

STANDARDIZED MILK PRICE CALCULATIONS for August 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		37.01	33.88	0.47
Müller(Leppersdorf)	DE	0.51	0.61		37.76	32.37	
DMK	DE		0.15		37.86	31.76	
Arla Foods DK	DK	1.04			35.53	32.31	1.25
Valio	FI				36.36	35.20	0.68
Savencia (Basse Normandie)	FR	1.04			34.94	32.54	
Danone (Pas de Calais)	FR				35.65	33.24	
Lactalis (Pays de la Loire)	FR		0.24		34.74	32.18	
Sodiaal (Pas de Calais)	FR	0.58			36.08	32.51	0.19
Dairy Crest (Davidstow)	UK	0.11	0.32		29.30	30.20	
Dairygold	IE	0.39			36.30	31.99	
Glanbia	IE				34.84	31.74	
Kerry Agribusiness	IE				35.86	31.55	
Granarolo (North)	IT	1.15	3.42		40.71	38.31	
FrieslandCampina	NL				37.45	33.75	3.30
AVERAGE MILK PRICE 2)					36.03	32.90	
Hochwald Milch eG		0.76	0.76		33.17	30.69	0.10
Emmi	CH		3.08	3.42	51.62	49.09	
Fonterra 3)	NZ				34.08	32.80	
United States Class III 4)	US	0.15			35.71	37.08	

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 August 2017 averaged € 36.03 per 100 kg standard milk. An increase of € 0.71 compared to the previous month. Compared to August 2016, this is an increase of € 8.83 or plus 32.5 %.

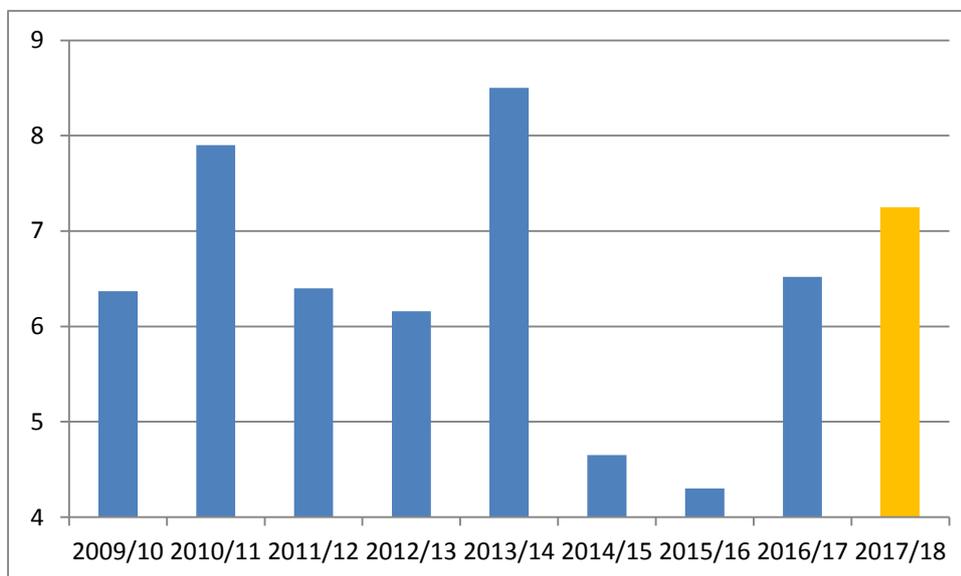
No dairy company has reduced milk prices in August. Only the calculated milk price of Dairy Crest decreased, but that is entirely because the value of the British pound has fallen. When converting British milk prices into euros, this leads to a fall in calculated prices.

Over the next few months, milk prices will rise further. In September, the milk prices of DMK (€ +1.0 per 100 kg), Hochwald (+2.0) and Lactalis (+1.0) increase. For September and October, price increases were announced by Arla (+1.0 and + 0.7), FrieslandCampina (+ 1.9 and 1.2) and Dairy Crest (+ 1 pence per liter (ppl) and + 2ppl or in total about € 3.8).

As a result of the price increases, the calculated milk price of FrieslandCampina will be € 40.61 per 100 kg in October. With this, FrieslandCampina is the second (after Granarolo) company that exceeds the amount of € 40 per 100 kg.

