

FORMULA CONTRACTS - DECEMBER '16 - CONFIRMED



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



Contract	Launch	Base Price	Std Litre	Price Change	Base Price	Std Litre
		Nov 16	Nov 16	DEC 16	DEC 16	DEC 16
CORE FORMULA	Jul/Oct 14	23.346p	28.618p	+1.272p	24.618p	29.890p
SIMPLIFIED FORMULA	April 14	26.018p	28.618p	+1.272p	27.290p	29.890p
Core Formula	April 14*	23.346p	28.808p	+1.272p	24.618p	30.080p
Standard Liquid Comparison		15.784p	21.056p	+2.000p	17.784p	23.056p

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

DIRECT MILK DPO COMMENTARY

In this the 'penultimate Formula Milk Price review', (October AHDB parameters for December) 30p/litre has resulted.

The processor/representative group jointly funded and developed Formula pricing mechanism has now determined it's fifth successive monthly increase totaling +5.509p (+22.4%) since July, 30.080p/l being the Formula's highest price delivery since November 2014.

Cream – AHDB reported an increase of £220/t for October vs. September providing a 'monthly average of £1,930/t'. Cream at this level translates into AHDB's 'cream income to a liquid processor' for October at 11.31p/l. Both the cream value per tonne, and cream income to a liquid processor are now at record highs across the entire AHDB dataset going back over a 10 year period. Cream trades into November are continuing to break new records with some trades now exceeding £2,000/t.

Concentrates – October HE 18% concentrate values increased for a third successive month. This as a consequence of core ingredient feed markets increasing this year, plus of course the challenges created through a depreciating sterling vs. the US \$ and the €.

Fertiliser – AHDB recorded a small 50p/t reduction for October.

Red Diesel – As October reported red diesel at 49.86p/l, this equates to a +12.49p/l increase (+33%) in eight months (since February).

Retail 4 pints – No change at 102p/4pints, retaining a 17 month 'high point' at retail level.

Formula Outlook: - As November prospects for cream, concentrate feed and red diesel markets are continuing to firm, when combined, as principle drivers of the Formula (representing markets and costs), if sustained, will transparently deliver a further increase for the final month of the Müller Milk & Ingredients/Direct Milk DPO Formula for January 2017.

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 July - October etc.

FORMULA INDICES - UPDATE

		JULY 16	AUGUST 16	SEPTEMBER 16	OCTOBER 16
Cream	£/t	£1,370	£1,470	£1,710	£1,930
Cream Index	ppl	7.99p	8.60p	10.00p	11.31p
Four Pints Retail #	4 pints p	102p	102p	102p	102p
Feed - concentrate	£/t	£211.00	£211.00	£219.00	£221.50
Fertiliser - AN	£/t	£169.50	£173.00	£175.50	£175.00
Fuel - red diesel	p/l	47.36p 47.07p	45.71p 45.42p	47.51p 47.55p	49.86p

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

MILK PRICE APPLICABLE	SEPTEMBER 16	OCTOBER 16	NOVEMBER 16	DECEMBER 16
MONTHLY FORMULA CHANGE	+1.172p	+1.247p	+1.366p	+1.272p

*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.

