

## STANDARDIZED MILK PRICE CALCULATIONS for JUNE 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>22.21</b>	0.00	<b>25.77</b>
Alois Müller	DE	0.51			<b>21.66</b>	0.00	<b>27.64</b>
Humana Milchunion eG	DE				<b>22.88</b>	-0.18	<b>29.09</b>
Nordmilch	DE		0.15		<b>21.89</b>	-0.15	<b>26.06</b>
Arla Foods	DK	0.49			<b>24.52</b>	0.71	<b>31.28</b>
Hämeenlinnan Osuusmeijeri	FI	2.14		3.52	<b>36.99</b>	2.91	<b>44.87</b>
Bongrain CLE (Basse Normandie)	FR	0.74			<b>27.17</b>	none	<b>32.28</b>
Danone (Pas de Calais)	FR				<b>28.00</b>	none	<b>32.67</b>
Lactalis (Pays de la Loire)	FR				<b>26.72</b>	none	<b>32.08</b>
Sodiaal	FR	0.58			<b>30.34</b>	none	<b>32.03</b>
Dairy Crest (Davidstow)	GB	-0.23	0.34	-2.55	<b>26.18</b>	0.00	<b>30.70</b>
First Milk	GB	0.57	2.13		<b>23.61</b>	0.00	<b>28.00</b>
Glanbia	IE				<b>21.06</b>	0.00	<b>27.05</b>
Kerry	IE				<b>21.88</b>	none	<b>27.01</b>
DOC Kaas	NL	0.05	0.34		<b>19.62</b>	1.04	<b>25.02</b>
Friesland Campina	NL	0.05	0.75	-2.30	<b>20.46</b>	1.04	<b>29.34</b>
<b>AVERAGE MILK PRICE THIS MONTH (2)</b>					<b>24,70</b>		<b>30,06</b>
Granarolo (North)	IT	1.15	3.42		<b>32.52</b>	none	<b>37.83</b>
Fonterra (5)	NZ				<b>15.77</b>	0.00	<b>17.23</b>
United States of America (3)	US	0.09			<b>17.82</b>	none	<b>24.15</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 JUNE 2009**

### **MILK PRICE**

#### **Additional remarks milk prices June 2009**

The average milk price calculated for June 2009 deliveries is **€24.70** per 100 kg standard milk. This is compared with the same month last year **€7.89** lower (minus 24.2%). In comparison to May 2009 the average milk price is **€0.60 higher**. The June milk prices compared to May increased slightly mainly because the peak in the monthly milk supply has been passed. The month with the highest milk supply and the lowest average milkprice used to be the month of May.

#### **Milcobel**

Milcobel has increased the fat and protein price, which makes the June milk price end up around 50 eurocent higher compared to last month. In October 2007 Milcobel increased the milk price for the last time.

#### **Germany**

The German dairies Alois Müller, Humana Milch Union and Nord Milch kept their milk prices equal to last month.

#### **Hämeenlinnan Osuusmeijeri**

Due to an increasing seasonal bonus in June, the milk price of Hämeenlinnan Osuusmeijeri was higher this month compared to May.

#### **France**

After the recent price recommendations all French dairy companies have increased their milk prices. The annual 2009 milk prices of all the companies will be approximately 15% lower compared to last year.

#### **United Kingdom**

The June milk price of British Dairy Crest and First Milk increased due to lower seasonal levies and higher marginal prices. Higher exchange rate of the British pound versus the euro contributed to a higher calculated milk price in euros.

#### **Ireland**

The milk price of Glanbia remains the same this month ,while Kerry lowered its milk price by around € 1.00.

## **The Netherlands**

FrieslandCampina and DOC Kaas has lowered their fat and protein prices to a price of € 1.00 and € 0.75 respectively per 100 kg.

The calculated milk price of DOC Kaas of June increased by € 0.94 per 100 kg due to suspension of the seasonal levy. However the actually real paid milk price to members yet declined because the cooperation had decided not to charge the seasonal levy from the start of this year. So in the milkprice calculation the quantum payment of DOC Kaas has been corrected retroactively from the 1th of January. For July, both FrieslandCampina and DOC Kaas announced to lower their fat and protein price with € 0.75 and € 1.00 per 100 kg standard milk respectively. However thanks to skipping the seasonality payment of € 2.30, the milk price of FrieslandCampina members will increase that month. For August the guaranteed price is announced to remain stable However by applying the seasonal bonus of € 3.65 per 100 kg milk the paid price will be higher compared to the July price.

