

FORMULA CONTRACTS - SEPTEMBER '14 - CONFIRMED



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



| <u>Contract</u> | <u>Launch</u> | <u>Base Price</u> <u>Aug 14</u> | <u>Std Litre</u> <u>Aug 14</u> | <u>Price Change</u> <u>SEP 14</u> | <u>Base Price</u> <u>SEP 14</u> | <u>Std Litre</u> <u>SEP 14</u> |
|-----------------------------------|---------------|------------------------------------|-----------------------------------|--------------------------------------|------------------------------------|-----------------------------------|
| CORE FORMULA | July 14 | 27.813p | 31.785p | -0.053p | 27.760p | 31.732p |
| SIMPLIFIED FORMULA | April 14 | 30.185p | 31.785p | -0.053p | 30.132p | 31.732p |
| Core Formula | April 14* | 27.813p | 31.975p | -0.053p | 27.760p | 31.922p |
| Standard Liquid Comparison | | 27.338p | 31.310p | -1.100p | 26.238p | 30.210p |

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

COMMENTARY

Latest July Dairy Co parameter data applied to the DC/DCD Formula contracts records a third consecutive month where the resultant price change of less than 0.1p/l applies, the July Formula price change being **-0.053p/l** for September. This latest result increases the differential between the Simplified/Core Formula price vs. Standard Liquid to provide an advantage of **+1.522p/l** to the two Formula contract options (*July Core*).

Outlook - Of the five Formula parameters, only red diesel prices increased for July. Dairy Co reports that buoyant cream markets during the first two weeks of July were offset by much weaker values during the second half of the month, this as EU and UK milk production remained 'plentiful'. Concentrate prices reduced again for the second consecutive month as raw ingredient values decline, this factor expected to continue for the rest of this year. For example Dairy Co report July wheat at £144/t, down £30/t in two months, and £80/t lower than at peak (Dec '12). Meanwhile protein values are also falling, Dairy Co recording Soya trading at £307/t for July, down by £70/t from March, and a reduction of £133/t since peak (Aug '12). AN fertiliser prices stabilised for July after the significant £55/t reduction recorded in June, with arable demand for new season fertiliser sales subdued on the back of declining cereal returns, the fertilizer market is not expected to record increases in the near future.

October Formula Sign Up - The next sign up opportunity to consign milk volume on to either the Simplified or Core Formula Contract options will be made available from 22nd September for the period from October 2014.

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 June fuel data.

FORMULA INDICES - UPDATE

| | | <u>APRIL 14</u> | <u>MAY 14</u> | <u>JUNE 14</u> | <u>JULY 14</u> |
|--------------------|-----------|--------------------------|--------------------------|--------------------------|----------------|
| Cream | £/t | £1,340 | £1,290 | £1,400 | £1,380 |
| Cream Index | ppl | 7.50p 7.68p | 7.360p | 7.980p | 7.870p |
| Four Pints Retail | 4 pints p | 118p | 116p | 117p | 117p |
| Feed - concentrate | £/t | £263 | £266 | £263 | £261 |
| Fertiliser - AN | £/t | £299 | £299 | £254 | £254 |
| Fuel - red diesel | p/l | 66.57p 66.41p | 66.83p 66.61p | 66.14p 66.03p | 66.67p |

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

| MILK PRICE APPLICABLE | <u>JUNE 14</u> | <u>JULY 14</u> | <u>AUGUST 14</u> | <u>SEPTEMBER 14</u> |
|------------------------|----------------|----------------|------------------|---------------------|
| MONTHLY FORMULA CHANGE | -0.324p | +0.028p | -0.044p | -0.053p |

