

STANDARDIZED MILK PRICE CALCULATIONS for DECEMBER 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		29.55	0.00	24.57
Alois Müller	DE	0.51			27.10	0.00	24.10
Humana Milchunion eG	DE				26.84	-0.18	25.04
Nordmilch	DE		0.15		26.84	-0.15	23.28
Arla Foods	DK	0.54			27.15	0.71	26.18
Hämeenlinnan Osuusmeijeri	FI	2.14		4.01	37.48	2.91	41.27
Bongrain CLE (Basse Normandie)	FR	0.74			27.23	none	29.58
Danone (Pas de Calais)	FR				27.62	none	29.65
Lactalis (Pays de la Loire)	FR				27.06	none	29.34
Sodiaal	FR	0.58			27.03	none	29.47
Dairy Crest (Davidstow)	GB	-0.22	0.32	1.62	28.40	0.00	27.88
First Milk	GB	0.54	2.02		23.18	0.00	24.24
Glanbia	IE				24.98	0.00	22.64
Kerry	IE				23.87	none	22.70
DOC Kaas	NL	0.05	0.34		27.70	1.04	22.98
Friesland Campina	NL	0.05	0.75	1.00	31.90	1.30	26.66
AVERAGE MILK PRICE THIS MONTH (2)					27,75		26,85
Granarolo (North)	IT	1.15	3.42		34.95	none	34.75
Fonterra (5)	NZ				22.58	0.00	20.08
United States of America (3)	US	0.12			25.40	none	20.24

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 DECEMBER 2009

MILK PRICE

Additional remarks milk prices December 2009

The average milk price calculated for December 2009 deliveries is **€27.75** per 100 kg standard milk. This is slightly than November, but **€3.02** lower (minus 9.8%) compared with the same month last year

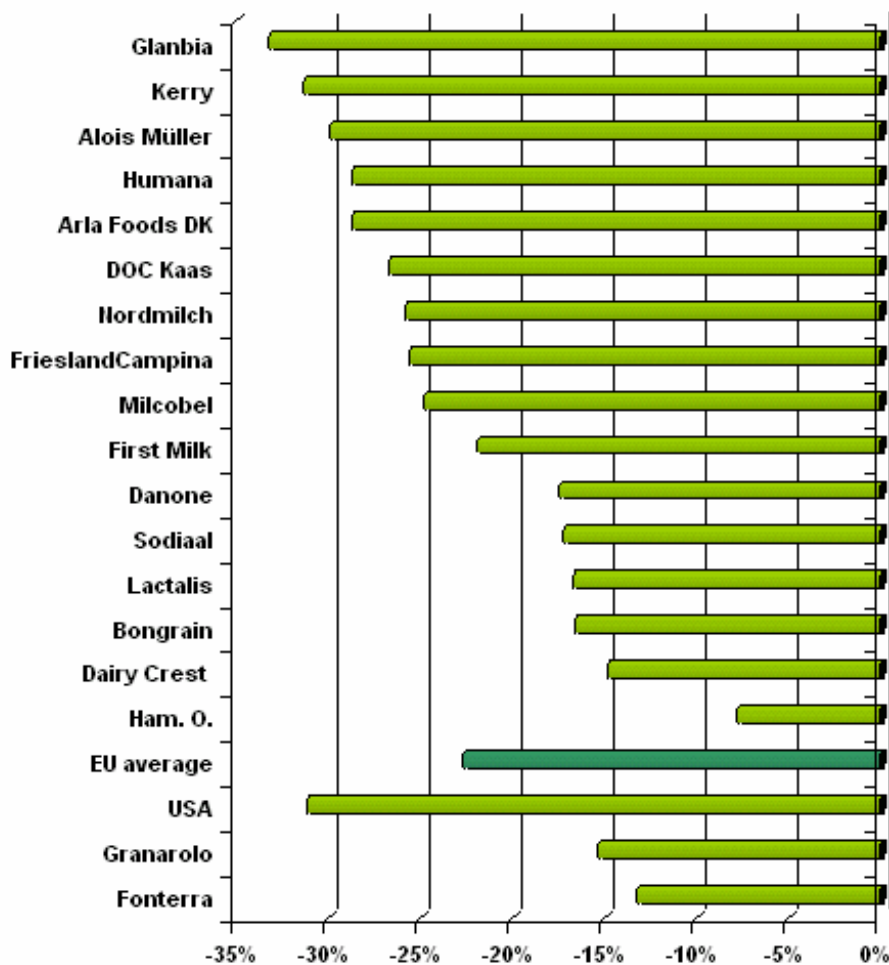
Only Arla and the Dutch companies FrieslandCampina and DOC Kaas increased their milk prices in December. Both Dutch dairies have also announced to lower their milk prices in 2010. The milk prices of Milcobel and the German dairies remains the same. Glanbia has paid seasonality bonus in October and November respectively € 1.50 and € 5.50 per 100 kg. This is retroactively incorporated into the milk price comparison. Milk prices of other dairy companies in the LTO milk price comparison decreased because of mostly seasonal adjustments.

