



22 June 2017

## Increase to Southern Milk Region opening price and 2017/18 FMP range

Dear Suppliers,

Today Murray Goulburn (MG) is pleased to announce:

- **an increase in the 2017/18 season opening Southern Milk Region Farmgate Milk Price (FMP<sup>1</sup>) to \$5.20/kilogram of milk solids (kg MS) (including the Reward Program and other incentive payments)**
- **an increase in the higher end of the forecast 2017/18 full year FMP range to \$5.20-\$5.50/kg MS**

The table below sets out the rates which are included in the revised opening price for the 2017/18 season and provides a comparison to last season's opening price.

Our previous opening price announcement on 6 June 2017 was earlier than in prior years in order to try and assist suppliers with budgeting and business planning. Since then, we have had the opportunity to review the 2017/18 budget assumptions, which include dairy commodity prices, exchange rates and achieving cost out initiatives, as well as achieving milk intake of approximately 2.5 billion litres. The updated FMP has also taken into account improved commodity prices reflecting anticipated market returns, together with additional sales that have been contracted.

We recognise that in the current competitive environment we need to maintain our milk supply and provide improved cash flow for suppliers. Our decision to revise our opening price to \$5.20/kg MS is intended to assist in maintaining our competitiveness and support our supplier base.

My management team and I believe that MG has a strong future ahead, but need time to improve the business' performance. We remain committed to being open and transparent and we trust that this revised opening price will provide you with increased confidence for the upcoming season and assist you further with your business planning.

I continue to appreciate your ongoing feedback and support and look forward to working with you to strengthen MG.

Yours faithfully,

**Ari Mervis**  
Chief Executive Officer

<sup>1</sup> 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.

## Revised opening price

Month	2016/17		2017/18	
	Butterfat (\$/kg)	Protein (\$/kg)	Butterfat (\$/kg)	Protein (\$/kg)
July	\$3.21	\$6.42	\$3.68	\$7.36
August	\$2.84	\$5.68	\$3.31	\$6.62
September	\$2.72	\$5.44	\$3.19	\$6.38
October	\$2.72	\$5.44	\$3.19	\$6.38
November	\$2.72	\$5.44	\$3.19	\$6.38
December	\$2.72	\$5.44	\$3.19	\$6.38
January	\$2.92	\$5.84	\$3.39	\$6.78
February	\$3.02	\$6.04	\$3.49	\$6.98
March	\$3.06	\$6.12	\$3.53	\$7.06
April	\$3.21	\$6.42	\$3.68	\$7.36
May	\$3.29	\$6.58	\$3.76	\$7.52
June	\$3.36	\$6.72	\$3.83	\$7.66

MG also notes the following:

- The opening monthly milk prices are based on the supply of milk that qualifies as **Premium**. Discounts will apply for milk quality below **Premium**, as set out in the *MG Supplier Handbook: Southern Milk Region*.
- In addition to the opening monthly milk prices detailed above, the Reward Program, Productivity Incentive and Flat Milk Incentive (FMI) are available, as set out in the *MG Supplier Handbook: Southern Milk Region*.
- All suppliers are automatically eligible to participate in the expanded FMI in the 2017/18 season.

Information provided earlier regarding the Flat Milk Incentive, Reward Program and share equity remains unchanged.