

STANDARDIZED MILK PRICE CALCULATIONS for DECEMBER 2011 deliveries

(for standardized milk (1) and based on payment systems of the companies; all prices in euro / 100kg)

Company		Quality adjustment	Quantity adjustment	Seasonal adjustment	MILK PRICE this month	Most recent supplementary payment	Rolling average last 12 month (4)
Milcobel	BE	0.73	1.37		33.22	0.42	34.50
Alois Müller	DE	0.51			34.37	0.23	34.89
Humana Milchunion eG	DE				33.62	-0.15	34.05
Nordmilch	DE		0.15		33.18	0.00	33.75
Arla Foods	DK	0.67			33.70	2.56	36.19
Hämeenlinnan Osuusmeijeri	FI				41.29	3.59	44.06
Bongrain CLE (Basse Normandie)	FR	0.74			32.78	none	34.34
Danone (Pas de Calais)	FR				32.36	none	34.55
Lactalis (Pays de la Loire)	FR				33.00	none	34.19
Sodiaal	FR	0.58			32.71	none	34.34
Dairy Crest (Davidstow)	GB	0.12	0.35	1.73	35.81	0.00	31.76
First Milk	GB	0.58	2.16		31.99	0.00	28.83
Glanbia	IE				33.91	0.00	34.15
Kerry	IE				33.82	none	33.61
Granarolo (North)	IT	1.15	3.42		40.42	none	40.40
DOC Kaas	NL	0.05	0.34		35.83	2.64	37.47
Friesland Campina	NL	0.05	0.75		35.92	1.84	37.21
AVERAGE MILK PRICE THIS MONTH (2)					34,59		35,19
Fonterra (5)	NZ				30.32	0.00	31.31
United States of America (3)	US	0.15			34.95	none	32.70

Remarks:

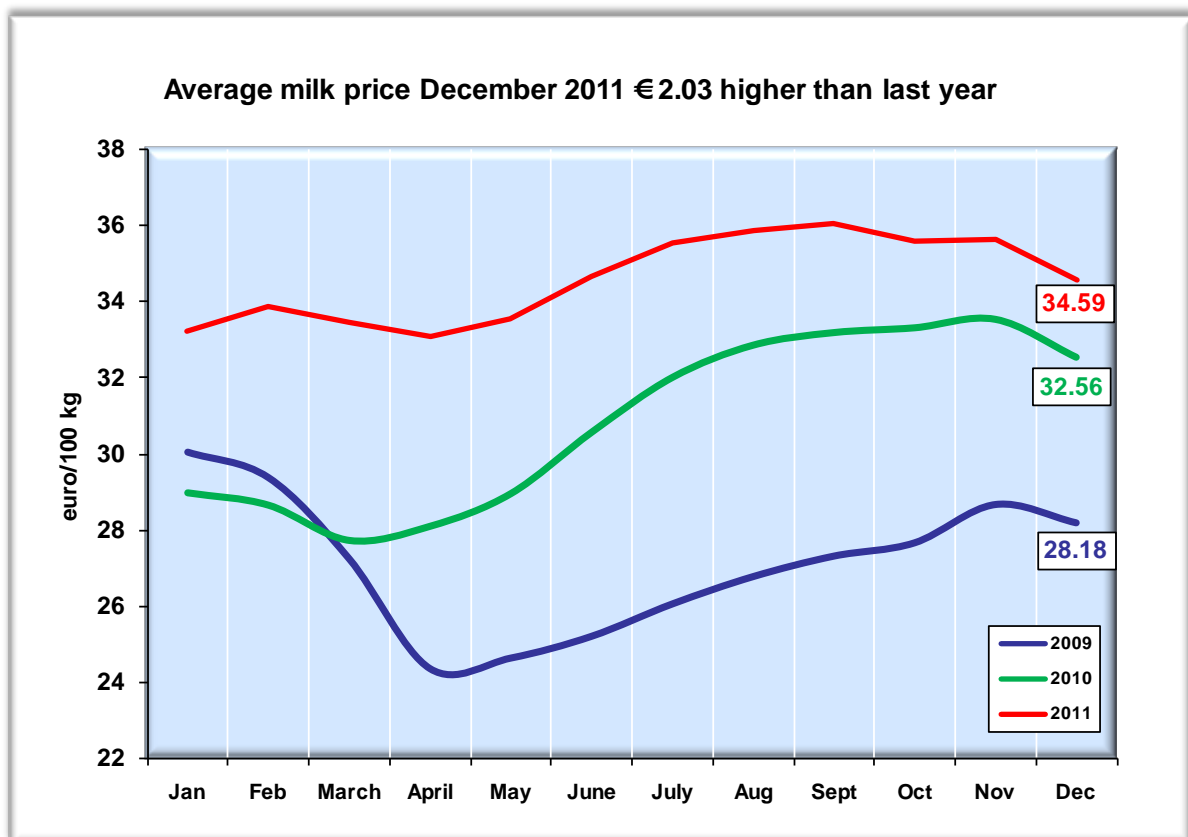
- (1) All prices are VAT excluded, paid to producers and assuming milk collected every other day.
Price per 100 kg standard milk with 4.2% fat, 3.4% (crude) protein, 500,000 kg per year, total bacterial count 24,999 and somatic cell count 249,999 per ml.
- (2) Arithmetic average.
- (3) Based on USDA announcement, adjusted for 4.2% fat, 3.4% protein and somatic cell count 249,999 per ml.
- (4) Including most recent supplementary payment.
- (5) Based on payout forecast, adjusted for 4.2% fat and 3.4% protein.

