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# **MILK SUPPLY AGREEMENT**

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# **SECTION 1**

# **AGREEMENT DETAILS**

# **SCHEDULE**

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ITEM	TERM	DEFINITION
<b>PURCHASER ENTITY</b>		
1.	ENTITY NAME:	RIDDOCH TRADING PTY LTD TRADING AS THE UNION DAIRY COMPANY
2.	ABN:	ABN 84 610 960 015
3.	ADDRESS:	C/- THE MIDFIELD GROUP, CNR SCOTT ST & MCMEEKIN RD, WARRNAMBOOL
4.	CONTACT NAME:	
5.	CONTACT TITLE:	
6.	CONTACT PHONE:	
7.	CONTACT EMAIL ADDRESS:	

<b>SUPPLIER ENTITY</b>		<i>Must attach company certificate</i>									
8.	ENTITY/ABN NAME:										
9.	ENTITY TYPE:	PARTNERSHIP		COMPANY		TRUST		SOLE TRADER		OTHER	
10.	ENTITY REPRESENTATIVES:										
11.	ABN:										
12.	POSTAL ADDRESS:										
13.	EMAIL ADDRESS:										

<b>SUPPLIER ENTITY CONTACTS</b>				
14.	CONTACT NAME:			
15.	TITLE:			
16.	CONTACT PHONE:			TEXT ALERTS:
17.	EMAIL ADDRESS:		FARMER APP:	WEB PORTAL:
18.	CONTACT NAME:			
19.	TITLE:			
20.	CONTACT PHONE:			TEXT ALERTS:
21.	EMAIL ADDRESS:			WEB PORTAL:

<b>FARM</b>	
22.	ADDRESS:
23.	GPS POSITION (DAIRY):
24.	DISTANCE TO FACTORY:
25.	REGULATORY BODY:
26.	REGULATORY LICENSE NO:

**TERM**

27.	START DATE:		END DATE:	
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**MINIMUM PRICE (EXCLUDING INCENTIVES AND DEDUCTIONS)**

28.	MINIMUM PRICE FAT:	\$3.95	MINIMUM PRICE PROTEIN:	\$5.93
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**PAYMENT**

30.	BANK ACCOUNT NAME:	
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31.	BSB AND ACCOUNT NUMBER:	
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32.	BANK & BRANCH NAME:	
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**COLLECTION SCHEDULE AND VEHICLE COLLECTION SCHEDULE**

33.	VAT CAPACITY			
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	PEAK LITRES			
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	MILKING START TIME	AM	PM
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	MILKING END TIME	AM	PM
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	COLLECTION VEHICLE	19 METER B-Double	25 METER B-Double
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**INSURANCE**

34.	MUST ATTACH DETAILS OF INSURER, SUM INSURED AND ENDORSEMENTS
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	PUBLIC LIABILITY - \$10 MILLION PER OCCURRENCE
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	PRODUCT LIABILITY - \$10 MILLION PER OCCURRENCE
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**LOYALTY INCENTIVE**

35.	CENTS PER KG OF MILK SOLIDS SUPPLIED FOR THE CONTRACT TERM	
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**SPECIAL CONDITIONS**

36.	
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**SHAREFARMER DETAILS**

37.	ENTITY NAME:			
38.	POSTAL ADDRESS:			
39.	CONTACT NAME:			
40.	TITLE:			
41.	CONTACT PHONE:		TEXT ALERTS:	
42.	EMAIL ADDRESS:		WEB PORTAL:	
43.	CONTACT NAME:			
44.	TITLE:			
45.	CONTACT PHONE:		TEXT ALERTS:	
46.	EMAIL ADDRESS:		WEB PORTAL:	

**SHAREFARMER PAYMENT**

47.	SPLIT	
	Base Price	
	Fat/Protein Ratio Incentive	
	Quantity Incentive - Farm	
	Quantity Incentive - Group	
	Loyalty Incentive	
	Grade Free Incentive	
	Monthly Incentive	
	Flat Milk Incentive	
	Transport Charge	
	UDV/SADA	
	Other	
48.	ABN NUMBER:	
49.	BANK ACCOUNT NAME:	
50.	BSB AND ACCOUNT NUMBER:	
51.	BANK & BRANCH NAME:	

TARGET VOLUME		THIS IS TO DETERMINE THE BANDS FOR FLAT MILK AND QUANTITY INCENTIVE			
52.	MONTH	PROTEIN	FAT	MILKSOLIDS	LITRES
	JULY				
	AUGUST				
	SEPTEMBER				
	OCTOBER				
	NOVEMBER				
	DECEMBER				
	JANUARY				
	FEBRUARY				
	MARCH				
	APRIL				
	MAY				
	JUNE				
	TOTAL				
53.	FLAT MILK INCENTIVE %				
54.	ANNUAL AVERAGE MONTHLY INCENTIVE PER MILK SOLID				

PREVIOUS PROCESSOR	
55.	PROCESSOR:

KEY CONTACTS			
56.	ACCOUNTANT NAME:		
	PHONE:		
	EMAIL ADDRESS:		WEB PORTAL:

57.	CONSULTANT NAME:		
	PHONE:		
	EMAIL ADDRESS:		WEB PORTAL:

58.	OTHER CONTACTS:		
	TITLE:		
	PHONE:		TEXT ALERTS:
	EMAIL ADDRESS:		WEB PORTAL:

SIGNED FOR AND ON BEHALF OF RIDDOCH TRADING PTY LTD TRADING AS THE UNION DAIRY COMPANY (ABN 84 610 960 015) BY TWO DIRECTORS AND/OR SIGNING AUTHORITY:		
SIGNATURE		
PRINT FULL NAME		
TITLE		
DATE		

