

FORMULA CONTRACTS - JULY 2014 - CONFIRMED



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



<u>Contract</u>	<u>Launch</u>	<u>Base Price</u> <u>June 14</u>	<u>Std Litre</u> <u>June 14</u>	<u>Price Change</u> <u>JULY 14</u>	<u>Base Price</u> <u>JULY 14</u>	<u>Std Litre</u> <u>JULY 14</u>
CORE FORMULA	July 14	27.829p	31.801p	+0.028p	27.857p	31.829p
SIMPLIFIED FORMULA	April 14	30.201p	31.801p	+0.028p	30.229p	31.829p
Core Formula	April 14*	27.829p	31.991p	+0.028p	27.857p	32.019p
Standard Liquid Comparison		28.588p	32.560p	-1.250p	27.338p	31.310p

*Core Formula standard litre includes +0.19p/l premium only available for April 14 commitments.

COMMENTARY

Latest Dairy Co Formula parameter data records an increase of +0.028p/l to apply to all Formula Contract options for July, also available for those who chose to join or increase their Core/Simplified Formula pricing commitments from July. This result delivering a premium of **+0.519p/l** advantage vs. the standard liquid price. This increase is largely due to Dairy Co's annual review of the Cream Index, and a further increase in HE 18% concentrate inputs.

The DC/DCD Formula utilises the Dairy Co Cream Index to convert cream £/t value into the cream p/l available to a liquid processor. Through Dairy Co's annual review, they calculate the average fat % from retail sales during the past year (whole milk, semi, skimmed, 1%), the cream remaining is assumed to be available for processors to market elsewhere. During the past year, as the fat % declined across liquid milk sales, this provided a larger cream residue to processors to market. Therefore the Cream Index has increased slightly. This revision has been back dated to apply from April providing a +0.18p/l increase within the rolling sequencing used in the Formula.

Cream markets continued to fall during May. However, with milk production now seasonally in decline, and with the soft fruit season increasing cream demand, reports suggest that cream markets may increase for June.

'Other' - Retail 4 pints recorded a further small reduction, although this has a very limited impact to the overall performance of the Formula. High Energy 18% concentrates recorded an increase of +£3/t. Feed analysts report that future feed markets are predicted to fall as overall crop expectations suggest a large harvest in prospect.

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. April cream and fuel data.

FORMULA INDICES - UPDATE

		<u>FEBRUARY 14</u>	<u>MARCH 14</u>	<u>APRIL 14</u>	<u>MAY 14</u>
Cream	£/t	£1,330	£1,380	£1,340	£1,290
Cream Index	ppl	7.48p	7.75p	7.50p 7.68p	7.366p
Four Pints Retail	4 pints p	129p	119p	118p	116p
Feed - concentrate	£/t	£261	£261	£263	£266
Fertiliser - AN	£/t	£299	£299	£299	£299
Fuel - red diesel	p/l	67.07p	66.75p 66.55p	66.57p 66.41p	66.83p

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

MILK PRICE APPLICABLE	<u>APRIL 14</u>	<u>MAY 14</u>	<u>JUNE 14</u>	<u>JULY 14</u>
MONTHLY FORMULA CHANGE	-0.690p	-0.435p	-0.324p	+0.028p

