

## STANDARDIZED MILK PRICE CALCULATIONS for JULY 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>23.00</b>	0.00	<b>25.15</b>
Alois Müller	DE	0.51			<b>22.65</b>	0.00	<b>26.58</b>
Humana Milchunion eG	DE				<b>22.88</b>	-0.18	<b>28.02</b>
Nordmilch	DE		0.15		<b>21.89</b>	-0.15	<b>25.13</b>
Arla Foods	DK	0.49			<b>24.53</b>	0.71	<b>30.37</b>
Hämeenlinnan Osuusmeijeri	FI	2.14		4.01	<b>37.48</b>	2.91	<b>44.27</b>
Bongrain CLE (Basse Normandie)	FR	0.74			<b>28.47</b>	none	<b>31.86</b>
Danone (Pas de Calais)	FR				<b>29.71</b>	none	<b>32.22</b>
Lactalis (Pays de la Loire)	FR				<b>28.47</b>	none	<b>31.59</b>
Sodiaal	FR	0.58			<b>31.91</b>	none	<b>31.56</b>
Dairy Crest (Davidstow)	GB	-0.23	0.34		<b>28.00</b>	0.00	<b>30.30</b>
First Milk	GB	0.56	2.11		<b>24.62</b>	0.00	<b>27.47</b>
Glanbia	IE				<b>21.06</b>	0.00	<b>25.55</b>
Kerry	IE				<b>21.88</b>	none	<b>25.81</b>
DOC Kaas	NL	0.05	0.34	0.85	<b>19.55</b>	1.04	<b>24.17</b>
Friesland Campina	NL	0.05	0.75		<b>22.02</b>	1.04	<b>28.70</b>
<b>AVERAGE MILK PRICE THIS MONTH (2)</b>					<b>25,51</b>		<b>29,30</b>
Granarolo (North)	IT	1.15	3.42		<b>32.52</b>	none	<b>37.18</b>
Fonterra (5)	NZ				<b>15.82</b>	0.00	<b>17.21</b>
United States of America (3)	US	0.09			<b>17.70</b>	none	<b>23.23</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 JULY 2009**

### **MILK PRICE**

#### **Additional remarks milk prices July 2009**

The average milk price calculated for June 2009 deliveries is **€25.51** per 100 kg standard milk. This is compared with the same month last year **€8.53** lower (minus 25.1%). In comparison to June 2009 the average milk price is **€0.81 higher**. The July milk prices compared to June increased slightly mainly because seasonal adjustments were applied.

#### **Milcobel**

Milcobel has increased tils fat and protein price again, so the July milk price is around 80 cents per 100 kg higher compared to previous month. The milk price does not include the so-called Fedis bonus of 1.6 eurocent per liter milk. Due to an agreement between farmers organisations and Fedis, the umbrella organisation of Belgium supermarkets, supermarkets deposit 14 cent per every sold liter of consumption milk into a fund. Dairy farmers receive 1.6 cent per liter milk from this fund in proportion to their deliveries. Dairy farmers receive this amount of money apart from their milk statement therefore this amount will not be included in the milk price comparison.

#### **Germany**

The German dairies Humana Milch Union and Nordmilch both kept the milk price this month similar to June. The basic price of private dairy Alois Müller increased by € 1.00 to €21.00 per 100 kg milk.

#### **Hämeenlinnan Osuusmeijeri**

The milk price of Hämeenlinnan Osuusmeijeri increased slightly in July because of seasonality adjustment.

#### **France**

The milk prices of the French dairies Bongrain, Danone, Lactalis and Sodiaal increased this month because of seasonality adjustment.

## **United Kingdom**

Dairy Crest lowered the basic price with 0.50 pence per liter in July, but because of the seasonality adjustment the July milk price is higher.

The milk price of First Milk increased this month also because of seasonality adjustment.

## **Ireland**

The milk prices of Glanbia and Kerry remains unchanged this month.

