

STANDARDIZED MILK PRICE CALCULATIONS for OCTOBER 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		30.02	25.03	0.47
Müller(Leppersdorf)	DE	0.51	0.61		28.60	25.49	
DMK	DE		0.15		27.37	23.70	
Arla Foods DK	DK	0.81			27.72	26.68	1.37
Savencia (Basse Normandie)	FR	0.89			29.98	29.47	
Danone (Pas de Calais)	FR				31.79	31.19	
Lactalis (Pays de la Loire)	FR		0.24		30.36	29.15	
Sodiaal (Pas de Calais)	FR	0.58			30.40	30.57	
Dairy Crest (Davidstow)	UK	0.11	0.33	2.17	27.39	27.51	
Dairygold	IE	0.39			28.01	24.36	
Glanbia	IE				26.97	22.61	
Kerry Agribusiness	IE				28.22	24.59	
Granarolo (North)	IT	1.15	3.42		36.35	37.15	
DOC Cheese	NL	0.03	0.34		25.48	23.22	
FrieslandCampina	NL		0.75		28.37	26.61	3.49
AVERAGE MILK PRICE 2)					29.13	27.16	
Valio	FI				34.42	34.42	0.78
Emmi	CH		3.22	3.58	50.67	48.04	
Fonterra 3)	NZ				32.31	24.21	
United States Class III 4)	US	0.16			33.74	33.24	

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 October 2016 averaged € 29.13 per 100 kg standard milk. An increase of € 1.78 compared to the previous month. Compared to October 2015, this is a reduction of € 0.18 or minus 0.6 %.

As the year end approaches the price rises increase. DMK has the highest increase in October, namely € 5.0 per 100 kilograms. Most other dairy companies have also significantly increased their milk prices. For the rest of the year the picture of increasing milk prices will stay. Dairy Crest, Arla Foods and FrieslandCampina have announced further price increases. In the last two months of 2016 FrieslandCampina raises their milk price by a total of € 8 per 100 kilograms. Never before the coop increased their milk price so strongly in such a short period.

The increases of the French milk prices remain the last few months behind, but that may be explained by the relatively higher price level. It is expected that the French milk prices therefore will not rise much in the coming months.

New Zealand's Fonterra increased its 2016/17 forecast farm gate milk price by 0.75 NDZ \$ per kg milk solids (fat and protein). Expressed in euros per 100 kg standard milk this corresponds to an increase of € 3.7.

Although the average European milk price in October, almost equals to the price of milk in the same month last year, milk prices over the whole of 2016 will clearly be lower. For some companies monthly milk prices for the whole calendar year 2016 are already known. The monthly milk prices of Arla Foods and FrieslandCampina fell by 7 respectively 7.5% in 2016 compared to 2015. It should be noted these milk prices are not the final milk price as both cooperatives pay a supplementary amount (a so called 13th month payment) based on their business performance. Due to lower results of FrieslandCampina in the first half of 2016 a lower supplementary payment is expected and thus a drop in the final milk price of more than 7.5%. Arla expects a supplementary payment almost equal to 2015.

The calculated milk price of Dairy Crest decreases with 23% in 2016 compared to the previous year. This is for a large part due to the depreciation of the British pound against the euro. Expressed in British pounds the price drop is 13%.

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

Milcobel: + 2.5

Muller: + 3.0

DMK: + 5.0

Arla: + 2.0 and November + 2.0, December + 2.0. For January 2017 a similar increase is announced. The calculated milk price (excluding supplementary payment) of 2016 is € 27.0 per 100 kg (minus 7% compared to 2015).

Savencia: +1.1

Danone (A-price): +0.9

Lactalis: (provisional) unchanged

Sodiaal (A-price): unchanged

Dairy Crest + 0.4 in November + 0.5 pence per liter (ppl) and December + 1.78 ppl or about € 2.5 in total.

Dairygold: + 2.0

Glanbia Ingredients Ireland (GIIL): +2.0. The calculated milk price is exclusive the coop bonus of 0.95 €/100 kg.

Kerry: + 1.9

Granarolo: unchanged.

DOC Cheese: + 3.0 and November + 4.0.

FrieslandCampina: + 2.9 and November + 3.6 and December + 4.4. Milk prices 2016 excluding supplementary payment is € 27.5 per 100 kg (minus 7.5% compared to 2015).

Average: + 1.78

Valio: unchanged.

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

Emmi: +0.4

Fonterra: + 3.7. Fonterra increased its 2016/17 forecast farm gate milk price by 0.75 to 6.00 NDZ \$ per kg milk solids (MS). Including a forecast dividend of 0.55 NZ\$ per kg MS the calculated milk price is € 32.31 per 100 kg standard milk.

USA: -1.6

The US Class III milk price decreased from \$ 16.39 in September to \$ 14.82 per hundredweight (45.36 kg) in October.

MARKET SITUATION

Official Dutch dairy quotations (€ per 100 kg)

(Source: ZuivelNL)

	30/11/2016	2/11/2016	6/1/16	Average 2015
Butter	439	430	275	295
Whole milk powder	307	269	210	235
Skimmed milk powder	204	200	167	181
Whey powder	79	81	51	65

In the first three quarters of 2016, EU milk supply increased with 1.5%. As this increase has declined in September for the fourth consecutive month, the cumulative lead over 2015 reduced. Milk supply in France, Germany and the United Kingdom relatively decreased most.

In South America (Argentina, Brazil and Uruguay) and Australia there has been a sharp decline in milk production. It is also expected that the New Zealand milk supply this season will be lower. The US is the only main exporting country with a significant increase in milk supply, namely more than 2% in both September and October.

Currently, there is a firm market with a positive undertone. The shortage of fat (cream) on the butter market led to a considerable price jump. The official Dutch butter quotation almost equals the

record level in September 2007. Due to the strong increase in fat prices in Europe and the significant increase in these prices on the world market also the quotations of whole milk powder strongly increased.

Prices for skimmed milk powder remains stable. However, the announcement of the European Commission to sell intervention stocks makes future direction of the development of prices of skimmed milk powder difficult to predict.