

FORMULA CONTRACTS - JANUARY '15 - CONFIRMED



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



<u>Contract</u>	<u>Launch</u>	<u>Base Price</u> <u>Dec 14</u>	<u>Std Litre</u> <u>Dec 14</u>	<u>Price Change</u> <u>JAN 15</u>	<u>Base Price</u> <u>JAN 15</u>	<u>Std Litre</u> <u>JAN 15</u>
CORE FORMULA	Jul/Oct 14	25.621p	29.593p	-0.306p	25.315p	29.287p
SIMPLIFIED FORMULA	April 14	27.993p	29.593p	-0.306p	27.687p	29.287p
Core Formula	April 14*	25.621p	29.783p	-0.306p	25.315p	29.477p
Standard Liquid Comparison		23.188p	27.160p	-1.25p	21.938p	25.910p

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

COMMENTARY

Only two out of the five Dairy Co parameters applied to the DC/DCD Formula have declined for November, the resultant price change applying for January is therefore less than cuts applied in recent months at **-0.306p/l**. This compared to the discretionary priced Standard Liquid equivalent which will reduce by -1.25p/l from 3rd January, the Formula delivering a milk price advantage of **+3.377p/l** to the Formula from January 3rd 2015.

Cream - Bulk cream markets improved again through November by £20/t. Stronger cream demand in the preparation for the Christmas market continues into December, although is expected to reduce later this month as these demands are satisfied. Analysts expectations for bulk cream values into January are that this market will decline.

Concentrates - High Energy 18% concentrates fell further by -£3/t for November, now down by £32/t since the 2014 'feed price high' recorded back in May. Feed market prices have stabilised into December, with feed wheat and soya prices strengthening. Indeed soya market values have increased £26/t to £337/t in November, this the highest soya price recorded for six months (since May).

Fertilizer - No change recorded for November.

Red Diesel - A sharp fall of -3.14p/l in red diesel prices for November took prices below 60p/l for the first time since November 2010 - a four year low. Oil prices have been in steady decline during 2014 as world economies have slowed.

Retail 4 pints - No change for a second month at 113p/4pints, the lowest price point last seen in November 2010.

Formula Outlook: - Much will now depend on cream values moving into 2015 as a major contributor to the immediate Formula milk price prospects.

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>AUGUST 14</u>	<u>SEPTEMBER 14</u>	<u>OCTOBER 14</u>	<u>NOVEMBER 14</u>
Cream	£/t	£1,200	£1,120	£1,150	£1,170
Cream Index	ppl	6.85p	6.39p	6.55p	6.67p
Four Pints Retail	4 pints p	115p	114p	113p	113p
Feed - concentrate	£/t	£249	£241	£237	£234
Fertiliser - AN	£/t	£253.50	£259.50	£264.50	£264.50
Fuel - red diesel	p/l	64.64p 64.53p	64.13p 64.08p	62.42p	59.28p

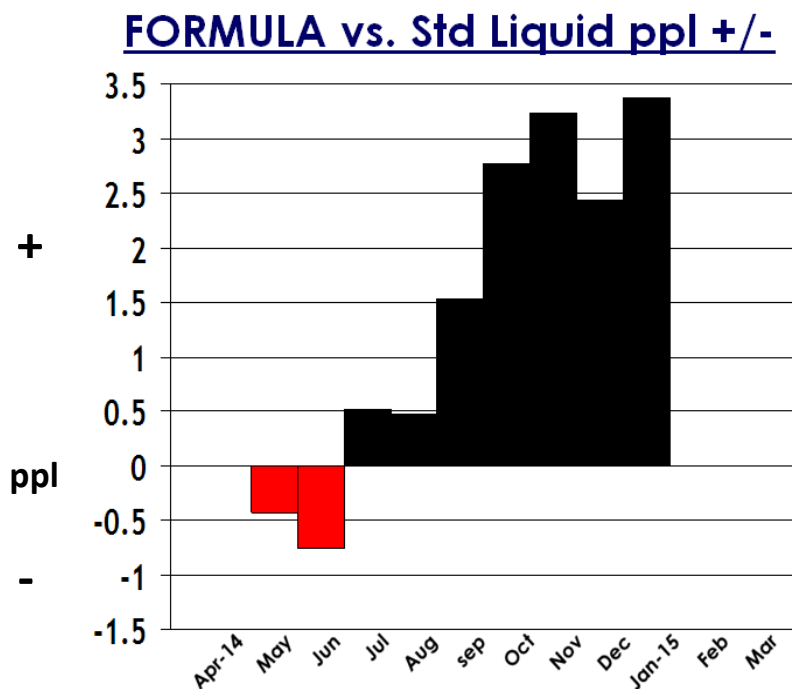
Indices applied via the milk price on a 'month after next basis' i.e. November impacting January 15 price.

