

# Dairy Farmers Milk Co-operative

## Milk Policy

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2015/2016

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**MILK POLICY GUIDE**  
**Effective: 1<sup>st</sup> July 2015**

**1. INTRODUCTION**

This Milk Policy Guide explains to Dairy Farmers Milk Co-operative (DFMC) Members the terms under which they supply milk to DFMC. This Milk Policy Guide can change from time to time. For clarity, in this document we refer to all milk quality standards and factory procedures as DFMC standards, and all pricing information is referred to as DFMC pricing.

**2. MILK PRICING**

Please refer to your separate regional pricing information letters for full details on current pricing, and incentives in each region. Please also refer to the Defined Volume Fixed Term Contract (Contract) with your monthly contracted volumes for full details on the conditions associated with your contract.

A pricing offer set out in a pricing letter to a prospective supplier to the Milk Co-operative is open for acceptance by that prospective supplier for a period of 90 days from the date of the letter, unless:

- a) The supplier is a new supplier to the Milk Co-operative; and
- b) The offer is extended to the prospective supplier more than 90 days after 1 July in relevant year, in which case the offer is only open for acceptance for a period of 30 days.

**3. COMPONENT PAYMENT SYSTEM**

Payments to Members are made in terms of \$/kg Fat and \$/kg Protein. DFMC quotes prices based on a reference litre of 4% Fat and 3.2% Protein for comparative purposes in both cents per litre (Cpl) and dollars per kilogram of Milk Solids (\$/kg MS) and for 2015/16 is set at a ratio of 1 part Fat is to 1.5 parts Protein compared to a ratio of 1 part Fat is to 2 parts Protein from the previous financial year.

Each month milk prices will be expressed as \$ per Kg Fat and \$ per Kg Protein on your milk statement and will apply to all milk supplied, except for suppliers who are on the Productivity Extension Incentive Policy whose milk price will be expressed as a cents per litre and applied to all milk supplied. Please refer to section 11 (c) for additional information regarding the Productivity Extension Incentive Policy.

**4. DEFINED VOLUME CONTRACTS**

Members in NSW and SEQ will be able to apply for one (1), three (3) and five (5) year Fixed Term contracts. Member in FNQ will be able to apply for one (1), two (2) and three (3) year. Members in Vic and SA will be able to apply for one (1) and three (3) year Fixed Term contracts. Contact your DFMC Regional Manager or DFMC Executive Officer to go through the contract system in detail.

Members acknowledge that the current Milk Supply Agreement (MSA) between ACF and DFMC is due to expire in 2019. As such where a member elects to enter into a contract that extends beyond the term of the MSA, Lion is not obliged and there should be no expectation that Lion will purchase milk in any period after the expiry of the express Term of the MSA.

Features of Contracts include:

- The annual allocation will be represented as a flat line i.e. your defined contract volumes will be the same for each month taking into account the number of days in the month.
- In all regions, the contract represents a Tier 1 contract i.e. all milk for the term of the contract will be paid at the announced value - there will be no Tier 2 valued payments for the term of the contract.
- In all regions except for suppliers in Vic and SA who have elected to take a Variable price agreement, a 'Guaranteed Minimum Base Milk Price' (at the reference litre) is set for each region for the whole 2015/16 financial year for contracted milk. For those suppliers in Vic and SA who have elected to take a Variable price agreement, there will be a minimum price, however if Murray Goulburn (MG) announce a step down during the season, this may be passed onto suppliers (please see Section 6 and your 2015/16 pricing letter for additional information).
- All suppliers (except for Southern farmers who signed a 3 year fixed term supply contract) can apply to DFMC to enter into a replacement contract at the end of any 12 month period and have 90 days from the time the Base Milk Price is announced or from start of the financial year (whichever is the latest) to make an application to do so. Such applications must first be approved by the DFMC. Members will be required to terminate their existing contract and then, enter into a new contract. Members can use this feature to gain a different Guaranteed Minimum Base Milk Price or contractual terms if offered by the Co-operative from time to time.
- Contracts shall continue for the Initial Term and thereafter unless and until terminated by either party giving to the other party not less than 3 months' notice ("**Notice Period**"), which cannot expire until on or after the end of the Initial Term. The Notice Period must expire on the last day of a month. For example, is a supplier give notice on 1<sup>st</sup> June, they are required to continue supplying the Co-operative until 1<sup>st</sup> September. Please refer to section 7 (a) of your supply contract for additional information.

## **5. Anticipated Full Demand (AFD) MODEL**

The overarching requirement of the AFD is to maintain the appropriate milk price signals for All Financial Year Supply and to align DFMC milk intake to the commercial needs of Lion Dairy and Drinks and its subsidiaries. In all regions where the AFD applies, individual allocations are subject to the general proposition that the contracts volumes of all DFMC suppliers (within that region) do not exceed the regional AFD. As a consequence, every DFMC member has an annual allocation. The key principles of this allocation are as follows:

- In FNQ and Southern Australia a supplier's current Defined Volume is recognised as the minimum qualifying volume upon which to base their new AFD allocation prior to any adjustment (including a pro-rata adjustment) based on the agreed regional AFD for the financial year.
- The qualifying milk from those who have left the industry or leave DFMC to supply another processor (i.e. ceased contracts) will go back into the pool and be re-distributed on a pro-rata basis to suppliers whose actual supply exceeds their define volume for a 12 month production period from April to March . Please note the DFMC Board reserves the right to re-distribute ceased contracts in the best manner that it sees fit. Please note that apart from the allocation of surrendered litres, as Lion's commercial requirements matched supplier's 2014/15 supplier allocations, there was no change to a supplier's AFD allocation for 2015/16.
- In Victoria (Including Riverina and Western Vic), SEQ and NSW, AFD volumes will be calculated and offered on an annual basis, based on the following rules:

- Actual production was taken from 2014 calendar year;
- Where actual supply for 2014 less than 90% of contract volumes, suppliers received an AFD equal to their current contract;
- Where actual supply for 2014 was between 90% and 100% of contracted volumes, suppliers received an AFD equal to their current contract plus a 10% increase; and
- Where actual supply for 2014 was greater than contracted volumes, suppliers received an AFD equal to their 2014 actual production plus a 10% increase.

## **6. SOUTHERN GUARANTEE**

The DFMC ensures that Southern suppliers (in SA, Central, Vic (including Riverina and Western Vic) who are on a variable price option, will not have that variable price fall below the MG guarantee (which acts as a safety net). However the variable price can move up and down compared to the MG DMI model farm, as set out in the annual pricing letters issued by the DFMC.

### **Step-up and Step-downs for active suppliers**

A step-up or step-down occurs where a certain price is announced which is above or below the MG guarantee. A step-up or step-down only applies to active suppliers and is paid retrospectively. An **active supplier** is a supplier who has sold milk to the Co-operative one month prior to the time of an announced step-up, or step-down. As such, a step-up or step-down only applies to suppliers who are deemed active suppliers at *the time* a particular step-up or step-down is announced.

#### **Step-Up**

In the event of a MG step-up above the safety net pricing, the following will occur:

- If the step-up payment is announced before the end of a calendar month, payment will be made in the next payment run; and
- If a step-up payment is announced post the end of a calendar month, payment will be made in the following month's payment run.

**For example**, if in a particular year:

- a) a DFMC supplier issues the Co-operative with a 90 day notice of termination;
- b) and that notice falls due at the end of the initial period (i.e. 30<sup>th</sup> June of a Financial Year);
- c) and that supplier then ceases supply on the 30<sup>th</sup> June;

then:

if MG announces a retrospective step-up in July of that year that is above DFMC safety net resulting in the DFMC needing to pay a step-up to those farmers on a variable price contract, those suppliers who have left DFMC for any reason after 30<sup>th</sup> June will NOT be entitled to the retrospective step-up announced by DFMC.

