

STANDARDIZED MILK PRICE CALCULATIONS for DECEMBER 2008 deliveries

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

Company		Quality adjustment	Quantity adjustment	Seasonal adjustment	MILK PRICE this month	Most recent supplementary payment	Rolling average last 12 month (4)
Milcobel	BE	0.73	1.37		27.46	0.37	33.03
Humana Milchunion eG	DE				28.82	-0.22	35.16
Nordmilch	DE		0.15		25.85	-0.17	31.39
Arla Foods	DK	0.64			32.36	1.42	37.13
Hämeenlinnan Osuusmeijeri	FI	2.14		12.94	46.49	3.88	45.40
Bongrain CLE (Basse Normandie)	FR	0.74			32.52	none	35.47
Danone (Pas de Calais)	FR	0.58			35.13	none	36.95
Lactalis (Pays de la Loire)	FR				32.62	none	35.27
Sodiaal	FR				29.51	none	35.00
Dairy Crest (Davidstow)	GB	-0.21	0.32	1.61	31.85	0.00	32.73
First Milk	GB	0.54	2.01		28.60	0.00	31.03
Glanbia	IE				30.28	0.00	33.54
Kerry	IE				28.85	none	33.03
Campina	NL	0.05	0.75	2.00	30.26	1.20	35.50
Friesland Foods	NL	0.04			31.80	1.86	35.92
GEMIDDELDE MELKPRIJZEN (2)					31,49		35,10
Alois Müller	DE	0.51			26.61	0.24	34.58
DOC Kaas	NL	0.05	0.27		23.91	2.48	32.41
New Zealand (5)	NZ				16.10	0.00	22.92
United States of America (3)	US	0.14			28.12	none	29.37

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

ADDITIONAL REMARKS MILK PRICES DECEMBER 2008

MILK PRICE

The average milk price calculated for November 2008 deliveries is €**31.49** per 100 kg standard milk. This is compared with the same month last year €**6.42** lower (minus **16.9%**). In comparison to November 2008 the average milk price is €2.07 lower.

Advance milk prices increased in 2008 on average by 9%

In spite of the drastically modified market circumstances and the fall of the milk prices at the end of the year show the calculated advance milk prices, for all participating European dairies (exclusive DOC kaas and Alios Müller), an increased average by **9%** compared to previous year. The milk prices in advance are the rolling average of the last 12 months excluding supplementary payment.

Milk prices paid in advance	2008/2007
Milcobel	- 7%
Humana	5%
Nordmilch	- 2%
Arla Foods Dk	18%
Hameenlinnan O.	23%
Bongrain	16%
Danone	16%
Lactalis	16%
Sodiaal	17%
Dairy Crest	10%
First Milk	13%
Glanbia	2%
Kerry Agribusiness	1%
Campina	7%
Friesland Foods	7%
Average EU	9%
Fonterra	-13%
USA	- 9%
DOC kaas	-10%
Alois Müller	- 1%

The Netherlands

The milk prices will decrease further the coming months. The calculated milk price of FrieslandCampina in February 2009 compared to December, will be approximately € 5.80 per 100 kg lower.

Germany

The German dairy organisation Milchindustrie-Verband foresees a constant fall of the milk price the coming half year. In December the German dairies Humana, Nordmilch and Alois Müller has lowered there basic milk prices with 2.0, 1.0 respectively 3.5 cent per kg.

France

In France the milk production decreased from autumn 2008. France recommendation for the milk price result in a price decrease for December 2008 to March 2009 of respectively € 2.50, € 4.50, € 5.50 and € 5.50 per 100 litre.

Danone had crossed out the extra premium in December of 1.5 cent per litre. Sodiaal has done a supplementary payment of 0.2 cent per litre concerning all milk provided in 2008.

United Kingdom

The British dairies First Milk and Dairy Crest also announced a lowering of the milk price of 1.25 cent for January (First Milk) and in February 1.0 cent per litre (Dairy Crest).

