

Tatura Milk Industries Pty Ltd
a subsidiary of Bega Cheese Limited

Milk Supply Agreement

PARTIES

Tatura:

Tatura Milk Industries Pty Ltd ABN 66 006 603 970

Supplier/Tatura 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 DETAILS 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)	1 July 2021, or if the Supplier starts supplying Tatura under this Agreement after that date, the date on which Tatura first picks-up the Supplier's Milk under this Agreement.																																																																																																							
3.	Expiry Date: (Section 1.2)	30 June 2022																																																																																																							
4.	Relevant Percentage: (Section 2.1)	<p>Is there a Sharefarmer Supplier? If yes, complete the Relevant Percentages of the Tatura Supplier and the Sharefarmer Supplier below:</p> <p>Tatura 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;">Monthly Minimum Prices (exclusive of GST)</p> <table border="1"> <thead> <tr> <th rowspan="3">Month</th> <th colspan="2">MPS 1</th> <th colspan="2">MPS 9/3 (1:2)</th> <th colspan="2">MPS 9/3 (1:1)</th> </tr> <tr> <th>\$ per Kg</th> <th>\$ per Kg</th> <th>\$ per Kg</th> <th>\$ per Kg</th> <th>\$ per Kg</th> <th>\$ per Kg</th> </tr> <tr> <th>Butterfat</th> <th>Protein</th> <th>Butterfat</th> <th>Protein</th> <th>Butterfat</th> <th>Protein</th> </tr> </thead> <tbody> <tr> <td>July 2021</td> <td>4.83</td> <td>9.66</td> <td>4.67</td> <td>9.34</td> <td>6.74</td> <td>6.74</td> </tr> <tr> <td>August 2021</td> <td>4.70</td> <td>9.40</td> <td>4.67</td> <td>9.34</td> <td>6.74</td> <td>6.74</td> </tr> <tr> <td>September 2021</td> <td>3.92</td> <td>7.84</td> <td>4.32</td> <td>8.64</td> <td>6.24</td> <td>6.24</td> </tr> <tr> <td>October 2021</td> <td>3.92</td> <td>7.84</td> <td>4.32</td> <td>8.64</td> <td>6.24</td> <td>6.24</td> </tr> <tr> <td>November 2021</td> <td>3.92</td> <td>7.84</td> <td>4.32</td> <td>8.64</td> <td>6.24</td> <td>6.24</td> </tr> <tr> <td>December 2021</td> <td>4.00</td> <td>8.00</td> <td>4.67</td> <td>9.34</td> <td>6.74</td> <td>6.74</td> </tr> <tr> <td>January 2022</td> <td>4.23</td> <td>8.46</td> <td>4.67</td> <td>9.34</td> <td>6.74</td> <td>6.74</td> </tr> <tr> <td>February 2022</td> <td>4.44</td> <td>8.88</td> <td>4.67</td> <td>9.34</td> <td>6.74</td> <td>6.74</td> </tr> <tr> <td>March 2022</td> <td>4.70</td> <td>9.40</td> <td>4.67</td> <td>9.34</td> <td>6.74</td> <td>6.74</td> </tr> <tr> <td>April 2022</td> <td>4.89</td> <td>9.78</td> <td>4.67</td> <td>9.34</td> <td>6.74</td> <td>6.74</td> </tr> <tr> <td>May 2022</td> <td>4.89</td> <td>9.78</td> <td>4.67</td> <td>9.34</td> <td>6.74</td> <td>6.74</td> </tr> <tr> <td>June 2022</td> <td>5.03</td> <td>10.06</td> <td>4.67</td> <td>9.34</td> <td>6.74</td> <td>6.74</td> </tr> </tbody> </table>	Month	MPS 1		MPS 9/3 (1:2)		MPS 9/3 (1:1)		\$ per Kg	\$ per Kg	\$ per Kg	\$ per Kg	\$ per Kg	\$ per Kg	Butterfat	Protein	Butterfat	Protein	Butterfat	Protein	July 2021	4.83	9.66	4.67	9.34	6.74	6.74	August 2021	4.70	9.40	4.67	9.34	6.74	6.74	September 2021	3.92	7.84	4.32	8.64	6.24	6.24	October 2021	3.92	7.84	4.32	8.64	6.24	6.24	November 2021	3.92	7.84	4.32	8.64	6.24	6.24	December 2021	4.00	8.00	4.67	9.34	6.74	6.74	January 2022	4.23	8.46	4.67	9.34	6.74	6.74	February 2022	4.44	8.88	4.67	9.34	6.74	6.74	March 2022	4.70	9.40	4.67	9.34	6.74	6.74	April 2022	4.89	9.78	4.67	9.34	6.74	6.74	May 2022	4.89	9.78	4.67	9.34	6.74	6.74	June 2022	5.03	10.06	4.67	9.34	6.74	6.74
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7.	Productivity Incentive rates if the Supplier elects to be paid under MPS 1: (Section 2.5)	<p style="text-align: center;">Productivity Incentive rates (exclusive of GST)</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th rowspan="2" style="text-align: center;">Milk Solids in kilograms (Kg) in Fresh Milk and Grade 2 Milk accepted by Tatura during a month</th> <th colspan="2" style="text-align: center;">\$ per Kg</th> </tr> <tr> <th style="text-align: center;">Butterfat</th> <th style="text-align: center;">Protein</th> </tr> </thead> <tbody> <tr><td>0 – 1500</td><td style="text-align: center;">0.018</td><td style="text-align: center;">0.036</td></tr> <tr><td>1501 – 2500</td><td style="text-align: center;">0.030</td><td style="text-align: center;">0.060</td></tr> <tr><td>2501 – 3500</td><td style="text-align: center;">0.045</td><td style="text-align: center;">0.090</td></tr> <tr><td>3501 – 5500</td><td style="text-align: center;">0.060</td><td style="text-align: center;">0.120</td></tr> <tr><td>5501 – 7500</td><td style="text-align: center;">0.090</td><td style="text-align: center;">0.180</td></tr> <tr><td>7501 – 10,000</td><td style="text-align: center;">0.125</td><td style="text-align: center;">0.250</td></tr> <tr><td>10,001 – 12,500</td><td style="text-align: center;">0.165</td><td style="text-align: center;">0.330</td></tr> <tr><td>12,501 – 15,000</td><td style="text-align: center;">0.205</td><td style="text-align: center;">0.410</td></tr> <tr><td>15,001 – 17,500</td><td style="text-align: center;">0.245</td><td style="text-align: center;">0.490</td></tr> <tr><td>17,501 – 20,000</td><td style="text-align: center;">0.280</td><td style="text-align: center;">0.560</td></tr> <tr><td>20,001 – 25,000</td><td style="text-align: center;">0.300</td><td style="text-align: center;">0.600</td></tr> <tr><td>25,001 – 30,000</td><td style="text-align: center;">0.320</td><td style="text-align: center;">0.640</td></tr> <tr><td>30,001 – 40,000</td><td style="text-align: center;">0.345</td><td style="text-align: center;">0.690</td></tr> <tr><td>40,001 – 50,000</td><td style="text-align: center;">0.375</td><td style="text-align: center;">0.750</td></tr> <tr><td>50,001 – 60,000</td><td style="text-align: center;">0.410</td><td style="text-align: center;">0.820</td></tr> <tr><td>60,001 – 70,000</td><td style="text-align: center;">0.430</td><td style="text-align: center;">0.860</td></tr> <tr><td>70,001 – 80,000</td><td style="text-align: center;">0.440</td><td style="text-align: center;">0.880</td></tr> <tr><td>80,001 – 100,000</td><td style="text-align: center;">0.445</td><td style="text-align: center;">0.890</td></tr> <tr><td>Greater than 100,000</td><td style="text-align: center;">0.450</td><td style="text-align: center;">0.900</td></tr> </tbody> </table>	Milk Solids in kilograms (Kg) in Fresh Milk and Grade 2 Milk accepted by Tatura during a 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.	New Milk Incentive rate: (Section 2.6)	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 Tatura during the relevant month over and above the New Milk Baseline.																																																														