SIGNED FOR AND ON BEHALF OF THE SUPPLIER:		
SIGNATURE		
PRINT FULL NAME		
TITLE		
DATE		

SIGNED FOR AND ON BEHALF OF THE SHAREFARMER:		
SIGNATURE		
PRINT FULL NAME		
TITLE		
DATE		



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## **SECTION 2**

# **STANDARD TERMS & CONDITIONS**

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## **1. AGREEMENT**

- 1.1 Commitment - The Supplier must exclusively supply to UDC, and UDC must purchase, all milk produced by the Farm during the Term as outlined in Section 1 - Agreement Detail Schedule item 27, subject to and on the terms of this agreement.
- 1.2 Term – From the contract signing date there is a 14-day cooling off period to withdraw from the contract. After the cooling off period the rights and obligations under this agreement begin on start date and continue until
  - (a) the end date, unless terminated earlier in accordance with Section 2 – Milk Supply Agreement 11.4 or;
  - (b) the term maybe extended beyond the end date by mutual agreement for a further 12 months. Notice of this intention must be received by 31<sup>st</sup> May or 30 days prior to the end of the Term by both UDC and the Supplier
  - (c) for terms greater than 3 years the Supplier can unilaterally extend the contract for a further 12 months
  - (d) if the intention by either UDC or the Supplier to renew/extend the contract term is rejected, there must be 30 days' notice from notification of the intention
  - (e) if UDC or the Supplier does not provide written notices to each other regarding renewal or extension of this Agreement, this Agreement will be deemed to continue until terminated by either party with not less than 30 days' notice of the termination (or such shorter period of termination as is agreed by the parties in writing).
- 1.3 Upon signing this agreement all records must be kept for six years after the end of the term in accordance with section 55(3) of the Code.
- 1.4 Agreement – This Agreement sets out the terms and conditions on which UDC is prepared to buy milk from the Farmer, as required by the Competition and Consumer (Industry Codes-Dairy) Regulations 2019 (Code). This agreement comprises the entire agreement between the parties and is made up of the following sections (in the order of priority as listed):
  1. Agreement Details Schedule, including the special conditions specified in item 36 (if any) of that schedule;
  2. Standard Terms and Conditions;
  3. Pricing Schedule;
- 1.5 Unilateral Variations – Any unilateral variations must comply with the Code. UDC must provide any unilateral variations in writing of the effective date and include the reasons for the variations. Within 21 days' notice the Supplier must provide written acceptance of the unilateral variation by the effective date. Unilateral variations may be made under the following circumstances:
  - (a) if there is a change in a Commonwealth, State or Territory law, to the extent necessary to comply with the changed law or;
  - (b) if the contract is terminated early under Section 2 – Milk Supply Agreement 11.4 or;
  - (c) if there is a prospective step down under Section 3 – Pricing Schedule 2.2. Termination of the contract due to a prospective step down can be made under Section 2 – Milk Supply Agreement 11.4 (f).
  - (d) under no other circumstances can the Supplier unilaterally vary the agreement.
- 1.6 This agreement has been entered to by UDC in good faith and the Supplier and UDC must always deal with each other in good faith, in accordance with section 11 of the Code.

## **2. GENERAL**

- 2.1 Governing Law – This agreement is governed by the Federal and State laws of the state in which the Farm is located.
- 2.2 Notices – A notice under this agreement is only effective if it is in writing, signed by the party giving it and delivered to the other party's address or emailed as specified in Section 1 - Agreement Detail Schedule item 3 and 7 or 12 and 13 (as applicable) (or as that party has notified the sender).
- 2.3 Assignment – The Supplier may not assign, novate or otherwise transfer its rights or obligations under this agreement without the prior consent of UDC. UDC may assign, novate or otherwise transfer its rights or obligations under this agreement to any other person, by giving notice to the Supplier (and the Supplier agrees to enter into such documents are reasonably required to give effect to any such assignment, novation or transfer).
- 2.4 Subcontracting – The Supplier may not subcontract any of its obligations (including its obligation to supply milk) without the prior consent of UDC.

- 25. Consequential loss – Neither party is liable to the other for any indirect or consequential loss, including loss of profit.
- 26. Waiver – A failure or delay in exercising a right under this agreement does not mean that the right has been waived and does not prevent the party from exercising that right.
- 27. Relationship – The relationship between the parties under this agreement is one of principal and independent supplier and is not to be taken to be a partnership, agency or employment relationship.
- 28. Definitions – The definitions set out in the Agreement Details Schedule and below apply in this agreement:
  - (a) Agreement Details Schedule means the schedule setting out the parties and key agreement details to which these terms are attached.
  - (b) A Grade Milk means milk which meets the requirements of A grade milk, as described Section 3 – Pricing Schedule 12.2.
  - (c) Force Majeure Event means a weather event or other act of God (such as a declared drought, disease outbreak, fire, flood or earthquake) to the extent that the effect of the event or act could not have been avoided by the exercise of reasonable care or diligence.
  - (d) Pricing Schedule means the detailed pricing schedule attached to these terms.
  - (e) Milk Supply Handbook means the Milk Supply Handbook produced by UDC and provided to the Supplier, as amended from time to time, in accordance with Section 2 – Milk Supply Agreement 1.5.

