



DAIRY CREST DIRECT

www.dairycrestdirect.co.uk

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Dear DCD Member,

11th June 2014

JULY FORMULA SIGN UP OPPORTUNITY

JULY FORMULA MILK PRICE INCREASES - LATEST NEWS

As promised within the recent DCD Newsletter, with the latest Dairy Co data used to determine the DC/DCD Formula Contract price declared for May (impacting July pricing), we committed to report back to provide you with details of the next Formula Contract sign up opportunity. This latest application process is available from **23rd June** to new applicants, and also to those with existing commitments to the Core Formula who wish to increase their April Formula commitment.

Also enclosed, please see the latest DCD Formula Pricing Commentary for July.

FORMULA CONTRACT PRICING LATEST: **JULY +0.028p/l**

Latest Standard Litre Comparison Formula vs Standard Liquid - July

CORE FORMULA 31.829p/litre

SIMPLIFIED FORMULA 31.829p/litre

STANDARD LIQUID CONTRACT 31.310p/litre

FORMULA ADVANTAGE VS STANDARD LIQUID +0.519p/litre

OPTIONS AVAILABLE:

There remains approximately 65million litres available to be secured through Formula pricing from July, this volume available on a *'first come, first served basis'*, via email applications only from 23rd June.

Two Formula Options are available:-

- a) **Core Formula**
- b) **Simplified Formula**

a) Core Formula - Utilises the existing Standard Liquid Schedule 4, the only difference being that milk pricing is determined by Formula for the proportion that you select, options available being 25%, 50%, 75% or 100%, with any remaining % priced as now, by discretion. Available to all supplying on standard and FBC Liquid contracts, and not under notice.

N.B. For clarity, the additional +0.19p/l premium available for the initial April Core Formula commitment is not available for subsequent Core Formula applications.

b) Simplified Formula - Is only available through 100% commitment to Formula pricing. This contract option has it's own Simplified Formula Schedule 4, main differences being only a 3.75% butterfat requirement needed and no profile criteria to secure the full headline price. Only available to those on standard Liquid contracts and those on FBC variants if exiting their existing FBC option. More details re this specific Schedule 4 see overleaf and page 3.

Not available to those under notice.

APPLICATION PROCESS:

By email only:

Application: Monday 23rd June from 10:00, closing Friday 27th June at 18:00

Core Formula: core.formula@dairycrest.co.uk

Simplified Formula: simplified.formula@dairycrest.co.uk

1. ALL APPLICATIONS

Please include your name, supplier number and Formula Contract choice within your email. Applications will be accepted on a '*first come, first served basis*'. An email acknowledgement will be generated by Dairy Crest by return. Final confirmation of successful application will not be confirmed until the week commencing 30th June 2014, to apply for supplies from 1st July 2014.

2. NEW APPLICANTS TO FORMULA CONTRACTS

Apply via email, selecting the Formula Contract email address variant above, if Core Formula please indicate what % commitment you wish to select. Reminder, Simplified Formula only 100% commitment available.

3. EXISTING PRICING BY FORMULA APPLICANTS - WISH TO INCREASE %

If you wish to increase your proportion priced by Core Formula - also apply using the Core Formula email address, and indicate the % you wish to be priced by Formula from July 2014.

4. FORMULA TERM COMMITMENT & AMENDMENT PROCESS

Both Formula contracts from April 2014 are termed as 'evergreen'.

Therefore, all commitments to be priced by Formula are for at least 12 months. Any reduction requests in % priced by Formula to be provided at a minimum of 30 days before the 12 months anniversary of your Formula commitment, E.g. before 28th February 2015 to apply from 1st April 2015.

If you wish to exit from your existing Formula Contract commitment, and to revert to discretionary pricing, for Formula commitments made from 1st April 2014 require 12 months notice of change by 30th June 2014 to apply from 1st July 2015. Please use the Formula variant appropriate email address above, and indicate your change selection.