9.	New Milk Baseline for each month for new suppliers: (Section 2.6)	<p>Is the Supplier a new supplier to Tatura? If yes, complete the baseline details below:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Baseline Month</th> <th style="text-align: center;">Butterfat (Kgs)</th> <th style="text-align: center;">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> <tr><td>November 2020</td><td></td><td></td></tr> <tr><td>December 2020</td><td></td><td></td></tr> <tr><td>January 2021</td><td></td><td></td></tr> <tr><td>February 2021</td><td></td><td></td></tr> <tr><td>March 2021</td><td></td><td></td></tr> <tr><td>April 2021</td><td></td><td></td></tr> <tr><td>May 2021</td><td></td><td></td></tr> <tr><td>June 2021</td><td></td><td></td></tr> </tbody> </table>	Baseline Month	Butterfat (Kgs)	Protein (Kgs)	July 2020			August 2020			September 2020			October 2020			November 2020			December 2020			January 2021			February 2021			March 2021			April 2021			May 2021			June 2021																									
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10.	<p>Growth Incentive rate: (Section 2.7)</p>	<p>The Growth Incentive rate is:</p> <ul style="list-style-type: none"> • \$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 • \$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. <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 Tatura from the Supplier during the Growth Incentive Period.</p> <p>Example of Application</p> <p>For example, if:</p> <ul style="list-style-type: none"> • the Growth Incentive Baseline for a supplier is 60,000 Kg butterfat and 40,000 Kg protein; and • at the end of the Growth Incentive Period, Tatura has accepted 78,000 Kg butterfat and 52,000 Kg protein from that supplier, <p>then Tatura will pay that supplier a Growth Incentive of:</p> <ol style="list-style-type: none"> (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 (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 (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 (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, <p>being a total Growth Incentive of \$22,687.56.</p> <p>Note: If the Supplier commences supplying Tatura part way through a Financial Year, then the Growth Incentive will be calculated based on:</p> <ul style="list-style-type: none"> • the Supplier's Prior Deemed Milk Supply as set out in Item 13 of the Details; and • the Fresh Milk and Grade 2 Milk accepted by Tatura during the Term, <p>(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 supplied to Tatura.</p> <p>If, in the example above:</p> <ul style="list-style-type: none"> • 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 2021 and ending on the day prior to the Commencement Date; and • 50,000 Kg butterfat and 30,000 Kg protein was contained in the Fresh Milk and Grade 2 Milk accepted by Tatura during the Term, <p>then, the Supplier will be paid:</p> <ul style="list-style-type: none"> • 64.10% of the \$9,723.24 (being the total incentive calculated in the above example on the growth in butterfat); and • 57.69% of the \$12,964.32 (being the total incentive calculated in the above example on the growth in protein), <p>being, a total Growth Incentive of \$13,712.</p>
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11.	Growth Incentive Baseline for new suppliers: (Section 2.7)	<p>Is the Supplier a new supplier to Tatura? If yes, complete the baseline details agreed between the parties below:</p> <table border="1" data-bbox="557 237 1356 456"> <thead> <tr> <th data-bbox="557 237 922 304">Financial Year</th> <th data-bbox="922 237 1129 304">Total Butterfat (Kgs)</th> <th data-bbox="1129 237 1356 304">Total Protein (Kgs)</th> </tr> </thead> <tbody> <tr> <td data-bbox="557 304 922 349">1 July 2019 to 30 June 2020</td> <td data-bbox="922 304 1129 349"></td> <td data-bbox="1129 304 1356 349"></td> </tr> <tr> <td data-bbox="557 349 922 394">1 July 2020 to 30 June 2021</td> <td data-bbox="922 349 1129 394"></td> <td data-bbox="1129 349 1356 394"></td> </tr> <tr> <td data-bbox="557 394 922 456">Growth Incentive Baseline (average previous 2 years)</td> <td data-bbox="922 394 1129 456"></td> <td data-bbox="1129 394 1356 456"></td> </tr> </tbody> </table>	Financial Year	Total Butterfat (Kgs)	Total Protein (Kgs)	1 July 2019 to 30 June 2020			1 July 2020 to 30 June 2021			Growth Incentive Baseline (average previous 2 years)		
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12.	Fees for Services: (Section 2.8)	<p>The Fees for Services provided by Tatura 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 Tatura 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 on the day prior to the Commencement Date is agreed to be the amount set out in the table below (Prior Deemed Milk Supply):</p> <table border="1" data-bbox="557 824 1356 958"> <thead> <tr> <th data-bbox="557 824 922 891">Financial Year</th> <th data-bbox="922 824 1129 891">Total Butterfat (Kgs)</th> <th data-bbox="1129 824 1356 891">Total Protein (Kgs)</th> </tr> </thead> <tbody> <tr> <td data-bbox="557 891 922 958">1 July 2021 to the day prior to the Commencement Date</td> <td data-bbox="922 891 1129 958"></td> <td data-bbox="1129 891 1356 958"></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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Tatura accepts the offer of the **Tatura Supplier** and, if applicable, the **Sharefarmer Supplier**, to supply Milk to Tatura on the terms of this Agreement.

