Proposed new Liquid Payment Structure

Differential

From 1st January 2012 those who opt for constituents will achieve a total differential of 46cpl; 3.833cpl annualised

Working Band

When Manufacturing base is between 27-32cpl our base will remain the same. However moves outside this band we will only receive half the fall or rise. This will be reviewed at the end of 2012 and 2013.

Rounding

The price will be rounded up to the nearest point one of a cent (€0.001) for 11 months and any overpayment will be recovered in period 12 of each fiscal year i.e. cost neutral

Relationship between Glanbia and FMP

A Review will be held once per year.

Agenda for Meeting:

1. Business performance review
2. Farm business performance review
3. Review of the Contract
4. Milk price competitiveness review
5. Seasonal Payments options review
6. Review utilisation and payment of any volume reductions
7. Review of Working Band
8. Milk Quality Review
9. AOB

Working band 27-32

Creamery Price	Band	46/12	Diff	Liquid Price
21	3	3.83	6.83	27.83
22	2.5	3.83	6.33	28.33
23	2	3.83	5.83	28.83
24	1.5	3.83	5.33	29.33
25	1	3.83	4.83	29.83
26	0.5	3.83	4.33	30.33
27	0	3.83	3.83	30.83
28	0	3.83	3.83	31.83
29	0	3.83	3.83	32.83
30	0	3.83	3.83	33.83
31	0	3.83	3.83	34.83
32	0	3.83	3.83	35.83
33	-0.5	3.83	3.33	36.33
34	-1	3.83	2.83	36.83
35	-1.5	3.83	2.33	37.33
36	-2	3.83	1.83	37.83
37	-2.5	3.83	1.33	38.33
38	-3	3.83	0.83	38.83
39	-3.5	3.83	0.33	39.33

Contracts

Contracts will be linked to sales of milk.

Any reductions will be taken one year after on a calendar year basis. For example, sales lost in 2010 will be applied as a reduction from 1st January 2012. (Prior year -1)

Any reduction in Contracts will be placed into a Winter Scheme.

- In year one the cut will be paid at 66% of the Winter Scheme price.
- In year two the cut will be paid at 50% of the Scheme, thereafter it will be reviewed (see point 6 above).

Price for 2011

The price for 2011 has been set on a flat rate giving us an annualised price, should Manufacturing not move, of a minimum 35.24cpl.

All prices are paid on a flat basis.

June – August are paid at 32cpl, should the Manufacturing price move this will follow in line. *The bonus of 0.95cpl to December will be reflected in these months.

September 36, October – December 38cpl. These prices are fixed.

June	32.95*	Flat moving in line with Manufacturing
July	32.95	
August	32.95	
September	36	Flat Fixed
October	38	
November	38	
December	38	

Fig2

Constituents and Payment Structure

Producers will have the option to move to constituents.
They will notify Glanbia by 1st September and move from the 1st of the following January.
Should a producer move they cannot go back.

Notify	Move
1 Sept 2011	1 January 2012
1 Sept 2012	1 January 2013
1 Sept 2013	1 January 2014

Option 1 Payment for those who choose not to move

Producers who feel they need time to transfer to a solids based system his Milk is can be paid on a Hybrid model, this will transfer a portion of his milk slowly over to a constituents System as outlined below. Their flat rate is based at 5.63cpl (at current rate will be 37cpl)

Year	Period	Portion Solids	Portion Flat	Payment top-up Solids	Payment top-up Flat
2011	June-December	0	100%	-	See Fig. 2
2012	Q1 (Jan to March)	30%	70%	*TBA*	5.63
	Q2,3 (April to August)	50%	50%		
	Q4 (Sept to Dec)	30%	70%	*"46"* over winter	5.63
2013	Q1 (Jan to March)	50%	50%		5.63
	Q2,3 (April to August)	100%	0		-
	Q4 (Sept to Dec)	50%	50%	*"46"* over winter	5.63
2014	Q1 (Jan to March)	75%	25%		5.63
	From here on	100%	0		-

Option 2 Payment on Constituents

It is agreed that the differential annualised will be 46cpl.
We have the option to request this pay-out as we see fit.
We have come up with the 3 following possible options although any another may be discussed:

46cpl	October	November	December	January	February	March
5 Month	8	10	11	9	8	-
6 Month	7	9	10	9	7	4
6 Month	6	10	10	10	6	4

Everyone may get paid in this manner post April 2014

J. Graham Secretary Fresh Milk Producers 11/07/2011