

June 1, 2022

Dear DFMC Supplier,

FAR NORTH QUEENSLAND REGION

ANNOUNCED MINIMUM MILK PRICES 2022/23

DFMC, in partnership with Bega Dairy and Drinks, are pleased to announce our 2022/23 monthly price at top quality, plus average adjustments, should result in DFMC paying our suppliers in FNQ a weighted average total price of approximately **\$10.96 per kilogram milk solids** or **78.24 cents per litre (cpl)**. Our total price is approximately **\$1.85 per kilogram of milk solids higher** than 2021/22 season.

On behalf of Dairy Farmers Milk Co-operative (DFMC) I am pleased to announce to you the base pricing for the Far North Queensland region.

- From 1 July 2022 to 30 December 2022 - \$8.46/kg for butterfat and \$12.69/Kg for protein (74.5cpl) plus incentives and
- From 1 January 2023 to June 30, 2023, \$8.76/kg for butterfat and \$13.14/Kg for protein (77.1cpl) plus incentives

This base price includes:

- a payment that replaces the Woolworths Retailer-own-brand (ROB) that will no longer continue and
- the Dairy Pride payment of 2 cpl paid in 2021/22

We are also pleased to announce the extension of the **New Milk Incentive** for the **full 12 months** from July 2022 to June 2023). If you can increase either, or both, of the kg of butterfat or kg of protein contained in the milk which we accept from you in any of the twelve months compared to the kg of butterfat or kg of protein contained in the milk you supplied in the same month in the previous Financial Year (New Milk Baseline), you will be eligible for a new milk incentive at the **increased** rate of:

- \$1.06 per Kg butterfat and \$1.60 per Kg protein on the amount of butterfat and/or protein in the milk which we accept from you during the relevant month which is over and above the New Milk Baseline (New Milk Incentive).

An additional yearly **Growth Incentive** may be paid when the total yearly production exceeds total production from the average of the two previous years. This is only available when the total yearly growth payment is greater than the sum of all monthly new milk payments. The yearly Growth Incentive will be at the following rates:

Growth Rate		\$/kg butterfat	\$/kg protein
0	9.99%	0.21	0.32
>	10%	0.85	1.28



Individual farm **Income Estimates** will be provided to all members, and tailored estimates can be provided for suppliers anticipating producing increased volumes of milk over the prior year.

DFMC will continue to pass on to all our Far North Queensland dairy suppliers, in full, the additional payment from the 10 cents per litre retail price increase on the 2l and 3L Coles Retailer Own Brand (ROB) volume made by Bega and sold in North Queensland. These payments equate to around 2.0cpl per month. We will continue to pass on in full these payments for as long as Coles continue to run the program in North Queensland and Bega continues to manufacture their respective retailer own brand 2L and 3L fresh white milk volume in the region.

This results in an average weighted price for the 2022/23 milk season of more than **\$11.31 per kilogram milk solids**, in line with the DFMC SEQ price, (with a range from \$10.94 to \$11.74/kgMS) or **80.76 cpl** equivalent (with a range from 64.9 cpl to 90.9 cpl)

Individual farm income estimates will accompany your contract document. If you have any questions or concerns regarding the options available to you, please contact:

Damien Tessmann	Regional Manager	0431 559 377	damien.tessmann@dfmc.org.au
Mark Kebbell	Executive Officer	0432 046 768	mark.kebbell@dfmc.org.au
James Geraghty	FNQ Director	0427 972 355	besaja@bigpond.com.au

On a personal note, I would like to thank you for your supply and wish you all a successful and prosperous year ahead.

Yours Sincerely on behalf of the DFMC Board

A handwritten signature in black ink, appearing to read 'A. Burnett', with a stylized flourish at the end.

Andrew Burnett
Chairman
DAIRY FARMERS MILK CO-OPERATIVE
Ph: 0419 773 907

PRICING NOTES

1. In addition to the announced base milk prices detailed below, contracted DFMC suppliers will receive a payment above the base milk price for Productivity Incentive & Milk Quality Incentive/Deduction which will be paid on all milk supplied, and New Milk Incentive as detailed above. Please note:
 - a. The productivity incentive continues to be paid at 1.25c/1000kg Milk solids.
 - b. There is no cap on production.
 - c. DFMC Milk Quality Incentive will not change from that of 2021/22
 - d. The average New Milk Incentive has been based on historical supply pattern from our existing farmer base and previous new milk systems.
 - e. There will be **no charges** to recover freight for excess milk.
 - f. The milk prices are provided as a guide only and individual farm Income Estimates will be provided to all members.

2. Payments to Members are made in terms of \$/kg Fat and \$/kg Protein. DFMC quotes prices based on a reference litre of 4% Fat and 3.2% Protein for comparative purposes in both cents per litre (Cpl) and dollars per kilogram of Milk Solids (\$/kg MS) and for 2022/23 is set at a payment ratio of 1 part Fat is to 1.5 parts Protein.

3. The Board will be reviewing its position on Dividend payments. Subject to the Co-operative's financial performance and member approval via way of resolution, DFMC is not likely to pay a dividend in relation to the 2021/22 financial year.