

### STANDARDIZED MILK PRICE CALCULATIONS for MAY 2016 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 this month	rolling average last 12 months 1)	most recent suppl. payment
		quality	volume	season			
<b>Milcobel</b>	BE	0.73	1.37		<b>22.27</b>	26.02	0.47
<b>Müller(Leppersdorf)</b>	DE	0.51	0.61		<b>22.17</b>	26.32	
<b>DMK</b>	DE		0.15		<b>21.23</b>	25.53	
<b>Arla Foods DK</b>	DK	0.75			<b>25.81</b>	28.06	1.37
<b>Savencia (Basse Normandie)</b>	FR	0.88			<b>29.00</b>	31.33	
<b>Danone (Pas de Calais)</b>	FR				<b>30.68</b>	32.70	
<b>Lactalis (Pays de la Loire)</b>	FR		0.24		<b>27.87</b>	30.27	
<b>Sodiaal (Pas de Calais)</b>	FR	0.58			<b>29.22</b>	32.16	
<b>Dairy Crest (Davidstow)</b>	UK	0.12	0.37	-3.12	<b>23.62</b>	31.58	
<b>Dairygold</b>	IE	0.39			<b>22.56</b>	25.18	
<b>Glanbia</b>	IE				<b>21.00</b>	23.87	
<b>Kerry Agribusiness</b>	IE				<b>22.93</b>	25.92	
<b>Granarolo (North)</b>	IT	1.15	3.42		<b>36.35</b>	37.94	
<b>DOC Cheese</b>	NL	0.03	0.34		<b>21.25</b>	24.43	
<b>FrieslandCampina</b>	NL		0.75		<b>24.24</b>	27.94	3.49
<b>AVERAGE MILK PRICE 2)</b>					<b>25.35</b>	<b>28.62</b>	
<b>Emmi</b>	CH		3.17	-3.53	<b>42.46</b>	50.21	
<b>Fonterra 3)</b>	NZ				<b>20.11</b>	20.04	
<b>United States Class III 4)</b>	US	0.14			<b>28.83</b>	33.96	

All prices are VAT excluded, paid to producers and assuming milk is collected every other day.

- 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 May 2016 averaged € 25.35 per 100 kg standard milk. A decrease of € 0.94 compared to the previous month. Compared to May 2015, this is a reduction of € 5.23 or 17.1 %.

Also in May milk prices fell again. Almost all dairy companies have reduced their milk prices. German (Müller and DMK) and Dutch milk prices (FrieslandCampina and DOC Cheese) fell the most with € 2 to 2.5 per 100 kilograms.

Through these reductions milk prices are getting closer to the level of 2009 when average milk prices reached the lowest level. For Milcobel, DMK and Irish companies milk prices in May are already at or even below that of May 2009.

For June milk prices of DMK / DOC Cheese and Arla will decline further by 1.0 respectively 1.3 per 100 kilograms. The milk price of Arla remains in July the same, like FrieslandCampina milk prices that do not change in both June and July.

It is striking that the announced price reduction of Dairy Crest by 1 pence per liter (around € 1.3 per 100 kg) in July is cancelled because of the improved UK dairy market. This is among other things due to a sharp decline in milk deliveries in the UK. Until August milk prices of Dairy Crest remain unchanged.

Due to the seasonal peak in milk production, milk prices in May and June are always relatively low. It is also too early to see the possible positive market signals (such as the rise since late April of Dutch dairy quotations) reflected in milk prices. Anyway there will be a time gap between a recovery of the dairy market and a rise in milk prices because sales contracts are not adjusted on the other day. Any recovery in milk prices is further delayed, because many dairy companies paid last year more than market returns allowed.

Milk prices therefore are expected not to rise the coming months. If the dairy market goes on developing positive, this could be reflected in milk prices after the summer.

### Price changes in May 2016 (€ 100 per kg compared to the previous month) and additional information per company

**Milcobel:** -1.0. From May onwards the volume bonus is adjusted and the so called IKM premium is included in the base price.

**Muller:** -2.5

**DMK:** -2.0 , June -1 and July unchanged.

**Arla:** -1.0 , June - € 1.3. and July unchanged

**Savencia:** Unchanged.

**Danone (A-price):** - 0.4

**Lactalis:** - 0.2

**Sodiaal (A-price):** -0.7 (provisional).

**Dairy Crest:** +0.1 due to a combination of a change in exchange rate between the British pound and the euro and the increase of the seasonal levy. No change until August.

**Dairygold:** Unchanged

**Glanbia Ingredients Ireland (GILL):** -1.0. The milk price is exclusive of coop support (1.9 cent per liter) and a GILL bonus of 1 cent per liter.

**Kerry:** -1.0.

**Granarolo:** Unchanged.

**DOC Cheese:** -2.1 ,June -1 and July unchanged.

**FrieslandCampina:** -2.5 ,June and July unchanged.

**Average:** - 0.94

**Emmi:** - 0.2

**Fonterra:** -0.2 due to a change in the currency exchange rate.

**USA:** - 1.7. The US Class III milk price decreased from to \$ 13.63 in April to \$ 12.77 per hundredweight (45.36 kg) in May, the lowest monthly milk price in many years. This is not illustrated by the calculated USA milk price of € 28.83 due to the rise of the US dollar against the euro. Since about 2015 the dollar increased 20% in value against the euro. As a result milk prices expressed in euros also increased with this percentage. Without this increase calculated USA class III milk prices would be around € 24.5 to 25 per 100 kg so not higher but lower than the average of the EU dairies.

## MARKET SITUATION

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

	6/7/16	1/6/16	6/1/16	Average 2015
Butter	313	270	275	295
Whole milk powder	206	200	210	235
Skimmed milk powder	172	168	167	181
Whey powder	57	55	51	65

Despite the lower growth rate of milk production in Europe the increase in global milk surplus is still predominantly a European issue. Milk production in the US is also increasing, although in April and May, the growth was lower than in February and March. In Oceania, the milking season passes. Australian milk production remains behind due to adverse weather conditions. The New Zealand milk supply is also reduced, though an increase in volume was recorded in May.

The commodity prices went up sharply after reaching the bottom in mid-April. This was due to a weaker than expected growth of supply and an increasing demand. Intervention of skimmed milk powder still takes place. However gradually it seems, by the somewhat improved demand, increasingly offered outside intervention.