

## STANDARDIZED MILK PRICE CALCULATIONS for JANUARY 2009 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		<b>25.36</b>	0.37	<b>31.77</b>
Alois Müller	DE	0.51			<b>25.62</b>	0.24	<b>33.35</b>
Humana Milchunion eG	DE				<b>27.48</b>	-0.22	<b>34.06</b>
Nordmilch	DE		0.15		<b>23.87</b>	-0.17	<b>30.12</b>
Arla Foods	DK	0.55			<b>27.54</b>	1.42	<b>36.23</b>
Hämeenlinnan Osuusmeijeri	FI	2.14		8.77	<b>42.31</b>	3.88	<b>45.83</b>
Bongrain CLE (Basse Normandie)	FR	0.74			<b>36.17</b>	none	<b>35.05</b>
Danone (Pas de Calais)	FR	0.58			<b>36.53</b>	none	<b>36.51</b>
Lactalis (Pays de la Loire)	FR				<b>36.01</b>	none	<b>34.86</b>
Sodiaal	FR				<b>32.26</b>	none	<b>34.54</b>
Dairy Crest (Davidstow)	GB	-0.21	0.32		<b>29.82</b>	0.00	<b>32.40</b>
First Milk	GB	0.53	1.98		<b>26.38</b>	0.00	<b>30.50</b>
Glanbia	IE			3.88	<b>29.09</b>	0.00	<b>33.30</b>
Kerry	IE				<b>24.86</b>	none	<b>32.69</b>
DOC Kaas	NL	0.05	0.27		<b>22.97</b>	2.48	<b>31.10</b>
Friesland Campina	NL	0.05	0.75		<b>27.18</b>	1.86	<b>35.07</b>
<b>AVERAGE MILK PRICE THIS MONTH (</b>					<b>29,59</b>		<b>34,21</b>
Granarolo (North)	IT	1.15	3.42		<b>37.54</b>	none	<b>40.66</b>
Fonterra (5)	NZ				<b>16.09</b>	0.00	<b>21.15</b>
United States of America (3)	US	0.11			<b>20.28</b>	none	<b>28.36</b>

### 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) Based on USDA announcement, 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, adjusted for 4.2% fat and 3.4% protein.

## **ADDITIONAL REMARKS MILK PRICES JANUARY 2008**

### **MILK PRICE**

#### **Additional remarks milk prices January 2009**

The average milk price calculated for January 2009 deliveries is **€29.59** per 100 kg standard milk. This is compared with the same month last year **€8.75** lower (minus 23%). In comparison to December 2008 the average milk price is € 1.20 lower.

This month shows a large variation between the different dairies and countries. Since the start of the milkprice comparison in 1999 the suppliers who provide milk to Milcobel, Humana, Nordmilch, Arla and Kerry received the lowest milk price for the month January. In February the member suppliers of FrieslandCampina will receive also the lowest milkprice in 10 years time. On the other hand the Finnish suppliers of Hämeenlinnan Osuusmeijeri received the highest milk price in 10 years time and the France suppliers second highest.

#### **Modifications**

As of this publication the comparison has been extended with the milk price of Granarolo, Italians second largest dairy concern. Not to disturb the range calculated milk prices Granarolo is not taken along the average calculated milk price.

The calculated milk price of Alios Müller and DOC Kaas are retrospectively included in the average milk price comparison from 2007.

As from January 2009 the milk price of FrieslandCampina is calculated and published. These milk prices become compared to formerly Friesland Foods.

#### **The Netherlands**

The coming months the milk prices will decrease further as result of the market developments. The calculated milk price of FrieslandCampina in January 2009 decreased to € 27.15 per 100 kg. The guaranteed price for next months is published by FrieslandCampina and the standard price will decrease further down to under € 22.00 per 100 kg. The decline is extra strengthened because of the seasonality fee of € 2.30.

The Dutch dairy DOC Kaas also announced a lowering of the milk price under € 22.00 per 100 kg.

## Arla

Arla has announced a supplementary payment for 2008 of 5.20 DKK per 100 kg (€ 0.70). Which is significant less than earlier estimated and also lower than previous year. In 2007 the supplementary payment was around € 1.50 per 100 kg. The supplementary payment of 2008 has not yet been included in the LTO milk price comparison.

## Germany

All German dairies reduce the basic milk price with a fat percentage of 3.7% and a protein percentage of 3.4% in January 2009. The German dairies Alios Müller, Humana and Nordmilch has lowered there basic milk prices respectively with € 1.00 to € 24.00 per 100 kg, € 1.35 to € 26.00 per 100 kg € 2.00 to € 23.00 per 100 kg.

## France

Remarkable are the French dairies who are paying in January second highest milk prices in 10 years time. This is because of the price deals every quarter of the year. Compared to last month all the French dairies are paying a higher milk price.

## • Oceania

Fonterra Co-operative Group has announced that February milk supply is down 6 á 7% on earlier forecasts of 8 á 9% rise in milk production for the current season. Milk production is now said to be below average in many regions and supply is now falling as rapidly as it was at the same time a year ago when effects of the drought were at their worst.

