



FARM GATE AGREEMENT 2021-2022

NON-EXCLUSIVE AGREEMENT

Our Brands



PURA®



EXECUTIVE SUMMARY

This is a quick reference guide to some of the key points in our agreement. However, it is not exhaustive, and because you will be bound by the terms and conditions set out in the General Terms, the Schedules and Simply Perfect manual you should take the time to read each of them carefully and seek independent legal advice if there are any parts that you do not understand.

Before you sign the Acceptance Form, please check you have read all the agreement, including the Schedules and Simply Perfect manual.



Farm Gate Agreement BDD Australia Pty Ltd 2021-2022

1. Term



- We are committing to collect and purchase a Contracted Volume of milk from you for the Term of this agreement. Refer to the Acceptance Form for the Start Date and End Date of the Term and refer to Schedule 3 for the Contracted Volume.

2. Minimum Pricing

- Schedule 4 sets out the Minimum Price we will pay you for your Contracted Volume of milk supplied in accordance with this agreement.

3. Calculating your Monthly Payment



- In addition to the Minimum Price, Schedule 4 also sets out:
 - Additions to the Minimum Price which you may be eligible for (i.e., Production Incentives and Logistics Incentives); and
 - Fees that may apply for our collection and logistics services (i.e., Stop Charge, Transport Surcharge and Minimum Collection Fees).
- There will not be any increase to these fees for the Term.
- Schedule 2 sets out deductions we may make if your milk does not meet our Specification.
- Any applicable industry levies will also be deducted from your monthly payment.

4. Payment Details



- Your monthly payment is processed on or about the 15th of each month. If the 15th is on a weekend or public holiday, we will pay you on the business day beforehand.
- When you sign the Acceptance Form, please check that you have provided correct and complete bank account details.

5. Communication



- Any notices that we give to you about this agreement will be made in writing.
- All your notices to us also need to be made in writing.

6. Contracted Volume



- **Minimum collection volumes** – you are required to supply an absolute minimum of 500 litres per pick up. Surcharges also apply for collection volumes less than 1,800 litres on a skip a day basis.
- **Delivering an even supply** – you must ensure an even supply of milk throughout each month. From one collection to the next, your pick up volumes must not vary by more than 10%.
- **Short supply** – If you supply less than 90 percent of your Contracted Volume in any month (except due to a Force Majeure), we can recover from you the cost difference between the price that we would have paid you for the missing volume and the cost to us of obtaining replacement milk. We will use all reasonable endeavours to procure suitable replacement milk at the lowest price.
- **Ongoing shortfall** – if your supply falls short of 90% of your Contracted Volume for three consecutive months (except due to a Force Majeure) this may constitute a material breach of the agreement and if so we may decide to terminate the agreement.

7. Milk Supply Policy



- The Milk Supply Policy in Schedule 1 sets out important information in relation to your milk supply, including our requirements about the quality, collection volumes and consistency of your milk and regarding your dairy operations. The Milk Supply Policy also describes what actions we may take if milk does not meet those requirements (including where we may reject milk or suspend collection).
- You're agreeing to comply at all times with the Milk Supply Policy.

8. Transferring your Farm, Assets or Herd



- Before you transfer or sell (or offer to transfer or sell) any of your farm or more than 10% of your herd, you'll need to give us 30 days written notice.
- If you sell your farm, we may require you to novate this agreement to the incoming farmer so that we can maintain a supply of milk from that farm for the Term.

9. Adverse Events ("Force Majeure")



- This agreement defines Force Majeure as an event that could not be foreseen or reasonably avoided by either party and which prevents either of us from upholding this agreement.
- If you're affected by a Force Majeure, and you promptly tell us and make all reasonable efforts to fix the cause of the Force Majeure, you won't be penalised for not complying with the agreement during the Force Majeure period. However, if the effects of the Force Majeure continue for more than 90 days, we may choose to terminate the agreement if your non-compliance with the agreement would constitute a material breach in ordinary circumstances.
- Similarly, if we are affected by a Force Majeure, we will notify you promptly and make all reasonable efforts to fix the cause of the Force Majeure.

10. Insurance



You agree that you have and will maintain your own insurance for Public Liability (at least \$10 million per occurrence) and Product Liability (at least \$10 million in the aggregate).

11. Disputes & Complaints

This agreement provides a procedure for handling disputes or complaints. Both of us must try to resolve any dispute or complaint first by negotiation and then, if required, by mediation.

12. Good Faith

In accordance with the Dairy Code, both parties must at all times deal with each other in good faith in relation to the supply of milk.

13. Understanding and acknowledging this Agreement

By signing the Acceptance Form, you are confirming that you have read and understood all of our agreement including the schedules and Simply Perfect manual. If there is any aspect of this agreement that you don't understand, please seek independent legal advice.



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GENERAL TERMS

1. Definitions

In this agreement, references to the following terms have the following meanings:

- (a) **“ACCC”** means the Australian Competition and Consumer Commission.
- (b) **“BDD”** means BDD Australia Pty Ltd ABN 68 083 019 390 and **“we”**, **“us”** and **“our”** have corresponding meanings.
- (c) **“Complaint Handling Officer”** means the BDD person designated to manage complaints that arise in connection with this agreement as notified by BDD to you from time to time. At the Start Date of this agreement the relevant person is Bega Cheese Limited’s Executive General Manager of Beverage Operations.
- (d) **“Contracted Volume”** means the volume of milk specified in Schedule 3.
- (e) **“Dairy Code”** means the Competition and Consumer (Industry Codes – Dairy) Regulations 2019.
- (f) **“Exceptional Circumstances”** means circumstances that are temporary and involve an extraordinary event (including an emergency or change in market conditions) that occurs outside of Australia and has a highly significant effect on supply, demand or costs in the dairy industry, and is not caused by a decision made by processors.
- (g) **“Milk Supply Policy”** means the document in Schedule 1.
- (h) **“Notice of the Prospective Step Down”** means a written notice of the step down referred to in clause 5.4, including the Exceptional Circumstances, the reasonable steps (if any) BDD has taken or will take to prevent or limit the impact of the Exceptional Circumstances, why the step down is unavoidable, and the period to which the step down applies.
- (i) **“Simply Perfect”** is the BDD farm quality assurance program set out in the manual provided by BDD to you at the same time as this agreement is provided.
- (j) **“Specification”** has the meaning given in Schedule 2.
- (k) **“Term”** means the period commencing on the Start Date and ending on the End Date.
- (l) **“you”** means the person or entity who executes this agreement and **“your”** has a corresponding meaning.
- (m) **“your dairy”** and **“your dairy land and assets”** and **“your milking herd”** mean respectively the dairy(ies), the land and assets, and the milking herd which you have the right to use to operate your business and which are located at the address(es) on the Acceptance Form (regardless of legal ownership of the land, assets and herd).

Other terms referred to in this agreement which are not defined in this clause have the meaning given to them in this agreement or the schedules.

2 Elements of this Agreement

2.1 This agreement is made up of:

- (a) the Simply Perfect manual;
- (b) the Milk Supply Policy in Schedule 1;
- (c) these General Terms; and
- (d) the other schedules to this agreement.

If there are any inconsistencies between these documents, the terms set out in the lower listed document will prevail.

2.2 Compliance with the Dairy Code:

- (a) This agreement is intended to implement the required terms of the Dairy Code. To the extent there is any inconsistency between the terms of this agreement and the Dairy Code, then the Dairy Code prevails.

(b) If any part or whole of one or more of the provisions of this agreement are non-compliant with the 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 in this agreement will not be affected.

(c) In accordance with the Dairy Code, both parties must at all times deal with each other in good faith in relation to the supply of milk.

3. Term

- 3.1 The Start Date and End Date of this agreement are set out in the Acceptance Form. This agreement starts on the Start Date and continues for the Term unless terminated earlier in accordance with this agreement.
- 3.2 You may request that this agreement be terminated before the End Date on a date between 1 July 2022 and 31 August 2022. We will act reasonably in considering whether to accept this request, taking into account our operational and milk supply requirements.
- 3.3 You acknowledge that you do not have a right to extend the Term of this agreement, and that if you wish to continue to supply BDD after the end of the Term you must enter into a new agreement with BDD.
- 3.4 **Cooling off period:** A 14 day cooling-off period commences from the day this agreement is entered into and ends 14 days after. During this cooling-off period, you may terminate this agreement with immediate effect by providing us with written notice without incurring any liability to us.

4. Non Exclusive Supply of Milk

- 4.1 You agree to supply us with the Contracted Volume of milk, as set out in Schedule 3, and we agree to purchase and collect that Contracted Volume of milk, on the terms of this agreement.
- 4.2 You are free to supply any other milk produced at your dairy to any other person or entity during the Term.
- 4.3 We may purchase milk from other people during the Term.

