



5 September 2016

## Murray Goulburn actively reviewing options to support Suppliers

Dear Suppliers

I am writing to update you on a decision that the Board will be communicating as part of our FY16 results presentation and FY17 outlook presentation that we will be discussing with Suppliers over the next week.

When it became clear that last year's farmgate milk price would be significantly below expectations, the Board and Management immediately looked at options to support Suppliers and put in place the Milk Supply Support Package (MSSP) to try to soften the adverse short term impact on Supplier cash flows and assist our Suppliers with their own financial commitments. The MSSP allowed us to pay our Suppliers an average available Southern Region Farmgate Milk Price (FMP) for FY16 of \$5.53 per kilogram milk solids rather than the final FMP of \$4.80 per kilogram milk solids.

Since its introduction it has become very clear that the MSSP is not considered by Suppliers to have addressed their most significant concerns and is potentially proving counterproductive from the perspective of their continued loyalty. This was not its intent and the Board is very mindful of continuing to do what it can to help address Supplier concerns. The Board and Management are therefore actively reviewing all options with a view to providing a better solution to support Suppliers in the long term interests of Suppliers and MG. The Board will proceed with this review in a timely manner and expects to be in a position to communicate further with Suppliers by the end of October 2016. The issue is complex but is getting your Board's very focussed attention.

I look forward to welcoming you at the Supplier meetings over the coming week.

Yours sincerely,

**Philip Tracy**  
Chairman