

FORMULA CONTRACTS - FEBRUARY '15 - CONFIRMED



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



<u>Contract</u>	<u>Launch</u>	<u>Base Price</u> <u>Jan 15</u>	<u>Std Litre</u> <u>Jan 15</u>	<u>Price Change</u> <u>FEB 15</u>	<u>Base Price</u> <u>FEB 15</u>	<u>Std Litre</u> <u>FEB 15</u>
CORE FORMULA	Jul/Oct 14	25.315p	29.287p	-0.262p	25.053p	29.025p
SIMPLIFIED FORMULA	April 14	27.687p	29.287p	-0.262p	27.425p	29.025p
Core Formula	April 14*	25.315p	29.477p	-0.262p	25.053p	29.215p
Standard Liquid Comparison		21.938p	25.910p	-1.200p	20.738p	24.710p

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

COMMENTARY

As only the Cream Index and Red Diesel out of the five Dairy Co parameters applied to the DC/DCD Formula declined in value for December, the resultant price change from February is relatively small at **-0.262p/l** and retains a Formula standard litre above 29p/l. This compared to the equivalent discretionary priced Std Liquid contract at less than 25p/l for the same month.

Cream - Bulk cream markets increased by £50/t at the beginning of December to a £1,200/t peak, before falling back considerably to £1,000/t as the Christmas market was filled. Dairy Co therefore has recorded an average value for the month of £1,050/t. Analysts expectations for bulk cream values into January are that this market will decline further.

Concentrates - After six consecutive months of reductions, High Energy 18% concentrates stabilised at £234/t for December. Principle benchmark feed ingredients of wheat and soya have rallied in recent months, wheat in December up to £131/t from a low point in October of £115/t, whilst Soya traded at £328/t in December from a low point of £307/t in July.

Fertilizer - Increases by £4/t in December, up by £15/t since August.

Red Diesel - OPEC recorded that the price of crude oil fell 21.3% within December. A year ago Brent Crude oil was trading at \$107/barrel, it's now under \$50/barrel. Little surprise that red diesel fell to a new low (since Oct 2010) at just over 57p/litre.

Retail 4 pints - No change for a third month at 113p/4pints, but with ASDA announcing a further cut to it's retail 4pints/89p, the retail price may be expected to record a further fall during January.

Formula Outlook: - With cream values expected to be lower for January, this will undoubtedly impact on the results to feed into the March price.

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>SEPTEMBER 14</u>	<u>OCTOBER 14</u>	<u>NOVEMBER 14</u>	<u>DECEMBER 14</u>
Cream	£/t	£1,120	£1,150	£1,170	£1,050
Cream Index	ppl	6.39p	6.55p	6.67p	5.98p
Four Pints Retail	4 pints p	114p	113p	113p	113p
Feed - concentrate	£/t	£241	£237	£234	£234
Fertiliser - AN	£/t	£259.50	£264.50	£264.50	£268.50
Fuel - red diesel	p/l	64.13p 64.08p	62.42p	59.28p 59.17p	57.18p

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

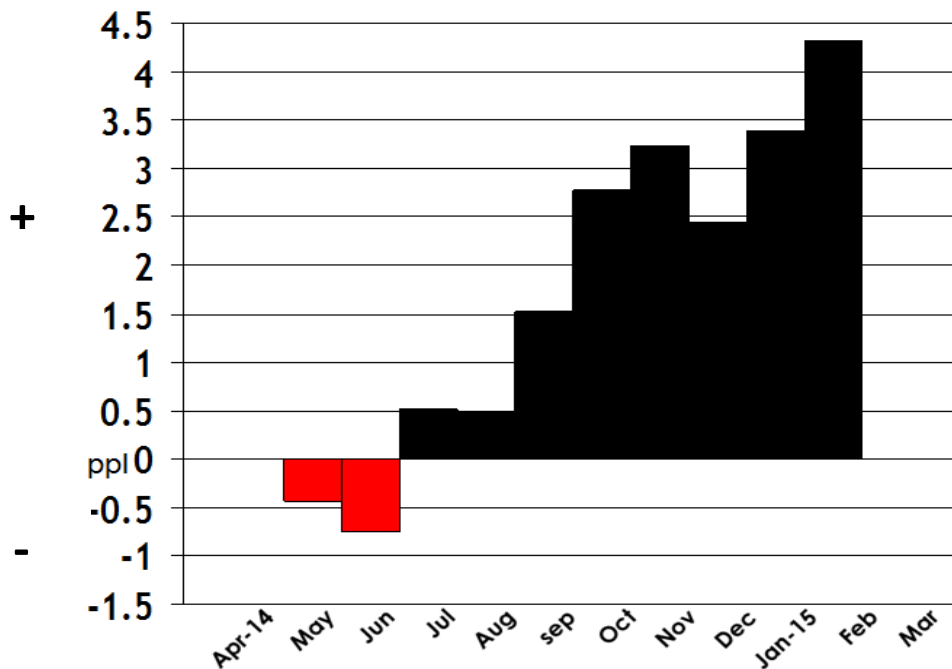
MILK PRICE APPLICABLE	<u>NOVEMBER 14</u>	<u>DECEMBER 14</u>	<u>JANUARY 15</u>	<u>FEBRUARY 15</u>
MONTHLY FORMULA CHANGE	-0.843p	-0.798p	-0.306p	-0.262p

