

LTO International comparison of producer prices for milk

2010

*prezzi di latte • melkprijzen • prix du lait • molkeprizen
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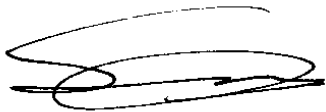
Foreword

This is already the eleventh annual report of LTO-International Milk Price Comparison. I dare to claim that this comparison we carry out in cooperation with the European Dairy Farmers and the Dutch Dairy Board (Productschap Zuivel) provides authoritative information to the international world of dairy farming and the international dairy sector as a whole. I thank all who have contributed to this successful project.

After the deep fall in prices of late 2008 and early 2009, 2010 was the year of a powerful recovery in prices. The large, ongoing demand from emerging economies such as China, India and Brazil contributed to this recovery to a considerable extent. For the European dairy industry cheese exports to Russia were very important. The Netherlands exports 60% of its milk, 20% to countries outside the EU, and benefits directly from the growth of the international market.

Contrary to the expectations of some, milk prices have held up very well so far in 2011. We should not overestimate the importance of this good news, however, as production costs have also risen sharply. The international grain market is tight. Maize prices in Germany and neighbouring countries have increased as a consequence of considerable increases in biogas production. Furthermore, the international market, on which the Netherlands is so dependent, is increasingly sensitive to disturbances of all kinds: weather conditions, government intervention, speculation and emotion contribute to more abrupt price fluctuations. In this age of uncertainty it is good that Dutch dairy farmers are well organized and should stay that way.

With this milk price comparison we give the reader more insight in de (price) development in the international dairy market.



Siem-Jan Schenk
Chairman Dairy Committee Dutch Federation of Agriculture and Horticulture LTO Nederland

1. Introduction and notes for readers

1.1 Introduction

The LTO-International Milk Price Comparison is published every month at the request of the Dairy Committee of the Dutch Federation of Agriculture and Horticulture (LTO Nederland) at www.milkprices.nl. This is a comparison of prices paid for milk by large European companies and is done in co-operation with European Dairy Farmers (EDF). EDF collects the milk price data and makes them available. Calculations are undertaken by the Dutch Dairy Board (Productschap Zuivel, PZ).

The method chosen for the calculations shows the price a dairy farmer would receive if milk of specific (standard) composition, quality and quantity were delivered to the different dairy companies.

In this report the following characteristics of the standard milk are taken as a basis:

- 4.2% fat;
- 3.4% protein;
- total bacterial count 24,999 per ml;
- somatic cell count 249,999 per ml;
- annual delivery 500,000 kg.

The prices are exclusive of VAT, ex-farm and inclusive of supplementary payments.

It must be emphasized that there is no comparison of the average milk prices paid. The average price paid by a dairy company for milk is dependent on the actual composition, quality, quantity et cetera of the milk delivered. Furthermore, no conclusions can be drawn about the performance of dairy companies on the basis of the milk prices paid. Many more factors play a role in assessing performance.

After each calendar year has ended, a report is presented with the calculated milk prices paid for that year. This annual report appears when the supplementary payments of the preceding calendar/ financial year are known and can, thus, be incorporated into the milk prices. The present publication comprises the milk prices calculated for the calendar year 2010.

1.2 Notes for readers

Chapter 2 features the calculated milk prices for 2010 (paragraph 2.1), followed by a short analysis (paragraph 2.2.), a description of the developments in the dairy market (2.3) and latest trends of milk prices in 2011 (paragraph 2.4).

Chapter 3 describes the milk price fluctuations in the EU, United States and New Zealand.

Chapter 4 starts with the Top 20 of world's largest dairy companies followed by an explanation of the calculated milk price per company (4.1) and the development of milk prices in New Zealand and the United States (4.2).

In the appendices certain basic data can be found about the dairy companies (Annex 1), milk prices per dairy company from 1999 to 2010 (Annex 2), the average currency exchange rates in 2010 and 2009 (Annex 3) and the milk prices in the U.S. and New Zealand in national currency (Annex 4).

2. Milk prices in 2010

2.1 Milk price comparison

In 2010, milk prices calculated from 17 European dairy companies increased on average by € 4.14 to € 31.52 per 100 kg, or plus 15.1% compared to 2009.

Table 1. Milk prices 2010 and 2009

In Euros per 100 kg of standard milk (excluding VAT and including supplementary payments)

		2010		2009		2010-2009	201/2009	national currency 1)
Hämeenlinnan O.	FI	39.07	1	39.52	1	-0.46	-1.2%	21.3%
Granarolo (North)	IT	34.92	2	34.75	2	0.17	0.5%	
Arla Foods DK	DK	33.38	3	27.51	8	5.87	21.3%	
FrieslandCampina	NL	32.82	4	26.22	9	6.60	25.2%	
DOC Kaas	NL	32.41	5	23.47	14	8.94	38.1%	
Danone (Pas de Calais)	FR	32.20	6	29.65	4	2.55	8.6%	
Milcobel	BE	31.96	7	25.25	10	6.71	26.6%	
Bongrain (Basse Normandie)	FR	31.81	8	29.58	5	2.23	7.5%	
Sodiaal Union	FR	31.71	9	29.66	3	2.05	6.9%	
Lactalis (Pays de la Loire)	FR	31.65	10	29.34	6	2.31	7.9%	
Alois Müller	DE	30.79	11	24.56	12	6.24	25.4%	
Nordmilch	DE	30.39	12	23.43	15	6.96	29.7%	
Humana Milchunion eG	DE	30.02	13	25.06	11	4.96	19.8%	
Glanbia	IE	29.72	14	22.67	17	7.06	31.1%	
Kerry Agribusiness	IE	29.00	15	22.71	16	6.29	27.7%	
Dairy Crest (Davidstow)	UK	28.75	16	27.88	7	0.87	3.1%	-1.1%
First Milk	UK	25.26	17	24.24	13	1.02	4.2%	0.0%
Average 2)		31.52		27.38		4.14	15.1%	
Fonterra	NZ	30.05		20.80		9.25	44.5%	24.1%
USA class III	US	27.23		20.24		7.00	34.6%	29.3%
1) Changes in milk prices in national currency are corrected for exchange rate effects in relation to the Euro. For countries not in the Euro-zone monthly prices are converted to Euros on the basis of the average exchange rate for the month in question. (See also Appendix 3)								
Milk prices have been calculated and published for Granarolo (Italy) since January 2008. However, in order not to disturb the figures for whole series of previous years they have not been included in the average prices for 2008.								
2) Starting with this year's publication the average milk price includes the calculated milk price of Granarolo (Italy) and is therefore slightly higher than in previous publications. Excluding Granarolo, the average milk prices would be € 31.31 in 2010 and € 26.92 in 2009.								

Interestingly, the milk price calculated for the leader, Hämeenlinnan Osuusmeijeri (Finland), is the only one that showed a decrease (-1.2%) compared to the previous year. Because milk prices are expressed in Euros in the milk price comparison it is not obvious that Dairy Crest (UK) farmers received a lower milk price. The apparent increase in milk price, calculated at 3.1%, is entirely due to the increase in the value of the Pound Sterling against the Euro. Expressed in national currency - and that is what the dairy farmers receive - the milk price fell by 1.1%.

Although the difference between the highest and lowest milk prices in 2010 has decreased, the difference remains large, at € 13.81 per 100 kg.

