

**Bega Cheese Limited**  
**Southern Region**  
**Milk Supply Agreement**

**PARTIES**

**Bega:**

<b>Bega Cheese Limited</b> ABN 81 008 358 503
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**Supplier/Bega  
Supplier:**

Supplier name:	
Supplier Identifying Number:	
Contact person:	
ABN:	
Email address:	
Mobile number:	
Address:	

**Sharefarmer  
Supplier:**

Is there a Sharefarmer Supplier associated?	Yes/No (if No – go to <b>DETAILS</b> on page 2)
Sharefarmer Supplier name:	
Supplier Identifying Number:	
Contact person:	
ABN:	
Email address:	
Mobile Number:	
Address:	

**DETAILS**

1.	Farms:	<table border="1"> <thead> <tr> <th data-bbox="520 239 679 333">Farm Number</th> <th data-bbox="679 239 1410 333">Farm Address</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> </tr> </tbody> </table>	Farm Number	Farm Address																																																																			
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2.	Commencement Date: (Section 1.2)	28 June 2021, or if the Supplier starts supplying Bega under this Agreement after that date, the date on which Bega first picks-up the Supplier's Milk under this Agreement.																																																																					
3.	Expiry Date: (Section 1.2)	26 June 2022																																																																					
4.	Relevant Percentage: (Section 2.1)	<p>Is there a Sharefarmer Supplier? If yes, complete the Relevant Percentages of the Bega Supplier and the Sharefarmer Supplier below:</p> <p>Bega Supplier:                    %</p> <p>Sharefarmer Supplier:           %</p>																																																																					
5.	Payment System: (Section 2.3)	<input type="checkbox"/> MPS 1 <input type="checkbox"/> MPS 9/3 (1:2) <input type="checkbox"/> MPS 9/3 (1:1) NB. Productivity Incentive only applies for MPS 1 payment system.																																																																					
6.	Monthly Minimum Prices: (Section 2.1)	<p style="text-align: center;"><b>Monthly Minimum Prices (exclusive of GST)</b></p> <table border="1"> <thead> <tr> <th data-bbox="499 1077 727 1211" rowspan="2">Production Month</th> <th colspan="2" data-bbox="727 1077 847 1122">MPS 1</th> <th colspan="2" data-bbox="847 1077 967 1122">MPS 9/3 (1:2)</th> <th colspan="2" data-bbox="967 1077 1410 1122">MPS 9/3 (1:1)</th> </tr> <tr> <th data-bbox="727 1122 847 1211">\$ per Kg Butterfat</th> <th data-bbox="847 1122 967 1211">\$ per Kg Protein</th> <th data-bbox="967 1122 1086 1211">\$ per Kg Butterfat</th> <th data-bbox="1086 1122 1206 1211">\$ per Kg Protein</th> <th data-bbox="1206 1122 1326 1211">\$ per Kg Butterfat</th> <th data-bbox="1326 1122 1410 1211">\$ per Kg Protein</th> </tr> </thead> <tbody> <tr> <td data-bbox="499 1211 727 1312"><b>July 2021</b> (28 June - 25 July 2021)</td> <td data-bbox="727 1211 847 1312">4.83</td> <td data-bbox="847 1211 967 1312">9.66</td> <td data-bbox="967 1211 1086 1312">4.67</td> <td data-bbox="1086 1211 1206 1312">9.34</td> <td data-bbox="1206 1211 1326 1312">6.74</td> <td data-bbox="1326 1211 1410 1312">6.74</td> </tr> <tr> <td data-bbox="499 1312 727 1413"><b>August 2021</b> (26 July - 29 August 2021)</td> <td data-bbox="727 1312 847 1413">4.70</td> <td data-bbox="847 1312 967 1413">9.40</td> <td data-bbox="967 1312 1086 1413">4.67</td> <td data-bbox="1086 1312 1206 1413">9.34</td> <td data-bbox="1206 1312 1326 1413">6.74</td> <td data-bbox="1326 1312 1410 1413">6.74</td> </tr> <tr> <td data-bbox="499 1413 727 1514"><b>September 2021</b> (30 August – 26 September 2021)</td> <td data-bbox="727 1413 847 1514">3.92</td> <td data-bbox="847 1413 967 1514">7.84</td> <td data-bbox="967 1413 1086 1514">4.32</td> <td data-bbox="1086 1413 1206 1514">8.64</td> <td data-bbox="1206 1413 1326 1514">6.24</td> <td data-bbox="1326 1413 1410 1514">6.24</td> </tr> <tr> <td data-bbox="499 1514 727 1615"><b>October 2021</b> (27 September – 31 October 2021)</td> <td data-bbox="727 1514 847 1615">3.92</td> <td data-bbox="847 1514 967 1615">7.84</td> <td data-bbox="967 1514 1086 1615">4.32</td> <td data-bbox="1086 1514 1206 1615">8.64</td> <td data-bbox="1206 1514 1326 1615">6.24</td> <td data-bbox="1326 1514 1410 1615">6.24</td> </tr> <tr> <td data-bbox="499 1615 727 1715"><b>November 2021</b> (1 November – 28 November 2021)</td> <td data-bbox="727 1615 847 1715">3.92</td> <td data-bbox="847 1615 967 1715">7.84</td> <td data-bbox="967 1615 1086 1715">4.32</td> <td data-bbox="1086 1615 1206 1715">8.64</td> <td data-bbox="1206 1615 1326 1715">6.24</td> <td data-bbox="1326 1615 1410 1715">6.24</td> </tr> <tr> <td data-bbox="499 1715 727 1816"><b>December 2021</b> (29 November – 26 December 2021)</td> <td data-bbox="727 1715 847 1816">4.00</td> <td data-bbox="847 1715 967 1816">8.00</td> <td data-bbox="967 1715 1086 1816">4.67</td> <td data-bbox="1086 1715 1206 1816">9.34</td> <td data-bbox="1206 1715 1326 1816">6.74</td> <td data-bbox="1326 1715 1410 1816">6.74</td> </tr> <tr> <td data-bbox="499 1816 727 1917"><b>January 2022</b> (27 December 2021 - 30 January 2022)</td> <td data-bbox="727 1816 847 1917">4.23</td> <td data-bbox="847 1816 967 1917">8.46</td> <td data-bbox="967 1816 1086 1917">4.67</td> <td data-bbox="1086 1816 1206 1917">9.34</td> <td data-bbox="1206 1816 1326 1917">6.74</td> <td data-bbox="1326 1816 1410 1917">6.74</td> </tr> <tr> <td data-bbox="499 1917 727 1995"><b>February 2022</b> (31 January – 27 February 2022)</td> <td data-bbox="727 1917 847 1995">4.44</td> <td data-bbox="847 1917 967 1995">8.88</td> <td data-bbox="967 1917 1086 1995">4.67</td> <td data-bbox="1086 1917 1206 1995">9.34</td> <td data-bbox="1206 1917 1326 1995">6.74</td> <td data-bbox="1326 1917 1410 1995">6.74</td> </tr> </tbody> </table>	Production Month	MPS 1		MPS 9/3 (1:2)		MPS 9/3 (1:1)		\$ per Kg Butterfat	\$ per Kg Protein	\$ per Kg Butterfat	\$ per Kg Protein	\$ per Kg Butterfat	\$ per Kg Protein	<b>July 2021</b> (28 June - 25 July 2021)	4.83	9.66	4.67	9.34	6.74	6.74	<b>August 2021</b> (26 July - 29 August 2021)	4.70	9.40	4.67	9.34	6.74	6.74	<b>September 2021</b> (30 August – 26 September 2021)	3.92	7.84	4.32	8.64	6.24	6.24	<b>October 2021</b> (27 September – 31 October 2021)	3.92	7.84	4.32	8.64	6.24	6.24	<b>November 2021</b> (1 November – 28 November 2021)	3.92	7.84	4.32	8.64	6.24	6.24	<b>December 2021</b> (29 November – 26 December 2021)	4.00	8.00	4.67	9.34	6.74	6.74	<b>January 2022</b> (27 December 2021 - 30 January 2022)	4.23	8.46	4.67	9.34	6.74	6.74	<b>February 2022</b> (31 January – 27 February 2022)	4.44	8.88	4.67	9.34	6.74	6.74
