



**Press Statement**

**26 March 2013**

## **Farmers welcome new Dairy Crest Formula Contract**

Farmers supplying Dairy Crest have shown their support for the new Formula Contract developed by independent consultant Stephen Bradley.

At the close of the application process the target volume of 100 ml had been filled with 175 farmers opting to place either all or part of their milk supply on the Formula Contract for the coming milk year.

DCD Chairman, David Herdman welcomed the result. "It is very encouraging to see that around 30% of our members on Liquid contracts have committed to the Formula. Developing greater trust and transparency within milk pricing has always been a DCD priority and we are pleased that, working with Dairy Crest, we have jointly brought this Formula to reality - a first for farmers on standard Liquid contracts".

Dairy Crest Group Procurement Director, Mike Sheldon, commented. "I'm really pleased that our farmers have shown their support for this new concept for determining the movements in our raw milk price. This result indicates they value the simplicity and transparency which underpins our Formula. We now have a great opportunity to move forwards with our farmers and look to expand Formula based pricing beyond standard Liquid contracts. I also want to focus on working closely with DCD on projects to benefit Dairy Crest and our farmers."

Dairy Crest has informed farmers that they have been successful with their Formula Contract applications.

**- Ends -**

**For further information please contact:**

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Notes:

- Dairy Crest was the first dairy processor to commit to the terms of the Defra Voluntary Code of Best Practice for Dairy Contracts.
- The Dairy Crest / DCD Formula Contract – developed by independent consultant Stephen Bradley – derives the movement in the liquid milk base price.
- The April start price is 29.95 ppl on a standard litre basis – a 0.1ppl premium to the April standard Liquid price (as published by milkprices.com).
- The objective of a Formula Contract was to develop a pricing process that is:
  - Simple & transparent
  - Responsive
  - Robust for the future
  - Trusted by farmers.
- The new Formula Contract uses 5 published indices:
  - Dairy Markets: Bulk Cream & Retail Liquid Milk Price
  - Farm Costs: Feed, Fertiliser and Fuel.
- Dairy Crest offered 100 million litres for the 2013/14 milk year with applications being received by e-mail on a first come, first served basis. The application process has been over-subscribed, but on this occasion Dairy Crest has agreed to accept all the farmers' applications.
- Farmers were able to apply to have all or a proportion (25%, 50%, 75% or 100%) of their monthly milk production on the Formula Contract. A combination of all these options has been received, as farmers have chosen the option that best suits their individual business.
- The Formula Contract offer is from 1<sup>st</sup> April 2013 for 12 months.