

## STANDARDIZED MILK PRICE CALCULATIONS for MAY 2012 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		<b>28.50</b>	0.10	<b>32.38</b>
Alois Müller	DE	0.51			<b>29.48</b>	0.38	<b>34.28</b>
Humana Milchunion eG	DE				<b>30.06</b>	-0.12	<b>33.29</b>
Nordmilch	DE		0.15		<b>30.21</b>	0.00	<b>33.21</b>
Arla Foods	DK	0.63			<b>31.82</b>	1.50	<b>34.94</b>
Hämeenlinnan Osuusmeijeri	FI			-1.94	<b>39.35</b>	2.82	<b>43.91</b>
Bongrain CLE (Basse Normandie)	FR	0.74			<b>31.02</b>	none	<b>34.55</b>
Danone (Pas de Calais)	FR				<b>31.77</b>	none	<b>34.69</b>
Lactalis (Pays de la Loire)	FR				<b>30.00</b>	none	<b>34.32</b>
Sodiaal	FR	0.58			<b>31.87</b>	none	<b>34.40</b>
Dairy Crest (Davidstow)	GB	0.12	0.36	-3.02	<b>32.72</b>	0.00	<b>33.41</b>
First Milk	GB	0.60	2.26		<b>29.23</b>	0.00	<b>30.52</b>
Glanbia	IE				<b>28.46</b>	0.00	<b>33.42</b>
Kerry	IE				<b>29.08</b>	none	<b>32.84</b>
Granarolo (North)	IT	1.15	3.42		<b>40.24</b>	none	<b>41.05</b>
DOC Kaas	NL	0.05	0.34		<b>30.14</b>	2.03	<b>35.97</b>
Friesland Campina	NL	0.05	0.75	-2.30	<b>29.56</b>	1.79	<b>36.64</b>
<b>AVERAGE MILK PRICE THIS MONTH(2)</b>					<b>31,38</b>		<b>34,93</b>
Fonterra (5)	NZ				<b>29.30</b>	0.00	<b>28.87</b>
United States of America (3)	US	0.13			<b>29.23</b>	none	<b>32.83</b>

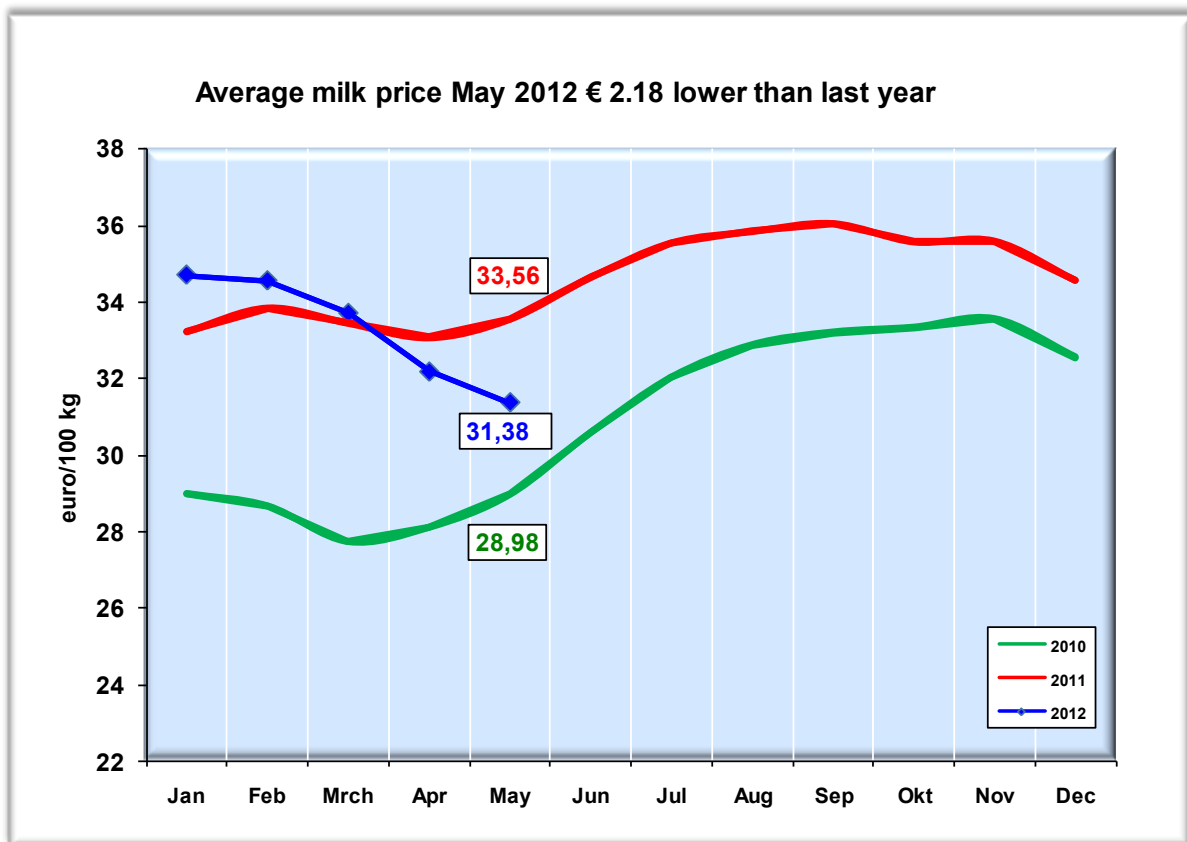
### Remarks:

