

## STANDARDIZED MILK PRICE CALCULATIONS for SEPTEMBER 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>25.36</b>	0.00	<b>24.26</b>
Alois Müller	DE	0.51			<b>23.64</b>	0.00	<b>24.90</b>
Humana Milchunion eG	DE				<b>23.87</b>	-0.18	<b>25.92</b>
Nordmilch	DE		0.15		<b>22.88</b>	-0.15	<b>23.53</b>
Arla Foods	DK	0.49			<b>24.50</b>	0.71	<b>28.15</b>
Hämeenlinnan Osuusmeijeri	FI	2.14		5.95	<b>39.43</b>	2.91	<b>43.13</b>
Bongrain CLE (Basse Normandie)	FR	0.74			<b>30.17</b>	none	<b>30.91</b>
Danone (Pas de Calais)	FR				<b>31.36</b>	none	<b>31.28</b>
Lactalis (Pays de la Loire)	FR				<b>30.39</b>	none	<b>30.72</b>
Sodiaal	FR	0.58			<b>32.39</b>	none	<b>30.62</b>
Dairy Crest (Davidstow)	GB	-0.22	0.33	1.64	<b>28.69</b>	0.00	<b>29.37</b>
First Milk	GB	0.55	2.04		<b>24.89</b>	0.00	<b>26.15</b>
Glanbia	IE				<b>21.06</b>	0.00	<b>23.30</b>
Kerry	IE				<b>21.88</b>	none	<b>23.77</b>
DOC Kaas	NL	0.05	0.34	0.85	<b>20.75</b>	1.04	<b>22.65</b>
Friesland Campina	NL	0.05	0.75	3.65	<b>26.64</b>	1.30	<b>27.47</b>
<b>AVERAGE MILK PRICE THIS MONTH (2)</b>					<b>26,74</b>		<b>27,88</b>
Granarolo (North)	IT	1.15	3.42		<b>33.98</b>	none	<b>36.28</b>
Fonterra (5)	NZ				<b>18.75</b>	0.00	<b>17.23</b>
United States of America (3)	US	0.10			<b>20.62</b>	none	<b>21.86</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 SEPTEMBER 2009**

### **MILK PRICE**

#### **Additional remarks milk prices September 2009**

The average milk price calculated for September 2009 deliveries is **€26.74** per 100 kg standard milk. This is compared with the same month last year **€8.46** lower (minus 24%). In comparison to August 2009 the average milk price is **€0.47 higher**. Due to seasonal adjustment the August milk prices increased slightly this month compared to July milk prices. Some dairy companies have increased the price of milk this month partly due to seasonal adjustment. While milk prices seem to climb out of the valley the average September milk price is still the lowest in in the past 10 years.

#### **Milcobel**

The fat - and protein prices of Milcobel were higher. The milk price is, compared to the previous month, **€2.10 higher** per 100 kg standard milk.

#### **Germany**

Nordmilch and Humana Milchunion increased their (basic) milk prices in September with **€1.00**, while the milk price of Alois Müller remained unchanged.

#### **United Kingdom**

By combination of higher seasonal bonuses and a lower rate of the British pound the calculated milk prices of Dairy Crest and First Milk increased and slightly decreased respectively. First Milk has announced to lower its milk price from November with **0.65 pence per liter** or approximately **€0.70**.

#### **Ireland**

Despite the higher Irish prices for butter and skimmed milk powder the Irish milk prices did not increased (yet). When the prices for butter and skimmed milk powder rose in 2007 the Irish milk prices increased as one of the first.

#### **The Netherlands**

Milk prices of DOC Kaas and FrieslandCampina increased this month with **€1.20** and **€0.98** per 100 kg milk respectively. Prices will continue to increase coming months. The milk price of DOC Kaas increased by **€3.42** in October, while the milk price of FrieslandCampina will increase in October and November by **€1.95** and **€3.07** per 100 kg.

