

FORMULA CONTRACTS - MARCH '16 - CONFIRMED



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



<u>Contract</u>	<u>Launch</u>	<u>Base Price</u> <u>Feb 16</u>	<u>Std Litre</u> <u>Feb 16</u>	<u>Price Change</u> <u>MAR 16</u>	<u>Base Price</u> <u>MAR 16</u>	<u>Std Litre</u> <u>MAR 16</u>
CORE FORMULA	Jul/Oct 14	20.062p	25.334p	-0.199p	19.863p	25.135p
SIMPLIFIED FORMULA	April 14	22.734p	25.334p	-0.199p	22.535p	25.135p
Core Formula	April 14*	20.062p	25.524p	-0.199p	19.863p	25.325p
Standard Liquid Comparison		From 15 th Feb 16 15.538p	From 15 th Feb 16 20.810p	N/C	15.538p	20.810p

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

DIRECT MILK COMMENTARY

As the retail four pints price is the only one of the blend of on farm costs and dairy market AHDB Dairy tracked formula parameters for January that increased, a further price reduction is to apply for March milk supplies of **-0.199p/l**.

Cream – Milk production in the UK and the EU remains very strong and so butter and cream markets remain under pressure, with a further reduction in cream of £30/t recorded for January (back to July 2015 levels). Although some improvement in euro values vs. sterling has helped the UK's competitive position in cream/butter markets, reports continue to suggest that further market falls are anticipated as the spring peak approaches.

Concentrates - HE18% concentrate costs have again remained stable, remarkably only reducing by 50p/t across the last six months. Concentrate manufacturers are expected to have utilised earlier purchased (high cost) ingredients soon, which is expected to see concentrate prices reduce as a result. The last time that conventional milk prices were at c. 19p/20p (July 07), the HE 18% concentrate price was at £137/t, or £84/t (38%) cheaper than the January 2016 data reports.

Fertiliser – No changes recorded, but as supplies are exceeding demand further reductions may be expected.

Red Diesel - Red diesel prices fell back again, and the first time below 40p/l since 2007. The January 2016 price is now virtually half of what it was when red diesel prices peaked at 76p/l in April 2012.

Retail 4 pints – Increased by 1p/4pints, second monthly increase in retail prices in three months.

Formula Outlook: - Formula price reduction trends will continue as cream, feed, fuel and fertiliser markets are expected to 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

		<u>OCTOBER 15</u>	<u>NOVEMBER 15</u>	<u>DECEMBER 15</u>	<u>JANUARY 16</u>
Cream	£/t	£1,000	£970	£930	£900
Cream Index	ppl	5.45p 5.47p	5.31p	5.10p	4.95p
Four Pints Retail #	4 pints p	98p	99p	99p	100p
Feed - concentrate	£/t	£221.00	£221.00	£221.00	£221.00
Fertiliser - AN	£/t	£232.50	£232.50	£229.00	£229.00
Fuel - red diesel	p/l	44.51p 44.42p 45.42p	43.12p 44.96p	43.25p 43.00p	38.87p

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

MILK PRICE APPLICABLE	<u>DECEMBER 15</u>	<u>JANUARY 16</u>	<u>FEBRUARY 16</u>	<u>MARCH 16</u>
MONTHLY FORMULA CHANGE	+0.086p	Month +0.175p Rebase -1.600p Net -1.425p	-0.042p	-0.199p

*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.