### **3. QUALITY ASSURANCE REQUIREMENTS**

- 3.1. Compliance – The Supplier must maintain all necessary licenses, approvals and permits to supply milk and must comply with all relevant laws, regulations, codes of practice and good industry practice applicable to the operation of the Farm as a dairy and the supply of milk.
- 3.2. Milk Supply Handbook – Without limiting any other obligation included in this agreement, the Supplier must comply with the requirements set out in the Quality Assurance Register which contains the Milk Supply Handbook, Quality Assurance Manual and Farmer Worksheets, as amended by UDC of which 60 days' notice must be given prior to 1 July of each new season. These requirements include commitments in respect of:
  - (a) maintenance of milk quality, including quality assurance programs, food safety programs and storage capability;
  - (b) compliance with employment obligations, occupational health and safety, environmental requirements (including in respect of effluent disposal) and animal welfare policies; and
  - (c) completion of the Farm Assurance Register.

### **4. TARGET VOLUME**

- 4.1. Target Volume – The Supplier must use reasonable endeavors to, and diligently seek to, ensure that the volume of milk produced by the Farm during the Term is at least equal to the Target Volume as shown in Section 1 - Agreement Detail Schedule item 52.
- 4.2. Supply Changes – The Supplier must provide UDC with at least 60 days advance notice (or such advance notice as agreed) of any expected changes to output volumes which are reasonably anticipated to be more than 10% of the applicable Target Volume. The Supplier and UDC agree to engage in good faith discussions in respect of the consequences of the notified expected changes to volumes.

### **5. OWNERSHIP**

- 5.1. Risk and Title – The Supplier warrants that it owns all milk supplied to UDC and has the right and authority to sell that milk, free of any security interest. All milk remains at the Supplier's risk until loaded into the tanker, at which point risk and title to the milk transfers to UDC.

### **6. STORAGE AND COLLECTION**

- 6.1. Temperature – All milk collected from the Supplier will be tested for milk temperature on collection, using the Collection Vehicle's tanker thermometers.

- 6.2. The temperature guidelines are as outlined and are guided by industry standards.
- (a) Milk must be cooled to 5 degrees/C or less within 3.5 hours of the commencement of milking.
  - (b) With UDC approval, the other accepted measure is <5 degrees/C within 2.4 hours (2hrs 24 min) from the end of milking (industry agreed standard).
  - (c) UDC may elect to collect milk at temperatures above 5 degrees/C, at its discretion and subject to satisfactory sensory grading and quality assessments, whilst taking into account the industry standard parameters.
- 6.3. Flow meters – Flow meters are designed to stop pumping if milk temperatures exceed 10 degrees Celsius. If this occurs, the temperature will be re-tested and other quality tests may be undertaken. No payment will be made for milk rejected in these circumstances.
- 6.4. Maximum Temperature – UDC may elect to collect milk at temperatures above 5 degrees Celsius, at its sole discretion subject to satisfactory sensory grading and quality assessments.
- 6.5. Collection – UDC must collect milk from the Farm with a frequency consistent with the Collection Schedule. UDC will seek to give the Supplier reasonable notice of the proposed collection time and will use reasonable endeavors to make collections outside milking time. The Supplier must notify UDC should they require a change of Collection Schedule.
- 6.6. Collection measurement - The volume of milk collected by UDC will be measured by a truck mounted flow meter which is installed and calibrated to meet industry standards.
- 6.7. Entire vat collection - The Supplier must allow the Collection Vehicle to completely empty the vat.
- 6.8. No segregation - UDC does not accept milk that has been segregated on the basis of composition or quality.
- 6.9. Farm and milk vat access - The Supplier must provide UDC (and its representatives) with clear, safe and unrestricted access to the Farm and milk vats at all times as outlined in the Milk Supply Handbook.
- 6.10. Minimum Volume - UDC reserves the right not to collect milk from supplier where the consignment is less than 400 litres.

## **7. MILK QUALITY TESTING PROCEDURES AND CONSEQUENCES**

- 7.1. Milk Quality – The Supplier must use reasonable endeavors to, and diligently seek to, ensure that all milk supplied to UDC is A Grade Milk as outlined in Section 3 – Pricing Schedule 12.2. UDC may, at its discretion, reject and/or not collect any milk which does not meet A grade quality standards as determined and outlined in Section 3 – Pricing Schedule 12.2.
- 7.2. Sampling – Raw milk samples will be collected on each milk consignment using precision sampling equipment located on the Collection Vehicle. The equipment is calibrated in accordance with industry standard guidelines and procedures. The samples are identified with a unique bar code that includes the Supplier's UDC number.
- 7.3. Testing – Milk will be tested for quality parameters as outlined in Section 3 – Pricing Schedule 12.2 prior to collection or subsequently take samples for testing. UDC will make test results available to the Supplier via website, mobile app or text alerts as soon as practicable after notification is received from the independent laboratory. UDC will test milk supplied by the Supplier, notify the Supplier of any quality issues and seek to assist the Supplier to address those issues.
- 7.4. Additional Tests – UDC may request additional tests to assist with any milk quality investigation.
- 7.5. Demerit system – The penalty grading levels will attract demerits (by way of a percentage discount from the A Grade milk price) as outlined in the Section 3 – Pricing Schedule 12.2.
- 7.6. Quality parameters – UDC classifies milk in accordance with standard industry-accepted milk quality parameters based on manufacturing requirements. UDC may review its quality standards and testing procedures from time to time based on customer requirements and will give the Supplier reasonable notice of changes.
- 7.7. Notification of results – Results will be advised as soon as practicable either via website, app or text alerts.