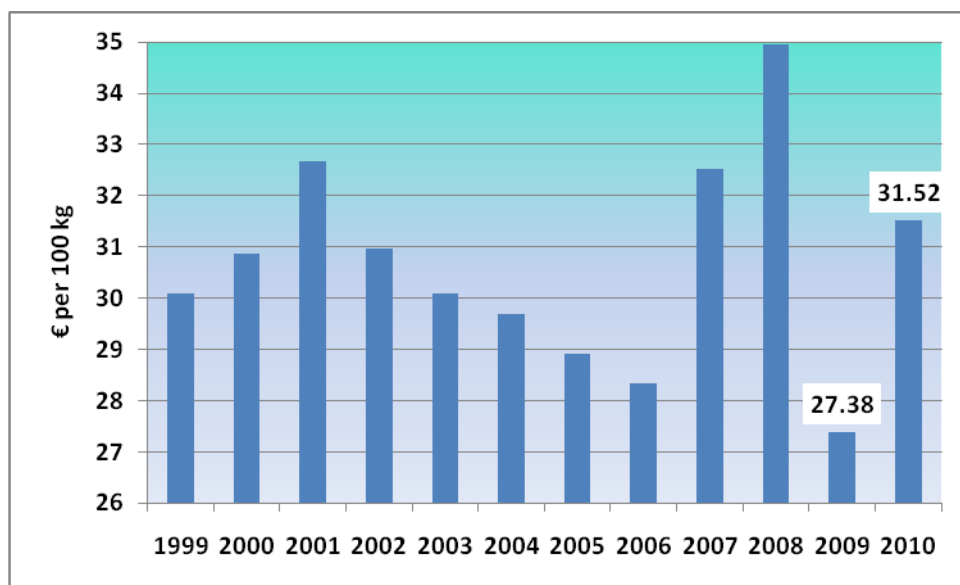
The milk price paid by DOC Kaas (Netherlands) increased the most in 2010 (38.1%), followed by Glanbia (31.1%) and Kerry (27.7%) (both Ireland). In France, partly because of the system of recommended milk prices that is used, milk prices increased distinctly less than average. Accordingly, the French dairy companies dropped in the rankings.

Milk prices rose sharply last year not only in Europe but also elsewhere in the world. For example, Fonterra (New Zealand) paid a record milk price in the season 2010/11. For the first time since the start of LTO-International Milk Price Comparison Fonterra's calculated milk price was even higher than some European companies. It should be noted, however, that this did not happen without a sharp appreciation of the New Zealand Dollar. If the NZ Dollar had not risen so strongly against the Euro the Fonterra milk price would have been around € 26 per 100 kg.

After the decline in 2009, milk prices in the United States also recovered well in 2010.

The rise in milk prices in 2010 largely offset the very sharp drop last year, as shown in Figure 1.

Figure 1. Average milk prices from 1999 to 2010



2.2 Milk prices 2010

The ranking was once again led by the Finnish cooperative **Hämeenlinnan Osuusmeijeri**, followed by the Italian **Granarolo** and this is not new. It is noticeable that the calculated milk prices of these companies did not or hardly increase in 2010.

Arla Foods saw its turnover increase in 2010 mainly due to general price increases and favourable currency effects. Arla benefited from the higher value of the Pound Sterling and the Swedish Crown against the Euro. The United Kingdom and Sweden are the major markets for Arla Foods (see Annex 1 with key data of the dairy companies).

Owing to good financial results in 2010, the member dairy farmers **FrieslandCampina** (Netherlands) received a relatively good milk price. Compared with other European dairy companies the improvement in market conditions in Asia and Africa played an important role for this company. Most brands were able to improve their market position.

DOC Kaas (as well The Netherlands) benefited from higher prices for cheese, cream and whey in 2010, and thus achieved a milk price increase of no less than 38.1% compared to last year.

French milk prices are based on national recommendations. These recommendations are based on the development of price quotations of industrial products (butter and skimmed milk powder) and cheese. This system not only leads to relatively high milk prices, but also seems to smooth out the price spikes and falls over the years. In 2009, a bad year for milk prices, the French prices fell much less than average. In contrast 2010, a good milk price year, the calculated milk prices of French companies increased 7 to 8% compared to an average increase of 15.1% (See also Annex 2 Milk prices 1999 to 2010).

In 2010 the milk price paid by **Milcobel** (Belgium) increased more than average compared to 2009. Much of Milcobel's milk is processed into industrial products (milk powder, butter and cheese), which rose in price in 2010.

The calculated milk price of the three **German** companies increased more than the average in 2010, while in 2009 they fell just more than average.

After the overall recovery in milk prices in 2009, those of **Dairy Crest** and **First Milk** (UK) were at the bottom of the rankings once again in 2010. First Milk sells a relatively large proportion of the milk collected directly to third parties and much of the remaining milk is processed into many products with little added value.

2.3 Dairy markets in 2010

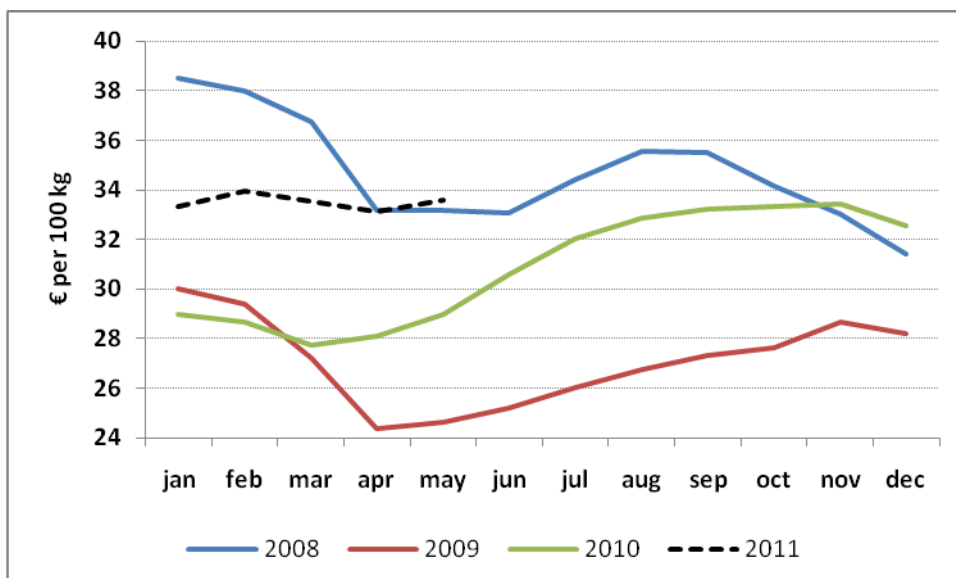
After the drop in prices in 2009 there was a general recovery of the market in 2010. During the last quarter of 2009 the market improved which continued during the first half of 2010. Both within the EU and outside, prices rose steadily, mainly because of a shortage of supply. Export values also increased because of the rise of the US Dollar against the Euro and a mild improvement in the global economy.

During the year, the rise in prices in EU and international markets came to a halt. In the autumn markets deteriorated as milk production rose. Internal prices were relatively high. Also a temporary lack of demand from the world market played a role. This resulted in a particularly sharp fall in the milk powder market. The butter market also faced some price pressure. However, the availability of milk fat remained tight, so the price correction remained limited. From late 2010 markets reversed. This reflected in rising quotations for milk powders, while the butter market stabilized.

2.4 Milk price and market developments in 2011

In mid-2011, milk prices are at a high level. In May 2011 the average milk price is even higher than in May 2008 and thus is the highest milk price in May since the start of the LTO-International Milk Price Comparison.