Fonterra presented the annual results and final milk price of 2016/17 season. Including a dividend of 0.40, the total milk price is 6.52 NZD per kg milk solids, or about € 31 per 100 kg of standard milk. For the current season from June 2017 to May 2018, Fonterra forecast a total milk price of 7.25 NZD per kg milk solids or about € 34 per 100 kg of standard milk. The graph below illustrates that milk prices in the previous (2016/17) and current season (2017/18) return to solid results after 2 seasons of unusually low milk prices. However, the record level of 2013/14 will not be achieved this season.

Graph Fonterra milkprices (NZD per kg milk solids)



Milk fat major share in milk price increase

The relatively good milk prices at the moment are due to better market conditions. That the market returns of milk fat (processed in products such as butter, cream, cheese etc) play an important role can be illustrated by the development of the so-called Kieler raw value of milk. This value, expressed in ct per kg of milk, is calculated by IFE Kiel (www.ife-ev.de) based on the quotations of butter (fat

value) and skimmed milk powder (non-fat value) minus transport costs etc and indicates the development of the (German) milk prices.

In the first quarter of 2016, used as a starting point as the price quotations of butter and skimmed milk powder increased from April 2016 onwards, the average fat value was 11.6 ct/kg and the average non-fat value was 11.4. In August 2017 the fat value is 29.1 ct/kg and the non-fat value 13.1 ct/kg. So from April 2016 to August 2017 the fat value increased by 17.5 ct / kg and the non-fat value by only 1.7 ct / kg.

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

Milcobel: + 1.0

Muller: +0.5

DMK: + 2.0 and September + 1.0

Arla: + 1.0 , September +1.0 and October +0.7

Valio: unchanged

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

Savencia: unchanged

Danone: (A-price): unchanged

Lactalis: + 1.0 and September + 1.0

Sodiaal (A-price): + 1.0

Dairy Crest: -0.8 due to the devaluation of the British pound. Expressed in pence per liter (ppl) no change. September + 1 ppl and October + 2 ppl or in total about € 3.8.

Dairygold: +1.5

Glanbia Ingredients Ireland (GIIL): + 1.0

With the August statement Glanbia paid a 0.95 c/l bonus on all milk supplied from January to June. This amount has been retroactively added to the monthly milkprices from January until June 2017.

Kerry: + 1.4

Granarolo: July (corrected) + 1.9, August unchanged

FrieslandCampina: + 1.2 , September + 1.9 and October + 1.2

Average: + 0.71

It should be noted the released average milk price of July has been corrected from € 35.19 to € 35.31 (see additional information of Granarolo).

Hochwald eG: unchanged, September +2.0

Emmi: -1.7 mainly due to a devaluation of Swiss France against the euro. Without this devaluation the price decrease is – 0.2.

Fonterra: -1.1 due to a devaluation of the New Zealand dollar against the euro.

USA: +1.5

The US Class III milk price increased from \$ 15.45 in June to \$ 16.57 per hundredweight (45.36 kg) in August.

MARKET SITUATION

(Source: ZuivelNL)

Official Dutch dairy quotations (€ per 100 kg)

	4/10/2017	30/8/2017	Average 2016
Butter	669	685	325
Whole milk powder	296	310	225
Skimmed milk powder	161	172	180
Whey powder	64	76	64

EU milk deliveries showed an increase of more than 2% in July, a significant growth for the second month in a row. Milk deliveries increased, especially in Ireland, Poland and Italy. On the other hand, the volume decreased in the major dairy countries like Germany, France and the Netherlands. However, in Germany, the decline has decreased in comparison to the first half year. Elsewhere in the world there is also an increase in milk supply, although in Argentina and New Zealand the volume declined. US milk production has been growing by an average of around 2% for some time.

The dairy market still has two faces. On the one hand, the prices of skimmed milk powder have been under pressure for a long time, as a result of decreased demand and increased competition on the world market from North America and Oceania. The price for skimmed milk powder is currently below the intervention price level. In August and September, limited quantities were offered for intervention. On the other hand, Dutch quotations of butter prices moves at unprecedented high levels. However, after months of continuous growth in the last 2 weeks, the butter quotations have fallen. The quotation of whole milk powder has been more or less at about the same level for some time, mainly supported by the high fat prices. Europe plays with these high prices and the unfavorable EUR/USD exchange rate hardly any significant role on the world market. The latter caused price quotations became under pressure in recent weeks.