ADDITIONAL REMARKS MILK PRICES DECEMBER 2011

MILK PRICES

The average calculated milk price for the December 2011 deliveries is € 34.59 per 100 kg standard milk. This is an increase of 6.2% compared to December 2010 (+ € 2.02).

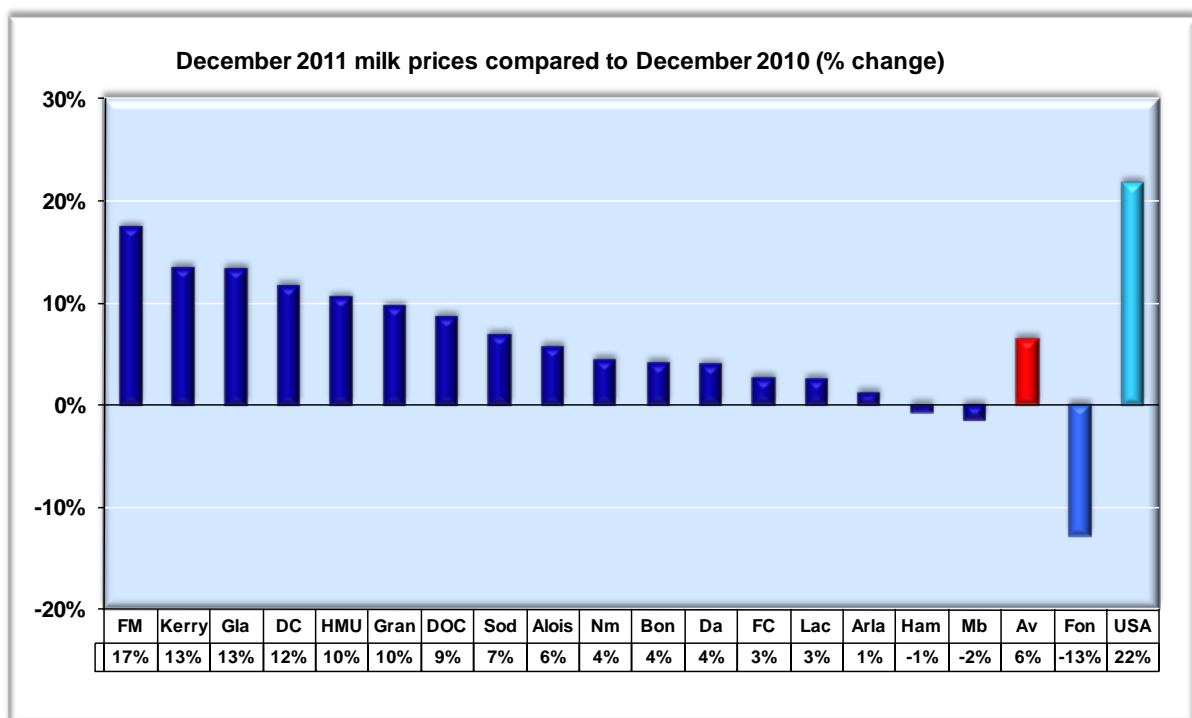
Compared to November, the average milk price of December decreased by € 1.03. This decrease is because of some declines in prices. Also, in November some winter bonuses have been paid out, resulting in a higher milk price for the November period.



