

# FORMULA CONTRACTS - NOVEMBER '14 - CONFIRMED



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



<u>Contract</u>	<u>Launch</u>	<u>Base Price</u> <u>Oct 14</u>	<u>Std Litre</u> <u>Oct 14</u>	<u>Price Change</u> <u>NOV 14</u>	<u>Base Price</u> <u>NOV 14</u>	<u>Std Litre</u> <u>NOV 14</u>
CORE FORMULA	Jul/Oct 14	27.262p	31.234p	<b>-0.843p</b>	<b>26.419p</b>	<b>30.391p</b>
SIMPLIFIED FORMULA	April 14	29.634p	31.234p	<b>-0.843p</b>	<b>28.791p</b>	<b>30.391p</b>
Core Formula	April 14*	27.262p	31.424p	<b>-0.843p</b>	<b>26.419p</b>	<b>30.581p</b>
<b>Standard Liquid Comparison</b>		24.488p	28.460p	<b>-1.300p</b>	<b>23.188p</b>	<b>27.160p</b>

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

## COMMENTARY

With four out of the five September Dairy Co parameters applied to the DC/DCD Formula in decline this month, the resultant price change from November is **-0.843p/l**. This is the largest single cut to apply to the Formula since launch April 2013. That said, this latest result increases the differential between the Simplified/Core Formula price vs. Standard Liquid, delivering an advantage of **+3.231p/l** to the two Formula contracts.

**Cream** - After the -£180/t reduction in the August bulk cream market, a more modest £80/t cut has applied for September. Early October reports suggest that cream markets have now stabilised. Typically, demand in the lead up to Christmas supports cream markets, this appears to be the case again this year, despite the turbulence elsewhere in dairy markets.

**Concentrates** - The £12/t reduction in High Energy 18% concentrates for August is followed by a £8/t fall for September. October market reports suggest further reductions, although the scale of the monthly cuts is slowing. Feed prices today reflect the material ingredient costs bought earlier in the year as 'forward trades' when values were much higher. During September wheat prices stabilised, whilst key spot price ingredient values for maize gluten, rape and soya have all increased.

**Fertilizer** - The only Formula parameter to record an inflationary month on month change, + £6/t.

**Red Diesel** - Values fell yet again, with red diesel prices reduced to a new low not seen for over three years (Feb 2011).

**Retail 4 pints** - Easing by 1p/4pint this month; May/Sept 2014 retail pricing running parallel to retail pricing May/Sept 2012.

**Formula Outlook:** - Further decreases will result as the rolling sequencing of the Formula parameters continues to feed through, with a potential reduction for December from October Dairy Co data along similar lines to September is anticipated.

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. fuel data.

## FORMULA INDICES - UPDATE

		<u>JUNE 14</u>	<u>JULY 14</u>	<u>AUGUST 14</u>	<u>SEPTEMBER 14</u>
Cream	£/t	£1,400	£1,380	£1,200	<b>£1,120</b>
Cream Index	ppl	7.980p	7.870p	6.850p	<b>6.390p</b>
Four Pints Retail	4 pints p	117p	117p	115p	<b>114p</b>
Feed - concentrate	£/t	£263	£261	£249	<b>£241</b>
Fertiliser - AN	£/t	£254	£254	£253.50	<b>£259.50</b>
Fuel - red diesel	p/l	<del>66.14p</del> 66.03p	<del>66.67p</del> 66.53p	<del>64.64p</del> 64.53p	<b>64.13p</b>

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

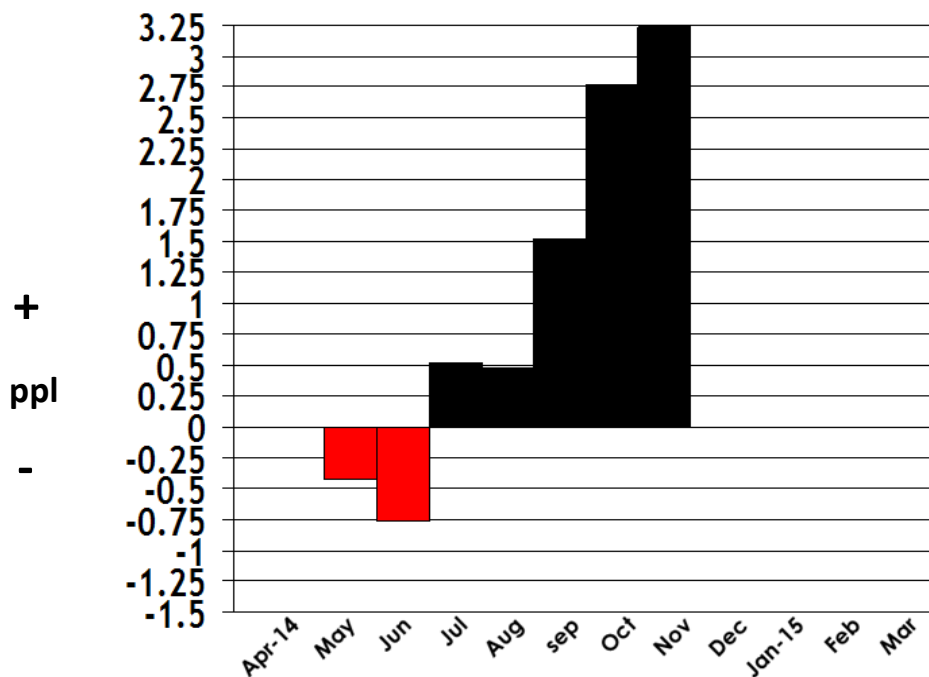
MILK PRICE APPLICABLE	<u>AUGUST 14</u>	<u>SEPTEMBER 14</u>	<u>OCTOBER 14</u>	<u>NOVEMBER 14</u>
MONTHLY FORMULA CHANGE	<b>-0.044p</b>	<b>-0.053p</b>	<b>-0.498p</b>	<b>-0.843p</b>

