

STANDARDIZED MILK PRICE CALCULATIONS for DECEMBER 2015 deliveries

Prices in euro per 100 kg milk with 4,2% fat, 3,4% protein, 500.000 kg per year, tbc 24.999 and scc 249.999 per ml

Company		adjustments			MILK PRICE this month	rolling average last 12 months 1)	most recent suppl. payment
		quality	volume	season			
Milcobel	BE	0.73	1.37		26.39	28.01	
Müller(Leppersdorf)	DE	0.51	0.61		27.86	28.17	
DMK	DE		0.15		27.17	27.37	
Arla Foods DK	DK	0.83			28.54	29.13	1.53
Hämeenlinnan O.	FI				37.77	37.98	1.94
Bongrain (Basse Normandie)	FR	1.18			30.47	32.69	
Danone (Pas de Calais)	FR				30.63	33.07	
Lactalis (Pays de la Loire)	FR				31.14	32.01	
Sodiaal (Pas de Calais)	FR	0.58			32.32	32.95	
Dairy Crest (Davidstow)	UK	0.13	0.40	2.01	33.87	34.44	
First Milk (compositional)	UK	2.01	1.34		27.05	27.89	
Glanbia	IE				23.99	26.35	
Kerry Agribusiness	IE				25.56	27.99	
Granarolo (North)	IT	1.15	3.42		38.29	38.93	
DOC Cheese	NL	0.03	0.34		26.17	26.53	1.02
FrieslandCampina	NL	0.05	0.75		29.17	29.79	2.92
AVERAGE MILK PRICE 2)					29.77	30.83	
Emmi	CH		3.24		51.61	51.68	
Fonterra 3)	NZ				24.03	23.36	
United States Class III 4)	US	0.16			34.21	35.82	

1) Exclusive of most recent supplementary payment

2) Arithmetic average

3) Based on most recent forecast

4) Based on USDA announcement

MILK PRICES

The calculated advance milk price in December 2015 averaged € 29.77 per 100 kg standard milk. A decrease of € 0.05 compared to the previous month. Compared to December 2014, this is a reduction of € 3.43 or 10.3%.

In December most dairies hold their milk prices or increased a little. The average milk price still decreased slightly mainly due to the decline in UK milk prices, with Dairy Crest - 2.4 and First Milk -1.4 euro per 100 kg standard milk. The calculated milk prices of Danone (+2.4), DMK (+1.0), DOC (+1.0) and FrieslandCampina (+0.25) increased.

For the coming months, price cuts are announced by DMK (-1.0 in January), Arla (-1.0 in February), Dairy Crest (March - 2.0) and FrieslandCampina -0.75 in January (and no price change in February).

Provisional milk prices calendar year 2015

According to the following table the provisional (or monthly advance) milk prices for the calendar year 2015 are on average € 30.83 per 100 kg. A decrease of € 7.33 or 19.2% compared to the previous year 2014.

		2015	2014	2015-2014	2015/2014	Nat.currency
Granarolo (North)	IT	38.93	44.67	-5.75	-12.9%	
Hämeenlinnan O.	FI	37.98	43.97	-5.99	-13.6%	
Dairy Crest (Davidstow)	UK	34.44	39.45	-5.01	-12.7%	-22.7%
Danone (Pas de Calais)	FR	33.07	37.94	-4.87	-12.8%	
Sodiaal (Pas de Calais)	FR	32.95	38.21	-5.26	-13.8%	
Bongrain (Basse Normandie)	FR	32.69	38.31	-5.62	-14.7%	
Lactalis (Pays de la Loire)	FR	32.01	37.88	-5.87	-15.5%	
FrieslandCampina	NL	29.79	38.25	-8.46	-22.1%	
Arla Foods DK	DK	29.13	37.91	-8.78	-23.1%	-23.1%
Müller(Leppersdorf)	DE	28.17	36.61	-8.44	-23.1%	
Milcobel	BE	28.01	36.23	-8.22	-22.7%	
Kerry Agribusiness	IE	27.99	36.15	-8.16	-22.6%	
First Milk (compositional)	UK	27.89	36.52	-8.63	-23.6%	-33.6%
DMK	DE	27.37	36.73	-9.36	-25.5%	
DOC Cheese	NL	26.53	35.54	-9.01	-25.3%	
Glanbia	IE	26.35	36.24	-9.89	-27.3%	
AVERAGE MILK PRICE		30.83	38.16	-7.33	-19.2%	
Emmi	CH	51.68	50.88	0.81	1.6%	-10.5%
Fonterra	NZ	23.36	28.76	-5.40	-18.8%	-19.4%
United States Class III	US	35.82	41.46	-5.65	-13.6%	-30.1%

It must be noted the supplementary payments for milk supplied in the calendar year 2015 are yet unknown and so not incorporated in these milk prices. At least the dairy coops Hameenlinnan Osuusmeijeri, FrieslandCampina, Arla and DOC will pay (substantial) additional amounts to the monthly advance milk payments.

