

## STANDARDIZED MILK PRICE CALCULATIONS for FEBRUARY 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>23.26</b>	0.37	<b>30.53</b>
Alois Müller	DE	0.51			<b>25.12</b>	0.24	<b>32.26</b>
Humana Milchunion eG	DE				<b>25.85</b>	-0.22	<b>33.01</b>
Nordmilch	DE		0.15		<b>22.88</b>	-0.17	<b>29.18</b>
Arla Foods	DK	0.55			<b>27.54</b>	1.42	<b>35.41</b>
Hämeenlinnan Osuusmeijeri	FI	2.14		8.77	<b>42.27</b>	3.88	<b>46.21</b>
Bongrain CLE (Basse Normandie)	FR	0.74			<b>35.69</b>	none	<b>34.68</b>
Danone (Pas de Calais)	FR	0.58			<b>34.59</b>	none	<b>35.98</b>
Lactalis (Pays de la Loire)	FR				<b>35.74</b>	none	<b>34.49</b>
Sodiaal	FR				<b>30.71</b>	none	<b>33.99</b>
Dairy Crest (Davidstow)	GB	-0.22	0.33		<b>29.71</b>	0.00	<b>32.10</b>
First Milk	GB	0.55	2.05		<b>26.44</b>	0.00	<b>30.02</b>
Glanbia	IE			3.88	<b>29.09</b>	0.00	<b>32.83</b>
Kerry	IE				<b>24.86</b>	none	<b>32.17</b>
DOC Kaas	NL	0.05	0.27		<b>21.72</b>	2.48	<b>29.99</b>
Friesland Campina	NL	0.05	0.75		<b>25.95</b>	1.86	<b>34.21</b>
<b>AVERAGE MILK PRICE THIS MONTH (</b>					<b>28,84</b>		<b>33,57</b>
Granarolo (North)	IT	1.15	3.42		<b>37.54</b>	none	<b>40.30</b>
Fonterra (5)	NZ				<b>15.61</b>	0.00	<b>19.68</b>
United States of America (3)	US	0.10			<b>18.26</b>	none	<b>27.55</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 FEBRUARY 2008**

### **MILK PRICE**

#### **Additional remarks milk prices February 2009**

The average milk price calculated for January 2009 deliveries is **€28.84** per 100 kg standard milk. This is compared with the same month last year **€8.92** lower (minus 23,6%). In comparison to January 2008 the average milk price is **€0.75** lower.

Coming months milk prices will trending further down. Some of the dairies have already announced their new prices.

#### **The Netherlands**

FrieslandCampina has lowered the February fat price to € 2.21 and the protein price to € 6.03, which gives the February milk price an outcome of € 25.95 per 100 kg milk. The milk price drop further next month with almost 4 euro per 100 kg milk, partly because of the seasonal levy of € 2.30.

FrieslandCampina pronounced the 2008 milk price, which is 36,37 euro per 100 kg milk. Compared to 2007 this is an average increase of 4,4 percent for Friesland Foods and Campina.

#### **Belgium**

Milcobel has also lowered there February milk price with more than 2 euro.

#### **Arla**

Arla did not applied any changes for the February milk price. However for March Arla pronounced a lowering in fat- and protein price towards a level of 1.92 and 3.28 Danish Krone respectively . Without keeping notice of the exchange rate the milk price drops over € 2.50 per 100 kg milk.

#### **Germany**

The German dairies Nordmilch and Humana Milch Union lower the February basic price for milk with a fat percentage of 3.7% and a protein percentage of 3.4%. Humana lowers the basic price € 1.00 down to € 25.00 per 100 kg milk. The basic price of Nordmilch is lowered by € 1.00 per 100 kg milk to € 22.00.

## United Kingdom

The English dairy company Dairy Crest lowered its fat- and protein price for February, the prices are 2,33 and 2,85 pound respectively. The dairy announced to lower its milk price further 1<sup>st</sup> of April by 1.25 pence per litre and in May they will review the milk price again.

## New Zealand

Fonterra will pay its already forecasted price for the 2008/09 season of \$5.10 per kg of milksolids. (=± **€ 16.75/100 kg melk**) , but announced they might need to rely on last year profit to keep their promises.

## USA

### *Market*

Milk production during February was up only 0.6% from last year. This was a smaller increase than January, which was up 0.8%.

Production per cow averaged 1,608 lbs (= 779 kg) , 48 pounds (0.2%) below February 2008. The number of milk cows on farms was 8.49 million head, 31,000 head more (1.6%) than February 2008, but 16,000 head less than January last month. With a higher slaughter rate of dairy cows (now +25%, compared to a year ago) and another CWT herd buy-out program the total number of milk cows will continue to decline through the remainder of the year. And the unfavourable operating margins as a result of relatively low milk prices and high feed costs will limit increases in milk per cow and could lead to the prospect of milk production for 2009 that will hardly rise..

