

## MILK SUPPLY AGREEMENT

### SEQ INNER BRISBANE AND SUNSHINE COAST – 1 YEAR CONTRACT EXCLUSIVE

#### PARTIES

##### DFMC

<b>Dairy Farmers Milk Co-operative Limited</b> ARBN 108 690 384
--

##### SUPPLIER OR YOU

<b>Supplier name:</b>	
<b>Contact person:</b>	
<b>ABN:</b>	
<b>Email address:</b>	
<b>Mobile number:</b>	
<b>Farm Number:</b> <i>(Lion Vendor Number)</i>	
<b>Property address:</b>	
<b>Dairy Licence Number:</b>	

DFMC accepts the offer of the Supplier to supply milk to DFMC on the terms of this Contract.

<b>Signed</b> for and on behalf of the Supplier or an authorised officer of the <b>Supplier</b> in the presence of:	..... Signature	..... Signature
	..... Name	..... Name
	..... Position	..... Position
<b>Signed</b> for and on behalf of <b>DFMC</b> by an authorised officer in the presence of:	..... Signature	
	..... Name	
	..... Position	

## DETAILS

### Item 1 – Commencement Date

[1 July 2020]

### Item 2 – Expiry Date

[30 June 2021]

### Item 3 – Minimum Milk Price

Monthly Period	\$/kg Butterfat	\$/kg Protein	Cpl* (at the Assumed Composition Levels)	Monthly Period	\$/kg Butterfat	\$/kg Protein	Cpl* (at the Assumed Composition Levels)
1/7/2020 – 31/7/2020	\$(0.00)	\$(0.00)		1/1/2021 – 31/1/2021	\$(0.00)	\$(0.00)	
1/8/2020 – 31/8/2020	\$(0.00)	\$(0.00)		1/2/2021 – 28/2/2021	\$(0.00)	\$(0.00)	
1/9/2020 – 30/9/2020	\$(0.00)	\$(0.00)		1/3/2021 – 31/3/2021	\$(0.00)	\$(0.00)	
1/10/2020 – 31/10/2020	\$(0.00)	\$(0.00)		1/4/2021 – 30/4/2021	\$(0.00)	\$(0.00)	
1/11/2020 – 30/11/2020	\$(0.00)	\$(0.00)		1/5/2021 – 31/5/2021	\$(0.00)	\$(0.00)	
1/12/2020 – 31/12/2020	\$(0.00)	\$(0.00)		1/6/2021 – 30/6/2021	\$(0.00)	\$(0.00)	

**\*The Cpl pricing in Item 3 is provided by way of a reference example only. These prices represent the conversion of the Minimum Milk Price for milk solids (butterfat plus protein) set out in Item 3 of the Details to a Cpl price calculated on the assumption that the relevant litre of milk will comprise the Assumed Composition Levels, being 4.00% butterfat and 3.2% protein. Given that the quality (SCC & TPC) of your milk may differ from the Assumed Composition Levels, the Cpl pricing in this Item 3 is not necessarily indicative of the price you will receive for your milk or the minimum milk price under this Contract.**

#### Item 4 – Statement of justification for Minimum Milk Prices

DFMC and Lion are parties to the Lion Milk Supply Agreement. Pursuant to the Lion Milk Supply Agreement, milk acquired by DFMC from its farmers/members is on-sold to Lion.

The Lion Milk Supply Agreement provides for “back-to-back pricing” with Lion (i.e. the price Lion pays DFMC must be the same as the price DFMC pays its farmers/members).

Under the Lion Milk Supply Agreement, the milk price is negotiated by DFMC and Lion to reflect a competitive market farmgate milk price having regard to certain factors including, to the extent known, competitor processors milk prices in the applicable region.

Lion produces, markets and distributes some of Australia’s most iconic brands in milk, dairy beverages and yoghurt and as such are ultimately more focussed on local farmgate milk prices than international dairy commodity prices.

The Minimum Milk Price is the milk price for exclusive supply negotiated by DFMC and Lion pursuant to the Lion Milk Supply Agreement and reflects Lion’s domestic business focus.

#### Item 5 – Productivity Incentive

Total Kgs (Butterfat & Protein)	Rate	Cpl	Payment (Dollars)	Total Kgs (Butterfat & Protein)	Rate	Cpl	Payment (Dollars)
3,000	0.06	0.43	\$180	13,000	0.26	1.87	\$3,380
4,000	0.08	0.58	\$320	14,000	0.28	2.02	\$3,920
5,000	0.10	0.72	\$500	15,000	0.30	2.16	\$4,500
6,000	0.12	0.86	\$720	16,000	0.32	2.30	\$5,120
7,000	0.14	1.01	\$980	17,000	0.34	2.45	\$5,780
8,000	0.16	1.15	\$1,280	18,000	0.36	2.59	\$6,480
9,000	0.18	1.30	\$1,620	19,000	0.38	2.74	\$7,220
10,000	0.20	1.44	\$2,000	20,000	0.40	2.88	\$8,000
11,000	0.22	1.58	\$2,420	21,000	0.42	3.02	\$8,820
12,000	0.24	1.73	\$2,880				

*The Productivity Incentive is based on kgs milk solids (butterfat plus protein) supplied per month and starts at 3,000 kg MS and is capped at \$0.42 per kg MS. The formula to calculate the Productivity Incentive is \$0.02 per kg MS per 1000 kg MS supplied during a month. The Cpl price is quoted at the Assumed Composition Levels. The Productivity Incentive is paid on a sliding scale for total milk solids within a month i.e. the more milk solids you send the higher up the payment scale is the value for all those milk solids, e.g. 8,000 kg MS is paid at a rate of 0.160 and 8,500 kg MS is paid at a rate of 0.170*

#### Item 6 – Supermarket Retailer Own Brand (ROB) Levy

If applicable, DFMC will pass on in full any farmer levies received by LDD from supermarket retailers that have been generated out of retail price increases on ROB fresh white milk for so long as the retailers continue these programs. On a periodic basis, LDD will calculate the total levies received from a supermarket retailer divided by the total number of litres of milk supplied by all milk suppliers to LDD and DFMC in the relevant region over the same period. You will then be paid the applicable cpl levy for the number of litres you supplied DFMC during that period of time.