- (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 MAY 2012

### MILK PRICES

The average calculated milk price for the May 2012 deliveries is € 31.38 per 100 kg standard milk. This is a decrease of 6.5% compared to May 2011 (- € 2.18). In general, the downward trend in milk prices continued in May. Compared to April 2012, most European milk prices decreased.



The milk of Milcobel and German companies declined by € 1,00 to € 3,00 (Alois Müller).

The calculated milk price of Arla decreased by € 0.40. Arla announced a further reduction of € 0.80 from July onwards.

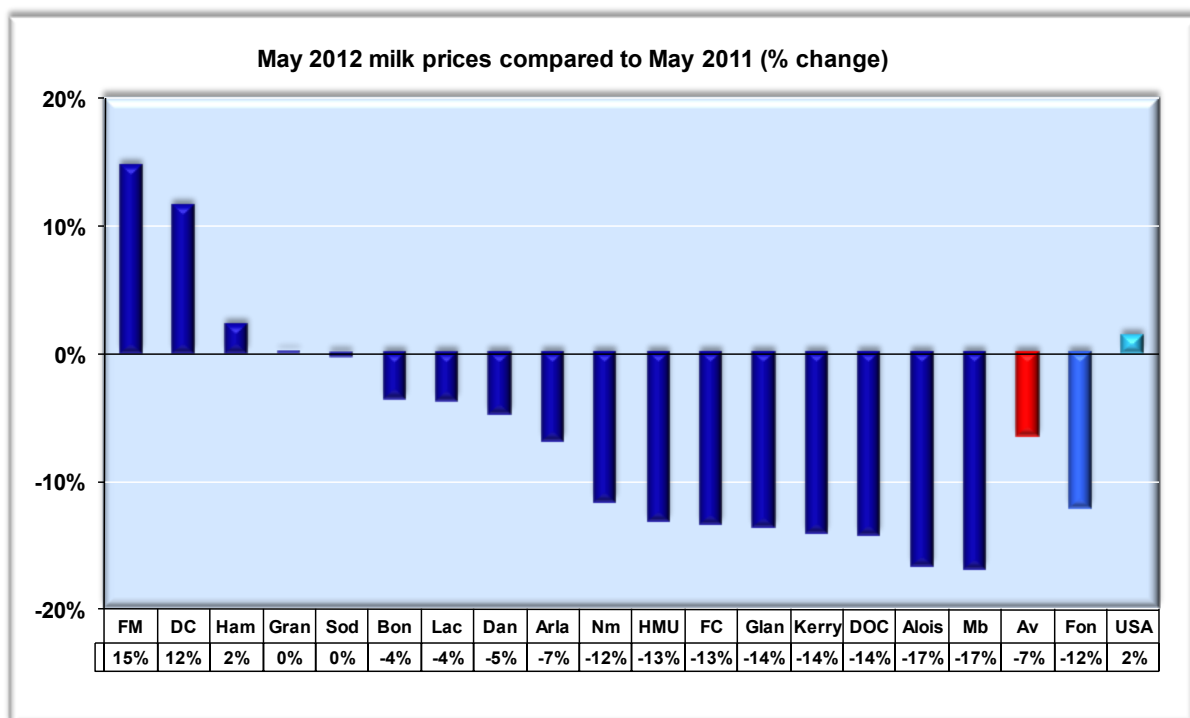
Milk prices of British companies are only altered as a result of the price of the pound against the euro and seasonal adjustments.

