News release

20 October 2016 **ASX announcement**

Murray Goulburn announces revised milk intake expectations for FY17

- Revised forecast Full Year 2016/17 (FY17) Actual Weighted Average Southern Milk Region Farmgate Milk Price (FMP) [1] of $4.70 per kilogram of milk solids (kgms) from $4.88 (kgms) with the forecast remaining subject to seasonal conditions, commodity prices and foreign exchange not deteriorating
- Very wet climatic conditions now a major impact on milk intake – Southern Milk Region (SMR) expected to be approximately 2.7 billion litres in FY17
- Murray Goulburn Co-operative Co. Limited (MG) forecast FY17 NPAT of $42 million will now be lower given revised expectations for milk intake

A number of initiatives have been put in place to protect returns, however given unexpectedly wet climatic conditions in recent weeks, MG will not be providing specific profit guidance for FY17 at this stage.

Milk intake now expected to be substantially lower in FY17

With the South Eastern dairy industry approaching traditional peak production, MG now has better clarity regarding the anticipated milk intake for FY17. MG now expects milk intake for FY17 to be approximately 20 percent lower than FY16. This reduction in milk intake is driven by two factors:

1. **Milk losses**: Net milk losses are now approximately 350 million litres, representing approximately 10 percent of FY16 production. Retirements from the industry represent approximately 80 million litres, with the balance being supplier departures to other processors.
2. **On farm production to reduce due to very wet conditions**: MG now expects production from the co-operative's approximately 2,200 suppliers to be 10 to 12 percent lower in FY17 – broadly in-line with results to date for FY17 production across the South Eastern dairy industry[2]. Climatic conditions have quickly turned from very favourable settings in August, and are now a significant headwind for milk production. All regions are impacted, in particular the North and West of Victoria, where widespread flooding has impacted dairy herds and pastures.

Interim Chief Executive Officer, David Mallinson, said: "Until recently, there was confidence that spring rainfall was positioning the industry for an excellent season. However unexpected continual rainfall since mid-September following the step-up announcement on 13 September 2016 has created a major challenge for our suppliers and industry. Production across South Eastern Australia was down 10.7 percent in August, and this trend has continued to date. In particular, the North of Victoria has moved from drought like conditions in FY16 to severe wet conditions, with production from that region down 16.9 percent August year to date[2]."

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[1] The Actual Weighted Average Southern Milk Region FMP does not include the add-back of quality adjustments accrued from the supply of non-premium milk

[2] Dairy Australia (http://www.dairyaustralia.com.au/~/media/Documents/Stats%20and%20markets/Production%20and%20sales/Latest%20stats/August%202016%20VIC.pdf)

Continued action to address market conditions

MG is continuing to work with industry stakeholders to ensure our supplier base and industry are taking appropriate action to address these conditions.

MG also continues to act proactively to address these challenging market conditions. MG's identified cost efficiencies program to deliver $50 million to $60 million per annum during FY18 is well progressed with the upper end of $10 million to $15 million in savings expected to be achieved in FY17. The planned working capital release this year of between $100 million and $110 million is also on track to be delivered.

MG will continue to proactively manage its production facilities to target additional savings. Production plans have been revised to best cater for lower milk intake and we will continue to review options to enable this cost base to remain competitive.

MG has also announced a number of initiatives to directly assist our suppliers today. Most importantly, recovery of the Milk Supply Support Package (MSSP) will be suspended on all milk from 1 October 2016 until 30 June 2017, delivering $0.14 per kilogram milk solids to our supplier base that was previously contributing to the MSSP. The broader review of the MSSP is ongoing, and the remaining aspects of the review are expected to be announced before the Annual General Meeting on 28 October 2016.

MG will provide a trading update at the Annual General Meeting and expects to be able to update investors on earnings at half year results in February 2017.

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About the MG Unit Trust

The MG Unit Trust is a special purpose funding vehicle which provides its unitholders with an economic exposure to the business of Murray Goulburn Co-operative Co. Limited (**Murray Goulburn**). The MG Unit Trust invests in notes and convertible preference shares issued by Murray Goulburn. The Responsible Entity of the MG Unit Trust is MG Responsible Entity Limited, a wholly-owned subsidiary of Murray Goulburn. Unitholders are entitled to receive distributions equivalent to any dividends paid to the ordinary shareholders of Murray Goulburn. Dividends paid on ordinary shares will be determined by Murray Goulburn in accordance with the Profit Sharing Mechanism described in Section 6 of the Product Disclosure Statement dated 29 May 2015. Units do not confer a direct interest in Murray Goulburn.

Murray Goulburn is Australia's largest dairy foods company and one of Australia's largest food and beverage companies with annual turnover of approximately $2.8 billion. Through its co-operative structure, Murray Goulburn has approximately 2,200 supplier shareholders. Murray Goulburn manufactures and markets a full range of dairy and nutritional products such as cheese, milk powder, butter and fat, drinking milk and liquid milk products, nutritionals and value-added products, such as infant formula. Murray Goulburn supplies the grocery, foodservice and ingredients channels domestically and around the world, particularly in Asia, with its flagship Devondale, Liddells and Murray Goulburn Ingredients brands.