



# Australian Dairy Farms Group

2 August 2017

ASX Code: AHF

## Commentary for Appendix 4C

- ***Spring outlook is favourable with plentiful fodder and water and strong grass growth, which is continuing to position for lower feed costs.***
- ***Implementing Strategy for the future while growing the current business.***

### Group Operations

#### Overview

Continued generally favourable seasonal conditions in South West Victoria during Winter and the neutral *El Nino* forecasts for the coming Spring produce the good farming conditions for the AHF farms, which should see the farm production levels continue to grow.

Spring is the period of peak production for the year and the farms go into this season with good soil moisture levels and better than average levels of harvested fodder.

Based on CDC's current sales mix, bottled milk and dairy product sales tend to ease in the colder winter months, however CDC has shown a 9% overall increase in sales year on year. This is despite a national trend back towards \$1.00 per litre supermarket milk after the significant but temporary increase in consumer demand for branded milk in April – August 2016.

CDC continues to aggressively seek sales growth and product exposure for its own branded milk and in July 2017, has secured three significant new direct corporate customers while several distributor negotiations are currently in train.

Additional trials of CDC branded milk products in regional supermarkets are commencing in August 2017. There is also strong interest in the Jersey and Free Range milks which have source transparency directly to AHF's own farms.

The recently introduced CDC branded Jersey milk has been selling well in the café market and during August will be ranged in selected retail stores, as will the CDC branded Free Range milk - also produced from our own farms.

An internal range review, combined with requests from customers will see the introduction of CDC branded Flavoured Milks in the new future.

The current Butter supply shortage in Australian markets is providing opportunities for increased prices and more strategic relationships in other product lines.

### **Milk Pricing**

Farmgate milk prices are continuing to strengthen which is a positive factor for farm sales although it also reflects in a higher cost of sales for CDC for bottled milk. The sales focus for bottled milk is on customers and distributors who promote premium products.

### **Distributor Opportunities**

The changes in the processing industry arising from regional plant closures and business changes, predominantly as announced by Murray Goulburn, which are being progressively implemented are presenting opportunities for CDC in picking up supply contracts with existing distributors with significant volume turnover in established markets.

### **Implementing Strategy**

The year on year figures as reported in the Appendix 4C released to ASX on 31 July 2017 are based on increased total sales (9%) overall and maintaining a neutral cash balance quarter on quarter.

This has been achieved in what is a highly competitive market in “white milk” at the same time as the directors and senior management are devoting considerable time and effort to the rapid implementation of strategic growth plans as announced in the recently released Strategic Overview, while also keeping overheads to a minimum.

### **Ends**

## Further Details

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*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](http://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.*

## Disclaimer – Forward Looking Statements

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