Figure 2. Development of average monthly milk prices from January 2008 to May 2011



The somewhat lower prices since early this year led to a rebound in demand. This, combined with somewhat limited market supply for butter resulted in increasing prices. During February, prices gathered momentum and the market even threatened to get overheated. When the political unrest in North Africa and the Middle East flared up and the mood reversed, prices rapidly dropped right across the board.

This price adjustment affected the milk powder market in the first place. However the butter market, which is less dependent on exports to third countries than milk powder, also suffered a negative influence and came under some pressure.

Under the influence of this year's dry spring weather, the traditional peak in milk production was lower than expected. As a result the seasonal pressure on prices was less. After an initial decline during April and May the world market prices for butter and skimmed milk powder have stayed reasonably stable.

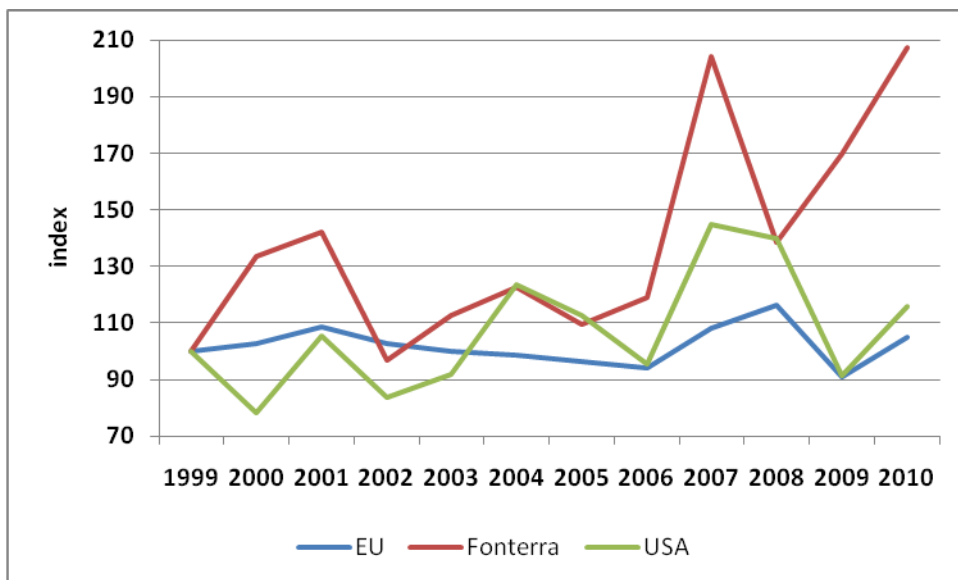
3. Milk price fluctuations

Until 2007 the level of milk prices in the EU was fairly stable. From the relatively good level in 2001 milk prices gradually decreased until 2007. In this period EU dairy policy was reformed, and intervention prices for butter and skimmed milk powder were reduced. The greater influence of the market on prices was felt by dairy farmers in 2007 and 2008, pleasantly at first because of record high milk prices in 2008. However, in 2009 it became evident that more market influence can also have a downside. Milk prices fell to historically low levels. In 2010, fortunately for dairy farmers, there are clear signs of a recovery.

For dairy farmers in the EU milk price fluctuations of this kind are a new phenomenon. This does not apply to their counterparts in the United States and New Zealand, as Figure 3 shows the annual average EU milk prices compared to the calculated U.S. Class III milk prices and Fonterra's price. Prices are expressed in national currencies and compared to the base year 1999 (= 100).

It is noticeable that the price fluctuations in the U.S. and New Zealand are not only much greater than in the EU but also the fluctuations in the U.S. and New Zealand have increased in recent years.

Figure 3. Milk price fluctuations in the EU, U.S. Class III and Fonterra (in national currency, 1999 = 100)



4. Dairy companies and explanation of calculated milk prices

Table 2 shows that seven of the dairy companies in the milk price comparison are among the 20 largest dairy companies in the world. These are the companies in **bold type** in Table 2.

Table 2. World's largest dairy companies

	Company	Country	Dairy Turnover (€ billion)
1	Nestlé	Switzerland	21.2
2	Danone	France	12.3
3	Fonterra	New Zealand	9.1
4	Lactalis	France	9.1
5	FrieslandCampina	Netherlands	8.8
6	Dean Foods	USA	8.2
7	Dairy Farmers of America	USA	7.4
8	Arla Foods	Denmark/Sweden	6.9
9	Kraft Foods	USA	5.3
10	Unilever 1)	Netherlands/UK	5.1
11	Saputo	Canada	4.3
12	Meiji Dairies	Japan	4.1
13	DMK 1)	Germany	4.0
14	Sodiaal 1)	France	4.0
15	Parmalat	Italy	3.9
16	Morinaga Milk Industry	Japan	3.8
17	Bongrain	France	3.6
18	Mengniu	China	3.4
19	Yili	China	3.3
20	Schreiber Foods 1)	USA	3.0

Source: Rabobank International 2011 (turnover 2010 plus mergers and acquisitions between January 1st and June 10th 2011.)
 1) Estimate

Increases of scale are continuing in the dairy industry. Thus the German cooperatives Nordmilch and Humana Milchunion merged on May 1, 2011 under the name of **DMK** (Deutsches Milchkontor GmbH). The members of **Arla Foods** (Denmark and Sweden) and Hansa-Milch (Germany) decided in March 2011 to merge the two cooperatives. Subject to approval by cartel authorities, the merger may come into effect on January 1, 2011, creating a cooperative with a total 7200 members in three different countries. In France **Sodiaal** acquired the Entremont cheese company in 2010.

4.1 Explanation of calculated milk prices per company

The member dairy farmers of the Finnish dairy cooperative **Hämeenlinnan Osuusmeijeri** received a supplementary payment of a total 3.7 Eurocents per litre for the milk delivered in 2010. This additional payment will be made in two instalments, 2 cents in spring and 1.7 cents in autumn. As this payment is delayed, interest is paid on this payment. The supplementary payment is calculated at € 3.59 per 100 kg of milk (in 2009: € 2.91).

The calculated milk price paid by **Granarolo** covers the northern region of Italy and comprises a basic rate price and bonuses for fat and protein (in 2010: € 2.48 per 100 kg of standard milk), for quality (€ 1.15) and quantity of milk (€ 3.45). The basic price is determined every quarter year.

The calculated milk price paid by **Arla Foods** (Denmark) in 2010, € 33.38 per 100 kg, includes a supplementary payment of € 3.55. (In 2009 the figures were € 27.51 and € 2.04, respectively). The supplementary payment was 8.6% of the so-called basic value of the milk delivered in 2010 (in 2009: 8.1%). The basic value is the value of fat and protein plus the quality premium of 4% for milk of the highest quality. The calculated supplementary payment includes a sum of DKK 3.80 or € 0.52 per 100 kg milk that is allocated as contributed capital by the members.

The milk price which **FrieslandCampina** (The Netherlands) pays to its member dairy farmers comprises a guaranteed price and a performance bonus. The guaranteed price is paid monthly and is based on a weighted average of milk prices in Germany, some Dutch companies, Arla Foods in Denmark and Milcobel (Belgium). For 2010 the calculated guaranteed price for standard milk was € 30.98 per 100 kg (in 2009: € 25.35).

