

STANDARDIZED MILK PRICE CALCULATIONS for MARCH 2008 deliveries

(for standardized (1) milk and based on payment systems of the companies, all prices in euro/100kg)

Company		Quality adjustmen	Quantity adjustmen	Seasonal adjustmen	MILK PRICE this month	Most recent supplementar payment	Rolling average last 12 months (4)
Milcobel	BE	0.73	1.38		37.43	0.19	37.61
Humana Milchunion eG	DE				36.74	-0.20	35.97
Nordmilch	DE		0.15		32.78	-0.15	34.29
Arla Foods	DK	0.75			38.01	1.42	34.29
Hämeenlinnan Osuusmeijeri	FI	2.14		1.97	35.47	3.88	38.91
Bongrain CLE (Basse Normandie)	FR	0.74			39.46	none	33.30
Danone (Pas de Calais)	FR	0.58			39.69	none	34.48
Lactalis (Pays de la Loire)	FR				38.61	none	33.06
Sodiaal	FR				37.07	none	32.27
Dairy Crest (Davidstow)	GB	-0.25	0.38		32.57	0.00	31.08
First Milk	GB	0.63	2.35		30.87	0.00	29.23
Glanbia	IE				38.78	0.00	35.98
Kerry	IE				38.80	none	34.50
Campina	NL	0.05	0.75	-0.90	35.23	1.20	36.03
Friesland Foods	NL	0.04		-2.30	34.01	1.79	35.93
AVERAGE MILK PRICE THIS MONTH 2)					36.37		34.46
New Zealand (5)	NZ				28.69	none	28.12
United States of America (3)	US	0.14			28.53	none	32.81

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, 3.40% (crude) protein, 500,000 kg per year, total bacterial count 24,999 and somatic cell count 249,999.
- (2) Arithmetic average.
- (3) Class III prices adjusted for 4.20% fat, 3.4% protein and somatic cell count 249,999.
- (4) Including most recent supplementary payment.
- (5) Based on payout forecast of Fonterra, adjusted for 4.2% fat and 3.40% protein.

ADDITIONAL REMARKS MILK PRICES MARCH 2008

MILK PRICE

The average milk price calculated for March 2008 deliveries is € 36.37 per 100 kg standard milk. This is compared with the same month last year € 9.25 higher (plus 34.1%).

Compared to February the average milk price has decreased. This is mainly due to the usual elimination of the seasonality payments, applied by several dairy companies.

The dairy market is weak. Quotations are still under pressure as fears took hold that the (seasonal) expansion of milk supplies on the one hand and lack of sufficient export demand on the other could push the market out of balance.

• The Netherlands and Belgium

Friesland Foods has not changed the calculated advance payment for March. Fat and protein prices were kept unchanged, but as the seasonality payment is again applied in March the advance payment is € 2,30 lower than last month. Compared to last year the advance payment is € 9.56 higher. Recently the company said advance payment for May will be € 1.80 lower.

Campina has lowered the milkfat component for March by € 0.41 and applied a seasonality payment as well; because of these measures the advance payment is € 2.62 lower than last month. Compared to last year the advance payment is € 10.04 higher.

Milcobel has decreased the calculated advance payment for March by € 1.05 per 100 kg standard milk, compared to February. This was done by lowering fat and protein price by € 0,10 en € 0,185. Compared to last year the advance payment is still € 8.93 higher.

• Germany

Also in Germany the advance payments for March are still remarkably higher than in 2007: € 5.94 and € 8.42 respectively for Nordmilch and Humana. However Humana lowered its payment for March by € 1.00/100 kg compared to February due to the decreased basic price and Nordmilch by € 2.00/100 kg

- **France**

For the first quarter of 2008 representatives of dairy farmers along with the processing industry have agreed to increase the basic milk prices with € 103.70 per 1000 litre, compared to the same period last year. For the second quarter an increase of € 63.80 per 1000 litre has been agreed. Sodiaal has made an additional payment of € 1.50 per 1000 litre over 2007. This is incorporated retrospectively in the milk prices over 2007 retrospectively and has led to a minimal increase of the moving average.

