

FORMULA CONTRACTS - AUGUST '14 - CONFIRMED



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



<u>Contract</u>	<u>Launch</u>	<u>Base Price</u> <u>July 14</u>	<u>Std Litre</u> <u>July 14</u>	<u>Price Change</u> <u>AUG 14</u>	<u>Base Price</u> <u>AUG 14</u>	<u>Std Litre</u> <u>AUG 14</u>
CORE FORMULA	July 14	27.857p	31.829p	-0.044p	27.813p	31.785p
SIMPLIFIED FORMULA	April 14	30.229p	31.829p	-0.044p	30.185p	31.785p
Core Formula	April 14*	27.857p	32.019p	-0.044p	27.813p	31.975p
Standard Liquid Comparison		27.338p	31.310p	n/c	27.338p	31.310p

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

COMMENTARY

Latest June Dairy Co Formula parameter data records a small decrease of less than -0.1p/litre (-0.044p/l) to apply to DC/DCD Formula Contracts for August. This result delivering a second consecutive month of Formula premium vs. the equivalent standard liquid contract; the August premium of **+0.475p/l**. The small reduction due to all three Formula 'farm cost parameters' falling during June, in particular, AN fertilizer prices down seasonally by £45/t (15%). HE concentrates also fell by £3/t during June, with fuel also declining to the lowest p/l for over three years. In contrast, cream values increased by £110/t (+8.5%) from £1,290/t to £1,400/t through June, this increasing in parallel with butter which also rebounded from the May 2014, 12 month low market value point.

July Formula Sign Up - DCD welcomes the latest group of members who have assigned a proportion of their milk to be priced via the innovative DC/DCD Formula Core and Simplified Contracts from July. The next sign up opportunity will be made available from September for the period from October 2014.

Outlook - As cream markets are anticipated to rise over the next few months (latest July values @ £1,450/t) as milk production falls seasonally, feed market prices are falling as both energy and protein elements are declining in value/tonne. However, due to the Formula rolling sequencing, the predicted cream market increases may potentially counterbalance the farm costs reductions. The net impact being as comparison 'discretionary milk prices' fall, the DC/DCD Formula contracts should retain their relative price stability across the coming period.

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 May fuel data.

FORMULA INDICES - UPDATE

		<u>MARCH 14</u>	<u>APRIL 14</u>	<u>MAY 14</u>	<u>JUNE 14</u>
Cream	£/t	£1,380	£1,340	£1,290	£1,400
Cream Index	ppl	7.75p	7.50p 7.68p	7.360p	7.980p
Four Pints Retail	4 pints p	119p	118p	116p	117p
Feed - concentrate	£/t	£261	£263	£266	£263
Fertiliser - AN	£/t	£299	£299	£299	£254
Fuel - red diesel	p/l	66.75p 66.55p	66.57p 66.41p	66.83p 66.61p	66.14p

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

MILK PRICE APPLICABLE	<u>MAY 14</u>	<u>JUNE 14</u>	<u>JULY 14</u>	<u>AUGUST 14</u>
MONTHLY FORMULA CHANGE	-0.435p	-0.324p	+0.028p	-0.044p

