



SYNLAIT MILK LIMITED ANNOUNCEMENT

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Synlait revises milk price forecast to \$4.20

Synlait Milk has revised its forecast milk price for the 2015 / 2016 season from \$5.00 per kgMS¹ to \$4.20 per kgMS.

Chairman Graeme Milne said the revision is driven by the sustained low global commodity prices since September 2015, and a view that the recovery will be slower than anticipated.

“Our previous forecast of \$5.00 kgMS expected prices to recover somewhat by this stage in the season, however this hasn’t happened and our revised forecast reflects this,” said Mr Milne.

“Similar to this time last year, there is still a lot of uncertainty. While our business is focused on value added products, global commodity pricing is the main driver behind the milk price that our suppliers receive.”

“European milk production is high following the removal of quotas last year. Low oil prices mean cheap feed for farmers in Europe, USA and China while demand for imported dairy commodities by China, the world’s largest importer, has declined as their local milk production has increased.”

Mr Milne said Synlait will continue to monitor the situation and expects to revise the forecast milk price again in May 2016.

Managing Director and CEO John Penno said there is no doubt this year will be very tough for dairy farmers, with two straight years of unsustainably low milk prices.

“It’s important that we continue to give our suppliers a clear and realistic idea of where the milk price is likely to end up. As always things may change, and we hope they do because it’s hard to run a dairy farm business in this environment,” said Mr Penno.

“More than half of our suppliers are now involved in our Lead With Pride™ and Special Milk programs. Each program offers a premium payment over and above the Synlait base milk price for differentiating milk on farm.”

“But it’s still very tough out there. We’re meeting with our suppliers in a few weeks to create a forum where their ideas and options around managing through this period can be shared. They’re not alone and we’re committed to supporting them where we can,” said Mr Penno.

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¹ Note: kgMS = Kilograms of milk solids