20 March 2013

World dairy prices continue to rise

Dear Supplier / Shareholder

I write to provide a short update on further significant increases in dairy prices on the Global Dairy Trade (GDT) auction held yesterday. The GDT Trade Weighted Index was up 14.80%, this follows a 10% increase at the auction two weeks ago. Whole milk powder was up 21.2% to US$5,116/tonne which follows an 18% increase at the previous auction (see chart attached).

As we continue our supplier meetings across MG's supply regions we have provided the latest update on the state of the world dairy market.

This included the following key points;

- Demand for dairy products has remained strong with a 5.7% increase in trade volume, particularly concentrated on Asian markets.

- Prices have been depressed due to a high Australian dollar and strong milk supply in FY12 from New Zealand and other key exporters. This strong supply has taken approximately 12 months to work through the global supply chain.

- However all key exporters have seen slower milk supply growth and the very dry conditions in New Zealand, Australia and the USA have seen market sentiment shift and dairy prices begin to rise significantly during the last six months.

The GDT result reported today is further evidence of strong demand and tightening supply.

It provides MG with another data point for optimism of improved pricing for 2013/14.

Supplier meetings have been very well attended. Suppliers are now looking for an autumn break, combined with this higher milk price outlook, to provide a positive turnaround in farm profitability in 2013/14.
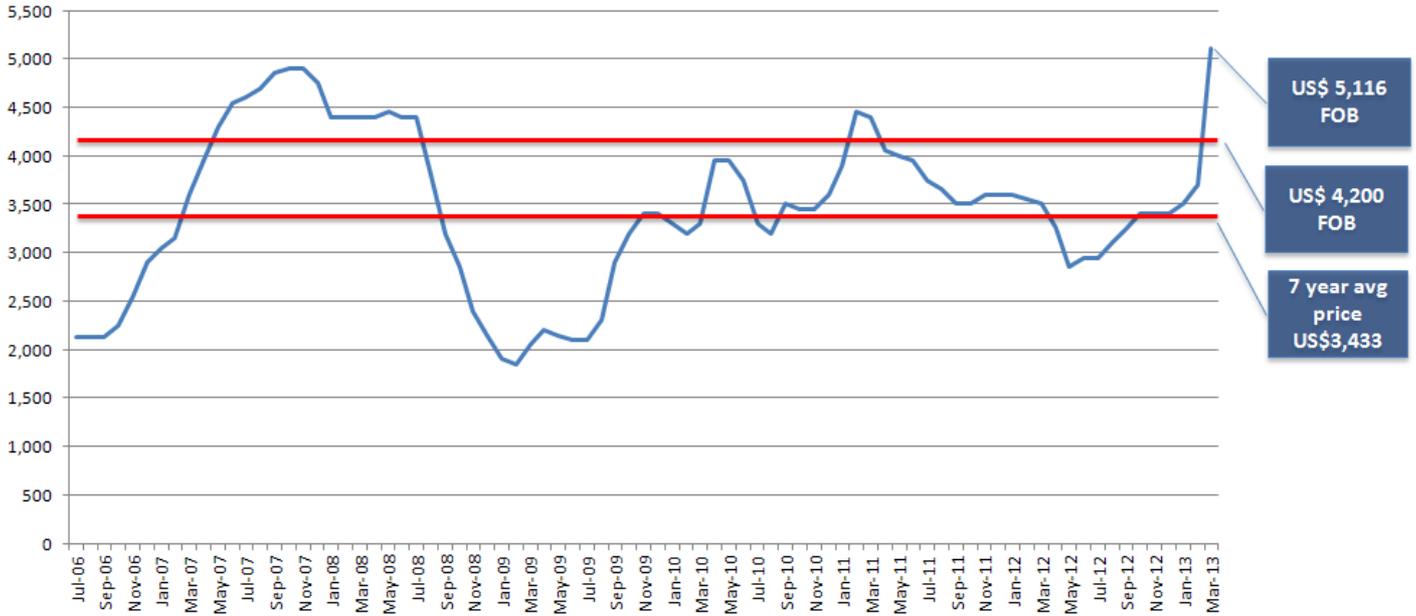
MG will continue to implement a strategy based on operational excellence (including lowering our costs) and innovating in key markets. We will keep you up to date on market conditions as we continue to frame our budget for opening prices.

Yours sincerely,
Murray Goulburn Co-operative Co. Limited

Gary Helou
Managing Director

WMP 7 Year price series

US$ 5,116 FOB

US$ 4,200 FOB

7 year avg price US$3,433

Source: Dairy Australia, Global Dairy Trade, Murray Goulburn