Media Release

Murray Goulburn announces record opening price for 2013/14 dairy season

5 June 2013

- MG announces that an effective initial price of $5.60 per kilogram milk solids is available to suppliers - a 24 percent increase on last year and the highest on record.
- This initial price includes the option to take up the pre-payment of a special step-up, providing up to $31 million in cash flow to suppliers on 15 July 2013.
- MG forecasts a full-year price of $5.80 to $6.00 per kilogram milk solids (approximately 45 cents per litre).
- In total, the pricing announcements made by MG today mean the injection of an additional $200 million in cash to MG dairy farmers and their communities in the first six months of 2013/14 compared to 2012/13.

Murray Goulburn Co-operative Co Limited (MG) today announced an effective initial price of $5.60 per kilogram milk solids, a 24 percent increase on the previous year's opening price.

MG Managing Director Gary Helou said that the combination of a 24 percent increase in the price available to suppliers at the start of the financial year, changes to the milk payment system and the offer of a pre-paid step-up would deliver an increase in cash of approximately $200 million to MG suppliers in the first half of next season compared to 2012/13.

The forecast end-of-season milk price for 2013/14 is a range of $5.80 to $6.00 per kilogram milk solids (approximately 45 cents per litre).

"MG's opening price reflects the positive impacts of the $100 million operational savings, higher world dairy ingredients prices and a softening Australian dollar." Mr Helou said.

"Demand for dairy food remains strong in key markets in Asia and the Middle East with growth in traded global dairy market expected to exceed five percent per annum. On the other hand, global supply of dairy products was hampered by negative seasonal conditions in key exporting regions, including New Zealand, Australia and Europe. Growth in global traded milk supply this year is expected to be less than one percent, or half the previously forecast two percent. This shift in the balance between supply and demand has resulted in the recent surge of international dairy prices."

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"Although prices are expected to stay strong during the next six months, factors like growth in supply, foreign exchange and continued strong demand will shape prices during the second half of the year."

Mr Helou explained that the MG Board had approved a special pre-payment of 2013/14 milk proceeds of $0.09 per kilogram of butterfat and $0.19 per kilogram protein to be paid on 15 July 2013 - injecting $31 million into MG suppliers' cash flows.

"This early injection of cash at the beginning of the new season will be a major boost to our supplier shareholders who are enduring tough seasonal conditions and higher input costs."

Mr Helou also confirmed that previously announced changes to MG's milk payment system would bring forward more cash to most suppliers.

"We have moved approximately $35 million from off-peak to peak months and made a range of other changes to improve the balance in our payment system.

"In addition to our pricing initiatives we continue to provide additional services that can assist suppliers in the short and longer term. This includes provision of MG Finance, our Next Generation young farmer initiatives and our workforce support resource. MG Trading is also continuing to secure fodder to help MG suppliers through the winter period where feed remains tight.

"We have outlined a very clear strategy designed to improve farmgate prices and we believe the Co-operative is the vehicle for Australia's dairy farmers to determine their own futures."

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Murray Goulburn Co-operative Co. Limited (MG) is Australia's largest dairy food company receiving and manufacturing approximately three billion litres per annum or one third of Australia's milk. MG was formed in 1950 and remains 100% dairy farmer owned. MG is Australia's largest dairy food exporter and its flagship Devondale brand is sold nationally.

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