



# Fact sheet

## Southern Milk Region step-up and Milk Supply Support Package outcome

27 October 2016

### Step-ups for the Southern Milk Region

Two step-ups will be paid to all Southern Milk Region (SMR) suppliers totalling \$0.26 kgms (2c/L), one effective immediately and one paid at the end of the season. A summary of the step-ups include:

- A \$0.13 per kgms (1c/L) step-up for all milk supply from 1 July 2016 to 30 June 2017
- An additional \$0.13 per kgms (1c/L) step-up to all current and new suppliers as at 30 June 2017 for all milk supplied from 1 July 2016 to reward continuity of supply, paid as part of the June 2017 milk proceeds
- These step-ups will require a \$50 million deviation from the Profit Sharing Mechanism and are funded by debt

These two step-ups will take MG's weighted average available FY17 farmgate milk price to **\$4.86 per kgms** and our full-year forecast to an estimated **\$4.95 per kgms**.

### Outcomes of Milk Supply Support Package (MSSP) review

A summary of the outcomes of the Milk Supply Support Package (MSSP) review includes:

- No supplier will contribute more to the MSSP than they received in FY16. This means remaining suppliers will not have to fund the MSSP of those suppliers who have departed the co-operative.
- As previously announced, the MSSP contribution has been suspended from milk proceeds payable from 1 October 2016 to 30 June 2017
- The MSSP recoupment has been extended to 2022, approximately halving the annual impact on suppliers
- Management is confident our cost efficiency program will offset the contribution from suppliers from FY18

Many suppliers will query why the Board did not choose to remove the MSSP completely. The conclusion was that doing this was not in MG's long-term interests as it would not, in and of itself, have contributed to a competitive farmgate milk price. It would have also resulted in a large increase in MG's debt position.

### Further information

To read full details of the step-ups and outcomes of the MSSP review, please refer to the exchange release and supplier letter (dated 27 October) on the [news section](#) of MG's website.