#### Item 7 – Gate Fees

Fee	Rate
Gate Fees	\$20 (first collection per day)
	\$50 (for additional collections on that day, where multiple pick-ups are agreed)

	to by DFMC)
	\$50 (per pick-up if you fail to supply the Minimum Monthly Volume Collection)

#### Item 8 – Quality Demerit Points

Demerit Points per Month	Cpl
0	2
1	1.4
2 – 4	1
5 – 9	0
10 – 14	-1
15 – 17	-4
18 – 23	-8
24 – 29	-12
30 - 60	-16
61+	No payment

#### Item 9 – Minimum Monthly Volume Collection

Minimum litres per Month
20,000

#### Item 10 – Annual Defined Volume

[Insert Amount]
-----------------

*Your Annual Defined Volume will be used to calculate the number of shares in DFMC you must acquire pursuant to DFMC's compulsory 2011 share acquisition program.*

Please return this agreement to:

Mark Kebbell  
 Executive Officer  
 Milk Supply  
 Dairy Farmers Milk Co-operative Limited  
 PO Box 4132  
 GEELONG VIC 3220

## 1. Milk Supply

- (a) **Agreement to supply milk:** You agree to supply all of your milk to DFMC, and DFMC agrees to purchase all of your milk, on the terms and conditions set out in this Contract.
- (b) **Term of Contract:** This Contract commences on the Commencement Date set out in **Item 1** of the Details and will end on the Expiry Date set out in **Item 2** of the Details, unless terminated earlier in accordance with the provisions of this Contract (**Term**).
- (c) **Cooling off period:** You may terminate this Contract with immediate effect at any time within the period of 14 days after the date this Contract is entered into without incurring any liability to DFMC.
- (d) **Exclusive Contract:** For the avoidance of doubt, this Contract constitutes an exclusive agreement for you to supply your milk to DFMC during the Term. You will breach this Contract if you supply any of your milk to a third party at any time prior to this Contract terminating or otherwise expiring in accordance with its terms.

## 2. Minimum Milk Price

- (a) **Minimum Milk Price:** Subject to the other terms of this Contract, DFMC will acquire all of your milk each Month for the Minimum Milk Price for that Month set out in **Item 3** of the Details. The Minimum Milk Prices are paid in \$ per kg butterfat and \$ per kg of protein contained in your milk supplied each Month.
- (b) **Justification for Minimum Milk Price:** The Dairy Code requires DFMC to provide you with a statement of justification for each Minimum Milk Price. DFMC has set out its justification in **Item 4** of the Details.
- (c) **Example pricing:** *Item 3 of this document sets out the Minimum Milk Prices for each Month converted to a Cpl basis. The conversion of the Minimum Milk Price to Cpl has been calculated on the assumption that the relevant litre of milk supplied will comprise 4.00% butterfat and 3.2% protein (Assumed Composition Levels). Given that the quality of your milk may differ from the Assumed Composition Levels, the pricing in Item 3 is not necessarily indicative of the price you will receive for your milk nor does it constitute the minimum milk price under this Contract.*

## 3. Incentives

- (a) **Productivity Incentive:** In addition to the Minimum Milk Price, you will be paid a Productivity Incentive based on the total number of milk solids in your milk that you supply to DFMC each Month during the Term that complies with the Quality Standards. The Productivity Incentive will be paid at the rates set out in **Item 5** of the Details.
- (b) **Productivity amalgamation:** If you have multiple farms, DFMC will amalgamate milk solids for the purposes of calculating the Productivity Incentive as long as farms are owned by the one entity. Quality Incentives and Quality Fees will continue to apply to individual farms. If you have multiple farms, you may elect one farm to which the Productivity Incentive will be credited.
- (c) **Quality Incentive:** If you receive a total of 4 or less Demerit Points in a Month, you will be entitled to receive a Quality Incentive payment equal to:
  - (1) the relevant rate set out in **Item 8** of the Details based on your total number of Demerit Points for that Month;
  - (2) multiplied by the total number of litres of your milk supplied to DFMC in that Month.
- (d) **Supermarket Retailer Own Brand (ROB) Levy:** If applicable, the Supermarket Retailer Own Brand (ROB) Levy will be paid to you in accordance with **Item 6** of the Details.

#### 4. Fees and levies

- (a) **Gate Fees:** You will be charged the Gate Fees set out in **Item 7** of the Details as a fee for the service of DFMC collecting your milk, which will be deducted from the Minimum Milk Price you receive in respect of a Month.
- (b) **Industry Levies:** DFMC may pay on your behalf to the relevant industry body or authority any levies. If this levy is voluntary, you can advise DFMC in writing to stop collecting and paying that levy. The amount of any levy due will be deducted from the payment for your milk.

#### 5. Price Changes

- (a) **Price increases:** DFMC may make a determination during the Term to increase the Minimum Milk Prices (**Price Increase**). If DFMC makes such a determination, it will give written notice to you of the details of the Price Increase. Due to the requirements of the Dairy Code, in order to be eligible to receive the Price Increase, you will need to agree in writing to the variation of this Contract in accordance with the Price Increase notified to you by DFMC. DFMC will provide you with instructions as to how to agree to any such variation of this Contract at the time it notifies you of the Price Increase.
- (b) **Retrospective Step Downs:** DFMC will not retrospectively reduce the Minimum Milk Prices applicable during the Term under any circumstances.
- (c) **Prospective Step Downs:** DFMC agrees that it will not unilaterally vary this Contract to prospectively step down the Minimum Milk Prices, unless:
  - (1) the variation of the Minimum Milk Price is effective only after written notice of the variation has been given in accordance with clause 5(d);
  - (2) Exceptional Circumstances have occurred;
  - (3) DFMC has taken any and all such reasonable steps to prevent or limit the impact of the Exceptional Circumstances or there are no such steps that DFMC is able to take;
  - (4) due to the Exceptional Circumstances, the prospective step down is unavoidable; and
  - (5) the variation of the Minimum Milk Price is limited to the expected end of the Exceptional Circumstances.
- (d) **Notice of Step Down:** In the event that DFMC varies this Contract to apply a prospective step down in accordance with this clause 5, DFMC must, at least 30 days before the step down occurs, give you and the Australian Competition and Consumer Commission written notice of:
  - (1) the step down;
  - (2) the Exceptional Circumstances;
  - (3) the reasonable steps DFMC has taken or will take to prevent or limit the impact of the Exceptional Circumstances or that there are no such steps that DFMC is able to take;
  - (4) why the step down is unavoidable; and
  - (5) the period to which the step down relates.
- (e) **Termination Right:** You will have a right to terminate this Contract within 21 days after receiving a notice of a step down under clause 5(d) with effect from the day the step down occurs. You will also have the right to rescind any such termination before the end of those 21 days.

