

STANDARDIZED MILK PRICE CALCULATIONS for AUGUST 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		25.01	24.64	0.47
Müller(Leppersdorf)	DE	0.51	0.61		24.64	25.40	
DMK	DE		0.15		20.24	23.75	
Arla Foods DK	DK	0.72			24.51	26.92	1.37
Savencia (Basse Normandie)	FR	0.74			28.86	30.01	
Danone (Pas de Calais)	FR				30.98	31.54	
Lactalis (Pays de la Loire)	FR		0.24		29.87	29.29	
Sodiaal (Pas de Calais)	FR	0.58			30.41	31.09	
Dairy Crest (Davidstow)	UK	0.11	0.34		24.09	29.03	
Dairygold	IE	0.39			25.04	24.19	
Glanbia	IE				23.00	22.27	
Kerry Agribusiness	IE				25.34	24.52	
Granarolo (North)	IT	1.15	3.42		36.35	37.46	
DOC Cheese	NL	0.03	0.34		20.25	23.26	
FrieslandCampina	NL		0.75		24.24	26.77	3.49
AVERAGE MILK PRICE 2)					26.19	27.34	
Valio	FI				34.42	34.42	0.78
Emmi	CH		3.23	3.58	50.09	48.67	
Fonterra 3)	NZ				28.46	20.29	
United States Class III 4)	US	0.18			38.05	33.30	

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 August 2016 averaged € 26.19 per 100 kg standard milk. An increase of € 0.80 compared to the previous month. Compared to August 2015, this is a reduction of € 4.08 or 13.5 %.

For the second consecutive month the average producer price for milk has risen. Also in view of the announced milk prices for the coming months, it is clear that milk prices are recovering. However, milk prices are still at historically low levels. Since the start of the LTO International Milk Price Comparison in 1999, the average milk price in August has never been as low as this August. In 2009 - the year of the lowest milk prices so far - the average milk price in August was € 26.97 per 100 kg.

Milk prices will increase further. As already known milk prices of Dairy Crest, FrieslandCampina and Arla will increase in the coming months with in total respectively € 5.1, 4.1 and 3.2 per 100 kilograms. Besides the milk price increase of € 2.2 per 100 kilograms in September, DOC Cheese expects for October a similar increase.

That the average price of milk rose in August is partly due to the development of the French milk prices. For example Lactalis has pressured by actions of farmers increased the milk price for the remaining months of 2016 and to € 29.87 per 100 kg (+ 2.4) in August. Based on the contract price indexation between Lactalis and its suppliers the milk price in August would have been by around € 7 per 100 kg lower.

The Class III milk price in the United States increased for the third consecutive month to \$ 16.91 per cwt and is for the first time this year above the same month in 2015.

The final 2015/16 milk price of Fonterra amounted to 3.90 NZD per kg fat and protein. Including dividend of 0.40 NZD a total of 4.30 NZD per kg fat will be paid. This equals about € 20 per 100 kg standard milk. The milk price forecast for the current 2016/17 season is recently increased again, now with 0.50 to a total of 5.80 NZD per kg fat and protein. This includes an expected dividend of 0.55. Expressed in euros per 100 kg standard milk this corresponds to € 28.46.

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

Milcobel: + 2.8. First increase in 2016.

Muller: + 1.0

DMK: unchanged. September + 2.2.

Arla: unchanged, September + 1,2 and October + 2.0.

Savencia: unchanged for the fourth consecutive month

Danone (A-price): - 0.6

Lactalis: + 2.4

Sodiaal (A-price): + 1.5.

Dairy Crest – 0.4 due to the exchange rate. Expressed in pence per liter (ppl) no change. In September, October and November respectively +1, +1 and + 0.5 ppl or in total 2.5 ppl (€ 5/100 kg).

Dairygold: + 1.0

Glanbia Ingredients Ireland (GILL): +2.0

Kerry: + 2.4

Granarolo: unchanged.

DOC Cheese: unchanged. September + 2.2 and for October a similar price increase is expected.

FrieslandCampina: unchanged. September + 1.2 and October + 3.0.

Average: + 0.80

Valio: unchanged.

Milk prices of Valio are based on milk statements of one of its member cooperatives.

Emmi: +0.1 due to a slight increase of the B-price.

Fonterra: +2.5

The calculated milk prices is based on a forecast milk price of 5.25 (+0.50) plus an expected dividend of 0.55 per kg milk solids.

USA: +3.0

The US Class III milk price increased from to \$ 15.25 in July to \$ 16.29 per hundredweight (45.36 kg) in August.

MARKET SITUATION

Official Dutch dairy quotations (€ per 100 kg)

	28/9/2016	31/8/2016	6/1/16	Average 2015
Butter	409	377	275	295
Whole milk powder	268	244	210	235
Skimmed milk powder	203	189	167	181
Whey powder	85	80	51	65

Not only in Europe but also in Oceania milk supply decreases. New Zealand milk supply for this season compared to the previous season is expected to be lower, mainly due to the decline in the dairy herd. The US is the only important exporting country with a significant increase in milk production. In August the US milk production increased by 2%.

Since reaching the bottom in mid-April market prices for dairy products went up sharply. However, at the moment it looks like there is a stabilization in the price level. The upward trend of recent months was mainly due to less supply and a positive sentiment in the market. Especially the fat prices quoted higher, which translated into higher prices for butter, cheese and whole milk powder. Also quotations of skimmed milk powder increased, but less rapidly than other dairy commodities. The price of skimmed milk powder is currently well above the intervention price level.