



MILK POLICY

JULY 2021

DAIRY FARMERS MILK CO-OPERATIVE Level 4, 65 Brougham Street, Geelong, Vic 3220

1 CONTENTS

| | | | |
|-------|---|-------|---|
| 2 | Milk Quality 3 | 4.2 | Minimum Volumes and Pick-Up Arrangements 8 |
| 2.1 | Poor Quality 3 | 4.3 | Consistency of Supply 10 |
| 2.2 | Bulk Milk Cell Count 3 | 4.4 | Splitting Milk on Compositional and Quality Differences 10 |
| 2.3 | Thermoduric Bacteria 3 | 4.5 | Road Access 10 |
| 2.4 | Consistent Poor Quality 3 | 4.6 | TPC Retesting 10 |
| 2.5 | Milk Fat % and Milk Protein % 3 | 4.7 | Results 10 |
| 2.6 | Extraneous Matter (Sediment) 3 | 5 | Animal Welfare and Compliance 11 |
| 2.7 | Freezing Point 3 | 5.1 | Animal Health 11 |
| 2.8 | Oestradiol 3 | 5.2 | Animal Welfare 11 |
| 2.9 | Animal Feedstuffs 4 | 5.2.1 | Animal Welfare Concerns 12 |
| 2.9.1 | Suitability of Feed for Animal Use 4 | 6 | General 13 |
| 2.9.2 | Aflatoxins 4 | 6.1 | Dairy Industry Licence 13 |
| 2.9.3 | Genetically Modified Organisms. 4 | 6.2 | Refrigeration and Generator Rebate Scheme 13 |
| 2.10 | Enzootic Bovine Leucosis (EBL) and Bovine Johnes Disease (BJD) 4 | 6.3 | Insurance Cover 13 |
| 3 | Adulterated Milk 5 | 6.4 | On Farm Quality Assurance Program 13 |
| 3.1 | Antibiotics and Other Inhibitory Substances 5 | 6.5 | Dairy Pride – Lion’s Sustainability Program 13 |
| 3.1.1 | Antibiotic Test Kits 5 | 6.5.1 | New Requirements from 2016/2017 Onwards 13 |
| 3.1.2 | Demerit Points Related to Antibiotics 5 | 6.5.2 | Quaternary Ammonium Compounds (QACs)..... 14 |
| 3.1.3 | Prior Notification Tests (Antibiotics, Blood in Milk, Sour Milk) 5 | 6.5.3 | Nonylphenol Ethoxylates (NPEs) 14 |
| 3.2 | Supplying Milk 6 | 6.5.4 | Abusive Language 14 |
| 3.2.1 | Antibiotics 6 | 6.5.5 | Relationship with BDD 14 |
| 3.2.2 | Milk which is otherwise not fit for human consumption 6 | 7 | Questions 15 |
| 4 | Milk Supply System 7 | 8 | Contact Lists 15 |
| 4.1 | Temperature 7 | 9 | APPENDIX 17 |

2 MILK QUALITY

2.1 POOR 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 12-month period will be permanently suspended from pick up and a new supply contract will not be offered.

After recommencing pick up, suspension from supply will recur should minimum requirements not be met.

2.2 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. Please refer to Section 4.7 (Results) for additional information in relation to the availability of test results.

Where after two consecutive 10-day periods over 400,000 SCC, a farmer is given another 10 days to rectify before suspension occurs, Members will be advised by DFMC RMs or BDD FSOs, and collection may be suspended until DFMC is satisfied that a suitable mastitis control program has been put in place and SCC results have improved. After recommencing pick up, suspension from supply will reoccur should the SCC exceed 400,000 averaged over a 10-day period, within 90 days of recommencing. Note DFMC/BDD will use reasonable endeavours to provide test results in 48 hours.

2.3 THERMODURIC BACTERIA

Thermoduric bacteria are organisms that may survive pasteurisation and processing and can affect the end product by causing premature spoilage. A test for thermoduric bacteria will be conducted at least once per month.

If a result over 2,000 occurs a sample from the following consignment will be tested (a retest) to confirm the original result. If the retest result is lower than the original, the retest result will be the official result for that period.

If your test results exceed 10,000 you will be contacted directly by your Farm Services Officer to discuss remedial steps.

2.4 CONSISTENT POOR QUALITY

If a supplier has to the total of six 10-day periods in 12 months above 400,000 SCC they may be permanently suspended, and their contract revoked.

