

FORMULA CONTRACTS - JUNE 2014 - CONFIRMED



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



<u>Contract</u>	<u>Launch</u>	<u>Std Litre</u> <u>May 14</u>	<u>Base Price</u> <u>May 14</u>	<u>Price Change</u> <u>June 14</u>	<u>Base Price</u> <u>June 14</u>	<u>Std Litre</u> <u>June 14</u>
Core Formula	April 14*	32.315p	28.153p	-0.324p	27.829p	31.991p
Simplified Formula	April 14	32.125p	30.525p	-0.324p	30.201p	31.801p
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

The April Dairy Co review records a further reduction to apply to the June price, down by -0.324p/l across both Formula contracts. Again, this reduction was anticipated and reported through the recently held member meetings - where the softening recorded in all dairy markets, including cream, since the end of 2013 would continue to impact as the rolling sequencing within the Formula continued to feed through.

As UK milk production has remained at such strong levels, cream values have continued to falter. As a result, April cream markets reduced by £40/t. Cream values had been stronger later in March and during early April as Easter demand stimulated returns, meanwhile later in the month these markets declined.

Retail 4 pint sales fell by only 1p/4pints during April, this after the significant reductions in March sparked by the more widespread roll out of 4pints/£1 across many large retailers. Although it should be remembered that retail 4pint price movements has a very limited impact within the overall Formula.

'On farm costs': Little change reported across all three Formula parameters, with a small +£2/t increase recorded for HE 18 concentrates, largely the result of the continued uncertainty in the overall feed market position through the ongoing Ukrainian situation.

Comment: As many UK competitor ex farm milk price reductions have been announced recently, the increased stability in pricing by Formula may potentially become more marked over the coming months.

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 - i.e. March fuel data.

FORMULA INDICES - UPDATE

		<u>JANUARY 14</u>	<u>FEBRUARY 14</u>	<u>MARCH 14</u>	<u>APRIL 14</u>
Cream	£/t	£1,500	£1,330	£1,380	£1,340
Cream Index	ppl	8.45p	7.48p	7.75p	7.50p
Four Pints Retail	4 pints p	128p	129p	119p	118p
Feed - concentrate	£/t	£261	£261	£261	£263
Fertiliser - AN	£/t	£281.50	£299	£299	£299
Fuel - red diesel	p/l	68.47p	67.07p	66.75p 66.55p	66.57p

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

MILK PRICE APPLICABLE	<u>MARCH 14</u>	<u>APRIL 14</u>	<u>MAY 14</u>	<u>JUNE 14</u>
MONTHLY FORMULA CHANGE	-0.314p	-0.690p	-0.435p	-0.324p

