LTO Nederland

# STANDARDIZED MILK PRICE CALCULATIONS for APRIL 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 paymanet | Rolling average last 12 month (4) |
|---|---|---|---|---|---|---|---|
| Milcobel | BE | 0.73 | 1.37 | | **22.21** | 0.00 | **27.58** |
| Alois Müller | DE | 0.51 | | | **22.65** | 0.00 | **29.84** |
| Humana Milchunion eG | DE | | | | **23.87** | -0.18 | **31.15** |
| Nordmilch | DE | | 0.15 | | **22.88** | -0.15 | **27.67** |
| Arla Foods | DK | 0.49 | | | **24.52** | 0.71 | **32.75** |
| Hämeenlinnan Osuusmeijeri | FI | 2.14 | | 1.58 | **35.05** | 2.91 | **45.49** |
| Bongrain CLE (Basse Normandie) | FR | 0.74 | | | **23.04** | none | **33.27** |
| Danone (Pas de Calais) | FR | | | | **23.55** | none | **33.47** |
| Lactalis (Pays de la Loire) | FR | | | | **23.32** | none | **33.15** |
| Sodiaal | FR | 0.58 | | | **25.57** | none | **33.21** |
| Dairy Crest (Davidstow) | GB | -0.22 | 0.32 | -2.44 | **25.51** | 0.00 | **31.46** |
| First Milk | GB | 0.54 | 2.03 | | **22.85** | 0.00 | **29.04** |
| Glanbia | IE | | | | **21.06** | 0.00 | **29.97** |
| Kerry | IE | | | | **22.87** | none | **29.74** |
| DOC Kaas | NL | 0.05 | 0.27 | -1.60 | **19.43** | 1.04 | **26.64** |
| Friesland Campina | NL | 0.05 | 0.75 | -2.30 | **21.45** | 1.04 | **31.11** |
| **AVERAGE MILK PRICE THIS MONTH** (2) | | | | | **23,74** | | **31,60** |
| Granarolo (North) | IT | 1.15 | 3.42 | | **32.52** | none | **39.21** |
| Fonterra (5) | NZ | | | | **17.12** | 0.00 | **17.58** |
| United States of America (3) | US | 0.11 | | | **20.42** | none | **26.29** |

**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 APRIL 2009

## MILK PRICE

### Additional remarks milk prices April 2009

The average milk price calculated for April 2009 deliveries is € **23.74** per 100 kg standard milk. This is compared with the same month last year € **8.96** lower (minus 27.4%). In comparison to March 2009 the average milk price is € **2.83** lower. The decline in April is partly attributed to seasonal effects,which shows always the lowest prices in the months (April and May) when milk production used to be at the top.Furthermore it is noted that French milkprices have seen an remarkable decline.

### Milcobel

The Milcobel milk price has not changed. The additional payment over 2008 is still unknown.

### Germany

Private dairy Alios Müller has lowered the basic price to € 21.00 per 100 kg milk(-€ 1) ,while the coop Humana Milchunion reduced its basic price by € 2 per 100 kg milk. Nordmilch has not changed. There are no additional payments over 2008 for the German companies.

### Arla

In order to lower its costs Arla announced that it will stop testing milk on butyric acids.For the loss of the involved quality payment farmers are compensated by an upgrade of the fat- and protein price ,starting in May.

### Hämeenlinnan Osuusmeijeri

In April the Finnish dairy has lowered the milk price further by € 1.65 by means of a lower seasonal payment.

### France

In France milk prices in April has been fixed for each individual company.Prices have been slashed by appr. 10 cents.to fall below the level of € 25.00 per 100 kg for Bongrain, Danone and Lactalis.Calculated milkprice for Sodiaal is somewhat higher.

Milkprices of Danone and Sodiaal are corrected retrospectively from July 2006.With the start of this month quality payments of Danone for butyric acids have been stopped ( minus € 4.50 per 1000 litre), while in the calculated milkprice of Sodiaal an extra quality payment has been taken into account.( plus € 5,00 per 1000 litre)

**United Kingdom**

Calculated  milk prices of Dairy Crest and First Milk are lower in April. Both dairies has lowered their milk price in April by 1.25 pence per litre. Dairy Crest and First Milk will go further down in May with another 0.50 pence per litre and 1 pence respectively.

