



Murray Goulburn Co-operative Co. Limited

Supplier Handbook

NSW – Sydney Market Region 2016/17

Summary of key changes in the 2016/17 NSW – Sydney Market Region Supplier Handbook

The following table outlines certain key changes and updates that have been made to the 2016/17 NSW – Sydney Market Region Supplier Handbook. Please read this document to ensure you are aware of any changes that may affect your Milk Supply Arrangement.

Section	Topic Covered	Brief Description
5.1 and 9.22.1(22)	Qualifying Milk Solids	Milk solids to be included for the calculation of Incentive payments will now be Premium and Acceptable categories. Sub-Standard and Unacceptable bands will be excluded
5.4	Minimum Pick-ups	Minimum milk volume collected is now 800 litres on a skip-a-day basis
5.5	Tipped Milk Payment	Inclusion of payment policy
5.6	Discounts	New policy relating to minimum Composition Requirements
5.6 and 6.2	Name changes for Quality bands	Two new changes to describe our Milk Quality bands – Premium, Acceptable, Sub-Standard and Unacceptable
5.9	MG Milk Vat Financing Standard	New Criteria to apply for finance regarding Direct Expansion vats and Direct Chill Cooling Technology
6.3	Sampling Procedure (c) Inhibitory Substances/Residues	Quaternary Ammonium Compounds (QACs), Nonylphenol Ethoxylates (NPEs) and pre-milking teat sanitisers are now prohibited
6.9	Temperature	New milk cooling targets based on MG standards
6.10	Vat Breakdown or Power Failure	New requirements for rectification of milk temperatures within prescribed time limits

Unless otherwise stated, terms used in this Handbook have the meaning given to them in Section 9, Standard Milk Payment Terms.

Contents

1	About Murray Goulburn Co-operative Co. Limited	2	6	Farm milk quality standard	26
1.1	Our story	3	6.1	Milk quality commitment	27
1.2	Our vision and strategy	3	6.2	Milk quality standards	27
1.3	Investing for the future	3	6.3	Sampling procedure	27
1.4	Our business – an overview	4	6.4	Milk rejection	28
1.5	Our business segments	4	6.5	Bactoscan and Thermoduric testing	28
1.6	A diverse product mix	5	6.6	Bulk Milk Cell Count (BMCC) testing	29
1.7	Board of Directors	5	6.7	Impact of export requirements on MG's raw milk collection	30
2	Dairy regions and processing plants	6	6.8	Inhibitory substances/residues	30
3	Supplier services and support	8	6.9	Temperature	31
3.1	Field services	9	6.10	Vat breakdown or power failure	32
3.2	Share equity	9	6.11	Colostrum	32
3.3	MG F@rm	10	6.12	Rolling grade penalties system	33
3.4	MG FarmC@re	10	6.13	Milk quality reports	34
3.5	Regular updates	10	6.14	Quality Solutions® programs	34
3.6	Income estimates	11	7	Food safety and quality assurance program	35
3.7	Next Generation package	11	7.1	MG Milkcare	36
3.8	Field services contacts	13	7.2	On-farm audits	36
4	MG Trading	15	7.3	Milk quality standards and regulations	37
4.1	MG Trading service offering	16	7.4	MG FarmC@re	37
4.2	MG Trading locations and trading hours	16	7.5	Animal welfare	38
5	Milk payment system explained	19	7.6	Position on Genetic Modification (GM)	38
5.1	The system at a glance	20	8	Milk collection and on-farm requirements	39
5.2	Milk handling charges	22	8.1	Farm track and dairy access	40
5.3	Volume commitments	22	8.2	Accessing your property	40
5.4	Minimum pick-ups	22	8.3	Requirements for tanker access	40
5.5	Tipped milk payment	23	8.4	Access track design	41
5.6	Discounts	23	8.5	Vat room requirements	43
5.7	Minimum milk composition requirement	24	8.6	Vat room asbestos control measures	43
5.8	Murray Goulburn vat standard	25	8.7	On-farm safety	44
5.9	Murray Goulburn milk vat financing standard	25	8.8	Issue resolution process	44
5.10	Statutory and other levies	25	9	Standard Milk Payment Terms 2016/17	45
				Summary information	46
				Murray Goulburn Standard Milk Payment Terms (Terms)	47
				Sydney Market Region (SMR) Supply Acceptance Form	59

1

In this section

- 1.1 Our story
- 1.2 Our vision and strategy
- 1.3 Investing for the future
- 1.4 Our business – an overview
- 1.5 Our business segments
- 1.6 A diverse product mix
- 1.7 Board of Directors

About Murray Goulburn Co-operative Co. Limited



1.1 Our story

Murray Goulburn Co-operative Co. Limited's (MG) story began in 1950 when a group of 14 dairy farmers formed the basis of the MG Co-operative with a view that they needed to combine their efforts to improve milk returns and protect themselves from an industry dominated by multinationals and proprietary companies. They didn't see farming as a business; more a way of life. Their motto was 'each for all and all for each'. These humble beginnings marked the birth of a co-operative spirit that endures to this day.

Today, MG is Australia's largest dairy foods company and co-operative of Australian farmers, processing over one-third of Australia's milk supply. We are 100 percent controlled by over 2,600 dairy farmer shareholders.

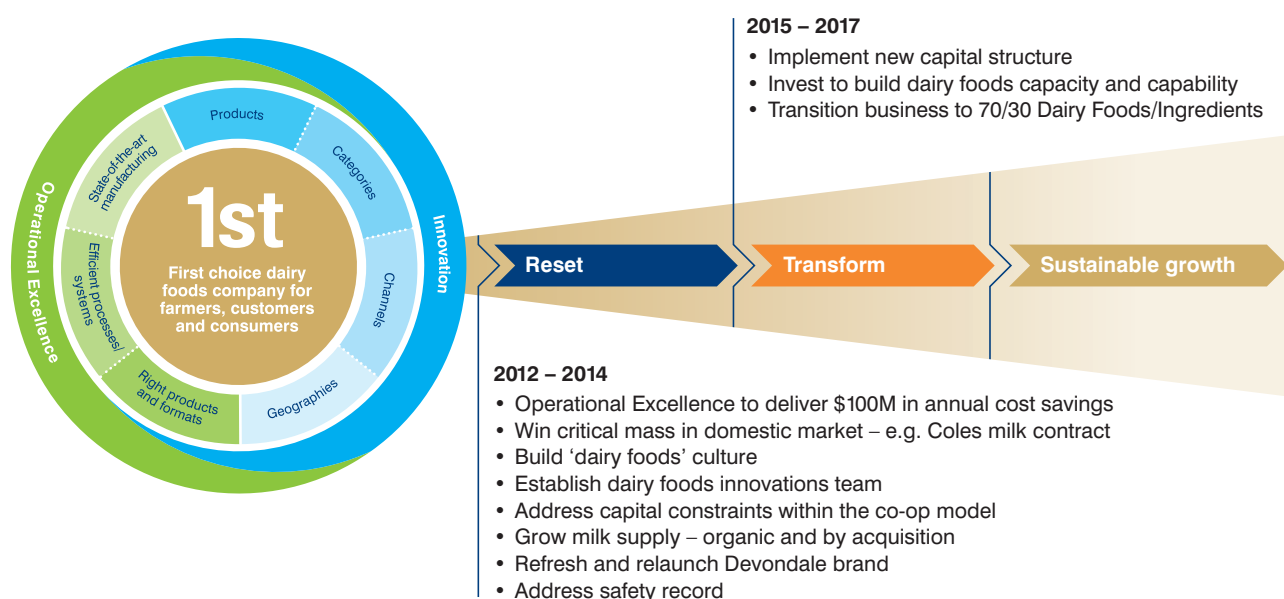
MG's Southern Milk Region encompasses suppliers located in the dairy regions of Victoria, NSW (Southern Riverina), South Australia and, since July 2015, Tasmania. In 2013 MG also commenced milk collection in the Sydney region. The arrangements relating to the supply of milk in the Southern Milk Region are set out in a separate Supplier Handbook.

1.2 Our vision and strategy

MG's vision is to be a 'first choice dairy foods company' for farmers, customers and consumers. To support this ambition, our focus is on executing a growth and value creation strategy that moves MG's product mix away from commodity products towards higher-margin, value-added or ready-to-consume dairy foods. Our ability to drive strong revenue growth in recent years demonstrates this strategy is delivering higher returns.

