

# DAIRY

## NEWSLETTER Q1 - 2019



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- **Health trends** in the market
- Introduction to beta-glucan from **Fazer**
- Cost-effective solution for set yoghurt by **DuPont**
- New products from **Fonterra**
- **Dairy commodities**





Dear Reader,

We are pleased to share the latest edition of our quarterly newsletter with you.

Indeed, we are already more than three months into the year and now may be a good time to take an honest look at where we stand on our New Year's resolutions. What were they exactly? Being healthy, eating healthy.

In this edition, we continue with our focus on optimal health and nutrition. Non-communicable diseases (obesity, cardiovascular disease, diabetes and cancer) are becoming reasons for concern worldwide and this trend is no less present in the GCC. GCC governments are placing great focus on raising public awareness about these diseases. The focus on reducing such diseases in the GCC is emphasized on both in the UAE Vision 2021 and KSA vision 2030, which outline the concern about the rising rate of these diseases in the GCC.

As per ARDENT Advisory & Accounting, GCC Healthcare Sector Report from Oct 2015, lifestyle diseases form a major category, demanding healthcare attention in the GCC region. According to the World Health Organization (WHO), **all GCC countries, except Oman, rank among the top 10 countries with the highest diabetes rates in the world.** Kuwait topped the list with 21.1% of its population in the 20 to 79 age group suffering from diabetes. This figure far exceeds the global average of 8.3%.

According to the International Diabetes Federation, based on the study done in 2017 **in the UAE, 11.81% of people between the age of 20 and 79 are affected by diabetes.**

The score was **13.69% for obese children in the UAE**, based on the study of children **between the ages of 5 and 17** conducted by *Ministry of Health and Prevention* in 2017.

The numbers are increasing and worrisome, but the bright side to this is that awareness and knowledge among the consumers are increasing as well. Furthermore, in the consumers' effort to adopt a healthier lifestyle and to include exercise in their daily routine, we can also see the demand for **healthier and fortified foods** increasing, and the niche categories growing in the region. Consumers are demanding more from their foods nowadays and are looking for foods to satisfy their daily nutritional and energy needs. Fortunately, there are many options available to achieve this objective.

On the following pages of this newsletter, we bring to you the information about **oat beta-glucan, an ingredient that can assist us in the fight against non-communicable diseases.**

We also introduce to you the latest solutions by DuPont, new product options available from Fonterra, as well as a brief outlook on the dairy commodities.

We hope you will find this report informative and useful. Please feel free to share your feedback and comments with us and do let us know if there is any topic of interest which you would like us to include in our future newsletters.

We also take this opportunity to wish everyone a blessed Ramadan season, which is now just around the corner.

**Thank you from the FSL Team**

# BETA GLUCAN

Oats are an excellent natural source of carbohydrates which help support our vital functions. Whole grain oats include protein and are high in fiber, making them a great addition to balanced nutrition. Oats also include naturally unsaturated fats and different minerals such as iron, phosphorus, zinc and magnesium.

- Gives long-lasting energy
- Low in FODMAP (Fermentable oligo- di- mono-saccharides and polyols) carbohydrates
- Good source of natural plant-based protein
- Gentle on the stomach with mild and neutral taste



The consumption of **functional foods and drinks** is increasing in almost all high-paced societies and is driven by increasing demands for convenience along with health. The busier lifestyles and increasing health issues like obesity, diabetes, cardio-vascular diseases and coronary heart diseases will continue to affect the development and growth of functional foods across the globe.

One of the Ingredients that can help with providing healthy and functional products to your consumers in the region is **beta-glucan**. The product can be used to add **dietary fiber and protein** to dairy products, thereby allowing **multiple health claims**. Besides, beta-glucan also provides **textural benefits** when used in products.

## HEALTH CLAIMS

**To reach the heart and cholesterol health claims you need to add 1 g of beta glucan per serving**

**Example: How to make a health claim in an oat snack bar (30 g)**

- A) 20 g whole grain oat flakes + 10 g other ingredients
- B) 5 g Fazer Aurora Oat Beta Glucan 20 + 25 g other ingredients

**Health claims approved by EFSA (European Food Safety Authority)**

**1st claim:** The beta-glucan in oats helps maintain normal blood cholesterol levels (Art. 13).

**2nd claim:** Consuming the beta-glucan in oats as part of a meal helps to limit the increase in blood glucose levels after the meal and evens out major fluctuations in blood sugar levels (Art. 13).