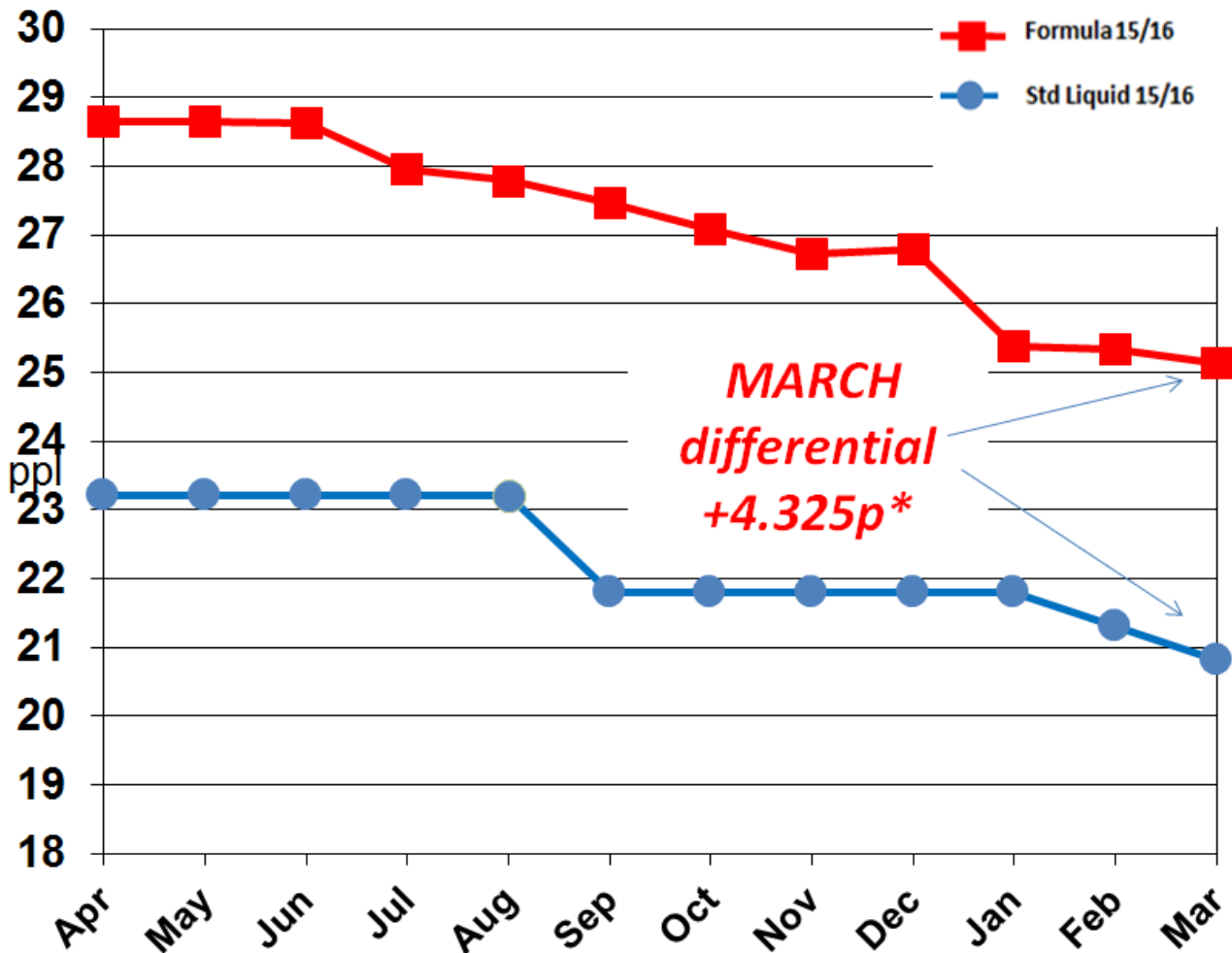
Direct Milk DPO Limited, Registered in England and Wales, Company Number 9872163
Registered Office: Edgarley Farm, Glastonbury, Somerset, BA6 8LE.

2015/16 Formula Summary - update

JANUARY AHDB Dairy (Dairy Co) published data is utilised to generate the MARCH milk price.

The price differential for March provides a 4.325p/l (excluding retail supplement payments) advantage towards Formula priced litres compared to the equivalent standard litre.

FORMULA – Related Price 2015/16 p/l



*** Excluding any retail supplements**

NOTICE TO FORMULA

In order to provide the appropriate time and flexibility for a thorough review process of all farmer contracts, Müller Milk & Ingredients have served notice on the Core Formula and Simplified Formula pricing schedules and you should now have received formal notification of this. For the avoidance of doubt, this is notice on your Formula payment terms and not your Milk Producer's Agreement.

Effective dates involved 31st January 2016 – 12 months-notice, new arrangements following the thorough review process 1st February 2017.

Please see updated parameter charts below - all declared for JANUARY 2016

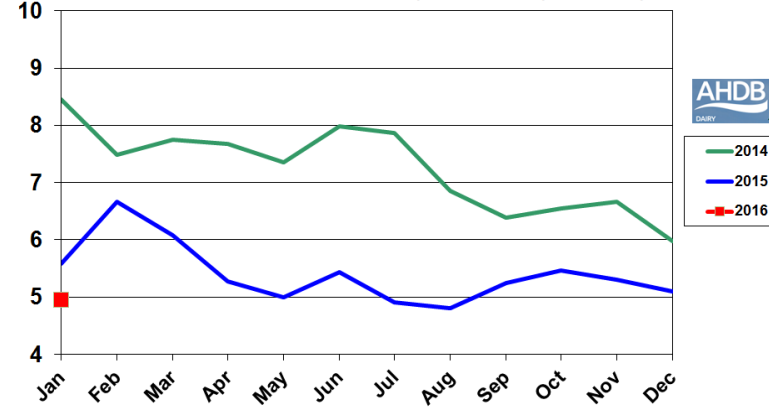
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FORMULA DATA HIGHLIGHTS – JANUARY 2016