Our strategy focuses on two key areas:

- **operational excellence** – invest in modern, flexible and globally competitive dairy food manufacturing and supply chain infrastructure to deliver and sustain business efficiency and cost leadership; and
- **innovation** – drive the ongoing shift to value-added products in the key growth categories of nutritional powders, consumer cheese and dairy beverages.



1.3 Investing for the future

To support our vision to become a 'first choice dairy foods company', MG raised \$500 million in new capital in 2015 to fund our growth and value creation strategy.

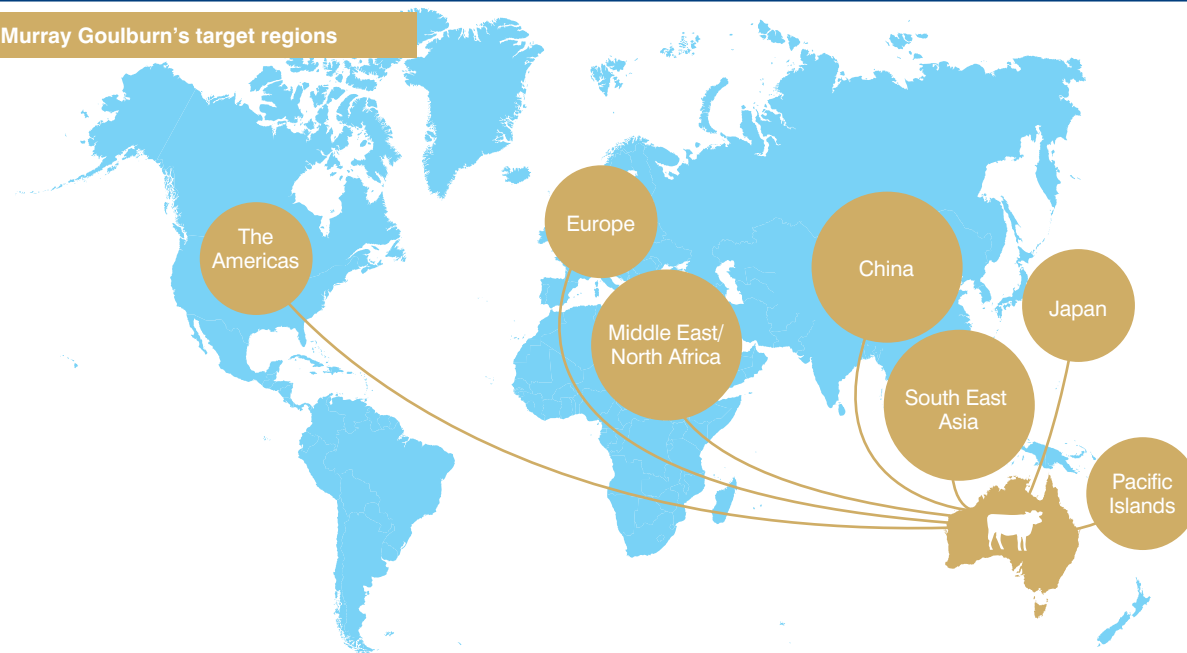
The completion of the capital structure was a milestone achievement for the business, providing access to the capital required to invest in key projects. This is helping us deliver world-leading manufacturing and supply chain capabilities and to better connect with and meet the needs of, our domestic and international customers.

MG is now investing these funds to build world-leading manufacturing capability and capacity in three key dairy growth categories: nutritional powders, dairy beverages and consumer cheese.

Once fully operational these categories are expected to deliver sustainably higher farmgate milk prices and future earnings.

1.4 Our business – an overview

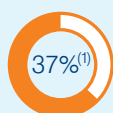
Murray Goulburn's target regions



**FY15
Milk volume**
3.6 billion litres



**Australian milk
in FY15**



**FY15 statutory
Available FMP**
\$6.02 per kgms



**FY15
Domestic revenue**
\$1.6 billion



Processing sites
AUSTRALIA
Victoria – 7
New South Wales – 1
Tasmania – 2⁽²⁾
CHINA
Qingdao – 1

Farmers
2,600+



Employees
2,400+



**FY15
Export revenue**
\$1.3 billion



(1) Source: Revised Dairy Australia milk collection data released on 10 September 2015.

(2) Includes Tasmanian Dairy Products Co Pty Ltd's (TDP) Smithton processing facility. TDP is majority owned by MG.

1.5 Our business segments

Dairy Foods	Ingredients and Nutritionals	Other
<p>Our Dairy Foods business segment encompasses all consumer and food service sales, in both domestic and international markets.</p> <p>The business supplies large retail grocery chains and food service distributors with dairy foods such as dairy beverages (chilled and UHT milk), cheese, butter, cream and consumer milk powder.</p>	<p>Our Ingredients and Nutritionals business is a globally recognised supplier of bulk and customised dairy ingredients and infant nutrition products to the key markets of North Asia, South East Asia, Australia, Sri Lanka and USA. With a long established presence as Australia's leading dairy supplier, MG's Ingredients and Nutritionals products are well known and trusted in the global market.</p>	<p>We also operate a number of wholly owned businesses and subsidiaries. These include MG Trading, a commercial milk broking business, ProviCo and a number of joint ventures.</p>

1.6 A diverse product mix

Throughout our 65-year history, we have built an enviable reputation as Australia's leading producer of quality dairy foods.

Dairy foods brands



Our flagship consumer brand is Devondale, the only dairy brand sold in Australia that spans the key dairy categories of milk (including daily pasteurised and long life milk), butters and spreads, cream and cheese. Devondale also has a recognised international presence.



The Liddells brand is comprised of lactose-free cow's milk products, including long life milk, long life cream, ice-cream, cheese and yoghurt.



A range of fresh dairy products including milk, flavoured milk and cream sourced locally, produced locally and predominantly sold locally.



The Proform Nutrition and Energy range includes formulated meal replacement and supplement products for people in need of nutritional assistance such as aged-care patients, hospital patients and individuals cared for in-home.



Table Cove is a specialty UHT milk brand for export markets. Focusing on being 'Naturally from Australia', Table Cove aims to be our secondary brand in export markets.



8 Bar is a premium range of café-quality iced coffee made from real espresso which is extracted at an ideal pressure of eight bar before being combined with ice cold milk.



Cobram has long been associated with cheese at MG and has been sold domestically for many years.



For over 20 years, Caboolture has been one of Australia's leading producers of mozzarella and pizza cheese. It was acquired by MG in 2015 for our food service portfolio.



Devondale Natra Start is a range of infant nutrition products which caters for children from birth onwards. In March 2016, the range was made available in Australian retailers and launched in China in April 2016.

Ingredients and Nutritionals brands



MG Ingredients is our global food ingredients brand which includes all bulk dairy commodities as well as specialised ingredients marketed for use in the preparation of other foods. The combination of quality, customer engagement and technical capability has made MG Ingredients a well known and respected brand in the marketplace for dairy ingredients.



MG Nutritionals is a specialised segment of our food ingredient business focused on infant nutrition. This business has a strong focus on value-add through contract manufacture of fully formulated infant nutrition products as well as customised bulk base powders for further processing into retail infant nutrition products.

Food services

Our Food Service division supplies quality dairy products to organisations all around Australia. Our products are available in, for example, government and educational institutions, restaurants, cafes, the airline and hospitality industries.

