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October 2019

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Clover Fonterra Ingredients Newsletter

OCTOBER TRENDING NEWS:

Mozzarella – A Rising Star!

It is estimated that consumers globally already consume 1.5 million tonnes of pizza a year and this is predicted to continue growing.

This number will grow by at least 0.8% per annum over the next few years due to a number of factors:

- ✓ Rising income, growing middle class and population growth in selected geographies
- ✓ Growth of fast food outlets and the industrial sector
- ✓ Affordability, novelty and convenience of pizza

Supply:

EU: Milk production is still flat vs last year. Production growth continues in Ireland driven by more normal weather conditions vs 2018. Key exporting countries where declines were reported was Germany, France & Netherlands mainly due to dry weather conditions.

NZ: Season still in early stages but production in August was up vs last year. Overall, most regions have come through winter reasonably well, and pasture cover is also generally positive.

US: Milk production is still flat. Growth continues to be limited by record low cow numbers as poor on farm profitability is leading to an increase in culling.

SA: There is concern that higher grain prices can slow down milk production. Cumulative milk production for 2019 incl July was down vs last year by 0.13%.

Demand and product information:

Overall Global Dairy demand is reported to be down vs previous year.

The markets driving the decline is Russia, Middle East & Africa. The Asian, Latin America and Chinese markets are showing an upwards trend vs previous year. Strong demand out of China continued with imports across all key categories; WMP, fluid milk products and SMP being part of the main drivers. Exports in NZ for the last 12 months up to July was reported to be up vs same period last year by 6.8%. WMP and fluid milk products being the main drivers. Exports in EU for the 12 months to June was reported to be up vs last year same period by 5.4%. This was primarily driven by SMP and fluid milk products. US exports for the 12 months to July decreased on the previous comparable period.

The Cheese market is settling down with news of a rebound in stock and a gain in production out of US. Prices however is expected to remain firm moving into the peak holiday demand period. Average wholesale prices for butter and cream in the UK increased in September after a decline for the last 6 months.

Outlook:

It is expected that growth in world milk supplies to be limited and demand out of China should remain strong over 2019. It is therefore expected that commodity prices will remain firm at a global level.

Local: The Rand weakened at the end of October to over R15 vs the USD when Finance Minister released statement of wider budget deficits and sharp increase in debt.

We are stronger together – Siya Kolisi



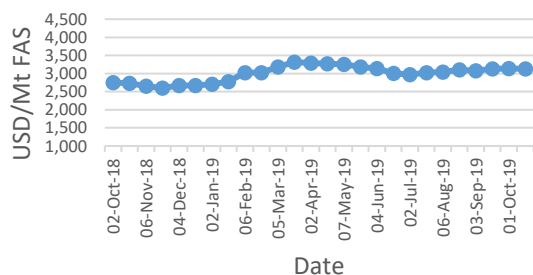
INGREDIENTS | Quality Dairy. Quality Life.

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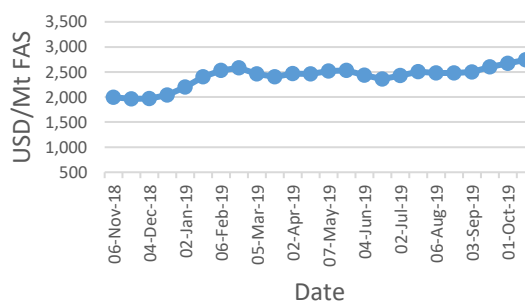
Sources used: <https://dairy.ahdb.org.uk>; <https://www.psg.co.za>; <https://www.intlfcstone.com/>; <https://www.mpo.co.za/>; <https://www.xe.com>

COMMODITY PRICE MOVEMENTS

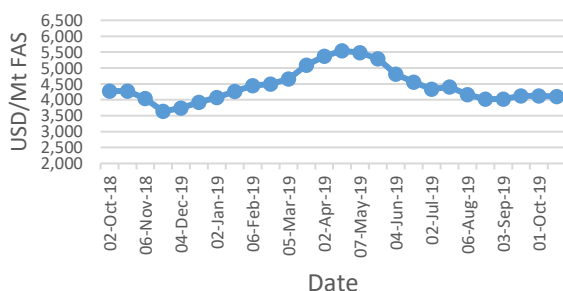
WMP Average Price Trend



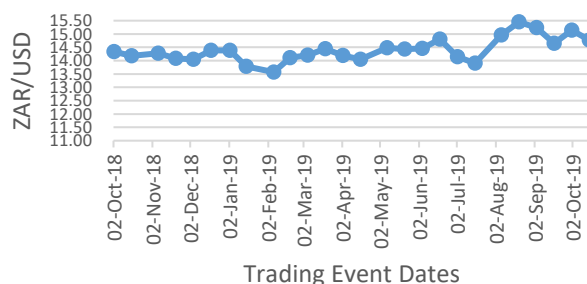
SMP Average Price Trend



Butter Average Price Trend



ZAR/USD Movements



Let's get Technical: Mozzarella Cheese

Stretch

Mozzarella undergoes a unique cooking and stretching process (called pasta filata) during its production to give it the stringy, stretchy quality it's famous for.

All our mozzarellas are stretch-tested to achieve a minimum standard of 40cm. Other important characteristics we test for are baking performance of small, even blistering, golden colour and ideal oil off. This delivers the authentic pizza experience that consumers' desire.

Melt

Mozzarella should melt well as it plays a role in holding the pizza toppings on the base (the glue).

Consumers also eat with their eyes so it's important to melt well for visual appeal with golden blistering, minimal free oil and good coverage.

Taste

Taste is important to consumers and our research shows that a mild, milky taste is preferred by consumers. Mild flavour harmonises with other ingredients such as the base sauce, pizza toppings, or other blended cheeses.

While Mozzarella is most commonly associated with pizza, its melty, stretchy quality makes it a great addition to other dishes too.

Product care to get the best performance from your Mozzarella

1. Store frozen at minus 9°C
2. Thaw in a temperature-controlled room with good air circulation
3. Thaw at a temperature between 0-4°C
4. Thaw slowly, single carton 72 hours, whole pallet 10-20 days
5. Use an appropriate oven - conveyor or deck ovens ideally
6. Use the right amount of cheese for pizza size 100 - 140 grams
7. Work out the optimal oven temperature and cooking time-based on the appearance you prefer



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