**3rd claim:** The beta-glucan in oats reduces blood cholesterol, which in turn reduces the risk of cardiovascular diseases (Art.14).

**4th claim:** The fibre in oat grains promotes digestion. Oats increase the amount of mass passing through the digestive system, thereby facilitating intestinal movement. Good digestion maintains health and helps prevent digestive diseases (Art. 13).

## APPLICATIONS & BENEFITS

### **A traceable, carefully separated oat product**

- ✓ Incorporate the goodness of oats to your products and brands
- ✓ Easy to use in a manufacturing process
- ✓ Suitable for wide range of product applications: bakery and snacking products, mueslis and breakfast cereals, drinks and pasta
- ✓ The high concentration means less is required in the end product to support health claims
- ✓ Beta glucan is recognised heart health, cholesterol level lowering and digestive health benefits
- ✓ Beta glucan can reduce blood postprandial glycemic response

## PROPERTIES

### **Finnish oats – renowned throughout the world for their high quality**

- ✓ Natural soluble fibre, oat beta glucan, with great nutritional content
- ✓ Improves the positive health effects of oats
- ✓ High in fibre and plant protein
- ✓ Good source of iron, magnesium, zinc, phosphorus and calcium
- ✓ Clean tasting with a neutral colour and fine flour form
- ✓ Non GMO
- ✓ Made with traceable Finnish oats
- ✓ Fazer Aurora Beta Glucan also available in concentration 10 %
- ✓ Both beta glucan products with coarse and fine particle sizes

**FSL can offer two kinds of oat beta-glucan by Fazer:**

- a. OB-10: Contains 8-10%  $\beta$ -Glucan; 26% Dietary Fiber; 20% Protein
- b. BG-20: Contains 20%  $\beta$ -Glucan; 42% Dietary Fiber; 24% Protein

**PRODUCT SPECIFICATION**

<b>Name</b>	Fazer Aurora Oat Beta Glucan 20	<b>Packing size, kg</b>	20
<b>Product code</b>	BG20	<b>Packing material</b>	Paper bag
<b>EAN code</b>	6419811900869	<b>Pallet size and type</b>	600
<b>CN code</b>	21069098	<b>Package markings</b>	Oat beta glucan

**DESCRIPTION**

Oat bran, outer parts of oats

**INGREDIENTS**

Oats

**PHYSICAL AND CHEMICAL QUALITY**

Appearance	Fine flour
Colour	Yellowish beige
Odour	Typical neutral oats
Moisture, %	8,0 $\pm$ 1,5
$\beta$ -glucan, %	20,0 $\pm$ 2,0

**NUTRITIONAL VALUE**

		/ 100g
Energy	kJ / kcal	1200 / 290
Fat	g	6,0
saturated fats	g	1,0
Carbohydrates	g	15
sugars	g	2,0
Dietary fibre	g	42
Protein	g	24
Salt	g	0,005

**ALLERGENS**

Allergens according to the EU legislation 1169/2011:

<b>As an ingredient</b>	<b>Oats</b>
<b>Produced in the same line</b>	<b>Wheat, rye, barley</b>
<b>Not as ingredient nor in the same line</b>	Crustaceans, eggs, fish, peanuts, soybeans, milk (inc. lactose), nuts*, celery, mustard, sesame seeds, sulphur dioxide and sulphites, lupin, molluses

\*Namely: almonds (*Amygdalus communis* L.), hazelnuts (*Corylus avellana*), walnuts (*Juglans regia*), cashews (*Anacardium occidentale*), pecan nuts (*Carya illinoensis* (Wangenh.) K. Koch), Brazil nuts (*Bertholletia excelsa*), pistachio nuts (*Pistacia vera*), macadamia or Queensland nuts (*Macadamia temifolia*)

**STORAGE**

Recommended storage conditions	Cool, dry and pest free area, keep away from strong odours
Shelf life	18 months / 540 days
	Production and best before date are marked on the bag

**OTHER**

Country of origin	Finland
Product safety	According to the EU legislation 178/2002
Toxins, heavy metals and pesticides	According to the EU legislations 1881/2006 and 396/2005
GMO	GMO free according to the EU legislation 1829/2003
Other	Product is not irradiated
	Changes possible depending on the crop quality
Updated	11.9.2018

