



Australian Dairy Farmers
Co-operative (ADFC)

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Welcome to our last edition of ADFC News for 2015.

We have had a huge year and have finished on an exciting note. Thank you to all of our partners, associates and farmers who were able to attend our AGM this month. This edition features some photographs from the event and an edited version of the speech given by our CEO Paul Kerr.

Just below we report on the results from our postal ballot and on page 5 you can meet ADFC farmers Suzanne and Alistair Chessells, who have kindly shared their story with us. You can also find out a little more about Bulla's recent advertising campaign and the Procal Gunbower Cup.

Finally, I'd like to thank you all for your continued support over 2015. ADFC is finishing the year in its strongest position to date. Early next year we hope to introduce a new partner and see our investment project move to its next stage of development.

I hope you all enjoy the festive season and we look forward to working with you in 2016.

Scott Sieben, ADFC Chairman
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Poll Result

ADFC updates its rules

After consulting with our farmers earlier in 2015, ADFC decided to pursue a development project to take the business to a more secure and prosperous place. In order to do this, it became necessary to change ADFC's rules so the organisation could be more agile and suitable for investment ventures.

For ADFC to change its rules, it needed to gain support from its shareholders. A postal ballot was sent out in November to all ADFC shareholders. To be eligible to vote, the shareholder also needed to be an active supplier/member.

The poll closed on December 14 and the results were conclusive: ADFC received 100 per cent support from those who responded by the due date. ADFC has 75 eligible shareholders to vote and 59 (or 79 per cent) responded by the deadline. The result means the new rules have officially been adopted and ADFC management will now register those changes with the appropriate authorities.

Thank you to all shareholders who participated.

ADFC's 3rd Annual General Meeting

ADFC's Annual General Meeting and Christmas BBQ events were held at the Leura Oval in Camperdown, south west Victoria on Thursday 10 December. It was a fantastic day and thanks to all who attended.



CEO's Address to ADFC's 2015 Annual General Meeting

By Paul Kerr, ADFC Chief Executive Officer

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This is an edited version of the speech given by Paul Kerr at the AGM

If I had to sum up the 2014-15 financial year – it'd say it was a year of preparation for the future.

Since I joined ADFC in September last year, I was set the task of restructuring the business and developing a strategic plan. None of this ever goes as quickly or as easily as many of us would like it to; but it was critical that we got it right from the start in order to put us in the best possible position to succeed.

All ADFC suppliers are now members and therefore owners of the business. ADFC is committed to retain co-operative principles - where our farmers are given every opportunity to participate and have a say in their business. All we want is for our farmers to be treated fairly.

The four C's are critical to ADFC:

Collaboration – we must not compete with our partners but work together to maximise the efficiency for all

Co-operation – our farmers are all members and prepared to share the risk and success of what we do

Choice - our milk pricing system enables our farmers to choose what is best for them

Cost-effective – a low cost model underpins everything we do

ADFC is a business that is being set up and structured to ensure it has a solid future – it is *not* all about short term gains at the expense of long term security. If we are to be successful then we must be thinking of the future for our young farmers and the next generation. For those of us who have been around awhile, we are not the future; we must have a structure in place that encourages and enables young people to have a future in ADFC and the dairy industry. Dairy is a fantastic industry and has a great future ... but we must have a plan.

After more than a year with ADFC, I think I have now met most of our farmers personally and it

gives me great pleasure to see that they want to be involved and that they appreciate the opportunity to participate. Although we can't help thinking about the present and the current milk price, it is very encouraging to see that everyone wants to build a future.



As always, we continue to work closely with our partners Procal and Bulla and we thank them for their support during the year. Without them our business would not exist. We also look forward to bringing on a new partner in 2016 and I will provide further details next year as we get closer to having them on board.

Looking to the future...

As you would all be aware now, our strategic plan calls for us to find a way to invest in milk processing.

- Without investment our business is unable to add value to our partners
- Without investment our farmers cannot expect to have a say in the milk price
- Without investment ADFC probably has no future

After we discussed these points with our suppliers at meetings during the year and received unanimous support to pursue our proposal, ADFC engaged PwC to seek an

investment partner to build a new processing plant in western Victoria.

We have produced an investment flyer that has been circulated around the world to potential investors and the response has been extremely positive.

Along with the flyer, we have also produced an information memorandum and financial model that is available to potential investors upon signing a confidentiality agreement. To date, we have had over 10 confidentiality agreements signed and we are working closely with a number of parties in regard to our project.



One of the things that has stood out for our potential investors is the fact that we have access to milk supply. That is you the farmers. The fact that you, as our farmers, are prepared to co-invest in a new facility is of great interest. Sharing the risk is important.

As you would all be aware, over recent years there has been a number of projects reported to be happening in western Victoria. This has created great anticipation from farmers and the community in general. To date nothing has happened. There has been a lot of talk and promises but not much action.

To me this is disappointing and not right.

ADFC's project is different: it has the support of our farmers and has a real milk supply. We are about building a base plant to start with and we are going to keep it simple. We are building a plant for the future - but we are also making sure it will work from the start. We are not about

promising the world - there has been too much of that over the years. Our plant will be a value-added ingredients plant that we can develop as we progress.

It is absolutely critical that we get the base right first.