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7.	<p>Productivity Incentive rates if the Supplier elects to be paid under MPS 1: (Section 2.5)</p>	<p align="center"><b>Productivity Incentive rates (exclusive of GST)</b></p> <table border="1"> <thead> <tr> <th rowspan="2">Milk Solids in kilograms (Kg) in Milk accepted by Bega during a Production Month</th> <th colspan="2">\$ per Kg</th> </tr> <tr> <th>Butterfat</th> <th>Protein</th> </tr> </thead> <tbody> <tr><td>0 - 1500</td><td>0.018</td><td>0.036</td></tr> <tr><td>1501 - 2500</td><td>0.030</td><td>0.060</td></tr> <tr><td>2501 - 3500</td><td>0.045</td><td>0.090</td></tr> <tr><td>3501 - 5500</td><td>0.060</td><td>0.120</td></tr> <tr><td>5501 - 7500</td><td>0.090</td><td>0.180</td></tr> <tr><td>7501 - 10,000</td><td>0.125</td><td>0.250</td></tr> <tr><td>10,001 - 12,500</td><td>0.165</td><td>0.330</td></tr> <tr><td>12,501 - 15,000</td><td>0.205</td><td>0.410</td></tr> <tr><td>15,001 - 17,500</td><td>0.245</td><td>0.490</td></tr> <tr><td>17,501 - 20,000</td><td>0.280</td><td>0.560</td></tr> <tr><td>20,001 - 25,000</td><td>0.300</td><td>0.600</td></tr> <tr><td>25,001 - 30,000</td><td>0.320</td><td>0.640</td></tr> <tr><td>30,001 - 40,000</td><td>0.345</td><td>0.690</td></tr> <tr><td>40,001 - 50,000</td><td>0.375</td><td>0.750</td></tr> <tr><td>50,001 - 60,000</td><td>0.410</td><td>0.820</td></tr> <tr><td>60,001 - 70,000</td><td>0.430</td><td>0.860</td></tr> <tr><td>70,001 - 80,000</td><td>0.440</td><td>0.880</td></tr> <tr><td>80,001 - 100,000</td><td>0.445</td><td>0.890</td></tr> <tr><td>Greater than 100,000</td><td>0.450</td><td>0.900</td></tr> </tbody> </table>	Milk Solids in kilograms (Kg) in Milk accepted by Bega during a Production Month	\$ per Kg		Butterfat	Protein	0 - 1500	0.018	0.036	1501 - 2500	0.030	0.060	2501 - 3500	0.045	0.090	3501 - 5500	0.060	0.120	5501 - 7500	0.090	0.180	7501 - 10,000	0.125	0.250	10,001 - 12,500	0.165	0.330	12,501 - 15,000	0.205	0.410	15,001 - 17,500	0.245	0.490	17,501 - 20,000	0.280	0.560	20,001 - 25,000	0.300	0.600	25,001 - 30,000	0.320	0.640	30,001 - 40,000	0.345	0.690	40,001 - 50,000	0.375	0.750	50,001 - 60,000	0.410	0.820	60,001 - 70,000	0.430	0.860	70,001 - 80,000	0.440	0.880	80,001 - 100,000	0.445	0.890	Greater than 100,000	0.450	0.900
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8.	<p>New Milk Incentive rate: (Section 2.6)</p>	<p>The New Milk Incentive rate is \$0.55 per Kg butterfat and \$1.10 per Kg protein (approximately \$0.80 per Kg Milk Solids) on all Milk accepted by Bega during the relevant calendar month over and above the New Milk Baseline.</p>																																																														
9.	<p>New Milk Baseline for each calendar month for new suppliers: (Section 2.6)</p>	<p>Is the Supplier a new supplier to Bega? If yes, complete the baseline details below:</p> <table border="1"> <thead> <tr> <th>Baseline Calendar Month</th> <th>Butterfat (Kgs)</th> <th>Protein (Kgs)</th> </tr> </thead> <tbody> <tr><td>July 2020</td><td></td><td></td></tr> <tr><td>August 2020</td><td></td><td></td></tr> <tr><td>September 2020</td><td></td><td></td></tr> <tr><td>October 2020</td><td></td><td></td></tr> </tbody> </table>	Baseline Calendar Month	Butterfat (Kgs)	Protein (Kgs)	July 2020			August 2020			September 2020			October 2020																																																	
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10.	Growth Incentive rate: (Section 2.7)	<p>The Growth Incentive rate is:</p> <ul style="list-style-type: none"> <li>• \$0.18 per Kg butterfat and \$0.36 per Kg protein on the first 0 to 9.99% of the increase in either Milk Solid by the Supplier above the Growth Incentive Baseline during the Growth Incentive Period; plus</li> <li>• \$0.72 per Kg butterfat and \$1.44 per Kg protein on any balance above 9.99% of either Milk Solid above the Growth Incentive Baseline during the Growth Incentive Period.</li> </ul> <p>However, the Growth Incentive rate will be capped at a fixed rate of \$0.18 per Kg butterfat and \$0.36 per Kg protein where 720,000 Kg Milk Solids or more are accepted by Bega from the Supplier during the Growth Incentive Period.</p> <p><b>Example of Application</b></p> <p>For example, if:</p> <ul style="list-style-type: none"> <li>• the Growth Incentive Baseline for a supplier is 60,000 Kg butterfat and 40,000 Kg protein; and</li> <li>• at the end of the Growth Incentive Period, Bega has accepted 78,000 Kg butterfat and 52,000 Kg protein from that supplier,</li> </ul> <p>then Bega will pay that supplier a Growth Incentive of:</p> <ol style="list-style-type: none"> <li>(a) \$0.18 per Kg butterfat on 5,994 Kg of butterfat (being, 9.99% of the butterfat baseline of 60,000 Kg) i.e. \$1,078.92; and</li> <li>(b) \$0.36 per Kg protein on 3,996 Kg protein (being 9.99% of the protein baseline of 40,000 Kg) i.e. \$1,438.56; and</li> <li>(c) \$0.72 per Kg butterfat on 12,006 Kg butterfat (being the balance of total growth in butterfat compared to baseline i.e. 18,000 Kg less 5,994 Kg) i.e. \$8,644.32; and</li> <li>(d) \$1.44 per Kg protein on 8,004 Kg protein (being the balance of total growth in protein compared to baseline i.e. 40,000 Kg less 3,996 Kg) i.e. \$11,525.76,</li> </ol> <p>being a total Growth Incentive of \$22,687.56.</p> <p><b>Note:</b> If the Supplier commences supplying Bega part way through a Financial Year, then the Growth Incentive will be calculated based on:</p> <ul style="list-style-type: none"> <li>• the Supplier's Prior Deemed Milk Supply as set out in <b>Item 13</b> of the Details; and</li> <li>• Milk accepted by Bega during the Term,</li> </ul> <p><b>(Total Annual Milk).</b> The Supplier will then be paid a pro-rata proportion of the Growth Incentive calculated on the proportion of the Total Annual Milk that was supplied to Bega.</p> <p>If, in the example above:</p> <ul style="list-style-type: none"> <li>• 28,000 Kg butterfat and 22,000 Kg protein was the Prior Deemed Milk Supply by the Supplier to its previous processor during the period commencing on 1 July 2020 and ending on the day prior to the Commencement Date; and</li> <li>• 50,000 Kg butterfat and 30,000 Kg protein was contained in the Milk accepted by Bega during the Term,</li> </ul> <p>then, the Supplier will be paid:</p> <ul style="list-style-type: none"> <li>• 64.10% of the \$9,723.24 (being the total incentive calculated in the above example on the growth in butterfat); and</li> </ul>			

