

### STANDARDIZED MILK PRICE CALCULATIONS for July 2020 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) <sup>1</sup>		Bonuses/deductions (included) <sup>2</sup>					MILK PRICE this month	av. last 12 months <sup>3</sup>	recent <sup>4</sup> suppl. payment
		fat	protein	quality	quantity	season	sustainability	Milk flows			
Milcobel	BE	3.55	3.55	0.73	1.13				<b>28.73</b>	31.11	
Müller(Leppersdorf)	DE	2.52	4.54	0.51	0.71			0.99	<b>30.68</b>	31.83	
DMK Deutsches Milchkontor eG	DE	3.88	3.88		0.20		0.33	0.59	<b>30.40</b>	32.20	
Hochwald Milch eG	DE	2.50	5.00	0.76			0.69	0.99	<b>32.63</b>	33.41	0.79
Arla Foods DK	DK	3.62	4.34	0.85			1.99		<b>31.83</b>	32.62	1.43
Valio	FI	3.90	6.50				1.94		<b>35.88</b>	35.88	1.07
Savencia (Basse Normandy)	FR	2.95	5.43	1.04					<b>34.46</b>	34.73	
Danone (Pas de Calais)	FR	2.96	5.39						<b>37.10</b>	34.83	
Lactalis (Pays de la Loire)	FR	2.60	6.60		0.39		0.07		<b>33.48</b>	34.82	
Sodiaal (Pas de Calais)	FR	2.96	5.39	0.58			0.10		<b>34.66</b>	34.93	0.19
Saputo Dairy UK (Dairy Crest)	UK	2.81	5.62	-0.54	0.75	-2.15			<b>28.06</b>	31.86	
Dairygold	IE	3.50	5.73	0.39			0.10		<b>30.80</b>	30.20	
Glanbia	IE	3.28	5.89						<b>30.29</b>	29.89	0.36
Kerry Agribusiness	IE	3.77	5.65				0.10		<b>31.27</b>	30.82	
Granarolo (North)	IT	2.13	4.79	0.75					<b>37.87</b>	39.33	
FrieslandCampina	NL	2.65						0.65	<b>32.00</b>	34.05	1.31
<b>AVERAGE MILK PRICE<sup>5</sup></b>									<b>32.51</b>	<b>33.28</b>	
Capsa Food	ES	3.00	3.00						<b>31.69</b>	31.54	
Emmi	CH	1.87	6.54		3.46	3.64			<b>55.37</b>	52.99	
Fonterra 3)	NZ	3.79	3.79						<b>28.82</b>	32.00	
United States Class III 4)	US	3.77	10.83	0.25					<b>52.67</b>	40.21	

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 July 2020 averaged to € 32.51 per 100 kg of standard milk. An increase of € 0.21 compared to the previous month. Compared to June 2019, the average milk price decreased with € 1.12 or - 3.3 %.

Just like the previous month, the average milk price also rose slightly in July. With the exception of Arla (- € 0.7), all dairy companies have increased or not changed their milk prices. The milk price of Danone rose the most, namely by € 1.9 due to a seasonal supplement.

The average milk price is expected to rise also slightly in the coming months. For example, in August the milk prices of FrieslandCampina (+ € 1.0), Lactalis (+ € 0.6) and DMK (+ € 0.5) rise. In addition, the milk prices of Granarolo and Arla (also in September) remain the same. The calculated milk price of Saputo Dairy UK will also remain unchanged in August, but will increase in September due to the expiry of the seasonal levy.

The registered producer organization Dairy Crest Direct (DCD) and their milk buyer Saputo Dairy UK have not reached an agreement on the September milk price. DCD argued for an increase given the boom in retail cheese sales in English supermarkets. However, to DCD's disappointment, Saputo has decided to leave the milk price unchanged.

With the exception of the Irish dairy companies, Capsa and Valio, all milk prices are lower compared to July 2019. The calculated milk prices of Kerry (+ € 1.3), Glanbia (+ € 0.6) and Dairygold (+ € 0.5) have increased as well as Capsa (+ € 1.0), while the July milk price of Valio is the same as in the previous year. In fact, the monthly milk prices of Valio have not changed at all since July 2019.

Outside the EU, milk prices of the Swiss Emmi (+ € 3.6 due to seasonal supplement) and in the United States have increased. In the United States there are extreme fluctuations in milk prices (see also the notes in the publication of May milk prices). The class III milk price has more than doubled in just two months, namely from \$ 12.14 in May to \$ 24.54 per cwt (= 45.36 kg) in July. But as prices rise it is not a surprise they will also fall again. Based on the most recent CME<sup>1</sup> Class III milk future settlements it is to be expected that the class III milk price will decrease to around \$ 19.6 per cwt in August and between \$ 17 and \$ 18 per cwt the rest of this calendar year.

## Development of milk prices in the United States

Due to the COVID-19 crisis, the selling prices of, among other things, cheese have started to fluctuate enormously in the US. This is expressed in the so-called class III milk price, which is based on milk that is processed into cheese. Although the class III price is normally a good indicator of the development of milk prices paid in the US, it must be emphasized that the class III milk price is not equal to the average milk price farmers receive. The main difference is that there is a regional pooling of the different classes of milk (classes I, II, III and IV). This usually leads to a higher average milk price, because, for example, the class I price (based on fluid milk products) is mostly higher than the class III price. However, because the extreme rise in cheese prices has only been followed sparingly by higher prices in the other classes, this pooling is currently not leading to a higher, but rather a much lower average price. The US government (USDA) also collects the milk prices received (mailbox prices) and publishes averages for all milk. The national average of the all milk price rose in June to \$ 18.10 per cwt or 33% compared to May. For comparison, the class III milk price increased by 73% to \$ 21.04 in this period.

