



Dairy Farmers of Britain Ltd  
Alpha Building  
London Road, Stapeley  
Nantwich, Cheshire  
CW5 7JW

Our ref: SMO/CA

10 June 2009

PRIVATE AND CONFIDENTIAL

Dear Member

**New Milk Agreement (Monthly Rolling Contracts) between each Member and Dairy Farmers of Britain Limited ("DFB")**

Further to my previous letter dated 3 June 2009, the joint Receivers and Managers (acting as agents of DFB) hereby give notice that a new milk supply agreement (the New Agreement) will, at one second past midnight (12:00.01 am) on 17 June 2009, supersede all previous sale and purchase agreements and/or terms and conditions in place between DFB and each Member for the supply of milk.

In **all** member meetings and releases I have explained there will be a **minimum "base price"**. This is, as it says, a base price. We will margin manage and will be negotiating with raw milk buyers and customers to seek to achieve a **"fair price" for your milk**.

I did say I would announce the base price with details of the contract and ask you to commit to the new arrangements by this Friday (12<sup>th</sup>). The base milk price will not be available until Thursday or Friday of this week so I am **extending** the deadline for signing up to this new agreement to **12 noon Monday 15<sup>th</sup> June 2009**. You will be able to access the base price by the following methods over the weekend:

- On the website [www.pwc.co.uk/dfob](http://www.pwc.co.uk/dfob)
- By telephoning 08700 108 181

If you do not reply by 12 noon Monday 15<sup>th</sup> June 2009 confirming your agreement to the contract (as a minimum by telephoning 08700 108 181) there is a real risk your milk will not be collected from one second past midnight (12:00.01 am) on 17 June 2009.

The New Agreement can be found at [www.pwc.co.uk/dfob](http://www.pwc.co.uk/dfob) and is enclosed. Seven key features of the New Agreement are:

- 1 Monthly contracts commencing at 12:00.01 am on the 17th of each month to midnight on the 16th of the following month (We were going to use 4 week rolling contracts, but monthly contracts are administratively easier).
- 2 Contracts renew automatically following the 16th of each month.



- 3 Members can give DFB at least four weeks notice **at any time** during any monthly contract to terminate and will be assumed to move to another purchaser on the date they specify (not less than four weeks from the date they give notice).
- 4 DFB will make payments to Members twice per month.
- 5 DFB will pay the members based on a set pricing formula. The price paid to you for the supply of milk will be the trading margin calculated after deducting DFB's trading costs from trading receipts in the ordinary course of business and apportioned between all the Members who have supplied milk based on the actual volumes supplied. (Please note that the fees of the Receivers and Managers will be excluded from these calculations.)
- 6 The New Agreement specifically provides for base prices for the purchase of Conventional, Organic and Channel Island milk. The base prices will be confirmed and updated as soon as possible, we expect this to be on the website by Friday, 12 June 2009. Please note the trading margin will be calculated twice monthly and added to the base prices. There will not be deductions, it is a "base".
- 7 If you intend signing this new agreement but expect your volumes to reduce significantly, please will you indicate the volume reductions on your form and a member of the milk supply team will contact you. We have **not** imposed a minimum volume for collection in this agreement but in order to manage haulage and our selling volumes we need to assess in advance what volumes we expect. Therefore if the volume of supply of your milk falls by more than 25% of the previous 6 months average volume and we have not been informed, DFB may terminate this agreement without notice.

**I have enclosed a copy of the New Agreement which I invite you to read in full. I specifically draw to your attention clauses 9 and 10 which relate to liability, limitations and exclusions.**

Please note that we expect that Organic members will have already signed with OMSCo but an organic price will be included for completeness. Please contact Huw Bowles at OMSCo if you are an organic milk supplier. Channel Islands members are in discussion at the time of writing to potentially move to another buyer. A meeting for Channel Islands members has been arranged for midday 11 June 2009 at the Roman Way Hotel, Cannock. Please contact Richard Bruce on 07802 264221 for further details.

May I remind you that a dedicated website [www.pwc.co.uk/dfob](http://www.pwc.co.uk/dfob) and telephone number 08700 108181 have been set up to provide updates to you and provide answers to frequently asked questions.

So that DFB can plan properly for the benefit of all the Members who are staying with DFB, I would be grateful if you would complete and return the attached Acknowledgement Slip to DFB no later than 12 noon Monday 15<sup>th</sup> June by one or more of the following methods:

- by post in the self-addressed envelope enclosed
- by faxing it to 08700 108 188
- by sending a copy by email to [dfobfarmers@uk.pwc.com](mailto:dfobfarmers@uk.pwc.com) and/or
- by telephoning 08700 108 181 and providing the confirmation and details sort.

Failure to do so means that a tanker might not visit your farm from one second past midnight (12:00.01 am) on 17 June 2009.



Should you have any questions arising out of the information in this letter or its attachments, please contact 08700 108 181.

May I thank you on behalf of DFB for your continuing co-operation at this difficult time.

Yours faithfully  
For and on behalf of the Company  
as its agent and without personal liability<sup>1</sup>

A handwritten signature in blue ink, appearing to read 'S Oldfield'.

Stephen Oldfield  
Joint Receiver and Manager  
Dairy Farmers of Britain Limited

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<sup>1</sup> Messrs Ian Green, David Kelly and Stephen Oldfield are all licensed to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales and were appointed as Receivers and Managers and in their capacity as agents of DFB at 3pm on 3 June 2009. Neither they nor their partners, firm, employees or agents shall incur any personal liability howsoever arising from their actions or under or in connection with any deed or other document or agreement entered into on behalf of DFB pursuant to or in connection with their appointment or the performance of their duties as Receivers and Managers. In particular (but without prejudice to the generality of the foregoing) no such personal liability shall arise by virtue of either Sections 37(1)(a) or 44(1)(b) Insolvency Act 1986 or otherwise.



## ACKNOWLEDGEMENT SLIP

### New Milk Agreement (Monthly Rolling Contracts) between each Member and Dairy Farmers of Britain Limited ("DFB")

Return by:

Post:  
Dairy Farmers of Britain Ltd  
Alpha Building  
London Road  
Stapeley  
Nantwich  
Cheshire  
CW5 7JW

Fax to:  
08700 108 188

Email to:  
dfobfarmers@uk.pwc.com

or by using the self  
addressed envelope  
provided

.....  
**I/We** request that DFB continues to collect all the milk we produce from 17 June 2009 on the basis of the terms of the New Agreement notified to me by letter dated 10 June 2009.

Business/Trading Name:.....

Member Number:.....

Name: .....

Signed:.....

Dated:.....

If more than one person to sign, please insert name(s), signature(s) and date(s) below:

.....	.....
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....

**Please confirm** expected volumes:- the same / less \*

\* delete as appropriate