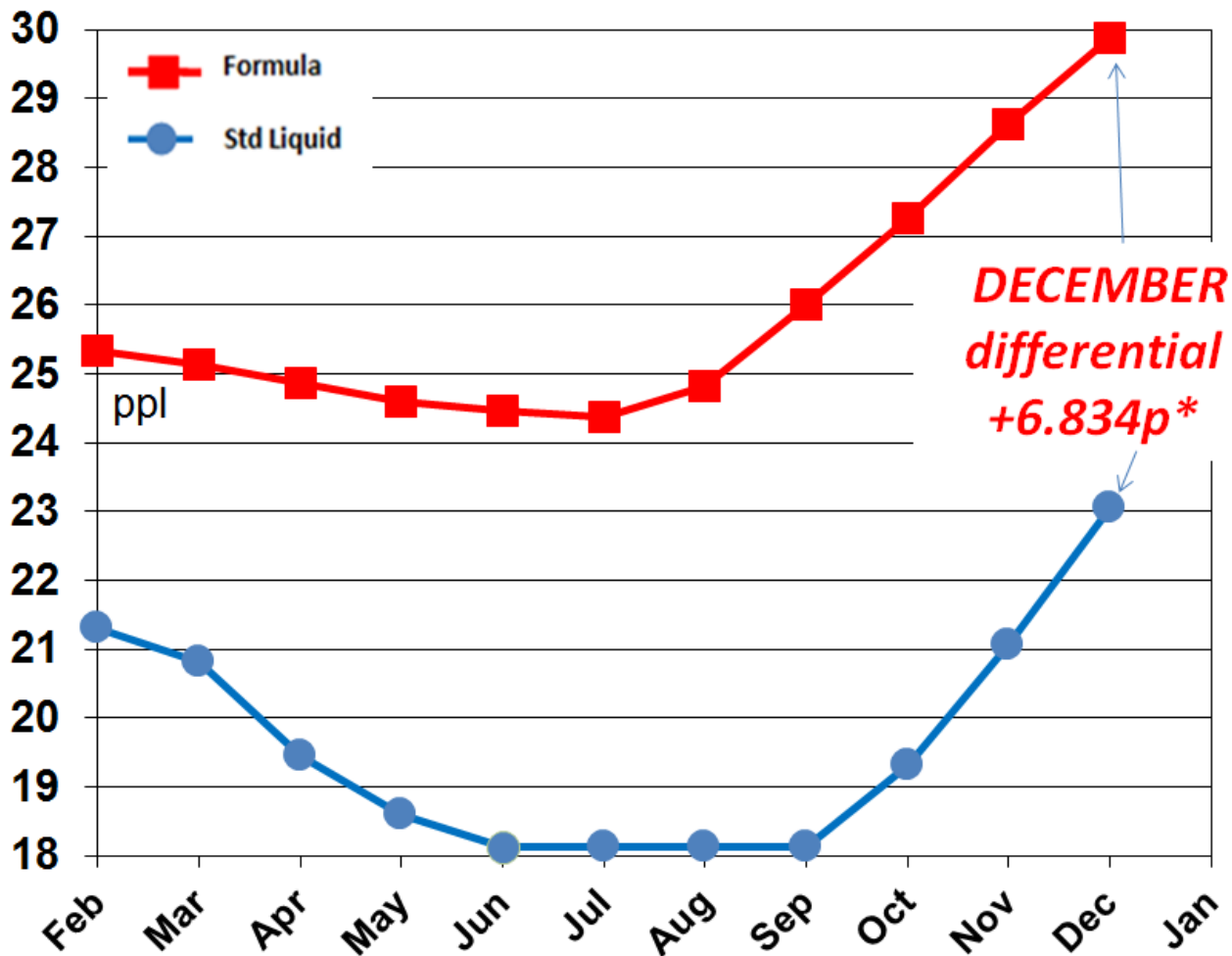
2016 Formula Summary - update

OCTOBER AHDB Dairy (Dairy Co) published data is utilised to generate the DECEMBER milk price.

The price differential vs. Standard Contracts for December provides **+6.834p/l** (excluding retail supplement payments with a latest +2.883p payment for September, so if remaining at this level for December would reduce the premium to **+3.951p/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 — as issued by Müller Milk & Ingredients - 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 **one** more month, the November AHDB declaration periods relating to the final January payments.

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

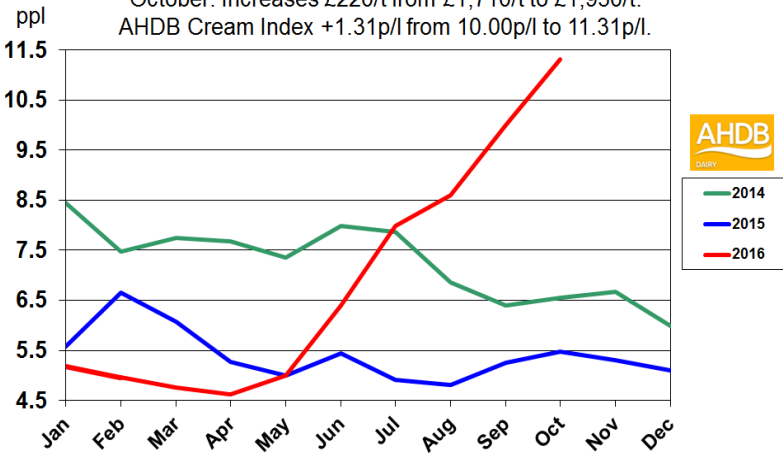
by AHDB Dairy - with permissions.

FORMULA DATA HIGHLIGHTS – OCTOBER 2016

- Cream – increased £220/t, and by +1.31p/l applied to the cream index now at 11.31p/l.
- Retail four pints – no change at 102p/4pints.
- Feed HE 18% - increased by £2.50/t to £221.50/t.
- Fertilizer – decreased by 50p/t to £175.00/t
- Fuel – increased by 2.31p/l to 49.86p/l for October. Plus further a backdated adjustment applied by DECC for September -0.16p/l to 47.55p/l.

