

FORMULA CONTRACTS - NOVEMBER '16 - CONFIRMED



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



<u>Contract</u>	<u>Launch</u>	<u>Base Price</u> <u>Oct 16</u>	<u>Std Litre</u> <u>Oct 16</u>	<u>Price Change</u> <u>NOV 16</u>	<u>Base Price</u> <u>NOV 16</u>	<u>Std Litre</u> <u>NOV 16</u>
CORE FORMULA	Jul/Oct 14	21.980p	27.252p	+1.366p	23.346p	28.618p
SIMPLIFIED FORMULA	April 14	24.652p	27.252p	+1.366p	26.018p	28.618p
Core Formula	April 14*	21.980p	27.442p	+1.366p	23.346p	28.808p
Standard Liquid Comparison		14.037p	19.309p	+1.747p	15.784p	21.056p

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

DIRECT MILK DPO COMMENTARY

As four of the AHDB Dairy's five Formula parameters for September increased (*the fifth recording no change*), results in a new record Formula monthly increase of **+1.366p/litre** to apply for November. This is a fourth consecutive Formula monthly price increase, totaling +4.237p for the August to November period. The latest Formula price at it's highest level since June '15.

Cream – AHDB reported an increase of £240/t for September vs. August providing a 'monthly average of £1,710/t'. That said, AHDB also report within their September wholesale market report, '*cream prices quoted between £1,600/t at the start of the month, and finished in the mid £1,800/t, with some cream trades at £1,900/t*'. Since April, cream returns have more than doubled, the latest value when translated into AHDB's cream income to a liquid processor delivers a 10p/l 'value', the second highest ever Cream Income value reported since this AHDB market indicator was established over ten years ago.

Concentrates – As soya, rape and feed wheat ingredient markets increased earlier this year, so a £8/t hike in price has resulted for September, this being the largest monthly increase in high energy 18% concentrates for four years.

Fertiliser – AHDB recorded a second monthly increase in Ammonium Nitrogen cost, up by £6/t across two months.

Red Diesel – After the blip downwards in cost during August, this reversed in September, resulting for the first time in 2016 a 'year on year' red diesel price exceeding that of a year ago.

Retail 4 pints – No change at 102p/4pints, retaining a 16 month 'high point' at retail level.

Formula Outlook: - As UK and EU milk production levels continue to decline, this reduction being incentivized through the recently launched EU reduction scheme, is resulting in accelerating butter and cream markets, now at almost record levels. As prospects for concentrate feed markets are also continuing to firm, when combined, and as the two principle drivers of the Formula (*representing markets and costs*), if sustained, will transparently deliver further increases for December and January.

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 & September etc.

FORMULA INDICES - UPDATE

		<u>JUNE 16</u>	<u>JULY 16</u>	<u>AUGUST 16</u>	<u>SEPTEMBER 16</u>
Cream	<i>£/t</i>	£1,100	£1,370	£1,470	£1,710
Cream Index	<i>ppl</i>	6.40p	7.99p	8.60p	10.00p
Four Pints Retail #	<i>4 pints p</i>	100p 102p	102p	102p	102p
Feed - concentrate	<i>£/t</i>	£210.50	£211.00	£211.00	£219.00
Fertiliser - AN	<i>£/t</i>	£169.50	£169.50	£173.00	£175.50
Fuel - red diesel	<i>p/l</i>	46.51p 46.40p	47.36p 47.07p	45.71p 45.42p	47.51p

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

MILK PRICE APPLICABLE	<u>AUGUST 16</u>	<u>SEPTEMBER 16</u>	<u>OCTOBER 16</u>	<u>NOVEMBER 16</u>
MONTHLY FORMULA CHANGE	+0.452p	+1.172p	+1.247p	+1.366p

*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.

