

## STANDARDIZED MILK PRICE CALCULATIONS for APRIL 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		<b>35.85</b>	0.37	38.43
Humana Milchunion eG	DE				<b>33.77</b>	-0.22	36.41
Nordmilch	DE		0.15		<b>30.80</b>	-0.17	34.61
Arla Foods	DK	0.75		-3.75	<b>34.27</b>	1.41	34.85
Hämeenlinnan Osuusmeijeri	FI	2.14		0.32	<b>33.82</b>	3.88	39.32
Bongrain CLE (Basse Normandie)	FR	0.74			<b>32.89</b>	none	33.90
Danone (Pas de Calais)	FR	0.58			<b>32.78</b>	none	35.10
Lactalis (Pays de la Loire)	FR				<b>32.49</b>	none	33.67
Sodiaal	FR				<b>32.19</b>	none	33.02
Dairy Crest (Davidstow)	GB	-0.24	0.37	-2.75	<b>28.97</b>	0.00	31.50
First Milk	GB	0.61	2.29		<b>28.31</b>	0.00	29.71
Glanbia	IE				<b>34.63</b>	0.00	36.80
Kerry	IE				<b>33.82</b>	none	35.18
Campina	NL	0.05	0.75	-0.90	<b>32.90</b>	1.20	36.64
Friesland Foods	NL	0.04		-2.30	<b>34.52</b>	1.86	36.94
<b>AVERAGE MILK PRICE THIS MONTH 2)</b>					<b>32.80</b>		<b>35.07</b>
New Zealand (5)	NZ				<b>27.83</b>	none	28.83
United States of America (3)	US	0.13			<b>26.28</b>	none	32.54

### 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 APRIL 2008

### MILK PRICE

The average milk price calculated for April 2008 deliveries is € 32.80 per 100 kg standard milk. This is compared with the same month last year € 6.41 higher (plus 24.3%).

Compared to March the average milk price has decreased. This is mainly due to declining market prices during the first quarter of the current year.

The market now looks more friendly. After passing the top in seasonal milk output dairy market prices seem to have reached their bottom and are gradually on the rise again.

#### • The Netherlands and Belgium

The definitive milk price of Friesland Foods over 2007 will probably be fixed at € 37.07 per 100 kg. Friesland Foods always publishes the definitive price in autumn before November 1. Until that date the company maintains this preliminary price. This price is for milk with 4,411% fat and 3,506% protein and VAT included.

For the year 2006 the milk price was fixed at € 30,84 ( with 4,4354% fat and 3,483% protein

The advance payment during the year was € 34.95. The supplementary payment was fixed at € 2.12 per 100 kilo, being 6.06% of the advance payment received. Moreover the farmers did receive a dividend payment from the company's profit. The so called A dividend was € 0.36 per 100 kg milk, VAT excluded. (2006: € 0.33) Owners of certificates of B shares received € 10.24 per certificate. (2006: € 6,81)

Furthermore Friesland Foods and Campina have both changed their advance payments as from **April 1** 2008. At Friesland Foods the change was realised by a decline in price of the fat component with € 0.22 and a rise with € 0.29 of the protein component price, resulting in advance payment, which was kept unchanged.

Compared to last year the advance payment is € 9.83 higher.

Recently the company said advance payment for **May** will be € 1.87 lower.

At Campina the advance payment for fat was decreased by € 0.15, and for protein by € 0.50, which took the advance payment € 2.33/100 kg lower.

Compared to last year the advance payment is € 7.29 higher.

Milcobel has decreased the calculated advance payment for April by € 1.57 to € 35.85 per 100 kg standard milk, compared to March. This move brings the price back to the

level of July last year. This price was realised by lowering fat and protein price by € 0.15 and € 0.28 to € 3.19 and € 5.93 per 100 kg. Compared to last year the advance payment is still € 7.35 higher.

- **Germany**

Also in Germany the advance payments for April are still higher than in 2007: € 3.96 and € 5.45 respectively for Nordmilch and Humana. However Humana lowered its payment for April by € 3.00/100 kg compared to March 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. Compared to last year the advance payments are still approx. € 6.50 higher. Only for Sodial the difference is € 8.00

- **Verenigd Koninkrijk, Ierland**

Fat and protein prices of dairies in Ireland did change in April. Changes in the calculated milk prices of April compared to March are the result of the seasonality adjustment (Dairy Crest) and lower fat and protein prices (Glanbia and Kerry). Dairy Crest has announced to increase the May milk price by 0.75 pence per lbs ( approx. € 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. And for Arla Foods a seasonality adjustment has been introduced from April onwards..

- **Oceania**

Fonterra estimated that they will end the current 2007/08 milk production season ( to the end of May) at least 6.5% lower than the year before. At the start of the season the company targeted a 3% increase in milk production for the year. Fonterra have made no forecasts for the coming year. However official sources said it could take some years to recover.