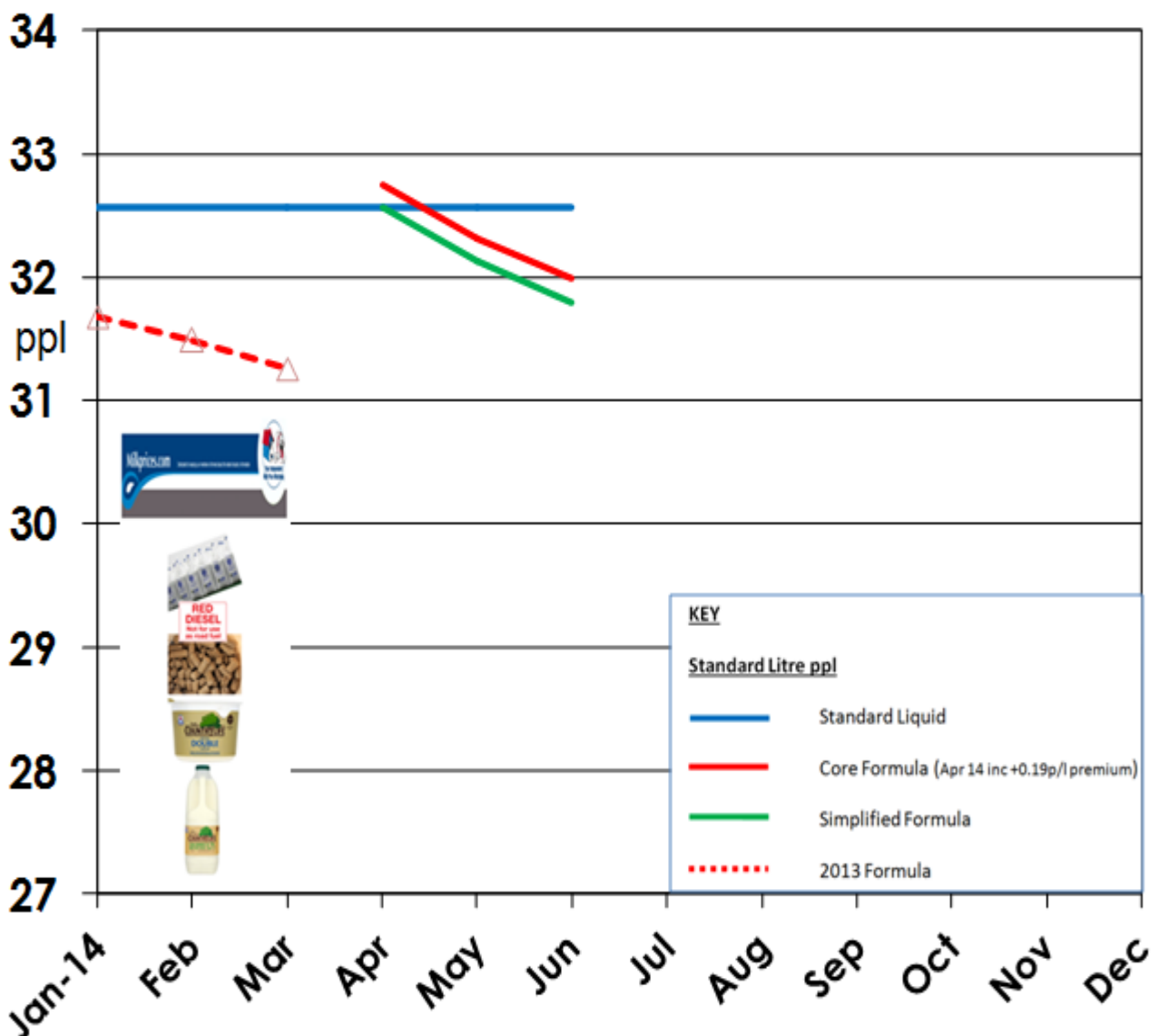
*Formula & DC Std Litre p/l comparison for consistency based on mp.com flagship table profile inclusion of 1.27p/l at April '14 Formula launch based on latest Jan 14 data. Latest mp.com RPA production profile data for Feb = 1.23p/l. All data rounded to 3 decimal places.

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

Using standard litre mp.com flagship table.

APRIL Dairy Co Datum data utilised to generate the JUNE milk price.

FORMULA – Related Price 2014 p/l



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

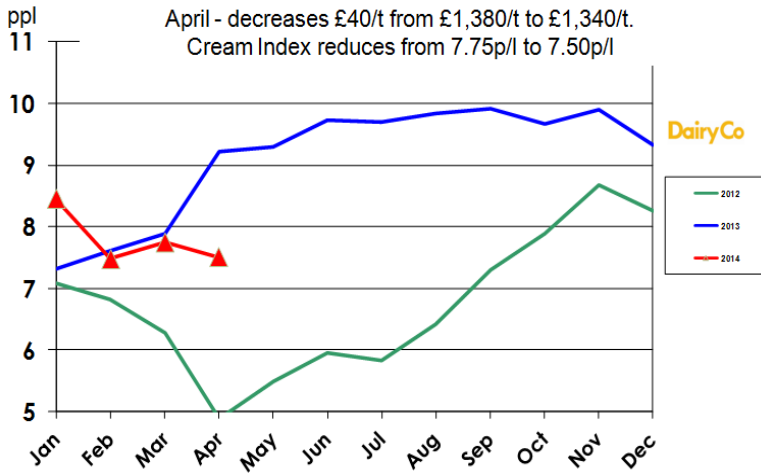
by Dairy Co Datum - with permissions.

FORMULA DATA HIGHLIGHTS - APRIL 2014

- Cream - decreased by £40/t, and by -0.25p/l applied to the cream index.
- Retail four pints - decreased by -1p to 118p/4pints.
- Feed/concentrates - increased by £2/t to £263/t.
- Fert - no change at £299/t.
- Fuel - increased by +0.02p/l to 66.57p/l for April, although a backdated review for March reduced fuel to 66.55p/l from the previously declared 66.75p/l.