<p>Signed for and on behalf of the Tatura Supplier by the Tatura Supplier or an authorised representative:</p>	<p>..... (Signature)</p> <p>..... (Name)</p> <p>..... (Position)</p> <p>..... (Date)</p>
<p>Signed for and on behalf of the Sharefarmer Supplier by the Sharefarmer Supplier or an authorised representative:</p>	<p>..... (Signature)</p> <p>..... (Name)</p> <p>..... (Position)</p> <p>..... (Date)</p>
<p>Signed for and on behalf of Tatura Milk Industries Pty Ltd ABN 66 006 603 970 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 Tatura, and Tatura 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 Tatura. If there is a Sharefarmer Supplier under this Agreement, both the Tatura 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, Tatura will pay the Supplier the Monthly Minimum Prices set out in **Item 6** of the Details for Fresh Milk supplied to Tatura, based on the Milk Solids of that Milk. If there is a Sharefarmer Supplier, payments to the Tatura Supplier and the Sharefarmer Supplier will be made in accordance with the Relevant Percentage for each.

2.2 Monthly Minimum Price Justification

Tatura'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 Cheese Limited, Tatura and Bega Dairy and Drinks Pty Ltd).

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

2.3 Payment Systems

Subject to clause 2.3A below, 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 Tatura 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 Tatura, Tatura will use the payment system selected by the Tatura Supplier during the 2020/2021 Financial Year (**Applicable Pay Rate**).

2.3A If the Supplier supplied Tatura under a previous agreement that ends part way through the 2021/2022 Financial Year and then starts supplying Tatura 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. Tatura 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, Tatura 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 Tatura to the Monthly Minimum Prices in accordance with sections 2.5, 2.6 and 2.7.