On May 30 Fonterra announced a 60 cent increase in the Co-operative's 2007/08 forecast payout to \$7.90 per kg of milksolids (kgMS), and a record opening forecast of \$7.00 for next season.

The new forecast for the current season is made up of a milk price of \$7.55 and a value component of 35 cents.

Key factors in the latest increase in payout were the continued strength of international dairy commodity prices – underpinned by a shortage of New Zealand production due to the drought – a weakening New Zealand dollar, along with performance gains within the company.

- **USA**

### **Market**

Despite high feed costs milk production continues strong. But, while feed costs are substantially higher current milk prices still result in favorable returns over feed costs.

Milk production continues to increase by more than 2%. USDA's milk production report for the month of April showed production up 2.5% from a year ago. But an even stronger increase was held back by poorer performance per cow. While milk cow numbers stood 1.8% higher than a year ago, milk per cow was up only 0.7%. This relatively low increase in milk per cow may be attributable to reduce use of rBST and high feed prices.

Despite more milk production cheese prices have been on the rise and strong cheddar cheese prices have been the driver of milk prices. Cheddar cheese is the only cheese traded on the CME. Cheddar cheese production fell 2.1% for all of 2007 and continues below year ago levels with March production down 1.7%. Most noticeably was the decline in California. California, the second largest total cheese producer and cheddar cheese producer, produced 10.7% less total cheese and 20.7% less cheddar cheese in March compared to a year ago. Consequently stocks remain tight with March 31st American cheese stocks 7.5% lower than a year ago. As of May 20th, CME cheddar blocks were \$2.13 per pound. (=€ 300/100 kg)

Strong exports have also helped to strengthen cheese and butter prices. Compared to the first quarter a year ago, cheese and butter exports were much higher

While weakness in cheddar prices lower the April Class III price to \$16.76, down from \$18.00 in March, the recovery in cheese prices will result in a May Class III price above \$18.00.

### **Export**

Recently published figures show that during the first quarter of 2008 USA ran a dairy trade surplus of \$ 363.6 million, a sharp contrast to the dairy trade deficit of \$ 21.6 million during the same period in 2007. The value of US dairy exports was \$ 1.03 billion (= € 659 million) ,up 95.4% from the previous year. For all of 2007, the value had been a record-high \$ 3.014 billion.

The value of US dairy imports was \$ 668.8 million (= € 428 million) ,up 21.6% from from the first quarter of 2007.

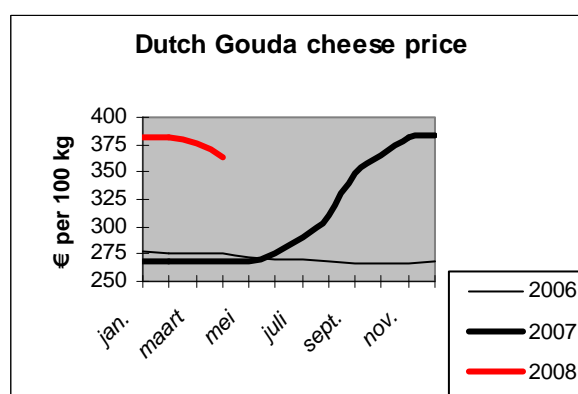
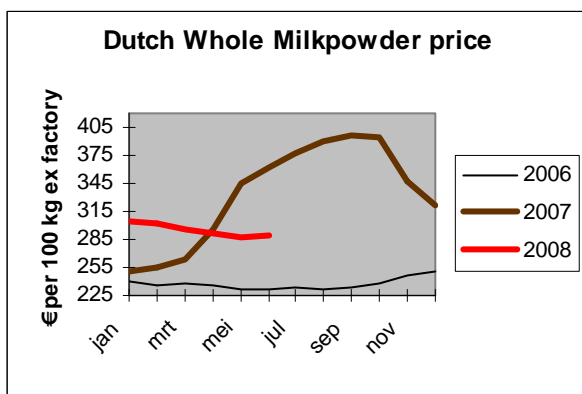
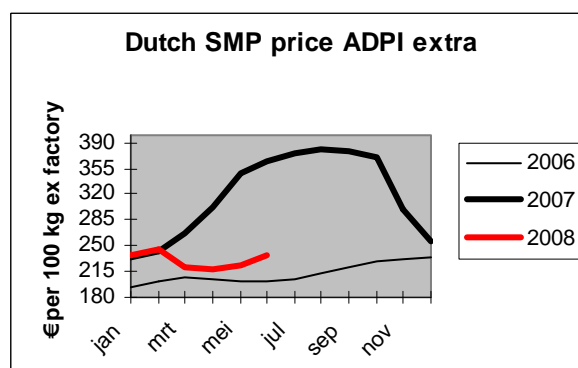
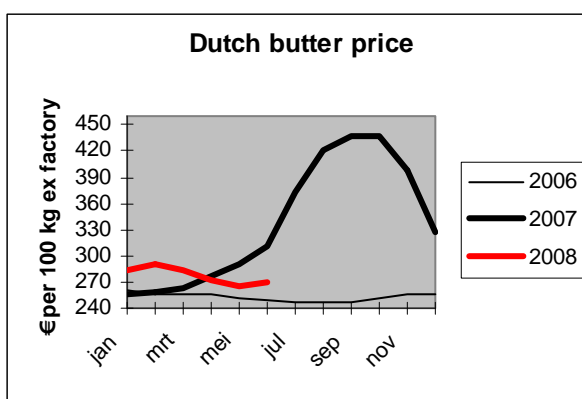
Exports for several dairy products for the period January-March were:

