

STANDARDIZED MILK PRICE CALCULATIONS for AUGUST 2011 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		33.22	0.42	34.63
Alois Müller	DE	0.51			35.36	0.23	34.25
Humana Milchunion eG	DE				34.02	-0.15	32.67
Nordmilch	DE		0.15		34.17	0.00	33.31
Arla Foods	DK	0.69			35.05	2.56	35.79
Hämeenlinnan Osuusmeijeri	FI	2.14		1.94	45.35	3.59	44.51
Bongrain CLE (Basse Normandie)	FR	0.74			37.23	none	33.81
Danone (Pas de Calais)	FR				37.47	none	34.20
Lactalis (Pays de la Loire)	FR				37.20	none	33.80
Sodiaal	FR	0.58			37.90	none	33.68
Dairy Crest (Davidstow)	GB		0.33		32.13	0.00	30.79
First Milk	GB	0.55	2.08		29.67	0.00	27.55
Glanbia	IE				33.93	0.00	33.15
Kerry	IE				33.82	none	32.40
Granarolo (North)	IT	1.15	3.42		40.18	none	38.89
DOC Kaas	NL	0.05	0.34		35.11	2.64	36.54
Friesland Campina	NL	0.05	0.75	2.45	38.22	1.84	36.76
AVERAGE MILK PRICE THIS MONTH (2)					35,89		34,51
Fonterra (5)	NZ				31.39	0.00	32.97
United States of America (3)	US	0.16			37.37	none	31.22

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 AUGUST 2011

MILK PRICES

The average calculated milk price for the August 2011 deliveries is €35.89 per 100 kg standard milk. This is an increase of 9.2% compared to August 2010 (+ €3.01).

Still the August 2011 average calculated milk price is the highest average. Only the average calculated milk price of August 2008 (€35.57) comes near the current average.

The average calculated milk price has increased by €0.31 compared to previous month.

Milcobel

In August, the basic milk price for the Belgian dairy Milcobel decreased by €1.00. The calculated milk price for August is €33.22

Germany

All German dairies did not change their milk prices compared to previous month.

Scandinavia

In August, the basic milk price of Arla Foods remained stable. The calculated milk price for the Swedish / Danish dairy is €35.05. Arla Foods announced to decrease its milk price by €1.50 in September.

The calculated milk price of Hameenlinnan Osuusmeijeri is €45.35, which is an increase of €2.80 compared to previous month. This is mainly because of the addition of an €2.00 seasonality payment.

France

The calculated milk prices of the French dairies have increased slightly compared to previous month. Increase varied between €0.13 and €0.18.

United Kingdom

The calculated milk price for Dairy Crest has remained stable in August. Because of an increase in the exchange rate, the calculated milk price is €32.13.

The calculated milk price of First Milk is €29.62, an increase because of an additional seasonality payment.

Ireland

Glanbia's milk price remained stable in August. The calculated milk price for Glanbia is €33.93 per 100 kg.

The calculated milk price for Kerry remained stable at €33.82 per 100 kg standard milk in August.

The Netherlands

DOC Kaas has remained its milk price stable at €35.11. The company has announced to keep its milk price stable in September as well.

FrieslandCampina's guaranteed milk price decreased by €0.75 in August. However, because of the additional seasonality bonus of €2.45, FrieslandCampina's calculated milk price rose to €38.22. The Dutch dairy announced to decrease their guaranteed milk price by €1.00 in September. However in October, the company will increase its guaranteed milk price by €0.75 again.

Granarolo

In August, Granarolo's calculated milk price remained stable at €40.18 per 100 kg standard milk.

New Zealand

Based on an average opening price of 7.07 NZ\$ per kg milk solids a comparable milk price of €31.39 per 100 kg standard milk is calculated for August.