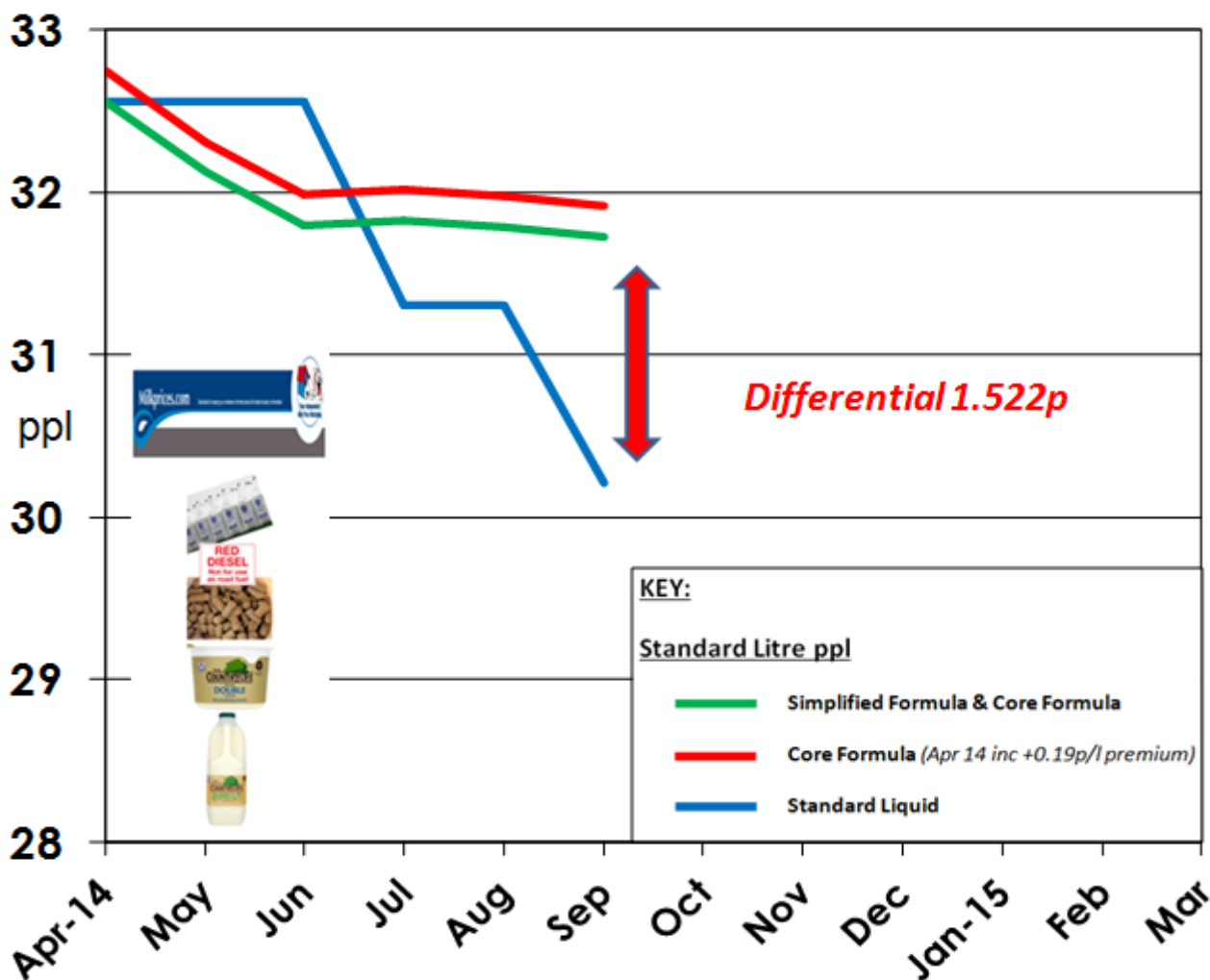
*Formula & DC Std Litre p/l comparison for consistency based on mp.com flagship table profile inclusion of 1.27p/l at April '14 Formula launch based on latest Jan 14 data. Latest mp.com RPA production profile data for Jun = 1.21p/l. All data rounded to 3 decimal places.

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

Using standard litre mp.com flagship table.

JULY Dairy Co Datum data utilised to generate the SEPTEMBER milk price. The differential for the month of September between the DC Standard Liquid Contract and the Simplified and July Core Formula applicants now resulting in an advantage worth +1.522p/l for the Formula options. The differential across the entire first six months of the 14/15 milk year between the Simplified and latest Core contracts is +0.22p/l in favour of the Formula contracts - based on a standard litre/same volume supplied each month.

FORMULA – Related Price 2014 p/l



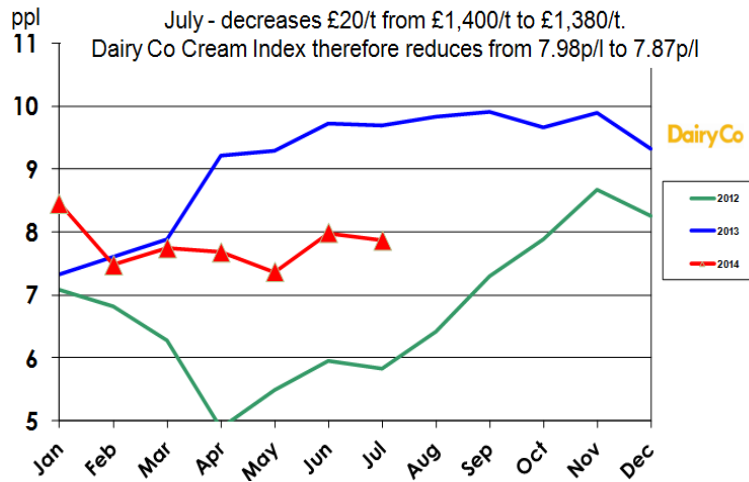
Please see updated parameter charts below - all declared for JULY 2014

by Dairy Co Datum - with permissions.