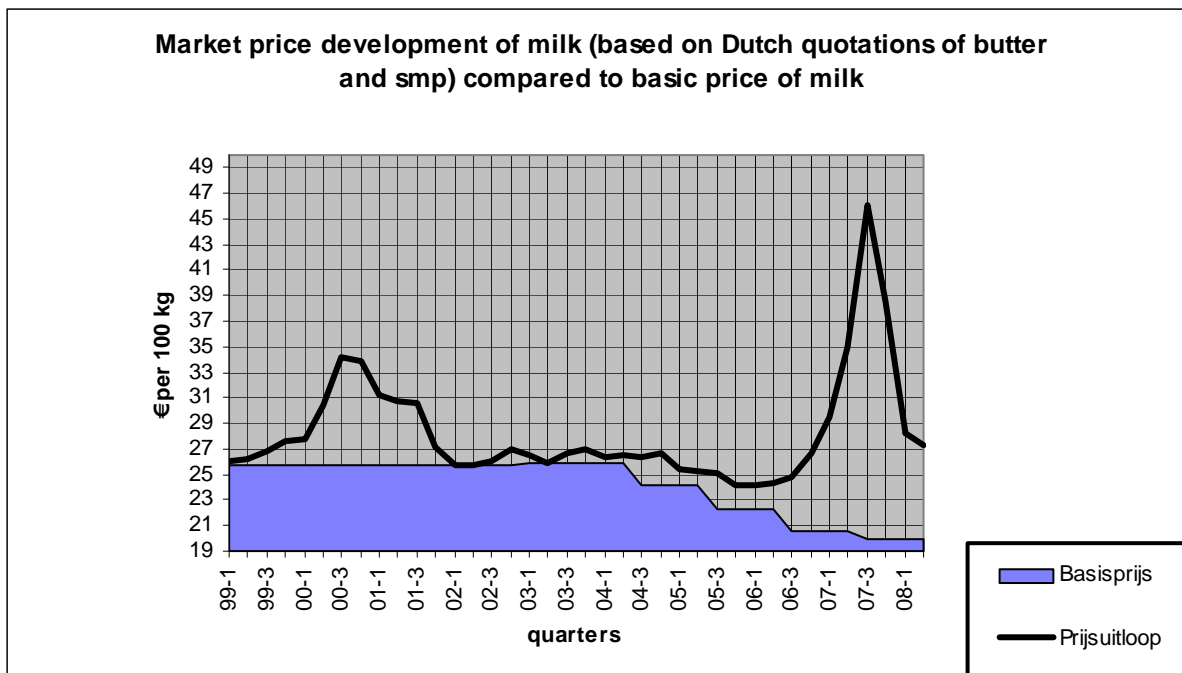
Product	Quantity (tonnes)	% change	Total Value (million \$)	% change	Total Value (\$ per metric tons)
SMP	104.800	+ 73.5	416.9	+ 207.7	3975
Cheese	33.200	+ 54.4	140.9	+ 83.9	4244
Butter	21.300	+927.0	69.3	+1588.0	3250
Wheypowder	42.400	- 26.3	52.9	- 0.8	1250
WPC	21.400	+ 7.7	47.7	+ 11.8	2233

## MARKETSITUATION

€ per 100 kg

Dutch Quotations				
	1 january 2008	8 june 2008	index	trend
Butter	280	270	96,4	↑
Whole milkpowder	310	290	93,5	→
Skimmed milkpowder	238	238	100	↑
Wheypowder	57	61	107	→
Gouda cheese	± 385	± 365	94,8	→





### Market comments

In the Netherlands milk output during the period January-April 2008 was 3707,6 million kgs or appr. 1.9% 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-March 2008 was appr. 3% higher than the previous year.

In quota year 2007/08 (April 2007 to March 2008) Dutch farmers delivered 143.000 tons of milk (= 1.29%) above the fixed quota limit. During the previous quota year the limit was surpassed already by 0.28%, so taking account of the permitted 0,5% quota expansion for the year deliveries were more than 1.5% higher compared to the previous year.

After passing the top in seasonal milk output dairy market prices seem to have reached their bottom and are gradually on the rise again.

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 export supplies, which could contribute to a firming of world market prices.