



Contract Transfer Policy

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1. Purpose

This policy has been developed by DFMC so as to increase flexibility and options for DFMC members who genuinely wish to exit the dairy industry (**Exiting Farmers**), to increase flexibility and options for other DFMC members who wish to have the opportunity to grow on-farm income (**Acquiring Farmers**) and to ensure the needs of the market are met with contracted volumes still being delivered.

This policy aims to set out in a transparent way the circumstances under which DFMC will permit contract transfer between farms and the manner in which DFMC will facilitate the process so that all DFMC members have the opportunity to participate.

2. Background

DFMC is conscious of the impact of the supply management model on all DFMC members and the need for farmers, to adjust, as always, to an evolving commercial market. The main changes have been of price reduction, contract cuts and hence more T2 milk off farm at low T2 prices. DFMC is aware that some DFMC members wish to exit the dairy industry as a result of a decrease in the demand for milk at T1 prices while other DFMC members wish to grow their opportunity for access to T1 prices and continue in the industry.

Currently, DFMC members who wish to exit the industry can do so in various circumstances under their Defined Volume Fixed Term Contracts with DFMC (**Farmer Contracts**).

This Contract Transfer Policy aims to add more flexibility by permitting contract transfer to other DFMC members. This Contract Transfer Policy sets out the circumstances in which DFMC will consent to what in effect will be:

- (a) the termination of existing Farmer Contracts by Exiting Farmers; and
- (b) the amendment of existing Farmer Contracts by Acquiring Farmers by virtue of those farmers agreeing to add the contracted volumes of the Exiting Farmers to their own volumes in accordance with this Policy.

DFMC is proposing this model be transparent as far as the rules and processes DFMC will apply are concerned but that the arrangements between farmers to transfer contracted volumes be for consideration to be agreed privately between farmers with DFMC having no involvement in these private matters.

Nothing in this policy amounts to a representation of any kind that Farmer Contracts have a financial value or that there is any goodwill associated with those contracts. Furthermore, farms acquiring contracted volumes do so on the basis that contracted volumes under Farmer Contracts can be increased or decreased depending upon Regional AFD changes, that farm gate and especially T2 pricing varies over time and that DFMC reserves the right to change this policy, the Farmer Contracts and its other Milk Purchasing and Pricing Policies and Processes at any time.

In particular, DFMC makes no representation that a two tier or multiple tier milk pricing structure will continue into the future or that DFMC's current pro-rata method of milk allocation will continue into the future. DFMC may change its milk pricing structure and method of milk allocation in the future and in the event DFMC changes this policy, the Farmer Contracts or its other Milk Purchasing and Pricing Policies and Processes (including DFMC's milk pricing structure and method of milk allocation) no compensation will be payable by DFMC to you.

Due to the many and varied circumstances of the approximately 600 DFMC members, the Board of DFMC also reserves the right to approve any application for contract transfer on an individual basis despite the application being outside the terms of this policy.

Farmers wishing to contract transfer must seek their own legal, taxation and financial advice and nothing in this policy represents legal, taxation or financial advice.

3. An exiting farmer can only list the current contract litres for transfer ie, cannot transfer a future year's entitlement until either a new contract signed (if applicable) or in the case of an existing contract, the financial year has ticked over and the new entitlement has come into play.

4. Time limit

From the date a contract is listed on Milkline for transfer (either as a whole contract or in 'units' - see splitting of contract volume), **OR** from the date supply of milk ceases, whichever date occurs first, a time limit of two (2) full months shall apply to submit all necessary documentation to DFMC for the transfer of 'all' or any 'units' to the Acquiring Farmer.

Failure to comply with the two (2) month time limit means a supplier's allocation (or the balance of 'units' for which all the necessary documentation has not been received) shall no longer be available for transfer and will be returned to the regional milk pool and distributed as surrendered litres as per DFMC Milk Purchasing Policy.

The necessary documentation for transfer may be submitted to DFMC once a 7 day period has elapsed from the date of listing on Milkline. The "Closing Date" on Milkline refers to the time that an Exiting Farmer wishes to have the contract listed on the open market for communication with other members. It does not refer to the timeframe for completion of the transfer process, which is determined by the terms in the previous paragraphs. The listing may be removed from Milkline prior to the closing date if all necessary transfer documents are received by DFMC prior to that date.

It is preferable that agreed contract transfers between the parties are completed before the last week of the month so that procedures can be put in place for the Acquiring Party to commence supply of those contract volumes from the commencement of the following month. In the case of split contract volumes, any transfer of "units" may take place in stages. If the Exiting Farmer is still supplying milk the Exiting Farmer's contract volumes will be reduced by the relevant transfer volume.

The Board will consider all applications on an ongoing weekly basis to facilitate the completion of documentation to enable transfer of contracts on a timely basis.

