

# FORMULA CONTRACTS - JULY '16 - CONFIRMED



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



<u>Contract</u>	<u>Launch</u>	<u>Base Price</u> <u>June 16</u>	<u>Std Litre</u> <u>June 16</u>	<u>Price Change</u> <u>JULY 16</u>	<u>Base Price</u> <u>JULY 16</u>	<u>Std Litre</u> <u>JULY 16</u>
CORE FORMULA	Jul/Oct 14	19.199p	24.471p	-0.090p	19.109p	24.381p
SIMPLIFIED FORMULA	April 14	21.871p	24.471p	-0.090p	21.781p	24.381p
Core Formula	April 14*	19.199p	24.661p	-0.090p	19.109p	24.571p
Standard Liquid Comparison		12.848p	18.120p	n/c	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 May culminated in a seventh consecutive monthly Formula price reduction, with the concluding position of **-0.090p/l** to apply for July milk supplies. That said, this seventh reduction is likely to be the last Formula price fall in the current run due to momentum generated by continuing increases in cream markets.

**Cream** – AHDB reported an increase of £60/t for May vs. April. With this movement reversing the cream market from its seven year low point recorded in April. Cream today is trading in a range of £950/£1,000/t, and if sustained for June would be a major contributor to an overall potential Formula increase within June parameters for August.

**Concentrates** – HE18% concentrates fell by just £1/t for May. However, protein feed ingredient markets have increased markedly from earlier lows recorded in 2016, Soya increasing by 30% since February (now at £307/t), whilst rapeseed has increased by 40% also since February (now at £201/t). Even maize gluten has increased by 15% in one month, and wheat is trading at a 2016 high during May. These increases in ingredient markets are likely to curtail the recent reduction trends in concentrate costs.

**Fertiliser** – Lack of demand across all sectors saw a further reduction of -£5.50/t recorded, down now by £36/t in just four months.

**Red Diesel** – A third consecutive monthly increase in red diesel costs up by almost 7p/l since the February low point.

**Retail 4 pints** – No changes recorded.

**Formula Outlook:** - As reductions in UK and EU milk supply has been significant, the turnaround in cream and butter markets has been more pronounced. If this continues should see a Formula increase apply for the next review, June for August.

### 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 February - March etc.

## FORMULA INDICES - UPDATE

		<u>FEBRUARY 16</u>	<u>MARCH 16</u>	<u>APRIL 16</u>	<u>MAY 16</u>
Cream	£/t	£860	£820	£800	<b>£860</b>
Cream Index	ppl	<del>4.75p</del> 4.96p	<del>4.54p</del> 4.75p	4.62p	<b>4.99p</b>
Four Pints Retail #	4 pints p	100p	100p	100p	<b>100p</b>
Feed - concentrate	£/t	£218.50	£217.50	£209.50	<b>£208.50</b>
Fertiliser - AN	£/t	£216.00	£211.50	£197.50	<b>£192.00</b>
Fuel - red diesel	p/l	<del>37.53p</del> 37.37p	<del>38.62p</del> <del>38.52p</del> 38.50p	<del>42.33p</del> 42.30p	<b>44.30p</b>

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

MILK PRICE APPLICABLE	<u>APRIL 16</u>	<u>MAY 16</u>	<u>JUNE 16</u>	<u>JULY 16</u>
MONTHLY FORMULA CHANGE	<b>-0.270p</b>	<b>-0.265p</b>	<b>-0.129p</b>	<b>-0.090p</b>