- 7.8. Suspension of collection – Should the Supplier consistently supply B and C Grade milk as outlined in Section 3 – Pricing Schedule 12.2, UDC may suspend collection until a corrective action plan (approved by UDC) has been put in place.
- 7.9. Rejection of collection – should the milk be rejected upon collection or at the factory, UDC will contact the Supplier as soon as practicable. A written notice outlining the reason for the rejection, impact and cost will be provided as soon as practicable.
- 7.10. Consequences of rejection of collection – inhibitory substances and milk temperature
- (a) Where the Supplier notifies UDC of a breakdown or failure of milk cooling equipment and the affected milk is discarded following rejection by UDC.
    - (i) In respect of the first breakdown during the season, at UDC's discretion, the Supplier will be paid the B grade price as outlined in Section 3 – Pricing Schedule 12.2 for the volume of milk identified. The payment will be made based on the volume of milk discarded using the average of the previous 5 collections protein and fat components, at a price determined at B grade using the fortnights average milk price for that farm.
    - (ii) No payment will be made in respect of any subsequent breakdowns during the season.
  - (b) If a Supplier reports to UDC any suspected antibiotic or other inhibitory substance contamination of their milk, and arranges to deliver a sample to be tested, collections will be delayed until the suspect milk is tested and the results of the test are available.
    - (i) In respect of the first notification during the season, at UDC's discretion, the Supplier will be paid the B grade price as outlined in Section 3 – Pricing Schedule 12.2 for the volume of milk identified and confirmed to be antibiotic or inhibitory substance positive. The payment will be made based on the volume of milk discarded using the average of the previous 5 collections protein and fat components, at a price determined at B grade using the fortnights average milk price for that farm.
    - (ii) No payment will be made in respect of any subsequent contaminations during the season. In this instance please contact your insurance company for compensation.
  - (c) If there has not been a notification by the Supplier for inhibitory substance contamination and the milk has been picked up and this contaminates a tanker load UDC will seek to be reimbursed for the entire tanker load and/or product contamination.
  - (d) If there has not been a notification by the Supplier for temperature outside of the collection requirements and the milk is rejected, if collection has not been made, then no payment will be made.

## **8. REGULATORY AND ASSURANCE REQUIREMENTS**

- 8.1. Regulations and standards – The Supplier must comply with all regulations and standards relevant to the operation of a dairy farm and the supply of milk for human consumption. In particular, the Supplier must:
- (a) comply with national standards, including the Food Standards Code (in particular standard 4.2.4 – The Primary Production and Processing Standards for Dairy Products);
  - (b) where operating in Victoria, hold a license issued by Dairy Food Safety Victoria ([www.dairysafe.vic.gov.au](http://www.dairysafe.vic.gov.au)) and comply with the Dairy Act 2000 (Vic), Food Act 1984 (Vic) and Code of Practice for Dairy Food Safety; and
  - (c) where operating in South Australia, be accredited by Dairy Authority of South Australia ([www.pir.sa.gov.au/foodsafety](http://www.pir.sa.gov.au/foodsafety)) and comply with the Primary Produce (Food Safety Schemes) Act 2004 and associated regulations.
- 8.2. Quality assurance program – The Supplier must comply with UDC's quality assurance requirements as notified to the Supplier from time to time. The Supplier must also implement and comply with a quality assurance program and approved food safety program which satisfy all relevant state authority requirements.
- 8.3. Industry codes and guidelines - The Supplier must also comply with Industry codes and guidelines as agreed through relevant industry bodies.
- 8.4. Audit access – The Supplier must provide UDC (or its representative or DFSV/Dairysafe SA) with full and unimpeded access to the Farm in order to conduct bi-annual compliance audits and adhoc investigations of animal welfare practices or disease incidents.

## 9. INSURANCE AND LIABILITY

- 9.1 Insurance – The Supplier must maintain the Insurance policies specified in Section 1 - Agreement Detail Schedule item 34 and must promptly provide to UDC, on request, a certificate of currency in respect of each such policy.
- 9.2 Insurance cover - The Supplier must have adequate insurance to cover:
- (a) any incidences of milk loss, contamination or damage to other supplier's milk in the milk tanker; and
  - (b) any loss or damaged suffered while having restricted access to the Farm (including while using any private roads, bridges or dairy facilities at the Farm).
- 9.3 Force Majeure – Neither Supplier or UDC will be liable for any delay in performance, directly or indirectly caused by or resulting from acts of God, fire, flood, accident, riot, war, acts of terrorism, government intervention, embargos or other difficulties which are beyond the reasonable control of the party. In case of a force majeure event, the affected party shall not be held liable for non- performance of its obligations under this Milk Supply Agreement provided the affected party employs their best efforts to resolve the circumstances which cause the non-performance as quickly as possible.

## 10. MILK PAYMENTS

- 10.1 Milk Pay Rates – UDC must pay to the Supplier the amount calculated in accordance with the Section 3 - Pricing Schedule in respect of the volume and quality grading of milk supplied by the Supplier .
- 10.2 Deductions - UDC will deduct or withhold amounts from the milk payments in accordance with the Pricing Schedule.
- (a) UDC may also deduct and set-off from the milk payments any other amounts which are due and payable by the Supplier to UDC
  - (b) Demerits for milk quality will be deducted from milk payments in accordance with Section 3 - Pricing Schedule
  - (c) UDC may also deduct as per agreements amounts notified and to be paid to sharemilkers
  - (d) UDC may deduct monies owed as authorized by the supplier
- 10.3 Payment Timing – UDC must pay for the milk purchased from the Supplier, by making two electronic transfer payments per month, in accordance with the Section 3 - Pricing Schedule.
- 10.4 GST – All amounts payable under or in accordance with this agreement are exclusive of GST (as defined in the A New Tax System (Goods and Services Tax) Act 1999 (Cth)) and:
- (a) each party warrants that it is registered for GST and agrees to notify the other if it ceases to be registered;
  - (b) the Supplier agrees that it will not issue tax invoices in respect of the milk supplied by it under this agreement; and
  - (c) the Supplier authorizes UDC to issue tax invoices in the form of recipient created tax invoices in respect of the milk supplied to it under this agreement and may issue adjustment notes, where applicable.