#### **Step-down**

In the event of a MG step-down the DFMC variable price may be adjusted down based on the following circumstances and conditions:

- When MG officially announce a step-down from their current announced price (this will include the opening announced price plus any step-ups);
  - In this clause, an "official announcement" means when MG makes a public written announcement that is freely obtainable in the public domain;
- The step-down to the DFMC variable price can only be to the same value to the announced step-down from MG;

- The variable price must always maintain the current minimum price guarantee e.g. a 1cpl premium above the announced step-down if the current total payable price is below 45cpl
- Further, for the 2015/2016 year DFMC will guarantee a floor price of \$5.70 per kg MG;
  - i.e. regardless of MG opening price and/or any announced step-downs, the total price payable based on the model farm cannot drop below \$5.70 per kg MS;
- Any step-down in the DFMC variable price will only occur from the 1<sup>st</sup> day of the proceeding month following the official MG announcement of a step-down;
- The DFMC announced price, from time to time, which is paid to suppliers is non-refundable i.e. the amount paid to a supplier prior to any announced step-down cannot be clawed back by the DFMC; and
- A step-down cannot be claimed if MG does not reach its forecast closing price.  
A forecast closing price from MG means the price they announce every year around 30 June, based on their anticipated volume and business performance for the following 12 months (which can then result in higher retrospective payments compared to their opening price)
  - e.g. MG opening price is \$5.50 kg MS with a closing price of \$6.00 kg MS., During the year MG steps-up the price to \$5.75 kg MS and this represents MG's closing price for the year. MG do NOT however announce a step-down. As such, the variance between the actual closing price of \$5.75 kg MS and \$6.00 kg MS does NOT represent a step-down.
  - e.g. MG opening price is \$5.50 kg MS with a closing price of \$6.00 kg MS., during the year MG steps-up the price to \$5.75 kg MS. However, during that year if MG announces a step-down to \$5.50 kg MS then that *would* then constitute a step-down.

## **7. FORWARD PAYMENT PLAN (Southern Suppliers)**

For all Southern suppliers (SA, Central, Vic (Including Riverina and Western Vic), farmers are entitled to the DFMC/Lion Dairy & Drinks 'Forward Payment Plan' which is designed to allow a farmer to be paid a 'Flat' Milk price. This is based on a weighted average 'Announced Base Milk' price when applied to the individual's annual kg butterfat (less 0.06 \$/kg) and protein (less 0.09 \$/kg) levels – this equates to -0.5cpl. Suppliers should note that -0.5 Cpl discount is only an interim measure to allow for variations in supply patterns compared to expectations. Suppliers will receive the full rate entitled to them based on an end of year 'balance up' calculation – see below for more information.

**For example:** based on DFMC announced Variable Base Milk price applied to the farmer's kg butterfat and protein (for the previous year), this farmer would be paid a \$/kg flat rate for every month of the year that is equivalent to an annual milk payment 38.20cpl.

	\$/kg Butterfat	\$/kg Protein	Cpl
Weighted average	4.40	6.60	38.70
Less	0.06	0.09	00.50
Announced Flat price	4.34	6.51	38.20

The rates above are only an example. Individual farmers seeking to have a Flat Monthly Milk price will need to complete an individual income estimate to determine their own weighted average base milk price.

A farmer should note that whilst the butterfat and protein rates are paid flat, they will not get a flat cpl rate each month of the year as it varies with composition – in the example above, this farmers payment is a flat \$/kg rate each month that is equivalent to 38.20cpl across the year, however even on the flat rate, the price can vary between 37.80cpl & 39.00cpl (based on this farm's composition, size, etc.). Note: at the end of the financial year i.e. the June milk cheque payable in July, DFMC will do a 'balance up'. That is we will do a full year's calculation based on actual supply (kg butterfat and protein) of the announced variable rate versus the flat rate that was paid and we will either pay a top-up payment or take a deduction based on what you would have received on the variable rate.

## **8. MILK PRICE APPLICABLE AT THE END OF A FINANCIAL YEAR**

The milk price to be paid on milk sold to DFMC after the end of a financial year will be the Announced Base Milk Price (in all regions) announced by the Milk Co-operative from time to time; or should the Announced Base Milk Price not be announced prior to the beginning of the financial year, the Milk Co-operative shall pending the determination of the Announced Base Milk Price (as the case may be) pay you in respect of each geographical area, the lower of:

- a) The commercial price payable by Lion during the corresponding period in the previous year for that geographical area; or
- b) The commercial price proposed by Lion for that geographical area.

## **9. NON-CONTRACTED MILK**

DFMC Members are able to supply milk to DFMC other than pursuant to a Contract however for members to receive allocated AFD milk volumes and receive the Contract Consideration Incentive must enter into Fixed Term supply Contract. Members who have provided their 90 day notice of their intent to cease supply are uncontracted after their due date (i.e. 90 days after the notice was given).

## **10. NEW MILK**

New Milk is at times a part of the milk payment policy. New Milk payment terms change from time to time and specific references to New Milk values are in the Milk Payment letters that are periodically forwarded to our members in our different regions.

DFMC New Milk program will continue for the 2015/16 season and will apply for the months February to June.

DFMC will pay a **5cpl** incentive payment for New Milk production for increases over the equivalent month in the previous year.

The New Milk incentive payment will be 70 cents per kilogram of qualifying milk solids (butterfat plus protein), which is equivalent to 5cpl at the reference litre of 4% butterfat and 3.2% protein. Qualifying milk solids are all milk solids that you supply in the payment month in excess of the volume of milk solids that you supplied in the corresponding month in the previous year i.e. If the volume of milk solids supplied in February 2016 is greater than the same period in February 2015, then the incentive will be paid to you on that additional volume of milk solids (only). Please note that as February 2016 will be a leap year, your production will be prorated to 28 days for comparison purposes.

Note that a new supplier to the Milk Co-operative will be required to provide 12 months documentary evidence of their kg MS in order for the Milk Co-operative to evaluate if there has been an increase in production from the previous financial year. In doing so, that new supplier will be warranting that the information provided is correct and complete in all respects

## 11. **PRODUCTIVITY INCENTIVE**

### a) For suppliers in **FNQ** and **Southern Regions**

The Productivity Incentive is based on kgs milk solids (fat plus protein) supplied per month and starts at 5,000 kg MS which is capped at \$0.28 /kg MS. This Productivity Incentive is only available to FNQ and Southern (including SA, Central, Vic (including Riverina and Western Vic)) members who have signed a 'One, Two or Three Year Defined Volume Contract'. The formula to calculate the Productivity Incentive (from 5,000 kg MS per month onwards) is \$0.01/kg MS per 1000 kg MS supplied during a month (from 5,001 kg MS).

The cents per litre (cpl) price is quoted at the reference litre of 4.0% butterfat and 3.2% Protein.

The Productivity Incentive is paid on a sliding scale for all milk solids within a month i.e. the more milk solids a farmer sends the higher up the payment scale is the value for all those milk solids.

The following table provides an example of the payment rate compared for the **monthly** Milk Solids supplied

<b>Productivity Incentive Vic and FNQ</b>			
<b>Total Kgs (Butterfat</b>	<b>Rate</b>	<b>Cpl</b>	<b>Payment (Dollars)</b>
5,000	0.05	0.36	\$ 250.00
6,000	0.06	0.43	\$ 360.00
7,000	0.07	0.50	\$ 490.00
8,000	0.08	0.57	\$ 640.00
9,000	0.09	0.64	\$ 810.00
10,000	0.10	0.72	\$ 1,000.00
11,000	0.11	0.79	\$ 1,210.00
12,000	0.12	0.86	\$ 1,440.00
13,000	0.13	0.93	\$ 1,690.00
14,000	0.14	1.00	\$ 1,960.00
15,000	0.15	1.07	\$ 2,250.00
16,000	0.16	1.14	\$ 2,560.00
17,000	0.17	1.22	\$ 2,890.00
18,000	0.18	1.29	\$ 3,240.00
19,000	0.19	1.36	\$ 3,610.00
20,000	0.20	1.43	\$ 4,000.00
21,000	0.21	1.50	\$ 4,410.00
22,000	0.22	1.57	\$ 4,840.00
23,000	0.23	1.64	\$ 5,290.00
24,000	0.24	1.72	\$ 5,760.00
25,000	0.25	1.79	\$ 6,250.00
26,000	0.26	1.86	\$ 6,760.00
27,000	0.27	1.93	\$ 7,290.00
28,000	0.28	2.00	\$ 7,840.00
29,000	0.28	2.00	\$ 8,120.00
30,000	0.28	2.00	\$ 8,400.00



b) For suppliers in **SEQ** and **NSW**

For suppliers entering into **1 year** contracts:

The Productivity Incentive is based on kgs milk solids (fat plus protein) supplied per month and starts at 3,000 kg MS (for SEQ) and 5,000 kg MS (for NSW) which is capped at \$0.14 /kg MS.

The formula to calculate the Productivity Incentive is **\$0.01/kg MS per 1000 kg MS supplied during a month (from 3,001 kg MS for SEQ and 5,001 kg MS for NSW)** (about 1,370 litres per day or 500,000 litres pa for SEQ or about 2,283 litres per day or 833,000 litres pa for NSW);

The cents per litre (cpl) price is quoted at the reference litre of 4.0% butterfat and 3.2% Protein.

