

Dairy Farmers Milk Co-operative

Milk Policy



2012/2013

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MILK POLICY GUIDE
Effective: 1st August 2012

1. INTRODUCTION

This Milk Policy Guide explains to Dairy Farmers Milk Co-operative (DFMC) Members the terms under which they supply milk to DFMC. This Milk Policy Guide can change from time to time. For clarity, in this document we refer to all milk quality standards and factory procedures as DFMC standards, and all pricing information is referred to as DFMC pricing.

2. MILK PRICING

Please refer to your separate regional pricing information letters for full details on current pricing, and incentives in each region. Please also refer to the Flat Price Defined Volume Fixed Term Contract (FP Contract) with your monthly contracted volumes for full details on the conditions associated with your contract.

3. COMPONENT PAYMENT SYSTEM

Payments to Members are made in terms of \$/kg Fat and \$/kg Protein. DFMC quotes prices based on a reference litre of 3.95% Fat and 3.15% Protein for comparative purposes in both cents per litre (Cpl) and dollars per kilogram of Milk Solids (\$/kg MS)

Each month milk prices will be expressed as \$ per Kg Fat and \$ per Kg Protein on your milk statement.

4. DEFINED VOLUME CONTRACTS

All members will now be able to apply for one (1), two (2) or three (3) year Flat Price Define Volume Fixed Term contracts. Contact your DFMC Regional Manager or DFMC Executive Officer to go through the contract system in detail.

Features of FP Contract include:

- The annual allocation will be represented as a flat line i.e. your defined contract volumes will be the same for each month taking into account the number of days in the month.
- Suppliers on FP Contracts will be allowed to exceed their monthly defined volumes by 10% before excess pricing or T2 pricing is enforced (See T1 vs. T2 for additional information).
- A 'Guaranteed Minimum Flat monthly Base Milk Price' is set for each region for the whole financial year of the contracted T1 milk.
- Members are required to nominate volumes in line with AFD volumes or a lesser volume consistent with AFD requirements on a whole financial year basis.
- Members can apply to DFMC to re-contract at the end of any 12 month period for a further one (1), two (2) or three (3) year period (This is subject to DFMC approval). Members can use this feature to gain a different Guaranteed Minimum Base Milk Price.

- Contracts shall continue for the Initial Term and thereafter unless and until terminated by either party giving to the other party not less than 3 months' notice ("**Notice Period**"), which cannot expire until on or after the end of the Initial Term. The Notice Period must expire on the last day of a month.
- Members on contracts whose milk consistently fails to meet quality standards will have their contracts terminated following written notice.

5. Anticipated Full Demand (AFD) MODEL

The overarching requirement of the AFD is to maintain the appropriate milk price signals for All Financial Year Supply and to align DFMC milk intake to the commercial needs of Lion (formerly named National Foods Limited) and its subsidiaries. As a consequence, every DFMC member has an annual allocation. The key principles of this allocation are as follows:

- A supplier's current Defined Volume is recognised as the minimum qualifying volume upon which to base their new AFD allocation prior to any pro-rata adjustment based on the agreed regional AFD for the financial year.
- The qualifying milk from those who have left the industry or leave DFMC to supply another processor (i.e. ceased contracts) will go back into the pool and be re-distributed on a pro-rata basis to suppliers whose actual supply exceeds their define volume from the previous financial year. Please note the DFMC Board reserves the right to re-distribute ceased contracts in the best manner that it sees fit.
 - An exception to this policy for the 2012 / 13 season has been made for the SA region.
- AFD volumes will be calculated and offered on an annual basis:
 - If the regional AFD increases, the regional volume will be re-calculated and offered equally on a pro rata basis to suppliers whose actual supply exceeds their minimum define volume from the previous financial year.
 - If the regional AFD decreases after 12 months, the regional volumes will be re-calculated and offered equally on pro-rata bases.

6. Tier 1 (T1) MILK VS. Tier 2 (T2) MILK

Each supplier has been provided with their annual allocated volumes per month. These monthly defined volumes represent the T1 price which is negotiated by DFMC with Lion. Supply over these allocated litres may attract T2 pricing subject to the pro-rata rule (section 7).

Excess milk supplied above the regional AFD will be sold on the best economic return possible.

Excess pricing for flat allocation will be pro-rata adjusted against an individual supplier exceeding defined contracted volumes by 10% for any given monthly period provided the region has exceeded the monthly AFD volume i.e. the regional milk intake must first exceed the monthly regional AFD volume before individual members exceeding their monthly defined volumes by 10% are paid a T2 price for their excess milk.