The performance bonus is dependent on the profits of the company and the policy regarding reserves. For 2010, a performance bonus was paid of 3.743% of the value of the milk delivered (in 2009: 2.120%). Besides the guaranteed price and the performance bonus, a portion of the reserves (paid by issuing named member bonds) is calculated into FrieslandCampina's milk price. For 2010 it was 2.246% (in 2009: 1.327%).

The calculated supplementary payment of € 1.84 per 100 kg (in 2009: € 0.86) is equal to the performance bonus plus the registered portion of the reserves and minus a correction for the time of payment (April 2011). Including this supplementary payment the final price of milk in 2010 was € 32.82 per 100 kg.

The calculated milk price for **DOC Kaas** (The Netherlands) includes a supplementary payment of € 2.64. After the end of the calendar year, the member dairy farmers received an supplementary payment of 6.75% (in 2009: 4%) of the advance milk price, excluding quality and quantity bonuses. In addition, € 0.68 per 100 kg of milk paid to the members account. This sum is included in the supplementary payment.

Milcobel (Belgium) made a supplementary payment of € 0.055 in February 2011 on the number of kilograms of fat and protein delivered in 2010. For standard milk with 4.2% fat and 3.4% protein and corrected for the time of payment this corresponds to € 0.42 per 100 kg (in 2009: € 0.67). The final milk price for 2010 was thus € 31.96 per 100 kg (in 2009: € 25.25).

In **France** representatives of the dairy industry and dairy farmers make recommendations at national level on the basic price of milk with 38 grams of fat and 32 grams of true protein per litre. These recommendations are fixed every quarter and calculated by CNIEL¹ based on market prices of industrial products (butter and skimmed milk powder) on the one hand, and on the other cheeses (Gouda, Edam and Emmental). The level of the recommended basic price varies depending on the share of industrial products in the product range of dairy companies. In addition, the national recommendations are complemented at the regional level with agreements for the payment for quality, contents of fat and protein and season.

In the course of 2010 it was decided to supplement the milk price recommendations based on the market indicators mentioned above with data on the development of milk prices in Germany. This is because the French dairy companies did not wish to get too far out of step with their German competitors regarding the milk price to be paid. The price difference with the German companies is not reflected fully, but adjusted to a margin of € 10 per 1000 litres. See the following example of the construction of milk price recommendations in January 2011.

	€ per 1000 litres
Average milk price in 2010	300.1
Market Indicators CNIEL	<u>+23.6</u>
Subtotal	323.7
Difference from German milk	<u>+9.0</u>
Subtotal	332.7
Season (regional)	<u>-10</u>
Basic milk price	322.7

¹ CNIEL is Centre National Interprofessionnel de l'Economie Laitière (National Interprofessional Centre for Dairy Economics)

At the time the recommendation was made for January 2011 the most recent German milk prices available dated from October 2010. In October 2010 the difference between milk prices in France (€ 308 per 1000 litres) and Germany (€ 327 per 1000 litres) was € 19. This difference minus a margin of € 10 results in an increase of $19-10 = € 9.0$.

The milk price paid by **Sodiaal** (France) does not include the ASAP² planning bonus. Dairy farmers can say in advance how much milk they expect to deliver. When the final delivery differs from the stated quantity by less than 2% the dairy farmer receives a 'planning' bonus of € 5 per 1000 litres. If the difference is between 2% and 5% the bonus is € 3 per 1000 litres, and between 5% and 10% the bonus is € 2 per 1000 litres. According to the Sodiaal annual report for 2009, 60% of the farmers opted for this bonus and 20% of the participants received the maximum bonus of € 5 per 1000 litres.

From 2011 Sodiaal has introduced a so-called 'A and B' system, whereby the A-price applies for 96% of the farmer's quota, and a B-price for the rest. Depending on the market and the season the B-price can be lower or higher than the A-price.

Molkerei **Alois Müller** in Leppersdorf, Germany made a supplementary payment of € 0.235 per 100 kg in 2010 (in 2009: € 0.46). After the end of the calendar year this private company made a supplementary payment depending on the difference with the milk prices paid by dairy companies located around it.

Like in previous years, the calculated milk price for **Humana Milch Union eG** (Germany) includes the payment of € 0,65 per 100 kg paid in November and December for all milk supplied in 2010. This price increase paid throughout the calendar year was retrospectively included in the monthly milk prices and therefore is not considered as a separate calculated supplementary payment and not identified as such in the milk price comparison. As the member dairy farmers of Humana Milchunion are not compensated for interest on the capital invested in the company at an average rate of € 4.40³ per 100 kg of milk, the milk price paid is corrected by means of a negative supplementary payment of € 0.15⁴.

The calculated milk price **Nordmilch** (Germany) includes a quantity supplement of € 0.15 per 100 kg. Because Nordmilch pays a market interest rate to the members of the cooperative on capital invested the milk price is not corrected for this.

From 2011, the members of Nordmilch and Humana Milchunion - whose companies have merged into DMK – are paid the same milk price apart from Nordmilch's quantity supplement.

Milk prices paid by **Glanbia** and **Kerry** (Ireland) are related to manufacturing milk. The calculated Glanbia milk price includes seasonal supplements of 4 Eurocents per litre in January and February and 1.5 and 5.5 Eurocents per litre, respectively, in October and November.

The calculated milk price for **Dairy Crest** (UK) relates to those dairy farmers who deliver their milk via Dairy Crest Direct to the Dairy Crest Davidstow cheese factory. As from July 2010, the payment system was slightly changed and, at the same time, there was a slight increase in prices paid for fat and protein.

First Milk (UK) has a variety of contracts, like Dairy Crest. The calculated milk price for First Milk relates to the cheese contract and, within that contract, the dual pricing system. First Milk paid out a 6% return on members' investment for the financial year 2010/2011. For a milk producer, who produces 500 000 litres per year, this would correspond to an amount of £ 660 or about € 0.15 per 100 kg. This amount is not included in the calculated milk price for First Milk.

4.2 New Zealand and the United States

The calculated milk price for Fonterra (New Zealand) for the 2010/11⁵ season is based on a forecast milk price of 7.50 New Zealand Dollars (NZD) per kg of fat and protein (milk solids (MS))

² Assurance Sécurité Approvisionnement Partagée (Joint undertaking for security of supply (of milk))

³ Depending on the quantity of milk, member dairy farmers must purchase shares. For a farm with annual deliveries totaling 500 000 kg this is 440 shares at € 50 each, or € 4.40 per 100 kg on average.

⁴ This is 3.36% (interest rate on 10-year state bonds) of € 4.40.

