

STANDARDIZED MILK PRICE CALCULATIONS FOR FEBRUARY 2021 DELIVERIES

Prices in euro per 100 kg standard milk with 4.2% fat, 3.4% protein, 1,000,000 kg per year, tbc 24,999 per ml and scc 249,999 per ml, VAT excluded

Company		prices (€/kg) ¹		Bonuses/deductions (included) ²					MILK PRICE this month	av. last 12 months ³	recent ⁴ suppl. payment
		fat	protein	quality	quantity	season	sustainability	Milk flows			
Milcobel	BE	3.80	3.80	0.73	1.13				30.62	29.07	
Müller(Leppersdorf)	DE	2.52	4.54	0.51	0.71			0.99	32.86	31.54	
DMK Deutsches Milchkontor eG	DE	3.53	4.59		0.20		0.33	0.59	31.32	31.98	
Hochwald Milch eG	DE	2.50	5.00	0.77			0.65	1.00	32.90	33.34	0.79
Arla Foods DK	DK	3.38	4.73	0.85			1.99		32.12	32.56	2.09
Capsa Food	ES	3.00	3.00						31.83	31.66	
Valio	FI	3.90	6.50				1.94		36.08	35.92	1.07
Savencia (Basse Normandy)	FR	2.95	5.43	1.18					34.60	34.24	
Danone (Pas de Calais)	FR	2.96	5.39						33.41	34.78	
Lactalis (Pays de la Loire)	FR	2.60	6.60		0.39		0.07		34.24	34.19	
Sodiaal (Pas de Calais)	FR	2.96	5.39	0.58		-0.49	0.10		34.75	34.77	0.19
Saputo Dairy UK (Dairy Crest)	UK	2.96	5.93	-0.56	0.78	2.22			34.10	30.64	
Dairygold	IE	3.84	6.28	0.39		1.94	0.10		36.00	30.93	
Glanbia	IE	3.56	6.40			2.76			35.98	30.56	0.15
Kerry Agribusiness	IE	4.00	6.01				0.10		33.45	31.37	
Granarolo (North)	IT	2.13	4.79	0.75					39.32	38.29	
FrieslandCampina	NL	2.81	5.62				0.24	0.66	34.16	33.40	
AVERAGE MILK PRICE⁵									33.98	32.90	
Emmi	CH	1.84	6.45		4.31	-3.59			48.13	50.35	
Fonterra	NZ	4.55	4.55						34.58	32.72	0.23
United States Class III	US	2.62	5.43	0.15					31.98	38.12	

1) Payment per % fat and % protein above or below 4.2% and 3.4% respectively. France and US true protein and not in crude protein as in most European countries.

2) These premiums and deductions are included in the milk price, but it is not a complete list. There may also be other premiums and deductions included.

3) Weighted average based on the basis of national monthly deliveries exclusive of most recent supplementary payment.

4) The most recent supplementary payment is stated to give an indication of a possible supplement to the monthly milk prices after the calendar year.

5) Arithmetic average

MILK PRICES

The calculated monthly milk prices in February 2021 averaged to € 33.98 per 100 kg of standard milk. This is an increase of € 0.21 compared to the previous month. Compared to February 2020, the average milk price decreased by € 0.22 or -0,6%.

As of the January 2021 publication, Capsa's milk prices have been included in the average milk price from January 2019. As a result, the average milk prices for the calendar years 2020 and 2019 have fallen by approximately € 0.08 and € 0.15 per 100 kg of milk respectively.

Again - and that for the 9th consecutive month - the average milk price has risen. Since May 2020, the average milk price has increased by € 1.80 per 100 kg (+5.6%). The biggest increase in February compared to January is the calculated milk price of Glanbia (+€ 1.07). This is entirely due to the higher valuation of fat and protein in February and would have been higher if the seasonal supplementary payment had not been reduced. Other solid risers are Kerry (+€ 1.00), Saputo (+€ 0.76), FrieslandCampina (+€ 0.72) and Dairygold (+€ 0.71). For most of these companies, the increases are the result of a higher fat and protein valuation and, in the case of FrieslandCampina, also a higher price for lactose. This is not the case for Saputo, as the calculated milk price for this company only increased due to a currency effect, while the local milk price in fact remained stable. Of all dairy companies included in the average, the German Hochwald showed the largest drop in February (-€ 1.00). However, the calculated milk price of the Swiss Emmi, which is not included in the general average, showed by far the largest decrease in February (-€ 3.59). This decrease was mainly related to a seasonal deduction, which became applicable in February.

In the United States, the Class III milk price had to take the same step back in February after the modest rise in January, bringing it back to the level of December. The decrease in the calculated milk price in euros was partly limited by a slightly stronger dollar exchange rate in February. Signals from New Zealand remain positive. At the beginning of March, Fonterra again announced an upward adjustment of the milk price forecast for the current season, which amounted to a plus of approximately € 1.82 euros per 100 kg of standard milk.

