

FORMULA CONTRACTS - APRIL '16 - CONFIRMED



FEBRUARY AHDB DAIRY data declared impacting the Formula contract milk price for APRIL 16 (Core Formula example below seasonality/profile variant). All prices milkprices.com						
<u>Contract</u>	<u>Launch</u>	<u>Base Price</u> <u>Mar 16</u>	<u>Std Litre</u> <u>Mar 16</u>	<u>Price Change</u> <u>APR 16</u>	<u>Base Price</u> <u>APR 16</u>	<u>Std Litre</u> <u>APR 16</u>
CORE FORMULA	Jul/Oct 14	19.863p	25.135p	-0.270p	19.593p	24.865p
SIMPLIFIED FORMULA	April 14	22.535p	25.135p	-0.270p	22.265p	24.865p
Core Formula	April 14*	19.863p	25.325p	-0.270p	19.593p	25.055p
Standard Liquid Comparison		15.538p	20.810p	-1.35p	14.188p	19.460p

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

DIRECT MILK COMMENTARY

The February AHDB Dairy review of the five Formula parameters delivered four decreases and no increases from the five indicators of farm costs and dairy markets, culminating in a price reduction to apply for April supplies of **-0.270p/l**.

Cream – Dairy markets across the UK and EU remain depressed due to the continued high level of milk volumes. Although as the Euro has strengthened vs. sterling, this has provided some respite to exchange rate impact to butter and cream returns. That said, cream still fell back by £40/t for February to £860/t, it's lowest £/t since April 2012. Butter and cream values are continuing to gravitate lower still into March.

Concentrates – As has been anticipated for many months, HE18% concentrate costs finally reduced in February – albeit by £2.50/t. Concentrate ingredients again reduced in value in February, wheat back to £110.30/t (lowest since June 2010), Soya back to £235/t (lowest since 2008) and Rape seed back to £143 (lowest since 2009). Further feed price reductions are therefore anticipated into 2016.

Fertiliser – Lack of demand (livestock/arable), and lower oil costs saw fertilizer prices fall by £13/t this month. With this move, this unusually places the price of AN fertilizer below that of HE 18% concentrate feeds for February.

Red Diesel - Red diesel prices reduced yet again, now back at spring 2007 levels – and now less than 50% of the peak value in April 2012 when red diesel had been over 76p/l.

Retail 4 pints – No changes recorded.

Formula Outlook: - The ongoing trend in the Formula is that additional reductions will result as cream, feed, fuel and fertiliser markets are expected to continue to decline in value through 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 November - January, and AHDB Dairy cream index for October etc.

FORMULA INDICES - UPDATE

		<u>NOVEMBER 15</u>	<u>DECEMBER 15</u>	<u>JANUARY 16</u>	<u>FEBRUARY 16</u>
Cream	£/t	£970	£930	£900	£860
Cream Index	ppl	5.31p	5.10p	4.95p	4.75p
Four Pints Retail #	4 pints p	99p	99p	100p	100p
Feed - concentrate	£/t	£221.00	£221.00	£221.00	£218.50
Fertiliser - AN	£/t	£232.50	£229.00	£229.00	£216.00
Fuel - red diesel	p/l	43.12p 44.96p	43.25p 43.00p	38.87p 38.62p	37.53p

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

MILK PRICE APPLICABLE	<u>JANUARY 16</u>	<u>FEBRUARY 16</u>	<u>MARCH 16</u>	<u>APRIL 16</u>
MONTHLY FORMULA CHANGE	Month +0.175p Rebase -1.600p Net -1.425p	-0.042p	-0.199p	-0.270p