- **Verenigd Koninkrijk, Ierland**

Fat and protein prices of dairies in the United Kingdom and Ireland did not change. Changes in the calculated milk prices of March compared to February are the result of the elimination of the winter milk allowance (Glanbia) and a lower exchange rate of the British pound.

Dairy Crest has announced to increase the May milk price by 0.75 pence per lbs (appr. € 0.90 per 100 kg of standard milk)

- **Scandinavia**

The Finnish Hameenlinnan Osuusmeijeri has paid a lower milk price because of a lower winter milk allowance. The company has made an additional payment of € 4 per 100 litre over 2007. (2006: € 3.50) This is € 3.88 per 100 kg of standard milk. Also for Arla Foods an additional payment has been incorporated in the calculated milk prices. This payment for 2007 is € 1.42 per 100 kg (2006: € 1.07) and is corrected for moment of physical payment.

- **Oceania**

Fonterra has announced a 40 cent increase in its payout forecast for the 2007/08 season. The increase, which is mainly in the milk price component of payout, brings the forecast to \$7.30 per kilogram of milksolids. This is the equivalent of € 1.50 per 100 kg of standard milk.

Chairman Henry van der Heyden said the increase was the result of commodity prices holding up, largely because production out of New Zealand had dropped due to the drought. The prospect of moderate growth of production this season has changed to a decline of up to 3%. The drought has changed the market since the December forecast of \$6.90.

Fonterra said WMP, cheese and butter had all risen in price with those gains helping to offset a five cent rise in the dollar since Christmas. The December forecast was based on a spot rate of 76 cents, while the current forecast spot rate is now 81 cents. He said the new forecast also factored in higher production costs relating to the drought, including the cost of transporting milk between regions and the loss of efficiencies in plants running below seasonal capacity. Fonterra is thought to be buying in some 25% of this season's global sales.

- **USA**

Market

Despite high feed costs milk production continues strong. The feed cost of producing 100 lbs of milk is now \$ 8.93 (= ± € 12,50/100 kg) almost double the cost of two years ago.

Milk production continues to increase by more than 2%. USDA's milk production report for the month of March showed production up 2.4% from a year ago. Milk cow numbers were 9,000 head more than February and marks the 11th straight month that milk cows have increased over the month before. There were 1.7% more milk cows in March than a year ago.

Looking ahead milk production is likely to continue to increase 2% plus over the next several months. While high feed prices may hold down increases in milk per cow to no more than 1%, earlier herd expansion decisions from record high milk prices in 2007 will hold milk cow numbers higher than a year ago.

The year is starting out with good growth in dairy exports. For the first two months of the year compared to 2007, cheese exports were up 66.1%, nonfat dry milk up 79.9%, butter up 8.3% and whey protein concentrate up 3.8%. Dry whey exports, however, were 28.6% lower.

Despite more milk cheese prices have held up and fluctuated between **\$1.7050 to \$1.9050 per pound (= €238 en €265/100 kg)**. Factors holding up cheddar cheese prices are: less production of cheddar cheese, increase cheese exports and relatively tight stocks. While February butter production on a daily basis was 5.6% higher than a year ago and stocks ample at 8.5% higher than a year ago, butter prices have shown some strength. Butter prices were around **\$1.3925 per pound (= €195/100 kg)** on April 18th. Increased export activity and increased domestic use has improved nonfat dry milk prices. Nonfat dry milk prices are trading mostly in the range of **\$1.32 to \$1.36 per pound (= €185 en €190/100 kg /100 kg)**. However, whey powder prices remain depressed on **\$ 0.28 per pound (= €40/100 kg)**.

