

# FORMULA CONTRACTS - NOVEMBER '15 - CONFIRMED



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



<u>Contract</u>	<u>Launch</u>	<u>Base Price</u> <u>Oct 15</u>	<u>Std Litre</u> <u>Oct 15</u>	<u>Price Change</u> <u>NOV 15</u>	<u>Base Price</u> <u>NOV 15</u>	<u>Std Litre</u> <u>NOV 15</u>
<b>CORE FORMULA</b>	Jul/Oct 14	21.808p	27.080p	<b>-0.365p</b>	<b>21.443p</b>	<b>26.715p</b>
<b>SIMPLIFIED FORMULA</b>	April 14	24.480p	27.080p	<b>-0.365p</b>	<b>24.115p</b>	<b>26.715p</b>
<b>Core Formula</b>	April 14*	21.808p	27.270p	<b>-0.365p</b>	<b>21.443p</b>	<b>26.905p</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

September AHDB Dairy reports that three of the five Formula parameters have recorded a 'no change' position vs August. Cream is the only parameter to increase, with red diesel yet again falling in price. That said, due to the rolling sequencing that drives the overall Formula pricing mechanism (which in effect smoothes volatility) from previous months, this still delivers a price reduction to apply from November of **-0.360p/l**. Although this still provides a competitive above 26p/l.

**Cream** - As UK and EU milk production declined seasonally during last month, cream and consequent butter markets improved markedly, with AHDB recording a monthly average value for cream at £960/t, or expressed through the AHDB Cream Income Market Indicator at 5.25p/l. To date during October, cream values are remaining above £1,000/t.

**Concentrates** - Concentrate costs remained 'unchanged' for September. Feed ingredients wheat, soya and rapeseed values reduced yet again. Soya down to £254/t, the lowest since Dec 11, meanwhile feed wheat fell to £110/t, the lowest since June 2010. Underlying concentrate prices are expected to continue to drift lower as ingredient costs decline.

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

**Red Diesel** - As international crude oil markets continued to remain weak, red diesel p/l reduced again, to 44.81p/l, the first time below 45p/l for over six years (since March 2009).

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

**Formula Outlook:** - As cream markets continue to improve, and if concentrate and fertilizer costs can remain relatively stable as they have during September, this would indicate that the existing run of six consecutive DC/DCD Formula price reductions may be coming to a close from the next review...

### 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. feed/fuel data for June/July etc.

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

## FORMULA INDICES - UPDATE

		<u>JUNE 15</u>	<u>JULY 15</u>	<u>AUGUST 15</u>	<u>SEPTEMBER 15</u>
<b>Cream</b>	<i>£/t</i>	£1,000	£900	£880	<b>£960</b>
<b>Cream Index</b>	<i>ppl</i>	5.44p	4.91p	4.80p	<b>5.25p</b>
<b>Four Pints Retail #</b>	<i>4 pints p</i>	98p	98p	98p	<b>98p</b>
<b>Feed - concentrate</b>	<i>£/t</i>	* <del>£232</del> £231.50	£226.50	£221.50	<b>£221.50</b>
<b>Fertiliser - AN</b>	<i>£/t</i>	*£289	£232.50	£232.50	<b>£232.50</b>
<b>Fuel - red diesel</b>	<i>p/l</i>	54.27p 54.23p	52.22p 52.13p	46.57p 46.28p	<b>44.81p</b>

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

<b>MILK PRICE APPLICABLE</b>	<u>AUGUST 15</u>	<u>SEPTEMBER 15</u>	<u>OCTOBER 15</u>	<u>NOVEMBER 15</u>
<b>MONTHLY FORMULA CHANGE</b>	<b>-0.169p</b>	<b>-0.348p</b>	<b>-0.360p</b>	<b>-0.365p</b>

\*Formula & DC Std Litre p/l comparison for consistency based on mp.com flagship table profile inclusion of 1.272p/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

SEPTEMBER AHDB Dairy (Dairy Co) published data is utilised to generate the NOVEMBER milk price. The differential for the month of November between the Dairy Crest Standard Liquid Contract\* and the Simplified and latest Core Formula applicants now resulting in an advantage worth **+4.905p/l** for the Formula options.