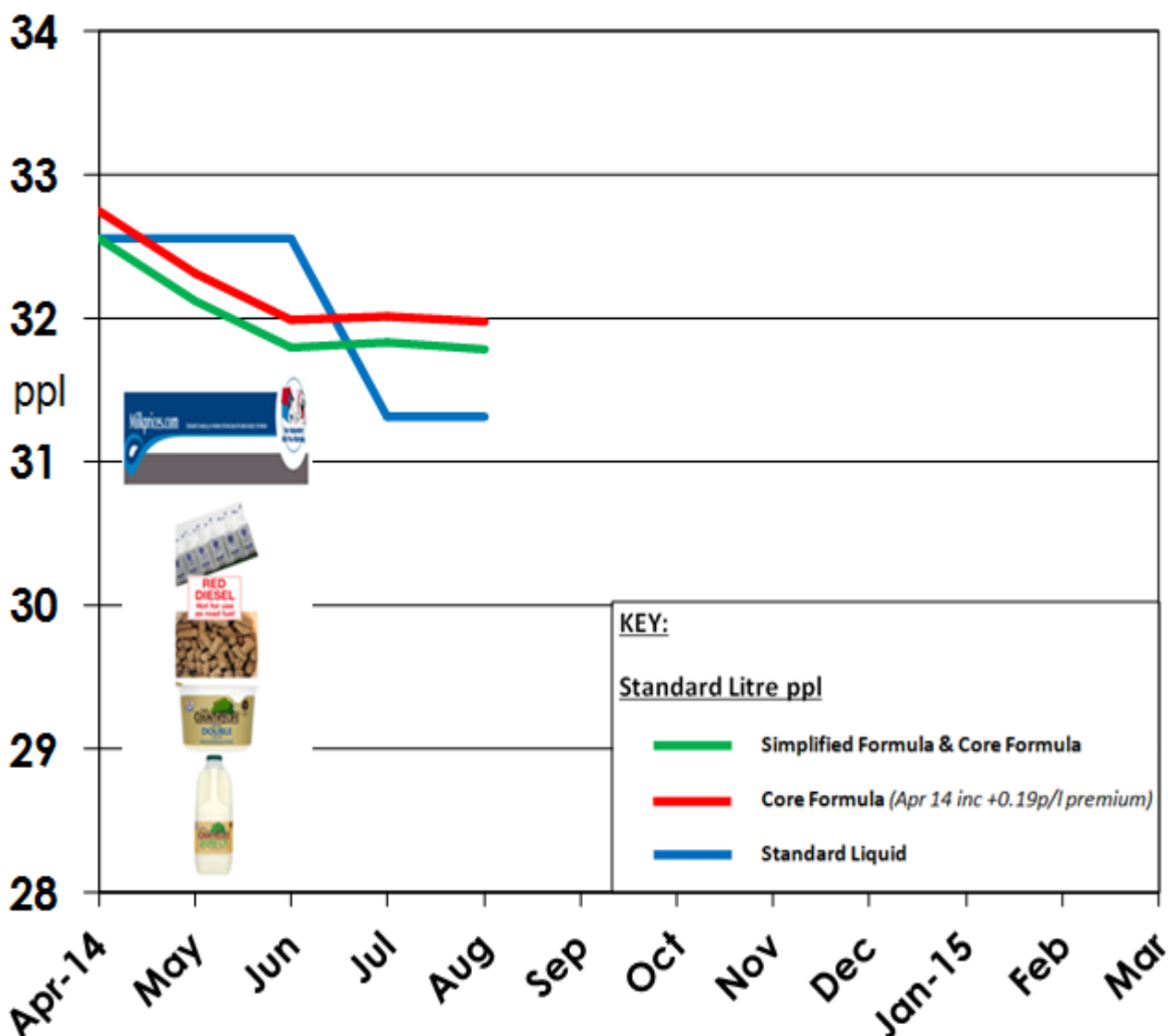
*Formula & DC Std Litre p/l comparison for consistency based on mp.com flagship table profile inclusion of 1.27p/l at April '14 Formula launch based on latest Jan 14 data. Latest mp.com RPA production profile data for Apr = 1.15p/l. All data rounded to 3 decimal places.

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

Using standard litre mp.com flagship table.

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

FORMULA – Related Price 2014 p/l



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

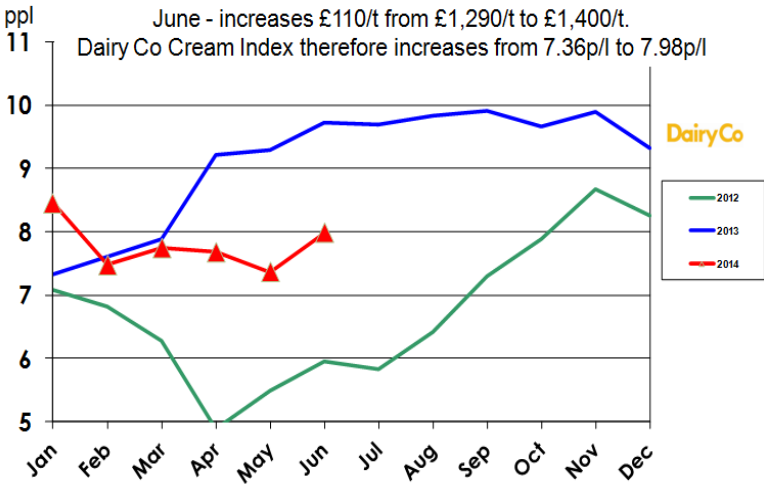
by Dairy Co Datum - with permissions.

FORMULA DATA HIGHLIGHTS - JUNE 2014

- Cream - increased by £110/t (+ 8.53%), and by +0.62p/l applied to the cream index.
- Retail four pints - increased by +1p to 117p/4pints.
- Feed/concentrates - decreased by £3/t to £263/t.
- Fert - decreased by £45/t (- 15%), reducing to £254/t.
- Fuel - decreased by +0.47p/l to 66.14p/l for June, plus backdated review for May reduced fuel to 66.61p/l from the previously declared 66.83p/l.

