28 June 2016

Market Announcements Office
Australian Securities Exchange
Level 4
North Tower, Rialto
525 Collins Street
Melbourne VIC 3000

ELECTRONIC LODGEMENT

Dear Sir or Madam

MURRAY GOULBURN – FARMGATE MILK PRICE FOR FINANCIAL YEAR 2017

In accordance with the Listing Rules, I attach a copy of a news release advising Murray Goulburn Co-operative Co. Limited's farmgate milk pricing for financial year 2017.

Yours faithfully

Fiona Smith
Company Secretary

Tuesday, 28 June 2016 **ASX announcement**

Murray Goulburn sets farmgate milk pricing for 2016-17

- Forecast FY17 Available Southern Milk Region Farmgate Milk Price (FMP) for the full year ending 30 June 2017 (FY17) of $4.80 per kilogram milk solids (kgms)[1]
- Net opening FMP of $4.31 per kgms after application of the Milk Supply Support Package (MSSP) repayment[2]
- Forecast FY17 NPAT of $42 million[3]

Murray Goulburn Co-operative Co. Limited (MG) today announced that it is forecasting an FY17 FMP of $4.80 per kgms with a net opening FMP of $4.31 per kgms after application of the MSSP repayment

MG Interim Chief Executive Officer, David Mallinson, said: “Commodity prices remain the largest external influence on MG’s financial performance. Global conditions have not improved, and the latest data suggests excess global inventories, including the impact of European intervention, may have surpassed the equivalent of 6 billion litres of milk[4]. Key commodity prices have remained below US$3,000 per tonne for almost two years, much longer than historical price downturns.

“In the face of these difficult market conditions, the forecast FY17 FMP reflects MG’s view that commodity prices will continue to trade around current levels for the remainder of the 2016 calendar year with only a modest recovery in price of around six percent across MG’s major commodities during the second half of FY17. This prolonged environment of lower prices means MG expects to achieve lower average selling prices for commodities throughout FY17 when compared with FY16, which will impact the Distributable Milk Pool by approximately $95 million[5].”

“We acknowledge FY17 will be a challenging year for our suppliers. We have set a robust forecast, and while there are a number of areas which may provide upside to our FY17 forecast, we do not believe it is prudent to include these in our forecast at this stage. Should more positive conditions emerge, MG will be vigilant in ensuring any upside passes to our suppliers and investors,” Mr Mallinson said.

Actions to address market conditions

MG remains very well capitalised, and expects to have net debt at 30 June 2016 below broker consensus estimates (approximately $550 million). However, after careful review, the Board and senior management believe there is a substantial opportunity to release working capital across the business, which is anticipated to deliver improvement in MG’s cash flows and capital position in FY17.

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[1] The Available Southern Milk Region FMP includes the add-back of quality adjustments accrued from the supply of non-premium milk.
[2] Represents opening FMP of $4.45 per kgms less MSSP recoupment of $0.14 per kgms.
[3] NPAT is calculated based on the Actual Weighted Average Southern Milk Region FMP.
[4] Rabobank. Estimated excess global inventories of 4 billion litres Liquid Milk Equivalent (LME) plus EU intervention stock of approximately 2 billion litres LME.
[5] Refers to price assumptions for FCMP, SMP, cheddar and bulk butter.

“We believe there is an opportunity to continue to generate better efficiencies from our business, both from a cost and working capital perspective, and in generating benefits from our recent investments across new systems and manufacturing facilities. These objectives are consistent with MG’s focus on operational excellence, and I will be presenting the detail of these initiatives at our FY16 results in August,” Mr Mallinson said.

The following initiatives are flagged to generate additional efficiencies and improve cash flow in FY17, with further detail to be provided at the release of FY16 results:

Working capital release	• Controlled exit of inventory holdings and reduction in group net working capital levels
Cost controls	• A targeted efficiency program, including cost reduction across the business • MG has previously advised ‘at risk’ components of MG’s executive remuneration for FY16 will not be paid, and further advises senior management pay will be frozen in FY17
Realisation of benefits from recent investments	• Incremental earnings are expected from recent investments at MG’s new cheese ‘cut and wrap’ facility in Cobram • The deployment of a new SAP system across the business
Continued improvements to offline distribution in China	• MG continues to build offline distribution in China • MG has recently signed seven new regional distributors as part of an improved regional distribution strategy

Application of the MSSP

The net opening FMP is $4.31 per kgms, after application of the MSSP repayment amount of $0.14 per kgms (one cent per litre). As FY16 is not yet complete and the final MSSP amount cannot yet be determined, MG has elected to reflect an initial MSSP repayment amount of $0.14 per kgms, with the balance to be recouped from future step ups.

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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 $2.9 billion. Through its co-operative structure, Murray Goulburn has more than 2,500 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.