Exchange rate effects caused the milk price of Fonterra to increase. The milk price of the United States has also increased slightly.

Average advanced milk price in 2009 23% lower

After the highest level of average advanced milk prices in 2008, the average milk price in 2009 decreased to its lowest level since the start of the LTO International Milk Comparison in 1999. The average calculated advanced milk price of all 16 European dairies (excluding Granarolo) decreased by 23% to € 26.50 per 100 kg standard milk.

**Average advanced milk prices
2009 compared to 2008 (in %)**

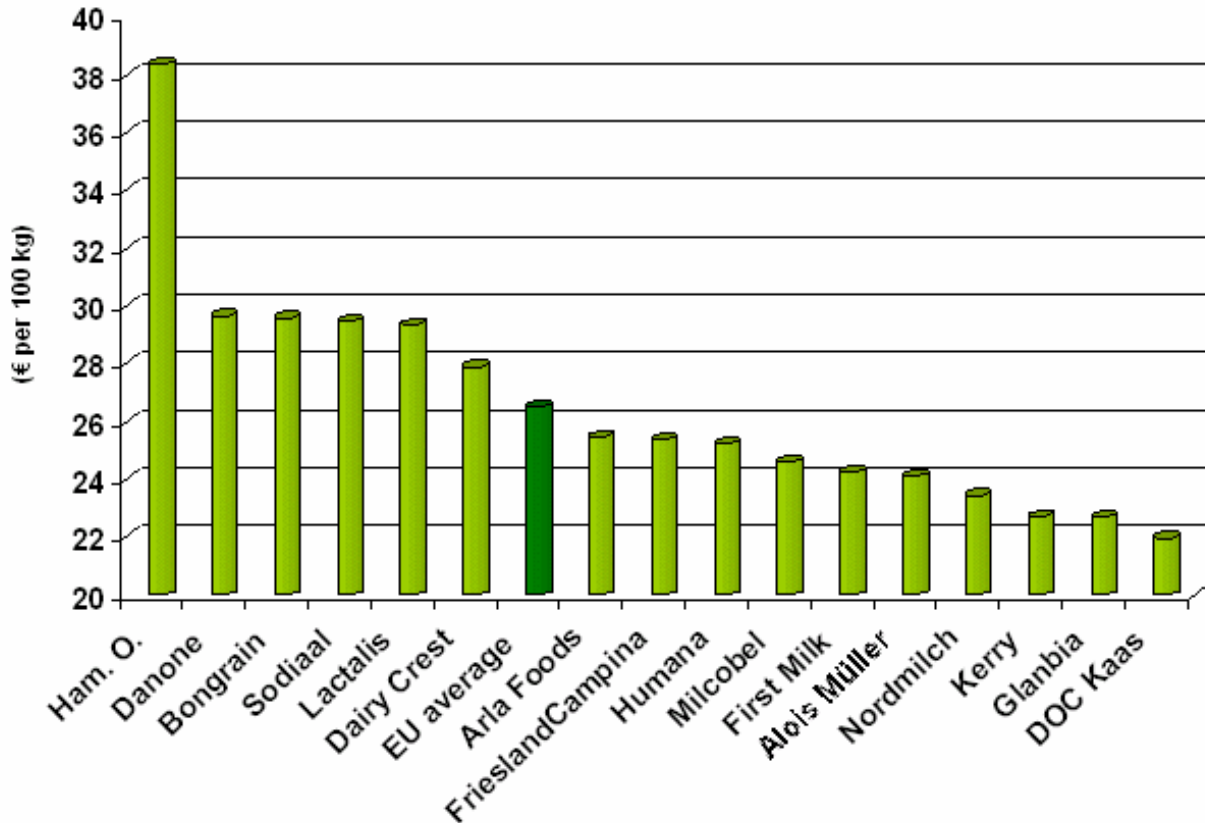


Besides the limited price fall of the Finnish Hämeenlinnan Osuusmeijeri, the relatively small milk price decreases in France and Great Britain are remarkable. In France the decline in milk prices have been limited to an average of 17%, also under influence of the so-called national recommendations.