1.7 Board of Directors

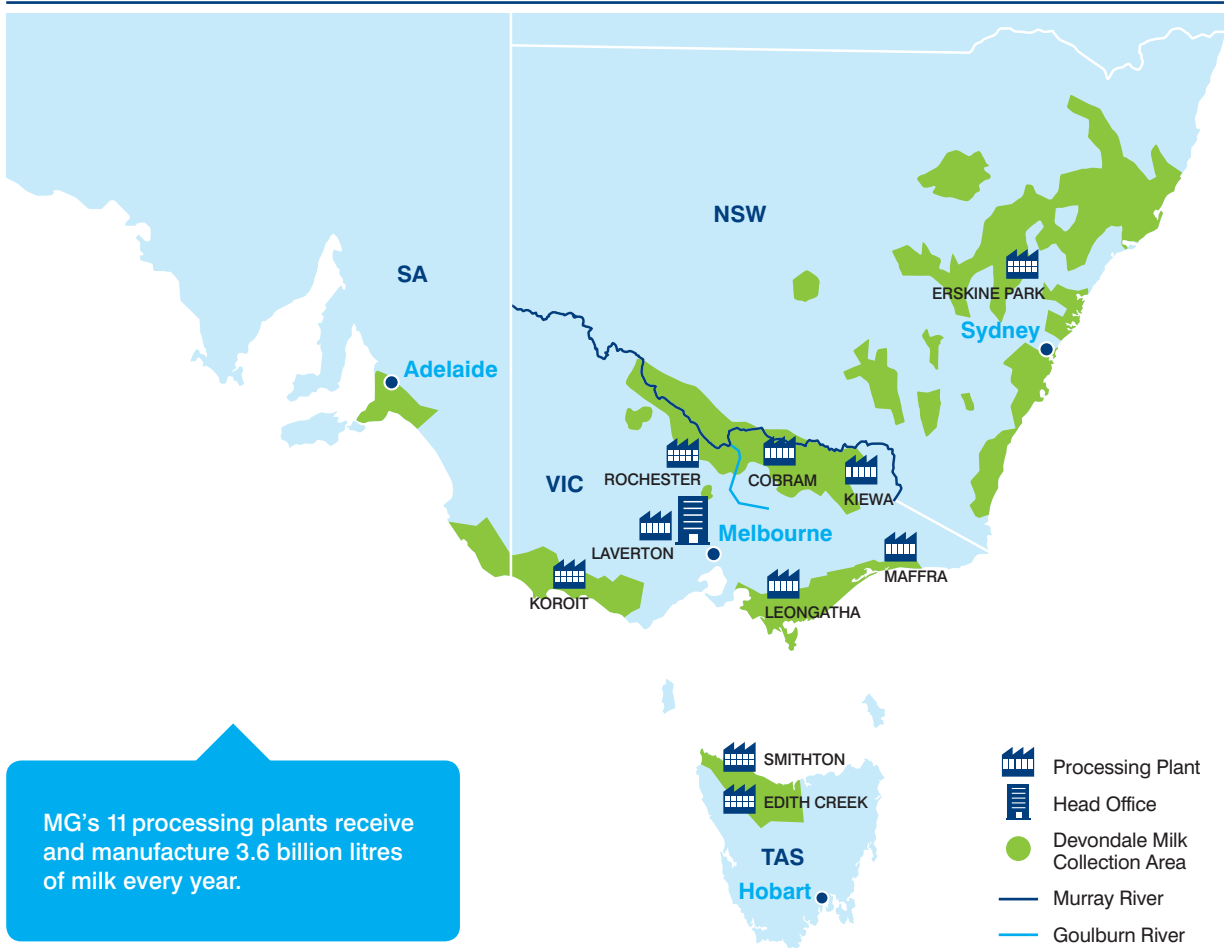
Under its Constitution, MG must have a Board of Directors of at least 11 but not more than 14, including between seven and 10 farmer directors. Each of the farmer directors must have been nominated for election to the Board by a specific supplier region. The Board may appoint up to three persons to be a special director. Special directors need not be a supplier to MG.

Details of the members of the MG Board are set out on the MG website at <http://www.mgc.com.au/our-people/board-of-directors/>.

2

Dairy regions and processing plants





VICTORIA

Rochester

Cheese
Full cream milk powder
Whey powder
Whey protein
Concentrate
Lactose
Specialty powders

MG Nutritionals (Cobram)

Infant formula
Specialty ingredients

Cobram

Cheese
Whey powder
Whey protein concentrate
Whey protein isolate
Lactose
Specialty whey proteins

Kiewa

Cream cheese
Retail milk/cream

Maffra

Skim milk powder
Butter milk powder
Anhydrous milk fat
Butter
Specialty ingredients

Leongatha

Butter
Retail butter/spreads and creams
UHT products
Milk protein concentrate
Lactoferrin
Milk minerals

Koroit

Full cream milk powder
Fat filled milk powder
Skim milk powder
Anhydrous milk fat
Retail butter
Bulk butter
Milk protein concentrate
Infant nutrition
Retail powders

Laverton

Daily pasteurised milk

NEW SOUTH WALES

Erskine Park

Daily pasteurised milk

TASMANIA

Edith Creek

Specialty UHT products

Smithton (Tasmanian Dairy Products)

Anhydrous milk fat
Full cream milk powder
Skim milk powder

3

Supplier services and support

In this section

- 3.1 Field services
- 3.2 Share equity
- 3.3 MG F@rm
- 3.4 MG FarmC@re
- 3.5 Regular updates
- 3.6 Income estimates
- 3.7 Next Generation package
- 3.8 Field services contacts



At MG our aim is to be the primary partner to Australia's dairy farmers.

In addition to playing a critical role in driving higher milk prices, MG aims to provide a superior supplier support service to our more than 2,600 suppliers.

We believe frequent engagement with our suppliers is a key part of our success. We hold supplier meetings biannually across the dairy regions and regularly consult with suppliers outside of these meetings to seek input and feedback on our performance, strategy and initiatives. We also have a strong team of locally based Field Service Officers (FSOs) who are informed and passionate about MG and the dairy industry.

By staying in touch with our suppliers, we understand the issues and opportunities our suppliers face. This in turn shapes the services and support MG offers our suppliers.

3.1 Field services

MG employs a team of approximately 40 FSOs throughout Victoria, Tasmania, New South Wales and South Australia. The role of our FSOs is to provide suppliers with support on a range of technical, financial and industry issues.

Our FSOs maintain regular contact with MG suppliers, act as the local face of the co-operative, and facilitate access to a large suite of assistance, ranging from farm budgeting and milk quality support to guidance in meeting regulatory and sustainability requirements. Our aim is to support our suppliers so they can profitably grow and develop their farm business.

3.2 Share equity

In accordance with MG's co-operative principles, suppliers of MG must own shares in MG. The principles governing the requirement for suppliers to own shares in MG are set out in MG's Share Standard Policy, MG's Constitution and MG's Share Offtake Policy. These are available on the Murray Goulburn website: <http://www.mgc.com.au>.

Share Standard

The Share Standard is measured in kilograms of milk solids (kgms), and for each shareholder, equals the shareholder's nominated share allocation percentage multiplied by the relevant supplier production standard for the shareholder's associated supplier. This will generally be calculated based on a Farm's average annual milk production over a rolling three-year period, multiplied by the designated milk proceeds percentage for that supplier. Each shareholder is expected to satisfy their Share Standard.

The key provisions relating to our Share Standard are:

- A shareholder may not hold more than 0.5 percent of MG's total ordinary shares regardless of the amount of milk they supply to MG (Hard Cap).
- Shareholders who are below their Share Standard cannot sell MG shares through the Shareholder Trading Platform (STP). They can, however, buy MG shares through the STP up to the Hard Cap.
- Shareholders who hold shares in excess of the Share Standard can sell shares (down to their Share Standard), subject to the three-year sell down rule in certain circumstances, or buy shares through the STP up to the Hard Cap.

Shareholders can vote their MG shares up to their Share Standard. Any shares exceeding the Share Standard will be converted into non-voting shares. Non-voting shares are identical to voting shares except they have no voting rights. There are no penalties for shareholders who do not meet the Share Standard. Please refer to the Share Standard Policy for more details.

3.2 Share equity continued

Share Offtake

Under MG's Share Offtake Policy, suppliers associated with shareholders who do not hold enough shares to satisfy their Share Standard must participate in MG's share offtake program. As announced on 27 February 2016, the Board has agreed that for FY2016/17, suppliers who hold shares below their Share Standard may opt out of share offtake.

Under the Share Offtake Policy, a portion of a supplier's monthly milk proceeds are deducted and used to acquire shares on behalf of the relevant associated shareholder. The minimum compulsory rate of share offtake is \$0.09 per kgms (equivalent to approximately 0.65 cents per litre). Shares are acquired at the average volume weighted purchase price of units in the MG Unit Trust (ASX: MGC) on the Australian Securities Exchange (ASX) for the month. Suppliers also have the option to participate in the share offtake program at the higher rates of \$0.13 or \$0.27 per kgms if they wish to acquire MG shares at a faster rate.

