

STANDARDIZED MILK PRICE CALCULATIONS for AUGUST 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		23.26	0.00	24.58
Alois Müller	DE	0.51			23.64	0.00	25.72
Humana Milchunion eG	DE				22.88	-0.18	26.91
Nordmilch	DE		0.15		21.89	-0.15	24.23
Arla Foods	DK	0.49			24.49	0.71	29.19
Hämeenlinnan Osuusmeijeri	FI	2.14		4.98	38.46	2.91	43.68
Bongrain CLE (Basse Normandie)	FR	0.74			30.17	none	31.39
Danone (Pas de Calais)	FR				31.36	none	31.75
Lactalis (Pays de la Loire)	FR				30.20	none	31.15
Sodiaal	FR	0.58			32.88	none	31.11
Dairy Crest (Davidstow)	GB	-0.23	0.34		27.93	0.00	29.91
First Milk	GB	0.56	2.11		24.94	0.00	26.84
Glanbia	IE				21.06	0.00	24.19
Kerry	IE				21.88	none	24.71
DOC Kaas	NL	0.05	0.34	0.85	19.55	1.04	23.36
Friesland Campina	NL	0.05	0.75	3.65	25.66	1.04	27.88
AVERAGE MILK PRICE THIS MONTH (2)					26,27		28,54
Granarolo (North)	IT	1.15	3.42		33.98	none	36.78
Fonterra (5)	NZ				18.37	0.00	17.21
United States of America (3)	US	0.10			19.55	none	22.47

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 AUGUSTUS 2009

MILK PRICE

Additional remarks milk prices August 2009

The average milk price calculated for August 2009 deliveries is **€26.27** per 100 kg standard milk. This is compared with the same month last year **€9.00** lower (minus 25.5%). In comparison to July 2009 the average milk price is **€0.76 higher**. The August milk prices compared to July increased slightly mainly because seasonal adjustments were applied.

Milcobel

In August the fat- and protein price of Milcobel increased slightly, the milk price increased more than 20 eurocents compared to previous month.

Germany

The milk price of the German dairy Alois Müller increased this month, the basic price increased € 1.00 to €22.00 per 100 kg milk. The milk prices of Nordmilch and Humana Milchunion remains unchanged.

Hämeenlinnan Osuusmeijeri

The milk price of the Finnish Hämeenlinnan Osuusmeijeri increased slightly in August by an increase of seasonality bonus.

France

The milk prices of the French dairies, Bongrain, Danone, Lactalis and Sodiaal, increased by adjusting the basic prices. Despite the increases this month the August milk prices of both Bongrain as Danone are still the lowest in 10 years milk price comparison.

United Kingdom

The milk price from Dairy Crest remains the same in pounds, converted into euros the milk price decreased a little. The British dairy has announced that the milk price will remains unchanged in September. The milk price of First Milk increases slightly this month by seasonality adjustment.

Ireland

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

The Netherlands

The milk price of FrieslandCampina increased this month by applying seasonality bonus of € 3.65 per 100 kg milk. FrieslandCampina has announced to increase the milk price in September by about 1 euro.

The milk price of DOC Kaas remains the same this month. The dairy has announced to increase the fat- and protein price in September.

Granarolo

The Italian dairy adjusted quarterly its milk price, by increasing the basic price of standard milk in August (and July retrospectively) with € 1.46 compared to previous quarter. The quality standards, annual milk supply and high quantity of milk delivered used in the milk price comparison are slightly higher than the Italian average.

Therefore, the calculated standard price for milk is significantly higher than the average milk price received by Italian farmers.

Scandinavia

The milk price of Arla remains the same this month. The Danish dairy announced to increase the milk price in October by more than 1 euro.

Oceania

Fonterra Co-operative Group has announced a final payout of **\$5.21** per kilogram of milksolids (kgMS) for the 2008/09 season (**=± €21.10/100 kg milk**) comprising a Milk Price payment of \$4.72 per kgMS and a Value Return payment of 48 cents per kgMS. This compares with a final payout of **\$7.59** , comprising a milk price payment of \$7.28 and a value return payment of 31cents in the previous season.