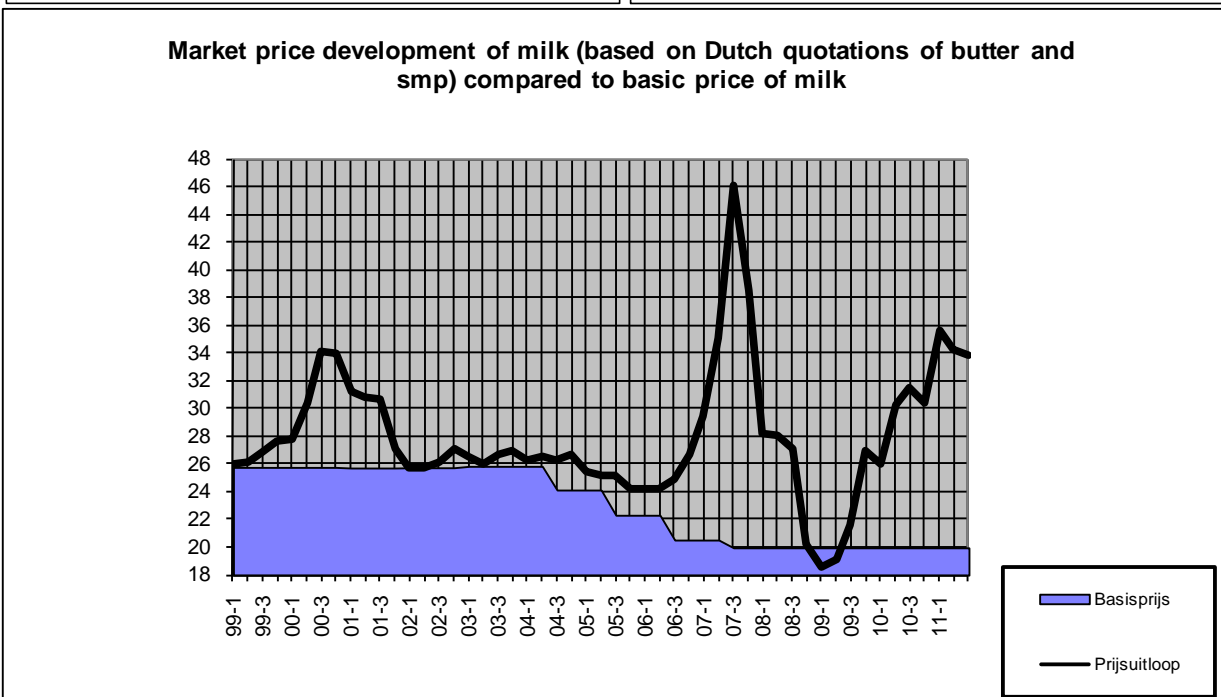
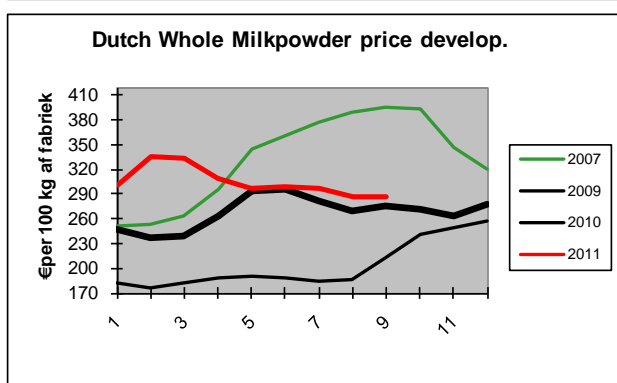
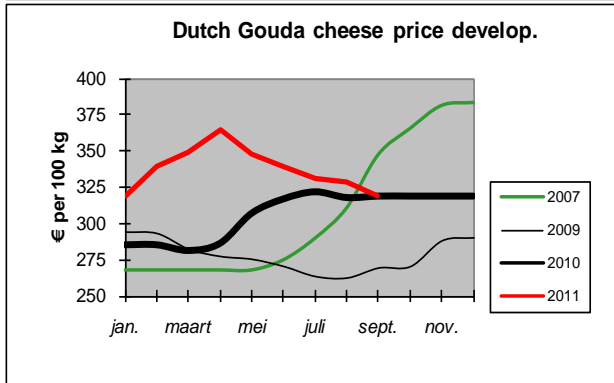
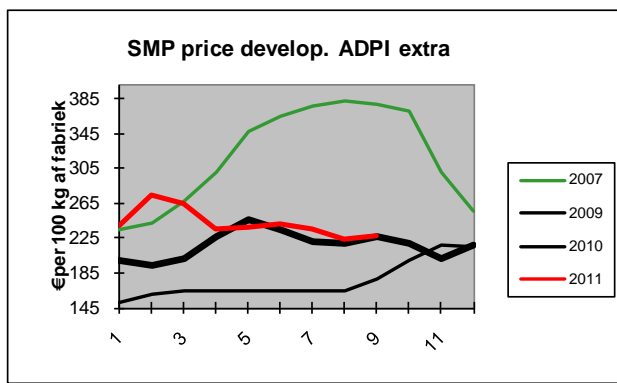
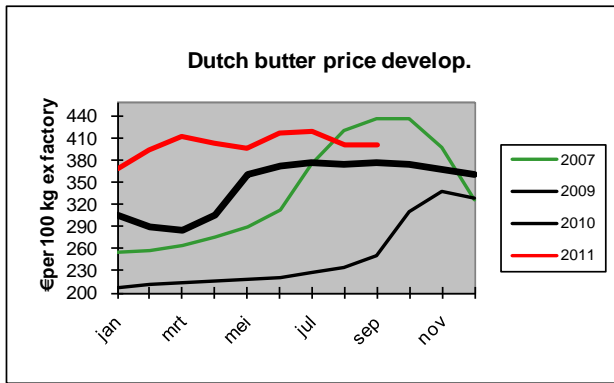
Fonterra has paid out a record milk price of NZ\$ 7,90 per kg fat and protein over the 2010/11 season. This milk price contains the paid out milk price and dividend.

