

IN THE AUSTRALIAN COMPETITION TRIBUNAL

of 2013

MURRAY GOULBURN CO-OPERATIVE CO LIMITED

**RE: PROPOSED ACQUISITION OF WARRNAMBOOL CHEESE
AND BUTTER FACTORY COMPANY HOLDINGS LIMITED**

Certificate identifying annexure

This is the annexure marked RAP51 now produced and shown to Robert Arthur Poole at the time of signing his statement on 28 November 2013.

**Annexure RAP51
2014 Opening Price Circular**

Filed on behalf of Murray Goulburn Co-Operative Co Limited
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5 June 2013

Opening Price Circular 2013/14

Key points:

- MG announces that an effective initial price¹ of \$5.60 per kilogram milk solids is available to suppliers. The effective initial price is the highest milk price available to suppliers at the start of a financial year on record.
- This initial price includes the option to take up the pre-payment of a special step-up (if the supplier elects to participate) of \$0.19 per kilogram protein and \$0.09 per kilogram butterfat (\$0.13 per kilogram milk solids). Please see below for more details on the pre-paid special step-up.
- MG forecasts a full-year price of \$5.80 to \$6.00 per kilogram milk solids. This forecast represents the second highest milk price on record.
- MG's opening price reflects the positive impacts of the identified \$100 million operational savings, higher world dairy ingredients prices and a softening Australian dollar.
- MG is committing now to pay a one-off special step-up for 2013/14 premium and base milk solids at the end of the 2013/14 financial year, at a rate of \$0.19 per kilogram protein and \$0.09 per kilogram butterfat. As with any other loyalty payment, you must be supplying MG at the time of payment to receive the special step-up.
- For those suppliers who elect to participate, MG will also provide immediate cash flow by pre-paying its estimate of this special step-up. Suppliers need to elect to participate by 30 June 2013 to receive the pre-payment on 15 July 2013. As this is a pre-payment only, suppliers who stop supplying MG during the 2013/14 season will have to repay it in full as they won't become entitled to the special step-up at the end of the 2013/14 season.
- Updated milk supply terms and conditions will be mailed in coming days along with a form allowing you to participate in the pre-payment of the special step-up. This information is also available from your local Field Services officer or on MG Farm.
- MG confirms the details of the implementation of the recent milk payment review. Approximately \$35 million has been brought forward to the peak months of the season to bring farmgate pricing in line with product mix returns. This improves cash flow for most MG suppliers and lifts Flat Milk Incentive (FMI) suppliers to a common base price.
- Suppliers seeking to apply the Flat Milk Incentive (which effectively replaces the Domestic Incentive or DI) have until 31 August 2013 to elect to do so.
- A full income estimation will be completed for your farm and be provided with your June milk statement. This statement will estimate the impacts of the opening price, the special step-up, the pre-payment of this special step-up (if you elect to participate) and milk price structural changes.

¹ This effective initial price comprises an opening price of \$5.47 per kilogram milk solids and the pre-payment of a special step-up (if the supplier elects to participate) of \$0.19 per kilogram protein and \$0.09 per kilogram butterfat.

Dear Supplier/Shareholder,

I am pleased to announce Murray Goulburn Co-operative Co. Limited (MG) is offering an effective initial price² of \$5.60 per kilogram milk solids to suppliers for the 2013/14 season, commencing 1 July 2013. This represents an increase of \$1.10 per kilogram milk solids or 24 percent on last year's opening price of \$4.50 per kilogram milk solids.

Our forecast end-of-season milk price is a range of \$5.80 to \$6.00 per kilogram milk solids. Whilst improved MG operational efficiencies and higher international dairy prices contributed to this strong opening price announcement, our full year forecast will remain subject to external factors such as international dairy market prices and currency movements which will impact the final price up or down on this forecast. We will update you with revised year end price forecasts on a quarterly basis.

I am also pleased to announce other initiatives, including a special 2013/14 season step-up at a rate of \$0.19 per kilogram protein and \$0.09 per kilogram butterfat, along with the offer to pre-pay this special step-up for 2013/14 to provide cash to MG suppliers following a very difficult past year.

The combination of a 24 percent increase in the price available to suppliers at the start of the financial year and the changes to the milk payment system will deliver an increase in revenues of approximately \$200 million to MG suppliers in the first half of next season compared to 2012/13. 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.

Efficiency Program delivers \$100 million

MG continues to focus on reducing costs and improving supply chain efficiency. The achievement of our \$100 million target in savings and its inclusion in the 2013/14 budget will increase the farmgate price by approximately \$0.40 per kilogram milk solids and will improve MG's competitive positioning for milk supply.