		<ul style="list-style-type: none"> <li>57.69% of the \$12,964.32 (being the total incentive calculated in the above example on the growth in protein), being, a total Growth Incentive of \$13,712.</li> </ul>												
11.	Growth Milk Baseline for new suppliers: (Section 2.7)	<p>Is the Supplier a new supplier to Bega? If yes, complete the baseline details agreed between the parties below:</p> <table border="1"> <thead> <tr> <th>Baseline Financial Year</th> <th>Total Butterfat (Kgs)</th> <th>Total Protein (Kgs)</th> </tr> </thead> <tbody> <tr> <td>1 July 2019 to 28 June 2020</td> <td></td> <td></td> </tr> <tr> <td>29 June 2020 to 27 June 2021</td> <td></td> <td></td> </tr> <tr> <td><b>Growth Incentive Baseline</b> (average previous 2 years)</td> <td></td> <td></td> </tr> </tbody> </table>	Baseline Financial Year	Total Butterfat (Kgs)	Total Protein (Kgs)	1 July 2019 to 28 June 2020			29 June 2020 to 27 June 2021			<b>Growth Incentive Baseline</b> (average previous 2 years)		
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12.	Fees for Services: (Section 2.8)	<p>The Fees for Services provided by Bega to the Supplier applicable during the Term are Stop Fees being \$8.00 per daily pick up and \$22.00 per second daily pickup (or \$8.00 where either pickup is greater than 8,000 litres).</p> <p>No volume charges apply.</p>												
13.	Prior Deemed Milk Supply (Section 2.7)	<p>For the purposes of calculating the Growth Incentive for a Supplier that commences supplying Bega part way through a Financial Year, the total amount of the Supplier's Milk Solids supplied to its previous processor during the period commencing on 1 July 2021 and ending the day prior to the Commencement Date is agreed to be the amount set out in the table below (<b>Prior Deemed Milk Supply</b>):</p> <table border="1"> <thead> <tr> <th>Financial Year</th> <th>Total Butterfat (Kgs)</th> <th>Total Protein (Kgs)</th> </tr> </thead> <tbody> <tr> <td>1 July 2021 to the day prior to the Commencement Date</td> <td></td> <td></td> </tr> </tbody> </table>	Financial Year	Total Butterfat (Kgs)	Total Protein (Kgs)	1 July 2021 to the day prior to the Commencement Date								
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**Bega** accepts the offer of the **Bega Supplier** and, if applicable, the **Sharefarmer Supplier**, to supply Milk to Bega on the terms of this Agreement.

<p><b>Signed</b> for and on behalf of the <b>Bega Supplier</b> by the Bega Supplier or an authorised representative:</p>	<p>..... (Signature)</p> <p>..... (Name)</p> <p>..... (Position)</p> <p>..... (Date)</p>
<p><b>Signed</b> for and on behalf of the <b>Sharefarmer Supplier</b> by the Sharefarmer Supplier or an authorised representative:</p>	<p>..... (Signature)</p> <p>..... (Name)</p> <p>..... (Position)</p> <p>..... (Date)</p>
<p><b>Signed</b> for and on behalf of <b>Bega Cheese Limited ABN 81 008 358 503</b> by an authorised representative:</p>	<p>..... (Signature)</p> <p>..... (Name)</p> <p>..... (Position)</p> <p>..... (Date)</p>

## 1. Milk Supply

### 1.1 Agreement to supply milk

The Supplier agrees to supply Milk from the Farms to Bega, and Bega agrees to purchase such Milk from the Farms, on the terms and conditions set out in this Agreement.

### 1.2 Term of milk supply agreement

This Agreement commences on the Commencement Date and will end on the Expiry Date, unless terminated earlier in accordance with the provisions of this Agreement (**Term**).

### 1.3 Cooling-off period

The Supplier may terminate this Agreement at any time within the period being 14 days after the date of execution of the Agreement without incurring any liability to Bega. If there is a Sharefarmer Supplier under this Agreement, both the Bega Supplier and the Sharefarmer Supplier must exercise their rights under this section 1.3 acting jointly.

### 1.4 Special Conditions

If there are Special Conditions set out in Appendix B, the parties must comply with those. To the extent there is any inconsistency between the Special Conditions and any other term of this Agreement, then the Special Conditions prevail.

## 2. Milk Pricing

### 2.1 Monthly Minimum Prices

During the Term, Bega will pay the Supplier the Monthly Minimum Prices set out in **Item 6** of the Details for Fresh Milk supplied to Bega, based on the Milk Solids of that Milk. If there is a Sharefarmer Supplier, payments to the Bega Supplier and the Sharefarmer Supplier will be made in accordance with the Relevant Percentage for each.

### 2.2 Monthly Minimum Price Justification

Bega's Monthly Minimum Prices are determined taking into account the following critical inputs:

- financial returns from Australian and international dairy markets and price trends;
- Australian dollar commodity exchange rates (especially against the US dollar, Yen and Euro);
- the milk production forecasts for the relevant supply region accounting for climatic and farm sustainability conditions in each region;
- competition for milk in the relevant supply region; and
- the internal product mix, customer contracts and operational efficiencies across the Bega Cheese Group (i.e. including Bega, Tatura Milk Industries Pty Ltd and Bega Dairy and Drinks Pty Ltd).

Once determined, the Monthly Minimum Prices are then transposed into Bega's payment systems for the relevant supply region.

## 2.3 Payment Systems

Subject to clause 2.3A, the Supplier has a choice to be paid under one of two payment systems:

- **MPS 1 (Milk Payment System 1):** MPS 1 provides for stronger out of peak payments to support those suppliers with management systems which result in flatter supply patterns. If the Supplier elects to be paid under MPS 1, the Supplier will be eligible to receive the Productivity Incentive.
- **MPS 9/3 (Milk Payment System 9/3):** There are two variations:
  - MPS 9/3 1:2 provides for relatively high spring pricing and assists suppliers with early season cash flow. It rewards higher protein production herds. Butterfat will be paid at half the protein payment rate under this option. The Supplier will not be eligible to receive the Productivity Incentive.
  - MPS 9/3 1:1 also provides for relatively high spring pricing and assists suppliers with early season cash flow. It rewards higher butterfat production herds. Butterfat will be paid at the same rate as the protein payment rate under this option. The Supplier will not be eligible to receive the Productivity Incentive.

If there is a Sharefarmer Supplier under this Agreement, the Bega Supplier and the Sharefarmer Supplier must both be paid under the same payment system being either MPS 1 or MPS 9/3 and if MPS 9/3 then under the same variation of it. If there is more than one Farm listed in **Item 1** of the Details, all Farms must be paid under the same payment system as well. If neither payment system is ticked in the Details or if different payment systems are ticked, and the Supplier has previously supplied Bega, Bega will use the payment system selected by the Bega Supplier during the 2020/21 Financial Year (**Applicable Pay Rate**).

2.3A If the Supplier supplied Bega under a previous agreement that ends part way through the 2021/2022 Financial Year and then starts supplying Bega under this Agreement, the Supplier must continue under this Agreement to be on the same payment system as the Supplier was on from the start of the 2021/2022 Financial Year.

## 2.4 Permitted Deductions and Additions to Monthly Minimum Prices

The Monthly Minimum Prices do not include Fees for Services and Industry Fees. The Fees for Services are set out in section 2.8 and the Industry Fees are set out in section 2.9. Bega will deduct both of these from the Monthly Minimum Prices.

If Milk supplied under this Agreement fails to meet the Quality Standards for Fresh Milk, Bega will make further deductions from the Monthly Minimum Prices in accordance with section 2.10.

Any Growth Incentives, Productivity Incentives or New Milk Incentives (if applicable) will be added by Bega to the Monthly Minimum Prices in accordance with sections 2.5, 2.6 and 2.7.