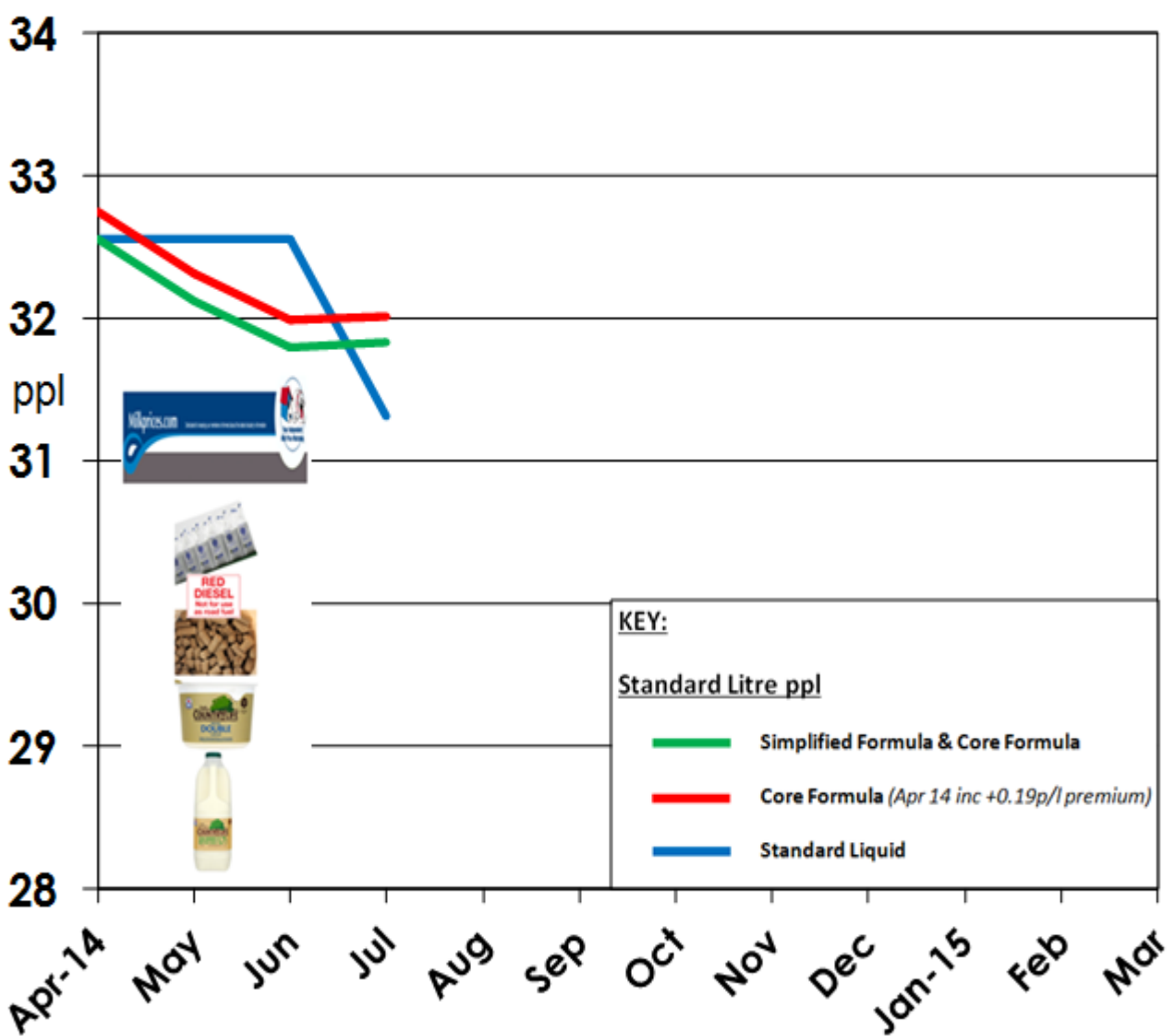
*Formula & DC Std Litre p/l comparison for consistency based on mp.com flagship table profile inclusion of 1.27p/l at April '14 Formula launch based on latest Jan 14 data. Latest mp.com RPA production profile data for Apr = 1.15p/l. All data rounded to 3 decimal places.

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

Using standard litre mp.com flagship table.

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

FORMULA – Related Price 2014 p/l



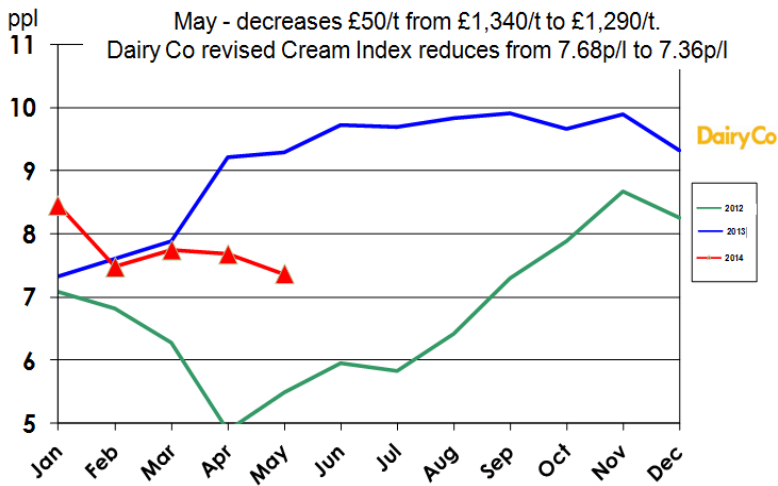
Please see updated parameter charts below - all declared for MAY 2014

by Dairy Co Datum - with permissions.

