



24 September 2014

Dear Supplier/Shareholders

RE: UPDATE FROM MG REGARDING FARMGATE MILK PRICE (SOUTHERN REGION)

Key Points:

- MG is maintaining its opening price and full-year forecast at the weighted average available milk price of \$6 per kilogram milk solids
- This forecast is subject to changes in external factors such as global dairy prices and the Australian dollar
- International dairy ingredients prices remain subdued at similar or lower levels to one month ago
- The Australian dollar has weakened in recent weeks which is positive in the outlook if it remains at lower levels
- MG continues to reduce costs and improve margins throughout the business to protect the opening price and our suppliers' interests

Given the extremely unusual and difficult circumstances currently impacting global dairy trade, MG committed to updating supplier/shareholders on the forecast farmgate price on a monthly basis.

Having considered the latest market settings MG is maintaining its opening price and forecast at a weighted average available milk price of \$6 per kilogram milk solids in its southern milk pool.

In the past month the impact of the Russian trade ban and slower Chinese buying has contributed to continued weakness in global dairy trade. Consequently the European Union (EU) has recently instituted Private Storage Aid for butter, Skimmed Milk Powder (SMP) and certain cheeses in order to alleviate the impact of Russian restrictions on imports of EU dairy products and to limit the negative effects on the internal market.

The Australian dollar has weakened in recent weeks to levels below US\$0.90 which is a positive in the outlook if it remains at lower levels.

MG continues to reduce costs throughout the business and seek improved margins in key markets to protect the opening price and our suppliers' interests. The Board will continue to closely monitor the situation and consideration of any reduction in the base price would be a last resort if markets continue to decline.

Given ongoing market volatility MG recommends caution in farm budgeting until market directions become clearer.

Over the next few weeks we will continue to assess the impact of the Russian trade ban and further assess China's re-entry into the market. We will provide another update to you in one month's time.

Yours sincerely

Gary Helou
Managing Director