7. PRO-RATA RULE

If the regional monthly AFD is exceeded, the Pro-Rata rule is engaged by taking the shortfall from regional contracted AFD volumes which have not been met (i.e. a supplier has actual production less than what they have been contracted for a given month) and surrendered litres (define volume from ceased contracts) shall be allocated on a monthly basis by a pro rata adjustment of the milk supplied by those individual contract suppliers exceeding defined contract volumes. This milk will attract a price which is the difference between the T2 price that was paid for an individual's excess milk prior to the pro-rata adjustment and the T1 price paid for that month.

8. MILK PRICE APPLICABLE AT THE END OF A FINANCIAL YEAR

The milk price to be paid on milk sold to DFMC after the end of a financial year will be the Announced Tier 1 Base Milk Price and the Announced Tier 2 Base Milk Price announced by the Milk Co-operative from time to time shall apply; or should the Announced Tier 1 or Tier 2 Base Milk Price not be announced prior to the beginning of the financial year, the Milk Co-operative shall pending the determination of the Announced Tier 1 or Tier 2 Base Milk Price (as the case may be) pay you in respect of each geographical area, the lower of:

1. The commercial price payable by Lion during the corresponding period in the previous year for that geographical area; or
2. The commercial price proposed by Lion for that geographical area.

9. NON-CONTRACTED MILK

DFMC Members are able to supply milk to DFMC other than pursuant to a FP Contract however for members to receive allocated AFD milk volumes and receive a T1 Milk Price they must enter into a 1, 2 or 3 year supply Contract. Members who have provided their 90 day notice of their intent to cease supply are uncontracted after their due date (i.e. 90 days after the notice was given).

10. NEW MILK

At present no new milk is required, however, from time to time, new milk may be required in one or more regions and as such will be notified within relevant milk payment letters.

11. REFRIGERATION AND GENERATOR REBATE SCHEME

Members are reminded that DFMC has a Refrigeration and Generator Rebate Scheme designed to help Members improve their refrigeration capacity and avoid the need for everyday collection and to ensure they have power to run their dairy operations in case of power outages. At this point of time the scheme will be available to members until the 30th of June 2015.

Interested members should contact their DFMC Regional Manager for further details or visit www.dfmc.org.au and click on the member benefits tab for full scheme details.

12. PRODUCTIVITY INCENTIVE

The Productivity Incentive is based on kgs milk solids (fat plus protein) supplied per month and starts at 5,000 kg MS which is capped at \$0.28 /kg MS. The Productivity Incentive is only available to members who have signed a 'One, Two or Three Year Defined Volume Flat Fixed Term Contract'. The formula to calculate the Productivity Incentive (from 5,000 kg MS per month onwards) is **\$0.01/kg MS per 1000 kg MS supplied during a month (from 5,001 kg MS)**.

The Productivity Incentive is paid on milk solids for all milk supplied under the terms of the DFMC contracts.

The following table provides an example of the payment rate compared to monthly kg Milk Solids.

Productivity Incentive 2012-2013		
Total Kgs (Butterfat & Protein)	Rate (Cents)	Payment (Dollars)
5,000	0.05	250.00
6,000	0.06	360.00
7,000	0.07	490.00
8,000	0.08	640.00
9,000	0.09	810.00
10,000	0.10	1,000.00
11,000	0.11	1,210.00
12,000	0.12	1,440.00
13,000	0.13	1,690.00
14,000	0.14	1,960.00
15,000	0.15	2,250.00
16,000	0.16	2,560.00
17,000	0.17	2,890.00
18,000	0.18	3,240.00
19,000	0.19	3,610.00
20,000	0.20	4,000.00
21,000	0.21	4,410.00
22,000	0.22	4,840.00
23,000	0.23	5,290.00
24,000	0.24	5,760.00
25,000	0.25	6,250.00
26,000	0.26	6,760.00
27,000	0.27	7,290.00
28,000	0.28	7,840.00
29,000	0.28	8,120.00
30,000	0.28	8,400.00

13. DEFINED VOLUME (Contract Consideration)

DFMC will pay suppliers a cent per litre incentive for entering into a one (1), two (2) or three (3) milk supply contract. The rates applicable to you are outlined in Scheduled 1, Part 5 of your FP contract and below. It should be noted that the Defined Volume will be paid on all milk provided at a T1 value.

Southern Contracts (including SA Central, Western Vic, Northern Vic (including Riverina)):

Annual Defined Volume	Contract Consideration rate
0 to 1,999,999 litres	1.00 Cpl
2,000,000 to 4,999,999 litres	1.25 Cpl
5,000,000 to 9,999,999 litres	1.50 Cpl
10,000,000 litres and over	1.75 Cpl

For example, a farmer with a Defined Volume of 2,500,000 litres would be paid [1.25] Cpl for all litres produced at a T1 Value.