## 6. Quality

- (a) **Quality Standards:** You must at all times comply with, and ensure your milk supplied to DFMC complies with, each of the Quality Standards set out in Sections 2 and 3 of DFMC's Milk Policy.
- (b) **Non-compliance:** Failure to comply with the Quality Standards may result in DFMC:
  - (1) rejecting your milk in accordance with the procedures set out in the Quality Standards; or
  - (2) notifying you in writing that collection of your milk will be suspended until DFMC is satisfied that appropriate rectification of the relevant issue has been made by you.
- (c) **Rejection of milk:** If your milk is rejected by DFMC:
  - (1) you will not be paid by DFMC for that milk;
  - (2) you may be liable to pay DFMC the total cost of the milk of other suppliers (if any) that has been contaminated in the relevant tanker at the current value of the milk, along with the freight costs and disposal costs incurred by DFMC, LDD or its contractors in accordance with the Quality Standards; and
  - (3) DFMC must as soon as practicable after the rejection of your milk, provide you with written notice of the rejection, including the reasons for the rejection and the consequences for you of the rejection (including any fees payable by you for matters arising as a result of the rejection).
- (d) **Demerit Points:** You will receive demerits points for each breach of the Quality Standards in accordance with table set out in **Annexure A** and the Appendix of DFMC's Milk Policy (**Demerit Points**). If you receive:
  - (1) 4 or less Demerit Points in respect of a Month, you will receive a Quality Incentive in accordance with clause 3(c), which is an additional amount that will be paid to you on top of the Minimum Milk Prices for your milk supplied in that Month;
  - (2) 10 to 60 Demerit Points in respect of a Month, you will be charged a Quality Fee in accordance with clause 6(e), which is an amount which will be deducted from the Minimum Milk Prices that you will receive for your milk supplied in that Month; and
  - (3) 61 or more Demerit Points in respect of a Month, you will not be paid the Minimum Milk Price for your milk supplied in that Month.
- (e) **Quality Fees:** If you receive 10 to 60 Demerit Points in a Month, you will be charged a Quality Fee which will be deducted from the Minimum Milk Prices that you will receive for your milk supplied in that Month and will be equal to:
  - (1) the relevant rate set out in **Item 8** of the Details based on your total number of Demerit Points for that Month;
  - (2) multiplied by the total number of litres of your milk supplied to DFMC in that Month.

## 7. Payment

- (a) **Payment date:** Subject to clause 7(b), you will be paid for your milk supplied to DFMC in a Month on the fifteenth day of the following Month.
- (b) **Weekends and public holidays:** If the fifteenth day of the Month is a:
  - (1) Saturday or Sunday, you will be paid on the immediately preceding Business Day; or



- (2) public holiday or bank holiday, you will be paid on the nearest Business Day prior to the fifteenth day of the Month.
- (c) **Milk Statements:** DFMC must provide you with a Milk Statement in respect of your milk supplied to DFMC each Month during the Term. Your Milk Statement, in respect of a Month, will be available on Milkline <https://milkline.lionco.com> on the evening of the fifteenth of the following Month. Your Milk Statement will specify the details set out in Annexure C.
- (d) **Paid to be paid:** Despite any other provision of this Contract, DFMC has no obligation to pay you for your milk unless and until Lion pays DFMC all amounts payable by Lion to DFMC under the Lion Milk Supply Agreement in respect of the on-supply of your milk by DFMC to Lion.

## 8. Collection of milk

- (a) **Frequency:** Your milk must be supplied on a consistent basis throughout the week on either a daily or skip-a-day basis as agreed by you and DFMC, except in emergencies. DFMC has no obligation to collect your milk more frequently than once per day, but may agree to do so from time to time. If, at DFMC's election, your milk is collected more frequently than you require, no Gate Fees or charges will apply for the additional collections.
- (b) **Variation:** The amount of your milk collected over any two day period must not vary by more than 20%. For example, if the combined total of your milk collected on Monday and Tuesday is 5,000 litres, the milk available for collection on Wednesday and Thursday must be between 4,000 and 5,000 litres. This does not apply to seasonal members and end of the season.
- (c) **Minimum Monthly Volume Collection:** You must meet the minimum monthly volume collection set out in **Item 9** of the Details at all times (**Minimum Monthly Volume Collection**). Further requirements regarding minimum monthly volume collection and pick-up arrangements are contained in Section 4 of DFMC's Milk Policy.
- (d) **Failure to meet Minimum Monthly Volume Collection:** If you fail to meet the Minimum Monthly Volume Collection set out in **Item 9** of the Details in respect of a Month, DFMC will inform you in writing. If you fail to meet the Minimum Monthly Volume Collection in the following Month, you will be charged a higher Gate Fee in accordance with **Item 7** of the Details until such time as you reach and maintain the Minimum Monthly Volume Collection.
- (e) **Excess milk:** Where the volume of your milk exceeds the capacity and ability of the tanker of DFMC's contractor, additional Gate Fees and charges will not be applied.
- (f) **Storage:** Your milk must be stored in accordance with all Laws and the Quality Standards. Your milk will not be collected by DFMC from non-refrigerated vessels. Furthermore, DFMC will not accept your milk if it has been segregated on the basis of composition or quality.
- (g) **Access:** You must provide safe and suitable access for tankers to collect your milk in compliance with DFMC's Milk Policy.
- (h) **Title and ownership of milk:** Ownership of your milk passes from you to DFMC when it enters the tanker of DFMC's contractor.

