

FORMULA CONTRACTS - SEPTEMBER '15 - CONFIRMED



JULY AHDB data declared impacting the Formula contract milk price for **SEPTEMBER**
(Core Formula example below seasonality/profile variant). All prices milkprices.com



<u>Contract</u>	<u>Launch</u>	<u>Base Price</u> <u>Aug 15</u>	<u>Std Litre</u> <u>Aug 15</u>	<u>Price Change</u> <u>SEPT 15</u>	<u>Base Price</u> <u>SEPT 15</u>	<u>Std Litre</u> <u>SEPT 15</u>
CORE FORMULA	Jul/Oct 14	22.516p	27.788p	-0.348p	22.168	27.440p
SIMPLIFIED FORMULA	April 14	25.188p	27.788p	-0.348p	24.840	27.440p
Core Formula	April 14*	22.516p	27.978p	-0.348p	22.168	27.630p
Standard Liquid Comparison		17.938p	23.210p	-1.400p	16.538	21.810p

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

COMMENTARY

The July declarations from AHDB Dairy records that four out of the five Formula parameters have decreased from June, cumulatively resulting in a reduction to apply in the Formula contracts from September of **-0.348p/l**. The Dairy Crest/DCD developed Formula milk pricing still delivers a milk price above 27p/l, and above the national average.

Cream - High levels of global, EU and UK milk production continues to add downward market pressure to all dairy ingredient values. Low returns for SMP (now back at intervention levels), has also followed to apply to butterfat and cream markets. July cream value as reported by AHDB Dairy in their 'Cream Index' (cream available to a liquid processor) falling below 5p/l for the first time for over three years (April 2012 @ 4.88p/l). Cream and butter markets remain depressed so far into August.

***Concentrates and Fertiliser** - Both input costs reported significant reductions for the month, with HE18% concentrates down by £5/t for July (plus a further £5/t reduction which will be captured through the next review in August for October). Meanwhile AN fertilizer prices fell by almost 20% (£56.50/t) June to July.

Red Diesel - After four months of increases, oil prices and consequent red diesel prices have reduced, -2.01p/l for July.

Retail 4 pints # - This is the only one of the five Formula parameters not to have decreased for July, remaining at 98p/4 pints. That said, the year on year decrease equates to 19p/4 pints (-16%), and at 98p remains at a twelve year low.

Formula Outlook: - As cream market prospects remain under pressure, and with price cuts applying to concentrates and fertilizer, further Formula price reductions must be expected within the August data to apply from October. Also note the underlying feed ingredient markets, i.e. Soya now at a three year low and with rape meal and feed wheat also recording falling £/t values, which if sustained, may be reflected in future concentrate prices and impact on ongoing Formula returns.

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 data for April, feed/fuel for April - June.

*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>APRIL 15</u>	<u>MAY 15</u>	<u>JUNE 15</u>	<u>JULY 15</u>
Cream	£/t	£970	£920	£1,000	£900
Cream Index	ppl	5.52p 5.27p	5.00p	5.44p	4.91p
Four Pints Retail #	4 pints p	103p	103p	98p	98p
Feed - concentrate	£/t	£232 £231.50	* £232 £231.50	* £232 £231.50	£226.50
Fertiliser - AN	£/t	£289	*£289	*£289	£232.50
Fuel - red diesel	p/l	52.48p 52.43p	54.06p 54.00p	54.27p 54.23p	52.22p

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

MILK PRICE APPLICABLE	<u>JUNE 15</u>	<u>JULY 15</u>	<u>AUGUST 15</u>	<u>SEPTEMBER 15</u>
MONTHLY FORMULA CHANGE	-0.030p	-0.661p	-0.169p	-0.348p

*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.

Dairy Crest Direct Limited, Registered in England and Wales, Company Number 5094434