Central Contracts (NSW):

Annual Defined Volume	Contract Consideration rate
0 to 1,999,999 litres	2.00 Cpl
2,000,000 to 4,999,999 litres	2.25 Cpl
5,000,000 to 9,999,999 litres	2.50 Cpl
10,000,000 litres and over	2.75 Cpl

For example, a farmer with a Define Volume of 2,500,000 litres would be paid [2.25] Cpl for all litres produced at a T1 Value.

Queensland (including South East Queensland and Far North Queensland)

Annual Defined Volume	Contract Consideration rate
0 to 1,999,999 litres	2.00 Cpl
2,000,000 to 4,999,999 litres	2.25 Cpl
5,000,000 to 9,999,999 litres	2.50 Cpl
10,000,000 litres and over	2.75 Cpl

For example, a farmer with a Defined Volume of 2,500,000 litres would be paid [2.25] Cpl for all litres produced at a T1 Value.

14. GATE CHARGES

The Gate (or Stop) Charges in the *Far Northern, Northern and Central Regions* are as follows.

Distance to Market (GPO)	Gate (or Stop) Charge
Less than 100 Kilometres	\$10.00
100 to 200 Kilometres	\$20.00
Over 200 Kilometres	\$30.00

The Gate Charge in the *Southern Region* is \$10.

The gate charge in all regions for a second collection on the same day is an additional \$50 per visit unless the collection is for processor logistics reasons.

15. LOCATION DIFFERENTIAL

In the *Central SA, Northern and Central Regions* the following Location Differential will apply from the 1st July 2012:

Distance to Market (GPO)	Logistics Incentive (cents/litre)
Less than 100 Kilometres	+ 1 cent/litre
100 to 200 Kilometres	0.0 cent/litre
Over 200 Kilometres	- 1 cent/litre

16. PRIOR NOTIFICATION TESTS (ANTIBIOTICS, BLOOD IN MILK, SOUR MILK)

Members will be entitled to One (1) paid 'prior notification exemptions' for each financial year commencing 1st July 2012. Please also refer to section 20 on the importance of having adequate farm insurance.

Prior Notification is defined as the member notifying a DFMC Regional Manager, Lion Farm Services Officer and/or milk cartage contractors that they have milk unsuitable for pickup at any time prior to the milk entering the milk tanker. Please note: in order to ensure maximum collection efficiencies, members are requested to notify the tanker company, DFMC Regional Manager or Lion Farm Services Officer prior to the tanker arriving.

If the member suspects that they have milk unsuitable for pickup because of possible antibiotic contamination and seeks time to test their milk prior to collection, Lion will use its 'best endeavours' to allow enough time for the member to have the milk tested by a relevant inhibitory substances screening test before determining if they will supply the milk to the tanker or elect prior notification.

If the member applies for prior notification at any time, the member is obliged to make every effort to inform relevant DFMC Regional Managers, Lion Technical Officers and /or milk cartage contractors. The milk will not be picked up by the tanker and the member is expected to dump their milk according to relevant Environmental Protection Agency (EPA) guidelines.

Milk should not be picked up while milking is in progress. If for some reason milk is to be picked up while milking is still in progress; the milk tanker driver must on all occasions seek approval from the member or the milker at the dairy before he begins pumping the milk into the tanker. If the driver does not obtain approval to begin pumping whilst milking is still underway and there is a problem with the milk supplied, the member will not be liable and will be paid for the milk supplied.

17. ANTIBIOTIC TEST KITS

All tankers will soon be fitted with approved test kits (Delvo, Copan or otherwise). If members wish to test a vat sample for possible antibiotics and should an incident arise whereby accidental vat contamination may have occurred prior to the collection – a test kit from the tanker may be used. Please note that on all occasions where a request to use a test kit from a tanker has been made, authorisation in advance must be provided by a DFMC Regional Manager or NFL Farm Services Officer. Test Kits will also be provided to Lion Farm Services Officers and DFMC Regional Managers.

A Test Kit used from tankers will be deemed an official test. If a supplier decides to use a test kit from the tanker and the results are negative for possible antibiotics, the supplier will **not** be liable for any cost associated from subsequent factory tests where antibiotics are detected in the milk (it should be noted that these test kits are not designed for testing of any individual cow milk samples and are designed for testing bulk milk samples only for inhibitory substances). If a member is on the first milking (out of a possible 4) and suspects antibiotics may have entered the vat, they are requested to speak to their DFMC Regional Manager or Lion Technical Officer or tanker company to locate the closest tanker, in order to take a sample to the tanker for testing. Please note that on all occasions where a request to use a test kit from a tanker has been made, authorisation in advance must be provided by a DFMC Regional Manager or NFL Farm Services Officer.

