



Dairy Farmers Milk Cooperative
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Dairy Farmers Milk Cooperative

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25th June 2014

Dear DFMC Supplier,

FAR NORTH QUEENSLAND REGION (FNQ)
ANNOUNCED MILK PRICES 2014/15

This letter is to announce Dairy Farmers Milk Co-operative's (DFMC) opening milk pricing for the new season commencing 1st July 2014.

DFMC is pleased to announce an **increase** to the base price of **5cpl** to a price of **54.80cpl** (at a reference litre of 4.00% Fat and 3.20% Protein) from 1st July 2014 or \$7.61 kg MS equivalent. This price is an increase of 10.05% above last year's milk price. DFMC milk incentive payments equate to approximately 4.0 Cpl above base (see below)

As such our announced monthly price plus average adjustments should result in the DFMC paying our suppliers with an average total price of 58.80cpl (\$8.17 per kilogram milk solids equivalent).

DFMC MILK PAYMENT SCHEDULE – T1 Announced Base Milk Price

The following table (1) details our announced base milk price for all milk purchased within your monthly allocation as T1 milk for financial year 2013/14.

Table 1: Announced Base Milk Price

New Announced Base Milk Price for 2014/15

DFMC - FN Qld

Reference Litre	Butterfat	4.00%
	Protein	3.20%

Monthly Period	July	August	September	October	November	December	January	February	March	April	May	June	Average
Days in Period	31	31	30	31	30	31	31	28	31	30	31	30	5.27
All Milk	\$/kg Butterfat	5.27	5.27	5.27	5.27	5.27	5.27	5.27	5.27	5.27	5.27	5.27	5.27
	\$/kg Protein	10.54	10.54	10.54	10.54	10.54	10.54	10.54	10.54	10.54	10.54	10.54	10.54
Cents per litre at reference litre	54.80	54.80	54.80	54.80	54.80	54.80	54.80	54.80	54.80	54.80	54.80	54.80	54.80
Status (c) confirmed (i) indicative	C	C	C	C	C	C	C	C	C	C	C	C	C

With regard to the above table you should note the following:

1. The announced T1 base milk price for a month is the base price for all milk purchased from contracted suppliers during the Financial Year 2014/15. No T2 will apply for the term of the contract.
2. In addition to the announced base milk prices detailed above, contracted DFMC suppliers will receive a payment above the base milk price for Contract Consideration; Productivity Incentive & Milk Quality Incentive/Deduction will be paid on all milk supplied.
3. DFMC Contract Consideration, Milk Quality and Location Differential Payments applicable to your region will not change from that of 2013/14.

NEW MILK

DFMC is serious about growing milk supply and backing farmers. As such the New Milk program will be extended to a 5 month period (Feb to June) and for a minimum 2 year commitment i.e. FY15 & FY16.

DFMC will pay a **5cpl incentive payment** for New Milk production for increases over the equivalent month (Feb to June) in the previous year.

The New Milk incentive payment will be 70 cents per kilogram of qualifying milk solids (butterfat plus protein), which is equivalent to 5cpl at the reference litre of 4% butterfat and 3.2% protein. Qualifying milk solids are all milk solids that you supply in the payment month in excess of the volume of milk solids that you supplied in the corresponding month in the previous year i.e. If the volume of milk solids is greater than the same period in FY2013/14 and again in 2014/15, then the incentive will be paid to you on that additional volume of milk solids (only).

A worked example is provided below:

	Litres	MS %	kg MS	New Milk Incentive rate (c/kg MS)	New Milk Incentive paid (\$)	New Milk Incentive (cpl)
Mar 2014	100,000	7.20%	7,200			
Mar 2015	105,000	7.20%	7,560			
New Milk	5,000		360	70	252	5.0

Contract Term

All suppliers may apply for a new 1, 2 or 3 year contract.

DFMC will now offer **100% Tier 1** contracts and members will be able to enter into one, two or three year contract terms i.e. for the term of the contracts, there will be no Tier 2 milk. Suppliers who have previously entered into two or three year supply contracts in 2013 are able to apply to rollover onto the new agreements.

Minimum Volumes

The Minimum Volume for collection is currently 1,200 Litres per collection (skip-a-day). Suppliers should note that Minimum Volumes for collection will rise to 1,500 Litres per collection next financial year (FY15). As such, suppliers who produced less than 300,000 Litres in 2012/2013 or 2013/2014 may not be eligible for collection in FY 15 due to the policy and therefore may not be offered a contract except where there is evidence that production has increased significantly since that time.

Please note that if you have any questions or concerns regarding the above options available to you, please do not hesitate to contact:

Howard Smith – Farm Service Officer	0409 965 948	howard.smith@lionco.com
Tony Burnett – Regional Manager	0428 632 148	Tony.burnett@dfmc.org.au
Edith Nicholls – Farm Services	0419 811 391	edith.nicholls@dfmc.org.au
James Geraghty – FNQ Director	0427 972 355	besaja@bigpond.com.au

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 thank you for your supply and wish you all, a successful and prosperous year ahead.

Yours Sincerely on behalf of the DFMC Board



Duncan McInnes
Chairman
Dairy Farmers Milk Co-operative

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