5. MORE INFORMATION

- a) Please study the Liquid Formula Contract Options Booklet, and Q&A from Regional Meetings guidance notes, both posted on www.dairycrestdirect.co.uk - select 'Liquid Formula Tab'.
- b) Or contact:
 - The Farm Business Centre
 - Your FBM
 - DCD Office

Yours faithfully,



Michael Masters
DCD Company Secretary



DAIRY CREST LIQUID SIMPLIFIED CONTRACT

PAYMENT PARTICULARS

Example using JULY 2014 FORMULA PRICE - milkprices.com Flagship League Table criteria



Contract Clause	Criteria	ppl
JULY BASE PRICE	Set by Liquid Formula	30.229
Collection	1m EODC	00.600
DCD Bonus		01.000
TOTAL		31.829

1. BASE PRICE AND MILK COMPOSITION

Base price is established monthly, through the movement of the DC/DCD Formula. Results applied on a month after next basis.

1.1 Butterfat - A target of milk supplies at 3.75% is required to meet the requirements of this contract. No additions will apply for milk supplied above this level. Deductions will apply for milk supplies below 3.75%.

Average Monthly Butterfat %	Rate ppl
Over 3.75%	Base price
Over 3.65% to 3.75%	-0.35
Over 3.55% to 3.65%	-0.70
Over 3.45% to 3.55%	-1.00
Over 3.35% to 3.45%	-1.40

The deduction rate of 0.40p/l will continue to apply for each additional 0.1% unit reduction in the average monthly butterfat below 3.35%.

1.2 Protein - A deduction rate of 0.10p/l will apply for each 0.1% unit reduction in the average monthly protein below the minimum target of 2.80%.

1.3 Conditions - Butterfat and protein payments are based on the arithmetic mean of all tests carried out in the month in accordance with clause 3 of schedule 1.

2. HYGIENE QUALITY

2.1 Total Bacterial Count (measured by Bactoscan)

Band	Range	Rate ppl
Band A	Under and incl 50,000/ml	Base price
Band B	Over 50,000 to 70,000 ml	-0.20
Band C	Over 70,000 to 100,000 ml	-0.50
Band D	Over 100,000 to 250,000 ml	-3.00
Band E	Over 250,000 ml	-15.00

2.2 Somatic Cell Count

Band	Range	Rate ppl
Band 1	Under and including 250,000 ml	Base price
Band 2	250,000 to 300,000 ml	-0.50
Band 3	300,000 to 400,000 ml	-1.50
Band 4	Over 400,000 ml	-15.00

HYGIENE QUALITY - cont

2.3 Conditions - The bactoscan and SCC payments are based on the two monthly and three monthly geometric rolling averages respectively.

The highest bactoscan and SCC result will be **discarded** each month.

3.0 MILK SUPPLY SEASONALITY - NO PROFILE

3.1 Seasonality schedule - conditions - To only apply if supplier has not qualified for seasonality opt out during previous milk year. (Seasonality opt out qualification being average of a shadow profile 0.90p/l assessed across the milk year).

Month	Rate ppl	Month	Rate ppl
April	-4.00	October	+3.50
May	-4.00	November	+3.50
June	-3.50	December	+2.25
July	Base price	January	Base price
August	Base price	February	Base price
September	+2.25	March	Base price

4.0 COLLECTION VOLUME - average litres per collection within vat capacity.

Average litres per Collection	Rate ppl	Average litres per Collection	Rate ppl
Up to 1,000	Nil	10,001 to 12,000	+1.10
1,001 to 2,000	+0.20	12,001 to 14,000	+1.20
2,001 to 3,000	+0.30	14,001 to 16,000	+1.30
3,001 to 4,000	+0.40	16,001 to 18,000	+1.40
4,001 to 5,000	+0.50	18,001 to 20,000	+1.50
5,001 to 6,000	+0.60	20,001 to 22,000	+1.60
6,001 to 7,000	+0.70	22,001 to 24,000	+1.70
7,001 to 8,000	+0.80	24,001 to 26,000	+1.80
8,001 to 9,000	+0.90	Over 26,001	+1.90
9,001 to 10,000	+1.00		

5.0 GROUP BONUS, FARM ASSURED STATUS & WHITE GOLD

A bonus of 1.0p/l will be paid for being a member of DCD, securing Farm Assured Standards and being a member of White Gold.