



Dairy Farmers Milk Cooperative
ARBN: 108 690 384

Dairy Farmers Milk
Cooperative

PO Box 72
Lidcombe NSW 1825

Tel: 02 8732 5206
Fax: 02 8732 5055
Mob: 0458 487 228

1 August 2011

Dear DFMC Supplier,

NORTHERN REGION (SEQ) ANNOUNCED MILK PRICES 2011/12

On behalf of the Board I am pleased to announce Dairy Farmers Milk Co-operative's (DFMC) opening milk pricing for the new season commencing 1st July 2011 coupled with the DFMC Milk Policies.

This announced base milk pricing is for all Northern (SEQ) Region Suppliers.

Our announced Tier One (T1) base milk price is a weighted average of 47.34 cents per litre at the reference litre of 3.95% Butter Fat and 3.15% Protein (\$6.69 per kilogram milk solids equivalent). This price is an increase of +0.5 cpl on last financial year base milk price.

Suppliers achieve increments above the announced base milk price from the DFMC incentive payments. Last year the regional average incentives paid was approximately 6.0 cpl above the base price.

All milk supplied from the 1st of July will be paid at the announced monthly base price (plus incentives).

Suppliers on 30th month legacy contracts and VP & FP contracts that end on the 30th June 2011 will be required, with the assistance of the Regional Managers, to choose and enter into the VP or FP contract option.

Suppliers on existing VP and FP contracts that extends beyond 30th June 2011 will be entitled to "Roll Over" their current contracts onto either of the contract options in order to take advantage of the Guarantee Minimum.

30 MONTH (LEGACY) SUPPLIERS

Suppliers on the 30 month legacy contract with an Initial Term ending 30th June 2011, will placed from the 1st of July, on a FP contract along with the FP flat milk payment model until the 30th September to allow DFMC to finalise contract signing of all suppliers. From the 1st of October the Milk Co-operative will then be in a position to place everyone onto their chosen contract terms and Announced Based Milk price.

If the 30 month legacy contract suppliers subsequently decide to enter into a VP Contract, the following will occur:

- Your Allocation and Tier 1 & Tier 2 Base Milk Price will revert to the Variable allocation model and will be re-calculated and backdated to the 1st of July taking into account the final determination of the regional AFD
 - Please note that the region must first be in excess of the Regional AFD before Tier 2 Base Milk Prices may be imposed on an individual supplier exceeding their individual allocation

- The Milk Co-operative will set-off any amounts payable by you to the Milk Co-operative against any amount payable by the Milk Co-operative to you on your next milk statement for any monies owing

RECALCULATION OF MILK PAYS FROM THE 1ST OCTOBER

When all contracts have been signed in the 90 day period (to 30th Sept) there will be an adjustment, in the October milk statement, to the interim payment for July and August. This is because total contract signing is a determinant of the regional AFD which determines Tier 1 and Tier 2 volumes.

The Milk Co-operative will set-off any amounts payable by you to the Milk Co-operative against any amount payable by the Milk Co-operative to you on your next milk statement for any monies owing.

DFMC MILK PAYMENT SCHEDULE

The following table (1) details our announced base milk price for all milk purchased within your monthly allocation as T1 milk for financial year 2011/12.

Table 1: Announced T1 Base Milk Price

Announced T1 Milk Base Price						
Month	Variable Monthly Volume, Variable Monthly Price			Flat Monthly Volume, Flat Monthly Price		
	Cents per Litre	Fat \$/kg	Protein \$/kg	Cents per Litre	Fat \$/kg	Protein \$/kg
Jul-11	48.76	4.13	10.30	47.50	4.02	10.04
Aug-11	47.84	4.05	10.11	47.50	4.02	10.04
Sep-11	44.64	3.78	9.43	47.50	4.02	10.04
Oct-11	44.64	3.78	9.43	47.50	4.02	10.04
Nov-11	44.64	3.78	9.43	47.50	4.02	10.04
Dec-11	46.76	3.96	9.88	47.50	4.02	10.04
Jan-12	47.74	4.04	10.09	47.50	4.02	10.04
Feb-12	47.84	4.05	10.11	47.50	4.02	10.04
Mar-12	49.63	4.20	10.49	47.50	4.02	10.04
Apr-12	49.63	4.20	10.49	47.50	4.02	10.04
May-12	48.92	4.14	10.34	47.50	4.02	10.04
Jun-12	48.92	4.14	10.34	47.50	4.02	10.04
WT/Price	47.34					