Shares will be allocated to participating shareholders on a monthly basis at the commencement of the second month following the relevant month of supply.

MG's Board of Directors retains the right to issue new MG shares to satisfy demand for MG shares under the share offtake program.

Once a shareholder has satisfied their Share Standard, the associated supplier's participation in the share offtake program becomes optional. Such a supplier would have the option to continue acquiring MG shares under the share offtake program or to opt out of the program.

Participation in the share offtake program does not restrict a shareholder from otherwise acquiring MG shares through the STP, up to the Hard Cap.

MG's Board of Directors retains the discretion to amend the size of the minimum rate of compulsory share offtake and the manner in which MG shares are acquired under the share offtake program.

3.3 MG F@rm

MG F@rm is an online portal that provides suppliers with their farm information, production, milk quality and financial data, as well as current company and industry information. Suppliers have access to milk payment statements on or about the 14th day of each month.

3.4 MG FarmC@re

MG FarmC@re is MG's on-farm sustainability program that is designed to assist suppliers to strengthen their business by implementing practices to enhance performance around food safety, the environment, animal welfare expectations and people management. Through workshops and one-on-one visits by specially trained staff, suppliers can access the latest information on regulatory requirements and industry best practice management to raise their awareness of the issues.

3.5 Regular updates

Suppliers are kept informed of issues, trends and industry updates via a wide range of channels including:

- email, fax and text messages
- our monthly regional newsletter, The Devondaler
- quarterly market updates
- annual and half-yearly supplier meetings
- invitations to attend the Annual General Meeting.

3.6 Income estimates

To assist you to budget for your season ahead, MG's FSOs can provide you with an Income Estimation. This is an indicative month-by-month cash flow projection of your business at any one point in time and is based on information provided by you, including year-to-date and last season's historical milk production and forecast milk price.

Income Estimations also provide an estimated annual average milk price quote in both \$/kgms, \$/kg butterfat and c/litre. The average price is influenced by the calving pattern and composition of milk (butterfat/protein ratio). The Income Estimation is a guide only and not a guarantee of the income you will receive. It also reflects various assumptions in respect to MG's performance, including in relation to farmgate milk price and any Step-ups to the Opening Price. Please seek professional advice in relation to the Income Estimation and your financial matters.

3.7 Next Generation package

The Next Generation package of initiatives was launched in March 2013 and was designed to assist new and established MG suppliers meet key challenges and take advantage of business opportunities. These include establishing as a dairy operator, developing a workforce, managing a sustainable business and succession of the family farm. While our primary focus is to deliver a higher farmgate milk price, we also recognise there are times when other forms of business support are needed. These periods are typically when dairy farmers enter the industry, experience tough business conditions or when undertaking a rapid growth phase. The Next Generation package is available to existing and prospective MG suppliers across all our supply regions. The package includes:

- **Next Generation Dairy Rebate** – a significant financial support offering (paid as an investment rebate) for young farmers, farming families and new entrants seeking to grow their business, proactively manage succession or entry into the dairy industry.
- **Workforce Support** – access to employment and immigration resources to address labour market shortages, including immigration advice to assist MG suppliers recruit farm employees.
- **MG Partnerships** – leasing partnerships to offer MG suppliers or new entrants an alternative to bank debt for business opportunities or industry entry.
- **Supplier Finance** – medium and short-term finance to assist with cash flow management and business sustainability, as well as upgrades to milk vats for improved farm and supply chain efficiency.
- **MG Trading Finance** – an option to open up longer-term credit lines at MG Trading stores to purchase equipment that supports the supplier to improve the efficiency of their farm operations.

Next Generation Dairy Rebate is at times available in NSW – Sydney Market Region at the discretion of MG. Please contact your FSO to discuss the current program in the NSW – Sydney Market Region.

To learn more about the Next Generation package, please contact your local FSO. Terms and conditions apply.

Next Generation Dairy Rebate

MG's Next Generation Dairy Rebate offers significant financial support, in the form of an investment rebate, for young farmers, farming families and new entrants seeking to grow their business or enter the dairy industry.

Suppliers investing more than \$100,000 can apply for an investment rebate. The investment rebate available depends on a number of factors including the size of the investment and the expected milk production the investment will return. Support is offered for up to three years to assist new entrants and young farmers who are in the process of:

- purchasing a dairy farm, dairy herd or water
- investing in infrastructure
- starting their own farming business
- expanding their current farming business
- entering into a farming partnership.

3.7 Next Generation package continued

Workforce support

MG is committed to helping suppliers build their dairy businesses by arming them with tools to attract, manage and retain employees, and develop strategies to improve workforce options. Karen Baum, MG's workforce Support Co-ordinator, will support FSOs in delivering guidance and building capacity in workforce compliance and human resource management.

Karen can be contacted at:
Karen Baum 0439 556 914
karen.baum@mgc.com.au.

Following the success of a two-year trial, the migration assistance program will continue, providing 457 visas and sponsorship advice via migration professional, Susan Denny. Susan is a registered migration agent and highly experienced in rural workforce challenges. Susan will assist suppliers with all aspects of the visa application process and provide ongoing support regarding employer obligations. For more information on migration employment options, contact Susan Denny on susan@visaservicestoaustralia.com.au.

MG Partnerships

MG Partnerships provides suppliers with an alternate pathway to farm expansion. As Australia's number one dairy company, MG is able to attract equity funds for the purchase of farm land identified by suppliers as important to their farming success. The land is then made available to suppliers through leasing.

Under MG Partnerships, a combination of investor equity and leasing means a farmer's existing capital is available for other investments such as cows or new dairy infrastructure.

Supplier finance

Approved MG suppliers have access to a suite of finance options that offer flexible terms, no fees and the convenience of applying through their local FSO. Finance includes advances on milk income, finance for working capital expenses and new vat investments.

MG's competitive loan options range from flexible 12 to 60-month terms and aim to help suppliers manage their cash flow and achieve business sustainability. MG's vat finance assists suppliers in purchasing new and used vats that meet specified criteria with an interest subsidy of up to 8.25 percent.

MG Trading finance

MG Trading understands the unique needs of our suppliers and has designed tailored products specifically to meet the needs of our rural supplier customers. Through MG Trading Finance, we can provide competitively priced finance to suppliers for dairy equipment investments and upgrades to help with cash flow management and business sustainability.

Medium-term finance is also available to approved suppliers for the purchase of equipment through MG Trading which helps improve the efficiency of their farm operations. Eligible purposes include hot water services, feed systems, silos, roller mills, crushers, mineral dispensers, wash systems, plate coolers, full milking plants (stainless milk and vac lines), machines, vac pumps, milk pumps, pulsators, wash systems, filters, ACRs and milk meters.

