

STANDARDIZED MILK PRICE CALCULATIONS for May 2017 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		34.01	30.51	0.47
Müller(Leppersdorf)	DE	0.51	0.61		32.81	29.03	
DMK	DE		0.15		32.81	27.78	
Arla Foods DK	DK	1.28			33.12	29.89	1.25
Valio	FI				35.10	34.82	0.68
Savencia (Basse Normandie)	FR	1.04			32.51	31.26	
Danone (Pas de Calais)	FR				33.70	32.29	
Lactalis (Pays de la Loire)	FR		0.24		31.88	30.95	
Sodiaal (Pas de Calais)	FR	0.58			32.06	31.29	
Dairy Crest (Davidstow)	UK	0.11	0.34	-2.84	30.64	28.79	
Dairygold	IE	0.39			32.80	28.02	
Glanbia	IE				31.87	26.77	
Kerry Agribusiness	IE				32.02	27.73	
Granarolo (North)	IT	1.15	3.42		38.77	37.38	
FrieslandCampina	NL				35.02	30.62	3.30
AVERAGE MILK PRICE 2)					33.28	30.48	
Hochwald Milch eG		0.76	0.76		33.17	28.01	0.59
Emmi	CH		3.22	-3.58	43.61	47.13	
Fonterra 3)	NZ				31.78	33.26	
United States Class III 4)	US	0.15			35.40	36.77	

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 on account milk prices in May 2017 averaged € 33.28 per 100 kg standard milk. An increase of € 0.25 compared to the previous month. Compared to May 2016, this is an increase of € 7.09 or plus 27.1 %.

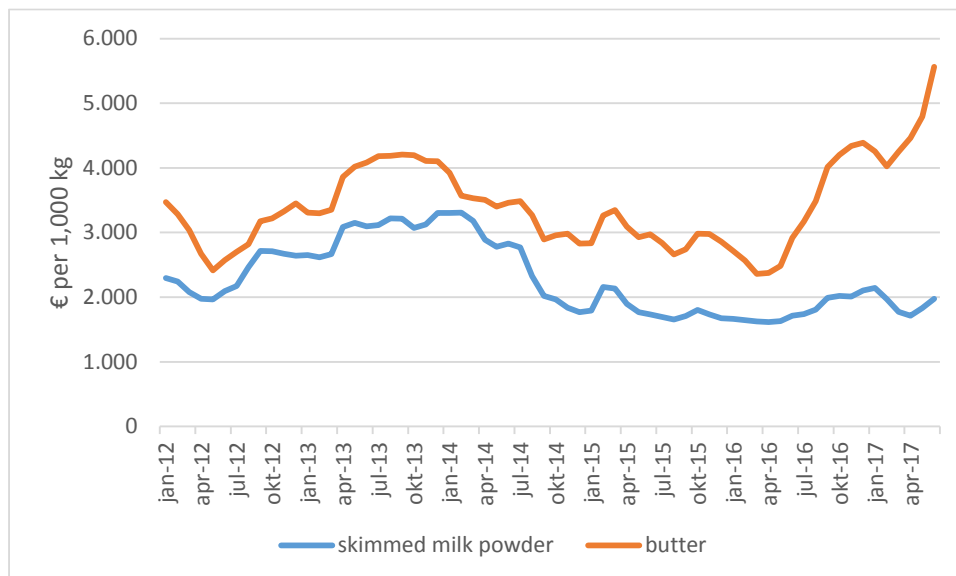
After the average milk price dropped slightly over the previous two months, it increased again in May. Although the price increase is low, there is still a turning point. Usually, milk prices fall in April and May due to the production peak in these months. Also some further price increases have been announced by dairy companies for the coming months.

All German and Irish dairies have increased their milk prices by about € 1 per 100 kg. Most of the other companies have kept the milk price (almost) equal. Exception is Arla, who reduced the milk price by € 1. The lower milk price of the British Dairy Crest is due to a higher seasonal levy and the fall in the British pound against the euro. Dairy Crest is the only company that has announced further price reductions for the coming months.

The milk prices of the big cooperatives will rise in the coming months. The price increases are: DMK June + € 1 and July + € 2, Arla from July + € 1.8 and FrieslandCampina June + € 0.7 and July + 0.5.

The increase in milk prices since mid-2016 is largely caused by a growing demand for milk fat, resulting in relatively high prices for butter, both in absolute amounts and relative to protein prices (see graph 1).

