

FORMULA CONTRACTS - FEBRUARY '16 - CONFIRMED



DECEMBER AHDB DAIRY data declared impacting the Formula contract milk price for **FEBRUARY 16**
(Core Formula example below seasonality/profile variant). All prices milkprices.com



Contract	Launch	Base Price	Std Litre	Price Change	Base Price	Std Litre
		Jan 16	Jan 16	FEB 16	FEB 16	FEB 16
CORE FORMULA	Jul/Oct 14	20.104p	25.376p	-0.042p	20.062p	25.334p
SIMPLIFIED FORMULA	April 14	22.776p	25.376p	-0.042p	22.734p	25.334p
Core Formula	April 14*	20.104p	25.566p	-0.042p	20.062p	25.524p
Standard Liquid Comparison		16.538p	21.810p	From 15 th Feb 16 -1.000p	From 15 th Feb 16 15.538p	From 15 th Feb 16 20.810p

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

COMMENTARY

Following the rebase that applied to the Direct Milk Formula price for January supplies, the blend of on farm costs and dairy market AHDB Dairy tracked formula parameters for December has provided a price reduction to apply for February milk supplies of **-0.042p/l**.

Cream - Butter and cream markets have continued to be under pressure during December despite the usual festive seasonal demand. As the month progressed so cream values faltered. That said, as the value of the euro increased versus sterling, this did add some currency market support. Cream market values during January have continued to be weak as a consequence of increasing EU/UK milk production vs. low levels of demand.

Concentrates - HE18% concentrate costs have again remained remarkably stable. Analysts suggest that this is due to concentrate manufacturers continuing to utilize earlier purchased (at what seems now as relatively high cost) ingredients. However, as the main feed component ingredients are now trading at up to five year lows in some cases, expectations are that concentrate values will fall by c. £10/t+ by the spring. If so, this will impact on the resultant eventual Formula pricing.

Fertiliser – After four months of stability, a small reduction applies for December.

Red Diesel - Red diesel prices revised for both November and for an unprecedented second time by DECC in October. Oil prices continue to decline due to falling global demand, and high levels of supply.

Retail 4 pints – No change for December from November.

Formula Outlook: - Formula price reduction trends continue as cream, feed, fuel and fertiliser markets fall in value into 2016.

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. fuel data for October/November, and AHDB Dairy cream index for October etc.

FORMULA INDICES - UPDATE

		SEPTEMBER 15	OCTOBER 15	NOVEMBER 15	DECEMBER 15
Cream	£/t	£960	£1,000	£970	£930
Cream Index	ppl	5.25p	5.45p 5.47p	5.31p	5.10p
Four Pints Retail #	4 pints p	98p	98p	99p	99p
Feed - concentrate	£/t	£221.50	£221.00	£221.00	£221.00
Fertiliser - AN	£/t	£232.50	£232.50	£232.50	£229.00
Fuel - red diesel	p/l	44.81p 44.70p	44.51p 44.42p 45.42p	43.12p 44.96p	43.25p

Indices applied via the Formula milk price on a 'month after next basis' i.e. December impacting February price.

MILK PRICE APPLICABLE	NOVEMBER 15	DECEMBER 15	JANUARY 16	FEBRUARY 16
MONTHLY FORMULA CHANGE	-0.365p	+0.086p	Month +0.175p Rebase -1.600p Net -1.425p	-0.042p

