

FORMULA CONTRACTS - DECEMBER '14 - CONFIRMED



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



<u>Contract</u>	<u>Launch</u>	<u>Base Price</u> <u>Nov 14</u>	<u>Std Litre</u> <u>Nov 14</u>	<u>Price Change</u> <u>DEC 14</u>	<u>Base Price</u> <u>DEC 14</u>	<u>Std Litre</u> <u>DEC 14</u>
CORE FORMULA	Jul/Oct 14	26.419p	30.391p	-0.798p	25.621p	29.593p
SIMPLIFIED FORMULA	April 14	28.791p	30.391p	-0.798p	27.993p	29.593p
Core Formula	April 14*	26.419p	30.581p	-0.798p	25.621p	29.783p
Standard Liquid Comparison		23.188p	27.160p	N/C	23.188p	27.160p

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

COMMENTARY

As reported in the Formula Outlook within last month's DCD Commentary, as three out of the five October Dairy Co parameters applied to the DC/DCD Formula have declined, the resultant price change applying for December is slightly smaller than applied for the previous month, at **-0.798p/l**. Despite this, the differential between the Simplified/Core Formula price vs. Standard Liquid, delivers an advantage of **+2.433p/l** to the Formula for December.

Cream - After significant reductions during recent months in the bulk cream market, a welcome £30/t increase has applied for October. Early November market reports suggest that cream values are retaining these levels of return, as stronger demand in the preparation for the Christmas market continues.

Concentrates - The scale of price reductions applying to the High Energy 18% concentrates has declined to just -£4/t for October. HE 18% concentrates have now reduced by £29/t (10.9%) from a high of £266/t in May. Provisional HE18% market reports indicate that a similar monthly reduction as applied in October could be expected to apply for November.

Fertilizer - Increased for a second consecutive month, now up £11/t since August.

Red Diesel - Values fell yet again, now at a three year low.

Retail 4 pints - Easing by 1p/4pint this month; now at a four year low, last seen in November 2010.

Formula Outlook: - The Formula has now supplied combined milk price reductions of -1.641p/l for Nov/Dec. That said, reductions during 2014 have not exceeded -3p/l, compared to the general market where milk prices have reduced faster and further. Early Nov Formula parameters to apply for Jan suggest that a smaller price reduction than this month will apply.

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>JULY 14</u>	<u>AUGUST 14</u>	<u>SEPTEMBER 14</u>	<u>OCTOBER 14</u>
Cream	£/t	£1,380	£1,200	£1,120	£1,150
Cream Index	ppl	7.870p	6.850p	6.390p	6.550p
Four Pints Retail	4 pints p	117p	115p	114p	113p
Feed - concentrate	£/t	£261	£249	£241	£237
Fertiliser - AN	£/t	£254	£253.50	£259.50	£264.50
Fuel - red diesel	p/l	66.67p 66.53p	64.64p 64.53p	64.13p 64.08p	62.42p

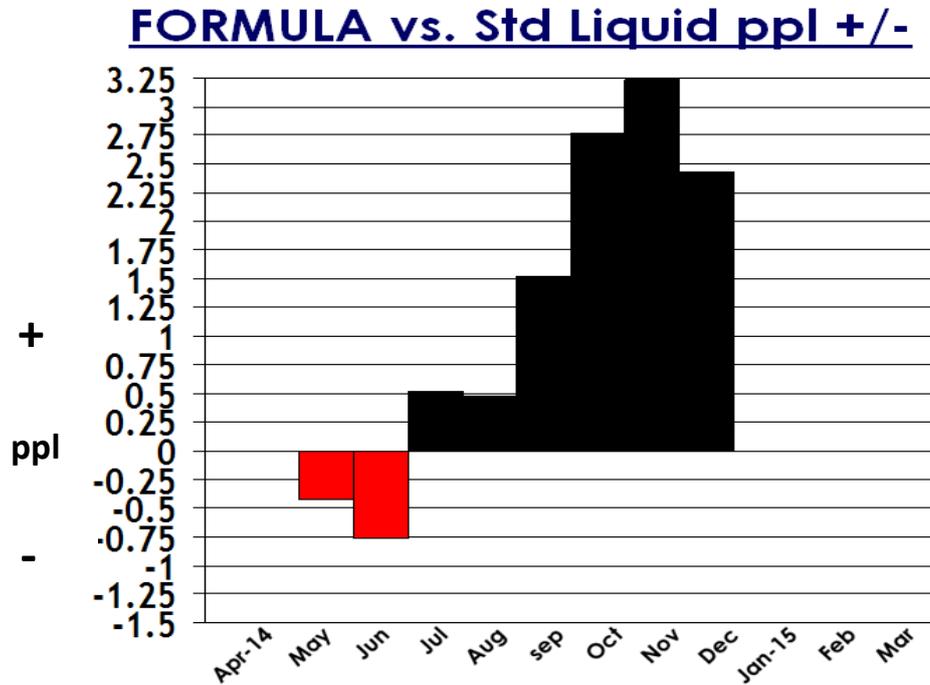
Indices applied via the milk price on a 'month after next basis' i.e. October impacting December price.