## 11. DEFAULT AND TERMINATION

- 11.1 Default – If a party breaches any of its obligations under this agreement, the other party may give written notice requiring that the defaulting party remedy the breach as quickly as possible and in any event within 10 working days. To avoid doubt, in order to remedy a breach, the defaulting party must take all required action to prevent any further breach and must compensate the other party for any loss suffered as a result of the past breach.
- 11.2 Fundamental Breach – A Fundamental Breach will have been committed by:
- (a) UDC, if UDC fails to pay any amount which is due and payable under this agreement and does not remedy that failure within 10 working days of being required by written notice to do so, except where there is a good faith dispute as to the liability to pay that amount; or the
  - (b) Supplier, if the Supplier:
    - (i) supplies milk produced by the Farm during the Term to any person other than UDC in breach of this agreement;
    - (ii) consistently supplies poor quality milk (with 10% or more of milk by volume being graded as C/D Grade or Reject) and fails to put in place (or implement) a corrective action plan (approved by UDC)

within 10 working days of being required by written notice to do so; or

- (iii) fails to comply in any material respect with requirements set out in the Milk Supply Handbook and does not reasonably remedy or take reasonable steps to address that failure (by implementing approved improvement plans or otherwise taking steps to the reasonable satisfaction of UDC) within 10 working days of being required by written notice to do so.

113. Suspension – A party may suspend the operation of this agreement for a period of up to 7 consecutive days if the other party commits a Fundamental Breach. If the issue is not resolved after 7 consecutive days, the contract may be terminated, or suspension extended with agreement by both parties until the issue is resolved.
114. Termination – A party may terminate this agreement by written notice:
- (a) if the other party commits a Fundamental Breach;
  - (b) if the other party becomes insolvent or otherwise unable to pay its debts as and when they fall due;
  - (c) if the other party commits a willful default, by intentionally electing to fail to comply with, or breach, its material obligations under this agreement; or
  - (d) if a Force Majeure Event continues for more than 60 days.
  - (e) Farm Sale / Industry Exit – The Supplier may terminate this agreement by giving at least 60 days prior notice to UDC, where the Supplier has agreed to sell the Farm to a bona-fide third party purchaser or has decided to cease to conduct a dairy business. The Supplier remains obliged to continue to comply with its obligations under this agreement until expiry of the 60-day notice period. UDC may terminate this agreement immediately where the Supplier has sold the Farm to a bona-fide third party purchaser or has ceased to conduct a dairy business.
  - (f) If there has been a Prospective Step down notified as per the Section 3 – Pricing Schedule 2.2.
115. Consequences of termination – On expiry or valid termination of this agreement, the parties have no ongoing obligations to each other, other than in respect of rights that:
- (a) are expressed to survive termination (such as confidentiality obligations); or
  - (b) those that accrued prior to termination or expiry (such as rights to receive payment for milk supplied immediately prior to termination and rights to receive compensation for past breaches).
116. No other termination – This agreement may only be terminated prior to the End Date in accordance with Section 2 – Milk Supply Agreement 11.4 of this agreement or by agreement between the parties.

## 12. CONFIDENTIALITY

- 12.1 Confidentiality – Neither party may disclose to a third party any confidential information made available to it by the other party (including the Agreement Details Schedule) during the Term and for 3 years thereafter, unless required to do so by law. No terms of this contract may be discussed with any third party.

## 13. COMPLAINTS

- 13.1 Complaints about the contractual terms and conditions of the Milk Supply Agreement - If the complainant has an issue with any of the terms and conditions of the milk supply agreement and has not been resolved with a satisfactory outcome, the complaint should be made in writing so that a clear and thorough understanding of the issue can be ascertained and resolved in conjunction with the Finance Department and Senior Management of UDC.
- 13.2 Receipt of Complaint - Complaints should be first lodged with the UDC field officer who usually deals with the supplier who has the complaint. The UDC field officer or any other UDC company representative receiving the complaint will then escalate the matter to the appropriate level within the organization.
- 13.3 Written complaints – Should the nature or severity of a verbal complaint appear major; the officer should request that the complaint be put in writing to reduce the possibility of the complaint being misunderstood.
- (a) Written complaints are to be sent via email to [info@udcmilk.com.au](mailto:info@udcmilk.com.au) or alternatively posted to the following address:  
Att: Complaints Handling Officer  
The Union Dairy Company  
PO Box 412 Warrnambool Vic 3280

- (b) The complaints handling officer receiving the complaint will:
  - (i) Acknowledge the complaint in writing within five working days of receipt by UDC.
  - (ii) Where written complaints are resolved quickly, a letter of reply will replace the letter of acknowledgment.
  - (iii) Where written complaints raise issues, which require follow up work or investigation by the complaints handling officer, the letter of acknowledgment shall also outline the process for resolving the complaint and give a tentative resolution date no later than 60 days from the date of the response letter.
  - (iv) Record the complaint in the complaints register
  - (v) Follow up and monitor the outcome to confirm that the person is satisfied with the resolution and has received appropriate feedback.
- (c) In the reply letter, the complaints handling officer will:
  - (i) Outline the complaint received.
  - (ii) Explain the courses of action available.
  - (iii) Commit to positive action immediately.
  - (iv) Ask the complainant to contact the complaints handling officer if they are not satisfied with the proposed course of action.