On-farm Test Kits will **not** be recognised as an official test kits and should be used as a **guide only**. If DFMC members have their own test kits, they are responsible for the maintenance, operations and results of the use of those kits. Please see section '18' regarding policy and penalties associated with supplying milk which has tested positive at factory for antibiotics.

Ward Representatives who have test kits and provide testing to DFMC members for possible antibiotics are **exempt** from any financial costs incurred by the supplier for providing milk which has been determined positive for antibiotics at the factory.

18. SUPPLYING MILK

If a member elects to use their prior notification, milk dumped (as per EPA guidelines) will be paid for at their current milk price unless entitled prior notifications have been used. The member must inform relevant DFMC Regional Manager or Lion Farm Services Technical Officers regarding the volume of milk discarded as soon as possible.

If a member has not used an official test kit from the tanker or from a DFMC Regional Manager or NFL Farm Services Officer and supplies milk which subsequently is tested positive at the factory for antibiotics and Lion does not use the milk for human consumption, the member will not be paid for their milk and will be responsible for 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 farmers (if any) that is in the tanker (less the members own milk that is included in the pickup).

1. Freight costs.
2. Disposal costs.

Lion will send an invoice to the member for the above mentioned costs. Lion will begin deductions from your monthly milk cheque in the next pay period. Lion will deduct the amount owing in four (4) equal instalments.

If however any milk supplied by a farmer is deemed by the processor suitable for human consumption, the member will be paid for the milk supplied. Please note that it is Lion policy that any milk suspected of being contaminated by antibiotics will not be accepted.

If antibiotic milk is supplied by more than one member for that tanker run, milk will not be paid for and the costs will be applied on a litre pro-rata basis across those members who supplied antibiotic milk to that tanker.

19. DEMERIT POINTS RELATED TO ANTIBIOTICS

DFMC encourages its members to minimise at all times the chances of contaminated milk entering the factory system. Thus it **strongly** encourages members to discuss with DFMC Regional Managers or Lion Farm Services any suspect milk before pick up and take advantage where necessary of the preliminary testing if advised to do so.

Accordingly if a member supplies milk which tests positive for antibiotics or other inhibitory substances at the factory (and has not used an antibiotic test kit that tested negative on farm) they will receive three (3) demerit points as well as being penalised with non-payment for milk and incurring associated costs as per section '18'.

If a member uses an official antibiotic test kit that provides a negative result (e.g. no antibiotics) and as such has his milk picked up by the milk tanker, if that milk is subsequently deemed positive for antibiotics at the factory, the member will **not** receive any demerit points.

20. INSURANCE COVER

All members should have adequate insurance to cover any incidences of milk loss, contamination or damage to other farmer's milk in the milk tanker. Should a member require a letter for an insurance claim please contact your local DFMC Regional Manager or Lion Farm Services Officer.

DFMC 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 notified public health reasons – such as animal disease (botulism, FMD, Anthrax) etc.
- Road Access - specifically lack of adequate road access due to weather conditions. Members are reminded that they must have 24 hour all weather access and safe road access for milk tankers under all weather conditions to the dairy (see transport section for further details). This includes ensuring that any bridges on or leading to the farm are safe and can bear the load of a milk tanker

21. QUALITY PAYMENT SYSTEM

Quality payments are made in cents per litre and are the same in all regions throughout the year. The table below sets out the quality payment rates.

<i>Demerit Points per month</i>		<i>Bonus/Penalty</i>
From	To	Cents/Litre
0	0	2.0
1	1	1.4
2	4	1.0
5	9	0.0
10	14	- 1.0
15	17	- 4.0
18	23	- 8.0
24	29	- 12.0
30	60	- 16.0
61	& Over	No Payment

Members should note that the Quality bonus of 0.6cpl payable to suppliers who achieved five (5) Demerit Points or less over the full financial year is no longer applicable. The bonus/penalty is calculated and paid monthly in accordance with the table above.

