

FORMULA CONTRACTS - MAY 2014 - CONFIRMED



MARCH Dairy Co Datum data declared impacting the Formula contract milk prices for **MAY**. (Core Formula example below seasonality/profile variant). All prices milkprices.com 'flagship'



<u>Contract</u>	<u>Launch</u>	<u>Std Litre</u> <u>April 14</u>	<u>Base Price</u> <u>April 14</u>	<u>Price Change</u> <u>May 14</u>	<u>Base Price</u> <u>May 14</u>	<u>Std Litre</u> <u>May 14</u>
Core Formula	April 14*	32.750p	28.588p	-0.435p	28.153p	32.315p
Simplified Formula	April 14	32.560p	30.960p	-0.435p	30.525p	32.125p
Standard Liquid Comparison		32.560p	28.588p	n/c	n/c	32.560p

*Core Formula standard litre includes +0.19p/l premium for those that committed volume from April 14

COMMENTARY

As detailed within the Formula scenarios presented at the recent Liquid Member Meetings, latest Dairy Co data for March has resulted in a reduction in milk price for May, down -0.435p/l from the rebased April position.

This latest reduction is largely the result of the decline in the sequencing involved with the cream indices in the Formula mechanism. Cream values during March rose by £50/t, this following three consecutive reductions where a cumulative steep decline of £420/t resulted for the November/February period. The improvement recorded for March largely the result of approaching and improved Easter market prospects, and in greater stability being reported within butter markets where cream returns are usually closely correlated.

Although of limited impact within the Formula, the latest 'retail price wars' on 4 pint retail sales resulted in a 10p/4pints reduction in a single month. A dramatic change, but not unprecedented. An even larger single monthly fall was last reported by Datum in Oct 2011, when a fall of 13p/4pints from 134p to 121p was recorded.

'On farm cost' formula parameters:

No change reported for HE 18 concentrate feed, or for AN fertiliser, whilst red diesel fell again to the lowest level for three years. Farm Brief, which records concentrate prices captured by Dairy Co Datum, reported early in April that the Ukrainian 'Putin Premium' may result in further increases in grain markets and the consequent pricing of feed.

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>DECEMBER 13</u>	<u>JANUARY 14</u>	<u>FEBRUARY 14</u>	<u>MARCH 14</u>
Cream	£/t	£1,650	£1,500	£1,330	£1,380
Cream Index	ppl	9.32p	8.45p	7.48p	7.75p
Four Pints Retail	4 pints p	127p	128p	129p	119p
Feed - concentrate	£/t	£256	£261	£261	£261
Fertiliser - AN	£/t	£261.50	£281.50	£299	£299
Fuel - red diesel	p/l	68.83p	68.47p	67.07p	66.75p

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

MILK PRICE APPLICABLE	<u>FEBRUARY 14</u>	<u>MARCH 14</u>	<u>APRIL 14</u>	<u>MAY 14</u>
MONTHLY FORMULA CHANGE	-0.228p	-0.314p	-0.690p	-0.435p