If a supplier is suspended for 10 days for being above 400,000 SCC (See SCC suspension policy), this 10-day period would also constitute part of the six in total.

2.5 MILK FAT % AND MILK PROTEIN %

DFMC requires suppliers to supply milk with a Fat % no less than 3.2% and a Protein % no less than 3.0%.

Where, after two 10-day periods with low results, the supplier will receive notification from their RM or Bega FSO. A supplier will then be asked to demonstrate what management changes they are implementing to rectify the low results. The RM or FSO may then approve up to another 3 consecutive 10-day periods before suspension occurs. Suspension is for 10 days. It is then the supplier's obligation to provide a suitable sample for testing prior to the resumption of collection. Once resupply occurs if composition falls below minimum standards for 2 consecutive 10-day periods the farm will be suspended again.

2.6 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.

2.7 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.

2.8 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.

2.9 ANIMAL FEEDSTUFFS

2.9.1 Suitability of Feed for Animal Use

Vendor declarations must be sought for all feedstuffs 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 Ruminant Animal Material (RAM).

2.9.2 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. DFMC farmers 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 DFMC RMs or BDD FSOs, and assistance provided to investigate and correct the problem. Various feedstuffs 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.

2.9.3 Genetically Modified Organisms

DFMC's policy is to avoid the use of genetically engineered or genetically modified (GE/GM) materials whenever possible. In the case of milk, its 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, it recognizes 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, DFMC expects 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, BDD 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, including cloning and the offspring of cloned cattle, however generated.

2.10 ENZOOTIC BOVINE LEUCOSIS (EBL) AND BOVINE JOHNES DISEASE (BJD)

Members must comply with individual state legislation relating to EBL and BJD 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 has 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.

3 ADULTERATED MILK

3.1 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 (QACs)) and nonyl-phenol ethoxylates (NPEs), blood and colostrum. BDD policy states it does not knowingly process milk that has been shown to be positive for inhibitory substances by any valid test.

All tankers are tested on arrival at a BDD 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 Section 3.2 (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 supply quality milk that meets DFMC policy requirements.

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; please refer to Section 3.2 (Supplying Milk) for additional information regarding official test kits. 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 reserves the right to have an audit conducted of the On Farm Quality Assurance Program to assist with improving the farm management system.

3.1.1 Antibiotic Test Kits

It is the supplier's responsibility to provide milk that 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 3.2.1 (Demerit Points Related to Antibiotics) regarding policy and penalties associated with supplying milk which has tested positive at factory for antibiotics.

BDD 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 RM, FSO, 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.

3.1.2 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 RMs or BDD FSOs 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 BDD 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 3.2 (Supplying Milk).

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.

3.1.3 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 1st July 2016. Please also refer to Section 6.3 (Insurance Cover) on the importance of having adequate farm insurance.

Prior Notification is defined as the member notifying a DFMC RM, BDD FSO 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, BDD 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 RM, BDD FSO 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.

3.2 SUPPLYING MILK

3.2.1 Antibiotics

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 RM or Bega FSO 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 Bega Dairy & Drinks factory and supplies milk which subsequently is tested positive at the factory, or Bega does not use the milk because it is otherwise adulterated or not fit 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:

1. 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).
2. Freight costs.
3. Disposal costs.

Bega Dairy & Drinks will send an invoice to the member for the above-mentioned costs. Bega Dairy & Drinks will begin deductions from your monthly milk cheque in the next pay period. Bega 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 Bega 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.

3.2.2 Milk which is otherwise not fit for human consumption

Notwithstanding clause 5.2.1, if a member supplies milk which is otherwise adulterated or not fit for human consumption, the following process will apply from the 2016/2017 season:

- (a) The tanker driver who picks up the milk on behalf of Bega Dairy & Drinks must also grade that milk organoleptically (which can include one or more of taste, sight, smell, and touch);
- (b) If the tanker driver determines that the milk is not in fact satisfactory based on that organoleptic assessment, the milk will not be collected from the member's farm, the member will not be paid for that milk and the member will be responsible for disposing of that milk at their own cost;
- (c) If the tanker driver determines that the milk is satisfactory based on their organoleptic assessment but the milk in the tanker is subsequently rejected at the factory, the member will not be paid for their milk;
- (d) Should 5.2.2(c) occur, the member will not be paid for the cost of their own milk which has been rejected at the factory, however, they will not be liable to pay the costs of any other milk which has been contaminated in the tanker, or within a vat at the factory, or associated disposal costs;
- (e) Members must use their reasonable endeavours to cooperate with tanker drivers when such an organoleptic assessment is taking place, and also use their reasonable endeavours to accurately address any questions the tanker driver may have in relation to the quality of the milk to be collected.

