

STANDARDIZED MILK PRICE CALCULATIONS for JUNE 2008 deliveries

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

Company		Quality adjustmen	Quantity adjustmen	Seasona adjustmen	MILK PRICE this month	Most recen supplementar paymen	Rolling average last 12 months (4)
Milcobel	BE	0.73	1.38		30.61	0.37	38.58
Humana Milchunion eG	DE				34.76	-0.22	37.12
Nordmilch	DE		0.15		31.79	-0.17	35.23
Arla Foods	DK	0.71		-3.54	32.34	1.42	35.83
Hämeenlinnan Osuusmeijeri	FI	2.14		5.95	39.48	3.88	40.92
Bongrain CLE (Basse Normandie)	FR	0.74			33.28	none	35.07
Danone (Pas de Calais)	FR	0.58			33.27	none	36.26
Lactalis (Pays de la Loire)	FR				32.83	none	34.85
Sodiaal	FR				35.78	none	34.57
Dairy Crest (Davidstow)	GB	-0.25	0.37	-3.07	29.74	0.00	32.55
First Milk	GB	0.61	2.30		29.49	0.00	30.71
Glanbia	IE				31.49	0.00	37.20
Kerry	IE				31.83	none	35.78
Campina	NL	0.05	0.75	-0.90	31.91	1.20	37.73
Friesland Foods	NL	0.04		-2.30	29.89	1.86	37.97
AVERAGE MILK PRICE THIS MONTH 2)					32.57		36.02
New Zealand (5)	NZ				29.43	none	31.46
United States of America (3)	US	0.15			32.08	none	31.89

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 JUNE 2008

MILK PRICE

The average milk price calculated for June 2008 deliveries is € 32.57 per 100 kg standard milk. This is compared with the same month last year € 4.42 higher (plus 15.7%)

Compared to May the average milk price was just a little bit lower.

After gradually on the rise the market now looks more uncertain. Economic conditions are deteriorating slowly and are softening demand for consumption goods in general. Price pressures in the dairy sector are becoming more evident as supplies are growing and export demand is slowing.

• The Netherlands and Belgium

Friesland Foods has lowered its advance payment for June.

The change was realised by a decline in price of the fat component with € 0.06 and with € 0.74 of the protein component price, resulting in advance payment, which was € 2.76 lower compared to last month.

Compared to last year the advance payment is € 4.05 higher. In July the price relation fat:protein has been changed without effect on the milk price paid for that month, keeping the distance with last year on € 3.10.

At Campina only the protein price was lowered with € 0.29, fat was kept unchanged which brought the advance payment to € 31.91 per 100 kg of standard milk. Compared to last year the advance payment is still € 5.56 higher.

Milcobel has decreased the calculated advance payment for June by € 3.15 to € 30.60 per 100 kg standard milk, compared to May. This price was realised by lowering fat and protein price by € 0.2994 and € 0.5559 to € 2.69 and € 5.00 per 100 kg. Compared to last year the advance payment was € 2.10 lower.

• Germany

In Germany the advance payments for June has been increased by € 1/100 kg.

The advance payments are still higher than in 2007: € 2.97 and € 3.47 respectively for Nordmilch and Humana.

- **France**

For the second quarter an increase of € 63.80 per 1000 litre has been agreed. Compared to last year the advance payments are still appr.€ 7 higher.

- **United Kingdom, Ireland**

Irish dairy company Glanbia has lowered its advance payment for June by € 1.54 to €31.49 per 100 kg standard milk, compared to May. For the first time during the current year the advance payment is € 0.85 lower, compared to last year. Kerry did change its base value as well and lowered its advance payment for June to € 31.83 per 100 kg standard milk, precisely the same level as last year.

British companies Dairy Crest and First Milk kept their milk prices for June unchanged at € 29.74 and € 29.49 per 100 kg standard milk. In comparison with last year the milk price difference is € 5.45 and € 5.51 respectively.

- **Scandinavia**

Arla Foods has lowered its milk price with € 1.92 per 100 kg standard milk in June. The difference with last year is still € 4.68 plus.

- **Oceania**

Recently Fonterra started a new trading device, called globalDairyTrade, a new internet-based sales platform.

Fonterra offered 5,000 tons of whole milk powder for September departure from New Zealand. The auction clearing price was **US \$ 4330/ton**, which is at the top end of recent market prices. This represents a significant change in the way Fonterra sells some of its commodity products, and is a first in international dairy trade. Over the next 12 months Fonterra expects to sell around \$NZ 1 billion of whole milk powder on the trading platform, with volumes growing over time.