USA

The USA Class III Component Price resulted in \$ 21,67 per hundred weight in August. Expressed in Euros, the calculated milk price is €37.37 per 100 kg standard milk.

MARKET SITUATION

Dutch Quotations				€per 100 kg
	1 January 2011	5 October 2011	index	trend
Butter	360	403	111,9	→
Whole milkpowder	288	288	100,0	→
Skimmed milkpowder	227	230	101,3	→
Whey powder	80	82	102,5	→
Gouda cheese	± 320	± 320	100,0	→



Market comments

In the Netherlands milk output during January-August 2011 was 7.63 billion kgs or app. 0.6% lower compared to the same period last year. The average milk fat and protein percentage during this period was 4.38% and 3.49% being a bit higher for fat and equal for protein compared to last year. After the dip in August and the start of September milk production restored again in the last couple of weeks.

The yearly quota increase by 1% however does not seem to be sufficient enough to compensate for the overshoot of production quota by 1.2% of last quota season. That is why there is hardly any room for production growth without the danger of paying super levy at the end of current season.

According to recent provisional figures milk output in the EU-27 for January-July 2011 was 2.2% higher compared to same period in 2010. After slightly higher deliveries in May (+0.8%) and June

(+0.6%) milk output in July with +3.1% was much stronger. According to preliminary figures however production growth in August was trending lower again.

Dairy commodity markets are currently looking for direction. At present there is a lot of uncertainty regarding current price levels and future price direction. Global demand for dairy products is generally steady or softening depending on markets. Traders indicate that buyers needs are mostly short covered and many are still holding back on committing large contracts; current trading activity remains soft.

Earlier in September dairy commodity prices began to firm, but this confidence has since been eroded. Last GDT tender of Fonterra of October reflected actually continuation of the down trend. Global economic uncertainty has been brought about by the continuing problems in the US and European economies. Maybe both regions are on the brink of recession.

For the moment EU market prices are stable. However, market activity is still sluggish. International demand is not steady at the moment and mostly driven by currency movements. Positive factor for EU exporters is the cheaper euro against the US dollar.

That is why EU skim milk powder, cheese and whey powder prices are more competitive and export demand for these products remains rather good. Butter and whole milk powder however are often higher than international buyers are willing to pay and export demand is trending lower.

New Zealand

A good autumn and reasonable winter in New Zealand has resulted in record spring milk flow across the country. Indications are that milk volumes are heavier than last year at this time. Milk collection is on average up 13% on a daily basis throughout the country compared to last year.

Fonterra collected a record 1,346 million kilograms of milk in the 2010/11 season (June-May), up 5% from the previous year.

Australia's production for the 2010/11 season increased by 0.9% to 9.1 billion litres.

Production estimates remain unchanged with New Zealand around 4-5% higher and Australia around 1-2%.

USA

Recent estimates show August's milk production across the US increased by 2.1%, compared with August 2010. Milk cow numbers still continue to increase. Milk delivery per cow was a little higher as well.

This year's US milk production forecast has been raised as the dairy herd has been expanding at a more rapid rate than expected. Recent estimates are that this year's milk output will be 195.7 billion lbs (88.77 million tonnes), up from an earlier estimated 195.6bn lbs and significantly higher than production in both 2009 (189.3bn lbs) and 2010 (192.8bn lbs).

On the pricing front, this year's cheese prices are forecast lower, but nonfat dry milk (NDM) and whey quotations are forecast higher on the back of relatively strong exports. Butter prices are unchanged from USDA's August projections.

For 2012, butter and cheese prices are unchanged, but NDM and whey are forecast higher.