The Productivity Incentive is paid on a sliding scale for all milk solids within a month i.e. the more milk solids a farmer sends the higher up the payment scale is the value for all those milk solids. i.e.

- 5,000 kg MS is paid at a rate of 0.050;
- 5,500 kg MS is paid at a rate of 0.055
- Or
- 10,000 kg MS is paid at a rate of 0.100;
- 10,500 kg MS is paid at a rate of 0.105

<b>Productivity Incentive ONE YEAR CONTRACTS (NSW &amp; SEQ)</b>						
<b>Total Kgs (Butterfat &amp; Protein)</b>	<b>SEQ</b>			<b>NSW</b>		
	<b>Rate</b>	<b>Cpl</b>	<b>Payment (Dollars)</b>	<b>Rate</b>	<b>Cpl</b>	<b>Payment (Dollars)</b>
3,000	0.03	0.21	\$ 90			
4,000	0.04	0.29	\$ 160			
5,000	0.05	0.36	\$ 250	0.05	0.36	\$ 250
6,000	0.06	0.43	\$ 360	0.06	0.43	\$ 360
7,000	0.07	0.50	\$ 490	0.07	0.50	\$ 490
8,000	0.08	0.57	\$ 640	0.08	0.57	\$ 640
9,000	0.09	0.64	\$ 810	0.09	0.64	\$ 810
10,000	0.10	0.72	\$ 1,000	0.10	0.72	\$ 1,000
11,000	0.11	0.79	\$ 1,210	0.11	0.79	\$ 1,210
12,000	0.12	0.86	\$ 1,440	0.12	0.86	\$ 1,440
13,000	0.13	0.93	\$ 1,690	0.13	0.93	\$ 1,690
14,000	<b>0.14</b>	1.00	<b>\$ 1,960</b>	<b>0.14</b>	1.00	<b>\$ 1,960</b>
15,000	<b>0.14</b>	<b>1.00</b>	<b>\$ 2,100</b>	<b>0.14</b>	<b>1.00</b>	<b>\$ 2,100</b>
16,000	<b>0.14</b>	<b>1.00</b>	<b>\$ 2,240</b>	<b>0.14</b>	<b>1.00</b>	<b>\$ 2,240</b>

For suppliers entering into **3 year** contracts:

The Productivity Incentive is based on kgs milk solids (fat plus protein) supplied per month and starts at 3,000 kg MS which is capped at \$0.28 /kg MS (for SEQ) and 5,000 kg MS (for NSW) which is capped at \$0.40 /kg MS.

The formula to calculate the Productivity Incentive is **\$0.02/kg MS per 1000 kg MS supplied during a month (from 3,001 kg MS for SEQ and 5,001 kg MS for NSW)** (about 1,370 litres per day or 500,000 litres pa for SEQ or about 2,283 litres per day or 833,000 litres pa for NSW);

The cents per litre (cpl) price is quoted at the reference litre of 4.0% butterfat and 3.2% Protein.

The Productivity Incentive is paid on a sliding scale for all milk solids within a month i.e. the more milk solids a farmer sends the higher up the payment scale is the value for all those milk solids i.e.

- 8,000 kg MS is paid at a rate of 0.160;
  - 8,500 kg MS is paid at a rate of 0.170.
- Or
- 12,000 kg MS is paid at a rate of 0.240;
  - 12,500 kg MS is paid at a rate of 0.250

Productivity Incentive THREE YEAR CONTRACTS (NSW & SEQ)						
Total Kgs (Butterfat & Protein)	SEQ			NSW		
	Rate	Cpl	Payment (Dollars)	Rate	Cpl	Payment (Dollars)
3,000	0.06	0.43	\$ 180			
4,000	0.08	0.57	\$ 320			
5,000	0.10	0.72	\$ 500	0.10	0.72	\$ 500
6,000	0.12	0.86	\$ 720	0.12	0.86	\$ 720
7,000	0.14	1.00	\$ 980	0.14	1.00	\$ 980
8,000	0.16	1.14	\$ 1,280	0.16	1.14	\$ 1,280
9,000	0.18	1.29	\$ 1,620	0.18	1.29	\$ 1,620
10,000	0.20	1.43	\$ 2,000	0.20	1.43	\$ 2,000
11,000	0.22	1.57	\$ 2,420	0.22	1.57	\$ 2,420
12,000	0.24	1.72	\$ 2,880	0.24	1.72	\$ 2,880
13,000	0.26	1.86	\$ 3,380	0.26	1.86	\$ 3,380
14,000	0.28	2.00	\$ 3,920	0.28	2.00	\$ 3,920
15,000	0.28	2.00	\$ 4,200	0.30	2.15	\$ 4,500
16,000	0.28	2.00	\$ 4,480	0.32	2.29	\$ 5,120
17,000	0.28	2.00	\$ 4,760	0.34	2.43	\$ 5,780
18,000	0.28	2.00	\$ 5,040	0.36	2.57	\$ 6,480
19,000	0.28	2.00	\$ 5,320	0.38	2.72	\$ 7,220
20,000	0.28	2.00	\$ 5,600	0.40	2.86	\$ 8,000
21,000	0.28	2.00	\$ 5,880	0.40	2.86	\$ 8,400
22,000	0.28	2.00	\$ 6,160	0.40	2.86	\$ 8,800

For suppliers entering into **5 year** contracts:

The Productivity Incentive is based on kgs milk solids (fat plus protein) supplied per month and starts at 3,000 kg MS which is capped at \$0.35 /kg MS (for SEQ) and 5,000 kg MS (for NSW) which is capped at \$0.50 /kg MS.

The formula to calculate the Productivity Incentive is **\$0.025/kg MS per 1000 kg MS supplied during a month (from 3,001 kg MS for SEQ and 5,001 kg MS for NSW)** (about 1,370 litres per day or 500,000 litres pa for SEQ or about 2,283 litres per day or 833,000 litres pa for NSW);

The cents per litre (cpl) price is quoted at the reference litre of 4.0% butterfat and 3.2% Protein.

The Productivity Incentive is paid on a sliding scale for all milk solids within a month i.e. the more milk solids a farmer sends the higher up the payment scale is the value for all those milk solids i.e.

- 8,000 kg MS is paid at a rate of 0.2000;
  - 8,500 kg MS is paid at a rate of 0.2125.
- Or
- 12,000 kg MS is paid at a rate of 0.300;
  - 12,500 kg MS is paid at a rate of 0.3125

Productivity Incentive FIVE YEAR CONTRACTS (NSW & SEQ)						
Total Kgs (Butterfat & Protein)	SEQ			NSW		
	Rate	Cpl	Payment (Dollars)	Rate	Cpl	Payment (Dollars)
3,000	0.08	0.54	\$ 225			
4,000	0.10	0.72	\$ 400			
5,000	0.13	0.89	\$ 625	0.13	0.894	\$ 625
6,000	0.15	1.07	\$ 900	0.15	1.073	\$ 900
7,000	0.18	1.25	\$ 1,225	0.18	1.251	\$ 1,225
8,000	0.20	1.43	\$ 1,600	0.20	1.430	\$ 1,600
9,000	0.23	1.61	\$ 2,025	0.23	1.609	\$ 2,025
10,000	0.25	1.79	\$ 2,500	0.25	1.788	\$ 2,500
11,000	0.28	1.97	\$ 3,025	0.28	1.966	\$ 3,025
12,000	0.30	2.15	\$ 3,600	0.30	2.145	\$ 3,600
13,000	0.33	2.32	\$ 4,225	0.33	2.324	\$ 4,225
14,000	0.35	2.50	\$ 4,900	0.35	2.503	\$ 4,900
15,000	0.35	2.50	\$ 5,250	0.38	2.681	\$ 5,625
16,000	0.35	2.50	\$ 5,600	0.40	2.860	\$ 6,400
17,000	0.35	2.50	\$ 5,950	0.43	3.039	\$ 7,225
18,000	0.35	2.50	\$ 6,300	0.45	3.218	\$ 8,100
19,000	0.35	2.50	\$ 6,650	0.48	3.396	\$ 9,025
20,000	0.35	2.50	\$ 7,000	0.50	3.575	\$ 10,000
21,000	0.35	2.50	\$ 7,350	0.50	3.575	\$ 10,500
22,000	0.35	2.50	\$ 7,700	0.50	3.575	\$ 11,000

c) Productivity Extension Incentive

Suppliers who produce over 20,000 Kg Solids for every month of the year may apply to the Co-operative to receive the Productivity Extension Incentive of a flat Cpl rate for all milk supplied.

