

## STANDARDIZED MILK PRICE CALCULATIONS for JANUARY 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>27.98</b>	0.67	<b>25.48</b>
Alois Müller	DE	0.51			<b>27.10</b>	0.00	<b>24.23</b>
Humana Milchunion eG	DE				<b>26.84</b>	-0.18	<b>24.99</b>
Nordmilch	DE		0.15		<b>26.84</b>	-0.15	<b>23.54</b>
Arla Foods	DK	0.54			<b>27.16</b>	0.71	<b>26.15</b>
Hämeenlinnan Osuusmeijeri	FI	2.14		3.20	<b>36.68</b>	2.91	<b>40.79</b>
Bongrain CLE (Basse Normandie)	FR	0.74			<b>32.27</b>	none	<b>29.24</b>
Danone (Pas de Calais)	FR				<b>32.63</b>	none	<b>29.39</b>
Lactalis (Pays de la Loire)	FR				<b>32.34</b>	none	<b>29.01</b>
Sodiaal	FR	0.58			<b>32.00</b>	none	<b>29.39</b>
Dairy Crest (Davidstow)	GB	-0.22	0.33		<b>27.29</b>	0.00	<b>27.66</b>
First Milk	GB	0.55	2.06		<b>23.25</b>	0.00	<b>23.97</b>
Glanbia	IE				<b>24.98</b>	0.00	<b>22.54</b>
Kerry	IE				<b>23.87</b>	none	<b>22.67</b>
DOC Kaas	NL	0.05	0.34		<b>26.79</b>	1.04	<b>23.32</b>
Friesland Campina	NL	0.05	0.75		<b>28.15</b>	1.30	<b>26.75</b>
<b>AVERAGE MILK PRICE THIS MONTH (2)</b>					<b>28,51</b>		<b>26,82</b>
Granarolo (North)	IT	1.15	3.42		<b>33.98</b>	none	<b>34.44</b>
Fonterra (5)	NZ				<b>23.60</b>	0.00	<b>21.13</b>
United States of America (3)	US	0.12			<b>25.10</b>	none	<b>20.65</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 JANUARY 2010

### MILK PRICES

The average calculated milk prices paid in advance in January 2010 is € 28.51 per 100 kg standard milk. This is an increase of € 0.76 per kg compared with December, but still € 1.05 or 3.5% lower than January 2009.

The increase of the average milk price is entirely caused by the higher milk prices of the French dairy companies, the only milk prices which have increased in January.

#### Milcobel

The Milcobel milk price in January fell to € 1.57 compared to December. However, the members - dairy farmers received in February 2010 an earlier end-of-the-year payment of € 0.70 per 100 litre for all milk supplied in 2009. Over 2008 there was no additional payment.

#### Denmark and Finland

Arla Foods has the quality payment increased from January onwards, while the fat and protein milk prices were slightly reduced, causing the milk price has remained the same.

On March 3<sup>rd</sup> Arla has published the annual results 2009 and the end-of-the-year additional payment. This payment - which is considerably higher than the payment over 2008 - is not yet included in the calculated milk price.

The milk price of the Finnish Hämeenlinnan Osuusmeijeri has declined due to a lower seasonal bonus in January.

#### Germany

The milk price of the German dairies have not changed in January. Humana Milch Union does have increased the basic milk price with € 0.65, but because the retroactive payment surcharge expired the milk price remains the same.

#### France

The calculated milk prices by the French dairy companies increased with more than € 5 euro per 100 kg as a result of the agreement between representatives of the dairy industry and farmers. They agreed to increase the milkprice in the first quarter of 2010 by 3.1 to 8.5%, depending on the product folio of individual dairy companies.

## **UK and Ireland**

The milk prices of the British and Irish dairy companies have not changed except regular seasonal adjustments made by the UK companies. First Milk has announced to increase milk price in February by 0.25 pence per litre or approximately € 0.28 per 100 kg.

## **Netherlands**

DOC Kaas and FrieslandCampina have lowered their milk prices in January. In February both milk prices will further decline by €0.95 (DOC Kaas) and €0.41 (FrieslandCampina). In March, the milk price of Friesland Campina will have a further drop of €2.75, but that is primarily due to the summer levy of €2.30.

## **Granarolo**

Granarolo the milk price is nearly 1 euro per 100 kg reduced.

## **USA and New Zealand**

The so-called Class III milk price in the U.S. declined slightly in January compared to December (from \$ 14.94 to € 14.50), but is in January 2010 significantly higher than in the same month in the previous year when the milk price was € 10.78 per cwt .

Fonterra expects for the current milk price year 2009/10 a slightly higher milk price (including profit distribution) to be paid than was previously announced, i.e. a milk price of 6.10 (was 6.05) NZD per kg fat and protein.

## **MARKET SITUATION**

After a hesitant start of the new year recently it seems there is a slightly improved market sentiment. Following the recent decline in the price level now some stabilization is assumed. The fact that in the EU both the price of cream and milk concentrate have increased in recent weeks, indicates that the market was slightly more solid.

Also the milk supply is lower than expected. Moreover, the depreciation of the euro against the dollar favours the export position of Europe. A new application from Algeria for the supply of milk powder is in this respect a positive impulse.

That there is some stabilization is also reflected in the international markets. In the beginning in February at the auction Fonterra – a measure of the current international prices – showed already a slight turnaround, when there was only a slight downward movement of prices. This was in the market perceived as a positive signal. The auction in early March confirmed this finding, with a reduced decline in the price of butterfat (-5.4%) and a slight increase for non-skimmed milk (0.8%). The price signal for skimmed milk powder was stable to slightly positive.

So far, the recovery in prices mainly was mainly characterized by a supply-driven development. For a more solid basis of the recovery in the global market also the (consumer) demand should increase structural.