### NOTES

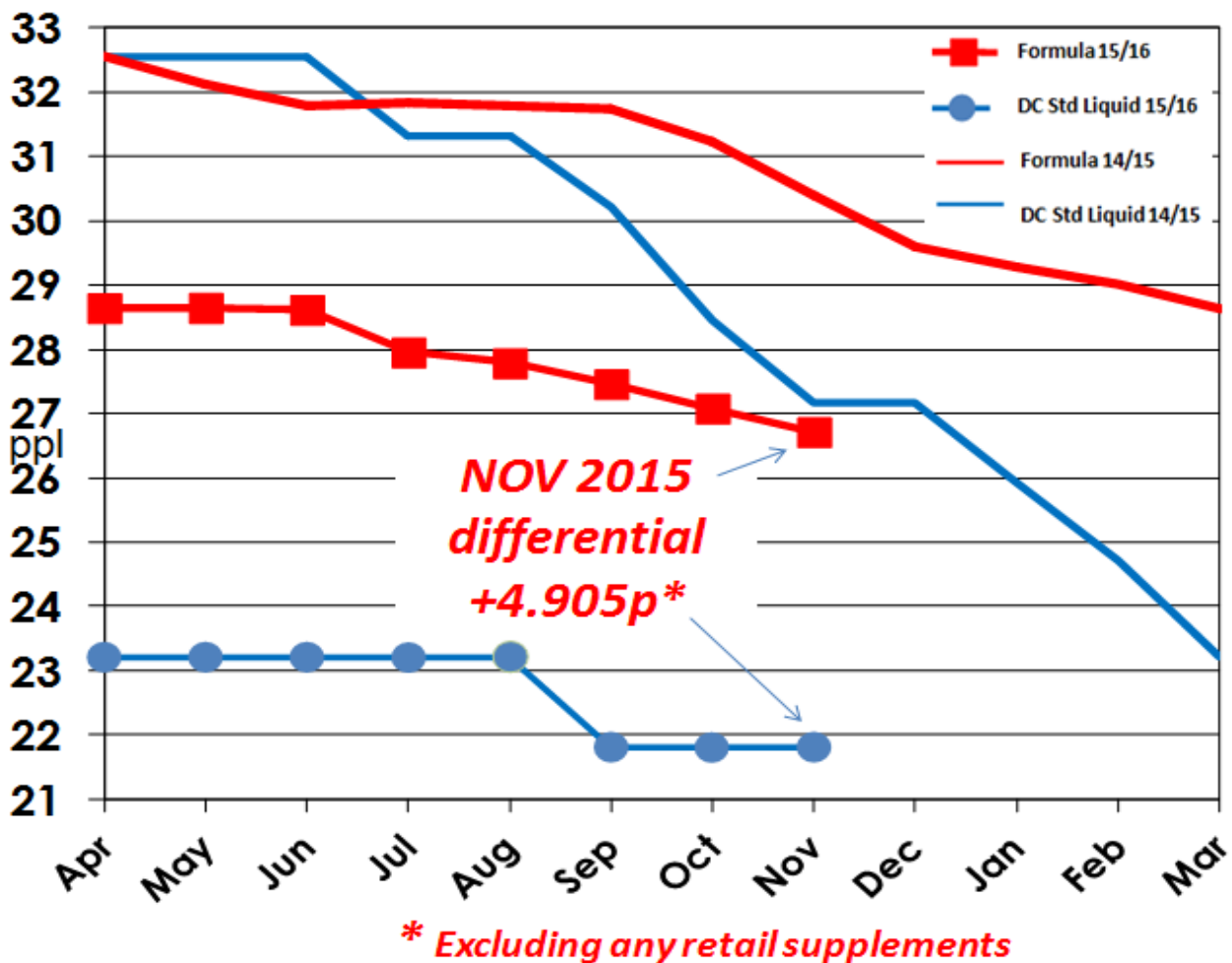
#### 1) RE BASING:

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 November 2015 this would still deliver an advantage of +3.305p/litre vs. the standard liquid contract equivalent*).

#### 2) MEMBER OPTION - REVISION OF YOUR FORMULA %

Next quarter date where a 12 months revision from your existing Core Formula % can be applied, 31st December 2015 to apply change as from 1st January 2017.

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



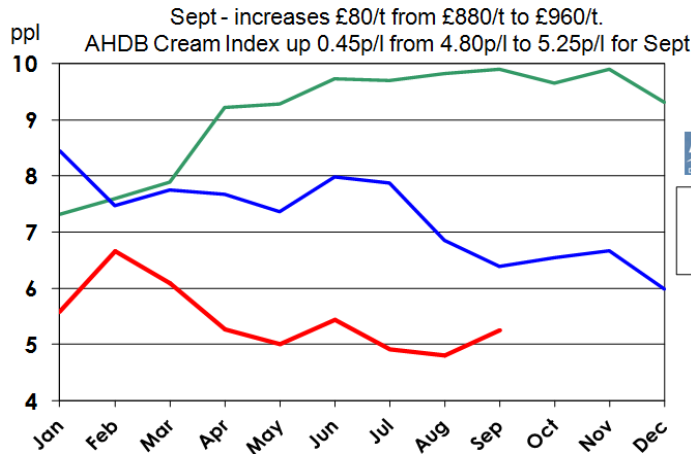
Please see updated parameter charts below - all declared for SEPTEMBER 2015

by AHDB Dairy - with permissions.