Fonterra said to believe that there will be greater volatility in the market in the future, so it will be more efficient to operate in this way. Moreover it will enhance the transparency and visibility for their members (share holders and farmers) concerning the milk price they will pay. The milk pay out will probably be linked to the auction results and the dividend will be linked to the value added element of their profit mix.

A second auction of full milk powder for delivery in October was recently held and yielded a far lower price of **\$ 3705 (up to a maximum of \$ 4000/ton)**, compared to the first auction. Probably a signal that the market is in for a price correction.

In the meantime the ministry of Agriculture of New Zealand predicts an end to the period of record payments in the country. These record milk prices could be paid at the background of significant lower (-7%) milk production volumes in New Zealand, increased export values by 25% and a worldwide shortage of milk. According to the NZ authorities in 2009 dairy will enter a period of decreasing prices. Yet this year and in 2009 dairy demand will slow as a consequence of weaker economic growth. Moreover higher milk production growth is foreseen in New Zealand, Australia, United States and in Europe.

- **USA**

Market

Milk production during June totaled 14.7 billion lbs (= 6.66 million tons), up 3.4% from June 2007.

Production per cow averaged 1,737 lbs (= 787 kg) for June, 25 pounds (1.5%) above June 2007. The number of milk cows on farms was 8.46 million head, 158,000 head more (1.9%) than June 2007, and 1,000 head more than May 2008. Milk production in the U.S. during April-June 2008 totaled 48.7 billion lbs (= 22,1 million tons), up 2.7% from April-June last year. The average number of milk cows in the U.S. during the quarter was 9.27 million head, 136,000 head more than the same period last year.

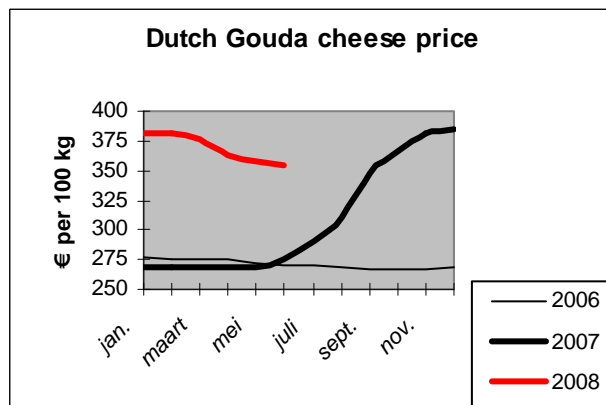
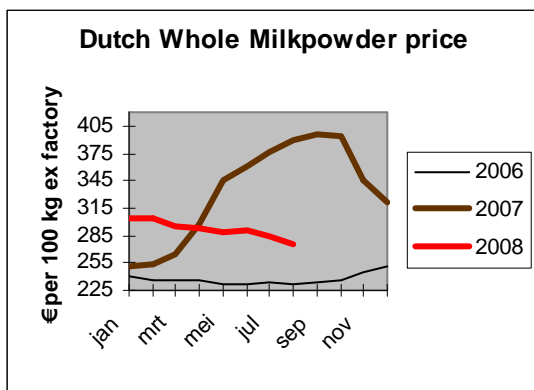
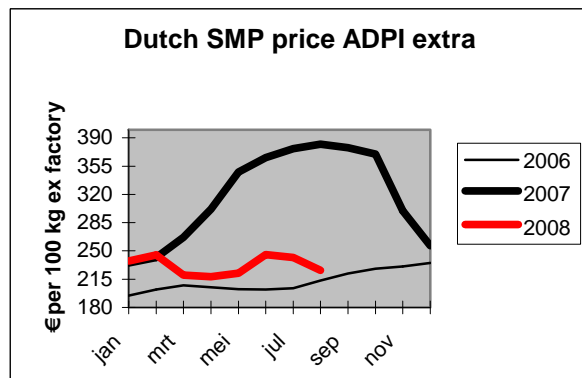
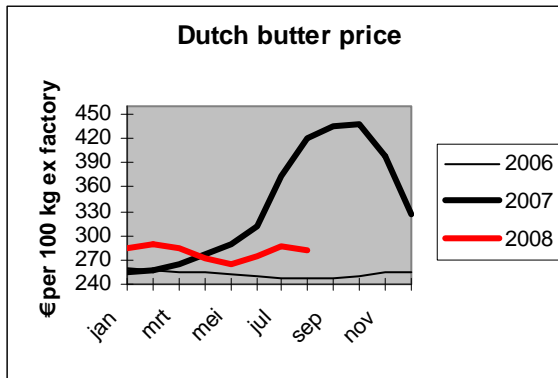
Domestic cheese prices soared to over \$2.21 per lb in mid-June this year before retreating to \$1.99 per lb for the first week of July. Domestic disappearance through April 2008 lags slightly below that for the same period in 2007. Higher prices and a slowing domestic economy are limiting domestic demand. However, exports have risen to fill the gap, keeping cheese demand strong. The cheese processing sector may be close to capacity limits, slowing production increases. So cheese prices are expecting not to weaken much and to remain near the \$2. a pound for the rest of the year.