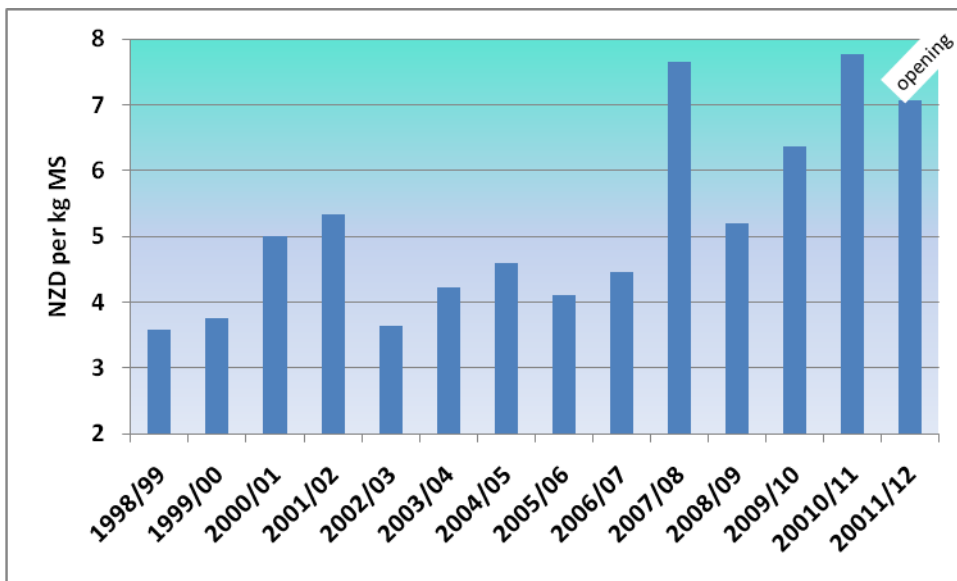
⁵ In New Zealand the milk price and financial year runs from June 1st to May 31st.

plus a forecast dividend of 27.5 cents, which makes NZD 7.775 per kg MS. Although Fonterra does not disclose its final 2010/11 milk price until September, it can reasonably be estimated on the basis of Fonterra's forecast at the end of May 2011.

For the new milk price year and financial year 2011/12, starting June 2011, Fonterra forecast a milk price of NZD 6.75 per kg MS. Taking into account the expected profit distribution of 40-50 cents and assuming 30% of will be retained, the year's opening milk price (including dividend) is calculated out at NZD 7.07 per kg MS. This is lower than the expected milk price over the previous season, but it is usual for Fonterra to open the season 'cautiously' and then increase the milk price in the course of the year. The opening milk price for 2011/12, at NZD 6.75 per kg of MS, is higher than ever.

Figure 3. Fonterra milk prices 1998/99 to 2010/11 (NZD per kilogram of fat and protein (milk solids))

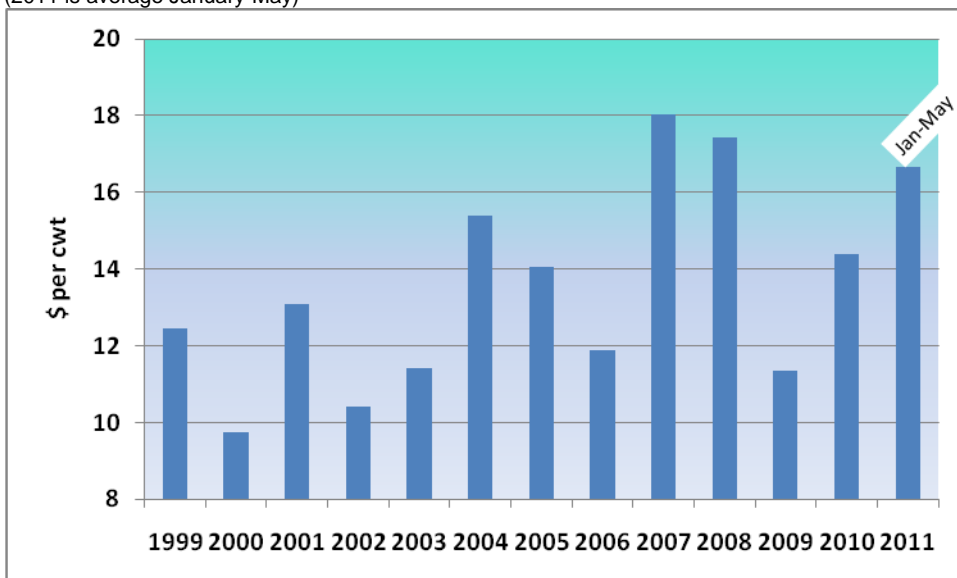
(2011/12 is opening milk price)



Calculated milk price for the United States is based on the Class III component and milk prices announced monthly by the U.S. Department of Agriculture (USDA). The class III milk price relates to milk for processing into cheese.

Figure 4. Class III milk prices in dollars per hundredweight⁶

(2011 is average January-May)



⁶ 1cwt (US hundredweight) equals 45.36 kg

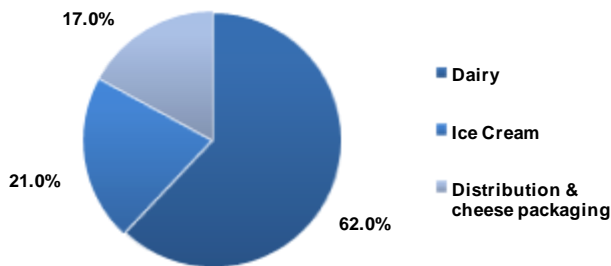
Annex I Key figures dairy companies

Source: annual reports of dairy companies

Milcobel

In 2010 Milcobel collected 3% more milk by an average of 3.296 suppliers. The average milk delivery amounted to 333.275 litre per supplier, an increase of 5.6% compared to 2009.

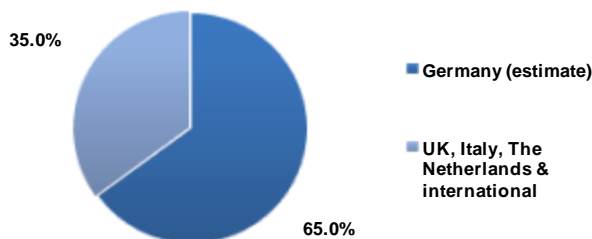
Turnover share Milcobel 2010 (in %)



Alois Müller

Alois Müller is one of the largest milk producers in Germany and the United Kingdom. The turnover of the company amounted to 2.2 billion Euros in 2010.

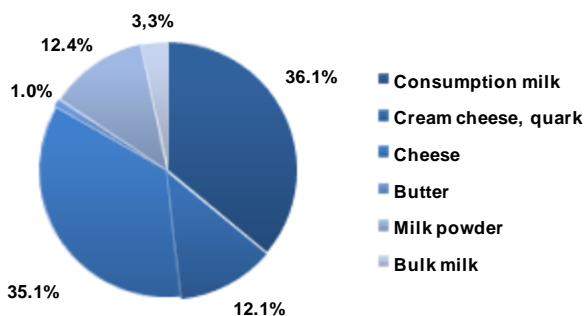
Turnover per country Alois Müller 2007 (in %)



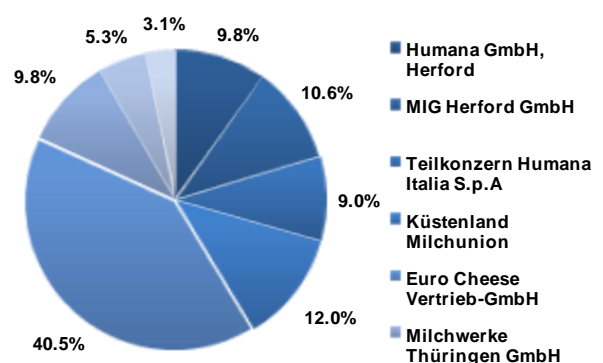
Humana Milchunion

For 2010, Humana Milchunion estimated turnover is 2.0 billion euro. The turnover in 2009 amounted to 1.7 billion euro. Milk deliveries in 2009 amounted to 2.7 billion kilos of milk, which is an increase of around 460 million kilos compared to 2008. In 2010 Humana Milchunion and Nordmilch have joined to become Deutsches Milchkontor GmbH, one of the biggest players on the German dairy market.