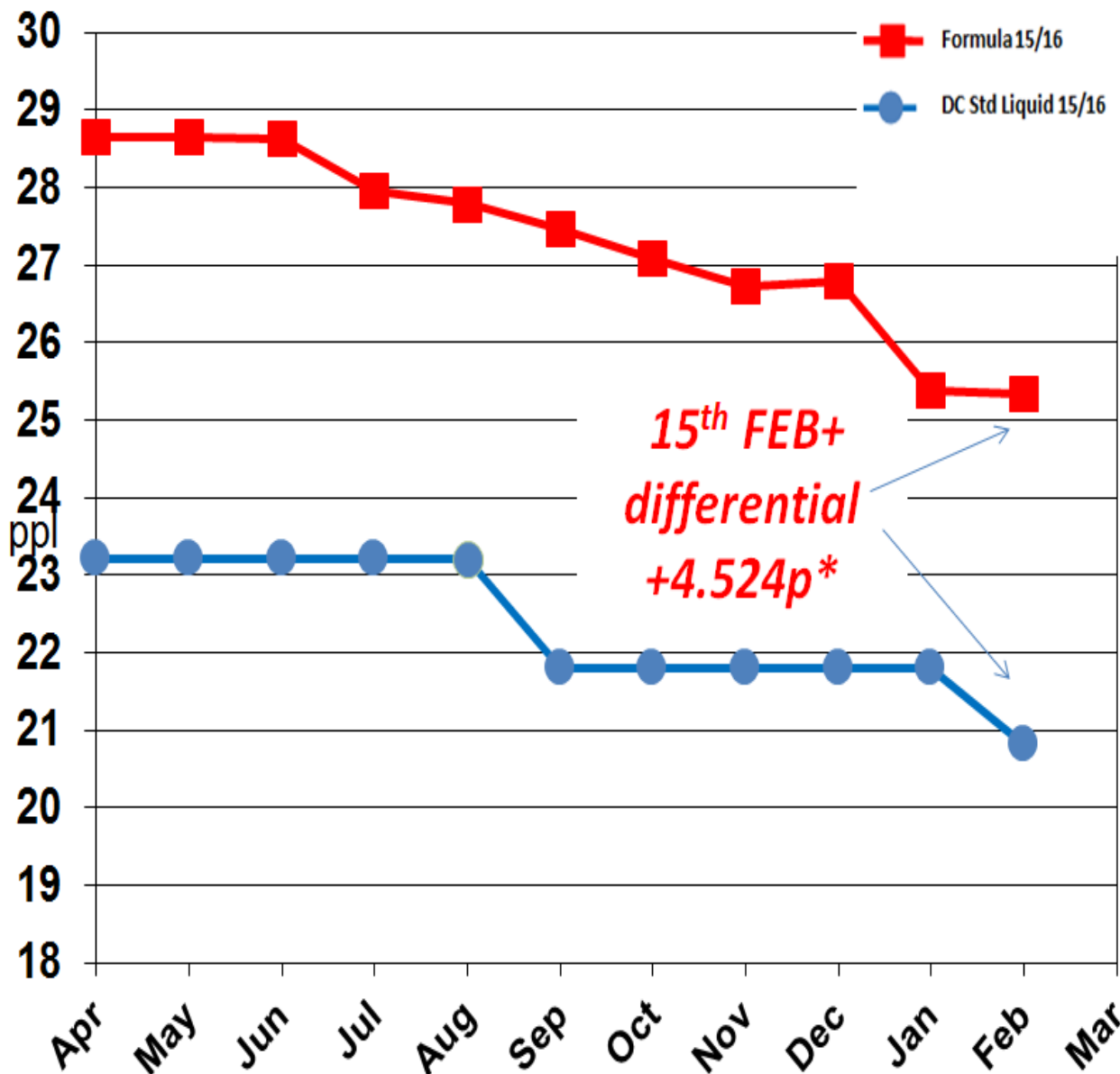
*Formula p/l comparison for consistency based on mp.com flagship table profile inclusion of 1.272p/l at April '14 Formula launch based on Jan 14 RPA data. All data rounded to 3 decimal places.

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2014/15 vs 2015/16 Formula Summary - update

DECEMBER AHDB Dairy (Dairy Co) published data is utilised to generate the FEBRUARY milk price. As we go to press, the February comparator standard milk price has not been declared.

FORMULA – Related Price 2015/16 p/l



*** Excluding any retail supplements**

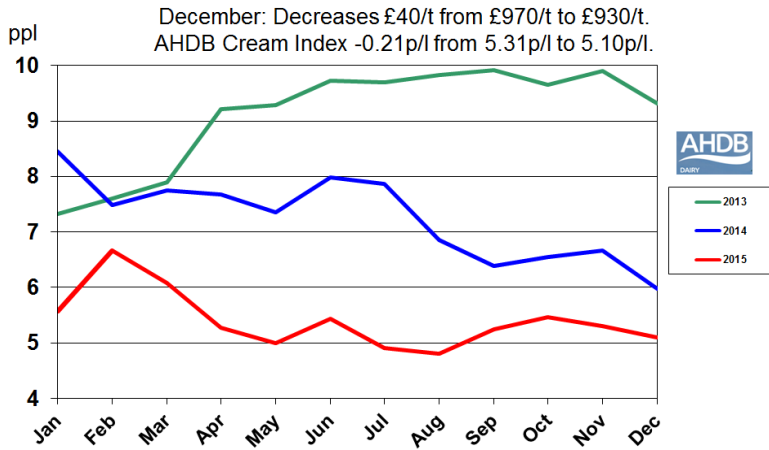
Please see updated parameter charts below - all declared for DECEMBER 2015

by AHDB Dairy - with permissions.

