

### STANDARDIZED MILK PRICE CALCULATIONS for SEPTEMBER 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 |        |        | MILK PRICE<br>this month | rolling average<br>last 12 months 1) | most recent suppl.<br>payment |
|------------------------------------|----|-------------|--------|--------|--------------------------|--------------------------------------|-------------------------------|
|                                    |    | quality     | volume | season |                          |                                      |                               |
| <b>Milcobel</b>                    | BE | 0.73        | 1.37   |        | <b>26.39</b>             | 28.91                                |                               |
| <b>Müller(Leppersdorf)</b>         | DE | 0.51        | 0.61   |        | <b>26.38</b>             | 29.32                                |                               |
| <b>DMK</b>                         | DE |             | 0.15   |        | <b>25.19</b>             | 28.79                                |                               |
| <b>Arla Foods DK</b>               | DK | 0.81        |        |        | <b>27.92</b>             | 30.22                                | 1.53                          |
| <b>Hämeenlinnan O.</b>             | FI |             |        | 1.94   | <b>39.71</b>             | 39.17                                | 1.94                          |
| <b>Bongrain (Basse Normandie)</b>  | FR | 1.04        |        |        | <b>33.30</b>             | 33.38                                |                               |
| <b>Danone (Pas de Calais)</b>      | FR |             |        |        | <b>35.72</b>             | 33.99                                |                               |
| <b>Lactalis (Pays de la Loire)</b> | FR |             |        |        | <b>32.16</b>             | 32.75                                |                               |
| <b>Sodiaal (Pas de Calais)</b>     | FR | 0.58        |        |        | <b>35.91</b>             | 34.52                                |                               |
| <b>Dairy Crest (Davidstow)</b>     | UK | 0.13        | 0.40   | 1.99   | <b>36.41</b>             | 35.26                                |                               |
| <b>First Milk (compositional)</b>  | UK | 1.99        | 1.33   |        | <b>25.26</b>             | 28.54                                |                               |
| <b>Glanbia</b>                     | IE |             |        |        | <b>23.99</b>             | 27.64                                |                               |
| <b>Kerry Agribusiness</b>          | IE |             |        |        | <b>26.52</b>             | 28.80                                |                               |
| <b>Granarolo (North)</b>           | IT | 1.15        | 3.42   |        | <b>38.29</b>             | 40.25                                |                               |
| <b>DOC Cheese</b>                  | NL | 0.03        | 0.34   |        | <b>24.19</b>             | 27.37                                | 1.02                          |
| <b>FrieslandCampina</b>            | NL | 0.05        | 0.75   |        | <b>27.71</b>             | 30.84                                | 2.92                          |
| <b>AVERAGE MILK PRICE 2)</b>       |    |             |        |        | <b>30.32</b>             | <b>31.86</b>                         |                               |
| <b>Emmi</b>                        | CH |             | 3.22   | 3.57   | <b>54.03</b>             | 50.87                                |                               |
| <b>Fonterra 3)</b>                 | NZ |             |        |        | <b>21.67</b>             | 22.70                                |                               |
| <b>United States Class III 4)</b>  | US | 0.17        |        |        | <b>35.97</b>             | 37.37                                |                               |

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 September 2015 averaged € 30.32 per 100 kg standard milk. A decrease of € 0.55 compared to the previous month. Compared to September 2014, this is a reduction of € 7.26 or 19.3%.

After the (slight) increases in the previous two months, the milk prices in September decreased on average.

After Milcobel did not change their milk price during March – August, the milk price in September decreased with € 2.1 per 100 kg standard milk. In this calculated milk price the payments from the crisis fund (about € 2.70 / 100 liters for 6 months) are not included as they are paid directly to the dairy farmers, so not included in the milk statements. This is in contrast to the arrangements made in France. The French agreements aim to result in higher prices for milk, butter and cheese (Emmenthal) sold in France. These higher prices for dairy products should result in higher milk prices paid to French farmers. Being only a part of the dairy product revenues and differentiated between dairy companies this agreement cannot fully explain the relatively higher French milk prices. The reduction of most French milk prices in September is mainly due to seasonal effects. In France, milk prices in summer are often higher, partly to stimulate milk production in these period.

First Milk (- € 1.0), Glanbia (- € 1.0), DMK (- € 1.0) and Müller (- € 0.5) have reduced their milk prices in September. Arla Foods and FrieslandCampina have not changed their milk prices, but announced for October price increases (Arla € 0.6 and FC € 0.5). For November, the milk price of Arla remains the same, while FrieslandCampina has announced an increase of € 0.7 per 100 kg standard milk.

