



Dairy Farmers Milk Cooperative

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19th August 2009

Dear DFMC member,

The Board in negotiation with National Foods Limited has now determined announced milk prices for those suppliers who require a new contract in this current year and also new guaranteed minimum prices for 2009/10, 2010/11 and 2011/12 . Most suppliers are on Revised Form Contracts out to June 2010 or 2011 and the guaranteed minimum base prices that are on those signed contracts will be the values that apply

The new announced prices will apply to those members who are on the older contracts, no contracts and any new contracts offered to suppliers.

2009/10 Announced Far North Region Prices for Old Contracts and No Contracts

Table 1 below sets out the new announced base price for all DFMC suppliers on Old Contracts and No Contracts for the Far North Region and will come into effect from the 1st of September through to the 30th of June 2010. There will be a reduction in milk price from last year's extremely strong price. The prices quoted in the table are base prices, before price differentials which vary with individual farms.

Table 1

| | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun |
|------------------------|--------------|--------------|--------------|--------------|-------|-------|-------|-------|-------|-------|
| Pricing 2009/10 | 38.10 | 38.10 | 38.10 | 38.10 | 40.10 | 40.10 | 40.10 | 40.10 | 40.10 | 40.10 |

The weighted average is 39.04 cpl.

Note: **Bold** represents Fixed Minimum Prices

2010/11 Announced Far North Region Future Guarantee Minimums

Table 2 below sets out the new guaranteed minimums for DFMC suppliers wishing to roll-over their current contracts into longer contracts out to 2011 or 2012

The guarantee minimum is also available DFMC suppliers on the old contract or no contracts looking to enter into a contact until 2011 or 2012.

Table 2

| | 2009/10 | 2010/11 | 2011/12 |
|---|------------------|------------------|------------------|
| Existing Guarantee Minimum Base Prices | 45.00 cpl | 45.00 cpl | n/a |
| New Guarantee Minimum Base Prices | 39.00 cpl | 38.00 cpl | 38.00 cpl |

COMPOSITIONAL ADJUSTMENTS

Unchanged

QUALITY PAYMENTS

Unchanged

VOLUME INCENTIVES

Unchanged

LOCATION BONUSES

Unchanged

GATE CHARGES

Unchanged

NEW MILK

New milk in 2009 will be paid at the rate of 5cpl in the winter payment months of February through to July. It should be noted that the summer months New Milk payment was incorporated into the base price to benefit all members and subject to members production trends and milk requirements new milk might be fully removed next year.

Income Estimates.

We recommend that all DFMC suppliers have income estimate prepared by your Regional Manager Mal Maroske who will be more than happy to assist you with this and all your supply questions.

Mal can be contacted on:

0418 634 702 or via email on maroskem@dairyfarmers.com.au

The Board appreciates that the reduction in the minimum base prices will be disappointing for many of our members and stress that these are minimum base prices. The board will be monitoring market conditions with the view of negotiating improvements on the above prices when the domestic and world markets improve.

Yours Sincerely on behalf of the Directors of DFMC

Ian Zandstra
Chairman