# PRODUCT SPECIFICATION



Name	Fazer Aurora Oat Beta Glucan 10 Fine	Packing size, kg	20
Product code	OB10 FINE	Packing material	Paper bag
EAN code	6419811900715	Pallet size and type	1000
CN code	21069098	Package markings	Oat bran

## DESCRIPTION

Fine oat bran, outer parts of oats

## INGREDIENTS

Oats

## PHYSICAL AND CHEMICAL QUALITY

Appearance	Dry fine powder
Colour	Yellowish beige
Odour	Typical neutral oats
Moisture, %	8,0 ± 1,5
β-glucan, %	> 8,0
Particle size, %	< 670 μm 100
	< 275 μm min 70

## NUTRITIONAL VALUE

		/ 100g
Energy	kJ / kcal	1450 / 350
Fat	g	9,0
saturated fats	g	1,8
Carbohydrates	g	34
sugars	g	1,5
Dietary fibre	g	26
Protein	g	20
Salt	g	0,005

## ALLERGENS

Allergens according to the EU legislation 1169/2011:

**As an ingredient**

Oats

**Produced in the same line**

Wheat, rye, barley

**Not as ingredient nor in the same line**

Crustaceans, eggs, fish, peanuts, soybeans, milk (inc. lactose), nuts\*, celery, mustard, sesame seeds, sulphur dioxide and sulphites, lupin, molluscs

\*Namely: almonds (*Amygdalus communis* L.), hazelnuts (*Corylus avellana*), walnuts (*Juglans regia*), cashews (*Anacardium occidentale*), pecan nuts (*Carya illinoensis* (Wangenh.) K. Koch), Brazil nuts (*Bertholletia excelsa*), pistachio nuts (*Pistacia vera*), macadamia or Queensland nuts (*Macadamia ternifolia*)

## STORAGE

Recommended storage conditions	Cool, dry and pest free area, keep away from strong odours
Shelf life	12 months / 360 days
	Production and best before date are marked on the bag

## OTHER

Country of origin	Finland
Product safety	According to the EU legislation 178/2002
Toxins, heavy metals and pesticides	According to the EU legislations 1881/2006 and 396/2005
GMO	GMO free according to the EU legislation 1829/2003
Other	Product is not irradiated
	Changes possible depending on the crop quality
Updated	11.1.2019

## COST EFFECTIVE SOLUTION FOR SET YOGHURT

GRINDSTED® ES 257 is a cost-effective solution for set yogurt combined with partial replacement of 1.5-2% SMP without losing gel strength and syneresis control. GRINDSTED® ES 257 provides yogurt manufacturers with the tool to maintain a stable product quality throughout the year without seasonal variations.

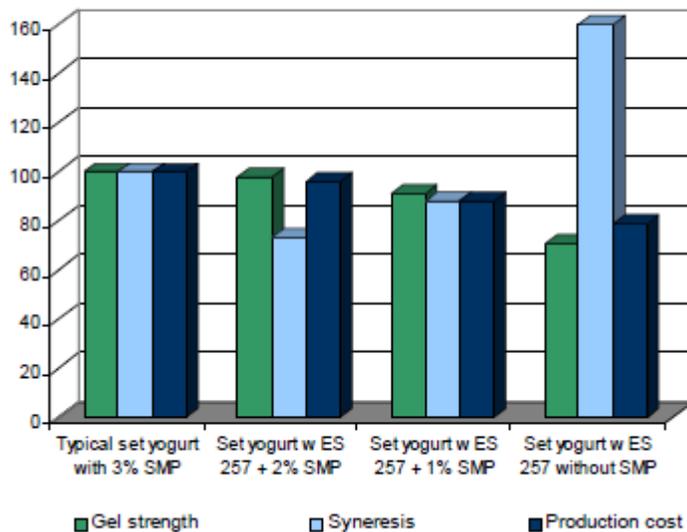
### **CUSTOMER TARGETS:**

- A more stable product quality
- High gel strength combined with good syneresis control
- A cost-effective stabilizer suggestion for set yogurt through the replacement of 1.5-2% SMP
- A gelatin-free product solution

### **Grindsted ES 257 Provides:**

- Maintaining gel strength
- Good reduction of syneresis
- Substitution of 1.5-2% SMP is possible
- Complete substitution of SMP is not advisable
- Positive effect on production costs

