



Dan Ice World

58. issue – January 2022

Dear friends and ice cream lovers!

I am pleased to bring you our 58th issue of Dan Ice World!

Happy New year to you all!

The business has been overall quite satisfactory for us in 2021, and my understanding is that almost all our customers have grown the business compared to 2020. Thank God for this!



During the last quarter, we have seen quite some turbulence in the market for dairy powder and oil that we will shared with you in the next pages. The freight situation globally has not stabilized, and we see more delays/cancellations as well as continued price hikes for container shipment, especially out of China. The rates like 17K\$ or 18\$ are becoming the new norm (!), creating a lot of challenges for our customers. We strongly advise you to do a better planning for your shipments.

Moreover, the prices on ice cream sticks and spoons have also gone up by 30-40%, and combined with port lockdowns in China, the shipment delays and increased freight rates, upwards pressure on this market is putting another pressure on the cost side...

Last but not least, we have a new face in the team: Christian Hansen, who replaced Tina M Andersen as our SuM Project leader. Tina changed job to another department within Tetra Pak. Please join me in welcoming Christian.

I hope that you will enjoy reading the material that we have prepared for you and look forward for another good year of cooperation with you.

All the best wishes to you and your teams in 2022!

Cameron Skandarioon

News from Ingredients Solutions
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The Perfect Storm – Price for Stabilizer Systems

If you imagine taking the following factors into one equation, you will understand why prices for stabilizer systems world-wide are skyrocketing:

- **Energy** – EU gas prices have increased by 700% / cost of CO² increased by 300% since December 2020
- **Transport** – increases of anything from 200% to 400% during the past year for container transports
- **Raw Materials** – also here we see increases beyond our imagination.
- **Climate Changes** – effects constantly crops and yields – unfortunately only negative.
- **Constant Growth** – the demand is increasing due to natural growth of traditional products – but in particular lately when also plant-based products are availing on suitable stabilizers and thickening products.

Let us be more precise on the actual costs drivers for our Luxice™ stabilizer systems – let us look at the most important individual **Functional components**:

Locust Bean Gum (LBG) – the preferred stabilizer when producing ice cream (and so many other delicious food products) – being a natural product giving superior keeping properties and smooth texture. Becoming very expensive: Over the past five years the cost has gone up by 1,000%.

Why so much? LBG is produced only a few places in the world and demand has surpassed supply. You could argue why not increase the production? But that is not easy:

Best location is around Morocco where adequate soil is limited, and the plant does not like to grow in “new” environments. Besides, it takes many years before you can harvest the first crop.

Another major reason to its popularity is that it is a label-friendly product. This is what the industry is looking for, so buyers queue up, literally speaking.



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The new trend with plant-based products (meat alternatives and oat-based beverages are good examples) using more and more LBG is also putting more pressure on the supply side - and that pressure is only expected to rise.

Guar Gum and Tara Gum – has become more popular to replace LBG – although they cannot fill the quality gap completely. India and Pakistan are the major producers of guar gum: several hundred thousand metric tons per year.

However, the crop is coming from mostly small farmers and, if prices are not acceptable, or if the weather is not suitable for producing guar gum, they easily can replace it by another crop yielding better on the short outlook (like for instance cotton or other commodity crops). That has an impact on the supply.

The transport cost from the farmer to the manufacturing sites in mainly Europe also adds to the costs.

It should be noted that worldwide production of Guar Gum is extremely larger than LBG production. As mentioned above, the volumes of guar gum are very high whereas LBG production may be around 20,000 tons only!



Finally and of course, the rising prices of LBG have also had an impact on Tara gum prices. They tend to go up accordingly.

Carrageenan and Xanthan – also popular substitutes for LBG. Prices are historically high these days and also here, demand outpaces supply.

China is the main producer of Xanthan, and the many power outages in China lately, this product being technically produced (not plant derived), have led to a great shortage of product in EU, the major importer.



Another important – and in volume – bigger component in integrated stabilizer systems are the **Emulsifiers** – normally making up some 65 - 70% of the integrated product offer. Oil prices (energy and transport) have increased significantly which makes it more expensive to produce and move the raw materials.

Simultaneously, crop prices are record high caused by a reduced sunflower crop, and soybeans demand in China for local consumption is high. If you then also add the increasing use of vegetable oils to produce bio-fuels, you have the perfect recipe for increased costs.



And yet one more complication to include in your equation about stabilizer and the perfect storm: Due to the extreme transport conditions these days with plenty of missing truck drivers, the lead-time has now gone up by another two weeks – so careful planning is essential to get your favorite Luxice™ stabilizer right on time.

Conclusion

So what impact has “The Perfect Storm” on the stabilizer situation nowadays?

As you can understand from reading above, ALL factors are against steady or lower prices; all materials are increasing in price, the demand is all time high – *and therefore, our best advice is to make forecasts and booking for your need for stabilizer system already today for the full year!*



Now, it is not only a matter of securing today's prices (which surely will go even higher) – but maybe even more important – securing supply!