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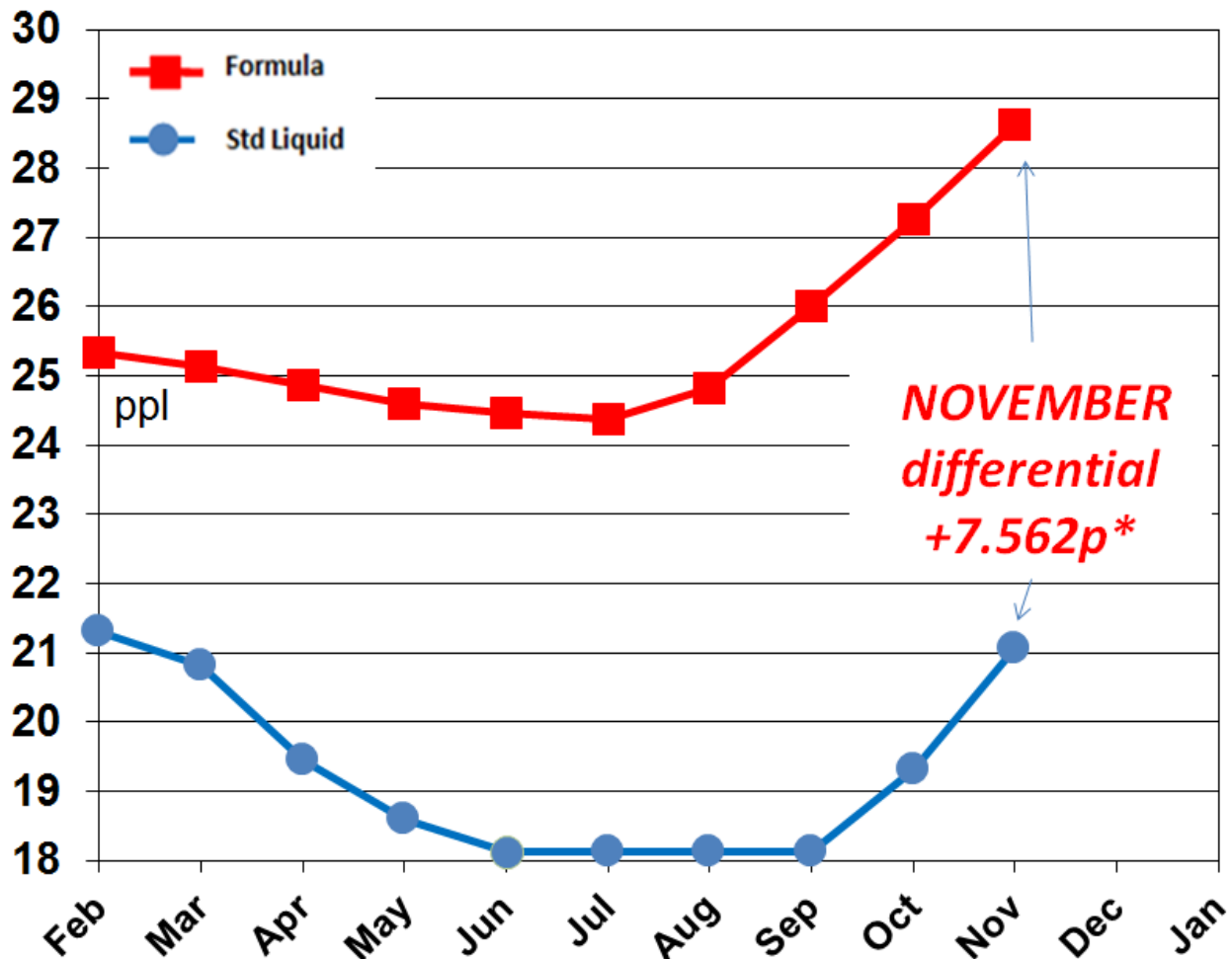
2016 Formula Summary - update

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

The price differential vs. Standard Contracts for September provides **+7.562p/l** (excluding retail supplement payments with a latest +2.564p payment for August, so if remaining at this level for November would reduce the premium to **+4.998p/l**) advantage towards Formula priced litres compared to the equivalent standard litre.

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

FORMULA – Related Price 2016/17 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 **two** more months, the October/November AHDB declaration periods relating to the December/January payments.

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

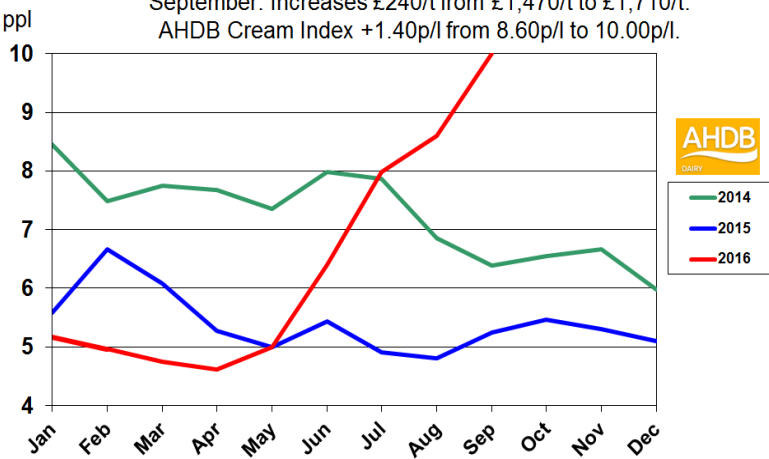
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FORMULA DATA HIGHLIGHTS – AUGUST 2016

- Cream – increased £240/t, and by +1.40p/l applied to the cream index now at 10.00p/l.
- Retail four pints – no change at 102p/4pints.
- Feed HE 18% - increased by £8/t to £219.00/t.
- Fertilizer – increased by £2.50/t to £175.50/t
- Fuel – increased by 2.29p/l to 47.71p/l for September. Plus further a backdated adjustment applied by DECC for August -0.29p/l to 45.42p/l.