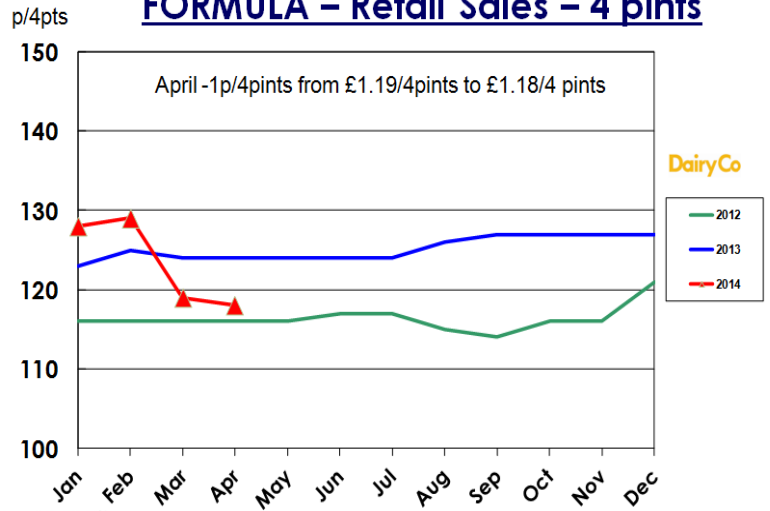
FORMULA – Cream Index – p/l

April - decreases £40/t from £1,380/t to £1,340/t.
Cream Index reduces from 7.75p/l to 7.50p/l



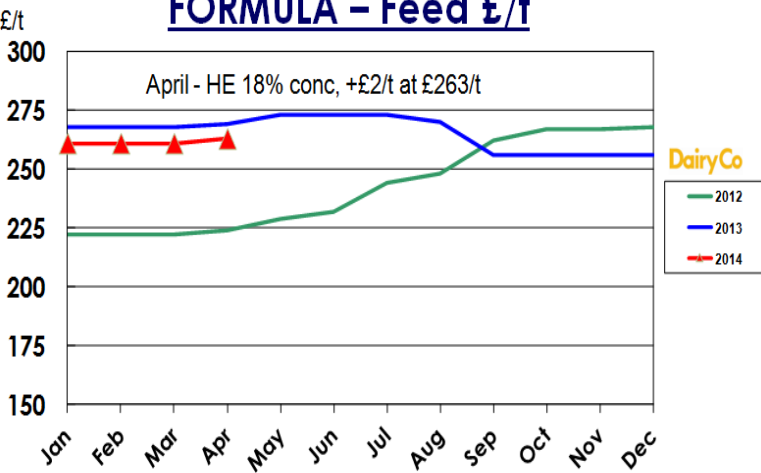
FORMULA – Retail Sales – 4 pints

April -1p/4pints from £1.19/4pints to £1.18/4 pints



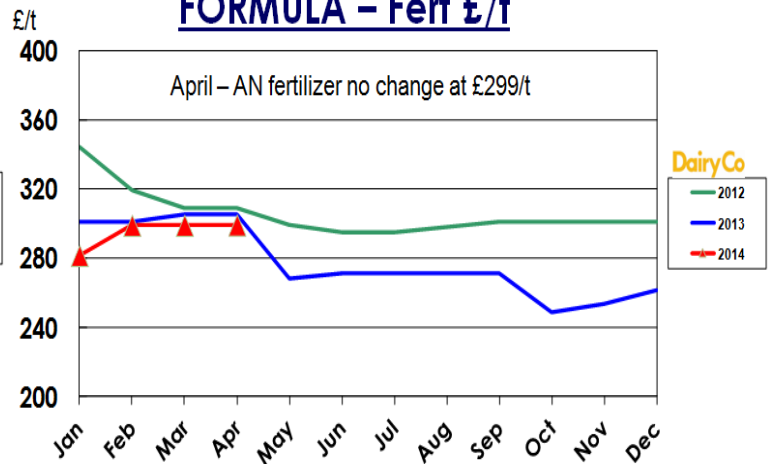
FORMULA – Feed £/t

April - HE 18% conc, +£2/t at £263/t



FORMULA – Fert £/t

April – AN fertilizer no change at £299/t



FORMULA – Fuel p/l

April red diesel, a small increase,
March revised data at 66.55p/l to 66.57p/l.