3.8 Field services contacts

Location and contact		Phone	Email
MURRAY GOULBURN HEAD OFFICE			
MELBOURNE		+61 (0) 3 9040 5000	
Robert Poole	Executive General Manager Supplier Relations	0408 057 073	robert.poole@mgc.com.au
Ross Greenaway	General Manager of Milk Supply and Field Services	0409 946 992	ross.greenaway@mgc.com.au
Craig McRae	Manager Supplier Services	0409 514 252	craig.mcrae@mgc.com.au
John Perrot	Manager Commercial Milk Supply	0417 122 539	john.perrott@mgc.com.au
Corrie Goodwin	Head of Milk Quality Assurance	0488 288 836	corrie.goodwin@mgc.com.au
FIELD SERVICES			
COBRAM		03 5871 0222	
John Furphy	Field Services Manager – Northeast	0417 343 361	john.furphy@mgc.com.au
Simon Billings	Field Services Officer	0447 650 060	simon.billings@mgc.com.au
Brendan Ley	Field Services Officer	0499 072 296	brendan.ley@mgc.com.au
Scott Jardine	Farmc@re Facilitator – North Victoria	0488 350 911	scott.Jardine@mgc.com.au
COHUNA		03 5456 4722	
Tara Barnes	Field Service Officer	0499 013 595	tara.barnes@mgc.com.au
Joanne Duffy	Field Service Officer	0427 304 138	joanne.duffy@mgc.com.au
Brock Williams	Agribusiness Manager Northern Victoria	0499 021 625	brock.williams@mgc.com.au
KIEWA		02 6027 9200	
Warren Collins	Field Services Officer	0499 995 351	warren.collins@mgc.com.au
KOROIT		03 5561 9700	
Meaghan Johnston	Field Services Manager – Koroit Western Region/South Australia	0408 995 142	meaghan.johnston@mgc.com.au
Matthew Morrow	Field Services Manager – Koroit Eastern Region	0418 589 758	matt.morrow@mgc.com.au
Paula Darcy	Field Service Officer	0400 953 393	paula.darcy@mgc.com.au
Samde Ramah	Field Service Officer	0458 400 079	samde.ramah@mgc.com.au
Camille Haymes	Field Service Officer	0478 301 573	camille.haymes@mgc.com.au
Greg Lemmens	Field Service Officer	0427 310 296	greg.lemmens@mgc.com.au
Kym Mathew	Field Service Officer	0478 455 525	kym.mathew@mgc.com.au
Tracy O'Connell	Field Service Officer	0401 597 689	tracy.oconnell@mgc.com.au
Sam Dalziel	Supplier Compliance and Development Co-ordinator	0421 577 921	sam.dalziel@mgc.com.au
Rodney Petering	Agribusiness Manager Western Victoria	0428 993 395	rodney.petering@mgc.com.au

3.8 Field services contacts continued

Location and contact		Phone	Email
FIELD SERVICES continued			
LEONGATHA		03 5662 9666	
Tim Cross	Field Services Manager – Leongatha	0408 522 856	tim.cross@mgc.com.au
Jol Dutton	Field Service Officer	0447 500 026	jol.dutton@mgc.com.au
Gary O'Connor	Field Service Officer	0418 559 506	gary.oconnor@mgc.com.au
Russell Fountain	Field Service Officer	0427 199 865	russell.fountain@mgc.com.au
Allison Potter	Field Service Officer	0437 054 638	Allison.potter@mgc.com.au
Penny Johnson	Field Service Officer	0418 237 436	penny.johnston@mgc.com.au
Paul Dodds	Agribusiness Manager Gippsland	0418 436 737	paul.dodds@mgc.com.au
Karen Baum	Workforce Support Co-ordinator	0439 556 914	Karen.baum@mgc.com.au
MAFFRA		03 5147 0777	
Gregor Allen	Field Services Manager – Maffra	0417 017 705	gregor.allen@mgc.com.au
Murray Wisewould	Field Service Officer	0438 316 183	murray.wisewould@mgc.com.au
Roisin Dunne	Field Service Officer	0455 025 706	roisin.dunne@mgc.com.au
Marion French	Field Service Officer	0499 500 285	marion.french@mgc.com.au
Narelle Savage	Field Service Officer	0435 966 519	narelle.savage@mgc.com.au
Scott Elliott	Field Service Officer	0499 707 365	scott.elliott@mgc.com.au
ROCHESTER		03 5484 0222	
Cameron Ingram	Field Services Manager – Northwest	0409 131 208	cameron.ingram@mgc.com.au
Shane Byrne	Field Service Officer	0402 971 593	shane.byrne@mgc.com.au
Nicole Sloper	Field Service Officer	0428 109 630	nicole.sloper@mgc.com.au
NSW			
Michelle Blakeney	Field Services Manager – NSW	0457 832 830	michelle.blakeney@mgc.com.au
Ray Johnston	Field Service Officer	0411 119 613	ray.johnston@mgc.com.au
Vicki Timbs	Field Service Officer	0498 009 569	vicki.timbs@mgc.com.au
Jessica Maloney	Regional Milk Quality Assurance Manager NSW/Tas	0408 428 384	jessica.maloney@mgc.com.au
TASMANIA			
Christopher Haynes	Field Services Manager	0408 548 091	christopher.haynes@mgc.com.au
Peter Korpershoek	Field Service Officer	0438 583 108	peter.korpershoek@mgc.com.au

4

MG Trading

In this section

- 4.1 MG Trading service offering
- 4.2 MG Trading locations and trading hours



4.1 MG Trading service offering

MG Trading provides our suppliers and other rural customers with competitively priced farm inputs and on-farm services to help farm businesses operate more effectively and efficiently.

A wide range of farm inputs and services are offered including:

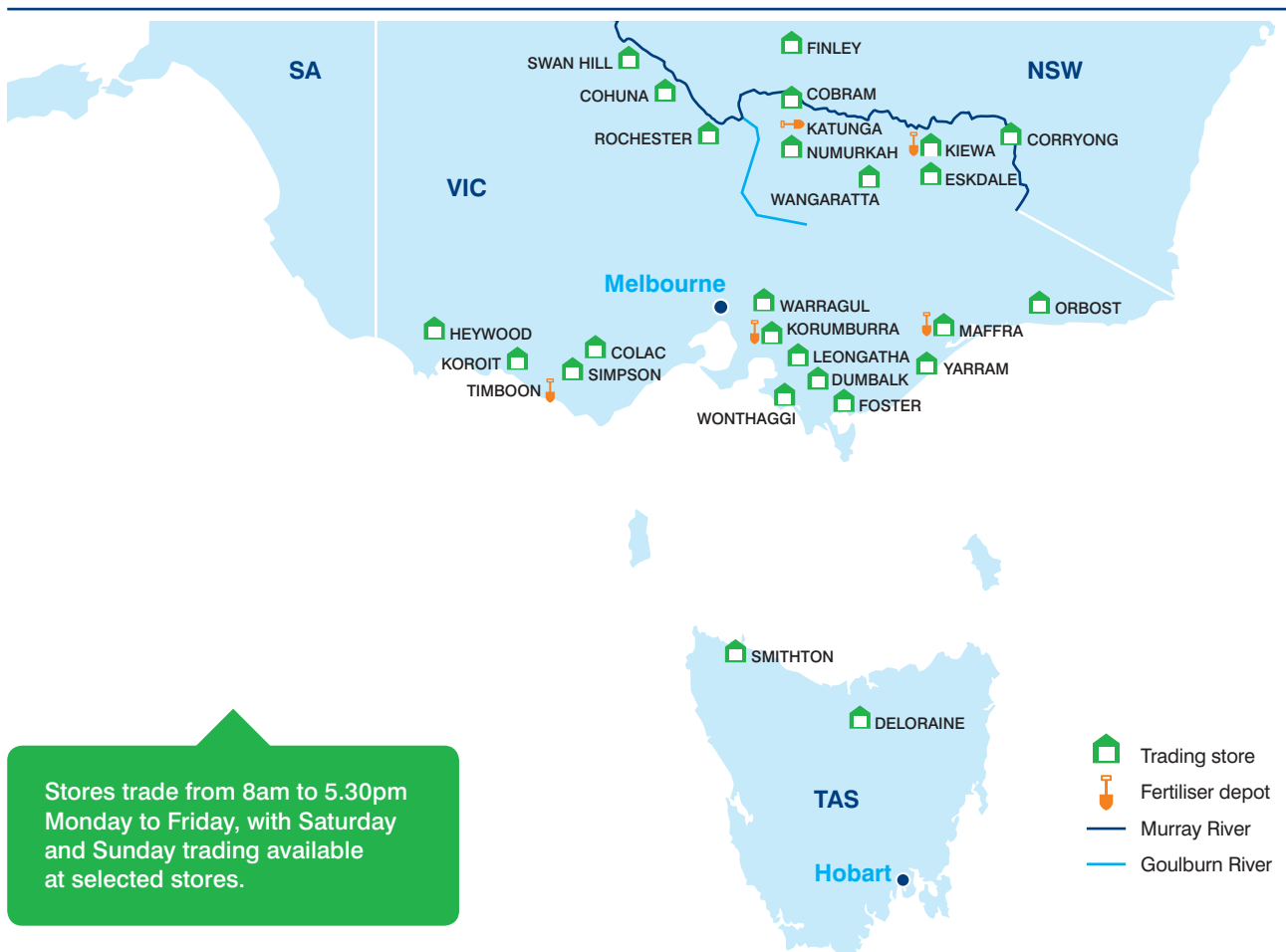
- fodder
- bulk feed
- bulk fertiliser and spreading
- farm chemicals
- animal health products
- dairy hygiene products
- work and safety wear
- free on-farm delivery
- 30 and 45-day trading accounts for all purchases (conditions apply)
- tailored farm package insurance products.