With forecasts for continued slowdown in milk production and some improvement in internal milk and dairy product sales wholesale prices of butter ,cheese have shown some improvement. However US dairy exports lag last year's and were down 32% for skimmed milkpowder, 22% for cheese and 72% for butter in the month of January.

Economic uncertainties had reduced demand for dairy products and prices had 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 March at \$1.30/lb (= **\$ 2754/ton**) for block cheddar, while butter prices are \$0.15 above intervention levels.

Total cumulative intervention purchases are up to now 2.100 tonnes of butter and 93.000 tonnes of milkpowder.

## Consumer price development

According to figures of the BLS ( Bureau of Labor Statistics) the consumer price index (CPI) for dairy products ( 1982/84=100 ) was 204.537 in February, down 2.4 percent from last month, and 1.7 percent below February 2008. Dairy prices have now declined 3 months in a row.

The US city average price for a gallon of whole milk averaged \$ 3.319 (= ca €0.65 per liter), which was down 55 cents below the level of a year earlier.

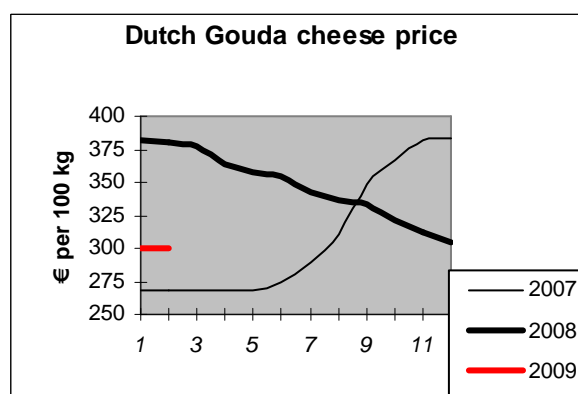
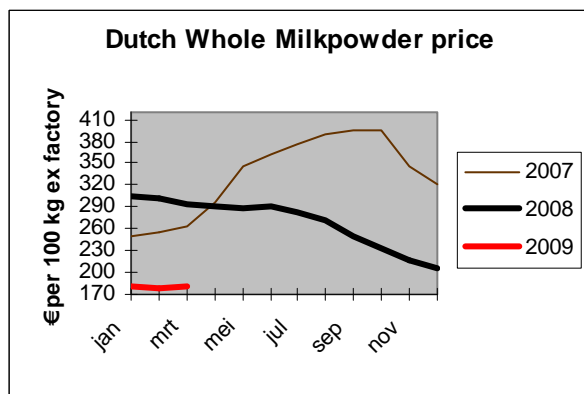
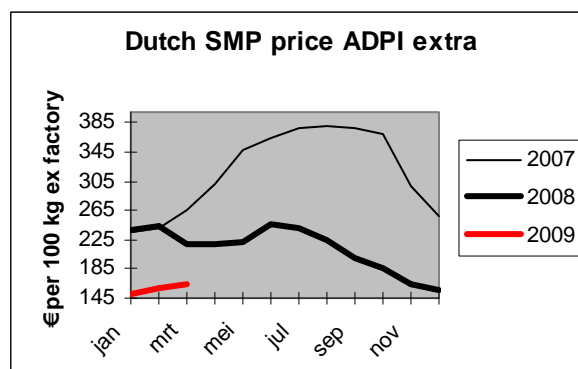
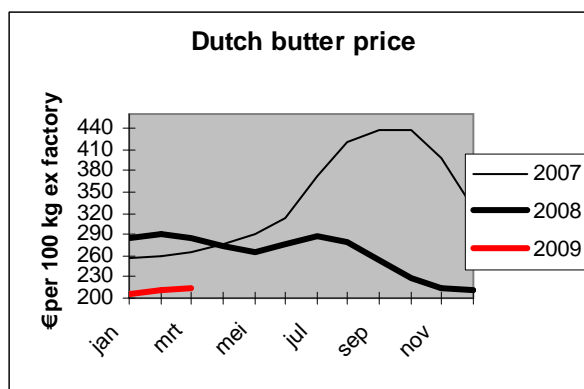
February's price index for cheese was 213.51, down 2.7 percent, compared to a year earlier. The US city average price for a pound of natural Cheddar cheese averaged \$ 4.922 (= ca €8 per kg), which was down more than 9 cents from January, but still more than 31 cents higher than in February a year ago.