Although the Milk Price is down on the 2007/08 season's record \$7.59, reflecting significantly lower global commodity dairy prices, Fonterra posted a strong rise in Distributable Profit which has meant a higher Value Return payment to farmers.

During the first six months of the financial year, general economic uncertainty together with a steep fall in commodity prices prompted dairy ingredients customers to restrict their buying as they ran down their own inventories.

A strong second half sales performance meant Fonterra recovered well from a slow first half, with New Zealand-sourced sales volumes for the year growing 5 per cent.

As a result, total inventories were reduced to \$2.7 billion by year end, \$2.4 billion lower than as at 31 January 2009 and \$0.6 billion lower than as at 31 July 2008.

Fonterra collected 1,281 million kilograms of milksolids, including contract milk, a 7 per cent increase over the prior season primarily reflecting a return to normal weather conditions following the drought from previous year.

In addition Fonterra Co-operative Group has announced a revised forecast payout for the 2009/10 season of **NZ\$ 5.10** per kg of milksolids. **(=± €20,61/100 kg melk*)** This is a 55 cent increase in the previous forecast of \$4.55 per kgMS sofar. The \$5.10 per kgMS forecast comprises a Milk Price of \$4.60 per kgMS, up 60 cents, and a Value Return forecast of 50 cents per kgMS. This is a five cent reduction in the Value Return component. Retrospectively to June the milk price is adjusted from 4.55 to 5.10 NZ dollar per MilkSolids. The milk price of Fonterra is in August €0.65 higher compared to previous month.

Fonterra Chairman, Henry van der Heyden said the revised forecast reflects a sustained improvement in commodity returns and a more positive outlook in international dairy markets. Farmers will begin to benefit from the higher Payout forecast from October, with a lift in Fonterra's Advance Rate schedule of payments to farmer-suppliers.

"What we're seeing in the international market is the firming of a trend, with a more positive sentiment and stronger demand, producing better pricing across the board. Whole milk powder prices have been leading the way, with the prices for other dairy commodities now all moving in the right direction."

The 5 cent fall in the the Value Return forecast is due to prices of cheese and casein product streams lagging the range of commodity milk powders (on which Fonterra's Milk Price is based).

Furthermore the level of the New Zealand Dollar, which has been trading around 70 cents US, remains a concern for the near future but this has been fully factored in to the revised 2009/10 forecast.

USA

Milk production during August totaled 14.6 billion lbs (= 6.62 million tons), down 0.2% from August 2008.

Production per cow averaged 1,743lbs (= 790 kg) , 25 pounds (1.5%) above August 2008. The number of milk cows on farms was 8.37 million head, 143,000 head less (-1.7%) than August 2008, and 28,000 head less than July 2009.

Expectations are now that milk production will continue to drop below year ago levels 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 milk production.

Dairy product prices and farm level milk prices have started to show signs of improvement.

Cheese prices have been highly volatile. Cheddar 40-pound block prices were \$1.27 per pound the end of August, but end September blocks had recovered to \$1.41. **(=± \$ 3108/ton)** The current (intervention) support price on blocks is \$1.31.

Butter had improved to \$1.27 per pound. **(=± \$ 2799/ton)** The current support price on butter is \$1.05.

Dry whey has been trading in the \$0.31 to \$0.33 per pound range and nonfat dry

* with 8.3% milk solids
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milk in the \$0.945 to \$0.98 per pound range, which is above the current (intervention) support price of \$0.92.

These price improvements increased the Class III price from **\$9.97** for July to **\$11.20** for August, the highest for the year.

However, existing ample stocks of cheese will slow the improvement in Class III prices. As of August 31st, total cheese stocks were 11.9% higher than a year ago.

