

## STANDARDIZED MILK PRICE CALCULATIONS for FEBRUARY 2010 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>28.50</b>	0.67	<b>25.77</b>
Alois Müller	DE	0.51			<b>27.10</b>	0.00	<b>24.28</b>
Humana Milchunion eG	DE				<b>26.84</b>	-0.18	<b>24.95</b>
Nordmilch	DE		0.15		<b>26.84</b>	-0.15	<b>23.75</b>
Arla Foods	DK	0.54			<b>27.15</b>	0.71	<b>26.05</b>
Hämeenlinnan Osuusmeijeri	FI	2.14		0.32	<b>33.79</b>	2.91	<b>40.07</b>
Bongrain CLE (Basse Normandie)	FR	0.74			<b>30.81</b>	none	<b>28.75</b>
Danone (Pas de Calais)	FR				<b>30.69</b>	none	<b>29.08</b>
Lactalis (Pays de la Loire)	FR				<b>30.16</b>	none	<b>28.37</b>
Sodiaal	FR	0.58			<b>31.42</b>	none	<b>29.32</b>
Dairy Crest (Davidstow)	GB	-0.22	0.33		<b>27.50</b>	0.00	<b>27.49</b>
First Milk	GB	0.55	2.08		<b>23.71</b>	0.00	<b>23.78</b>
Glanbia	IE				<b>25.98</b>	0.00	<b>22.35</b>
Kerry	IE				<b>24.86</b>	none	<b>22.63</b>
DOC Kaas	NL	0.05	0.34		<b>25.84</b>	1.04	<b>23.51</b>
Friesland Campina	NL	0.05	0.75		<b>26.74</b>	1.30	<b>26.76</b>
<b>AVERAGE MILK PRICE THIS MONTH (2)</b>					<b>28,00</b>		<b>26,68</b>
Granarolo (North)	IT	1.15	3.42		<b>33.98</b>	none	<b>34.16</b>
Fonterra (5)	NZ				<b>23.64</b>	0.00	<b>21.77</b>
United States of America (3)	US	0.12			<b>25.79</b>	none	<b>21.06</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 FEBRUARY 2010**

### **MILK PRICE**

#### **Additional remarks milk prices February 2010**

The average milk price calculated for February 2010 deliveries is **€28.00** per 100 kg standard milk. Nevertheless, European milk prices are staying well below the level of last year (**- €0.85**), representing a decrease of 2.9%.

Average milk prices of the various European dairy companies this month are characterized by great differences.

#### **The Netherlands**

By lowering fat- and protein prices, milk price of FrieslandCampina decreased in February by € 1.40 per 100 kg milk compared to the January price. Due to the seasonal levy of €2.30 per 100 kg the March milk price will decrease further. On March 17<sup>th</sup> FrieslandCampina published the annual results 2009 together with the performance payment. The end-of-year-payment is not yet included in the calculated milk price.

The milk price of DOC Kaas decreased in February by €0.95 per 100 kg milk compared to previous month. The Dutch dairy DOC Kaas announced that they will keep the March prices unchanged.

#### **Milcobel**

This month milk price of Milcobel increased by €0.52 per 100 kg milk compared to the milk price of January.

#### **Germany**

All the German dairies kept their milk prices unchanged this month.

#### **France**

The French milk prices of Bongrain, Danone, Lactalis and Sodiaal decreased this month. This is a recurrent seasonal change.

#### **United Kingdom**

The milk price of Dairy Crest increased only because of the exchange rate. The British dairy announced that they will keep their March milk price unchanged. From July 2009 the milk price remained unchanged.

First Milk increased the milk price by 0.25 pence per liter. Also the effect of exchange rate increased this month the milk price.

## **Scandinavia**

The February milk price of Arla remains almost unchanged compared to January. The January milk price of Hämeenlinnan Osuusmeijeri has had an update. Due to a lower seasonal levy the February milk price decreased compared to previous month and places the Finish February milk price back on an average level of the past 10-year milk price comparison.

## **Ireland**

The Irish dairies Glanbia and Kerry increased their milk prices in February.

## **Granarolo**

The Italian basic price was fixed last month for the first quarter of this year. at is why the paid milk price remains unchanged in February.

## **Oceania**

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

## **USA**

US milkproduction in February totaled 13.6 billion pounds (=± 6,2 miljoen ton), up 0.1% from February 2009. This was the first increase in milk production since last June. January output was still down 0.5% from a year ago. The number of milk cows during February was 8.3 million head, which was 168.000 less than February 2009 but 3000 head more than January. Milk cow numbers have now increased for two consecutive months. Since the start of 2010 dairy cow slaughter has been below a year ago. In January USDA was still projecting a decline in 2010 milk production of about 0.7%, but in March it revised their projection to a slight increase for this year. With higher milk prices than last year and some lower feed costs, milk production per cow could go up. For February milk per cow was already up 2.3% over a year ago, leading to 0.1% rise in production. Against this background strengthening of milk prices in the near term is not considered likely. However from historical perspective current milk price can be considered as quite good. Looking back on 10-year milk price comparison the American Class III February milk price was above average for this month.