DFMC may set off any amount which a member owes DFMC in relation clause 5.2.2, against any amount it owes the member.

4 MILK SUPPLY SYSTEM

4.1 TEMPERATURE

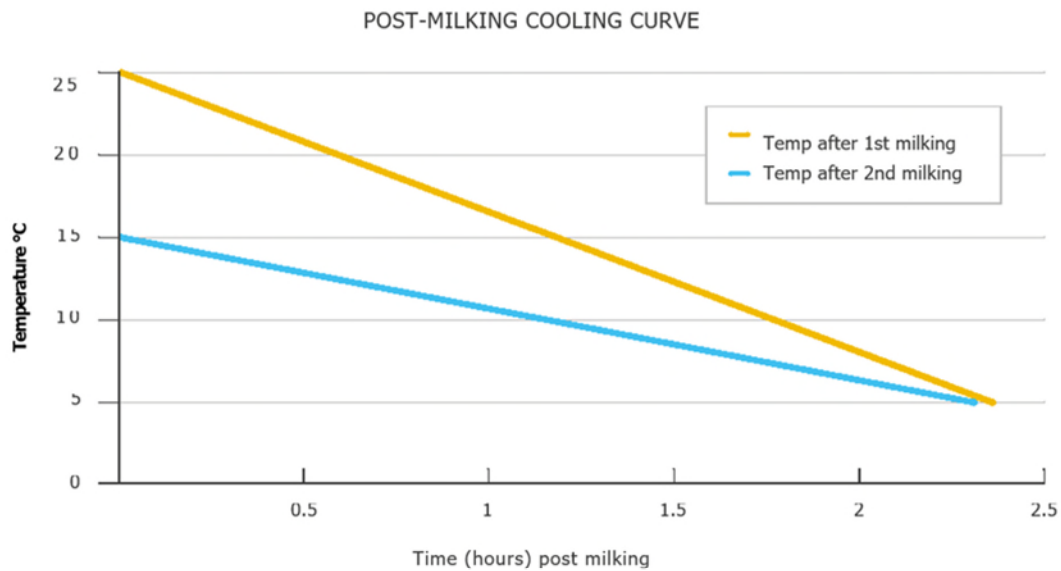
Raw milk must be cooled to less than 4°C within 3.5 hours after the commencement of milking and held below 4°C. This is in line with BDD’s ‘Simply Perfect’ Quality Assurance Program Guidelines.

Milk may be accepted and paid for if it is supplied at higher temperatures (above 4°C), provided it complies with Early Milk Collection Index (EMCI) or milk cooling curve (see graph below). Milk that does not comply with the milk cooling curve will not be accepted or paid for unless a farmer has received prior written approval from the DFMC RM or BDD FSO who will evaluate the situation and suitability of the milk for pick up.

Milk must be stored in accordance with relevant Commonwealth and State legislation. Milk will not be collected from non-refrigerated vessels.

All suppliers will be provided with a DFMC/BDD Milk Cooling whiteboard that must be hung adjacent to the milk vat. The whiteboard is to be filled in for temperature and time at the completion of each milking. Tanker drivers will, as part of their duties, clean the whiteboard after milk has been collected.

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).



4.2 MINIMUM VOLUMES AND PICK-UP ARRANGEMENTS

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

| Litres on Skip a day basis | Minimum monthly supply litres | Collection fee |
|----------------------------|-------------------------------|------------------------|
| 1300 | 20,000 | -\$50.00 (per pick up) |

Please note: If a farmer fails to meet the Minimum Monthly 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 monthly volume levels as tabled above in the second month, the collection fee will be applied and continue until minimum monthly volumes are reached and maintained.

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 BDD 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.

