



# Dan Ice World

56. issue – May 2021

Dear Friends,

I am pleased to send you the new Dan Ice World, with lots of useful information about areas that will affect all of us. We have looked at the freight side, dairy powder situation, as well as some new ideas.

I hope that you will enjoy reading it. Let us know if you might have some comments. Thanks and wish you a good season in 2021!



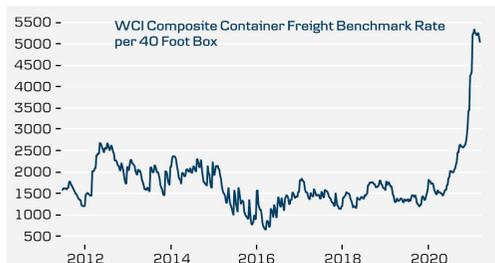
Cameron Skandarioon

## Cost of transportation – Major impact on price and service

We have all experienced tremendous increases in costs for transporting our goods around the world for the past six months or more. In the past, we usually used to calculate the freight cost based on previous “experience”; something that was “given”, and we often assumed more or less unchanged freight cost from the “latest” order. Those times are over!

### We can't do that any longer!

With an almost exploding WCI composite container index for freight, one is forced to check and calculate new transport cost each time – and even in some cases make the cost of transport “subject to final confirmation”. A freight cost quoted today may be 30% or 40%



inflated before you actually have the order confirmed and goods shipped!

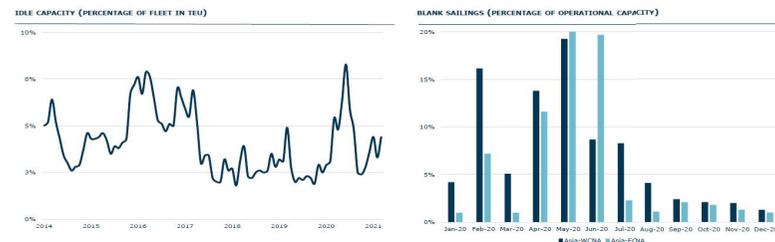
### So the question is: Why are transport costs sky rocketing now?

There are many factors. The Covid-19 situation has left many empty containers stranded in wrong positions. Goods still come out of China, but not much is being exported back. That has changed the schedules of the container ships, and some routes are scaled down, vessels are relocated – or even scrapped.

These factors give shortage, longer transit time, less departures to choose from – and increased prices. The trade flow has changed a lot from previous. This is also seen on the capacity utilization.

#### CAPACITY AVAILABILITY DRIVERS

The active fleet decreases to extreme low levels



Simultaneously the PMI (purchasing managers index) is on a 50 weeks' high, as many consumers in the most developed parts of the world are working from home and restricted to go to their jobs.

### Increase in consumer consumption

That has created a very strong demand for consumer related products. Not only food – but also technical appliances like more computers, tv-sets, etc.

The graph on the next page shows the private consumption in the US: The blue line the private consumption of consumer goods, the red graph the private consumption of services.



With this in mind, we have seen a tremendous increase in the global container shipment rates. The rates for shipping have skyrocketed and in some cases, we have seen rates more than 10K

USD for a 40'.

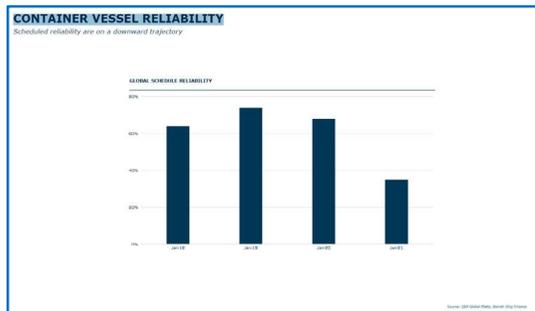
### Flattening out

During the last couple of weeks, there has been signs of flattening out, but it could also be some pause before the next increase. Difficult to foresee.



Container index flattening out

This increase is indeed because the availability of the containers and number of vessels have shrunk, as the major shipping companies have been optimizing their capacities:



### Suez blockage

Finally, we saw some disruption of the shipment by the temporary blockage of the Suez Channel, which caused some weeks of delay in major part of international shipments.

The economic activities are picking up due to the soft opening of many markets after the Covid-19 lockdowns, and hence the demand for further shipment of goods will increase, resulting in higher oil prices and yet another upward pressure on freight rates...

*All in all – our customers should expect longer delivery time for their deliveries and better to have an improved long terms planning!*

### Global Dairy market

We have seen an upgoing trend on the world market of SMP prices during quite a long time.



The latest gDT showed stable prices for SMP so we might have reached a point of price stabilization as a result of reluctant buyers, thinking that the market moved up too much and having the expectation (or hope) that it could come down again.

Looking at the milk production, **European manufacturers** maintain their high prices because EU milk production is still down 0,9% (year-to-year) and stocks are low. On the contrary, US milk production is strong with March up 1,8% compared to last year.