#### **Granarolo**

Because of used standards, the calculated milkprice of Granarolo is higher than the average milk price paid in the country, which is in Italy about € 28 per 100 kilograms. Although the Italian milkprice is considerably higher than in most other European countries, many demonstrations were held recently requiring a minimum milk price of € 40 .

## **Scandinavia**

The milk price of Arla Foods remains unchanged this month but will increase with € 1.31 in October.

## **Oceania**

### Production

NZ-dairy production is currently at its peak. Early forecasts indicate that in terms of litres milk produced so far, production is only 1% above the 2008/09 season. Australia's production figures so far showed a decline of appr. 1.5% compared to last year. Production for the whole current 2009/10 year is estimated at 9.0 billion litres or a reduction of 4% on last year.

### Market

Current forecast payout of Fonterra Co-operative Group for the 2009/10 season is **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 milk price of Fonterra is in September € 0.38 higher compared to previous month.

The solid price increase of international dairy commodities is still intact. At the latest Fonterra auction milkpowder prices jumped to a 15 month high on concern that supply may decline through 2010 as demand from food processors may rebound. Fonterra believed the jump in price was a reflection of customers refilling their supply chains amid growing consumer demand. The latter is however, considered still fragile.

Against this background the company is expected to announce an increase in its payout forecast to farmers early next week .

## **USA**

US milk production has finally dipped below August 2008 levels. Total milk production in August was estimated down 0.3% and in September down 0.7% from a year ago, while July production was also revised down by 0.1%.

The rapid drop in cow numbers continued in August, while productivity nationwide remained above last year's levels.

Production is expected to fall further in the remaining few months of 2009.

USDA forecasts milkproduction to fall 0.8% for 2009, and a further 0.9% in 2010. This may be revised down now that the CWT has announced plans for a 4<sup>th</sup> herd retirement program.

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\* with 8.3% milk solids

In the face of tighter milk supplies and improving demand the all-in milkprice is expected to rise to **\$14.70 to \$15.60 per cwt ( =± €22,50/100 kg on average)** next year, after averaging \$12.35 to \$12.45 in 2009.

Moreover the so called milk to feed price ratio is on his way up.

The USDA uses a milk to feed price ratio (MFPR) to monitor the profitability of milk production in the US; it is designed to reflect the price of milk relative to the price of feed. Estimates are that feed accounts for between 40 and 60% of the cost of producingmilk in the US. The MFPR is obtained by dividing the price of a lb of milk by the price of a lb of a 16% protein-mixed dairy feed ration. The higher the ratio, the larger the margin is between milk and feed prices. For a farm to be profitable, it is estimated that the ratio should be 3.0 or greater.The long time average in this respect is 2.74 In May and June 2009, the ratio fell to 1.5, its lowest level ever.

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

Cheese market is firmer and Cheddar 40-pound block prices remain within its recent trading range of \$1.41 to \$ 1.50 per pound(=± **\$ 3200/ton**) The current (intervention) support price on blocks is \$1.31.

Butter had improved considerably end October to \$1.35 per pound,which compares to \$ 1.75 last year on this date and \$ 1.29 in 2007.The current support price on butter is \$1.05.

Dry whey has been trading around in the \$0.321 to \$0.35 per pound range and nonfat dry milk prices are also improving up to \$1.30 per pound , which is above the current (intervention) support price of \$0.92.

These price improvements increased the Class III price from **\$11.20** for August to **\$12.11** for September and **\$12.82** for October,the highest for the year.