As an example for the 2014/15 financial year, DFMC Cpl Base Milk rate was calculated at 55.2 Cpl in NSW and 55.7 Cpl in SEQ for all milk supplied (note this includes contract consideration & maximum production incentive). In addition to this Cpl rate, there are quality adjustments and logistics charges. This Cpl rate replaces the payments to suppliers made in terms of \$/kg Fat and \$/kg Protein.

This is only available to all farms producing more than 20,000 kg MS i.e. they achieve a minimum production rate of 20,000 kg MS for every month of the year). Eligible farmers must apply to receive the Productivity Extension incentive within 90 days of 1 July in a particular year.

Supplier should note that there are Cpl penalties if composition falls below the following levels:

<b>Milk Composition - adjustments (c/l)</b>			
		Protein	
		>=3.0%	<3.0%
Butterfat	>=3.4%	0.0	-2.0
	<3.4%	-1.3	-3.3

Members who do not supply the minimum composition for two consecutive months will be advised in writing and DFMC will revert back to the component payment system quotes prices based on a reference litre of 4% Fat and 3.2% Protein. Please note DFMC may re-coup payments based on a supplier falling short of the component threshold, this will be calculated based on the monthly average composition (i.e. kgs of Butterfat and kgs of Protein supplied by the volumetric litres supplied over the course of the month).

Note that the Milk Co-operative will set-off any amounts payable by you to the Milk Co-operative against any amount payable by the Milk Co-operative to you.

Note that a new supplier to the Milk Co-operative seeking to be paid on the Productivity Extension Incentive flat Cpl rate model for all milk supplied will be required to provide 12 months documentary evidence that they have produced the minimum kg MS necessary to qualify for this incentive.

For additional information on the Productivity Extension Incentive and to see if this applies to your dairy operation, please contact your Regional Manager. Note the 2015/16 rates will not be determined until after the Base Milk Price is announced.

## **12. DEFINED VOLUME (Contract Premium)**

### **Southern Contracts including SA, Central and Vic (including Riverina and Western Vic) only:**

DFMC will pay suppliers a cent's per litre incentive for entering into a one (1) or three (3) year milk supply contract.

<b>Annual Defined Volume</b>	<b>Contract Consideration rate</b>
<b>0 to 1,999,999 litres</b>	1.00 Cpl
<b>2,000,000 to 4,999,999 litres</b>	1.25 Cpl
<b>5,000,000 to 9,999,999 litres</b>	1.50 Cpl
<b>10,000,000 litres and over</b>	1.75 Cpl

**FNQ Contracts only:**

DFMC will pay suppliers a cent's per litre incentive for entering into a one (1), two (2) or three (3) year milk supply contract.

<b>Annual Defined Volume</b>	<b>Contract Consideration rate</b>
<b>0 to 1,999,999 litres</b>	2.00 Cpl
<b>2,000,000 to 4,999,999 litres</b>	2.25 Cpl
<b>5,000,000 to 9,999,999 litres</b>	2.50 Cpl
<b>10,000,000 litres and over</b>	2.75 Cpl

**SEQ and NSW Contracts only:**

DFMC will pay suppliers 2.0 cents per litre flat rate incentive for entering into a one (1), three (3) or five (5) year milk supply contract.

<b>Flat Rate</b>	<b>Contract Consideration rate</b>
On all litres supplied	2.00 Cpl

**13. GATE CHARGES**

The Gate (or Stop) Charges in the *Far Northern* and Southern Region (including SA, Central, Vic (including Riverina)) are as follows.

Gate Charge	\$10.00(first collection per day) \$50.00 (for any additional collections on that day, where multiple pick-ups per day are agreed by the Milk Co-operative)
Under minimum volume of 1,500 litres on a skip a day basis	\$40.00 (per pick up)
Under minimum volume of between 1,500 litres and 1,800 litres on a skip a day basis	\$30.00 (per pick up)

The Gate (or Stop) Charges in the SEQ and NSW are as follows:

Under minimum volume of 1,500 litres on a skip a day basis	\$40.00 (per pick up)
Under minimum volume of between 1,500 litres and 1,800 litres on a skip a day basis	\$30.00 (per pick up)

#### 14. LOCATION DIFFERENTIAL

In the NSW Region the following Location Charge will apply from the 1<sup>st</sup> July 2015 (note these are unchanged from the previous financial year):

<b>Central Logistics</b>	
Subregion	rate Cpl
NSW - Central West – Bathurst	-3.00
NSW - Central West - Cowra-Forbes	-3.30
NSW - Central West – Orange	-3.00
NSW - MNC – Gloucester	-2.50
NSW - MNC – Taree	-3.80
NSW - Lower Hunter – Dungog	-3.00
NSW - Lower Hunter - Maitland/Paterson	-3.00
NSW - South Coast	-2.30
NSW - Southern Highlands	-1.60
NSW - Sydney Basin	-0.80
NSW - Upper Hunter	-3.00

In the SEQ Regions the following Location Charge will apply from the 1<sup>st</sup> July 2015 (note these are unchanged from the previous financial year):

<b>Northern Logistics</b>	
Subregion	rate Cpl
SEQ - Moreton/Lockyer	-1.20
SEQ - Darling Downs – Dalby	-2.80
SEQ - Darling Downs – North	-2.20
SEQ - Darling Downs – South	-2.20
SEQ - Darling Downs – Warwick	-2.70
SEQ - Nth Coast - Conondale/Kenilworth	-2.50
SEQ - Nth Coast – Gympie	-2.70
SEQ - Nth Coast - Lower Sunshine Coast	-1.60
SEQ - Nth Coast – Maleny	-2.00
SEQ - Nth Coast - Esk/Toogoolawah	-1.70

In the SA Regions the following Location Differential will apply from the 1<sup>st</sup> July 2015 (note this is unchanged from the previous financial year):

<b>SA Region</b>	rate Cpl
SA Central (For suppliers within 100 km from GPO only)	+0.50

## **15. PRIOR NOTIFICATION TESTS (ANTIBIOTICS, BLOOD IN MILK, SOUR MILK)**

Members will be entitled to One (1) paid 'prior notification exemption for each financial year commencing 1<sup>st</sup> July 2015. Please also refer to section 20 on the importance of having adequate farm insurance.

Prior Notification is defined as the member notifying a DFMC Regional Manager, Lion Technical Officer and/or milk cartage contractors that they have milk unsuitable for pickup at any time prior to the milk entering the milk tanker. Please note: in order to ensure maximum collection efficiencies, members are requested to notify the tanker company, RM or FSO prior to the tanker arriving.

If the member suspects that they have milk unsuitable for pickup because of possible antibiotic contamination and seeks time to test their milk prior to collection, Lion Dairy & Drinks will use its 'best endeavours' to allow enough time for the member to have the milk tested by a relevant inhibitory substances screening test before determining if they will supply the milk to the tanker or elect prior notification.

If the member applies for prior notification at any time, the member is obliged to make every effort to inform relevant DFMC Regional Managers, Lion Technical Officers and /or milk cartage contractors. The milk will not be picked up by the tanker and the member is expected to dump their milk according to relevant Environmental Protection Agency (EPA) guidelines.

Milk should not be picked up while milking is in progress. If for some reason milk is to be picked up while milking is still in progress; the milk tanker driver must on all occasions seek approval from the member or the milker at the dairy before he begins pumping the milk into the tanker. If the driver does not obtain approval to begin pumping whilst milking is still underway and there is a problem with the milk supplied, the member will not be liable and will be paid for the milk supplied.

## **16. ANTIBIOTIC TEST KITS**

It is the supplier's responsibility to provide milk which is free from Antibiotic contamination. Private on-farm Test Kits will **not** be recognised as an official test kits and should be used as a **guide only**. If DFMC members have their own test kits, they are responsible for the maintenance, operations and results of the use of those kits. Please see section '18' regarding policy and penalties associated with supplying milk which has tested positive at factory for antibiotics.

Lion Dairy & Drinks factories and tanker contractors have approved test kits that can be used to determine whether a contamination from antibiotics has occurred on farm. It is the supplier's responsibility to make contact with the Farm Services Officer, Regional Manager or Tanker Company to arrange for the sample to be tested. Tankers may be diverted to pick up samples off farm. Supplier must deliver them to the tanker or the testing facility. Testing will not be performed on individual cow samples as test kits are not calibrated to test samples other than bulk milk samples.

## **17. REFRIGERATION AND GENERATOR REBATE SCHEME**

Lion Dairy & Drinks in conjunction with DFMC has a Refrigeration and Generator Rebate Scheme designed to help Members improve their refrigeration capacity and avoid the need for everyday collection and to ensure they have power to run their dairy operations in case of power outages. At this point of time the scheme will be available to members until the 30<sup>th</sup> of June 2016.