Remarkable are calculated milk prices of the British dairy companies which have fallen less deep than on average. Moreover, these milk prices when expressed in national currencies have decreased even less, because of the fallen exchange rate of the British Pound in 2009 by nearly 11% against the euro.

Milk prices of the Irish dairy companies have decreased most by over 30%. And the fall by 25-30% of milk prices of Dutch and German dairies and Milcobel is also above average.

EU advanced milk prices 2009



Especially the milk price level from Dairy Crest is striking. After Finnish Hämeenlinnan Osuusmeijeri and French dairy companies calculated milk price of this company has the highest ranking. The declining value of the British Pound also explains the relatively better British milk price paid; because the devalued British currency has made the UK market less attractive to foreign competitors. In addition, the declining milk production and the relatively high share of consumption milk protects the British dairy market against large price fluctuations elsewhere in Europe. The mentioned milk price from Dairy Crest is for suppliers of the Davidstow cheese factory. Because of the tighter cheddar market in 2009 this milk price belongs to the highest in the United Kingdom.

Due to strongly declined advanced milk prices of the Irish, Dutch and German companies and Milcobel these milk prices are in 2009 below the EU average. However, the advanced milk price is not the definitive 2009 milk price paid for Arla Foods and FrieslandCampina and DOC Kaas.

These milk suppliers will receive an end-of-year bonus depending on the operating results of the company in question. The precise amount will be known in a few months time.

Oceania

Production

Oceania milk production is on the down side of the season.

In New Zealand, milk output is being impacted by weather patterns. With North Island producing app.2% less, and South Island producing 3% more, Fonterra expects to collect app.0.8% less milk in the current season, ending May 2010.

Australia's production figures for November indicated that milk output for November was down 6.8% when compared to November 2008. Production for the whole current 2009/10 year is trailing last years figures by 5.4%.

Milkprice

Calculated milk price of Fonterra decreased somewhat compared to previous month because of the currency rate effects.

USA

US milk production in December was 14.6 billion pounds, down 0.8% from December 2008. The number of cows on farms was 8.31 million head, 206,000 head (2.4%) less than December 2008, and unchanged from November 2009.

Total milk production for 2009 was 189.3 billion pounds, USDA projects 2010 milk production at 188.4 billion pounds, which would represent a further decline (-0.5%) from the 2009 lower production.

The U.S. dairy herd will continue to contract moderately throughout 2010.

Herd size is forecast to average just below 9 million head this year, down from 9.2 million in 2009.

However production per cow is expected to increase by a relatively robust 1.9 percent this year. This is the result of expected lower feed prices and the lower average age of the dairy herd after a year of culling. So the dairy herd is younger with more productive cows remaining..

Milk prices were showing good recovery the end of 2009. The Class III price which was a low of \$9.97 May and June was \$14.98 for December. The U.S. All Milk Price which was a low of \$11.30 June and July was \$16.30 for December. **Average All Milk Price for the year was 30% lower at \$12.79 compared to \$18.29 for 2008.**

As normally happens once holiday orders for butter and cheese are fulfilled butter and cheese prices drop back some.

CME cheddar blocks were under pressure early December, and ended the year at \$1.41 per pound and as of end January it was around \$ 1.48 per pound (**=± \$ 3260/ton**) The current (intervention) support price on blocks is \$1.13. Compared to a year ago cheese price was app. \$ 1.865 per pound or 20% higher.

Butter prices ended the year at \$1.3275 (**=± \$ 2925/ton**)per pound but has once again shown strength in January with prices creeping back to \$1.50 per pound. But this was not sustainable and prices fall again back to levels of end december. Lower butter production and renewed interest butter exports were helping to support higher butter prices.

The current support price on butter is \$1.05. Compared to a year ago butter price was app. \$ 1.14 per pound or 14% lower.