In the meantime, the market development gives rise to cautious optimism with regard to price developments for the coming period. On the one hand, after a year with Covid-19 pandemic, the prospect of being able to open up society again is slowly but surely improving in many places, which may further stimulate demand. On the other hand the moderate milk production development in Europe does not give rise to expecting a major imbalance between supply and demand in the short term. However, how all this will ultimately translate into milk price developments for the coming period remains difficult to estimate.

The first signals from the dairy companies however are predominantly, cautiously, positive. For example, the milk price of Arla is expected to increase a little in March (+€ 0.5) and then increase further in April (+€ 1.5). FrieslandCampina also shows a plus for March and April of € 0.2 and € 0.7 respectively. The milk price of Milcobel rises sharply in March by € 2.10, while the milk price of Saputo remains unchanged up to and including April. DMK will see a price recovery in March to the level of January (+€ 0.5) and the upward trend is expected to be continued in April (+€ 1.0). Also Emmi's calculated milk price is expected to increase further in March and April, compared to February. For this dairy company, the seasonal deduction applicable from February reduces the absolute level of the calculated milk price.

Price changes in February 2021 (€ per 100 kg) compared to the previous month and additional information per company.

Milcobel: +0.5 / March +2.10

Müller: +0.25

The milk price includes a bonus of € 0.99 per 100 kg for the use of GMO-free feed (VLOG certified). All collected milk is GMO free.

DMK Deutsches Milchkontor eG: -0.5 / March +0.5 / April +1,0

The milk price includes an (average) bonus of € 0.33 for participation in the Milkmaster sustainability program and an average bonus of € 0.59 for the use of GMO-free feed. About 60% of the collected milk is GMO free (VLOG certified) and receives a bonus of € 1,00 per 100 kg. At the beginning of March, TopAgrar magazine reported that by 2020 80% of the processed milk at DMK was GMO free. This would mean that the supplementary payment currently included in the model is slightly lower than the actual situation. As soon as this is confirmed by DMK in the annual report, this new starting point will be included retroactively.

Hochwald eG: -1.0

Due to an adjustment of the conversion factor from liters to kilograms – from January 2021, 1 liter equals 1.03 kg (was 1.02 kg) – the calculated milk price has increased by approximately 1% (x 1.03 / 1.02). The milk price includes an average bonus of € 0.65 for participating in the sustainability program MilchPlus (was € 0.71 in 2020) and the allowance of € 1.00 per 100 kg for the use of GMO-free feed. All milk collected is GMO free (VLOG certified).

Arla: (nearly) unchanged / March +0,5 / April +1.5

The milk price includes a bonus of € 0.99 for participation in the quality and sustainability program Arlagarden Plus and a bonus of € 1.0 for the Climate Check programme, but excludes a bonus of € 1.0 per 100 kg for the use of GMO-free feed (participation about 25%). By the way, the Arlagarden Plus premium will expire from April, as the associated sustainability requirements are now mandatory for every Arla dairy farmer and the costs thereof will from now on be included in the regular milk price via the fat and protein valuation.

Capsa Food: +0.1

Valio: unchanged

The milk price includes a bonus of € 1,94 for participation in the sustainability/animal health program NASEVA. Milk prices of Valio are based on milk statements of one of its member coops.

Savencia: -0.2 / March unchanged

Danone: (A-price): unchanged

Danone's milk price is based on a contract whereby 50% of the A- milk price development is determined by market indicators and 50% by cost price development at dairy farms.

Lactalis: unchanged

The milk price includes a premium of € 0.07 per 100 kg for participation in the national programme Carte des Bonnes Pratiques d'Élevage (CBPE).

Sodiaal (A-price): +0.1

La Route Du Lait (LRDL) is Sodiaal's sustainability programme. Dairy farmers receive a premium of

€ 0.10 per 100 kg for participation which is included in the milk price. In February a seasonal deduction on the A price of 0.49 euros per 100 kg of standard milk applied. As a result, the milk price rose less than could be expected on the basis of the increase of the A price.

Saputo Dairy UK: +0.7 due to an increase of British pound against the euro. In pence per liter and before seasonality the milk prices remain unchanged till the end of April 2021. The milk price is based on producer prices for supplying the Davidstow cheese factory.

Dairygold: +0.7

The basis of this increase lies in the approximately 5% higher valuation of fat and protein. In contrast, the seasonal early calving bonus was reduced by 1 cent, to 2 cents per liter, which dampened the increase significantly. The milk price includes a bonus of € 0.10 for the national sustainability program SDAS (Sustainable Dairy Assurance Scheme), but the bonuses for participating in milk recording (0.1) and Cattle breeding groups herd health (€ 0.05) are not taken into account.

Glanbia Ingredients Ireland: +1.1 due to mainly higher fat and protein values.