The calculated milk prices of the French dairies have decreased in December. Decrease varies from € -0.49 (Lactalis) to € 1.86 (Bongrain). The German milk prices decreased as well. The milk prices of Humana Milch Union and Nordmilch have both decreased by € 1.98. Alois Müller's milk price decreased by € 0.50.

The calculated milk price for Glanbia is € 33.91. The Irish dairy has not paid out a winter bonus in December.

The Swedish/ Danish dairy Arla Foods remained its milk price stable in December. Arla will decrease its milk price by € 0.25 in January 2012. FrieslandCampina has increased its milk price by € 0.25 in December, resulting in a calculated milk price of € 35.92. The Dutch company has announced to decrease its milk price by € 1.00 in January 2012. DOC Kaas remained its milk price stable in December.



Milk price development 2011

Table advance milk prices 2011

		2011	2011-2010	2011/2010
Hämeenlinnan O.	FI	40.47	4.84	14%
Granarolo (North)	IT	40.40	5.48	16%
FrieslandCampina	NL	35.36	4.39	14%
DOC Kaas	NL	34.83	5.06	17%
Alois Müller	DE	34.66	4.10	13%
Danone (Pas de Calais)	FR	34.55	2.36	7%
Sodiaal Union	FR	34.34	2.63	8%
Bongrain (Basse Normandie)	FR	34.34	2.53	8%
Humana MilcHunion eG	DE	34.20	4.03	13%
Lactalis (Pays de la Loire)	FR	34.19	2.54	8%
Glanbia	IE	34.14	4.42	15%
Milcobel	BE	34.08	2.54	8%
Nordmilch	DE	33.75	3.37	11%
Arla Foods DK	DK	33.63	3.81	13%
Kerry Agribusiness	IE	33.61	4.60	16%
Dairy Crest (Davidstow)	UK	31.76	3.02	10%
First Milk	UK	28.83	3.58	14%
Average		34.54	3.72	12%
Fonterra	NZ	31.32	0.94	3%
USA class III	US	32.70	5.46	20%

Compared to 2010, the average milk price of European dairies increased by € 3.72 (+ 12%) up to € 34.54 per 100 kg standard milk compared in 2011. Please note that the prices shown in the table are not the definitive milk prices as some dairies – mainly coops- make supplementary payments after the end of the milk price year. The definitive milk prices will be published by the end of June 2012, when all supplementary payments of 2011 are known.

The Finnish dairy Hämeenlinnan Osuusmeijeri again is on top of the list, together with the Italian Granarolo. More remarkable are the high rankings of the Dutch companies and the relatively moderate increase in French milk prices. The fact that the calculated milk price of FrieslandCampina is clearly higher than the advance milk price of several other dairies on which FrieslandCampina's milk price is based, can be clarified by the calculating method. FrieslandCampina pays a guaranteed milk price based on milk prices of Arla, Milcobel and some German and Dutch dairies. This guaranteed milk price is however not only based on the advance milk price, but also on possible supplementary payments and registered reserves. However, the calculated milk prices shown in the table are advance milk prices. No supplementary payments or registered reserves have been taken into account.