Therefore, the price Bega pays the Supplier for Milk during the Term is determined as follows:



<b>MONTHLY MINIMUM PRICES</b>		<b>MINUS</b>		<b>PLUS</b>		<b>SUPPLIER RETURNS FOR THE TERM (exclusive of GST)</b>
X	-	Fees for Services, Industry Fees and Quality Deductions (if any)	+	Productivity Incentive (if any), New Milk Incentive (if any) and at the end of the Growth Incentive Period, the amount, if any, by which the Growth Incentive exceeds the total of all New Milk Incentives paid for the Growth Incentive Period	=	
<b>MILK QUANTITY (Kg butterfat and Kg protein for a Production Month)</b>						

If there is a Sharefarmer Supplier under this Agreement, Bega will pay the Bega Supplier and the Sharefarmer Supplier their Relevant Percentage of the Supplier Returns calculated in accordance with the above table.

## 2.5 Productivity Incentive (MPS 1 only)

If the Applicable Pay Rate is MPS 1, Bega will pay the Supplier the Productivity Incentive. If there is a Sharefarmer Supplier, Bega will pay the Bega Supplier and the Sharefarmer Supplier their Relevant Percentage of the Productivity Incentive.

The Productivity Incentive will be calculated in relation to each of the Farms on an individual basis for each Production Month during the Term. The Productivity Incentive will be paid at the relevant rate for the amount of Milk Solids accepted by Bega during each Production Month for the Term.

The rates for the Productivity Incentive are set out in **Item 7** of the Details.

At the end of the Term, if there is more than one Farm listed in **Item 1** of the Details, Bega will group all those Farms together for the purposes of recalculating the Productivity Incentive for each Production Month. Bega will pay a top-up if there is any difference between what the Supplier would have been paid during the Term for each Production Month for the grouped Productivity Incentive compared to what the Supplier received for the Productivity Incentive for each Production Month during the Term based on individual Farms.

## 2.6 New Milk Incentive

If the Supplier is able to increase either or both of their Milk Solids in Milk accepted by Bega during any calendar month in the Term compared to the Milk Solids accepted by Bega during the same calendar month in the previous Financial Year (**New Milk Baseline**), the Supplier will be eligible for a new milk incentive at the rates set out in **Item 8** of the Details (**New Milk Incentive**). The New Milk Incentive will be paid one month after payments are made under the Applicable Pay Rate. The New Milk Incentive will be paid on the amount of Milk Solids in Milk which is accepted by Bega during each calendar month of the Term over and above the New Milk Baseline.

If the Supplier is a new supplier to Bega, the New Milk Baseline is set out in **Item 9** of the Details and is based on the evidence provided by the Supplier to Bega of their supply to their previous processor for that period. Suppliers paid under either MPS 1 or MPS 9/3 are eligible to receive the New Milk Incentive.

If there is more than one Farm listed in **Item 1** of the Details, Bega will group all those Farms together for the purposes of calculating the New Milk Incentive, unless there is a different Sharefarmer Supplier or Sharefarmer Suppliers associated with any of the Farms in which case the New Milk Incentive will be calculated and paid on a per Farm basis.

## 2.7 Growth Incentive

If the Supplier is able to increase either or both of their Milk Solids in the Milk accepted by Bega during the Growth Incentive Period, the Supplier may be eligible for a Growth Incentive under this section 2.7. The Growth Incentive is calculated on any increase in either or both of the Milk Solids which are accepted by Bega in the Growth Incentive Period over and above the average of the

relevant Milk Solids in such milk supplied during the previous two Financial Years (**Growth Milk Baseline**). If the Supplier is a new supplier to Bega, the Growth Milk

Baseline is set out in **Item 11** of the Details and, if the Supplier commences supplying Bega part way through a Financial Year, then the Growth Incentive will be calculated based on:

- the Supplier's Prior Deemed Milk Supply as set out in **Item 13** of the Details; and
- Milk accepted by Bega during the Term,

(**Total Annual Milk**). The Supplier will then be paid a pro-rata proportion of the Growth Incentive calculated on the proportion of the Total Annual Milk that was accepted by Bega during the Term.

The rates for the Growth Incentive and an example of the way in which the Growth Incentive operates are set out in **Item 10** of the Details.

If there is more than one Farm listed in **Item 1** of the Details, Bega will group all those Farms together for the purposes of calculating the Growth Incentive, unless there is a different Sharefarmer Supplier or Sharefarmer Suppliers associated with any of the Farms in which case the Growth Incentive will be calculated and paid on a per Farm basis.

To determine whether the Supplier will receive a Growth Incentive, at the end of the Growth Incentive Period, the Supplier will be assessed against both the criteria for the New Milk Incentive and the criteria for the Growth Incentive. If the Supplier would have received more money from Bega under the New Milk Incentive, the Supplier will not also be paid a Growth Incentive. If the Supplier would have been paid more money from Bega under the Growth Incentive, the Supplier will receive a top up payment as soon as reasonably practicable after the end of any relevant Financial Year, being the difference between what the Supplier would have been paid under the Growth Incentive less what they have been paid under the New Milk Incentive.

## 2.8 Fees for Services

The Supplier agrees that Bega will provide various services to the Supplier during the Term and that Bega will deduct Fees for Services from the Monthly Minimum Prices payable to the Supplier for Milk supplied to Bega.

In particular, Bega will charge the Supplier Stop Fees, being fees charged by Bega to the Supplier for each time a tanker stops to pick up Milk from the Supplier. This Fee is to provide incentive to the Supplier to install sufficient vat capacity to move to no more than once a day milk collection.

The Fees for Services applicable during the Term are set out in **Item 12** of the Details. In relation to Stop Fees, the Supplier must notify Bega if one or more of the Farms have sufficient capacity for Bega to collect Milk on skip-a-day basis. If the Supplier has notified Bega that a Farm has capacity for skip-a-day collection, but Bega decides to arrange collection of the Milk from that Farm on a daily basis, the Supplier will only be charged the Stop Fee as if the Milk from that Farm has been collected on a skip-a-day basis. If twice a day pickup is required by the Supplier, Bega will charge an additional Stop Fee as set out in **Item 12** of the Details.

## 2.9 Industry Fees

The Supplier is liable to pay mandatory fees imposed by Dairy Australia, State Regulatory Authorities and animal welfare levies, along with various other fees or levies imposed by law (**Industry Fees**). These Industry Fees vary annually. The Supplier directs Bega to deduct these Industry Fees from amounts otherwise payable to the Supplier under this Agreement as soon as reasonably practicable after Bega has been notified of these fees.

## 2.10 **Quality Deductions and other Consequences**

If the Supplier does not supply Milk that is Fresh Milk to Bega during the Term, Bega will charge the Supplier Quality Deductions or implement other consequences in accordance with section 6 of this Agreement.

## 2.11 **Milk Price Adjustments**

### (a) **Milk Price Increases**

Bega will review milk prices throughout the Term. Where market conditions are conducive to a price increase, Bega may, during the Term, announce the payment of a:

- **Step Up** – which is an additional payment that is paid to the Supplier for all Milk the Supplier has supplied to Bega during a period of the Term prior to Bega's announcement; and/or
- **Price Increase** – which is an additional payment that is paid to the Supplier for all Milk the Supplier has supplied to Bega during a period of the Term after Bega's announcement.

Bega will notify the Supplier in writing of any Step Up and/or Price Increase.

### (b) **Milk Price Decreases**

Bega will not retrospectively reduce the minimum milk price during the Term. Only in exceptional circumstances will Bega consider price decreases on future milk prices within the Term and this would be done in accordance with the Mandatory Dairy Code.

A future milk price decrease within the Term is permitted under the Mandatory Dairy Code in exceptional circumstances where an event of limited duration occurs outside of Australia that has a highly significant effect on supply, demand or costs in the dairy industry and is not caused by decisions made by Bega or any other processor.

In the event that Bega decides to decrease future milk prices as permitted by the Mandatory Dairy Code, Bega will give the Supplier at least 30 days prior written notice of the price decrease and include all other details required by the Mandatory Dairy Code. The Supplier will have a right to terminate this Agreement within 21 days after receiving any such notice, with effect from the day the price decrease occurs. The Supplier will also have the right to rescind any such termination before the end of those 21 days. If there is a Sharefarmer Supplier, both the Bega Supplier and the Sharefarmer Supplier must exercise their rights under this section acting jointly.

