

# FORMULA CONTRACTS - APRIL '15 - CONFIRMED



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

<u>Contract</u>	<u>Launch</u>	<u>Base Price</u> <u>Mar 15</u>	<u>Std Litre</u> <u>Mar 15</u>	<u>Price Change</u> <u>APR 15</u>	<u>Base Price</u> <u>APR 15</u>	<u>Std Litre</u> <u>APR 15</u>
CORE FORMULA	Jul/Oct 14	24.669p	28.641p	+0.006p	24.675p	28.647p
SIMPLIFIED FORMULA	April 14	27.041p	28.641p	+0.006p	27.047p	28.647p
Core Formula	April 14*	24.669p	28.831p	+0.006p	24.675p	28.837p
Standard Liquid Comparison		19.238p	23.210p	N/C	19.238p	23.210p

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

## COMMENTARY

For the first time in nine months (July 2014), the DC/DCD Formula priced contracts record an increase for April. Two out of the five AHDB Dairy parameters applied to the Formula increased in value for February, the resultant small price change from April is **+0.006p/l**, retaining a Formula standard litre above 28.50p/l.

**Cream** - Bulk cream markets for February contrasted significantly from those recorded in January, +£190/t and the largest single monthly increase reported for two years (April 2013). This has resulted in the latest cream income indicator reported by AHDB Dairy (Dairy Co) for February increasing by +1.08p/l. Cream markets improved strongly, along with butter and SMP values during February as dairy ingredient availability tightened throughout Europe. That said, dairy market values have softened more recently into March as EU milk volumes are picking up.

**Concentrates** - No changes recorded for February. Longer term prospects suggest that feed prices may weaken as the overhang from last year's bumper cereal crops seek to find outlets. Feed wheat values fell back £10/t in February.

**Fertilizer** - Increased for a fifth month since last summer, +£10.50/t for February.

**Red Diesel** - Records a second successive months below 50p/l, back at 2009 levels. This represents red diesel deflation equivalent of -27% vs February 2014, or -33% vs February 2013. Fuel prices as we move into March appear to be increasing.

**Retail 4 pints** - As further retail discounting applies, the AHDB recorded 4pint monthly data for February falls back, at 110p/4pints, this level not seen since 2010.

**Formula Outlook:** - Through the rolling sequencing of the Formula parameters, if cream values in particular can continue to be sustained this will help support further Formula improvement for May.

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>NOVEMBER 14</u>	<u>DECEMBER 14</u>	<u>JANUARY 15</u>	<u>FEBRUARY 15</u>
Cream	£/t	£1,170	£1,050	£980	<b>£1,170</b>
Cream Index	ppl	6.67p	5.98p	5.58p	<b>6.66p</b>
Four Pints Retail	4 pints p	113p	113p	112p	<b>110p</b>
Feed - concentrate	£/t	£234	£234	£236	<b>£236</b>
Fertiliser - AN	£/t	£264.50	£268.50	£277.50	<b>£288</b>
Fuel - red diesel	p/l	<del>59.28p</del> 59.17p	<del>57.18p</del> 55.17p	<del>50.04p</del> 49.73p	<b>48.80p</b>

