

## STANDARDIZED MILK PRICE CALCULATIONS for JULY 2014 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>35.83</b>	0.97	<b>40.63</b>
Alois Müller	DE	0.51	0.31		<b>35.48</b>	0.00	<b>38.92</b>
Nordmilch	DE		0.15		<b>37.07</b>	0.00	<b>39.66</b>
Arla Foods	DK	0.75			<b>38.39</b>	2.01	<b>41.81</b>
Hämeenlinnan Osuusmeijeri	FI				<b>44.40</b>	2.52	<b>46.41</b>
Bongrain CLE (Basse Normandie)	FR	0.74			<b>41.31</b>	none	<b>39.20</b>
Danone (Pas de Calais)	FR				<b>39.60</b>	none	<b>38.94</b>
Lactalis (Pays de la Loire)	FR				<b>38.42</b>	none	<b>38.23</b>
Sodiaal	FR	0.58			<b>38.72</b>	none	<b>37.28</b>
Dairy Crest (Davidstow)	GB	0.12	0.37		<b>41.42</b>	0.00	<b>39.35</b>
First Milk	GB	0.98	1.22		<b>38.25</b>	0.00	<b>37.56</b>
Glanbia	IE				<b>34.97</b>	0.00	<b>38.21</b>
Kerry	IE				<b>34.92</b>	none	<b>38.08</b>
Granarolo (North)	IT	1.15	3.42		<b>45.81</b>	none	<b>44.45</b>
DOC Kaas	NL	0.03	0.34		<b>35.38</b>	2.31	<b>41.19</b>
Friesland Campina	NL	0.05	0.75		<b>38.42</b>	2.91	<b>44.33</b>
<b>AVERAGE MILK PRICE THIS MONTH(2)</b>					<b>38,65</b>		<b>40,27</b>
Emmi A.G.	CH		2.89	3.21	<b>54.01</b>	none	<b>52.13</b>
Fonterra (5)	NZ				<b>30.37</b>	0.00	<b>39.25</b>
United States of America (3)	US	0.17			<b>39.58</b>	none	<b>37.71</b>

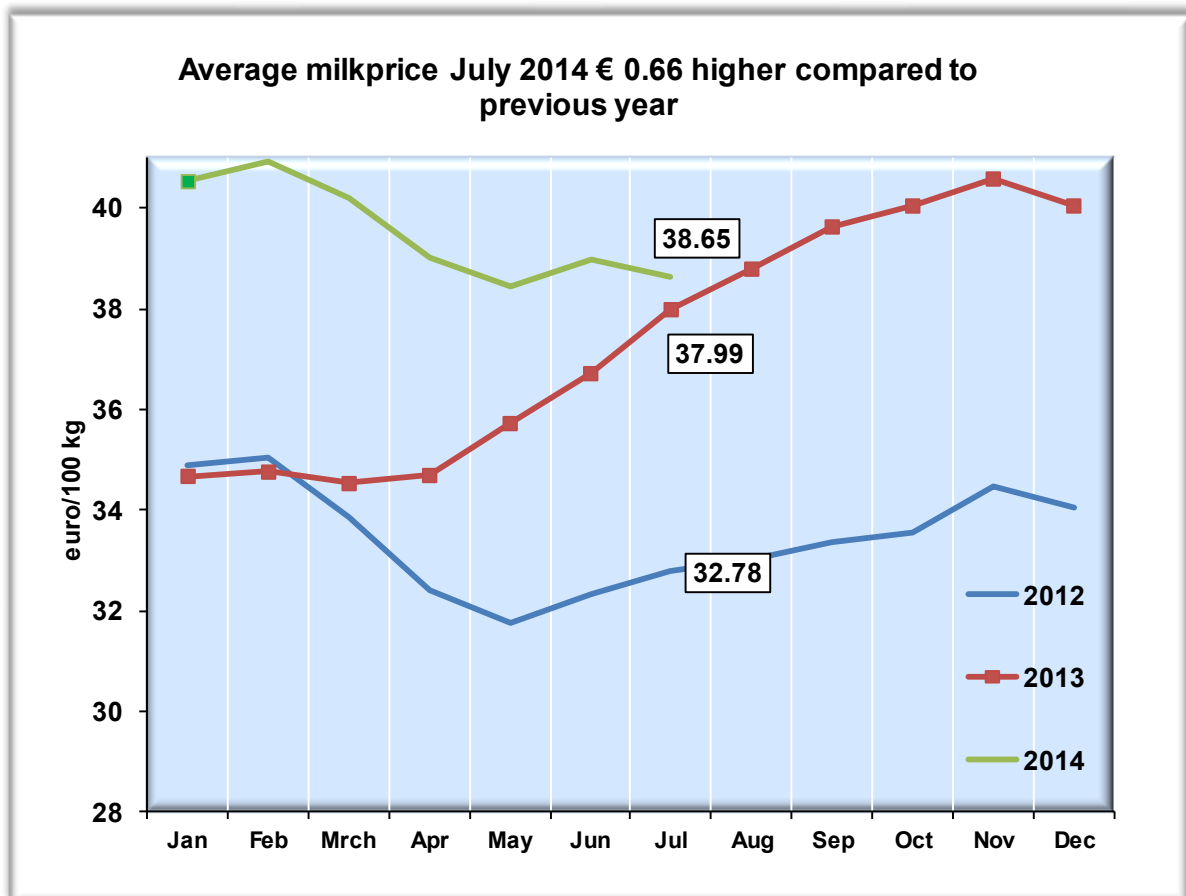
### Remarks:

- (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.

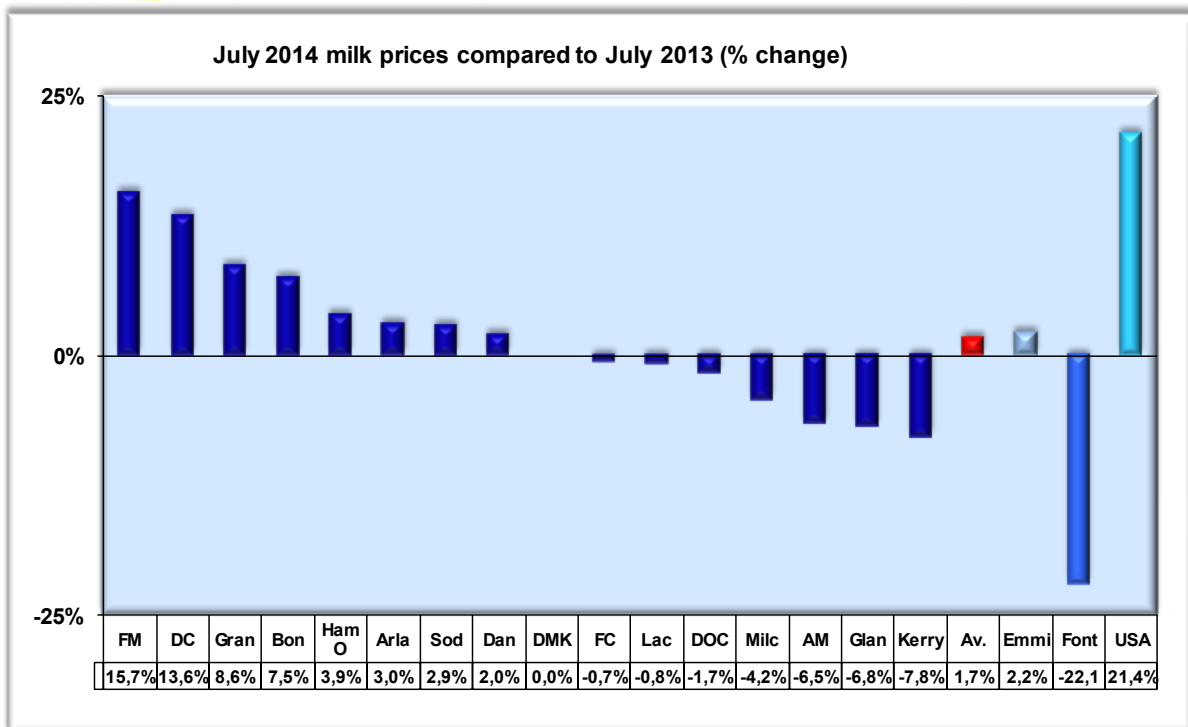
## ADDITIONAL REMARKS MILK PRICES JULY 2014

### MILK PRICES

The calculated prices in July 2014 averaged € 38.65, up 1.7% compared to July 2013 (+ € 0.66). Compared to June, the average calculated milk prices fell by € 0.34.



