

### STANDARDIZED MILK PRICE CALCULATIONS for May 2018 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	0.75		<b>29.94</b>	33.30	0.47
Müller(Leppersdorf)	DE	0.51	0.61		<b>30.63</b>	35.08	
DMK	DE		0.15		<b>30.79</b>	35.23	
Hochwald Milch eG	DE	0.76	0.76		<b>31.19</b>	34.67	0.10
Arla Foods DK	DK	0.84			<b>30.52</b>	34.21	1.28
Valio	FI				<b>34.90</b>	36.45	0.92
Savencia (Basse Normandie)	FR	1.04			<b>32.51</b>	34.07	
Danone (Pas de Calais)	FR				<b>32.11</b>	34.80	
Lactalis (Pays de la Loire)	FR		0.24		<b>31.83</b>	33.61	
Sodiaal (Pas de Calais)	FR	0.58			<b>32.62</b>	34.52	0.19
Dairy Crest (Davidstow)	UK	0.11	0.33	-2.77	<b>27.67</b>	32.11	
Dairygold	IE	0.39			<b>32.30</b>	34.68	
Glanbia	IE				<b>30.14</b>	34.10	
Kerry Agribusiness	IE				<b>32.43</b>	34.61	
Granarolo (North)	IT	1.15	3.42		<b>40.71</b>	40.55	
Royal A-ware	NL	0.50			<b>32.01</b>	37.26	
FrieslandCampina	NL				<b>33.39</b>	37.20	1.27
<b>AVERAGE MILK PRICE 2)</b>					<b>32.10</b>	<b>35.09</b>	
Emmi	CH		2.98	-3.31	<b>43.68</b>	48.13	
Fonterra 3)	NZ				<b>30.97</b>	31.38	
United States Class III 4)	US	0.15			<b>32.73</b>	33.00	

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 monthly milk prices in May 2018 averaged to € 32.10 per 100 kg of standard milk with 4.2% fat, 3.4% protein, 500,000 kg per year, tbc 24,999 and scc 249,999 per ml.

A decrease of € 0.42 compared to the previous month. Compared to May 2017, the average milk price is € 1.28 or 3.8 % lower.

Though most companies did not change their milk prices, for the sixth consecutive month the average milk price has dropped. This is due to a number of price reductions, such as Valio (minus € 2.4 per 100 kg standard milk), Dairy Crest (- € 1.6) and Hochwald (- € 1.5). Kerry has been the only one to raise the milk price (+ € 1.0).

Given the seasonal effect - the milk prices of April and May are usually the lowest within the year-, the increased price quotations of butter and skimmed milk powder in recent months and the price increases announced by various dairy companies average milk price is expected to increase in the coming months.

Arla, FrieslandCampina and Royal A-ware announced price increases for June and July totaling € 2.8, € 1.7 and € 1.3 per 100 kg respectively. DMK announced a price increase of € 1.0 per 100 kg for June.

### Effect of annual delivery on calculated milk price

The milk price comparison is based on standard milk. This method calculates a price a dairy farmer would receive if milk of specific composition, quality and an annual supply (500,000 kg) were delivered to the different dairy companies.

The reason to analyze the effect of a higher annual delivery is the fact that in recent years the size of European dairy farms has increased. The next month an analysis will be made of the effects of higher fat and protein levels.

*Table Average milk production (kg per year) per farm in 2015*

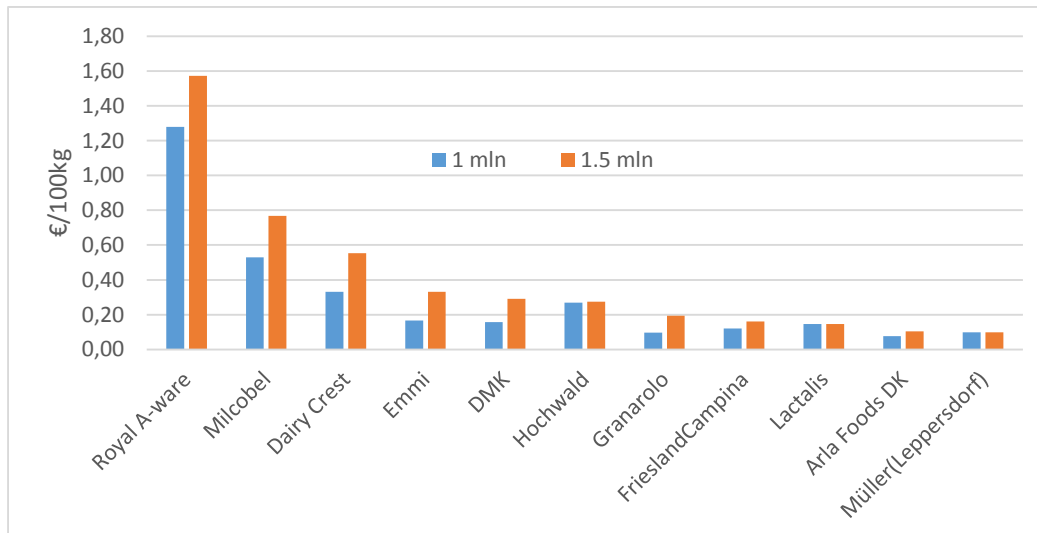
Denmark	1,532,230
United Kingdom	1,122,681
Netherlands	740,330
Belgium	436,418
Germany	433,535
France	380,271
Italy	365,533
Ireland	357,298
Finland	267,001
<b>Average</b>	<b>626,144</b>

(source: ZuivelNL)

Because of the continuous decline in number of dairy farms and the abolition of the EU quota system it can be assumed that since 2015 the average milk production per farm has increased further. Since the milk price comparison is not intended to calculate an average milk price, but is more focused on forward-looking and specialized dairy farms, the effect on the milk price based on an annual supply of 1.0 and 1.5 million kg has been calculated.