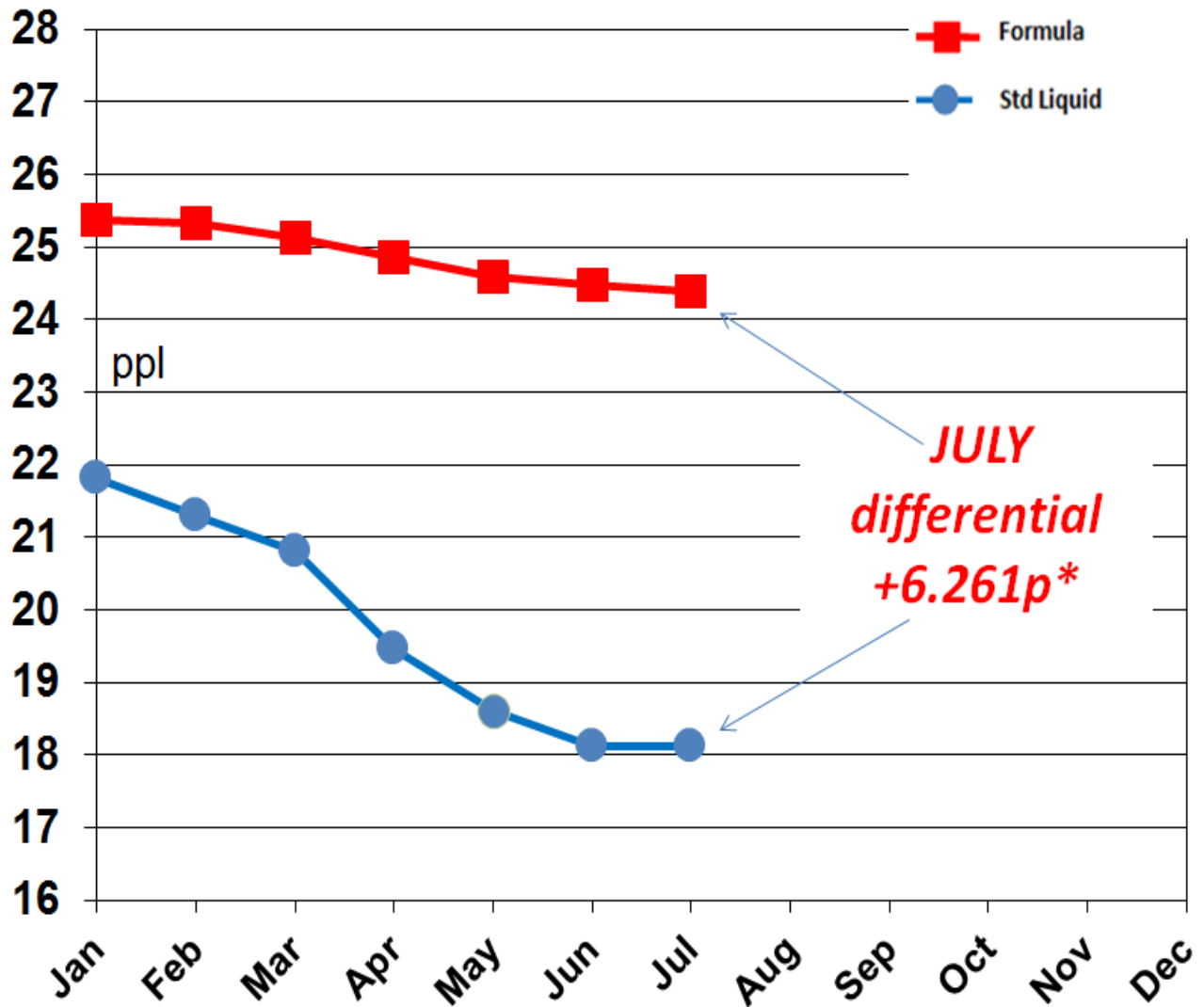
\*Formula p/l comparison for consistency based on mp.com flagship table profile inclusion of 1.272p/l at April '14 Formula launch based on Jan 14 RPA data. All data rounded to 3 decimal places.

## 2016 Formula Summary - update

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

The price differential for July provides a +6.261p/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 31<sup>st</sup> January 2016 12 months-notice, new arrangements following the thorough review process 1<sup>st</sup> February 2017.

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

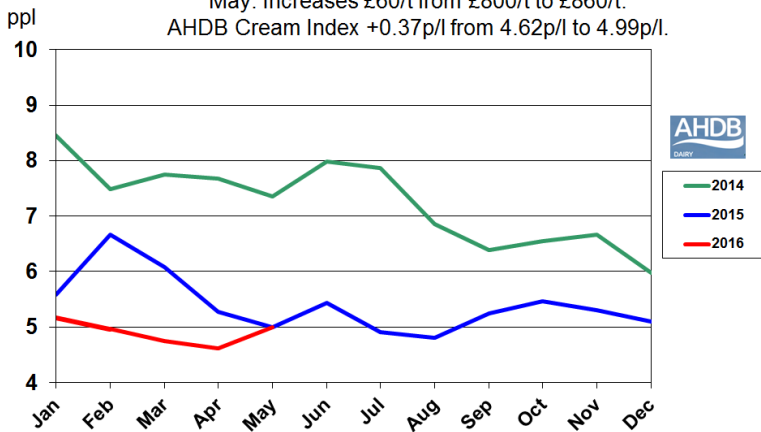
by AHDB Dairy - with permissions.

# FORMULA DATA HIGHLIGHTS – MAY 2016

- Cream – increased £60/t, and by +0.37p/l applied to the cream index 4.99p/l.
- Retail four pints – no change at 100p/4pints.
- Feed HE 18% - decreased by £1/t at £208.50.
- Fertilizer – decreased by £5.50/t at £192.00/t
- Fuel – increased by 2.00p/l to 44.30p/l for May. Plus further a backdated adjustment applied by DECC for April -0.03p/l to 42.30p/l, and by -0.02p/l to 38.50p/l for March.