Despite a number of price cuts, the average milk prices in July compared to June reduced slightly due to some seasonal increases. For example in the milk price of Bongrain a seasonal supplement of € 3 is included. The milk of British Dairy Crest and Emmi Swiss have also increased entirely due to seasonal changes.



### Milcobel

The calculated milk price of Milcobel fell with € 1.05 per 100 kg in July.

### Germany

The base price Alois Muller did not change in July and will increase with € 1,00 per 100 kg in August.

DMK milk prices reduced with € 2 per 100 kg in July..

### Scandinavia

The milk price of Arla fell in July with € 1.45 and for August and September further price reductions are announced of € 1.24 and 0.75 per 100 kg of milk.

The milk price of Hämeenlinnan Osuusmeijeri remained the same

### France

Apart from Lactalis (minus € 0.22), the calculated milk prices of French dairy companies increased by € 1 to € 1.5 per 100 kg.

Lactalis included in the milk payments for January until April 2014 a seasonal charge of respectively € 1.5, 1.5, 3 and 1 per 100 kg. These amounts are returned to the farmers with the milk statements from July to September. Now that the first repayments are made with the milk statement of July the deductions in the calculated milk prices from January until April are removed retroactively.

### United Kingdom

The removal of the season deduction and to a lesser extent, the rise of the British pound against the euro, the calculated milk price of Dairy Crest rose in July compared to June with over € 3 per 100 kg. Dairy Crest has announced price cuts for September and October of 1.10 respectively 1.75 pence per liter (ppl) corresponding to a total of € 3.6 per 100 kg of milk.

The milk price of First Milk decreased in July by 1.15 ppl (€ 1.54), and for the next few months further price reductions are announced totaling about € 6 per 100 kg, namely 1.25 ppl in August, 0.50 ppl in September and 3.00 ppl in October.

### **Ireland**

The July milk price of Glanbia and Kerry fell by around 2 per 100 kg compared to June.

### **Granarolo**

The milk price of Italian Granarolo remained unchanged in July.

### **Netherlands**

The calculated milk price of DOC Cheese has not changed in July. FrieslandCampina guaranteed milk price reduced with € 2.50 in July. After a small rise in August (+ € 0.25) the guaranteed price will drop in September with € 1.75 per 100 kg of milk.

### **Emmi**

The calculated milk price of the Swiss Emmi increased in July with € 2.43 due to the seasonal bonus.

### **Fonterra**

New Zealand's Fonterra maintained its latest forecasts for the current milk price season.

### **USA**

The U.S.A. Class III milk price in July increased from \$ 21.36 to \$ 21.61 per hundredweight.

## **MARKET SITUATION**

Continuing growth of milk production and falling demand from China were the ingredients of a weakening of prices on the (international) dairy market. Gradually the supply and demand situation became more vulnerable as market threatened to get out of balance. Market sentiment got negative. Potential buyers were waiting and anticipating still lower prices. This was already reflected on the recent GlobalDairyTrade auctions, where prices declined. Most important trigger was the build-up of inventory in China and falling demand in some emerging markets in

response to high dairy commodity prices. Chinese demand in the world market remained suppressed as they have accumulated more than sufficient stocks and are now reducing forward purchasing.

When the Russian ban on dairy imports took effect at the start of August, European market felt the full impact and the existing down trend got extra momentum. Prices were falling fast. Especially for cheese (as a result of Russian import ban) and WMP (as a result of less demand on world market) export opportunities suddenly dried up. This will probably change the direction of milk flows. More milk will be diverted to SMP and butter production with continuing price pressure as a result. Until now it looks too early for prices to stabilize.

<b>Quotations Nederland</b>				
	1 January 2014	3 September 2014	index	trend
Butter	409	295	72,1	↓
WMP	379	235	62,0	↓
SMP	330	205	62,1	↓
Wheypowder	99	80	80,8	→
Gouda cheese	± 400	± 365	91,3	→