



June 22nd, 2018

Dear DFMC Supplier,

NSW REGION ANNOUNCED MILK PRICES 2018/19

On behalf of Dairy Farmers Milk Cooperative (DFMC), I wish to announce the enclosed pricing schedule for 2018/19.

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.

- Our announced monthly price, plus average adjustments, should result in DFMC paying our suppliers a market leading weighted average total price of **52.40** cents per litres (cpl) (\$7.28 per kilogram milk solids equivalent). This is an **increase of 1.0cpl** (at the DFMC reference litre of 4.0% fat and 3.2% protein) on the base price from last financial year.
- *Due to the severe impact of the widespread drought across NSW and its effect on the on farm cost of production, our pricing will be reviewed during the spring of 2018.*

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

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

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Mark Kebbell	Executive Officer	0432 046 768	mark.kebbell@dfmc.org.au

Please note new contracts and updated income estimates, 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

Andrew Burnett

Chairman
DAIRY FARMERS MILK CO-OPERATIVE
2018/19 MILK PRICING OFFERS

The following table details our new announced base milk price for all milk purchased for financial year 2018/19.

State: DFMC - NSW (Central)													22 June 2018			
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	1/07/2018 - 31/07/2018	1/08/2018 - 31/08/2018	1/09/2018 - 30/09/2018	1/10/2018 - 31/10/2018	1/11/2018 - 30/11/2018	1/12/2018 - 31/12/2018	1/01/2019 - 31/01/2019	1/02/2019 - 28/02/2019	1/03/2019 - 31/03/2019	1/04/2019 - 30/04/2019	1/05/2019 - 31/05/2019	1/06/2019 - 30/06/2019				
Days in Period	31	31	30	31	30	31	31	28	31	30	31	30				
													Average			
Base	\$/kg Butterfat	5.51	5.51	5.51	5.51	5.51	5.51	5.51	5.51	5.51	5.51	5.51	5.51	5.51		
	\$/kg Protein	8.27	8.27	8.27	8.27	8.27	8.27	8.27	8.27	8.27	8.27	8.27	8.27	8.27		
Cents per litre at reference litre	48.5	48.5	48.5	48.5	48.5	48.5	48.5	48.5	48.5	48.5	48.5	48.5	48.5	48.5		

PRICING NOTES

- For farmers on the Productivity Extension Incentive pricing model, your cpl base rate also increases by 1.0 cpl from 51.70 cpl to 52.70 cpl;
- 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 2018/19;
- 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;
- As with 17/18 no new milk will apply in 2018/19;
- DFMC Contract Consideration and Milk Quality Incentive applicable to your region will not change from that of 2017/18. As announced in July 2016 there is a decrease in the location differential of approximately 0.3cpl and the re-introduction of \$20 stop charge for NSW.
- 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 2018/19 is set at a pricing ratio of 1 part Fat is to 1.5 parts Protein;
- The Board will be reviewing its position on the Dividend payment. Subject to the Co-operative's financial performance and member approval via way of resolution, DFMC is likely to:



- a. Pay a dividend of around 8% to DFMC shareholders in relation to financial year 2017/18 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.
8. 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 5,000 kg MS – please review to DFMC Milk Policy Document for further information.

MSA & Proposed Changes from July 1 2019 (12 months)

Our Milk Supply Agreement negotiations with Lion Dairy & Drinks Pty Ltd have progressed well during the past twelve months. Both parties have agreed to some amendments however we have agreed in principle to extend our current MSA for a further 3 years past June 30 2019 to June 30 2022.

From July 1 2019 both DFMC & Lion direct suppliers will move to a combined milk policy system all contained under the one document. Across some regions this will remove duplication and complication of having two milk payment and policy systems. More details will be available at our upcoming supplier meetings.

In NSW and South East Queensland DFMC & Lion is also giving farmers 12 months advance notice of a new payment model to come into effect for the 2019/2020 milk season which will have greater reward for butterfat and less emphasis on protein. This model will take effect from July 2019. This is an important change for Lion to make in a market milk state like NSW where Lion can use or sell excess butterfat, but not protein.

DFMC will be working closely with our members to explain the concept of the new model. We intend to roll out a series of informative workshops where farmers can engage with leading nutritionists to assist in decision making around feeding systems and the resultant impacts on milk composition.

Supplier Meetings

Our supplier meetings will be held in the following locations and venues and times will be confirmed in the coming weeks.

Monday 24th July, Singleton
Wednesday 26th July, Central West
Thursday 27th July, Jamberoo