Please refer to appendix 2 for further detail on the rebate scheme.

## **18. SUPPLYING MILK**

If a member elects to use their prior notification, milk dumped (as per EPA guidelines) will be paid for at their current milk price unless entitled prior notifications have been used. The member must inform relevant DFMC Regional Manager or Lion Farm Services Technical Officers regarding the volume of milk discarded as soon as possible.

If a member has not used an official test kit from the tanker company or from the factory and supplies milk which subsequently is tested positive at the factory for antibiotics and Lion Dairy & Drinks does not use the milk for human consumption, the member will not be paid for their milk and will be responsible for the cost of the milk in the tanker including:

The total cost of all the milk in the tanker at the current value of the milk from other farmers (if any) that is in the tanker (less the members own milk that is included in the pickup).

1. Freight costs.
2. Disposal costs.

Lion Dairy & Drinks will send an invoice to the member for the above mentioned costs. Lion Dairy & Drinks will begin deductions from your monthly milk cheque in the next pay period. Lion Dairy & Drinks will deduct the amount owing in four (4) equal instalments.

If however any milk supplied by a farmer is deemed by the processor suitable for human consumption, the member will be paid for the milk supplied. Please note that it is Lion Dairy & Drinks policy that any milk suspected of being contaminated by antibiotics will not be accepted.

If antibiotic milk is supplied by more than one member for that tanker run, milk will not be paid for and the costs will be applied on a litre pro-rata basis across those members who supplied antibiotic milk to that tanker.

## **19. DEMERIT POINTS RELATED TO ANTIBIOTICS**

DFMC encourages its members to minimise at all times the chances of contaminated milk entering the factory system. Thus it **strongly** encourages members to discuss with DFMC Regional Managers or Lion Farm Services any suspect milk before pick up and take advantage where necessary of the preliminary testing if advised to do so.

Accordingly if a member supplies milk which tests positive for antibiotics or other inhibitory substances at the factory (and has not used an antibiotic test kit that tested negative on farm) they will receive three (3) demerit points as well as being penalised with non-payment for milk and incurring associated costs as per section '18'.

If a member uses an official antibiotic test kit that provides a negative result (e.g. no antibiotics) and as such has his milk picked up by the milk tanker, if that milk is subsequently deemed positive for antibiotics at the factory, the member will **not** receive any demerit points.

## **20. INSURANCE COVER**

All members should have adequate insurance to cover any incidences of milk loss, contamination or damage to other farmer's milk in the milk tanker. It is recommended that farmers should also check their policy to cover restricted access to farm from public road or bridge failure. Should a member require a letter for an insurance claim please contact your local DFMC Regional Manager or Lion Farm Services Officer.

DFMC will not be responsible for payment of milk not collected due to:

- Adverse weather conditions
- Where the farm has restricted access due to safety, or notified public health reasons – such as animal disease (botulism, FMD, Anthrax) etc.



## 21. ROAD ACCESS

Members are reminded that they must have 24 hour all weather access and safe road access for milk tankers under all weather conditions to the dairy (see transport section for further details), specifically lack of adequate road access due to weather conditions. This includes ensuring that any bridges on or leading to the farm are structurally sound and can bear the load of a milk tanker.

## 22. QUALITY PAYMENT SYSTEM

Quality payments are made in cents per litre and are the same in all regions throughout the year. The table below sets out the quality payment rates.

<b>Demerit Points per month Bonus/Penalty</b>		
<b>From</b>	<b>To</b>	<b>Cents/Litre</b>
0	0	2
1	1	1.4
2	4	1
5	9	0
10	14	-1
15	17	-4
18	23	-8
24	29	-12
30	60	-16
<b>61</b>	<b>&amp; Over</b>	<b>No Payment</b>

## 23. ON FARM QUALITY ASSURANCE PROGRAM

It is the member's responsibility to ensure that their 'Simply Perfect' (On Farm Quality Assurance) Manuals are compliant with relevant State Authority requirements and that recording sheets and Manuals are kept updated. All States require dairy producers to have an approved and audited Food Safety Program. They must comply with individual State legislation and DFMC requirements with regards to auditing of these systems by or for the relevant State Authorities. Any member that fails an audit could be immediately suspended from supply until the cause of the failure is rectified. Members who have a minor or major non-conformance entered on their audit may receive time to demonstrate rectification of the non-conformance. Our Regional Managers and Lion Farm Services are available for assistance in implementing an on farm quality system. Please note 'SIMPLY PERFECT' is the name of the Lion Dairy & Drinks Farm Quality Assurance program. All forms and manuals are available for downloading from [www.dfmc.org.au](http://www.dfmc.org.au) or through <http://milkline.natfoods.com.au> or from your local DFMC Regional Manager and Lion Farm Services Officer.

## 24. SAMPLING OF MILK

All milk is graded prior to pick up by the tanker driver. Should that milk be rejected on farm because of suspected contamination (blood, weed taint, foreign matter etc.) and the member has notified the tanker driver then the member will have the opportunity to apply for a paid prior notification (provided the milk has not entered the milk tanker and the member is entitled to a prior notification). If the milk has entered the tanker and/or the member does not have a prior notification available and/or the member has NOT notified either the tanker driver, DFMC or Lion Dairy & Drinks, then the milk will not be paid for.

Bulk milk samples will be taken using aseptic proportional milk sampling devices. In cases where pulse sampling is not available a dipper sample will be collected by the tanker driver using standard procedures. Members who have concerns regarding tanker drivers or sampling methods should immediately report this to their DFMC Regional Managers or Lion Farm Services Officer.

## **25. TPC RETESTING POLICY**

The DFMC TPC retest regime was put in place in order to recognise those with good quality TPC records. The use of re-test results are according to a strict set of guidelines outlined below:

A 'Re-test List' of farmers will be produced every 10 days. This is made up as follows:

- Members whose initial period TPC is greater than 10 (thousand)

For any farms from this re-test list, we will then use the lower of the re-test result and/or the initial test result for the period as the official result. Any subsequent re-tests for that period will only be treated as advisory tests and only farmers on the re-test list will have their results adjusted. Results will also be adjusted if an investigation by the laboratory or farm services team have identified that an entire batch of TPC samples have been compromised. Your local DFMC Regional Manager or Lion Farm Services Officer can also authorise advisory TPC tests to help members determine the results of revised cleaning and sanitising regimes.

It is the members' responsibility to contact their Farm Services Officer to obtain their results, or use the other methods – the sms / email system or by fax or Milkline (<http://milkline.natfoods.com.au>). Samples may be tested for them but will not be used to adjust existing results.

As a matter of reference, initial tests (rather than any adjusted results after a re-test) are used in calculating the averages against which decisions are made.

Where after 2, 10 day periods over 50,000 cfu/ml, a farmer is given another two 10 days to rectify before suspension occurs. Members will be advised by DFMC Regional Managers or Lion Farm Services Officers, and collection may be suspended until DFMC is satisfied that a suitable control program has been put in place and results have improved.

## **26. ABUSIVE LANGUAGE**

It is DFMC policy to provide a safe work place that provides all people associated with our business an environment that is free from abusive, offensive or threatening behaviour.

If DFMC believes that such behaviour has occurred (this will be determined at DFMC Board discretion), you will be suspended from milk pick up for 5 days or until DFMC believes the behaviour has been rectified.

## **27. BULK MILK CELL COUNT**

The maximum allowable BMCC level on a monthly average basis is 400,000 cells per ml which brought DFMC into line with Australian Quarantine and Inspection Services (AQIS) export requirements. AQIS export requirements are for BMCC to be reported as a geometric mean, which is generally lower than a straight average. If the occasional test goes over the 400,000 limit, Demerit Points will apply, bearing in mind that the highest 10 day period average result is removed each month.

Where after 2, 10 day periods over 400,000 SCC, a farmer is given another two 10 days to rectify before suspension occurs. Members will be advised by DFMC Regional Managers or Lion Farm Services Officers, and collection may be suspended until DFMC is satisfied that a suitable mastitis control program has been put in place and BMCC results have improved. After recommencing pick up, suspension from supply will recur should the SCC exceed 400,000 averaged over a 10 day period.

## **28. POOR MILK QUALITY**

Members with consistently poor quality milk (i.e. high TPCs, high BMCCs, low fat, low protein and high temperature etc.) will be advised in writing, and collection may be suspended until DFMC are satisfied that a suitable milk hygiene program has been put in place. Milk collection may cease entirely if poor milk quality persists.