Analytical results on 3 week old set yogurt



### **Usage levels:**

0.20-0.25% GRINDSTED® ES 257

### **Declaration:**

Emulsifier (E471); pectin (E440)

#### **Function:**

- Good syneresis control
- High gel strength
- Partial replacement of 1.5-2% SMP

#### **Benefits in your applications:**

- Increased shelf life
- More stable product quality
- Cost saving

## NEW PRODUCTS FROM FONTERRA

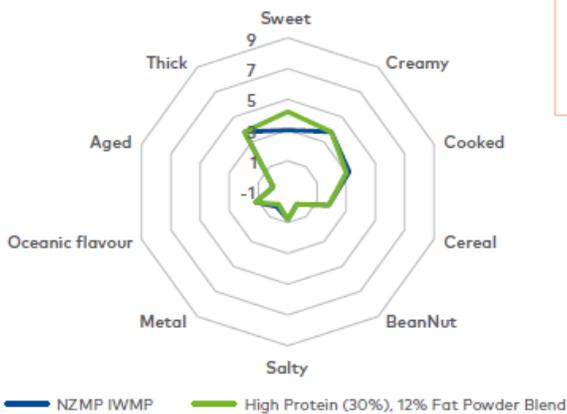
NZMP launched two new products in the market recently.

### Protein+ Instant Milk Powder

NZMP Protein+ Instant Milk Powder has 25% more protein per serve than IWMP, with the same great functionality and creamy taste. Protein is a growing trend globally and with NZMP Protein+ Instant Milk Powder, you can differentiate from the competition with compelling label claims.



High in protein   Creamy taste   33% of your daily calcium needs\*\*



Sensory profile of High Protein milk powder compared to IWMP

Mean intensity recorded (0-9 point category scale)

## Composition

### Ingredient list:

Cow's milk, Soy Lecithin, Vitamin A, Vitamin D.

Protein	30%
Fat	12%
Carbohydrate	48.6%

### Consumer benefits

- 25% more protein per serve than IWMP\*
- 33% of Daily Calcium needs and 16% of Daily Protein needs\*
- Creamy taste
- High in vitamins A and D
- Premium nutrition for active families

(\* Based on 30g serve. Each 30g serve provides 33% of Daily Calcium needs and 16% of Daily Protein needs (Recommended Dietary Intake for NZ Adults). Local regulations should be consulted for permissible claims)

### Ingredient benefits

- Differentiate from the competition with compelling label claims.
- Excellent performance in multiple applications including beverage and tea or coffee whitening.
- CODEX standard for partly skimmed milk powder.
- Quality you can trust.

## LOW-COST PURE INSTANT DAIRY POWDER

Sustained high global whole milk powder prices are putting margins and profitability under pressure, forcing prices up, and making dairy nutrition less affordable for some consumers. As demand for a lower cost alternative to instant whole milk powder intensifies, NZMP Low-Cost Pure Instant Dairy Powder offers an opportunity to differentiate and capture gross margin or market share.

NZMP Low-Cost Pure Instant Dairy Powder is an all dairy, value-for-money alternative to instant whole milk powder that delivers the natural creamy dairy taste consumers expect. High in protein, like instant whole milk powder, this ingredient is suitable for a range of different applications and provides the unmatched performance.

NZMP is renowned for:

- Value for money, all dairy alternative to instant whole milk powder
- Creamy dairy taste that consumers expect
- Enables you to price for competitive advantage
- Contains 24% Protein and 14% Fat
- High in vitamins A and D

### An all-round winning product opportunity

NZMP Low-Cost Pure Instant Dairy Powder is a compelling product that gives you opportunities to extend your product range. Position as a reduced fat, or price fighter SKU, to capture additional value or volume.

#### All Dairy

A natural and great tasting all dairy option.

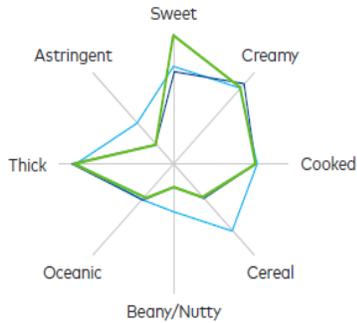
#### Value for Money Nutrition

The nutritional benefits of dairy at a competitive price.

#### Health & Wellbeing

A high protein, reduced fat option for health-conscious consumers.

