



ARBN: 108 690 384

Dairy Farmers Milk  
Co-operative Limited  
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### DFMC/Lion Southern Forward Payment Plan

The DFMC/Lion ‘Forward Payment Plan’ is designed to allow a farmer to be paid a ‘Flat’ Milk price based on a weighted average ‘Announced Base Milk’ price when applied to the individual’s annual kg butterfat (less 0.05 \$/kg) and protein (less 0.10 \$/kg) levels – this equates to -0.5cpl. Suppliers should note that -0.5 cpl discount is only an interim measure to allow for variations in supply patterns compared to expectations. Suppliers will receive the full rate entitled to them based on an end of year ‘balance up’ calculation – see below for more information.

**For example:** based on DFMC announced Variable Base Milk price applied to the farmer’s kg butterfat and protein (for the previous year), this farmer would be paid a \$/kg flat rate for every month of the year that is equivalent to an annual milk payment 48.50cpl.

	<b>\$/kg Butterfat</b>	<b>\$/kg Protein</b>	<b>Cpl</b>
<b>Weighted average</b>	4.09	8.16	49.00
<b>Less</b>	0.05	0.10	00.50
<b>Announced Flat price</b>	4.04	8.06	48.50

The rates above are only an example. Individual farmers seeking to have a Flat Monthly Milk price, will need to complete an individual income estimate to determine their own weighted average base milk price.

A farmer should note that whilst the butterfat and protein rates are paid flat, they will not get a flat cpl rate each month of the year as it varies with composition – in the example above, this farmers payment is a flat \$/kg rate each month that is equivalent to 48.5c/l across the year, however even on the flat rate, the cpl price varies between 46.8 & 50 (based on this farm’s composition, size, etc).

Note: at the end of the financial year i.e. the June milk cheque payable in July, DFMC will do a ‘balance up’. That is we will do a full year’s calculation based on actual supply (kg butterfat and protein) of the announced variable rate versus the flat rate that was paid and we will either pay a top-up payment or take a deduction based on what you would have received on the variable rate.

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

Ken Bailey – Regional Manager	<b>0419 711 663</b>	<a href="mailto:ken.bailey@dfmc.org.au">ken.bailey@dfmc.org.au</a>
Edith Nicholls – Farm Services	<b>0419 811 391</b>	<a href="mailto:edith.nicholls@dfmc.org.au">edith.nicholls@dfmc.org.au</a>

Yours Sincerely on behalf of the DFMC Board

Duncan McInnes  
DFMC Chairman

**Condition to the offer:**

Pursuant to the terms of your supply contract, DFMC will apply **Liquidated Damages** based on the following:

If you supply all or some of your milk to a third party during a month you must, if required by the Milk Co-operative, immediately pay to the Milk Co-operative liquidated damages based on all milk supplied for each month of supply i.e. from the 1<sup>st</sup> July onwards and calculated as follows:

$$\text{\$X} = Z \times W \text{ cents}$$

Where:

$\text{\$X}$  is the amount payable by you to the Milk Co-operative for the relevant month. If  $\text{\$X}$  is a negative amount no amount is payable by you.

$Z$  is the number of litres supplied to the Milk Co-operative by you for the relevant month.

$W$  means:

for the period up to 30 June 2015, the offered "weighted average flat base milk price" payable for the relevant month **less** the Announced "variable base milk price" payable for the relevant provided that if  $W$  is a negative number,  $W$  shall be zero.

**Acceptance**

By agreeing to the above, you acknowledge that the above formula represents a genuine pre-estimate of the loss the Milk Co-operative will suffer if you fail to supply to the Milk Co-operative the Minimum Volume of milk for a month

Based on the weighted average butterfat and protein rates as determined by my incomes estimate, I agree be paid the following flat rate:

\$kg butterfat \_\_\_\_\_  
\$kg protein \_\_\_\_\_  
Cpl rate \_\_\_\_\_

Company: \_\_\_\_\_

Vendor Number: \_\_\_\_\_

Date: ----/----/2014

Name: \_\_\_\_\_

Signature \_\_\_\_\_