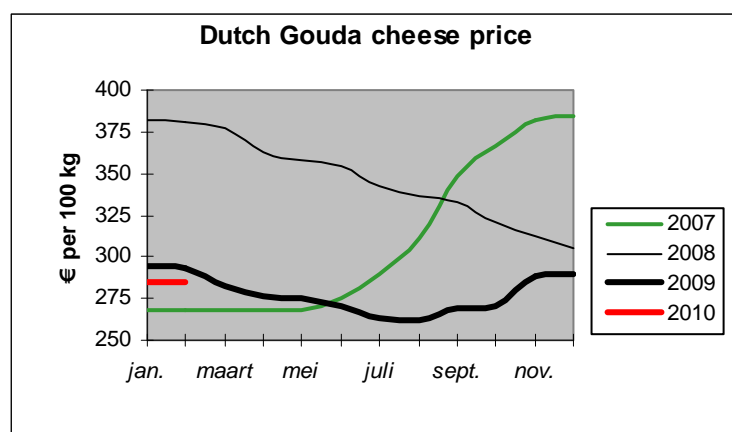
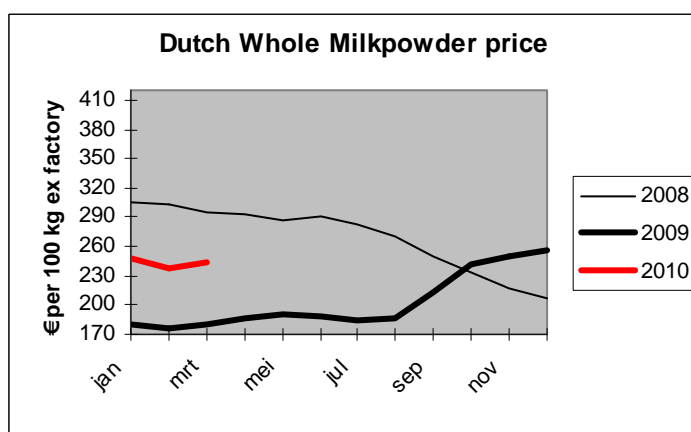
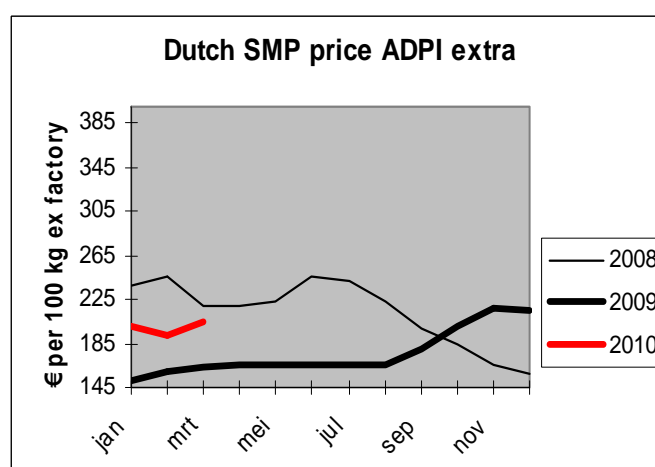
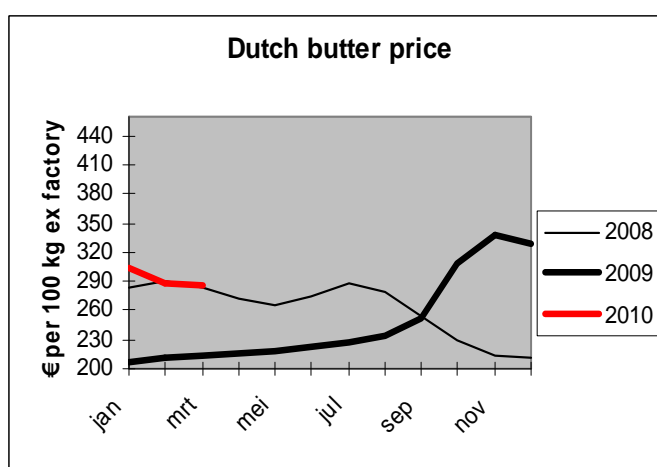
As of now the average Class III price for whole 2010 is estimated around \$ 14.45/lb and the all-in milk price around \$ 16.20.

