

FORMULA CONTRACTS - JUNE '16 - CONFIRMED



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



<u>Contract</u>	<u>Launch</u>	<u>Base Price</u> <u>May 16</u>	<u>Std Litre</u> <u>May 16</u>	<u>Price Change</u> <u>JUNE 16</u>	<u>Base Price</u> <u>JUNE 16</u>	<u>Std Litre</u> <u>JUNE 16</u>
CORE FORMULA	Jul/Oct 14	19.328p	24.600p	-0.129p	19.199p	24.471p
SIMPLIFIED FORMULA	April 14	22.000p	24.600p	-0.129p	21.871p	24.471p
Core Formula	April 14*	19.328p	24.790p	-0.129p	19.199p	24.661p
Standard Liquid Comparison		13.338p	18.610p	-0.490p	12.848p	18.120p

*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 April culminated in a sixth consecutive Formula price reduction with the concluding position to apply for June milk supplies of **-0.129p/l**.

Cream – AHDB reports that the average cream traded value in April was £800/t, this the lowest monthly average since 2009. UK and EU cream values remained weak due to the imbalance of milk supply vs. demand; with similar expectations for May.

The latest AHDB review of the Cream Income to a Liquid Processor (Cream Index) market indicator, AHDB utilize the Liquid Retail sales data from Kantar Worldpanel. Through this review, as a greater cream volume has now been assessed as available for processors to trade on the open market, this change has been captured in the rebased Cream Index; the backdated impact to Feb included within this month's Formula review worth c. +0.2p/l within the June resultant price.

Concentrates – HE18% concentrates fell by £8/t for April, the largest monthly reduction in two years. The weakness of sterling is now adversely affecting protein ingredients, with soya and rapeseed increasing c. £30/t since February.

Fertiliser – Lack of demand across all sectors saw a further reduction recorded, down by £31.50/t in just three months.

Red Diesel – As oil prices increase from the recent lows, red diesel follows suit, up almost 4p/litre this month.

Retail 4 pints – No changes recorded.

Formula Outlook: - Much now depends on when cream market values will start to recover from the present seven year low as milk volumes across the EU and certainly in the UK are easing on a 'year on year' basis. This balanced by feed and fertilizer markets which are also forecast to remain weak through the next few months. So in summary, while further Formula reductions are anticipated for the next two monthly reviews (for Jul/Aug), some respite may apply for Jul review for Sept.

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 and cream data for January - March etc.

FORMULA INDICES - UPDATE

		<u>JANUARY 16</u>	<u>FEBRUARY 16</u>	<u>MARCH 16</u>	<u>APRIL 16</u>
Cream	£/t	£900	£860	£820	£800
Cream Index	ppl	4.95p 5.17p	4.75p 4.96p	4.54p 4.75p	4.62p
Four Pints Retail #	4 pints p	100p	100p	100p	100p
Feed - concentrate	£/t	£221.00	£218.50	£217.50	£209.50
Fertiliser - AN	£/t	£229.00	£216.00	£211.50	£197.50
Fuel - red diesel	p/l	38.87p 38.62p	37.53p 37.37p	38.62p 38.52p	42.33p

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

MILK PRICE APPLICABLE	<u>MARCH 16</u>	<u>APRIL 16</u>	<u>MAY 16</u>	<u>JUNE 16</u>
MONTHLY FORMULA CHANGE	-0.199p	-0.270p	-0.265p	-0.129p