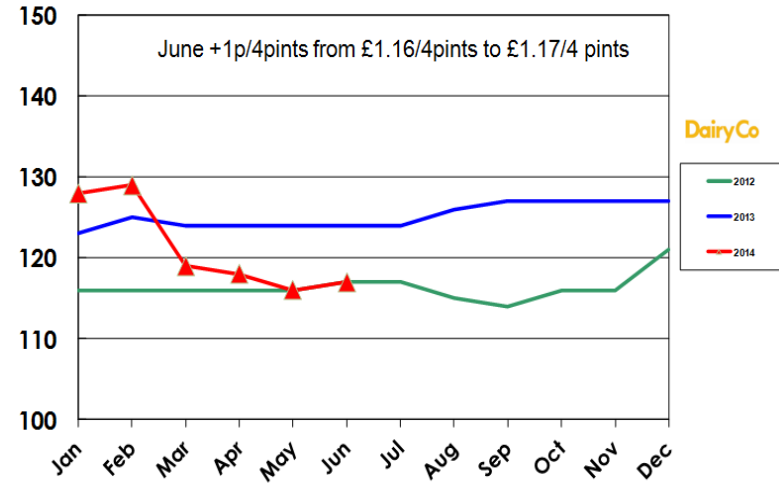
FORMULA – Cream Index – p/l

June - increases £110/t from £1,290/t to £1,400/t.
Dairy Co Cream Index therefore increases from 7.36p/l to 7.98p/l



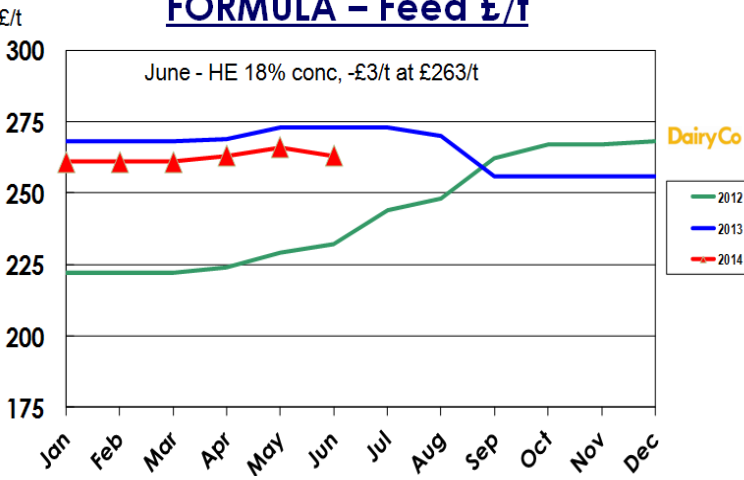
FORMULA – Retail Sales – 4 pints

June +1p/4pints from £1.16/4pints to £1.17/4 pints



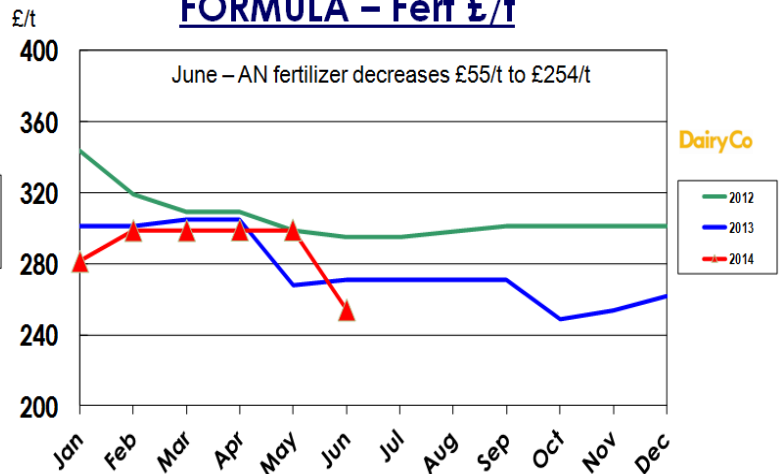
FORMULA – Feed £/t

June - HE 18% conc, -£3/t at £263/t



FORMULA – Fert £/t

June – AN fertilizer decreases £55/t to £254/t



FORMULA – Fuel p/l

June red diesel, -0.47p to 66.14p/l,
May revised data from 66.83p/l to 66.61p/l.