Besides the increase of DOC Kaas (+ 17%), the calculated milk prices of the Irish dairies Kerry (+ 16%) and Glanbia (+ 15%) have increased relatively the most. On the other hand, the advance milk prices of the Belgian dairy Milcobel and the French dairies showed the least increase (+8%). The last mentioned development confirms the picture of previous years that French milk prices are less volatile than the ones in other countries.

The calculated milk price of the German Alois Müller is higher than the ones of the DMK co-operations Humana and Nordmilch.

The Danish/Swedish co-operation Arla Foods has a relatively low advance milk price. However, it should be noted that Arla usually pays out a high supplementary payment.

The British milk prices, have, especially in the second half of 2011, increased remarkably. Because of the change in the exchange rate of the British Pound compared the euro does this not entirely reflect in the in euro's expressed milk prices. In national currency, the British milk prices have increased by 15% (Dairy Crest) and 18% (First Milk).

The largest milk price increases in 2011, however, took place outside Europe. Expressed in national currency – thus corrected by changes in exchange rates- the USA Class III and Fonterra's milk price increased by respectively 25% and 24% in 2011.

Milcobel

For the fifth month in a row, the basic milk price of the Belgian dairy Milcobel remained stable at €33.22.

Germany

The German milk prices decreased in December. The milk prices of Humana Milch Union and Nordmilch have both decreased by €1.98, resulting in €33.62 and €33.18 respectively. Alois Müller's milk price decreased by €0.50 to €34.37.

Scandinavia

In December, the milk price of the Danish/Swedish dairy Arla Foods remained stable. The calculated milk price is €33.70. Arla will decrease its milk price by €0.25 in January 2012.

The calculated milk price of the Finnish dairy Hameenlinnan Osuusmeijeri for December is €41.29.

France

The calculated milk prices of the French dairies have decreased in December. Decrease varies from €-0.49 (Lactalis) to €1.86 (Bongrain).

United Kingdom

The calculated milk price for Dairy Crest is €35.81.

The milk price of First Milk has decreased because of seasonal adjustments. The calculated milk price for December is €31.99.

Ireland

The calculated milk price for Glanbia is €33.91. The Irish dairy has not paid out a winter bonus in December.

The milk price of Kerry remained stable in December. Kerry's milk price has not changed since April 2011.

The Netherlands

FrieslandCampina has increased its milk price by €0.25 in December, resulting in a calculated milk price of €35.92. The Dutch company has announced to decrease its milk price by €1.00 in January 2012.

DOC Kaas remained its milk price stable in December. The calculated milk price for November is €35.83.

Granarolo

The calculated milk price of Granarolo for November is €40.42.

New Zealand

Because of a slight increase in the exchange rate of the euro, Fonterra's calculated milk price results higher compared to previous month. Based on an average milk price of NZD 6.815 per kg fat and protein, the calculated milk price is €30.32 per 100 kg standard milk.

USA

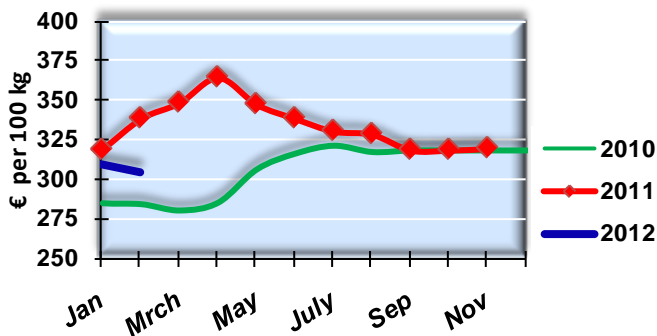
In December, the US Class III price has decreased from \$ 19.08 (November) to \$ 18.76 per cwt.

Expressed in Euros, the calculated milk price for November is €34.95 per 100 kg standard milk.