22. ON FARM QUALITY ASSURANCE PROGRAM

It is the member's responsibility to ensure that their 'Simply Perfect' (On Farm Quality Assurance) Manuals are compliant with relevant State Authority requirements and that recording sheets and Manuals are kept updated. All States require dairy producers to have an approved and audited Food Safety Program. They must comply with individual State legislation and DFMC requirements with regards to auditing of these systems by or for the relevant State Authorities. Any member that fails an audit could be immediately suspended from supply until the cause of the failure is rectified. Members who have a minor or major non-conformance entered on their audit may receive time to demonstrate rectification of the non-conformance. Our Regional Managers and Lion Farm Services are available for assistance in implementing an on farm quality system. Please note '*SIMPLY PERFECT*' is the name of the Lion Farm Quality Assurance program. All forms and manuals are available for down loading from www.dfmc.org.au or through <http://milkline.natfoods.com.au> or from your local DFMC Regional Manager and Lion Farm Services Officer.

23. SAMPLING OF MILK

All milk is graded prior to pick up by the tanker driver. Should that milk be rejected on farm because of suspected contamination (blood, weed taint, foreign matter etc.) and the member has notified the tanker driver then the member will have the opportunity to apply for a paid prior notification (provided the milk has not entered the milk tanker and the member is entitled to a prior notification). If the milk has entered the tanker and/or the member does not have a prior notification available and/or the member has NOT notified either the tanker driver, DFMC or Lion, then the milk will not be paid for.

Bulk milk samples will be taken using aseptic proportional milk sampling devices. In cases where pulse sampling is not available a dipper sample will be collected by the tanker driver using standard procedures. Members who have concerns regarding tanker drivers or sampling methods should immediately report this to their DFMC Regional Managers or Lion Farm Services Officer.

24. TPC RETESTING POLICY

The DFMC TPC retest regime was put in place in order to recognise those with good quality TPC records. The use of re-test results are according to a strict set of guidelines outlined below:

A 'Re-test List' of farmers will be produced every 10 days. This is made up as follows:

- Members whose initial period TPC is greater than 10 (thousand)

For any farms from this re-test list, we will then use the lower of the re-test result and/or the initial test result for the period as the official result. Any subsequent re-tests for that period will only be treated as advisory tests and only farmers on the re-test list will have their results adjusted. Results will also be adjusted if an investigation by the laboratory or farm services team have identified that an entire batch of TPC samples have been compromised. Your local DFMC Regional Manager or Lion Farm Services Officer can also authorise advisory TPC tests to help members determine the results of revised cleaning and sanitising regimes.

It is the members' responsibility to contact their Farm Services Officer to obtain their results, or use the other methods - the sms / email system or by fax or Milkline (<http://milkline.natfoods.com.au>). Samples may be tested for them but will not be used to adjust existing results.

As a matter of reference, initial tests (rather than any adjusted results after a re-test) are used in calculating the averages against which decisions are made.

25. ABUSIVE LANGUAGE

It is DFMC policy to provide a safe work place that provides all people associated with our business an environment that is free from abusive and offensive behaviour.

If DFMC believes that such behaviour has occurred (this will be determined at DFMC Board discretion), you will be suspended from milk pick up for 5 days or until DFMC believes the behaviour has been rectified.

26. BULK MILK CELL COUNT

The maximum allowable BMCC level on a monthly average basis is 400,000 cells per ml which brought DFMC into line with Australian Quarantine and Inspection Services (AQIS) export requirements. AQIS export requirements are for BMCC to be reported as a geometric mean, which is generally lower than a straight average. If the occasional test goes over the 400,000 limit, Demerit Points will apply, bearing in mind that the highest 10 day period average result is removed each month.

Where results are consistently above 400,000 BMCC, members will be advised by DFMC Regional Managers or Lion Farm Services Officers, and collection may be suspended until DFMC is satisfied that a suitable mastitis control program has been put in place and BMCC results have improved. After recommencing pick up, suspension from supply will recur should the SCC exceed 400,000.

27. POOR MILK QUALITY

Members with consistently poor quality milk (i.e. high TPCs, high BMCCs, etc.) will be advised in writing, and collection may be suspended until DFMC are satisfied that a suitable milk hygiene program has been put in place. Milk collection may cease entirely if poor milk quality persists.

28. MILK FAT % AND MILK PROTEIN %

DFMC requires suppliers to supply milk with a Fat % no less than 3.2%.

DFMC requires suppliers to supply milk with a Protein % no less than 2.7%.

Members with consistently poor quality milk (i.e. fat and/or protein levels under our minimum requirements) for a ten (10) day period will be sent a warning message advising the supplier that their milk quality is below the DFMC minimum standards. If the supplier's milk continues to not meet DFMC's quality standards for an additional ten (10) period, the supplier will be sent a suspension warning notice. Members who are consistently below DFMC's minimum Milk Fat and Protein percentage requirements may be suspended until DFMC are satisfied that levels are above minimum standards.