## **Granarolo**

Every quarter of the year the Italian dairy Granarolo sets the milk prices, in June the price remains the same.

## **Scandinavia**

The milk price of Arla remains in June (and July) unchanged.

## **Oceania**

New Zealand farmers increased milk production almost 10 percent in the year ended June as they re-stocked after a drought the previous season. The average dairy farm produced during the season about 137,000 kilograms of milk solids , 9.8 percent more than a year earlier according the nation's Ministry of Agriculture . Farmers are budgeting on a 3 percent production increase in the current year despite cold weather, weak prices and a lack of funds for supplementary feed.

## Export

New Zealand export surged in May, especially in the case of skimmed and whole milkpowder. A major reason for the surge was an extra ordinary increase in demand from China. Big percentage increases were recorded in May in value and particularly in volume terms in sales to China. Total dairy export sales in May to China were 24.300 tonnes versus 3.700 tonnes in May 2008. Cumulative figures for the year June-May 2009 were ca 170.000 tonnes compared to 72.000 tonnes for June-May 2008. Sales to China in May were aided by the fact that the Chinese currency appreciated more than 25% against the NZ dollar compared to a year earlier. Chinese milkpowder imports in the first 5 months of this year jumped 155% to 108.000 tons. However prices were too low compared to domestic producers. So China wants to stimulate domestic production and is going to curb imports. With effect from August China will issue permits on imports. This decision could lead to a reduction in Chinese demand for dairy products from the world market, particularly New Zealand and Australia. This could have a negative influence on the global supply demand balance for dairy products and put further pressure on prices.

Positive signals are however coming from the latest Fonterra auction, where milk powder prices rose by more than 25% recently. The outcome of these auctions is widely seen as a barometer of future dairy price developments on the world market.

### Milk prices

Fonterra reiterated its milk price forecast of NZ \$ 4.55 per kg milk solids for the current year, saying lower operating costs were making up for a rising New Zealand dollar. Fonterra's May forecast assumed a New Zealand dollar exchange rate of 59 U.S. cents. End July the currency was at 66 U.S. cents.

### **USA**

Cooperatives Working Together announced recently that it will conduct its second herd retirement of 2009.

"Carrying out a second herd retirement right on the heels of the largest ever herd retirement should give us a possibility to reduce milk production in a very short period of time, resulting in a farm level price recovery several months sooner than would otherwise occur," said Jerry Kozak, President and CEO of the National Milk Producers Federation, which manages CWT

It appears that finally milk production is on a trend below year ago levels. Provisional milk production figures for June totaled 14.7 billion pounds, down 0.1% from June 2008. Production per cow averaged 1,746 pounds for June, up 0.8% above June 2008. The number of milk cows on farms was 86,000 head less than June 2008. Milk production this year is projected at 187.6 billion pounds, and next year's production is forecast at 186.4 billion pounds down 0.6%.

### Milk prices

Product prices will likely remain low in 2009. The all milk price will likely average **\$11.85 - \$12.15 this year** (= ± €18,65 - €19,12), **improving to \$14.85 - \$15.85 per cwt in 2010.** (= ± €23,38 - €24,95)

The weak domestic economy and loss of export sales has led to more than enough milk and dairy products for current needs. Stocks of most dairy products have been building month to month.

