

### STANDARDIZED MILK PRICE CALCULATIONS for JULY 2016 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		<b>22.27</b>	24.93	0.47
Müller(Leppersdorf)	DE	0.51	0.61		<b>23.65</b>	25.59	
DMK	DE		0.15		<b>20.24</b>	24.25	
Arla Foods DK	DK	0.72			<b>24.51</b>	27.22	1.37
Savencia (Basse Normandie)	FR	0.74			<b>28.86</b>	30.48	
Danone (Pas de Calais)	FR				<b>31.55</b>	32.04	
Lactalis (Pays de la Loire)	FR		0.24		<b>27.48</b>	29.53	
Sodiaal (Pas de Calais)	FR	0.58			<b>28.96</b>	31.53	
Dairy Crest (Davidstow)	UK	0.12	0.35		<b>24.50</b>	29.95	
Dairygold	IE	0.39			<b>24.04</b>	24.30	
Glanbia	IE				<b>21.02</b>	22.48	
Kerry Agribusiness	IE				<b>22.93</b>	24.69	
Granarolo (North)	IT	1.15	3.42		<b>36.35</b>	37.62	
DOC Cheese	NL	0.03	0.34		<b>20.25</b>	23.59	
FrieslandCampina	NL		0.75		<b>24.24</b>	27.06	3.49
<b>AVERAGE MILK PRICE 2)</b>					<b>25.39</b>	<b>27.68</b>	
Valio	FI				<b>34.42</b>	34.42	0.78
Emmi	CH		3.23	3.59	<b>49.97</b>	49.07	
Fonterra 3)	NZ				<b>25.96</b>	20.12	
United States Class III 4)	US	0.16			<b>35.05</b>	33.19	

All prices are VAT excluded, paid to producers and assuming milk is collected every other day.

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 July 2016 averaged € 25.39 per 100 kg standard milk. An increase of € 0.32 compared to the previous month<sup>1</sup>. Compared to July 2015, this is a reduction of € 4.91 or 16.2 %.

For the first time since July 2015 milk prices of European dairy companies have increased on average. In the coming months milk prices will go up further. Both Arla and FrieslandCampina have increased their milk prices in September with € 1.2 per 100 kilograms. For both companies, this is the first price increase in 2016. Also Dairy Crest increased the milk price of September with about € 1.2 per 100 kilograms. DMK announced a price increase in September. After demonstrations and blockades representatives of producer organisations and Lactalis have agreed a price increase of about € 3.5 per 100 kg for the remaining months of 2016.

In July, the calculated milk prices of Dairygold (+ € 1.5), Dairy Crest (+ € 1.2), Glanbia (+ € 1.0), Müller (+ € 1.0) and Danone (+ € 0, 4) increased. Apart from Lactalis (- € 0.3) all other milk prices have not changed compared to the previous month.

Outside the EU milk prices increased more in July.

Fonterra increased its 2016/17 forecast farm gate milk price by 0.5 NZD to 4.75 NZD per kg milk solids. As a result the calculated milk price increased to € 25.96 per 100 kg standard milk.

The milk price in the United States rose sharply, namely € 4.9 per 100 kg standard milk

The calculated milk price of the Swiss Emmi has also increased, but this is mainly due the seasonal bonus in July.

### **Price changes in July 2016 (€ 100 per kg compared to the previous month) and additional information per company**

**Milcobel:** unchanged for the third consecutive month

**Muller:** +1.0

**DMK:** July and August unchanged. For September DMK announced a milk price increase.

**Arla:** July and August unchanged, September + 1,2

**Savencia:** unchanged for the third consecutive month

**Danone (A-price):** +0.4

**Lactalis:** - 0.3

The producer organisation and Lactalis agreed to increase the base prices resulting in an average of € 290 per 1,000 liter milk with 38 gram fat and 32 gram protein for the last 5 months of 2016.

Converted to the LTO standard milk this corresponds with € 31 per 100 kg or an increase of € 3,5 compared to the July milk price.

**Sodiaal (A-price):** unchanged.

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<sup>1</sup> Published June average milk price of € 25.14 is adjusted to € 25.07 as a result of a correction of the calculated milk price of Glanbia (see additional information).

### **A and B prices Danone and Sodiaal**

The calculated milk prices of Danone and Sodiaal are based on the so-called A- price. For a part of the quantity of milk delivered a lower B - price is paid.

In July the (base) prices A and B of Sodiaal were € 270.00 and € 191.70 per 1,000 liters respectively. Based on the French national supply profile and the limited quantity of A about 6.5% of the milk delivered in July received the B price. Taking an average A- and B- price into account the calculated milk price for July would be € 0.49 lower. The calculated milk price of Sodiaal for January until July 2016 would fall on average with € 0.77 compared to the milk price based solely on the A- price. Danone implements also A and B - prices, but the impact on the calculated milk price is much lower. This is because Danone uses larger A quantities and higher prices B- prices compared to Sodiaal. Based on average prices of A and B instead of only A - prices the calculated average milk price in the first seven months of 2016 drops with € 0.11. For July, the maximum quantity of A is not restrictive.

**Dairy Crest** +1.2 (due to no seasonal levy), August unchanged, September +3.1 due to a combination of a price increase of 1 pence per liter (ppl) and a seasonal bonus of 1.5 ppl and October unchanged.

**Dairygold:** + 1.5

**Glanbia Ingredients Ireland (GILL):** +1.0.

May and June milk prices have been adjusted with minus € 1.0.

**Kerry:** unchanged

**Granarolo:** unchanged.

**DOC Cheese:** July and August unchanged. For September DMK announced a milk price increase.

**FrieslandCampina:** July and August unchanged. September + 1.2.

**Average:** + 0.32

**Valio:** unchanged

Milk prices of Valio are based on milk statements of one of its member cooperatives.

**Emmi:** +2.5

Firstly the calculated milk price of Emmi has increased as for all milk delivered only the A and B - price is paid. In June, for 15% of the milk delivered a lower price C- price was paid. On the other hand a one-time deduction for market support is made in July. Due to the seasonal bonus in July the calculated milk price at the end increased.

**Fonterra:** +2.5

The calculated milk prices is based on a forecast milk price of 4.75 plus an expected dividend of 0.55 per kg milk solids.

Although a milk price of 5.30 NZD per kg milk solids is higher than in the previous two seasons it is still much lower than in the years 2007/08 to 2013/14.

**USA:** +4.9

The US Class III milk price increased from to \$ 13.22 in June to \$ 15.25 per hundredweight (45.36 kg) in July.

## MARKET SITUATION

### Official Dutch dairy quotations (€ per 100 kg)

	31/8/2016	3/8/2016	6/1/16	Average 2015
Butter	377	330	275	295
Whole milk powder	244	210	210	235
Skimmed milk powder	189	177	167	181
Whey powder	80	68	51	65

In June EU milk deliveries decreased for the first time since the abolition of the milk quota, namely by more than 1%.

Not only in Europe, but also in Oceania milk supply decreases. Australian milk production declined already for a longer period compared to the previous year. For New Zealand for the current season a lower milk supply is expected, mainly due to a reduction of the dairy herd.

Dairy commodity prices have since reaching the bottom in mid-April on average sharply increased, especially the last month. The upward trend is due to less supply and a positive sentiment in the market. Above all the fat prices quoted higher, which translates into higher prices for butter, cheese and whole milk powder. So do the quotations of skimmed milk powder, but less rapidly than other commodities. The price of skimmed milk powder is currently well above the intervention price level.