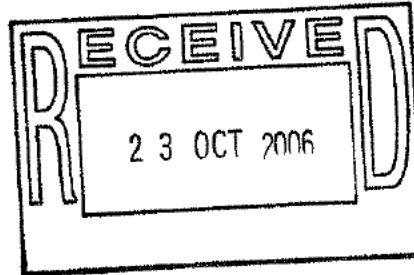




THE HON PETER MCGAURAN MP
MINISTER FOR AGRICULTURE, FISHERIES AND FORESTRY



Mr Allan Burgess
President
Australian Dairy Farmers Limited
Level 6 - 84 William Street
MELBOURNE VIC 3000

18 OCT 2006

Dear Mr Burgess *Allan*

I have received a letter from Dr Mike Ginnivan, Managing Director, Dairy Australia, concerning the future of the Australian Dairy Farmers Federation Trust Fund.

I understand the purpose and circumstance in which this Trust was established has changed over time and the Trust is surplus to the need for which it was created.

Dr Ginnivan proposed that the Trust Fund be terminated, and the Fund capital of \$1.5 million be transferred to Australian Dairy Farmers Ltd (ADF). In the event of the capital being transferred to ADF, I am satisfied with the safeguards outlined in the Australian Dairy Farmers Ltd Memorandum of Association. The safeguards provide that if Australian Dairy Farmers Ltd is wound up or dissolved, the company's surplus assets may not be distributed to a member or constituent organisation. Under the Memorandum, the surplus assets must be distributed to an organisation with similar objectives to Australian Dairy Farmers Ltd.

My Department has sought legal advice regarding the specifics of the proposal, and has advised me that the most appropriate method for terminating the Trust is "termination by agreement between all the parties with an interest in the Trust"; these are:

- Australian Dairy Farmers Ltd (being the trustee and the beneficiary); and
- Dairy Australia Ltd (the entity charged with responsibility for application of the Fund Monies).

Accordingly, as parties to the Trust deed, termination of the Trust is a matter for Australian Dairy Farmers Ltd and Dairy Australia Ltd.

I agree with the proposal to wind-up the Trust and transfer the monies to Australian Dairy Farmers Ltd. However, I ask to be kept informed, through my Department, as to the specifics of any Agreement developed that seeks to terminate the Trust.

I wish you well in all future endeavours.

Yours sincerely

Peter McGauran