



MILK SUPPLY AGREEMENT NON-EXCLUSIVE

Ph: +61 3 5563 4444 | **E:** info@udcmilk.com.au | **www.udcmilk.com.au**



SECTION 1

AGREEMENT DETAILS

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ITEM	TERM	DEFINITION
PURCHASER ENTITY		
1	ENTITY NAME:	RIDDOCH TRADING PTY LTD TRADING AS THE UNION DAIRY COMPANY
2	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:	

SUPPLIER ENTITY <i>Must attach company certificate</i>		
8	UDC SUPPLIER NUMBER/ABN NAME:	
9	ENTITY REPRESENTATIVES:	
10	ABN:	
11	POSTAL ADDRESS:	STATEMENT POSTED:
12	EMAIL ADDRESS:	STATEMENT EMAILED:

SUPPLIER ENTITY CONTACTS		
13	CONTACT NAME:	
14	TITLE:	
15	CONTACT PHONE:	
16	EMAIL ADDRESS:	STATEMENT EMAILED: FARMER APP: WEB PORTAL:
17	CONTACT NAME:	
18	TITLE:	
19	CONTACT PHONE:	
20	EMAIL ADDRESS:	STATEMENT EMAILED: FARMER APP: WEB PORTAL:

FARM		
21	ADDRESS:	
22	GPS POSITION (DAIRY):	LATIUDE LONGITUDE
23	QUALITY ASSURANCE PROGRAMME	
24	REGULATORY BODY:	
25	REGULATORY LICENSE NO:	

TERM		
26	START DATE:	END DATE:

MINIMUM PRICE AND INCENTIVES - Select Milk Price option											
27	MILK PRICE MODEL OPTION:	Flat Milk				Productivity			Quality and Components		
	Minimum Price - Fat			\$ 7.83				\$ 8.40			\$ 8.63
	Minimum Price - Protein			\$ 7.83				\$ 8.40			\$ 8.63
	Flat Milk Incentive										
	7/5 Monthly Incentive @ \$1.00										
	9/3 Monthly Incentive @ \$1.50										
	Quantity Incentive										
	Farm										
	Group										
	Milk Quality Incentive										
	Loyalty Incentive										
	Levies										
	Sharefarmer				If yes please complete the sharefarmer form						

PAYMENT											
28	BANK ACCOUNT NAME:	1									
29	BSB AND ACCOUNT NUMBER:		0								
30	BANK & BRANCH NAME:										
31	PAYMENT:	0	\$ -								
32	BANK ACCOUNT NAME:	2									
33	BSB AND ACCOUNT NUMBER:		0								
34	BANK & BRANCH NAME:										
35	PAYMENT:	0	\$ -								
36	BANK ACCOUNT NAME:	3									
37	BSB AND ACCOUNT NUMBER:		0								
38	BANK & BRANCH NAME:										
39	PAYMENT:	0	\$ -								

COLLECTION SCHEDULE AND VEHICLE COLLECTION SCHEDULE												
40	VAT CAPACITY											
	PEAK LITRES											
	MILKING START TIME	AM						PM				
	MILKING END TIME	AM						PM				
	COLLECTION VEHICLE	Tri		19 METER B-Double		25 METER B-Double		26 METER B-Double				

INSURANCE											
41	MUST ATTACH DETAILS OF INSURER, SUM INSURED AND ENDORSEMENTS										
	PUBLIC LIABILITY - \$10 MILLION PER OCCURRENCE										
	PRODUCT LIABILITY - \$10 MILLION PER OCCURRENCE										

SPECIAL CONDITIONS (if any)	
42	

TARGET VOLUME THIS IS TO DETERMINE THE BANDS FOR FLAT MILK AND QUANTITY INCENTIVE					Forecast
43	MONTH	PROTEIN	FAT	MILKSOLIDS	LITRES
	JULY				
	AUGUST				
	SEPTEMBER				
	OCTOBER				
	NOVEMBER				
	DECEMBER				
	JANUARY				
	FEBRUARY				
	MARCH				
	APRIL				
	MAY				
	JUNE				
	TOTAL				

PREVIOUS PROCESSOR	
44	PROCESSOR:

KEY CONTACTS				
45	ACCOUNTANT NAME:			
	PHONE:			
	EMAIL ADDRESS:		STATEMENT EMAILED:	WEB PORTAL:

46	CONSULTANT NAME:		
	PHONE:		
	EMAIL ADDRESS:		WEB PORTAL:

47	OTHER CONTACTS:		
	TITLE:		
	PHONE:		
	EMAIL ADDRESS:		FARMER APP: WEB PORTAL:

The Supplier agrees to supply milk to UDC on a non-exclusive basis. UDC agrees to purchase milk produced by the Supplier during the Term as outlined in Section 1 - Agreement Detail Schedule item 25, subject to the standard terms and conditions of this Milk Supply Agreement, and in accordance with the Statement of Circumstances below:

