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## MEDIA RELEASE

### National Foods announces price increase in line with market movement

National Foods has today written to its Tasmanian farmers to announce a 1.1 cent per litre increase in the contract price for milk<sup>1</sup>, in line with recent market movement. This is consistent with National Foods' minimum price guarantee following Fonterra's increase announced last week.

As a result of recent discussions, National Foods will also be meeting with representatives from the Tasmanian Collective Bargaining Group as early as possible next week to discuss the current contract offer to dairy farmers.

Managing Director and CEO Ashley Waugh said that while the deadline for farmers to sign contracts expired on 30 September 2009, the contract offer will remain on the table while the company was engaged in meaningful discussions with the Collective Bargaining Group.

"We are genuine in our efforts to ensure that we reward our farmers for their commitment to National Foods and we will continue to closely monitor commodity price movements and adjust pricing accordingly," Mr Waugh said.

"Our minimum price guarantee means we will be paying a typical farm, across the year, at least three cents per litre more than Fonterra, the major milk buyer in the state. This recognises National Foods' requirement for a flat supply of milk across the year and the higher costs involved for farmers and equates to an additional \$30,000 a year for a farmer producing one million litres of milk.

"Like all major milk buyers, National Foods' farm gate milk price is tied to the global commodity price. The price we pay for milk must be in proportion with the market price in order to compete with processors who buy milk for less than we do."

Mr Waugh said that he was disappointed at calls for product boycotts.

"Boycotting our dairy products will actually hurt farmers because we pay farmers more for milk than our major competitors," Mr Waugh said

Mr Waugh said that National Foods has accepted an offer from the Tasmanian Government to participate in their stakeholder reference group.

"It is in all of our interests to have a sustainable dairy industry in Tasmania and we welcome the opportunity to work with other industry stakeholders to help achieve this," Mr Waugh said.

#### For more information:

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<sup>1</sup> Based on National foods standard litre of milk (4.0% Fat and 3.2% Protein)