Dry whey has been trading up in the \$0.35 to \$0.40 per pound range and recent nonfat dry milk prices are staying around \$1.22 (**=± \$ 2790/ton**) per pound, which is 52% above the current (intervention) support price of \$0.80.

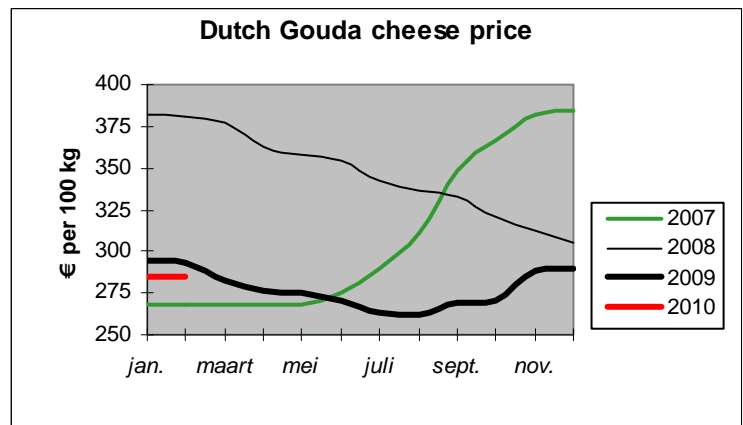
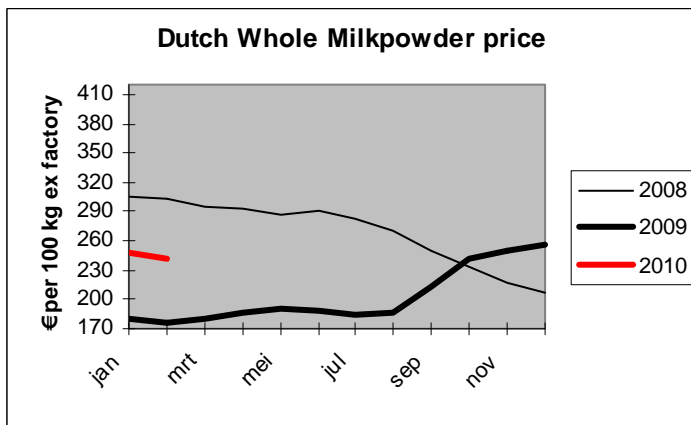
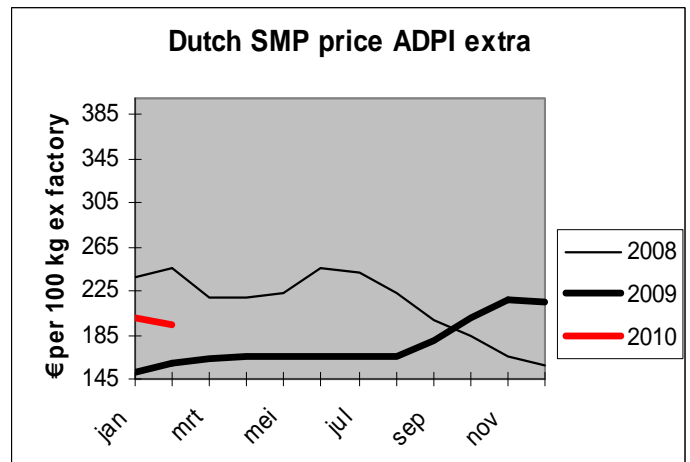
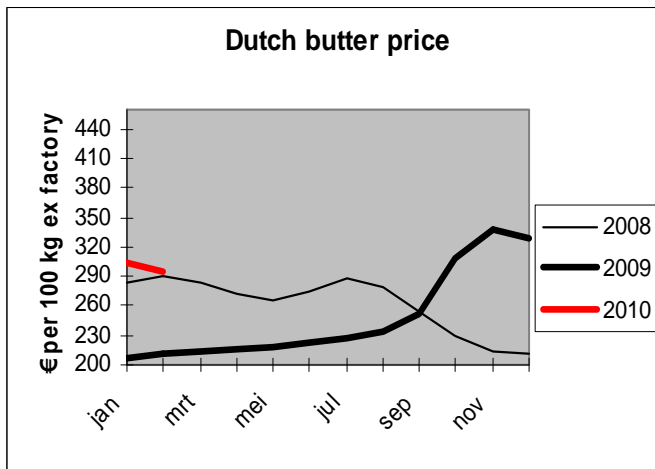
When economic recovery proceeds internal as external demand could further improve, and along with lower production forecasts could lead to a supportive price environment for most products.