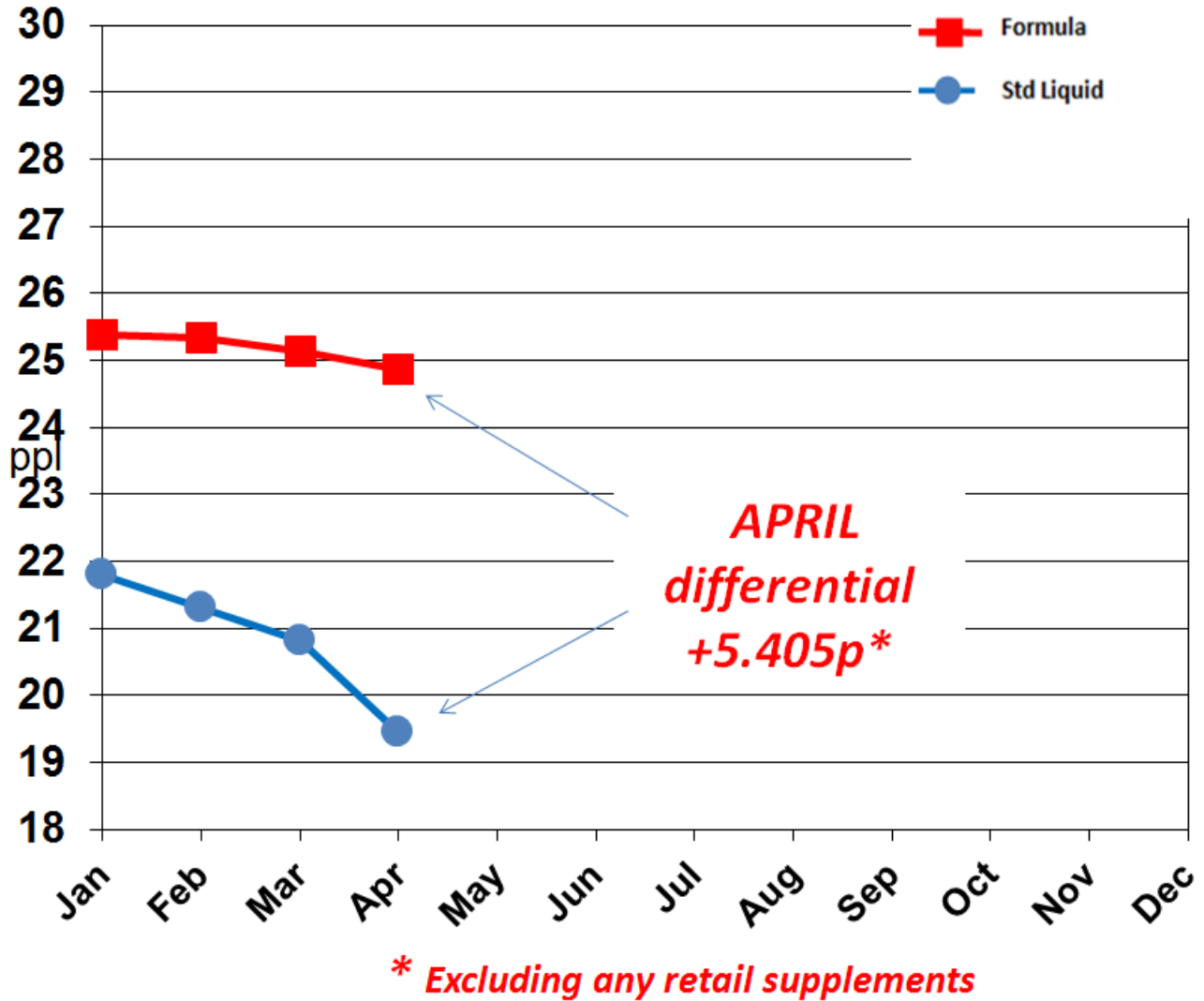
*Formula p/l comparison for consistency based on mp.com flagship table profile inclusion of 1.272p/l at April '14 Formula launch based on Jan 14 RPA data. All data rounded to 3 decimal places.

2016 Formula Summary - update

FEBRUARY AHDB Dairy (Dairy Co) published data is utilised to generate the APRIL milk price.

The price differential for April provides a +5.405p/l (excluding retail supplement payments) advantage towards Formula priced litres compared to the equivalent standard litre.

FORMULA – Related Price 2016 p/l



NOTICE TO FORMULA – January 2016

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. 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 FEBRUARY 2016

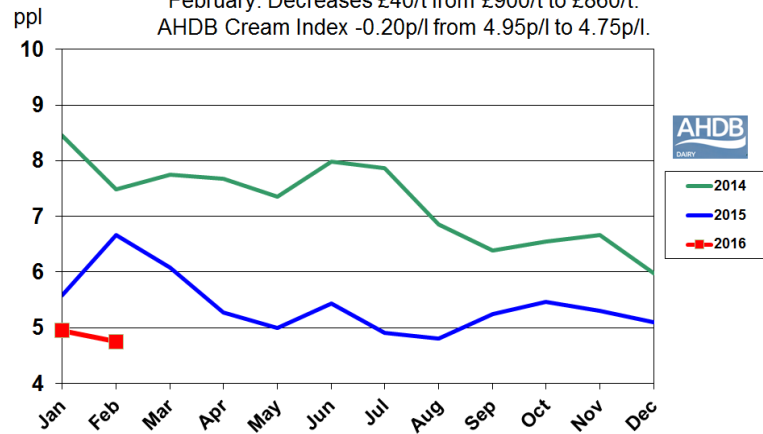
by AHDB Dairy - with permissions.