## 9. DFMC's Milk Policy

- (a) **Compliance:** In addition to the terms of this document, during the Term, the parties must comply with DFMC's Milk Policy set out in **Annexure B** which forms part of this Contract.
- (b) **Changes to DFMC's Milk Policy:** DFMC may only change DFMC's Milk Policy with your written agreement or in accordance with clause 26.
- (c) **Inconsistencies:** In the event of any inconsistency between this document and DFMC's Milk Policy, the terms of this document shall prevail to the extent of the inconsistency.



- (d) **Acknowledgement:** You acknowledge having received and read DFMC's Milk Policy contained in Annexure B.

## 10. Annual Defined Volume

- (a) **Annual Defined Volume:** Your Annual Defined Volume for the Term is set out in **Item 10** of the Details.
- (b) **Changes:** You and DFMC may from time to time agree in writing to change your Annual Defined Volumes.
- (c) **Compulsory Share Acquisition Program:** Your Annual Defined Volume will be used in connection with DFMC's compulsory share acquisition program.

## 11. Termination

- (a) **Material breach:** Either party may terminate this Contract with immediate effect, if the other party commits a material breach of this Contract.
- (b) **Leaving the Dairy Industry:** You may terminate this Contract by giving DFMC not less than 90 days prior written notice provided that you provide documentary evidence to the reasonable satisfaction of DFMC that you are permanently leaving the dairy industry.
- (c) **Written Notice:** In order to terminate this Contract in accordance with clauses 11(a) or 11(b), the terminating party will provide the other party with written notice of:
- (1) the termination;
  - (2) the reason for the termination; and
  - (3) the day the termination takes effect.
- (d) **Implications of the Dairy Code:** As a result of the introduction of the Dairy Code, DFMC is:
- (1) prohibited from making retrospective step-downs in the Minimum Milk Price in all circumstances;
  - (2) prohibited from making prospective step-downs in the Minimum Milk Price, except in the Exceptional Circumstances;
  - (3) prohibited from making other unilateral changes to this Contract (including changes to DFMC's Milk Policy), except in accordance with clause 26 in order to comply with a change in the Law; and
  - (4) required at all times to deal with you in good faith in relation to the supply of your milk.

## 12. Assignment

- (a) **Your assignment:** Subject to clauses 12(b) and 12(c), you may assign this Contract with DFMC's prior written consent (such consent not to be unreasonably withheld). For example, if you wished to sell or lease your Farm you may wish to assign the contract to the purchaser or lessee, subject to you obtaining the prior written consent of DFMC.
- (b) **Owner's consent:** If you are not the owner of the Farm, DFMC may before giving its consent to an assignment of this Contract, require you to provide to DFMC evidence that the owner of the Farm consents (in a form and substance satisfactory to DFMC) to the assignment of this Contract.
- (c) **Conditions of consent:** If DFMC gives its consent to the assignment of this Contract, DFMC may require you and the person to whom you wish to assign this Contract, to enter into a deed of

consent in a form which is reasonably acceptable to DFMC. The deed of consent will, amongst other things, require the person to whom you wish to assign this Contract to comply with this Contract from the date of assignment.

- (d) **DFMC's assignment:** DFMC may at any time assign this Contract to Lion without your consent. If DFMC assigns this Contract to Lion, you will, if requested by DFMC or Lion, enter into a deed with Lion (in a form reasonably acceptable to Lion and DFMC) pursuant to which you agree with Lion to comply with this Contract as from the date of assignment.

### 13. Confidentiality

- (a) **Not confidential:** The terms of this Contract are not confidential.
- (b) **Consent to disclosure:** In order to ensure that there is milk pricing transparency between DFMC and its members, for the purposes of any privacy legislation, you consent to DFMC disclosing to its members, should such a need arise:
- (i) that you have signed this Contract with DFMC; and
  - (ii) the general terms of this Contract (including the price paid for milk under this Contract and the Term).
- (c) **Notice of disclosure:** DFMC must advise you in writing of its intention to disclose details of this Contract before actual disclosure.

### 14. Liquidated Damages

- (a) **Payment of liquidated damages:** If you supply all or some of your milk to a third party during a Month you must, if required by DFMC, immediately pay to DFMC liquidated damages for that Month calculated as follows:

$$\$X = W \text{ cents} \times (Y - Z)$$

Where:

$\$X$  is the amount payable by you to DFMC for the relevant Month. If  $\$X$  is a negative amount, no amount is payable by you.

$Y$  is the average monthly litres you have supplied to DFMC based on the 12 months immediately preceding the relevant Month (or in the event you have not supplied DFMC for 12 months, the average monthly litres you have supplied to DFMC during the period you have supplied DFMC).

$Z$  is the number of litres supplied to DFMC by you for the relevant Month.

$W$  means the Minimum Milk Price payable for the relevant Month pursuant to this Contract, provided that if  $W$  is a negative number,  $W$  shall be zero.

- (b) **Pre-estimate of loss:** You acknowledge that the above formula represents a genuine pre-estimate of the loss DFMC will suffer if you supply all or some of your milk to a third party during the Term.

### 15. Membership

- (a) **Membership requirement:** You must be a member of DFMC at all times during the Term.
- (b) **Becoming a member:** If you are not already a member of DFMC, you must immediately become a member after signing this document and subscribe for 500 shares at \$1 per share.

## 16. Governing Law

This Contract will be governed by the laws of the State in which the Farm is located.

## 17. Set-Off

DFMC may set-off any amount payable by you to DFMC against any amount payable by DFMC to you.

## 18. Acknowledgment

You acknowledge that you have been given the opportunity to obtain independent legal and financial advice on this Contract.

## 19. Supersedes all previous agreements

This Contract supersedes and replaces all previous agreements, arrangements and understandings between DFMC and you in relation to the supply of your milk to DFMC.

## 20. Severability

This Contract will not be adversely affected by the unenforceability or invalidity of any part. The offending part shall be read down or shall be severed and the remaining parts shall continue to have full force and effect.

## 21. Joint and Several

Any covenant or agreement on the part of and for the benefit of two or more persons will bind them and be for the benefit of them jointly and severally respectively.

