



Australian Dairy Farms Group

26 June 2017

ASX Code: AHF

FARMS AND MILK PRICE UPDATE – FY 2018

- Strong Opening Price of \$5.78 / kgMS secured for FY 2018 plus step-ups
- Improved milk price prospects going forward over season
- AHF farms projecting stronger production
- Savings projected from lower feed costs
- Positive outlook for dairy season 2017/2018 – El Nino Watch cancelled

AHF is pleased to be able to announce that it has secured an assured opening minimum milk price of \$5.78 per kgMS for its net milk supply to the market for the 2017/18 Financial year and provides this general update to investors.

Fresh Farmgate Milk Price UP

AHF farms milk price secured at a minimum of \$5.78 per KgMS. (51 cents or 9.7% increase on the July 2016 actual price and 46 cents or 8.6% above the average price achieved this financial year to 31 May 2017.



- 9.7% on July 2016
- 8.7% on 2017 YTD

Milk Production UP

AHF farms projecting stronger production volumes of approximately 535,000 litres of milk in 2017 – 2018 to an expected total production of 17.35 million litres.



- 3.2% on FY2017

The increased minimum milk price and higher production contributes to an **estimated revenue increase** from gross milk sales for FY2018 of at least **\$820,000**, excluding expected step-ups.

Feed costs DOWN

Feed Cost is the single largest cost driver on the farms.

Based on expected regional feed volumes and prices plus the strong volume of on-farm feed produced and available to be carried over from the current year, feed costs could be reduced by as much as \$500,000 in FY2018.)



- 16% on 2017 YTD

On Farm Feed Production UP

As a planned result of the Group's significant investment in drainage infrastructure and partial irrigation on selected farms, the on-farm grass and crop production for FY2017 has been materially and permanently improved. Measurement of improvement is dependent on and variable with seasonal conditions.



Improved milk price prospects going forward over season.

The opening milk price announcements of the major processors for the new financial year have, in most cases, shown positive improvement over the current year.

AHF has been actively reviewing options to obtain the best price possible for the net milk that it sells in bulk, while achieving the maximum utilisation of its own farms' milk production for its bottled products – particularly its Camperdown Jersey Milk and Camperdown Grass Fed Milk. The company bases its own end-product pricing on market levels generally and is active in building its sales and distribution of these milks as premium milk products through major and smaller retailers throughout Victoria.

The following are Opening Prices and Full-year Ranges recently announced by main regional processors for South West Victoria. These prices can change.

Processor	Opening Price	Full Year Range
Murray Goulburn	\$4.70	\$5.20 – \$5.40
BEGA	\$5.50	
Fonterra	\$5.30 (+\$0.40 bonus)	\$5.30 – \$5.70
WCB	\$5.50	
Midfield (Penola/ Union Dairy CO.)	\$5.50 (+ \$0.25/kg sign on bonus)	
AHF's price minimum with ACM	\$5.78 opening with milk segregation flexibility based on AHF's particular milk supply profile	

Price competition for processors is noticeable in the current bulk milk market where overall milk production levels have decreased significantly over the last two years as farmers have left the dairy industry. Rabobank estimated in April 2017 that Australian milk production was likely to end up at 8.9 billion litres — 7 per cent lower than the previous season and the lowest level in more than two decades. Both Fonterra and WCB have reported increased milk volume intakes with WCB upgrading its cheese plant requiring an additional 200 million litres per year and further next year, so despite the high level of farmer movement between processors, prices should remain firm during FY2018 and beyond. These conditions should maintain healthy price competition between processors.

On the farm production side, the continued efforts to improve herd genetics and breeding management and pasture quality in recent years are expected to pay further dividends in the new financial year with stable and secure calving programs and markedly higher milk production. Seasonal conditions are always variable, however the Bureau of Meteorology's recent cancellation of an El Nino warning for the coming summer is very encouraging

The Directors are planning to release a foreshadowed Strategy Paper imminently and further detail about the Group's future will be provided in that document.

Australian Dairy Farms Group

Ends.

Further Details

For additional company information or media enquiry matters please contact:

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Communications Policy

As a policy, AHF does not respond to individual security holder communications regarding the management of the business, the company or with respect of any analysis that is not contained in market releases.

AHF makes ASX market releases at times directors believe it would be helpful or necessary for investors and as required by the Listing Rules. For further information regarding our shareholder communications policy, please refer to our website: www.adfl.com.au

About Australian Dairy Farms Group

Australian Dairy Farms Group (AHF) was Australia's first ASX listed dairy farmer. Its initial focus was 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.

In April 2016 the Group completed the acquisition of Camperdown Dairy Company Pty Ltd - ACN 140 640 606 (CDC) – see announcement on <http://www.adfl.com.au/announcements>.

CDC is a wholly owned subsidiary of AHF. The Group is now a vertically integrated milk producer, processor and product distributor in Australia and for export.

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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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.