

STANDARDIZED MILK PRICE CALCULATIONS for December 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		36.02	26.40	0.47
Müller(Leppersdorf)	DE	0.51	0.61		31.82	26.10	
DMK	DE		0.15		30.34	24.21	
Arla Foods DK	DK	0.92			31.67	27.03	1.37
Savencia (Basse Normandie)	FR	1.18			32.12	29.78	
Danone (Pas de Calais)	FR				32.37	31.57	
Lactalis (Pays de la Loire)	FR		0.24		31.83	29.31	
Sodiaal (Pas de Calais)	FR	0.58			31.28	30.29	
Dairy Crest (Davidstow)	UK	0.11	0.34	1.72	31.05	26.67	
Dairygold	IE	0.39			30.59	24.63	
Glanbia	IE				29.89	22.90	
Kerry Agribusiness	IE				29.14	24.84	
Granarolo (North)	IT	1.15	3.42		36.35	36.83	
DOC Cheese	NL	0.03	0.34		30.51	23.96	
FrieslandCampina	NL		0.75		36.39	27.51	3.49
AVERAGE MILK PRICE 2)					32.09	27.47	
Valio	FI				35.10	34.53	0.78
Emmi	CH		3.27		47.81	47.46	
Fonterra 3)	NZ				33.23	27.72	
United States Class III 4)	US	0.19			41.34	33.99	

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 December 2016 averaged € 32.09 per 100 kg standard milk. An increase of € 1.23 compared to the previous month. Compared to December 2015, this is an increase of € 2.91 or plus 10.0 %.

Almost all companies have further increased their milk prices in December. As December milk prices are known it is possible to present an overview for the entire calendar year 2016, at least as regards the monthly milk prices. Some dairies, especially coops, will pay a supplementary payment (13th month payment) in 2017 for the milk delivered in 2016. The definitive 2016 milk prices – including supplementary payments - will be calculated and published in June 2017.

The average monthly payments of all EU dairy companies - so including Valio - was in 2016 € 27.91 per 100 kg. A decrease of € 2.77 or 9.1% compared to 2015. Only in 2009, the average milk price was lower.

Table Average monthly milk prices 2016 and 2015 (€ / 100 kg)

(These milk prices are provisional as the definitive milk prices will include supplementary payments)

	2016	2015	2016/2015
Granarolo (North)	36.83	38.93	-5.4%
Valio	34.53	35.26	-2.1%
Danone (Pas de Calais)	31.57	33.07	-4.5%
Sodiaal (Pas de Calais)	30.29	33.16	-8.7%
Savencia (Basse Normandie)	29.78	32.69	-8.9%
Lactalis (Pays de la Loire)	29.31	31.67	-7.4%
FrieslandCampina	27.51	29.73	-7.5%
Arla Foods DK	27.03	29.13	-7.2%
Dairy Crest (Davidstow)	26.67	34.44	-22.6%
Milcobel	26.40	27.98	-5.6%
Müller(Leppersdorf)	26.10	28.16	-7.3%
Kerry Agribusiness	24.84	28.29	-12.2%
Dairygold	24.63	27.85	-11.6%
DMK	24.21	27.36	-11.5%
DOC Cheese	23.96	26.54	-9.7%
Glanbia	22.90	26.58	-13.8%
Average 1)	27.91	30.68	-9.1%
Emmi	47.46	51.69	-8.2%
Fonterra	27.72	21.05	31.7%
USA class III	33.99	35.82	-5.1%

1) Average including Valio. Milk prices of Valio are based on milk statements of one of its member cooperatives

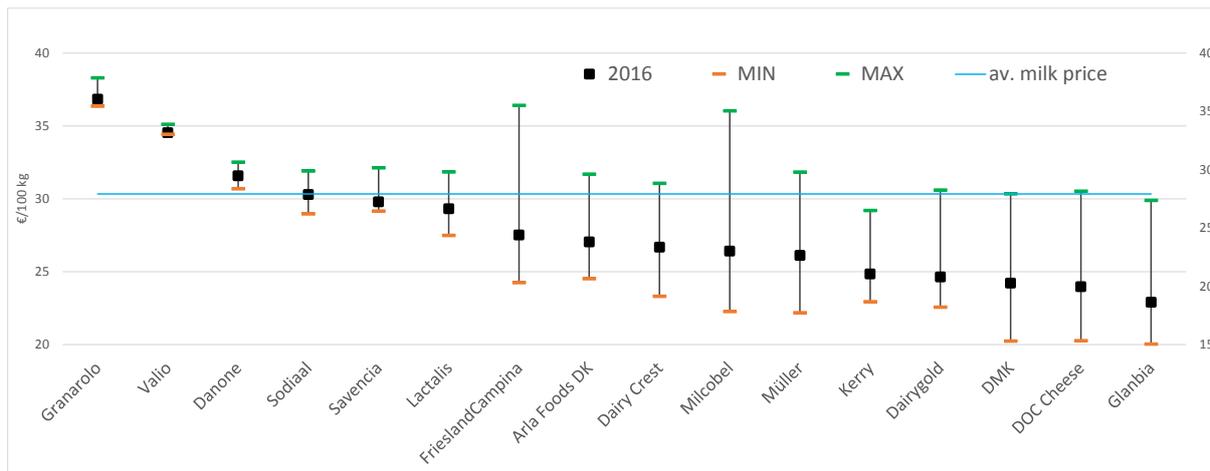
The definitive milk prices of Danone and Sodiaal will also be adjusted for the so-called A and B - prices. This adjustment will result in a slightly lower milk price of both companies. Because both FrieslandCampina and Arla pay a supplement, the definitive milk prices of both companies will be significantly higher than the advance milk prices in the table.