\*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 Aug = 1.19p/l. All data rounded to 3 decimal places.

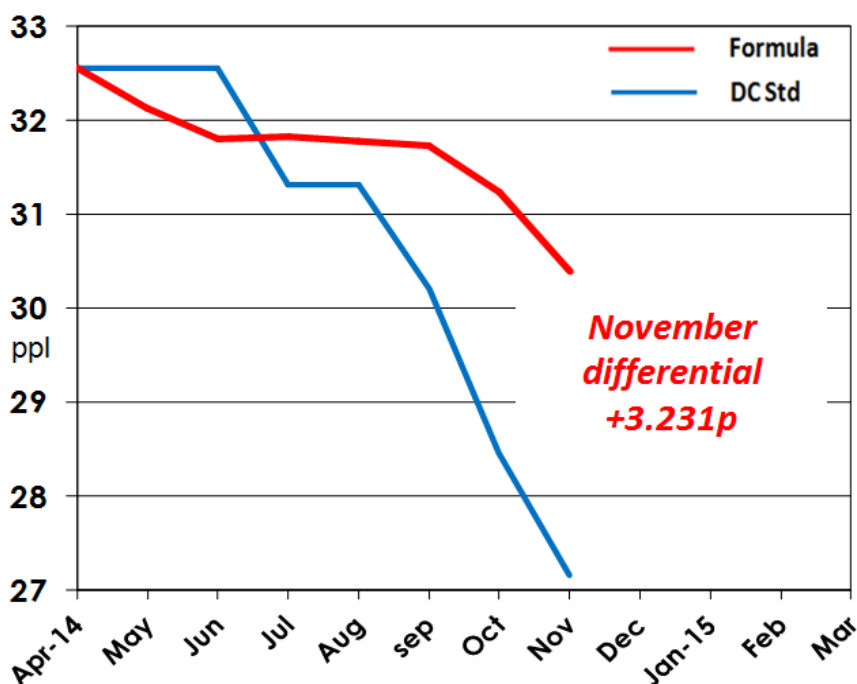
## 2014 Formula Summary - update

SEPTEMBER Dairy Co Datum data is utilised to generate the NOVEMBER milk price. The differential for the month of November between the Dairy Crest Standard Liquid Contract and the Simplified and latest Core Formula applicants now resulting in an advantage worth **+3.231p/l** for the Formula options. The price differential across the entire first eight months of the 14/15 milk year between the Simplified/latest Core contracts is +0.915p/l in favour of the Formula contracts - based on a standard litre/identical volume supplied each month. Chart below +/- ppl per month.

### FORMULA vs. Std Liquid ppl +/-



### FORMULA – Related Price 2014 p/l



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

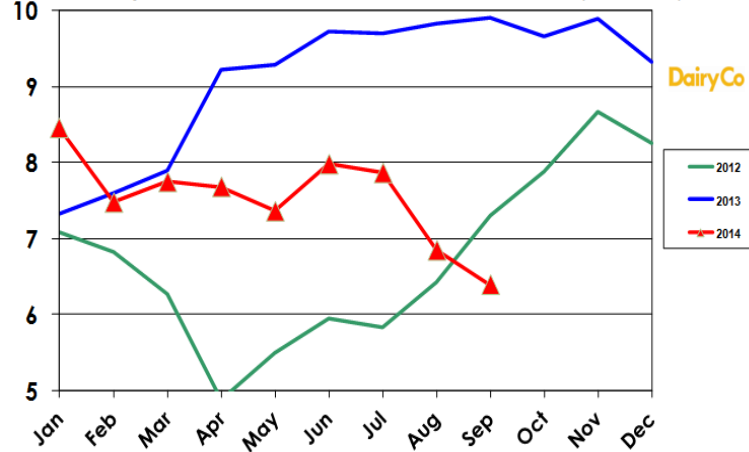
by Dairy Co Datum - with permissions.