## 3. **Payment**

### 3.1 **Pay Periods**

Bega will pay the Supplier in respect of each Production Month. There are 12 Production Months in each Financial Year. A pay week is seven days, finishing on a Sunday. Production Months have either four or five weeks.

### 3.2 **Payment Method**

Bega will make all payments required under this Agreement into the bank accounts that have been nominated by the Supplier. Payments will be made for the previous Production Months' Milk supply on or before the 10th of the following month, except payments for the New Milk Incentive which will occur in the following month in accordance with clause 2.6, and payments for the Growth Incentive which will occur after the end of any relevant Financial Year in accordance with clause

2.7. The Supplier agrees that the first payment made under this Agreement will not be due and payable by Bega until after the completion of the 14 day cooling off period set out in section 1.3.

### 3.3 **Pay Statements**

Bega will provide the Supplier with a Pay Statement for each Production Month. The Pay Statement will consist of:

- (a) a Recipient Created Tax Invoice for Milk supplied in the Production Month which also details the Fees for Services, and the Industry Fees for the Production Month;
- (b) where applicable, a Recipient Created Tax Invoice for the reimbursement of any expenses incurred by the Supplier which Bega has agreed to pay; and
- (c) a Year to date Statement.

The Bega Supplier and, if applicable, the Sharefarmer Supplier must notify Bega prior to the end of any Production Month in relation to which they wish to change any of their contact details, including banking and address details to facilitate prompt payment for Milk.

## 4. **Collection of milk**

### 4.1 **Collection Times**

Bega will collect Milk at the times and in the frequencies agreed between the parties. Collection times are determined by factors including Milk volumes and tanker capacity. Reasonable notice will be given by Bega or its freight contractor to the Supplier of any changes to pick up frequencies.

### 4.2 **Title**

Ownership of Milk supplied under this Agreement passes from the Supplier to Bega when the Milk enters the tanker of Bega's contractor.

### 4.3 **Minimum Volumes**

Bega requires that at least 500 litres of Milk is available for collection at any one time from each Farm. The Supplier must ensure the Milk the Supplier supplies under this Agreement is refrigerated, agitated and is less than 48 hours old at the time it is due to be collected by Bega.

### 4.4 **Notification to Bega of Power Outages**

If the Supplier gives Bega reasonable notice that a Farm's dairy will suffer a power outage, Bega will use reasonable efforts to pick Milk up before the power outage to assist the Supplier in preventing hot Milk.

## 5. **Supplier Obligations**

At all times during the Term, the Supplier is required to:

- (a) comply with dairy licensing requirements and must harvest and hold Milk in an approved dairy premises and comply with the relevant State Food Authority licence conditions and regulations;
- (b) take all reasonable steps to ensure the health and safety of Bega staff and Bega's contracted tanker drivers while they are on the Farms;
- (c) provide safe and suitable access to allow an easy entrance and exit for Bega's contracted tankers to and from the Farms and efficient collection of the Milk from the Farms;

- (d) comply with all applicable laws, regulations and mandatory codes, including but not limited to those in relation to occupational health and safety, employment and workplace relations, modern slavery, environmental management, waste management and animal welfare; and
- (e) take all reasonable steps to avoid the use of GMO feeds and feed products.

A failure by the Supplier to comply with any of the above obligations may result in the suspension of this Agreement in accordance with section 6.6(c) or, subject to section 7.1(b), termination of this Agreement.

## **6. Milk Quality Standards and Milk Quantity**

### **6.1 Quality Obligations**

The Supplier must ensure the Milk to be supplied under this Agreement is Fresh Milk and that the Supplier complies with the Bega Cheese On Farm Quality Assurance Program.

### **6.2 Self-Reporting Quality Standard Breaches and Consequences**

If the Supplier suspects that Milk to be supplied under this Agreement is not Fresh Milk in terms of the "Sensory", "Temperature" or "Antibiotic/Inhibitory Substances" parameters set out in the Quality Table, the Supplier must self-report that breach by immediately contacting Bega and arranging for a sample to be tested by Bega. If the sample tested breaches the relevant Quality Standard:

- (a) Bega will provide written notice of the test results and the fact that the Supplier must promptly and safely dispose of the relevant Milk on-farm; and
- (b) Bega will reject the Milk by providing written notice to the Supplier as soon as practicable of the rejection, including the reason for the rejection, and the Dumping Policy will apply.

### **6.3 General Consequences of Failure to comply with Quality Standards and the Bega Cheese On Farm Quality Assurance Program**

Where the Supplier does not self-report a breach of a Quality Standard under section 6.2 and:

- (a) the Supplier does not supply Fresh Milk, the consequences set out in the Quality Table will apply including:
  - (i) Quality Deductions being applied (as applicable);
  - (ii) Bega rejecting the relevant Milk (in which case Bega will be required to provide written notice to the Supplier as soon as practicable of the rejection, including the reasons for the rejection) and, subject to the Dumping Policy applying under section 6.4, no payment being made for the relevant Milk and the Supplier being required to promptly and safely dispose of that Milk on-farm; and
  - (iii) an audit being conducted in accordance with regulatory requirements.
- (b) the Supplier fails to comply with the Bega Cheese On Farm Quality Assurance Program, this may result in the suspension of this Agreement in accordance with section 6.6(c).

### **6.4 Dumping Policy**

On the first three occasions in any Financial Year (or any part year) during the Term where either:

- (a) the Supplier self-reports that Milk to be supplied is in breach of the Quality Standards in accordance with section 6.2; or
- (b) Milk that is to be supplied is rejected by a tanker driver in accordance with the Quality Standards,

Bega will reject the Milk by providing written notice to the Supplier specifying the reasons for the rejection, the Supplier will promptly and safely dispose of the Milk on-farm and Bega will still pay for the Milk (based on an average of the Milk Solids in the previous three collections of Milk) at the Monthly Minimum Prices less a Quality Deduction equal to:

- (c) in the case of the first dump – 10% of the Monthly Minimum Prices;
- (d) in the case of the second dump – 30% of the Monthly Minimum Prices; and
- (e) in the case of the third dump – 30% of the Monthly Minimum Prices.

On each subsequent occasion in a Financial Year (or any part year) during the Term that section 6.4(a) or 6.4(b) applies, Bega will not pay for the Milk.

#### 6.5 Notification of Breach of Quality Standards

Bega will report all results to the Supplier of breaches of the Quality Standards by the following means:

- (a) **Weekly Receival Summary** – Bega will provide a summary of the previous seven day period to the Supplier indicating the Bega quality summary position for payment;
- (b) **SMS** – Bega will provide details (butterfat/protein/BMCC) via SMS as soon as possible after each pick-up if requested by the Supplier;
- (c) **Web access** - the Supplier may access their quality results on the “BEGAfarm” web page as soon as they are available. Access to the web page is via the link on the Bega Home Page (at [www.begacheese.com.au](http://www.begacheese.com.au)). A security password is required to access this site.

#### 6.6 Quality Assurance Program

##### (a) Accreditation

The Supplier must obtain accreditation under the Bega Cheese On Farm Quality Assurance Program:

- (i) if required by the applicable dairy authority, within three months of the Commencement Date if the Supplier did not supply milk to Bega or BDD Australia Pty Ltd (formerly LD&D Australia Pty Ltd) immediately before the Commencement Date; and
- (ii) otherwise, every two years, or more frequently if required for compliance with industry regulatory requirements,

and thereafter the Supplier must comply with the requirements of that program.

##### (b) Audits and reviews

The Supplier will permit performance based audits of the systems and facilities of the Supplier by an auditor approved by Bega and paid for by Bega, as deemed reasonably necessary by Bega in order to comply with regulatory requirements (**QA System Audit**).

