

STANDARDIZED MILK PRICE CALCULATIONS for November 2017 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		35.01	35.35	0.47
Müller(Leppersdorf)	DE	0.51	0.61		38.75	34.80	
DMK	DE		0.15		39.84	34.76	
Arla Foods DK	DK	1.09			37.17	34.55	1.25
Valio	FI				36.36	35.61	0.68
Savencia (Basse Normandie)	FR	1.18			35.09	33.72	
Danone (Pas de Calais)	FR				35.88	34.20	
Lactalis (Pays de la Loire)	FR		0.24		34.64	33.20	
Sodiaal (Pas de Calais)	FR	0.58			35.40	33.80	0.19
Dairy Crest (Davidstow)	UK	0.11	0.33	2.19	36.08	31.86	
Dairygold	IE	0.39			36.30	34.06	
Glanbia	IE				34.84	33.47	
Kerry Agribusiness	IE				35.86	33.38	
Granarolo (North)	IT	1.15	3.42		40.71	39.36	
FrieslandCampina	NL				40.61	36.59	3.30
AVERAGE MILK PRICE 2)					36.84	34.58	
A-ware	NL	0.50			41.86	36.05	
Hochwald Milch eG	DE	0.76	0.76		37.63	33.18	0.10
Emmi	CH		3.04		49.20	49.06	
Fonterra 3)	NZ				30.77	32.23	
United States Class III 4)	US	0.17			36.28	36.91	

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 on account milk prices in November 2017 averaged € 36.84 per 100 kg standard milk. A decrease of € 0.02 compared to the previous month. Compared to November 2016, this is an increase of € 5.42 or plus 17.2 %.

In November, the price increases started in April this year came to an end. The average milk price is expected to fall slightly further in December. On the basis of some announcements it is clear that the price decrease will continue in early 2018. For example, FrieslandCampina and DMK announced price reductions for January of € 4 and € 5 per 100 kg of milk respectively. Never before lowered these two companies their milk price so much in one month. This big price drop is even more striking, because the December milk prices of both companies were not (DMK) or very limited (FrieslandCampina - € 0.25) changed compared to November.

Arla has announced that it will not change the milk price in December followed by a decrease of € 0.9 per 100 kg in January. Dairy Crest announced for December a price increase of 0.5 ppl and a price reduction of 1 pence per liter (about € 1.1) in February 2018.

Although not all December milk prices are yet known, a good estimate can be made of the milk price development in calendar year 2017. The average advance milk price - that is, excluding supplementary payments - will increase by about 23% compared to 2016. All milk prices will increase, most more than 30%. The largest milk price increases of almost 40% were realized by German and Irish companies.

The milk prices of the French companies (plus 10-15%) and the milk prices of the Finnish Valio and the Italian Granarolo (both provisionally about + 5%) have increased relatively much less. Milk prices outside the EU increased less, namely Emmi + 10%, Fonterra + 6% (forecast compared to the previous milk price season) and USA + 10%.

New in the milk price comparison is Dutch dairy Royal A-ware. This private company since many decades specialized in the marketing of cheese started in 2015 also with the production of cheese. The new cheese factory can process around 1 billion kg of raw milk into cheese. A large part of the raw milk is purchased through third parties. Increasingly, dairy farmers also supply directly to A-ware. The calculated milk price is based on dairy farmers who directly supply A-ware. From January 2016 onwards, the milk price data were received and calculated. In order not to disturb the series of average milk prices, the milk price has not yet been included in the average.

Price changes in November 2017 (€ 100 per kg compared to the previous month) and additional information per company

Milcobel: -1.0

Muller: unchanged

DMK: November and December unchanged. January -5.0

Arla: November and December unchanged, January -0.9

Valio: unchanged

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

Savencia: unchanged.

Danone: (A-price): +0.2

Lactalis: +0.4

Sodiaal (A-price): -0.7

Dairy Crest: + 0.7 (+0.5 ppl), December + 0.5 ppl, January unchanged February – 1 ppl.