## 22. Force Majeure

- (a) **No termination for Force Majeure:** A party will not be entitled to terminate this Contract due to a default of the other party which is caused by Force Majeure.
- (b) **No liability for breach of Contract:** A party who is in breach of this Contract will not be liable to the other party if the breach of Contract is caused by Force Majeure if that party has:
  - (i) as soon as practicable, given the other party notice of the occurrence and predicted consequences of the Force Majeure; and
  - (ii) used all reasonable endeavours to remedy the effect of the event that gave rise to the Force Majeure, and to continue to perform its obligations under this Contract.
- (c) **Extent of reliance:** For the avoidance of doubt, a party that relies on this clause 22 may only do so to the extent that its breach of this Contract, or the circumstances which would otherwise give the other party the right to terminate this Contract, are caused by the event giving rise to the Force Majeure, and only for so long as the Force Majeure remains in effect.

## 23. Authority

- (a) **More than one Supplier:** Where the Supplier consists of more than one person, this document may be signed by any one or more of the persons comprising the Supplier.
- (b) **Authority to sign:** If this document is not signed by all of the persons comprising the Supplier, any person who has signed this document warrants to DFMC that it is duly authorised to sign and bind all the persons comprising the Supplier.

## 24. Electronic Signature

- (a) In this clause 24:

**Approved Platform** means a method of identifying and indicating a person's intention in respect of electronic communication that satisfies any requirement to sign the information communicated pursuant to the *Electronic Transactions Act*;

**Docusign** means the signature software and platform located at [www.docusign.com](http://www.docusign.com); and

**Electronic Transactions Act** means *Electronic Transactions Act 2000 (NSW)* or any similar legislation in the relevant State in which the Farm is located.

- (b) The Parties each agree and acknowledge that:

- (i) this document may be executed in any number of counterparts, each executed by one or more Parties;
- (ii) this document may be executed electronically by any Party, or all Parties, using an Approved Platform. Any electronic copy of this document so signed will constitute an executed original counterpart;
- (iii) all counterparts together will be taken to constitute one agreement;
- (iv) this document will be deemed to have been validly entered into and will be final and binding once all Parties have signed even if one or more Parties sign electronically using an Approved Platform;
- (v) the Docusign platform is considered by the Parties to be an Approved Platform and to be as reliable as appropriate for the purposes of execution of this document; and
- (vi) each Party who signs this document using Docusign or another Approved Platform accepted by all other Parties is bound by, has complied with and will comply with any terms and conditions of Docusign or other Approved Platform, in relation to the execution of this document.

- (c) This clause 24 does not limit the ways in which a Party may execute this document.

## 25. GST

- (a) **Gross-up:** If any payment made to a party pursuant to or relating to this Contract constitutes consideration for a taxable supply for the purposes of GST, the amount to be paid for the supply will be increased so that the net amount retained by a party after payment of that GST is the same as if the party was not liable to pay GST in relation to that supply.
- (b) **Payment of GST:** Payment of the additional amount will be made at the same time as payment for the supply is required to be made under this Contract.
- (c) **Recipient created tax invoice:** If you have not already done so, you and DFMC must enter into a recipient created tax invoice agreement (in the form required by DFMC).

## 26. Variations

- (a) **Unilateral variations:** Other than variations in pricing which must occur in accordance with clause 5, this Contract may only be unilaterally varied during the Term by DFMC:
  - (i) to the extent necessary to comply with any changes in a Commonwealth, State or Territory Law; but
  - (ii) without reducing the Minimum Milk Prices under this Contract.

- (b) **Notice:** DFMC will provide you with written notice of any unilateral variations, including the details and reason for the variation and the day the variation takes effect.

## 27. **Obligation to act in Good Faith**

In accordance with the Dairy Code, you and DFMC agree that each must deal with the other in good faith in relation to the supply of your milk.

## 28. **Bullying and Harassment**

Neither DFMC nor you will engage in behaviour that is, or may be reasonably considered to be, intimidating, bullying or harassing or commit any act or behaviour which is offensive or abusive in connection with this Contract. If you are in breach of this clause, DFMC may suspend the collection of your milk for a period of 5 days or until such time as DFMC determines (acting reasonably) that the behaviour has been rectified.

## 29. **Compliance with the Law**

- (a) **Compliance:** You and DFMC must at all times comply with the Law when carrying out your respective obligations in connection with this Contract.
- (b) **Licence:** You must ensure that you hold all necessary licences, permits and approvals that are required by Law (including a Dairy Industry Licence) in order to comply with your obligations under this Contract. Failure to comply with the obligations under this clause may result in DFMC suspending the collection of your milk until such time as the failure is rectified.
- (c) **Authority:** You agree to provide DFMC permission for each relevant state food authority to be granted with the necessary access rights to your Farms for audit purposes.
- (d) **Code:** This Contract is intended to implement the required terms of the Dairy Code. To the extent there is any inconsistency between the terms of this Contract and the Dairy Code, then the Dairy Code prevails.
- (e) **Severability:** If any part or whole of one or more of the provisions of this Contract are non-compliant with the Dairy Code, then any part or whole of one or more of those provisions will be severed from this Contract and the validity, existence, legality and enforceability of the remaining provisions in this Contract will not be affected.

## 30. **Liability and insurance**

- (a) **No liability:** DFMC will not be responsible for payment of your milk if it is not collected by DFMC due to:
- (i) adverse weather conditions; or
  - (ii) where there is restricted access to a Farm due to safety or notified public health reasons, such as animal disease.
- (b) **Insurance:** It is your responsibility to ensure that you have adequate insurance to cover any incidences of milk loss, contamination or damage to other supplier's milk in the milk tanker and coverage for restricted access to the Farms due to public road or bridge failure.

## 31. **Use of Information and Privacy**

- (a) **Compliance:** DFMC will use any personal information collected in the course of performance of this Contract in accordance with the *Privacy Act 1988* (Cth) and DFMC's Privacy Policy available at <https://dfmc.org.au/privacy-policy>.

- (b) **Use of information:** DFMC may use all information provided by, or relating to you (including any personal information about you) for any purposes associated with DFMC's business, including any of the matters referred to in this Contract, the provision of information to customers or third party service providers or in connection with industry or governmental projects in which DFMC participates.