*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 Novp = 1.17p/l. All data rounded to 3 decimal places.

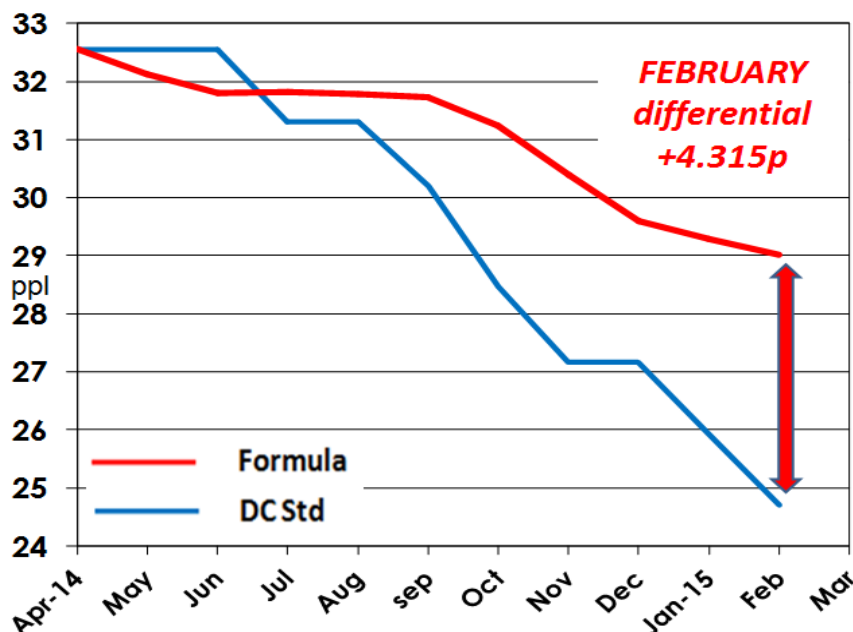
2014/15 Formula Summary - update

DECEMBER Dairy Co Datum data is utilised to generate the FEBRUARY milk price. The differential for the month of February between the Dairy Crest Standard Liquid Contract and the Simplified and latest Core Formula applicants now resulting in an advantage worth **+4.315p/l** for the Formula options. The price differential across the entire first eleven months of the 14/15 milk year between the Simplified/latest Core contracts equates to +1.586p/l in favour of the Formula Contracts, this despite the Formula contracts being either equal to, or below, the standard contract for the first quarter of 14/15. Comparison based on a standard litre/identical volume supplied each month. Chart below +/- ppl per month.

FORMULA vs. Std Liquid ppl +/-



FORMULA – Related Price 2014/15 p/l



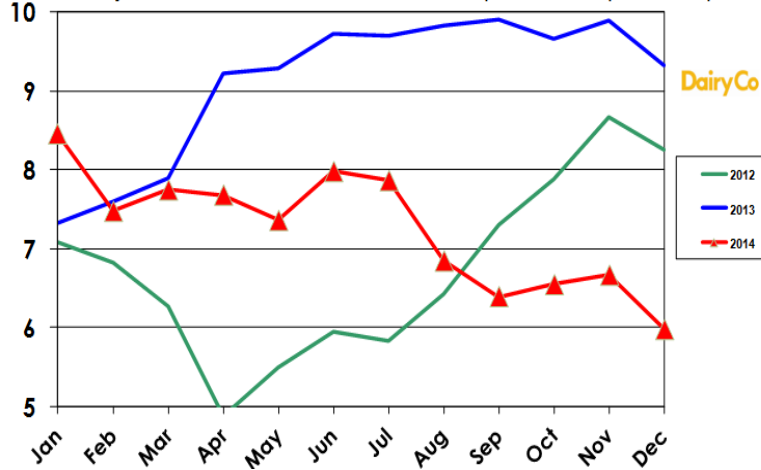
Please see updated parameter charts below - all declared for DECEMBER 2014
by Dairy Co Datum - with permissions.