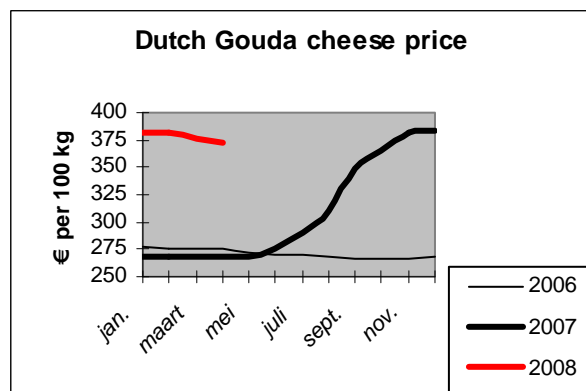
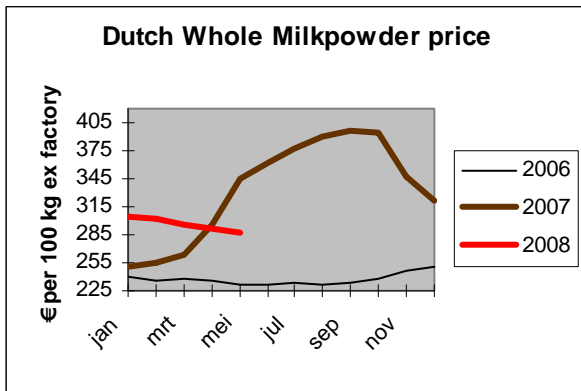
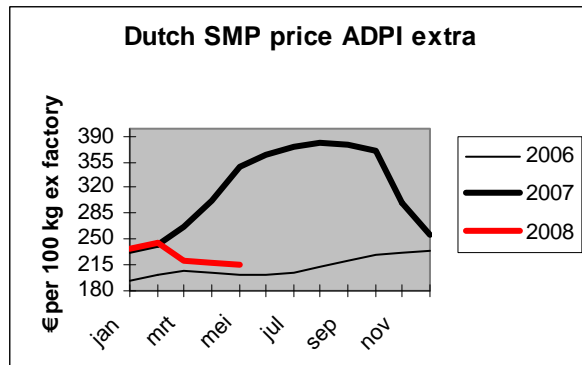
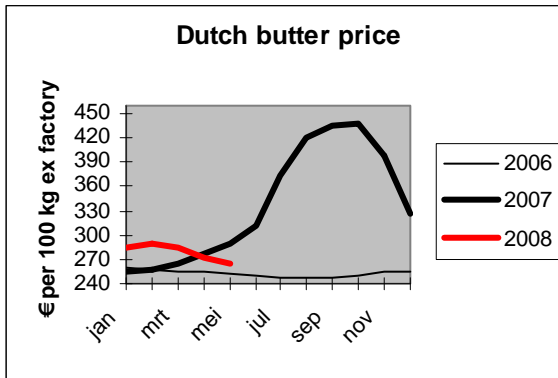
In March the calculated Class III milkprice has decreased to \$ 18 per 100 lbs, compared to last month. Despite this change the March Class III milkprice is the highest milkprice in the past 10 years. For the month of April this Class III milkprice falls to \$ 16.76