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

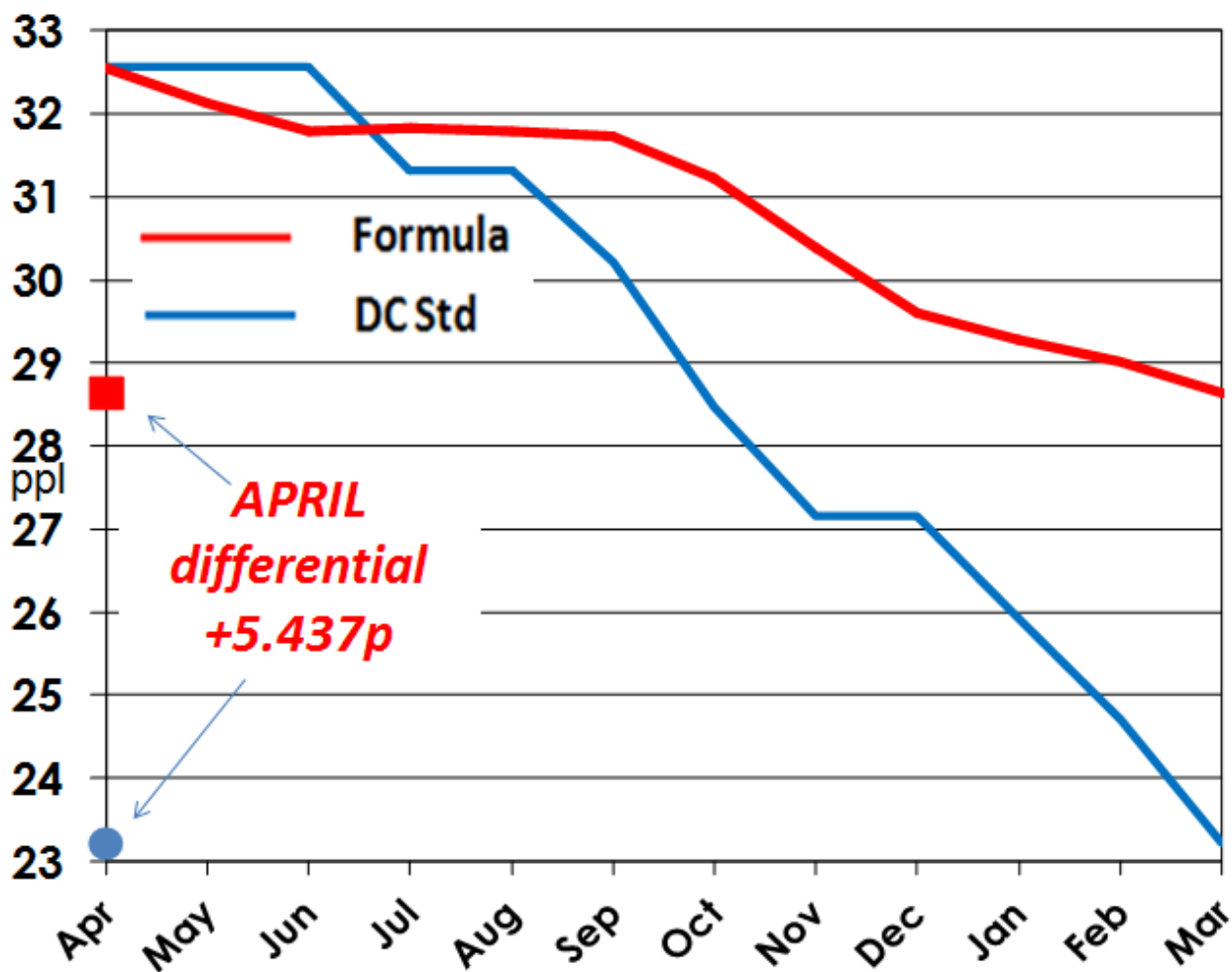
MILK PRICE APPLICABLE	<u>JANUARY 15</u>	<u>FEBRUARY 15</u>	<u>MARCH 15</u>	<u>APRIL 15</u>
MONTHLY FORMULA CHANGE	-0.306p	-0.262p	-0.384p	+0.006p

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

## 2014/15 Formula Summary - update

FEBRUARY Dairy Co Datum data is utilised to generate the APRIL milk price. The differential for the month of April between the Dairy Crest Standard Liquid Contract and the Simplified and latest Core Formula applicants now resulting in an advantage worth **+5.437p/l** for the Formula options.

# FORMULA – Related Price 2014/15 p/l



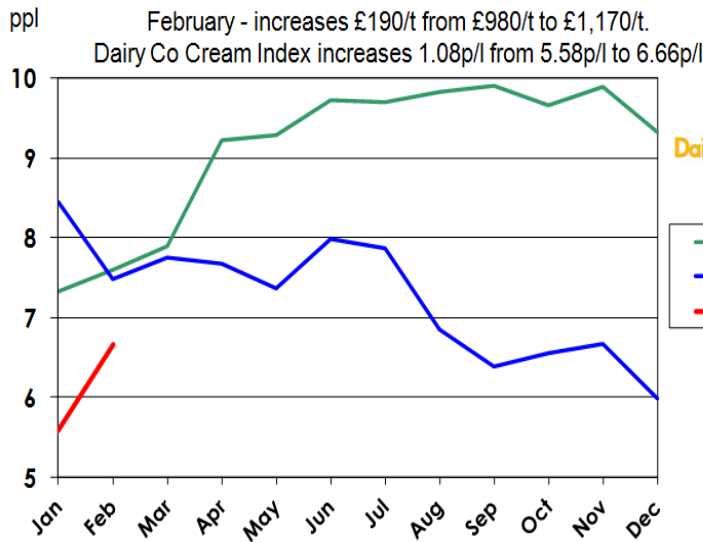
Please see updated parameter charts below - all declared for FEBRUARY 2015

by Dairy Co Datum - with permissions.