5. Minimum Price

- 5.1 The Minimum Price that BDD will pay you for the Contracted Volume of milk supplied in accordance with this agreement is set out in Schedule 4.
- 5.2 In accordance with the Dairy Code, the Minimum Price does not include:
 - (a) any loyalty payments;
 - (b) any fees payable by you under this agreement; or
 - (c) any temporary reduction in the Minimum Price due to Exceptional Circumstances. See clause 5.4 for details.(We do not make any “loyalty payments” under this agreement, so this does not apply.)
- 5.3 **Justification for Minimum Price:** In accordance with the Dairy Code, Schedule 4 provides a statement of justification for each Minimum Price under this agreement.
- 5.4 **Reduction to Minimum Price in Exceptional Circumstances:** In accordance with the Dairy Code, notwithstanding any other terms to the contrary in this agreement, BDD may unilaterally prospectively step down the Minimum Price where:
 - (a) Exceptional Circumstances occur; and

- (b) BDD has taken or will take all reasonable steps to prevent or limit the impact of the Exceptional Circumstances, or there are no such steps BDD can take; and
 - (c) because of the Exceptional Circumstances the unilateral prospective step down is unavoidable; and
 - (d) at least 30 days before the step down occurs, BDD has given you and the ACCC Notice of the Prospective Step Down; and
 - (e) provided that the step down does not reduce the Minimum Price for milk supplied after the expected end date of the Exceptional Circumstances.
- 5.5 **Termination Right:** You will have a right to terminate this agreement within 21 days after receiving a Notice of the Prospective Step Down. You can also change your mind and withdraw your termination during those 21 days only. If you choose to terminate the agreement, in accordance with the Dairy Code, you must continue to supply BDD until the date the step down takes effect. Please provide us with as much notice as possible of your termination, or withdrawal of termination, so that we may make arrangements to cease collecting or continue collecting your milk. If you terminate this agreement under this clause then, as soon as practicable after termination, you must give us written notice of the termination, the reason for the termination and the day the termination takes effect.
- 5.6 **No Retrospective Step Downs:** BDD will never retrospectively reduce the Minimum Price under this agreement.

6. Additions to Minimum Price

- 6.1 In addition to the Minimum Price, you may also be eligible for additions to the Minimum Price (like Production Incentives and Logistics Incentives) as described in Schedule 4.
- 6.2 If you are eligible for any additions to the Minimum Price, these will be paid as part of your monthly payment in accordance with clause 11, unless otherwise described in Schedule 4.

7. Fees

- 7.1 BDD or its contractors may perform various services under this agreement including collecting and transporting your milk. You agree to pay the applicable fees in Schedule 4 for these services.
- 7.2 There will not be any increase to the fees set out in Schedule 4. These fees are fixed for the Term.
- 7.3 Please refer to Schedule 4 for any fees that apply to you.

8. Industry Levies

- 8.1 We may deduct from your monthly payment any industry levies that we pay on your behalf to the relevant industry body or authority. If the levy is voluntary, you can advise us in writing to stop collecting and paying that levy on your behalf.

9. Quality & Testing

- 9.1 **Quality:** You agree to supply us with milk that meets the Specification and BDD's quality requirements as described in Schedule 2. If your milk does not meet the Specification, then we may make quality deductions from your monthly payment in accordance with Schedule 2. The Milk Supply Policy sets out the actions we may take if milk does not meet our quality requirements, including circumstances in which we may reject your milk or suspend collection.

- 9.2 **Testing:** The Milk Supply Policy sets out the sampling procedures and volume accuracy assurances we use in relation to the milk you supply us. The Milk Supply Policy also sets out our obligation to give you written notice of test results for your milk and give you regular statements about your milk.

10. Volumes and Delivery

- 10.1 **Volume:** You are required to supply us with the Contracted Volume, as set out in Schedule 3, for each month of the Term. BDD is not obliged to purchase any milk in excess of the Contracted Volume (**Surplus Milk**) under this agreement. The terms of any agreement between you and BDD to purchase Surplus Milk will need to be separately agreed.
- 10.2 **Minimum collection volume:** In accordance with the Milk Supply Policy you are required to supply an absolute minimum of 500 litres per pick up. Surcharges also apply for collection volumes less than 1,800 litres per pick up on a skip a day basis. Please refer to section 21.1 of the Milk Supply Policy and Schedule 4 for more information.
- 10.3 **Even supply:** You are required to supply an even supply of milk. From one collection (either on a daily or skip a day basis) to the next, your pick up volumes must not vary by more than 10% compared to the previous collection.
- 10.4 **Short supply:** If you think that you will not be able to supply us with the full Contracted Volume in any given month, you must tell us as soon as possible in writing.
- 10.5 **Shortfall:** If you fail to supply us with at least 90% of the Contracted Volume in any month (the difference between the volume of milk that you supply to us and your Contracted Volume for that month being a "shortfall"), except where that failure is due to a Force Majeure Event, then you agree to pay us the amount equal to the difference between the price that we would have paid you for the shortfall and the cost to us of obtaining milk elsewhere to replace the shortfall. Our right to claim this cost difference is conditional on us using all reasonable endeavours to procure suitable replacement milk at the lowest price available.
- 10.6 **Continuous shortfall:** If you have a shortfall of more than 10% for 2 consecutive months we will give you a written warning. If the shortfall continues in the month following that warning, (i.e., for 3 consecutive months) this may constitute a material breach of the agreement giving rise to a right for us to terminate this agreement.
- 10.7 If we terminate this agreement under clause 10.6 then, as soon as practicable after termination, we must give you written notice of the termination, the reason for the termination and the day the termination takes effect.
- 10.8 **Collection arrangements:** BDD will collect the milk from your dairy as set out in the Milk Supply Policy.
- 10.9 Risk in and title to the milk will pass to BDD on collection. Collection will be deemed to occur when the milk is pumped into BDD's (or BDD's nominee's) tanker from your vat. For the avoidance of doubt, you remain liable for any quality or other issues with your milk including (but not limited to) where your milk contaminates other milk. (For example, see section 18 Un-notified Incidents in the Milk Supply Policy).

11. Payment

- 11.1 We will pay you a monthly payment which includes the Minimum Price for milk supplied by you in the preceding month, less any deductions we may make if your milk does not meet our Specification, plus any additions to the Minimum Price, less any fees, less any industry levies. The final amount will be paid to your nominated bank account on or about the 15th of each month. If the 15th is on a weekend or a public holiday, we will pay you on the preceding business day.
- 11.2 To change your account details, please notify us in writing and we will comply within 14 days unless the request is unreasonable.
- 11.3 **Set-off:** We may set off any amount which you owe to us under or in connection with this agreement against any amount we owe to you.
- 11.4 **GST:**
- (a) In this clause, expressions defined in the A New Tax System (Goods and Services Tax) Act 1999 (Cwlth) have the meaning given to them in that Act.
 - (b) Unless otherwise expressly stated, all prices or other sums payable or consideration to be provided under or in accordance with this agreement are exclusive of GST.
 - (c) You will not issue tax invoices in respect of the milk supplied to us by you pursuant to this agreement.
 - (d) Each party acknowledges that it is registered for GST as at the date of this agreement and will notify the other party if it ceases to be registered.
 - (e) If GST is imposed on any supply made in accordance with this agreement, the recipient of the taxable supply must pay the supplier an additional amount equal to the amount of GST payable for the taxable supply. Payment of the additional amount will be made at the same time as payment for the taxable supply is required to be made under this agreement.

12. Milk Supply Policy

- 12.1 You agree to be bound by and must comply at all times with the Milk Supply Policy.
- 12.2 If you don't comply with the Milk Supply Policy, including but not limited to the minimum collection requirements, we may stop collecting and purchasing your milk for up to 7 consecutive days for each instance of non-compliance. The rest of this agreement will still apply.
- 12.3 We may only change the Milk Supply Policy to the extent necessary to comply with any change in law, and we will provide you with written notice of such change. We may otherwise only change the Milk Supply Policy that applies under this agreement with your agreement.

13 Changes to your Farm Ownership or Herd

- 13.1 Subject to clause 13.2, and provided that you have paid any monies owing to us under this agreement, you may do any of the following after giving us 30 days prior written notice:
- (a) sell or transfer, offer to sell or transfer or allow to be sold or transferred, any of your dairy land and assets (excluding the milking herd) to a third party (including to any company or entity related to you);
 - (b) make any changes to your ownership structure, or to any lease agreement, share farming agreement or any other arrangement affecting your dairy land and/or assets; or

(c) reduce your milking herd by more than 10%, through sale, transfer, natural attrition or any other method.

- 13.2 If you sell or transfer your dairy land and/or dairy assets to a third party, we may require you to novate this agreement to the transferee from the date of transfer, in a form which is acceptable to us acting reasonably.

14. Failure to Supply

- 14.1 **Cost recovery:** If we terminate this agreement for your material breach, then, without limiting our other rights to claim damages, you agree to pay us an amount equal to the difference between the price that we would have paid you for your Contracted Volume and the cost to us of obtaining milk to replace your Contracted Volume for the rest of the Term, provided that we use all reasonable endeavours to procure suitable replacement milk at the lowest price available.
- 14.2 To be clear, you won't be required to pay the above cost recovery if you have complied with clause 13 or if you are exiting the dairy industry and no further dairy business is going to be conducted by any party using your dairy land or assets (see clause 15.2).