MILK PRICE APPLICABLE	<u>SEPTEMBER 14</u>	<u>OCTOBER 14</u>	<u>NOVEMBER 14</u>	<u>DECEMBER 14</u>
MONTHLY FORMULA CHANGE	-0.053p	-0.498p	-0.843p	-0.798p

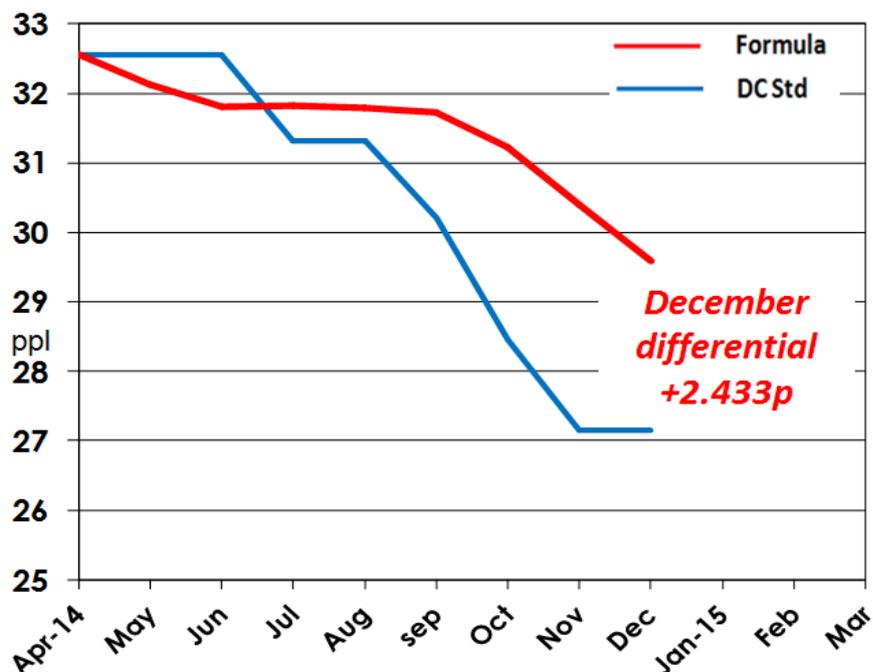
*Formula & DC Std Litre p/l comparison for consistency based on mp.com flagship table profile inclusion of 1.27p/l at April '14 Formula launch based on latest Jan 14 data. Latest mp.com RPA production profile data for Sep = 1.19p/l. All data rounded to 3 decimal places.

2014 Formula Summary - update

OCTOBER Dairy Co Datum data is utilised to generate the DECEMBER milk price. The differential for the month of December between the Dairy Crest Standard Liquid Contract and the Simplified and latest Core Formula applicants now resulting in an advantage worth **+2.433p/l** for the Formula options. The price differential across the entire first nine months of the 14/15 milk year between the Simplified/latest Core contracts is +1.08p/l in favour of the Formula contracts - based on a standard litre/identical volume supplied each month. Chart below +/- ppl per month.



FORMULA – Related Price 2014 p/l



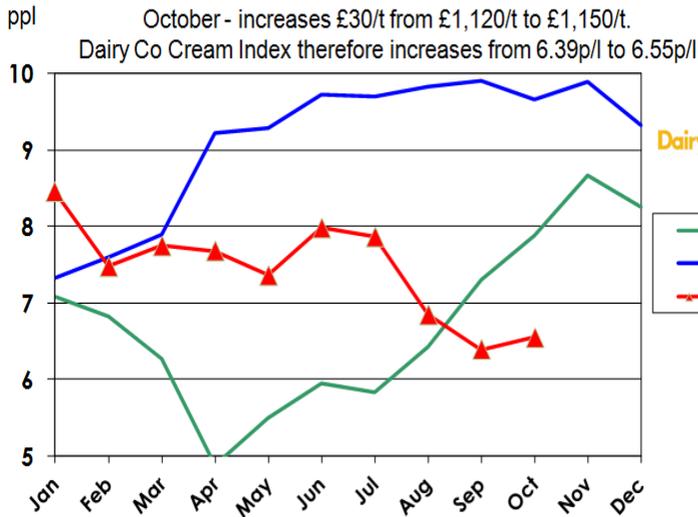
Please see updated parameter charts below - all declared for OCTOBER 2014

by Dairy Co Datum - with permissions.