13.4. Responsibility for Resolving the Complaint - Complaints will be delegated by the complaints handling officer to the appropriate UDC manager for resolution. It is the responsibility of the UDC manager to handle the resolution of the complaint and report back to the complaints handling officer the outcome of the resolution.

13.5. Formal Closure of a Complaint - Upon feedback from the UDC Manager that the complaint has been resolved, the Complaints Handling Officer will make contact the complainant to confirm that no further issues remain unresolved from the original complaint. The Complaint Handling Officer will then record the complaint as resolved in the UDC complaints register and send formal acknowledgement to the complainant that the issues have been finalised.

13.6. Escalation of Complaints to Mediation - Where a dispute remains unresolved after 60 days from the letter of receipt by UDC to the complainant, and mediation is required, the Complaints Handling Officer will initiate mediation as required under the Dairy Industry Code of Conduct.

13.7. Escalation of Complaints to Arbitration - UDC will use its best endeavors to resolve the issue in Mediation, however if Mediation fails, either party to the milk supply agreement may elect upon separate written agreement to arbitrate the unresolved issue. Arbitration will occur in accordance with the Dairy Industry Code of Conduct.

13.8. Reporting - A report will be made annually by the 30th of May for the period 1st May of the year prior to 30th April. This will detail the extent and nature of issues that have been escalated to Medication or Arbitration will be disclosed on the UDC Website no later than 1st June for the same period in accordance with the Dairy Industry Code of Conduct.

13.9. Policy and Procedure Responsibilities - The procedure should be reviewed every 12 months or where there is a change to legislation or internal company policy.



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## **SECTION 3**

# **PRICING SCHEDULE**

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## **1. UDC COMMITMENT**

- 1.1. UDC agrees to pay to the Supplier an Aggregate Payment for all solids supplied by the Supplier to UDC during a season.
- 1.2. Where:
  - (a) The Minimum price for the milk set out in Section 1 - Agreement Detail Schedule item 28, in accordance with section 26(a) of the Code
  - (b) Your Farm Average Price and Your Farm Average Closing Price means the GST exclusive Average Price per kgms for the season, as calculated for the Supplier's specific Farm production data on the basis of: payments divided by total kg milk solids supplied, including the base price, and other amounts (such as monthly incentives, loyalty incentives and quantity incentives), after deducting all quality penalties, charges, freight, statutory levies;
  - (c) Aggregate Payment means all GST exclusive amounts due to the Supplier for all milk supplied to UDC during the Season, including the base price, and other amounts (such as any incentives), after all quality penalties, charges, freight, levies and loyalty incentives.
  - (d) UDC Farm Gate Average Price, UDC Farm Gate Average Opening Price and UDC Farm Gate Average Closing Price means the GST exclusive aggregate payment made to all suppliers divided by total kg milk solids supplied by all suppliers as publicly stated on or before 1 August following the end of that season – including charges, freight, levies, loyalty incentives - excluding all quality penalties;

## **2. UDC FARMER PROTECTION**

- 2.1. No retrospective step downs – The UDC milk price will not be subject to any retrospective step-downs for solids previously received by UDC from the Supplier.
- 2.2. Prospective step downs may occur in the following instances:
  - (a) involve an extraordinary event (including an emergency or change in market conditions) that:
    - (i) occurs outside of Australia; and
    - (ii) are temporary; and
    - (iii) has a highly significant effect on supply, demand or costs in the dairy industry; and
    - (iv) is not caused by decisions made by UDC.
  - (b) This must be notified no less than 30 days of this occurring and the Supplier has 21 days to terminate the contract after notification. This will not result in any consequences of termination.

## **3. OPENING PRICE**

- 3.1. UDC Minimum Milk Price – UDC will announce its Minimum Milk Price for each season before commencement of each season (and by no later than 1<sup>st</sup> June). This will vary farm to farm depending on a farms milk curve, quality and components. This amount will be set by UDC, in its sole discretion, having regard to the following principles:
  - (a) ensuring a Minimum Milk Price to Suppliers - in which the Supplier will need to determine what this means for them. Incentives apply as per pricing schedule;
  - (b) considering prevailing market conditions for dairy products, manufacturing costs and the Australian dollar.
- 3.2. UDC Farm Gate Average Opening Price – UDC will announce its Opening Average Farm Gate Milk Price for each season before commencement of each season. This includes all sign on bonuses and loyalty incentives. This will vary farm to farm depending on a farms ability to achieve the incentives. This amount will be set by UDC, in its sole discretion, having regard to the following principles:
  - (a) ensuring a fair opening average farm gate milk price to Suppliers,
  - (b) having regard to the season opening standard prices publicly stated, by the three largest dairy processors in South Western Victoria by volume;
  - (c) considering prevailing market conditions for dairy products, manufacturing costs and the Australian dollar.
- 3.3. UDC will review its Average Farm Gate Milk Price at least quarterly and may implement step-ups to the base price/minimum price during the season.

**4. BASE PRICE/MINIMUM PRICE**

- 4.1. Protein is paid at a rate of 1.5 times the value of fat for the base price.
- 4.2. The base price is calculated and paid fortnightly for solids supplied in the previous fortnight (Payment periods):
  - (a) Production from the 1st -15th of the month is paid on the 28th of the same month
  - (b) Production from the 16th-End of the month is paid on the 14th of the following month
- 4.3. A step-up payment only applies for solids supplied to UDC during the season. If the agreement is terminated in accordance with Section 2 – Milk Supply Agreement 11 prior to the announcement of the step-up, no further payments will be paid retrospectively for that milk.