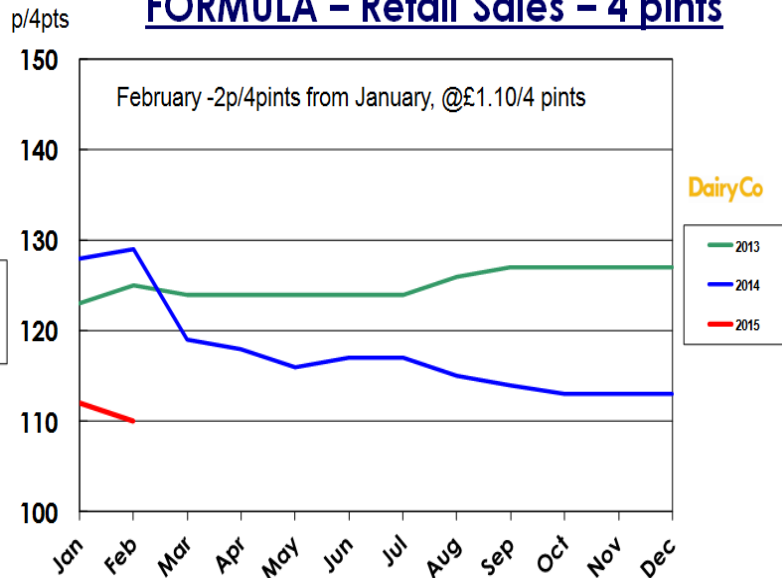
# FORMULA DATA HIGHLIGHTS - FEBRUARY 2015

- Cream - increased by £190/t, and by +1.08p/l applied to the cream index.
- Retail four pints - down by 2p to 110p/4pints.
- Feed/concentrates - no change at £236/t.
- Fert - increased £10.50/t to £288/t.
- Fuel - decreased by -0.93p/l to 48.80p/l for February. Plus a further backdated adjustment to apply for January down from 50.04p/l to 49.73p/l.

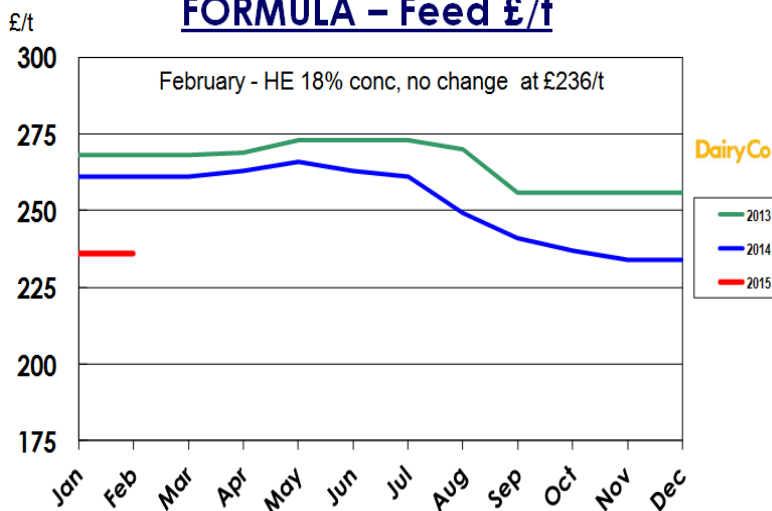
## FORMULA - Cream Index - p/l



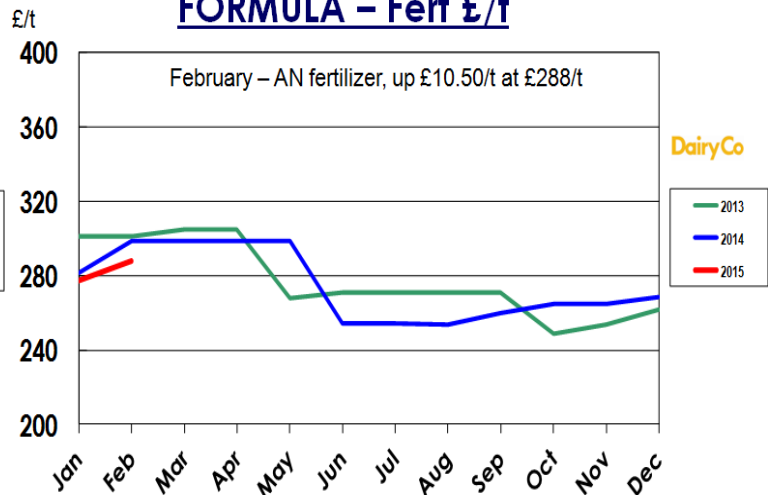
## FORMULA - Retail Sales - 4 pints



## FORMULA - Feed £/t



## FORMULA - Fert £/t



## FORMULA - Fuel ppl

