

## STANDARDIZED MILK PRICE CALCULATIONS for OCTOBER 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		<b>33.22</b>	0.42	<b>34.58</b>
Alois Müller	DE	0.51			<b>34.87</b>	0.23	<b>34.65</b>
Humana Milchunion eG	DE				<b>35.01</b>	-0.15	<b>33.08</b>
Nordmilch	DE		0.15		<b>35.16</b>	0.00	<b>33.61</b>
Arla Foods	DK	0.67			<b>33.65</b>	2.56	<b>36.12</b>
Hämeenlinnan Osuusmeijeri	FI			1.94	<b>43.21</b>	3.59	<b>45.25</b>
Bongrain CLE (Basse Normandie)	FR	0.74			<b>35.64</b>	none	<b>34.21</b>
Danone (Pas de Calais)	FR				<b>34.24</b>	none	<b>34.40</b>
Lactalis (Pays de la Loire)	FR				<b>34.50</b>	none	<b>34.08</b>
Sodiaal	FR	0.58			<b>34.63</b>	none	<b>34.00</b>
Dairy Crest (Davidstow)	GB		0.34	2.23	<b>34.60</b>	0.00	<b>31.14</b>
First Milk	GB	0.56	2.09		<b>32.46</b>	0.00	<b>28.08</b>
Glanbia	IE				<b>33.91</b>	0.00	<b>33.69</b>
Kerry	IE				<b>33.82</b>	none	<b>33.06</b>
Granarolo (North)	IT	1.15	3.42		<b>40.42</b>	none	<b>39.85</b>
DOC Kaas	NL	0.05	0.34		<b>35.83</b>	2.64	<b>37.01</b>
Friesland Campina	NL	0.05	0.75	2.45	<b>37.91</b>	1.84	<b>37.02</b>
<b>AVERAGE MILK PRICE THIS MONTH (2)</b>					<b>35,48</b>		<b>34,93</b>
Fonterra (5)	NZ				<b>28.98</b>	0.00	<b>31.80</b>
United States of America (3)	US	0.14			<b>32.50</b>	none	<b>31.49</b>

### Remarks:

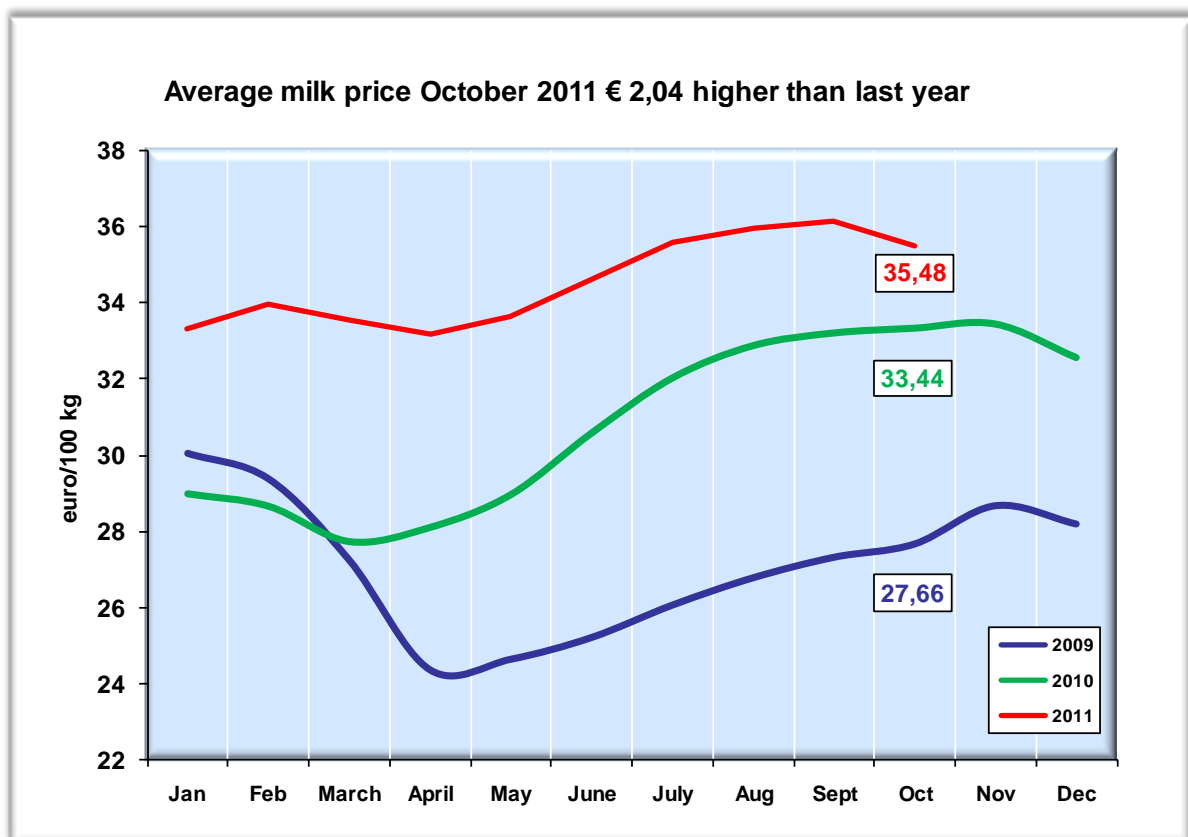
- (1) All prices are VAT excluded, paid to producers and assuming milk collected every other day.  
Price per 100 kg standard milk with 4.2% fat, 3.4% (crude) protein, 500,000 kg per year, total bacterial count 24,999 and somatic cell count 249,999 per ml.
- (2) Arithmetic average.
- (3) Based on USDA 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 OCTOBER 2011