Statement of Circumstances – Non Exclusive Milk Supply Agreement

- a) UDC’s milk price has been set considering domestic and global market conditions
- b) UDC will enter into a Milk Supply Agreement with the Supplier under the following circumstances:
 - i. The Supplier agrees to provide the proportion of their annual volume in accordance with Section 1 - Agreement Detail Schedule item 42
 - ii. Location of the Supplier is from the South West Victoria and South East South Australia where the supplier has passed UDC requirements as outlined in the Standard Form of Agreement
 - iii. The supplier holds or intends to hold a current Dairy Food Safety Licence and the Supplier complies with legislation in relation to milk production, including environmental/effluent management and animal welfare
 - iv. Supplier can provide safe and efficient tanker access and logistically efficient collection
 - v. Supplier can demonstrate adherence to UDC’s milk quality specifications
 - vi. Supplier has the production capability to supply minimum milk collection 400 litres on skip a day collection
 - vii. UDC has not already met its total milk supply requirements for the 2023/24 season

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		



SECTION 1B

SHAREFARMER DETAILS SCHEDULE

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ITEM	TERM	DEFINITION
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6	CONTACT PHONE:	
7	CONTACT EMAIL ADDRESS:	

SUPPLIER ENTITY <i>Must attach company certificate</i>		
8	UDC SUPPLIER NUMBER/ABN NAME:	
9	ABN:	
10	POSTAL ADDRESS:	
11	EMAIL ADDRESS:	

SUPPLIER ENTITY CONTACTS		
12	CONTACT NAME:	
13	TITLE:	
14	CONTACT PHONE:	
15	EMAIL ADDRESS:	STATEMENT EMAILED: FARMER APP: WEB PORTAL:

FARM		
16	ADDRESS:	
17	REGULATORY BODY:	
18	REGULATORY LICENSE NO:	

TERM		
19	START DATE:	END DATE:

SHAREFARMER DETAILS		
20	ENTITY NAME:	
21	POSTAL ADDRESS:	STATEMENT POSTED:
22	CONTACT NAME:	
23	TITLE:	
24	CONTACT PHONE:	
25	EMAIL ADDRESS:	FARMER APP: WEB PORTAL:
26	CONTACT NAME:	
27	TITLE:	
28	CONTACT PHONE:	
29	EMAIL ADDRESS:	FARMER APP: WEB PORTAL:

MINIMUM PRICE AND INCENTIVES - Select Milk Price option - Yes/No

30	MILK PRICE MODEL OPTION:	Flat Milk				Productivity			Quality and Components	
	Minimum Price - Fat		\$ 7.83			\$ 8.40			\$ 8.63	
	Minimum Price - Protein		\$ 7.83			\$ 8.40			\$ 8.63	
	Flat Milk Incentive									
	7/5 Monthly Incentive @ \$1.00									
	9/3 Monthly Incentive @ \$1.50									
	Quantity Incentive									
	Farm									
	Group									
	Milk Quality Incentive									
	Loyalty Incentive									
	Levies									

SHAREFARMER PAYMENT

31	SPLIT	Split	Comments
	Minimum Price - Fat		
	Minimum Price - Protein		
	Quantity Incentive - Farm		
	Quantity Incentive - Group		
	Loyalty Incentive		
	Milk Quality Incentive		
	Monthly Incentive		
	Flat Milk Incentive		
	DA Levy - compulsory		
	DFSV/DOASA Levy - compulsory		
	UDV/SADA - optional		
	Penalties/Waivers		
	Other		

PAYMENT

32	ABN NUMBER:	
33	BANK ACCOUNT NAME:	1
34	BSB AND ACCOUNT NUMBER:	0
35	BANK & BRANCH NAME:	
36	PAYMENT:	0 \$ -
37	BANK ACCOUNT NAME:	2
38	BSB AND ACCOUNT NUMBER:	0
39	BANK & BRANCH NAME:	
40	PAYMENT:	0 0%

SPECIAL CONDITIONS (if any)

41	

TARGET VOLUME THIS IS TO DETERMINE THE BANDS FOR FLAT MILK AND QUANTITY INCENTIVE					Forecast
42	MONTH	PROTEIN	FAT	MILKSOLIDS	LITRES
	JULY				
	AUGUST				
	SEPTEMBER				
	OCTOBER				
	NOVEMBER				
	DECEMBER				
	JANUARY				
	FEBRUARY				
	MARCH				
	APRIL				
	MAY				
	JUNE				
	TOTAL				

The Supplier agrees to supply milk to UDC on a non-exclusive basis. UDC agrees to purchase milk produced by the Supplier during the Term as outlined in Section 1 - Agreement Detail Schedule item 19 and 42, subject to the standard terms and conditions of this Milk Supply Agreement, and in accordance with the Statement of Circumstances below:

The Supplier and Sharefarmer agrees to adhere to industry standards and regulations. They will also comply with the UDC terms outlined in the Supplier Handbook and quality assurance requirements and maintain records.