29. TEMPERATURE

Members are reminded of their obligation to have the ability to refrigerate and store all their milk at 4°C. Milk should be available for collection at 4°C any time with exception given during the Exclusion Times of 6 am to 10 am and 4 pm to 8 pm. Milk will not be collected above 8°C except with prior approval from Farm Services. Farmers who persistently exceed collection temperature requirements will be monitored. Milk cooling systems must comply with the requirements of 'Simply Perfect'. Any supplier that has regular issues with temperatures in excess of 4°C will undergo an audit of their cooling system. Suppliers that do not comply with 'Simply Perfect' requirements may have their Farm Quality Assurance accreditation revoked (after being given an opportunity to correct the problem).

30. EXTRANEOUS MATTER (SEDIMENT)

This test is done on tankers initially and individual samples are only taken when there is a problem with the tanker. Farmers will be contacted regarding problems as they arise.

31. FREEZING POINT

This test is 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 no 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. Members will be notified of issues as they arise.

32. ANTIBIOTICS AND OTHER INHIBITORY SUBSTANCES

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. Lion policy states it does not knowingly process milk that has been shown to be positive for inhibitory substances by any valid test. Please refer to Section 18 regarding **costs associated with contaminated tankers and 'Demerit Point' penalties.**

All tankers are tested on arrival at a Lion processing facility with subsequent additional testing for individual member's milk if there has been a positive result. There are also regular random tests on individual member samples throughout the month. The penalty for supplying milk not suitable for human consumption is non-payment for that collected milk volume; please refer to sub-heading "Supplying Milk" for full details. Three samples will need to be taken from the vat for testing prior to resumption of collection. Farms with recurring problems will be suspended from supply until steps are in place to milk to good quality.

All tankers are tested by rapid testing methods on arrival at the processing facility. Should a positive result be detected on the tanker, the milk is segregated while further testing is conducted. Each member's vat sample is then checked for the presence of inhibitory substances and the offending member will be notified.

It is the offending member's responsibility to have the next consignment of milk tested before the next tanker collection. Positive milk tanker results are reported to the relevant State Food Authority immediately. Where a member has tested positive for antibiotics through routine testing procedures, DFMC reserve the right to have an audit conducted of the On Farm Quality Assurance Program to assist with improving the farm management system.

Lion 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 Lion 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 of 50% or more of the Maximum Residue Limit, then trace-back to farm or factory of origin 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.

33. OESTRADIOL

All members are advised that the use of Oestradiol is not permitted on farm except in non-lactating heifers. Please check with your local vet for advice on products that are suitable for use.

34. RESULTS

All milk test results are generally available within approximately 48 hours from collection via the following, except in exceptional circumstances:

- **SMS, email and fax**
- Milkline website on <http://milkline.natfoods.com.au>

Members are reminded that the tanker docket system may not always be available and it is recommended that they use one of the methods above for regular results retrieval. The sms, email and fax system is designed to notify you immediately when your results become available and is the most efficient way of getting your results. Please contact your local Regional Manager or Farm Services Officer to ensure you are registered on this system.

35. ANIMAL FEEDSTUFFS

a) SUITABILITY OF FEED FOR ANIMAL USE

Vendor declarations must be sought for **all** feed stuffs as part of each member's On 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 RAM (Ruminant Animal Material).

b) 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 who consumed contaminated feed can have adverse health effects. We 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 member 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.

c) GENETICALLY MODIFIED ORGANISMS (GMO's)

Our policy is to avoid the use of genetically engineered or genetically modified (GE/GM) materials whenever possible. In the case of milk, DFMC preference is that members 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, we recognize 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, we accept that feed containing GE/GM may have to be used. When situations return to normal availabilities of feed, we expect 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, LION checks that its milk products do not contain any novel proteins.

Raw milk must not be sourced from cattle that have been genetically modified via either recombinant or other direct DNA technology.

36. ANIMAL HEALTH

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. The team at DFMC and Lion works closely with Dairy Australia and other industry bodies to ensure that our members are fully aware of any welfare issues and recommended best practice on farm. Our members are expected to have on farm animal health and welfare practices of the highest standard. On the ground in their local regions farm services officers are actively working with farmer members, State Food Authorities, local vets and DPI personnel to ensure the highest possible milk quality is delivered, and that animal welfare standards are maintained on our individual farms. Our rigorous monitoring of milk quality standards ensures that we have the best possible standards on farm. Lion Farm Services Officers help farmers with daily practical advice on nutrition, agronomy and animal health issues in order to ensure that our milk supply comes from healthy well cared for animals.

