

# FORMULA CONTRACTS - MAY '15 - CONFIRMED



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



<u>Contract</u>	<u>Launch</u>	<u>Base Price</u> <u>Apr 15</u>	<u>Std Litre</u> <u>Apr 15</u>	<u>Price Change</u> <u>MAY 15</u>	<u>Base Price</u> <u>MAY 15</u>	<u>Std Litre</u> <u>MAY 15</u>
CORE FORMULA	Jul/Oct 14	24.675p	28.647p	+0.001p	24.676p	28.648p
SIMPLIFIED FORMULA	April 14	27.047p	28.647p	+0.001p	27.048p	28.648p
Core Formula	April 14*	24.675p	28.837p	+0.001p	24.676p	28.838p
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 since the autumn 2013, the DC/DCD Formula priced contracts recorded a second consecutive (albeit very small), monthly increase. Two out of the five AHDB Dairy parameters applied to the Formula again increased in value for March, the resultant small adjustment from May of **+0.001p/l**, retaining a Formula standard litre above 28.60p/l.

**Cream** - All dairy ingredient market values reversed during March vs. February, with bulk cream reducing by £100/t. This has resulted in the latest cream income indicator reported by AHDB Dairy (Dairy Co) decreasing by 0.58p/l for March. As EU and UK milk volumes continue to strengthen towards the 'spring flush', cream market values are weakening, with some reports for April indicating cream markets at less than £1,000/t. If this is sustained at this level, will impact on future Formula pricing.

**Concentrates** - HE 18% concentrates values fell by £4/t for March. Analysts suggest that longer term prospects for feed prices may soften as the overhang from last year's bumper cereal crop continues. Feed wheat values fell back again for March, down £14/t since January, with Soya as a barometer of protein market prices reduced to the lowest value for over three years at £305/t.

**Fertilizer** - Whilst blended fertilizer market values have fallen recently, AN fertilizer markets increased for a sixth month since last summer, +£1/t for March.

**Red Diesel** - Records the first increase since last July, and the largest monthly increase at +3.05p/l since November 2009.

**Retail 4 pints** - Down yet again, the first time below 110p/4 pints since 2010.

**Formula Outlook:** - Through the rolling sequencing of the Formula parameters, if cream and concentrate values continue to falter, forward Formula pricing for June is looking less buoyant.

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>DECEMBER 14</u>	<u>JANUARY 15</u>	<u>FEBRUARY 15</u>	<u>MARCH 15</u>
Cream	£/t	£1,050	£980	£1,170	<b>£1,070</b>
Cream Index	ppl	5.98p	5.58p	6.66p	<b>6.08p</b>
Four Pints Retail	4 pints p	113p	112p	110p	<b>108p</b>
Feed - concentrate	£/t	£234	£236	£236	<b>£232</b>
Fertiliser - AN	£/t	£268.50	£277.50	£288	<b>£289</b>
Fuel - red diesel	p/l	<del>57.18p</del> 55.17p	<del>50.04p</del> 49.73p	<del>48.80p</del> 48.69p	<b>51.74p</b>

