



# Supplier information update

15 August 2016

Dear Suppliers

Following a busy period inside and outside of MG, I'd like to take this opportunity to provide an update on some items of note.

## 1. Conclusion of Supplier Information Sessions

Thank you to all suppliers who were able to attend recent Supplier Information Sessions or submitted questions in advance. On behalf of the Board and management, I'd like to sincerely thank you for your honest and considered contributions. In light of a series of such significant milk pricing events, it was entirely appropriate to spend as much time with suppliers as possible to receive and discuss feedback.

The revised meeting format, based on recommendations from suppliers across the regions as well as those involved in the Supplier Development Program, was well received and I've been heartened by comments that participants felt their questions or concerns were adequately addressed.

We met our commitment to publish a comprehensive Q&A document to reflect discussions at the recent sessions. The document has been downloaded from our website well over 1,000 times. An update from recent meetings will be published shortly. With your collective endorsement, we'll continue with this format in the future. Details on September supplier meetings to coincide with the release of our FY16 full year results will be sent in due course.

## 2. Recognition of important milestones

MG is not standing still as we manage through this very difficult period. We continue at pace with the important projects underpinning our strategy.

### Program Evolution

Earlier this month, the company completed a successful implementation of an integrated new SAP system and accompanying improved processes and reporting. SAP is a world-class and intelligent software that delivers significant efficiencies right across our business. As announced to suppliers in late 2014, this integrated business platform offers MG an edge in responding to market demands with speed and accuracy.

While various parts of this software package have been active for some time, the broader migration represents the integration and streamlining of a number of existing systems. This project was a significant undertaking for MG and a key enabler of our growth strategy moving forward.

### Project Avalon

Our new state-of-the-art cheese production facility in Cobram continues as planned. Early August saw a milestone with first testing and initial commissioning of the retail shred line successfully completed. The aim is to work through these initial phases safely and methodically before commencing full commercial production later this year.

The new facility will allow exciting innovation in format and functionality to help us improve yield and maximise opportunities in new markets. For example, the plant's 'quick freeze' technology will give us capability to export snap frozen cheese products to international markets for the first time and

represents an important new opportunity for MG's cheese business. Additionally, the new facility will also increase our capacity for slices, portion and shredded cheese.

### Cost-saving initiatives

Furthermore, work to identify areas where we can generate additional efficiencies has progressed significantly and details of improvements we will make to be more effective and reduce costs across all areas of the business will be announced to coincide with our FY16 full year results announcement in just over a week's time.

### 3. Media interest

Recent meetings have given us the opportunity to again articulate the circumstances leading to a reduction in the FY16 opening price and the FY17 forecast price. We acknowledge and understand the significance of these events – not just to MG suppliers, but the industry and your communities more broadly.

While suppliers have already had an opportunity to consider these circumstances in detail, we note media speculation has been ongoing. Given the importance of a strong co-operative remaining at the heart of Australia's dairy industry, we will continue to respond in cases where we are being inaccurately represented.

The Board and management team remains focussed on meeting our obligations to suppliers as a priority. I will contact all co-operative members directly to discuss our full year results announcement on the morning of 24 August. Furthermore, you can expect further detail as we head toward the AGM and release of the Annual Report.

I appreciate and respect that you will have many questions following the release of the results. The Board and I look forward to speaking with many of you to address them in detail.

### 4. Our identity is at stake

After a profoundly difficult time for everyone associated with MG, I've taken solace during quieter moments in the story of MG's formation, told so beautifully by Catherine Watson in "Just a Bunch of Cow Cockies: The story of the Murray Goulburn Co-operative".

In it, there's a consistent theme – no challenge is too big when the collective success of dairy farmers is at stake. I passionately encourage suppliers old and new to reflect on the fact they are part of a business based on an ideology, structure and Constitution that have been fundamentally unchanged since its 1950 creation.

It was in that crucial year that 14 dairy farmers rallied to form an unlisted public company – one that would represent its best interests as a sole focus. I'm proud to serve as Chairman on that basis to this day.

As the journey continued, the company acquired smaller co-operatives to improve its competitiveness and extend its reach. In the same way that we've sought a growth program in the domestic and export markets, our founding members operated a business that reflected the market and trading conditions of the day.

We are proud to be a co-operative. We recognise the monumental toil and effort that goes into producing milk solids, which is why collecting milk from dairy farms no matter their location or herd size is at the core of our identity.

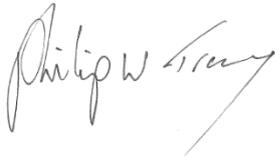
## 5. Looking ahead

MG remains a strong company, with a bright future. The co-op is continuing to work through an extraordinarily difficult and protracted period of global dairy supply and demand imbalance. When the market ultimately readjusts in our favour, MG will have made the necessary investments in its manufacturing infrastructure to emerge from the dairy crisis stronger and better positioned to capitalise on the new opportunities a balanced dairy market will bring.

Every step we take and decision we make on your behalf is focussed entirely on building a strong MG for the future – one that leads, innovates and is recognised for the contribution its strategy makes to paying the strongest farmgate milk price possible.

Thank you for your ongoing patience and participation.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Philip W. Tracy', with a long, sweeping underline.

**Philip Tracy**  
Chairman