**China** imports were exceptionally strong in Q1, and whey imports are up 77%! (year-to-year) which is an evident reason that whey prices have been up so much over the last couple of months.

We know that globally there is still a lot of uncovered demand that needs to be filled in. Because of the uncovered demand every new inquiry is a reason for the tight market possibly to move up again.

We remain cautious and although overall demand is stronger than global production, we do see some mixed signals. We suggest covering until August shipment but not further out.



**If you need** to contract milk products or if you want to look into the possibility to implement functional milk replacers to obtain functionality and price reductions, please contact your Tetra Pak point of contact and we will guide you with the development phase and supply.

### Lactose intolerance – trend or reality...!?

It has probably not gone unnoticed that the demand and interest for everything eatable that can be declared “non” or “free” is growing. Non-fat / Non-sugar / Free from additives and so on....

One of the bigger trends has for a long period been lactose-free dairy products. Lactose intolerance is a severe problem for many:

The body is not able to break down lactose in dairy products, resulting in very unpleasant stomach and digestion problems, as the body lacks the lactase enzyme to cleave the lactose (milk sugar).



In Denmark, the leading dairy company Arla Foods reports of increased sales in 2020 of 24% for lactose-free products. A tendency that they expect will just continue to grow.

### How big is the problem actually?

Well – that depends on where in the world you live. In most of Western Europe, where we are brought up since childhood with dairy products as a part of our basic food, the problem is much lower than other parts of the world.



In Denmark only 4% of the population suffers from lactose intolerance. In EU on average, the figure is around 15%, but with a high in the Czech Republic of 81%! In the Middle East, the numbers range from 28% in Saudi Arabia to 96% in Oman. And in Africa, you will

find figures from 62% to 100%. Figures for USA and Canada are 36% and 59% respectively.

In the more economically well-off countries, you see a disproportional big share of lactose free products being sold, i.e. it is not only purchased by people suffering from lactose intolerance, but to a higher extent also by consumers worrying over intake of possible non-healthy ingredients.



So, going lactose-free is not only due to health problems, but may also have become a lifestyle statement.

### Innovative lactose-free products

It is probably based on above that our partner Dr. Suwelack of Germany has introduced three lactose-free products in powder form for industrial use:

*Skimmed Milk Powder, Yoghurt Powder and Quark Powder.*



This is a major achievement – they maintain the functional and healthy ingredients of the basic product – and you will get the opportunity to take part of supplying your customers with such highly proclaimed “trendy” and healthy products. Good for ice cream, dairy products, chocolate and bakery.

Data Source: Christian Løvold Storhaug, Svein Kjetil Fosse, and Lars T Fadnes, “Country, Regional, and Global Estimates for Lactose Malabsorption in Adults: A Systematic Review and Meta-Analysis,” *thelancet.com*, Oct. 1, 2017

### Have functionality and stability in your solution

When producing an **ice cream**, you need the functionality from the stabilizers to give you properties like creaminess, ice crystal control and good meltdown properties. When producing a **chocolate milk**, you need to maintain the dispersion and stability of particles as cocoa and milk solids. It must withstand temperature fluctuations and give good mouthfeel.



When combining both categories into **UHT Soft Ice Mix** you risk a total interference of stabilizers so that the product may lose functionality and may even be too viscous to be processed through the UHT heat exchanger or at your customers soft ice machine.

With **our new solution** combining our well known Luxice™ stabilizer for ice cream, together with our new developed Luximilk™ stabilizer for ambient beverages, we can offer stability of the soft ice mix of at least 6 months and give excellent ice cream functionality.



The product is already proven at commercial scale and easy to implement. Focus through the study has been low processing viscosity

(more feasible for the UHT to process), overall good ice cream functionality and cost under control. The product can be adjusted to your ice cream recipe.

### ‘Funky’ dairy creamy dessert

Do you remember as a kid the sweet and sour neon candies? Maybe you still cannot withstand the acid tangy flavors as an adult?



Then, think of them as a creamy dairy dessert - combining milk, sugar, starches, stabilizer, flavours and colours and acidifying it with citric acid - you get this funky dessert ready to be consumed.

We challenged our R&D department to create an indulgent dairy dessert using ‘funky’ acid tangy flavors, which is offering a NEW unique eating experience vs. traditional neutral flavors.

The results were:

- ✓ Enabling a unique fresh & creamy texture
- ✓ Possibility to use acid based funky flavors such as confectionary or soft drinks
- ✓ Easy to manufacture without a dedicated cold filling UHT line
- ✓ Enables 28 days shelf-life

We hope that you have enjoyed this newsletter.

If you have any comments, please do not hesitate to contact:

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If you are interested in previous issues of **Dan Ice World**, please contact [ingredients@tetrapak.com](mailto:ingredients@tetrapak.com).