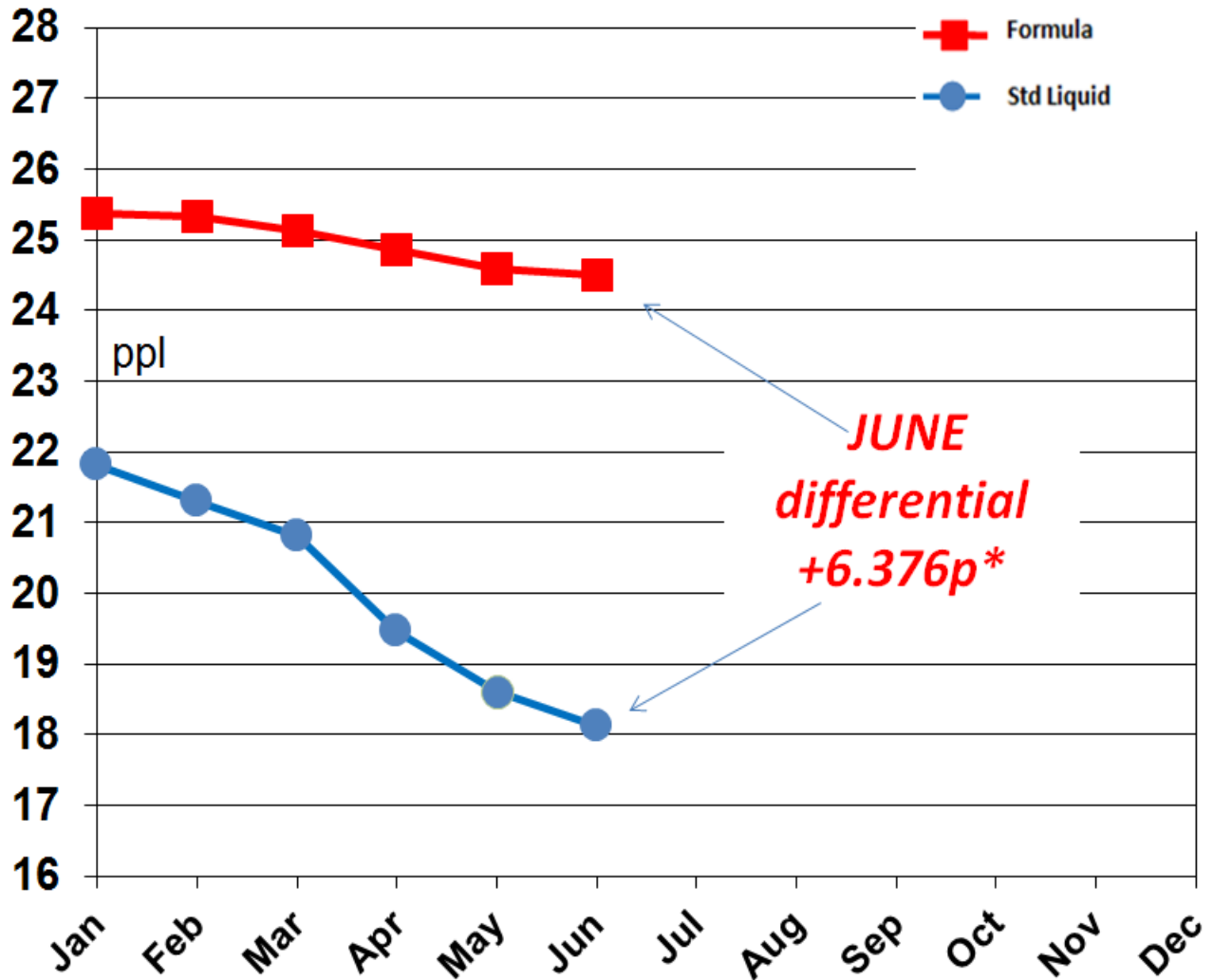
*Formula p/l comparison for consistency based on mp.com flagship table profile inclusion of 1.272p/l at April '14 Formula launch based on Jan 14 RPA data. All data rounded to 3 decimal places.

2016 Formula Summary - update

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

The price differential for June provides a +6.376p/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.

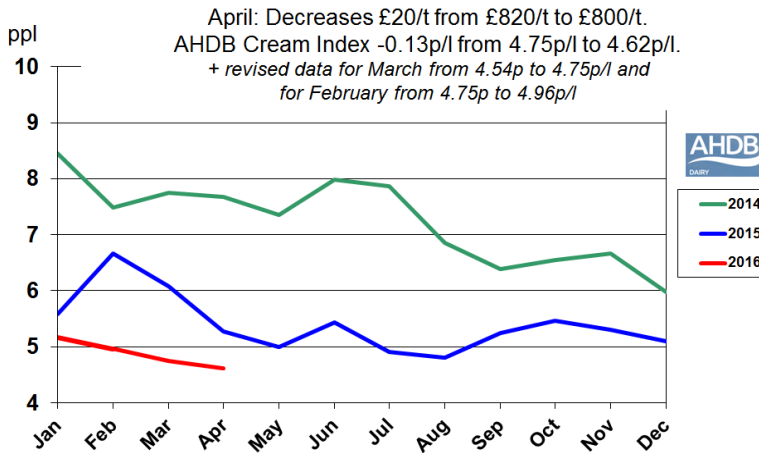
Please see updated parameter charts below - all declared for APRIL 2016

by AHDB Dairy - with permissions.