The Supplier and Sharefarmer confirm there is a Sharefarmer agreement which outlines their responsibilities.

I authorise and request Riddoch Trading Pty Ltd Trading As The Union Dairy Company (UDC), until further notice in writing, to arrange for my/our account to be credited with any amounts which UDC may credit me/us through the Direct Payment system as per the new details below and;

1. Warrant that the information provided is correct and not misleading;
2. Warrant that I/We are duly authorised to agree to the crediting of payments to the account or accounts nominated in this form; and
3. Warrant that any individual signatory is authorised to sign this form on behalf of the Supplier

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		



SECTION 2
STANDARD TERMS
&
CONDITIONS

1. AGREEMENT

- 1.1. Term – From the contract signing date there is a 14-day cooling off period where the Supplier may terminate without consequence. 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. A request to extend the term of the agreement must be received by UDC from the Supplier no later than the 31st of May or 30 days prior to the end of the Term.
 - (c) if a mutual agreement between UDC and the Supplier to either renew the Milk Supply Agreement or extend the current Milk Supply Agreement end date cannot be reached, the supplier must provide 30 days notice to UDC of their intention to cease supply to UDC.
 - (d) if UDC or the Supplier does not provide written notices to each other regarding renewal, extension or otherwise of this Milk Supply Agreement, the Agreement will be deemed to continue until terminated by way of the Milk Supply Agreement end date (or such shorter period of termination as is agreed by the parties in writing).
 - (e) For Milk Supply Agreement terms greater than 3 years, the Supplier has the right to unilaterally extend the contract for 12 more months. Notification of such extension must be received from the Supplier to UDC with 7 to 30 days before the term end date of the Milk Supply Agreement.
- 1.2. Milk Supply Agreement – This Milk Supply Agreement sets out the terms and conditions on which UDC is prepared to buy milk from the Supplier, 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 41 (if any) of that schedule;
 2. Standard Terms and Conditions (this document);
 3. Pricing Schedule;
- 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. Unilateral Variations – Any unilateral variations must comply with the Code. UDC must provide any unilateral variations in writing including the effective date and include the reasons for the variations. UDC must supply a minimum of 21 days’ notice to the Supplier. 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.
- 1.5. This agreement has been entered into 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 11 and 12 or 16 and 20.
- 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, to the extent that the loss does not arise from a negligent act or omission by either party.
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 11.
 - (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.

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. Suppliers must provide UDC with a Dairy Food Safety Victoria or Dairy Safe SA Quality Assurance Program - including handbook and manual and record system i.e. worksheets/register. Suppliers agree to adhere to all requirements of their selected and approved quality assurance program as specified in Section 1 - Agreement Detail Schedule item 23. 60 days' notice must be given prior to 1 July of each new season for any changes. These requirements in the food safety program must include commitments in respect of:
 - (a) maintenance of milk quality and milk temperature, 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 Record system.
 - (d) Achievement of contractual requirements as outlined in this Milk Supply Agreement
 - (e) Animal Welfare – must be adhered to in accordance with the rules governed in the code mandated by State Regulatory Authorities including the following guidelines:
 - (i) Australian Animal Welfare Standards and Guidelines.
 - (ii) Bobby Calf Transport Standards and Guidelines.
 - (iii) Land Transport of Livestock Standards and Guidelines.
 - (iv) Where unacceptable practices are not rectified, UDC will suspend supply.
 - (f) Water – will be tested annually for e-coli and clarity. If water is tested positive for e-coli/clarity a water management plan must be put in place to rectify the water quality.
 - (g) Agriculture chemicals - To prevent residues all agriculture chemicals must be suitable for use on dairy farms and registered by the Australian Pesticide and Veterinary Medicines Authority (APVMA) or the National Registration Authority (NRA). All chemicals must be used in accordance with the manufacturer's instructions. Records must be kept as outlined in the Farm Assurance Register. If grazing occurs before withholding period, please notify UDC as soon as possible for a risk assessment.
 - (h) Residues - The Supplier must comply with the industry voluntary withdrawal of NPE and QAC's additives in detergents, teat sprays and other sources on farm. The Supplier must comply with the industry standard of only using registered pre-spraying iodine products and not use post-spraying products on cows before milking. Milk will be tested at UDC discretion.
 - (i) Animal feedstuffs - The Supplier must obtain vendor declarations for all feed stuffs used on the Farm, including a guarantee that the feed stuffs are suitable for use for dairy cows in line with current Dairy Industry Standards including free from chemical residues and ruminant animal material.
 - (i) The Supplier must take all reasonable steps to ensure aflatoxins (produced by fungal contamination of feeds) do not exceed the acceptable level.
 - (ii) Vendor declarations must be retained and recorded as outlined in the Farm Assurance Register.
 - (j) Disease or milk safety hazard - The Supplier must take reasonable steps to seek and mitigate the impact of any disease on its herd, including; promptly isolating cows displaying unusual symptoms, contacting veterinary professionals and reporting incidents to UDC as applicable.
 - (i) If the Supplier notices any unusual symptoms (including dramatic shifts in production, skin lesions, sudden deaths etc.), the Supplier must immediately isolate any suspect cows.

