



29 May 2017

Milk Payment System

Dear Suppliers

I would like to update you on the findings of MG's Milk Payment Review and the actions we have decided to implement in the 2017/18 season.

FY18 Milk Payment System – at a glance

Our priority is to ensure the stability of MG and restore the trust of our suppliers. As a result, your Board has decided to make minimal changes to the milk payment system in 2017/18. Further changes will be addressed and communicated to you during the 2017/18 season and include potentially: moving to a more frequent pricing interval (half yearly or quarterly), adjusting the current seasonal incentives and amending the flat milk calculation method.

For the 2017/18 season, we will:

- maintain our historical approach and set a single base price
- provide a full year forecast expressed as a range in \$/kg MS
- continue current seasonal incentives as part of the single base price
- continue the current productivity incentive
- continue the current volume and collection charges
- continue the Next Generation package of initiatives

The following key changes will apply for the 2017/18 season:

1. Incentive changes

- Flat Milk Incentive (FMI) will be updated by:
 - removing the need to elect to participate
 - removing any FMI deductions
 - expanding the FMI percentage bands
 - allowing eligible suppliers to take a portion of their FMI as an early payment
- the growth incentive will no longer be offered
- a milk reward program will be introduced under which current continuing suppliers will receive an additional 10 cents per kg MS and new suppliers who have not supplied MG within the last 5 years will receive an additional 5 cents per kg MS.

2. Farm Milk Quality Standard changes

- simplifying the requirements to rectify milk temperatures within required time limits (after a vat breakdown or power failure)
- clarification that we can cease milk collection where a supplier's rolling 12-month grades reach 12 in any category (Bactoscan, Thermoduric or Bulk Milk Cell Count)

3. Transport Standard changes

- updated guidelines for supplier vat room requirements as follows:
 - vat room doorways must comply with relevant Australian Standards
 - milk stored in buckets must not be kept in vat rooms
 - areas where tanker operators exit vehicles are clear of potentially hazardous obstacles
- updated asbestos control measures which require damaged or broken asbestos in vat rooms to be reported and a risk assessment conducted prior to further milk collection

These terms, together with other administrative changes, will be included in the 2017/18 Supplier Handbook which will take effect on 1 July 2017. The 2017/18 hard copy of the Supplier Handbook will

commence distribution to Suppliers on 13 June and is also available on our website at www.mgc.com.au/legal. We encourage all suppliers to read the Handbook in detail.

If you do not require a hard-copy of the 2017/18 Supplier Handbook, please notify us via email at communications@mgc.com.au by 8 June. Please ensure that you include your full supplier number with your email notification.

If you have any queries in relation to the 2017/18 Milk Payment System, please don't hesitate to contact your local Field Services Officer.

Thank you for your continued support.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'C. Smith', with a stylized flourish at the end.

Cameron Smith
Supplier Relations Director