UK milk prices will decrease from June (First Milk minus € 1.5) and July (Dairy Crest minus € 1).

The Irish milk prices of Glanbia and Kerry declined by € 2,50 and € 1,00 per 100 kg.

FrieslandCampina's guarantee milk price in May 2012 decreased by € 1.00. This results in a calculated milk of € 29.56. The company announced a decrease of € 0.75 in June. FrieslandCampina will not change its price in July. Because of the expiration of the seasonality payments, the calculated milk price will result in € 31.23 for July.

DOC Kaas's milk price decreased in May by € 1.00, the calculated milk price is € 30.14. The company has announced to decrease its milk price again in June by € 1.00.



## **Additional comments milk prices May 2012**

### **Milcobel**

The milk of Milcobel has declined by € 1.00. The calculated milk price for May results in € 29.50.

### **Germany**

The milk prices of all German companies declined. Alois Müller reduced the milk price by € 3.00, resulting in a calculated milk price of € 29.48. The companies Nordmilch and Humana reduced their prices by € 1.00, reaching a calculated milk price of € 30.21 and € 30.06 respectively.

### **Scandinavia**

The Swedish / Danish dairy company Arla Foods has reduced its milk price, which results in a calculated milk price € 31.82. From July, the company will further reduce the milk price by € 0.80.

The provisionally calculated milk price of Hämeenlinnan Osuusmeijeri results in € 39.35 in May.

### **France**

Compared to April 2012, the calculated milk price of Bongrain rose by € 0.84 to € 31.02. The preliminary calculated milk prices of Lactalis, Danone and Sodiaal remained unchanged.

### **United Kingdom**

The milk prices of the British companies are only adjusted as a result of the price of the pound against the euro and seasonal adjustments. The calculated milk prices Dairy Crest and First Milk are respectively € 29.23 and € 32.72 for May 2012.

### **Ireland**

The Irish companies Kerry and Glanbia milk prices have decreased. This results into calculated milk prices of respectively € 29.08 and € 28.46.

## **The Netherlands**

FrieslandCampina has decreased its milk price by € 1.00 in May, resulting in a calculated milk price of € 29.56. The Dutch dairy has announced to decrease its guaranteed milk price by € 0.75 in June and not to change in July. Because of the expiration of the seasonality payments, the calculated milk price will result in € 31.23 for July.

DOC Kaas has decreased its milk price by € 1.00 in May, resulting in a calculated milk price of € 30.14. DOC Kaas announced to decrease its milk price by €1.00 in June.

## **Granarolo**

The Italian dairy Granarolo decreased its milk price. The calculated milk price of the Italian Granarolo for May is € 40.24.