All MG Trading stores also offer access to:

- expert technical agronomy advice;
- dairy servicing including milking machine maintenance and installation of dairies. Milking machine service and repairs are available on call seven days a week in western Victoria and Gippsland;
- on-farm fuel delivery to all regions through our partnership with Reliance/BP;
- nutritional advice on feed types and programs.

4.2 MG Trading locations and trading hours

MG Trading has 25 stores and seven fertiliser depots servicing most of the south-east dairy region. In 2015, MG Trading also opened in Deloraine and Smithton in Tasmania and extended the offering to suppliers of MG throughout that state.



4.2 MG Trading locations and trading hours continued

Contacts

Location	Address	Phone	Fax
MURRAY GOULBURN HEAD OFFICE			
MELBOURNE	Freshwater Place, Level 15, 2 Southbank Boulevard, Southbank VIC 3006	03 9040 5000	03 9040 5100
TRADING STORE			
COBRAM	93 Broadway Street, Cobram VIC 3644	03 5872 2955	03 5872 2731
COHUNA	Western Road, Cohuna VIC 3568	03 5456 2802	03 5456 2998
COLAC	526 Princes Highway, Colac VIC 3250	03 5231 2455	03 5231 3721
CORRYONG	Towong Road, Corryong VIC 3707	02 6076 1288	02 6076 1556
DELORAINIE	2 East Westbury Place, Deloraine TAS 7304	03 6362 3099	
DUMBALK	Farmers Road, Dumbalk VIC 3956	03 5664 4202	03 5664 4351
ESKDALE	Omeo Highway, Eskdale VIC 3701	02 6072 0303	02 6072 0028
FINLEY	Tongs Street, Finley NSW 2713	03 5883 1999	03 5883 3055
FOSTER	12 Lower Franklin Road, Foster VIC 3960	03 5682 2011	03 5682 1011
HEYWOOD	1777 Princes Highway, Heywood VIC 3304	03 5527 1606	03 5527 1077
KIEWA	19 Kiewa East Road, Kiewa VIC 3691	02 6027 3233	02 6027 3176
KOROIT	Commercial Road, Koroit VIC 3282	03 5565 8643	03 5565 8972
KORUMBURRA	40 Princess Street, Korumburra VIC 3950	03 5655 1166	03 5655 2900
LEONGATHA	1 Cusack Road, Leongatha VIC 3953	03 5662 2308	03 5662 4309
MAFFRA	Foster Street, Maffra VIC 3860	03 5147 1994	03 5147 1878
NUMURKAH	3325 Goulburn Valley Hwy, Numurkah VIC 3636	03 5862 1166	03 5862 2186
ORBOST	10 'B' Road, Orbost VIC 3888	03 5154 1589	03 5154 1433
ROCHESTER	Cnr. Fraser & Moore Streets, Rochester VIC 3561	03 5484 1005	03 5484 2469
SIMPSON	Lavers Hill Road, Simpson VIC 3266	03 5594 3307	03 5594 3471
SMITHTON	23 Nelson Street, Smithton TAS 7330	03 6456 2880	
SWAN HILL	113–117 Karinie Street, Swan Hill VIC 3585	03 5032 1017	03 5033 1729
WANGARATTA	6–10 Parfitt Road, Wangaratta VIC 3677	03 5721 9366	03 5721 7536
WARRAGUL	183 Queen Street, Warragul VIC 3820	03 5622 0999	03 5622 0466
WONTHAGGI	23 Inverloch Road, Wonthaggi VIC 3995	03 5672 1677	03 5672 4044
YARRAM	39 Commercial Road, Yarram VIC 3971	03 5182 5647	03 5182 6290

4.2 MG Trading locations and trading hours continued

Contacts

Location	Address	Phone	Fax
FERTILISER DEPOTS			
KIEWA	NORTHEAST FERTILISER DEPOT 19 Kiewa East Road, Kiewa VIC 3691	02 6027 3027	02 6027 3028
KATUNGA	NORTH CENTRAL FERTILISER DEPOT 847 Numurkah Road, Katunga VIC 3640	03 5864 6060	03 5864 6217
KORUMBURRA	SOUTH GIPPSLAND FERTILISER DEPOT 40 Princess Street, Korumburra VIC 3950	03 5655 1166	03 5655 2900
TIMBOON	TIMBOON FERTILISER DEPOT 363 Timboon Port Campbell Road, Timboon VIC 3268	03 5598 3725	03 5598 3894
MAFFRA	MAFFRA FERTILISER DEPOT Foster Street, Maffra VIC 3860	03 5147 2287	03 5147 1783
KOROIT	KOROIT FERTILISER DEPOT 678 Penshurst – Port Fairy Road, Kirkstall VIC 3283	03 5598 3725	03 5565 8699
FEED SERVICES			
NUMURKAH	3325 Goulburn Valley Hwy, Numurkah VIC 3636	03 5862 2799	03 5862 3799
DAIRY SERVICES			
KOROIT	MG DAIRY SERVICES KOROIT Commercial Road, Koroit VIC 3282	03 5565 8972	
LEONGATHA	MG DAIRY SERVICES LEONGATHA 1 Cusack Road, Leongatha VIC 3953	03 5662 4309	
MAFFRA	MG DAIRY SERVICES MAFFRA Foster Street, Maffra VIC 3860	03 5147 1878	
SIMPSON	MG DAIRY SERVICES SIMPSON Lavers Hill Road, Simpson VIC 3266	03 5594 3471	

* MG Trading stores are currently located in Victoria, Tasmania and Finley, NSW.

5

Milk payment system explained

In this section

- 5.1 The system at a glance
- 5.2 Milk handling charges
- 5.3 Volume commitments
- 5.4 Minimum pick-ups
- 5.5 Tipped milk payment
- 5.6 Discounts
- 5.7 Minimum milk composition requirement
- 5.8 Murray Goulburn vat standard
- 5.9 Murray Goulburn milk vat financing standard
- 5.10 Statutory and other levies



Milk system at a glance

MG offers its suppliers a single milk payment structure complemented by a series of incentives aimed at rewarding off-peak milk production, milk production growth and efficiency improvements.

The structure was introduced for the 2013/14 season following a comprehensive review of milk payments. The review was based on fairness and profitability for MG suppliers overall, across a range of farm systems and regions.

The specific objectives of the milk payment system are to:

- provide a simple and equitable payment system
- reflect off-peak milk value
- improve cash flow throughout the year
- encourage growth
- offer transparent incentives and charges
- provide MG with a sustainable milk supply to meet its strategic plan.

5.1 The system at a glance

For the 2016/17 year, a single milk payment structure is on offer with a series of incentives. The main elements are:

Single base price

A single base price for each month of the year will be announced at the start of the Financial Year and is available to all suppliers in the NSW – Sydney Market Region. The base price includes an amount in respect of both butterfat and protein, and varies across the year reflecting MG's changing product mix and returns. The base price may also be varied during the season as a result of price increases, including Backpays and Step-ups, or price decreases.

The aim is to provide a clear market signal to suppliers about the value of milk relative to the market returns and when milk is supplied to MG. In establishing these prices, we have carefully assessed the returns to suppliers from MG's product mix on a monthly basis, as well as the costs associated with milk production across the year.

Productivity Incentive (PI)

The Productivity Incentive recognises scale efficiencies in milk collection for MG. The Productivity Incentive is calculated on Qualifying Milk Solids (that is, only milk solids that are of Premium or Acceptable quality) and paid monthly to improve cash flow to suppliers. Please refer to the Farm Milk Quality Standard in Section 6 for further details.

Suppliers with multiple Farms may elect to combine the production from two or more Farms for the purposes of calculating the Productivity Incentive. Combining multiple Farms for Productivity Incentive takes effect from the month the election is made.

To receive the Productivity Incentive payment, the Supplier must either be actively supplying MG at the time the payment is made, or deemed by MG, in its absolute discretion, to have legitimately retired.

5.1 The system at a glance continued

Productivity Incentive rates are shown in Table 1 below.

