average Price Trend



Butter Average Price Trend



ZAR/USD Movements



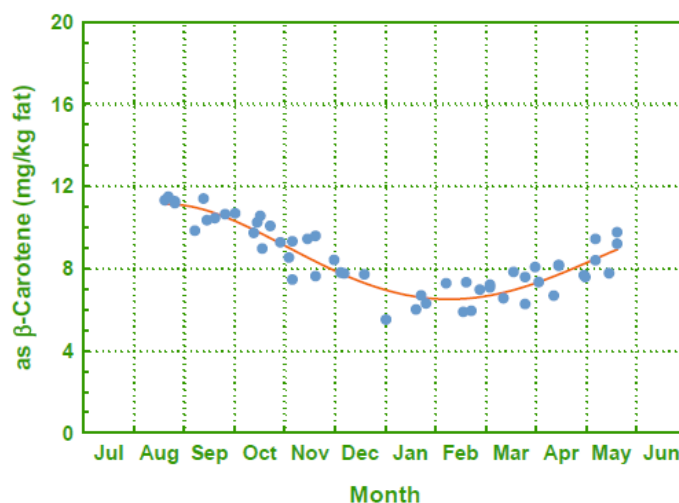
Let's get Technical: characteristic yellow colour of milkfat

The β -carotene content of New Zealand milkfat generally varies from 5.0 to 14.0 mg/kg (ppm) with a typical value of 8.5 mg/kg, whereas the β -carotene content of milkfat from many other countries (including many European countries, the USA and Japan) is generally lower (as low as 2.5 mg/kg) and varies less.

The concentration of β -carotene in milkfat depends on the level of β -carotene in feed, on the breed of cow and stage of lactation. Carotenoid pigments are particularly high in fresh grass, however are substantially lower in stored feeds such as grain and hay.

In general, cows are fed on fresh grass in New Zealand, and most cows calve in Spring which may further increase the colour of the milkfat.

Typical New Zealand Milkfat Seasonal β -carotene range



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