### MILK PRICES

The average calculated milk price for the October 2011 deliveries is € 35.48 per 100 kg standard milk. This is an increase of 6.1% compared to September 2010 (+ € 2.04).

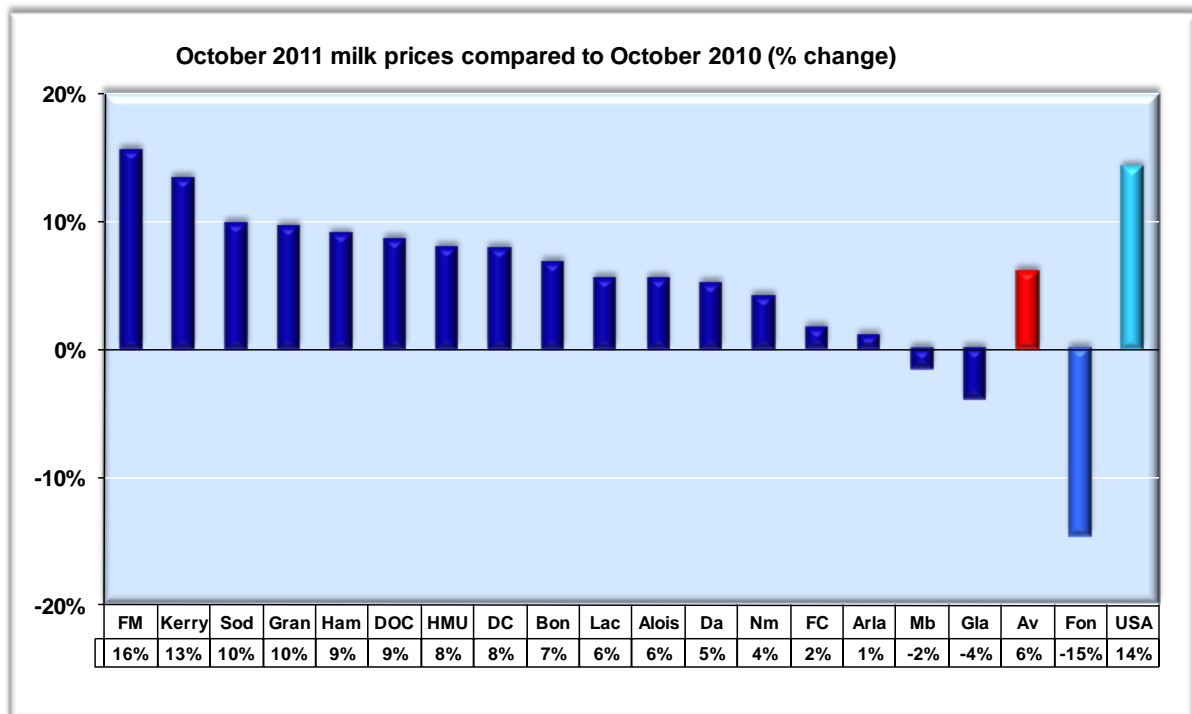
Although current price level remains high, the increase in prices has ended. Compared to September, the average milk price of October has decreased by € 0.68.