Table 1: Productivity Incentive payment rates

Total Kg's Fat & Protein (excludes Sub-Standard and Penalty)	cents/kg Butterfat	cents/kg Protein
1,701 – 3,800	3	5
3,801 – 5,800	4	6
5,801 – 8,000	7	10
8,001 – 10,000	9	13
10,001 – 12,500	10	15
12,501 – 15,000	13	19
15,001 – 17,500	16	24
17,501 – 20,000	20	30
20,001 – 25,000	23	34
25,001 – 30,000	25	37
30,001 – 40,000	27	40
40,001 – 60,000	30	45
60,001 – 80,000	34	51
80,001 – 100,000	34	51

Please refer to Section 9 – MG Standard Milk Payment Terms (NSW – Sydney Market Region) for all terms and conditions that apply to the Productivity Incentive.

5.2 Milk handling charges

The volume charge distributes MG's costs in haulage and processing milk of varying composition among suppliers. The collection charge is for the costs associated with each milk collection.

Volume charge

A volume charge is applied and is intended to reflect the cost to MG in haulage and processing milk of varying composition. To reflect efficiency gains from trucks of a larger capacity, we apply differential volume charges based on milk tanker size.

Volume charge is calculated at two rates specific to each zone. These are outlined in Table 2.

Table 2: Volume charge rates (cents per litre)

Zone	B-double	Tri-axle
Inner zone Sydney area; Southern Highlands	1.5	1.7
Main zone South Coast; Hunter Valley; Manning Valley	2.5	2.7
Outer zone Central West; Tamworth, Dubbo and Comboyne	3.5	3.7

For information about the boundaries of each zone, please speak to Field Services. MG has ultimate discretion to determine which zone an SMR Farm is in.

Collection charge

A collection charge is applied and is intended to reflect the costs associated with each milk collection. The collection charge for the first collection in one day is \$7.50, while the charge for the second collection requested by the supplier in the same 24-hour period is a flat rate of \$40.

When a supplier is picked-up daily, but has a vat capacity which is sufficient for a skip-a-day pick-up (that is, less than 50 percent of the vat capacity is collected), then the collection charge will be on a skip-a-day basis. A supplier who has sufficient vat capacity for skip-a-day pick-up all year will have the total annual \$7.50 per day collection charge rebated with July proceeds on or about 15 August of the following year.

If a supplier has upgraded their vat capacity to in excess of 1.4 times peak daily production in a Financial Year, and notifies their local FSO before 30 June of that year, then the supplier will be entitled to a refund of all second collection charges they incurred in that Financial Year (up to a maximum of \$4,000).

5.3 Volume commitments

Suppliers in the NSW – Sydney Market Region are required to commit to supply a monthly allocation of milk in respect of each SMR Farm. This reflects a commitment to producing a flat volume of milk all year round. MG will determine the amount of the monthly allocation in its discretion and acting reasonably but after discussing with suppliers. Generally, the amount of the monthly allocation will default to the previous year's SMR Farm supply unless otherwise requested by the supplier and agreed by MG. Suppliers must use all reasonable endeavours to ensure their monthly total farm production meets this allocation. MG will consider this to be achieved if the volume supplied is plus or minus 10 percent of the monthly allocation.

5.4 Minimum pick-ups

From 1 July 2016, the minimum collection volume is 800 litres on skip-a-day basis. Farms supplying less than this volume will not be picked up.

5.5 Tipped milk payment

A supplier must immediately notify MG that milk from a cow treated with antibiotics or chemical residues has accidentally entered the vat (refer Section 6.8) or that the milk temperature is not within the required range set out in the Milk Cooling Envelope (refer Section 6.9) (either of these notifications being a 'tipped milk claim'). If a supplier notifies MG of a tipped milk claim, that supplier may be eligible to claim a payment for the rejected milk.

A supplier will be entitled to a maximum of two tipped milk claims per Financial Year. The supplier will be paid the Unacceptable rate set out in Section 5.6 for these two tipped milk claims provided that:

- (a) a maximum of one tipped milk claim can be for a notification that antibiotics have accidentally entered the vat; and
- (b) a maximum of one tipped milk claim can be for a notification of a temperature breach.

Suppliers are entitled to request that any unused tipped milk claims in a Financial Year are instead applied towards a claim for milk not collected due to fire, flood, power failure or impassable roads.

The maximum volume of milk which can be the subject of a tipped milk claim is the actual amount of milk tipped or MG's reasonable estimate of the size of normal milk collection at that farm at that time of the year, whichever is the lesser.

5.6 Discounts

Milk quality system

MG is focused on maintaining a high standard for milk quality and in 2013/14 undertook a complete milk quality system review.

The prices set out in the Opening Price Circular are for the supply of Premium milk. If the milk supplied within each 10-day period of the month is classified as Acceptable, Sub-Standard or Unacceptable, then the price payable by MG is discounted as follows:

Table 3: Discounts for milk quality bands

Milk Quality	Grade Discounts
Premium	0%
Acceptable	-2%
Sub-Standard	-12%
Unacceptable	-32%

Bactoscan, Thermoduric and Bulk Milk Cell Count (BMCC) results have independent rolling grade records (refer Section 6.12 for definition of rolling grades). Discounts apply for four days' supply where the number of rolling grades for Sub-Standard or Unacceptable milk total less than six rolling grades. The other six days will be paid as Acceptable.

When the number of rolling grades is six or above, the discount is applied to each day of the 10-day period. Farms detected as positive for an un-notified inhibitory substance/residue will be treated as Unacceptable for each day of the 10-day period (refer to Section 6.12 for further information).

If a retest result for Bactoscan or Thermoduric, or a weighted average BMCC, falls within the Acceptable range, no rolling grade applies and the Acceptable (-2%) discount will apply for the whole 10-day period. If a retest result for Bactoscan or Thermoduric, or a weighted average BMCC, falls within the Sub-Standard or Unacceptable bands, then the rolling grade penalty system will apply.

5.6 Discounts continued

Table 4: Rolling grade

Number of Rolling Grades	Bactoscan	Grade Discounts
1–5	4-day	Sub-Standard 12%
		Unacceptable 32%
	6-day, i.e. remainder of the period	Acceptable 2%
6 and over	10-day, i.e. whole of the period	Sub-Standard 12%
		Unacceptable 32%

Number of Rolling Grades	Thermoduric	Grade Discounts
1–5	4-day	Sub-Standard 12%
		Unacceptable 32%
	6-day, i.e. remainder of the period	Acceptable 2%
6 and over	10-day, i.e. whole of the period	Sub-Standard 12%
		Unacceptable 32%

Number of Rolling Grades	BMCC	Grade Discounts
1–5	4-day	Sub-Standard 12%
		Unacceptable 32%
	6-day, i.e. remainder of the period	Acceptable 2%
6 and over	10-day, i.e. whole of the period	Sub-Standard 12%
		Unacceptable 32%

5.7 Minimum milk composition requirement

When MG sells milk to third party processors MG must comply with requirements agreed with that third party about the composition of milk sold. If the butterfat and protein levels do not meet the agreed standards, the milk is rejected and redirected at MG's cost. As a result in the NSW – Sydney Market Region, minimum composition standards are being introduced.

From 1 July 2017, all milk supplied from SMR Farms must have a minimum composition of 3.2 percent butterfat and 2.9 percent protein. Please refer to Table 5 for Grade discounts applied for milk which falls below these minimum standards.

Table 5: Discounts for minimum composition

Test-level Fat	Test-level Protein	Grade Discount
<3.2%	<2.9%	1st – 4th 10-day periods = Warning letter and action plan
		5th – 9th 10-day periods = 2 percent discount from opening base price
		10th – 14th 10-day period onwards = 12 percent discount from opening base price
		15th 10-day period = Cease of supply (MG will no longer collect)

In the transition period from 1 July 2016 – 30 June 2017, if milk supplied falls outside the requirements set out above and accordingly needs to be transported to Victoria for processing, the supplier will be charged the cost of freight to the nearest Murray Goulburn Southern Region Factory which can accept this milk.

5.8 Murray Goulburn vat standard

All vats currently on-farm must meet the Australian Standard Farm Milk Cooling and Storage Systems (AS1187) and the Murray Goulburn Milk Cooling Commissioning test, in respect to design, construction, material and cooling performance.

