



ARBN: 108 690 384

Dairy Farmers Milk
Co-operative Limited
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29th July 2014

Dear DFMC Southern Supplier,

Regarding: Guarantee Minimum Base Milk price increase for 2013/14

DFMC has reviewed the recent step-up announcement by Murray Goulburn (MG), in relation to the guarantee minimum payable as per your 2013/14 pricing letters.

To the best of our knowledge, it would now seem apparent that there will be no additional step-ups from MG to apply to the 2013/14 season, as such we calculate that MG is paying a price over the full year of approximately 47.2cpl based on our Model Farm. Our guarantee with Lion entitles DFMC to have a matching price in the first half of the year and a 4cpl premium in the second half of the season if the MG price is between 45cpl and 50cpl.

It gives me great pleasure to announce that our southern DFMC suppliers on the variable price option (it does not apply to suppliers on the fixed price option) will receive a price increase and as such, suppliers on this pricing model will receive:

- 0.99cpl on all milk produced for the 2013/14 financial year i.e. from July 2013 to June 2014

The announced step-up is paid on the following compositional values (at a Reference Litre):

Year	Step up c/l	Fat \$/kg	Pro \$/kg	\$/kg MS
H1	0.99	0.090	0.190	0.15
H2	0.99	0.090	0.190	0.15

At our reference litres, this increase brings our price to **49.19cpl / \$6.83** per kg milk solids; or based on a weighted average price, (for suppliers on the variable price option) this brings our price to **\$6.93** per kg milk solids.

Your next payment will include the additional payment from this step-up announcement. DFMC will continue to monitor the southern milk price if there are any additional step-up requirements.

Yours sincerely on behalf of the Board,

Duncan McInnes
Chairman
Dairy Farmers Milk Co-operative