The executive team has now commenced work on the identification and delivery of savings beyond the initial \$100 million.

Market Outlook

As reported at supplier meetings, 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.

² This effective initial price comprises an opening price of \$5.47 per kilogram milk solids and the pre-payment of a special step-up (if the supplier elects to participate) of \$0.19 per kilogram protein and \$0.09 per kilogram butterfat.

Looking forward, we believe international prices have peaked but will continue to be strong during the first half of the new season. Factors like growth in supply, foreign exchange and continued strong demand will shape prices during the second half of the year.

The past year's lower milk prices were significantly impacted by the high Australian dollar which was at US\$1.05 at the time of the March supplier meetings. As you have no doubt observed, there has been some softening in recent weeks and the dollar has moved below parity. Given MG's export sales, the lower Australian dollar is very welcome. Nevertheless, we remain cautious about the volatility of the Australian currency as we look for a consistent lower trading band throughout 2013/14.

Pre-paid Step-up for 2013/14

Key points

- The MG Board has approved a special step-up for 2013/14 qualifying milk solids, at a rate of \$0.09 per kilogram of butterfat and \$0.19 per kilogram protein.
- For those suppliers who elect to participate by 30 June 2013, MG will also pre-pay its estimate of that special step-up on 15 July 2013. Suppliers who make their election by 31 July 2013 will receive their pre-payment by 15 August 2013.
- You will be able to elect to participate in the pre-payment program by completing and returning a yellow form which will be sent to you shortly together with our new supply terms. This form will need to be completed and returned by 30 June 2013 to receive your payment in July. Suppliers may still elect to receive the pre-payment if they miss the June deadline to submit their yellow form but pre-payment will be paid at the time of the next scheduled milk payment e.g. 15 August 2013 at which time the offer will close until year's end (see below).
- You do not have to participate in the pre-payment program to receive the special step-up but you do have to be supplying MG at the end of 2013/14. It is at this date that the special step-up will be calculated and paid to those that did not elect to receive the pre-payment earlier.
- The pre-payment will in most cases be an estimate of your actual special step-up entitlement so if you supply more milk solids than the estimated quantity, you will receive an additional payment through the special step-up at the end of the 2013/14 financial year. Similarly, if you supply less than the estimated quantity, you will need to make a payment to MG, which in most cases will be deducted from your final milk payment for the financial year.
- The pre-payment will need to be repaid in full by participating suppliers who cease to supply MG during 2013/14 financial year as those suppliers won't become entitled to the special step-up.
- We welcome growth through new suppliers and the pre-payment offer will be made to new suppliers who commit to MG. New milk will help further lift returns for all suppliers.

During recent supplier meetings, MG's senior management and directors described improving dairy markets and consequently the prospect of higher farmgate returns.

However, we also indicated that this benefit would come in 2013/14. Many suppliers asked management to consider bringing forward the benefits of this market improvement. The message was clear that 2012/13 had been a very poor year for dairy farm businesses and that an improvement in the weather, cash flow and milk pricing was urgently required.

If taken up in full, this pre-payment initiative will bring forward approximately \$31 million from the special one-off step-up to assist our supplier/shareholders to recover from the difficult farming conditions during the last 12 months.

Previously announced changes to MG's milk payment system will bring forward more cash to most suppliers and of course higher opening milk prices will also add to returns.

Q and A's relating to the pre-paid step up are in Appendix 2.

2012/13 Forecast

At this stage, MG is maintaining its current forecast for 2012/13 of \$4.90 per kilogram milk solids (weighted-average available).

Dividend Payments

The dividend on shares for 2012/13 will be considered following the receipt of finalised accounts and any dividend will be paid in October as per usual.

Supplier services including fodder

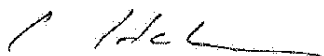
MG continues to provide additional services that can assist suppliers in the short and longer term.

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.

I look forward to meeting with you at the next round of supplier meetings in August.

Thank you for your continued support of MG and I wish you all the best for the year ahead.