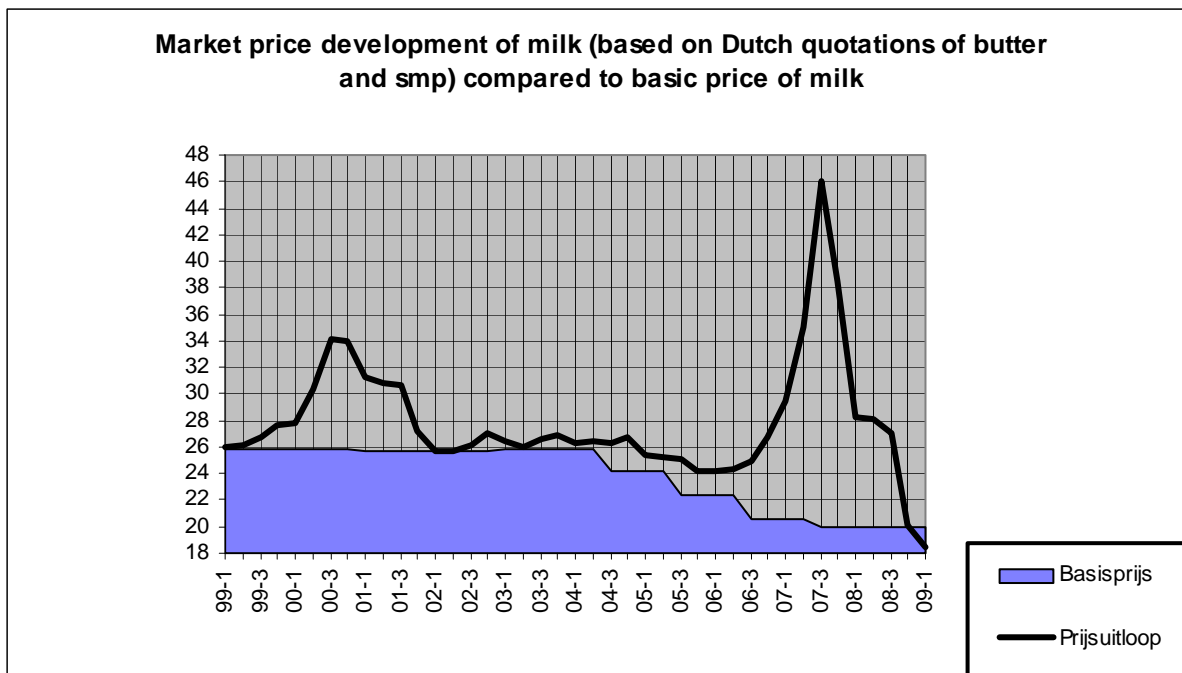
February's price index for butter was 170.88, down 6 percent from last month and 0.6 percent lower, compared to a year earlier. The US city average price for a pound of salted grade AA butter averaged \$ 3.033 (= ca €4.95 per kg), which was down 0.11/lb (€0.18/kg) from last month and \$ 0.02/lb compared to February 2008.

### MARKETSITUATION

€ per 100 kg

Dutch Quotations				
	1 January 2009	4 April 2009	index	trend
Butter	210	216	102,8	→
Whole milkpowder	195	185	94,8	→
Skimmed milkpowder	150	164	109,3	→
Wheypowder	39	38	97,4	→
Gouda cheese	± 310	± 295	95,2	→





### Market comments

In the Netherlands milk output during the two months January and February 2009 was 1.856 billion kgs or appr. 0.4% higher, compared to the same months last year. The average milk fat and protein percentage during this period was 4.53% and 3.54% ,being 0.07% and 0.03% higher to last year.

The milk output figure in the EU-25 for the period January-December 2008 was appr. 0.6% higher than the previous year, but is now trending lower.

Especially in Germany, Ireland, France and United Kingdom. For the super levy period April to December 2008 milk production declined appr. 0.4%. However a small group of countries such as Netherlands, Denmark, Spain and Poland produced more, compared to the last super levy year 2007/2008.

Tumbling market prices and growing uncertainty pressed the European Commission to help markets recently by taking some market support measures. First of all private aid scheme of butter was advanced by 3 months and started from January 1, export subsidies were reintroduced to make export competitive again and relieve the internal market and another measure, which could be more effective, was 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.

Against this background the market showed more stabilisation.

EU butter and SMP prices were being supported by the prospect of manufacturing for intervention. Now 37.000 tons of butter and 80.000 tons of skimmed milk powder have been bought. As prices until lately move below intervention support levels this outlet gives prices a little upward potential up to their respective intervention equivalent value. A further improvement of market prices will only occur 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 latest forecasts point to a fall of 13% for 2009.