**Ireland**

In April the calculated milk price of the Irish dairy Glanbia has undergone a little change ( +€ 0.05) compared to last month.This is however due to a change in its calculation method. Glanbia has altered its payment system to a so-called ABC system.Milk price is calculated by fixing the value of the deliverd quantity in kgs fat and protein ( A+B) after deducting for costs(C) expressed per litre milk delivered.

**The Netherlands**

The guaranteed milk price of FrieslandCampina is kept unchanged for April and May as well.For June this price will be €1 per 100 kg lower.

Introduction of € 1.60 seasonal levy caused calculated DOC milk price to decline in April.However this amount will not be charged to the farmer. At the end of the year this levy will be substracted from the seasonal winter payment.

**Granarolo**

Every quarter of the year the Granarolo milk price is set.  The April milk price is lowered to € 32.52 per 100 kg.

**Fonterra**

Fonterra has announced a reduction of its pay out from NZ$ 5.20 per kg of milk solids this current season to NZ$ 4.55 per kgat the start of next season beginning in June. This compares with a forecast milk price of $4.75 and a value return of 45 cents in the current 2008/09 season. Low international dairy prices and the exchange rate have pushed Fonterra to forecast a reduced payout next season

**USA**

***Market***

Milk production during April was up slighlly from last year.March production was up only 0.1% fron March 2008.
The number of milk cows on farms was 8.48 million head, 3,000 head less (1.6%) than April 2008, and 2,000 head less than March 2009.

U.S. dairy herd is forecast to contract to an average of 8.95 million cows in 2010 following a retrenchment to an average 9.18 million cows this year. The 2.5-percent contraction forecast for 2010 exceeds the 1.5-percent contraction expected in 2009. The bulk of the herd contraction will likely occur in the second half of 2009 and into 2010. The Cooperatives Working Together program will likely remove slightly over 100,000 cows from the nation's herd, with actual liquidation occurring over the summer.

US cheese and milkpowder prices remain near support levels,while whey and butter continue to show more strength.In the second half of this year higher prices may develop as contraction in milk production brings supply more back into balance with demand.

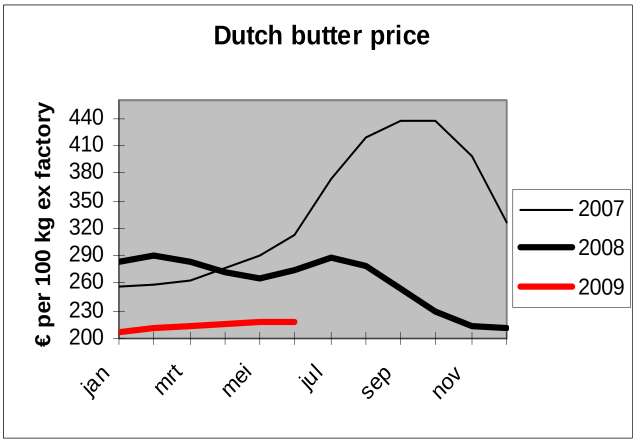
## Consumer price development

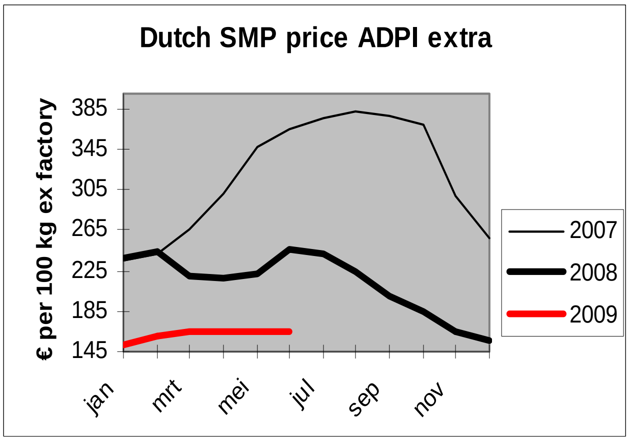
According to figures of the BLS ( Bureau of Labor Statistics) the consumer price index (CPI) for dairy products ( 1982/84=100 ) was 197,1 in April, down 1.4 percent from last month,and 5.1 percent below April 2008. Dairy prices have now declined 5 months in a row. Year-on-year changes are for  fresh whole milk is -16.6%; cheese, -1.2%; and butter,-10.8%.