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

MONTHLY MINIMUM PRICES		MINUS		PLUS		SUPPLIER RETURNS FOR THE TERM (exclusive of GST)
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	=	
MILK QUANTITY (Kg butterfat and Kg protein for a month)						

If there is a Sharefarmer Supplier under this Agreement, Tatura will pay the Tatura 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, Tatura will pay the Supplier the Productivity Incentive. If there is a Sharefarmer Supplier, Tatura will pay the Tatura Supplier and the Sharefarmer Supplier their Relevant Percentage of the Productivity Incentive.

The Productivity Incentive will be paid at the relevant rate for the amount of Milk Solids in Fresh Milk and Grade 2 Milk accepted by Tatura during each month of the Term. The rates for the Productivity Incentive are set out in **Item 7** of the Details.

If there is more than one Farm listed in **Item 1** of the Details, Tatura will group all those Farms together for the purposes of calculating the Productivity Incentive.

2.6 New Milk Incentive

If the Supplier is able to increase either or both of their Milk Solids in Milk accepted by Tatura during any month in the Term compared to the Milk Solids accepted by Tatura during the same 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 at the same time as 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 Tatura during each month of the Term over and above the New Milk Baseline.

If the Supplier is a new supplier to Tatura, the New Milk Baseline applicable is set out in **Item 9** of the Details and is based on the evidence provided by the Supplier to Tatura 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, Tatura 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 Fresh Milk or Grade 2 Milk 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 in Fresh Milk or Grade 2 Milk which are accepted by Tatura 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 Incentive Baseline**). If the Supplier is a new supplier to Tatura, the Growth Incentive Baseline is set out in **Item 11** of the Details and, if the Supplier commences supplying Tatura part way through a Financial Year, then Growth Incentive will be calculated based on:

- the Supplier's Prior Deemed Milk Supply as set out in **Item 13** of the Details; and
- Fresh Milk and Grade 2 Milk accepted by Tatura 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 Tatura 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, Tatura 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 Tatura 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 Tatura 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 Tatura will provide various services to the Supplier during the Term and that Tatura will deduct Fees for Services from the Monthly Minimum Prices payable to the Supplier for Milk supplied to Tatura.

In particular, Tatura will charge the Supplier Stop Fees, being fees charged by Tatura 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 Tatura if one or more of the Farms have sufficient capacity for Tatura to collect Milk on skip-a-day basis. If the Supplier has notified Tatura that a Farm has capacity for skip-a-day collection, but Tatura 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, Tatura 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 Tatura to deduct these Industry Fees from amounts otherwise payable to the Supplier under this Agreement as soon as reasonably practicable after Tatura 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 Tatura during the Term, Tatura 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

Tatura will review milk prices throughout the Term. Where market conditions are conducive to a price increase, Tatura 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 Tatura during a period of the Term prior to Tatura'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 Tatura during a period of the Term after Tatura's announcement.

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

(b) Milk Price Decreases

Tatura will not retrospectively reduce the minimum milk price during the Term. Only in exceptional circumstances will Tatura 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 Tatura or any other processor.

In the event that Tatura decides to decrease future milk prices as permitted by the Mandatory Dairy Code, Tatura 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 Tatura Supplier and the Sharefarmer Supplier must exercise their rights under this section acting jointly.

3. Payment

3.1 Monthly Payments

Tatura will pay the Supplier monthly during the Term.

3.2 Payment Method

Tatura 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 month on or before the 15th day of the following month, except 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 Tatura until after the completion of the 14 day cooling off period set out in section 1.3.

3.3 Pay Statements

Tatura will provide the Supplier with a Pay Statement for each month. The Pay Statement will consist of:

- (a) a Recipient Created Tax Invoice for Milk supplied in the month which also details the Fees for Services, and the Industry Fees for the month;
- (b) where applicable, a Recipient Created Tax Invoice for the reimbursement of any expenses incurred by the Supplier which Tatura has agreed to pay; and
- (c) a Year to date Management Report including prior year comparison.

The Tatura Supplier and, if applicable, the Sharefarmer Supplier must notify Tatura prior to the end of any 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

Tatura 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 Tatura 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 Tatura when the Milk enters the tanker of Tatura's contractor.

4.3 Minimum Volumes

Tatura 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 Tatura.

4.4 Notification to Tatura of Power Outages

If the Supplier gives Tatura reasonable notice that a Farm's dairy will suffer a power outage, Tatura 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 Tatura staff and Tatura's contracted tanker drivers while they are on the Farms;
- (c) provide safe and suitable access to allow an easy entrance and exit for Tatura'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 Tatura and arranging for a sample to be tested by Tatura. If the sample tested breaches the relevant Quality Standard:

- (a) Tatura 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) Tatura 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) Tatura rejecting the relevant Milk (in which case Tatura 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; or
- (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,

Tatura 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 Tatura 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, Tatura will not pay for the Milk.