## • USA

As result of the deteriorating economic circumstances worldwide dairy prices in the USA have taken a nose dive and the calculated milkprice was reduced by a mere 30% to € 20.28 from € 28.12 in december last year.

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. Recently the cheese market moved higher until mid February at \$1.25/lb (= \$ 2754/ton) for block cheddar, while butter prices are \$0.05 above intervention levels.

Total cumulative intervention purchases are up to now 2.065 tonnes of butter and 79.000 tonnes of milkpowder.

USDA's estimate for January showed milk production 1% more than a year ago. A lower herd size and a slight yield increase per cow will nudge milk production up to 189,1 billion pounds (= 85,8 miljoen ton), which is 0.5% higher than in 2008. However this estimate looks too optimistic. Latest developments show that more cows are being slaughtered than a year ago, which will bring milkproduction probably down from last year.

Milk prices are experiencing further downward pressure. Moreover the so called milk to feed price ratio is down.

The USDA uses a milk to feed price ratio (MFPR) to monitor the profitability of milk production in the US; it is designed to reflect the price of milk relative to the price of feed. Estimates are that feed accounts for between 40 and 60% of the cost of producing milk in the US. The MFPR is obtained by dividing the price of a lb of milk by the price of a lb of a 16% protein-mixed dairy feed ration. The higher the ratio, the larger the margin is between milk and feed prices. For a farm to be profitable, it is estimated that the ratio should be 3.0 or greater. In January 2009, the ratio fell to 1.69, its lowest level ever.

Calculated milk price 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.

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 figures are recently revised further downwards and the Class III price is now forecasted to average **\$ 9.70 - \$ 10.40 per cwt.**

The so called all-in milk price is expected to average **\$ 10.95 - \$ 11.65 per cwt** in 2009 (**± €19,60/100 kg on average**), a drop of -38% compared to **\$ 18.34 per cwt** in 2008.

## Export

Recently published figures show that in 2008 USA ran a dairy trade surplus of \$ 1.045 billion. The value of US dairy exports was \$ 3.791 billion (= €2,985 billion), up 25% from the previous year. However during last quarter of 2008 exports showed a fast decline and dairy trade ran even a deficit of almost \$ 112 million. As a result of declining prices and a fall in global demand this trend is expected to continue in 2009.

The value of US dairy imports was \$ 2.745 billion (= €2,161 billion), up 9,2% from 2008.

Exports for several dairy products for the period January-December 2008 were:

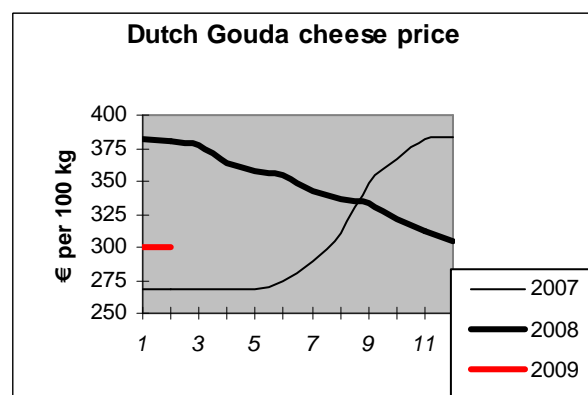
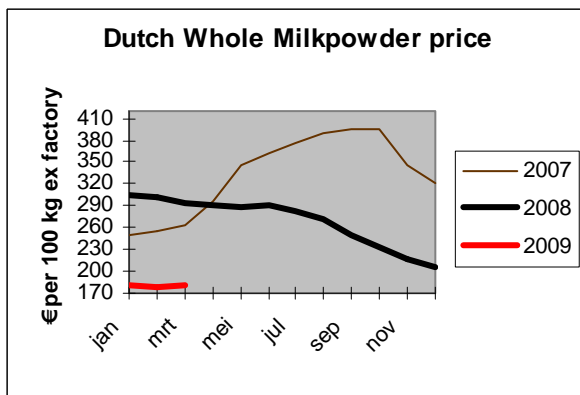
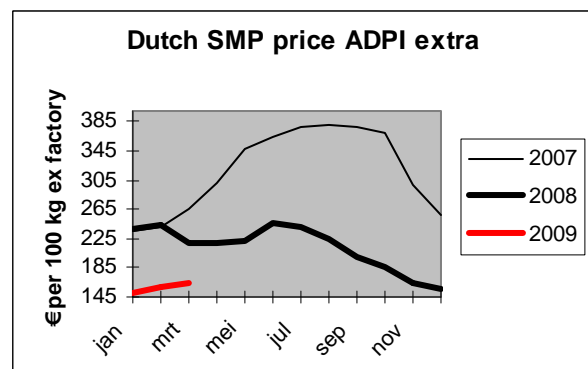
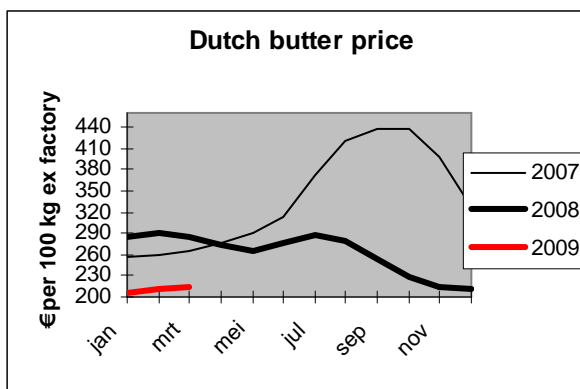
Product	Quantity (tonnes)	% change	Total Value (million \$)	% change	Total Value ( \$ per metric tons)
SMP	391.500	+ 52	1.380,0	+ 65	3525
Cheese	131.500	+ 32	569,8	+ 47	4333
Butter	80.100	+143	238,2	+154	2975
Wheypowder	201.300	- 24	203,9	- 31	1012
WPC	71.700	- 23	157,8	- 33	2200