Graph 1 Official Dutch dairy quotations for butter and skimmed milk powder (€/1,000 kg)



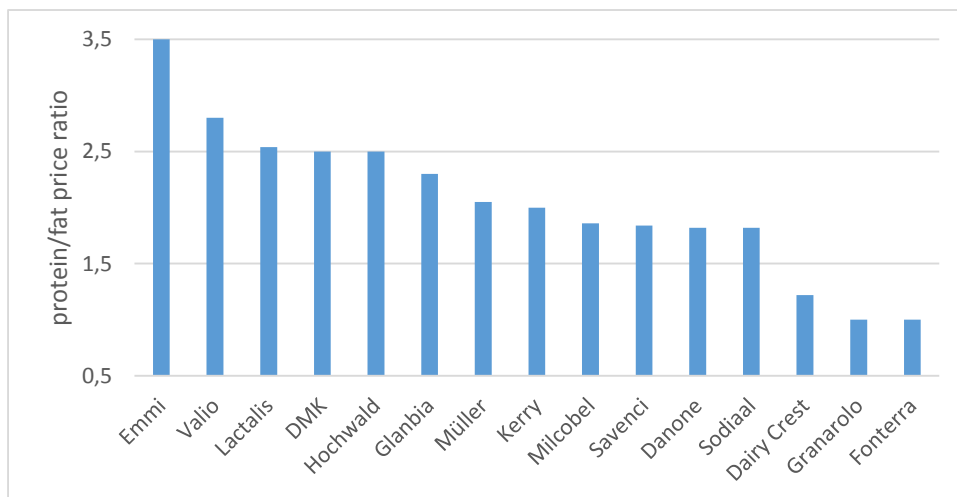
Graph 1 shows that prices for butter (butter price quotations) are currently at record level and that the price difference with protein (skimmed milk powder) has increased in recent years. Though the butter and skimmed milk powder prices are not the same as prices per kg fat and protein it is very clear butter became relatively more expensive than protein at the market. The question is to what extent this market development is also expressed in the payments to the dairy farmers for delivered kilograms of fat and protein.

All dairy companies take into account the fat and protein content of the milk delivered in their milk payments. With payment systems, a distinction can be made between dairy companies, which fix monthly a basic price associated with a standard fat and protein content and then pay more or less for milk with higher or lower levels of fat and protein. Fixed prices per unit more or less are almost always used in this system. The variation in monthly milk prices is determined by the amount of the basic price. This basic prices system is applied in Germany, France, Finland, Switzerland and by British Dairy Crest.

The remaining companies pay for each delivered kg fat and kg protein. The butter fat and protein prices may vary monthly, both absolute and relative to each other. With the exception of the USA class III milk price and - until 2013- FrieslandCampina, all dairy companies use a fixed ratio between the protein and fat prices for longer periods.

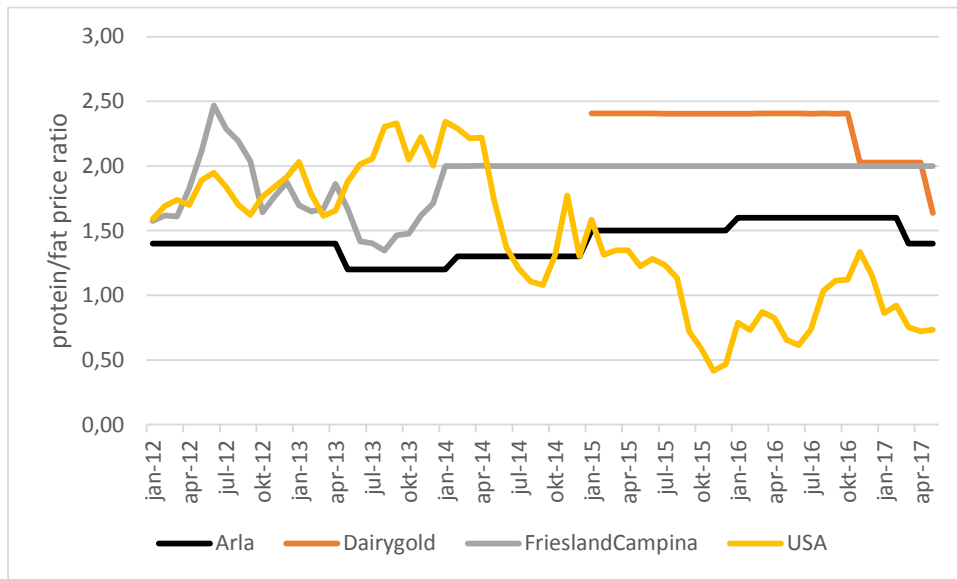
Graph 2 shows the dairies with a fixed protein/fat price ratio and in graph 3 the dairy companies with a non-fixed price ratio.