## 32. Disputes

The procedure set out in this clause applies if either party (the **complainant**) wishes to have a complaint in relation to a matter arising under, or in connection with, this Contract dealt with in accordance with the complaint handling procedure provided in this Contract:

- (a) the complainant must notify the other party (the **respondent**), in writing, of the following:
  - (i) the nature of the complaint;
  - (ii) that the complainant wishes the complaint to be dealt with in accordance with the complaint handling procedure provided in this Contract; and
  - (iii) the outcome the complainant wants;
- (b) within five Business Days after receiving notice of the complaint under clause 32(a), the respondent must give a written acknowledgement to the complainant stating:
  - (i) that notice of the complaint has been received; and
  - (ii) the steps to be taken to deal with the complaint;
- (c) the complainant and the respondent must attempt to resolve the complaint in accordance with the complaint handling procedure provided in this Contract before taking action to resolve the complaint by mediation or arbitration;
- (d) if the complaint is not resolved in accordance with the complaint handling procedure provided in this Contract within 60 days after the acknowledgement was given to the complainant under clause 32(b):
  - (i) either party may take action to have the complaint resolved by mediation in accordance with this clause 32 or by any other appropriate mediation process (for example, in accordance with another industry code); or
  - (ii) the parties may agree that the complaint is to be resolved by arbitration in accordance with this clause 32 or by any other appropriate arbitration process (for example, in accordance with another industry code);
- (e) the complainant may, at any time, withdraw the complaint by notice in writing to the respondent;
- (f) in the event that either you or DFMC wish to have the dispute resolved by mediation, the procedure set out in section 48 of the Dairy Code will apply; and
- (g) DFMC must have a complaint handling officer to manage complaints that arise in relation to a matter arising under, or in connection with, this Contract.

## 33. Interpretation

In this Contract, unless the context otherwise requires:

<b>\$ per kg</b>	means dollars per kilogram.
------------------	-----------------------------



<b>Business Day</b>	means a day which is not a Saturday, Sunday, a bank holiday or a public holiday in Melbourne, Australia.
<b>Commencement Date</b>	means the date set out in <b>Item 1</b> of the Details.
<b>Contract</b>	means this contract (the terms of which are set out or referred to in this document and each of the Annexures) arising from DFMC's acceptance of your offer.
<b>Cpl</b>	means cents per litre.
<b>Dairy Code</b>	means the <i>Competition and Consumer (Industry Codes – Dairy) Regulations 2019</i> .
<b>Demerit Points</b>	has the meaning given to that term in clause 6(d).
<b>Details</b>	means the section entitled 'Details' which commences on page two of this document.
<b>DFMC</b>	means Dairy Farmers Milk Co-operative Limited ARBN 108 690 384.
<b>DFMC's Milk Policy</b>	means DFMC's Milk Policy, a copy of which is attached to this Contract as <b>Annexure B</b> .
<b>Exceptional Circumstances</b>	means any circumstances of limited duration that involve an Extraordinary Event.
<b>Expiry Date</b>	means the date set out in <b>Item 2</b> of the Details.
<b>Extraordinary Event</b>	means an event (including an emergency or change in market conditions) that: <ul style="list-style-type: none"> <li>(a) occurs outside of Australia;</li> <li>(b) has a highly significant effect on supply, demand or costs in the dairy industry; and</li> <li>(c) is not caused by decisions made by DFMC or any other processor.</li> </ul>
<b>Farm</b>	means the farm or farms allocated the Farm Number or Numbers shown in the Supplier's details on the first page of this document. For the avoidance of doubt, Farm does not include any additional real property acquired or used by you on or after the Commencement Date to produce milk.
<b>Force Majeure</b>	means any occurrence or omission as a direct or indirect result of which the party relying on it is prevented from or delayed in performing any of its obligations under this Contract and that is beyond the reasonable control of that party and the effect of which could not have been avoided by that party exercising reasonable diligence, including forces of nature, industrial action and action or inaction by a government or governmental or semi-governmental entity or authority having the ability to make laws or other determinations or orders which have the force of law. Force Majeure includes any loss of production or cattle due to circumstances beyond your reasonable control, such as feed shortages due to extreme events (e.g. locust plague) and weather conditions such as drought, flood or cyclone.



<b>Gate Fees</b>	means the gate fees (otherwise known as stop charges) charged by DFMC in relation to the collection of your milk from the Farm as set out in clause 4(a) and <b>Item 7</b> of the Details.
<b>Law</b>	means all laws, regulations and requirements of regulatory bodies and authorities relevant to the supply of your milk in the manner contemplated by this Contract, including laws relating to food safety, road transportation and occupational health and safety.
<b>LDD</b>	means LD&D Australia Pty Ltd (ABN 68 083 019 390).
<b>Lion</b>	means Dairy Farmers Pty Limited ABN 65 010 308 068.
<b>Lion Milk Supply Agreement</b>	means the milk supply agreement dated on or about 1 July 2004 between DFMC and Lion (as amended).
<b>Minimum Monthly Volume Collection</b>	has the meaning given to that term in clause 8(c).
<b>Minimum Milk Price</b>	means, in respect of a Month during the Term, the price set out in <b>Item 3</b> of the Details.
<b>Milk Statement</b>	means, in respect of a Month, a written statement of your milk supplied to DFMC during that Month that is to be given to you in accordance with clause 7(c).
<b>Month</b>	means calendar month.
<b>Parties</b>	means you and DFMC and <b>party</b> means any one of them. A reference to a party includes that party's executors, administrators, successors and permitted assigns.
<b>Quality Fee</b>	means, in respect of a Month, the amount (if any) to be deducted from the Minimum Milk Price to be paid to you for that Month in accordance with clause 6, <b>Item 8</b> of the Details and <b>Annexure A</b> .
<b>Quality Incentive</b>	means, in respect of a Month, the amount (if any) to be paid to you in addition to the Minimum Milk Price for that Month in accordance with clause 6, <b>Item 8</b> of the Details and <b>Annexure A</b> .
<b>Quality Standards</b>	means the quality standards for your milk and animal health and welfare standards set out in Sections 3 and 4 of DFMC's Milk Policy.
<b>Term</b>	has the meaning given to that term in clause 1(b).
<b>Productivity Incentive</b>	means the productivity incentive to be paid in accordance with clause 3(a) and <b>Item 5</b> of the Details.
<b>Supermarket Retailer Own Brand (ROB) Levy</b>	means the Supermarket Retailer Own Brand (ROB) Levy to be paid in accordance with clause 3(d) and Item 6.
<b>You or Supplier</b>	means the person, partnership or corporate entity named on page one of this document as the Supplier.
<b>your milk</b>	means all of the milk produced at the Farm(s) excluding milk used for the rearing of calves on the Farm(s) or milk used or consumed on the Farm(s) for domestic or household purposes.