Suspension: Suppliers should note that whereby a farmer who is suspended for quality issues three times in a rolling twelve month period will permanently suspended from pick up and a new supply contract will not be offered.

## **29. MILK FAT % AND MILK PROTEIN %**

DFMC requires suppliers to supply milk with a Fat % no less than 3.2%. DFMC requires suppliers to supply milk with a Protein % no less than 2.9%.

Where after two 10 day periods with low results, the supplier will receive a letter outlining the suspension warning notice. The then has supplier has 20 days from the warning notice to have composition above the minimum levels or they may be suspended. After recommencing pick up, suspension from supply will recur should minimum requirements not be met.

## **30. TEMPERATURE**

Members are reminded of their obligation to have the ability to refrigerate and store all their milk at 4°C. Milk should be available for collection at 4°C any time with exception given during the Exclusion Times of 6 am to 10 am and 4 pm to 8 pm. Milk will not be collected above 8°C except with prior approval from Farm Services. Farmers who persistently exceed collection temperature requirements will be monitored. Milk cooling systems must comply with the requirements of 'Simply Perfect'. Any supplier that has regular issues with temperatures in excess of 4°C will undergo an audit of their cooling system. Suppliers that do not comply with 'Simply Perfect' requirements may have their Farm Quality Assurance accreditation revoked (after being given an opportunity to correct the problem).

## **31. EXTRANEOUS MATTER (SEDIMENT)**

This test is done on tankers initially and individual samples are only taken when there is a problem with the tanker. Farmers will be contacted regarding problems as they arise.

## **32. FREEZING POINT**

This test is to detect added water. Nutritional problems can cause freezing points to rise, but not generally above -0.5°C. With payments for composition, there is no incentive to add water to milk. We still test for 'Added Water' however as it can occur and is a risk to overall milk quality at the factory. Members will be notified of issues as they arise. If suppliers are found to have water in their milk, they may be subject to suspension until the issue is resolved.

## **33. ANTIBIOTICS AND OTHER INHIBITORY SUBSTANCES**

These substances, especially antibiotics, can have extreme effects on manufacturing processes. Inhibitory substances can include: antibiotics, pesticides, herbicides, detergents (especially quaternary ammonium compounds), blood and colostrum. Lion Dairy & Drinks policy states it does not knowingly process milk that has been shown to be positive for inhibitory substances by any valid test. Please refer to Section 18 regarding **costs associated with contaminated tankers and 'Demerit Point' penalties**.

All tankers are tested on arrival at a Lion Dairy & Drinks processing facility with subsequent additional testing for individual member's milk if there has been a positive result. There are also regular random tests on individual member samples throughout the month. The penalty for supplying milk not suitable for human consumption is non-payment for that collected milk volume; please refer to sub-heading "Supplying Milk" for full details. Three samples will need to be taken from the vat for testing prior to

resumption of collection. Farms with recurring problems will be suspended from supply until steps are in place to milk to good quality.

All tankers are tested by rapid testing methods on arrival at the processing facility. Should a positive result be detected on the tanker, the milk is segregated while further testing is conducted. Each member's vat sample is then checked for the presence of inhibitory substances and the offending member will be notified.

It is the offending member's responsibility to have the next consignment of milk tested before the next tanker collection. Positive milk tanker results are reported to the relevant State Food Authority immediately. Where a member has tested positive for antibiotics through routine testing procedures, DFMC reserve the right to have an audit conducted of the On Farm Quality Assurance Program to assist with improving the farm management system.

Lion Dairy & Drinks participates in the Australian Milk Residue Analysis (AMRA) Survey. This is an independent, government-operated, chemical residue monitoring program for the Australian dairy industry. It is carried out by independent experts at Lion Dairy & Drinks sites and other processors sites throughout Australia. Both random and targeted milk samples are taken from bulk farm pick-up tankers for testing at Government-contracted laboratories. If a sample is confirmed as containing a residue of 50% or more of the Maximum Residue Limit, then trace-back to farm or factory of origin and if necessary, trace-forward procedures are instigated. A trace-back is also initiated when a sample is reported as screen (presumptive) positive for antibiotics or aflatoxin M1.

#### **34. OESTRADIOL**

All members are advised that the use of Oestradiol is not permitted on farm except in non-lactating heifers. Please check with your local vet for advice on products that are suitable for use.

#### **35. RESULTS**

All milk test results are generally available within approximately 48 hours from collection via the following, except in exceptional circumstances:

- **SMS, email and fax**
- Milkline website on <https://milkline.natfoods.com.au>

Members are reminded that the tanker docket system may not always be available and it is recommended that they use one of the methods above for regular results retrieval. The sms, email and fax system is designed to notify you immediately when your results become available and is the most efficient way of getting your results. Please contact your local Regional Manager or Farm Services Officer to ensure you are registered on this system.

#### **36. ANIMAL FEEDSTUFFS**

##### **a) SUITABILITY OF FEED FOR ANIMAL USE**

Vendor declarations must be sought for **all** feed stuffs as part of each member's On Farm Quality Assurance Program. The Vendor Declarations should identify the supplier of the feed, give a description of the stockfeed and date of supply, and should guarantee that the feedstuffs are suitable for use for dairy cows in line with current Dairy Industry Standards including free from chemical residues and RAM (Ruminant Animal Material).

## **b) AFLATOXINS**

Aflatoxin is a substance produced by fungal contamination of feeds. Dairy cows consuming aflatoxin contaminated feeds can transfer some of this toxin into milk. Aflatoxin, when consumed by humans through contaminated milk from dairy cattle who consumed contaminated feed can have adverse health effects. We must fully comply with all regulations relating to aflatoxins within both the domestic Australian market and within individual export markets where it sells milk and milk products.

In the event that a farm result exceeds the acceptable level for aflatoxin during routine testing of milk - the member shall be notified by the farm services team and assistance provided to investigate and correct the problem. Various feed stuffs such as copra meal, peanut hay etc. have been shown to contain dangerous aflatoxin levels on occasion and must be managed on farm to reduce the possibility of contamination.

## **c) GENETICALLY MODIFIED ORGANISMS (GMO's)**

Our policy is to avoid the use of genetically engineered or genetically modified (GE/GM) materials whenever possible. In the case of milk, DFMC preference is that members avoid GE/GM feed for their cows whenever possible and seek warranties (vendor declarations) at all times in regard to the GE/GM status of purchased feeds. However, we recognize that there are times when feed of non-GE/GM status is either in extremely short supply or that the cost of non-GE/GM feed is prohibitive given economic realities. In such times, especially in periods of drought, we accept that feed containing GE/GM may have to be used. When situations return to normal availabilities of feed, we expect that farmers will do all in their power to avoid the purchase of feed containing GE/GM materials.

To ensure the integrity of its products, Lion Dairy & Drinks checks that its milk products do not contain any novel proteins. Raw milk must not be sourced from cattle that have been genetically modified via either recombinant or other direct DNA technology.

## **37. ANIMAL HEALTH**

The Australian dairy industry has in place a National Dairy Industry Animal Welfare Strategy (NDIAWS). The NDIAWS supports the Australian Animal Welfare Strategy which was developed by the Federal Government with the vision that the welfare of all animals in Australia is promoted and protected by the adoption of sound animal welfare standards and practices. The team at DFMC and Lion Dairy & Drinks works closely with Dairy Australia and other industry bodies to ensure that our members are fully aware of any welfare issues and recommended best practice on farm. Our members are expected to have on farm animal health and welfare practices of the highest standard. On the ground in their local regions farm services officers are actively working with farmer members, State Food Authorities, local vets and DPI personnel to ensure the highest possible milk quality is delivered, and that animal welfare standards are maintained on our individual farms. Our rigorous monitoring of milk quality standards ensures that we have the best possible standards on farm. Lion Farm Services Officers help farmers with daily practical advice on nutrition, agronomy and animal health issues in order to ensure that our milk supply comes from healthy well cared for animals.

The safety of milk for consumers is essential. Cows must be managed in a manner that prevents the introduction of hazards to the milk and the wellbeing of livestock. If members notice unusual symptoms such as dramatic shifts in production, skin lesions, sudden deaths, downer cows, etc.; they should immediately remove and isolate any suspect cows showing unusual signs or symptoms from the milking herd. It is their responsibility to contact their veterinary officer and if necessary report any incident of concern to Lion Farm Services immediately. Pick up may be suspended while any investigation is ongoing if recommended by either a veterinary officer or the State Food Authority. Compensation for any or all of the milk dumped in such a situation is at the discretion of DFMC. Members are reminded that they should have insurance to cover any milk lost in circumstances such as this. Milk will not be picked up from herds infected with notifiable diseases unless it is deemed safe by the State Food Authorities.