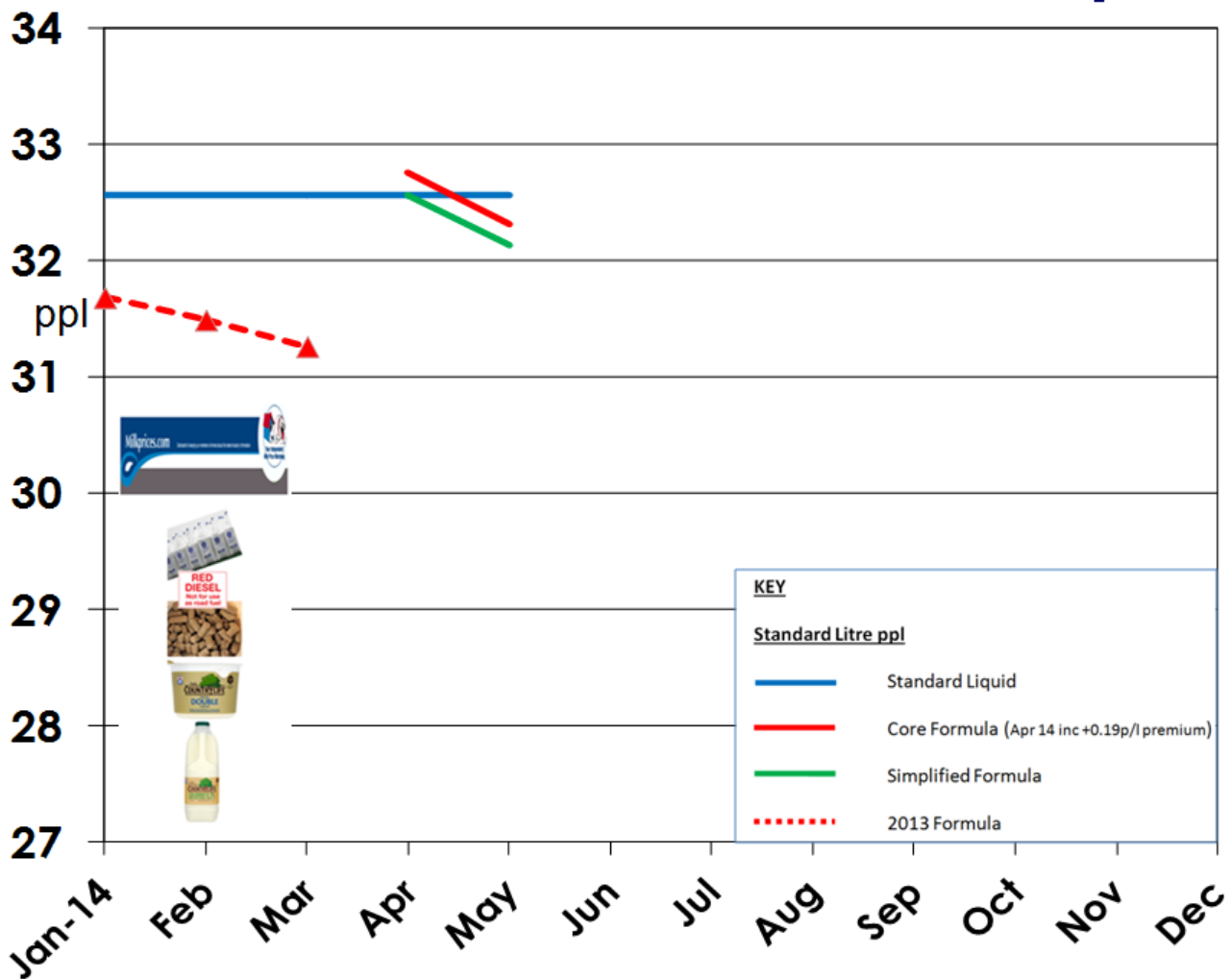
*Formula & DC Std Litre p/l comparison for consistency based on mp.com flagship table profile inclusion of 1.27p/l at April '14 Formula launch based on latest Jan 14 data. Latest mp.com RPA production profile data for Feb = 1.23p/l. All data rounded to 3 decimal places.

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

Using standard litre mp.com flagship table.

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

FORMULA – Related Price 2014 p/l



Please see updated parameter charts below - all declared for MARCH 2014

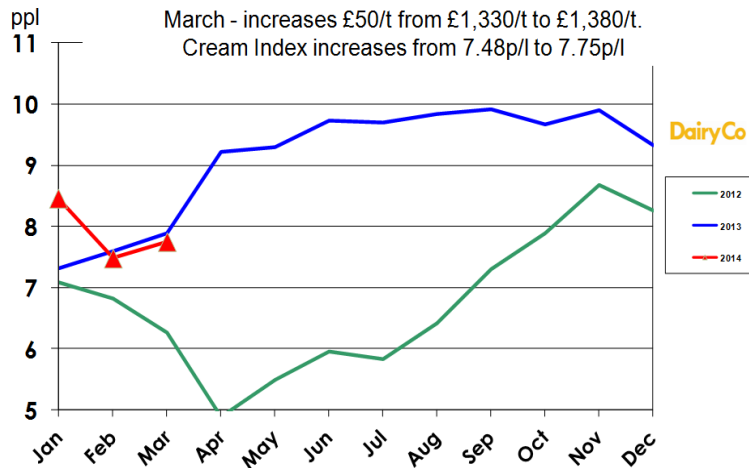
by Dairy Co Datum - with permissions.

FORMULA DATA HIGHLIGHTS - MARCH 2014

- Cream - increased by £50/t, and by +0.27p/l to the cream index.
- Retail four pints - decreased by -10p to 119p/4pints.
- Feed/concentrates - no change at £261/t.
- Fert - no change at £299/t.
- Fuel - decreased by -0.32p/l to 66.75p/l.

