

# Media release



27 February 2015

## Devondale Murray Goulburn (MG) confirms full year \$6.00 per kilogram milk solids farmgate price forecast and releases half year results

Half year results for period ending 31 December 2014:

- MG confirms full year forecast milk price of \$6.00 per kilogram milk solids
- Half year sales revenue of \$1.3 billion (down 1% from previous corresponding period)
- Half year net profit after tax (NPAT) of \$12.9 million
- Full year NPAT guidance of \$20 million - \$30 million, broadly in line with last year
- MG raw milk collections up 6.8% from 1H FY14 and growing ahead of national milk pool

### MG confirms \$6.00 per kilogram milk solids farmgate price forecast

Murray Goulburn Co-operative Co. Limited (MG) today announced a solid first half 2014/15 result and confirmed a full year forecast farmgate price of \$6.00 per kilogram milk solids.

A final price of \$6.00 per kilogram milk solids will be the third highest MG farmgate price on record and will be delivered despite a significant decline in global dairy commodity prices since 1 July 2014.

Commenting on the results, MG Managing Director Gary Helou said “delivering \$6.00 per kilogram milk solids farmgate price, while maintaining profitability at the shareholder level, was of vital importance to dairy farmers.”

“Key dairy ingredients prices globally have fallen significantly in the past six months, dragging down farmgate prices in dairy exporting countries by up to 40 percent. In contrast, MG’s forecast farmgate price of \$6.00 per kilogram milk solids is 12 percent lower than the 2013/14 record closing price of \$6.81. This price is evidence of the success of our strategy to invest in order to increase our diversification across domestic and export markets and product flexibility across retail, food service and ingredients, enabling us to maximise milk price in a variety of market conditions.”

“In the six months to 31 December 2014, MG mitigated the impact of global price movements with cost reductions and product mix optimisation. These efforts have had a positive impact on the half year result and support our ability to deliver a farmgate milk price of \$6.00 per kilogram milk solids. Providing consistently stronger farmgate prices and reducing business volatility for our dairy farmers is a key focus for MG” said Mr Helou.

“The moderating Australian dollar, while positive, occurred too late in the December half to materially impact the half year results. We welcome the emerging benefit that a lower currency will provide our export business, particularly in the value added dairy foods segment through the balance of the year and into next year.”

## **Sales revenue steady despite a steep drop in international dairy commodity prices**

Sales revenue was \$1.3 billion for the first half, down one percent compared to the previous corresponding period. This was a particularly pleasing result given the decline in prices received for key international dairy commodities.

International sales have benefited from MG's strategic shift towards higher value finished goods such as nutritionals and the continued growth in international dairy foods. Domestic sales increased materially compared to the prior corresponding period as a result of initiatives such as MG's entry into the daily chilled milk market via the ten-year agreement to supply Coles supermarkets private label milk in Victoria and New South Wales as well growth in the Devondale range of dairy foods products.

## **Full year forecast NPAT broadly in line with last year**

MG reported a half year net profit after tax of \$12.9 million compared to \$61 million in the previous corresponding period. The two periods are not directly comparable due to higher input milk price paid at the beginning of the financial year, providing a significant cash flow benefit to our dairy farmers.

MG also announced it is on track to deliver a full year net profit after tax of between \$20 million - \$30 million, broadly in line with last year's result, based on the forecast \$6.00 per kilogram milk solids farmgate price.

## **Growing milk pool**

MG received just over 2 billion litres of milk in the six months to 31 December 2014. This was a 6.8 percent increase on the prior corresponding period. MG's milk intake continues to grow at a faster rate than the Australian milk pool which according to Dairy Australia, grew by 2.6 percent during the six months to 31 December 2014.

Commenting on the growth in the milk pool, Gary Helou said, "This is such an encouraging sign for our business. Farmers are not only joining us but are also growing organically through new investment on-farm in the confidence of higher milk prices that MG has been delivering on. This will enable MG to continue to optimise its cost base and deliver efficiencies across the production portfolio ultimately leading to higher farmgate returns."

## **Balance sheet**

MG's net debt as at 31 December 2014 was \$740 million, compared to \$552 million at 31 December 2013. This increase was due to a number of factors, including growth in milk intake and normal seasonal inventory increases during the first half. As in prior years, inventories will be sold down during the second half – a lower production period. A component of the increase is related to our ongoing investment program including manufacturing upgrades and the construction of our new consumer cheese plant at Cobram.

## **Outlook**

In regard to the outlook, Mr Helou said: "We remain confident of the long term underlying growth in demand for dairy foods, particularly in Asia, where there is a net reliability on imports to satisfy rising consumer demand for dairy foods. The lower Australian dollar, expected lower production in some key competing countries and signs of recovery in global ingredients prices are all positive signs for the coming period."

-ENDS-

**A copy of this release is available at [www.mgc.com.au](http://www.mgc.com.au)**

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**About Devondale Murray Goulburn** (Murray Goulburn Co-operative Co. Limited - ABN 23 004 277 089)

Devondale Murray Goulburn is Australia's largest dairy foods company. In 2013/14 the company received approximately 3.4 billion litres or 37 percent of Australia's milk and generated sales revenue in excess of \$2.9 billion. Devondale Murray Goulburn was formed in 1950 and remains 100 percent dairy farmer controlled, with more than 2,500 farmer/shareholders and more than 2,400 employees. Devondale Murray Goulburn is also Australia's largest dairy food exporter to the major markets of Asia, the Middle East and North Africa, and the Americas. Devondale Murray Goulburn produces a range of ingredient and nutritional products, supplies the food service industries globally and its flagship Devondale brand is sold nationally.