The Supplier will permit performance based reviews of the systems and facilities of the Supplier by Bega to periodically check the Supplier's ongoing compliance with the Quality Standards or where the Supplier has failed to comply with a relevant Quality Standard (**Quality Review**). Quality Reviews triggered by the Supplier's failure to comply with the Quality Standards will be at the cost of the Supplier.

(c) **Suspension**

Accreditation of the Supplier under section 6.6(a) may be suspended if either:

- (i) any critical non-conformances are found during a QA System Audit. Critical non-conformances require the auditor to notify the relevant State Food Authority of the breach in food safety within 24 hours and the non-conformance must be cleared by a State Food Authority officer; or
- (ii) repeated major or minor non-conformances are not rectified by the Supplier as applicable, within such reasonable time for rectification as is provided to the Supplier by Bega.

The suspension will remain in place until the non-conformance has been rectified and confirmed by the State Food Authority auditor or Bega auditor (or both). Bega will suspend Milk collection from the Supplier if critical non-conformances are not addressed, repeated major and minor non-conformances are not rectified within such reasonable time for rectification as is provided to the Supplier, as applicable, by Bega or the Farms pose an unacceptable and ongoing food safety or quality risk.

6.7 **Milk Quantity**

To ensure accuracy of volumes of Milk supplied, Bega will ensure milk freight contractors check and, if necessary, recalibrate the meters on its tanker fleet every six months.

7. **General**

7.1 **Termination**

- (a) The Supplier may terminate this Agreement at any time without cause upon the Supplier providing written notice to Bega, effective 30 days after repayment to Bega of any amounts the Supplier owes Bega or in circumstances permitted by the Mandatory Dairy Code.
- (b) Either Bega on the one hand or the Supplier on the other may terminate this Agreement with immediate effect, if the other of them commits a material breach of this Agreement.
- (c) In order to terminate this Agreement in accordance with this section, the terminating party will provide the other party with written notice of:
  - (i) the termination;
  - (ii) the reason for the termination; and
  - (iii) the day the termination takes effect.
- (d) If there is a Sharefarmer Supplier under this Agreement, the Bega Supplier and the Sharefarmer Supplier must exercise their rights under sections 7.1(a) and 7.1(b) acting jointly.

## 7.2 Variations

- (a) This Agreement may only be unilaterally varied during the Term by Bega in the circumstances permitted by the Mandatory Dairy Code and provided that variation is effected in accordance with the requirements of the Mandatory Dairy Code. Bega will provide the Supplier with written notice of any such unilateral variation as soon as practicable after the variation and will include the details and reason for the variation, and the day the variation takes effect.
- (b) This Agreement may otherwise only be varied by both parties agreeing in writing to the variation.

## 7.3 Obligation to act in good faith

Bega on the one hand and the Supplier on the other agree that each must deal with the other in good faith in relation to the supply of Milk.

## 7.4 Conduct of the parties

The parties will not engage in behaviour that is, or may reasonably be considered to be intimidating, bullying, or harassing or commit any act or behaviour which is offensive or abusive in connection with this Agreement. Breach of this section may constitute a material breach of this Agreement.

## 7.5 Foreign Corrupt Practices Act

The parties must comply with the U.S. Foreign Corrupt Practices Act (**FCPA**). Bega prohibits all forms of bribery and requires all employees, agents, consultants, contractors and other parties acting on behalf of Bega to fully comply with any legal obligations. Breach of this section will be considered a material breach of this Agreement.

## 7.6 Compliance with the Mandatory Dairy Code

This Agreement implements the required terms of the Mandatory Dairy Code and to the extent there is any inconsistency between the terms of this Agreement and the Mandatory Dairy Code, then the Mandatory Dairy Code prevails. If any part or whole of one or more provisions of this Agreement are non-compliant with the Mandatory Dairy Code, then any part or whole of one or more of those provisions will be severed from this Agreement and the validity, existence, legality and enforceability of the remaining provisions of this Agreement will not be affected, prejudiced or impaired.

## 7.7 Compliance with the Law

The parties must at all times comply with the law when carrying out their obligations in connection with this Agreement.

## 7.8 Set off

Bega may set off any amounts due to the Bega Supplier under this Agreement against any amounts due by the Bega Supplier to Bega under this Agreement. Bega may set off any amounts due to the Sharefarmer Supplier under this Agreement against any amounts due by the Sharefarmer Supplier to Bega under this Agreement.

## 7.9 Force Majeure

The Supplier is not required to perform its obligations in this Agreement during the time the Supplier may be prevented from doing so by force majeure events such as floods, fires, or similar natural disasters. Bega is not required to perform its obligations in this Agreement during the time Bega may be prevented from doing so by force majeure events such as damage to or destruction



of Bega's plant or manufacturing difficulties which are beyond the reasonable control of Bega (**Force Majeure Events**). In the event that Bega is prevented from collecting the Milk of the Supplier due to a Force Majeure Event, Bega may in its absolute discretion, make arrangements for the Supplier to be credited with the Milk in the vat and Bega will pay for that Milk at the applicable Monthly Minimum Price.

#### 7.10 **Use of Information and Privacy**

Bega will use any personal information collected in the course of performance of this Agreement in accordance with the *Privacy Act 1988* (Cth) and the Bega Privacy Policy available at <https://begacheese.com.au/privacy-policy/>.

#### 7.11 **Disputes**

- (a) If Bega on the one hand or the Supplier on the other (the **complainant**) has a complaint in relation to a matter arising under or in connection with this Agreement, the complainant must notify the other party (the **respondent**), in writing, of the following:
  - (i) the nature of the complaint;
  - (ii) that the complainant wishes the complaint to be dealt with in accordance with the complaint handling procedure provided in the Agreement; and
  - (iii) the outcome the complainant wants.
- (b) Bega's Complaint Handling Officer must manage the complaint in accordance with the procedure in this Agreement.
- (c) Within five working days after receiving notice of the complaint under section 7.11(a), the respondent must give a written acknowledgement to the complainant stating:
  - (i) that notice of the complaint has been received; and
  - (ii) the steps to be taken to deal with the complaint.
- (d) The complainant and the respondent must attempt to resolve the complaint in accordance with the complaint handling procedure provided in this Agreement before taking action to resolve the complaint by mediation or arbitration.
- (e) If the complaint is not resolved in accordance with the complaint handling procedure provided in this Agreement within 60 days after the acknowledgement was given to the complainant under section 7.11(c)(i):
  - (i) the complaint must be referred to mediation in accordance with the Mandatory Dairy Code;
  - (ii) if mediation does not resolve the complaint, the complainant and the respondent may agree that the complaint be resolved by arbitration in accordance with the Mandatory Dairy Code.
- (f) The complainant may, at any time, withdraw the complaint by notice in writing to the respondent.

#### 7.12 **Trustees**

- (a) Unless the Supplier has told Bega that it is the trustee of a trust, the Supplier warrants that it is entering into this Agreement in its own capacity and not on behalf of any other person or as trustee of a trust.

- (b) If the Supplier has told Bega it is entering into this Agreement as a trustee, the Supplier enters into this Agreement on its own behalf and on behalf of the trust and the Supplier warrants to Bega that it:
- (i) is either the sole trustee of the trust or if there are multiple trustees of the trust, all those trustees are listed as party to this Agreement;
  - (ii) has entered this Agreement for the trust's benefit and purpose and has arranged any required approvals for the trust's property to be bound to this Agreement;
  - (iii) has the power under the trust deed to enter into this Agreement, to fulfil its obligations under this Agreement, and to use the assets of the trust to pay any amount required in connection with this Agreement; and
  - (iv) has an unrestricted right to be fully indemnified out of the assets of the trust.
- (c) The Supplier acknowledges and agrees that Bega is entering into this Agreement on the basis that each of the warranties in this clause 7.12 is true and will remain true throughout the Term.

#### 7.13 **Entire Agreement**

This Agreement supersedes all prior agreements, discussions, representations, negotiations and understandings and states all the terms of the Agreement between the parties in respect of its subject matter.

#### 7.14 **Governing law**

This Agreement is governed by the law of Victoria and the parties submit to the non-exclusive jurisdiction of the courts of that State.