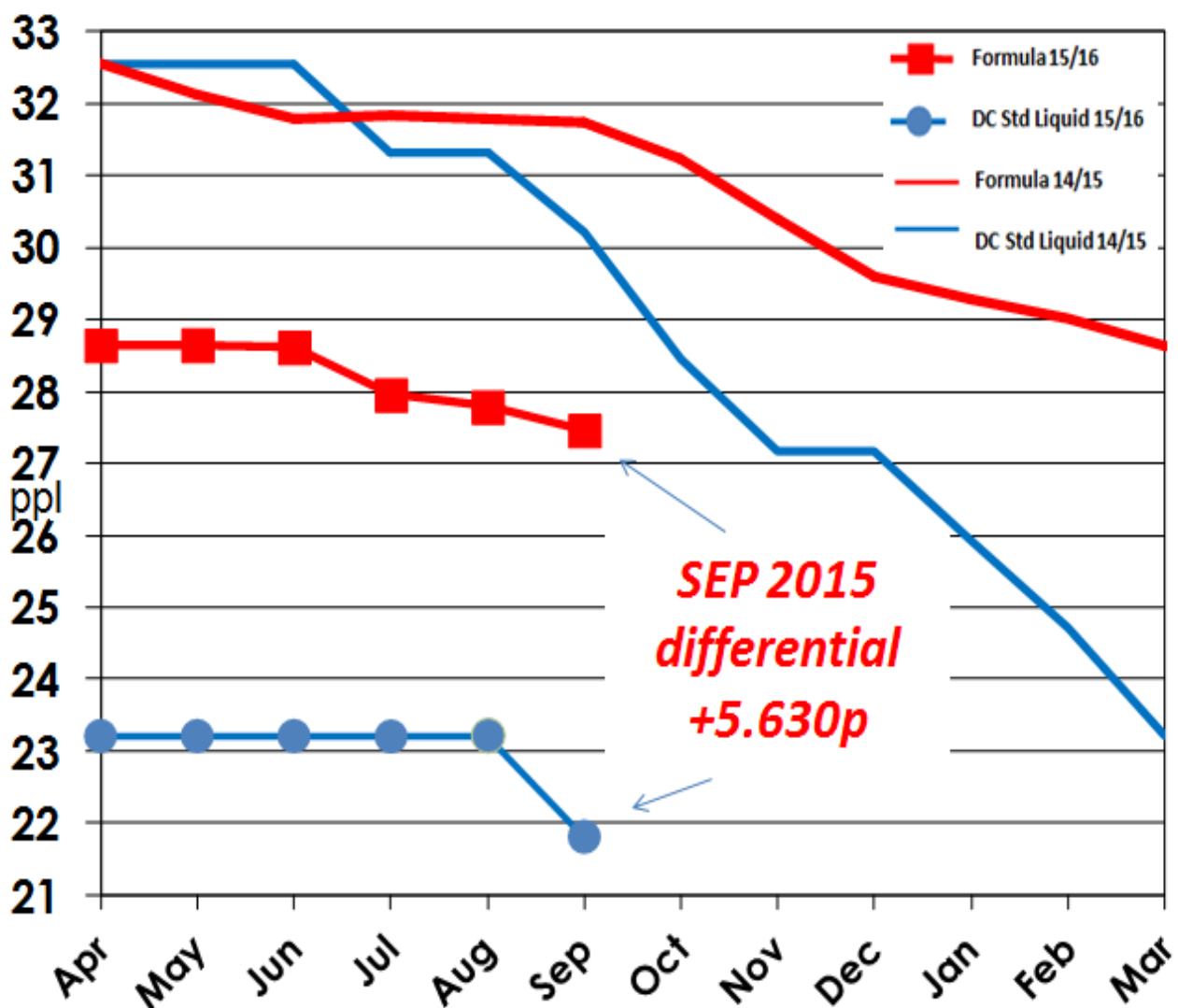
Registered Office: Hill Farm, Longney, Gloucestershire, GL2 3SW

2014/15 vs 2015/16 Formula Summary - update

JULY AHDB Dairy (Dairy Co) published data is utilised to generate the SEPTEMBER milk price. The differential for the month of September between the Dairy Crest Standard Liquid Contract and the Simplified and latest Core Formula applicants now resulting in an advantage worth **+5.63p/l** for the Formula options.

PLEASE NOTE - RE BASING: The December 2014 announced rebasing -1.60p/l (complying with the 12 months notice provision) will apply to Formula contracts in addition to any Formula parameter data captured within the November 2015 review to apply for January 2016 Formula pricing. *(If this rebasing applied for September 2015 this would still deliver an advantage of over 4p/litre vs. the standard liquid contract equivalent).*

FORMULA – Related Price 2014/15 p/l



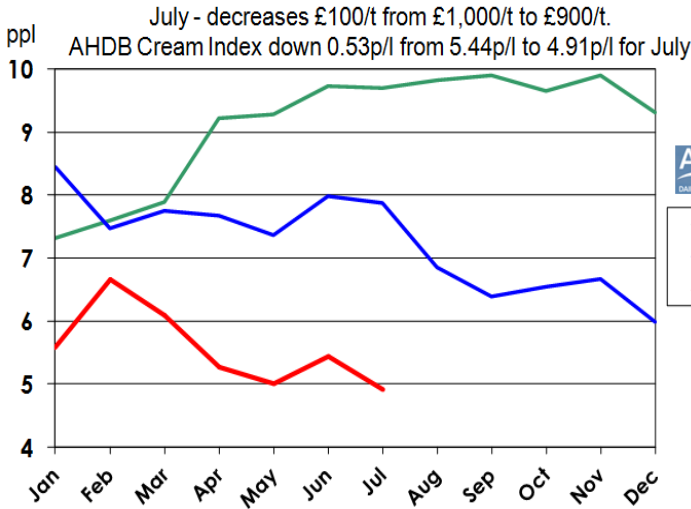
Please see updated parameter charts below - all declared for JULY 2015

by Dairy Co Datum - with permissions.

