

# FORMULA CONTRACTS - OCTOBER '15 - CONFIRMED



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



<u>Contract</u>	<u>Launch</u>	<u>Base Price</u> <u>Sep 15</u>	<u>Std Litre</u> <u>Sep 15</u>	<u>Price Change</u> <u>OCT 15</u>	<u>Base Price</u> <u>OCT 15</u>	<u>Std Litre</u> <u>OCT 15</u>
<b>CORE FORMULA</b>	Jul/Oct 14	22.168p	27.440p	<b>-0.360p</b>	<b>21.808p</b>	<b>27.080p</b>
<b>SIMPLIFIED FORMULA</b>	April 14	24.840p	27.440p	<b>-0.360p</b>	<b>24.480p</b>	<b>27.080p</b>
<b>Core Formula</b>	April 14*	22.168p	27.630p	<b>-0.360p</b>	<b>21.808p</b>	<b>27.270p</b>
<b>Standard Liquid Comparison</b>		16.538p	21.810p	<b>n/c</b>	<b>16.538p</b>	<b>21.810p</b>

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

## COMMENTARY

August AHDB Dairy reports that all five Formula parameters have either decreased or 'stand on' for July, cumulatively resulting in a reduction to apply in the Formula contracts from October of **-0.360p/l**. The Dairy Crest/DCD developed Formula milk contracts continue to deliver a milk price above 27p/l; well above the UK national average milk price.

**Cream** - Butter and consequent cream markets were depressed in early August, but rallied towards the month end. AHDB therefore have recorded a monthly average value for cream at £880/t or expressed through the AHDB Cream Income Market Indicator at 4.80p/l. This is the lowest Cream Income Market Indicator for six years (since April 2009).

**Concentrates** - Concentrate costs reduced by a further £5/t this month, as feed ingredients wheat, soya and rapeseed values fell. Soya now at a three year low. As 2014 wheat crop carry-over stocks remain plentiful, and with a large 2015 crop predicted, plus new domestic milling capacity coming on stream, UK concentrate costs are expected to continue to fall.

**Fertiliser** - After the 20% reduction June to July, no change reported for August.

**Red Diesel** - As international crude oil markets tumbled, red diesel fell back by over 10% from July to August to 46.57p/l, now recording the lowest price point pence/litre since October 2009.

**Retail 4 pints #** - Remaining for the third consecutive month at 98p/4pints.

**Formula Outlook:** - Cream market reports into September are recording firmer prospects towards £1,000/t, which if sustained will help support future Formula pricing. However, these could easily be mitigated by lower concentrate, fuel and fertilizer markets which may continue to depress 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 feed/fuel for May/June/July.

\*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>MAY 15</u>	<u>JUNE 15</u>	<u>JULY 15</u>	<u>AUGUST 15</u>
<b>Cream</b>	<i>£/t</i>	£920	£1,000	£900	<b>£880</b>
<b>Cream Index</b>	<i>ppl</i>	5.00p	5.44p	4.91p	<b>4.80p</b>
<b>Four Pints Retail #</b>	<i>4 pints p</i>	103p	98p	98p	<b>98p</b>
<b>Feed - concentrate</b>	<i>£/t</i>	* <del>£232</del> £231.50	* <del>£232</del> £231.50	£226.50	<b>£221.50</b>
<b>Fertiliser - AN</b>	<i>£/t</i>	*£289	*£289	£232.50	<b>£232.50</b>
<b>Fuel - red diesel</b>	<i>p/l</i>	<del>54.06p</del> 54.00p	<del>54.27p</del> 54.23p	<del>52.22p</del> 52.13p	<b>46.57p</b>

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

<b>MILK PRICE APPLICABLE</b>	<u>JULY 15</u>	<u>AUGUST 15</u>	<u>SEPTEMBER 15</u>	<u>OCTOBER 15</u>
<b>MONTHLY FORMULA CHANGE</b>	<b>-0.661p</b>	<b>-0.169p</b>	<b>-0.348p</b>	<b>-0.360p</b>