- (k) EBL and BJD - The Supplier must comply with legislation relating to Enzootic Bovine Leucosis (EBL) and Bovine Johns Disease (BJD) testing. All milk supplied to UDC must be EBL free (monitored free).
- (l) Oestradiol Restrictions - Due to changes in export market requirements, the Australian dairy industry implemented a voluntary restriction on the use of oestradiol in lactating cows. UDC supports this. Please contact your veterinarian for advice.
- (m) Veterinary Medicines - All medicines administered on-farm must be suitable for use on dairy farms and registered by the Australian Pesticide and Veterinary Medicines Authority (APVMA) or the National Registration Authority (NRA).
 - (i) All animals that have been treated must be recorded in the Farm Assurance Register.
 - (ii) Expired medicines must be disposed of appropriately.
- (n) Effluent - Must be disposed of in accordance with EPA guidelines. All effluent from milking sheds and feed pads is contained within the farm boundaries and does not contaminate water sources or pasture.
- (o) Asbestos - The Supplier must also ensure that any asbestos areas on the Farm are clearly labelled with appropriate signage and any asbestos in poor condition is managed or removed in accordance with an agreed plan.
- (p) Colostrum - is regarded as an inhibitory substance and the Supplier must ensure that milk from freshly calved cows is not included in milk supplied to UDC until at least 96 hours post calving. The presence of colostrum may be tested for at UDC's discretion and may be detected by the inhibitory substance tests.
- (q) Farm and milk vat access and surrounds - The tanker track and surrounds must be free of rubbish with the track free of potholes, trees and other obstructions, mud and stock crossings. Appropriate lighting for the vat room must include waterproof electrical switches:
 - (i) Skip bins must be utilized or an appropriate method of rubbish disposal
 - (ii) Dead animals must be covered and away from the dairy. They must be disposed of as soon as practically possible by an animal removal specialist, if these services are not available these animals should be disposed of in accordance with EPA requirements.
 - (iii) Tanker entrance ways must comply with Vic Roads or Department of Planning Transport and Infrastructure South Australia

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 Supplier during the Term is at least equal to the Target Volume as shown in Section 1 - Agreement Detail Schedule item 42.
- 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. Vat out situation - Where there is a breakdown or failure of the Supplier's milk cooling equipment (a vat-out situation), UDC will use reasonable endeavors to:
 - (a) pick up the milk from vat-out as soon as possible after each milking; and
 - (b) pick up milk twice a day pickup, after conducting a senses test.
 - (c) If senses grade is satisfactory milk will be pumped onto the tanker, however if the senses grade fails, milk

will not be collected.

- (d) Milk must be at least water cooled and within the temperature guidelines as guided by industry standards.
- (e) An action plan to remedy the situation must be agreed with UDC and repairs to be completed within 5 days or as otherwise agreed.

- 6.4. 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, including for milk that has been loaded into the tanker during the process of measuring the temperature of the milk.
- 6.5. Collection – UDC must collect milk from the Supplier 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 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 and surrounds- The Supplier must provide UDC (and its representatives) with clear, safe, and unrestricted access to the Supplier's property and milk vats at all times.
 - (a) The tanker track and surrounds must be free of mud, potholes, rubbish, and a skip bin must be utilised.
 - (b) Dead animals must be covered and away from the dairy. They must be disposed of as soon as practically possible by an animal removal specialist, if these services are not available these animals should be disposed of in accordance with EPA requirements.
 - (c) Tanker entrance ways must comply with Vic Roads or Department of Planning Transport and Infrastructure South Australia
- 6.10. Minimum Volume - UDC reserves the right not to collect milk from a 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 11. 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 11.
- 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 11 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 Section 3 – Pricing Schedule 11. Milk will be tested until there are 3 results returning as A Grade.
- 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. BMCC - Geometric mean monitoring.
 - (a) UDC will monitor the Supplier's BCCC results using a three- month rolling geometric mean.