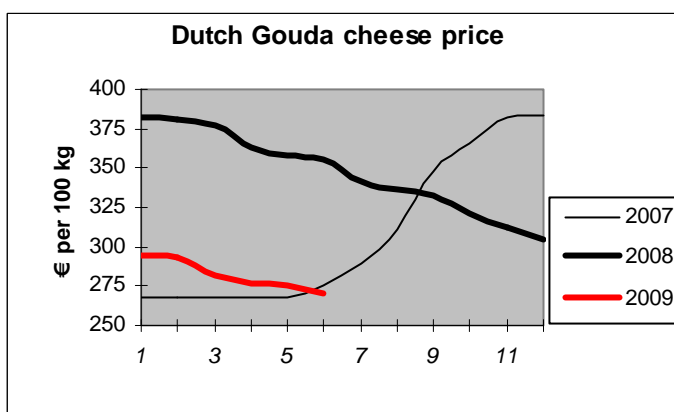
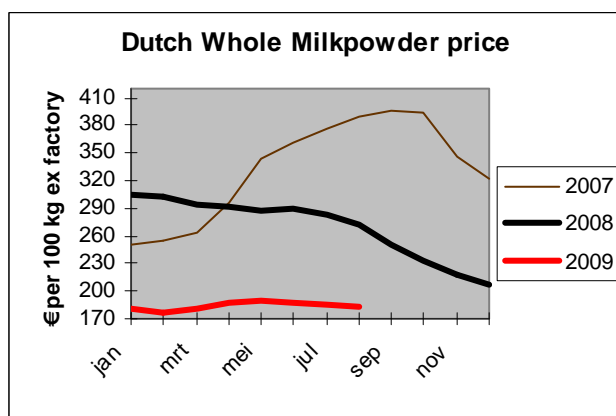
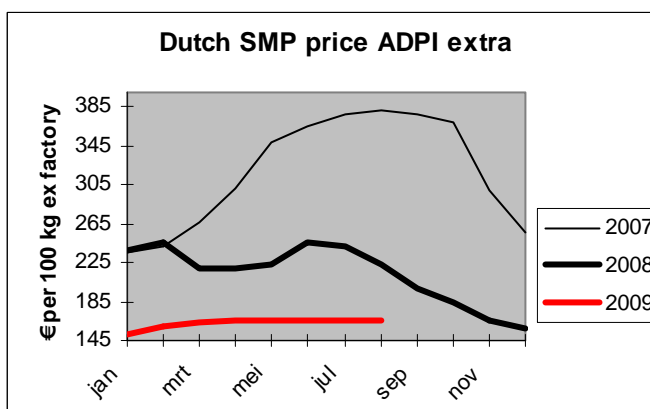
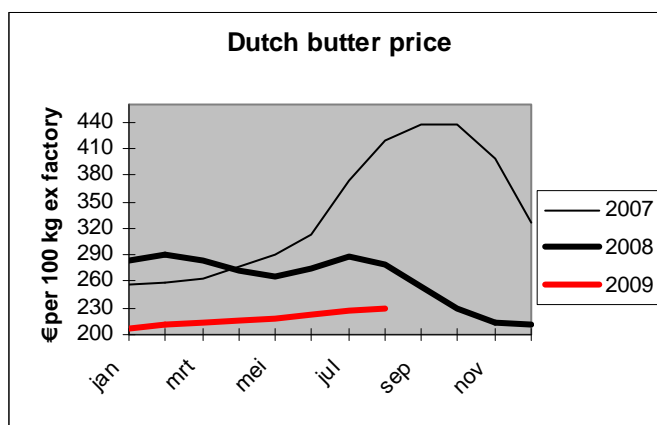
The loss of export markets is a major factor for depressed dairy product prices. USDA estimates dairy exports for the year will be down 57% on a fat-basis from last year or 25% on a skim-solids basis. This is the equivalent of 3 to 4% more milk on the domestic market.

