



Dairy Farmers Milk Cooperative

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Dear DFMC Member,

**Re: Southern Region Pricing**

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 for those farmers, 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 Southern 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 Southern Region and will come into effect from the 1<sup>st</sup> of September through to the 30<sup>th</sup> of June 2010. There will be a reduction in milk price from last year's strong price. The prices quoted in the table are base prices, before price differentials which vary with individual farms.

<b>Table 1</b>	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
<b>Pricing 2009/10</b>	<b>23.36</b>	<b>23.36</b>	<b>23.36</b>	<b>23.36</b>	27.79	33.55	37.09	40.19	40.19	37.09

The weighted average is 30.04 cpl. Note: **Bold** represents Fixed Minimum Price

**2010/11 Announced Southern Region Future Guarantee Minimums**

Table 2 below sets out the guarantee minimum base price for all DFMC suppliers who are on 'Revised Form Contracts' and for DFMC suppliers who's 'Old Contracts' extends to the expiry date.

<b>Table 2</b>	2009/10	2010/11	2011/12
<b>Existing Guarantee Minimum Base Prices</b>	<b>35.00 cpl</b>	<b>32.00 cpl</b>	<b>n/a</b>

Table 3 below sets out the new guaranteed minimum for DFMC suppliers wishing to roll-over their current contract into longer contracts out to 2010/11 and/or 2011/12 and for DFMC suppliers on the 'Old Contract' or 'No Contracts' looking to enter into a contact for 2009/10 and/or 2010/11 and/or 2011/12.

<b>Table 3</b>	2009/10	2010/11	2011/12
<b>New Guarantee Minimum Base Prices</b>	<b>29.00 cpl</b>	<b>28.00 cpl</b>	<b>28.00 cpl</b>

## **COMMENTS ON PRICING**

Please note that the '**bold**' prices referred to in the 2009/10 pricing table are the confirmed minimum prices. This normally means that, in this region for those months which are highlighted, the announced price will not fall below these amounts, however on this occasion the announced price is set by the guaranteed minimum base price and therefore is the price and could be increased.

The mechanism for the unconfirmed pricing is that prices will be offered with a premium to the underlying Murray Goulburn prices. The minimum price payable will not fall below Murray Goulburn and will be equivalent to 6 cents per litre above the Murray Goulburn 2<sup>nd</sup> half of the year (January – June 2010) milk values. This could require an end of season step up in the event that Murray Goulburn experiences a strong price recovery \*.

The Murray Goulburn benchmark is a 5 million litre flat supply farm.

**COMPOSITIONAL ADJUSTMENTS;** Unchanged

**QUALITY PAYMENTS;** Unchanged

**VOLUME INCENTIVE;** Unchanged

**LOCATION BONUSES;** Unchanged

**GATE CHARGES;** Unchanged

### **NEW MILK**

The New Milk Payment has been removed in the Southern Region and has been incorporated in the base price to benefit all Members within this region.

### **Income Estimates.**

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

Steve can be contacted:

0447 644 154 or via email on: [commerfordst@dairyfarmers.com.au](mailto:commerfordst@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

\* The mechanisms of pricing against MG will be review on an annual basis