5. Splitting of contract volumes

DFMC will consider allowing Exiting Farmers to split and transfer their contract volumes in “units” to more than one Acquiring Farmer subject to the following:

- 5.1 The contract volume of the Exiting Farmer is at least 200,000 litres per annum.
- 5.2 For the purpose of transfer the contract volume of the Exiting Farmer shall be split into units of 100,000 litres per annum with any balance of less than 100,000 to be added to one of the units (eg 648,000 would be split into 6 units of 100,000 each. The balance of 48,000 to be added to one of the units to make a total of 148,000 litres for that “unit”).
- 5.3 Acquiring Farmers may apply for transfer of multiple units (eg the same farmer may apply for 300,000 (3 units x 100,000)).

6. Preconditions to Consent

DFMC will consider providing its consent to Exiting Farmers transferring their contract volume under their Farmer Contract to an Acquiring Farmer if:

- 6.1 The Exiting Farmer has completed and lodged with DFMC the Milkline Listing Form and given DFMC the opportunity to list those details on Milkline for at least 7 days.
- 6.2 The Acquiring Farmer is a DFMC member.
- 6.3 The farms of the Exiting Farmer and the Acquiring Farmer are in the same locational region.
 - (a) For example, a Central Region (NSW) contract can only be transferred to another supplier within the locational NSW region;
 - (b) Contracts from more distant sub-regions can be transferred to inner sub- regions, e.g. to a region a lesser distance from GPO;
 - (c) Transfers of contracts will only be permitted within sub-regions or between contiguous (adjoining) locational sub-regions if transferred from an inner to a more distant, e.g. a supplier from 200km plus will generally only be able to acquire a contract from a supplier who is in the 100km to 200km or 200km plus bracket.
- 6.4 The Exiting Farmer has provided DFMC with a completed and signed copy of the form headed “Letter from Exiting Farmer requesting DFMC to consent to contract Transfer” together with the attachments required by that letter establishing that:
 - (a) the Exiting Farmer is genuinely exiting the dairy industry;
 - (b) if the Exiting Farmer’s farm is leased, the lessor has consented to the contract transfer;
 - (c) if the Acquiring Farmer’s farm is leased, the lessor has consented to the contract transfer;

- (d) the transfer is binding but subject to the consent of DFMC and will not be effective until that consent has been obtained.

7. Conditions of Consent

Once the above preconditions of consent have been met, DFMC still maintains a discretion as to whether to provide consent but if it does, DFMC will provide its written consent to the contract transfer on the following conditions:

- 7.1 The effective date of the transfer will be at month's end.
- 7.2 In respect of the transfer of a whole contract:
 - (a) the Exiting Farmer's Farmer Contract will be deemed terminated on the date set out in the DFMC consent; and
 - (b) the Acquiring Farmer amends the "Monthly Defined Volumes" under its Farmer Contract to be not less than 80% and not more than 100% of the total of the "Monthly Defined Volumes" under its Farmer Contract and the Exiting Farmer's Farmer Contract.
- 7.3 In respect of the transfer of "units":
 - (a) the contracted volume (ie "Annual Defined Volume" and "Monthly Defined Volumes") in Exiting Farmer's Farmer Contract will be reduced by the relevant transferred volume; and
 - (b) the Acquiring Farmer amends the "Monthly Defined Volumes" under its Farmer Contract to be not less than 80% and not more than 100% of the total of the "Monthly Defined Volumes" under its Farmer Contract and the relevant transferred volume under the Exiting Farmer's Farmer Contract.

8. Last Day of Milk Collection

Unless otherwise specified by DFMC, the last day for milk collection will be:

- (a) in respect of the transfer of a whole contract, the earlier of:
 - (i) the effective date of the transfer; or
 - (ii) in the event the necessary transfer documentation has not been submitted to DFMC within two (2) months from the date the contract volume was listed on the website, two (2) months from the date the contract volume was listed on the website ; or
- (b) in respect of the transfer of "units", the earlier of:
 - (i) the effective date of the transfer of the last "unit"; or
 - (ii) in the event the necessary transfer documentation to transfer all of the contract volume has not been submitted to DFMC within two (2) months from the date the contract volume was listed on the website.

9. Administrative Matters

DFMC members should note:

- 9.1 all documentation and forms can be found on the DFMC Website www.dfmc.org.au;
- 9.2 the process to obtain DFMC's consent may take up to three (3) months;
- 9.3 any DFMC member wishing to acquire an Exiting Farmer's contracted volume can access Milkline to view opportunities.
- 9.4 any DFMC member seeking access to information regarding any listing can contact the Program Co-ordinator and the Program Co-ordinator will provide contact details of the Exiting Farmer.
- 9.5 laws differ between States of Australia so the statutory declarations required to be filled out by the Exiting Farmer must comply with the law of the State in which the Exiting Farmer's Farmer Contract is governed. Four different forms of these statutory declarations are available on the DFMC Website for use of DFMC members.

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