

FORMULA CONTRACTS - JULY '15 - CONFIRMED



<u>Contract</u>	<u>Launch</u>	<u>Std Litre June 15</u>	<u>Price Change JULY 15</u>	<u>Std Litre JULY 15</u>
CORE FORMULA	Jul/Oct 14	28.618p	-0.661p	27.957p
SIMPLIFIED FORMULA	April 14	28.618p	-0.661p	27.957p
Core Formula	April 14*	28.808p	-0.661p	28.147p
Standard Liquid Comparison		23.210p	N/C	23.210p

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

COMMENTARY

Following the last three months where the Formula has delivered price stability, the five May AHDB Dairy (Dairy Co) Formula parameters records it's largest reduction of 2015 as a price fall of **-0.661p/l** is to apply for July. That said, in context with most other milk price declarations, this monthly movement remains small, with the total reduction across the January/July period at -1.33p/l, with those that signed to the Core Formula at launch still with a standard milk price above 28p/l.

Cream - All dairy ingredient market values continued to be depressed during May, as very strong ex farm milk volumes in the UK/EU during the month added greater pressure to market returns. As the chart below records, across just the last four months, cream values fell by £250/t or 21%, this has been reflected within the AHDB cream calculator recording the lowest cream index for three years at just 5p/l, and is the principle contributor to the significant fall in the Formula price for July.

Added to this, AHDB Dairy also apply an annual revision to their cream calculator. This review assesses the division of actual sales to the retail sector by fat % (whole, semi skim, skimmed and 1%). Depending on how these markets have changed, determines the quantity of residual cream that is then available to a processor to sell on the market - which is captured through the Cream Index used in the Formula. During this year's review, this has seen a reduction in the index from April, this incorporated in the rolling Formula data (shown below). A year ago, the Cream Index review delivered a small increase.

***Concentrates and Fertiliser** - AHDB Dairy source of data used to monitor HE 18% concentrates and Ammonium Nitrogen fertiliser markets has 'through unforeseen circumstances' not been able to publish data for May. Therefore as is consistent with all Formula parameters, once data is available in future months, this back data will be captured through the mechanisms already in place - as is the case through the April backdated data for cream and fuel being applied this month.

Red Diesel - Records a third consecutive monthly increase, and now at a high for 2015 at 54.05p/l.

Retail 4 pints - For the first month this year, no change in the 4 pint retail price.

Formula Outlook: - Reviewing prospects across the five Formula parameters, a further reduction is likely to apply with the June data to apply for August.

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. cream and fuel data for April.

FORMULA INDICES - UPDATE

		<u>FEBRUARY 15</u>	<u>MARCH 15</u>	<u>APRIL 15</u>	<u>MAY 15</u>
Cream	£/t	£1,170	£1,070	£970	£920
Cream Index	ppl	6.66p	6.08p	5.52p 5.27p	5.00p
Four Pints Retail	4 pints p	110p	108p 107p	103p	103p
Feed - concentrate	£/t	£236	£232	£232	*£232
Fertiliser - AN	£/t	£288	£289	£289	*£289
Fuel - red diesel	p/l	48.80p 48.69p	51.74p 51.70p	52.48p 52.43p	54.06p