## **The Netherlands**

The milk price of FrieslandCampina increased in July because the seasonal levy of € 2.30 was ended. The dairy however lowered its fat - and protein price. In the months August to November a seasonal bonus of € 3.65 will be paid.

The milk price of DOC Kaas decreased slightly in July however the fat and protein prices were reduced. The seasonal bonus of € 0.85, which is applied in the LTO International milk price comparison, compensated the decrease in fat and protein prices.

## **Granarolo**

The Italian dairy Granarolo sets quarterly the milk price down. The provisional July milk price is based on the second quarter of 2009.

## **Scandinavia**

The milk price of Arla remains unchanged in July.

## **Oceania**

### Production

Milk production in Australia is expected to fall by 1% for the current season up to June 2010 as result of lower milk prices. Moreover other forecasts predict a dry weather pattern for milk sensitive regions, which could impact production this year.

In New Zealand there was a wet and cold winter season with less pasture growth. Indications are that the start of the production season is slow and deliveries are at a significant lower level than in other years.

### Market

Since July 2008 Fonterra sells a part of its milk powder production via monthly online auctions. After declining for months the milk powder prices surged 25% in August and at the latest auction on 2 September the average price jumped another 25% to US\$ 2858/ton. This price is the highest since October 2008 and has climbed more than 50% in the past two months. The outcome of these auctions is widely seen as a barometer of future dairy price developments on the world market.

If these prices are sustained, it is possible they will counter the effects of the high New Zealand dollar on this season's average payout. Recently the N Z dollar climbed to 67 Us cents from a low of 50 Us cents As a rule of thumb every 1 cent change on the exchange rate will have an effect of 7 to 10 cents pro kg on the farm-gate milkprice. The payout forecast is still at \$4.55/kg for the current season.

## **USA**

### Production

To the substantial cow slaughter US milkproduction remains relatively high. A month ago production figures suggested the start of a downward trend, but revised figures however pointed to a slightly higher outcome. Both June and July showed an increase of just 0.1% above last year. The decline in the size of the nation's cow herd (CWT this year that removed about 158,000 cows) has been slowed by more than an ample supply of dairy replacements. July 1st dairy replacements were 3.9 million head, about 42.4 per 100 milk cows.

Good weather and a higher production per cow were other factors.

Expectations are now that milk production should start to drop below year ago levels in August and continue this decline for the remainder of the year and into 2010 as cow numbers decline and the increase in milk per cow remains below normal. Also, the third CWT round this year will remove close to another 87,000 cows this fall. In summary appr. 245,000 milking cows will disappear from the market in 2009. This would equal a total production capacity of nearly 2.1 million tons of milk, equivalent to app. 2.5% of US milkproduction.

### Milkprices

The beginning of August CME cheddar blocks were \$1.285 the beginning of August and had improved to \$1.40 per pound as of August 19th, \$0.09 above the new support price. The anticipated seasonal decline in milk production August through September, and perhaps expecting milk production to start to drop below year ago levels, along with the opening of schools the end of August increasing school orders for cheese and increased fluid milk sales may all be factors for higher cheese prices. Also skimmed milkpowder prices are in an uptrend, reflecting the higher support price for nonfat dry milk which was increased to \$0.92 per pound. recently.