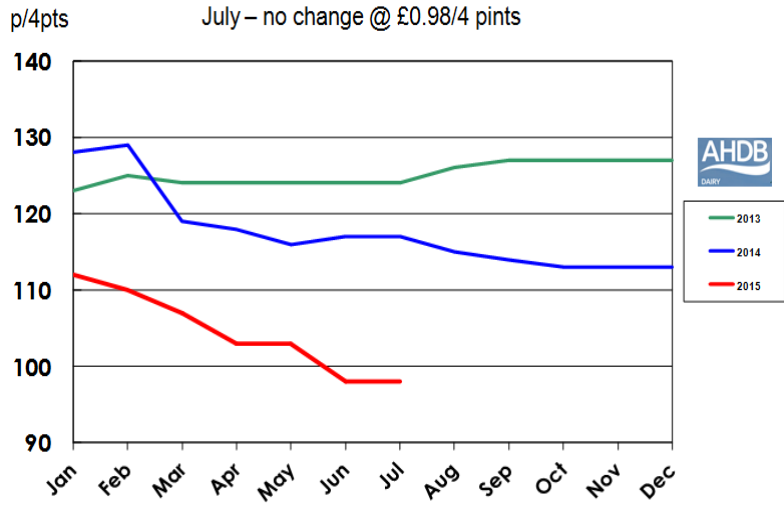
FORMULA DATA HIGHLIGHTS - JULY 2015

- Cream - decreased by £100/t, and by -0.53p/l applied to the cream index of 4.91p/l.
- Retail four pints - no change at 98p/4pints.
- Feed HE 18% - decreased by £5/t to £226.30. Plus backdated adjustments -50p/t for May/June.
- Fertilizer - decreased by £56.50/t (-19.6%) to £232.50/t
- Fuel - decreased by 2.01p/l to 52.22p/l for July. Plus a further backdated adjustment to apply for June down from 54.27p/l to 54.23p/l.

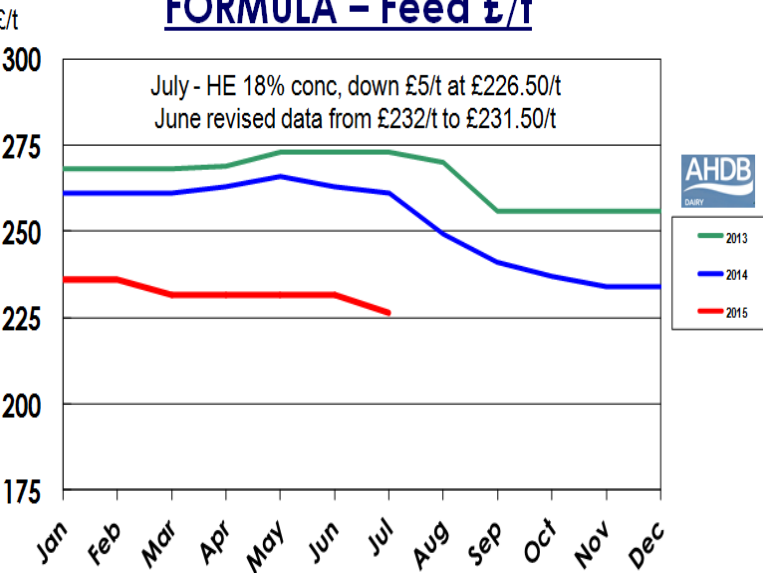
FORMULA - Cream Index - p/l



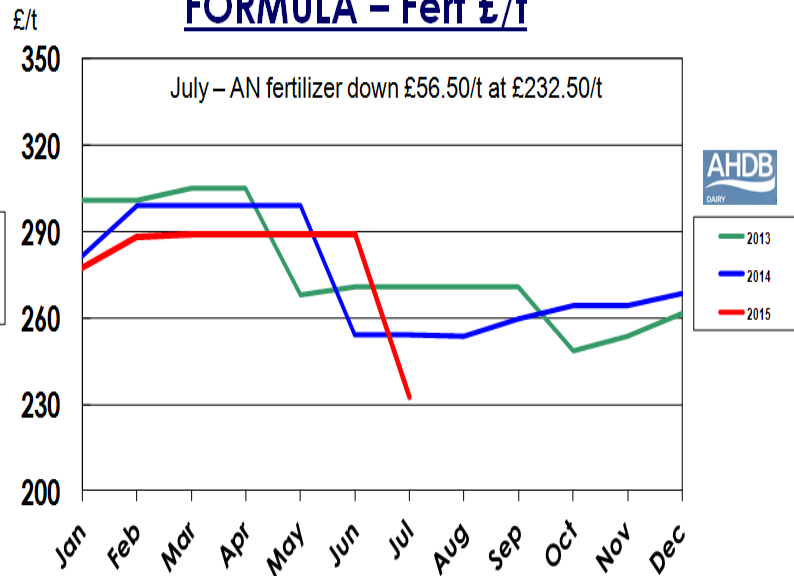
FORMULA - Retail Sales - 4 pints



FORMULA - Feed £/t



FORMULA - Fert £/t



FORMULA - Fuel p/l