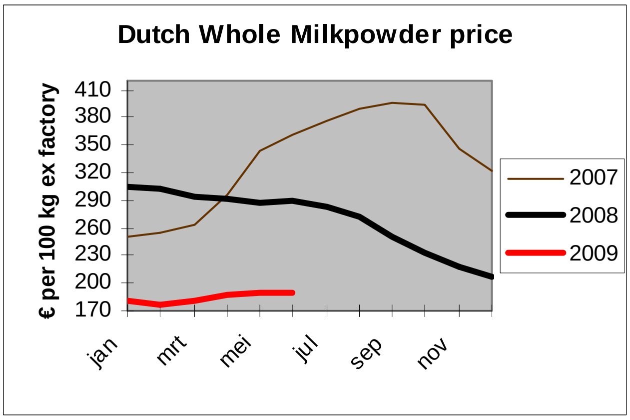
**MARKET SITUATION**

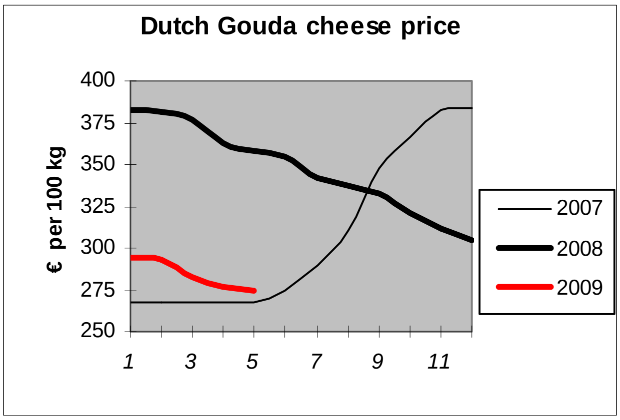
€ per 100 kg

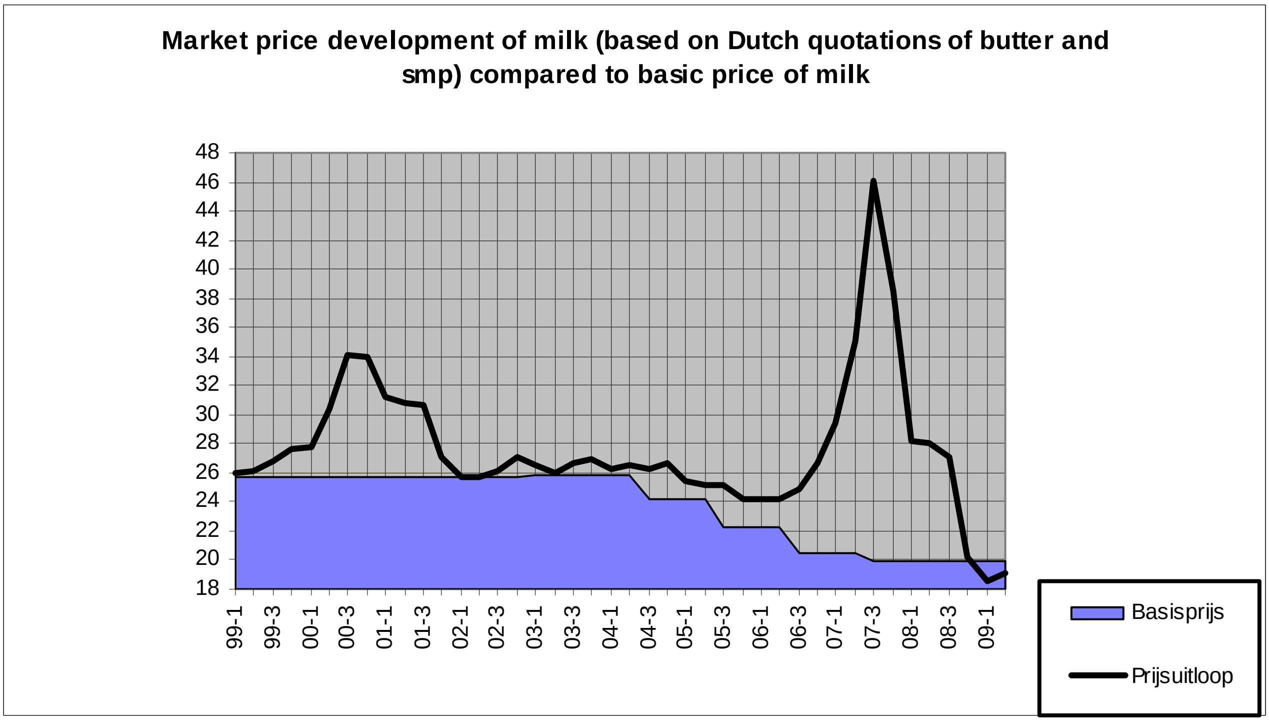
| Dutch Quotations | | | | |
|---|---|---|---|---|
| | **1 January 2009** | **6 June 2009** | **index** | **trend** |
| | | | | |
| Butter | 210 | 219 | 104,3 | → |
| Whole milkpowder | 195 | 189 | 96,9 | → |
| Skimmed milkpowder | 150 | 165 | 110,0 | → |
| Wheypowder | 39 | 40 | 102,5 | → |
| Gouda cheese | ± 310 | ± 277 | 89,4 | ↓ |


