



30 November 2016

Senator Chris Ketter
Chairman
Senate Economics References Committee
PO Box 6022
Parliament House
Canberra ACT 2600
Email: economics.sen@aph.gov.au

Dear Senator,

Senate Inquiry into the dairy industry – Questions on Notice

I write to respond to the Questions on Notice taken by Murray Goulburn Co-operative Co. Limited (MG) at the Dairy Industry Inquiry (the Inquiry) hearing held in Melbourne on Tuesday, 15 November 2016.

Question 1 – Senator Lambie: What forecasts were given to the board to support the expansion into Tasmania (Smithton)? Did you pay consultants to come in and do that, or was it the previous CEO who decided to make the expansion into Tasmania (specifically Smithton)?

We wish to clarify that MG announced our decision to invest in a Joint Venture called 'Tasmanian Dairy Products' at Smithton in 2011^[1]. At the time MG relied on forecasts presented to MG in an Information Memorandum. MG independently assessed these forecasts through a due diligence process supported by Deloitte.

No external consultants were used to advise on forecasts when MG increased its share in the Joint Venture to 76 percent in 2014¹ and when MG acquired 100 percent ownership in 2015².

The forecasts received by MG in 2011 are commercial in confidence.

Question 2 – Senator Kakoschke-Moore: I will ask you to take my final question in this area on notice. What other steps are you taking as a board to improve your governance and to achieve the good governance that you referred to in your opening statement?

MG has in place a range of board and committee charters, which are available on the MG website. As announced at MG's Annual General Meeting on 28 October, the board is undertaking a review of the board structure and composition. During this review MG will consult with supplier-shareholders and other key stakeholders. The final decision on the optimum structure and composition of the MG board

^[1] MG Supplier Letter dated 6 September 2011. Source: <http://www.mgc.com.au/media/6203/MG-to-Co-Invest-in-Tasmanian-Dairy-Processing-Facility-6-Sep-2011.pdf>

¹ MG news release (2014). *MG's \$14 million investment supports dairy foods innovation*. 11 June. Source: <http://www.mgc.com.au/media/16241/Media-Release-Edith-Creek-FINAL.pdf>

² MG news release (2015). *MG acquires Tasmanian Dairy Products*. 29 October. Source: <http://www.mgc.com.au/media/30287/MG-acquires-Tasmanian-Dairy-Products.pdf>

is a matter for supplier-shareholders to approve. MG expects that during this review there will be other related matters associated with governance considered.

Question 3 – Senator Kakoschke-Moore: My second line of questioning is in relation to a different topic, and that is the Victorian government's School Breakfast Clubs Program and the milk contract that was awarded for that this year, which I understand went to a New Zealand company, so there is New Zealand milk now being supplied in Victorian schools. Did the Victorian government approach Murray Goulburn to supply milk for this program?

MG was not invited to tender for the milk contract to supply the Victorian government's School Breakfast Clubs program. The outcome of that tender process was announced in August 2016.

Please contact Ben Gursansky, MG's General Manager – Policy, Industry and Government on should the committee require any additional information to support the conclusion of the Inquiry.

Yours faithfully

Mr Philip Tracy /
Chairman