Compared to previous month, milk prices of the French dairies have decreased, varying from € - 3.56 to € - 1.92, because of seasonality effects.

The German milk prices have remained stable in general, with the exception of Alois Müller. The basic milk price of Alois Müller decreased by € 0.50.

DOC Kaas and FrieslandCampina have increased their (guaranteed) milk price by € 0.75 in October. The calculated milk price of FrieslandCampina for October is € 37.91. The calculated milk price of DOC Kaas for October is € 35.83. FrieslandCampina has announced to increase its milk price by € 0.25 in November.



## **Milcobel**

The basic milk price of the Belgian dairy Milcobel remained stable in October.

## **Germany**

Compared to previous month, the German dairy Alois Müller has decreased its basic milk price by € 0.50. The calculated milk price for October is € 34.87.

The milk prices of Nordmilch and Humana Milchunion have remained stable in October. The calculated milk prices for these companies are € 35.16 and € 35.01 respectively.

## **Scandinavia**

In October, the Danish/Swedish dairy Arla Foods has increased its milk price slightly by € 0.20. The calculated milk price is € 33.65.

The calculated milk price of Hämeenlinnan Osuusmeijeri for October is € 43.21. The quality bonus of € 2.20 per liter has been included in the so called basic supplement. The milk prices of Hämeenlinnan Osuusmeijeri have been adjusted by retroactive effect from January 2011 on.

## **France**

Compared to previous month, milk prices of the French dairies have decreased, varying from € - 3.56 to € - 1.92, because of seasonality effects.

## **United Kingdom**

The calculated milk price for Dairy Crest has, because of seasonality payments, increased by € 0.62. The calculated milk price for October is € 34.60. Dairy Crest has announced to increase its milk price by 0.7 ppl in November. The October price almost sees the Davidstow price reach the EU average.

The calculated milk price of First Milk has increased as well, because of an additional seasonality payment. Expressed in Euros the calculated milk price for October is € 32.46.

## **Ireland**

The milk prices of Glanbia and Kerry remained stable in October.

## **The Netherlands**

DOC Kaas and FrieslandCampina have increased their (guaranteed) milk price by € 0.75 in October. The calculated milk price of FrieslandCampina for October is € 37.91.

The calculated milk price of DOC Kaas is € 35.83 for October. FrieslandCampina has announced to increase its milk price by € 0.25 in November.

## **Granarolo**

Granarolo's milk price decreased by € 1.00. The calculated milk price for October is € 40.42.

## **New Zealand**

The calculated milk price of Fonterra has decreased by € 0.73 because of a lower exchange rate of the New Zealand dollar.