6.5 Notification of Breach of Quality Standards

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

- (a) **Tatura Production Statement** – Tatura will provide a summary of the previous Quality Assessment Period to the Supplier indicating the Tatura quality summary position for payment;
- (b) **SMS** – Tatura 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 volume information and quality results on the “Farmweb” page as soon as they are available. Access to the web page is via the link on the Tatura Home Page (at www.tatura.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 Tatura 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 Tatura and paid for by Tatura, as deemed reasonably necessary by Tatura 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 Tatura 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 Tatura.

The suspension will remain in place until the non-conformance has been rectified and confirmed by the State Food Authority auditor or Tatura auditor (or both). Tatura 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 Tatura 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, Tatura 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 Tatura, effective 30 days after repayment to Tatura of any amounts the Supplier owes Tatura or in circumstances permitted by the Mandatory Dairy Code.
- (b) Either Tatura 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 Tatura 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 Tatura 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. Tatura 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**

Tatura 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**). Tatura prohibits all forms of bribery and requires all employees, agents, consultants, contractors and other parties acting on behalf of Tatura 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**

Tatura may set off any amounts due to the Tatura Supplier under this Agreement against any amounts due by the Tatura Supplier to Tatura under this Agreement. Tatura may set off any amounts due to the Sharefarmer Supplier under this Agreement against any amounts due by the Sharefarmer Supplier to Tatura 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. Tatura is not required to perform its obligations in this Agreement during the time Tatura may be prevented from doing so by force majeure events such as damage to or destruction of Tatura's plant or manufacturing difficulties which are beyond the reasonable control of Tatura (**Force Majeure Events**). In the event that Tatura is prevented from collecting the Milk of the Supplier due to a Force Majeure Event, Tatura may in its absolute discretion, make arrangements for the Supplier to be credited with the Milk in the vat and Tatura will pay for that Milk at the applicable Monthly Minimum Price.

7.10 Use of Information and Privacy

Tatura 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 Tatura 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) Tatura'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 Tatura 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 Tatura 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 Tatura 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 Tatura 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 Tatura 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.

DFSV means Dairy Food Safety Victoria.

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 and 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.

Grade 2 Milk means Milk which meets the Grade 2 Specification requirements set out in column D of the Quality Table.

Grade 2 Milk Deduction means a deduction from the applicable Monthly Minimum Prices of \$0.10 per Kg butterfat and \$0.20 per Kg protein.

Grade 3 Milk means Milk which meets the Grade 3 Specification set out in column E of the Quality Table.

Grade 3 Milk % means the percentage specified in the Grade Percentages Table for Grade 3 Milk for the month in which the relevant test is undertaken.

Grade 4 Milk means Milk which meets the Grade 4 Specification set out in column F of the Quality Table.

Grade 4 Milk % means the percentage specified in the Grade Percentages Table for Grade 4 Milk for the month in which the relevant test is undertaken.

Graded means Milk that is either Grade 3 Milk or Grade 4 Milk.

Grade Percentages Table means the table in Part 3 of Appendix 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 month.

Monthly Minimum Prices means the prices to be paid each month by Tatura 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.

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 ten day period during each month where Milk is assessed to determine if it meets the Quality Standards. There are three quality assessment periods per month. For non-30 days months, the final ten day period is adjusted (e.g. a 31 day month will have an 11 day period as the last quality assessment period for the month and a 28 day month will have an 8 day period as the last quality assessment period of the month).

Quality Deductions means those fees that Tatura 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 Tatura 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 Tatura under this Agreement to each of the Tatura Supplier and the Sharefarmer Supplier as set out in **Item 4** of the Details.

Resupply Procedure means the resupply procedure set out in Part 4 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 Tatura 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 Tatura under this Agreement, being the Tatura 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 Tatura during the Term, being Milk that complies with the Fresh Specification requirements 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 Tatura 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 for being “Fresh” in terms of quality 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° C within 2 hours and 21 minutes from the end of milking.
- (d) If Milk does not comply with the specifications for being “Fresh” in terms of quality as summarised in column C, the Milk may still be accepted by Tatura but Tatura will be entitled to deduct:
 - (i) the Grade 2 Milk Deduction from the Monthly Minimum Prices for that Milk if it meets Grade 2 Specification as specified in column D; or
 - (ii) the amount set out in column G which will depend on whether the Milk has met the specifications for Grade 3 Milk set out in column E or the specifications for Grade 4 Milk set out in column F.
- (e) Tatura 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 a Quality Standard, Tatura will:
 - (i) refuse to pay for the Milk if that is the consequence set out in column G or column I;
 - (ii) deduct the Grade 2 Milk Deduction from the applicable Monthly Minimum Price if the Milk meets the Grade 2 Specification as specified in column D;
 - (iii) deduct the amount set out in column G from the applicable Monthly Minimum Price if the Milk is Grade 3 Milk or Grade 4 Milk; and
 - (iv) 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"> - 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.
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"> - Tatura may decide to collect Milk prior to 2 hours 21 minutes after milking at temperatures greater than 5° C. - Tatura uses the industry standard EMCI for undertaking food safety risk assessments on all Milk temperatures greater than 5°C. - If such Milk is not within the Milk Cooling Envelope of the EMCI, Tatura may reject the Milk and the Dumping Policy will apply.
Antibiotics / Inhibitory Substances	Randomly once a month and after any positive tanker results	Zero	Presence of antibiotics/ inhibitory substances	N/A	N/A	Grade 2 Milk Deduction x Grade 4 Milk %, but if the Supplier has self-reported the suspected breach then the Quality Deduction applied will be in accordance	Per Quality Assessment Period	<ul style="list-style-type: none"> - The deduction in column G will be made from Monthly Minimum Prices for Milk which does not meet the Fresh Specification. - Milk collection will cease immediately and the relevant Resupply Procedure must be followed. - A Quality Review will be undertaken if there is a positive result.

