

FORMULA CONTRACTS - MAY '16 - CONFIRMED

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



<u>Contract</u>	<u>Launch</u>	<u>Base Price</u> <u>Apr 16</u>	<u>Std Litre</u> <u>Apr 16</u>	<u>Price Change</u> <u>MAY 16</u>	<u>Base Price</u> <u>MAY 16</u>	<u>Std Litre</u> <u>MAY 16</u>
CORE FORMULA	Jul/Oct 14	19.593p	24.865p	-0.265p	19.328p	24.600p
SIMPLIFIED FORMULA	April 14	22.265p	24.865p	-0.265p	22.000p	24.600p
Core Formula	April 14*	19.593p	25.055p	-0.265p	19.328p	24.790p
Standard Liquid Comparison		14.188p	19.460p	-0.850p	13.338p	18.610p

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

DIRECT MILK COMMENTARY

The AHDB Dairy review of the five Formula parameters for March culminated in a price reduction to apply for May milk supplies of **-0.265p/l**, this result as three out of the five Formula 'drivers' declined during the month.

Cream – Dairy markets across the UK and EU continue to remain depressed due to the ongoing high level of milk volumes. Currency impact from the fall in sterling vs. the Euro is providing some assistance to UK dairy markets, but as butter values across the EU fall closer to intervention levels (*UK butter down by £100/t in March*), so in parallel, cream values remain weak. UK cream values are now at a seven year low, and remain challenged into April.

Concentrates – HE18% concentrate costs across the UK reduced again in March. As higher priced forward purchased core feed ingredients exit compounder's stocks, these are being replaced by lower cost ingredients, therefore the trade anticipates that concentrate feed costs will decline further over the coming months. AHDB report that feed wheat markets in March fell below £110/t for the first time since June 2010.

Fertiliser – Lack of demand across all sectors saw a further reduction recorded in AN fertilizer prices in March.

Red Diesel – Following a prolonged period of low oil and consequent red diesel prices, values moved back up for the first time in five months during March.

Retail 4 pints – No changes recorded.

The very latest data AHDB report in March relates to Kantar data actually released in the period to 28th February.

Formula Outlook: - The underlying direction of travel for the Formula contract pricing is that further reductions will result as cream, feed, and fertiliser markets are expected to remain weak during 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 December - March etc.

FORMULA INDICES - UPDATE

		<u>DECEMBER 15</u>	<u>JANUARY 16</u>	<u>FEBRUARY 16</u>	<u>MARCH 16</u>
Cream	£/t	£930	£900	£860	£820
Cream Index	ppl	5.10p	4.95p	4.75p	4.54p
Four Pints Retail #	4 pints p	99p	100p	100p	100p
Feed - concentrate	£/t	£221.00	£221.00	£218.50	£217.50
Fertiliser - AN	£/t	£229.00	£229.00	£216.00	£211.50
Fuel - red diesel	p/l	43.25p 43.00p	38.87p 38.62p	37.53p 37.37p	38.62p

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

MILK PRICE APPLICABLE	<u>FEBRUARY 16</u>	<u>MARCH 16</u>	<u>APRIL 16</u>	<u>MAY 16</u>
MONTHLY FORMULA CHANGE	-0.042p	-0.199p	-0.270p	-0.265p