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. 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's convenience, no Gate Charges or additional charges will apply for the additional collections.

| Region | Area | Transport Carrier | Contact | Numbers |
|------------|---|-----------------------------------|-----------------|--------------------|
| FNQ | All | Blu Logistics Northern Operations | Brian Robertson | 0455 676 086 |
| SEQ | Gympie, Brisbane Valley | BLU Logistic Solutions | Rick Waugh | 0475 989538 |
| | Darling Downs, Ipswich Lockyer and West Moreton | BLU Logistic Solutions | Neville Kirk | 0438 829786 |
| NSW | Hunter, Mid North Coast | SRH | Scott Harvey | 0409 326 163 |
| | | SRH | Tash Miller | 0403 401 828 |
| | Central West | McColls | Adam Rowe | 0400 850 00 1 |
| | Southern Highlands / South Coast | McColls | Peter Ryan | 0458 044 840 |
| SA and Vic | SA Central | BLU Logistics Solutions | Craig Dixon | 0438 956 149 |
| | Riverina, North Victoria | Booth Transport | Keith Andrews | 0409 639 115 |

<https://milcline.bega.com>. Samples may be tested for them but will not be used to adjust existing results.

4.3 CONSISTENCY OF SUPPLY

All members must supply milk on a consistent basis throughout the week either on a daily or skip-a-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.

4.4 SPLITTING MILK ON COMPOSITIONAL AND QUALITY DIFFERENCES

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

4.5 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.

4.6 TPC RETESTING

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 has been compromised. Your local DFMC Regional Manager or BDD 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 Milcline

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 two 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 RMs or BDD FSOs, and collection may be suspended until DFMC is satisfied that a suitable control program has been put in place and results have improved.

4.7 RESULTS

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

- SMS, email and fax
- Milcline website on: <https://milcline.bega.com>

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 DFMC RM or BDD FDO to ensure you are registered on this system.

5 ANIMAL WELFARE AND COMPLIANCE

5.1 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.

DFMC and BDD work 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. Its 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.

DFMC's rigorous monitoring of milk quality standards ensures that we have the best possible standards on farm. DFMC RMs and BDD FSOs help farmers with daily practical advice on nutrition, agronomy and animal health issues in order to ensure that 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 the farmer's responsibility to contact their veterinary officer and if necessary report any incident of concern to DFMC RMs or BDD FSO 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.

5.2 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.

DFMC and BDD 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:

- 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. Equally, DFMC does not condone 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.

5.2.1 Animal Welfare Concerns

DFMC and BDD 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 it reasonably suspects that there may be material animal health or welfare issues with respect to the supplier's milking herd or other livestock.

6 GENERAL

6.1 DAIRY INDUSTRY LICENCE

DFMC requires that all milk sourced comes from Licensed and Food authority approved farms. Failure to hold a Dairy Licence may result in suspension until an appropriate Licence is produced.

In addition, you agree to provide DFMC permission for each relevant state food authority to grant access to audit result.

6.2 REFRIGERATION AND GENERATOR REBATE SCHEME

BDD and DFMC's Refrigeration and Generator Rebate Scheme program will not be available to members post 30th June, 2016.

6.3 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 RM or BDD FSO.

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.

6.4 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. DFMC RMs and BDD FSOs are available for assistance in implementing an on farm quality system. Please note

'SIMPLY PERFECT' is the name of the BDD Farm Quality Assurance program. All forms and manuals are available for downloading from www.dfmc.org.au or through <https://milkline.bega.com> or from your local DFMC RM and BDD FSO.

6.5 DAIRY PRIDE – BEGA'S SUSTAINABILITY PROGRAM

Bega is committed to ensuring that all farming practices are sustainable now and into the future. Bega introduced the Dairy Pride Sustainability program in 2017 - designed to assist our suppliers to be more sustainable in all aspects of their farming business. The program includes business management, animal welfare, environmental practices, farm safety, well-being and employment as well as labour-hire management.

Bega's Dairy Pride program is unique and designed to help our suppliers improve their businesses and to make it the best it can be.

The Dairy Pride program as a partnership between Bega, you - our dairy farmers and our consumers and works by providing the toolkits you need to run your dairy farm.

The program enables suppliers to build action plans to improve on areas requiring higher sustainability practices.

Suppliers must commit to actively participate in the Bega Dairy Pride program. By doing so you can gain access to Dairy Pride improvement programs.

Use of Quaternary Ammonium Compounds (QACs) and Nonylphenol Ethoxylates (NPEs)

6.5.1 New Requirements from 2016/2017 Onwards

Members must cease using sanitisers containing Quaternary Ammonium Compounds (QAC or QATs) from 1 July 2016. From 1 December 2016 suppliers must also ensure that the use of teat sprays or teat dips are free from the surfactant Nonylphenol Ethoxylates (NPEs).