FORMULA DATA HIGHLIGHTS – FEBRUARY 2016

- Cream - decreased by £40/t, and by -0.20p/l applied to the cream index of 4.75p/l.
- Retail four pints – no change at 100p/4pints.
- Feed HE 18% - decreased by £2.50/t at £218.50.
- Fertilizer – decreased by £13/t at £216.00/t
- Fuel - decreased by 1.09p/l to 37.53p/l for February. Plus further a backdated adjustment applied by DECC for January -0.25p/l to 38.62p/l.

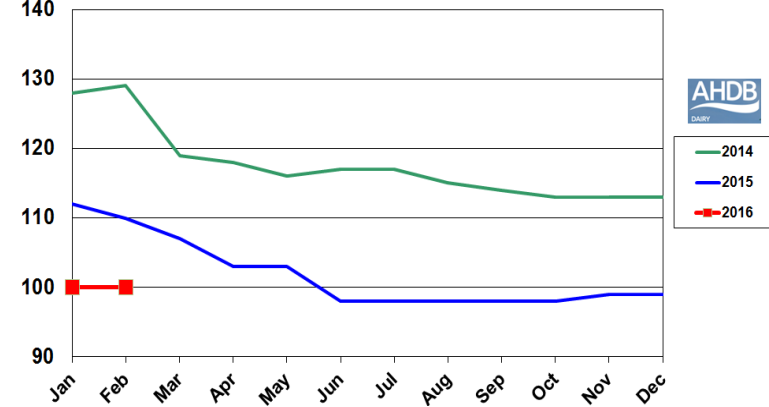
FORMULA – Cream Index – p/l

February: Decreases £40/t from £900/t to £860/t.
AHDB Cream Index -0.20p/l from 4.95p/l to 4.75p/l.



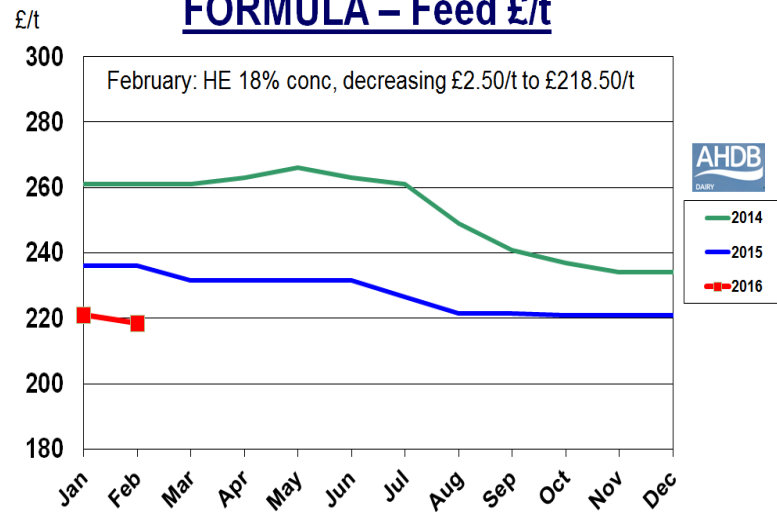
FORMULA – Retail Sales – 4 pints

February: No change at £1.00/4 pints



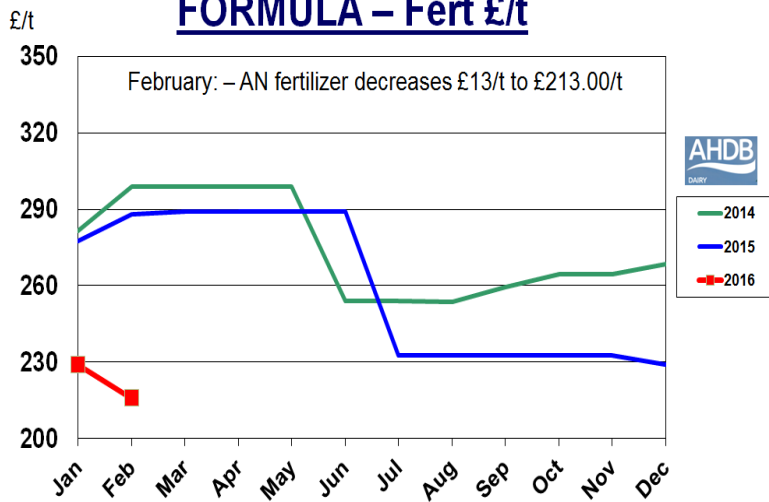
FORMULA – Feed £/t

February: HE 18% conc, decreasing £2.50/t to £218.50/t



FORMULA – Fert £/t

February: – AN fertilizer decreases £13/t to £213.00/t



FORMULA – Fuel p/l

February: red diesel, -1.09p to 37.53p/l,
January: revised data from 38.87p/l to 38.62p/l.