- (b) Where the 3-month rolling geometric mean exceeds 400,000 cells/ml, UDC will discuss corrective measures with the Supplier and the Supplier will develop a corrective action plan and seek UDC sign-off.
- (c) Where the rolling geometric mean exceeds 400,000 cells/ml for a further 3-month period, UDC reserves the right to cease milk collection until the daily BMCC ADV is sustained at less than 300,000 cells/ml.
- (d) Where the BMCC weighted average exceeds 600,000 cells/ml for 3 consecutive 15 day periods, UDC reserves the right to cease milk collection until the daily BMCC Average is sustained at less than 300,000 cells/ml.

7.8. Bacto - Geometric mean monitoring.

- (a) UDC will monitor the Supplier's Bactoscan results using a 2 month rolling geometric mean.
- (b) Where the Supplier's rolling geometric mean exceeds 400,000 bacteria/ml, UDC will discuss corrective measures with the Supplier and the Supplier will develop a corrective action plan and seek UDC sign-off.
- (c) Where the rolling geometric mean exceeds 400,000/ml for a further 2-month period, UDC reserves the right to cease milk collection until the bacteria level is less than 80,000 for 5 collections.

7.9. Notification of results – Results will be advised as soon as practicable either via website, app or text alerts.

7.10. Suspension of collection –

- (a) Should the Supplier consistently supply B and C Grade milk as outlined in Section 3 – Pricing Schedule 11, UDC reserves the right to suspend collection until a corrective action plan (approved by UDC) has been put in place.
- (b) Should three consecutive D grades occur UDC reserves the right to reject milk until results are in A grade level.

7.11. Rejection of collection – should the milk be rejected upon collection or at the factory, UDC will contact the Supplier as soon as practicable, and a written notice outlining the reason for the rejection, impact and cost will be provided as soon as practicable.

7.12. 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 11 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 Supplier.
 - (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 11 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, UDC suggests that a Supplier contact their insurance company to make a claim.
- (c) If a Supplier fails to notify UDC in relation to an inhibitory substance contamination event and the milk has been collected, which subsequently contaminates a tanker load of milk, UDC will seek to be reimbursed for the cost of the contents of the tanker, any product contamination that may occur as a result, and the full cost of freight for the milk to the factory.
- (d) Where there has not been a notification by the Supplier to UDC for temperature outside of the collection requirements and the milk is subsequently rejected, if collection has not been made, there will be no entitlement for payment of that parcel of milk.

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 (DFSV) (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 (Dairy Safe SA) (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 implement and comply with a quality assurance program and approved food safety program which satisfy all relevant state authority requirements as specified in Section 1 - Agreement Detail Schedule item 23
- 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 and dairy in order to conduct bi-annual compliance audits and adhoc investigations of animal welfare practices or disease incidents.
- 8.5. Sharing of information – The Supplier authorises UDC and DFSV/DAIRYSAFE SA the sharing of information as required.

9. INSURANCE AND LIABILITY

- 9.1. Insurance – The Supplier must maintain the Insurance policies specified in Section 1 - Agreement Detail Schedule item 41 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 3rd party public and products liability 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 damage 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 Payment Rates – UDC must pay to the Supplier the amount calculated in accordance with the Section 3 Clause 3 – 10 of the 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 Section 3, Clause 11 of 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) Deductions for milk quality will be deducted from milk payments in accordance with Section 3, Clause 11 - Pricing Schedule
 - (c) Amounts in relation to levies and fees payable to regulatory bodies such as Dairy Australia, DFSV and DAIRYSAFE SA.
 - (d) UDC may also deduct as per agreements amounts notified and to be paid to sharemilkers
 - (e) UDC may deduct monies owed as authorized by the supplier, including VFF and UDV.
- 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, Clause 12 - 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 authorises 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, 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 a 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.
 - (b) The Supplier, where:
 - (i) The Milk Supply Agreement is an exclusive agreement, and the Supplier supplies milk produced during the Term to any entity other than UDC in breach of this agreement.
 - (ii) The Milk Supply Agreement is a non-exclusive agreement, and the Supplier fails to supply UDC the volumes of milk agreed to in accordance with Section 1 item 43 of the Milk Supply Agreement.
 - (iii) The Supplier consistently supplies poor quality milk (with 20% or more of milk by volume in a calendar month being graded as C/D Grade or Reject or 80% or more of milk by volume in a calendar month being graded as a B/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
 - (iv) The Supplier fails to comply 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.
- 11.3. Suspension – A party to the Milk Supply Agreement 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 in accordance with 11.4. Alternatively, a suspension can be extended by agreement of both parties until the issue is resolved.
- 11.4. 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 2.3.
- 11.5. Consequences of termination – On expiry or valid termination of this agreement, the parties have no ongoing obligations to each other including future step-ups, 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).
 - (c) A reconciliation of milk payments made to a supplier during their tenure with UDC will be prepared to calculate the difference between the price paid during the period of supply including the assumptions made by UDC at the beginning of the term about quantity and quality of milk solids anticipated throughout the term of the Milk Supply Agreement, and the actual milk quantity and quality supplied by the Supplier during the term of the Milk Supply Agreement.
 - (d) If the reconciliation in Section 3, Clause 12.4 results in a situation where UDC has paid more for a