The removal of QACs and NPEs are necessary in order to meet the strict supply chain requirements of domestic and export customers.

The Dairy industry has been working closely with chemical companies and farm equipment retailers to make them aware of these changes, and to ensure they have suitable alternative products available for the dairy industry to use on farm. It is anticipated that a greater range of products will be registered for use by the Australian Pesticide and Veterinary Medicine Authority.

6.5.2 Quaternary Ammonium Compounds (QACs)

QACs are a group of chemicals widely used as biocides and disinfectants in the home, industry and in food manufacture. Products containing QACs are used to clean and sanitise the milking machine and/or vat on some dairy farms. Benzalkonium Chloride (BAC) is the specific type of QAC of most concern, and is present in a number of products registered for use on dairy farms. In some cases, residues have been found in dairy products.

Routine testing for the presence QACs will be conducted by the processor in the first half of the 2016/2017 season – as such there should be no presence of QACs on farm from 1 July 2016.

6.5.3 Nonylphenol Ethoxylates (NPEs)

NPEs are surfactants used in many industrial chemicals, pesticides, and herbicides. However, from the Dairy industry's perspective it is their use in most iodine-based teat sprays that is of greatest concern. NPEs are used in the spray formulations to solubilise iodine. Over the past few years concerns have emerged globally about the effects of NPE in the environment and, in particular, toxicity in aquatic environments. But more importantly, residue testing in Australia has identified that teat sprays containing NPEs can cause positive residue test results.

Pre-milking teat spray and teat dip are of the most concern. As such there should be no presence of NPEs on farm from 1 July 2016. Testing for the presence of NPEs will commence from December 2016 onwards.

6.5.4 Abusive Language

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

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 five days or until DFMC believes the behaviour has been rectified.

6.5.5 Relationship with BDD

The prices and policies in this document are the same that are applied between the DFMC and BDD (owners of Dairy Farmers Limited (DFL)(formerly Australian Co-operative Foods (ACF)). 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.

7 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/contact.

Please contact your local DFMC RM with queries relating to the payment or quality systems. Please note that any extra sampling must be approved prior to testing by your local DFMC RM or BDD FSO.

8 CONTACT LISTS

Dairy Farmers Milk Co-Operative Limited (ARBN: 108 690 384)

| | |
|----------|--|
| Business | Level 4 65 Brougham Street Geelong, Vic 3220 |
| Postal | PO Box 4132 Geelong, VIC 3220 |
| Email | Info@dfmc.org.au |
| Website | dfmc.org.au |

DFMC Directors

| | | |
|-----------------------|--------------------------------------|--|
| Far North Queensland | James Geraghty | 0427 972 355 besaja@bigpond.com.au |
| South East Queensland | Andrew Burnett | 0419 773 907 andrew.burnett@dfmc.org.au |
| New South Wales | TBC | |
| Victoria, Riverina | Greg Ault | 0427 841 819 greg.ault@dfmc.org.au |
| | John McKillop (Independent Director) | 0419 657 180 John.mckillop@dfmc.org.au |
| South Australia | sandy Rathjen | 0419 836 975 sandy.rathjen@dfmc.org.au |

DFMC Team

| | | | |
|-------------|----------------|-------------------|--|
| Head Office | Mark Kebbell | Executive Officer | 0432 046 768 mark.kebbell@dfmc.org.au |
| Northern | Tony Burnett | Regional Manager | 0428 632 148 tony.burnett@dfmc.org.au |
| Southern | Dominic Baxter | Regional Manager | 0419 711 663 dom.baxter@dfmc.org.au |

BDD Milk Sourcing Team

| | | | |
|-----------------------|-----------------|------------------------------|--|
| National | Paul Rees | Farm Services Manager | 0404 036 300 paul.rees@bega.com.au |
| Far North Queensland | Howard Smith | Senior Farm Services Officer | 0409 965 948 Howard.smith@bega.com.au |
| South East Queensland | Cameron Whitson | Senior Farm Services Officer | 0418 195 891 Cameron.whitson@bega.com.au |
| New South Wales | Kathrine Colaci | Farm Services Officer | 0402 200 526 Katherine.colaci@bega.com.au |

