



June 1, 2021

Dear DFMC Supplier,

SOUTHERN REGION – SA

ANNOUNCED MINIMUM MILK PRICES 2021/22

On behalf of Dairy Farmers Milk Cooperative (DFMC), I wish to present you the enclosed pricing schedule for 2021/22.

Our announced monthly price at top quality and plus adjustments (including the Location Incentive at \$0.20/kg MS and payments from retailers for the Retailer Own Brand price increases of approximately \$0.08/kg MS.) should provide suppliers with an average total price of **\$7.42kg MS**.

We are 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 SA 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

SA. These payments equate to around 0.5cpl per month. We will continue to pass on in full these payments for as long as Aldi continue to run the program in SA and Bega continues to manufacture their respective retailer own brand 2L and 3L fresh white milk volume in the region.

South Australian suppliers continue receive a location incentive of 1.5 cpl if located less than 100km from Adelaide.


DFMC provides value and security by offering pricing certainty in the face of fluctuating market conditions. Our supply agreement with Bega 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:

Dom Baxter	Regional Manager	0419 711 663	dom.baxter@dfmc.org.au
Mark Kebell	Executive Officer	0432 046 768	mark.kebell@dfmc.org.au
Sandy Rathjen	SA Director	0419 836 975	sandy.rathjen@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



Andrew Burnett
Chairman

2021/22 MILK PRICING OFFER

The minimum pricing schedule is below excluding quality payments of up to an extra 2cpl.

DFMC Milk Pricing

2021/22

Adelaide - 1yr Fixed, Exclusive pricing

31 May 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 Milk Price	\$/kg Butterfat	6.07	5.35	4.95	4.95	4.95	5.21	5.57	5.87	6.09	6.15	6.25	5.53
	\$/kg Protein	9.11	8.03	7.43	7.43	7.43	7.82	8.36	8.81	9.14	9.23	9.38	8.30
Cents per litre at reference litre		53.4	47.1	43.6	43.6	43.6	45.9	49.0	51.7	53.6	54.1	55.0	48.7
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	
	\$/kg Protein	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	\$ 6.37	\$ 6.81	\$ 7.18	\$ 7.45	\$ 7.52	\$ 7.64	\$ 6.76

ROB payments

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

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

PRICING NOTES

1. In addition to the announced base milk prices detailed above, 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. SA suppliers receive a location incentive of +1.5cpl if located less than 100km from Adelaide.
 - a. DFMC 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 2019/20 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 (if applicable), DFMC is not likely to pay a dividend in relation to the 2020/21 financial year.
4. Our Milk Supply Agreement (MSA) negotiations with Lion Dairy & Drinks Pty Ltd is for a further 1 year past June 30, 2021 to June 30, 2022.