15. Terminating this Agreement

- 15.1 Either party may terminate this agreement, by written notice of the termination to the other party giving the reason for the termination and the day termination takes effect, if the other party commits a material breach of this agreement and does not remedy that breach within 30 days of being notified in writing by the other party.
- The written notice of termination must be given as soon as practicable after the terminating party terminates the agreement.
- 15.2 If you are exiting the dairy industry, you can terminate this agreement by giving us at least 30 days' prior written notice (giving the reason for the termination and the day termination takes effect) on the condition that your dairy land and assets will not be used by any other party to produce or supply milk.
- 15.3 If you materially breach the Milk Supply Policy and do not remedy that breach within 30 days of being notified in writing by BDD we may terminate this agreement on written notice to you.

- 154 For the purposes of clause 15.3, breach of the following sections of the Milk Supply Policy (being a non-exhaustive list) may constitute a material breach: Section 2. Dairy Accreditation or License; Section 14. Use of Quaternary Ammonium Compounds (QACS) or Nonyl-Phenol Ethoxylates (NPES); Section 15. Antibiotics or Other Inhibitory Substances; Section 20.2 Aflatoxin; Section 26.1 Animal Welfare Concerns; and Section 26.2.1 Notification of Disease, Death or Milk Safety Hazard.

16. Insurance, Warranties and Liability

- 16.1 **Insurance:** You must, at your cost, purchase and maintain public liability insurance for at least \$10 million per occurrence and product liability insurance for at least \$10 million in the aggregate. You must provide us with a certificate of currency for each policy upon request.
- 16.2 **Consequential loss:** Unless otherwise specified in this agreement, neither of us will be liable for any consequential or indirect losses including but not limited to loss of profit, loss of revenue, loss of goodwill, loss of reputation or opportunity or any other indirect or consequential loss.
- 16.3 **Warranties:** You warrant to us that:
- your dairy operations comply with our quality assurance program as well as all relevant laws, regulations and codes of practice 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;
 - all the milk you supply us will meet or exceed the requirements of this agreement and comply with relevant Australian laws, regulations, codes of practice and good industry practice;
 - the milk you supply is not contaminated, spoiled or tainted with other substances;
 - you own the milk at the time we collect it from you and have the right to supply it to us;
 - you hold and maintain all the necessary licences, approvals and permits for supplying your milk to us;
 - you have the power to enter into and carry out your obligations under this agreement and have arranged any authorisations necessary for you to execute this agreement; and
 - you will not harm the reputation of BDD or our brands.

17. Trustees

- 17.1 Unless you have told us that you are the trustee of a trust, you warrant that you are entering into this agreement in your own capacity and not on behalf of any other person or as trustee of a trust.
- 17.2 If you have told us you are entering into this agreement as a trustee, you are entering into this agreement on your own behalf and on behalf of the trust and you warrant to us that you:
- are 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;
 - have entered this agreement for the trust's benefit and purpose and have arranged any required approvals for the trust's property to be bound to this agreement;
 - have the power under the trust deed to enter into this agreement, to fulfil your obligations under this agreement, and to use the assets of the trust to pay any amount required in connection with this agreement; and
 - have an unrestricted right to be fully indemnified out of the assets of the trust.
- 17.3 You acknowledge and agree that we are entering into this agreement on the basis that each of the warranties in clause 17.2 is true and will remain true throughout the Term.

18. Adverse Events

- 18.1 If an event could not be foreseen or reasonably avoided by a party (a "**Force Majeure Event**"), and prevents that party from complying with an obligation under this agreement (the "**Affected Party**"), the Affected Party will:
- notify the other party of the nature of the event, and of the obligations it will be unable to perform as a result; and
 - make all reasonable efforts to remedy the cause of the Force Majeure Event as quickly as possible.
- 18.2 Once the other party has been notified, the relevant obligations under this agreement will be suspended until the Force Majeure Event ceases to apply.
- 18.3 If the effects of the Force Majeure Event continue past 90 days, and the effects are such that they would constitute a material breach of the agreement by the Affected Party, then the other party can choose to terminate the agreement by notifying the Affected Party in writing.

19. Resolving Disputes

- 19.1 If a party to this agreement has a complaint or there is a dispute in relation to a matter arising under or in connection with this agreement, the matter may be dealt with or resolved:
- in accordance with the complaint handling procedure below; or, if that fails,
 - by mediation in accordance with the procedure set out in section 48 of the Dairy Code.
- 19.2 A complaint or dispute must be dealt with in accordance with the complaint handling procedure below before the parties take action to resolve the complaint by mediation.
- 19.3 **Complaint Handling Procedure:** If a party to this agreement has a complaint (**Complainant**), the Complainant must notify the other party to the agreement (**Respondent**) in writing of the following:
- the nature of the complaint;
 - that the Complainant wants the complaint to be dealt with in accordance with the complaint handling procedure provided in this agreement; and
 - the outcome the Complainant wants, (the **Complaint Notice**).
- 19.4 If you are the Complainant, you must provide the Complaint Handling Officer with a copy of the Complaint Notice.
- 19.5 Within 5 working days after receiving the Complaint Notice, the Respondent must give a written acknowledgement to the Complainant stating:
- that the Complaint Notice has been received; and
 - the steps to be taken to deal with the complaint.
- 19.6 If the complaint is not resolved within 60 days after the acknowledgement referred to in clause 19.5 either party may take action to have the complaint resolved by mediation.
- 19.7 The Complainant may, at any time, withdraw the complaint by notice in writing to the Respondent.
- 19.8 Both parties will pay an equal share of the mediation costs and pay their own costs (including legal costs) for attending the mediation.
- 19.9 Nothing prevents either party from seeking an urgent injunction in relation to this agreement.
- 19.10 You agree to provide us with any information reasonably requested by us to assist us in complying with our dispute reporting obligations under section 56 of the Dairy Code.

20. General

- 20.1 When signing the Acceptance Form, you will provide us with the address for receiving any formal correspondence from us. All formal communications between us must be in writing.
- 20.2 Please seek independent advice if you do not understand any part of this agreement. When you sign the Acceptance Form, you confirm that you have read and understood all aspects of this agreement.
- 20.3 Unless otherwise specified, any changes to this agreement will need to be made in writing and agreed by both of us.
- 20.4 If there is a change in a Commonwealth, State or Territory law, then we may unilaterally vary this agreement:
- (a) only to the extent necessary to comply with the changed law; and
 - (b) without reducing the Minimum Price.
- We will provide you with written notice of the variation, the reason for the variation and the day the variation takes effect.
- 20.5 You need our written consent before you can subcontract your obligations under this agreement. If we provide that consent, you acknowledge that you remain liable to us for the acts and omissions of any subcontractor.
- 20.6 (a) Subject to clause 20.6(b), neither of us may assign or transfer our rights under this agreement without the written consent of the other party, which consent may only be withheld on reasonable grounds or subject to reasonable conditions, including entering into a novation or assignment agreement.
- (b) You consent to us assigning or transferring our rights and obligations under this agreement to a related body corporate as part of a corporate reorganization or to a third party who acquires all or part of our business, provided that the third party remains bound by the terms of this agreement.
- 20.7 Any confidential information of either party must not be disclosed by you or us to any other party, unless required by law or the requirements of any stock exchange. This confidentiality obligation will apply for three years after this agreement is terminated or expires. The obligation does not apply to confidential information that is in the public domain (other than as a result of a breach of this agreement). Either party may disclose confidential information to their legal and other business advisers.
- 20.8 This agreement is between us as principal and you as an independent supplier. This agreement is not a legal partnership, joint venture, agency or employment arrangement.
- 20.9 This agreement covers our entire terms and conditions and replaces any prior understandings, negotiations, representations, warranties or commitments.
- 20.10 This agreement may be executed in counterparts and by electronic signature. Each counterpart will be deemed to be an original and, when taken together, will be deemed to be the same agreement.
- 20.11 This agreement is subject to the laws and courts of the State or Territory in which your contracted dairy is located.





SCHEDULE 1 OUR MILK SUPPLY POLICY

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1. Introduction

We have a proud history of producing high quality dairy products. This has been underpinned by responsible business practice. We can only achieve these outcomes in partnership with our suppliers.

This Milk Supply Policy explains the guidelines under which contracted BDD Australia Pty Ltd (BDD) farmers supply raw milk to BDD. The milk sourcing procedures outlined in this Milk Supply Policy aim to ensure best practice food safety processes, animal welfare, OHS and environmental sustainability are upheld at all times.

Please note that during the Term this Milk Supply Policy can only change if there is a change in law, and only to the extent necessary to comply with the changed law, or otherwise with your agreement.

If you have any questions please contact your local BDD Farm Services Officer.

RESPONSIBILITY STATEMENT:

The responsibility for the initial production of quality milk rests with the dairy farmer.

2. Dairy Accreditation or License

Suppliers must be accredited or licensed by the relevant State Dairy Authority and meet all conditions specified by the accreditation or license. BDD cannot accept milk supply from unlicensed or unaccredited suppliers.

It is illegal to sell unpasteurised raw milk for human consumption.

