



27 November 2014

CHAIRMAN'S AGM SPEECH

Good afternoon ladies and gentlemen and welcome to the 64th annual general meeting for Murray Goulburn. My name is Philip Tracy and I will chair today's meeting. As it is now 1.30pm and a quorum is present I will formally declare the 2014 Annual General Meeting of Murray Goulburn Co-operative Co Limited open.

Before we start today's business proceedings, I would like to introduce your Board and Executive Leadership Team. On the stage with me is our Managing Director, Gary Helou and our Deputy Chairman, Ken Jones. In the audience we have Natalie Akers, Bill Bodman, Peter Hawkins, Mike Ihlein, Max Jelbart, Duncan Morris, Graham Munzel, John Pye and Martin Van De Wouw.

Returning to the stage, we also have with us here our Chief Financial Officer, Brad Hingle, and our Company Secretary and General Counsel, Fiona Smith. In the audience we have the members of our Executive Leadership Team, who will be available to meet with you for afternoon tea after the meeting.

In addition, we have Lisa Harker from PricewaterhouseCoopers, our external auditor. We also have a number of representatives from our banks, business partners and our employees.

A special welcome to all our past chairmen and former directors. Welcome everyone, and thank you to all shareholders who have travelled to join us today.

The meeting will commence with my address followed by a presentation from our Managing Director, Gary Helou. We will then move to the items of business and finish with general questions from shareholders.

The minutes of the previous annual general meeting of members of Murray Goulburn held on 22nd November 2013 were approved by the Board and signed by myself as Chair in accordance with the Corporations Act. The original minutes are tabled and there are copies available for inspection should any member wish to see them.

Turning now to our company.... and what an outstanding year 2013/14 turned out to be for MG. After coming through the challenges of recent years, it was finally a year where it felt great to be a dairy farmer.

Here in Australia, across the regions, we all enjoyed favourable seasonal conditions and overseas strong global demand for dairy food drove prices for key ingredients to record highs. We even managed to get some exchange rate relief in the back half of the financial year. Together, these combined to deliver an exceptional year for supplier/shareholders and the co-op...the likes of which we have not seen for a number of years.

This led to a strong performance and I would now like to spend a few moments covering the financial results for 2013/14 before moving on to update you on the dairy market as we see it, Board developments and finishing with an update on the proposed capital structure.

MG's Performance

Looking first at MG's performance for the 2013/14 year... and beginning with our key priority – safety. When it comes to safety...we know that delivering a good financial performance comes hand in hand with a safety record to match and keeping our people safe is critical to us. Pleasingly, during the year the co-op made significant further progress towards improving its safety performance, demonstrating that we are seeing a positive safety culture develop across the business.

As you all know only too well, MG delivered a new record final weighted average milk price for the 2013/14 season of \$6.81, a 37% increase on the previous year.

An unfranked final dividend of 8 percent on ordinary shares and 5 percent for B and C class preference shares was also declared. For ordinary shares, this equates to an average of 9 cents per kilogram of milk solids in addition to the farmgate milk price paid. When combined with the final milk price of \$6.81, the total return to supplier/shareholders was on average \$6.90 per kg/MS.

Reported net profit after tax was \$29.3 million, slightly down from \$34.9 million in the prior year, reflecting the Board's preference to pay the majority of the company's profit to supplier/shareholders in the form of farmgate milk price.

MG's milk intake grew by 8 percent to 3.4 billion litres - a strong result particularly when compared to Australia's national milk pool which grew by less than half a percent.

It was a fantastic year for MG and I extend my congratulations and thanks to Gary Helou and the team for their efforts during the year.

Market Update

True to form in Dairying, where no two seasons are alike...the 2014/15 season has commenced and is throwing up some challenges, all of which are unfortunately beyond our control as well as some very exciting prospects for our future, thanks to the recently announced Australia-China Free Trade Agreement.

As you are aware from our monthly communications to suppliers, MG is maintaining its opening price and forecast at a weighted-average available milk price of \$6.00 per kg/MS in its southern milk pool.

The circumstances impacting global dairy trade this season are both unusual and difficult. No-one could have predicted a Russian trade ban and the flow-on effect this would have for global dairy trade.

On the other hand, the strong supply response from traditional dairy exporters chasing the record prices for key dairy ingredients we saw in 2014, is less surprising and something we had expected to occur.

What I can say with certainty is that international demand remains generally strong for Australian dairy foods and the outlook for long-term demand for dairy foods, particularly from Asia, is very positive.

Given these factors, we do expect international dairy commodity prices to recover, but it is difficult to predict the timing and strength of the recovery.

On a very positive note, the FTA with China is a huge win for MG and for the dairy industry broadly. Having closely monitored the negotiations for years...we could not have predicted a better outcome in the end. Once the agreement is formally enacted we will improve our competitive position relative to New Zealand and have a competitive advantage in some products. It is now up to MG to further develop our products and supply chain into China to capture value from the opportunity the FTA provides.

