

# FORMULA PRICE - MARCH 2014 - CONFIRMED

Dairy Co Datum data declared for JANUARY, impacting the Formula milk price for MARCH.



Net change, **-0.314p/l** to deliver a standard litre price of **30.947p/l\*** (\*mp.com 'flagship')

## BASE PRICE CHANGE - standard seasonality/profile liquid contract variant

Base price	<b>FEBRUARY</b>	<b>27.459</b>
<b>JANUARY data revision</b>		<b>-0.314</b>
Base price	<b><u>MARCH</u></b>	<b><u>27.145</u></b>

## COMMENTARY

This latest reduction is largely as a result of the further £150/t fall to £1,500/t in cream returns for January, the cream market falling by £250/t in the past two months. The Datum Cream Index therefore reduces by -0.87p/l for this month, and by -1.45p/l since November. Latest market reports for cream suggest that these markets have fallen further as UK milk production continues to be as strong, cream now at c £1,350/t in early February.

In contrast to cream, and mitigating that impact to a degree, three of the remaining parameters within the Formula have recorded increases in January, with 4 pint retail milk prices increasing +1p to 129p, 18% concentrate feed markets have strengthened +£5/t, whilst the recent surge in fertilizer prices has impacted with an increase of £20/t in the market for AN. Red diesel prices are largely unchanged despite a small backdated adjustment upwards for December incorporated within this month's data. In summary, the price differential between the reviewed January for March Formula vs existing DC Standard price has now increased to 1.443p/l.

## Formula - April 2014 - REVIEW

Obviously, the market environment that the Formula is now operating in the UK is very different to those during the previous nine years when the Formula was back tested against comparator UK milk prices and launched 12 months ago. DCD therefore met with the Dairy Crest Management Board and submitted a Formula start price rebasing proposal to apply from April. This has been well received, further output expected shortly.

The initial commitment made to the Formula by both DC and DCD was for 12 months. DCD farmer members with a % of milk committed to Formula pricing will be entitled to review their position, and select their contract options to apply from April. More news along with Member Meetings during March where Formula performance through the year, Formula 2014/15 and Formula linked simplified contract options from April will be detailed.

*Data below as declared through each month's Datum review. Any subsequent data revisions are incorporated in the rolling sequencing. Revisions indicated through the struck through data below.*

## FORMULA INDICES - UPDATE

		<u>OCTOBER 13</u>	<u>NOVEMBER 13</u>	<u>DECEMBER 13</u>	<u>JANUARY 14</u>
<b>Cream</b>	<i>£/t</i>	£1,700	£1,750	£1,650	<b>£1,500</b>
<b>Cream Index</b>	<i>ppl</i>	9.66p	9.90p	9.32p	<b>8.45p</b>
<b>Four Pints Retail</b>	<i>4 pints p</i>	127p	127p	127p	<b>128p</b>
<b>Feed - concentrate</b>	<i>£/t</i>	£256	£256	£256	<b>£261</b>
<b>Fertiliser - AN</b>	<i>£/t</i>	£248.50	£253.50	£261.50	<b>£281.50</b>
<b>Fuel - red diesel</b>	<i>p/l</i>	<del>69.15p</del> 68.83p	<del>67.75p</del> 67.60p	<del>68.65p</del> 68.83p	<b>68.47p</b>

*Indices applied via the milk price on a 'month after next basis' i.e. January impacting March price.*

<b>MONTHLY FORMULA CHANGE</b>	<b>-0.254p</b>	<b>-0.195p</b>	<b>-0.228p</b>	<b>-0.314p</b>
<b><u>FORMULA PRICE*</u></b>	<b><u>DECEMBER</u></b>	<b><u>JANUARY</u></b>	<b><u>FEBRUARY</u></b>	<b><u>MARCH</u></b>
	<b><u>31.684p</u></b>	<b><u>31.489p</u></b>	<b><u>31.261p</u></b>	<b><u>30.947p</u></b>
<b><u>DC STD LIQUID PRICE*</u></b>	<b><u>32.390p</u></b>	<b><u>32.390p</u></b>	<b><u>32.390p</u></b>	<b><u>32.390p</u></b>

\*Formula & DC Std Litre p/l comparison for consistency based on mp.com flagship table profile inclusion of 1.10p/l at April '13 Formula launch. Latest mp.com RPA production profile data for Dec = 1.27p/l. All data rounded to 3 decimal places.

**FORMULA INDICES - GRAPH DATA** - Please see the following updates:

**Using standard litre mp.com flagship table.**

JANUARY Dairy Co Datum data utilised to generate the MARCH milk price.

