

STANDARDIZED MILK PRICE CALCULATIONS for JUNE 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			
Milcobel	BE	0.73	1.37		22.27	25.48	0.47
Müller(Leppersdorf)	DE	0.51	0.61		22.66	25.87	
DMK	DE		0.15		20.24	24.85	
Arla Foods DK	DK	0.72			24.54	27.61	1.37
Savencia (Basse Normandie)	FR	0.74			28.86	30.89	
Danone (Pas de Calais)	FR				31.14	32.53	
Lactalis (Pays de la Loire)	FR		0.24		27.75	29.99	
Sodiaal (Pas de Calais)	FR	0.58			28.96	31.86	
Dairy Crest (Davidstow)	UK	0.12	0.37	-2.76	23.30	30.87	
Dairygold	IE	0.39			22.56	24.54	
Glanbia	IE				21.00	23.22	
Kerry Agribusiness	IE				22.93	25.16	
Granarolo (North)	IT	1.15	3.42		36.35	37.78	
DOC Cheese	NL	0.03	0.34		20.25	23.98	
FrieslandCampina	NL		0.75		24.24	27.48	3.49
AVERAGE MILK PRICE 2)					25.14	28.14	
Valio	FI				34.42	34.42	0.78
Emmi	CH		3.22		46.98	49.73	
Fonterra 3)	NZ				22.86	20.05	
United States Class III 4)	US	0.14			30.11	33.36	

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 June 2016 averaged € 25.14 per 100 kg standard milk. A decrease of € 0.18 compared to the previous month. Compared to June 2015, this is a reduction of € 5.01 or 16.6 %.

Since the start of the LTO International Milk Price Comparison in 1999, the milk price in the month of June has not been as low as this year. In 2009 the milk price reached the lowest level in April, when the average was € 24.34 per 100 kg. Then milk prices started to increase and the average milk price in June 2009 was € 25.31.

Most dairy companies have not changed their milk prices in June. The calculated average milk price slightly decreased compared to the previous month, due to the price reductions of Arla (-1.3), DOC and DMK (each -1.0). In July and August the milk prices of these companies - and FrieslandCampina - remain unchanged. Muller and Danone are the only dairies who increased their milk prices in June, namely both with € 0.5 per 100 kilograms.

Due to the decline in value of the British pound and the sharply lower milk production the British milk prices are increasing. Dairy Crest increases the milk price in September with 1 pence per liter or approximately € 1.25 per 100 kg.

For the first time milk prices of Valio are added to this comparison. The cooperative Valio processes approximately 1.9 billion liters of milk or 80% of Finnish milk production. From March 2015, the calculated milk price is unchanged, namely € 34.42 per 100 kg standard milk.

Fonterra has recently maintained its milk price forecast for the current season of 4.25 NZD per kg fat and protein, but increased the expected dividend a little. Including a forecast dividend of 0.55 (was 0.5) the calculated milk prices amounted to 4.80 NZD or € 22.86 per 100 kg standard milk.

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

Milcobel: unchanged

Muller: +0.5

DMK: -1.0 and July and August unchanged.

Arla: - 1.3 and July and August unchanged.

Arla introduces a bonus of € 1.0 per 100 kg for non GM-fodder from August onwards. This bonus will not be included in the calculation of the Arla milk prices for Danish suppliers as most Danish farmers will not receive this bonus (contrary to Swedish (and German?) Arla suppliers).

Savencia: unchanged.

The milk price of May is decreased with € 0.14 per 100 kg as the bonus for spores was 3.049 instead of 4.537 per 1,000 liter.

Danone (A-price): +0.5

Lactalis: - 0.1

Sodiaal (A-price): unchanged. The provisional milk price of May is corrected from € 29.22 to € 28.96 per 100 kg.

Dairy Crest: -0.3, July +2.8 (due to no seasonal levy), August unchanged and September +3.1 due to a combination of a price increase of 1 pence per liter (ppl) and a seasonal bonus of 1.3 ppl.

Dairygold: unchanged

Glanbia Ingredients Ireland (GIIL): unchanged

Kerry: unchanged

Granarolo: unchanged.

DOC Cheese: -1, July and August unchanged.

FrieslandCampina: June, July and August unchanged.

Average: - 0.18

Valio: unchanged

From January 2015 milk prices from Valio are calculated based on milk statements of one of its member cooperatives. The milk price is based on a basic price for milk with 4.3% fat and 3.3% protein. By 0.1% more or less fat or protein are 0.25 and 0.70 more or less paid respectively. From March 2015, the basic price and therefore the calculated milk price are unchanged.

In order not to disrupt the series of the average prices of milk, the milk price of Valio is provisionally not yet been included in the average milk price of all EU companies.

Emmi: +4.4 due to the abolition of the seasonal levy.

The April and May milk prices of Emmi have been corrected. Due to the lower deduction for supporting the export of dairy raw materials ("schoggigesetz") the calculated milk prices have increased by € 0.3 per 100 kilograms.

Fonterra: +2.8 mainly due to a change in the currency exchange rate.

As 1 august 2016 Fonterra maintained the forecast milk prices at NZD 4.25 per kg milk solids and the forecast earnings per share have increased a little to a range of 50 to 60 NZ cents, the calculated milk price is based on 4.80 NZD per kg milk solids (was 4.75).

USA: +1.3.

The US Class III milk price increased from to \$ 12.77 in May to \$ 13.22 per hundredweight (45.36 kg) in June.

MARKET SITUATION

Official Dutch dairy quotations (€ per 100 kg)

	3/8/2016	6/7/16	6/1/16	Average 2015
Butter	330	313	275	295
Whole milk powder	210	206	210	235
Skimmed milk powder	177	172	167	181
Whey powder	68	57	51	65

The development of the milk supply in northwest Europe showed a mixed picture. While volume in the Netherlands, Poland and Ireland still rising compared to 2015, milk production is dropping in Germany, France and the United Kingdom. France milk production showed a decline for some time, but German milk strongly declined from June onwards.

Despite the lower growth rate 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. The New Zealand milk supply is reduced, though an increase in volume was recorded in May.

Dairy commodity prices since reaching a bottom level in mid-April went up sharply. This was the result of the supply growth less than expected. Because the prices of skimmed milk powder are above the intervention price level, there is very little offered for intervention.