



Australian Dairy Farms Group

ASX Code: AHF

14 September 2016

- **Update on Seasonal Conditions on Farms in SW Vic**
- **On-farm fodder growth – best in years**
- **Lower Hay and Grain prices poised to provide lowest input costs in years**
- **Global Milk Price Index continues to rise; Murray Goulburn lifts farmgate price**
- **China agency amends reports – no food safety issues in testing**

Update on Seasonal Conditions on Farms in SW Vic

The seasonal conditions this Autumn and Spring in South West Victoria have provided the best grass and pasture growing conditions in several years for the Group's dairy farms at Brucknell, Ecklin South, Glenfyne and Drumborg.

The conditions were largely expected as the La Nina weather system with typically wetter winters usually follows the dry El Nina experienced in late Spring and Summer 2015/16, as advised by the Australian Bureau of Meteorology.

It was based on these expectations that the directors decided, in the September 2015 quarter, to defer purchases of additional farms and instead to invest in extensive drainage and water capture and storage systems, in view of the escalating El Nina event with dry 2015 Spring and Summer seasons and likely followed by the wetter Winter and Spring conditions typical of La Nina.



ABOVE: Brucknell South Full Dam, irrigation lines and upgraded laneways.

On-farm fodder growth – best in years

Despite a dryer than average 2016 March / April, when new seeding of paddocks is undertaken following the "Autumn Break" (first consistent rain of Autumn to break the Summer dry) this decision appears to have been vindicated. All farms are receiving excellent Winter and Spring rainfall, with new expanded dams full and paddocks that are draining quickly so pastures can

AUSTRALIAN DAIRY FARMS LIMITED

ACN 057 046 607

Level 1, 41 Edward Street, Brisbane QLD 4000 | GPO Box 6, Brisbane Qld 4001

Phone: +61 07 3020 3020 | Fax: +61 07 3020 3080 | Email: shareholders@adfl.com.au

AUSTRALIAN DAIRY FARMS TRUST

ARSN 600 601 689

react to the warmer Spring temperatures and produce a virtual grass factory with high volumes of grass.

Without the drainage works the alternative would have seen expensive new growth waterlogged and rotting in boggy paddocks that cows cannot access and extensive paddock damage and unhappy cows in paddocks they can access.

The directors estimate that the savings in purchased fodder costs in the current year will approximate the capital cost of drainage and expansion of water storage in the last year – and the benefits will continue over many years to come



ABOVE: Brucknell South drainage flow



ABOVE: Drumborg paddock - LH photo taken after 100ml+ rainfall. RH photo was taken 24 hours later.

Lower Hay and Grain prices poised to provide lowest input costs in years

The improved late Autumn and Winter seasons have also been welcomed by grain and hay producers throughout Victoria and South Australia with strong crop growth and some expectations of near record production in a number of growing regions. This has positive pricing implications for grain and fodder purchasers as supply volumes are high and the strong on farm growth of pastures indicates lower demand for purchased grain and hay.

Grain pricing has dropped to \$255.00/tonne leading up to harvest with high world stocks and above average volume yields expected on the eastern seaboard of Australia.

Fodder crops also are looking excellent and are expected to be under pricing pressure going into next hay season. Current price expectations generally are that hay is likely to be 20% lower than previous years.

These conditions are expected to combine to significantly lower input costs for dairy farmers generally

Global Milk Price Index continues to rise; Murray Goulburn lifts farmgate price

GDT price has risen 6.6% and 12% at the last two auctions. While this a seasonal variation the direction is positive and market expectation is that prices are likely to improve through the season. The continued strength of the Australian dollar is not assisting pricing.

Announcements by Murray Goulburn (MG) on 13 September 2016 that the company will pay farmers an extra 15 cents per kilogram of milk solids (kg/ms). Generally MG is the price benchmark for local processors and similar step-ups are likely to be announced by other major processors.

The price rise comes after twice-monthly auction Global Dairy Trade posted its third consecutive rise in prices, taking dairy prices to the highest they have been since March 2016.

China agency amends reports – no food safety issues in testing

Recently the Certification and Accreditation Administration of the People's Republic of China (CNCA) issued a notice to Australia's Department of Agriculture and Water Resources affecting all Australian milk processors that export fresh milk to China, including Camperdown Dairy Company a subsidiary of AHF. The notice required each processor to revalidate product shelf-life and all intermediate processes including the supply chain into China.

Camperdown Dairy voluntarily elected to suspend weekly shipment in order to undertake the revalidation process and testing. Subsequently, a temporary suspension of the company's export licence was notified on CNCA's official website, which indicated that there was an additional issue with Camperdown milk.

The Chinese customers of the company who import Camperdown fresh milk to China under their own Chinese label, made urgent representations to officials at CNCA who have now amended the notification. Camperdown Dairy Company is grateful that CNCA has now confirmed that there were no food safety issues with Camperdown produced milk in the Chinese market. This is now consistent with the Federal Government's earlier advice, that there have been no food safety issues.

Ends

Further Details

For additional company information or media matters please contacts

James Moses

Managing Director
Mandate Corporate Pty Ltd

Bus: +61 2 8211 0612
Mob: +61 420 991 574
Email: james@mandatecorporate.com.au

Adrian Rowley

Director
Australian Dairy Farms Limited

Bus: +61 3 9629-9900
Mob: +61 4 4880-3768
Email: adrianrowley@adfl.com.au

About Australian Dairy Farms Group

Australian Dairy Farms Group (AHF) 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 initially, on the famous Dairy Golden Triangle region of South West Victoria between Warrnambool and Colac south of the Princes Highway to the coast around Port Campbell.

On 29 December 2015, AHF announced to ASX that it had entered into a contract to acquire Camperdown Dairy Company Pty Ltd - ACN 140 640 606 (CDC) – see announcement on <http://www.adfl.com.au/announcements> . This transaction has now settled in accordance with the contract terms and CDC is a wholly owned subsidiary of AHF.

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.

Disclaimer

This announcement may include “forward looking statements” within the meaning of securities laws of applicable jurisdictions. These forward-looking statements are not historical facts but are based on AHF's current expectation, estimates and projections about the industry in which it operates, and beliefs and assumptions. Forward Looking Statements may include indications of, and guidance on, future earnings or distributions and financial position and performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of AHF, and its officers, employees, agents, or associates, that may cause actual results to differ materially from any projections and forward-looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward looking statements and AHF assumes no obligation to update such information.