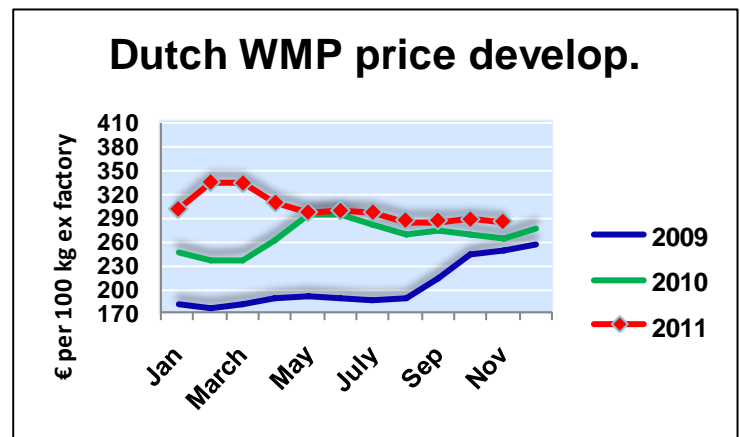
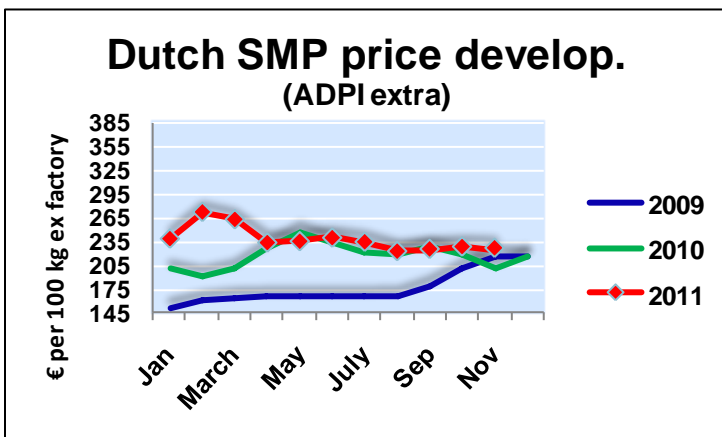
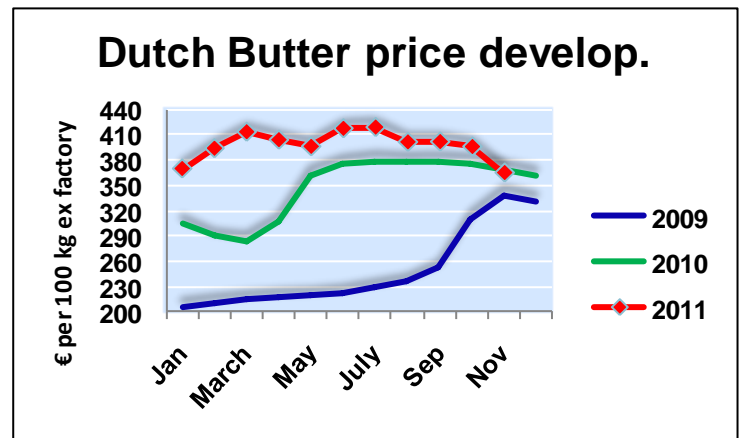
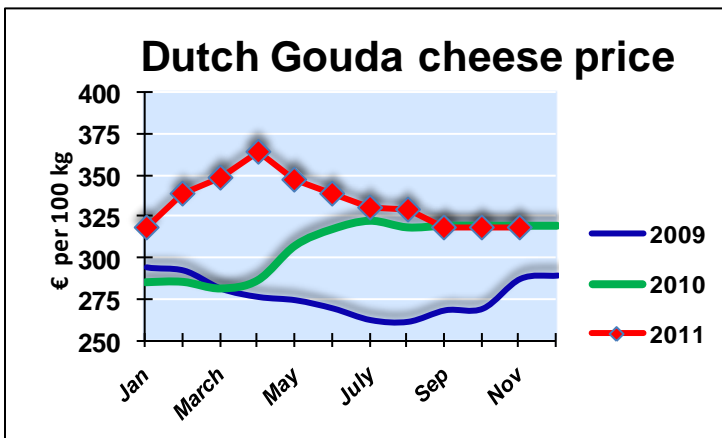
Based on an average milk price of NZD 6,615 per kg fat and protein, the calculated milk price is € 28.98 per 100 kg standard milk.