State Dairy Authorities

State Dairy Authority	Accreditation or License	Website	Contact number
Safe Food Queensland	Accreditation	www.safefood.qld.gov.au	1800 300 815
NSW Food Authority	License	www.foodauthority.nsw.gov.au	1300 552 406
Dairy Food Safety Victoria	License	www.dairysafe.vic.gov.au	03 9810 5900
Tasmanian Dairy Industry Authority	License	www.tdia.tas.gov.au	03 6478 4100
Dairysafe (Dairy Authority of South Australia)	Accreditation	www.pir.sa.gov.au/biosecurity/food_safety/dairy	08 8223 2277
Western Australian Department of Health	Accreditation	www.health.wa.gov.au	08 9388 4958

3. Simply Perfect

Simply Perfect is the BDD farm quality assurance program. This program is approved by the relevant State Dairy Regulators as an approved Food Safety Program, which satisfies the requirements of the Australia New Zealand Food Standards Code, Standard 4.2.4 Primary Production and Processing Standard for Dairy products – this is available at www.foodstandards.gov.au.

BDD reviews this program periodically to ensure it continues to meet relevant regulatory, industry and procurement requirements.

Simply Perfect forms part of the BDD dairy farm management system and covers mandatory food safety elements, industry endorsed elements, best practice farm management and BDD expectations.

The program is set out in the Simply Perfect manual which is a document that needs to be completed and adhered to by each dairy farm business that supplies milk to BDD. The dairy farm business supplying BDD is responsible for the implementation of its completed Simply Perfect manual. However, feel free to ask for help from your BDD Farm Services Officer in completing your manual.

You will need to keep this manual updated with any changes and have it available at all times. Any changes to the program must be initiated and dated by the responsible person.

If you do not have, or you have misplaced, your Simply Perfect manual, please contact your local BDD Farm Services Officer immediately.

You must manage non-conformance issues against this program within agreed timelines and supply milk in accordance with the BDD Milk Supply Policy and your Farm Gate Agreement.

You must keep all records relating to Simply Perfect for a minimum of 6 years after your FGA ends in order to demonstrate compliance with the program and comply with regulatory obligations.

The provision of quality milk must be maintained to all standards outlined by the BDD Raw Milk Specifications (set out in section 3.1).

All efforts necessary to ensure the standards are met are the responsibility of each supplier, and must be maintained on farm including through your management of the milking herd, milking activities, milk cooling and storage processes.

The supplier is responsible for all milk until the milk enters the BDD contracted milk tanker. The supplier is responsible for milk quality and any defect in the milk that was present at the time of collection even if BDD detects the defect through subsequent analysis and evaluation.



3.1 BDD Raw Milk Specifications

Critical Performance Criteria

	TARGET	CONTROL LIMITS	TEST METHOD	MINIMUM TEST FREQUENCY
MICROBIOLOGICAL				
Aerobic Plate Count (APC) or Total Plate Count (TPC)	<10,000 cfu/mL	<50,000cfu/mL	AS 1766.2.1 or Petrifilm SM, or Bactoscan	As per BDD period
Somatic Cells	<200,000 cells/mL	<400,000 cells/mL	Fosomatic FC 5000 or appropriate IR method calibrated by AS method	Every delivery
Thermoduric bacteria	<2,000 cfu/mL	<5,000 cfu/mL	Pour Plate Method	Testing may occur every 10 day period
CHEMICAL				
Protein (True)	3.25% m/v	min 3.0% m/v	Milkoscan 4000 or appropriate IR method as calibrated by AS method	Every delivery
Milk fat	3.8% m/v	Min 3.2% m/v	Milkoscan 4000 or appropriate IR method as calibrated by AS method	Every delivery
Antibiotics	zero	zero	Any approved testing method in Australia	Every delivery
PHYSICAL				
Temperature	1–4 °C	1–5 °C	Tanker digital thermometer – Calibrated by AS method	Every delivery/Every vat
Acidity	<0.12%	< 0.15%	Titratable Acidity test method and or approved internal method (ref AS 2300)	Every delivery
Sensory and Appearance		White to cream in appearance, free from foreign matter, taints and coagulation	Smell and visual test prior to pumping from tanker	Every delivery
pH	>6.65	>6.65 and < 6.75	Approved internal pH test method	
Foreign Matter (Sediment)	Disc 1	Disc 2 minimum	Sediment Lintine disc test or approved internal method (AS 2300, 1.7-1990)	
Freezing point	-0.512 °C	<-0.517 °C	Freezing point depression test – AS 2300.2.5	
Milk supplied to BDD must also be free from: colostrum, abnormal constituents, quaternary ammonium compounds (QACS) and nonyl-phenol ethoxylates (NPES), chemical residues above maximum residue limits, oestradiol, aflatoxins or novel proteins.				

4. Farm Gate Agreement

The Farm Gate Agreement (including its schedules and this Milk Supply Policy) (FGA) sets out the terms and conditions for your supply of milk to BDD.

The FGA is a binding legal contract between you and BDD under which you agree to supply, and BDD agrees to pay for, milk produced at your dairy.

It is important for you to recognise that compliance with this Policy is a requirement of your FGA. Failure to comply with this Policy, and if this constitutes a material breach, could ultimately result in the termination of your FGA.

BDD recommends that every supplier seeks independent legal advice prior to signing the FGA.

5. Statutory Levies

Australian Dairy Produce Levy – a levy is payable on dairy produce to provide funding for marketing, research and development carried out via Dairy Australia. A further component is used to fund the Animal Health Australia (AHA) program. The Levies Revenue Service (LRS) receives the funds and forwards them to Dairy Australia and AHA, in addition to distributing the Australian Government’s matching research and development (R&D) contributions. Levies and export charges are introduced and administered by the Australian Government at the request of Industry.

For more information about Dairy Australia and the levy you can visit their website at: www.dairyaustralia.com.au or phone 1800 004 377.

State Dairy Authorities – various State Dairy Authorities can set levies or license or accreditation fees for the issue, transfer and renewal of dairy industry licenses or accreditations. The levies or fees are set in consultation with the respective state’s dairy industry.

6. Quality

High quality milk is characterised by low SCC, low TPC and low Thermophilic bacteria. BDD acknowledges that fluctuations in environment can elevate SCC, TPC and Thermophilic bacteria unexpectedly and has adopted a system of averaging and retesting to ensure that a result that is representative of the raw milk supply is used to calculate potential quality deductions.

The quality deduction structure that applies if your milk does not meet our Specification is outlined in Schedule 2 of your FGA.

All consignment milk tests can be viewed on our supplier website Milkline at www.milkline.com.au.

Milk test results will be provided in writing to your nominated email address or as a text message as soon as practicable after milk has been tested.

6.1 Average Quality Grading System

BDD utilises a **10 day average grading system** to calculate milk quality.

This will allow for the highest 10 day average result (TPC or SCC) in the accounting period to be replaced with the average of the other 10 day periods in the accounting period. Suppliers will still get a SCC result every collection and a TPC result at least once every 10 day period.

6.2 Total Plate Count (TPC)

A TPC test will be taken in every 10 day period. If a result over 10,000 occurs a sample from the following consignment will be tested (a retest) to confirm the original result. If the retest result is lower than the original, the retest result will be the official result for that period. The lower of the original result and the retest result will be used by BDD as the official result for payment purposes. Retesting of samples to assist suppliers in identifying the problem will continue until results are below 10,000. The 10 day average in the period that has the highest result will be excluded and the remaining official results will be averaged to determine the result for the excluded 10 day period.

Each 10 day period’s official TPC result will be applied to the total milk in that period for quality deduction purposes. This allows for the odd spike in TPC and assists those suppliers with management systems in place to rectify the problem.

In addition, BDD may calculate the “TPC Geometric Mean” which is an 8 week geometric mean calculation of TPC.

6.3 Somatic Cell Count (SCC) or Bulk Milk Cell Count (BMCC)

An SCC test will be taken from each consignment of milk and an official weighted average calculated for each 10 day period. The period that has the highest weighted average will be replaced with the weighted average of the lower combined 10 day period.

Each 10 day period official SCC (or BMCC) weighted average will be applied to the total milk in that period for quality deduction purposes. This allows for the odd escalation in herd BMCC and assists those suppliers with management systems in place to rectify the problem.

In addition, BDD may calculate the “BMCC Geometric Mean” which is a 13 week geometric mean calculation of BMCC.

6.4 Thermophilic Bacteria

Thermophilic bacteria are organisms that may survive pasteurisation and processing and can affect the end product by causing premature spoilage. A test for thermophilic bacteria may be conducted every 10 day period.

A target result from thermophilic testing should be under 2,000 cfu/mL for raw milk.

If a result over 2,000 cfu/mL occurs, a sample from your following consignment of milk will be tested (a retest) to confirm the original result.

If your test results are equal to or exceed 5,000 cfu/mL you will be contacted directly by your Farm Services Officer to discuss remedial action to resolve the issue. If results are 5,000 cfu/mL or above, daily testing until the results are below 5,000 cfu/mL will commence. The test turnaround time is 3 days.

6.5 Milk Statements

At the end of each month, BDD will give each supplier a written statement about their milk. The milk statement will contain a summary of the dates, volume and where applicable quality results for every collection of milk during the relevant month.



If you feel that a TPC, SCC or BMCC result is not representative, please contact your BDD Farm Services Officer.





7. Colostrum

Raw milk shall not contain any colostrum or contain high levels of immunoglobulins. Colostrum is the milk first produced from a cow after a calf is born. It is rich in fat, protein, sugars and immunoglobulins. Milk should be withheld from milk supply for at least the first 8 milkings (4 days) after calving.

