

News release



6 June 2017

ASX announcement

Murray Goulburn announces FY18 opening farmgate milk price and Strategic Review

- **Forecast FY18 full year Southern Milk Region farmgate milk price (FMP)¹ in the range of \$5.20/kilogram of milk solids (kg MS) to \$5.40/kg MS**
- **FY18 opening Southern Milk Region FMP of \$4.70/kg MS**
- **Comprehensive Strategic Review will consider both strategy and corporate structure**

Murray Goulburn Co-operative Co. Limited (MG) has today announced a FY18 opening FMP for the Southern Milk Region of \$4.70/kg MS.

MG forecasts a FY18 full year Southern Milk Region FMP in the range of \$5.20/kg MS to \$5.40/kg MS. This range is subject to various assumptions, including dairy commodity prices, exchange rates and achieving cost out initiatives, as well as achieving milk intake of approximately 2.5 billion litres.

MG's Chief Executive Officer, Ari Mervis, said that in setting the FY18 FMP forecast, the company has taken a prudent view on key assumptions for commodity prices.

"Although global commodity prices have shown some recovery since this time last year, whole milk powder and particularly skim milk powder prices remain under 10 year averages. This has been somewhat offset by firmer butter and cheddar prices². We have also had regard to Global Dairy Trade auction results over the past two months and current futures pricing, both of which suggest some ongoing price volatility in global markets³."

In correspondence to suppliers, Ari Mervis noted that while the FY18 opening and forecast prices were an improvement on FY17, MG's performance remains below his expectations.

"Today, MG announces the commencement of a comprehensive strategic review which will look at all aspects of MG's strategy and corporate structure, including the Profit Sharing Mechanism and capital structure.

"I see this review as a fundamental next step to strengthen MG for the future. While the previous decisions resulting from the manufacturing footprint review, including the announcement of three site closures were necessary, I do not consider them alone to be sufficient to move the business forward. Given the timeframes associated with the site closures, the expected financial benefits are not expected to be fully realised by MG until FY19. A further update on the strategic review is expected to be provided at the time of MG's full year results in August."

– ENDS –

Contact details

Media:
Alex Evans
+61 475 409 084

Analysts:
Jonathan Denby
+61 411 684 617

¹ All references to FMP refer to average available FMP which includes the add-back of quality adjustments accrued from the supply of non-premium milk.

² Global Dairy Trade

³ AgriHQ Global Dairy Snapshot, 2 June 2017

About the MG Unit Trust

The MG Unit Trust is a special purpose funding vehicle which provides its unitholders with an economic exposure to the business of Murray Goulburn Co-operative Co. Limited (**Murray Goulburn**). The MG Unit Trust invests in notes and convertible preference shares issued by Murray Goulburn. The Responsible Entity of the MG Unit Trust is MG Responsible Entity Limited, a wholly-owned subsidiary of Murray Goulburn. Unitholders are entitled to receive distributions equivalent to any dividends paid to the ordinary shareholders of Murray Goulburn. Dividends paid on ordinary shares will be determined by Murray Goulburn in accordance with the Profit Sharing Mechanism described in Section 6 of the Product Disclosure Statement dated 29 May 2015. Units do not confer a direct interest in Murray Goulburn.

Murray Goulburn is Australia's largest dairy foods company and one of Australia's largest food and beverage companies with annual turnover of approximately \$2.5 billion. Through its co-operative structure, Murray Goulburn has approximately 2,000 supplier shareholders. Murray Goulburn manufactures and markets a full range of dairy and nutritional products such as cheese, milk powder, butter and fat, drinking milk and liquid milk products, nutritionals and value-added products, such as infant formula. Murray Goulburn supplies the grocery, foodservice and ingredients channels domestically and around the world, particularly in Asia, with its flagship Devondale, Liddells and Murray Goulburn Ingredients brands.