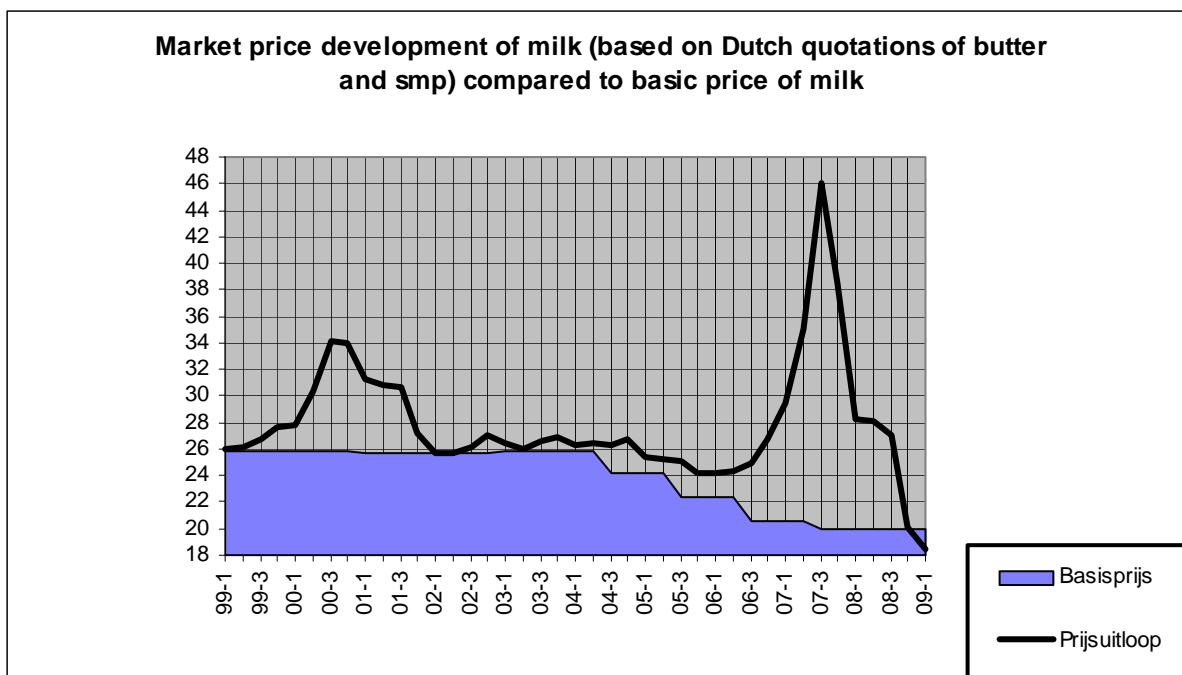
The outlook for 2009 is not favourable with a financial crisis and most of the world in recession. US dairy exports is currently forecast to fall sharply from \$ 4 billion to ca \$ 3,1 billion in 2009.

## MARKETSITUATION

€ per 100 kg

<b>Dutch Quotations</b>				
	1 January 2009	7 March 2009	index	trend
Butter	210	214	101,9	↑
Whole milkpowder	195	180	92,3	→
Skimmed milkpowder	150	164	109,3	↑
Wheypowder	39	36	92,3	→
Gouda cheese	± 310	± 295	95,2	→





## Market comments

In the Netherlands milk output during the month January 2009 was 0.970 million kgs or appr. 2% higher, compared to the same month last year. The average milk fat and protein percentage during this period was 4.55% and 3.57% ,being 0.07% and 0.05% higher to last year.

The milk output figure in the EU-25 for the period January-December 2008 was appr. 0.7% higher than the previous year, but is now trending lower.

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 tons 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 continue.

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. However current market circumstances for skimmed milk powder are still depressed by oversupply ( old quantities, being stocked by producers and traders), which is reflected in further declines of bulk powder prices.

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 milkproduction 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%.