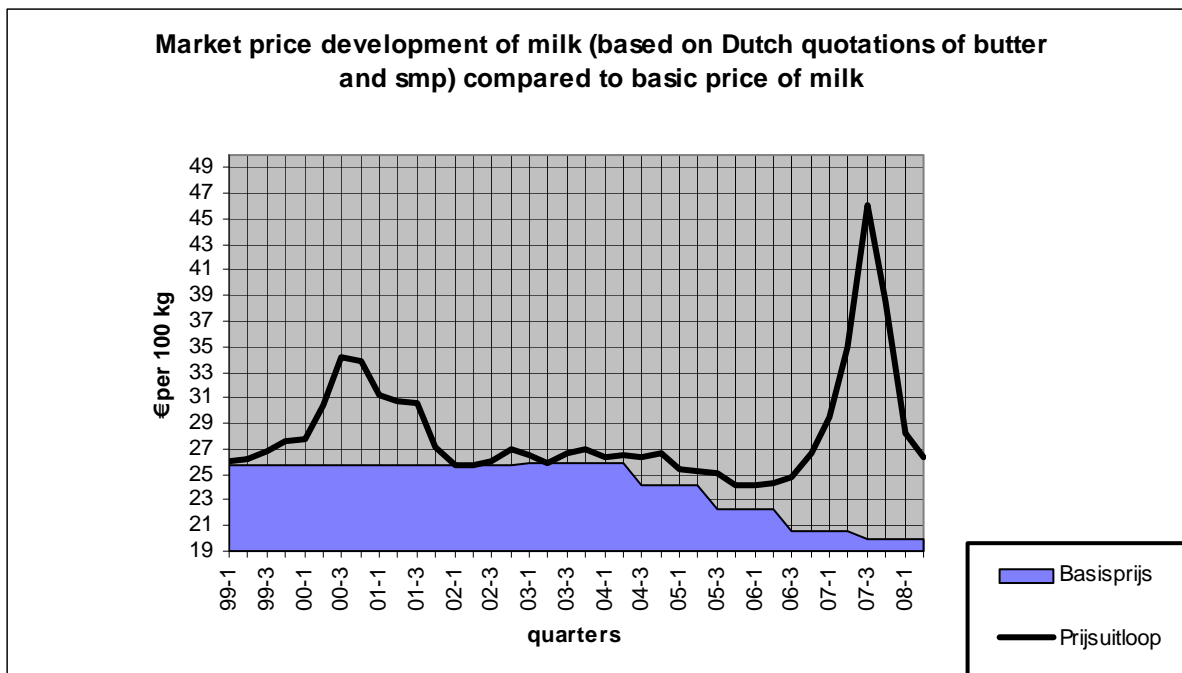
Most recent USDA all-in milkprice forecast for 2008 is \$ 17,65 to \$ 18,15 per 100 lbs (**= €24,62 tot €25,31/100 kg**), which is lower than last year's \$ 19,13 (**= €27.20/100 kg**).

MARKETSITUATION

€ per 100 kg

Dutch Quotations				
	1 january 2008	8 may 2008	index	trend
Butter	280	264	94,3	↓
Whole milkpowder	310	287	92,6	↓
Skimmed milkpowder	238	218	91,6	→
Wheypowder	57	51	89,5	→
Gouda cheese	± 385	± 377	98,0	→





Market comments

In the Netherlands milk output during the first quarter of 2008 was 2797,6 million kgs or appr. 2.6% higher, compared to the same quarter last year. Both the average milk fat as the protein percentage during this period were a little higher from last year. The milk output figure in the EU-25 for the period January and February 2008 was appr. 3.7% higher than the previous year. The cumulative milk output figure in the Netherlands for the current quota year (April to March 2008) amounts to 10.079 million tons, which was 1.2% more, taking account of the fat correction and compared to the same period last year.

On the internal marketplace butterprices are still weakening in the face of slowing export demand, whereas production has increased.

The milkpowder market showed a slightly different picture : prices of skimmed milkpowder are stabilising, while whole milkpowder prices came under downward pressure.

Against a background of stagnating export growth the cheese market has still to cope with price pressures, especially for the bulk segment of the market.

The international market for dairy commodities is still dominated by lower American dairy product prices and a falling dollar.

The continuing decline of the US dollar exchange rate versus important currencies as the euro has made of the USA a competitor on the world dairy market that cannot be ignored. Increased US presence in the international dairy trade could easily cause more spill over effects from the US market to the world market, which in turn has an impact on EU internal prices. Later in the year, drought in New Zealand, which exports 95% of its dairy production, could limit total dairy supplies.