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

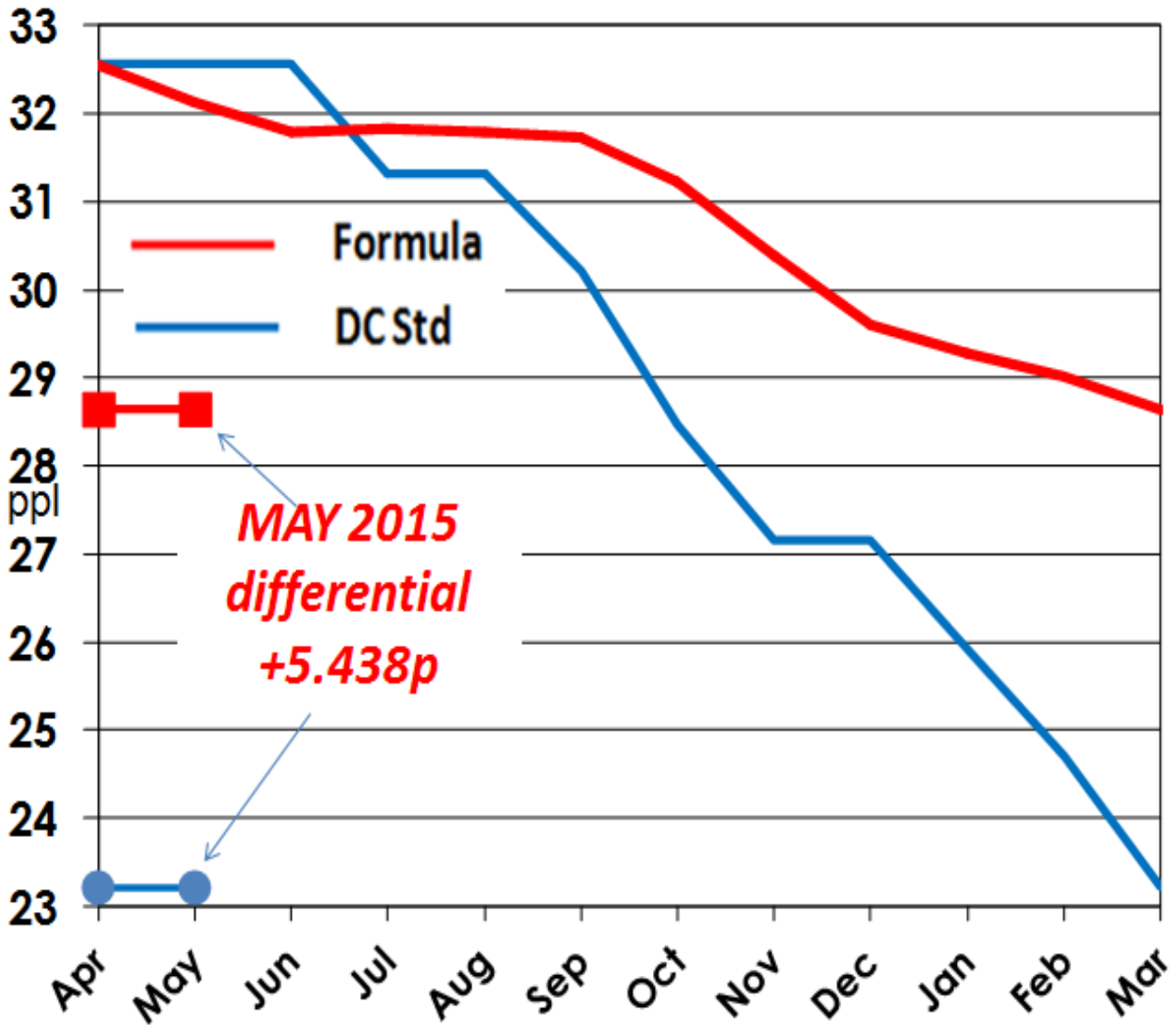
MILK PRICE APPLICABLE	<u>FEBRUARY 15</u>	<u>MARCH 15</u>	<u>APRIL 15</u>	<u>MAY 15</u>
MONTHLY FORMULA CHANGE	<b>-0.262p</b>	<b>-0.384p</b>	<b>+0.006p</b>	<b>+0.001p</b>

\*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 Jan 14 RPA data. Latest mp.com RPA production profile data for Feb 15 = 1.21p/l. All data rounded to 3 decimal places.

## 2014/15 Formula Summary - update

MARCH Dairy Co Datum data is utilised to generate the MAY milk price. The differential for the month of May between the Dairy Crest Standard Liquid Contract and the Simplified and latest Core Formula applicants now resulting in an advantage worth **+5.438p/l** for the Formula options.

# FORMULA – Related Price 2014/15 p/l



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

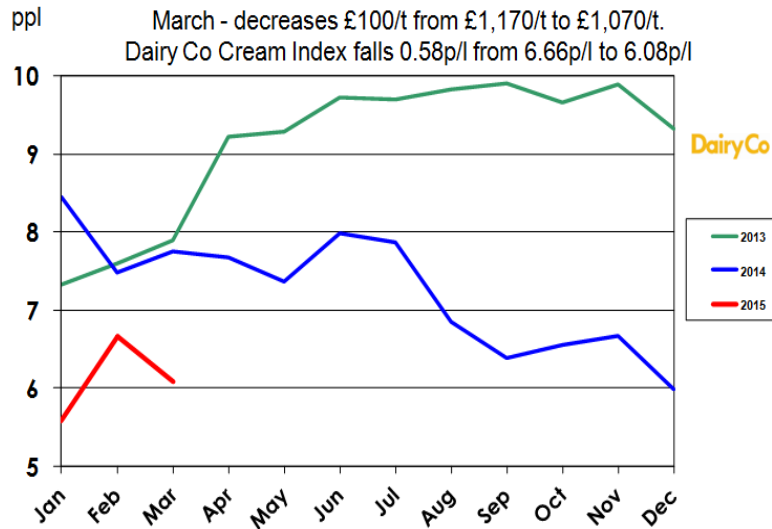
by Dairy Co Datum - with permissions.

# FORMULA DATA HIGHLIGHTS - MARCH 2015

- Cream - decreased by £100/t, and by +0.58p/l applied to the cream index.
- Retail four pints - down by 2p to 108p/4pints.
- Feed/concentrates - decreased by £4/t to £232/t.
- Fert - increased £1/t to £289/t.
- Fuel - increased by +3.05p/l to 51.74p/l for March. Plus a further backdated adjustment to apply for February down from 48.80p/l to 48.69p/l.