8. Abnormal Constituents

Raw milk shall be free from abnormal constituents.

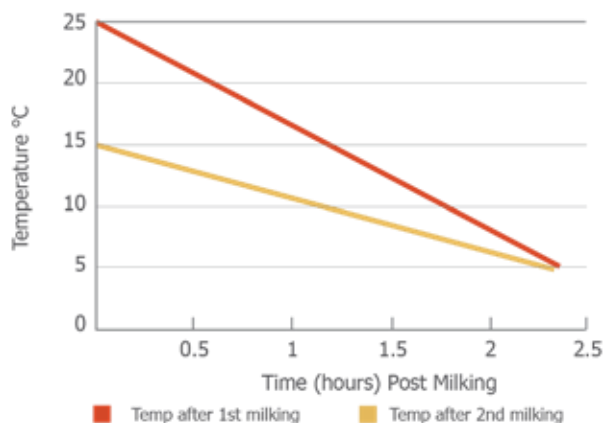
9. Temperature

Raw milk must be cooled to less than 4°C within 3.5 hours after the commencement of milking and held below 4°C. This is in line with Simply Perfect and Food Standards Australia New Zealand (FSANZ) Guidelines.

Milk may be accepted and paid for if it is supplied at higher temperatures provided the collection fits within a common milk cooling curve to ensure it meets food safety requirements prior to collection.

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

Post-milking cooling curve



10. Acidity

Raw milk must have a titratable acidity less than 0.15%. Milk more than this may have experienced refrigeration issues (sour milk).

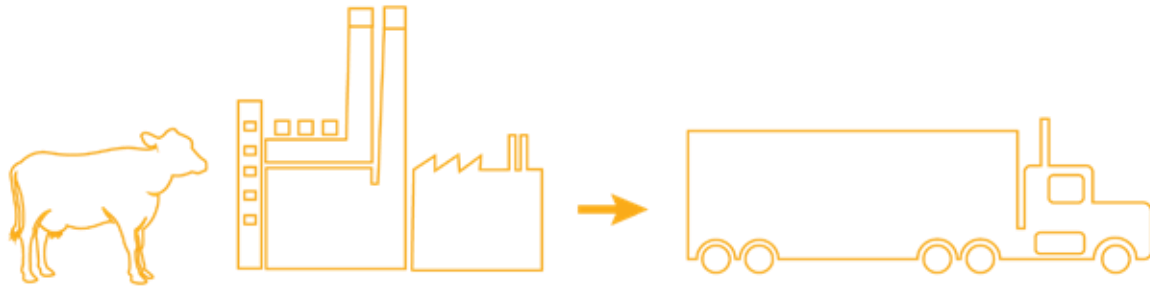
11. Freezing Point Depression (FPD)

This test is used to detect added water. Nutritional problems can cause freezing points to rise, but not generally above -0.5°C. With payments for composition, there is little incentive to add water to milk. We still test for 'added water', however, as it can occur and is a risk to overall milk quality at the factory. Suppliers will be notified of issues as they arise.

Milk that has had water added to it is considered to be adulterated in an unacceptable manner. Repeated abnormal results may lead to suspension of collection of milk from a supplier's dairy, and if this constitutes a material breach could ultimately result in termination of that supplier's FGA. Suspected suppliers may be reported to the relevant Food Authority in their state.

12. Shelf Life

Raw milk should be collected within 48 hours of the first milking.



13. Suspension Policy

In some instances it may be necessary for BDD to suspend the collection of milk from a supplier for any of the following reasons:

- BDD reasonably suspects a supplier's milk is unsafe.
- BDD (or its contracted milk collection company) identifies potential hazards on a supplier's farm which could injure BDD's employees, contractors, advisors or agents.
- BDD reasonably suspects a supplier has failed to comply with relevant obligations under federal, state or local government regulations.
- BDD reasonably suspects a supplier has failed to comply with Simply Perfect or any alternative quality assurance requirements and sufficient corrective action has not been implemented within an agreed timeframe.
- A supplier consistently fails to meet the BDD Raw Milk Specifications outlined in this Policy.
- BDD reasonably suspects a supplier has significant animal health or welfare issues concerning its milking herd.
- A supplier misleads or makes false representations to BDD concerning the milk supply relationship.
- A supplier, or its employees or contractors, engages in inappropriate behaviour towards BDD's employees, contractors, advisors or agents. Inappropriate behaviour consists of physical and verbal abuse including threats or offensive language. It is BDD's policy to provide a safe work place that provides all people associated with our business an environment that is free from inappropriate behaviour.

Each of the circumstances where BDD may suspend collection of milk from a supplier's dairy constitutes a failure to comply with this Policy, and a breach of the FGA. Repeated breaches, or breaches that are not remedied within a required timeframe may, if it constitutes a material breach, lead to the termination of the offending supplier's FGA.

13.1 Milk Solids (Fat and Protein %)

Suppliers whose milk falls below the control limits for the criteria set out in section 3.1, above, calculated based on a weighted average over a 10 day period will be called by their BDD Farm Services Officer advising the supplier that their milk quality is below the control limits. A supplier will then be asked to demonstrate what management changes they are implementing to rectify the low results.

If the supplier's milk continues to not meet the control limits during the next two 10 day periods following that warning, BDD may suspend collection of milk from that supplier until the supplier can demonstrate to BDD's reasonable satisfaction that the control limits are being met.

13.2 Somatic Cell Count (SCC)

- The maximum allowable SCC level of milk is 400,000 cells per mL. This is in line with export requirements and some of the alternate compliance arrangements in place with some State Dairy Authorities. Suppliers will receive a written notice after the first two 10 day periods above 400,000 SCC (based on a weighted average).
- Suppliers with 3 consecutive 10 day periods with official results above 400,000 may be subject to BDD's suspension policy.
- Suppliers with four 10 day periods (either individual or consecutive) with official results above 400,000 in a rolling 12 month period may also be subject to BDD's suspension policy.
- If the BMCC Geometric Mean (described in 6.3) is greater than or equal to 400,000 cells/mL for 13 consecutive weeks BDD's suspension policy may apply as this equates to the supplier consistently failing to meet the BDD Raw Milk Specifications outlined in this Policy.

13.3 Total Plate Count (TPC)

- Suppliers will receive written notice after the first two 10 day periods above 50,000 TPC.
- Suppliers with 3 consecutive 10 day periods with official results above 50,000 may be subject to BDD's suspension policy.
- If the TPC Geometric Mean (described in 6.2) is greater than or equal to 100,000 cfu/mL for 8 consecutive weeks this does not meet export requirements and BDD's suspension policy may apply as this equates to the supplier consistently failing to meet the BDD Raw Milk Specifications outlined in this Policy.





14. Use Of Quaternary Ammonium Compounds (QACS) and Nonyl-Phenol Ethoxylates (NPES)

BDD suppliers must not use sanitisers containing Quaternary Ammonium Compounds (QAC or QATs). Suppliers must also ensure that the use of teat sprays or teat dips are free from the surfactant Nonyl-phenol Ethoxylates (NPES).

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

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



14.1 Quaternary Ammonium Compounds (QACs)

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

BDD will conduct routine testing for the presence of QACs – there should be no presence of QACs on farm.

14.2 Nonyl-phenol Ethoxylates (NPES)

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

Pre-milking teat spray and teat dip are of the most concern to BDD and the Dairy Industry. As such, BDD will conduct testing for the presence of NPES.



15. Antibiotics and Other Inhibitory Substances

Raw milk supplied to BDD must be free from antibiotic substances or any other inhibitory substance.

These substances, especially antibiotics, can have extreme effects on manufacturing processes. Inhibitory substances can include antibiotics, pesticides, herbicides, detergents (especially quaternary ammonium compounds), blood and colostrum. BDD does not knowingly process milk that has been shown to be positive for inhibitory substances by any valid test.

All tanker loads of raw milk are tested using rapid testing methods on arrival at the factory. Should a positive result be detected on the tanker load, the milk is segregated while further testing is conducted. The vat sample for each supplier that supplied raw milk in the suspect tanker load is then checked for the presence of inhibitory substances and the offending supplier will be notified.

There are also regular random tests on individual supplier samples. The consequences for supplying (un-notified) contaminated milk is non-payment for that milk collection and incurring costs associated with contamination of the tanker (see section 18 on Un-Notified Incidents). Several samples may then be taken from the vat for testing prior to

resumption of collection. Positive milk tanker results are reported to the relevant State Dairy Authority and will require an on farm investigation and corrective action report. Farms with reoccurring problems may be suspended from supply until steps are in place to prove that it will not reoccur.

It is the offending supplier's responsibility to have the next consignment of milk tested before the next tanker collection. Where a supplier has tested positive for antibiotics through routine testing procedures, BDD reserves the right to have an audit conducted of the supplier's compliance with its Simply Perfect manual or the supplier's alternative quality assurance program to assist with improving the farm management system.