With regard to the above table (1) you should note the following:

1. The announced T1 base milk price for a month is the base price for milk purchased as T1 milk
2. In addition to the announced base milk prices detailed above, DFMC suppliers will receive a payment above the base milk price for Contract Consideration, location Incentive (where applicable), Productivity Incentive & Milk Quality Incentive
3. Milk supplied above your monthly allocation may attract a T2 milk price (see Table 2 for T2 milk price)
4. DFMC Contract Consideration, Quality Incentive Payments and Gate Charges applicable to your region will not change from that of 2010/11
5. The Productivity Incentive which previously started at 1,000 Kg Milk Solids per month with a payment rate of .01 will now start at 4,000 Kg Milk Solids per month with a payment rate commencing at .04 cpl (please see DFMC Milk Policy Document for further information)
6. Suppliers who are located outside the 200km circle will cease to receive the +0.5 cpl location incentive (See DFMC Milk Policy Document for further information)

The following table (2) details our announced T2 milk prices.

Table 2: Announced T2 Base Milk Price

Month	Announced T2 Milk Base Price				
	Cents per Litre	Fat	\$/kg	Protein	\$/kg
Jul-11	35.00		2.96		7.40
Aug-11	35.00		2.96		7.40
Sep-11	35.00		2.96		7.40
Oct-11	35.00		2.96		7.40
Nov-11	35.00		2.96		7.40
Dec-11	35.00		2.96		7.40
Jan-12	35.00		2.96		7.40
Feb-12	35.00		2.96		7.40
Mar-12	35.00		2.96		7.40
Apr-12	35.00		2.96		7.40
May-12	35.00		2.96		7.40
Jun-12	35.00		2.96		7.40
WT/Price	35.00				

With regard to the above table (2), T2 milk prices will be paid for milk supplied in excess of the contracted monthly volumes. However you should note the following:

1. The monthly T2 payments are applied to an individual supplier's milk only when the regional milk pool exceeds the monthly regional and after the Pro-rata rule is applied (See Pro-rata rule for additional information).
2. A flat price contract supplier (FP) has 10% headroom above the monthly contracted volumes before T2 might come into effect.
3. These prices are base prices only, additional incentive payments will be made for Productivity, Quality and Location.
4. Note that Contract Consideration will not be paid on T2 milk.

REGIONAL ANTICIPATED FULL DEMAND (AFD)

The Milk Co-operative will have all suppliers on either a Flat or Variable allocation, however the Region as a whole will only have one Regional AFD i.e. the sum of all suppliers individual monthly AFD's will be the Regional AFD for that month.

PRO-RATA RULES (may come into play on a monthly payment basis when the regional AFD has been exceeded)

The Pro-Rata rule is to ensure that DFMC suppliers are paid Tier 1 for the milk that Lion (formally called National Foods) needs within a region on a monthly basis. If the total milk supplied for the month exceeds regional monthly AFD it might appear that all excess regional milk is Tier 2, however some farmers may not have supplied their contracted volumes.

Guaranteed Minimum

You should also be aware that the following Guarantee Minimum Base Milk Prices (please refer to the Milk Supply Contracts for details) are available to suppliers who enter into a 1 or 2 year supply contract. These are as follows:

- 2011/12 financial year – 47.50 cents per litre
- 2012/13 financial year – 45.00 cents per litre
- 2013/14 financial year – 45.00 cents per litre

Please note that if you have any questions or concerns regarding the above options available to you, please do not hesitate to contact your Regional Manager Mal Maroske on 0418 634 702 or via email mal.maroske@dfmc.org.au or discuss with your local Director.

DFMC is committed to providing our members a milk price and policies that are competitive with market forces within your region. We will continue to monitor milk pricing paid to our suppliers along with the competitive market that influences the price paid to farmers.

Yours Sincerely on behalf of the DFMC Board

A handwritten signature in black ink, appearing to read 'I. Zandstra', written over a faint, illegible printed name.

Ian Zandstra
Chairman
Dairy Farmers Milk Co-operative