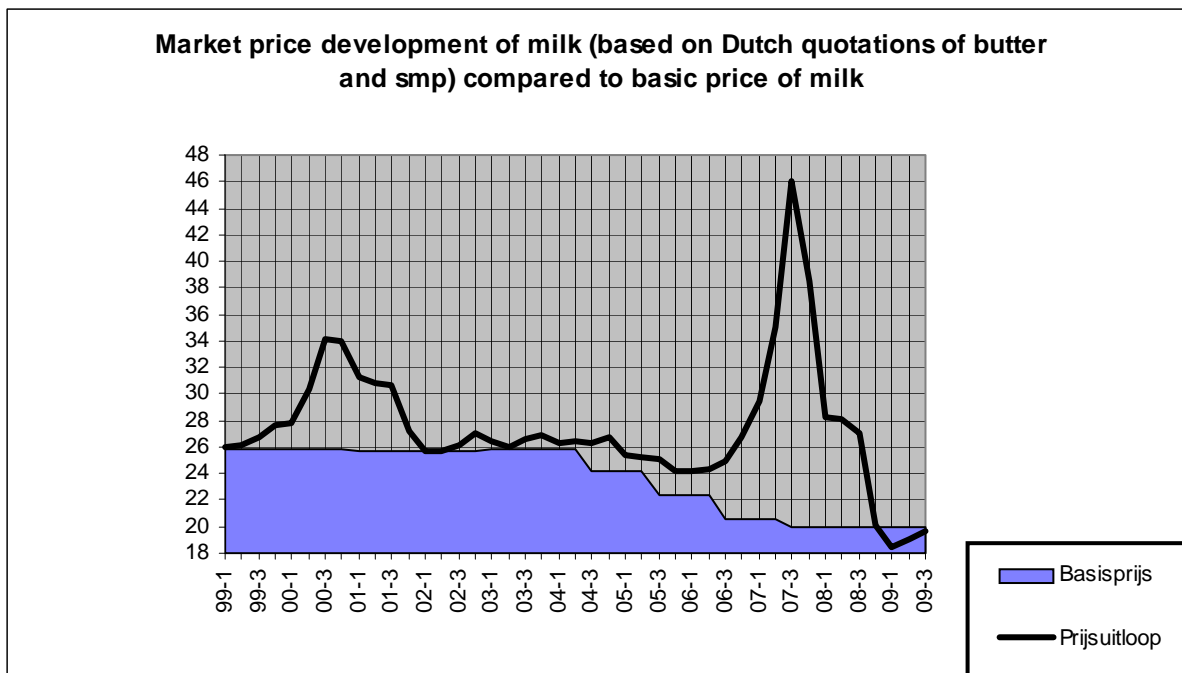
USDA has taken immediate action to support struggling dairy farmers by increasing the amount paid for dairy products through the Dairy Product Price Support Program. In this respect USDA has increased the support or intervention price for skimmed milk powder by 15% from **\$0,80 to \$0,92 per lb** (= van **\$1764 naar \$ 2028 per ton**) and for Cheddar cheese by 16% from **\$1,13 to \$1,31 per lb** (= van **\$2490 naar \$ 2888 per ton**) which will be in place from August 2009 through October 2009. The increase will result in an additional government purchase of 68.000 tons of milk powder and 35.000 tons of cheese.

## MARKET SITUATION

€ per 100 kg

<b>Dutch Quotations</b>				
	1 January 2009	5 August 2009	index	trend
Butter	210	231	110	↑
Whole milkpowder	195	184	94,4	→
Skimmed milkpowder	150	165	110,0	→
Wheypowder	39	48	123	↑
Gouda cheese	± 310	± 270	87,1	→





## Market comments

In the Netherlands milk output during the period January – June 2009 was 5.657 billion kgs or appr. 2% higher, compared to the same months last year. The average milk fat and protein percentage during this period was 4.39% and 3.49% ,being 0.01% higher resp. 0.01% lower compared to last year. Recent developments indicate that however average fat content of EU milk output is trending lower.

The milk output figure in the EU-27 for the period January-May 2009 declined and was appr. 0.7% lower than the previous year, and probably still trending lower. Despite this trend April's milk output did rise 1.8% compared to April last year. May included cumulative output was 1% higher.

Markets are stabilising and consolidating current prices. Intervention still rules the market. Up to now some 200,000 tons of butter ( of which 83,000 tons to intervention) and 255,000 tons of skimmed milk powder has been removed from the marketplace to the effect that almost 50% of EU milk powder and 8% of EU butter production of Jan-July 2009 has been put into intervention stores. Expressed in milk equivalents an over supply of appr. 3 to 3.5%.

Recently the European authorities decided to extend intervention purchases beyond August. This measure provides the market with a solid safety net for the near future and should avoid further deterioration of prices and disturbances. So it looks like market insecurity is fading away and can lead to a more positive attitude among potential buyers to actively cover future needs.

Recently more buying interest was already noticed in the butter market, which showed some strength, indicating a shift to a more balanced supply and demand picture may be expected in coming months. However it looks like there is little room for much upward potential, given the ample intervention supplies available, so this market reaction could be shortlived.

Real signals of a durable recovery are not yet in the air, however signs that the slowdown has stopped are apparent and a recovery later in the year may be

possible. Financial markets are stabilising and confidence may be restored. The unprecedented fall of world trade is probably over. The so-called Baltic Dry Index, which registers freight costs of bulk sea carriers, is as such a reliable gauge for international trade activity. It showed some remarkable increases and is trending upwards. Especially in Asia recovery is expected first. International investigating agencies such as OESO and IMF are confirming these positive signals. The big question is however: will this be the start of an upturn or are buyers anticipating a rebuilding of inventories which were run down when recession fears were being discounted.

Positive factors remain: 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 now.

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 US export subsidies.

This could exert 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.