All the current excitement about infant formula is another example of people getting carried away with the hype and forgetting the basics. Yes we might be making infant formula at some stage in the future but if you cannot make milk powder properly then you have no chance of making infant formula properly.

There are no short cuts or easy answers and the initial capital cost is large.

The factory we propose to build is not new technology but it is proven to work. There have been a number of these factories built in New Zealand in recent years and they all work. We are not about taking any chances based on some hope that we might be able to do something different or make some product that no one has ever heard of.

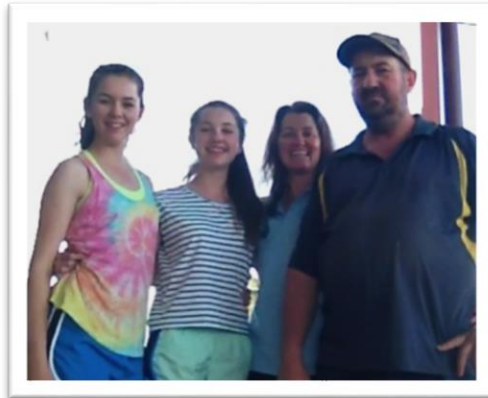
Our timetable is to have a new plant up and running some time in 2017 if possible. This will require your support as farmers. I think the time is right to do this. Our farmers deserve the right to have a say in their future and that is what this is all about. We are small and do not have the financial backing that the majors have - but done right, we can do this.

I very much look forward to working with you over 2016 to bring our plans to fruition. You have been very supportive so far and that is much appreciated.

Thank you to our staff, directors, partners, associates – we have a great team who understand and support what we are trying to do.

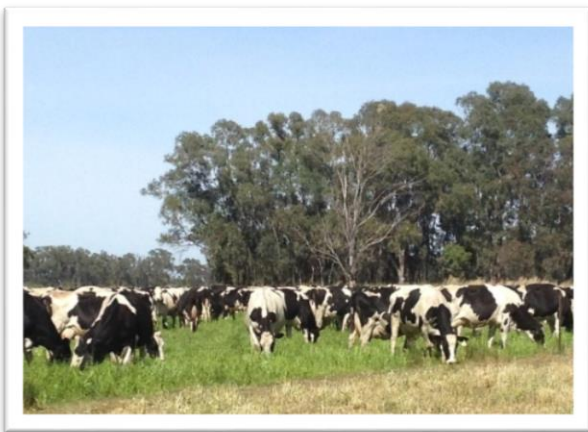
Finally, thank you to you, our farmers, for all your hard work as well as your support - for without you we have nothing.

A great life for families - meet ADFC farmers Alistair and Suzanne Chessells



The Chessells family: Lauren, Shannon, Suzanne and Alistair

ADFC farmers Alistair and Suzanne Chessells come from a long line of dairy farmers in and around Undera in northern Victoria. "I'd say I'm a fourth generation dairy farmer and it's probably about the same for Suzanne," says Alistair. Their farm is around 320 hectares and they milk about 350 cows and that suits them perfectly.



Suzanne says, "One of the benefits of ADFC is that we can keep our farm as it is. We don't want to get any bigger and we weren't happy with the trend from other companies that were demanding growth for growth's sake."

"At this level we can pay more attention to detail. One of us is always in the dairy and we can continue to provide Procal with quality milk because we can better manage our farm and care for our cows."

The benefits of a family-run dairy run deeper than a mere business.

Both Suzanne and Alistair grew up on the land and Suzanne believes that being a child on a farm is an invaluable experience. "It's a really good life for families. I loved growing up on a farm and our kids have loved it. You learn respect for the land, respect for the animals and the environment and also for the industry. Living on the land becomes a part of who you are; I like getting away and going to the city, but I love coming home."

Alistair agrees. He has been on his property for all of his life. He enjoyed it as a kid, then as an apprentice and eventually as the owner, having bought the property from his parents. "It is a great life. I like being my own boss and it's been great watching our girls grow up on the farm too."

Both Alistair and Suzanne are keen to see where ADFC can go and believe if all goes well, it will be a great opportunity for farmers.



Focus on our Partners

Bulla's 'unfakeable' advertising blitz

In November, Bulla Dairy Foods launched its new advertising campaign – Unfakeable. It showcased the brand's rich history and the people who bring its products to life.

Filmed in Bulla's hometown Colac, the creative team asked staff and local families to be the faces of the campaign.

'Unfakeable' drew its inspiration from 'unfakeably' Australian icons. The campaign featured the unmistakable voice of Michael Caton, and music by INXS - performed by Deborah Conway. Two television commercials were produced: one for the cornerstone product, cream, and a second for Bulla's Real Dairy ice cream.



The Procal Dairies Gunbower Gold Cup



In October this year ADFC sponsored the Procal Dairies Gunbower Gold Cup and as the name suggests, Procal is the major sponsor of the event.

The Gunbower Racing Club is on the banks of the Gunbower Creek, right beside the Murray River in Echuca/Moama.

The race day was well attended and much fun was had by all. The event included fashions on the field, kids' activities and, of course, horse racing.

This is the second year ADFC has been involved in the event.



~ Happy Holidays from all at ADFC ~



ADFC AUSTRALIAN
DAIRY FARMERS
CO-OPERATIVE
Fairness for our farmers

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