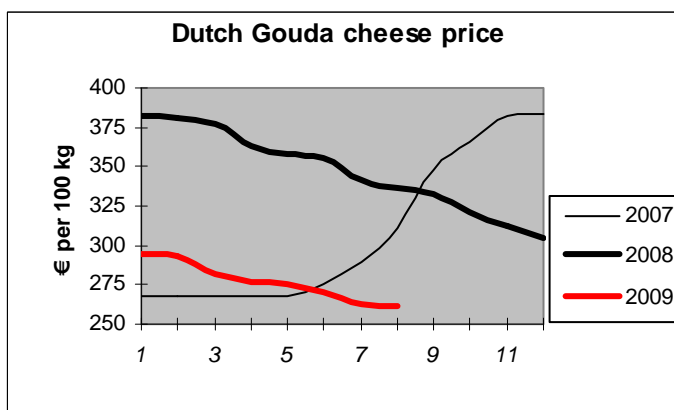
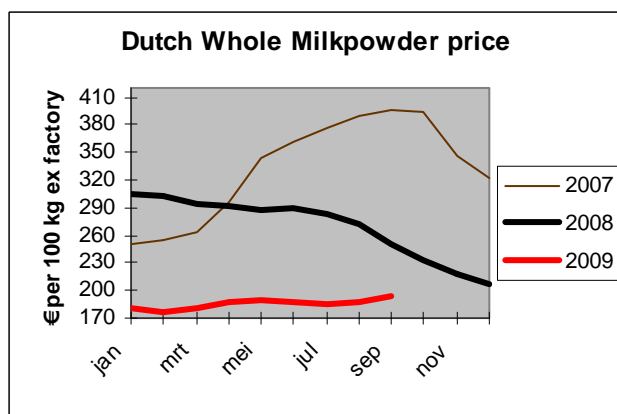
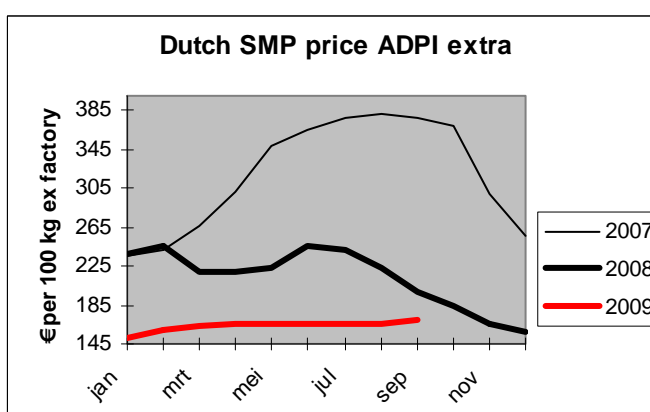
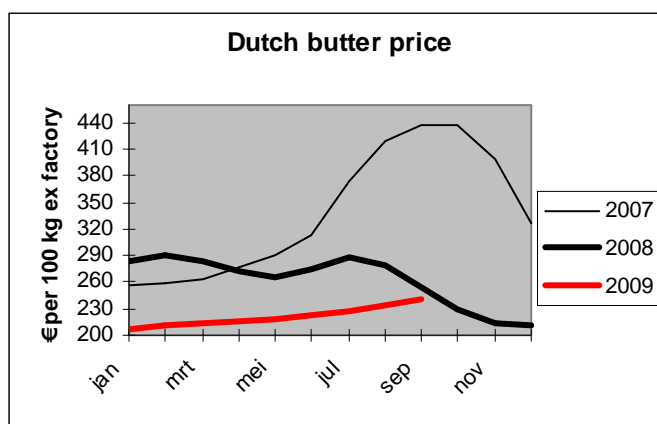
Butter prices have been weakening. In mid-July, butter was \$1.27 per pound and declined to \$1.1725 per pound as of August 19th.