Production share Humana 2009 (in %)



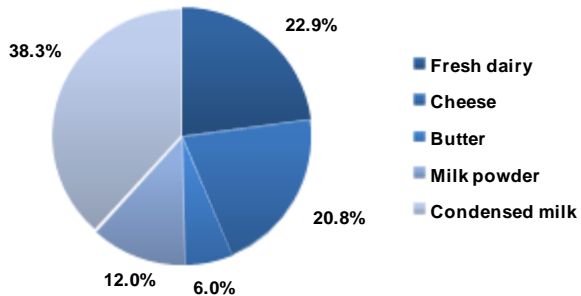
Turnover Humana 2009 (in %)



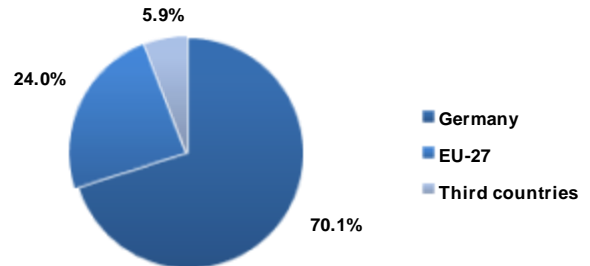
Nordmilch

With an annual milk processing of 3.9 billion kilos, Nordmilch is the largest dairy in Germany. Nordmilch achieved a turnover of 1.9 billion euro in 2009.

Product share Nordmilch 2009 (in %)



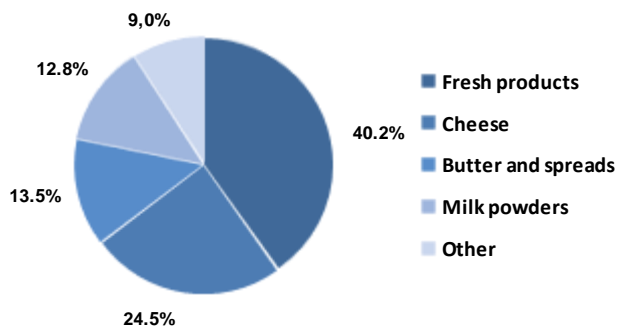
Market share Nordmilch by region 2010 (in %)



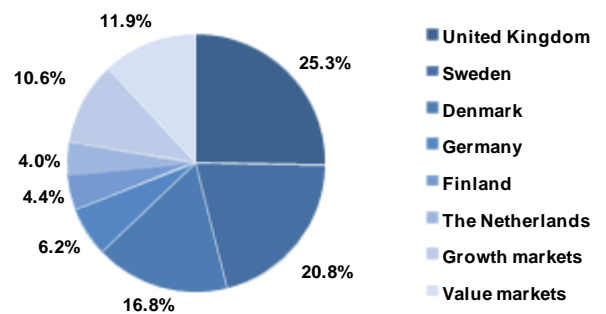
Arla Foods

Arla Foods is a dairy co-operation owned by 7,178 Danish and Swedish dairy farmers. Milk supply from the dairy farmers amounted to 8,713 million kilos of milk.

Product share Arla 2010 (in %)



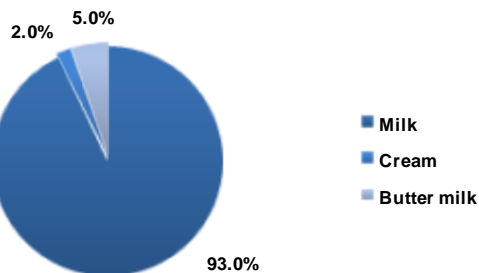
Market share Arla per country 2010 (in %)



Hämeenlinnan Osuusmeijeri

In 2009 the turnover of Hämeenlinnan Osuusmeijeri amounted to 63.4 million Euros. The company processed 114 million litres of milk. Hämeenlinnan Osuusmeijeri is mainly focussed on the fresh dairy segment.

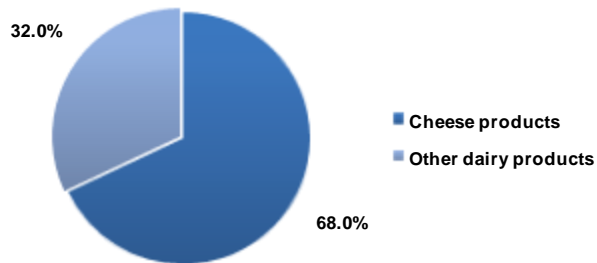
Product share Hämeenlinnan Osuusmeijeri 2008 (in %)



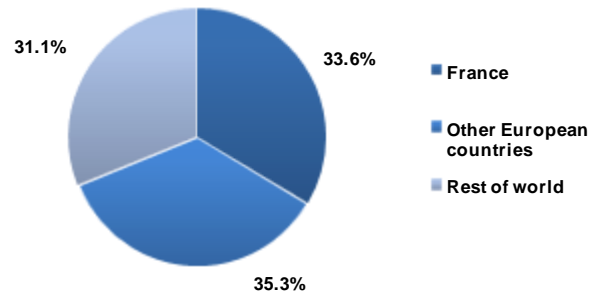
Bongrain

In 2010 net sales of Bongrain amounted to 3.5 billion euro. This is an increase of 9.3% compared to 2009. Bongrain processes around 3 billion litres milk a year.

Product share Bongrain 2010 (in %)



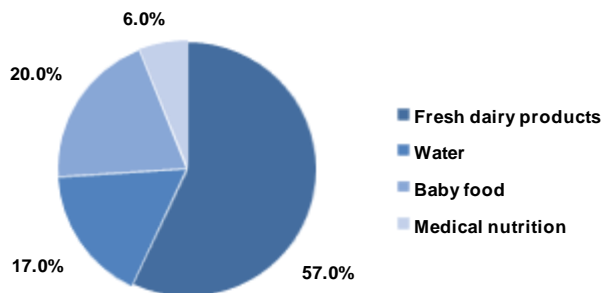
Net sales per country Bongrain 2010 (in %)



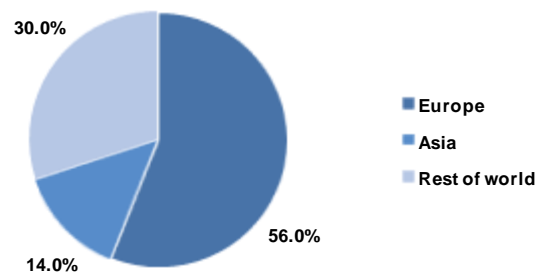
Danone

Danone's sales of all four product categories grew by 6.9% in 2010. Danone claims to be the largest dairy producer world wide. Sales of fresh dairy products rose by 6.5% in 2010.

Product share Danone 2010 (in %)



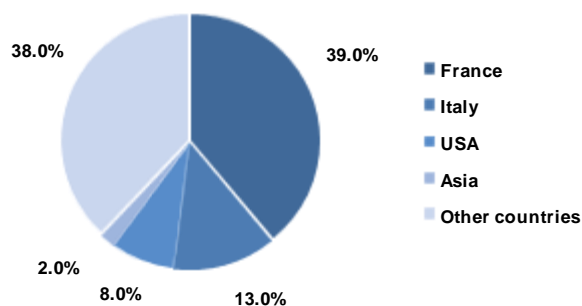
Market share Danone 2010 (in %)



Lactalis

Lactalis has 126 production plants worldwide, which process 9.9 billion litres of milk annually. In 2010, Lactalis achieved a turnover of 9.4 billion euro.