Graph 2 Dairies with fixed protein/ fat price ratios



Graph 2 shows that Emmi, Valio, Lactalis, DMK and Hochwald pay at least 2.5 times as much for protein than for butter fat. However, it should be noted that these companies all use a basic price system. Milcobel and the Irish dairies pay for varying prices for each kg protein and butter delivered, but the protein/fat price ratio is constant. With the exception of Dairy Crest (1.22), the protein/fat price ratio of the other dairies in this graph is between 1.8 (Danone and Sodiaal) and 2.3 (Glanbia). Granarolo and Fonterra pay the same for fat and protein, or in other words the price ratio is 1.0.

Graph 3 Dairies with variable protein/fat price ratio



Until 2013, the protein/fat price ratio of FrieslandCampina varied monthly. As of 2014 tis ratio is fixed namely the payment per kg protein is twice as much as the payment for butter fat. Arla periodically adjusts the ratio between protein and fat price. In March 2017 it was reduced from 1.6 to 1.4. In November 2016 and May 2017 Dairygold adjusted the price ratio in favor of butter fat. Dairygold pays 1.64 times as much for one kg of protein as for one kg of fat since May 2017. The US class III milk price is the only milk price based on monthly varying ratios between fat and protein prices. This is due to the fact that the fat and protein prices are based on monthly market prices of fat and protein products.

It can be concluded from this analysis that the shifts in market prices between fat and protein prices (see graph 1) are generally not expressed in the way in which dairy farmers are paid for fat and protein contents of the milk delivered (graphs 2 and 3). Exception is the USA, where prices for protein and fat are directly derived from market prices. Of the European dairies only Arla and Dairygold have recently adjusted the price ratio in favor of fat.

Price changes in May 2017 (€ 100 per kg compared to the previous month) and additional information per company

Milcobel: For the fourth consecutive month unchanged. Milcobel pais a supplementary payment for 2016 deliveries of € 0.47 per 100 kg.

Muller: +1.0.

DMK: + 1.0, June + 1.0 and July 2.0.

Arla: -1.0, June unchanged and July + 1.8..

Valio: unchanged

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

The supplementary payment for 2016 deliveries is € 0.70 per 100 liter corresponding with € 0.68 per 100 kg.

Savencia: - 0.2.

Danone (A-price): +0.1

Lactalis: + 0.2.

Sodiaal (A-price): unchanged

Dairy Crest: -0.6 because of seasonal levy and devaluation British pound

Dairygold: +1.2

Glanbia Ingredients Ireland (GILL): + 1.0.

Kerry: + 1.0.

Granarolo: unchanged.

FrieslandCampina: unchanged, June + 0.7 and July +0.5

Average: + 0.25

Hochwald eG: + 1.5

Emmi: +0.7

Fonterra: -1.1 due to devaluation NZ dollar.

USA: -0.3 due to the devaluation of US\$. The US Class III milk price decreased from \$ 15.22 in April to \$ 15.27 per hundredweight (45.36 kg) in May.

MARKET SITUATION

Official Dutch dairy quotations (€ per 100 kg)

(Source: ZuivelNL)

	12/7/2017	31/5/2017	Average 2016
Butter	614	537	325
Whole milk powder	295	295	225
Skimmed milk powder	179	197	180
Whey powder	85	97	64

The EU milk supply increased slightly in April, thus continuing the path of recovery after a prolonged period of fall. Developments within the EU showed a varying picture this month. While volume in Germany, France and also in the Netherlands dropped, deliveries in particular in Ireland and Poland increased sharply.

Elsewhere in the world there is an increase in milk supply. In New Zealand a significant increase in both March and April. In South America, the long period of falling production seems to be ended. In Argentina and Uruguay, the volume has recovered in recent months. US milk production has been growing by an average of around 2% for some time.

Just like a few months ago, the dairy market shows again two faces. On the one hand, the prices of skimmed milk powder are under pressure, as a result of decreased demand and increasing competition on the world market, especially from the US. Recently, the European Commission has also sold a small volume of intervention powder. On the other hand, the butter price quotations

have increased for months. The Dutch price quotation is currently over 600 euros per 100 kg. The price quotation of whole milk powder is at about the same level for a number of weeks, mainly supported by high fat prices.