Outlook for the EU dairy market

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ADPI Roundtable,
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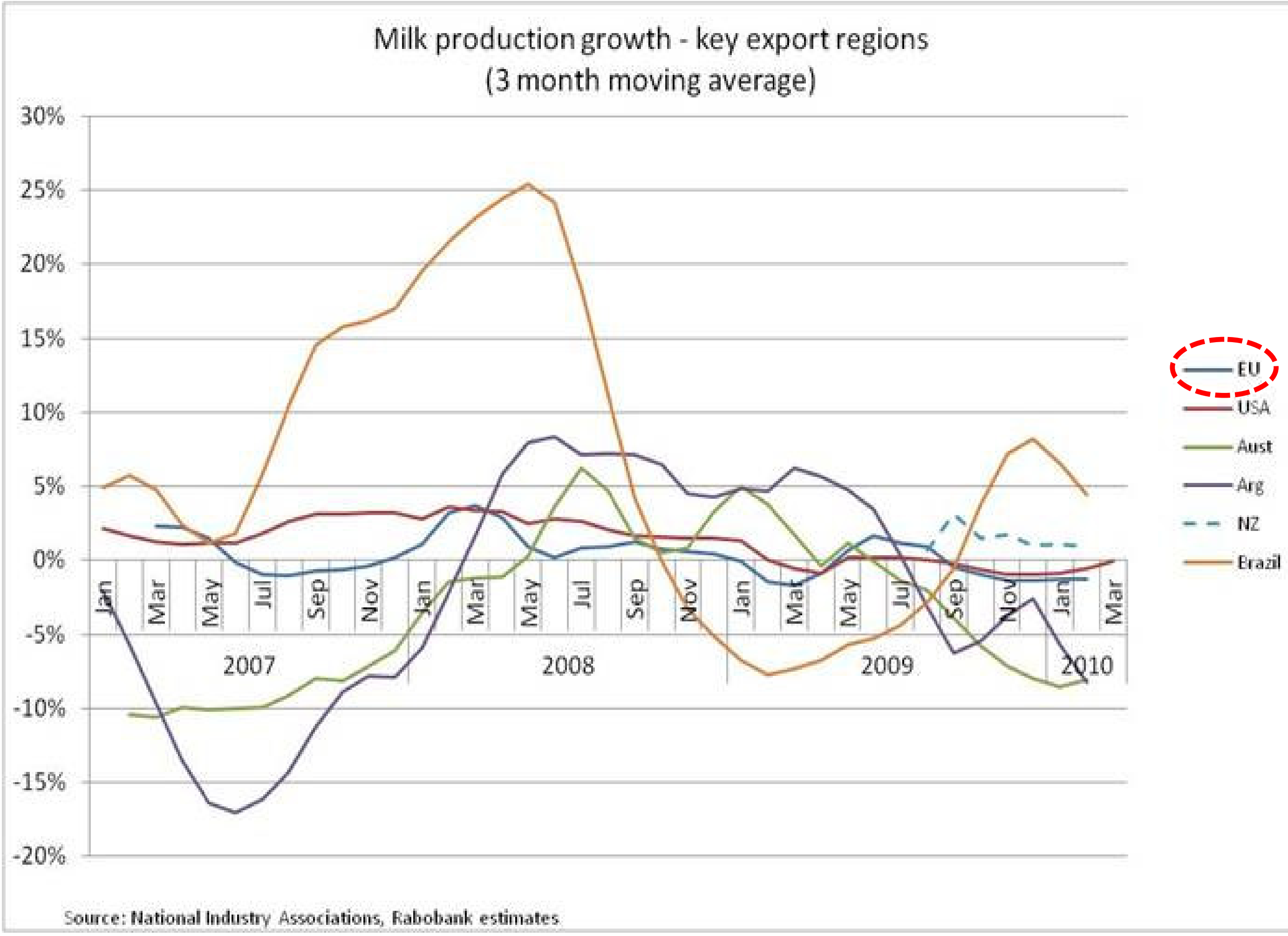
2009 EU milk supply contracted by 0.6% ….



…. but overall sensitivity to milk prices seems very modest

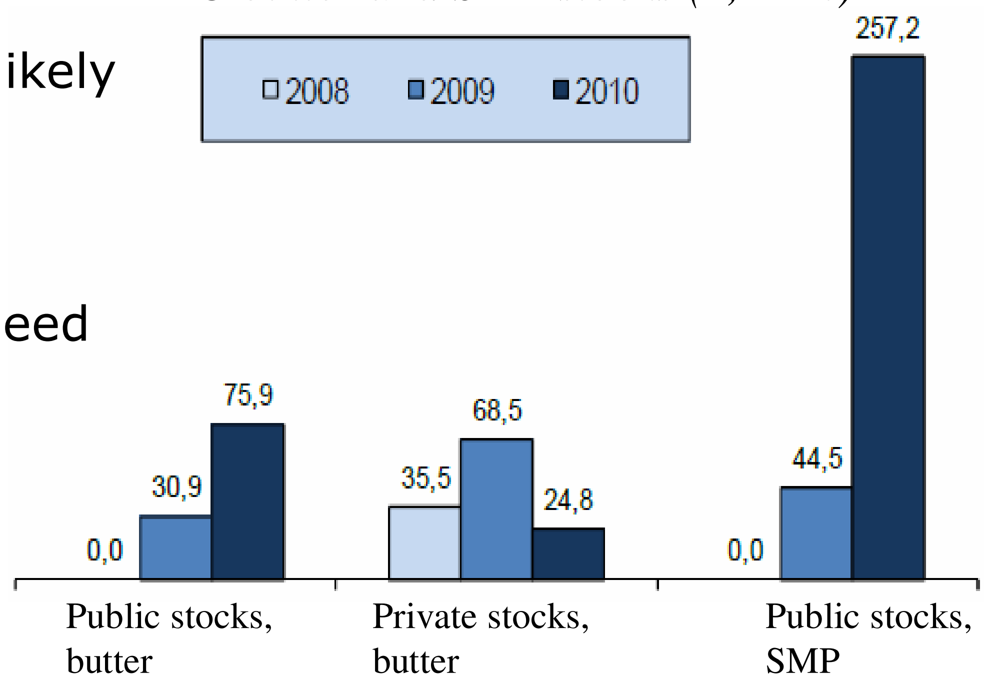
Rabobank

Short-term outlook for the EU market

Rabobank

- Local demand growth is still slow …
- … but export demand is picking up and buyer stocks are still below average
- 2010 Production profile will likely favour cheese and whey, rather than butter and SMP
- Significant SMP stocks still need to be cleared

EU butter and SMP stocks (1,000 t)



Lessons learned in the past 2 years

- The recent price recovery came just in time for most European farmers
- European milk production is largely insensitive to milk price changes
- A low level of fixed costs helps to overcome milk price volatility

Production cost of milk in the EU, (€/100kgs, avg 2006-2008)