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Media Release

Murray Goulburn Co-Operative forecasts improved farmgate returns as it releases opening prices to its dairy farmer supplier-shareholders

Australia's farmer-owned dairy company - Murray Goulburn Co-Operative yesterday released its 2010/11 opening milk price circular to its dairy farmer supplier-shareholders.

In the circular Managing Director Stephen O'Rourke informed supplier-shareholders that the opening price equated to a weighted average of $4.75 per kilogram of milk solids – 30% up on last year's opening price.

"In addition our current market forecast for the year ahead suggests a final milk price in the weighted average range of $5.30 to $5.50 per kilogram milk solids and we will update this forecast on a regular basis throughout the year," Mr O'Rourke said.

"If the market conditions allow us to meet this forecast we are committed to delivering this return via step-ups in milk price throughout the coming year."

Mr O'Rourke said that dairy market conditions are currently at levels that are below the highs of 2007/08 but above historical trends. Given a high Australian dollar, we believe that market prices at these levels and above are necessary for sustainable dairy farming returns and we will work to maintain and grow fair value for our dairy farmer-suppliers.

However Mr O'Rourke provided words of caution about the world economy.

"The stronger opening price and forecast is against a backdrop of ongoing uncertainty and potential volatility in the world economy and this can impact on forecast prices up or down," he said.

"We have already commenced 2010/11 sales in firm market conditions and have taken a careful forward view to make our forecast for the full year. We will keep our supplier-shareholders as up-to-date as possible in regards to market changes," Mr O'Rourke said.

Murray Goulburn has also released new payment options for dairy farmer suppliers that will be available for the next three years before being reviewed.

General Manager of Murray Goulburn's Field Services Ross Greenaway, said that the dairy industry and Murray Goulburn had changed significantly in the last ten years and it was time for the Co-operative's milk payment system to reflect new settings.

"Australia's milk supply has fallen and farm management systems have changed. Murray Goulburn has increased value-added sales including a significant increase in domestic market revenues," Mr Greenaway said.

"Accordingly we needed to develop milk payment options to provide supplier-shareholders with choice and flexibility when managing their farm operations and subsequently provide milk growth and higher returns via the co-operative."

“We would expect that most of our suppliers will be comfortable with the existing “traditional” payment system. However the three payment options for the coming season provides the Co-operative’s dairy farmers with a choice of payment system best suited to the farm’s specific circumstances.

Mr Greenaway said that Murray Goulburn has also introduced a growth incentive which recognises the value of additional milk to the Co-operative.

“Each Murray Goulburn dairy farmer supplier has been sent an information pack to assist them in assessing the new options fully,” Mr Greenaway said.

On Monday Murray Goulburn Co-Operative also informed dairy farmer suppliers of a fifth and final step-up in milk price for the 2009/10 financial year - taking the final weighted average price to $4.45 per kilogram milk solids.

Established in 1950, Murray Goulburn Co-Operative (MGC) is Australia’s 100% farmer-owned dairy company. Processing 35% of the nation’s milk (3.5 billion litres in FY09), MGC is the largest dairy processor and Australia’s largest exporter of dairy foods. MGC’s flagship Devondale brand is sold nationally and is a market leader in key categories.

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