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<sup>1</sup> Chicago Mercantile Exchange

The conclusion is therefore that the milk prices received by most farmers in the US have risen much less than the class III milk price. However the differences in fluctuations between states and individual dairy farmers can be very significant. For example, not all milk is pooled and in addition deductions and/or supplements can differ per dairy. How large the milk price fluctuations can be in individual cases is evident from the fact that a considerable number of dairy farmers have been forced to dump their milk in April.

**Price changes in July 2020 (€ per 100 kg) compared to the previous month and additional information per company**

**Milcobel:** unchanged for the fourth consecutive month

**Müller:** unchanged

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:** unchanged, August +0.5

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.

**Hochwald eG:** unchanged

The milk price includes a bonus of € 0.59 for participating in the sustainability program MilchPlus and an average bonus of € 0.99<sup>3</sup> per 100 kg for the use of GMO-free feed. From April all milk collected is GMO free (VLOG certified).

**Arla:** -0.7 ,August and September unchanged

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%).

**Valio:** unchanged for the twelfth consecutive month

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 cooperati

**Savencia:** +0.5, August -0.3 and September -0.2

**Danone:** (A-price): +1.9 due to seasonality

The milk price of June has been corrected (+0.97) by including seasonality.

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:** +0.1 ,August +0.6

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

**Sodiaal (A-price):** +0.5

La Route Du Lait (LRDL) is Sodiaal's sustainability programme. Dairy farmers receive a premium of € 0.10 per 100 kg for participation.

**Saputo Dairy UK:** -0.2 due to a currency effect

The price before seasonality is unchanged until the end of September.

The milk price is based on producer prices for supplying the Davidstow cheese factory.

**Dairygold:** +0.5

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:** unchanged

The milk price includes a payment of € 0.40 as share of Glanbia Ireland profit.

**Kerry:** unchanged

The milk price includes a bonus of € 0.1 for the SDAS sustainability program.

**Granarolo:** unchanged in July and August

**FrieslandCampina:** + 0.5 and August +1.0

The milk price includes an (average) bonus of € 0.65 for outdoor grazing. 83% of Dutsch dairy farmers receive an outdoor grazing premium.

**AVERAGE:** +0.21

The milk price in June has been increased retroactively to € 32.30 (was € 32.24) per 100 kg (see comment on Danone).

**Capsa Food** unchanged

The previously published provisional milk prices have been updated from April to June which led to an increase of € 0.39 per 100 kg of these monthly milk prices

**Emmi:** +3.6 mainly due to a seasonal bonus and a small increase of the B-price

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 Guarantee 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:** +0.1 due to a currency effect.

The calculated milk price is based on the mid-point 6.40 of the most recent forecast ranges (5.90-6.90) for the milk price and assumed earnings of 0.20 or in total  $6.40+0.20= 6.60$  NZ\$ per kg milk solids.

**USA:** +6.6

The calculated Class III prices are based on USDA announcements of class and component prices. Expressed in dollars, the US class III milk price increased from \$ 21.04 in June to \$ 24.54 per cwt (hundredweight (45.36 kg)) in July 2020.

**MARKET SITUATION**

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

Official Dutch dairy price quotations (€ per 100 kg)

	<b>26/8/2020</b>	<b>29/7/2020</b>	<b>Average 2019</b>
Butter	335	333	382
Whole milk powder	270	272	293
Skimmed milk powder	205	215	213
Whey powder	67	70	71

The increase in the Dutch milk supply continued in July (+ 1.1%). The volume in the period January to July was 2.2% more than in the same period in 2019. The EU milk supply (including the United Kingdom) recorded a plus of almost 1% in June. In April and May the volumes remained virtually unchanged. Ireland and Poland in particular showed an increase in June. In Germany and France, the volume remained virtually unchanged this month. On balance, the EU milk supply increased by 1.2% in the first half of 2020.

Milk production in the other globally important dairy exporting countries showed an increase in June. The strong recovery in the South American countries Argentina (+ 11%) and Uruguay (+ 6%) continued. This was also the case in Australia (+ 5%). The US saw milk production increase by almost 1%. New Zealand achieved growth for the second month in a row in the seasonally low production month of June. The aggregated volume of the major dairy exporters (including the EU) was 1.8% higher in the first half of 2020 than in the previous year.

The butter market is still unchanged and stable. After the sharp rise at the beginning of July, the butter price quotation has remained at the same level. There is little buying interest. However, producers do not experience any sales pressure as the availability of fresh cream is limited. The price quotation of skimmed milk powder fell from the end of July to mid-August, after which it stabilized in the second half of August. Skimmed milk powder from the US is still cheaper than from Europe, a price difference that is magnified by the unfavorable EUR/USD exchange rate for Europe. This means that sales to various export destinations are difficult, or have now disappeared. The price quotation for whole milk powder remained virtually unchanged in July and August. European whole milk powder is not interesting for buyers on the world market at the current price level.