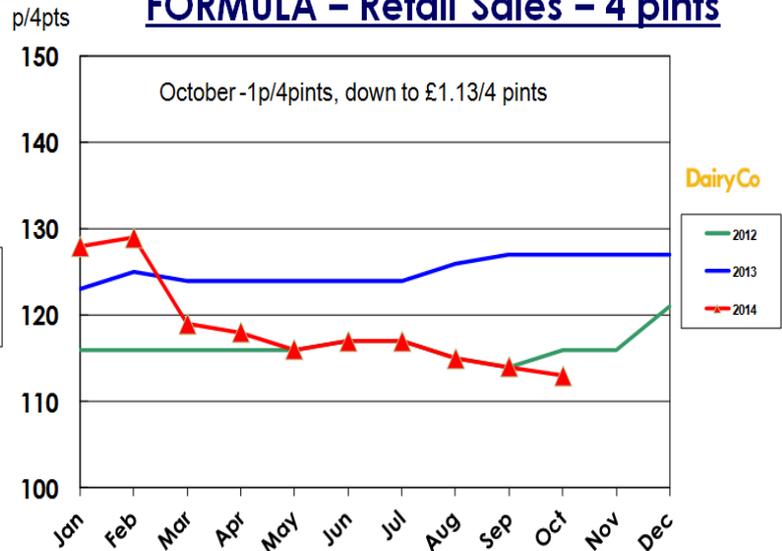
FORMULA DATA HIGHLIGHTS - OCTOBER 2014

- Cream - increased by £30/t, and by +0.16p/l applied to the cream index.
- Retail four pints - decreased by 1p/4pints to 113p/4pints.
- Feed/concentrates - decreased by £4/t to £237/t.
- Fert - increased £5/t to £264.50/t.
- Fuel - decreased by -1.71p/l to 62.42p/l for October, plus backdated review for September reduced fuel to 64.08p/l from the previously declared 64.13p/l.

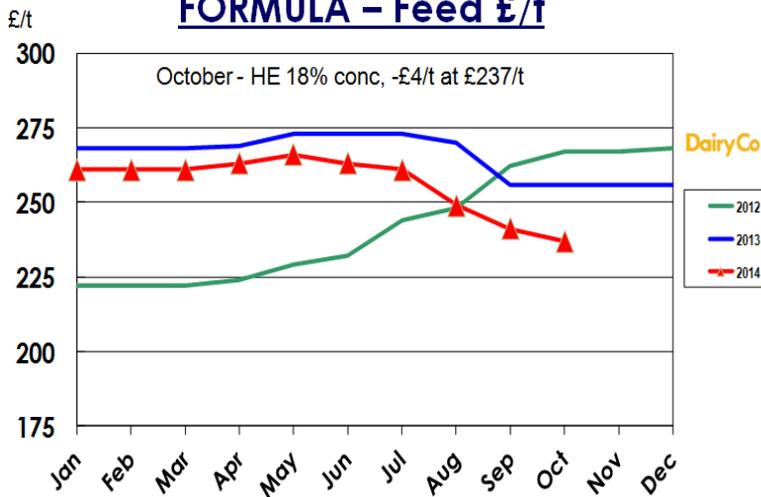
FORMULA - Cream Index - p/l



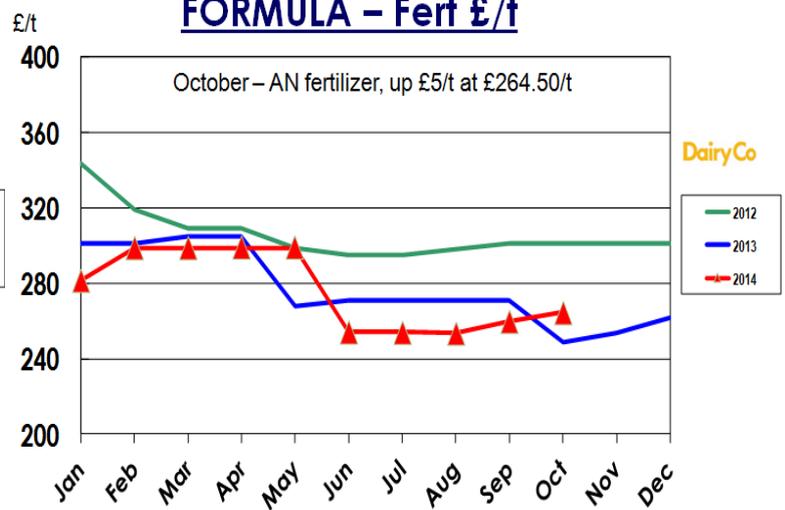
FORMULA - Retail Sales - 4 pints



FORMULA - Feed £/t



FORMULA - Fert £/t



FORMULA - Fuel ppl