Oil prices at historical high levels

The world is still facing the problems brought on by the covid-19 pandemic that has led to high price in commodities and shortage of supply of vegetable oil.

There are several recent developments that maintain bullish oil prices:

- The current dry weather has affected bean crop development in Brazil and put some pressure on price.
- The coming festive seasons – e.g. Chinese New Year, Ramadan in Muslim countries will drive up demand
- The recent flood in Malaysia has affected the production of palm oil.



On the other hand, the high oil price has dampened the demand. End customers have reduced the usage, or they buy on a need basis only.

With the limited/uncertain supply, reduce demand as price of the commodities hitting all time high, and some have adjusted a bit, the price may remain high for some time until the supply comes back to normal, and price will move lower.

Our suggestion based on the current market situation would be just to buy whatever is needed.

Global milk prices hitting the roof

The second half of 2021 will probably be remembered for its contradiction between record high milk prices and declining milk output in almost all regions.



Going forward, milk supply enters an interesting phase as milk prices will be reaching levels where the negative impact of high input prices on cash flows will be erased.

As of Q2, we will most likely be able to tell in which countries the weakness of milk production is caused by structural causes having to do with environmental limitations and succession issues, and in which regions high input costs were the main issue.



For now, however, buyers can only wait for better times to come as weekly data still turn out very weak milk production data. This situation will likely last until the arrival of spring in the Northern hemisphere, which is a worrisome outlook in terms of the availability of product for nearby delivery.

SMP: Prices continue to rise while availability continues to fall

SMP prices seem to be on their way to levels above USD 4,000 in all major export regions. US stocks may seem to be the last remaining element of comfort for buyers, but stock levels have now fallen below historic end of the year averages. Moreover, a higher percentage than normal is reportedly already committed and waiting for a logistic solution to leave the warehouse.

Overall monthly availability has been falling every month since July, and milk production was very weak in November and December.

Historically, trade tends to be slow at the start of the year so some degree of cooling down after the steep increase in prices since July is possible. Fundamentally however, it is difficult to find arguments for a material weakening of prices in Q1-2022.

Looking forward into 2022, we will likely see continuing price appreciation in Q1 until the rising tide of the Northern hemisphere removes the short term buyside worries about availability.



In the second half of 2022, we will be able to answer the key question about the supply side of the market:

In which export regions have cash flow constraints temporarily hampered milk production growth and in which regions will structural limitations continue to prevent growth of milk production?

The increasing milk prices have impact on the whey prices as well and as such, as well on the price of Luxilac. However, the tendency is that higher SMP prices will offer a bigger amount of saving using the milk substitute Luxilac.



For technical information and/or indicative price level, please contact your regular contact at Tetra Pak. We will also be at your service helping optimize recipes and hereby finding possible improvements in functionality as well as possible savings.

Cereals – for ice cream!

We take pleasure in introducing you to a new concept in terms of cereals. The concept originates from breakfast cereals and with a great product development, it is now moved into semi-finished products for the industry based on the high-quality grains.

Produced on state-of-the-art technology, so in the best way combining the previous manual skills in handling grains with best industrial practice.



The production process is done with Food Safety compliance in mind, and our supplier has been awarded with ISO 9001 certification as well as both BRC and IFS certifications.

The cereals are enjoyed by everyone – from children to their parents – and with the technology and know-how available, we have a good solution within healthy cereals being used in food industry both in

ice cream and dairy products.

The production process makes it possible to turn grains into flakes, flours, pearled, extruded, puffed crunchies and granola products.



For our ice cream industrial customers, we feel convinced that the assortment of puffed caramelized rice or broken corn flakes with either chocolate or caramelized in bits of 1-4mm could be great for adding that (inexpensive) touch of crunchiness in coatings.

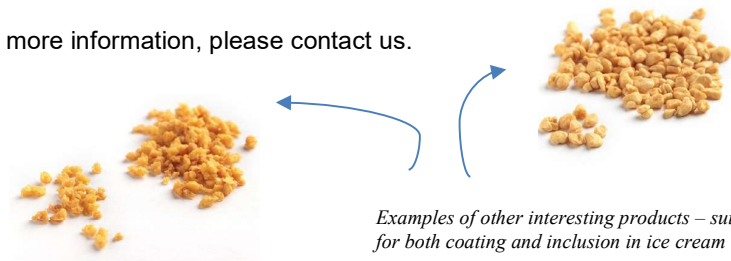


Or if coated, which is also an option, they could be used as inclusions in your ice cream.

Ideation of a delicious ice cream both coated and stuffed with chocolate-covered broken flakes of corn.

The solutions are almost endless!!

For more information, please contact us.



Examples of other interesting products – suitable for both coating and inclusion in ice cream

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.

