



Dairy Farmers Milk Cooperative
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Dairy Farmers Milk
Cooperative

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Dear DFMC Supplier,

SOUTHERN REGION 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 Southern suppliers covering South Australia, Western Victoria, Northern Victoria and the Riverina Regions.

Our announced Tier One (T1) base milk price is a weighted average of 37.24 cents per litre at the reference litre of 3.95% Bf and 3.15% protein (\$5.31 per kilogram milk solids equivalent). This price unchanged from last financial year.

Suppliers achieve increments above the announced base milk price from the DFMC incentive payments. Last year the regional average incentives paid was approximately 4.0 cpl above the base milk price.

All milk supplied from the 1st of July will be paid at the announced monthly base price (plus incentives). Please note that the Tier 2 (T2) base milk price for 2011/12 is the same as the Tier 1 base milk price. As such **ALL milk purchased by DFMC will be paid at the T1 base milk 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.

30 MONTH (LEGACY) SUPPLIERS

Suppliers on the 30 month legacy contract with an Initial Term ending 30th June 2011, will be 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.

DFMC MILK PAYMENT SCHEDULE

The following table (1) details our announced base milk price for all milk purchased for the financial year 2011/12

Table 1: Announced T1 & T2 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	38.61	3.26	8.17		37.72	3.18	7.98
Aug-11	34.49	2.91	7.30		37.72	3.18	7.98
Sep-11	33.51	2.83	7.09		37.72	3.18	7.98
Oct-11	33.51	2.83	7.09		37.72	3.18	7.98
Nov-11	33.51	2.83	7.09		37.72	3.18	7.98
Dec-11	33.51	2.83	7.09		37.72	3.18	7.98
Jan-12	37.53	3.17	7.94		37.72	3.18	7.98
Feb-12	38.51	3.25	8.15		37.72	3.18	7.98
Mar-12	39.49	3.33	8.36		37.72	3.18	7.98
Apr-12	43.00	3.63	9.10		37.72	3.18	7.98
May-12	43.51	3.67	9.21		37.72	3.18	7.98
Jun-12	43.51	3.67	9.21		37.72	3.18	7.98
WT/Price	37.24						

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 in 2011/12.
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. DFMC Contract Consideration, Location, Quality Incentive Payments and Gate Charges applicable to your region will not change from that of 2010/11.
4. 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).

Guaranteed Minimum

Please note that the prices referred to in the tables above through to June 2012 are confirmed minimum prices. This means that, in this region, those prices will not fall below these amounts.

DFMC pricing in this region for 2011/2012 is underpinned by the Murray Goulburn contract price for the 6 months January to June. It has been agreed that the following formulas (calculated on a farm model of 1.8m litres flat supply with 3.2% protein and 4% fat and band 1 quality) will apply to DFMC prices if the MG price moves as a result of Step-up's.

- **MG price <45cpl: Premium 6cpl**
- **MG price 45-50cpl: Premium 4cpl**
- **MG price >50cpl: Match MG**

Future Pricing

DFMC and Lion have agreed to a formula that future pricing (i.e. for the financial year 2012/2013) will be based on the Murray Goulburn full year payout for that financial year, for all year round supply but with 2nd half premium.

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 Ron Page on **0439 137 202** or via email ron.page@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.

On a personal note I would like to wish you all, a successful and prosperous year ahead.

Yours Sincerely on behalf of the DFMC Board.

A handwritten signature in black ink, appearing to read 'Ian Zandstra', written in a cursive style.

Ian Zandstra
Chairman
Dairy Farmers Milk Co-operative