

# FORMULA CONTRACTS - AUGUST '15 - CONFIRMED



<u>Contract</u>	<u>Launch</u>	<u>Std Litre July 15</u>	<u>Price Change AUGUST 15</u>	<u>Std Litre AUGUST 15</u>
CORE FORMULA	Jul/Oct 14	27.957p	-0.169p	27.788p
SIMPLIFIED FORMULA	April 14	27.957p	-0.169p	27.788p
Core Formula	April 14*	28.147p	-0.169p	27.978p
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

The final June declarations from AHDB Dairy for the five Formula parameters records a further milk price reduction to apply from August, **-0.169p/l**. The Dairy Crest/DCD developed Formula milk pricing delivering a milk price above 27.7p/l which still compares well against UK comparator milk prices.

**Cream** - UK and EU dairy ingredient market values continue to be under pressure as a result of historically high levels of milk production. Despite that background, cream values improved from the three year low level recorded in May, this largely as a result of the increased demand generated by the soft fruit season being in full swing, which saw sales for cream increase. Cream values so far in early July have dipped back from the levels seen for June.

**\*Concentrates and Fertiliser** - AHDB Dairy source of data used to monitor HE 18% concentrates and Ammonium Nitrogen fertiliser markets has as it reports 'through unforeseen circumstances' not been able to publish data again for June. However, the data source for both concentrates and fertilizer input costs will be restored for July. Indeed, a £5/t cut in the value of HE 18% concentrate has already been recorded for July which will be captured within the next Formula review to contribute towards the September price.

**Red Diesel** - Records a fourth consecutive monthly increase, and now at a high for 2015 at 54.27p/l.

**Retail 4 pints #** - The AHDB review for June marks two significant aspects to the retail 4 pints data:

- 1) From June, AHDB data is now captured by Kantar Worldpanel, this replaces their previous source, ESA.
- 2) June 2015 records a 12 year low in the UK reported retail price of 4 pints at 98p/4 pints. Last recorded below £1 in June 2003.

**Formula Outlook:** - Reviewing prospects across the five Formula parameters, and with a feed decrease already declared for July, a further reduction is likely to apply with the July data to apply for September.

### Notes:

Data below as declared through each month's AHDB Dairy 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.

\*Published by AHDB as 'carry forward data' from April

# Retail four pint data published by AHDB from June 2015 sourced from Kantar Worldpanel (previously ESA)

## FORMULA INDICES - UPDATE

		<u>MARCH 15</u>	<u>APRIL 15</u>	<u>MAY 15</u>	<u>JUNE 15</u>
Cream	£/t	£1,070	£970	£920	<b>£1,000</b>
Cream Index	ppl	6.08p	<del>5.52p</del> 5.27p	5.00p	<b>5.44p</b>
Four Pints Retail #	4 pints p	<del>108p</del> 107p	103p	103p	<b>98p</b>
Feed - concentrate	£/t	£232	£232	*£232	<b>*£232</b>
Fertiliser - AN	£/t	£289	£289	*£289	<b>*£289</b>
Fuel - red diesel	p/l	<del>51.74p</del> 51.70p	<del>52.48p</del> 52.43p	<del>54.06p</del> 54.00p	<b>54.27p</b>

