

## STANDARDIZED MILK PRICE CALCULATIONS for JULY 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		30.61	0.37	38.16
Humana Milchunion eG	DE				34.76	-0.22	37.25
Nordmilch	DE		0.15		32.78	-0.17	35.15
Arla Foods	DK	0.69			35.11	1.41	36.41
Hämeenlinnan Osuusmeijeri	FI	2.14		11.00	44.52	3.88	41.83
Bongrain CLE (Basse Normandie)	FR	0.74			34.04	none	35.46
Danone (Pas de Calais)	FR	0.58			36.74	none	36.64
Lactalis (Pays de la Loire)	FR				34.78	none	35.25
Sodiaal	FR				37.44	none	35.12
Dairy Crest (Davidstow)	GB	-0.25	0.37		32.75	0.00	32.97
First Milk	GB	0.61	2.29		30.85	0.00	31.13
Glanbia	IE				32.46	0.00	37.03
Kerry	IE				31.83	none	35.54
Campina	NL	0.05	0.75		32.81	1.20	37.94
Friesland Foods	NL	0.04		-2.30	29.85	1.86	38.23
<b>AVERAGE MILK PRICE THIS MONTH 2)</b>					<b>34.09</b>		<b>36.27</b>
New Zealand (5)	NZ				25.49	none	31.42
United States of America (3)	US	0.14			28.63	none	31.12

### 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 JULY 2008**

### **MILK PRICE**

The average milk price calculated for July 2008 deliveries is € 34.09 per 100 kg standard milk. This is compared with the same month last year € 3.09 higher (plus 10%).

Compared to June the average milk price was higher. The overall picture is however ambiguous.

The dairy market is weakening. Economic conditions are deteriorating slowly and lead to a softening of 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 not changed its advance payment for July. However by lowering the protein component by € 0.22 and increasing the fat component by € 0.25 the company realised a change in the protein/fat ratio, without effect on the milk price. Compared to last year the advance payment is € 3.11 higher. Recently the company announced it will lower fat and protein prices for September so that month for the first time in 2008 the milk price will be lower as in 2007.

The Campina advance payment for July is higher due to the seasonality levy, which is nihil for this month. Compared to last year the advance payment is € 2.52 higher.

Milcobel has not changed the calculated advance payment for July. Compared to July last year the advance payment was however € 5.24 lower.

#### **• Germany**

The advance payment by Nordmilch for July has been increased by € 1.00. The milk price of Humana was unchanged. The advance payments are compared to July last year still € 1.49 higher for Humana, but € 0.99 lower for Nordmilch.

Nordmilch suppliers received an extra bonus at their June milk payment if they produced 5% more milk during October 2007 to March 2008 compared to the same period in 2006/2007. This bonus is 5 ct/100 kg for the extra milk supplied. In the calculation of the comparable milk price this bonus is not included.

- **France**

Compared to last year the advance payments are about €5.00 to €7.00 per 100 kg higher.

- **United Kingdom, Ireland**

Irish dairy company Glanbia has increased its advance payment for July to €32.46 per 100 kg standard milk. The advance payment is now €1.30 lower, compared to last year.

The company has recently agreed to pay farmers an extra 2 euro cents per litre for the period July to December 2008. 1 euro cent/litre will be paid through the milk price and a similar amount will be paid as a lump sum bonus at the end of the year. This means a mere redistribution of profits from Glanbia plc to the cooperative, which owns nearly 55% of the share capital of the company.

Kerry did not change its base value either and maintained its advance payment for July to €31.83 per 100 kg standard milk, precisely the same level as last year.

Compared to last year the advance payments of both companies are however lower.

Because of the payment of the seasonality adjustment July milk prices for the British companies Dairy Crest and First Milk were higher at €32.75 and €30.85 per 100 kg standard milk.

In comparison with last year the milk price difference is €4.58 and €4.94 respectively.

Both Dairy Crest and First Milk have also decided to increase their milk price by 1 pence per liter (= €1,27 per 100 liter) for September 2008.

- **Scandinavia**

Arla Foods decreased the fat and protein prices in June. The previous published milk price for Arla is corrected to €31,68 per 100 kg. As the seasonal levy of Arla decreased from minus 10% in June to nihil in July the calculated milk price for July increased compared to June.