A reference to the singular includes the plural and a reference to the plural includes the singular.

A reference to a person includes a natural person, partnership, firm, body corporate or other entity.

SAMPLE

## Annexure A – Quality Demerit Points

Test	Result from	Result to	Demerit points	Test Application
Total Plate Count (Units '000cfu/ml)	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	
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	

Repeat offenders over 50,000 cfu/ml and 400,000 SCC may be suspended.

## Annexure B – DFMC's Milk Policy



# MILK POLICY JULY 2020

DAIRY FARMERS MILK CO-OPERATIVE METRONOME

# CONTENTS

1	GLOSSARY	2
2	MILK QUALITY	3
3	ADULTERATED MILK	5
4	MILK SUPPLY SYSTEM	7
5	ANIMAL WELFARE AND COMPLIANCE	11
6	GENERAL	13
7	QUESTIONS	15
8	CONTACT LISTS	15
9	APPENDIX	17

## 1 GLOSSARY

### 1.1 ORGANISATIONAL

DFMC	Dairy Farmer's Milk Co-operative
LDD	Lion Dairy and Drinks
RM	Regional Manager
FSO	Farm Services Officer

### 1.2 GENERAL

\$ per kg Fat	Dollars per kilogram of fat
\$ per kg MS	Dollars per kilogram of milk solids
\$ per kg Protein	Dollars per kilogram of protein
BMCC or SCC	Bulk Milk Cell Count or Somatic Cell Count refers to the concentration of white blood cells in the bulk milk and is measured as cells/ml
Cfu	Colony forming unit
Cpl	Cents per litre
MRL	Maximum Residue Levels
MS	Milk solids
MSA	Milk Supply Agreement
Reference litre	For comparative purposes, a reference litre comprises 4% Fat and 3.2% Protein
RAM	Ruminant Animal Material
Simply Perfect	LDD Farm Quality Assurance Program
TPC	Total Plate Count is the concentration of viable micro-organisms in a sample such as bacteria and is measured as cfu/ml

## 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 is 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 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 LDD 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. DFMC/LDD 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 a 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, 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 DFMC RM or LDD FSO. A supplier will then be asked to demonstrate what management changes they are implementing to rectify the low results. The DFMC RM or LDD 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 EXTRANEEOUS 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 LDD 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, LDD 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. LDD 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 LDD 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 3.1.2 (Demerit Points Related to Antibiotics) regarding policy and penalties associated with supplying milk which has tested positive at factory for antibiotics.

LDD 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. The 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 LDD 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 LDD 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, LDD 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, LDD 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, LDD 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 LDD 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 Lion Dairy & Drinks factory and supplies milk which subsequently is tested positive at the factory, or Lion 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.

DFMC/LDD will send an invoice to the member for the above-mentioned costs. DFMC/LDD will begin deductions from your monthly milk cheque in the next pay period. DFMC/LDD 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 DFMC/LDD's 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 3.2.1, if a member supplies milk which is otherwise adulterated or not fit for human consumption, the following process will apply:

- (a) The tanker driver who picks up the milk on behalf of Lion 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 3.2.2(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 3.2.2, against any amount it owes the member.

## 4 MILK SUPPLY SYSTEM

### 4.1 TEMPERATURE

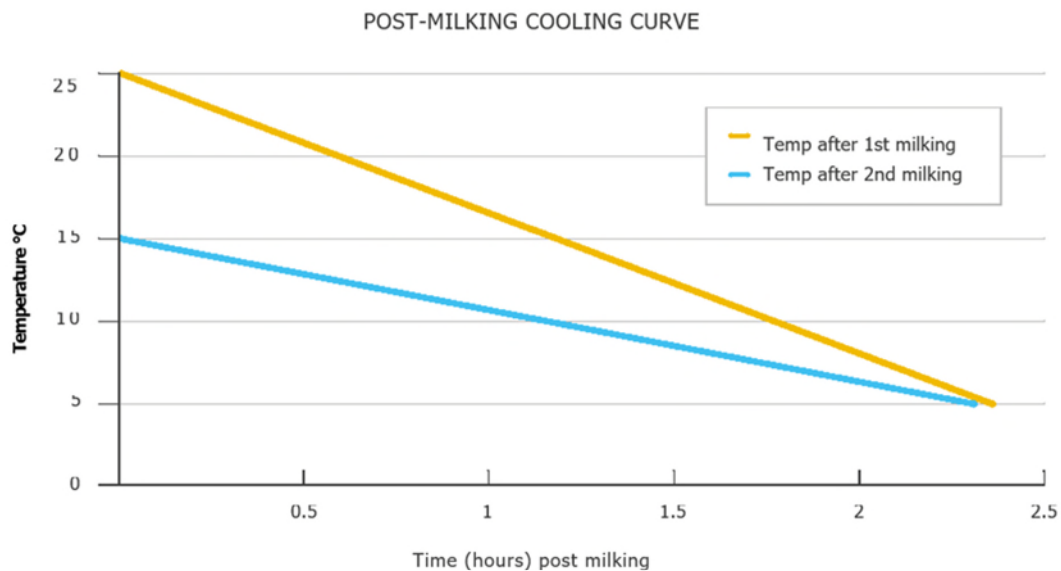
Raw milk must be cooled to less than 4°C within 3.5 hours after the commencement of milking and held below 4°C. This is in line with LDD's 'Simply Perfect' Quality Assurance Program Guidelines.