## **New Zealand**

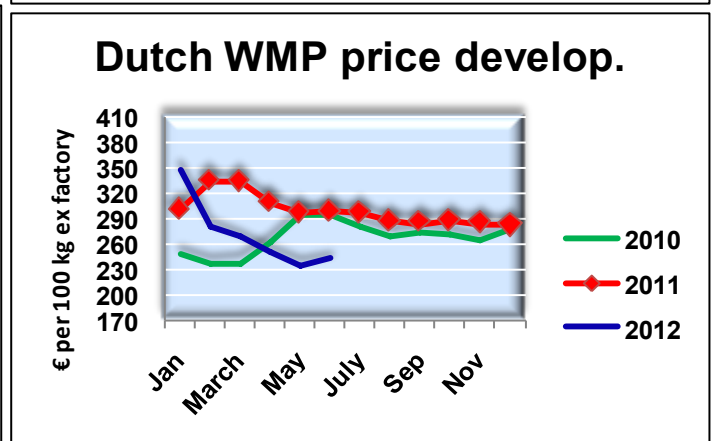
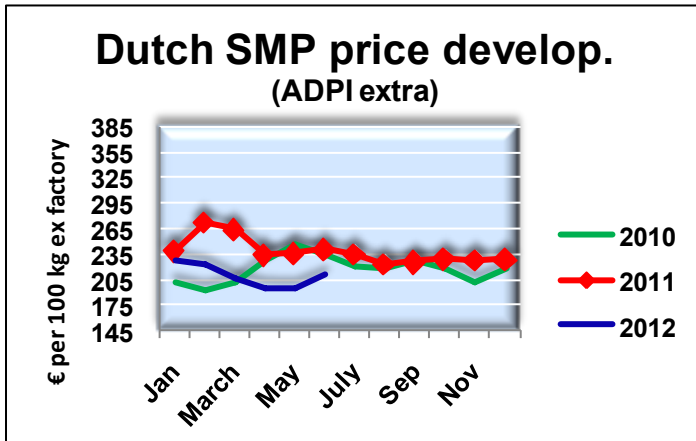
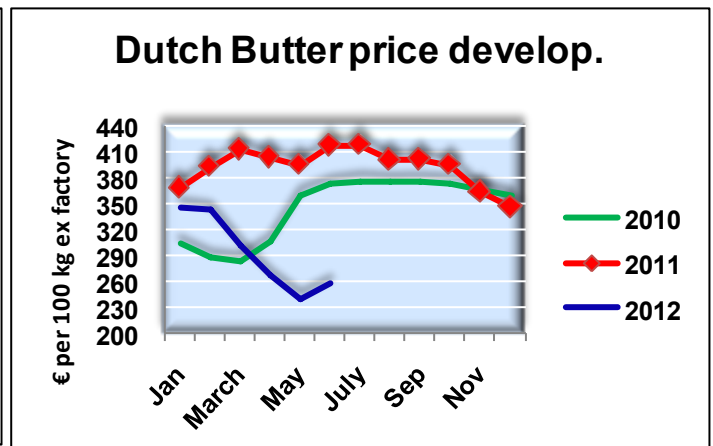
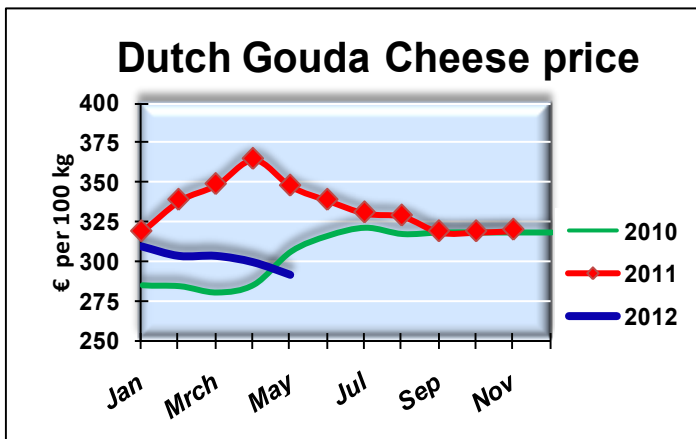
Fonterra's calculated milk price results in € 29.30 per 100 kg standard milk, which is a decrease compared to April because of a change in the exchange rate.