- **Oceania**

The calculated milk price for Fonterra is based on the 2008/09 forecast payout of 7.00 NZD per kg of milk solids.

New Zealand dairy export figures are still robust and show no signs of weakness in export value. However as dairy commodity prices are retreating momentarily, milk prices may come under pressure in the near future. Positive factor is the plunge in value of the NZ dollar against the US dollar and the euro.

- **USA**

The class II milk price decreased in July to 18.24 USD/cwt and is for the first time in 2008 lower as in the same month in 2007. The protein price decreased most.

## Export

Recently published figures show that during the first six months of 2008 USA ran a dairy trade surplus of \$ 826.4 million, against \$ 79.1 million during the same period in 2007. In 2006 there was still a trade deficit of \$ 500 million for the entire year.

The value of US dairy exports for the first two quarters was 2.124 billion \$ (= € 1.37 billion ), up 74% from the same period of last year. Skimmed milkpowder accounted for almost 41% of the total exports on a value basis.

The value of US dairy imports was 1.297 billion \$ (= € 1.17 billion ), up 13,6% from from the first six months of 2007.

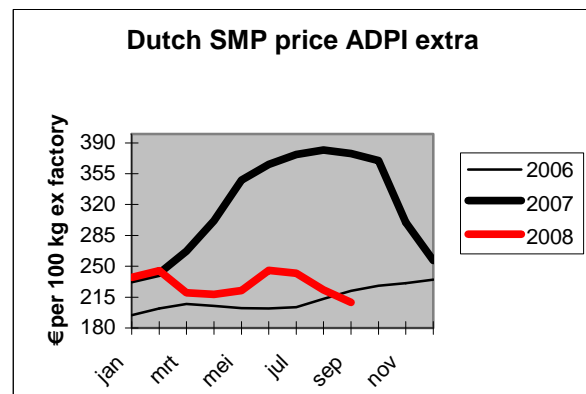
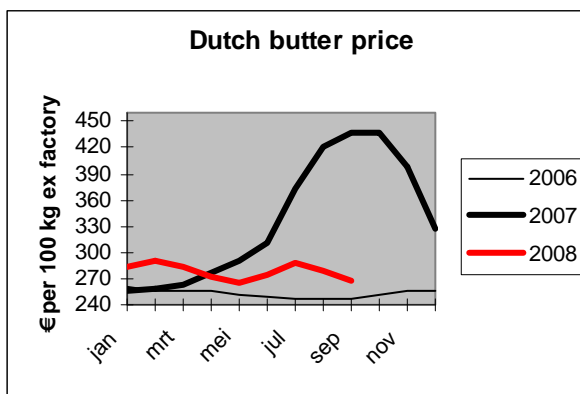
Exports for several dairy products for the period January-June were:

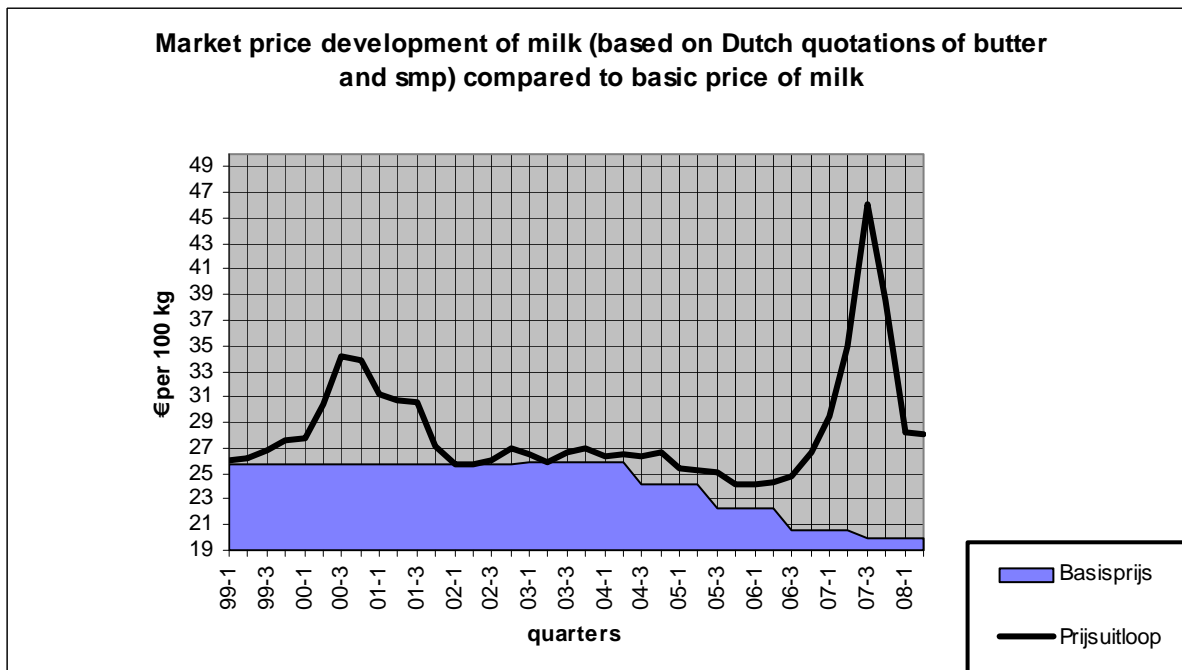
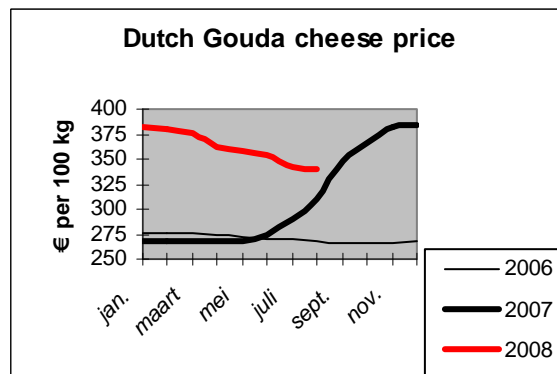
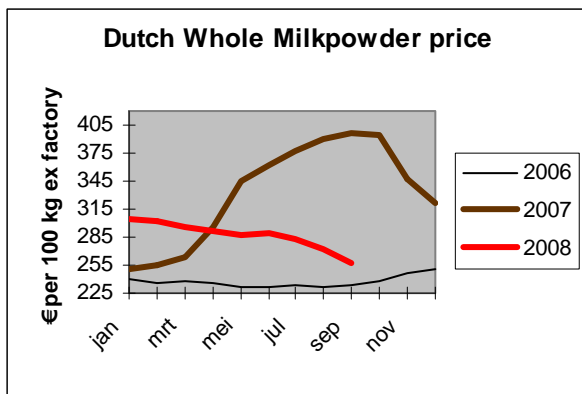
Product	Quantity (tons)	% change	Total value (million \$)	% change	Total value (\$per ton)
Mager melkpd.	234.200	+ 82,7	866,1	+ 176,0	3700
Kaas	71.000	+ 48,1	299,8	+ 73,0	4222
Boter	51.300	+569,0	158,9	+ 847,0	3097
Weipoeder	88.500	- 33,7	104,1	- 25,2	1176
WPC	38.700	+ 1,9	85,0	- 3,0	2196

## MARKETSITUATION

€per 100 kg

Dutch Quotations				
	1 January 2008	5 September 2008	index	trend
Butter	280	268	95,7	↓
Whole milkpowder	310	257	82,9	↓
Skimmed milkpowder	238	209	87,8	↓
Wheypowder	57	37	64,9	↓
Gouda cheese	± 385	± 335	87,0	↓





## Market comments

The firmer trend in prices is over 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
- a still unfavourable exchange rate of the euro versus the US dollar
- and the prospect of diminishing world economic growth, impacting consumer demand worldwide.

Up till now export volumes are less than last year and there is still no major revival in EU exports to be seen. This can cause further turmoil in the market, and exerting more pressure on prices. Milkpowder prices have declined and the butter market, which saw prices rising from June, has reached a turning-point in July and is declining steadily since then. Also the recent upheaval in the cheese market, where prices in the bulk segment has been increased in June, looked short lived and prices are retreating again.

The international market for dairy commodities is still dominated by lower American dairy product prices, still pushing European exporters from the market. And from Oceania signals are indicating lower prices for the near future.