BDD participates in the Australian Milk Residue Analysis (AMRA) Survey. This is an independent, government-operated, chemical residue monitoring program for the Australian dairy industry. It is carried out by independent experts at our sites and other processors' sites throughout Australia. Both random and targeted milk samples are taken from bulk farm pick-up tankers for testing at Government-contracted laboratories. If a sample is confirmed as containing a residue at 50% or more of the Maximum Residue Limit (MRL), then trace-back to farm or factory of origin is initiated and if necessary trace-forward procedures are instigated. A trace-back is also initiated when a sample is reported as screen (presumptive) positive for antibiotics or aflatoxin M1.

16. Prior Notification Tests (Antibiotics, Blood in Milk, Sour Milk)

Prior notification is defined as the supplier notifying a BDD Farm Services Officer and/or the tanker driver that they have milk unsuitable for pickup at any time prior to the milk entering the milk tanker. Suppliers should always endeavour to notify their BDD Farm Services Officer or the tanker company before the tanker arrives at the farm, if they believe that the milk is unacceptable. If it is the first occasion in the current financial year, then the milk will be paid for. If you do not notify BDD Farm Services or the tanker company prior to the milk entering the tanker then it will be classified as an un-notified event. (Please refer to section 22 on the importance of having adequate farm insurance).

If the supplier suspects that they have milk unsuitable for pickup because of possible antibiotic contamination and seeks time to test their milk prior to pick up, BDD will use reasonable endeavours to allow enough time for the supplier to have the milk tested by a relevant inhibitory substances screening test before determining if they will pump the milk into the tanker or elect to incur a prior notification.

If the supplier applies for prior notification at any time, the supplier is obliged to make every effort to inform their relevant BDD Farm Services Officer and/or milk cartage contractors. The milk will not be picked up by the tanker. The supplier is expected to discard their milk according to relevant Environmental Protection Agency (EPA) guidelines.

Milk should not be picked up while milking is in progress. If a supplier applies for a prior notification and dumps their milk (according to relevant Environmental Protection Agency (EPA) guidelines), the supplier will be paid for that milk at their current milk price unless entitled prior notifications have been used. The supplier must inform relevant authorities regarding the volume of milk discarded as soon as possible.

17. Test Kits

Should an incident arise whereby accidental vat contamination may have occurred, a sample of milk must be taken to the closest test kit location for analysis – please contact your Farm Services Officer to advise BDD of possible contamination or for locations of test kits.

In-field test kit results are to be used as a guide only in assisting suppliers in their decision-making process regarding the supply of milk. It should be noted any subsequent factory tests (Delvo, Charm Rosa, Beta Star, CMT, Snap, Copan or otherwise) will override any previous test results if antibiotics are detected in the milk. These test kits are not designed for testing of individual cow milk samples and are designed for testing bulk milk samples only for inhibitory substances.

If suppliers have their own test kits, they are responsible for the maintenance, operations and results from the use of those kits.

In all circumstances, the results of testing conducted by, or on behalf of, BDD will be used as the official test results.





18. Un-Notified Incidents

If a supplier supplies milk which subsequently tests positive at the factory for antibiotics or BDD does not use the milk because it is otherwise adulterated or not fit for human consumption, the supplier will not be paid for their milk and will be responsible for the resulting losses.

For instance, if the milk is pumped into a tanker and it contaminates other suppliers' milk, the resulting loss would be the cost of the milk in the tanker including:

- The total cost of all the milk in the tanker at the current value of the milk from other suppliers (if any) that is in the tanker (less the supplier's own milk that is included in the pickup);
- Freight costs; and
- Disposal costs.

If the milk supplied is accepted as suitable for human consumption, the supplier will be paid for the milk supplied. Please note that it is BDD's policy that any milk suspected of being contaminated by antibiotics will not be accepted.

If more than one supplier with antibiotic milk has supplied milk into a tanker the supplier will not be paid for their milk and will be responsible for the costs which will be applied on a pro-rata basis to litres provided across those suppliers who supplied antibiotic milk to that tanker. Suppliers may elect to pay the costs directly, or have the amount deducted from their milk payments in equal instalments over the following 4 months.

19. Oestradiol

Since 1 January 2008 the Australian Dairy Industry has agreed to introduce a voluntary restriction on the use of oestradiol for lactating dairy cows. The voluntary restriction will still allow oestradiol to be registered and available for use in non-lactating heifers. The restriction on the use of oestradiol has been introduced for trade purposes in response to changes in EU regulations – expert World Health Organisation (WHO) and Food & Agriculture Organisation (FAO) advice indicates that food safety is not an issue. Alternative treatments are available and research is underway to provide more information about their effectiveness. Accordingly all suppliers are advised that the use of oestradiol is no longer permitted on farm except in non-lactating heifers. Please check with your local vet for advice on products that are suitable for use.

20. Animal Feedstuffs

20.1 Suitability of Feed for Animal Use

Vendor declarations must be sought for all feedstuffs as part of each supplier's Simply Perfect farm quality assurance program. The vendor declarations should identify the supplier of the feed, give a description of the stockfeed and date of supply, and should guarantee that the feedstuffs are suitable for use for dairy cows in line with current dairy industry standards including free from chemical residues and ruminant animal material (RAM).

20.2 Aflatoxins

Aflatoxin is a substance produced by fungal contamination of feeds. Dairy cows consuming aflatoxin contaminated feeds can transfer some of this toxin into milk. Aflatoxin, when consumed by humans through contaminated milk from dairy cattle that consumed contaminated feed can have adverse health effects. BDD must fully comply with all regulations relating to aflatoxins within both the domestic Australian market and within individual export markets where it sells milk and milk products.

In the event that a farm result exceeds the acceptable level for aflatoxin during routine testing of milk, the supplier shall be notified by the farm services team and assistance provided to investigate and correct the problem. Various feed stuffs such as copra meal, peanut hay, etc. have been shown to contain dangerous aflatoxin levels on occasion and must be managed on farm to reduce the possibility of contamination.

20.3 Genetically Modified Organisms (GMOs)

BDD's policy is to avoid the use of genetically engineered or genetically modified (GE/GM) materials whenever possible. In the case of milk, BDD's preference is that suppliers avoid GE/GM feed for their cows whenever possible and seek warranties (vendor declarations) at all times in regard to the GE/GM status of purchased feeds.

However, BDD recognises that there are times when feed of non-GE/GM status is either in extremely short supply or that the cost of non-GE/GM feed is prohibitive given economic realities. In such times, especially in periods of drought, BDD accepts that feed containing GE/GM may have to be used. When situations return to normal availabilities of feed, BDD expects that farmers will do all in their power to avoid the purchase of feed containing GE/GM materials.

To ensure the integrity of its products, BDD conducts tests to check that our milk products do not contain any novel proteins.

Raw milk shall not be sourced from cattle that have been genetically modified via recombinant of other direct DNA technology, including cloning and the offspring of cloned cattle, however generated.



21. Milk Collection

21.1 Minimum Volumes and Pick-Up Arrangements

In an effort to keep the cost of milk cartage at reasonable levels, the minimum volume for collection of milk, before surcharges apply, is currently set at 1,800 litres per pickup on a 'skip a day' basis. Where a supplier fails to provide that minimum volume, a surcharge will be applied on the following basis:

Litres on a skip a day basis	Minimum monthly supply (Litres)	Surcharge (per collection)
<1,500	22,500	\$40.00
Between 1,500-1,800	27,000	\$30.00

An exception may be applied at BDD's discretion to suppliers on a truly seasonal supply pattern, either at the start or end of their seasonal calving period.

Further, should a supplier's pick up volume fall below 500 litres a collection, for two consecutive collections or more, a supplier may be subject to suspension and the period of suspension will continue until such time as the supplier is able to increase production above the required 500 litres.

BDD may collect milk at any time during the 24 hours in a day. BDD and contractor milk collection companies will monitor milk volumes and reserve the right to schedule milk collection from suppliers to ensure optimal milk collection and lowest milk collection costs.

Other collection requirements include:

- Collection on a daily or skip a day basis except in emergencies or as arranged by all relevant parties;
- The tanker must empty the vat;
- No segregation of the milk is allowed on the basis of any compositional or quality parameter;
- BDD and its contractors have no obligation to collect milk more frequently than once per day. BDD will endeavour to comply with special collection requests but does not guarantee that it will be possible to do so; and
- Suppliers on exclusive supply agreements that vary milk volumes between collections of more than 20% will be monitored. If BDD reasonably believes that the discrepancy is due to dual supply by the supplier to both BDD and another person, this may constitute a material breach of the FGA which may lead to termination of that agreement.

21.2 Minimum Dairy Access Standards

In order to guarantee the safety of suppliers, drivers, animals and property and to facilitate the efficient collection of milk, BDD requires all farms to have acceptable dairy access including:

- The provision of clear, all-weather road access from the farm entrance to the dairy, suitable for a milk tanker travelling at reasonable speed;
- Keeping roads free from obstructions at all times (e.g. corrugations, potholes, trees, excessive mud, overhanging or fallen branches, buildings, vehicles, implements or livestock);
- Roads must have a clearance of 4.25 metres, with one clear metre on each side of the road, have a 200 mm crown and drainage either side of the road, be fenced off and kept clean and well maintained;
- Roads must not be used as stock tracks or holding yards;
- Effluent from roadway crossings should drain into your farm's effluent disposal system;
- No towing of trucks will be permitted under any circumstance;
- No reversing of tankers into a farm from a public road;
- No cows are permitted to walk on tanker access tracks, especially where the milk tanker stops to begin pumping. This is essential for OH&S reasons but also for Biosecurity on farm;
- No closed gates;
- The area around the milk vat and dairy room must be kept clean and clear to allow for the safe access of truck drivers;
- A sensor light must be installed to provide well lit access to the vat room; and
- All grass and undergrowth around the vat room and vat must be mowed and maintained to reduce the potential incidence of snake bite or other injury.