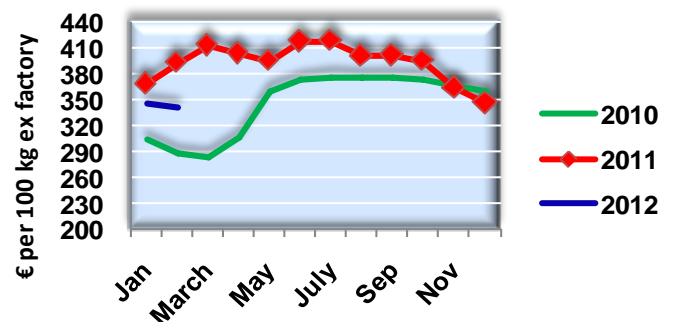
MARKET SITUATION

Dutch Quotations				€ per 100 kg
	1 January 2012	4 February 2012	index	trend
Butter	346	343	96.1	↓
Whole milk powder	283	283	98.2	→
Skimmed milk powder	229	230	100.4	→
Whey powder	94	95	117.5	→
Gouda cheese	± 320	± 310	100.0	↓

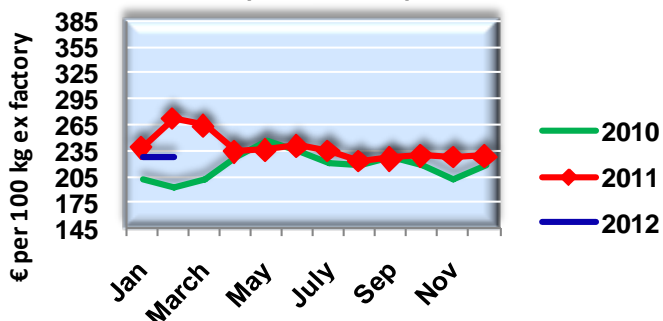
Dutch Gouda Cheese price



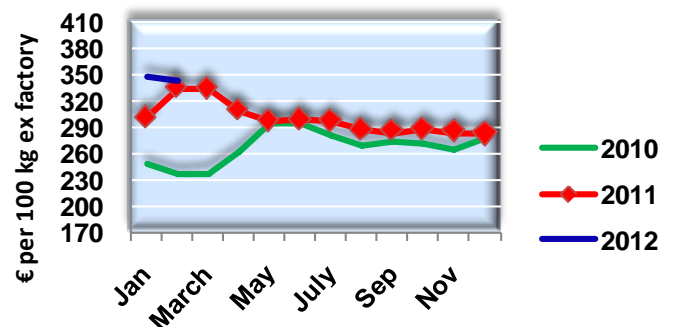
Dutch Butter price develop.