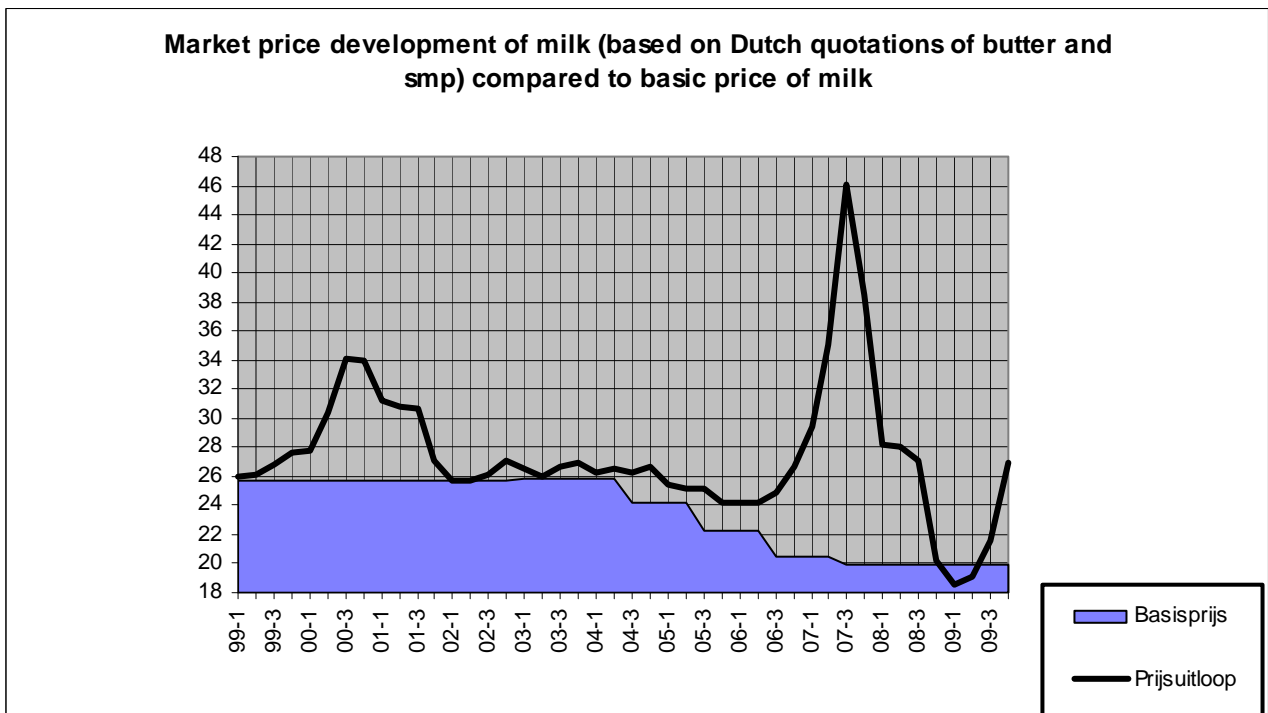
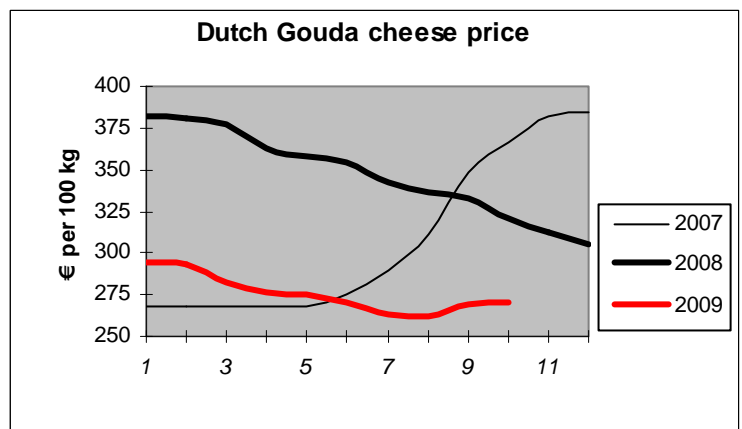
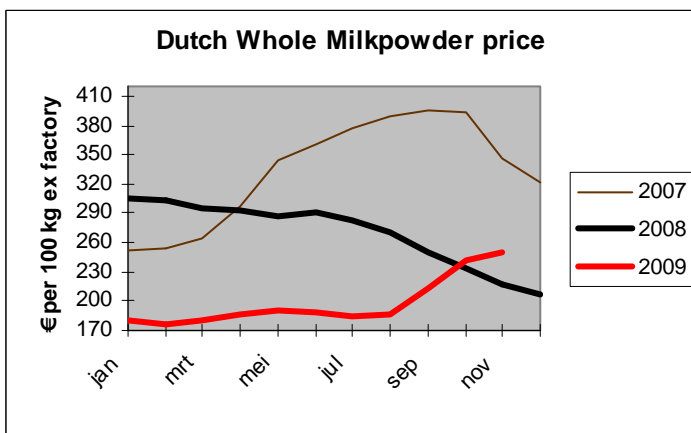
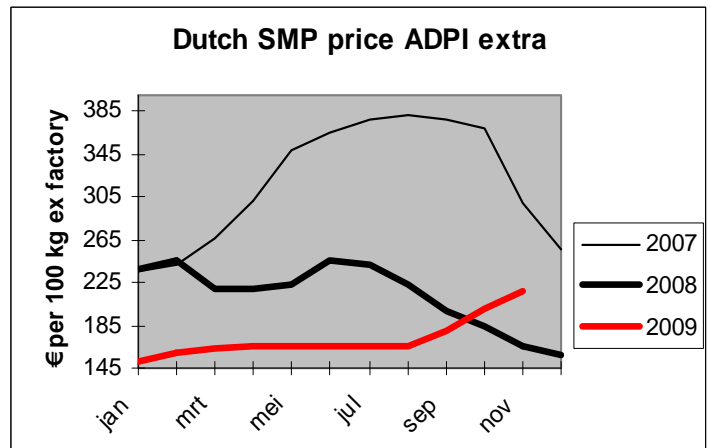
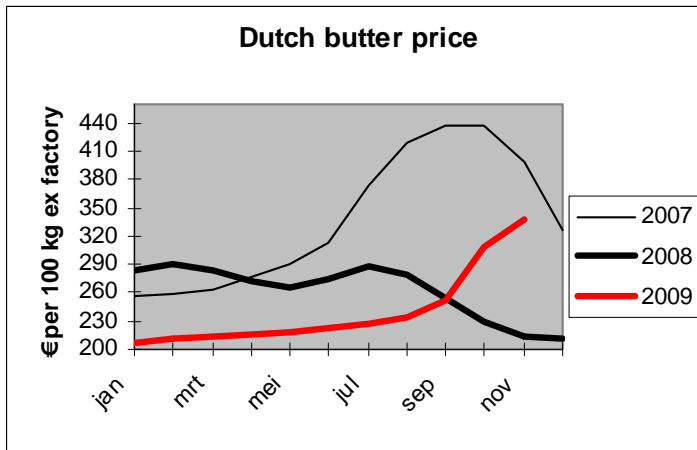
However ample stocks still exist.