The all milk price is forecast at **\$16.20 to \$17.00 per cwt** ($\pm \text{€}25,50/100 \text{ kg}$ on average) for 2010.

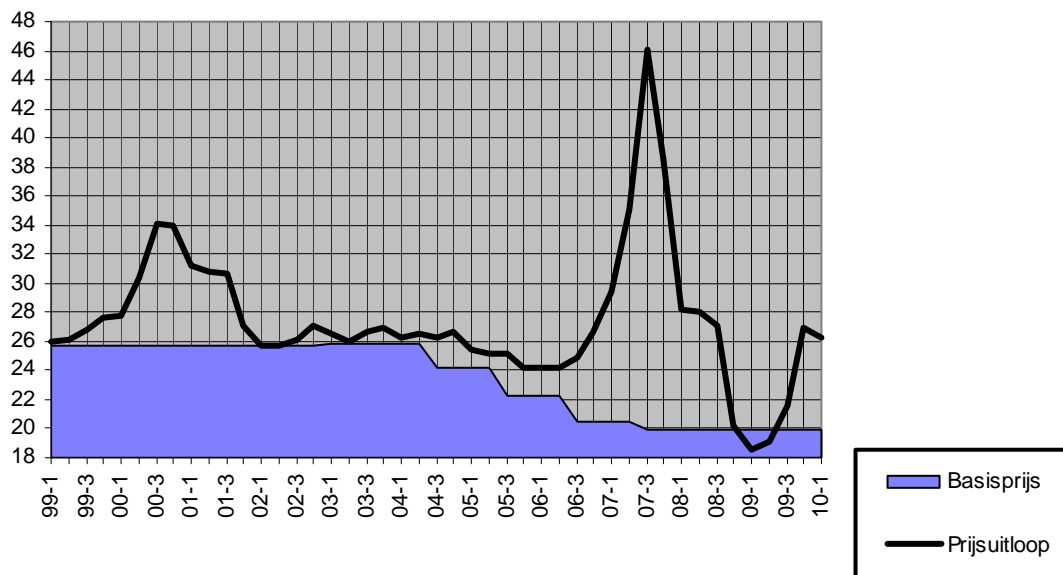
MARKET SITUATION

€ per 100 kg

Dutch Quotations				
	1 January 2009	5 February 2010	index	trend
Butter	315	293	93,0	↓
Whole milkpowder	252	239	94,8	↓
Skimmed milkpowder	203	195	96,0	↓
Wheypowder	70	67	95,7	↓
Gouda cheese	± 290	± 290	93,5	→



Market price development of milk (based on Dutch quotations of butter and smp) compared to basic price of milk



Market comments

In the Netherlands milk output during calendar year 2009 was 11.085 billion kgs or appr. 1.4% higher, compared to the same period last year. The average milk fat and protein percentage during this period was 4.36% and 3.47% being 0.01%, resp 0.02% lower compared to last year.

The milk output figure in the EU-27 for the period January-October 2009 declined and was 2% lower than the previous year. This declining trend in milk output is also shown in the April – October period: 2% down compared to same months last year.

During last quarter of last year prices for dairy commodities on the international and EU markets were in an uptrend. While markets usually have a modest dip after the christmas period, the start of the new year is weak and market activities are slow.

Buyers are uncertain and holding off in case prices are falling further.

With output usually rising into spring and export demand faltering so far, price pressures will probably grow. Especially milk powder and butter prices are coming down in order to achieve a better supply/demand balance, but recently also the rising trend in cheese prices have come to a halt.

Also dairy world markets have started the year on a negative note and international prices are slowly declining.

At the latest Fonterra auction - considered as a credible reference point for the international dairy commodity market - AMF prices were on average 8% lower, while milk powder prices dropped only 1.6% on average.

Until now price recovery has the character of a supply driven development. If the recovery will continue or current price levels will be sustainable for the next couple of months depends on the return of a more structural increase of demand on the one side and a more contained supply growth, esp. in EU and USA on the other side.