### 8. **Definitions**

**Agreement** means this agreement.

**Applicable Pay Rate** means the pay rate determined in accordance with section 2.3.

**Bega Cheese Group** means Bega Cheese Limited and its subsidiaries.

**Bega Cheese On Farm Quality Assurance Program** means the program set out in the manual dated October 2018 provided by Bega to the Supplier at the same time as this Agreement is provided.

**BMCC** means bulk milk cell count.

**Commencement Date** means the date set out in **Item 2** of the Details.

**Complaint Handling Officer** means Bega Cheese Limited's Executive General Manager of Beverage Operations.

**Details** means the section entitled 'Details' at the front of this Agreement.

**Dumping Policy** has the meaning given in section 6.4.

**EMCI** means early milk collection index as developed by the University of Tasmania.

**Expiry Date** means the date set out in **Item 3** of the Details.

**Farms** means the farms located at the addresses specified in **Item 1** of the Details from which the Supplier or (if applicable) the Sharefarmer must operate their dairy business.

**Fees for Services** has the meaning given in section 2.8.

**Financial Year** means a period commencing on 1 July if that date is a Monday, but otherwise commencing on the last Monday in June and in either case, ending 12 months later.

**Force Majeure Event** means an event as defined in section 7.9.

**Fresh Milk** means Milk provided by the Supplier which meets the Fresh Specification requirements set out in column C of the Quality Table for each parameter set out in column A.

**Growth Incentive** means the incentive, the details for which are set out in section 2.7.

**Growth Incentive Baseline** means the growth incentive baseline defined in section 2.7.

**Growth Incentive Period** means the 12 months ending on the Expiry Date.

**Industry Fees** has the meaning given in section 2.9.

**Mandatory Dairy Code** means the code to apply to the dairy industry introduced by the Australian Department of Agriculture and Water Resources with a commencement date of 1 January 2020.

**Milk** means bovine milk supplied and accepted under this Agreement.

**Milk Solids** means butterfat and protein.

**Monthly Payment** means the payment amount for Milk for the Production Month.

**Monthly Minimum Prices** means the prices to be paid each Production Month by Bega for Milk supplied by the Supplier as set out in **Item 6** of the Details.

**MPS 1** means the payment system described in section 2.3.

**MPS 9/3** means the payment system described in section 2.3.

**New Milk Baseline** means the new milk baseline as defined in section 2.6.

**New Milk Incentive** means the incentive, the details for which are set out in section 2.6.

**Poor Quality Milk** means Milk that fails to comply with the law, the Quality Standards or Food Safety Standards.

**Prior Deemed Milk Supply** has the meaning given in **Item 13** of the Details.

**Production Month** means the production months as described in **Item 6** of the Details which commence on the first day of a calendar month if that first day is a Monday, but if the first day is not a Monday, commence on the Monday immediately preceding the first day of the month, and end either four or five weeks later on the last Sunday of the relevant month.

**Productivity Incentive** means the incentive, the details for which are set out in section 2.5.

**QA System Audit** has the meaning in section 6.6(b).

**Quality Assessment Period** means a seven day period where Milk is assessed to determine if it meets the Quality Standards. There are four or five quality assessment periods per Production Month, depending on whether the Production Month is four or five weeks long.

**Quality Deductions** means those fees that Bega will charge the Supplier for breaches of the Quality Standards as set out in column G of the Quality Table or as set out in the Dumping Policy.

**Quality Review** has the meaning given in section 6.6(b).

**Quality Standards** means the standards that apply to Milk to be supplied to Bega as set out in Appendix A to this Agreement.

**Quality Table** means the table forming Part 2 of Appendix A, which is to be interpreted in accordance with Part 1 of Appendix A.

**Relevant Percentage** means the percentage of all monies payable by Bega under this Agreement to each of the Bega Supplier and the Sharefarmer Supplier as set out in **Item 4** of the Details.

**Resupply Procedure** means the resupply procedure set out in Part 3 of Appendix A referable to BMCC, Total Plate Count or Antibiotics/Inhibitory Substances.

**Special Conditions** means the special conditions, if any, set out in Appendix B to this Agreement.

**Stop Fee** means the fee Bega will charge the Supplier for picking up the Supplier's Milk at the rate set out in **Item 12** of the Details and in accordance with section 2.8.

**Supplier** means the person or entity (including any entity that is a partnership, sole trader or company) supplying Milk to Bega under this Agreement, being the Bega Supplier and, if applicable, the Sharefarmer Supplier whose details are set out on the front page of this Agreement.

**Term** has the meaning given in section 1.2.

## Appendix A

### Quality Standards

#### Part 1: Interpretation of Quality Table

The Supplier is required to supply Fresh Milk to Bega during the Term, being Milk that complies with the specification for Fresh Milk set out in the Quality Table. This table should be read in the following way:

- (a) Milk must meet each of the parameters set out in column A of the Quality Table.
- (b) Milk will be tested by Bega at the times set out in column B. For instance, temperature will be tested in relation to each consignment of Milk supplied.
- (c) Milk must meet the specifications summarised in column C, which are also set out in greater detail in column I. For instance, the temperature of Milk supplied must be  $<5^{\circ}$  C within 2 hours and 21 minutes from the end of milking.
- (d) If Milk does not comply with the specifications for Fresh Milk as summarised in column C, the Milk may still be accepted by Bega but Bega will be entitled to deduct the applicable quality deduction from the Monthly Minimum Prices for that Milk as set out in column G of the Quality Table. The amount of the deduction may depend on whether Milk falls within the Grade 2, Grade 3 or Grade 4 specifications set out in columns D to F of the Quality Table.
- (e) Bega will provide the Supplier with a written warning in the circumstances described in column I of the Quality Table.
- (f) If Milk fails to comply with the Quality Standards, Bega will:
  - (i) reject and refuse to pay for the Milk if that is the consequence set out in column G or column I; or
  - (ii) as applicable deduct the cents per litre deductions set out in column G from the Monthly Minimum Price for that Milk; and
  - (iii) implement any further consequences set out in column I.

## Part 2: Quality Table

A: Parameter	B: Test Frequency	C: Fresh Specification	D: Grade 2 Specification	E: Grade 3 Specification	F: Grade 4 Specification	G: Quality Deduction	H: Quality Deduction Basis	I: Details of requirements and Rejection conditions
Sensory	Each consignment	Creamy white free flowing appearance, fresh clean smell. Free from odours, unpleasant characteristics, chemical residues, foreign matter	N/A	N/A	N/A	In accordance with Dumping Policy	Per consignment	<ul style="list-style-type: none"> <li>- Milk is assessed by trained tanker drivers on arrival at Farm and may be rejected by those drivers if it does not meet the Fresh Specification and the Dumping Policy will apply.</li> </ul>
Temperature	Each consignment	< 5° C within 2 hours 21 minutes from the end of milking	N/A	N/A	N/A	In accordance with Dumping Policy	Per consignment	<ul style="list-style-type: none"> <li>- Bega may decide to collect Milk prior to 2 hours 21 minutes after milking at temperatures greater than 5° C.</li> <li>- Bega uses the industry standard EMCI for undertaking food safety risk assessments on all Milk temperatures greater than 5° C.</li> <li>- If such Milk is not within the Milk Cooling Envelope of the EMCI, Bega may reject the Milk and the Dumping Policy will apply.</li> </ul>
Antibiotics / Inhibitory Substances	Randomly once a month and after any positive tanker results	Zero	N/A	N/A	Presence of antibiotics/ inhibitory substances	10 cents/Ltr, but if the Supplier has self-reported the suspected breach, the consequence is in accordance with the Dumping Policy	Weekly	<ul style="list-style-type: none"> <li>- The Quality Deduction in column G will be applied if there is a positive test result for antibiotics/inhibitory substances and collection of Milk will cease immediately.</li> <li>- Resupply Procedure will apply.</li> <li>- A Quality Review will be undertaken if there is a positive result.</li> </ul>