The safety of milk for consumers is essential. Cows must be managed in a manner that prevents the introduction of hazards to the milk and the wellbeing of livestock. If members notice unusual symptoms such as dramatic shifts in production, skin lesions, sudden deaths, downer cows, etc.; they should 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 if necessary report any incident of concern to Lion Farm Services immediately. Pick up may be suspended while any investigation is ongoing if recommended by either a veterinary officer or the State Food Authority. Compensation for any or all of the milk dumped in such a situation is at the discretion of DFMC. Members 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 State Food Authorities.

Issues that may affect our ability to pick up milk include but are not confined 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 member does not notify or delays notifying DFMC of an incident we may cease milk collection immediately and DFMC reserves the right to cease collection on a permanent basis.

37. ENZOOTIC BOVINE LEUCOSIS (EBL) AND BOVINE JOHNES DISEASE (BJD)

Members must comply with individual state legislation relating to BJD and EBL testing. It is the aim that all members' milk supplied to DFMC shall be EBL free (Monitored Free). If a breakdown occurs, members shall follow the state EBL Testing Protocol. For herds over 200 cows sub sampling will be used in line with State statutory guidelines. DFMC have the right to ask members to supply evidence of what their current EBL status is.

All members must provide evidence of EBL status to DFMC.

38. MINIMUM VOLUMES AND PICK-UP ARRANGEMENTS

In an effort to keep the ever increasing cost of milk cartage at reasonable levels, the Minimum Level for collection of milk is 1000 litres on a skip a day basis.

Members who do not supply a minimum of 15,000 litres for any monthly period will be suspended from supply. Exception may be given by DFMC to members on seasonal supply patterns either at the start or end of their seasonal calving period.

Other collection requirements include:

- Collection on a daily or skip-a-day basis except in emergencies;
- The tanker must empty the vat;
- No segregation of the milk is allowed on the basis on any compositional or quality parameter.

DFMC (including Lion and subsidiary companies that collect the milk) have no obligation to collect milk more frequently than once per day.

In order to guarantee the safety of members, drivers, animals and property and to facilitate the efficient collection of milk, DFMC requires all farms to have acceptable dairy access.

The minimum suitable standard includes:

- An all-weather access road to provide safe access for the milk tanker.
- 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.

For further information on DFMC milk collection tanker safety and access standards please contact your local DFMC Regional Manager or Lion Farm Service Officer.

There are times of the year when milk production may exceed the Member's storage capacity even on daily collection. Members may also be unfortunate enough to have a refrigeration failure that is not immediately repairable. In these types of situations, the Member may request additional pickups each day. At its absolute discretion, DFMC will attempt to assist the Member by providing an additional daily collection. Any additional collections may incur an additional fee of \$50. DFMC 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 Member and not DFMC, unless DFMC has agreed to assist a member with a refrigeration problem.

Where the Member's volume of milk exceeds the capacity and ability of DFMC milk collection arrangements, additional fees and Gate Charges will not be charged or will be reimbursed if charged incorrectly. Also, where milk is collected more frequently than required by the Member for the cartage contractor's or DFMC convenience, no Gate Charges or additional charges will apply for the additional collections.

The following are the contact numbers for current transport carriers:

<u>Area</u>	<u>Transport Carrier</u>	<u>Contact</u>	<u>Numbers</u>
FNQ	Mc Colls	Neville Moseley	0427 337 704
SEQ: Gympie/South Burnett and Brisbane Valley	Jurss	Rochelle Conroy	0409 836 522
SEQ: Darling Downs and Ipswich	Jurss	Darren Miles	0418 753 500
SEQ: Casino/Beaudesert/Grafton	Jurss	Wayne Burton	0409 302 923
NSW: Dorrigo, Hunter, Mid North Coast	SRH	Scott Harvey	0409 326 163
NSW: Central West	Mc Colls	Orange Area Supervisor	0429 100 215
NSW: Southern Highlands / South Coast	Mc Colls	Steve Burns NSW Sydney Area Supervisor	0428 044 840
	Reeves Transport	Brett Reeves	0412 903 085
Vic and SA: Riverina, North Victoria, SA	Mc Colls Head Office Tongala	Riverina, North Victoria, SA	03 5859 3333
South West Victoria	Warrnambool Cheese & Butter	WCB Office 24 hrs	03 5563 2115

39. CONSISTENCY OF SUPPLY

All members must supply milk on a consistent basis throughout the week either on a daily or alternate day basis, with the variation on a two day basis not to exceed 20%. For example, if the combined total of milk supplied on a Monday and Tuesday is 1000 Litres, the milk available for collection on Wednesday and Thursday must be between 800 and 1200 Litres. This does not apply to seasonal members at the start and end of the season.

40. SPLITTING MILK ON COMPOSITIONAL AND QUALITY DIFFERENCES

DFMC will not accept milk that has been segregated on the basis of composition or quality.