supplier's milk because the supplier has not supplied solids to UDC consistent with the intention of the Milk Supply Agreement in relation to incentives or other payments, UDC reserves the right to set-off this amount against the final payment due to the supplier in Section 3, Clause 12.5. An example of this may be where a Supplier terminates the agreement 3 months before the term end date, and consequently UDC paid the supplier too much for milk in respect of Seasonal Incentives or Quantity Incentives. UDC would deduct the difference from the final payment owing to the supplier.

11.6. No other termination – This agreement may only be terminated prior to the End Date in accordance with above or by mutual agreement between the parties in writing.

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 unless it is for tax and budgeting purposes i.e. with accountants and consultants.

12.2. The Supplier and UDC will allow the sharing of information between regulators and UDC as required to comply with State and Government regulations.

12.3. The Supplier and UDC will allow the sharing of information to enable milk to be collected with the nominated transport company of UDC's choosing.

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.

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 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 with 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 a 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 Mediation or Arbitration and 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.



SECTION 3

PRICING SCHEDULE

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 26, 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. Total payment includes the base price, and incentives (such as monthly, quantity, flat milk, quality and loyalty), less all quality penalties, charges, 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 incentives (such as total monthly, quantity, flat milk, quality and loyalty), less all quality penalties, charges, statutory levies;
 - (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 the base price, and incentives (such as total monthly, quantity, flat milk, quality and loyalty), less all charges, statutory levies - excluding all quality penalties;

2. UDC FARMER PROTECTION

- 2.1. UDC will pay the highest of the 3 milk price options outlined in Section 3 - Pricing Schedule 4.2
- 2.2. 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.
- 2.3. 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 UDC's control; 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 event 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 per Kg of milk solids of fat and protein for A Grade milk for each season before commencement of each season (and by no later than 1st June). This will vary from farm to farm depending on a Supplier's milk curve, quality, components and ability to achieve the incentives. This amount will be set by UDC, in its sole discretion, having regard to the following principles:
 - (a) considering prevailing market conditions for dairy products, manufacturing & supply chain costs and foreign exchange rates;
 - (b) anticipated milk pool
 - (c) optimal product and sales mix.
- 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 – excluding 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) considering prevailing market conditions for dairy products, manufacturing & supply chain costs and foreign exchange rates;
 - (b) anticipated milk pool
 - (c) optimal product and sales mix.
- 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. Base price is paid at the same rate for both protein and fat 1:1
- 4.2. There are 3 milk price options which will have a different base price/minimum price – the option selected by the Supplier is set out in Section 1 - Agreement Detail Schedule item 26:
 - (a) Productivity
 - (b) Flat Milk
 - (c) Quality and Components
- 4.3. The base price is calculated and paid 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
- 4.4. A step-up payment only applies for solids supplied to UDC during the period the step up applies to. If the agreement is terminated in accordance with Section 2 – Milk Supply Agreement clause 11 prior to the announcement of the step-up the Supplier will not be entitled to receive any retrospective payments.

5. INCENTIVES

- 5.1. Incentives are paid to Suppliers who supply quality milk to UDC, to assist in achieving production specifications that attract premiums in the various markets that UDC participates in.
- 5.2. All incentives are paid at the same rate per kg for both fat and protein.
- 5.3. There are 3 milk price options which will have different incentives applied to determine Your Farm Average Price and Your Farm Average Closing Price:
 - (a) Productivity
 - (i) Quantity incentive
 - (ii) 7/5 monthly incentive
 - (iii) Milk Quality incentive
 - (iv) Loyalty incentive
 - (b) Flat Milk
 - (i) Flat Milk incentive
 - (ii) 9/3 monthly incentive
 - (iii) Milk Quality incentive
 - (iv) Loyalty incentive
 - (c) Quality and Components
 - (i) 7/5 Monthly incentive
 - (ii) Milk Quality incentive
 - (iii) Loyalty incentive
- 5.4. The Supplier will be able to select the option that best suits their farming system The option selected by the Supplier is set out in Section 1 - Agreement Detail Schedule item 26 and the applicable incentives.
- 5.5. In accordance with Clause 2.1 of Schedule 3, UDC will calculate the amount the Supplier would have been paid under all three of the UDC payment options, and reconcile at the end of the season the highest paying option based on solids supplied per month. The Supplier will receive the difference between the amount paid to them during the season, and the UDC Payment Option that is the highest paying of the three.

