

July 13, 2021

Dear DFMC Supplier,

## NSW – SYDNEY TO SOUTH COAST

### UPDATED MILK PRICES 2021/22

DFMC, in partnership with Bega Dairy and Drinks, have agreed to a further increase in milk pricing for the 2021/2022 financial year.

We are pleased to announce two changes to our pricing system which will deliver an approximate increase of **3.10** cents per litre to our **Sydney to South Coast** suppliers.

- An additional 2.80 cents per litre to the location incentive and extension to all South Coast Farms.

Sydney Basin	3.5cpl
Kangaroo Valley	3.20cpl
Albion Park, Jamberoo, Nowra	2.80cpl
- A reduction to the productivity incentive qualifying solids to 3000kg of Milk Solids (previously 5000kgMS) and an increase in the rate from 2.0c/1000kg to 2.5c/1000kg.

Our 2021/22 announced monthly price at top quality, plus average adjustments, should result in DFMC paying our suppliers in **NSW** a new weighted average total price of approximately **64.50 cents per litre (cpl)** or **\$9.00 per kilogram milk solids** equivalent. This represents an overall increase in NSW of **3.0 cents** per litre or **\$0.40 per kilogram milk solids** compared to our announced 2021 price.

*The initial pricing announcement is below for your perusal.*

On behalf of Dairy Farmers Milk Co-operative (DFMC) I am pleased to announce to you the **base pricing** for the New South Wales – Sydney to South Coast region.

- From 1 July 2021 to 30 December 2021 - \$6.28/kg for butterfat and \$9.42/Kg for protein (55.3cpl) plus incentives and;
- From 1 January 2022 to June 30, 2022 - \$6.61/kg for butterfat and \$9.92/Kg for protein (58.2cpl) plus incentives

We are also pleased to announce the introduction of a **New Milk Incentive** for the 12 months from July 2021 to June 2022). 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 rate of:

- \$0.65 per Kg butterfat and \$0.98 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

DFMC will continue to pass on to all our NSW dairy suppliers, in full, the additional payment from the 10 cents per litre retail price increase on the 2l and 3L Aldi Retail Own Brand (ROB) volume made by Bega and sold in NSW. These payments equate to around 1.3cpl per month. We will continue to pass on in full these payments for as long as Aldi continue to run the program in NSW and Bega continues to manufacture their respective retailer own brand 2L and 3L fresh white milk volume in the region.

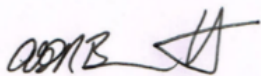
DFMC provides value and security by offering pricing certainty in the face of fluctuating market conditions. Our long-term supply agreement with Bega Dairy and Drinks gives you the opportunity to plan your future based on solid market information.

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](mailto:tony.burnett@dfmc.org.au)  
**Mark Kebbell**                     Executive Officer                0432 046 768      [mark.kebbell@dfmc.org.au](mailto:mark.kebbell@dfmc.org.au)

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

Yours Sincerely on behalf of the DFMC Board



Andrew Burnett  
 Chairman  
 DAIRY FARMERS MILK CO-OPERATIVE

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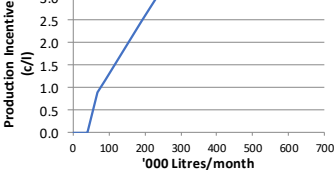
## PRICING NOTES

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. DFMC Milk Quality Incentive will not change from that of 2020/21
  - b. There will continue to be no location differential deducted and the \$20 stop charge will remain unchanged for all collections over 1300L.
  - c. The average New Milk Incentive has been based on historical supply pattern from our existing farmer base and previous new milk systems.
  - d. 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 2021/22 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 2020/21 financial year.
4. Our Milk Supply Agreement (MSA) with Bega Dairy & Drinks Pty Ltd is for a further 1 year past June 30, 2021 until June 30, 2022.

Reference Litre	Butterfat	4.00%
	Protein	3.20%

Monthly Period	July	August	September	October	November	December	January	February	March	April	May	June	Average
Period Date range	1/07/2021 - 31/07/2021	1/08/2021 - 31/08/2021	1/09/2021 - 30/09/2021	1/10/2021 - 31/10/2021	1/11/2021 - 30/11/2021	1/12/2021 - 31/12/2021	1/01/2022 - 31/01/2022	1/02/2022 - 28/02/2022	1/03/2022 - 31/03/2022	1/04/2022 - 30/04/2022	1/05/2022 - 31/05/2022	1/06/2022 - 30/06/2022	
Days in Period	31	31	30	31	30	31	31	28	31	30	31	30	
<b>Minimum Milk Price</b>	\$/kg Butterfat	6.28	6.28	6.28	6.28	6.28	6.61	6.61	6.61	6.61	6.61	6.61	6.44
	\$/kg Protein	9.42	9.42	9.42	9.42	9.42	9.92	9.92	9.92	9.92	9.92	9.92	9.67
<b>Top Quality Incentive</b>		2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	
<b>Cents per litre at reference litre</b>		57.26	57.26	57.26	57.26	57.26	60.18	60.18	60.18	60.18	60.18	60.18	58.71
<b>New Milk</b>	\$/kg Butterfat	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	
	\$/kg Protein	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	

**Retailer payments** any applicable payments from the retailers will be passed through in full each month

Production Incentive	New Milk & / or Growth Incentive	QUALITY						
		from	to	points	Demerit Points per month		Bonus/ Penalty	
Based on monthly production	Paid at above rates for July-Jun for all milk produced for the month over the corresponding month last year	TPC	0	15,000	0	From	To	c/l
kg milk solids (fat + protein)			15,001	24,000	1	0	0	2.0
rate: 2.50c/kg MS per 1000 kg MS	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.	TPC	24,001	39,000	2	1	1	1.4
below 3000 kg MS = no payment			39,001	64,000	4	2	4	1.0
max rate = 42.0c/kg MS			64,001	And over	8	5	9	0.0
example:								
144,500 litres @ 3.98%F, 3.24% P								
= 10,433 kg Fat+Protein								
rate is 10433/1000x2.50 = 26.08c/kg								
26.08c/kg x 10433 kg = \$2,721.19								
Chart below shows approximate c/l production incentive -v- monthly production (assumes reference composition)								
								
	<b>Location Incentive</b>	<b>SCC</b>	0	200,000	0	10	14	-1.0
	Sydney Basin 3.50 CPL		200,001	250,000	1	15	17	-4.0
	Kangaroo Valley 3.20 CPL		250,001	300,000	3	18	23	-8.0
	South Coast 2.80 CPL		300,001	350,000	6	24	29	-12.0
			350,001	400,000	10	30	60	-16.0
			400,001	And over	15	61	and over	no pmt

<b>Stop Charges</b>	\$20 /pickup
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Incurring on 10 day periods, high SCC & TPC dropped - see policy for more details.  
 Other - see payment policy document for demerit points incurred for other issues.

The CPL prices represent the conversion of the Minimum Milk Price for milk solids (butterfat plus protein) to a Cpl price calculated on the assumption that the relevant litre of milk will comprise the Assumed Composition Levels, being 4.00% butterfat and 3.2% protein. Given that the quality (SCC & TPC) of your milk may differ from the Assumed Composition Levels, the Cpl pricing is not necessarily indicative of the price you will receive for your milk or the minimum milk price under this Contract