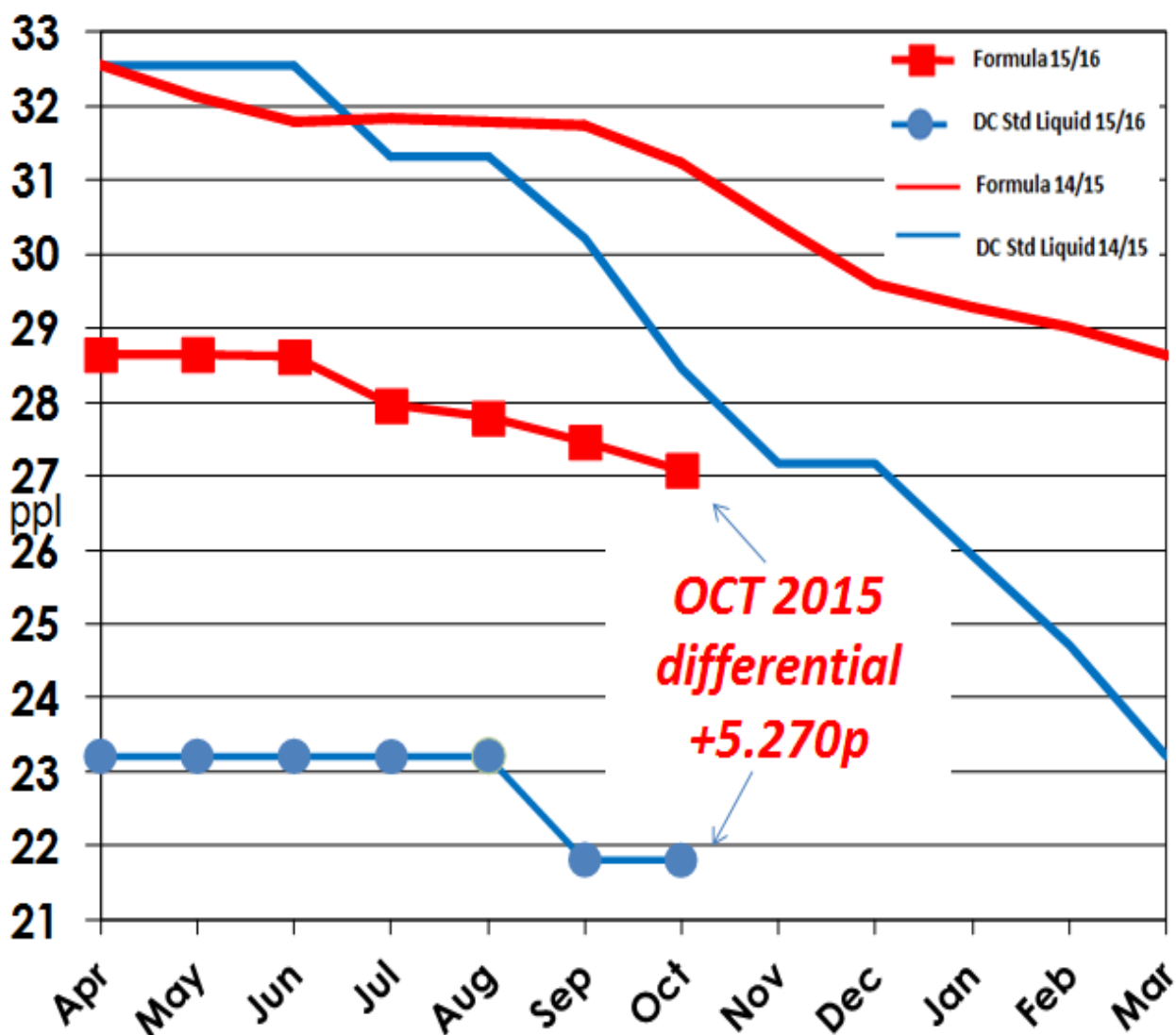
\*Formula & DC Std Litre p/l comparison for consistency based on mp.com flagship table profile inclusion of 1.27p/l at April '14 Formula launch based on Jan 14 RPA data. All data rounded to 3 decimal places.

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

AUGUST AHDB Dairy (Dairy Co) published data is utilised to generate the OCTOBER milk price. The differential for the month of October between the Dairy Crest Standard Liquid Contract and the Simplified and latest Core Formula applicants now resulting in an advantage worth **+5.270p/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 October 2015 this would still deliver an advantage of +3.67p/litre vs. the standard liquid contract equivalent*).

## FORMULA – Related Price 2014/15 p/l



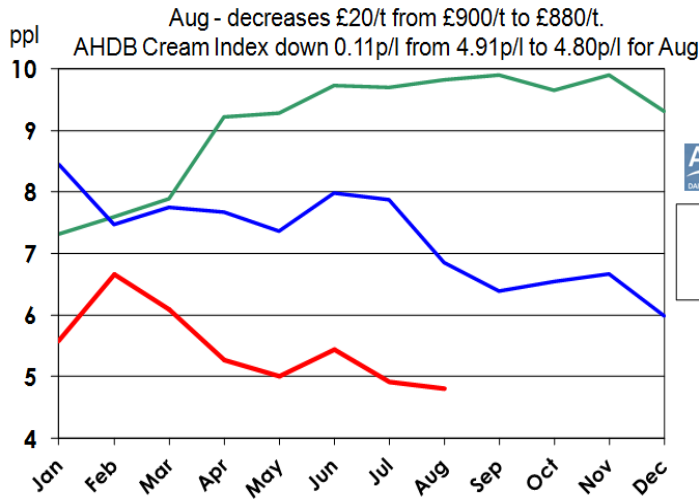
Please see updated parameter charts below - all declared for JULY 2015

by Dairy Co Datum - with permissions.

