STANDARDIZED MILK PRICE CALCULATIONS for AUGUST 2015 deliveries

Prices in euro per 100 kg milk with 4,2% fat, 3,4% protein, 500.000 kg per year, tbc 24.999 and scc 249.999 per ml

Company		adjustments quality	volume	season	MILK PRICE this month	rolling average last 12 months 1)	most recent suppl. payment
Milcobel	BE	0.73	1.37		**28.49**	29.40	
Müller(Leppersdorf)	DE	0.51	0.61		**26.87**	30.14	
DMK	DE		0.15		**26.18**	29.58	
Arla Foods DK	DK	0.81			**27.92**	30.85	1.53
Hämeenlinnan O.	FI			1.94	**39.72**	39.70	1.94
Bongrain (Basse Normandie)	FR	1.04			**34.98**	33.89	
Danone (Pas de Calais)	FR				**37.36**	34.23	
Lactalis (Pays de la Loire)	FR				**33.23**	33.21	
Sodiaal (Pas de Calais)	FR	0.58			**35.91**	34.96	
Dairy Crest (Davidstow)	UK	0.14	0.41		**35.24**	35.68	
First Milk (compositional)	UK	2.04	1.36		**27.00**	29.45	
Glanbia	IE				**24.98**	28.27	
Kerry Agribusiness	IE				**26.52**	29.31	
Granarolo (North)	IT	1.15	3.42		**38.29**	40.71	
DOC Cheese	NL	0.03	0.34		**24.19**	28.04	1.02
FrieslandCampina	NL	0.05	0.75		**27.71**	31.57	2.92
AVERAGE MILK PRICE **2)**					**30.91**	**32.44**	
Emmi	CH		3.26	3.62	**55.26**	50.81	
Fonterra 3)	NZ				**22.58**	22.79	
United States Class III 4)	US	0.17			**36.74**	38.27	

1) Exclusive of most recent supplementary payment
2) Arithmetic average
3) Based on most recent forecast
4) Based on USDA announcement

MILK PRICES

The calculated advance milk price in August 2015 averaged € 30.91 per 100 kg standard milk. An increase of € 0.07 compared to the previous month. Compared to August 2014, this is a reduction of € 7.69 or 19.9%.

Like last month, there has been a slight increase in the average milk price and again this is mainly due to the increase of some French milk prices (Bongrain and Sodiaal). Although the impression is created that there was an agreement in France on the development of milk prices, this is not expressed in milk prices. As Lactalis as a result of the negotiations, decided to raise milk prices from August to December with € 4 per 1,000 liters, Sodiaal paid in August an 'anticipation bonus 'of € 20 per 1,000 liters. French milk prices are above the average of all dairies and compared with last year fell relatively less.

In Belgium there was a real agreement. Belgian dairy farmers receive for the coming 6 months a crisis payment from a fund collected by the retail via a fixed amount of 14 cents per liter of consumption milk sold. Based on their quota by March 31st 2015 dairy farmers received a first payment of 2.2 cents per liter. This amount is directly – so not via the milk statements - paid and therefore excluded from the calculated milk price of Milcobel.

The higher milk price of Finnish Hameenlinnan Osuusmeijeri is caused by the seasonal bonus in August. DMK and Arla milk prices in August are reduced with € 1, while FrieslandCampina paid € 1.50 per 100 kg less. The milk price decrease of DOC is limited to € 0.50 as is has been decided to pay less after 2015 as an end-of-the-year bonus (aim was 2%) and more during the rest of 2015.

Arla Foods and FrieslandCampina announced unchanged the milk prices in September and an increase of € 0.50 per 100 kg in October.

The forecast milk price for the current marketing year 2015/16 of Fonterra increased by NZ $ 0.75 per kg milk solids, or about € 3.4 per 100 kg standard milk. This brings the calculated milk price of Fonterra for August at € 22.58 per 100 kg.

Price changes in August 2015 (€ 100 per kg compared to the previous month) and additional information per company

Milcobel: unchanged

Muller: unchanged. As the volume bonus is retrospectively corrected from July 2014 onwards the calculated monthly milk prices increased with € 0.31 per 100 kg.
DMK: -1.0, September -1.0

Arla: – 1.0, September unchanged and October + 0.5.

Hameenlinnan Osuusmeijeri: +1.9 due to a seasonal bonus

Bongrain: +1.1
Danone (A-price): -0.4
Lactalis: -0.3
Sodiaal (A-price): +3.1

Dairy Crest: in euros (almost) unchanged as the price increase of 0.25 ppl is offset by the depreciation of the British Pound against the euro.
First Milk (A-price): -0.3 (provisional, due to depreciation of the British Pound) and September -0.3

Glanbia: unchanged, milk price exclusive of coop support (1.0 cent per liter)
Kerry: unchanged

Granarolo: unchanged

DOC Cheese: -0.5
FrieslandCampina: -1.5, September unchanged October + 0.5.

Emmi: -1.7, mainly due to the depreciation of the Swiss Franc against the euro.

Fonterra:
Fonterra has for the current season from June 2015 onwards, the forecast milk price increased from 4.30 to 5.05 NZD per kg of milk solids.

USA: -0.4
Expressed in dollars, the US Class III milk price decreased in August from to $ 16.33 to $ 16.27 per hundredweight (45.36 kg).

MARKET SITUATION

Official Dutch dairy quotations (€ per 100 kg)

	30/9/2015	2/9/2015	2/1/2014
Butter	289	262	406
Whole milk powder	231	198	379
Skimmed milk powder	177	167	330
Whey powder	58	54	99

In several EU Member States, like Ireland, the Netherlands and Poland, more milk is produced. This provides extra supply, which cannot be automatically absorbed by the market. Also outside Europe, there is an ample supply of milk. At the same time there has been an extended period of falling demand. China reduced the willingness to buy and Russian import ban plays also an important role. The ample supply and continuing reluctance among buyers resulted from March to late August in an almost continuous decline in Dutch quotations. Since then, the market revived, and some prices have gone up. For skimmed milk powder prices were supported through the intervention. For other products these price increases looks largely sentiment driven, since there are no clear signs that there is less supply or more demand in the market.
Main cause of the positive market sentiment are the results of the last three GDT auctions. Prices rebounded sharply as a result of the significant reduction in the offer by New Zealand's Fonterra at the auction. Fonterra has indicated to do so because they expect the milk supply in New Zealand will fall and the focus in manufacturing has shifted towards products with more added value.