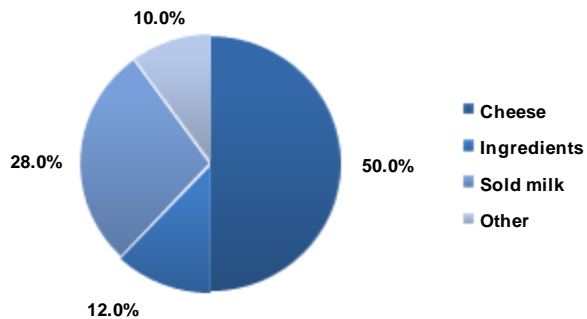
Market share Lactalis 2010 (in %)



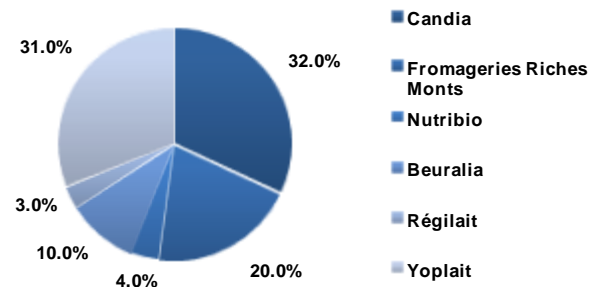
Sodiaal

The French dairy Sodiaal mainly has its market shares in the area of Western Europe, with France as its main base market. In 2009 8,572 milk suppliers delivered an average of 257,705 litres of milk. Total milk delivery amounted to 2,213 billion litres in 2009.

Product share Sodiaal 2009 (in %)



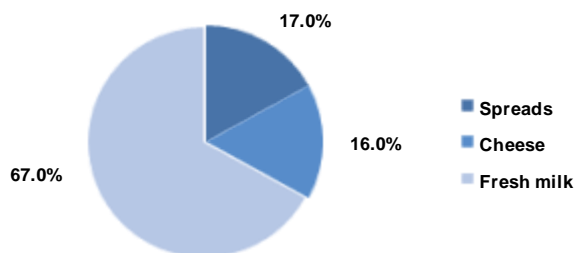
Product revenue Sodiaal 2009 (in %)



Dairy Crest

Dairy Crest is the largest milk processor in the United Kingdom. In 2010, Dairy Crest achieved a turnover of 1.6 million pounds. The company processes 2.2 billion litres of milk into cheese, milk, butter and spreads.

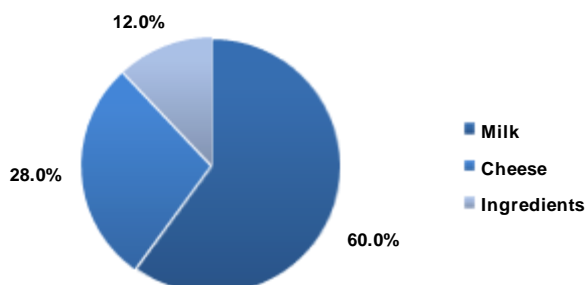
Turnover by product Dairy Crest 2010 (in %)



First Milk

First Milk is the largest dairy co-operation in the United Kingdom. Most of First Milk's production is processed into milk. First Milk's annual production of milk is around 1.6 billion litres.

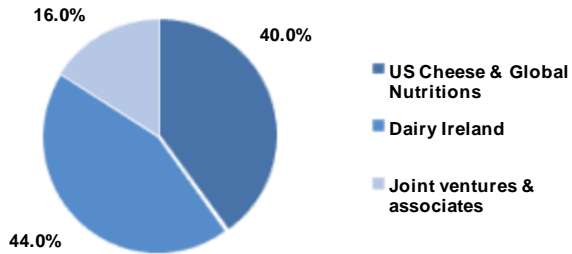
Product share First Milk 2010 (in %)



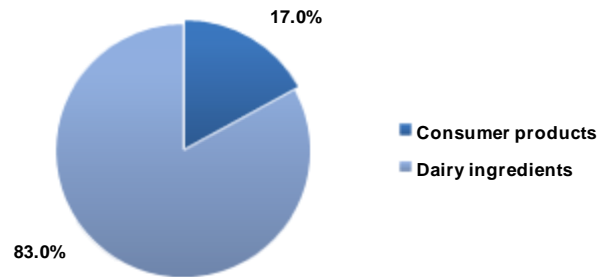
Glanbia

In 2010 Glanbia processed 5.8 billion litres milk worldwide. The dairy has establishments in Ireland, Europe, the United States and China.

Turnover by operation Glanbia Group 2010 (in %)



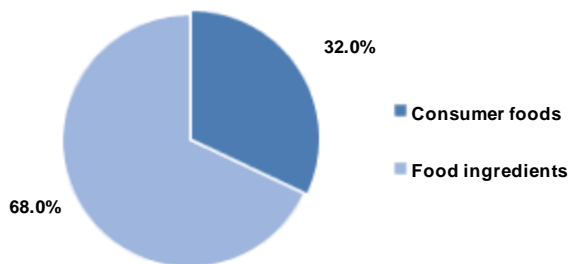
Product share Glanbia Ireland 2010 (in %)



Kerry

In 2010, Kerry Group achieved a turnover of 5 billion Euros. Kerry Foods is a key supplier of the largest supermarket chains in Ireland and the United Kingdom.

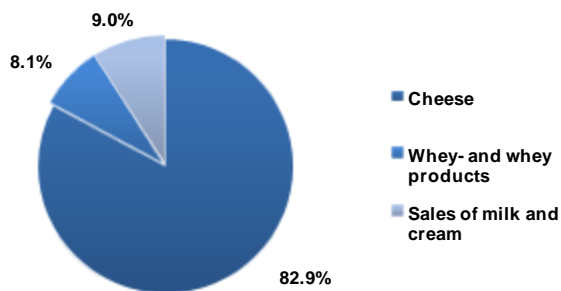
Product share Kerry 2010 (in %)



DOC kaas

The turnover of DOC Kaas amounted to 389 million Euros in 2010. Almost all of DOC Kaas products (99,9%) are sold in The Netherlands.

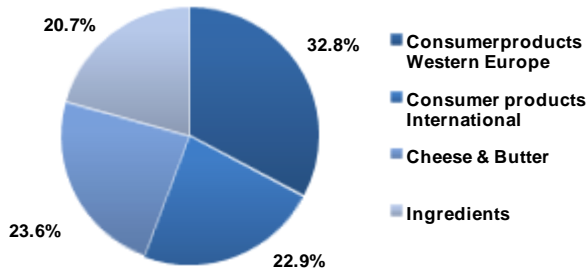
Product share DOC Kaas 2010 (in %)



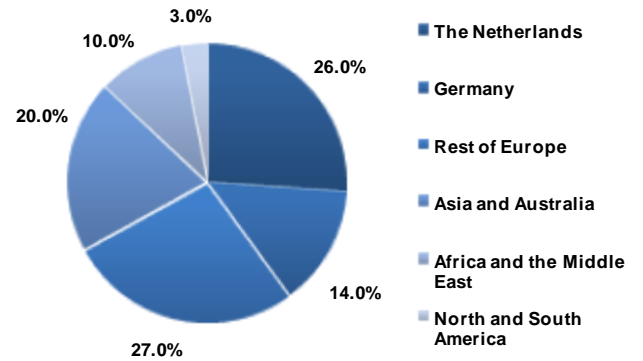
FrieslandCampina

In 2010, FrieslandCampina achieved 26% of the total turnover in The Netherlands. Milk was supplied by 20,375 Dutch, German and Belgian member dairy farms. In 2010, total milk deliveries increased by 1.6% to 8.8 billion kilos of milk (2009: 8.7 billion kilos).

