



DairyMatters

Trust. Loyalty. Integrity.

Newsletter Volume 1 February 2008

Introduction to the first Clover Dairy Matters

For the past 108 years, Clover has been an integral part of the agricultural sector and specifically the dairy industry in South Africa. Clover is unequivocally the only dairy company to be proudly South African. Without the commitment and loyalty of our producers, this achievement would not have been possible. Some of our current producers are descendants of the founders of the first co-op and this is indicative of the strong relationships forged over many years. Communication is always under the magnifying glass and in our quest for continuous improvement, we have decided to publish a newsletter every second month, focusing mainly on producers and their interests. We trust you will find it a positive contribution towards improving our communication and an enjoyable read.

Please feel free to provide feedback and suggestions to improve the newsletter. Contact details are provided at the bottom of each page.

Tobie de Villiers
General Manager: Milk Procurement



Future outlook

Trading conditions during the last two months have deteriorated. The increases in interest rates, fuel prices, food prices and inflation now seem to be having a serious effect on the markets. The latest Escom power shedding and fears of international economic recessions, evidenced by the spectacular drop in share prices locally and internationally, further fuel the drop in consumer spending.

Clover's sales volumes and prices are not exempt. We are experiencing slow UHT sales (most of our seasonal surplus milk goes into UHT) as the trade is still trying to get rid of its cheap imported UHT, together with the dumping of seasonal surplus milk by certain smaller players in the local market. It is uncertain how long the imported stocks will last, as sales appear to be slow. For December 2007, two of the country's largest retailers sold 21% and 14% less UHT than in December 2006.

Clover's raw milk supply for the first six months of its financial year was slightly below budget, but following the trend of the last 3 months we expect the milk intake to be above budget from now onwards. The competition for raw milk is, however, still tense despite the slump in market conditions, with substantial price increases of between 20 c and 40 c per litre implemented and promised by opposition buyers across the country. These latest increases during fast deteriorating market conditions are unfortunately very dangerous for the dairy industry. The sudden slump in the market, rather than surplus milk production, may result in a national milk surplus sooner than expected. Clover currently has enough raw milk, but it remains difficult to predict the coming winter's milk flow and sales volumes, as no reliable industry figures are available.

Jacques Botha
Chief Financial Officer





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Clover Best Farming Practices for Milk Producers

The goal of Clover's Best Farming Practices for Milk Producers is to ensure the constant production of high-quality, safe raw milk that meets all the legislative requirements. To reach this goal, the following six elements have been identified and included in Clover's guidelines for Best Farming Practices:

- o Animal health and herd management
- o Animal nutrition and water
- o Veterinary medication and agricultural chemicals
- o Milk hygiene and safety
- o Environmental management
- o Staff/people

An HACCP-based risk analysis for safety and quality risks was conducted by an expert team on the milk production process and control points were identified for each key element. Both critical and operational control points were identified, which must be managed for system maintenance. Records must be kept for all the critical control points to serve as evidence that the risks have been controlled and to ensure traceability. Riana Viljoen has been successfully implementing and auditing this system and the progress to date is as follows:

Percentage of milk already integrated: 92%
Percentage of milk already successfully audited: 47%

We thank all participating producers for their co-operation and effort, which is sincerely appreciated.



Producer News

Producer Benchmarking

At the end of October 2007, Clover started benchmarking producers according to the following criteria:

- o Proof of parlour registration
- o Proof of TB certificate
- o Proof of CA certificate
- o Inhibitor-free milk
- o No milk with a sub-standard freezing point
- o Butterfat
- o Protein
- o Kilogram solids per kilometre
- o Bactoscan count <200 000/ml
- o Somatic cell count <250 000/ml
- o Number of tanks in use
- o Milk delivery according to contracted volume
- o Participation in Best Farming Practices (BFP)
- o Passing of BFP audits
- o Availability of turning space of at least 34 m
- o Average temperature of milk when loaded on the farm.





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An index value was calculated and the following operations were named as the Top 10 producers with the highest index values in the Clover Group:

October 2007	November 2007	December 2007
Stratford, IA (Estcourt)	Stratford, IA (Estcourt)	Stratford, IA (Estcourt)
Kruger, T (Lichtenburg)	Ward, PJ (Estcourt)	Du Plessis, PH (Lichtenburg)
Liebenberg, M (Lichtenburg)	Du Plessis, PH (Lichtenburg)	Kruger, T (Lichtenburg)
Insurance Business Trust (PE)	Kruger, T (Lichtenburg)	Pieterse, JJ (PE)
Pieterse, JJ (PE)	Pieterse, JJ (PE)	Insurance Business Trust (PE)
Super Pro Dairy (Pty) Ltd (PE)	Vroom, GP (PE)	Super Pro Dairy (Pty) Ltd (PE)
Thornycroft Farm Trust (PE)	Liebenberg, M (Lichtenburg)	Thornycroft Farm Trust (PE)
Ward, PJ (Estcourt)	Elliott, MG (Estcourt)	Potgieter, C (PE)
Vroom, GP (PE)	GJ Knobel & Seun (Pty) Ltd (Heilbron)	Ward, PJ (Estcourt)
Elliott, MG (Estcourt)	Rabie, JJ (Wesselsbron)	GJ Knobel & Seun (Pty) Ltd (Heilbron)

Congratulations! It's a real privilege doing business with producers such as these.



General News

CAMPPS

The Clover Automated Milk Procurement Planning System (CAMPPS) originated a few years ago, because a need existed for holistic optimisation of Clover's milk collection routes. The development was done with TransCad software as the platform and the program is utilised strategically, tactically and operationally.

Detail contained in every planning session includes each producer's volume per day, window periods during which milk may be collected per farm and vehicle access. The solutions to transport problems become increasingly complex with an increasing number of variables and the CAMPPS package utilises the best available algorithms to solve every transport challenge. Utilising this program, Milk Procurement's planner, Karel Koen, ensures that Clover consistently employs the smallest number of vehicles over the shortest distances to collect the highest volume of milk.





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Clover is the preferred brand

Few brands can boast a genuine South African heritage of more than a century. Fewer still are so well-loved that they have earned a place among the world's top two percent of brands and can also claim to have achieved an emotional bond with consumers. Clover proudly lays claim to both these achievements.

Clover was recently voted the second most used South African brand in the latest Target Group Index (TGI) National Survey. Clover met all the criteria of a successful brand and was voted a popular choice among consumers in countries outside South Africa. Clover was also voted the most trusted dairy brand in South Africa in the 2006 research conducted by Markinor and was the second most trusted brand overall in 26 categories. Although these accolades would not have been possible without passion and hard work, we cannot overestimate the role of the raw milk quality supplied by our producers. It is the cornerstone of this brilliant success story and we proudly pay tribute to our producers for the quality raw milk they produce.

From humble beginnings more than a century ago, Clover has grown to become a byword for trusted quality and care. Its Corporate Social Investment (CSI) project, Clover Mama Afrika, has made a real difference in the lives of the poor and underprivileged in the three years since its inception. This initiative has won several awards in recognition of its contribution to South African communities. The accolades include the 2007 Proudly South African Homegrown and Bridge Builder of the Year awards. In addition, a portion of the company's profits are donated to CHOC to support parents and families whose children are undergoing cancer treatment.

Clover's partner, Danone, also has a special programme in place for children, hosting the Under-12 Soccer World Cup in France each year. Last year's cup was won by South Africa.

Clover will continue to retain and grow its status as the most loved brand through ongoing innovations, quality and care.