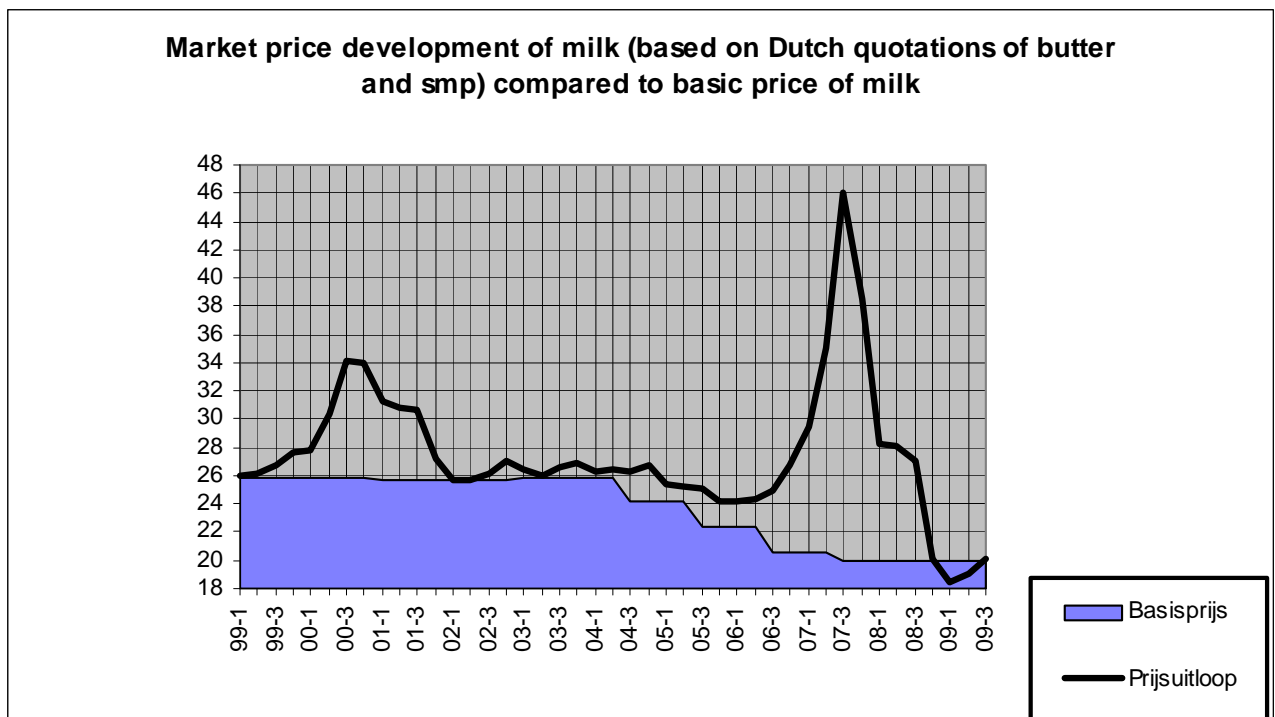
These improved dairy product prices, with the exception of butter, also means improved milkprices. The July Class III price was just \$9.97 and will be near \$11.20 for August.

## MARKET SITUATION

€ per 100 kg

Dutch Quotations				
	1 January 2009	5 September 2009	index	trend
Butter	210	240	114,3	↑
Whole milkpowder	195	195	100,0	↑
Skimmed milkpowder	150	170	113,3	↑
Wheypowder	39	50	128,2	↑
Gouda cheese	± 310	± 260	83,9	→





## Market comments

In the Netherlands milk output during the period January – July 2009 was 6.580 billion kgs or appr. 2% higher, compared to the same months last year. The average milk fat and protein percentage during this period was 4.36% and 3.48% ,being unchanged resp. 0.01% higher compared to last year. 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-June 2009 declined and was appr. 0.07% lower than the previous year, and probably still trending lower. Despite this trend milk output in second quarter (April – June) did rise 1.5% compared to same months last year. However this picture is influenced by the German milk strike in the second quarter of 2008.

Markets are gradually improving. Market quotations were moving upwards recently. However intervention is still a dominant factor in the market. Up to now some 210,000 tons of butter ( of which 83,000 tons to intervention) and 282,000 tons of skimmed milk powder has been removed from the marketplace.

A general positive sentiment is noticeable. Big question is however : is this improvement only due to a tight supply situation or also supported by increasing demand. Typical for the current picture is that firmer cream and skim concentrate prices is driving up market prices for butter and milk powder. This implies a tight availability of industrial milk is to be expected for commodity production, probably the more so as production figures for cheese and full milk powder will start to rise, when market conditions improve for latter products..

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.

A more and durable recovery is not around the corner, but signs that the slowdown has stopped are apparent and a upturn 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. International dairy trade declined more than 10% in 2008. For 2009 trade is forecasted to grow again with 1.5%.

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.

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.