Glanbia uses two winter milking schemes. The most common scheme was chosen retroactively, with a Late Supply Bonus of 2 cents per liter (cpl) in December and seasonal bonuses of 4 and 3 cpl in January and February respectively. Excluding 5.6% VAT and per 100 kg these bonuses correspond to € 1.9, € 3.8 and € 2.8 per 100 kg. The milk price includes a payment of € 0.40 as a share of the profit by Glanbia Ireland.

When announcing the milk price, Glanbia nowadays also often mentions a milk price based on LTO constituents. For February this was 39.40 c/l. When taking into account VAT (5,6%) and the liter-kg conversion (1.03), this amounts to 36.22 euros per 100 kg, which is slightly higher than the figure calculated by the milk price comparison model (+0.25). This difference is probably due to the variable component in the profit bonus, which is fat-protein dependent and is not (yet) included in the LTO milk price model.

Kerry: +1.0

The increase in the milk price is one on one related to the higher fat and protein prices, which rose by 2.7%. The milk price includes a bonus of € 0.1 for the SDAS sustainability program.

Granarolo: Unchanged

FrieslandCampina: +0.7 / March +0.2 / April +0.7

From 2020, the calculated milk price includes an (average) supplement of € 0.24 per 100 kg for the Foqus planet quality and sustainability program. Up to now, this supplement was not included, because until 2019, the total of payments paid out had been equal to the deductions, so on average zero. From January 2020, according the 2020 annual report, an average of € 0.24 per 100 kg has been paid by the company.

The average supplement for outdoor grazing has been increased retroactively from January 2020 from € 0.65 to € 0.66 per 100 kg. Almost 84% of Dutch dairy farmers receive an outdoor grazing premium.

AVERAGE: +0.21

Emmi: -3.6

This decrease is entirely due to a seasonal deduction of 4 rp/kg, which became applicable in February. As from January this year, the mandatory deduction (from October 2019) of 3.6 Swiss francs per 100 kg for the BOM fund has been included retroactively. The money from this fund of the Branch Organization Milk ('*Branchenorganisation Milch*' -BOM) is used for 'import defense' and raw material discounts for the food industry.

The milk price does not include the supplement to the A price of approx. € 2.75 per 100 kg of milk for the national sustainability program “Swiss milk green”. The milk is produced under the Suisse Garantie label, which means, among other things, that no GMO feed is used.

Milk prices are based on milk statements of a producer organization that supplies milk to Emmi.

Fonterra: On March 5th 2021, Fonterra again increased its milk price forecast for the current milk price year 2020/21, from range NZD 6.90-7.50 to NZD 7.30-7.90 per kg of milk solids. The calculated milk price is based on the mid-point 7.60 (was 7.20) NZD per kg of milk solids.

USA: -0.5

Expressed in dollars, the US class III milk price decreased from \$ 16.05 in January 2021 to \$ 15.75 per cwt (hundredweight (45.36 kg) in February 2021. A slight recovery of the US dollar against the euro dampened for € 0.20 the decrease in the milk price, as expressed in euro/100 kg.

MARKET SITUATION

(Source: ZuivelNL www.zuivelnl.org)

Official Dutch dairy price quotations (€ per 100 kg)

	31/3/2021	24/2/2021	avg. 2020
Butter	404	365	326
Whole milk powder	330	296	276
Skimmed milk powder	252	239	220
Whey powder	102	91	72

The Dutch milk supply fell by more than 5% in February. Also when corrected for the leap year in February 2020, there was still a reduction of almost 2%. This decline was stronger than in January and appears to be mainly the result of the cold and wet weather conditions. Total milk supply up till February amounted 2.27 billion kg, 3.3% less than in 2020.

EU milk supply lagged behind by more than 1% in January. In December there already had been a clear leveling off in growth. The largest decreases took place in Germany, France and the Netherlands. Ireland and Poland saw their production volumes increase slightly.

Milk production in the other globally important dairy exporting countries showed a positive picture in January. Strong increases again took place in Argentina (+6%) and Uruguay (+6%). The US recorded an increase of more than 2%. New Zealand’s milk supply increased by almost 1%, comparable to December. Australia recovered strongly in January (+3%), after stagnating in the last quarter of 2020. The aggregated production volume of the major dairy exporters (including the EU) was 0.8% higher in January 2021 than in the same month of 2020 (+0.2 billion kg).

The dairy market has become a lot more dynamic since the beginning of January. The Dutch butter quotation rose sharply until mid-March. In the second half of March this came to an abrupt end and a price correction followed. On the one hand, this seemed to be a reaction to the prices that had risen too fast. On the other hand, the big (ger) buyers are currently absent from the market, which ensures a modesty in demand. The price of skimmed milk powder further increased in March after the stable month of February. However, the market appears to be calming down and many buyers have provisionally fulfilled their needs for coverage. The quotation of whole milk powder rose with the prices of skimmed milk powder and butter. From mid-March, the price level stabilized under the influence of lower fat prices.