Dairygold: unchanged.

Glanbia Ingredients Ireland (GILL): unchanged

The calculated milk price of November is provisionally excluding the seasonal bonus, because this bonus is paid with the January 1998 milk statement.

Kerry: unchanged

Granarolo: (provisional) unchanged

FrieslandCampina: unchanged, December -0.2 and January – 3.9

Average: -0.02

A-ware (new)

The milk price of A-ware is based on fat and protein payment minus a deduction of € 1,90 per 100 kg. In addition the calculated milk price includes a quality premium of € 0.50, a sustainability premium of € 0.25 and a premium for outdoor grazing of € 0.81 per 100 kg of standard milk.

The quality standards meets the A-ware criteria regarding somatic cell and bacterial count. In addition it is assumed that the requirements for butyric acid and free fatty acid contents are also met, so that the (maximum) quality premium of € 0.50 is taken into account.

The annual standard supply of 500,000 kg of milk is too little to qualify for the volume bonus of A-ware. This premium starts from 500,000 kg per year. For an annual delivery of, for example, 800,000 kg, the volume bonus would be € 0.87 per 100 kg of milk.

Every month an advance of € 0.25 is paid out of the sustainability premium. The maximum premium is € 0.50 and will be settled with the December milk statement.

Dairy farmers who graze their dairy cows at least 120 days for 6 hours or a total of 720 hours outdoors are eligible for a premium for outdoor grazing. In 2017 this premium is € 1.25 per 100 kg. It is not known how many A-ware dairy farmers receive this premium. According to national statistics 65% of Dutch dairy cows grazed outdoors 2016. Based on this, an average meadow premium of 0.65 x 1.25 = € 0.81 per 100 kg is part of the calculated milk price.

Hochwald eG: +1.5

Emmi: -3.4 due to the expiry of the seasonal bonus in November, December + 1.3 en January -1.5

Fonterra: -2.6. Fonterra revised the forecast farm gate milk price for the current 2017/18 season from 6.75 to 6.40 NZD per kg milk solids (fat and protein). This equals a reduction of € 2.6 per 100 kg standard milk. This price reduction has been retroactively from June 2017 included in the calculated milk prices.

The calculated milk price also includes an estimated dividend of 0.50 NZD per kg milk solids.

USA: +0.4 The USA Class III milk price increased from \$ 16.69 in October to \$ 16.88 per hundredweight (45.36 kg) in November.

MARKET SITUATION

(Source: ZuivelNL)

Official Dutch dairy quotations (€ per 100 kg)

	3/1/2018	29/11/2017	Average 2017
Butter	410	491	521
Whole milk powder	242	252	285
Skimmed milk powder	139	146	175
Whey powder	60	58	78

EU milk supply increased by as much as 5% in October. There was growth for the fifth month in a row. The cumulative milk supply was over 1% higher in the period up to and including October 2017 than in the same period in 2016. All major dairy countries realized an increase in October.

Significantly more milk was also produced in Germany and France.

The road to growth also seems to have taken off outside Europe. In October, milk supply increased in the important dairy exporting countries of Argentina, Australia, New Zealand, Uruguay and the United States. However, the growth rate in the US has been at a lower level (+ 1%) since September than in the first half of 2017. The growth in New Zealand milk supply continued to strengthen in November (+ 4.2%).

After the reasonably stable month of November, butter prices fell further in December. This was the result of broader supply and the disappearance of the influence of the holidays on the price. The prices for skimmed milk powder for food quality have been weak for some time. The quotation reduced well below the intervention price level since October. In December, it came out below 140 euros. The market is still awaiting for news from Brussels especially about a possible sale from intervention. Whole milk powder quotations fell slightly in the first half of December. It is still difficult to compete for European products on the world market, particularly because of the unfavorable EUR / USD exchange rate.