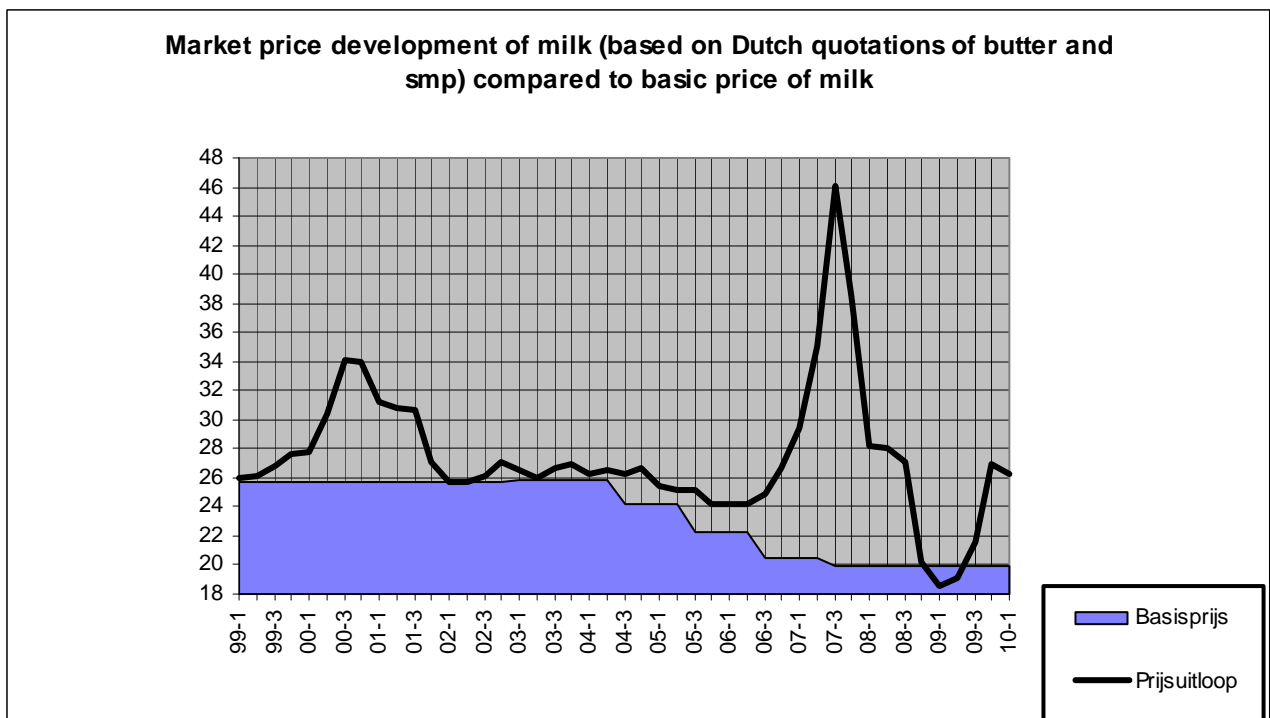
In 2009 these averages were resp. \$ 11.36/lb and \$ 12.81/lb.

## MARKET SITUATION

€ per 100 kg

Dutch Quotations				
	1 January 2010	31 March 2010	index	trend
Butter	315	287	91,1	→
Whole milkpowder	252	243	96,4	→
Skimmed milkpowder	203	204	100,5	→
Wheypowder	70	63	90,0	↓
Gouda cheese	± 290	± 285	93,5	→





### 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. In January output was 968.5 million kgs or 0.5% less than January 2009.

The average milk fat and protein percentage during this month was 4.57% and 3.53% being 0.02% higher, resp 0.03% lower compared to last year. During the super levy period April – January milk output was 1.7% higher.

Milk output figure in the EU-27 for the period January-December 2009 declined and was 0.6% lower than the previous year.

Provisional figures for January showed a decline in output of 2.4% Most probably due to severe winter weather, but also the number of milk cows was 2.% less compared to a year ago.

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 was weak and market activities were 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 were expected to grow.

However market sentiment has turned more positive during the last couple of weeks with prices expected to stabilise for the next period. Cream prices rose recently, while skim concentrate is expensive compared to skimmed milkpowder prices, which indicates that the market has tightened. Other market factors relevant for the general picture are lower than expected milk supplies, favorable euro/dollar exchange rate and announcement of Algeria to buy more milkpowder and butterfat.

Also dairy worldmarkets have started the year on a negative note and international prices were slowly declining. However at the latest Fonterra auction - considered as a credible reference point for the international dairy commodity market - prices corrected modestly, which reflects a better supply/demand balance..

Until now price recovery has the character of a supply driven development. Lower supplies at producer level together with a waiting attitude of buyers, covering their

needs at the latest moment has made markets more price sensitive in such a way that a minor decline in output and/or a minor rise in demand could easily cause a strong reaction in price.