**5. INCENTIVES**

- 5.1. Incentives are to encourage supply of quality milk to assist UDC in achieving production specifications that enhance the milk price paid to Suppliers.
- 5.2. All incentives are paid at the same rate per kg for both fat and protein.

**6. MONTHLY INCENTIVE**

- 6.1. \$1.50 per Kg of milk solids will be paid above the base price for milk solids supplied in the months of July, August and December through to June.
- 6.2. The Supplier may elect for up to 80% of the estimated annual average monthly incentive to be paid evenly throughout the season in order to assist with the Supplier's cashflow requirements. The annual average monthly incentive will be finalized at the end of the season and adjusted to what the aggregate payment should have been.
  - (a) To determine the estimated annual average monthly incentive the supplier is entitled to, a monthly forecast will be predetermined as per Section 1 - Agreement Detail Schedule item 54.
- 6.3. The monthly incentive is calculated and paid fortnightly for solids supplied as follows:
  - (a) Production from the 1st -15th of the month is paid on the 28th of the same month
  - (b) Production from the 16th-End of the month is paid on the 14th of the following month

**7. GRADE FREE INCENTIVE**

- 7.1. The Grade Free Incentive will be determined on a monthly basis to recognize premium milk supplied to UDC.
- 7.2. The rate of payment will be 5 cents per kg of milk solids for all solids where the supplier has supplied A grade solids for the entire month
- 7.3. The monthly grade free incentive is calculated in the second monthly payment period and is paid on the 14th of the following month.

**8. QUANTITY INCENTIVE**

- 8.1. To determine the incentive band the Supplier is entitled to, a monthly forecast will be predetermined as per Section 1 - Agreement Detail Schedule item 52.
- 8.2. The Quantity Incentive bands are as follows:

<b>Kg of milk solids Supplied</b>	<b>Per Kg Milksolid</b>
0-50,000	\$0.00
50,001-100,000	\$0.02
100,001-200,000	\$0.04
200,001-300,000	\$ 0.06
300,001-400,000	\$0.08
400,000+	\$0.10
Large Farm	\$0.40

- 8.3. Payment for 80% of the quantity incentive will be calculated and made in each payment period with the balance paid with the end of season payment.
- 8.4. The quantity incentive is calculated and paid fortnightly for solids supplied during the payment period:
  - (a) Production from the 1st -15th of the month is paid on the 28th of the same month
  - (b) Production from the 16th-End of the month is paid on the 14th of the following month
- 8.5. If at the end of the season it is determined that the quantity incentive target is not achieved, an adjustment will be calculated and applied with the end of season payment to correct any difference between the Supplier's entitlement, and any amount overpaid during the season.
- 8.6. If at the end of the season it is determined that the quantity incentive target has been achieved, the final 20% of the Quantity Incentive will be calculated and paid with the end of season payment.

## **9. LOYALTY INCENTIVE**

- 9.1. UDC will pay the Supplier a loyalty incentive to recognize on-going supply after the initial term of the contract where the agreement is extended or renewed
- 9.2. The payment of the loyalty incentive is in accordance with Section 1 - Agreement Detail Schedule item 35.
- 9.3. The loyalty incentive is calculated and paid fortnightly for solids supplied during the payment period:
  - (a) Production from the 1st -15th of the month is paid on the 28th of the same month
  - (b) Production from the 16th-End of the month is paid on the 14th of the following month

## **10. FLAT MILK INCENTIVE**

- 10.1. To achieve the flat milk incentive the Supplier must produce a minimum of 40% of the total solids supplied during the month of July and from 1st February through to 30th June.
- 10.2. If Flat Milk Incentive band is not achieved the supplier will not be entitled to the flat milk incentive payment.
- 10.3. To determine the Flat Milk Incentive ratio a monthly forecast will be predetermined as per Section 1 - Agreement Detail Schedule item 52 and 53.
- 10.4. .30 cents per milk solid for all solids supplied if the target is achieved.
- 10.5. Calculated as:
  - (a) Milksolids supplied in July, February to June / Total Solids for the season = Supplier Flat Milk Ratio
  - (b) If greater than 40% then (30 cents x milk solids supplied) + (((Supplier Flat Milk Ratio - 40%) / 40%) x milk solids supplied x 30 cents)
  - (c) Payment for 80% of the flat milk incentive will be calculated and made in each payment period with the balance paid with the end of season payment.
- 10.6. The flat milk incentive is calculated and paid fortnightly for solids supplied in that fortnight:
  - (a) Production from the 1st -15th of the month is paid on the 28th of the same month
  - (b) Production from the 16th-End of the month is paid on the 14th of the following month
- 10.7. If at the end of the season it is determined that the flat milk ratio is not achieved, then this will be adjusted with the end of season payment.
- 10.8. If at the end of the season it is determined that the flat milk ratio is greater than the predetermined target, then this will be adjusted with the end of season payment.

**11. FAT/PROTEIN RATIO INCENTIVE**

11.1. If the Supplier supplies milk with a fat/protein ratio greater than 1.17 the supplier will be paid an incentive of 30 cents per kg of milk solid if the target is achieved.

