



3 March 2009

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Julie Gratton  
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*Turning Goodness  
into Greatness*

Dear Julie,

Thank you for your email dated Tuesday, 24 February 2009.

I appreciate your candour and would like to take this opportunity to respond to the issues you have raised as well as acknowledge some of your concerns.

As part of our acquisition of Dairy Farmers, and under the terms of our undertaking to the Australian Competition and Consumer Commission (ACCC), we have to divest a sustainable fresh milk business in NSW, among other regions. To prepare for the divestment, we have put in place an interim arrangement whereby Murray Richardson is the independent manager for the divested business, reporting directly to the ACCC. His management team is also in place and all transitioning employees have now been notified.

Therefore, we do not have visibility of competitive behaviour undertaken by the divested business during this interim period. However, if there are concerns about losing business, then we can respond in an equally competitive manner. To this end, please provide specific examples of the prices and customers under threat and we will have Chris Wallace, State Sales Manager immediately respond with assistance.

Furthermore, I acknowledge the concerns you have in relation to existing staff moving to the divested business. However we are bound by our arrangements with the ACCC to transfer local knowledge of the area and its customer base, which we have done by transitioning relevant employees, including field sales staff. Because the divested business is operating as an independent business, we cannot direct its management where and how to deploy resources.

Notwithstanding your concerns about the two-fold responsibility of National Foods during this interim period, please be assured that we continue to work very closely with the ACCC in relation to the divestment.

We also look forward to your continued support as we finalise the divestment of the relevant business and build a stronger business in NSW around the Dairy Farmers brand.

Yours sincerely  
**Dairy Farmers**

Eddie Ambrosius  
National Franchise Development Manager