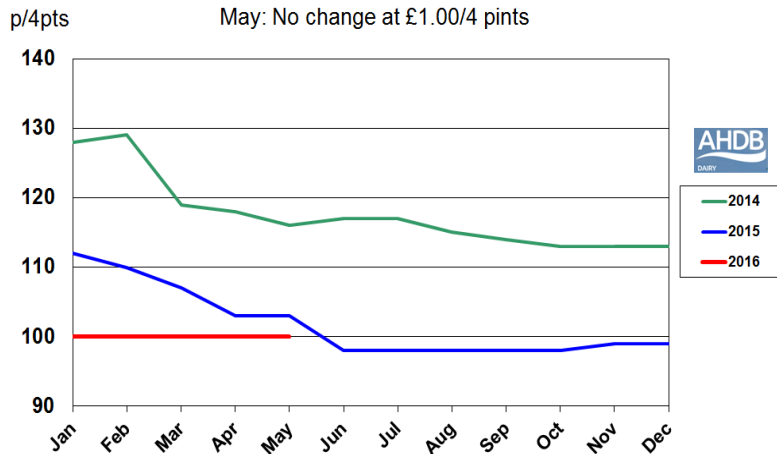
## FORMULA – Cream Index – p/l

May: Increases £60/t from £800/t to £860/t.  
AHDB Cream Index +0.37p/l from 4.62p/l to 4.99p/l.



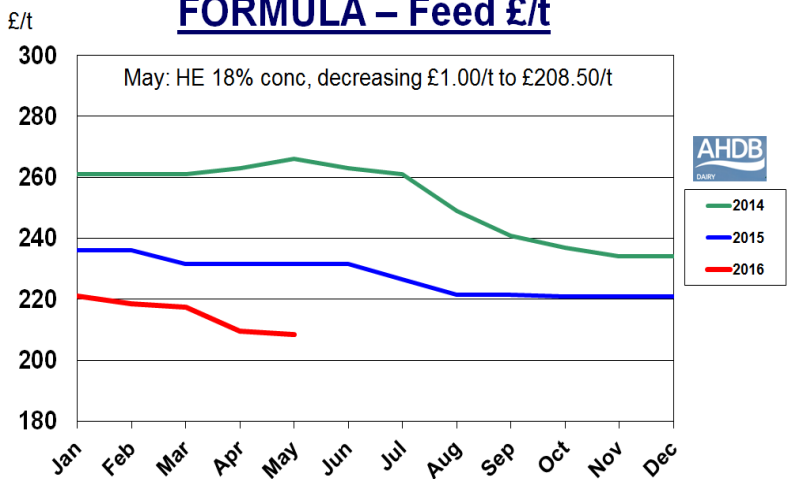
## FORMULA – Retail Sales – 4 pints

May: No change at £1.00/4 pints



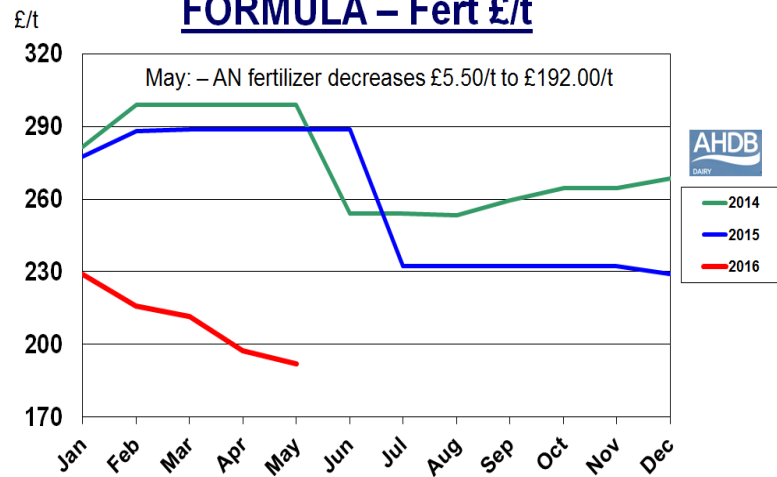
## FORMULA – Feed £/t

May: HE 18% conc, decreasing £1.00/t to £208.50/t



## FORMULA – Fert £/t

May: – AN fertilizer decreases £5.50/t to £192.00/t



## FORMULA – Fuel p/l

May: red diesel, +2.00p to 44.30p/l,  
April: revised data from 42.33p/l to 42.30p/l,  
March: revised data from 38.52p/l to 38.50p/l.