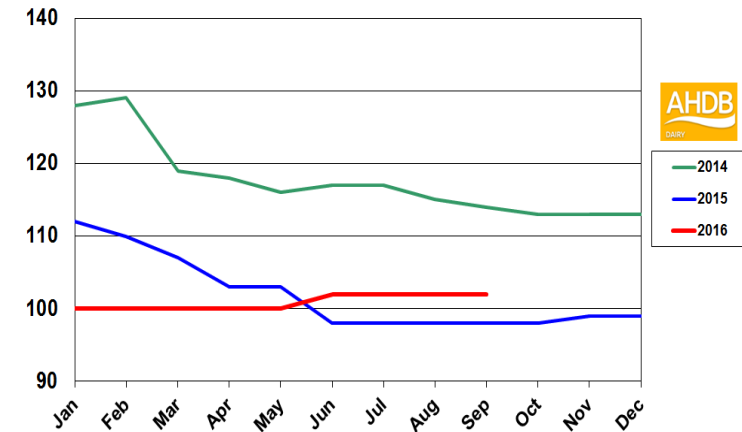
FORMULA – Cream Index – p/l

September: Increases £240/t from £1,470/t to £1,710/t.
AHDB Cream Index +1.40p/l from 8.60p/l to 10.00p/l.



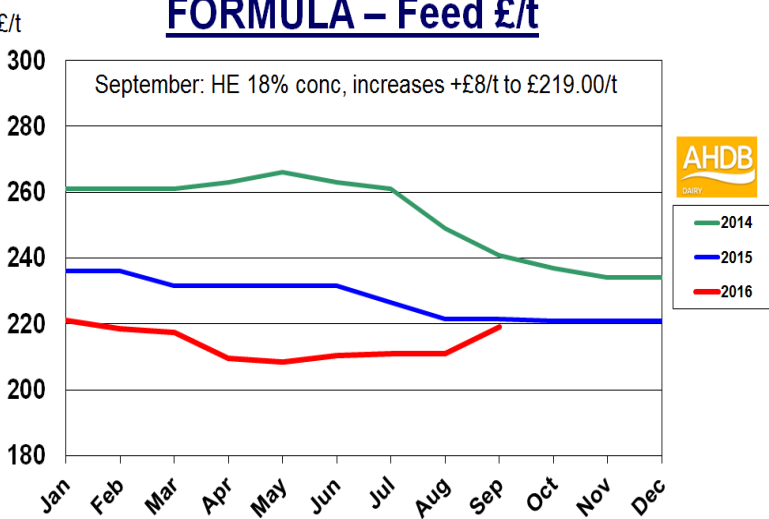
FORMULA – Retail Sales – 4 pints

September: No change at 102p/4pints



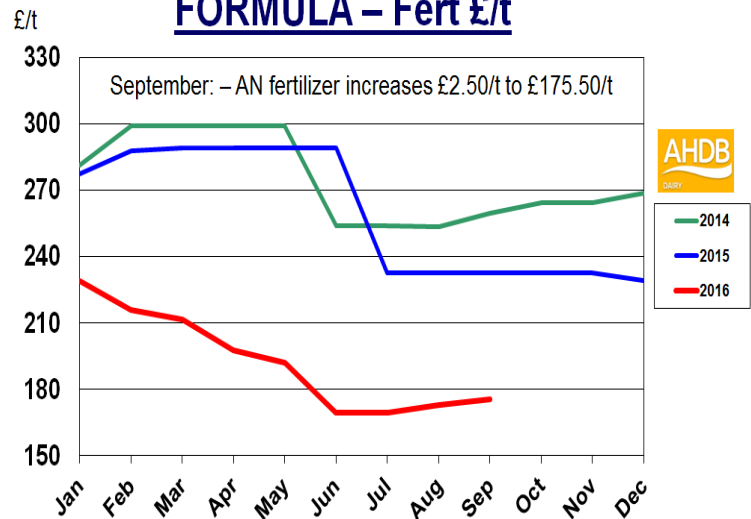
FORMULA – Feed £/t

September: HE 18% conc, increases +£8/t to £219.00/t



FORMULA – Fert £/t

September: – AN fertilizer increases £2.50/t to £175.50/t



FORMULA – Fuel p/l

September: red diesel, +2.29p to 47.71p/l,
August: revised data from 45.71p/l to 45.42p/l.