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

**Milcobel:** -2.1, milk price exclusive of payments for crisis support

**Muller:** - 0.5

**DMK:** -1.0

**Arla:** unchanged, October + 0.5 and November unchanged.

**Hameenlinnan Osuusmeijeri:** unchanged

**Bongrain:** -1.7

**Danone (A-price):** -1.6

**Lactalis:** -1.1

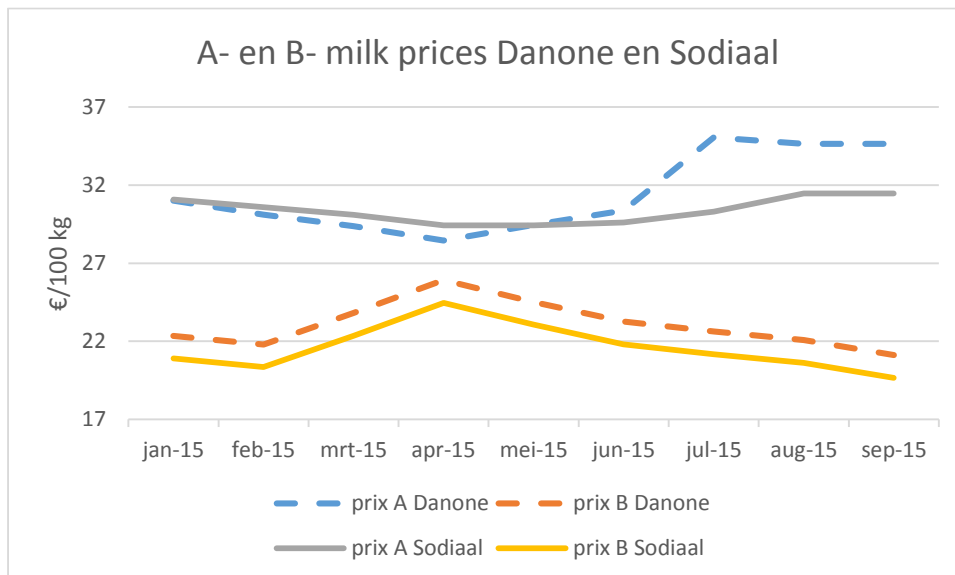
**Sodiaal (A-price):** unchanged

It is not easy to explain the relatively higher French milk prices. The following factors play a role. In determining milk prices dairies may use market indicators which are calculated by CNIEL. Because these indicators are based on the milk and dairy product prices and the difference with German milk prices (minus a franchise) in the previous three months the price increases and/or reductions in France are delayed compared to other countries. Compared with last year the actual milk prices in France have fallen less. The sharp decline in European milk prices after the summer of 2014 was also delayed in the French milk prices.

In July, representatives of the dairy farmers, industry and retail/distribution made under pressure of demonstrations by dairy farmers agreed to increase the milk price. As a result, the prices of some dairy products (butter, cream, Emmenthal cheese, consumption milk) maintained at a level

corresponding to a price for the producers of € 34 per 100 per liter. Perhaps this is the most important factor to explain the relatively higher French milk prices, however it should be realized that only a part of the dairy products are linked to this arrangement.

Finally, as the milk prices in the LTO International Milk Comparison are based on the so-called A prices of Danone and Sodiaal, milk prices of these companies could be over estimated . These two dairies implemented a system of A and B - milk prices. The B - prices are based on the selling prices of butter and skimmed milk powder and this year these are lower than A- prices (see chart).



Because the B price is for a limited portion of the milk deliveries the effect on the calculated milk prices is also limited. The monthly A - volume (the quantity of milk for which the A price is paid) of Sodiaal is 90% of the monthly quota. For the standard milk price based on an annual delivery of 500,000 kg the monthly quota is 90% of 500,000 or 37,500 kg per month. For the remaining quantity, the B - price is paid. Danone has monthly varying percentages, namely 8.5% from November until April, 9.5% in May and 12% in the months of June until October. A simulation based on A and B prices for the period January until September 2015 reduces on average the calculated milk prices of Danone and Sodiaal with € 0.1 respectively € 0.9 per 100 kilograms of milk.

**Dairy Crest:** - 1.2 due to a higher seasonal bonus partly offset by the depreciation of the British Pound against the euro. October unchanged, November – 1.5 pence per liter (ppl) and December – 0.6 ppl or cumulated for November and December to - € 3,0 per 100 kg.

**First Milk (A-price):** -1.0 (provisional). The milk price for August is retrospectively corrected from € 27.00 to € 26.29 per 100 kg.

**Glanbia:** -1.0, milk price exclusive of coop support (1.0 cent per liter)

**Kerry:** unchanged

**Granarolo:** unchanged

**DOC Cheese:** unchanged

**FrieslandCampina:** unchanged, October + 0.5 and November + 0.7.

**Emmi:** -1.2, due to a price decrease and the depreciation of the Swiss Franc against the euro.

**Fonterra:** -0.9 due to the depreciation of the New Zealand dollar against the euro.

**USA:** -0.8. Expressed in dollars, the US Class III milk price decreased in September from to \$ 16.27 to \$ 15.82 per hundredweight (45.36 kg).

## MARKET SITUATION

### Official Dutch dairy quotations (€ per 100 kg)

|                     | 4/11/2015 | 30/9/2015 | 2/1/2014 |
|---------------------|-----------|-----------|----------|
| Butter              | 302       | 289       | 406      |
| Whole milk powder   | 249       | 231       | 379      |
| Skimmed milk powder | 178       | 177       | 330      |
| Whey powder         | 55        | 58        | 99       |

Since the end of August, the market slightly reinforced and some prices have clearly gone up. In October, prices have stabilized: the market seems uncertain about the future development as it looks there are no structural changes in supply and demand