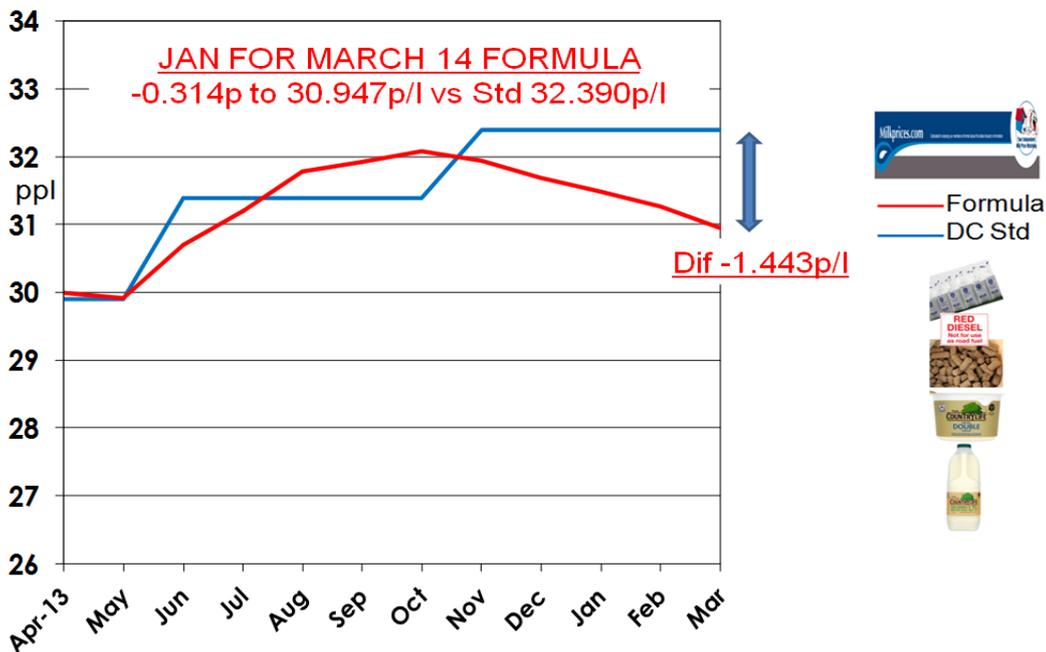
The comparison below made against the existing standard liquid price for March, with an advantage of +1.443p/l in favour of the standard liquid price.

**Milk price difference between Standard Liquid and Formula since launch:-**

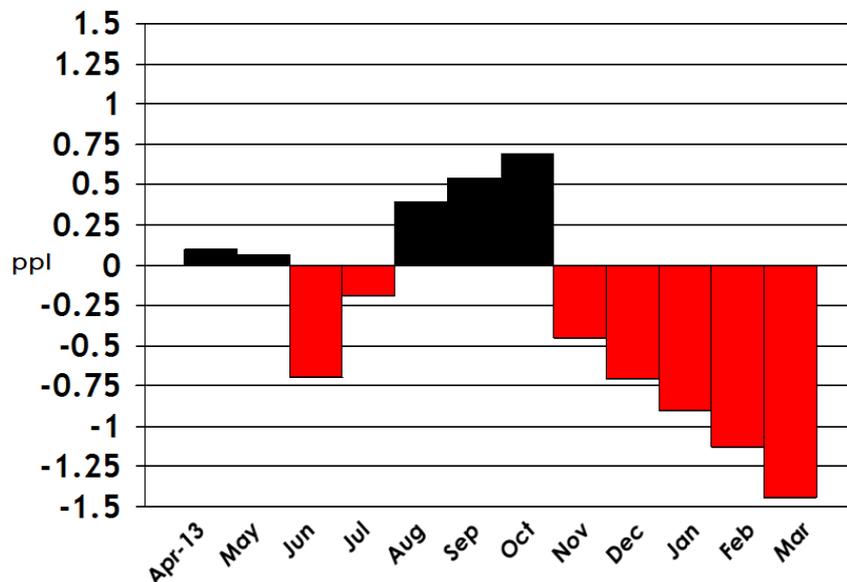
March 2013      29.850p/l    Standard Liquid

March 2014      30.947p/l    Formula, difference +1.097p/l

**FORMULA – Related Price p/l**



**Month by month +/- p/litre differentials Formula vs. Standard Liquid Contract**



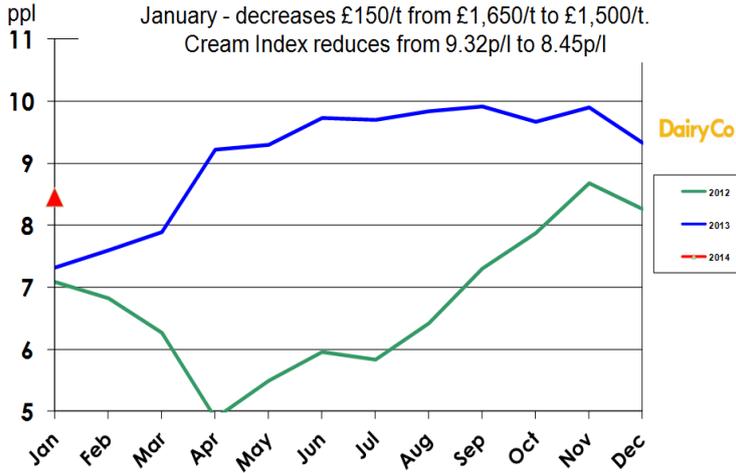
Please see updated parameter charts below - all declared for JAN 2014 by Dairy Co Datum - with permissions.

