

FORMULA CONTRACTS - SEPTEMBER '16 - CONFIRMED



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



Contract	Launch	Base Price	Std Litre	Price Change	Base Price	Std Litre
		August 16	August 16	SEPT 16	SEPT 16	SEPT 16
CORE FORMULA	Jul/Oct 14	19.561p	24.833p	+1.172p	20.733p	26.005p
SIMPLIFIED FORMULA	April 14	22.233p	24.833p	+1.172p	23.405p	26.005p
Core Formula	April 14*	19.561p	25.023p	+1.172p	20.733p	26.195p
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 DPO COMMENTARY

AHDB Dairy's five Formula parameters for July 'combined,' result in a monthly increase of **+1.172p/litre** to apply for September. This is the highest Formula monthly price increase ever recorded since the April 2013 launch of the innovative processor and farmer rep organization developed Formula (previous highest +0.588p/l June 2013). This output returning both Formula options standard litre prices back above **26p/l** for the first time in 2016. This transparent price movement driven primarily by the significant increase in cream value and either rises or no change recorded in all other parameters.

Cream – AHDB reported an increase of £270/t for July vs. June. This is the largest AHDB's monthly incremental increase reporting of cream markets for seven years, and the highest UK cream market value for two years. Cream value when translated into AHDB's cream calculator utilized within the Formula has increased by 73% since April. As UK and EU production is now in decline, cream markets into August are remaining buoyant and above the AHDB market review reported as an 'average' for July.

Concentrates – A further small increase reported for HE 18% concentrates for July, with analyst expectations of further concentrate feed rises as protein ingredients (Soya/Rape) have inflated by an average of 50% since this spring.

Fertiliser – AHDB recorded Ammonium Nitrogen costs remain at a nine year low – with no change recorded for July.

Red Diesel – A fifth consecutive monthly increase in red diesel costs, inflating by 25% since the February low.

Retail 4 pints – A 2p/4pints increase taking four pint costs to £1.02 delivering a 14 month high.

Formula Outlook: - The current momentum in cream markets, which continues into August as milk production slows, plus the firming of feed markets, when combined and as these are the two principle drivers of the Formula (representing markets and costs) – if can be sustained – will deliver additional Formula derived milk price increases beyond the current level.

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 four pint data for June/July etc.

FORMULA INDICES - UPDATE

		APRIL 16	MAY 16	JUNE 16	JULY 16
Cream	£/t	£800	£860	£1,100	£1,370
Cream Index	ppl	4.62p	4.99p	6.40p	7.99p
Four Pints Retail #	4 pints p	100p	100p	100p 102p	102p
Feed - concentrate	£/t	£209.50	£208.50	£210.50	£211.00
Fertiliser - AN	£/t	£197.50	£192.00	£169.50	£169.50
Fuel - red diesel	p/l	42.33p 42.30p 42.31p	44.30p 44.08p	46.51p 46.40p	47.36p

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

MILK PRICE APPLICABLE	JUNE 16	JULY 16	AUGUST 16	SEPTEMBER 16
MONTHLY FORMULA CHANGE	-0.129p	-0.090p	+0.452p	+1.172p

*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.