FORMULA DATA HIGHLIGHTS - DECEMBER 2014

- Cream - decreased by £120/t, and by -0.69p/l applied to the cream index.
- Retail four pints - no change at 113p/4pints.
- Feed/concentrates - no change at £234/t.
- Fert - increased £4/t to £284.50/t.
- Fuel - decreased by -1.99p/l to 57.18p/l for December. Plus a further backdated adjustment to apply for November down from 59.28p/l to 59.17p/l.

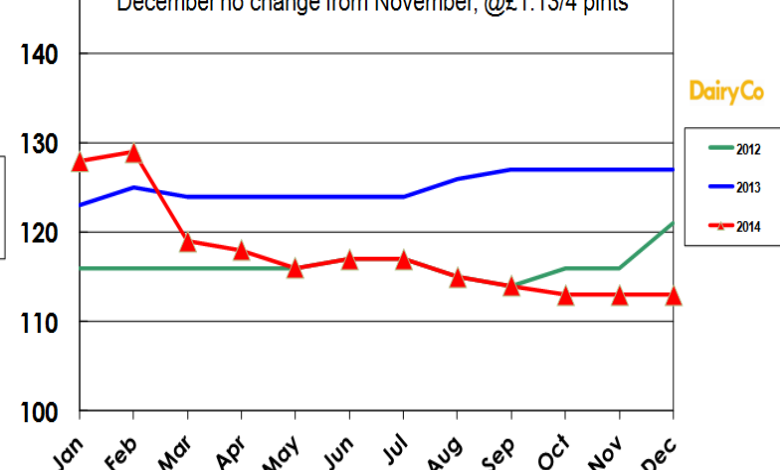
FORMULA - Cream Index - p/l

December - decreases £120/t from £1,170/t to £1,050/t.
Dairy Co Cream Index therefore falls 0.69p/l from 6.67p/l to 5.98p/l



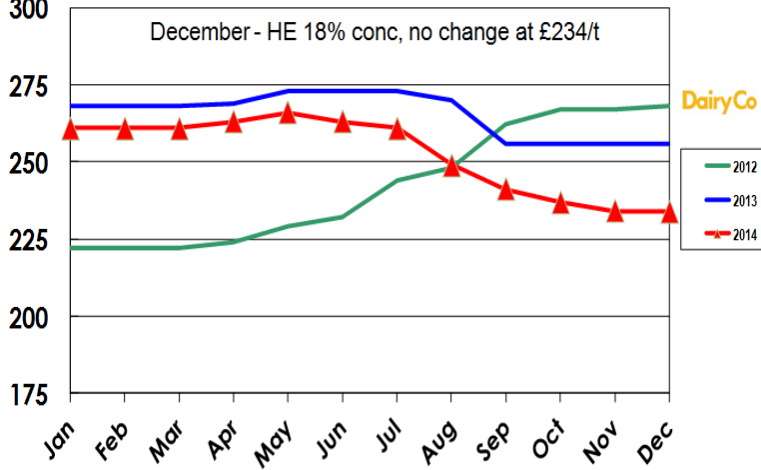
FORMULA - Retail Sales - 4 pints

December no change from November, @£1.13/4 pints



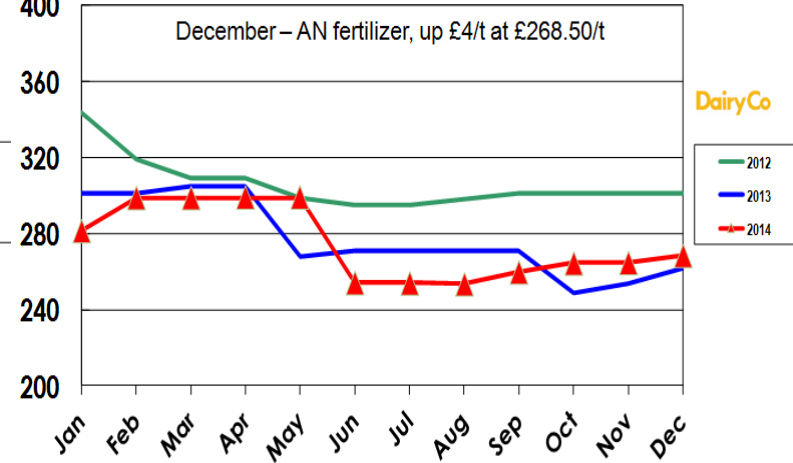
FORMULA - Feed £/t

December - HE 18% conc, no change at £234/t



FORMULA - Fert £/t

December - AN fertilizer, up £4/t at £284.50/t



FORMULA - Fuel p/l

December red diesel, -1.99p to 57.18p/l,
November revised data from 59.28p/l to 59.17p/l.

