

STANDARDIZED MILK PRICE CALCULATIONS for AUGUST 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		34.78	0.97	40.29
Alois Müller (Leppersdorf)	DE	0.51	0.31		36.47	0.00	38.76
DMK	DE		0.15		37.07	0.00	39.57
Arla Foods	DK	0.73			37.16	2.01	41.79
Hämeenlinnan Osuusmeijeri	FI			1.94	46.35	2.52	46.51
Bongrain CLE (Basse Normandie)	FR	0.74			41.17	none	39.41
Danone (Pas de Calais)	FR				39.05	none	38.88
Lactalis (Pays de la Loire)	FR				38.46	none	38.28
Sodiaal	FR	0.58			42.04	none	37.58
Dairy Crest (Davidstow)	GB	0.12	0.37		41.22	0.00	39.70
First Milk	GB	0.97	1.22		36.48	0.00	37.76
Glanbia	IE				32.98	0.00	37.56
Kerry	IE				34.92	none	37.72
Granarolo (North)	IT	1.15	3.42		43.87	none	44.59
DOCCheese	NL	0.03	0.34		35.38	2.31	41.05
FrieslandCampina	NL	0.05	0.75		38.66	2.91	44.12
AVERAGE MILK PRICE THIS MONTH (2)					38,50		40,22
Emmi A.G.	CH		2.90	3.22	53.97	none	51.98
Fonterra (5)	NZ				26.97	0.00	38.46
United States of America (3)	US	0.17			41.54	none	38.41

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.

MILK PRICES

The calculated milk prices in August 2014 **averaged € 38.50 per 100 kg standard milk**. Like the previous month, the average milk prices in August fell again slightly, € 0.19 per 100 kg compared to July. Again, the price changes vary strongly between the dairies. Against many price reductions there are also some price increases. Compared to August 2013, milk prices fell on average € 0.30 per 100 kg or 0.8%. For the first time this year the average milk price is below the level of 2013.

In August prices of Glanbia, Granarolo and First Milk reduced most by (almost) € 2 per 100 kg. Arla, Milcobel and Danone have also lowered their milk prices, but less from -1.2 to -1. Sodiaal (+ 3.3), Hämeenlinnan Osuusmeijeri (+2) and Alois Müller (Leppersdorf) (+1) increased their milk prices. The remaining milk prices have remained more or less the same.

In the United States and New Zealand price trends are totally contradictory. While American farmers benefit from record high milk prices, Fonterra has recently decreased its milk price forecast for the current year to 5.60 NZD per kg milk solids (fat and protein). Compared to the previous (record) 2013/14 milk year, a decrease of 34%.

August milk price of **Milcobel** decreased by € 1 per 100 kg.

In August the base price (at 4% fat and 3.4% protein) of **Alois Müller** (Leppersdorf) raised with € 1 to € 35.50 per 100 kg, while the base price of **DMK** remains € 37.00. DMK has announced to reduce the base price in September with € 2.

The calculated milk price of **Arla** (Denmark) fell in August by € 1.23 to € 37.16 per 100 kg. For September (-1.4) and October (-2) further price reductions are announced.

The milk of the Finnish **Hämeenlinnan Osuusmeijeri** has risen because of the seasonal bonus in August of € 2 per 100 kg.

Striking is the increase in the milk price by **Sodiaal** with € 3.3 per 100 kg. On the other hand the milk price of **Danone** declined (-1.2), while the calculated milk prices of **Bongrain** and **Lactalis** have remained more or less the same

The milk price of British **First Milk** has decreased in August by 1.25 pence per liter (ppl) or - € 1.8 per 100 kg. For September and October further price reductions are announced with 0.50 and 3 ppl. Including August, these price reductions correspond to a total of € 6.2 per 100 kg.

Dairy Crest has also announced to reduce the milk prices by 1.1, 1.75 and 1.3 ppl in September, October and November, together a total of € 5.2 per 100 kg. The slight decrease in August of € 0.20 is entirely due to the increase in the value of the British pound against the euro. In pence per liter, the milk price of Dairy Crest was unchanged in August.

Glanbia has decreased their milk price by € 2, while that of **Kerry** remained unchanged. Along with the milk statement of August, the Glanbia dairy farmers

received a payment of € 2 from the so-called price stabilization fund to compensate for this milk price reduction. This payment is not included in the calculated milk price.

The calculated milk price of **Granarolo** has been reduced from August by € 2 and amounted to € 43.87 per 100 kg.

DOC Cheese and **FrieslandCampina** milk prices in August changed not (DOC) or very limited (FrieslandCampina +0,24). For September, both companies have announced price reductions of respectively € 3.33 (DOC Cheese) and € 1.70 (FrieslandCampina) per 100 kg standard milk.

The milk price of the Swiss **Emmi** consists of a weighted average of the so-called A, B and C price. Because the B price slightly decreased the calculated milk price dropped, due to the decline of the value of euro versus the Swiss Franc, this decrease is only € 0.04. Without this currency change the calculated milk price would have decreased by about € 0.20 per 100 kg.

Fonterra has recently released the final milk price over the past milk price year 2013/14. Including a dividend of 10 cents, the price of milk is 8.50 NZD per kg milk solids (MS) or approximately € 40 per 100 kg standard milk. Never before have the dairy farmers in New Zealand received such a high milk price. Along with this good news for dairy farmers, however, Fonterra also announced that the forecast milk price for the current year will be reduced to 5.3 NZD per kg MS. Including an expected dividend of 25-35 cents, the price of milk so far is now 5.6 per kg MS or about € 27 per 100 kg standard milk. A decrease of 34% compared to the previous year.

While New Zealand and European dairy farmers are facing lower prices, the American dairy farmers are benefiting from record prices. In August, the so-called Class III increased further to € 41.54 per 100 kg standard milk.

MARKET SITUATION

Dutch quotations				€ per 100 kg
	1 January 2014	1 October 2014	index	trend
Butter	409	293	71.6	↑
WMP	379	237	62.5	→
SMP	330	201	60.9	→
Wheypowder	99	88	88.9	→
Gouda Cheese	± 400	±		→