41. RELATIONSHIP WITH LION

The prices and policies in this document are the same that are applied between the DFMC and Lion (owners of Dairy Farmers Limited (formerly Australian Co-operative Foods) (DFL). DFL is responsible for the collection, cartage and testing of the milk.

If, under the terms of DFMC's Milk Supply Agreement with DFL, DFL may validly refuse to purchase a member's milk from DFMC (for example, because the member fails to continuously supply milk to DFMC), then DFMC shall not be obliged to purchase that member's milk from the member.

42. PAYMENT DATE

Payments are generally made on the fourteenth day of the month following collection. If the fourteenth day of the month is a Saturday, payments will occur on the immediately preceding business day. If the fourteenth day of the month is a Sunday, payments will occur on the next business day. If the fourteenth day of the month is a public holiday or bank holiday, payments will occur on the nearest business day to the fourteenth day of the month. Milk Statements are available on Milkline <http://milkline.natfoods.com.au> on the evening of the 14th of each month.

43. QUESTIONS?

Broader policy issues should be addressed to your regional DFMC Director or DFMC Executive Officer. Contact can be found on the DFMC website www.dfmc.org.au/contacts.

Please contact your local Regional Manager with queries relating to the payment or quality system. Please note that any extra sampling must be approved prior to testing by your local DFMC Regional Manager or Lion Technical Officer.

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Appendix 1 Demerit Points For Milk Quality Effective 1 August 2012

Test	From	To	Demerit Points	Test Application
Total Plate Count (Units 000cfu/ml)	0	15000	0	Highest Official Test per month excluded. Then demerit points (if any) are applied to each other official test. There are normally 3 official tests each month.
	15001	24000	1	
	24001	39000	2	
	39001	64000	4	
	64001	And over	8	
Repeat offenders over 50,000 cfu/ml may not be collected				
Somatic Cell Count or Bulk Milk Cell Count (Units '000 / ml)	0	200	0	Average per 10 day Period is calculated. Highest average for the month is excluded. The points are applied to each remaining average. There are normally 3 weighted averages / month. Milk is not accepted from herds with a recurrent BMCC of 400,000 per ml or more based on current Dairy Farmers Standards (which is based on EU requirements)
	201	250	1	
	251	300	3	
	301	350	6	
	351	400	10	
401	And Over	15		
Temperature:	Milk should be collected at 4°C except during exclusion times			
	Milk will not be collected at greater than 8°C without prior Farm Services approval.			
Temperature Exclusion times	6.00 am to 10.00 am 4.00 pm to 8.00 pm		0	There is no penalty during Temperature exclusion times. Milk may not be collected >8.0C except in an emergency. A second visit fee may apply if a tanker has to return to collect milk that did not meet temperature guidelines.
Freezing Point (Units °C)	No penalties apply where DFMC decides to collect milk more frequently than normal practice			
	≤0.517		0	Per Test following a 'high' tanker.
	-0.516 to -0.500		0	Warning per test following a "high" tanker.
	> -0.499		0	1st occurrence in any rolling 3 month period.
			4	2nd & further occurrences in rolling period
Repeat occurrence at higher than -0.5 °C will lead to suspension of pick up				

Test	Result	Demerit Points	Test Application
Antibiotic	Clear (<.003 ug / ml)	0	Per test (minimum one per month) Per occurrence / consignment Per occurrence / consignment Per consignment. There will be no payment for milk and the member will be invoiced for costs associated with contamination
	Notified first time per year	0	
	Notified after this	0	
	Un-notified – collected	3	
Blood In Milk	No Blood in Milk	0	Graded each consignment
Sour Milk	Clear (<0.15 acidity)	0	Graded each consignment.
	Note: Only one (1) Prior Notification is allowed in each calendar year for these three above tests combined		
Extraneous Matter Advisory test	Tanker tested first Individual Member tested if tanker > Disc 1	0	Warning if Disc 3 or higher. No demerit points.
Extraneous Matter Penalty test (next 10 day Disc 3 or higher)	In an area where a product defect occurs – this test may be carried out immediately		
	Discs 1 & 2 (AS)	0	Continue testing until tanker tests Disk 2. Repeat test next period.
	Discs 3 (AS)	1	Repeat test next period. Individual members with a Disc 3 or higher will continue to be tested until they receive three consecutive discs <3.
	Discs 4 & 5 (AS)	5	
This follows on from the Advisory Test where a Disc 3 or more occurs. Demerit Points follow from this test only			
Simply Perfect	Loss of certification or accreditation	15	Immediate suspension from supply until accreditation is restored.