# FORMULA DATA HIGHLIGHTS - SEPTEMBER 2014

- Cream - decreased by £80/t, and by -0.46p/l applied to the cream index.
- Retail four pints - decreased by 1p/4pints to 114p/4pints.
- Feed/concentrates - decreased by £8/t to £241/t.
- Fert - increased £6/t to £259.50/t.
- Fuel - decreased by -0.40p/l to 64.13p/l for September, plus backdated review for August reduced fuel to 64.53p/l from the previously declared 66.64p/l.

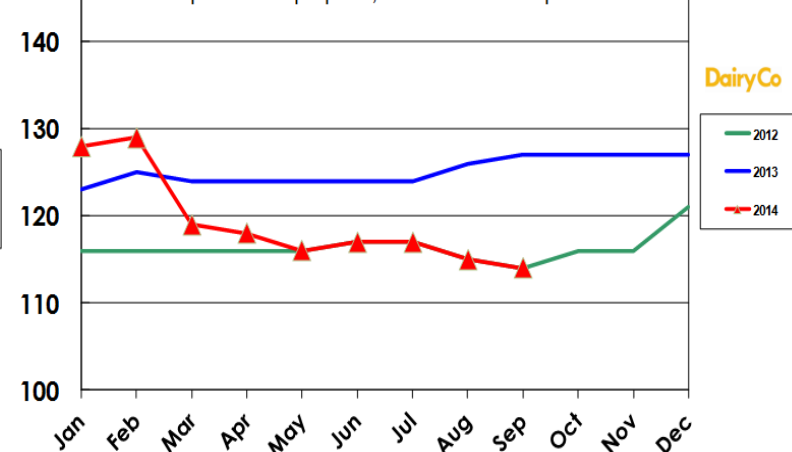
## FORMULA - Cream Index - p/l

September - decreases £80/t from £1,200/t to £1,120/t.  
Dairy Co Cream Index therefore reduces from 6.85p/l to 6.39p/l



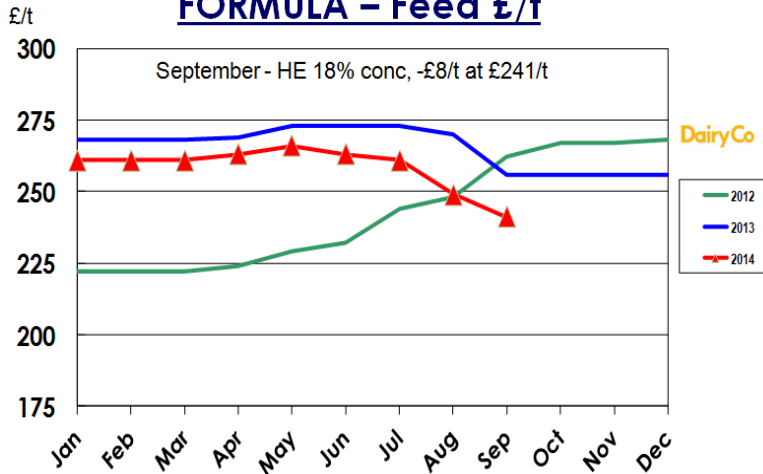
## FORMULA - Retail Sales - 4 pints

September - 1p/4pints, down to £1.14/4 pints



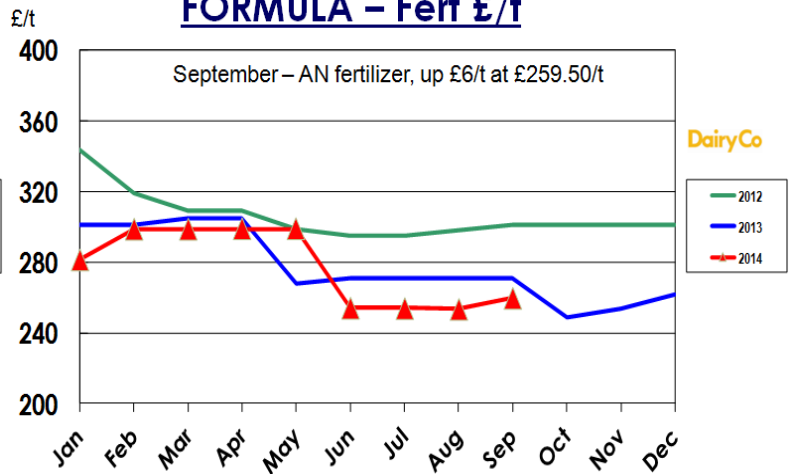
## FORMULA - Feed £/t

September - HE 18% conc, -£8/t at £241/t



## FORMULA - Fert £/t

September - AN fertilizer, up £6/t at £259.50/t



## FORMULA - Fuel p/l

September red diesel, -0.40p to 64.13p/l,  
August revised data from 66.64p/l to 64.53p/l.