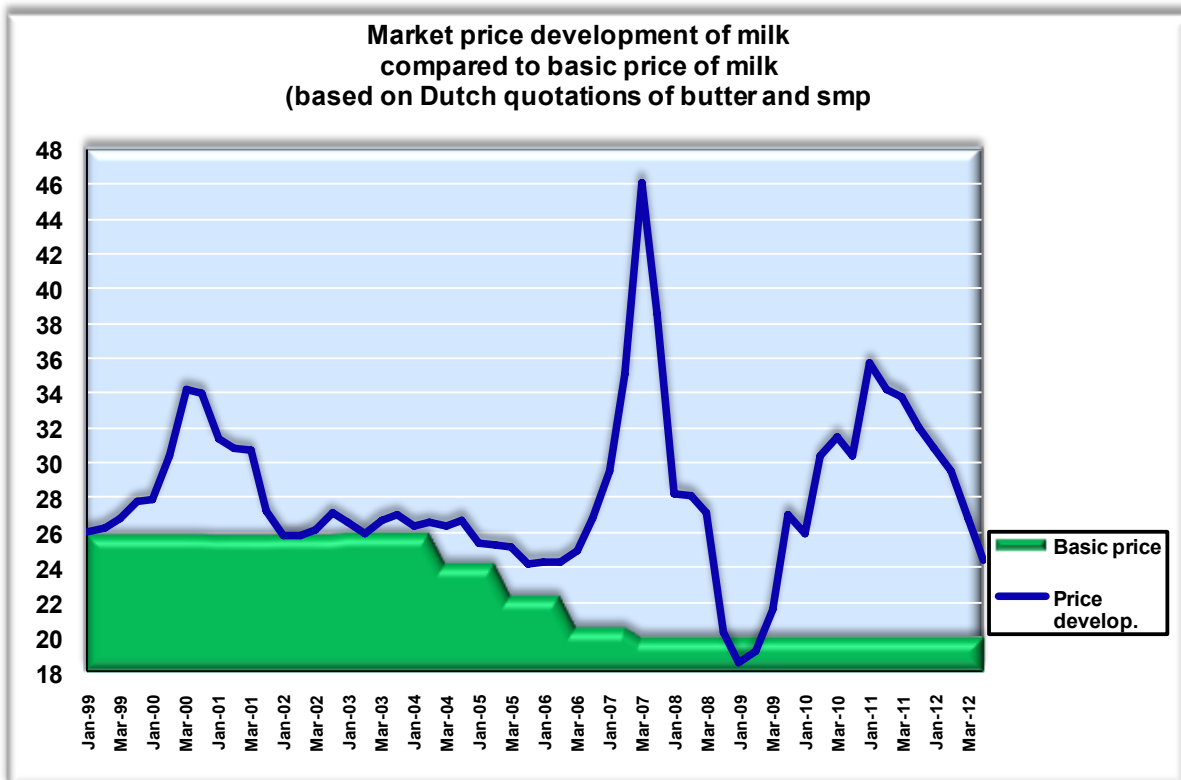
## **USA**

The US Class III price has decreased by \$0.49 to \$ 15.23 per cwt in May. Expressed in Euros, the calculated milk price for May 2012 is € 29.23 per 100 kg standard milk.

## MARKET SITUATION

Dutch Quotations				€ per 100 kg
	1 January 2012	30 June 2012	index	trend
Butter	346	245	78.0	↓
Whole milk powder	283	239	87.6	↓
Skimmed milk powder	229	197	94.7	↓
Whey powder	94	80	94.6	↓
Gouda cheese	± 320	± 300	89.0	↓





### Market comments

In general dairy market felt more comfortable after the turmoil at the start of second quarter. Milk output has reached its seasonal peak and will slowly decline along its seasonal pattern in coming months.

After the sharp declines in recent months the butter market has settled down and has recovered rapidly since then. The picture is looking more friendly now. A lot of butter has been going into private storage, removing the extra supply from the market place. Besides, after prices hit bottom, more buyers became active to cover their needs, pushing prices into higher ground.

However the world market looks still fragile and consolidation of current prices remains to be seen. Much more butter in stock compared to last year as well as the still existing gap with lower world market prices are factors, which could put a lid on any potential recovery later on. So the possibility of renewed price pressures after the summer period may persist.

The milk powder market, which showed steady prices without chosen any clear direction for a while, became more active in June with prices moving to the upside. Continuing good export demand and a favorable exchange rate did the trick. However the recovery was short lived. Recent market information indicate current demand from the export markets is and will probably remain lackluster in coming months. The cheese market, which saw prices retreating in the face of declining dairy commodity prices, is stabilizing for the moment.

Much will depend on how supply and demand will react to price signals from the market.

At the moment market watchers are more focused on supply figures. So the general price development will be more supply driven for the next couple of months. Latest upswing in prices was more driven by the fact that southern hemisphere production season is well over and production volumes in western Europe and USA are starting to fall. These upward price movements were reflected in the results of the GDT auction of begin June. This so-called GDT price index, considered as a benchmark for international dairy commodity prices, showed a strong rebound (+13.5%) in pricing after months of declines. However it was not sustainable and prices lost half of the gains in the following auctions until July . Uncertainty about economic growth prospects worldwide and the volume of dairy products currently in stock caused the initial price recovery to stall for the time being.