# FORMULA DATA HIGHLIGHTS - JANUARY 2014

- Cream - decreased by £150/t, and by -0.87p/l to the cream index.
- Retail four pints - increased by +1p to 128p/4pints.
- Feed/concentrates - increased by +£5/t to £261/t.
- Fert - increased by £20/t to £281.50/t.
- Fuel - decreased by -0.36p/l to 68.47p/l, with a revision upwards of the Dept of Climate Change declared fuel stats for December's *Datum* review.
- *Any subsequent revisions are incorporated in the rolling sequencing of the data - see DECC for fuel.*

## FORMULA – Cream Index – p/l

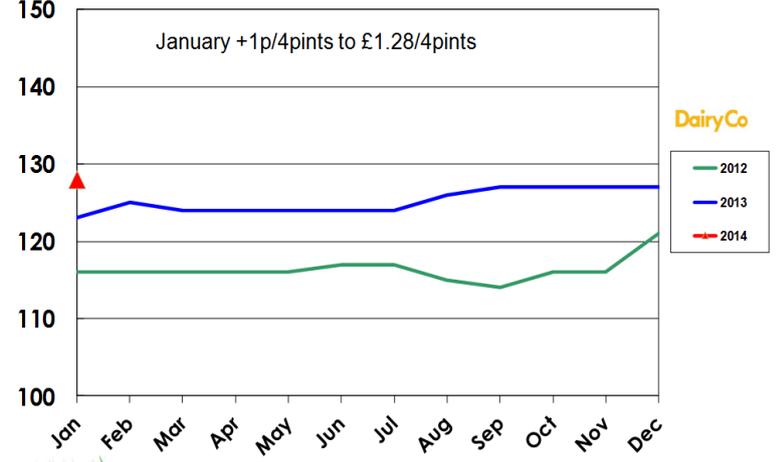
January - decreases £150/t from £1,650/t to £1,500/t.  
Cream Index reduces from 9.32p/l to 8.45p/l



## FORMULA – Retail Sales – 4 pints

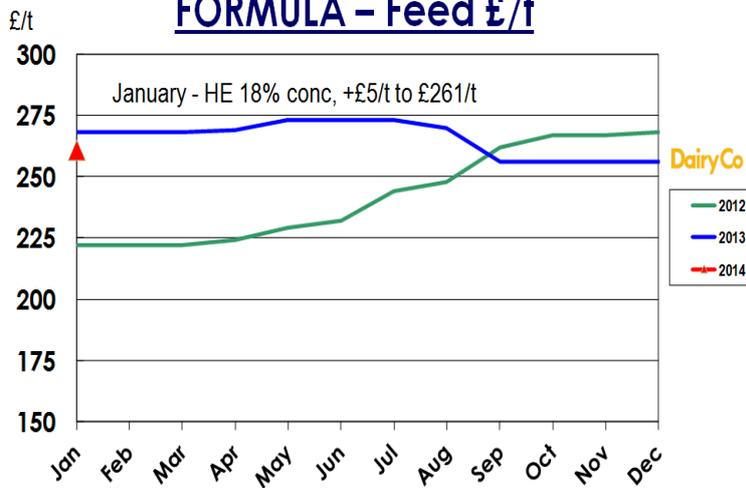
p/4pts

January +1p/4pints to £1.28/4pints



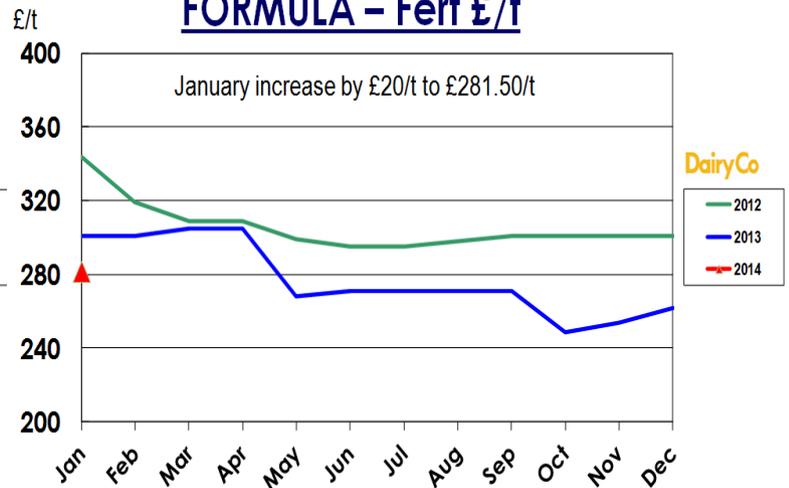
## FORMULA – Feed £/t

January - HE 18% conc, +£5/t to £261/t



## FORMULA – Fert £/t

January increase by £20/t to £281.50/t



## FORMULA – Fuel p/l

January red diesel, down from a revised December 68.83p/l to 68.47p/l.