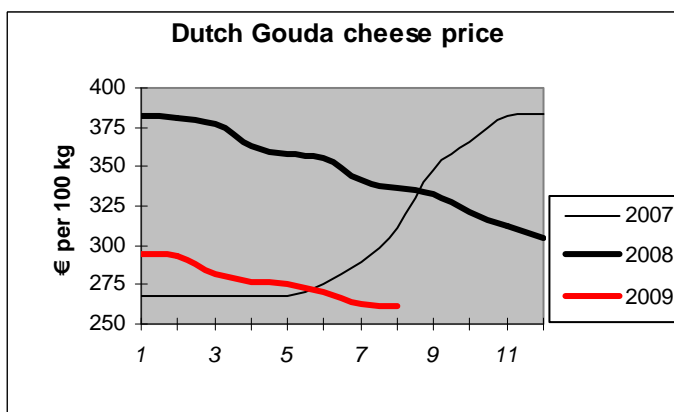
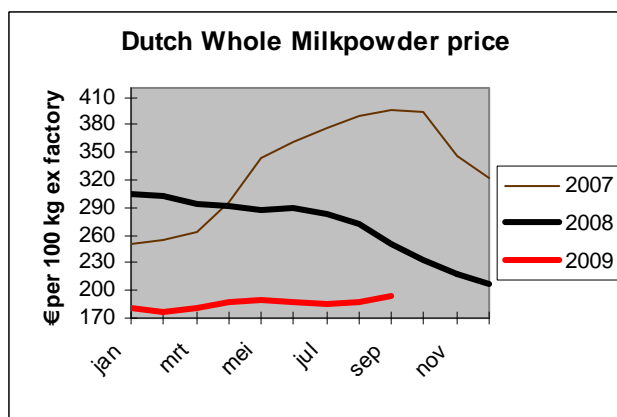
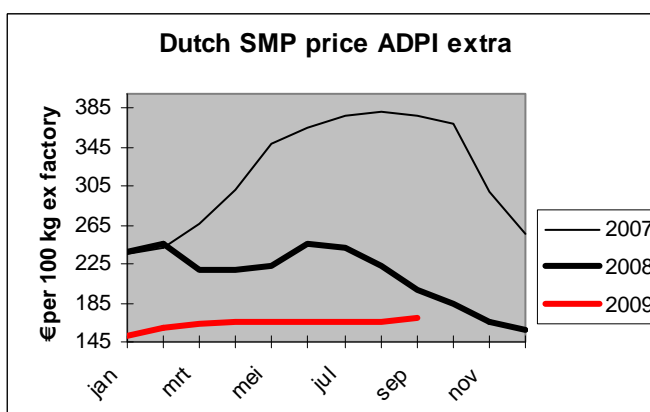
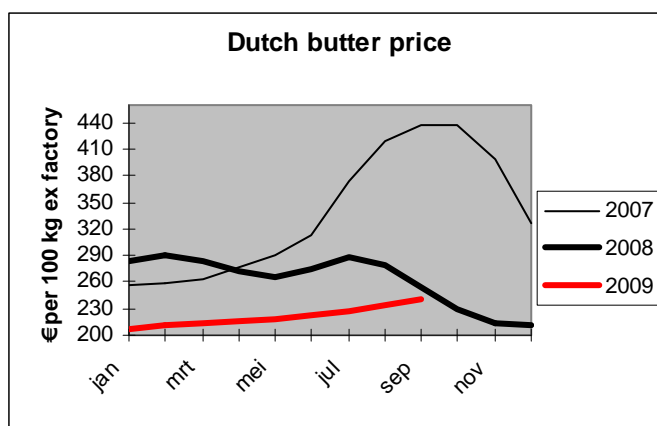
Butter stocks were 9.5% higher

