



June 1, 2021

Dear DFMC Supplier,

NORTHERN VICTORIA

UPDATE TO ANNOUNCED MINIMUM MILK PRICES 2021/22

On June 1, 2020 we announced minimum milk prices which I am pleased to announce we are increasing for the North Victoria region by \$0.05 / kgMS to a weighted average of \$7.03 per kilogram of milk solids.

DFMC, in partnership with Bega Dairy and Drinks, works hard to give you the best in competitive pricing and security when it comes to your business needs. The integration of two large dairy processors' milk supply pools, Lion Dairy & Drinks and Bega, in the Northern Victoria region necessitated some changes to the pricing offer for DFMC suppliers.

The contract and pricing structure for 2021/22 is the more traditional variable price offer with the commitment from Bega Dairy & Drinks (BDD) to review the price during the season depending on market conditions. Please note, the Dairy Industry Code of Conduct has essentially precluded dairy processors from varying prices down. The Variable price will not move down irrespective of movements in the commodity markets or currency exchange rates.

Our announced 2021/22 monthly price at top quality, plus average adjustments, should result in DFMC paying our suppliers in Northern Victoria **an updated opening weighted average** total price of approximately **\$7.03 per kilogram milk solids**. As this reflects no change from the DFMC Fixed Price offer for the season finishing June 30, 2021, but with the upside of potential price reviews, the transition will be smooth for existing suppliers.

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

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.

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.
 - a. Milk Quality Incentive Payments applicable to your region will not change from that of 2020/21
 - b. The average New Milk Incentive has been based on historical supply pattern from our existing farmer base and previous new milk systems.
 - c. 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 pricing 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. For suppliers who opt for part or all of their milk supply to be paid at the variable price option, you should note that the Variable price will not move down irrespective of movements in the commodity markets.;
5. Our Milk Supply Agreement (MSA) with Lion Dairy & Drinks Pty Ltd and the MSA for a further 1 years past June 30, 2021 to June 30, 2022.



DFMC Milk Pricing
NTH VIC - Variable, Exclusive pricing

2021/22

Updated 10 June 2021

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		
Minimum Opening Milk Price	\$/kg Butterfat	5.84	5.12	4.72	4.72	4.72	4.72	4.98	5.34	5.64	5.86	5.90	5.98	5.29
	\$/kg Protein	8.76	7.68	7.08	7.08	7.08	7.08	7.47	8.01	8.46	8.79	8.85	8.97	7.94
Top Quality Incentive	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Cents per litre at reference litre	53.4	47.1	43.5	43.5	43.5	43.5	45.8	49.0	51.6	53.6	53.9	54.6	48.6	
New Milk	\$/kg Butterfat	0.65	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	0.98	
Minimum \$/kg solids	\$ 7.42	\$ 6.54	\$ 6.05	\$ 6.05	\$ 6.05	\$ 6.05	\$ 6.36	\$ 6.80	\$ 7.17	\$ 7.44	\$ 7.49	\$ 7.59	\$ 6.75	

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

Volume Incentive

Based on monthly production

kg milk solids (fat + protein)

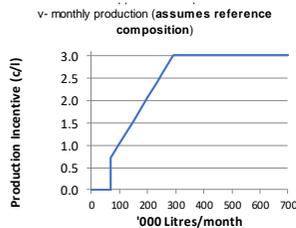
rate: 2.0 c/kg MS per 1000 kg MS produced

below 5000 kg MS = no payment

max rate = 42c/kg MS

example:

144500 litres @ 3.98%F, 3.24% P
 = 10433 kg Fat+Protein
 rate is 10433/1000x2.0 = 20.87c/kg
 20.87c/kg x 10433 kg = \$2,176.95



New Milk & / or Growth Incentive			
Paid at above rates for July-Jun for all milk produced for the month over the corresponding month last year			
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.			
		\$/kg P	\$/kg F
0	9.99%	0.21	0.32
>	10%	0.85	1.28

Stop Charges \$10 /pickup