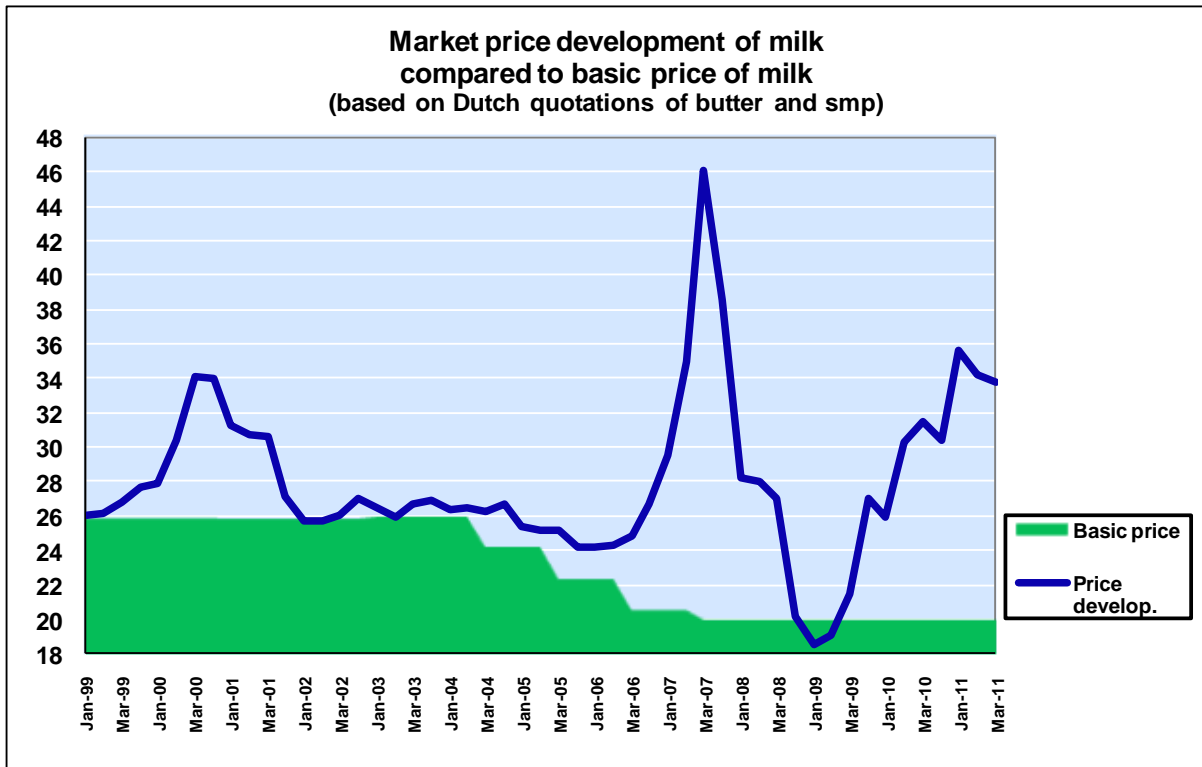
## **USA**

The USA Class III Component Price resulted in \$ 18.04 per hundred weight in October. This is a decrease of \$1.03 compared to September. Expressed in Euros, the calculated milk price is € 32.50 per 100 kg standard milk.

## MARKET SITUATION

Dutch Quotations				€ per 100 kg
	1 Januari 2011	30 November 2011	index	trend
Butter	360	350	97.2	↓
Whole milk powder	288	283	98.2	↓
Skimmed milk powder	227	228	100.4	→
Whey powder	80	94	117.5	↑
Gouda cheese	± 320	± 320	100.0	→





## Market comments

According to recent provisional figures milk output in the EU-27 for January-August 2011 was 2.2% ( $\pm$  2 million tonnes) higher compared to same period in 2010.

Dairy commodity markets are still looking for direction. At present there is a lot of uncertainty regarding current price levels and future price direction. The market is cautious about the longer-term impact that a slowdown in global economic activity will have.

Market participants are wondering what the first quarter of next year will bring.

Milk production growth in Oceania as well as Europe and the USA could therefore be a major determinant of milk prices next year. Due to weakening domestic demand in the last two regions, more milk will be available for export. And if worldwide demand slows as a result of a sluggish economic growth next year, this additional export surplus could easily put downward pressure on global dairy commodity prices. As a matter of fact the impact will be quite significant on a thinly traded world milk market.

Markets are generally subdued as buyers wait to see if prices will weaken further and it is expected things will remain quiet in the run up to Christmas. With the seasonal rise in European milk supplies in the New Year an upturn in global demand will be needed, at least at the same extent as happened at the first quarter of 2011, to avoid a build up of stocks and increased downward pressure on markets.

International market demand, particularly from China and Russia has fallen in the second half of 2011. Thanks to continued strong demand from other key importing nations such as those in the south east Asia the market could remain quite steady. However with China reducing WMP imports, there have been signals that NZ may look to switch milk into butter and SMP and may export more to the EU. This already triggered butter prices to fall.

## New Zealand

Milk production is still tracking well ahead of the last season. Estimates are around 10%. Weather conditions are still ideal for pasture growth and this has continued through October and November.

Forecast production for the 2011/12 season is still between +5 to +7%.

Also in Australia milk production is holding steady at seasonal high levels. Preliminary data for October indicate shows strong production figures ( $\pm$  4% over last October 2010)

So milk production in Australia for the first 4 months of the 2011/12 dairy season (started from (July 2011) is nearing 3% growth.



## USA

Recent estimates show October milk production across the US increased by 2.1%, compared with October 2010, while the trend of more milk cows and more milk per cow is still continuing.

October's increase was the 21st month in a row that milk production has grown on a year-over-year basis.

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 195.9 billion lbs (88.86 million tonnes), up 1.6% from 2010 (192.8bn lbs). In 2012 a further increase of 1.4% is expected.

Dairy market prices have moved in different directions of late.

Cheese quotations (40-pound cheddar blocks) which were around \$ 1.70 per pound end October recovered to reach \$2 level as of mid November, but declined to \$1.83 in the course of last week.

Dry whey prices continued strong and traded above \$0.60 per pound.

Butter which was over \$2 per pound from early January through early September was weaker and down at \$1.65 as of end November.

West nonfat dry milk was running above \$1.60 per pound from May to the end of July and is now trading in the \$1.45.