6. MONTHLY INCENTIVE

- 6.1. Depending on the milk price option that suits the farm there are two monthly incentive options.
 - (a) 9/3 is applicable to the Flat Milk option. This is set out in Section 1 - Agreement Detail Schedule item 26.
 - (i) \$1.50 per Kg of milk solids will be paid above the base price for milk solids supplied in the months of July- September and January through to June.
 - (b) 7/5 is applicable to the Productivity option and the Quality and Components option.
 - (i) \$1.00 per Kg of milk solids will be paid above the base price for milk solids supplied in the months of July and January through to June. This is set out in Section 1 - Agreement Detail Schedule item 26.
- 6.2. Flat Monthly Incentive Option - the Supplier may elect for up to 80% of the estimated annual average monthly incentive rate to be paid evenly throughout the season 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 52 and outlined in per Section 1 - Agreement Detail Schedule item 36 as a special condition.

6.3. The monthly incentive is calculated and paid 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

6.4. If the start date is later than 1st August or if the agreement is non-exclusive, the monthly incentive rate will be calculated based on your forecasted total annual production for the farm rather than your actual annual production and paid as per Section 3 - Pricing Schedule 6.2. This will only be paid on solids supplied to UDC.

6.5. If a supplier leaves prior to the term end date as per Section 1 - Agreement Detail Schedule item 25 the average monthly incentive will be determined based on solids supplied. If the supplier does not meet the forecast as per Section 1 - Agreement Detail Schedule item 26 and 42 the monthly incentive will be recalculated to correct any difference between the Supplier's entitlement, and any amount overpaid during the season.

7. MILK QUALITY INCENTIVE

7.1. The Milk Quality Incentive will be determined monthly to recognise 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 milk quality 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 26 and 42.

8.2. The Quantity Incentive bands for solids supplied to UDC are as follows:

Kg of milk solids Supplied	Per Kg Milk-solid
0-299,000	\$0.00
300,000-399,000	\$0.10
400,000-499,000	\$0.20
500,000 +	\$0.40

8.3. If a supplier leaves prior to the term end date as per Section 1 - Agreement Detail Schedule item 27 the Quantity Incentive band will be determined based on solids supplied. If the supplier does not meet the forecast as per Section 1 - Agreement Detail Schedule Item 52 the quantity incentive will be recalculated to correct any difference between the Supplier's entitlement, and any amount overpaid during the season. Any overpayments will be recovered from the Supplier's final payment for the season from UDC,

8.4. The quantity incentive rate is calculated based on estimated annual forecasted solids to be supplied and paid 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

8.5. If at the end of the season it is determined that the actual quantity of milk solids supplied is over or under the forecast, an adjustment will be calculated and applied to the end of season payment to correct any difference between the Supplier's entitlement, and any amount under or overpaid during the season.

9. LOYALTY INCENTIVE

9.1. If the agreement is an exclusive Milk Supply Agreement, UDC will pay the Supplier a loyalty incentive to recognise 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 26.

- 9.3. The loyalty incentive is calculated and paid 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

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. A monthly forecast will be predetermined as per Section 1 - Agreement Detail Schedule item 52. If the Flat Milk incentive is applicable this is set out in Section 1 - Agreement Detail Schedule item 53
- 10.2. The supplier must supply solids to UDC every month of the year for the full season. If the Flat Milk Incentive band is not achieved or the Supplier does not supply milk every month of the year or the agreement has been terminated in accordance with Section 2 – Milk Supply Agreement 11, the supplier will not be entitled to the flat milk incentive payment.
- 10.3. Supplier Flat Milk ratio is capped at 60%. If the Supplier Flat Milk ratio is greater than this, then it will be calculated using 40% as the Supplier Flat Milk ratio
- 10.4. The initial rate will be calculated using 40% as the Supplier Flat Milk ratio and paid at 80% of the rate of 30 cents per milk solid and will be paid each payment period with the balance paid with the end of season payment.
- 10.5. Flat Milk end of season payment will be 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) Less payment already made as outlined in Section 3 - Pricing Schedule 10.4 above
- 10.6. The flat milk incentive is calculated and paid 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
- 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.