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 LDD 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/LDD 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 Volume 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/LDD 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

### 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. 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 of 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 RM or LDD FSO 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 RM or FSO to obtain their results, or use the other methods – the SMS/email system or by fax or Milkline <https://milkline.lionco.com>. 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 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 LDD 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
- Milkline website on:  
<https://milkline.lionco.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 LDD 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 LDD 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 LDD 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 LDD 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 LDD 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](http://www.dairyaustralia.com.au).

### **5.2.1 Animal Welfare Concerns**

DFMC and LDD 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 results.

### 6.2 REFRIGERATION AND GENERATOR REBATE SCHEME

LDD 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 LDD 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 LDD FSOs are available for assistance in

implementing an on farm quality system. Please note 'SIMPLY PERFECT' is the name of the LDD Farm Quality Assurance program. All forms and manuals are available for downloading from [www.dfmc.org.au](http://www.dfmc.org.au) or through <https://milkline.lionco.com> or from your local DFMC RM and LDD FSO.

### 6.5 DAIRY PRIDE – LION'S SUSTAINABILITY PROGRAM

Lion is committed to ensuring that all farming practices are sustainable now and into the future. Lion 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.

Lion'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 Lion, you - our dairy farmers and our consumers and works by providing the toolkits you need to run your dairy farm.

The program includes an easy-to-use, on-line, self-assessment tool that can be accessed via the Lion Dairy Pride website page at [www.dairysuppliers.lionco.com](http://www.dairysuppliers.lionco.com).

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

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

### 6.6 USE OF QUATERNARY AMMONIUM COMPOUNDS (QACs) AND NONYLPHENOL ETHOXYLATES (NPEs)

#### 6.6.1 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.

(ACF)). LDD/DFL is responsible for the collection, cartage and testing of the milk.

### **6.6.2 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.

### **6.6.3 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.

### **6.6.4 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.

### **6.6.5 Relationship with LDD**

In accordance with the Milk Supply Agreement, the prices and policies in this document are the same that are applied between the DFMC and LDD (owners of Dairy Farmers Pty Limited (DFL) (formerly Australian Co-operative Foods

## 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](http://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 LDD 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	<a href="mailto:Info@dfmc.org.au">Info@dfmc.org.au</a>
Website	<a href="http://dfmc.org.au">dfmc.org.au</a>

### DFMC Directors

Far North Queensland	James Geraghty	0427 972 355 <a href="mailto:besaja@bigpond.com.au">besaja@bigpond.com.au</a>
South East Queensland	Andrew Burnett	0419 773 907 <a href="mailto:andrew.burnett@dfmc.org.au">andrew.burnett@dfmc.org.au</a>
New South Wales	Grant Sherborne	0427 482 702 <a href="mailto:grant.sherborne@dfmc.org.au">grant.sherborne@dfmc.org.au</a>
Victoria, Riverina	Bernice Lumsden	0418 578 908 <a href="mailto:bernice.lumsden@dfmc.org.au">bernice.lumsden@dfmc.org.au</a>
	John McKillop (Independent Director)	0419 657 180 <a href="mailto:John.mckillop@dfmc.org.au">John.mckillop@dfmc.org.au</a>
South Australia	Adrian Dauk	0439 829 993 <a href="mailto:adrian.dauk@dfmc.org.au">adrian.dauk@dfmc.org.au</a>

## DFMC Team

Head Office	Mark Kebbell	Executive Officer	0432 046 768 <a href="mailto:mark.kebbell@dfmc.org.au">mark.kebbell@dfmc.org.au</a>
Northern	Tony Burnett	Regional Manager	0428 632 148 <a href="mailto:tony.burnett@dfmc.org.au">tony.burnett@dfmc.org.au</a>
Southern	Dominic Baxter	Regional Manager	0419 711 663 <a href="mailto:dom.baxter@dfmc.org.au">dom.baxter@dfmc.org.au</a>

## LDD Milk Sourcing Team

National	Paul Rees	Farm Services Manager	0404 036 300 <a href="mailto:paul.rees@lionco.com">paul.rees@lionco.com</a>
Far North Queensland	Howard Smith	Senior Farm Services Officer	0409 965 948 <a href="mailto:Howard.smith@lionco.com">Howard.smith@lionco.com</a>
South East Queensland	Cameron Whitson	Senior Farm Services Officer	0418 195 891 <a href="mailto:Cameron.whitson@lioncom.com">Cameron.whitson@lioncom.com</a>
New South Wales	Kathrine Colaci	Farm Services Officer	0402 200 526 <a href="mailto:Katherine.colaci@lioncon.com">Katherine.colaci@lioncon.com</a>
Victoria, Riverina	Travis Parcsi	Farm Services Officer	0428 491 259 <a href="mailto:travis.parcsi@lionco.com">travis.parcsi@lionco.com</a>

## 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 2020

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				
Thermoturic (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, thermoturic 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 LDD 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 <sup>st</sup> occurrence in any rolling three-month period.	
		4	2 <sup>nd</sup> and further occurrences in rolling period.	
Repeat occurrence at higher than 0.5°C will lead to suspension of pick-up.				



## **Annexure C – DFMC Milk Pay Statement**

DFMC Milk Pay Statement to include (as applicable)

### Section 1

- Litres received for month
- Composition of litres received – Fat & Protein %
- Kgs of both Fat & Protein received
- Rate of payment per kg of fat and protein received for relevant month
- Total Base Payment for milk received for month

### Section 2

- Quality payment for month - rate & total
- Productivity Incentive – rate & total
- Location Incentive – Rate & total

### Section 3

- Stop Charges – number, rate & total
- Levies – total of relevant DA levies
- Additional Pick up charges – number , rate & total

### Section 4

- Distribution of Milk payment to owner/sharefarmer
- Levy deduction by relevant Sate Authorities
- Pre-arranged deductions from Milk Payment for example DFMC loan payments
- Adjustment to Milk Pay from prior months – for example price step up adjustments or corrections where error has occurred previously.

### Section 5

- Summary of each 10 day period for Fat, Protein Yield
- Summary of each 10 day period for SCC & BMCC
- Summary of any other quality parameters – freezing point, prior notifications, temperature

### Section 6

- Summary of current & corresponding prior year month production and payments
- Summary of YTD & prior YTD production & payments

### Section 7

- Individual pick up details - litres ,fat % , fat kgs. Protein % , protein kgs and BMCC