

22 June 2019

Dear DFMC Supplier,

NSW REGION ANNOUNCED MILK PRICES 2019/20

On behalf of Dairy Farmers Milk Cooperative (DFMC), I wish to announce the following farm gate milk pricing for 2019/20.

DFMC, in partnership with Lion Dairy and Drinks, works hard to give you the best in competitive pricing, security and 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 a weighted average total price of **58.9 cents per litre (cpl)** or **\$8.22 per kilogram milk solids equivalent**). This equates to an approximate increase of 6cpl on the base price from last year.

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 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
Mark Kebbell	Executive Officer	0432 046 768	mark.kebbell@dfmc.org.au
Grant Sherborne	Director	0427 482 702	grant.sherborne@dfmc.org.au

Please note new individual contracts and policy documents, along with an updated farm income estimate, will be mailed in the following days.

On a personal note I would like to thank you for your supply in what has been a very demanding year and wish you all, a successful and prosperous year ahead.

Yours Sincerely on behalf of the DFMC Board



Andrew Burnett
Chairman
DAIRY FARMERS MILK CO-OPERATIVE



2019/20 MILK PRICING OFFERS

The following points detail our new announced base milk price for all milk purchased for financial year 2019/20.

PRICING NOTES

1. The announced base milk price for a month is the base price for all milk purchased from contracted suppliers during the Financial Year 2019/20; The base price will be paid at a rate of \$6.15/kg of Butter fat & \$9.22/kg of protein for the period of July 1 to December 31 2019 & a rate of \$6.26/kg of Butter fat & \$9.39/kg protein for the period of January 1 to June 30 2020.
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. DFMC Contract Consideration will remain at 2.0 cpl
4. 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 2019/20 is set at a pricing ratio of 1 part Fat is to 1.5 parts Protein;
5. The Board will be reviewing its position on the Dividend. Subject to the Co-operative's financial performance and member approval via way of resolution, DFMC is likely to:
 - a. Pay a dividend of around 5% to DFMC shareholders in relation to financial year 2018/19 of approximately 5 cents per share, franked at a rate of 50%. Shareholders will have the option to re-invest that dividend payment back as share capital.
6. Productivity Incentive will continue to be connected to the length of the contract. Please note that the starting point for suppliers who enter into 1,3 and 5 year contracts is 5,000 kg MS – please review to DFMC Milk Policy Document for further information.
7. Included in the above announced weighted average prices members will continue to receive, in full the additional payment from the 10cents per litre retail price increase on the 2L and 3L ALDI Farmdale Retail Own Brand volume made by Lion and sold in New South Wales and the additional 10cents per litre retail price increase on the 2L and 3L Costco Retailer Own Brand fresh white milk made and sold in the ACT. These payments equate to around 1.4cpl per month.
8. Our Milk Supply Agreement (MSA) negotiations with Lion Dairy & Drinks Pty Ltd have been finalised and the MSA for a further 3 years past June 30, 2019 to June 30, 2022.

Supplier Meetings

Our supplier meetings will be held in various NSW locations from Monday 22nd to Wednesday 24th July. Locations, venues and times will be confirmed in the coming weeks.