



Australian Dairy Farms Group

ASX ANNOUNCEMENT

ASX Code: AHF

10 April 2015

AHF targets strong full year milk price of up to \$6.10-\$6.30kg/MS

Highlights

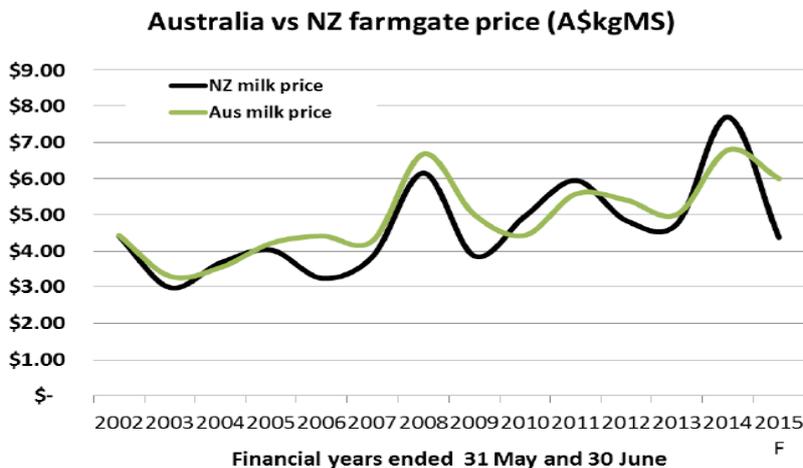
- **AHF expects to achieve a final milk price payout of \$6.10-\$6.30kg/MS for its milk production this financial year, includes 5.2-8.6% production bonus**
- **The production bonus highlights the benefit of the AHF production volume aggregation model**
- **Price received is in line with company's budgets and exceeds broker estimates**
- **Weaker AUD improves the domestic milk price relative to foreign suppliers, also makes Australia more competitive in the export market**

Australian Dairy Farms Group (**ASX: AHF**), an aggregator of high quality Victorian dairy farms, expects to achieve a final price of \$6.10-\$6.30kg/MS for its milk production this financial year.

This forecast follows confirmation from Fonterra that the Farmgate Milk Prices offered to its SW Victoria suppliers will be maintained at a minimum \$5.80kg/MS with an expected closing price range of \$5.80 to \$6.00kg/MS.

AHF currently sells all milk production from the Brucknell 1, 2 and 3 farms to NZ based multinational Fonterra's Cobden processing facility in southwest Victoria. Despite settling the purchase of the initial Brucknell 1 and 2 Farms in late October 2014 and Brucknell 3 on 6 March 2015, **AHF** still anticipates receiving a volume production bonus which it expects to equate to a final price of approximately \$6.10-\$6.30kg/MS for all its full-year 2015 financial year production. This is in line with the Group's forecasts.

By comparison, Fonterra on 25 February 2015 maintained its current forecast Farmgate Milk Price for NZ suppliers for the 2014/15 season at NZ\$4.70 per kgMS (AU\$4.63). Refer to chart below for historical NZ / AU milk price relativity:



The falling Australian dollar, down 18% against the US dollar this financial year, provides a further boost to **AHF** by improving the domestic milk price relative to foreign suppliers as well as making Australia more competitive in the export market. The relatively strong Australian price reflects the far larger domestic milk market in Australia compared with New Zealand, but more importantly, it reflects the competitive nature of the milk processing industry in Victoria.

Victoria produces approximately 66% of Australia's milk and several processors actively compete for milk supply. As Australian production has declined over the past decade competition has intensified and there has been a proliferation of payment and bonus structures designed to win farmer loyalty and grow milk production. This industry structure coupled with growing global demand reinforces **AHF's** strategy to consolidate the fragmented dairy farming industry and become a major Australian milk producer.

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About Australian Dairy Farms Group

Australian Dairy Farms Group (ADFG) is Australia's first ASX listed dairy farmer. Its focus is on aggregating high quality dairy farms in Victoria, initially in the South Western region with particular emphasis on the famous Golden Triangle region between Warrnambool and Colac south of the Princes Highway to the coast around Port Campbell.

The Group listed on ASX on 28 October 2014 after raising approximately \$9.3 million from a range of institutional, professional and retail investors. At listing the Group had two adjoining dairy farms in full production in the Brucknell locality, about 35 km east of Warrnambool and approximately 2.5 hours' drive from Melbourne CBD. A further placement of \$3.0 million was raised in late December 2014 to assist with the funding of the acquisition of two additional farms in the same region.

Details of AHF's announcements to ASX can be found on the ASX website Announcement Platform at www.asx.com.au.

Australian Dairy Farms Group is listed as a stapled security comprising one fully paid share in **Australian Dairy Farms Limited** (the Company) and one fully paid unit in **Australian Dairy Farms Trust** (the Trust). Within the structure, the Company is the operator and manager of the dairy farm properties which are leased from the Trust as the registered owner.

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