



Dairy Farmers Milk Cooperative
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Dairy Farmers Milk
Cooperative

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2nd August 2013

Dear DFMC Supplier,

SOUTHERN REGION ANNOUNCED MILK PRICES 2013/14

This letter is to announce Dairy Farmers Milk Co-operative's (DFMC) opening milk pricing for the new season commencing 1st July 2013. Included in the correspondence is the revised DFMC Milk Policy document and I will also refer to some policy changes in this letter.

DFMC will provide two milk pricing options for our suppliers to choose from and this announced base milk pricing is for the Southern region covering Western Victoria, Northern Victoria / Riverina and South Australia.

OPTION 1: Opening Price with MG matching Guarantee

Our announced monthly price plus average adjustments should provide suppliers with an average total price of \$6.03 kg MS equivalent. At the new reference litre (please see below) this is approximately 43.44 Cpl.

Our announced base milk price is **39.75 cents per litre** at the new reference litre or **\$5.52 kg MS equivalent**. This price is an increase of 21.50% from last financial year. DFMC milk incentive payments equate to approximately 4.0 Cpl above base (see below).

Option 1 continues to provide suppliers with a minimum guarantee underpinned by the Murray Goulburn traditional price for the 6 months January to June. Please see Minimum Guarantee for additional information below.

OPTION 2: Fixed Opening Price for the year - with no MG matching Guarantee

Our announced monthly price plus average adjustments should provide suppliers with an average total price of \$6.28 kg MS equivalent. At the new reference litre this is approximately 45.20 Cpl.

Our announced base milk price is **41.54 cents per litre** at the new reference litre or **\$5.77 kg MS equivalent**. This price is an increase of 27% from last financial year.

Option 2 does not provide suppliers with a minimum guarantee. The price offer is a fixed price for the full financial year.

Changes to milk policy and adjustments include:

1. The Base Milk Price is now quoted at a reference of 4.00% fat and 3.20% protein (it was previously quoted at 3.95% fat and 3.15% protein).
2. In South Australia, the logistic differential has decreased from 1cpl to ½ cpl.

DFMC MILK PAYMENT SCHEDULE

The following tables details our announced base milk price for all milk purchased for the financial year 2013/14

OPTION 1: Opening Price with MG matching Guarantee

Announced Milk Base Price			
Option 1: Opening Price with Guarantee			
Month	Flat Monthly Volume, Flat Monthly Price		
	Cents per Litre	Fat \$/kg	Protein \$/kg
Jul-13	39.75	3.82	7.64
Aug-13	39.75	3.82	7.64
Sep-13	39.75	3.82	7.64
Oct-13	39.75	3.82	7.64
Nov-13	39.75	3.82	7.64
Dec-13	39.75	3.82	7.64
Jan-14	39.75	3.82	7.64
Feb-14	39.75	3.82	7.64
Mar-14	39.75	3.82	7.64
Apr-14	39.75	3.82	7.64
May-14	39.75	3.82	7.64
Jun-14	39.75	3.82	7.64

OPTION 2: Fixed Opening Price for the year

Announced Milk Base Price			
Option 2: Opening Price with No Guarantee			
Month	Cents per Litre	Fat \$/kg	Protein \$/kg
Jul-13	41.54	3.99	7.99
Aug-13	41.54	3.99	7.99
Sep-13	41.54	3.99	7.99
Oct-13	41.54	3.99	7.99
Nov-13	41.54	3.99	7.99
Dec-13	41.54	3.99	7.99
Jan-14	41.54	3.99	7.99
Feb-14	41.54	3.99	7.99
Mar-14	41.54	3.99	7.99
Apr-14	41.54	3.99	7.99
May-14	41.54	3.99	7.99
Jun-14	41.45	3.99	7.99

With regard to the above pricing schedules you should note the following:

1. In addition to the announced base milk prices detailed above, DFMC suppliers will receive a payment adjustment on the base milk price for Contract Consideration, location differential (where applicable), Productivity Incentive & Milk Quality Incentive;
2. DFMC location differential (in SA) has changed from that of 2012/13. I encourage all suppliers to refer to your Milk Purchasing Policy for additional information; and
3. DFMC Contract Consideration incentive applicable to your region has not changed from that of 2012/13.
4. Excess milk above contracts, T2 Milk, will be at the T1 milk price. As such ALL milk supplied in excess to your contracted litres will be purchased by DFMC and paid at the T1 base milk price plus adjustments.

RECALCULATION OF MILK PAYMENTS

DFMC previously announced that there could possibly be a back pay adjustment if the current Announced Base Price was different than the interim paid price of July. DFMC currently has all suppliers on the option 1 payment schedule. Those DFMC suppliers who choose to take up option 2 an adjustment back dated to the 1st July 2013 will be made in the September milk statement to reflect the option 2 announced base milk price.

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.

GUARANTEE MINIMUM

Please note that the prices referred to in Option 1 are confirmed minimum prices. This means that, in this region, those prices will not fall below these amounts. (Option 2 is a fixed price guarantee)

DFMC pricing for Option 1 only for 2013/2014 is underpinned by the Murray Goulburn traditional price for the 6 months January to June. It has been agreed that the following formulas in line with 2012/2013 practises (calculated on a MG farm model, traditional payment, of 1.8m litres flat supply with 4.00% fat and 3.2% protein 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 2014/2015) 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 thank you for your supply and wish you all, a successful and prosperous year ahead.

Yours Sincerely on behalf of the DFMC Board



Ian Zandstra
Chairman
Dairy Farmers Milk Co-operative