Murray Goulburn Co-operative Co. Limited
ABN 23 004 277 089

Freshwater Place, Level 15, 2 Southbank Boulevard,
Southbank VIC 3006
T: +61 3 9040 5000 F: +61 3 9040 5100
GPO Box 4307 Melbourne 3001

25 June 2014

Opening Price Circular 2014/15: Southern Milk Region

Murray Goulburn Co-operative Co. Limited (MG)

Key points:

- MG announces an average available opening price of $6.00 per kilogram milk solids – representing the highest milk price available to suppliers at the start of a financial year. This price represents a 7 percent increase on last year's opening price.
- MG forecasts a full-year price of $6.15 to $6.30 per kilogram milk solids. This forecast will be impacted by external factors such as fluctuating global markets and the Australian dollar. We will continue to regularly update suppliers about our year-end forecast.
- MG's opening price reflects the positive impact of improvements achieved through our ongoing focus on operational excellence and innovation; softening global dairy prices albeit from a base of continued strong demand for Australian dairy foods; and a recently steady Australian dollar.
- Updated milk supply terms and conditions will be mailed in the coming days. These are very similar to last year – previously advised changes to milk quality terms and conditions are the only significant changes.
- Given the potential changes to MG's capital structure there will not be an option to increase the rate of share offtake in 2014/15. That is, all suppliers will have share offtake at the rate of 0.65 cents per litre and will not be offered the option to increase the rate to 1 cent per litre. Furthermore, if a dividend is paid on the 2013/14 year there will be no option for dividend proceeds to participate in the Dividend Reinvestment Plan (DRP). MG believes this is the fairest approach given the potential changes to the capital structure.

Dear Supplier/Shareholder

Please find outlined below details of Murray Goulburn Co-operative Co. Limited's (MG) opening price for the 2014/15 season commencing 1 July 2014. This average available opening price of $6.00 per kilogram milk solids represents an increase of 7 percent on last year's opening price of $5.60.

Our forecast end-of-season milk price is a range of $6.15 to $6.30 per kilogram milk solids. Our continued focus on improving MG's business performance through operational excellence and innovation has contributed to a strong opening price and forecast.

However, we have seen dairy ingredients prices soften in recent months as key exporting regions increase milk production. Consequently the full year forecast is down on last year. Our forecast is subject to external factors such as international dairy market prices and currency movements which will impact the final price up or down on this forecast. We will continue to update you with revised year-end price forecasts on a regular basis.

Market Outlook

As reported at recent supplier meetings demand for dairy food remains strong in key markets. However over the past year key exporting regions, including New Zealand and the European Union have seen better seasonal conditions compared to last year. Dairy farmers in those regions have also responded to higher prices by increasing milk production and investing in key infrastructure to service growth markets.

Consequently, global dairy ingredients prices have softened and this has placed downward pressure on global farmgate prices at the start of 2014/15. We remain confident in demand for MG products and we will work within market settings to maximise returns for our farmers.

Farmgate returns for MG suppliers improved during 2013/14 in part from a weakening Australian dollar. However we remain cautious about the volatility of the Australian currency.

2013/14 Forecast

Our current average available price of $6.81 per kilogram milk solids is the highest MG price on record. Any further increase in the 2013/14 price will be assessed as we finalise our year-end accounts in the coming weeks.

Dividend Payments

The dividend on shares for 2013/14 will be considered following the receipt of finalised accounts and any dividend will be paid in October.

Thank you for your continued support of MG and I wish you all the best for the year ahead.

Yours sincerely,

Gary Helou
Managing Director

Murray Goulburn Co-operative Co. Limited
ABN 23 004 277 089

Freshwater Place, Level 15, 2 Southbank Boulevard,
Southbank VIC 3006
T: +61 3 9040 5000   F: +61 3 9040 5100
GPO Box 4307 Melbourne 3001

Appendix 1 Milk Payment Terms and Conditions

Summary of Milk Supply Arrangements for 2014/15

It is important that you carefully read this letter in conjunction with the *MG Supplier Handbook: Southern Milk Region* to be mailed to you in the coming days.

Month	**Butterfat** kg MS	**Protein** kg MS
July	$4.15	$9.14
August	$3.78	$8.33
September	$3.66	$8.06
October	$3.66	$8.06
November	$3.66	$8.06
December	$3.66	$8.06
January	$3.86	$8.49
February	$3.96	$8.73
March	$4.00	$8.81
April	$4.15	$9.14
May	$4.23	$9.30
June	$4.30	$9.47

With respect to the above table you should note the following:

Note 1: The opening monthly milk prices are based on the supply of milk that qualifies as "**Premium**". Adjustments will apply for milk quality as explained in the *MG Supplier Handbook.*

Note 2: In addition to the opening monthly milk prices detailed above, the Productivity Incentive (PI), Growth Incentive (GI) and Flat Milk Incentive (FMI) are available as detailed in the Information Pack – *MG Supplier Handbook.*

Note 3: Suppliers are reminded to consider whether to apply the Flat Milk Incentive (FMI) for the 2014/15 year. Suppliers wishing to change their FMI election need to request a FMI Election form from their Field Officer. Suppliers not wishing to change their FMI election from the 2013/14 year do not need to do anything. FMI Election forms need to be returned to MG by 31 August 2014.

Option to increase your share equity contribution

Given the potential changes to MG's capital structure MG has decided that there will be no option to increase the rate of share offtake in 2014/15. That is all suppliers will have share offtake at the rate of 0.65 cents per litre and will not be offered the option to increase the rate to 1 cent per litre. Furthermore, if a dividend is paid on the 2013/14 year there will be no option for dividend proceeds to participate in the Dividend Reinvestment Plan (DRP). MG believes this is the fairest approach given the potential changes to the capital structure.