Ireland

To encourage supply during autumn/winter months Glanbia applies two different seasonal bonus schemes. In the LTO Milk Price Comparison the so called winter milk scheme bonuses were included in the calculated milk price. These bonuses require a minimum of 5% of annual delivery in both November and December. Because the average monthly milk production in Ireland does not meet this minimums we included retrospectively the so called seasonality scheme bonuses in our milk price calculation in stead of the winter milk scheme. The seasonality bonuses are available to all manufacturing suppliers who supply less than 16% annual supply in the 5 weeks June period and milk must contain more than 4.35% lactose.

The seasonality bonuses (October 1.05, November 3.80 and February 3.00 cent per liter) are retrospectively included in the calculated milk prices of Glanbia from October 2005. From October 2008 these bonuses are October 1.06, November 2.78, January 4.00 and February 4.00 cpl.

Denmark

By expire of the seasonal bonus allowance the December milk price of Arla Foods is lower compared to November 2008. Up to December Arla has kept the milk price above 32 euro per 100 kg but the January 2009 milk price will decrease with 4.2 cent per kilo.

- **Oceania**

Fonterra Co-operative Group has announced a revised forecast payout for the 2008/09 season of \$5.10 per kg of milksolids. **(=± €16.75/100 kg melk*)** This is a 90 cent reduction in the previous forecast of \$6.00 per kgMS in November 2008.

The \$5.10 per kgMS forecast comprises a Milk Price of \$4.65 per kgMS, down 95 cents, and a Value Return forecast of 45 cents per kgMS. This is a five cent increase in the Value Return component and is the result of improved margins in both our ingredients and international consumer brands businesses.

Fonterra Chairman, Henry van der Heyden said the lower forecast reflected the continuing decline in international commodity prices coupled with the ongoing effects of the global financial crisis, including significant fluctuations in the NZ currency.

Since the beginning of the year commodity prices have continued to fall substantially. and a worrying trend now developing was government intervention in the dairy market. Any regional subsidies or intervention had the potential to distort the market.

Fonterra CEO, Andrew Ferrier, said the downturn in dairy prices had been driven by a combination of factors resulting in a serious imbalance between supply and demand. Global dairy production was high following several years of rapidly rising prices. Consumption was affected by weak consumer confidence in reaction to recent higher prices, and the consumption drop has been exacerbated by the significant global economic downturn.

Fonterra said It is difficult for their customers to read consumer trends like they used to, and pressures on their own working capital from the financial crisis mean they want to limit the amount of product inventory they are carrying.”

- **USA**

As result of the deteriorating economic circumstances worldwide dairy prices in the USA have taken a nose dive during the last couple of weeks. Economic uncertainties have reduced demand for dairy products and prices have declined sharply CME butter, milkpowder and cheese prices have fallen back to supporting intervention levels, which are \$1,05/lb **(= \$ 2314/ton)** for butter, \$1,10/lb **(= \$ 2425/ton)** for block cheddar and \$ 0,80/lb **(= \$ 1763/ton)** for skimmed milkpowder. Total cumulative intervention purchases are up to now 685 tonnes of butter and 64.000 tonnes of milkpowder.

USDA's estimate for December showed milk production 1.5 percent more than a year ago. A lower herd size and a slight yield increase per cow will nudge milk production up to 190,5 billion pounds (= 86,4 miljoen ton), which is 0.5% higher than in 2008. Milk prices will decline further this year.

Calculated milkprice for the USA is based on figures published by the USDA (US Department of Agriculture) for milk and components used for so-called Class III categorie.