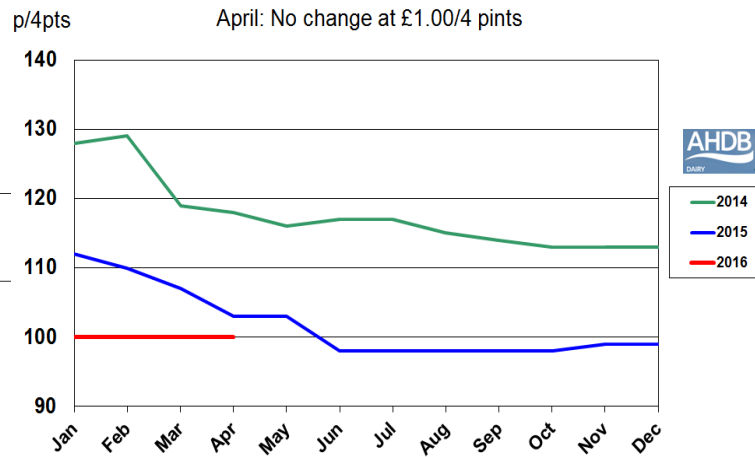
FORMULA DATA HIGHLIGHTS – APRIL 2016

- Cream - decreased £20/t, and by -0.13p/l applied to the cream index 4.62p/l. Plus, backdated AHDB/Kantar adjustments, March from 4.54p to 4.75p/l, and Feb from 4.75p to 4.96p/l.
- Retail four pints – no change at 100p/4pints.
- Feed HE 18% - decreased by £8/t at £209.50.
- Fertilizer – decreased by £14/t at £197.50/t
- Fuel – increased by 3.81p/l to 42.33p/l for April. Plus further a backdated adjustment applied by DECC for March -0.10p/l to 38.52p/l.

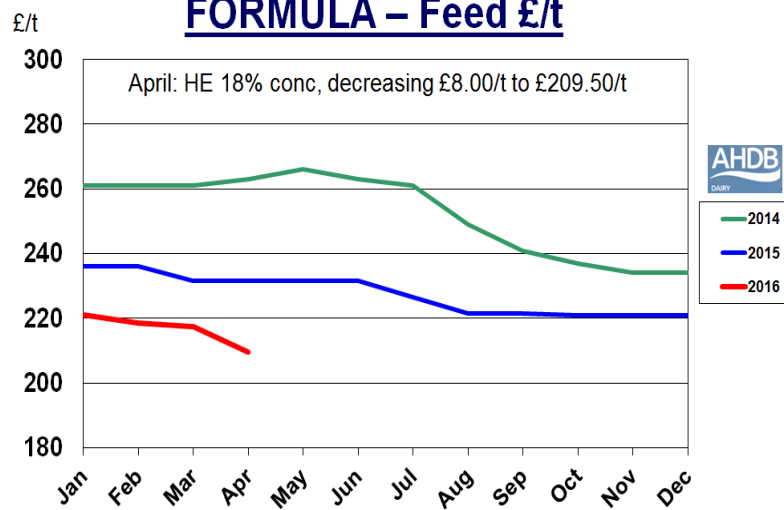
FORMULA – Cream Index – p/l



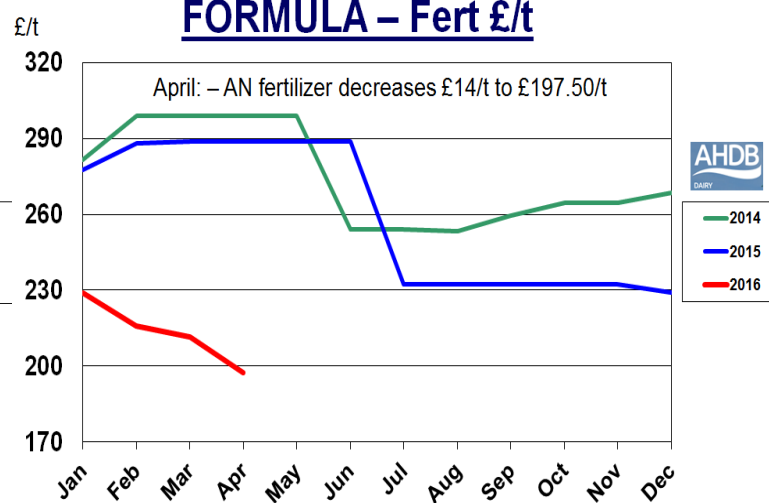
FORMULA – Retail Sales – 4 pints



FORMULA – Feed £/t



FORMULA – Fert £/t



FORMULA – Fuel p/l