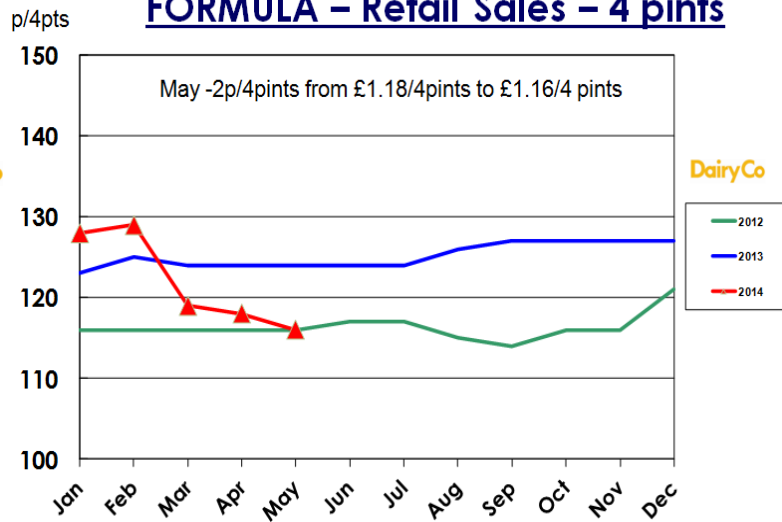
FORMULA DATA HIGHLIGHTS - MAY 2014

- Cream - decreased by £50/t, and by -0.32p/l applied to the cream index. Dairy Co annual review of the Cream Index provided a backdated adjustment to apply for April + 0.18p/l
- Retail four pints - decreased by -2p to 116p/4pints.
- Feed/concentrates - increased by £3/t to £266/t.
- Fert - no change at £299/t.
- Fuel - increased by +0.42p/l to 66.83p/l for May, although a backdated review for April reduced fuel to 66.41p/l from the previously declared 66.57p/l.

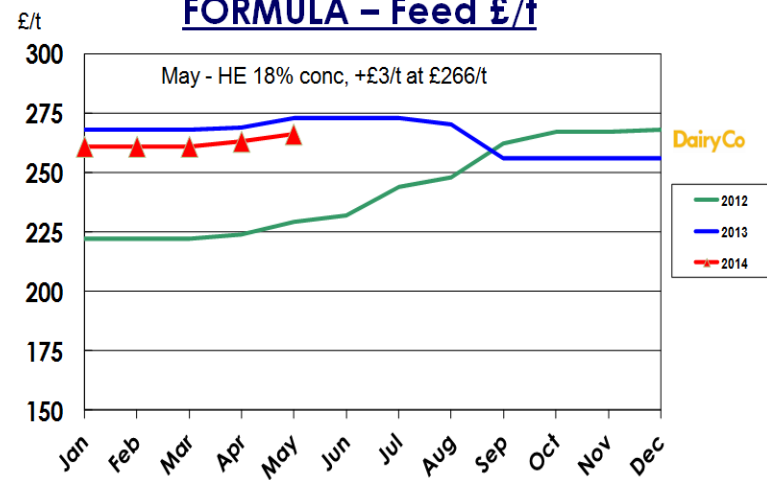
FORMULA – Cream Index – p/l



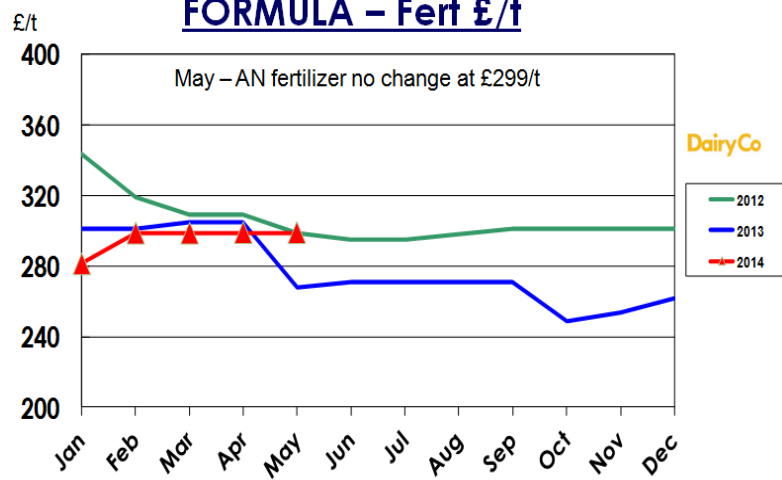
FORMULA – Retail Sales – 4 pints



FORMULA – Feed £/t



FORMULA – Fert £/t



FORMULA – Fuel ppl