11.2. Calculated as

- (a) Fat/protein = Supplier Fat/Protein ratio
- (b) If greater than 1.17 then (30 cents x milksolids supplied) + (((Supplier fat/protein ratio - 1.17) / 1.17) x milksolids supplied x 30 cents)

11.3. The fat/protein incentive is calculated and paid fortnightly for solids supplied in that fortnight:

- (a) 1-15th production paid 28th of the month
- (b) 16th-end of month production paid 14th of the following month

**12. DEDUCTIONS, LEVIES AND CHARGES**

12.1. Rejection of milk – deductions may be made for rejected milk as outline in Section 2 – Milk Supply Agreement 7.10

12.2. Milk Quality Penalties – are deducted per consignment of milk and are outlined below:

	A Grade	B Grade		C Grade		D Grade	
	No Penalty	1st and 2nd test	No Penalty	1st and 2nd test	No Penalty	1st and 2nd test	10% Penalty
		Follow up tests 3-5	2.5% Penalty	Follow up tests 3-5	5% Penalty	Follow up tests 3-5	20% Penalty
		Follow up tests 6-10	5% Penalty	Follow up tests 6-10	10% Penalty	Follow up tests 3-5	30% Penalty
		Test 10 +	10% Penalty	Test 10 +	20% Penalty	Test 10 +	50% Penalty
Tested 1st and 15th of month							
Bacto	<80,000	80,001-200,000		200,001-400,000		400,001 >	
Thermo	<2,000	2,001-5,000		5,001-10,000		10,001 >	
Sediment	Disk 1 and Disk 2			Disk 3 and Disk 4			
Inhibitory Substance	Negative					Positive = Reject/non collection. If whole tanker cost of the tanker + disposal costs.	
Coliform – Monitoring only for milk eligibility*	<100						
Residues QAC and NPE*	Not Detected					Detected	
Colostrum *	<1.5%	>1.5%					
Freezing Point (volume of water in milk) *	>-0.517 degC			<-0.517 degC			
Tested Daily							
BMCC	<300,000	300,001-400,000		400,001-600,000		600,001>	
Sensory	Satisfactory taste, smell					Unsatisfactory taste, smell = reject/non collection	
Milk Temperature	<8 degC	>8 degC				>15 degC = reject/non collection	
Minimum Litres	>400 litres					<400 Litres	

123. Freight cost deduction – The cost of milk freight will be deducted on a basis equivalent to travel distance for the Collection Vehicle on reasonably maintained roads, from the Farm to the closest of the UDC plant in Penola SA or the address of Cnr McMeekin and Scott Road, Warrnambool VIC, using the following rates:

Zone	Per Litre
0-50km	\$0.0080
51-100km	\$0.0150
101-200km	\$0.0200
201km +	\$0.0250

124. Levies and charges – UDC will deduct mandatory statutory or industry levies and charges from each milk payment (such as the Dairy Services Levy payable to Dairy Australia and any relevant state dairy levies).

### 13. PAYMENTS

- 13.1. Process – UDC must make all payments by way of electronic transfer to the bank account nominated by the Supplier.
- 13.2. Milk Payment Periods – On or before the 14th and 28th day of each month, UDC must pay to the Supplier, an amount equal to, for each kilogram of fat and protein milk solid supplied during the prior pay period:
- adjusted for quality penalties, charges and levies.
  - 1-15th production paid 28th of the month
  - 16th-end of month production paid 14th of the following month

	% PAID EACH FORTNIGHT	HOW OFTEN	BASED ON
Opening Base Price	100% - ability to step up during the season	Fortnightly	Actual Production for the fortnight
Fat/Protein Ratio Incentive	100%	Fortnightly	Actual Production for the fortnight
Quantity Incentive	80%	Fortnightly	Previous season production and finalized at end based on actual production and if achieves the target
Loyalty Incentive	100%	Fortnightly	Actual Production for the fortnight
Grade Free Incentive	100%	Monthly	Actual production for the month
Monthly Incentive – Option A	100%	Fortnightly	Actual Production for the fortnight
Monthly Incentive – Option B	80%	Fortnightly	Previous season production and finalized at end based on actual production and if achieves the target
Flat Incentive	80%	Fortnightly	Previous season production and finalized at end based on actual production and if achieves the target

- 13.3. Statements for each milk payment period – must contain the following:

- Date of collection - litres, components and quality
- Method of calculating the milk price
- Penalties price per milksolid
- Transport charges price per litre
- Levies and fees price per milksolid/litre
- Any other deductions
- GST where applicable

- 13.4. Post Season Reconciliations and Calculations– As soon as practicable following expiry of each season, UDC will:

- undertake a reconciliation of the actual volumes of A and B Grade Milk supplied by the Supplier to UDC and calculate the final amount of the Quantity Incentive and Flat Milk Incentive entitlement; and
- calculate Your Farm Average Closing Milk Price (as defined in Section 3 - Pricing Schedule 1.1), based on:
  - the publicly stated standard prices as applied to the Supplier's specific Farm production data; and
  - based on reasonable assumptions where underlying factors or calculations are unknown.
- UDC must provide to the Supplier reasonable evidence of this reconciliation and calculation. Any dispute

between the parties as to the calculation of the UDC Price Commitment and Farmer Protection will be referred to an independent dairy industry expert to review the calculation, including reviewing the model used by UDC to undertake that calculation.

- 13.5. Season End Payment – As soon as practicable and, in any event, by no later than 31 August following expiry of a season, UDC must pay to the Supplier:
- (a) the balance, if any, of the entitlement outstanding to the Supplier; and
  - (b) an additional payment, if any, required to ensure that the aggregate payment by UDC for all milk for that season is equal to Your Farm Average Close Price.
  - (c) UDC may deduct and set-off from the season end payment any overpayment of the entitlements/incentives made during the season.