Yours sincerely,
Murray Goulburn Co-operative Co. Limited



Gary Helou
Managing Director

Appendix 1 Milk Payment Terms

Summary of Milk Supply Arrangements for 2013/14

It is important that you carefully read this letter in conjunction with the Information Pack to be mailed to all suppliers which includes:

- *MG Milk Payment System Explained 2013/14* document
- *MG Standard Milk Payment Terms 2013/14*, including the *Flat Milk Incentive Election Form*
- *Application for the Option to Receive Pre-paid Step-up 2013/14 Form*
- *Application to Increase Share Equity Contribution Form*

Month	Butterfat kg MS	Protein kg MS
July	\$3.78	\$8.33
August	\$3.41	\$7.52
September	\$3.29	\$7.25
October	\$3.29	\$7.25
November	\$3.29	\$7.25
December	\$3.29	\$7.25
January	\$3.49	\$7.68
February	\$3.59	\$7.92
March	\$3.63	\$8.00
April	\$3.78	\$8.33
May	\$3.86	\$8.49
June	\$3.93	\$8.66

With respect to the above table you should note the following:

- Note 1:** The opening monthly milk prices are based on the supply of milk that qualifies as "**Premium 1**". Adjustments will apply for milk of other quality, based on the *Farm Milk Quality Standard* and the *MG Milk Payment System Explained 2013/14* document.
- Note 2:** In addition to the opening monthly milk prices detailed above, the Productivity Incentive (PI), Growth Incentive (GI) and Flat Milk Incentive (FMI) are available as detailed in the *Information Pack – MG Milk Payment System Explained 2013/14* document.
- Note 3:** Flat Milk Incentive (FMI), Volume Charge and Collection Charge rates have changed and can be found in the *MG Milk Payment System Explained 2013/14* document.

Option to increase your share equity contribution

MG will again provide an option for supplier/shareholders to increase their access to MG's share equity contributions from 0.65¢ per litre to 1.00¢ per litre effective 1 July 2013 - providing that a member's current shareholding is below MG's share cap. If you wish to take up this option please refer to the Information Pack – *Application to Increase Share Equity Contribution Form*.

Appendix 2: Q and As for special step-up and the pre-payment offer

Q. What is the special step-up and the pre-payment?

A. The special step-up is \$0.09 per kilogram of butterfat and \$0.19 per kilogram protein, calculated and paid at the end of 2013/14 based on the full-year production of qualifying milk solids for 2013/14. The pre-payment is an upfront payment of the special step-up, based on the estimated quantity of qualifying milk solids to be supplied in 2013/14, as determined by MG. If there is full take-up of the pre-payment offer, the pre-payment is expected to put approximately \$31 million immediately into the accounts of MG suppliers.

Q. When will it be paid?

A. The special step-up will be calculated after the end of 2013/14, and will be paid after that time. The pre-payment will be paid on 15 July 2013 if suppliers lodge the necessary document by 30 June 2013. Please note that the pre-payment is an advance payment of the special step-up, and so you will not receive both the pre-payment and the full special step-up. The pre-payment that you have received will be deducted from your special step-up entitlement (once that is determined at the end of 2013/14).

Q. Why do I need to supply for the full 2013/14 financial year?

A. The special step-up advances funds against future milk supply and, therefore, a commitment is essential. It works like any other step-up or backpay in that you need to be supplying MG at the time it is paid to receive it. Accordingly, if you cease supplying MG during the 2013/14 financial year or before it is paid, you will no longer be entitled to the special step-up and you will need to repay the pre-payment in full.

Q. Does it mean a lower opening price?

A. Because the pre-payment is made in full at the start of the year this method improves cash flow compared to including this money in the opening price as per usual.

Q. Do I need to pay the money back?

A. Not in general. However, as the pre-payment is an upfront payment of your special step-up (which will not be calculated until July 2014), you will need to repay it if you cease to supply MG before the special step-up is paid, or some of it if your actual special step-up entitlement is less than the pre-payment.

Q. What if my milk supply volume changes significantly during 2013/14 compared to last year?

A. The pre-payment is intended to be an estimate of your special step-up entitlement, which will generally be based on last year's actual supply of Premium 1 and 2 and base grade milk. The payment will be subject to a "true up" at the end of the season. That is, if your actual special step-up entitlement at the end of 2013/14 is higher than the pre-payment then you will receive an additional payment. On the other hand, if your actual special step-up entitlement is lower (for example, if your production falls), then you will need to repay the difference. Ordinarily, this will be recovered by MG making a deduction to your final milk payment for the 2013/14 financial year.

Q. Do I have to take the pre-payment?

A. No. If you choose not to take up the pre-payment offer then the special step-up will be calculated at the end of the 2013/14 year and paid based on your actual milk production.

Q. What tax year does this payment relate to?

A. MG is paying this money as part of 2013/14 milk proceeds.