With an average advance of € 30.83 milk prices 2015 are back to the 2010 level. Only in 2009 (and before 2007), the milk prices were lower. But the average milk price in 2015 is still significantly above the historically low level of 2009, when the definitive (including supplementary payments) milk prices stood at an average of € 27.53 per 100 kg standard milk.

The relatively high milk price of British Dairy Crest expressed in euros is partly due to the rise in the British pound against the euro. Expressed in pence per liter, the milk prices of Dairy Crest fell much more, by 22.7%. The same applies to First Milk.

French agreements between dairy farmers, dairy industry and large retailers appear to have had a positive effect on the French milk prices, which have fallen much less than average.

The calculated milk price of Irish Glanbia does not include the price support, which is paid by the cooperative. From the returns of the sale of shares of Glanbia plc the cooperative in 2015 paid about € 30 million to the dairy farmers in addition to the milk price. This support, corresponding to approximately € 1.4 per 100 kg is not included in the calculated milk price.

Expressed in national currency, the milk price of the Swiss Emmi has fallen 10.5%.

The milk price of Fonterra based on the calendar year 2015 decreased with 19% compared with 2014.

In the United States the class III milk expressed in dollars decreased by 30%.

Price changes in December 2015 (€ 100 per kg compared to the previous month) and additional information per company

Milcobel: unchanged, milk price exclusive of payments for crisis support

Muller: unchanged

DMK: + 1.0, January -1.0

Arla: unchanged. In January a calculated increase of + 0.1 caused by a change in the protein/fat price ratio of 1.5 to 1.6. February -1.0

Hameenlinnan Osuusmeijeri: unchanged

Bongrain: -0.2

Danone (A-price): +2.4. With the December milk payment Danone paid extra amounts of € 1.44 per 100 kg milk for the milk delivered in October and November. This payment is included retroactively in the milk prices of October and November 2015

Lactalis: unchanged

Sodiaal (A-price): unchanged

Dairy Crest: -2.4. The price cut of 0.6 ppl is expressed in euros increased by the devaluation of the British pound against the euro. Also the seasonal premium is lower in December. January and February 2016 unchanged. March -1.6 ppl or about € 2.0

First Milk (A-price): -1.4. The calculated milk prices from July onwards are derived from milk price information of the First Milk Haverford west contract as published by AHDB (Agriculture & Horticulture Development Board, www.dairy.ahdb.org.uk). The calculated milk prices are inclusive of the Tesco winter milk bonus of 1.54 (September) and 2.24 ppl (from October onwards). The milk price of October is retrospectively corrected from € 28.64 to € 28.18 per 100 kg.

Glanbia: unchanged, milk price exclusive of coop support (1.0 cent per liter)

Kerry: unchanged

Granarolo: unchanged

DOC Cheese: + 1.0

FrieslandCampina: + 0.2, January -0.7 and February unchanged.

Emmi: +0.6.

Fonterra: +0.3.

USA: - 2.6. The US Class III milk price decreased from to \$ 15.30 in November to \$ 14.44 per hundredweight (45.36 kg) in December.

MARKET SITUATION

Official Dutch dairy quotations (€ per 100 kg)

	3/2/16	6/1/16	7/1/2015
Butter	264	275	272
Whole milk powder	195	210	221
Skimmed milk powder	165	167	173
Whey powder	51	51	74

Not only in the Netherlands but also in other countries in northwest Europe much more milk is produced. Outside Europe, the growth is slowing somewhat. In New Zealand, since the start of the new milk year milk supply is at a lower level compared to the previous year. In the USA there is a slowdown in the growth of the milk produced in recent months.

Because of the imbalance between demand and supply stocks are increasing and prices remain under pressure. The skimmed milk powder price moves around the intervention price level. Gradually intervention stock of skimmed milk powder increase. The prices of butter and whole milk powder decrease further.

That the market is still under pressure, was also underlined by the results of the latest GDT auction (dated 02/02/16). The overall price index fell by 7.4%, the prices fell back strongest in whole milk powder (-10.4%) and butter (-8.3%).