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
						with Dumping Policy		- Results will be reported to DFSV.
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 = Grade 2 Milk Deduction Grade 3 Milk = Grade 2 Milk Deduction x Grade 3 Milk % Grade 4 Milk = Grade 2 Milk Deduction x Grade 4 Milk %	For the first six times Milk is Graded each Financial Year, the relevant deduction is made for one day in the Quality Assessment Period If Milk is Graded seven or more times per Financial Year, the relevant deduction is made for all days in the Quality Assessment Period	- A deduction in column G will be made from Monthly Minimum Prices for Milk applied to the volume weighted average result for the number of days in the Quality Assessment Period.
BMCC Geometric Mean	13 Week Geometric Mean	<400,000 c/mL	N/A	N/A	N/A	N/A	N/A	- 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.
TPC (Bactoscan)	Once per Quality	<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 = Grade 2 Milk Deduction	For the first six times Milk is Graded each Financial Year,	- Grade 2 Milk is retested in two days. - Daily testing commences for Grade 3 and Grade 4 Milk and

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
	Assessment Period					Grade 3 Milk = Grade 2 Milk Deduction x Grade 3 Milk % Grade 4 Milk = Grade 2 Milk Deduction x Grade 4 Milk %	the relevant deduction is made for one day in the Quality Deduction Period. If Milk is Graded seven or more times per Financial Year, the relevant deduction is made for all days in the Quality Assessment Period.	continues until results are below 50,000 cfu/mL. - Milk results will be averaged to determine the result for the Quality Assessment Period. - Milk $\geq 100,000$ cfu/mL indicates Poor Quality Milk and collections will be suspended. - TPC Resupply Procedure applies.
TPC Geometric Mean	8 Week Geometric Mean	$< 100,000$ cfu/mL	N/A	N/A	N/A	N/A	N/A	- TPC Geometric Mean $\geq 100,000$ 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	$\geq 2,000$ to $< 5,000$ cfu/mL	$\geq 5,000$ cfu/mL	N/A	For the first five times Milk is Graded each Financial Year, the relevant deduction is made for one day in the Quality	One day at Grade 2 Milk Deduction x Grade 3 Milk % Balance of Quality Assessment Period at	- $\geq 2,000$ to $< 5,000$ cfu/mL triggers a warning. - Results $5,000$ cfu/mL and above commences daily testing until below $5,000$ cfu/mL. - Test turnaround time is three days.

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
						Assessment Period If Milk is Graded six or more times per Financial Year, the relevant deduction in column G is made for all days in the Quality Assessment Period	Grade 2 Milk Deduction	
Colostrum	As required	< 3%	N/A	N/A	≥ 3%	Nil	Nil	<ul style="list-style-type: none"> - ≥ 3% triggers daily tests commencing at the next available sample and testing will continue until back within specification. - Collections will be suspended if corrective actions are not undertaken.
Sediment	Randomly once each month and after any positive tanker results.	Absent	N/A	N/A	Present	Nil	Nil	<ul style="list-style-type: none"> - Milk subject to sensory grading process and may be rejected if there is visible foreign matter prior to collection.
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"> - Supplier will be notified of an unsatisfactory result. - Triggers Quality Review - Collections will be suspended if corrective actions are not undertaken.

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
Iodine	As required	<40 ug/100g	N/A	N/A	≥40 ug/100g	Nil	Nil	<ul style="list-style-type: none"> - Supplier will be notified of an unsatisfactory result. - Triggers Quality Review. - Collections will be suspended if corrective actions are not undertaken.

Part 3: Grade Percentages Table

Month	Grade 3 Milk %	Grade 4 Milk %
July	80%	60%
August	80%	60%
September	90%	70%
October	90%	70%
November	90%	70%
December	90%	70%
January	90%	70%
February	90%	70%
March	80%	60%
April	80%	60%
May	80%	60%
June	80%	60%

Part 4: Resupply Procedure

The aim of this procedure is to provide a re-supply path for Suppliers who have been suspended from supplying Tatura 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 Tatura 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 Tatura.
- 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 Tatura.
- 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 TO CONVERT TO ORGANIC MILK OR TO SUPPLY ORGANIC MILK

The Supplier is either:

- (a) in the process of converting the Milk from the Farm to Organic Milk; or
- (b) certified to supply Organic Milk from the Farm to the Processor.

