



23 June 2017

Dear DFMC Supplier,

SEQ REGION ANNOUNCED MILK PRICES 2017/18

On behalf of Dairy Farmers Milk Cooperative (DFMC), I wish to announce the enclosed pricing schedule for 2017/18.

DFMC, in partnership with Lion Dairy and Drinks, works hard to give you the best in competitive pricing, security and flexibility when it comes to your business needs. Key benefits include:

- Our announced monthly price, plus average adjustments, should result in DFMC paying our suppliers a weighted average total price of **57.32 cents per litres (cpl)** (\$7.92 per kilogram milk solids equivalent). This is a reduction to the base rate of 0.5 Cpl from 2016/17 at the reference litre of 4% butter fat and 3.2% protein and;
- Commitment to pay Tier 1 prices across the board for the duration of your contract; and
- DMFC Productivity incentive starts at 3,000 kg MS which allows farmers producing approx. 500,000 litres and above, to receive this incentive.

DFMC provides value and security by offering pricing certainty in the face of fluctuating market conditions. Our long-term supply agreement with Lion Dairy and Drinks gives you the opportunity to plan your future based on solid market information.

If you have any questions or concerns regarding the options available to you, please contact:

Tony Burnett	Regional Manager	0428 632 148	tony.burnett@dfmc.org.au
Andrew Burnett	SEQ Director	0419 773 907	andrew.burnett@dfmc.org.au
Duncan McInnes	SEQ Director	0418 198 349	duncan.mcinnnes@dfmc.org.au
Mark Kebbell	Executive Officer	0432 046 768	mark.kebbell@dfmc.org.au

Please note new contracts and policy documents, along with an updated income estimate, will be mailed in early July.

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

A handwritten signature in black ink, appearing to read "Duncan McInnes".

Duncan McInnes
Chairman
DAIRY FARMERS MILK CO-OPERATIVE



2017/18 MILK PRICING OFFERS

The following table details our new announced base milk price for all milk purchased for financial year 2017/18.

State: DFMC - SE Qld (Northern)													
Reference Litre		Butterfat	4.00%										
		Protein	3.20%										
Monthly Period	July	August	September	October	November	December	January	February	March	April	May	June	
Period Date range	1/07/2016 - 31/07/2016	1/08/2016 - 31/08/2016	1/09/2016 - 30/09/2016	1/10/2016 - 31/10/2016	1/11/2016 - 30/11/2016	1/12/2016 - 31/12/2016	1/01/2017 - 31/01/2017	1/02/2017 - 28/02/2017	1/03/2017 - 31/03/2017	1/04/2017 - 30/04/2017	1/05/2017 - 31/05/2017	1/06/2017 - 30/06/2017	
Days in Period	31	31	30	31	30	31	31	28	31	30	31	30	
													Average
Base	\$/kg Butterfat	6.02	6.02	6.02	6.02	6.02	6.02	6.02	6.02	6.02	6.02	6.02	6.02
	\$/kg Protein	9.03	9.03	9.03	9.03	9.03	9.03	9.03	9.03	9.03	9.03	9.03	9.03
Cents per litre at reference litre		53.0	53.0	53.0	53.0	53.0	53.0	53.0	53.0	53.0	53.0	53.0	53.0

PRICING NOTES

- For all payment options, the announced base milk price for a month is the base price for all milk purchased from contracted suppliers during the Financial Year 2017/18;
- 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 which will be paid on all milk supplied;
- The New Milk Incentive program will NOT apply in 2017/18;
- DFMC Contract Consideration and Milk Quality Incentive applicable to your region will not change from that of 2016/17. As announced in July 2016 there is a decrease in the location differential of approximately 0.3cpl and the re-introduction of \$15 stop charge for SEQ.
- Payments to Members are made in terms of \$/kg Fat and \$/kg Protein. DFMC quotes prices based on a reference litre of 4% Fat and 3.2% Protein for comparative purposes in both cents per litre (Cpl) and dollars per kilogram of Milk Solids (\$/kg MS) and for 2017/18 is set at a pricing ratio of 1 part Fat is to 1.5 parts Protein;
- The Board will be reviewing its position on Dividend and Rebate payments. Subject to the Co-operative's financial performance and member approval via way of resolution, DFMC is likely to:
 - pay a rebate on Business done. The rebate will be \$1 for every 500 litres of milk produced from 1st July 2016 to 30th June 2017 and on average this will likely represent a 0.20cpl payment. Members will have the option to re-invest that rebate payment back as share capital;
 - pay a dividend of around 8% to DFMC shareholders in relation to financial year 2016/17 of approximately 8 cents per share, franked at a rate of 50%. Shareholders will have the option to re-invest that dividend payment back as share capital.
- Productivity Incentive will continue to be connected to the length of the contract. Please note that the starting point for suppliers who enter into 3 and 5 year contracts is 3,000 kg MS – please review to DFMC Milk Policy Document for further information.