MILK PRICE APPLICABLE	<u>OCTOBER 14</u>	<u>NOVEMBER 14</u>	<u>DECEMBER 14</u>	<u>JANUARY 15</u>
MONTHLY FORMULA CHANGE	-0.498p	-0.843p	-0.798p	-0.306p

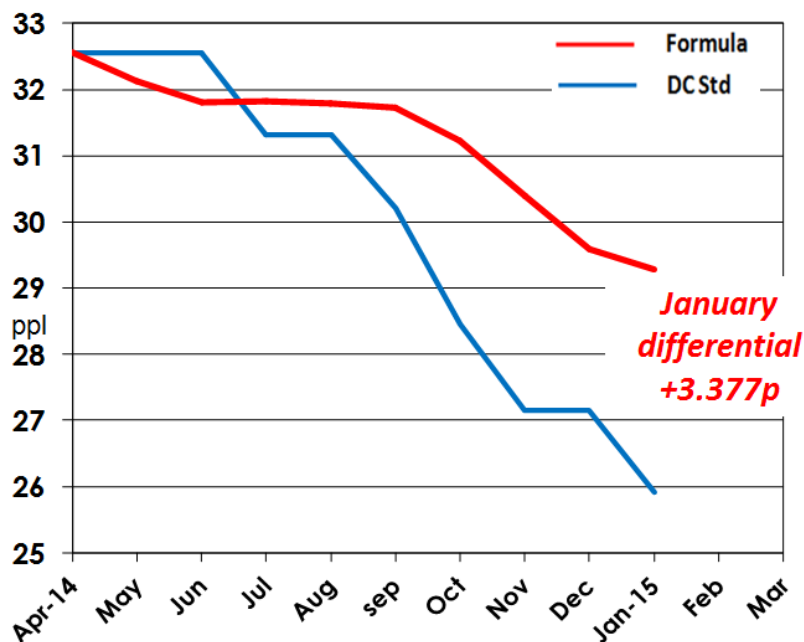
*Formula & DC Std Litre p/l comparison for consistency based on mp.com flagship table profile inclusion of 1.27p/l at April '14 Formula launch based on latest Jan 14 data. Latest mp.com RPA production profile data for Sep = 1.19p/l. All data rounded to 3 decimal places.

2014/15 Formula Summary - update

NOVEMBER Dairy Co Datum data is utilised to generate the JANUARY milk price. The differential for the month of January between the Dairy Crest Standard Liquid Contract and the Simplified and latest Core Formula applicants now resulting in an advantage worth **+3.377p/l** for the Formula options. The price differential across the entire first ten months of the 14/15 milk year between the Simplified/latest Core contracts, and despite the Formula contracts being either equal to, or below, the standard contract for the first quarter of 14/15 is +1.31p/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



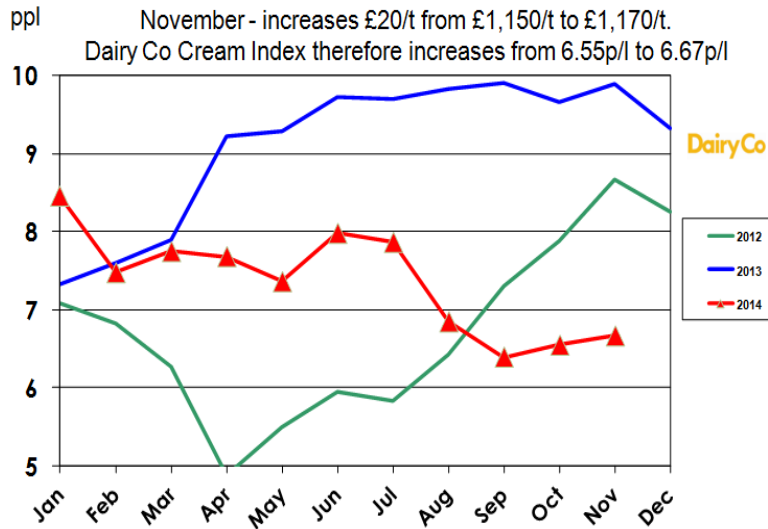
Please see updated parameter charts below - all declared for NOVEMBER 2014

by Dairy Co Datum - with permissions.