Dutch butter price
€ per 100 kg ex factory
440
410
380
350
320
290
260
230
200
jan
mrt
mei
jul
sep
nov
2007
2008
2009


Dutch SMP price ADPI extra
€ per 100 kg ex factory
385
345
305
265
225
185
145
jan
mrt
mei
jul
sep
nov
2007
2008
2009


Dutch Whole Milkpowder price
€ per 100 kg ex factory
410
380
350
320
290
260
230
200
170
jan
mrt
mei
jul
sep
nov
2007
2008
2009


Dutch Gouda cheese price
€ per 100 kg
400
375
350
325
300
275
250
1
3
5
7
9
11
2007
2008
2009


Market price development of milk (based on Dutch quotations of butter and smp) compared to basic price of milk
48
46
44
42
40
38
36
34
32
30
28
26
24
22
20
18
99-1
99-3
00-1
00-3
01-1
01-3
02-1
02-3
03-1
03-3
04-1
04-3
05-1
05-3
06-1
06-3
07-1
07-3
08-1
08-3
09-1
Basisprijs
Prijsuitloop

**Market comments**

In the Netherlands milk output during the period January - April 2009 was 3.736 billion kgs or appr. 1% higher, compared to the same months last year. The average milk fat and protein percentage during this period was 4.47% and 3.51% ,being unchanged.compared to last year.
The milk output figure in the EU-27 for the period January-March 2009 declined and was appr. 1.5% lower than the previous year,and probably still trending lower.

Markets are stabilised and are consolidating current prices. It looks like there is little room for any upward potential however. Intervention rules the market. Up to now some 170,000 tons of butter and 185,000 tons of skimmed milkpowder has been removed from the marketplace.Buying-in-prices are being maintained just below intervention levels. To reassure the market Brussel has expressed plans to extend intervention beyond August.

However there are no signals yet, indicating a possible turn around in the market is at hand.
Positive factors are : milk deliveries have peaked and are now falling ,probably pushed by continuing lower milk prices. And as the season in Oceania and South America winds down,the EU is the only major source of supply for the coming months.
Negative factors remain however: growing supplies everywhere,falling exports and still hesitating buyers on the world market. Furthermore the fast declining US dollar makes the EU export less competitive.and will be further threatened by the intention of the USA to reactivate its Dairy Export Incentive Program in order to subsidize their exports again.
This could lead to new downward pressure on prices

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 soon improve.
So matching supply and demand has still a long way to go.