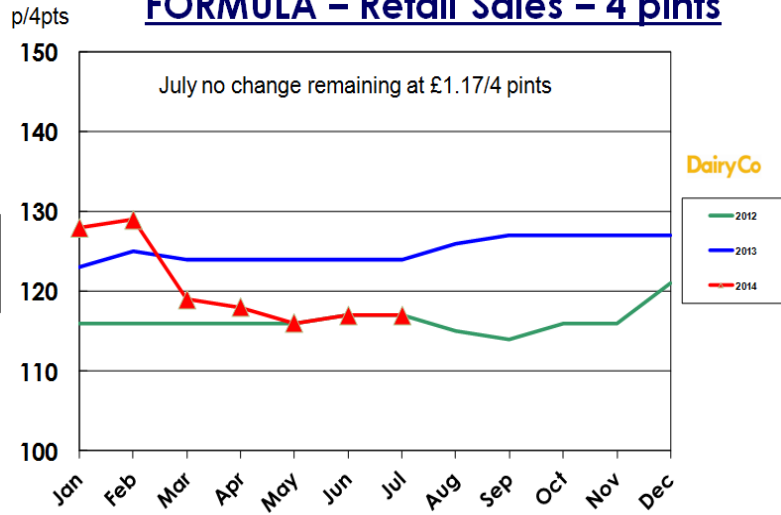
FORMULA DATA HIGHLIGHTS - JULY 2014

- Cream - decreased by £20/t (-1.45%), and by -0.11p/l applied to the cream index.
- Retail four pints - no change at 117p/4pints.
- Feed/concentrates - decreased by £2/t to £261/t.
- Fert - no change at £254/t.
- Fuel - increased by +0.64p/l to 66.67p/l for July, plus backdated review for June reduced fuel to 66.03p/l from the previously declared 66.14p/l.

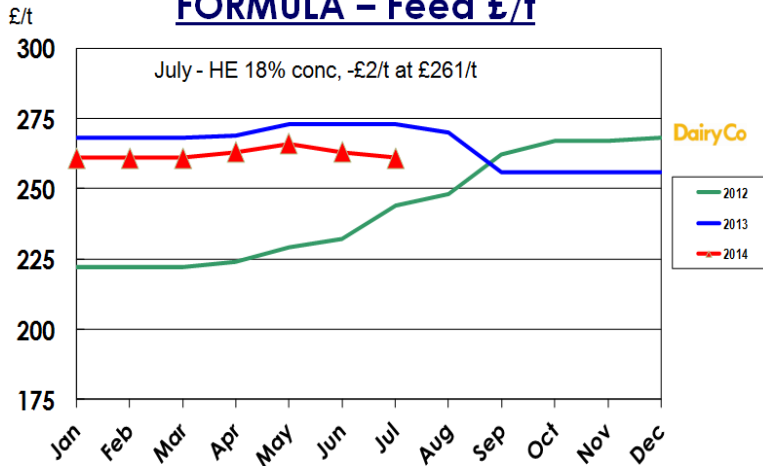
FORMULA – Cream Index – p/l



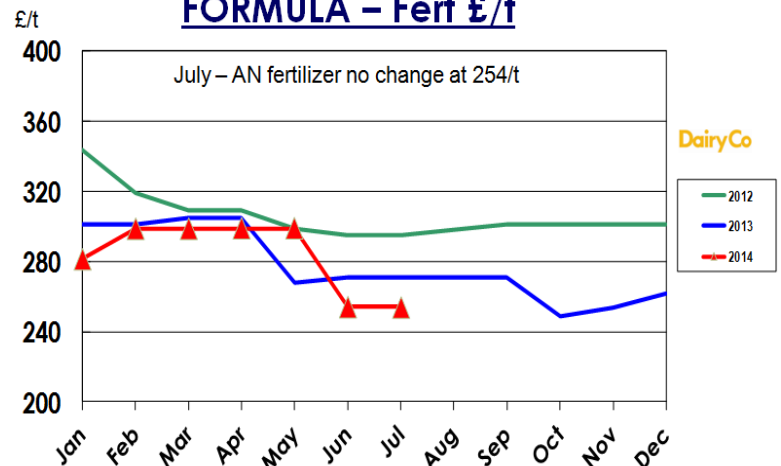
FORMULA – Retail Sales – 4 pints



FORMULA – Feed £/t



FORMULA – Fert £/t



FORMULA – Fuel p/l