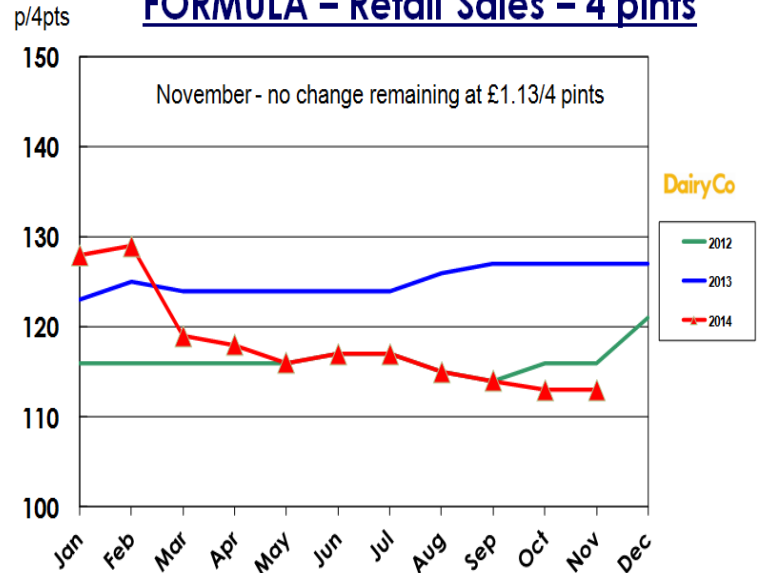
FORMULA DATA HIGHLIGHTS - NOVEMBER 2014

- Cream - increased by £20/t, and by +0.12p/l applied to the cream index.
- Retail four pints - no change at 113p/4pints.
- Feed/concentrates - decreased by £3/t to £234/t.
- Fert - no change at £264.50/t.
- Fuel - decreased by -3.14p/l to 59.28p/l for November. No backdated review for October, the first month without a backdated red diesel adjustment.

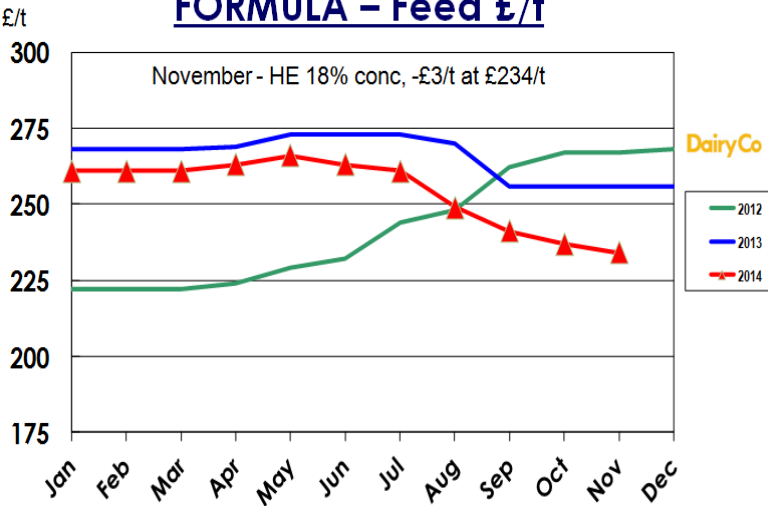
FORMULA - Cream Index - p/l



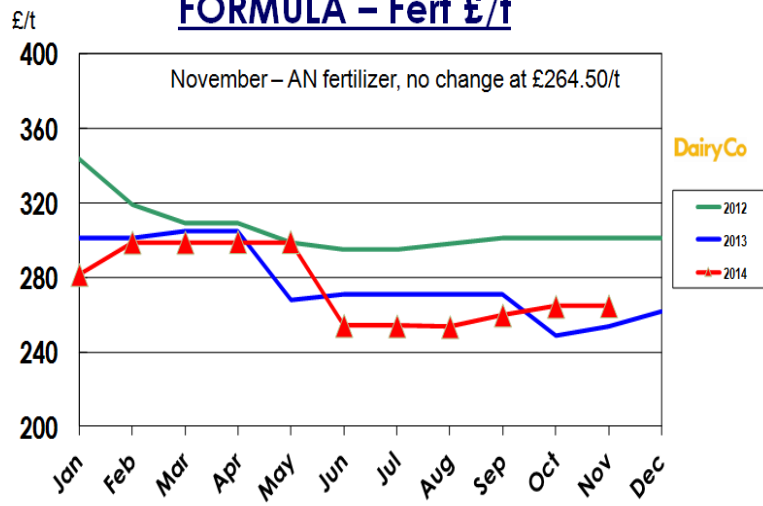
FORMULA - Retail Sales - 4 pints



FORMULA - Feed £/t



FORMULA - Fert £/t



FORMULA - Fuel ppl