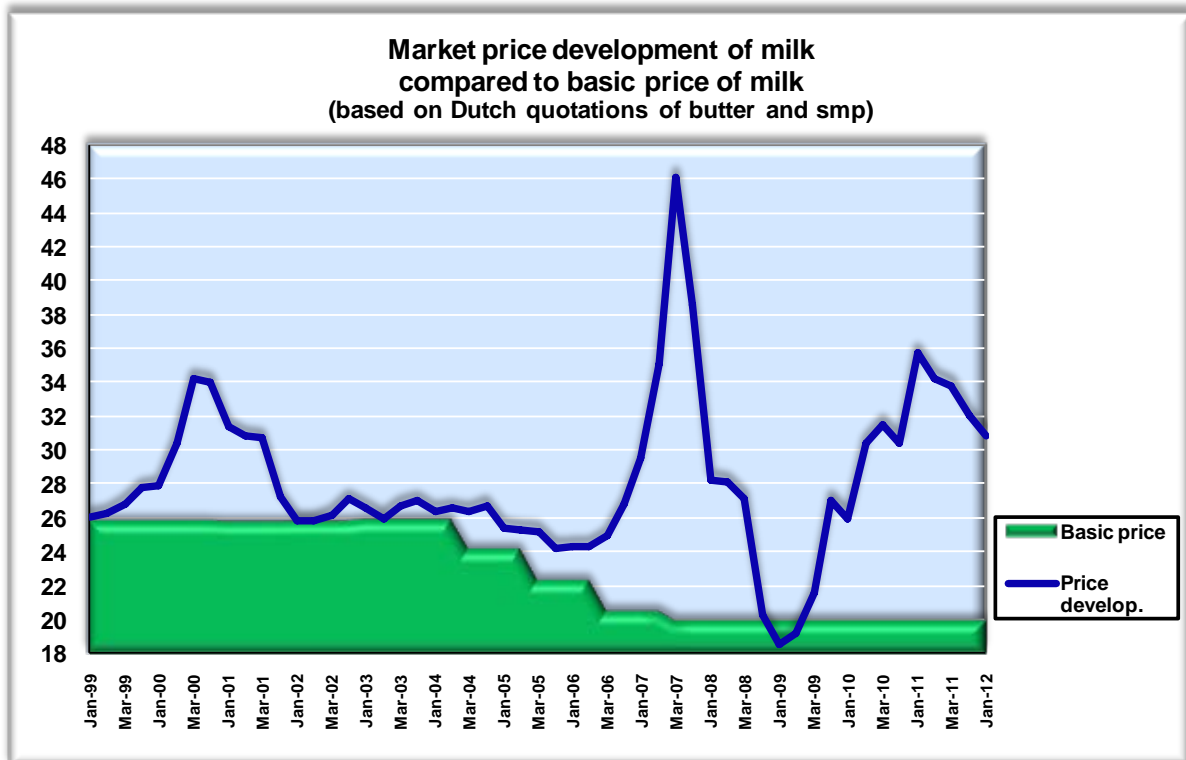


Dutch SMP price develop. (ADPI extra)



Dutch WMP price develop.





Market comments

According to recent provisional figures milk output in the EU-27 for January-November 2011 was 2.2% (\pm 2.6 million tonnes) higher compared to same period in 2010.

For the first quarter of 2012 a limited growth is taken into account, mainly due to reached quota limits and also a cold winter spell at the start of February could dampen milk volumes further.

Fear that continuing unrest on the economic and financial front will hamper sales in the course of next year creates uncertainty and has allowed buyers to adopt a wait and see approach and hold off new orders. That uncertainty still exists and keeps traders prudent and the market without a clear trend.

During last quarter the price picture was divers. Milk powder prices continue to be steady, also in January. Production is growing slowly. Market remains quiet, but recently some price pressures are being felt. Also the firmer euro of late limits the trading activities in the market.

The butter market could not maintain its high price level of last year and had fallen to lower levels. After stabilizing in the course of January, prices are now expected to weaken in coming weeks.

The combination of higher milk output, lower export demand and weakening cheese prices could lead to an ample availability of milk fat in the near future.

Trade in dairy commodities on the world market has been relatively quiet over the last couple of weeks and prices are generally holding at current levels. Market is not convinced about any direction and prospects are considered vague. This caused some pressure on prices, which could be realized during the last couple of weeks on the 2 monthly GDT internet auctions of Fonterra. From the second half of December the average price index decreased by 1.7%.

New Zealand

Milk production is still tracking well ahead of the last season. Estimates until January are around + 9%. Weather conditions are still ideal for pasture growth and this has continued so far. Milk production during February to May last year was very good, so any increase in coming months is likely to be relatively small. Forecast production for the 2011/12 season is still between +5 to +7%.

Also in Australia milk production is holding steady at seasonal high levels. Preliminary data for this season indicate a production figure of $\pm 2\%$ over last season.

USA

In December 2011 milk production was up 2.5%, compared with same month in 2010 and that was the largest increase recorded during 2011.

Recent estimates show that US milk production increased by 1.8% in 2011, compared with the previous year. The increase was both due to an increase in the number of cows and higher production per cow. There were 80.000 more cows and output per cow was up 1% to 21,335 pounds per cow.