



Dairy Farmers Milk Cooperative
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30 June 2015

Dear DFMC Supplier,

NSW REGION ANNOUNCED MILK PRICES 2015/16

On behalf of Dairy Farmers Milk Cooperative (DFMC), I am pleased to present you the enclosed pricing schedule for 2015/16.

As you're aware, DFMC works hard to help you grow your milk supply, and our pricing is designed to give you flexibility when it comes to your business needs. Key benefits include:

- Our announced monthly price, plus average adjustments, should result in DFMC paying our suppliers an average total price of **53.53 cents per litres (cpl)** (\$7.44 per kilogram milk solids equivalent) at the reference litre of 4% butter fat and 3.2% protein and this is unchanged from 2014/15;
- Continuation of the New Milk Incentive program;
- Commitment to pay Tier 1 prices across the board for the duration of your contract; and,
- DFMC Productivity incentive now starts at 5,000 kg MS which allows farmers producing approx. 800,000 litres and above, to now start receiving this incentive.

DFMC provides value and security by offering pricing certainty in the face of fluctuating market conditions. Our long-term supply agreement with Lion Dairy and Drinks gives you the opportunity to plan your future based on income surety and solid market information.

If you have any questions or concerns regarding the options available to you, please contact:

| | | | |
|------------------------|------------------|--------------|-----------------------------|
| Tony Burnett | Regional Manager | 0428 632 148 | tony.burnett@dfmc.org.au |
| Grant Sherborne | NSW Director | 0427 482 702 | grant.sherborne@dfmc.org.au |
| Steven Downes | NSW Director | 0402 202 804 | steven.downes@dfmc.org.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 "D. McInnes", is written over a light blue horizontal line.

Duncan McInnes
Chairman
DAIRY FARMERS MILK CO-OPERATIVE

2015/16 MILK PRICING OFFERS

The following table details our new announced base milk price for all milk purchased for financial year 2015/16.

State: DFMC - NSW (Central)

| | | |
|-----------------|-----------|-------|
| Reference Litre | Butterfat | 4.00% |
| | Protein | 3.20% |

| Monthly Period | July | August | September | October | November | December | January | February | March | April | May | June | Average |
|------------------------------------|-----------------|--------|-----------|---------|----------|----------|---------|----------|-------|-------|-------|-------|---------|
| Days in Period | 31 | 31 | 30 | 31 | 30 | 31 | 31 | 28 | 31 | 30 | 31 | 30 | |
| All Milk | \$/kg Butterfat | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 |
| | \$/kg Protein | 8.70 | 8.70 | 8.70 | 8.70 | 8.70 | 8.70 | 8.70 | 8.70 | 8.70 | 8.70 | 8.70 | 8.70 |
| Cents per litre at reference litre | 51.03 | 51.03 | 51.03 | 51.03 | 51.03 | 51.03 | 51.03 | 51.03 | 51.03 | 51.03 | 51.03 | 51.03 | 51.03 |

PRICING NOTES

1. For all payment options, the announced base milk price for a month is the base price for all milk purchased from contracted suppliers during the Financial Year 2015/16;
2. In addition to the announced base milk prices detailed above, contracted DFMC suppliers will receive a payment above the base milk price for Contract Consideration; Productivity Incentive & Milk Quality Incentive/Deduction which will be paid on all milk supplied;
3. The New Milk Incentive program, which could deliver 70 cents per kilogram of qualifying milk solids (butterfat plus protein), which is equivalent to 5cpl at the reference litre of 4% butterfat and 3.2% protein for New Milk production for increases over the equivalent months in the previous years from February to July;
4. DFMC Contract Consideration, Milk Quality Incentive, New Milk and Location Differential Payments applicable to your region will not change from that of 2014/15;
5. 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 2015/16 is set at a pricing ratio of 1 part Fat is to 1.5 parts Protein;
6. Subject to the Co-operative's financial performance and member approval via way of resolution, DFMC plan to pay a rebate on Business done. The rebate will be \$1 for every 500 litres of milk produced from 1st July 2015 to 30th June 2016 and on average this will represent a 0.20cpl payment. Members will have the option to re-invest that rebate payment back as share capital;
7. In addition to the Farmgate Milk Price, DFMC has also forecast a dividend to be paid to DFMC shareholders in relation to financial year 2015/16 of between 12 cents per share, franked at a rate of 50%. Shareholders will have the option to re-invest that dividend payment back as share capital; and
8. Productivity Incentive will continue to be connected to the length of the contract. Please note that the starting point for suppliers who enter into 3 and 5 year contracts is now 5,000 kg MS (previously 7,000 Kg MS) – please review to DFMC Milk Policy Document for further information.