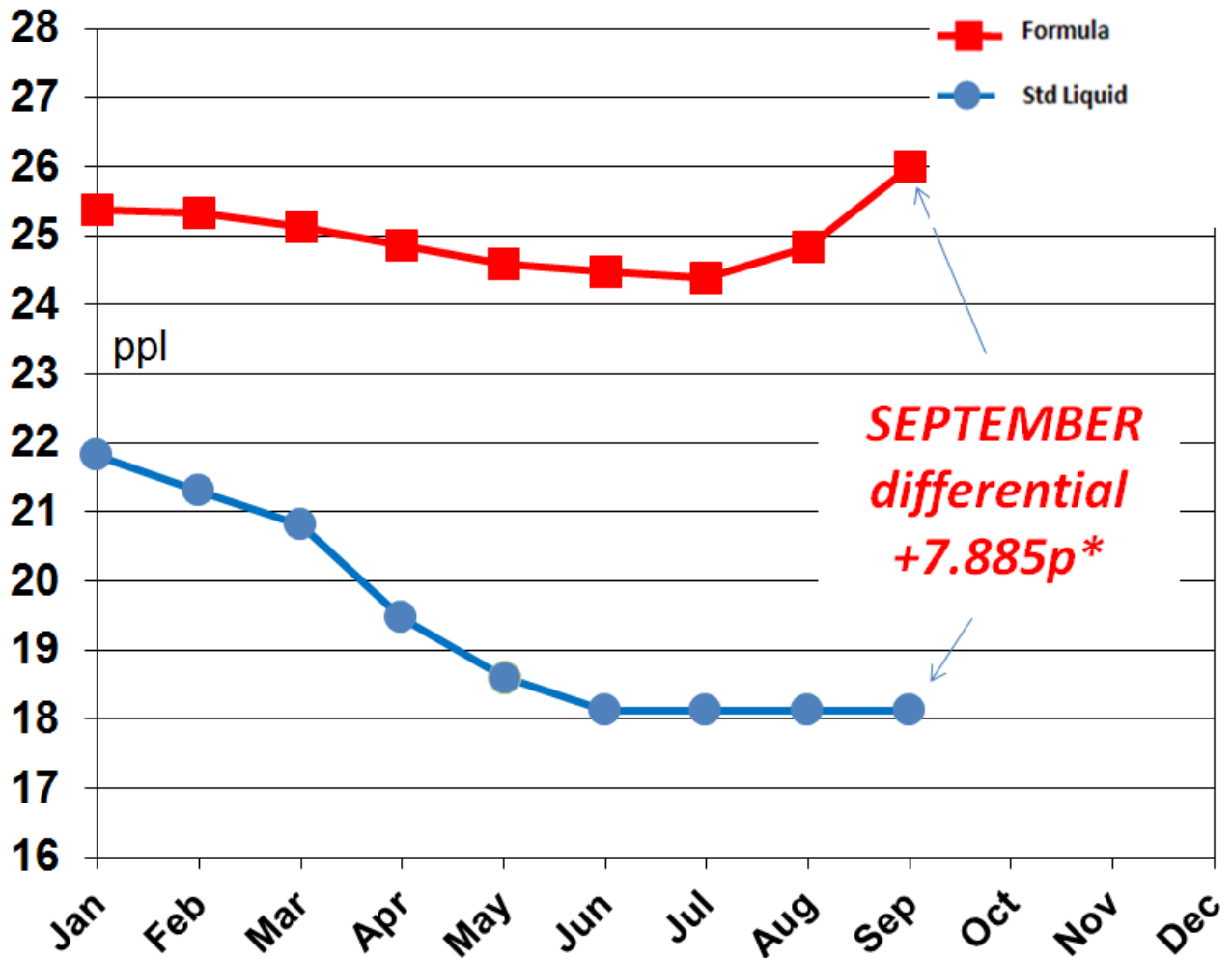
2016 Formula Summary - update

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

The price differential vs. Standard Contracts for July provides **+7.885p/l** (excluding retail supplement payments with a latest +3.047p payment for June, so if remaining at this level for September would reduce the premium to **+4.838p/l**) advantage towards Formula priced litres compared to the equivalent standard litre.

(Formula priced litres do not attract retail supplementary payments).

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. These Formula reviews will now only continue to run for four more months, the August/November period relating to the October/January payments.

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

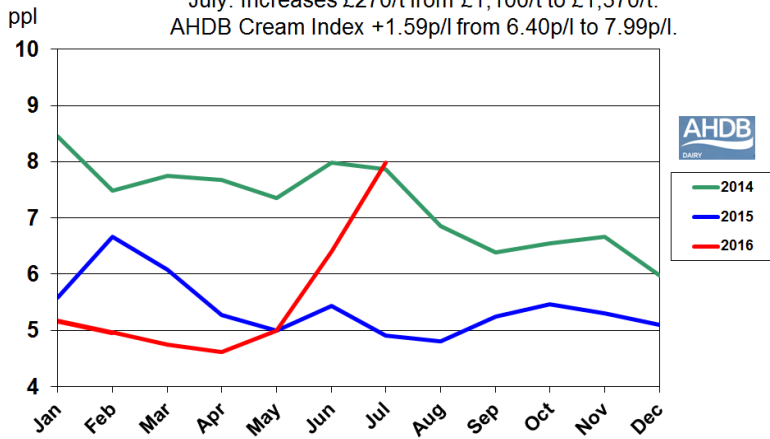
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FORMULA DATA HIGHLIGHTS – JULY 2016

- Cream – increased £270/t, and by +1.59p/l applied to the cream index now at 7.99p/l.
- Retail four pints – no change at 102p/4pints, backdated increase of 2p applied for June.
- Feed HE 18% - increased by 50p/t at £211.00.
- Fertilizer – no change at £169.50/t
- Fuel – increased by 0.96p/l to 47.36p/l for July. Plus further a backdated adjustment applied by DECC for June -0.11p/l to 46.40p/l.