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

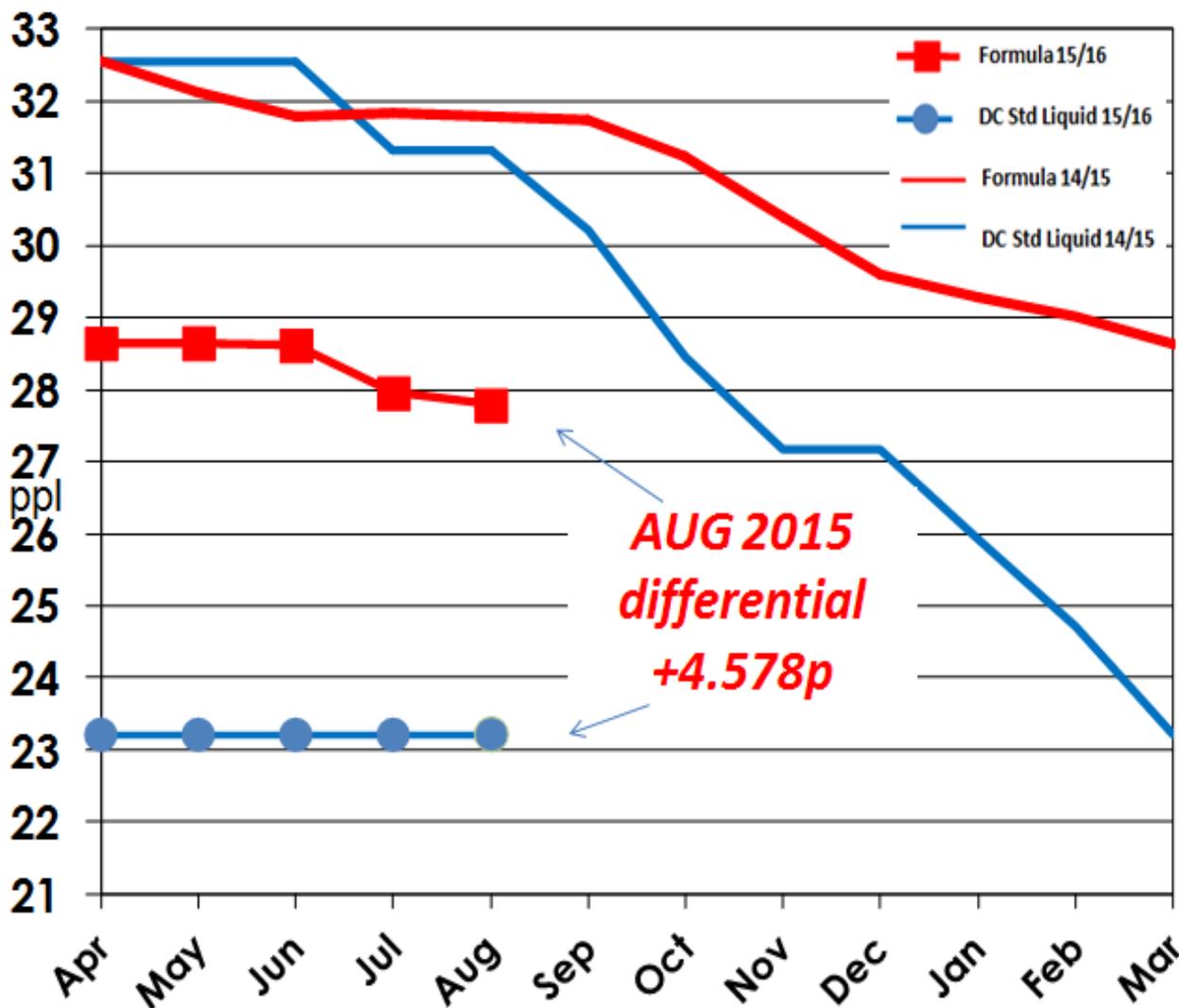
MILK PRICE APPLICABLE	<u>MAY 15</u>	<u>JUNE 15</u>	<u>JULY 15</u>	<u>AUGUST 15</u>
MONTHLY FORMULA CHANGE	<b>+0.001p</b>	<b>-0.030p</b>	<b>-0.661p</b>	<b>-0.169p</b>

\*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. All data rounded to 3 decimal places.

## 2014/15 vs 2015/16 Formula Summary - update

JUNE AHDB Dairy (Dairy Co) published data is utilised to generate the AUGUST milk price. The differential for the month of August between the Dairy Crest Standard Liquid Contract and the Simplified and latest Core Formula applicants now resulting in an advantage worth **+4.578p/l** for the Formula options.

# FORMULA – Related Price 2014/15 p/l



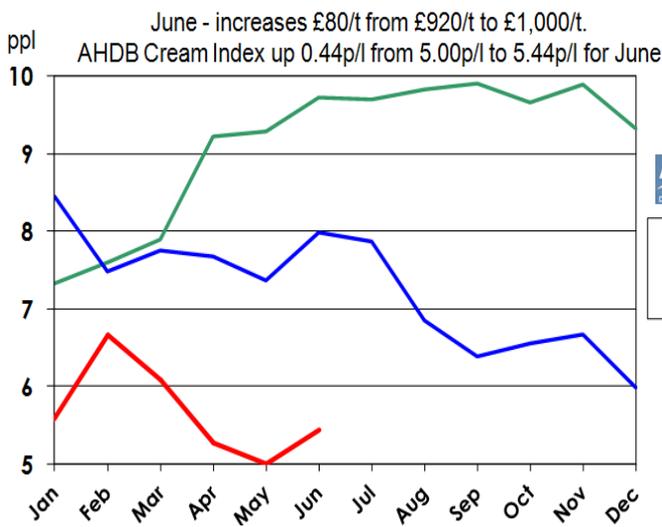
Please see updated parameter charts below - all declared for JUNE 2015

by Dairy Co Datum - with permissions.