* with 8.3% milk solids
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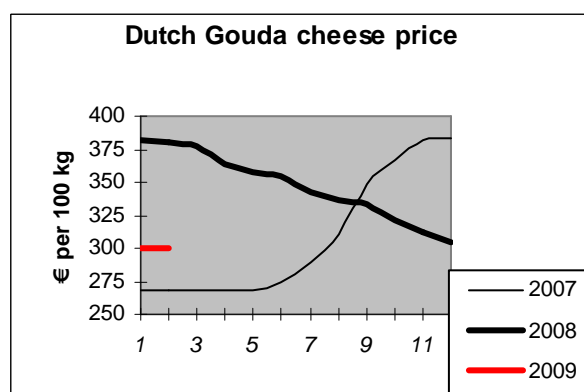
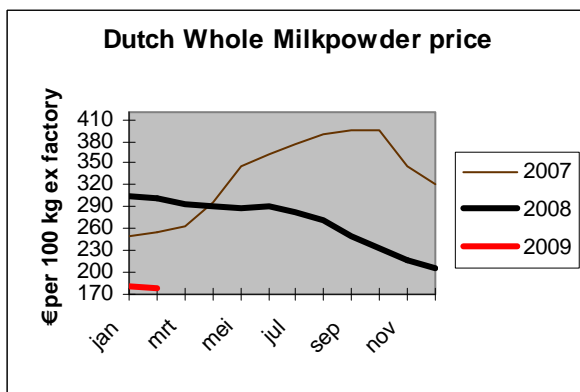
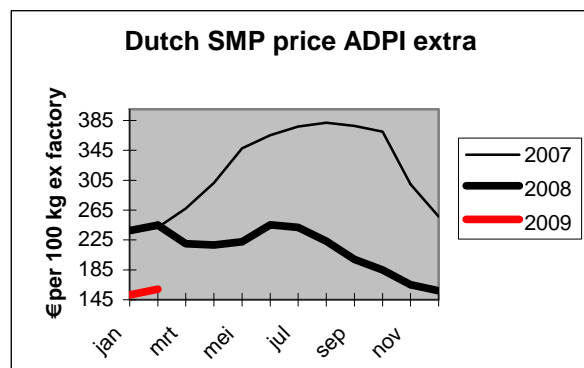
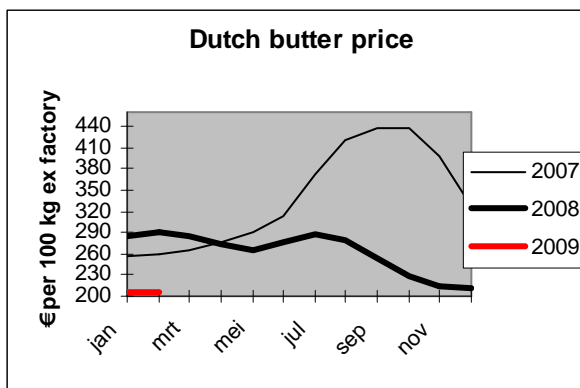
According to USDA the average Class III milk price has declined from **\$ 18.04** in 2007 to **\$ 17.44 per cwt** in 2008 (- 3,3%). For 2009 the Class III price is forecast to average **\$ 10,60 tot \$ 11,40 per cwt** ofwel -37%.