Export prospects are improving and so have world prices. Against this background export bonuses have declined sharply.For skimmed milkpowder no export bonus is given.The same picture is seen in Europe where export subsidies are severely cut.

## MARKET SITUATION

€ per 100 kg

<b>Dutch Quotations</b>				
	<b>1 January 2009</b>	<b>5 November 2009</b>	<b>index</b>	<b>trend</b>
Butter	210	338	161,0	↑
Whole milkpowder	195	246	127,6	↑
Skimmed milkpowder	150	217	144,6	↑
Wheypowder	39	71	182,0	→
Gouda cheese	± 310	± 270	87,0	↑



## Market comments

In the Netherlands milk output during the period January – September 2009 was 8.361 billion kgs or appr. 2% higher, compared to the same period last year. The average milk fat and protein percentage during this period was 4.33% 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 fractionally lower than the previous year, and probably still trending lower. Despite this trend milk output in second quarter (April – July) did rise 1% 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 and EU markets have turned the tide. Rising demand and a limited growth of milk production worldwide are bringing markets more in balance.

Until now the price recovery has the character of a supply driven development. Especially on the EU 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 milk powder prices are pushing a lot higher and are in an uptrend. And with a usual time lag cheese prices too have started to recover slowly from the trough.

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.

Furthermore ample intervention stock could limit upward price movements in the near future. One important signal came from Brussels recently in eliminating all export subsidies as from November 6. Only for butter (fat) a small amount of refund was left.