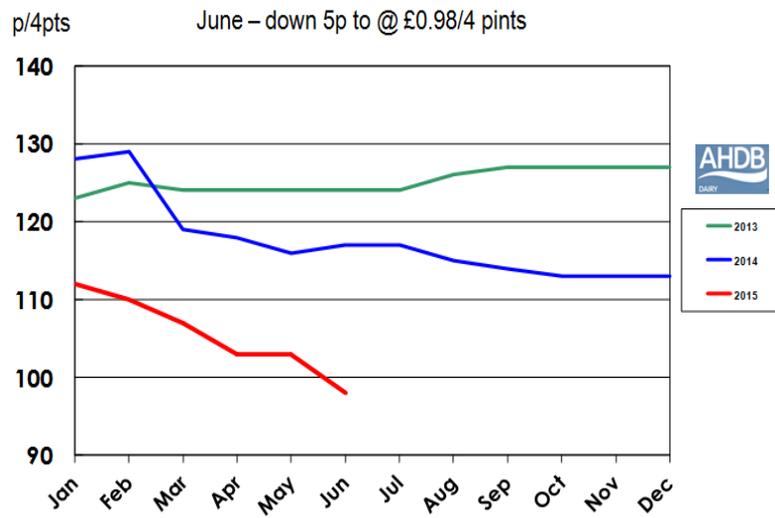
# FORMULA DATA HIGHLIGHTS - JUNE 2015

- Cream - increased by £80/t, and by +0.44p/l applied to the cream index to 5.44p/l.
- Retail four pints - down by 5p to 98p/4pints.
- \*Feed/HE 18% and Fertilizer - no changes reported by AHDB for June. *See commentary.*
- Fuel - increased by +0.27p/l to 54.27p/l for June. Plus a further backdated adjustment to apply for May down from 54.06p/l to 54.00p/l.

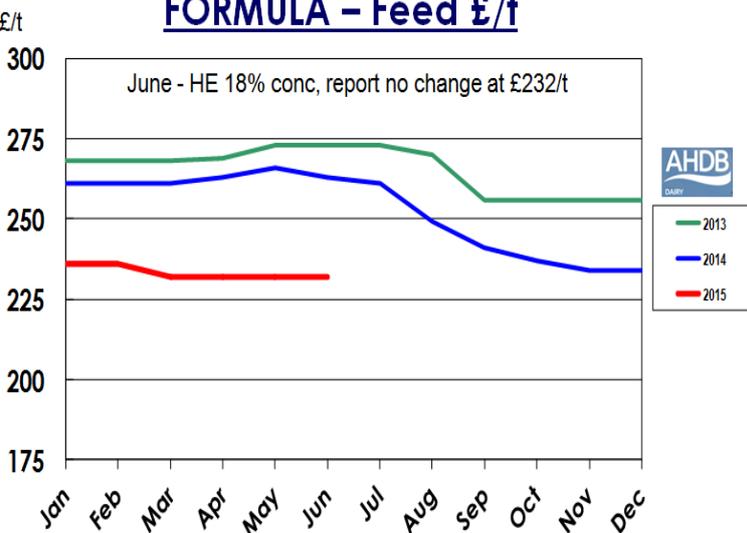
## FORMULA - Cream Index - p/l



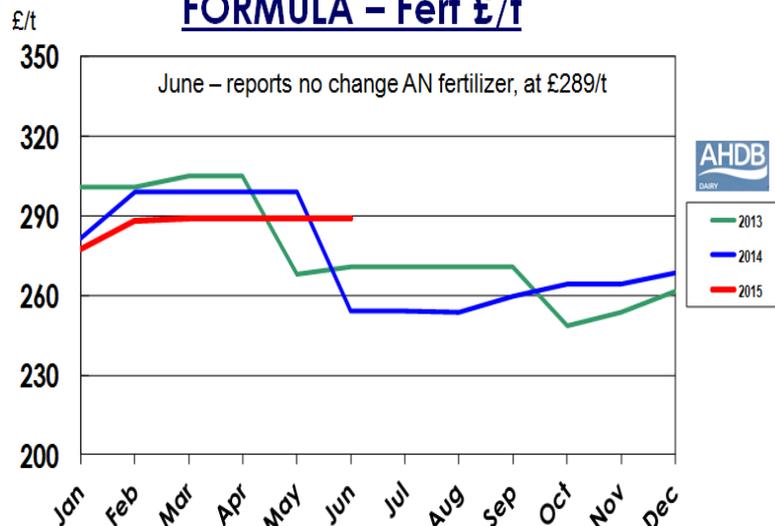
## FORMULA - Retail Sales - 4 pints



## FORMULA - Feed £/t



## FORMULA - Fert £/t



## FORMULA - Fuel p/l

