

July 1, 2021

Dear DFMC Supplier,

SOUTHEAST QUEENSLAND

AMMENDED MILK PRICES 2021/22

DFMC, in partnership with Bega Dairy and Drinks, today have agreed to an important improvement in our Southeast Queensland (SEQ) pricing for the 2021/22 Financial Year. Our new pricing combines the two sub-regions in SEQ into one.

- From 1 July 2021 to 30 December 2021:
 - \$4.50/kg for butterfat and \$6.75/Kg for protein and
 - 21 cents per litre (cpl) giving an overall cents per litre base price at the reference litre of 60.60cpl plus incentives.
- From 1 January 2022 to June 30, 2022
 - \$4.67/kg for butterfat and \$7.01/Kg for protein and
 - 25 cents per litre (cpl) giving an overall cents per litre base price at the reference litre of 66.10 cpl plus incentives.

DFMC works hard to give you the best in competitive pricing, security, and flexibility when it comes to your business needs. Our new announced 2021/22 monthly price at top quality, plus average adjustments, should result in DFMC paying our suppliers in SEQ a weighted average total price of approximately **72.0 cents per litre (cpl)** or **\$9.60 per kilogram milk solids** equivalent with a range from 67.0cpl to 78.0cpl. Our total price is approximately **4.80cpl higher** than our announced price for the 2020/21 season.

Further, we offer the choice of a **1- or 2-year term** with a consideration of 3.0cpl paid for both years of consideration.

As previously announced on June 1 our **New Milk Incentive** details are also contained in our new offer. This incentive is 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 protein	\$/kg butterfat
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.

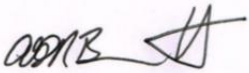
DFMC provides value and security by offering pricing certainty in the face of fluctuating market conditions. Our pricing in SEQ does not contain any supermarket top ups and is a market leading price. Our long-term supply agreement with Bega Dairy and Drinks gives you the opportunity to plan your future based on solid market information.

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

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Mark Kebbell	Executive Officer	0432 046 768	mark.kebbell@dfmc.org.au
Andrew Burnett	SEQ Director	0419 773 907	andrew.burnett@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

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 for top quality will change to 2.5cpl (from 2cpl) with all other bands unchanged.
 - b. Productivity Incentive change from 2.0c/1000kg milk solids to 2.5c/1000kg milk solids.
 - c. The average New Milk Incentive has been based on historical supply pattern from our existing farmer base and previous new milk systems.
 - d. There will continue to be no location differential deducted and stop charges will remain at \$15 for collections over 1300L.
 - e. 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 both cents per litre and \$/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 2020/21 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 to June 30, 2022.



DFMC Milk Pricing
SEQ - \$/kg, Exclusive pricing

2021/22

Updated 13 July 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	4.50	4.50	4.50	4.50	4.50	4.50	4.67	4.67	4.67	4.67	4.67	4.58
	\$/kg Protein	6.75	6.75	6.75	6.75	6.75	6.75	7.01	7.01	7.01	7.01	7.01	6.88
	CPL	21.00	21.00	21.00	21.00	21.00	21.00	25.00	25.00	25.00	25.00	25.00	23.00
Top Quality Incentive	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	
Cents per litre at reference litre	63.10	63.10	63.10	63.10	63.10	63.10	68.60	68.60	68.60	68.60	68.60	68.60	65.83
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	

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

60.60

66.10

Production Incentive

Based on monthly production

kg milk solids (fat + protein)

rate: 2.50c/kg MS per 1000 kg MS

below 3000 kg MS = no payment

max rate = 56.0c/kg MS

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)

Contract Consideration	
Term	CPL
1yr	3.00
2yr	3.00

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

	\$/kg P	\$/kg F
0	9.99%	0.21
>	10%	0.85

Milk Composition Adjustments (c/l)

	Butter Fat	Protein
<3.00%	-5.00	-2.00
=>3.4%	-3.00	0.00

QUALITY						
	from	to	points	Demerit Points per month		Bonus/ Penalty
				From	To	c/l
TPC	0	15,000	0	0	0	2.50
	15,001	24,000	1	0	0	
	24,001	39,000	2	1	1	1.40
	39,001	64,000	4	2	4	1.00
SCC	64,001	And over	8	5	9	0.00
	0	200,000	0	10	14	-1.00
	200,001	250,000	1	15	17	-4.00
	250,001	300,000	3	18	23	-8.00
	300,001	350,000	6	24	29	-12.00
350,001	400,000	10	30	60	-16.00	
400,001	And over	15	61	and over	no pmt	

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.

5. **Stop Charges** \$15 /pickup

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

Please note: The above schedule for 2022/2023 (year 2) is required as per the Mandatory Code of Conduct and is an absolute minimum price. DFMC negotiates farmgate milk pricing with our processing partner as per the terms of our Milk Supply Agreement with Bega Dairy & Drinks and is based on competitive prices within the region.