- NZMP Low-Cost Pure Instant Dairy Powder
- NZMP Instant Whole Milk Powder
- NZMP Fat Filled Milk Powder



Testing conducted by sensory trained panelists from Fonterra Waitoa sensory lab (n=12)

While the percent of household income spend on food purchases in developing countries remains high, value for money over lowest price is increasingly becoming a priority. NZMP Low-Cost Pure Instant Dairy Powder provides excellent value for money by providing the great taste and goodness of all dairy, at a lower price than instant whole milk powder.

NZMP Low-Cost Pure Instant Dairy Powder has a similar sensory profile to NZMP Instant Whole Milk Powder, with a creamy dairy taste consumer prefer. It is also naturally sweeter than both NZMP whole milk powder, and NZMP fat filled milk powders.

41% of emerging market consumers consider value for money more important than low price.



### Applications

- ✓ Beverage
- ✓ Tea & coffee whitening
- ✓ Flavoured beverage
- ✓ Bakery
- ✓ Confectionery
- ✓ Ice cream

## DAIRY COMMODITIES

Dairy commodities, especially SMP and WMP prices, have been on the rise since Q4, 2018 and the trend continued in Q1, 2019 as well. Starting from under 1,600 Euro/MT FOB in Oct 2018, SMP from Europe closed at around 1,950 Euro/MT FOB for March for European product (an approx. 21.8% increase); while it was way above 2,200 Euro/ MT for SMP from Oceania region.

WMP prices have also been following an upward trend from the beginning of 2019. Starting at close to 2,400 Euro/MT FOB for Oceanic product at the beginning of 2019, the WMP prices have been on a constant rise and have crossed 2,800 Euro/MT FOB by March. (an approx. 16.6% increase).

Although it is impossible to forecast the future accurately, as it depends on various global parameters, it is expected that SMP prices may soften a little for end Q2/ Q3 shipments, while WMP is expected to stay firm in the short run. But, prices may start to see a turnaround for Q3 bookings. Some of the reasons behind the steep increase are possibly:

1. **Sudden increase in demand:** The imports from China can be considered as one of the key reasons for the increasing prices of SMP. After trending at a constant import of approx. 20,000 MT per month from Feb 2018 until October 2018, China's import for 4 months (Nov 18 -Feb 19) add up to approx. 136,000 MT for SMP, with January alone close to 60,000 MT. This created a huge gap in terms of demand and availability thus forcing and maintaining the price increase. The MENA region also saw an increased demand in the last 6 months, with the users trying to secure their requirements for the approaching summers and Ramadan.
2. **Low Intervention stocks:** The intervention stocks in EU began with an inventory of approx. 380,000 MT in Jan 2018, reduced to almost NIL by end Jan 2019.
3. **Shift from WMP to FFMP** – The demand for FFMP has not slowed down and it is expected to stay firm in the coming months as well.

Although an increased focus on neighboring markets, mainly Iraq and Africa, can be seen as one of the key drivers pushing the Instant FFMP demands up, a shift to fat-filled products for certain industrial applications due to the huge gap between WMP and FFMP prices can also be considered as a demand generator. This has also created an increased demand for milk solids, thereby keeping the SMP and MPC prices on the rise.

### Market developments that can make a difference:

- 1) The increasing WMP prices may keep the FFMP demand high, thereby keeping Milk solid (SMP/ Proteins) firm.
- 2) As the MENA region gets over the summer and Ramadan, the demand is expected to lean out. This may lead to reduced demand as against the Q1/Q2 demand. Historically, demand from China has also been low in Q2. With EU in peak season, we may see some softening of the SMP prices in Q2/Q3 as the demand – supply equation shifts again and finds a new balance. However, spot offers are still expected to remain high due to limited availability.
- 3) BMP – the availability of BMP continues to be a concern and the status quo does not seem to change in the short run. BMP prices are expected to remain firm in the coming months until the availability improves.
- 4) EU butter enjoyed an average annual price of over 5,000 Euro/MT FOB for the years 2017 and 2018, with the highest being approx. 6,500 Euro for September 2017. However, the prices dropped under 5,000 Euro mark from Europe in October 2018 and the falling price trend continues for the past 6 months, with March closing at under 4,300 Euro/MT FOB for Europe origin product. However, the stronger SMP prices (as compared to Q1, 2018) continue to drive the butter and SMP production out of Europe.

**Please contact FSL if you are interested  
in any of the products showcased above:**

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