So to summarise....global dairy markets remain volatile, but Gary and the team are committed to managing the business through this part of the cycle and to delivering the forecast weighted-average available milk price of \$6.00 per kilogram milk solids in the southern milk pool.

Board developments

I would now like to spend a few moments updating you on a number of Board developments.

As you are aware, in June, we were very pleased that both MG's ordinary and A class preference shareholders passed the special resolutions presented at the meetings to cancel all the A class preference shares on issue and pay A class preference shareholders \$1.25 per share in return.

Since then, we have continued to review MG's share register, to look for opportunities to simplify and streamline. Accordingly, today we are recommending that ordinary shareholders vote in favour of a voluntary buy back for B and C class preference shares and we will discuss this resolution in detail later in the meeting.

During the year, the election process for Northern Region Directors was conducted, with all three existing Directors from that region – Natalie Akers, Ken Jones and Graham Munzel, successfully nominated by the northern regional shareholders to stand for re-election at today's meeting. Shareholders will be asked to vote when we come to the formal business of the meeting a little later.

The Board has been looking at how we can better assist with developing and identifying the best possible candidates for farmer directors, with a view to ensuring the Board has the optimum skill, knowledge and experience to best support the company's objectives and strategy. The Supplier Development Program is considered to play an important role in the

development and identification of future farmer directors and we are pleased to be able to continue the program in 2015.

Another initiative being considered is introducing a voluntary system by which candidates for election can be assessed, on their capabilities, experience and qualifications for directorship. During the year, we will be seeking feedback as to whether the introduction of such a system is supported by shareholders. In the event that it is, it would be the intention to introduce the system for the Gippsland Region Director Elections in 2015, with a recommendation to be made to supplier/shareholders as to their suitability.

The Board continues to actively search for the third Special Director having regard to the skills and experience that would best complement those held by existing Directors. This process will continue with a view to the Board appointing a third Special Director next year

Another important item to bring to your attention is that from 2015, it is our intention to bring forward the AGM so that the meeting can be held in October, rather than November. This will allow us to more closely align the timing of the AGM with the company's annual results reported in August and Annual Report in October. Shareholders will continue to receive all relevant communication and notice of the meeting in accordance with legal requirements.

Capital structure update

Turning now to the proposed capital structure, which we have spent much of the past year speaking to shareholders about.

As you are aware, MG's now well publicised Vision and Strategy is to become a 'first choice dairy foods company for our farmers, customers and consumers' by pursuing operational excellence and innovation.

Delivering this Vision and Strategy will require MG to invest up to \$500 million over the next few years to drive operational excellence and innovation across all aspects of the business....to deliver cost savings and revenue growth that will add at least \$1.00 per kg/MS solids to the farmgate milk price by 2017.

The plan is for MG to actively participate in the value chain all the way from the farmgate to the market. The processing of raw milk, developing dairy foods and building connections to

customers and consumers is the ultimate vertically integrated model. In our view, this model will deliver the maximum additional value to the farmgate milk price. A significant proportion of the \$1 kg/MS is delivered after factory processing on the pathway to market.

That's why the Board announced the comprehensive capital structure review last year, so that we could examine the best way to raise the funds needed to rejuvenate our manufacturing and supply chain infrastructure.

As many of you will recall, the results of the review were discussed at the 2013 AGM...with the Board advising that the preference is for MG to consider a capital structure that maintains 100% farmer control, but allows external investors to invest into MG via a separate, non-voting unit trust.

Since first describing the recommended capital structure at last years' AGM, MG has undertaken an extensive consultation process with shareholders and made a number of modifications to the proposed structure in response to shareholder feedback.

Recently, I wrote to suppliers to advise that the Board has considered a range of factors, including the interruption of the Christmas period and other key project parameters, and has decided to extend the timeline for the consultation phase and rollout of the capital structure.

Accordingly the fourth round of supplier meetings is now planned for early 2015, to be followed by an EGM and subject to this, a potential capital raising in mid-2015.

As things stand today, I believe we have made considerable progress towards finalising a capital structure that is uniquely suited to MG's needs and I look forward to further engagement with MG supplier/shareholders in early 2015, as we take the final steps towards presenting a recommended capital structure for approval.

In the meantime, I would like to reiterate that the proposal, while well developed, is not yet final and remains subject to formal regulatory review and approval. There are still a number of steps to be completed before any decisions on MG capital structure are finalised and put to the vote at an EGM.

Before you are asked to make any decisions, either about MG's capital structure or your own affairs, we will provide you with detailed explanatory materials to support your decision making.

Outlook

In a moment I will invite MG's Managing Director, Gary Helou, to address the meeting.

Before I do, I would like to conclude this part of my address by saying that your Board remains positive about the dynamics driving demand for dairy foods, particularly in export markets. Most importantly, we believe MG has in place the right Vision and Strategy to drive growth in Australian dairy and ultimately to deliver higher returns to our supplier/shareholders.

Thank you