21.3 Rejected Milk and Disposal

BDD and its contracted milk collection companies may decide to reject a consignment of milk from a supplier in the following situations:

- If in the reasonable opinion of the grader/tanker driver the milk is contaminated, soured or otherwise unfit for human consumption;
- If a sample of the milk or a consignment of milk previously collected has been found to have quality defects that mean it does not meet BDD's quality specifications (including as set out in the Control Limits column of the table in section 3.1, or contains colostrum, abnormal constituents, quaternary ammonium compounds (QACS) and nonyl-phenol ethoxylates (NPES), chemical residues above maximum residue limits, oestradiol, aflatoxins or novel proteins), or poses a food safety risk; or
- The supplier fails to comply with the terms of this Milk Supply Policy.

If BDD rejects a consignment of milk, BDD will give the supplier written notice of the rejection including reasons for the rejection and the consequences of the rejection (including if there are any fees payable by the supplier as a result of the rejection).

The supplier is responsible for disposal of rejected milk which should comply with relevant EPA guidelines and local environmental regulations. Examples of milk disposal methods include feeding to livestock, spray irrigation and disposal in a dedicated pond or trench. Guidelines on the disposal of waste milk can be found through your State Department of Primary Industries website.

21.4 Additional Collections

There are some times of the year when milk production may exceed the supplier's storage capacity even on daily collection. Suppliers may also be unfortunate enough to have a refrigeration failure that is not immediately repairable. In these types of situations, the supplier may request one additional pickup each day. Where possible, BDD will try to assist the supplier by providing an additional daily collection. Any additional collections incur an additional fee of \$50. BDD has no obligation to collect milk more frequently than once per day. In any event, milk must meet temperature provisions as the additional collection is at the election of the supplier and not BDD, unless BDD has agreed to assist a supplier with a refrigeration problem.

Where the supplier's storage capacity exceeds the capacity and ability of BDD milk collection arrangements, additional Stop Charge, Transport Surcharge, and Minimum Collection Fees will not be charged or will be reimbursed. Also, where milk is collected more frequently than required by the supplier for the cartage contractor's or BDD's convenience, no Stop Charge, Transport Surcharge, and Minimum Collection Fees will apply for the additional collections.



21.5 Collection Volume

All milk collected on farm is measured using the industry approved flow meters fitted on the milk tanker. Flow meters are calibrated through the industry approved measures on a regular basis for volume accuracy assurance.

22. Insurance Cover

All suppliers should have adequate insurance to cover any incidences of loss of milk, or contamination or damage to other suppliers' milk in the milk tanker. Should a supplier require a letter for an insurance claim please contact your local Farm Services Officer.

BDD will not be responsible for payment of milk not collected due to:

- Adverse weather conditions;
- Where the farm has restricted access due to safety, or public health reasons – such as animal disease (botulism, foot and mouth disease, anthrax); or
- Lack of adequate access to the supplier's dairy.

23. Milk Storage and Refrigeration

Correct milk storage and refrigeration is critical in ensuring suppliers provide BDD with the highest quality milk.

Suppliers must:

- Provide and maintain milk vats and refrigeration units that are suitable for the safe and secure storage of their milk volumes;
- Ensure that their milk vats and refrigeration units comply with Australian Standard 1187:1996 "Farm milk cooling and storage systems";
- Ensure that their cooling system is capable of cooling milk to 5°C or less within three and a half hours of the commencement of milking;
- Be aware that if your milk collection temperatures exceed the guidelines contained in this Policy the grader/tanker driver may not collect the milk; and
- Check the temperature of milk left in the vat from the previous milking before you start the next milking, and check the temperature after each milking to ensure the cooling system is working effectively.



For further information on BDD milk collection tanker safety and access standards please contact your local Farm Services Officer.



For more information on milk storage and refrigeration please contact your BDD Farm Services Officer

24. (Not used)

25. Sustainability and Environment

BDD is committed to ensuring suitable environmental practices across its business activities. The Australian dairy industry faces increased environmental regulation both in domestic and international markets.

Suppliers must be aware of their obligations under federal, state and local government laws and regulations, and it is the responsibility of individual suppliers to comply with their obligations.

25.1 Dairy Effluent Management

Every supplier must ensure that their on-farm effluent systems comply with the legislative requirements applicable in their area. Suppliers need to ensure that effluent from dairy sheds and feed pads is contained within a designated effluent system within the farm boundaries and does not contaminate water sources or pastures.

26. Animal Health and Welfare

The Australian Dairy Industry has in place a National Dairy Industry Animal Welfare Strategy (NDIAWS). The NDIAWS supports the Australian Animal Welfare Strategy which was developed by the Federal Government with the vision that the welfare of all animals in Australia is promoted and protected by the adoption of sound animal welfare standards and practices.

We work closely with Dairy Australia and other industry bodies to ensure our suppliers are fully aware of any welfare issues and recommended best practice on farm. Our suppliers are expected to have on-farm animal health and welfare practices of the highest standard.

26.1 Animal Welfare Concerns

BDD has no tolerance for animal cruelty. It is each supplier's responsibility to ensure that they meet and comply with all relevant State and Federal animal welfare laws, standards and practices.

BDD may suspend the collection of milk if BDD reasonably suspects that there may be material animal health or welfare issues with respect to the supplier's milking herd or other livestock.

Good animal health and welfare is central to successful and sustainable dairy farming. Customers and consumers are increasingly interested in knowing that a high standard of animal welfare is maintained throughout the supply chain of products they purchase.

26.2 Animal Health and Welfare

BDD is committed to ensuring responsible animal welfare practices are maintained by its suppliers in accordance with the relevant laws, regulations, industry guidelines and animal welfare codes of practice, including the following:

- Calf management – calves need to be managed across the supply chain to meet agreed industry codes of practices and welfare standards. BDD has developed a calf management plan. The plan was developed to find markets for our suppliers' calves. BDD's Farm Services Officer will introduce the calf management plan to you;
- Tail docking – the Australian dairy industry does not support tail docking. BDD does not condone any tail docking. If any supplier is reported to be tail docking BDD reserves the right to suspend milk collection immediately pending an investigation, and reserves the right to cease collection on a permanent basis;
- Disbudding – disbudding of calves' horns should be practised in preference to dehorning older cattle. Disbudding is best done under the age of 8 weeks using appropriate pain relief and methods approved under industry guidelines and welfare codes of practice. Using appropriate pain relief is now mandatory since 1 July 2019;
- Lameness – farmers should seek to minimise lameness through adoption of practices for prevention, early detection and effective treatment on-farm. BDD recommends that all suppliers have a written lameness improvement plan. Examples, tools and assistance can be found on the Dairy Australia website; and
- Calving induction – BDD has a strict NO tolerance for the use of induction drugs as a management practice for regulating calving. BDD reserves the right to suspend milk collection immediately pending an investigation, and reserves the right to cease collection on a permanent basis. It is BDD's expectation that sound farm management practices will be developed and implemented on farm in order to reduce any perceived requirement for calving induction. Induction drugs should be used if required during calving to ensure the welfare of the cow and/or calf, rather than as a practice to regulate milk production. Any use of induction drugs should be done under the supervision of a vet.

26.2.1 Notification of Disease, Death or Milk Safety Hazard The safety of milk for consumers is essential. Cows must be managed in a manner that prevents the introduction of hazards to the milk. If suppliers notice unusual symptoms such as dramatic shifts in production, skin lesions, sudden deaths, downer cows, etc. they must immediately remove and isolate any suspect cows showing unusual signs or symptoms from the milking herd. It is their responsibility to contact their veterinary officer and report any incident of concern to Farm Services immediately.

Milk collection may be suspended while any investigation is ongoing if recommended by either a veterinary officer or the State Dairy Authority. Compensation for any or all of the milk dumped in such a situation is at the discretion of BDD.

Suppliers are reminded that they should have insurance to cover any milk lost in circumstances such as this. Milk will not be picked up from herds infected with notifiable diseases unless it is deemed safe by the local State Dairy Authority.

Issues that may affect our ability to pick up milk include but are not limited to:

- Pesticide and chemical poisoning
- Botulism
- Anthrax
- Foot and Mouth disease.

Vaccinations for diseases such as Botulism, Three Day Sickness, Leptospirosis, etc. are recommended as best practice in order to minimise the occurrence of such diseases on farms.

In the event that a supplier does not notify or delays notifying BDD of an incident we may cease milk collection immediately and reserves the right to cease collection on a permanent basis.

26.2.2 Enzootic Bovine Leucosis (EBL) And Bovine Johnes Disease (BJD)

Suppliers must comply with all applicable laws, regulations and mandatory codes relating to EBL and BJD.

26.2.3 Other Diseases

Raw milk must be free from Bovine Tuberculosis, Leptospirosis, Anthrax, Brucellosis and Bovine Spongiform Encephalitis (BSE).