Issues that may affect our ability to pick up milk include but are not confined to:

- pesticide and chemical poisoning;
- botulism, anthrax;
- Foot and mouth disease.

Vaccinations for diseases such as botulism, three day sickness, leptospirosis; etc. are recommended as best practice in order to minimise the occurrence of such diseases on farms.

In the event that a member does not notify or delays notifying DFMC of an incident we may cease milk collection immediately and DFMC reserves the right to cease collection on a permanent basis.

### **38. ANIMAL WELFARE**

Good animal health and welfare is central to successful and sustainable dairy farming. Customers and consumers are increasingly interested in knowing that a high standard of animal welfare is maintained throughout the supply chain of products they purchase.

LION DAIRY & DRINKS and DFMC are committed to ensuring responsible animal welfare practices are maintained by its suppliers in accordance with the relevant laws, regulations, industry guidelines and animal welfare codes of practice.

The Australian dairy industry, through Dairy Australia, Australian Dairy Farmers (ADF) and the Australian Dairy Products Federation (ADPF) has identified the following priority areas to enhance animal welfare outcomes:

DFMC is committed to ensuring responsible animal welfare practices are maintained by its suppliers in accordance with the relevant laws, regulations, industry guidelines and animal welfare codes of practice.

- Calf management – calves need to be managed across the supply chain to meet agreed industry codes of practices and welfare standards;
- Tail docking – the Australian dairy industry does not support tail docking. DFMC does not condone any tail docking; If any supplier is reported to be tail docking DFMC reserves the right to suspend milk collection immediately pending an investigation, and reserves the right to cease collection on a permanent basis;
- Disbudding – disbudding of calves' horns should be practised in preference to dehorning older cattle. Disbudding is best done under the age of 8 weeks using methods approved under industry guidelines and welfare codes of practice;
- Lameness – farmers should seek to minimise lameness through adoption of practices for prevention, early detection and effective treatment on-farm. DFMC recommends that all suppliers have a written lameness improvement plan. Examples, tools and assistance can be found on the Dairy Australia website; and
- Calving induction – sound farm management practices reduce any perceived requirement for calving induction. Induction drugs should only be used if necessary for animal health/welfare reasons and under the supervision of a vet, rather than a practice to regulate milk production. DFMC suppliers should ensure this practice is maintained under strict industry guidelines and welfare codes of practice.

More information on animal welfare standards and practices can be obtained from Dairy Australia at [www.dairyaustralia.com.au](http://www.dairyaustralia.com.au).

## **Animal Welfare Concerns**

Lion Dairy & Drinks and DFMC have no tolerance for animal cruelty. It is each supplier's responsibility to ensure they meet and comply with animal welfare laws, standards and practices.

DFMC may suspend the collection of milk if DFMC reasonably suspects that there may be material animal health or welfare issues with respect to the supplier's milking herd or other livestock.

### **39. ENZOOTIC BOVINE LEUCOSIS (EBL) AND BOVINE JOHNES DISEASE (BJD)**

Members must comply with individual state legislation relating to BJD and EBL testing. It is the aim that all members' milk supplied to DFMC shall be EBL free (Monitored Free). If a breakdown occurs, members shall follow the state EBL Testing Protocol. For herds over 200 cows sub sampling will be used in line with State statutory guidelines. DFMC have the right to ask members to supply evidence of what their current EBL status is.

All members must provide evidence of EBL status to DFMC.

### **40. MINIMUM VOLUMES AND PICK-UP ARRANGEMENTS**

In an effort to keep the ever increasing cost of milk cartage at reasonable levels, the Minimum Level for collection of milk is as follows:

Litres on Skip a day basis	Minimum monthly supply	Collection fee
1500	22,500	-\$40.00 (per pick up)
Between 1500 and 1800	27,500	-\$30,00 (per pick up)

Please note that if a farmer fails to meet the minimum volume after one month, they will first be informed in writing to allow the farmer to rectify the issue. If however the farmer fails to increase production above the minimum volume levels as tabled above in the second month, the collection fee will be applied and continue until minimum volumes are reached and maintained.

This policy will replace the current suspension policy for not meeting minimum pick up volumes.

Exception may be given by DFMC to members on a truly seasonal supply pattern either at the start or end of their seasonal calving period.

Other collection requirements include:

- Collection on a daily or skip-a-day basis except in emergencies;
- The tanker must empty the vat;
- No segregation of the milk is allowed on the basis on any compositional or quality parameter.

DFMC (including Lion Dairy & Drinks and subsidiary companies that collect the milk) have no obligation to collect milk more frequently than once per day.

In order to guarantee the safety of members, drivers, animals and property and to facilitate the efficient collection of milk, DFMC requires all farms to have acceptable dairy access.

**The minimum suitable standard includes:**

- An all-weather access road to provide safe access for the milk tanker.
- Truck access gates to and within the property must remain open at all times.
- Towing of trucks will not be permitted under any circumstance.
- No reversing of tankers into a farm from a public road. Clear visibility at the entrance to the farm that is free from trees or other obstructions.
- No cows are permitted to walk on tanker access tracks. This is essential for OH&S reasons but also for Biosecurity on farm.
- Drivers must be given safe, clear and well lit access to the vat room and vats at all times.

For further information on DFMC milk collection tanker safety and access standards please contact your local DFMC Regional Manager or Lion Farm Service Officer.

There are times of the year when milk production may exceed the Member's storage capacity even on daily collection. Members may also be unfortunate enough to have a refrigeration failure that is not immediately repairable. In these types of situations, the Member may request additional pickups each day. At its absolute discretion, DFMC will attempt to assist the Member by providing an additional daily collection. Any additional collections may incur an additional fee of \$50. DFMC has no obligation to collect milk more frequently than once per day. In any event, milk must meet temperature provisions as the additional collection is at the election of the Member and not DFMC, unless DFMC has agreed to assist a member with a refrigeration problem.

Where the Member's volume of milk exceeds the capacity and ability of DFMC milk collection arrangements, additional fees and Gate Charges will not be charged or will be reimbursed if charged incorrectly. Also, where milk is collected more frequently than required by the Member for the cartage contractor's or DFMC convenience, no Gate Charges or additional charges will apply for the additional collections.



The following are the contact numbers for current transport carriers:

<b>Area</b>	<b>Transport Carrier</b>	<b>Contact</b>	<b>Numbers</b>
<b>FNQ</b>	McColls	Neville Moseley	0458 754 057
<b>SEQ</b> Gympie, Brisbane Valley	BLU Logistic Solutions	Rochelle Conroy	0409 836 522
<b>SEQ</b> Darling Downs, Ipswich and Lockyer	BLU Logistic Solutions	Marc Anderson	0409 302 923
<b>SEQ</b> West Moreton	BLU Logistic Solutions	Wayne Burton	0438 105 502
<b>NSW:</b> Hunter, Mid North Coast	SRH	Scott Harvey	0409 326 163
	SRH	Jim Ridley	0439 326 163
<b>NSW:</b> Central West	McColls	David Favelle-Toovey	0428 522 296
<b>NSW:</b> Southern Highlands / South Coast	McColls	David Woolley	0458 044 840
<b>SA:</b> SA Central	BLU Logistics Solutions	Craig Dixon	0438 956 149 After Hours: 0409 836 522
<b>Vic:</b> Riverina, North Victoria	McColls Head Office Tongala	Riverina, North Victoria	03 5859 3333
<b>South West Victoria</b>	Warrnambool Cheese & Butter	Kirk Dolton	0400 985 282

#### **41. CONSISTENCY OF SUPPLY**

All members must supply milk on a consistent basis throughout the week either on a daily or alternate day basis, with the variation on a two day basis not to exceed 20%. For example, if the combined total of milk supplied on a Monday and Tuesday is 1000 Litres, the milk available for collection on Wednesday and Thursday must be between 800 and 1200 Litres. This does not apply to seasonal members at the start and end of the season.

#### **42. SPLITTING MILK ON COMPOSITIONAL AND QUALITY DIFFERENCES**

DFMC will not accept milk that has been segregated on the basis of composition or quality.

#### **43. RELATIONSHIP WITH LION**

The prices and policies in this document are the same that are applied between the DFMC and Lion (owners of Dairy Farmers Limited (formerly Australian Co-operative Foods) (DFL). DFL is responsible for the collection, cartage and testing of the milk.