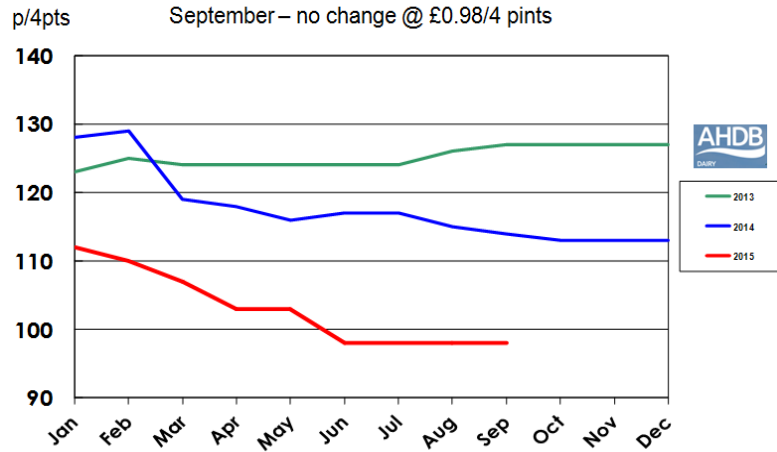
# FORMULA DATA HIGHLIGHTS - SEPTEMBER 2015

- Cream - increased by £80/t, and by +0.45p/l applied to the cream index of 5.25p/l.
- Retail four pints - no change at 98p/4pints.
- Feed HE 18% - no change at £221.50.
- Fertilizer - no change at £232.50/t
- Fuel - decreased by 1.47p/l to 44.81p/l for September. Plus a further backdated adjustment to apply for August down from 46.57p/l to 46.28p/l.

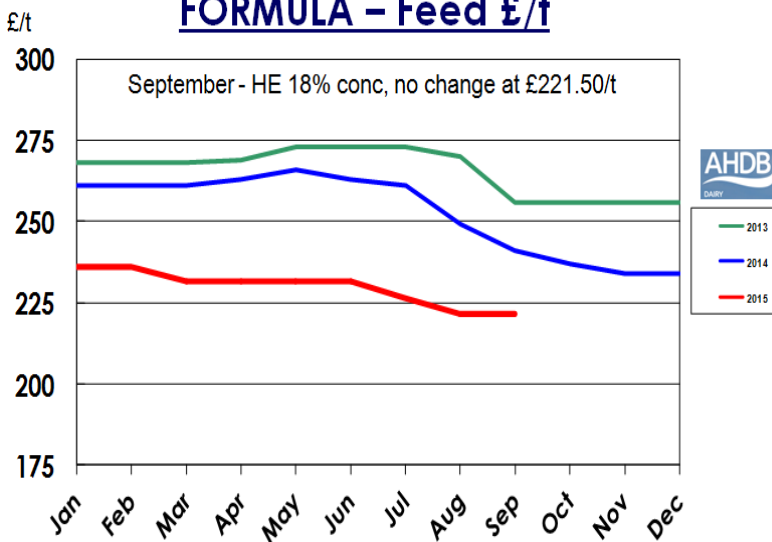
## FORMULA – Cream Index – p/l



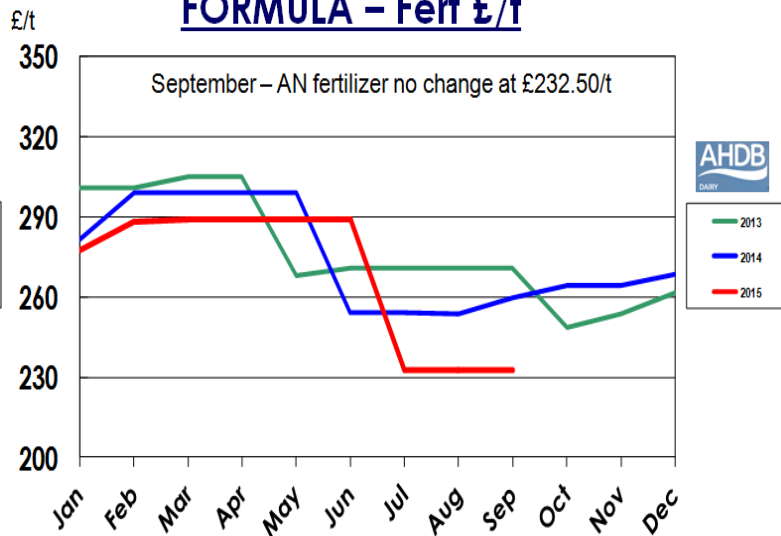
## FORMULA – Retail Sales – 4 pints



## FORMULA – Feed £/t



## FORMULA – Fert £/t



## FORMULA – Fuel p/l

