



DEAR Murray Goulburn suppliers and shareholders,

We are all badly affected by the recent decisions imposed on us with regard to milk pricing for the past season and the requirement to repay a portion of monies received. Further we are faced with an even lower opening milk price for the coming season, which is scarcely competitive with other companies.

We should be proud of being suppliers to Australia's largest milk processor, we should be proud of being shareholders in one of Australia's most significant companies, a company set up in 1950 by 14 farmers for the mutual benefit of dairy farmers by co-operation. The development of the company from such humble beginnings has been a mighty achievement but recently it has all gone wrong. Many of us have long family connections and deep loyalties to our company and we have been let down. What can be done to rebuild our faith in the company?

As supplier-shareholders we have the right to question the company and ask how the company could have got it so wrong. As farmers we know better than most that seasons and markets vary and we have to take the rough with the smooth but in this instance it seems that our board of directors have failed badly such that their decisions have put both the company at risk as well as many suppliers.

As suppliers we are worried that if we are outspoken and complain we will be penalised in some way and we often feel some disloyalty in voicing complaint. This is not the time for such feelings, we have been ill-informed and badly misled about our company's prospects and unless we do something about it we may lose a great deal more.

It is time to band together and ask the difficult questions and really find out who is to blame for this devastating situation and replace the poor performers with capable people. We have to recognise that the company is no longer a simple co-operative but a significant modern business and one that should meet our expectations. This might involve change; change in the right direction is good for business, good for shareholders and good for suppliers.

Murray Goulburn says on its website: "Our co-operative is 100 per cent controlled by Australian dairy farmers. We love Australian dairy and are committed to being the first choice in dairy foods for our farmers, consumers and customers."

As a united group of 2500 Murray Goulburn suppliers we provide one-third of the nation's milk for processing by Devondale Murray Goulburn; it is time to take control again.

Individuals or fragmented groups of shareholders will achieve nothing, we must be united to be heard and of one mind to seek changes that will be to the benefit of shareholders and the very processing company that would not exist without its suppliers and shareholders. The 14 founding members were of one voice and one mindset.

We are paying for the mistakes of Murray Goulburn not only with the claw-back and the three-year financial loans putting more farmers into debt but also with the new opening price staggeringly lower than its main competitors.

The supplier shareholders have the right to express their concerns, demand changes without fear of retribution. Any farmer who has been threatened with cessation of milk off take, blacklisting or any form of intimidation and bullying should note the date, time and who made any such threats — verbal or written — for future reference.

We should have two objectives:

(1) A class action on behalf of supplier shareholders to eliminate the claw-back and the three-year loans, a legal course of action is essential to get the attention of the MG board and redress the issue of compensation for their mistakes and poor corporate governance.

(2) At the next annual general meeting, in October, present a resolution for the board to immediately call an extraordinary general meeting, to present the following resolutions:

- Ask the current board to stand for re-election
- Nominate at least 7 new directors

We supplier shareholders have been made to pay for the mistakes of the MG board, not once but twice in less than two months, first April 27 and now June 28 with the lowest opening price.

Devondale MG has the capacity to absorb some of this financial pain but they have passed it on to the farmers because they believe they can with impunity. Provisions were built into the capital-raising prospectus to protect their supplier shareholders in extreme circumstances, they have a healthy bank balance, and they raised \$500 million last year.

We supplier/shareholders were misled just as the unit trust investors were misled. The unit Trust investors have initiated a class action through the supreme courts of Melbourne, if successful, MG could be severely weakened financially through lack of confidence in future capital raising.

If, Murray Goulburn continues to manage its business the way it has recently we can expect to pay for their mistakes again and again, because we accepted this time without challenging them.

SUPPLIER-SHAREHOLDER QUESTIONS

- Why did Murray Goulburn believe their price target for farmers of \$6 a kilogram was achievable, “regardless of what’s happening in commodity markets” in April this year when the rest of the dairy world was collapsing as early as February 2014?
- Why did the MG board only see something was amiss in April this year?
- Why did MG attribute the Aussie dollar exchange rate as a contributing factor when only 12 months or so prior, the dollar was on parity with the US dollar?
- Why conflicting reports from the chairman and chief executive regarding imports to China?
- Why should we pay for the mistakes of MG ‘s poor corporate governance?
- Why should farmers be shackled by even more debt over the next three years to finance the mistakes of MG?
- Why did Barry Irvin see a global shift in supply and demand two years ago and MG did not see anything until April this year?
- Why is MG opening price the lowest in the top three processors in Victoria?
- What can united supplier shareholders do?
- Legally challenge the MG claw back.

- Question the lack of good corporate governance within the board of directors
- Demand an external audit of the board and management conduct to be disseminated amongst shareholders
- Ask the board to stand for re-election at the next AGM in October
- Nominate new directors who will be committed to deliver shareholder value and be passionate about the very industry it owes its existence to.

It is important to understand MG could become insolvent as a direct consequence of the Slater Gordon class action, who do not have the supplier shareholders' best interests in their sights. This, combined with the potential exodus of suppliers switching to other processors, could cumulate in overheads exceeding revenue as a consequence of reduced overall milk supply to MG.

It is important to understand that MG will be indemnified against legal action of this nature, which means insurance should cover the loss.

It is important to understand that litigation funds will be drawn from industry sources and the farmer supplier-shareholders will not be liable for any legal fees.

It is important to understand, if we take no action we stand to lose a lot more than lost income.

If you feel aggrieved, as we do, at the injustice of paying for someone else's mistakes, then we must unite, and fight to save and protect the future of our dairy company, we must defend ourselves.

We urge you to make your voice heard, one group, as the MG supplier-shareholder group.

A majority of supplier-shareholders is necessary to support legal action and to demand an EGM at the next AGM with resolutions for change.

Please register your interest by email in support of a class action and the call for the current board to stand for election and the nomination of new directors to either of the following email addresses.

Please state your name, telephone number; MG supplier number and marked for the attention of John Bell or Paul Mundy, your fellow MG supplier shareholders.

We can be contacted as follows:

John Bell at bell.j65@yahoo.com mobile number 0419 314 304

Paul Mundy pflamundy@bigpond.com mobile number 0427 735 335

(We have extensive information about the chronology of the dispute — taken from national newspapers and online news sites — that we can email to interested suppliers.)