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

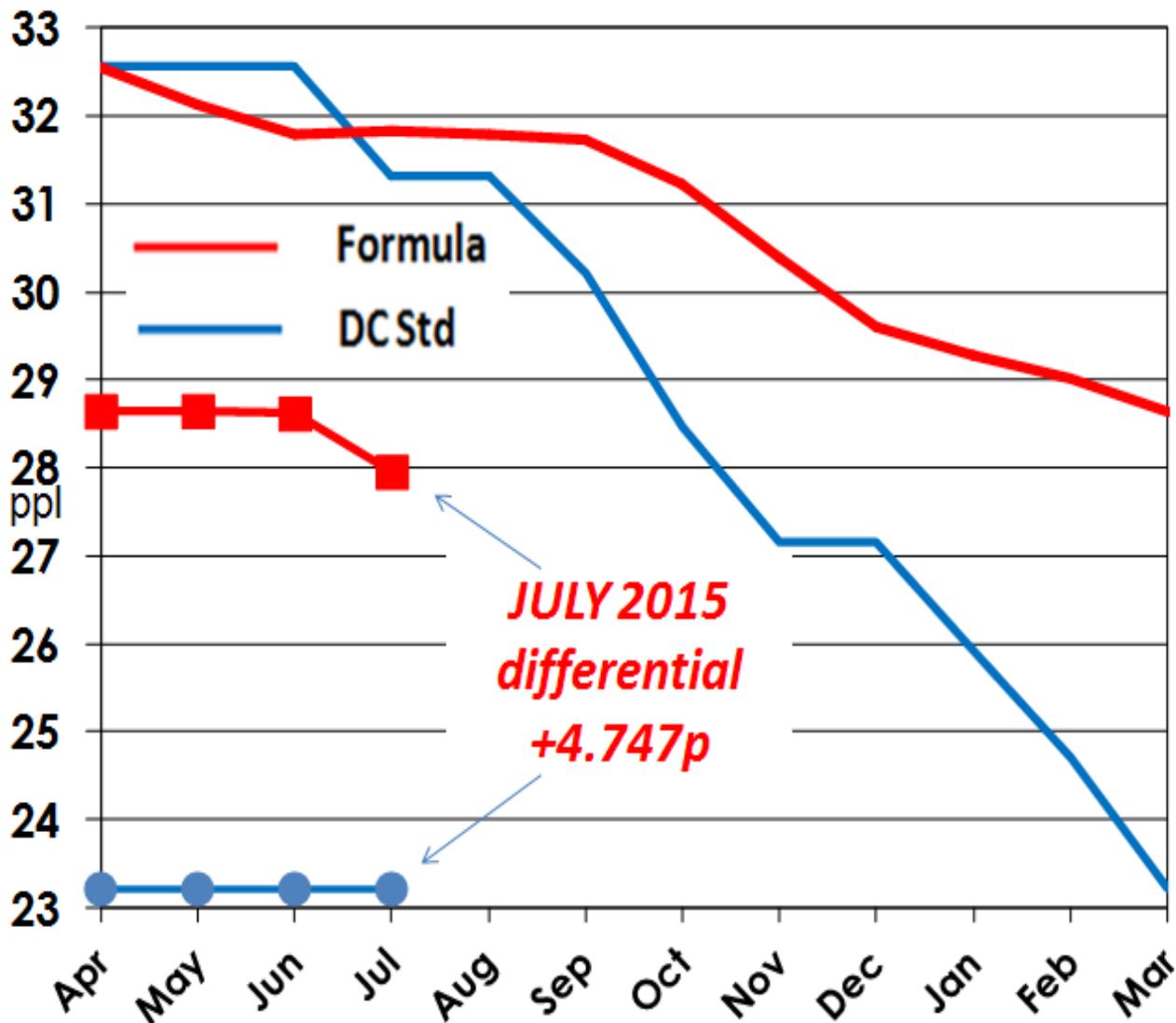
MILK PRICE APPLICABLE	<u>APRIL 15</u>	<u>MAY 15</u>	<u>JUNE 15</u>	<u>JULY 15</u>
MONTHLY FORMULA CHANGE	+0.006p	+0.001p	-0.030p	-0.661p

*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

MAY AHDB Dairy (Dairy Co) published data is utilised to generate the JULY milk price. The differential for the month of July between the Dairy Crest Standard Liquid Contract and the Simplified and latest Core Formula applicants now resulting in an advantage worth **+4.747p/l** for the Formula options.

FORMULA – Related Price 2014/15 p/l



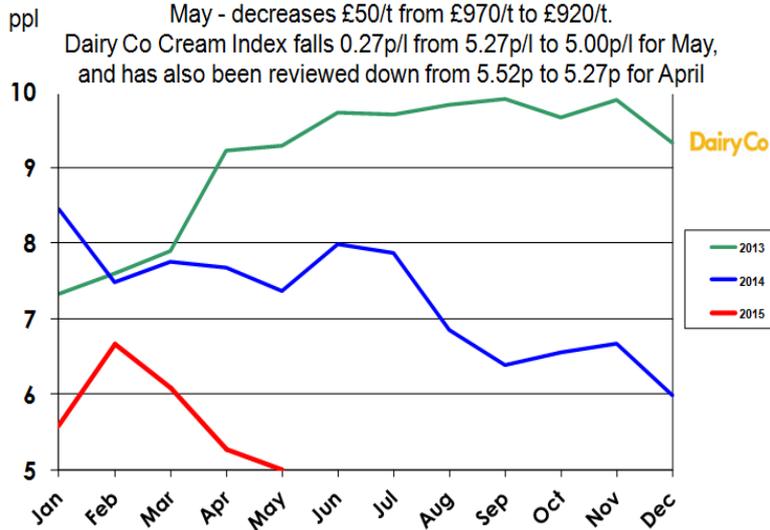
Please see updated parameter charts below - all declared for MAY 2015

by Dairy Co Datum - with permissions.