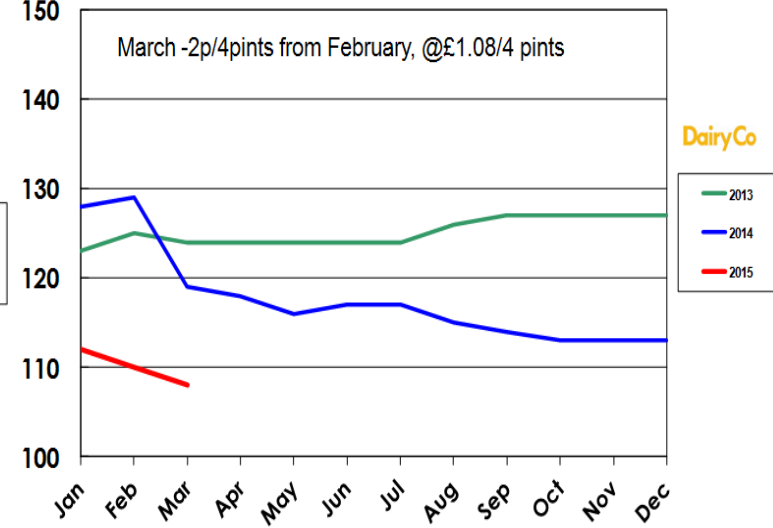
## FORMULA - Cream Index - p/l

March - decreases £100/t from £1,170/t to £1,070/t.  
Dairy Co Cream Index falls 0.58p/l from 6.66p/l to 6.08p/l



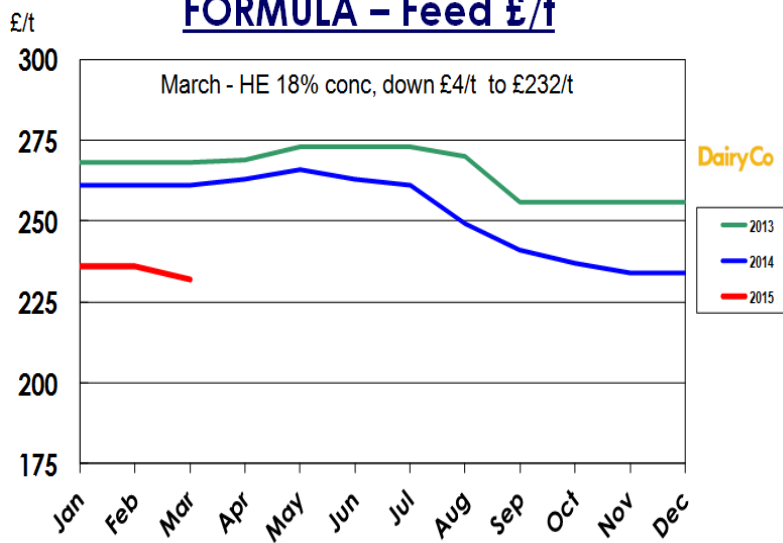
## FORMULA - Retail Sales - 4 pints

March -2p/4pints from February, @£1.08/4 pints



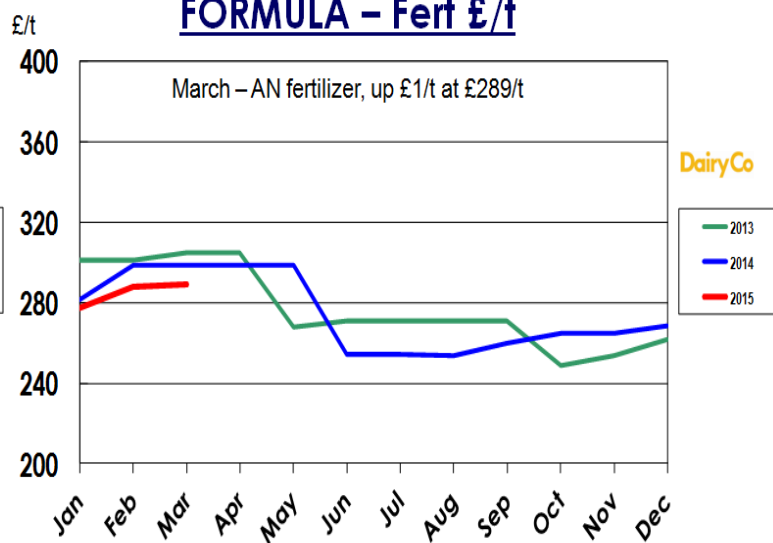
## FORMULA - Feed £/t

March - HE 18% conc, down £4/t to £232/t



## FORMULA - Fert £/t

March - AN fertilizer, up £1/t at £289/t



## FORMULA - Fuel p/l

March red diesel, +3.05p to 51.74p/l,  
February revised data from 48.80p/l to 48.69p/l.

