

19 June 2018

Dear Supplier,

2018/19 Season Opening Milk Price for the Southern Milk Region

We are pleased to announce an opening average milk price for the 2018/19 season of \$5.75 per kilogram milk solids for all Warrnambool Cheese and Butter (WCB) and Saputo Dairy Australia (SDA) suppliers in our Southern Milk Region.

This opening price represents our current assessment of expected market conditions for the coming year. We believe it is responsible and allows room for upward movements if improved market conditions are realised throughout the year. We are pleased to report that export market conditions have continued to improve in recent months.

Our closing average price in the coming season remains dependent on the many external factors that impact our returns. We will monitor market conditions as the season unfolds and update you as part of our quarterly milk price review process in October, January, April and June.

Milk Payment Structures

As previously communicated, we will continue to operate with separate handbooks for the SDA and WCB supply groups for the 2018/19 season with no major changes to current terms and conditions. We intend to fully combine our SDA and WCB supply groups from 1 July 2019 and provide an integrated range of pricing programs under one handbook.

In this transition year and to ensure that no supplier is disadvantaged, we will provide every supplier with the best available milk price at the end of the 2018/19 season. Simply put, this means suppliers will receive the highest price available to them based on both the WCB and SDA milk payment systems. This will ensure that all suppliers are paid the best available price at the end of the season regardless of their payment option during the year. This reconciliation will occur at the end of the 2018/19 season and a top up payment will be made if required.

Milk Price Commitment

The milk price commitment made to former MG suppliers to pay at least the equivalent price to the largest two processors in the Southern Milk Region extends to all SDA suppliers. As such, you can be assured that your milk price at the end of the year will be market competitive.

Monthly price tables for both SDA and WCB can be found on pages 3 and 4 of this letter. Please contact the field services team for an income estimate and to understand how the best available milk price may benefit you.



Further information

All suppliers will receive a 2018/19 Milk Supply Handbook in the mail in the coming weeks, containing full details of the Milk Supply Policies for the business you currently supply.

In the meantime handbooks will be available to download via our websites:

SDA: www.mgc.com.au/legal

WCB: www.wcbf.com.au/en/Milk-Supply

Supplier Meetings

Our annual supplier meetings roadshow will begin on 9 July 2018 with Lino Saputo, Jr. and team in attendance. Full details will be provided in due course and we look forward to seeing you there. Our meetings will be combined and open to both WCB and SDA suppliers.

Thank you for your ongoing support and as always please contact the field services team if you have any queries or if we can assist you further in any way.

Kind regards,

A handwritten signature in black ink, appearing to be 'Kai Bockmann', written over a light grey rectangular background.

Kai Bockmann
President and Chief Operating Officer
Saputo Inc. and Dairy Division (Australia)

Saputo Dairy Australia

Opening Milk Prices 2018/19 for the Southern Milk Region (effective 1 July 2018)

1. Monthly prices

Monthly milk prices for premium quality milk supplied from 1 July 2018 to 30 June 2019 are outlined in the table below.

Month	SDA	
	\$ per kg butterfat	\$ per kg protein
July	4.18	8.36
August	3.81	7.62
September	3.69	7.38
October	3.69	7.38
November	3.69	7.38
December	3.69	7.38
January	3.89	7.78
February	3.99	7.98
March	4.03	8.06
April	4.18	8.36
May	4.26	8.52
June	4.33	8.66

2. Other incentives and charges

The flat milk incentive and productivity incentive rates remain unchanged.

The volume charge remains unchanged and is 2.5 cents per litre for farms with B double access. The volume charge for farms with no B double access is 2.7 cents per litre.

3. Other information

All suppliers will be paid at year end the highest total income they are eligible for based on both the SDA and WCB milk payment systems.

Full pricing details are included in the 2018/19 Milk Supply Handbook for the Southern Milk Region which will be mailed to you.

Warrnambool Cheese and Butter
Opening Milk Prices 2018/19 (effective 1 July 2018)

1. Monthly prices

Monthly milk prices under each payment option for premium quality milk supplied from 1 July 2018 to 30 June 2019 are outlined in the table below.

Month	Seasonal		Flat	
	\$ per kg butterfat	\$ per kg protein	\$ per kg butterfat	\$ per kg protein
July	3.96	8.72	3.85	8.48
August	3.85	8.48	3.64	8.00
September	3.20	7.04	3.20	7.04
October	3.20	7.04	3.20	7.04
November	3.20	7.04	3.20	7.04
December	3.85	8.48	3.64	8.00
January	3.96	8.72	3.64	8.00
February	3.96	8.72	3.64	8.00
March	3.96	8.72	3.85	8.48
April	3.96	8.72	3.85	8.48
May	3.96	8.72	3.85	8.48
June	3.96	8.72	3.85	8.48

The above prices include the monthly premium milk quality bonus.

Any changes to the monthly price during the year apply equally to the seasonal and flat supply options.

2. Other incentives and charges

The flat supply incentive, productivity payment and growth incentive rates remain unchanged.

The annual premium milk quality bonus has been removed.

The volume charge remains unchanged and is 2.1 cents per litre for farms with B double access. The volume charge for farms with no B double access is 2.3 cents per litre.

3. Other information

The default payment option (seasonal or flat) for existing suppliers for payment during the 2018/19 year will be the same as the 2017/18 year. If you wish to move to the alternative option during the year in 2017/18 please contact your field officer prior to 26th July 2018.

Regardless of the payment option selected for the year, all suppliers will be paid at year end the option that provides the highest total income they are eligible for. This includes the Saputo Dairy Australia payment option.

Full pricing details are included in the 2018/19 Milk Supply Handbook which will be mailed to you.