The sharp fall in the milk price of British Dairy Crest is partly due to the devaluation of the British pound against the euro.

In addition to the low milk prices, 2016 was also characterized by a large volatility. At the beginning of the summer monthly milk prices hit rock bottom, while they rose sharply at the end of the year.

The following figure shows per dairy the average monthly milk price and the lowest and highest monthly milk prices in 2016.

Figure Average monthly milk prices and highest and lowest 2016



It seems monthly milk prices fluctuate least for dairy companies with the highest milk prices. The milk price of Valio is based on the monthly milk prices paid by one of the member dairy cooperatives. Only after the end of the milk price year as the financial results of Valio are known, the definitive milk price is determined and could lead to supplementary payments. Maybe this explains the slight fluctuations.

Not only from year to year the variation of the French milk prices compared to the other dairies is relatively limited, but also within the year. The highest difference between the maximum and minimum monthly milk price was € 4.36 (Lactalis € 27.48 in July and € 31.83 in December). This limited volatility is probably a consequence of the French milk price system. Contracts stipulate that the monthly milk prices are derived from national price quotations for various dairy products. This relates largely to consumer milk products, which are sold on the domestic market. These selling prices fluctuate much less than the milk price quotations for dairy commodities, such as butter and milk powder. In addition, under pressure from farmers, the French dairy companies have less reduced milk prices.

FrieslandCampina bases its (guaranteed) price on milk prices of other reference companies in Northwest Europe. For some of them (eg Milcobel, DOC and DMK) price fluctuations are large and so this influence also the FrieslandCampina milk prices. In addition the highest milk price in December 2016 (€ 36.39) included a correction of € 3.50, because of too low estimated prices of the reference companies in earlier months.

Compared to FrieslandCampina the monthly milk price variation of Arla is less, namely between € 24.51 (July and August) and € 31.67 in December.

The monthly fluctuations of the British Dairy Crest milk price can be explained largely by the seasonal bonuses and deductions.

The milk price of Milcobel varies the most. Perhaps this can be explained by their relatively more dependence on the prices of dairy commodities and their policy to link milk prices paid for raw milk

(almost) directly to price developments in the market.

Perhaps the relatively dependence on dairy commodities is also the reason why Irish milk prices are relatively low and fluctuate more. The milk prices of the merged companies DMK and DOC were on average not only low in 2016, but the price difference during the year was also high. In the months of June to August the calculated milk price of both companies was around the € 20.25 per 100 kg, while in December prices rose to over € 30 per 100 kg.

The lowest monthly milk price in 2016 was € 20.03 per 100 kg, calculated for Glanbia in May and June. However, the Irish dairy farmers supplying Glanbia Ingredients received in 2016 a support bonus of Glanbia coop averaging € 1.35 per 100 kg. This bonus is not included in the calculated milk price, because it is drawn from the reserves of the cooperative and not related to results and/or performance of Glanbia Ingredients.

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

Milcobel: + 2.5

Muller: + 0.3

DMK: +1.0 and January 2017 + 1.0. The calculated milk price of DMK is exclusive of the sustainability (Milkmaster) bonus.

Arla: + 2.0 , January 2017 + 2.0 and February + 1.0.

Savencia: +1.5.

Danone (A-price): -0,1.

Lactalis: + 0.5.

Sodiaal (A-price): + 0.9.

Dairy Crest + 2.3. Both January and February 2017 prices increase with 2 pence per liter (ppl) or about € 4.7 in total.

Dairygold: + 1.4

Glanbia Ingredients Ireland (GILL): +0.9

Kerry: -0.1

Granarolo: unchanged.

DOC Cheese: +1.0 and January 2017 + 1.0. Milk is exclusive of sustainability bonus.

FrieslandCampina: + 4.4, January -3.0 and February +0.5. In the guaranteed milk price of December a correction of € 3.50 was included because of too low estimated of the reference companies in earlier months. For this reason January milk price fell with 3.0.

Average: + 1.23

Valio: unchanged

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

Emmi: + 0.1.

Fonterra: + 0.3 due to the devaluation of the NZ\$ compared to the euro.

USA: + 2.6

The US Class III milk price increased from \$ 16.76 in November to \$ 17.40 per hundredweight (45.36 kg) in December.

MARKET SITUATION

Official Dutch dairy quotations (€ per 100 kg)

(Source: ZuivelNL)

	1/2/2017	4/1/2017	Average 2016
Butter	407	436	325
Whole milk powder	304	320	225
Skimmed milk powder	202	215	180
Whey powder	84	83	64

EU milk supply in November was nearly 4% behind the level of last year. For the sixth consecutive month, there was a decline reducing the cumulative growth compared to 2015. Largest decreases were recorded in France, Germany and the United Kingdom.

Also in South America (Argentina, Brazil and Uruguay) and Australia there is for some time a sharp decline in milk production. Also New Zealand milk supply decreases, due to the adverse weather conditions. The US is the only significant exporting country with a significant increase in milk production. A growth of 2- 3% was recorded in the latest months of 2016.

Until the end of December there was a solid market with a positive undertone. In particular, the fat based dairy products like butter and whole milk powder made a big price jump and reached a high level.

Since the beginning of 2017, the dairy market became a little under pressure. The butter market weakened due to the limited demand, causing prices gradually go down. However, butter prices are still at a high level. The prices of whole and skimmed milk powder are under pressure, despite the fact that Europe prices are quite competitive on world markets. This is mainly due to sluggish demand in both the European market and the world market. Also release of skimmed milk powder from private storage influence the market.