Dairy Australia provides a number of resources for farmers on Animal Health and Welfare, visit www.dairyaustralia.com.au for more information.







27. (Not used)

28. Supplier Communications

BDD insists on honesty, integrity and fairness in all aspects of its business and expects supplier relationships to be based on mutual respect and dignity. BDD aims to promote a safe and positive working environment for all. Consequently, BDD does not tolerate behaviours from suppliers, contractors or employees which constitute intimidation, harassment or behaviour which is offensive or abusive.

The BDD Farm Services Team is available to speak with any supplier regarding our Milk Supply Policy or any other farm query. Please contact your local Farm Services Officer via phone or email if you have any query. Contact details are available on Bega's webpage.

Glossary

-  **Policy** means the requirements set out in this Milk Supply Policy.
-  **Farm Gate Agreement or FGA** means the supplier's contract to supply milk to BDD and includes this Policy.
-  **Supplier** means a person who is a contracted supplier of milk to BDD.
-  **Simply Perfect** is the BDD Farm Quality Assurance Program set out in the manual provided by BDD to you at the same time as this agreement is provided.
-  **Somatic Cell Count, otherwise referred to as SCC or Bulk Milk Cell Count or BMCC** refers to the concentration of white blood cells in the bulk milk and is quantified as cells/ml.
-  **Total Plate Count or TPC** means the concentration of viable micro-organisms in a sample such as bacteria and is measured in cfu/ml (cfu = colony forming unit).



Schedule 2 – Quality

1. Quality Requirements:

BDD's quality requirements for milk supplied under this agreement are set out in the Milk Supply Policy, including but not limited to under section 3.1 of the Milk Supply Policy.

2. Specification:

Milk supplied under this agreement must have a Total Plate Count (TPC) of less than 10,000 cfu/mL and Somatic Cell Count (SCC) of less than 200,000 cells/ml (**Specification**).

If you supply milk that does not meet the Specification, based on the testing regime set out in the Milk Supply Policy, we will make a percentage quality deduction from your monthly payment for milk as follows:

Quality Grades							
		TPC					
		<10000	10001 to 15000	15001 to 20000	20001 to 30000	30001 to 50000	>50000
SCC	<200,000	1	2	3	4	5	6
	200,001 to 250,000	2	3	3	4	5	6
	250,001 to 300,000	3	3	4	4	5	6
	300,001 to 350,000	4	4	4	5	5	6
	350,001 to 400,000	5	5	5	5	6	6
	> 400,000	6	6	6	6	6	6
% Adjustment for Quality		Grade 1	2	3	4	5	6
		0%	-1.5%	-4.5%	-6.5%	-15%	-30%

Schedule 3 – Contracted Volume

Supplier Name:	
Supplier Number:	
Region:	

Accounting Period		No. of Days in Period	Actual Volume 2020/21	Contracted Volume 2021/22
Accounting Period	Date Range			
July	1/07/2021	31/07/2021	31	
August	1/08/2021	31/08/2021	31	
September	1/09/2021	30/09/2021	30	
October	1/10/2021	31/10/2021	31	
November	1/11/2021	30/11/2021	30	
December	1/12/2021	31/12/2021	31	
January	1/01/2022	31/01/2022	31	
February	1/02/2022	28/02/2022	28	
March	1/03/2022	31/03/2022	31	
April	1/04/2022	30/04/2022	30	
May	1/05/2022	31/05/2022	31	
June	1/06/2022	30/06/2022	30	
July	1/07/2022	31/07/2022	31	
August	1/08/2022	31/08/2022	31	
Total:				

Name of Signatory:	
Signature:	
Date:	

Schedule 4 – Milk Pricing and Fees - Non-Exclusive Agreement

State:	South Australia
Region:	South Australia Central: For dairy farms located within a collection area within the following borders and the Adelaide coastline: a straight line (West to East) from the coast to a location 25 km north of our Salisbury site (at 167 Cross Keys Rd, Salisbury South); a line from the point which is 25 km north of our Salisbury site to Swan Reach, a line from Swan Reach down to Coonalpyn, a line from Coonalpyn across to Meningie, then a line from Meningie to Cape Jervis.

1. Minimum Price

- (a) BDD will pay you a Minimum Price based on the amount of butterfat and protein contained in your milk, described as Component Pricing in the table below.
- (b) At the end of each month BDD will calculate the total kg of butterfat and total kg of protein contained in the milk you supplied for that month, and multiply this by the Component Pricing for that month as set out in the table below.
- (c) **Pricing in July & August 2022:** If BDD publicly announces a higher minimum price for the months of July and August 2022 in your state and region (under new non-exclusive farm gate agreements commencing FY22/23) compared to the Minimum Price for July 2022 and August 2022 under this agreement, BDD may (with your agreement) increase your Minimum Price under this agreement for July and August 2022 to reflect that higher price.
- (d) If we decide to increase the Minimum Price in July and August 2022, and you wish to accept BDD's increase to the Minimum Price, the Dairy Code requires that you either agree in writing, or you can agree verbally if you also give BDD a written acknowledgement that BDD's record of your verbal agreement is complete and accurate.

Month:		July '21	Aug	Sep	Oct	Nov	Dec	Jan '22	Feb	Mar	Apr	May	June	July	Aug
MINIMUM PRICE:															
COMPONENT PRICING	\$/kg Butterfat	5.60	5.42	5.00	5.00	5.00	5.32	5.98	5.98	6.24	6.20	5.92	5.84	5.60	5.42
	\$/kg Protein	8.41	8.14	7.51	7.51	7.51	7.99	8.98	8.98	9.37	9.31	8.89	8.77	8.41	8.14

The above Minimum Prices apply to milk supplied in accordance with BDD's Specification (namely TPC <10,000 cfu/ml and SCC <200,000 cell/ml). Refer to Schedule 2 for more information.

2. Additions to Minimum Price:

- (a) **Production Incentive:** BDD will pay the following cents per litre (cpl) Production Incentive in addition to the Minimum Price in your monthly milk payment, based on your annual Forecasted Volume. If your monthly actual volumes fall below your monthly Forecasted Volume we may apply the lower cpl rate.

Production Incentive	
Annual Volume (Litres)	rate (cpl)
up to 1,000,000	0.00
1,000,001 to 2,000,000	0.50
2,000,001 to 3,000,000	1.00
3,000,001 to 5,000,000	1.50
5,000,001 to 7,000,000	2.00
7,000,001 to 10,000,000	2.50
over 10,000,001	3.00

- (b) **Logistics Incentive** - BDD will pay you a 1.5 cents per litre (cpl) Logistics Incentive in addition to the Minimum Price in your monthly milk payment, based on the number of litres of milk you supply us in accordance with this agreement.

2A. Other:

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

3. Fees:

The following fees apply for the service of collecting your milk, subject to the exceptions in section 21.4 of the Milk Supply Policy:

Fee	Rate
Stop Charge	A \$10 fee applies every time our contracted tanker stops at your dairy to collect milk.
Transport Surcharge	If BDD agrees to a request by you for multiple pick-ups per day, we may charge a \$50 fee for each collection after the first pick-up.
Minimum Collection Fee	If you don't meet BDD's minimum collection volume and you supply: <ul style="list-style-type: none">- between 1,500 and 1,800 litres, a \$30 fee will apply per collection.- less than 1,500 litres, a \$40 fee will apply per collection. (See section 21.1 of the Milk Supply Policy for more details on BDD's minimum collection volume.)

4. Justification for Minimum Price:

Minimum Price: BDD's Minimum Prices specified in this agreement 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 BDD, Bega Cheese Limited and Tatura Milk Industries Pty Ltd)

Once determined, BDD's Minimum Prices are then transposed into BDD's payment system for the relevant supply region.

ACCEPTANCE FORM – NON-EXCLUSIVE SUPPLY

Agreement to supply milk to BDD Australia Pty Ltd on a non-exclusive basis

TERM OF THIS AGREEMENT:

Start Date:	1 July 2021, or if you start supplying us under this agreement after that date, the date on which we first pick up your milk under this agreement.
End Date:	31 August 2022

SUPPLIER DETAILS:

Supplier Name:	
Supplier Number:	
ACN:	
ABN:	
Ph:	
Mobile:	
Email:	
Name of main contact:	
2nd contact:	
Address for documents:	
Address for milk collection: <small>(Please note: this must be the address that you operate your dairy business from)</small>	

YOUR BANKING DETAILS

Account Name:	
BSB Number:	
Account number:	

ACCEPTANCE FORM – NON-EXCLUSIVE SUPPLY Cont...

QA PROGRAM

Name of current QA program: Simply Perfect (unless otherwise approved by BDD)	
Date of last audit:	

YOUR SIGNATURE

Signed for and on behalf of the Supplier, or by an authorised representative(s) of the Supplier: (By signing below, you warrant that you have the authority to bind the Supplier)

Your signature:	
Your full name:	
Date:	

Optional – if you require a second signatory, please use this signing block below as well.

Your signature:	
Your full name:	
Date:	

BDD SIGNATURE

Signed for and on behalf of BDD Australia Pty Ltd ABN 68 083 019 390:

Name of Signatory:	
Signature:	
Date:	