Turnover per division FC 2010 (in %)



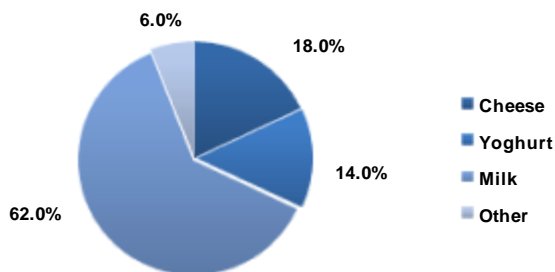
Market revenue by country FC 2010 (in %)



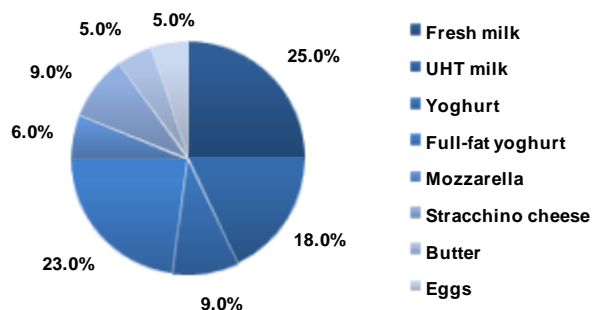
Granarolo

Granarolo is Italy's largest fresh milk producer. In 2010, the company sold 606 thousand tonnes of fresh milk, resulting in a turnover of 809 million Euros. This turnover decreased by -1.2% compared to 2009.

Turnover Granarolo per product 2010 (in %)



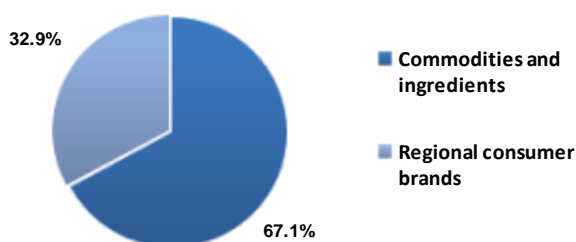
Market share per product Granarolo 2010 (in %)



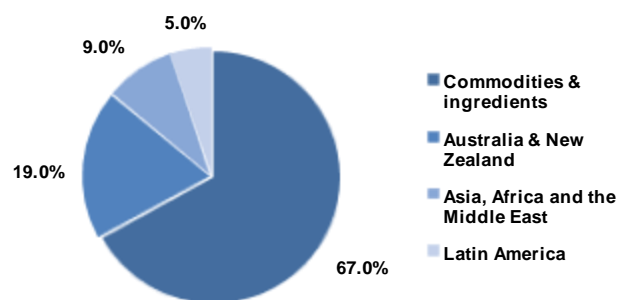
Fonterra

Total milk production of Fonterra amounted to 1,286 billion kg milk solids for the season 2009/2010. Milk is supplied by 11,000 dairy farmers and amounts to over 14 billion litres a year. Yearly turnover of Fonterra amounts around to 16 billion NZD.

Revenue from external sales Fonterra 2010 (in %)



Turnover by division Fonterra 2010 (in %)



Annex II Milk prices 1999 to 2010

Table 6. Milk prices 1999 to 2010

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	average
Hämeenlinnan O.	33.94	34.27	35.62	36.20	36.03	36.07	34.95	36.03	37.61	44.43	39.52	39.07	36.98
Granarolo (North)										41.05	34.75	34.92	36.91
Arla Foods DK	31.80	32.27	33.05	33.08	32.09	30.13	29.39	28.80	31.70	36.42	27.51	33.38	31.64
Danone (Pas de Calais)	31.05	31.82	33.00	32.00	31.57	30.66	30.06	29.02	30.79	35.91	29.65	32.20	31.48
FrieslandCampina	30.64	31.94	34.03	32.10	30.80	30.03	29.25	28.73	33.61	35.36	26.22	32.82	31.29
Bongrain (Basse Normandie)	30.95	31.71	32.90	31.79	31.38	30.46	29.72	28.81	30.68	35.47	29.58	31.81	31.27
Lactalis (Pays de la Loire)	31.02	31.75	33.08	31.87	31.61	30.70	29.77	28.70	30.48	35.27	29.34	31.65	31.27
Alois Müller									34.92	34.34	24.56	30.79	31.15
Campina	30.90	30.94	33.39	33.00	30.76	29.96	29.52	28.56	33.16				31.13
Sodiaal Union	30.55	32.07	33.19	31.71	31.12	29.97	29.11	28.13	30.49	35.58	29.66	31.71	31.11
Milcobel	28.82	32.05	32.91	30.29	30.30	30.73	29.18	28.33	35.37	32.65	25.25	31.96	30.65
DOC Kaas									35.68	30.97	23.47	32.41	30.63
Humana MilcHunion eG	29.49	30.76	33.42	31.35	29.87	29.08	27.99	27.76	33.54	35.20	25.06	30.02	30.30
Glanbia	30.32	30.89	31.77	29.40	28.89	28.88	27.39	26.54	32.95	33.54	22.67	29.72	29.41
Nordmilch	29.00	30.19	33.09	28.99	27.67	27.98	27.61	27.15	32.15	31.42	23.43	30.39	29.09
Kerry Agribusiness	28.74	29.44	30.49	28.58	28.11	27.75	27.15	26.14	32.70	33.03	22.71	29.00	28.65
Dairy Crest (Davidstow)/Arla UK	28.13	27.13	30.66	28.22	26.48	27.53	27.32	27.97	29.70	32.73	27.88	28.75	28.54
First Milk	25.93	25.95	29.39	25.80	24.77	25.52	25.39	24.40	27.34	31.03	24.24	25.26	26.25
Average	30.09	30.88	32.67	30.96	30.10	29.70	28.92	28.34	32.52	34.96	27.38	31.52	30.67
Fonterra	13.74	16.75	18.45	15.96	15.74	18.19	18.49	17.28	25.67	22.75	20.80	30.05	19.49
USA class III	29.00	26.61	36.89	27.72	25.04	31.33	28.16	23.47	32.12	29.37	20.24	27.23	28.10
<i>Average excl Granarolo</i>										34.58	26.92	31.31	30.58

Annex III Average currency exchange rates

Foreign currency in Euro

	2010	2009	2010/2009
British pound	1.1710	1.1242	4.2%
Danish crown	0.1343	0.1343	0.0%
US dollar	0.7580	0.7200	5.3%
New Zealand dollar	0.5470	0.4542	20.4%

Annex IV Milk prices United States and New Zealand in national currency

United States in US dollars per hundredweight (1 cwt equals 45,36 kg) and New-Zealand in New-Zealand dollars per kg milk solids (is fat and protein)
For New-Zealand 1999 corresponds with 1999/2000 etc.

	\$/cwt	NZD/kg MS
1999	12.45	3.75
2000	9.74	5.00
2001	13.10	5.33
2002	10.42	3.63
2003	11.42	4.23
2004	15.40	4.59
2005	14.05	4.10
2006	11.89	4.46
2007	18.04	7.66
2008	17.44	5.20
2009	11.36	6.37
2010	14.41	7.78
2011	16.65	7.07