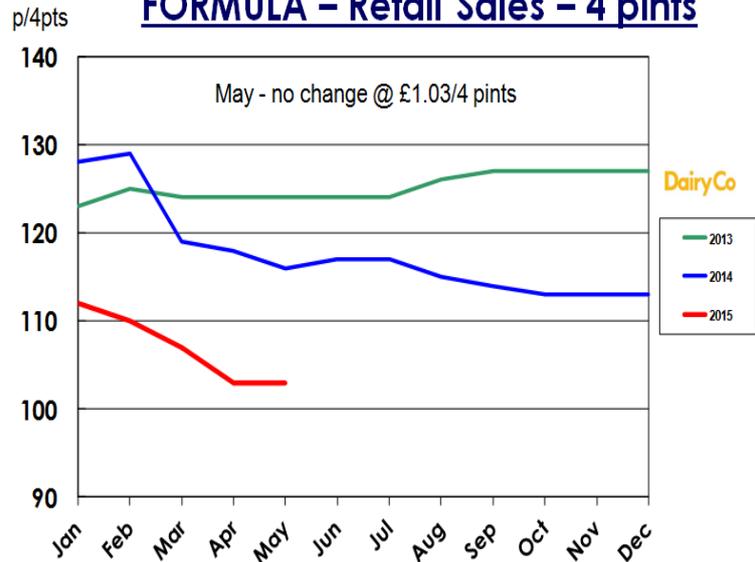
FORMULA DATA HIGHLIGHTS - MAY 2015

- Cream - decreased by £50/t, and by -0.27p/l applied to the cream index to 5.00p/l, plus a backdated adjustment to apply for April down from 5.52p to 5.27p.
- Retail four pints - no change at 103p/4pints.
- *Feed/HE 18% and Fertilizer - no changes reported by Dairy Co for May. *See commentary.*
- Fuel - increased by +1.63p/l to 54.06p/l for May. Plus a further backdated adjustment to apply for April down from 52.48p/l to 52.43p/l.

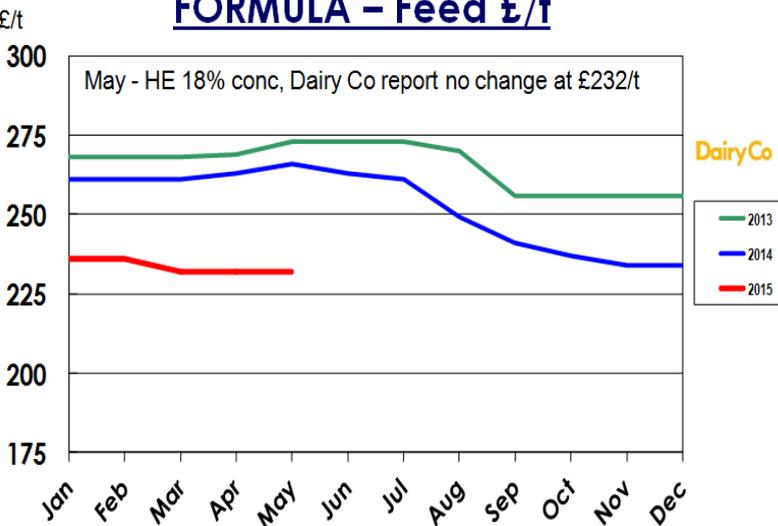
FORMULA - Cream Index - p/l



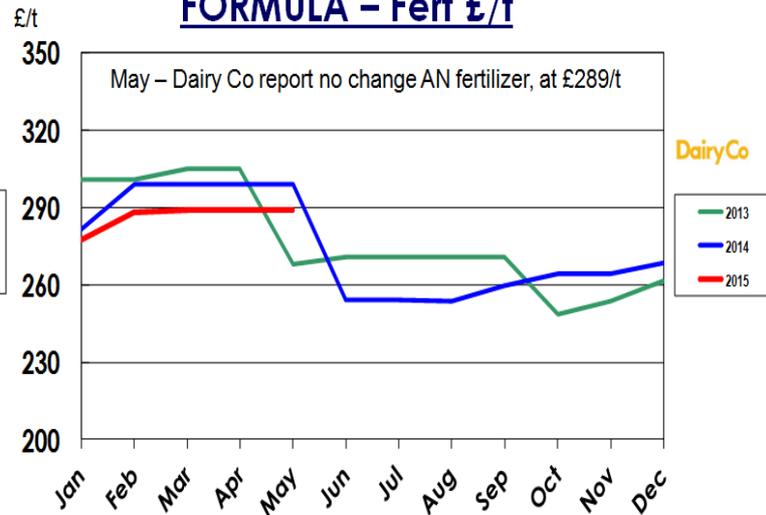
FORMULA - Retail Sales - 4 pints



FORMULA - Feed £/t



FORMULA - Fert £/t



FORMULA - Fuel p/l

