



## SYNLAIT MILK LIMITED

### ANNOUNCEMENT

**2 February 2015**

#### **Synlait revises forecast of market milk price to \$4.40**

Synlait Milk has today revised its forecast of the market milk price for the FY2015 season down from \$5.00 per kgMS to \$4.40 per kgMS, along with a corresponding decrease in advance rates to farmers.

Synlait Chairman Graeme Milne said this revision is the result of several factors at play in the global market, which are causing continued downward pressure on milk prices.

“Low commodity prices are persisting as the global market struggles with the current over supply of milk products,” said Mr Milne.

“We remain confident in previous guidance around our FY2015 performance, although there is no doubt that the world continues to be a volatile place.”

“At the end of this financial year we will see the benefit of increased infant formula and nutritional sales, but this will be largely offset by increased operating and funding costs. We expect the majority of our higher value product sales to take place in the second half of FY2015, which will therefore be reflected in our full year results. As a consequence of this timing difference our interim results will be substantially lower than the previous corresponding period.”

Synlait Managing Director John Penno said the over-supply in the global dairy market is unlikely to change in the short term, however prices are expected to strengthen again in the medium term as supply and demand rebalances.

“Critical to this rebalancing is how quickly dairy farmers around the world respond to lower milk prices and when the volume of whole milk powder sales return to previous levels,” said Mr Penno.

“While our revised forecast market milk price reflects our current view of where this season will end up, we are aware that conditions could change and as a result we expect to update our forecast market milk price towards the end of May 2015”.

Mr Penno also acknowledged the impact the revised forecast market milk price forecast will have on Synlait suppliers.

“With the low forecast market milk price, it is shaping up to be a tough year for our suppliers and cash flows will be tight. But they are aware of larger market volatility and many of them have been planning accordingly,” said Mr Penno.



“Our Milk Supply team is committed to supporting our suppliers and we continue to offer Autumn Premium payments, which will help offset some of this volatility.”

A presentation around this announcement for analysts will be held later today. This presentation is publically available on the NZX website.

**ENDS**

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