The graph shows the amount by which the calculated milk price compared to the standard of 500,000 kg increases for an annual delivery of 1.0 million and 1.5 million kg respectively.

*Graph Change of milk price for an annual delivery of 1 and 1.5 million kg compared to the standard of 500,000 kg per year*



The calculated milk price increases for dairy companies, which use a quantity bonus and/or have fixed costs per month. In the latter case, this amount is spread over more kilograms of milk when a larger quantity of milk is delivered and therefore leads to a higher calculated milk price.

A number of companies (7) do not apply a quantity bonus and/or do not charge a fixed amount of costs per month. For these dairy companies a larger amount of milk delivered has no influence on the calculated milk price and therefore these are not included in the graph.

For most of the other companies, the calculated milk price increases by an annual supply of 1.5 million kg by less than € 0.30 per 100 kg compared to 500,000 kg.

The calculated milk price rises the most among companies with relatively high quantity bonuses. For example, dairy farmers who supply 1.0 or 1.5 million kg of milk annually to Royal A-ware receive respectively € 1.28 and € 1.57 per 100 kg of milk more compared to an annual delivery of 500,000 kg. For Milcobel these amounts are € 0.53 and € 0.77 per 100 kg of milk respectively.

In the previous analysis, it should be noted that for some companies the effect on the milk price only becomes effective with even larger annual deliveries. For example, Arla applies a quantity bonus from 1.6 million kg onwards.

**Price changes in May 2018 (€ 100 per kg compared to the previous month) and additional information per company**

**Milcobel:** unchanged

**Muller:** unchanged

**DMK:** unchanged, June +1.

**Hochwald eG:** -1.5

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

**Valio:** -2.4

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

**Savencia:** unchanged

**Danone:** (A-price): -0.3

**Lactalis:** unchanged

**Sodiaal** (A-price): unchanged

**Dairy Crest:** -1.6 (–1 pence per liter and seasonal deduction 2.5 ppl (was 2.25 in April), June unchanged and July +0.65 ppl.

**Dairygold:** unchanged

At the same time, with an increase of the basic price of 1 cent per liter, the relief payment (1 cent per liter in April) to support farmers in the consequences of the extreme weather conditions is abolished.

**Glanbia Ingredients Ireland:** -0.9

The base milk price was unchanged, but the support payment recognizing the consequences of the extreme weather conditions is reduced with 1 cent per liter.

**Kerry:** +1.0

**Granarolo:** (provisional) unchanged

**Royal A-ware:** -0.9, June +0.3 and July +1.0

**FrieslandCampina:** -0.5, June +0.2 and July +1.5

**AVERAGE:** -0.42

**Emmi:** +3.3 because no C-price.

**Fonterra:** -0.1 due to little change of exchange rate New Zealand dollar against the euro.

**USA:** +2.7. Due to an appreciation of the US dollar against the euro and a price increase in dollars.

The USA Class III milk price increased from \$ 14.47 in April to \$ 15.18 per cwt (hundredweight (45.36 kg)) in May.

## MARKET SITUATION

(Source: ZuivelNL [www.zuivelnl.org](http://www.zuivelnl.org) )

Official Dutch dairy quotations (€ per 100 kg)

	<b>2/7/2018</b>	<b>23/5/18</b>	<b>Average 2017</b>
Butter	586	605	521
Whole milk powder	290	279	285
Skimmed milk powder	156	153	175
Whey powder	70	70	78

The period of strong growth is over in the EU. As in March, milk supply increased slightly (+ 1%) in April. In addition to the Netherlands, there was a decrease in a number of other important dairy countries (France, Ireland and the United Kingdom). On the other hand, milk supply in Germany, Italy and Poland grew strongly.

There is growth outside Europe. In April, milk supply increased in the important dairy exporting countries of Argentina, Australia, New Zealand, Uruguay and the United States. In the latter country, the growth rate did decline, with an increase of less than 1% in April. The New Zealand milk supply recovered after several months of contraction. The volume also increased in May.

After a few months of strong increase, butter prices came under pressure in June. Buyers are currently reluctant to buy butter at high prices and wait until the price level goes down further. Meanwhile, the price quotation has dropped well below € 600, - per 100 kg. The quotation of skimmed milk powder is also again under pressure since mid-June. The market is very quiet and there seems to be some drop in demand. The amount of intervention powder released pushes the market further down. Despite the quiet market, the line that has been rising since the beginning of April is still in full swing. The still high price level of milk fat supports the price of full milk powder.