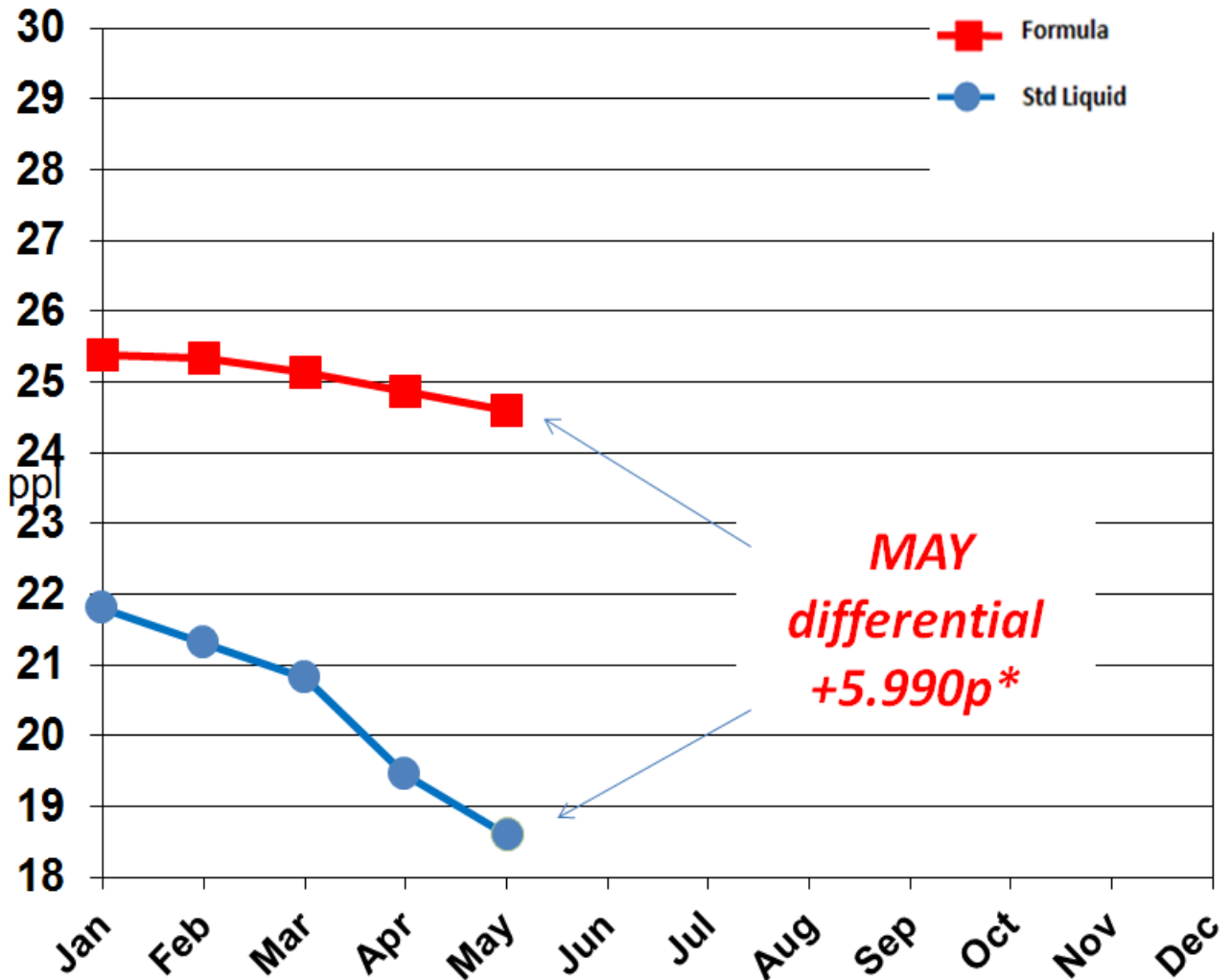
*Formula p/l comparison for consistency based on mp.com flagship table profile inclusion of 1.272p/l at April '14 Formula launch based on Jan 14 RPA data. All data rounded to 3 decimal places.

2016 Formula Summary - update

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

The price differential for May provides a +5.990p/l (excluding retail supplement payments) advantage towards Formula priced litres compared to the equivalent standard litre.

FORMULA – Related Price 2016 p/l



*** Excluding any retail supplements**

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 the Formula payment terms and not the 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 MARCH 2016

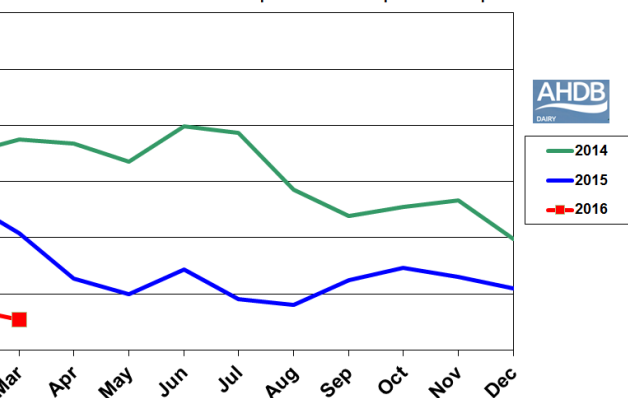
by AHDB Dairy - with permissions.