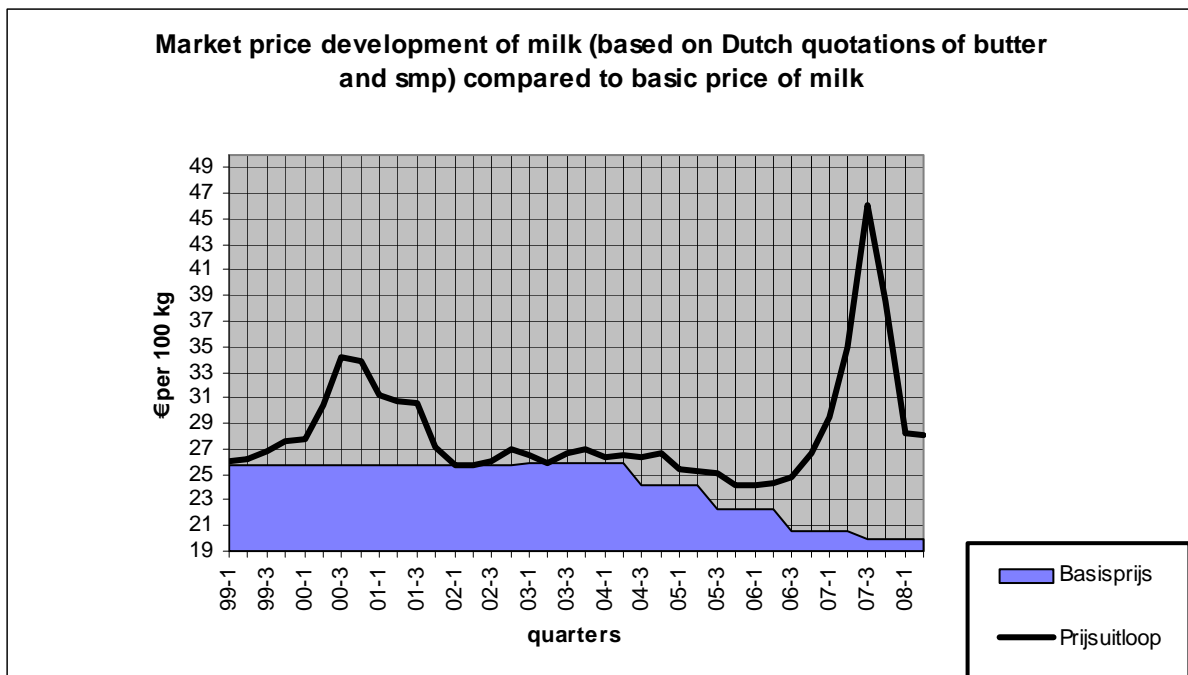
The 5th round of CWT slaughter program will probably remove some 26.000 cows, representing 440 million (= 200.000 ton) pounds of milk. (In spring 2007 CWT removed nearly 53.000 cows at a cost of 1.0 billion pounds of milk.)

MARKETSITUATION

€ per 100 kg

Dutch Quotations				
	1 January 2008	8 August 2008	index	trend
Butter	280	282	100,7	↓
Whole milkpowder	310	276	89,0	↓
Skimmed milkpowder	238	226	95,0	↓
Wheypowder	57	41	71,9	→
Gouda cheese	± 385	± 355	92,2	→





Market comments

In the Netherlands milk output during the period January-June 2008 was 5567,0 million kgs or appr. 2% higher, compared to the same period 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-April/May 2008 was appr. 1.7% higher than the previous year.

The firmer trend in prices, which characterized the market after passing the top in seasonal milk output since early May has slowly dissipated and instead a less stable environment is developing owing to a slackening of demand. It looks as if the sales opportunities are becoming less favourable. Negative factors are :

- a still existing higher EU price level, compared to the worldmarket
- unfavourable exchange rate of the euro versus the US dollar
- and the prospect of diminishing world economic growth, impacting consumer demand

Up till now export volume is less than last year. There is still no major revival in EU exports to be seen. This can cause further turmoil and put prices under pressure. Moreover demand for milkpowder from the feed calving industry has fallen back significantly, triggering a fall in price. The butter market, which saw prices rising from June, has probably reached a turning-point and could decline in coming weeks. Also the recent upheaval in the cheese market, where prices in the bulk segment has been increased, looked short lived and limited.

The international market for dairy commodities is still dominated by lower American dairy product prices, still pushing European exporters from the market.

