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Media Release

Murray Goulburn Co-operative passes on improved market returns to dairy farmers

Australia's farmer-owned dairy company - Murray Goulburn Co-operative today advised the co-operative's 2,600 dairy farmer shareholders of a further increase in 2009/10 farmgate milk prices - achieved by passing on improved market returns.

In his statement to suppliers Managing Director Mr Stephen O'Rourke advised that a step up of \$0.30/kg protein and \$0.12/kg butterfat would be paid with the November milk payments.

"This increase in farmgate milk price represents the payment of approximately A\$50 million to our suppliers. This directly benefits rural communities and the Australian economy," Mr O'Rourke said.

"With improved spring rains, pasture growth, water allocations and lower grain prices, we hope that our dairy farmer suppliers can see significant improvements in their farm budgets and build their confidence in the underlying strength of dairy food production for Australian and world markets."

Mr O'Rourke said that the co-operative and its dairy farmer suppliers had been hit hard by the global financial crisis and a 60% decline in the prices for major traded dairy products such as milk powders and cheese which occurred late in 2008.

"We are pleased to see a firm recovery in world dairy prices over recent months. However we maintain some caution as world economic conditions remain uncertain and can change quickly. Exchange rate risk remains a serious concern with a strengthening Australian dollar eroding some of the benefits of higher world prices".

Having taken account of these cautionary factors, the Co-operative expects to be able to increase milk prices even further during 2010.

"We intend to advise our dairy farmer suppliers about further increases in December," Mr O'Rourke said.

"As a farmer-owned dairy company Murray Goulburn passes on what the market returns and dairy farmers not supplying Murray Goulburn understand that it is our price that drives their farmgate returns. For this reason we are placing increasing emphasis on loyalty and will look to better reward those farmers that seek to maximise their returns over the long-term via their partnership with their Co-operative."

"Murray Goulburn has maintained its strong financial position through the global financial crisis and with the support of its dairy farmer suppliers will continue to invest in strategies to increase farmgate returns and reduce their volatility," Mr O'Rourke said.

Murray Goulburn Co-operative is Australia's largest exporter of processed food, employs over 2,000 people in regional Australia and is wholly owned by 2,600 dairy farmer shareholders. Its flagship Devondale brand is recognised nationally as a market leader.

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