FORMULA – Cream Index – p/l

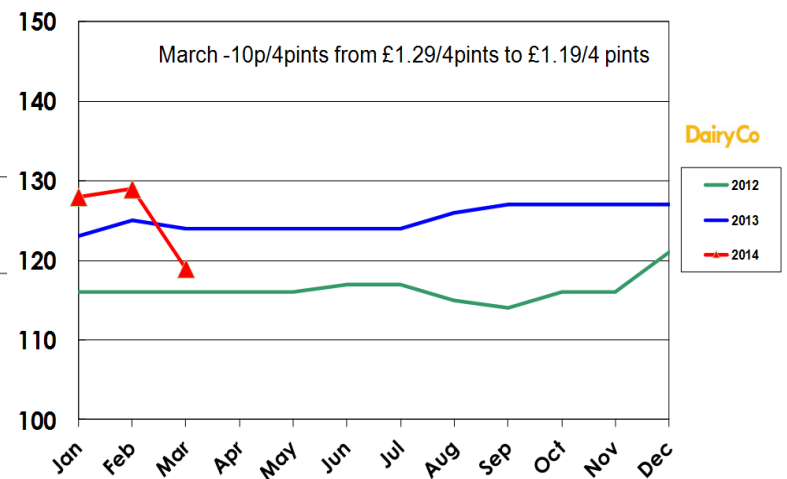
March - increases £50/t from £1,330/t to £1,380/t.
Cream Index increases from 7.48p/l to 7.75p/l



FORMULA – Retail Sales – 4 pints

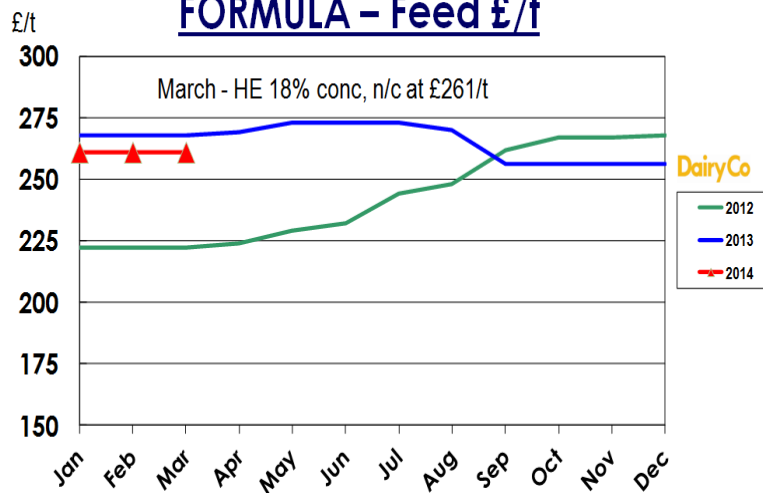
p/4pts

March -10p/4pints from £1.29/4pints to £1.19/4 pints



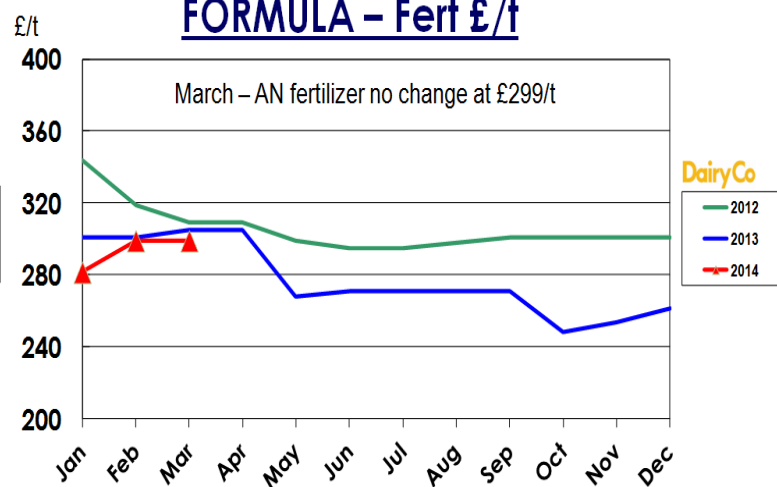
FORMULA – Feed £/t

March - HE 18% conc, n/c at £261/t



FORMULA – Fert £/t

March – AN fertilizer no change at £299/t



FORMULA – Fuel p/l

March red diesel, down from February 67.07p/l to 66.75p/l.