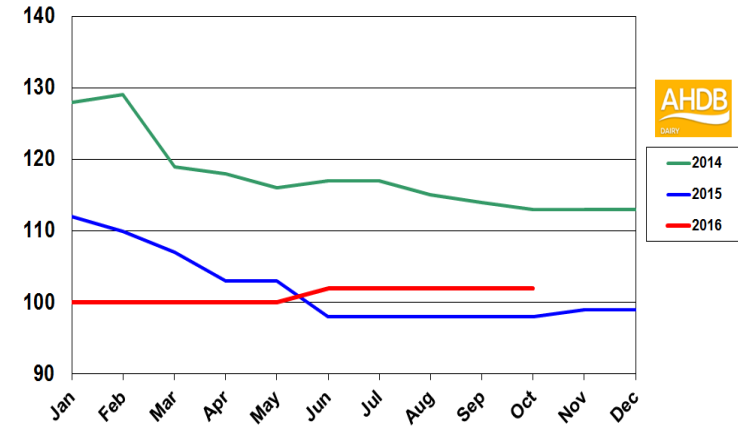
FORMULA – Cream Index – p/l

October: Increases £220/t from £1,710/t to £1,930/t.
AHDB Cream Index +1.31p/l from 10.00p/l to 11.31p/l.



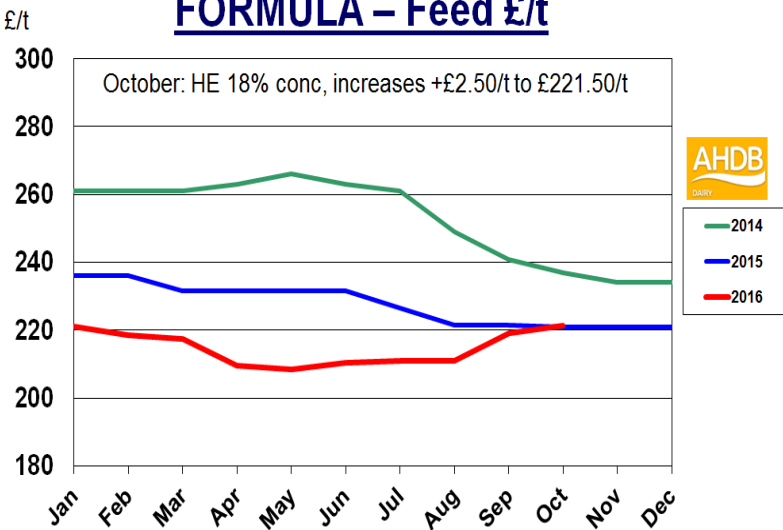
FORMULA – Retail Sales – 4 pints

October: No change at 102p/4pints



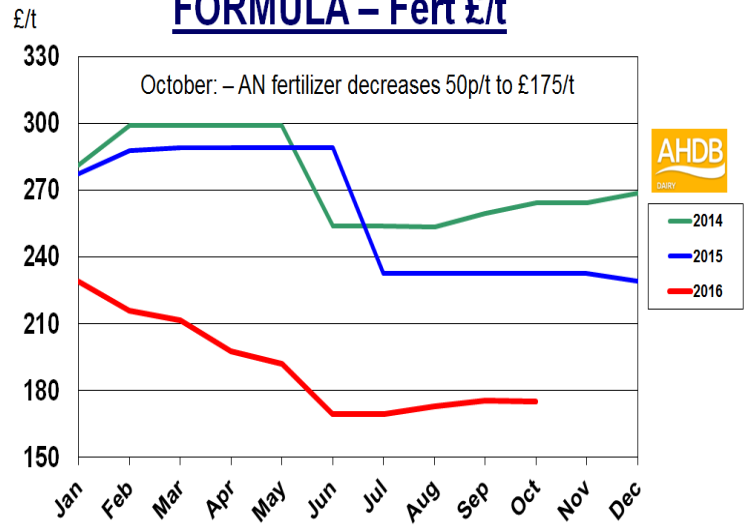
FORMULA – Feed £/t

October: HE 18% conc, increases +£2.50/t to £221.50/t



FORMULA – Fert £/t

October: – AN fertilizer decreases 50p/t to £175/t



FORMULA – Fuel p/l

October: red diesel, +2.31p to 49.86p/l,
September: revised data from 47.71p/l to 47.51p/l.