If, under the terms of DFMC's Milk Supply Agreement with DFL, DFL may validly refuse to purchase a member's milk from DFMC (for example, because the member fails to continuously supply milk to DFMC), then DFMC shall not be obliged to purchase that member's milk from the member.

#### **44. PAYMENT DATE**

Payments are generally made on the fifteenth day of the month following collection. If the fifteenth day of the month is a Saturday or Sunday, payments will occur on the immediately preceding business day e.g. Friday. If the fifteenth day of the month is a public holiday or bank holiday, payments will occur on the nearest business day prior to the fifteenth day of the month. Milk Statements are available on Milkline <https://milkline.natfoods.com.au> on the evening of the fifteenth of each month.

#### **45. QUESTIONS?**

Broader policy issues should be addressed to your regional DFMC Director or DFMC Executive Officer. Contact can be found on the DFMC website [www.dfmc.org.au/contacts](http://www.dfmc.org.au/contacts).

Please contact your local Regional Manager with queries relating to the payment or quality system. Please note that any extra sampling must be approved prior to testing by your local DFMC Regional Manager or Lion Technical Officer.

**DAIRY FARMERS MILK CO-OPERATIVE LIMITED**  
C/- 12/60 Carrington Street  
Sydney NSW 2000

**DFMC Directors:**

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**DFMC Team:**

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**Lion Dairy & Drinks Milk Sourcing Team:**

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**Appendix 1 Demerit Points For Milk Quality Effective 1 July 2015**

Test	From	To	Demerit Points	Test Application
<b>Total Plate Count (Units 000cfu/ml)</b>	0	15000	0	Highest Official Test per month excluded. Then demerit points (if any) are applied to each other official test. There are normally 3 official tests each month.
	15001	24000	1	
	24001	39000	2	
	39001	64000	4	
	64001	And over	8	
<b>Repeat offenders over 50,000 cfu/ml and 400,000 SCC may be suspended</b>				
<b>Somatic Cell Count or Bulk Milk Cell Count (Units '000 / ml)</b>	0	200	0	Average per 10 day Period is calculated. Highest average for the month is excluded. The points are applied to each remaining average. There are normally 3 weighted averages / month. Milk is not accepted from herds with a recurrent BMCC of 400,000 per ml or more based on current Dairy Farmers Standards (which is based on EU requirements)
	201	250	1	
	251	300	3	
	301	350	6	
	351	400	10	
401	And Over	15		
<b>Temperature:</b>	Milk should be collected at 4°C except during exclusion times			
	Milk will not be collected at greater than 8°C without prior Farm Services approval.			
<b>Temperature Exclusion times</b>	6.00 am to 10.00 am 4.00 pm to 8.00 pm		0	There is no penalty during Temperature exclusion times. Milk may not be collected >8.0C except in an emergency. A second visit fee may apply if a tanker has to return to collect milk that did not meet temperature guidelines.
<b>Freezing Point (Units °C)</b>	<b>No penalties apply where DFMC decides to collect milk more frequently than normal practice</b>			
	≤0.517		0	Per Test following a 'high' tanker.
	-0.516 to -0.500		0	Warning per test following a "high" tanker.
	> -0.499		0	1st occurrence in any rolling 3 month period.
			4	2nd & further occurrences in rolling period
<b>Repeat occurrence at higher than -0.5 °C will lead to suspension of pick up</b>				

Test	Result	Demerit Points	Test Application
<b>Antibiotic</b>	Clear (<.003 ug / ml)	0	Per test (minimum one per month) Per occurrence / consignment Per occurrence / consignment Per consignment. There will be no payment for milk and the member will be invoiced for costs associated with contamination
	Notified first time per year	0	
	Notified after this	0	
	Un-notified – collected	3	
<b>Blood In Milk</b>	No Blood in Milk	0	Graded each consignment
<b>Sour Milk</b>	Clear (<0.15 acidity)	0	Graded each consignment.
	<b>Note: Only one (1) Prior Notification is allowed in each calendar year for these three above tests combined</b>		
<b>Extraneous Matter Advisory test</b>	Tanker tested first Individual Member tested if tanker > Disc 1	0	Warning if Disc 3 or higher. No demerit points.
<b>Extraneous Matter Penalty test (next 10 day Disc 3 or higher)</b>	<b>In an area where a product defect occurs – this test may be carried out immediately</b>		
	Discs 1 & 2 (AS)	0	Continue testing until tanker tests Disk 2. Repeat test next period.
	Discs 3 (AS)	1	Repeat test next period. Individual members with a Disc 3 or higher will continue to be tested until they receive three consecutive discs <3.
	Discs 4 & 5 (AS)	5	
<b>This follows on from the Advisory Test where a Disc 3 or more occurs. Demerit Points follow from this test only</b>			
<b>Simply Perfect</b>	Loss of certification or accreditation	15	Immediate suspension from supply until accreditation is restored.

**INTRODUCTION**

Lion Dairy and Drinks (LDD) and Dairy Farmers Milk Co-operative Limited (DFMC) Refrigeration and Generator Support Scheme Policy is part of the company's overall commitment to on-farm milk quality. The key objectives of the Support Scheme are to:

1. Improve on-farm milk cooling and storage capacity, and decrease on-farm cooling costs;
2. Assist with the maintenance of milk quality by refrigerating milk in times of disturbances to power supply; and
3. To improve milk collection efficiency therefore reducing cartage collection costs.

**REFRIGERATION and GENERATOR SUPPORT SCHEME**

Effective Date: 1<sup>st</sup> July 2015

Expiry Date: 30<sup>th</sup> June 2016

## **Policy**

A rebate of 20% of the cost of refrigeration installations will be paid to suppliers over 5 years. Maximum total cost will be \$150,000 for refrigeration equipment and installation costs.

A rebate of 20% of the cost of generator installations will be paid to suppliers over 3 years. Maximum total cost will be \$20,000 for generators and installation costs

## **Other provisions**

- Payments will be made on a monthly basis and subject to the provisions outlined in this document;
- The rebate will only be available to LDD and DFMC suppliers accredited under *Simply Perfect* (the Lion Farm Quality Assurance Program). Rebate payments will cease while suppliers are suspended from accreditation for any reason;
- Rebates will only be paid while milk is supplied from the dairy. If the property is sold, the rebates will be discontinued. If the supplier ceases supplying either Lion Dairy and Drinks or Dairy Farmers Milk Co-operative Limited and commences supplying another dairy company, Lion reserves the right to recoup the rebate payments from the supplier's final milk cheque. Changes in ownership due to family transfers or arrangements will be permitted; and
- The refrigeration equipment must EITHER substantially increase the cooling performance of the farm or its capacity.

Capacity requirements will reflect normal industry requirements and practices.

In areas where Year Round Milk supply is normal practice, rebated installations must provide a capacity of a minimum of 3 times the peak daily intake over the last twelve months. Increases to 4 times peak intake are preferred.

In areas where Seasonal Milk supply is normal practice, rebated installations may be less than the minimum of 3 times the peak daily intake subject to approval of the relevant Farm Services Manager. However the installation must provide a capacity of a minimum of 2 times the peak daily intake over the previous twelve months.

Any installation of 15,000 litres capacity or greater will be eligible for the rebate, regardless of peak production requirements.

## **Eligible Equipment/Services**

Both equipment and work connected directly with the installation of the equipment would be included in the Rebate amount.

The minimum value of any one refrigeration project would be \$15,000 with a maximum value of \$150,000 per farm. (That is, there may be more than one project eligible on the farm, but the maximum capital amount to be considered for a rebate will be \$150,000).



The following would be eligible for rebate:

- Milk tanks less than 10 years from date of manufacture. These tanks must conform to Lion Vat Guidelines;
- Refrigeration Units including direct expansion, Icebanks and Glycol chillers provided they allow the system to perform to the Lion Vat Guidelines;
- Plate coolers and milk pumps. See Vat & Generator Guidelines for further information;
- Electrical, plumbing, refrigeration supplies (eg. refrigerant gas) and milking machine alteration costs directly associated with the installation of the above equipment; and
- Generators with a minimum capacity of 25 KVA.

At all times, Lion must be satisfied that the proposed costs and charges are genuine. It is expected that two quotations/valuations will be provided in support of any claim for rebate.

Lion reserves the right to reduce the amount of rebate payable where it believes that the costs of goods and services as claimed are greater than the true value. The rebate amount will be calculated on expenditure excluding any GST component. Any evidence of fraud will result in immediate exclusion from the Scheme, plus any other action Lion deems appropriate.

For more information, contact your relevant DFMC Regional Manager or Lion Farm Services Officer.