These Special Conditions are structured as follows:

- Section 1 sets out the terms and conditions that apply to a Farm converting to Organic Milk;
- Section 2 sets out the terms and conditions that apply to a Farm supplying Organic Milk; and
- Section 3 sets out general terms and conditions that apply during both the In Conversion Phase and the Organic Phase.

Capitalised terms used in these Special Conditions have the meaning given to them in section 3.3 of these Special Conditions, but if not defined in section 3.3, have the meaning given to them in the 'Definitions' section of this Agreement. If there is more than one Farm that is subject to this Agreement, for the purposes of these Special Conditions, 'the Farm' refers to each Farm that is in the process of converting the Milk to Organic Milk or supplying Organic Milk, as applicable.

1. Farms converting to Organic Milk

1.1 Payment of Organic Feed Supplement

If the Supplier provides the Processor with a copy of an In Conversion Certificate issued by an Approved Certifier in respect of the Farm, the Processor will pay the Organic Feed Supplement to the Supplier on a monthly basis for Milk supplied from that Farm during the In Conversion Period. The payment of the Organic Feed Supplement will be in addition to the Monthly Minimum Prices in **Item 6** of the Details and any Standard Incentives to be paid by the Processor in respect of that Milk during the In Conversion Period.

1.2 Notification of changes during In Conversion Phase

During the In Conversion Phase, the Supplier must immediately notify the Processor in writing if:

- (a) the Supplier decides not to proceed with the application for Organic Certification in respect of the Farm;
- (b) the Supplier is informed by the Approved Certifier that Organic Certification in respect of the Farm will not be granted or that there will be a delay in the grant of the Organic Certification; or
- (c) the Supplier becomes aware of anything that may adversely impact on Organic Certification being granted in respect of the Farm.

1.3 Suspension and recoupment of Organic Feed Supplement

The Processor will be entitled to immediately cease paying the Supplier the Organic Feed Supplement, and require the Supplier to repay the Organic Feed Supplement previously paid to the Supplier, if:

- (a) the Supplier ceases supplying Milk to the Processor during the Term;
- (b) this Agreement is terminated, other than by the Supplier due to material breach of the Processor; or
- (c) the Supplier discontinues the conversion of the Farm to achieve Organic Certification or fails to achieve Organic Certification during the Term.

The Supplier must repay the Processor the entire amount of the Organic Feed Supplement received by the Supplier within 30 days of being notified the amount is due to the Processor.

2. Farms supplying Organic Milk

2.1 Supply of Organic Milk

- (a) During the Organic Phase, the Monthly Minimum Prices for Organic Milk supplied by the Supplier from the Farm to the Processor will be as set out below. The prices below replace the Monthly Minimum Prices set out in **Item 6** of the Details during the Organic Phase.

Tatura Organic

Monthly Minimum Prices (exclusive of GST)

Month	Organic	
	\$ per Kg Butterfat	\$ per Kg Protein
July 2021	8.50	8.60
August 2021	8.50	8.60
September 2021	8.50	8.60
October 2021	8.50	8.60
November 2021	8.50	8.60
December 2021	8.50	8.60
January 2022	8.50	8.60
February 2022	8.50	8.60
March 2022	8.50	8.60
April 2022	8.50	8.60
May 2022	8.50	8.60
June 2022	8.50	8.60

The above prices represent the only prices payable for Organic Milk.

- (b) **Monthly Minimum Price Justification for Tatura Organic Monthly Minimum Prices** – The monthly minimum price justification under clause 2.2 of this Agreement applies except that in determining the Tatura Organic Monthly Minimum Prices set out in clause 2.1(a) of these Special Conditions, Tatura also takes into account competition for organic milk in the relevant supply region.
- (c) If, during the Organic Phase, the Milk supplied by the Supplier from the Farm to the Processor ceases to be Organic Milk, the Tatura Organic Monthly Minimum Prices set

out in section 2.1(a) of these Special Conditions will cease to apply and the Supplier will revert to being paid the Monthly Minimum Prices set out in **Item 6** of the Details.

- (d) During the Organic Phase, the Supplier will not have any entitlement to receive the Standard Incentives or the Organic Feed Supplement in relation to Organic Milk it supplies to the Processor, except as provided for in section 2.1(f) of these Special Conditions.
- (e) If the Supplier achieves Organic Certification during the Term, the Supplier will be entitled to receive a pro rata portion of the Standard Incentives calculated on the basis of the portion of the Term completed before the commencement of the Organic Phase.
- (f) If the Supplier supplies Organic Milk to the Processor under this Agreement and also supplies Non-Organic Milk to the Processor or any other entity of the Bega Cheese Group, the Processor will ensure that the Supplier's entitlement to the Standard Incentives will be calculated on the basis of the total volume of Non-Organic Milk and Organic Milk supplied to the Bega Cheese Group by the Supplier.