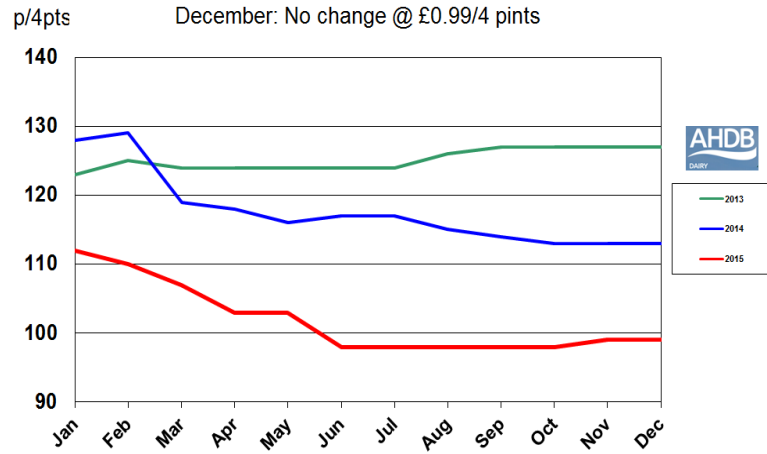
FORMULA DATA HIGHLIGHTS - DECEMBER 2015

- Cream - decreased by £40/t, and by -0.21p/l applied to the cream index of 5.10p/l.
- Retail four pints – no change at 99p/4pints.
- Feed HE 18% - no change at £221.00.
- Fertilizer – decreased £3.50/t at £229.00/t
- Fuel - decreased by 1.71p/l to 43.25p/l for December. Plus further backdated adjustments applied by DECC for November -0.46p/l to 44.96p/l, and by for October down from 44.42p/l.

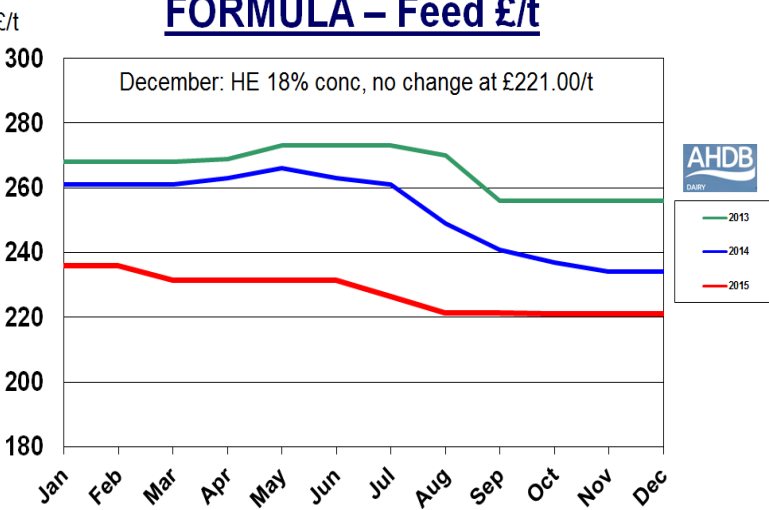
FORMULA – Cream Index – p/l



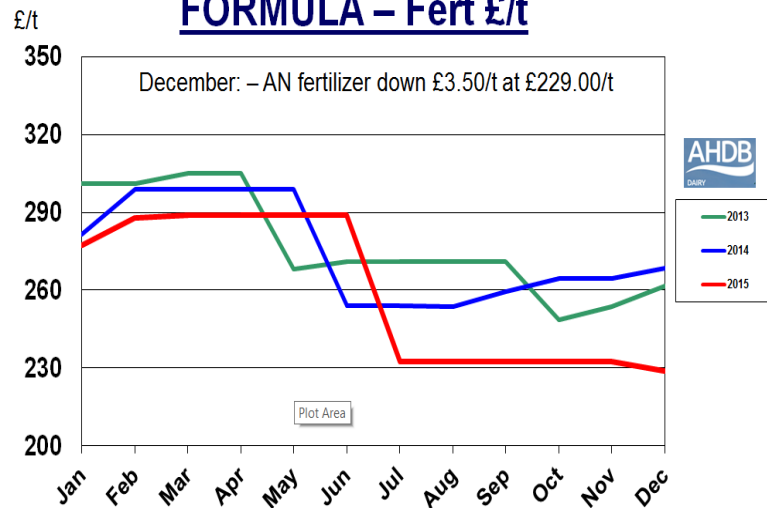
FORMULA – Retail Sales – 4 pints



FORMULA – Feed £/t



FORMULA – Fert £/t



FORMULA – Fuel p/l