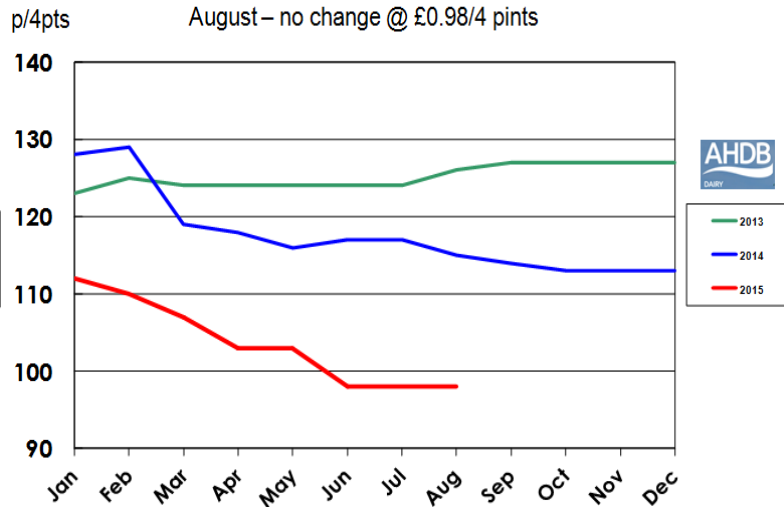
# FORMULA DATA HIGHLIGHTS - AUGUST 2015

- Cream - decreased by £20/t, and by -0.11p/l applied to the cream index of 4.80p/l.
- Retail four pints - no change at 98p/4pints.
- Feed HE 18% - decreased by £5/t to £221.50.
- Fertilizer - no change at £232.50/t
- Fuel - decreased by 5.56p/l to 46.57p/l for August. Plus a further backdated adjustment to apply for July down from 52.22p/l to 52.13p/l.

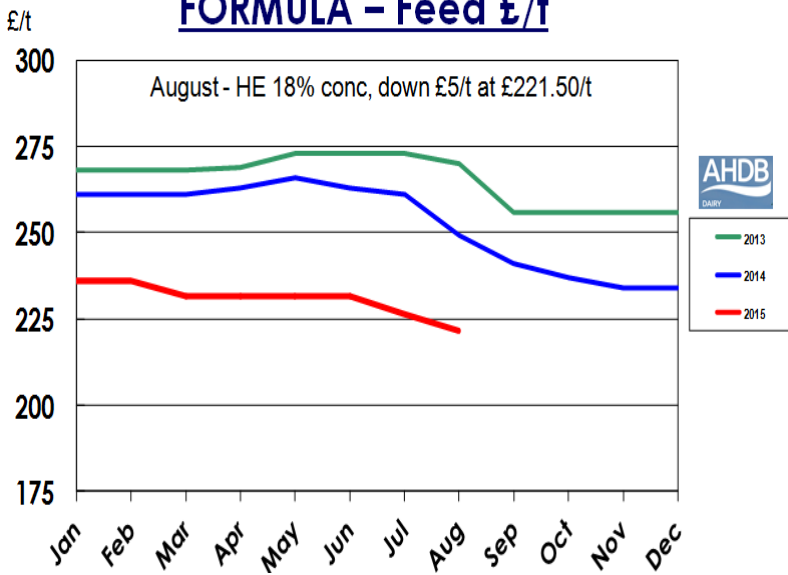
## FORMULA - Cream Index - p/l



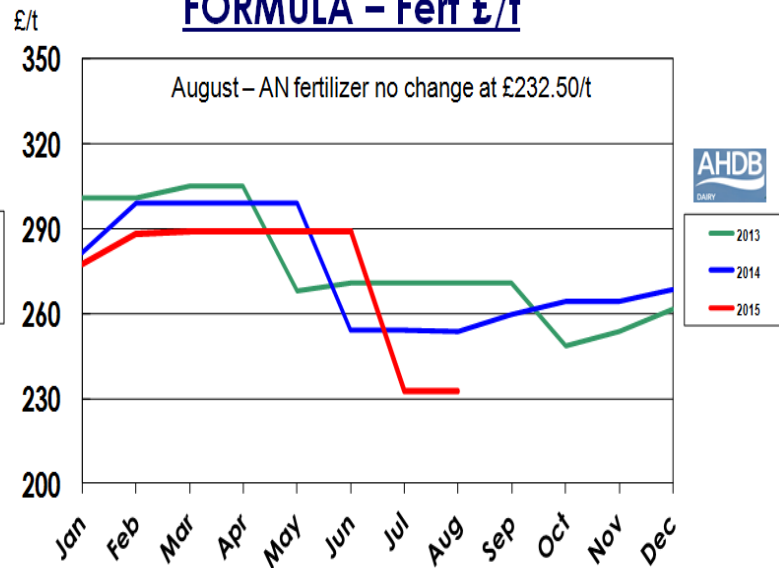
## FORMULA - Retail Sales - 4 pints



## FORMULA - Feed £/t



## FORMULA - Fert £/t



## FORMULA - Fuel ppl