9 APPENDIX

Appendix – Demerit Points for Milk Quality Effective 1 July 2020

| Test | Result | Demerit Points | Test Application |
|---|--|----------------|---|
| Antibiotic | Clear (<.003 ug/ml) | 0 | Per test (minimum one per month) |
| | Notified first time per year | 0 | Per occurrence/consignment |
| | Notified after this | 0 | Per occurrence/consignment |
| | Not notified – collected | 3 | Per consignment. There will be no payment for milk and the member will be invoiced for costs associated with contamination. |
| Blood in Milk | No Blood in Milk | 0 | Graded each consignment |
| Sour Milk | Clear (,0.15 acidity) | 0 | Graded each consignment |
| | Note: Only one (1) Prior Notification is allowed in each calendar year for these three above tests combined | | |
| Extraneous Matter Advisory test | Tanker tested first Individual Member tested if tanker > Disc 1 | 0 | Warning if Disc 3 or higher. No demerit points. |
| Extraneous Matter Penalty test (next 10 day Disc 3 or higher) | In an area where a product defect occurs – this test may be carried out immediately | | |
| | Discs 1 & 2 (AS) | 0 | Continue testing until tanker tests Disc 2. |
| | Discs 3 (AS) | 1 | Repeat test next period. |
| | Discs 4 & 5 (AS) | 5 | Repeat test next period. Individual members with a Disc 3 or higher will continue to be tested until they receive three consecutive discs ,3, |
| | This follows on from the Advisory Test where a Disc 3 or more occurs. Demerit Points follow from this test only. | | |
| Simply Perfect | Loss of certification or accreditation | 15 | Immediate suspension from supply until accreditation is restored. |

Appendix continued – Demerit Points for Milk Quality Effective 1 July 2021

| Test | Result | To | Demerit Points | Test Application |
|--|---|----------|--|---|
| Fat % | >3.2% | | N/A | All milk supplied must be greater than 3.2% |
| Protein % | >3.0% | | N/A | All milk supplied must be greater than 3.0% |
| Total Plate Count | 0 | 15000 | 0 | Highest Official Test per month excluded. Then demerit points (if any) are applied to each other official test. There are normally three official tests each month. |
| | 15001 | 24000 | 1 | |
| | 24001 | 39000 | 2 | |
| | 39001 | 64000 | 4 | |
| | 64001 | And over | 8 | |
| Repeat offenders over 50,000 cfu/ml and 400,000 SCC may be suspended | | | | |
| Thermoduric (cfu/ml) | 0 | 2000 | N/A | Graded each consignment |
| | 2001 | 10000 | N/A | If a result over 2,000 occurs a sample from the following consignment will be tested (a retest) to confirm the original result. If the retest result is lower than the original, the retest result will be the official result for that period. |
| | 10001 | And over | N/A | If your retest result exceeds 10,000 you will be contacted directly by your Farm Services Officer to discuss remedial steps. |
| From 1 July 2020, thermoduric bacteria results will be on an advice only basis and will not be added to your payment structure. | | | | |
| Somatic Cell Count Or Bulk Milk Cell Count (Units '000/ml) | 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 three weighted averages/month. Milk is not accepted from herds with a recurrent BMCC of 400,000 per ml or more based on current DFMC Milk Policy Guidelines (which is based on EU requirements). |
| | 201 | 250 | 1 | |
| | 251 | 300 | 3 | |
| | 301 | 350 | 6 | |
| | 351 | 400 | 10 | |
| 401 | And over | 15 | | |
| Temperature | Milk should be collected at 4°C. | | | |
| Milk may be accepted and paid for if it is supplied at higher temperatures (above 4°C), provided it complies with the milk cooling curve. Milk that does not comply with the milk cooling curve will not be accepted or paid for unless a farmer has received prior written approval from the DFMC RM or BDD FSO who will evaluate the situation and suitability of the milk for pick-up, except in an emergency. A second visit fee may apply if a tanker must return to collect milk that did not meet temperature guidelines. | | | | |
| Freezing Point | No penalties apply where DFMC decides to collect milk more frequently than normal practice. | | | |
| | <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 | 1 st occurrence in any rolling three-month period. |
| | | 4 | 2 nd and further occurrences in rolling period. | |
| Repeat occurrence at higher than 0.5°C will lead to suspension of pick-up. | | | | |