11. DEDUCTIONS, LEVIES AND CHARGES

- 11.1. Rejection of milk – deductions may be made for rejected milk as outline in Section 2 – Milk Supply Agreement 7.11-7.12
- 11.2. 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 6-10 30% Penalty
		Test 11 + 10% Penalty	Test 11 + 20% Penalty	Test 11 + 50% Penalty
Tested between 1st-4th of the month and 16th-19th of the 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	
	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 6-10 30% Penalty
		Test 11 + 10% Penalty	Test 11 + 20% Penalty	Test 11 + 50% Penalty
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

11.3. If supply has been stopped due to drying off cows for more than 15 days the penalty count will start again.

11.4. If milk is outside A grade, tests will be conducted daily until 3 consecutive results are within A grade level.

11.5. 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).

12. PAYMENTS

12.1. Process – UDC must make all payments by way of electronic transfer to the bank account nominated by the Supplier.

12.2. Milk Payment Periods – On or before the 14th and 28th day of each month, UDC must pay to the Supplier in accordance with this agreement, for each kilogram of fat and protein milk solid supplied during the prior pay period:

- (a) adjusted for quality penalties, charges and levies.
- (b) 1-15th production paid 28th of the month
- (c) 16th-end of month production paid 14th of the following month

PRODUCTIVITY	% PAID EACH FORTNIGHT	HOW OFTEN	BASED ON
Opening Base Price	100% - ability to step up during the season	Fortnightly	Actual Production for the fortnight
Quantity Incentive	100%	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
Milk Quality Incentive	100%	Monthly	Actual production for the month
Monthly Incentive – 7/5	100%	Fortnightly	Actual Production for the fortnight
Monthly Incentive – Flat rate option - Section 3 - Pricing Schedule 6.2	80%	Fortnightly	Previous season production and finalized at end based on actual production and if achieves the target

FLAT MILK	% PAID EACH FORTNIGHT	HOW OFTEN	BASED ON
Opening Base Price	100% - ability to step up during the season	Fortnightly	Actual Production for the fortnight
Loyalty Incentive	100%	Fortnightly	Actual Production for the fortnight
Milk Quality Incentive	100%	Monthly	Actual production for the month
Monthly Incentive – 9/3	100%	Fortnightly	Actual Production for the fortnight
Monthly Incentive – Flat rate option - Section 3 - Pricing Schedule 6.2	80%	Fortnightly	Previous season production and finalized at end based on actual production and if achieves the target
Flat Milk Incentive	80% of .30 cents (24 cents)	Fortnightly	Previous season production and finalized at end based on actual production and if achieves the target

COMPONENTS AND QUALITY	% PAID EACH FORTNIGHT	HOW OFTEN	BASED ON
Opening Base Price	100% - ability to step up during the season	Fortnightly	Actual Production for the fortnight
Loyalty Incentive	100%	Fortnightly	Actual Production for the fortnight
Milk Quality Incentive	100%	Monthly	Actual production for the month
Monthly Incentive –7/5	100%	Fortnightly	Actual Production for the fortnight
Monthly Incentive – Flat rate option - Section 3 - Pricing Schedule 6.2	80%	Fortnightly	Previous season production and finalized at end based on actual production and if achieves the target

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

- (a) Date of collection - litres, components and quality
- (b) Method of calculating the milk price
- (c) Penalties price per milksolid
- (d) Levies and fees price per milksolid/litre
- (e) Any other deductions
- (f) GST where applicable

12.4. Post Season Reconciliations and Calculations– As soon as practicable following the 30th of June each year during the term, UDC will:

- (a) undertake a reconciliation of the actual volumes and quality supplied by the Supplier to UDC and calculate the final amount of the Flat Milk and Quantity Incentive entitlement; and
- (b) calculate Your Farm Average Closing Milk Price (as defined in Section 3 - Pricing Schedule 1.1).

12.5. Season End Payment – As soon as practicable and, in any event, by no later than 31 August each year of the term, 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.

13. TERMINATION OF AGREEMENT

13.1. If the contract is terminated prior to the end date, then the incentives may require a recalculation

- (a) Quantity – will be calculated in respect to the band that they have achieved for the solids supplied to UDC for that season.
- (b) Flat milk incentive – will be recalculated at 0% Supplier Flat Milk Ratio as the supplier has not supplied milksolids for a full season.
- (c) Monthly incentive – if the agreement is terminated prior to 31st May, the monthly incentive will be recalculated and paid what would have been the average monthly incentive for the season as per Section 3 - Pricing Schedule 6.2
- (d) Special conditions – if any, will not apply and if paid in advance may require reimbursement to UDC

13.2. 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.