2.2 **Organic Phase Undertaking**

The Supplier undertakes that, at all times during the Organic Phase, it will ensure that:

- (a) it holds and maintains the Organic Certification in respect of the Farm;
- (b) the Farm is operated in compliance with the National Organic Standard and any other requirements necessary for the Farm to be eligible for Organic Certification;
- (c) there are no circumstances in existence or reasons that may cause the Supplier to have the Organic Certification relating to the Farm withdrawn, terminated or suspended; and
- (d) it notifies the Processor immediately on becoming aware of any proposal or decision by any organic certifying authority to withdraw, terminate or suspend the Organic Certification of the Supplier in relation to the Farm.

3. **General**

3.1 **General quality and health issues**

- (a) During the In Conversion Phase or the Organic Phase, if requested by the Processor, the Supplier must promptly provide the Processor with any information relating to the operation of, and the production of Milk on, the Farm including any products used on the Farm or in connection with the production of Milk.
- (b) During the Organic Phase, if the Processor believes that any products used by the Supplier on the Farm or in connection with the production of Organic Milk may adversely affect the quality or safety of the Organic Milk supplied to the Processor, it may require the Supplier to cease using, or modify its use of, the product.

3.2 **New Accreditations**

- (a) During the Term, the Processor may request in writing that the Supplier obtains organic certification in a jurisdiction outside of Australia at the Processor's cost (**New Accreditation**). Any such request by the Processor must include details of all new requirements that the Supplier is required to comply with in order to achieve the New Accreditation (**New Accreditation Requirements**) and details of the process for obtaining the New Accreditation.

- (b) If the Processor makes a request of the Supplier under section 3.2(a) of these Special Conditions, the Supplier must promptly give notice to the Processor in writing as to whether or not it agrees to seek to obtain the New Accreditation.
- (c) If the Supplier agrees to seek to obtain the New Accreditation, the Supplier will be required to do all things reasonably necessary to obtain the New Accreditation and comply with the New Accreditation Requirements within a reasonable timeframe.
- (d) If the Supplier achieves the New Accreditation, the Supplier undertakes that, during the New Accreditation Phase, it will ensure that:
 - (i) it holds and maintains the New Accreditation in respect of the Farm;
 - (ii) the Farm is operated in compliance with the New Accreditation Requirements and any other requirements necessary for the Farm to be eligible for the New Accreditation;
 - (iii) there are no circumstances in existence or reasons that may cause the Supplier to have the New Accreditation relating to the Farm withdrawn, terminated or suspended; and
 - (iv) it notifies the Processor immediately on becoming aware of any proposal or decision by any organic certifying authority to withdraw, terminate or suspend the New Accreditation of the Supplier in relation to the Farm.

3.3 Definitions

ACO means ACO Certification Ltd.

Approved Certifier means NASAA, ACO or SXC or any other organic certifier approved by the Processor in writing from time to time.

In Conversion Certificate means a certificate issued by an Approved Certifier certifying that the Farm is “in conversion to organic”.

In Conversion Period means the final 12 month period of organic conversion during the In Conversion Phase.

In Conversion Phase means the period during which the Supplier is converting the Farm to produce Organic Milk in accordance with “in conversion to organic” certification granted by an Approved Certifier.

NASAA means The National Association for Sustainable Agriculture, Australia Limited and its related bodies corporate, including NASAA Certified Organics Pty Ltd.

National Organic Standard means the National Standard for Organic and Biodynamic Produce released by the Department of Agriculture and Water Resources as amended from time to time.

New Accreditation has the meaning given in section 3.2(a) of these Special Conditions.

New Accreditation Phase means, in respect of a New Accreditation, the period commencing on the date the New Accreditation is issued to the Supplier and ending on the last day of the Term.

New Accreditation Requirements has the meaning given in section 3.2(a) of these Special Conditions.

Non-Organic Milk means Milk that is not Organic Milk.

Organic Certification means certification of “organic” status in accordance with the National Organic Standard.

Organic Feed Supplement means an amount that is paid to the Supplier in respect of Milk supplied by the Supplier from the Farm during the In Conversion Period that is equal to \$0.50 per kilogram of Milk Solids supplied to the Processor.

Organic Milk means Milk produced on the Farm in respect of which:

- (a) the Supplier holds Organic Certification and which is operated in compliance with the National Organic Standard; and
- (b) during any New Accreditation Phase, the Supplier holds the New Accreditation and which is operated in accordance with the New Accreditation Requirements.

Organic Phase means the period commencing on the date on which the Supplier is granted Organic Certification in respect of the Farm and ending on the last day of the Term.

Processor means the relevant entity with which the Supplier signed this Agreement, being either Bega Cheese Limited or its subsidiary, Tatura Milk Industries Pty Ltd.

Standard Incentives means the Productivity Incentive, Growth Incentive and New Milk Incentive and any other incentives above the Monthly Minimum Prices agreed to be paid by the Processor to the Supplier from time to time.

SXC means Southern Cross Certified Australia Pty Ltd.