FORMULA DATA HIGHLIGHTS – MARCH 2016

- Cream - decreased by £40/t, and by -0.21p/l applied to the cream index of 4.54p/l.
- Retail four pints – no change at 100p/4pints.
- Feed HE 18% - decreased by £1.00/t at £217.50.
- Fertilizer – decreased by £4.50/t at £211.50/t
- Fuel – increased by 1.25p/l to 38.62p/l for March. Plus further a backdated adjustment applied by DECC for February -0.16p/l to 37.37p/l.

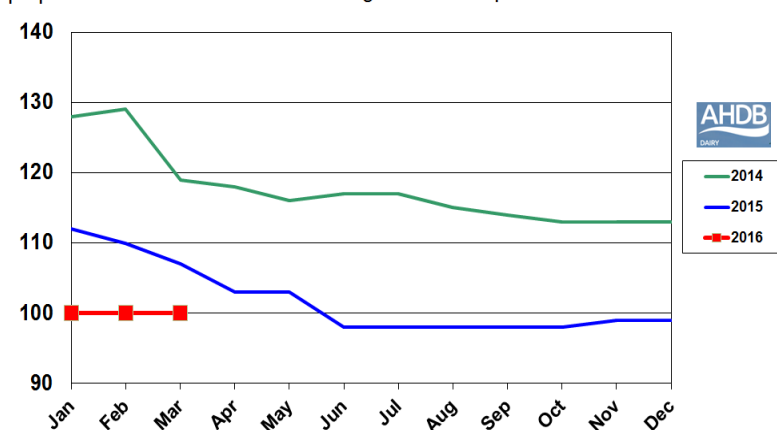
FORMULA – Cream Index – p/l

March: Decreases £40/t from £860/t to £820/t.
AHDB Cream Index -0.21p/l from 4.75p/l to 4.54p/l.



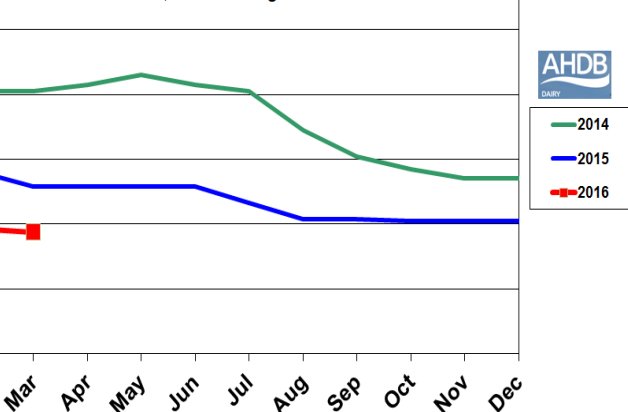
FORMULA – Retail Sales – 4 pints

March: No change at £1.00/4 pints



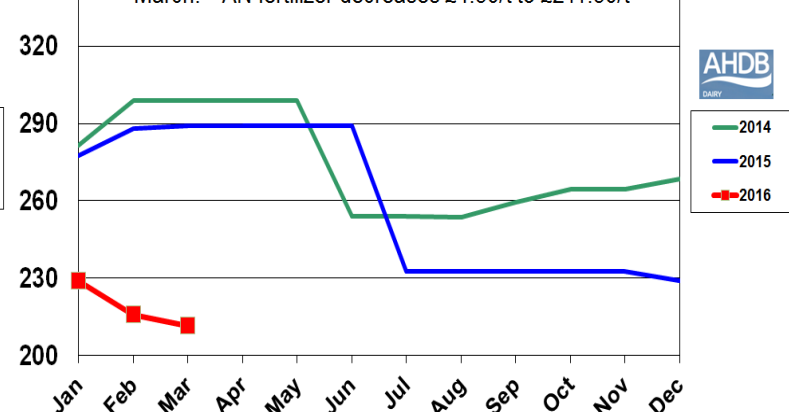
FORMULA – Feed £/t

March: HE 18% conc, decreasing £1.00/t to £217.50/t



FORMULA – Fert £/t

March: – AN fertilizer decreases £4.50/t to £211.50/t



FORMULA – Fuel p/l

March: red diesel, +1.25p to 38.62p/l,
February: revised data from 37.53p/l to 37.37p/l.

