



ADFC

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Hello to our shareholders and members,

Much has happened in the first half of this year for ADFC and for the industry as a whole.

I'm aware that the new farm gate milk price will come out very soon from dairy companies (with a few already released) and we are continuing to work with our partners to ensure we receive a fair price for the next financial year. As soon as we can, we will inform you directly of the details. It goes without saying that it is going to be another tough 12 months in the industry.

In this edition of our newsletter, I have jotted down some thoughts about what I believe has taken place recently in the industry, there's also a quick update on the business, and a profile on ADFC supplier and advisory committee member, Ben Bennett.

Enjoy reading

Scott Sieben, ADFC Chairman
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ADFC Update

Prospectus & beyond

Prospectus: Thank you to everyone who has submitted applications for shares following the release of the Prospectus. This allows us to take the next steps in ADFC's strategic plan.

Delegation: We will host a delegation next month from a Chinese company that is showing strong interest in ADFC's investment project.

Management is continuing its work on advancing ADFC's business plan. It is still early, but it is a promising sign that potential investors are visiting our farms and meeting our key personnel.

Milk Price: The ADFC Board will meet at the end of June to confirm the milk price for ADFC suppliers for the 2016-17 financial year.

The current state of affairs in dairy

By Scott Sieben

Why has our industry, that we as farmers are so proud to be involved in, come to this?

I believe it is the unrealistic, opportunistic leaders of our industry making decisions with not a lot of dairy experience and knowledge to be able to deliver on their promises.

This current situation we're in cannot be blamed entirely on generic milk. We're in this mess because a co-operative put executives on incentive-based salaries, and then those executives just made it up as they went along to the detriment of the farm gate.

It wasn't always like this. Not that long ago this co-op did what dairy co-ops are supposed to do – and that is deliver a full farm gate payout with a strong dividend return to its farmer shareholders and retain a healthy balance sheet.

What our industry needs now is a strong co-operative model that genuinely looks after the farmer shareholder.

The best way to predict the future is to create it, and in our own little way this is what ADFC is striving for. The market price is the price. If we can be open and transparent at what that price actually is - good or bad - we as farmers can structure our business based on the true price signals.

We also have to make sure we operate a low-cost model to ensure we are returning value to our farmer shareholders.

I think value add exists in different ways, but the recent down turn proves it does follow commodity prices. We would hope that within ADFC's model that there will be opportunities to create markets that return higher margins to help with our strategy to pay a premium to our members.

As we proceed with our investment, it's so important to not lose sight of our strategy. We are progressing with our potential investor slowly, but we are hopeful of a successful outcome.

We also must remember that we have two customers at the moment and that it's going to be challenging for us to make sure we are adding value to them while we proceed with our investment strategy.

I encourage our farmers to update feed budgets and cash flows and identify savings within their businesses to ride this downturn out. I have no doubt that the next one to two years will be very challenging for us as dairy farmers. But I also believe that we have a strong model and can work through the tough times together.



Meet Ben Bennett and his family



Ben and Kylee Bennett with their five children – as featured in Dairy Australia's 'Legendairy' campaign.

Ben Bennett is a great supporter of ADFC and what the co-operative is trying to achieve. In fact, he was one of the first to sign-up back in 2014.

"I think the philosophy of ADFC is what we need here. We need a holistic approach to milk pricing"

Originally from New Zealand, he stressed that the structure of ADFC is important, "it's crucial for us and it's more crucial here than in New Zealand ... because it doesn't rain here."

Ben farms on 300 hectares at Stony Rises in south west Victoria and milks between 280 and 400 cows – depending on that all important element, rain. Speaking of which, he said it's been a rough few months. "It's been tough with the dry conditions, but we're all in this together."

Ben moved to Australia more than a decade ago to make the most of the opportunities in the dairy industry here. He's also done his bit to promote the industry too, featuring in Dairy Australia's 'Legendairy' campaign, where he spoke about the need to promote the industry – in part driven by the fact that no children at the local Camperdown primary school wanted to work in the industry.

That was a couple of years ago now, but there might be a similar sentiment now with the current climate and uncertainty for farmers.

However, Ben remains positive and hopes some good can come from the current situation. He said he's been happy to work on ADFC's advisory committee because he appreciates the honesty and the transparency of ADFC.

"They are putting the farmer first – they're not talking about it; they are doing it. I think Paul Kerr is taking engagement with us farmers to the nth degree – he wants to be more open than open.

"I've been in the commercial world and I haven't seen anyone be so genuine in wanting to be upfront – that just ticks boxes with me. We're running a business - we're not running a feel-good outfit and in a business we've got to know and feel comfortable... there's a lot of people out there who just want to tell you a good story; Paul tells it how it is."

With five children, Ben hopes the industry will be in a better place soon and more kids at the local school will want to become dairy farmers when they grow up!

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