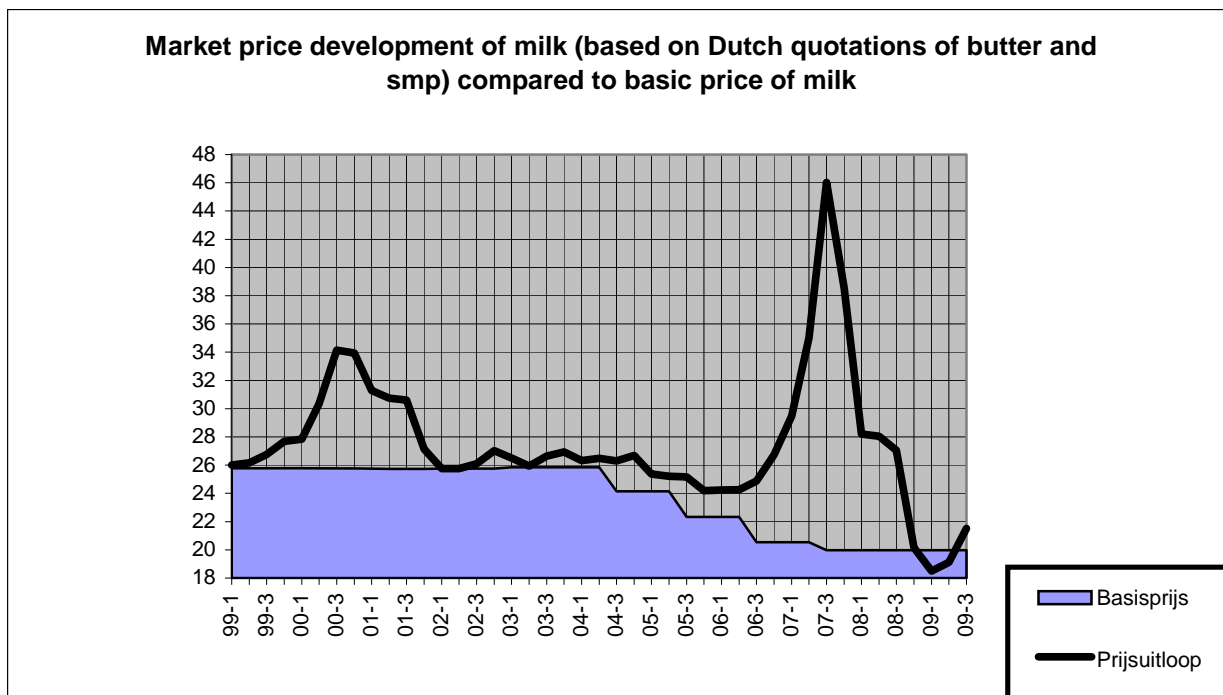
Because of the weaker demand the recovery of dairy product and milk prices is highly dependant on a slowdown in milk production. At the retail level prices continue to drop which also will help sales. Compared to a year ago, the index of retail prices for all dairy products in August was 18% lower than a year, the lowest in two years. Whole milk prices were 23% lower, cheese 11% lower and butter 9% lower.

MARKET SITUATION

€per 100 kg

Dutch Quotations				
	1 January 2009	30 September 2009	index	trend
Butter	210	267	127,0	↑
Whole milkpowder	195	228	117,0	↑
Skimmed milkpowder	150	185	123,3	↑
Wheypowder	39	60	153,8	↑
Gouda cheese	± 310	± 260	83,9	→





Market comments

In the Netherlands milk output during the period January – August 2009 was 7.487 billion kgs or appr. 2.2% higher, compared to the same months last year. The average milk fat and protein percentage during this period was 4.34% and 3.47% ,being unchanged resp. 0.01% higher compared to last year.

The milk output figure in the EU-27 for the period January-July 2009 declined and was appr. 0.08% 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.

A general positive sentiment is noticeable. Rising prices for dairy commodities on the international markets have turned the tide on the EU market where a price recovery has started to develop. Especially on the butter market prices have risen fast as the availability of milkfat is very tight for the moment. Moreover cream prices are too attractive to neglect by producers so cream is directly sold in order to realise a better return.

Also milkpowder prices are pushing higher.

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. For a more durable recovery a structural increase of demand is needed and there are no signs yet this will happen any time soon.

However it looks like there is little room for much more upward potential, given the ample intervention supplies available, so this market reaction could be shortlived. Up to now some 83,000 tons of butter and 282,000 tons of skimmed milkpowder has been removed from the marketplace and is stocked into intervention. These quantities will come back to the market sooner or later.

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.