- Cream - decreased by £30/t, and by -0.15p/l applied to the cream index of 4.95p/l.
- Retail four pints – increase 1p to 100p/4pints.
- Feed HE 18% - no change at £221.00.
- Fertilizer – no change at £229.00/t
- Fuel - decreased by 4.13p/l to 38.87p/l for January. Plus further a backdated adjustment applied by DECC for December -0.25p/l to 43.00p/l.

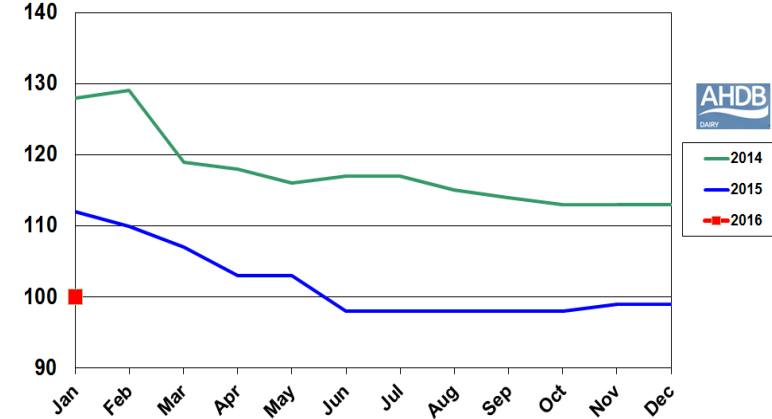
FORMULA – Cream Index – p/l

January: Decreases £30/t from £930/t to £900/t.
AHDB Cream Index -0.15p/l from 5.10p/l to 4.95p/l.



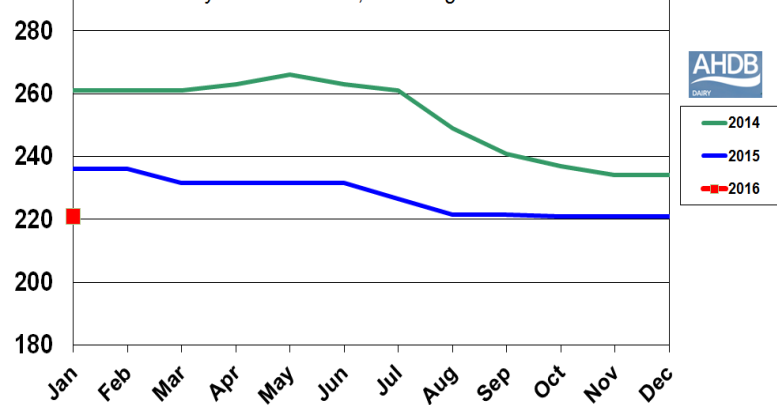
FORMULA – Retail Sales – 4 pints

January: Increasing by 1p to £1.00/4 pints



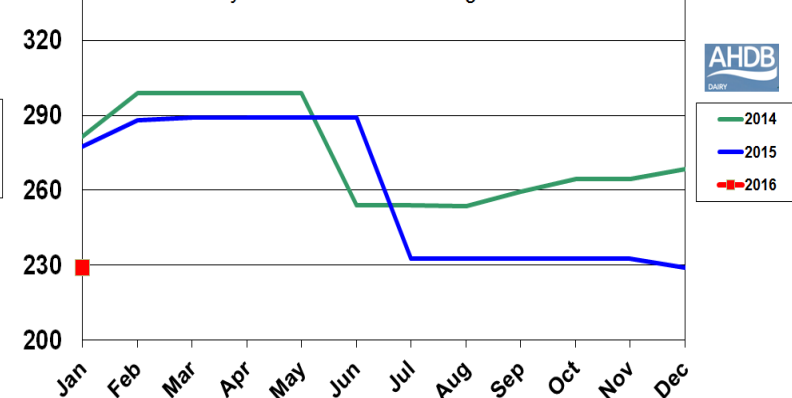
FORMULA – Feed £/t

January: HE 18% conc, no change at £221.00/t



FORMULA – Fert £/t

January: – AN fertilizer no change at £229.00/t



FORMULA – Fuel p/l

January: red diesel, -4.13p to 38.87p/l,
December: revised data from 43.25p/l to 43.00p/l.

