



16 August 2016

Supplier letter post-Canberra meeting

Dear Suppliers

I am writing to update you following MG's meeting with the Prime Minister and Deputy Prime Minister today.

The meeting in Canberra was arranged following a commitment made by the Prime Minister prior to 2 July that if re-elected, the Coalition Government would seek a meeting with both MG and Fonterra. MG was represented by myself, Ken Jones, Natalie Akers, Mike Ihlein, David Mallinson and Fiona Smith.

First of all I would like to say that MG was grateful for the opportunity to meet with the most senior levels of Government and discuss the challenges facing our sector. The meeting was very constructive and open. I am pleased that the Government remains focused on doing everything it can to assist the dairy industry and is firmly supportive of the role that MG plays in the industry as a major co-operative.

The Government rightly wanted to understand the background to last season's farmgate milk price reduction, the circumstances behind the introduction of our Milk Supply Support Package (MSSP) and the potential for a strengthening in the milk price during this season. The Prime Minister and Deputy Prime Minister expressed their view that MG should do everything within our power to reduce the financial burden of the MSSP recoupment – something that both the Board and Management are committed to achieving. We also confirmed that further detail on this matter will be provided in our FY16 results announcement.

Ahead of next week's Dairy Industry Symposium in Melbourne called by the Deputy Prime Minister and involving a range of dairy industry participants, we also expressed our support for the Coalition proposal to establish a Commodity Milk Price Index. MG's pricing mechanism has worked effectively for many decades and through many industry cycles, but we do believe there is scope to improve the transparency of pricing for Australian dairy farmers. We support the call for industry wide consultation to ensure that the index is a true indicator of commodity prices and meets the requirements of the Australian dairy industry as a whole. David Mallinson and I will represent MG at the Symposium.

Next Wednesday, MG will announce its financial results for the 2016 financial year and I look forward to updating you further then. As mentioned in my previous letter, we have posted additional summary of Q&A from recent Supplier Information Sessions on our website for reference and will be back in the regions to meet with suppliers in early September.

Yours sincerely,

Philip Tracy
Chairman