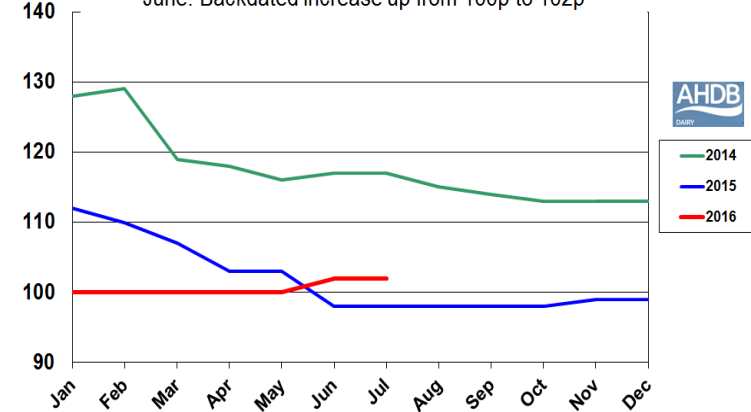
FORMULA – Cream Index – p/l

July: Increases £270/t from £1,100/t to £1,370/t.
AHDB Cream Index +1.59p/l from 6.40p/l to 7.99p/l.



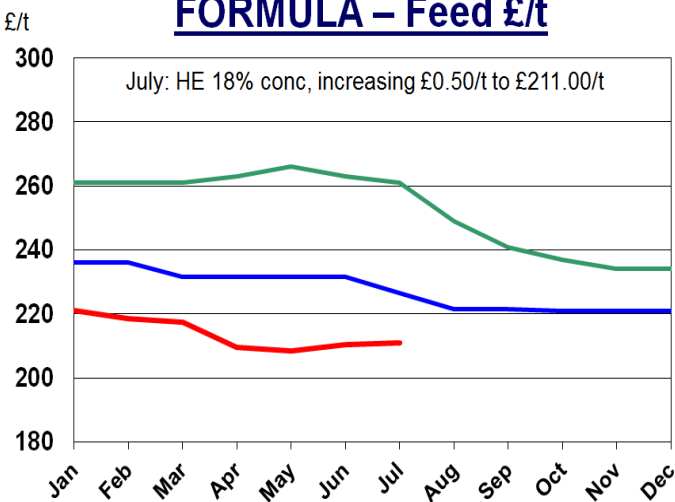
FORMULA – Retail Sales – 4 pints

July: No change at 102p/4pints
June: Backdated increase up from 100p to 102p



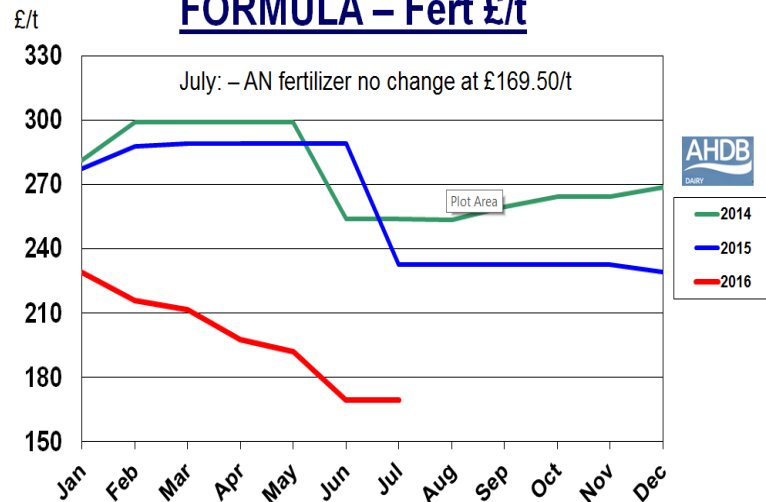
FORMULA – Feed £/t

July: HE 18% conc, increasing £0.50/t to £211.00/t



FORMULA – Fert £/t

July: – AN fertilizer no change at £169.50/t



FORMULA – Fuel p/l

July: red diesel, +0.96p to 47.36p/l,
June: revised data from 46.51p/l to 46.40p/l.

