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Dairy Farmers Milk
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21 August 2014

Dear DFMC Southern Suppliers,

Revised offer for the Southern Region – New terms for 3 year contracts for 2014-15

We have a new opportunity for southern suppliers who might consider signing a 3 year contract.

The original offer for those who signed a 3 year contract offered a farmer in the Southern Region the choice to fix the price for up to 50% of their 2014/2015 year’s milk supply at \$6.14kg MS, with the balance to be paid at the variable milk price which is underpinned against MG Flat Milk Incentive.

NOW Lion has agreed to increase the price payable on the fixed price in year 1 of the 3 year contract to **\$6.35 kg MS** (again this is for a maximum of 50% of your milk). THEN revert back to the original offer for year 2 and year 3 - where a supplier will be paid a fixed base price of \$6.14kg MS for up to 50% of the supplier’s milk volume. The farmer will then have the balance paid at that year’s announced fixed or variable price. The table below demonstrates the change:

Table 1	\$ per kg MS on Model Farm					
	FY15		FY 16		FY17	
Original Offer	Variable	Fixed	Variable	Fixed	Variable	Fixed
3 Year Contract	\$6.35	\$6.14	TBA	\$6.14	TBA	\$6.14
New Offer						
3 Year Contract	\$6.35	\$6.35	TBA	\$6.14	TBA	\$6.14

Suppliers should note that the fixed price offer for a \$6.35kg MS is a fixed rate i.e. it is NOT linked to the MG FMI. The new price for the first year of the 3 year contract is now more in line with the price offered for a one year contract.

We are now offering ALL southern suppliers the opportunity to sign this new 3 year contract (regardless of the term you initially signed).

Q: What do I do next?

Suppliers who have already signed a 3 year contract*:

- You don’t have to do anything. DFMC will automatically adjust the milk price on the fixed percentage of your milk to the \$6.35 kg Milk Price
 - a. Note: this will be backdated to the 1st July and a retrospective adjustment will occur on your next milk statement
- If, however, you want to adjust the percentage of your milk please fill out the form attached and return to DFMC to action

Suppliers who have already signed a one year contract*:

- Do nothing as you are happy to stay on your one year agreement
- If you want to sign a 3 year contract, fill out the form attached ensuring you nominate the percentage of milk you want at the fixed rate and return to DFMC to action
 - Note: this will be backdated to the 1st July and a retrospective adjustment will occur on your next milk statement

Suppliers who have not signed a contract*:

- You now have the opportunity to elect to sign a one year or the new 3 year contract offer
- A Farm Services team member will be in contact to arrange a time to meet with you to discuss your contract preference.
 - Note: upon signing a contract this will be backdated to the 1st July and a retrospective adjustment will occur on your next milk statement

*** Suppliers have until 30th September 2014 to take up the contract signing offer**

In addition to the above, I would like to remind suppliers that DFMC also offers a flat milk price via the forward payment plan. For additional information about how this works, please visit the new DFMC website, go to 'operations' and click on milk pricing.

The DFMC Farm Services team can also provide Income Estimates to show you the financial variances of the new pricing offer and of the flat price option.

If you would like to discuss this further, please speak to one of the following people:

Edith Nicholls	Farm Services	0419 811 391	edith.nicholls@dfmc.org.au
Scott Sieben	Victorian Director	0427 567 107	scott.sieben@dfmc.org.au
Rick Gladigau	SA Director	0429 807 682	rick.gladigau@dfmc.org.au

We hope the new offer will be a welcomed announcement and we look forward to signing as many as possible on the NEW 3 year contracts.

Yours Sincerely on behalf of the DFMC Board



Duncan McInnes
DFMC Chairman

Revised offer for the Southern Region – New terms for 3 year contracts for 2014-15

Dear DFMC,

Yes I would like to take advantage of the new 3 year contract offer.

My name is: _____

My Vendor Number/s: _____

I signed a 3 year contract and would like to adjust the percentage of milk at the fixed rate offer for the next 3 year to be _____% (Max 50%)

Yes/No I would like the flat milk price paid via the forward payment plan

I signed a 1 year contract and would like to take up the offer of a 3 year contract. I would like the percentage of milk at the fixed rate offer for the next 3 year to be _____% (Max 50%)

Yes/No I would like the flat milk price paid via the forward payment plan

I am yet to sign a new contract; however I would like to lock in the following option:

1 year Contract from and including the Effective Date up to and including 30 June 2015

- Variable Pricing; or
- Fixed & Variable Pricing % of Volume Fixed _____% (Max 100%)

3 year Contract from and including the Effective Date up to and including 30 June 2017

- Fixed & Variable Pricing % of Volume Fixed _____% (Max 50%)

Yes/No I would like the flat milk price paid via the forward payment plan

{Tick appropriate box, cross out whichever does not apply and initial}

Signature: _____

Date: ____/____/ 2014