A: Parameter	B: Test Frequency	C: Fresh Specification	D: Grade 2 Specification	E: Grade 3 Specification	F: Grade 4 Specification	G: Quality Deduction	H: Quality Deduction Basis	I: Details of requirements and Rejection conditions
BMCC	Each consignment	<225,000 c/mL	≥225,000 to <300,000 c/mL	≥300,000 to <400,000 c/mL	≥400,000 c/mL	Grade 2 Milk – 1 cent/Ltr deduction Grade 3 Milk – 3 cents/Ltr deduction Grade 4 Milk – 5 cents/Ltr deduction	Weekly	<ul style="list-style-type: none"> <li>- Weekly weighted average is converted into a 13 week geometric mean for calculation of Quality Deductions.</li> <li>- BMCC Geometric Mean ≥ 400,000 c/mL for 13 consecutive weeks indicates Poor Quality Milk and collection will be suspended. BMCC Resupply Procedure will apply.</li> </ul>
BMCC Geometric Mean	13 Week Geometric Mean	<400,000 c/mL	N/A	N/A	N/A	N/A	N/A	<ul style="list-style-type: none"> <li>- BMCC Geometric Mean ≥ 400,000 c/mL for 13 consecutive weeks indicates Poor Quality Milk and collection will be suspended. BMCC Resupply Procedure will apply.</li> </ul>
TPC (Bactoscan)	Once per Quality Assessment Period	<20,000 cfu/mL	≥20,000 to <50,000 cfu/mL	≥50,000 to <100,000 cfu/mL	≥100,000 cfu/mL	Grade 2 Milk – 1 cents/Ltr deduction Grade 3 Milk – 3 cents/Ltr deduction Grade 4 Milk – 5 cents/Ltr deduction No payment for relevant Milk in circumstances in column I	Per consignment for the fifth daily test result and any subsequent high tests in a month as per column I	<ul style="list-style-type: none"> <li>- ≥20,000 cfu/mL triggers daily tests commencing at the next available consignment's sample and with testing continuing until back within Fresh specification.</li> <li>- The first four daily test results ≥20,000 cfu/mL are considered warning results and attract no deduction.</li> <li>- The fifth daily test result ≥20,000 cfu/mL and any subsequent test result ≥20,000 cfu/mL in the same month attracts a Quality Deduction.</li> <li>- Samples ≥100,000 cfu/mL indicate Poor Quality Milk. A check sample will be collected to confirm the result. Where the check test is ≥100,000 cfu/mL, no payment will be made for that</li> </ul>

A: Parameter	B: Test Frequency	C: Fresh Specification	D: Grade 2 Specification	E: Grade 3 Specification	F: Grade 4 Specification	G: Quality Deduction	H: Quality Deduction Basis	I: Details of requirements and Rejection conditions
								consignment of milk. Collections will be suspended until the result is confirmed to be <100,000 cfu/mL. - TPC Resupply Procedure will apply.
TPC Geometric Mean	8 Week Geometric Mean	<100,000 cfu/mL	N/A	N/A	N/A	N/A	Per consignment	- TPC Geometric Mean ≥100,000 cfu/mL for 8 consecutive weeks indicates Poor Quality Milk and collection will be suspended. - TPC Resupply Procedure will apply.
Thermodurics	Once per Quality Assessment Period	<2,000 cfu/mL	≥2,000 to <5,000 cfu/mL	≥5,000 cfu/mL	N/A	Grade 3 Milk - 3 cents/Ltr deduction	Per consignment	- ≥2,000 to <5,000 cfu/mL triggers a warning. - ≥5,000 cfu/mL triggers daily tests commencing at the next available sample with testing continuing daily until back within specification. - The first four daily test results ≥5,000 cfu/mL are considered warning results and attract no deduction. The fifth daily test result ≥5,000 cfu/mL and any subsequent test results ≥5,000 cfu/mL attract a Quality Deduction.
Colostrum	As required	< 3%	N/A	N/A	≥ 3%	Grade 4 Milk - 3 cents/Ltr deduction	Per consignment	- ≥ 3% triggers daily tests commencing at the next available sample with testing continuing daily until back within specification. - The first four daily test results ≥3% are considered warning results and attract no deduction. - The fifth daily test result ≥ 3% and any subsequent test results ≥ 3% attract a Quality Deduction.



A: Parameter	B: Test Frequency	C: Fresh Specification	D: Grade 2 Specification	E: Grade 3 Specification	F: Grade 4 Specification	G: Quality Deduction	H: Quality Deduction Basis	I: Details of requirements and Rejection conditions
Sediment	Randomly once each month and after any positive tanker results.	Absent	N/A	N/A	Present	Grade 4 Milk - 3 cents/Ltr deduction	Per consignment	<ul style="list-style-type: none"> <li>- First sample present for sediment attracts a warning.</li> <li>- Daily testing commences until samples test absent of sediment.</li> <li>- Second and subsequent samples attract Quality Deduction.</li> <li>- Collections will be suspended if corrective actions are not undertaken.</li> </ul>
Quaternary Ammonium Compounds (QAC's)	As required	< 0.1 mg/kg	N/A	N/A	≥ 0.1 mg/kg	Nil	Nil	<ul style="list-style-type: none"> <li>- Supplier will be notified of an unsatisfactory result</li> <li>- Triggers Quality Review</li> <li>- Collections will be suspended if corrective actions are not undertaken.</li> </ul>
Iodine	As required	<40 ug/100g	N/A	N/A	≥40 ug/100g	Nil	Nil	<ul style="list-style-type: none"> <li>- Supplier will be notified of an unsatisfactory result</li> <li>- Triggers Quality Review</li> <li>- Collections may be suspended if corrective actions are not undertaken.</li> </ul>

For the purposes of this Quality Table, tests that occur weekly will occur once per week from Monday - Sunday.

### Part 3: Resupply Procedure

The aim of this procedure is to provide a re-supply path for Suppliers who have been suspended from supplying Bega due to Milk breaching the BMCC, TPC or Antibiotics/Inhibitory Substances parameters for Fresh Milk as set out in the Quality Table.

#### (a) **BMCC**

- The Supplier must demonstrate they have taken corrective action to address the issue before resupply can commence.
- The Supplier can dry off the whole herd for a minimum of four consecutive weeks and recommence supply after this time. Previous history will not be used in calculating the 13 week geometric mean or for other Quality Deductions.
- If the Supplier wishes to recommence supply earlier than the minimum four weeks then the Supplier must provide four consecutive milking samples to Bega that meet the BMCC parameters for Fresh Milk set out in the Quality Table.
- BMCC results for Milk collected for the next seven days must meet the BMCC parameters for Fresh Milk set out in column C of the Quality Table. If the results are above this then collections will again cease immediately for a period of seven days and the Supplier must commence the resupply procedure again.

#### (b) **Total Plate Count (TPC)**

- The Supplier must demonstrate that the Supplier has taken corrective action to address the issue.
- Three sequential complete milkings must be below 100,000 cfu/mL.
- Samples must be presented to a testing company approved by Bega.
- If the test results are 100,000 cfu/mL or greater for any one of the three samples, collections will not recommence and the Supplier must commence the resupply procedure again.
- TPC results for Milk collected for the seven days after resupply has commenced must meet the TPC parameter for Fresh Milk set out in column C of the Quality Table. If the results are above this then collections will cease immediately for a period of seven days and the Supplier must commence the resupply procedure again.

#### (c) **Antibiotics/Inhibitory Substances**

- A sample of the next milking must test negative for antibiotics/inhibitory substances to enable resupply. Collections will not recommence until Milk has tested negative.
- Samples must be presented to a testing company approved by Bega.
- Note seasonal calving herds must present a sample for testing prior to recommencing supply. Sample must test negative for antibiotics/inhibitory substances before collections will recommence.

#### (d) **Generally**

Resupply in any of the above cases will commence at the next convenient time for the tanker collection. No more than four milkings will be collected and all other Quality Standards for Fresh Milk must be met.

**Appendix B**  
**Special Conditions**