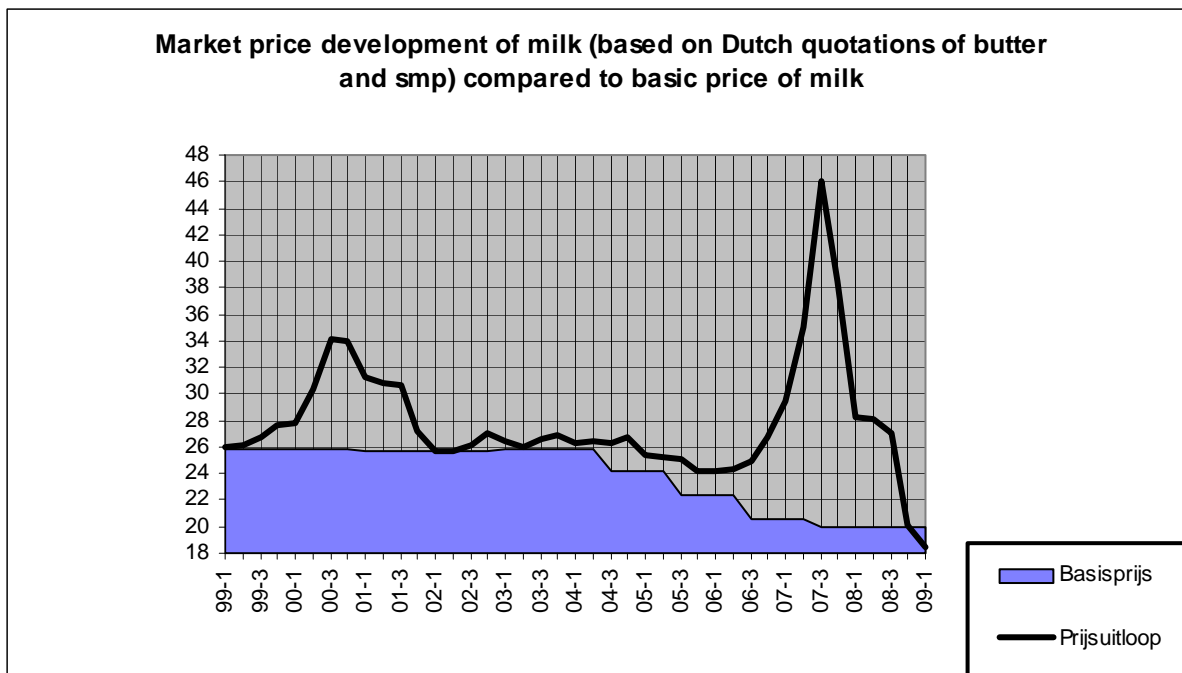
The so called all-in milk price is expected to average **\$ 11,80 tot \$ 12,60 per cwt** in 2009, a drop of -33% compared to **\$ 18,34 per cwt** in 2008.

MARKETSITUATION

€ per 100 kg

Dutch Quotations				
	1 January 2009	8 February 2009	index	trend
Butter	210	207	98,5	↑
Whole milkpowder	195	177	90,8	↓
Skimmed milkpowder	150	159	106,0	↑
Wheypowder	39	38	97,4	→
Gouda cheese	± 310	± 300	96,8	↓





Market comments

In the Netherlands milk output during the period January-December 2008 was 10.936 million kgs or appr. 1.9% higher, compared to the same period last year. The average milk fat and protein percentage during this period was similar to last year. The milk output figure in the EU-25 for the period January-November 2008 was appr. 0.6% higher than the previous year and is now declining..

Tumbling market prices and growing uncertainty pressed the European Commission to help markets by taking some market support measures. First of all export subsidies were reintroduced to make export competitive again. Second measure, which could be more effective, will be a continuation of the intervention purchases beyond the official limits of 30.000 ton of butter and 109.000 tons of skimmed milk powder. These quantities will be bought in at full intervention prices, but after that tendering is introduced. Commission wants to keep up a safety net as long as this period of depressed prices continues.

Until now market reaction looks positive. EU butter and SMP prices are now being supported by the prospect of manufacturing for intervention. As prices move until lately below intervention support levels this outlet gives prices a little upward potential up to their respective intervention equivalent value. Despite new export subsidies, export perspectives stay however unclear as major competitors on the world markets fear that this move could further depress dairy commodity prices and even slow the possible recovery.

Economic perspectives are not very encouraging given the financial crisis and recession fears. As a consequence the changed picture of supply and demand will lead to a rebalancing of the milk production worldwide. Production forecasts for 2009 are now coming down.

However there will continued downward pressure on prices,until either the supply of product will decline or buyers have confidence that the global economic situation will improve. The outlook for exports has changed drastically with the expectation of global recession in 2009.

Lower consumer demand is slowing import growth everywhere;moreover a weakening dollar will deteriorate the export position from the EU. So the strong growth in total world trade of the last couple of years will probably reverse and fall back below 2%.