The vat must be positioned so that the outlet is no more than six metres from the tanker outlet and no more than three metres from the tanker access doorway. MG will not collect from more than three vats.

5.9 Murray Goulburn milk vat financing standard

MG may provide finance and an interest rate subsidy of up to 8.25 percent per annum on loans entered into for the purchase of new or second-hand milk vats. This subsidy will be paid over one to five years, depending on the amount financed.

For suppliers to be eligible for vat finance and the interest rate subsidy, the following criteria must be met:

- All financed milk vats must comply with the Australian Standard Farm Milk Cooling and Storage Systems (AS 1187-1996), the Murray Goulburn Milk Cooling Standard (2016) and the Murray Goulburn Milk Cooling Commissioning requirements, in regards to their design, construction, materials washing and cooling performance.
- All vats must have a 76mm outlet.
- Vat capacity must be increased to at least 1.4 times peak daily production.
- For approved cooling installations which utilise Direct Expansion (DX) technology (where milk enters the vat warm and is slowly chilled over a period), MG may finance up to 100 percent of the capital value, but will only subsidise the interest payable on 50 percent of the capital value, to a maximum of 8.25 percent per annum.
- For approved cooling installations which utilise Direct Chill technology (where milk enters the vat at 10°C or less), MG may finance up to 100 percent of the capital value and will subsidise the interest payable on 100 percent of the capital value, to a maximum of 8.25 percent per annum.
- Finance is conditional on a plate cooler being installed which provides a milk entry temperature into the DX vat or chiller of less than 30°C.
- Vat capacity must be achieved with no more than two vats being installed. Suppliers who have upgraded their vat to meet the above MG criteria and have notified their FSO by 30 June will be eligible for a refund of second pick-up charges incurred in that Financial Year, up to a maximum of \$4,000.

The interest rate subsidy and provision of vat finance through MG will cease if milk supply ceases to MG.

5.10 Statutory and other levies

Dairy Australia levy

A mandatory Dairy Services Levy is automatically deducted from milk proceeds and paid annually to Dairy Australia.

The levy funds advances in research and development, new innovation and efficiency measures and marketing of the Australian dairy industry. To find out more about this levy please visit the Dairy Australia website.

State dairy levy

Each state-based regulatory authority has its own levy or licence requirements which will also be automatically deducted from milk proceeds. For more information, please refer to your local state-based dairy/food authority.

Victoria

www.dairysafe.vic.gov.au

New South Wales

www.foodauthority.nsw.gov.au

Tasmania

www.dhhs.tas.gov.au/peh/food_safety

South Australia

www.pir.sa.gov.au/biosecurity/food_safety/dairy

MG may also deduct voluntary levies from milk proceeds, for example, for a farmer organisation, if requested by a supplier.

6

Farm milk quality standard

In this section

- 6.1 Milk quality commitment
- 6.2 Milk quality standards
- 6.3 Sampling procedure
- 6.4 Milk rejection
- 6.5 Bactoscan and
Thermoduric testing
- 6.6 Bulk Milk Cell Count
(BMCC) testing
- 6.7 Impact of export requirements
on MG's raw milk collection
- 6.8 Inhibitory substances/residues
- 6.9 Temperature
- 6.10 Vat breakdown or power failure
- 6.11 Colostrum
- 6.12 Rolling grade penalties system
- 6.13 Milk quality reports
- 6.14 Quality Solutions® programs



6.1 Milk quality commitment

In line with MG's vision to become a first choice dairy foods company, we are committed to ensuring the quality and food safety of our products. MG strongly supports maintaining an excellent reputation in milk quality to meet or exceed the expectations of our farmers, customers and consumers.

To achieve this goal, we require consistently high quality whole milk from our suppliers. Premium quality milk received off-farm will ensure MG can produce premium quality products across the entire product range. It also creates efficiencies with flexible use for raw milk for high specification products such as infant formulas, fresh daily pasteurised milk, standard powders and cheeses.

Milk quality standards are developed to ensure we meet the requirements of the customer and consumer with a full 'through chain' delivery on milk quality.

Changing market and regulatory requirements also mean that MG must continually review its quality standards, objectives and testing procedures. The most recent Milk Quality Review aligned our raw milk standards with the requirements of the new and existing products that MG processes.

FSOs will provide timely and effective assistance to all our suppliers to ensure smooth implementation of the Milk Quality Standard.

6.2 Milk quality standards

MG's milk quality standards for raw milk are shown below.

Table 6: MG's milk quality standards

Quality Bands	Premium	Acceptable	Sub-Standard	Unacceptable
Quality Assessment				
Bactoscan	≤71,000	71,001 – 100,000	100,001 – 264,000	>264,000
BMCC	≤250,000	250,001 – 400,000	400,001 – 600,000	>600,000
Thermoturic	≤2,000	2,001 – 5000	5,001 – 10,000	>10,000
Inhibitory Substances/Residues	Negative	Negative	Negative	Positive

6.3 Sampling procedure

Raw milk samples are collected on each milk consignment using precision sampling equipment located on the milk tanker. Traceability to farm is ensured as each sample is identified with a bar code that includes the individual farm's supplier number.

From the quality sample collected, the following tests are conducted:

(a) Microbiological tests

Bactoscan and Thermoturic tests are conducted as required within a 10-day period.

(b) Bulk Milk Cell Count (BMCC)

A BMCC result is provided for each consignment of milk that leaves a supplier's farm.

(c) Inhibitory substances/residues

Tanker samples and individual supplier samples are routinely tested for the presence of inhibitory substances/residues as follows:

- All tankers are tested before milk is unloaded into the factory. If a tanker tests positive for inhibitory substances/residues, then each farm contributing to the load will be tested in order to determine the offending farm. This procedure is known as 'trace-back' for inhibitory substances/residues.
- Random testing for inhibitory substances/residues is scheduled for each farm at least once per month. Testing frequency may increase at the discretion of MG based on prior results.

6.3 Sampling procedure continued

Prohibited inhibitory substances/residues include but are not limited to colostrum, antibiotic and chemical residues such as Quaternary Ammonium Compounds (QACs) and Nonylphenol Ethoxylates (NPEs). From 1 July 2016, the use of all pre-milking teat sanitisers is prohibited. The level of Iodine in milk will be tested to monitor compliance with this prohibition. Suppliers whose milk is found to have an Iodine level of >60ug/100g will also be contacted by MG to determine the cause(s).

Additional tests are also conducted on each consignment of milk such as:

(a) Temperature

Each vat load of milk is checked by the tanker driver using the vat thermometer prior to collecting milk. Tankers with a flow meter have a calibrated thermometer for verification of the temperature reading.

(b) Senses test

The senses test is conducted by the tanker driver on each vat load of milk before pumping commences. Any vat which fails the senses test (for example, contains any visible extraneous matter, pink colouration or unacceptable odour) will be rejected by the driver.

6.4 Milk rejection



If a supplier's milk is rejected at the point of collection, MG will leave a 'Milk Rejection Notice' in a convenient place, near the milk vat. A milk rejection tag will also be attached to the vat outlet to ensure the supplier is notified. From this time, collection from the Farm will be suspended until the supplier notifies MG's Inbound Logistics/Transport office that the milk has been tipped and the vat has been washed ready for the next collection.

The relevant contact numbers for each region are listed on the rejection notice.

6.5 Bactoscan and Thermoduric testing

Raw milk is tested each 10-day period for microbiological quality using the Bactoscan and Thermoduric tests. These tests indicate the milking plant and vat hygiene, milk cooling efficiency and teat cleanliness prior to cup application.

The Bactoscan test is conducted using a rapid test which counts all bacteria by staining bacterial DNA. This results in an accurate account of the number of bacterial cells contained in the raw milk sample.

The Thermoduric test is conducted by heat treating the milk sample and testing the bacteria that have survived the heating process. These bacteria are usually heat tolerant and can cause product spoilage. The test is conducted on an agar plate and can take 72 hours to complete.

Both the Bactoscan and Thermoduric tests are carried out randomly once per 10-day period. If the first test falls within the Acceptable, Sub-standard or Unacceptable levels, a retest will occur on the next available milk sample from within that same 10-day period. This retest will be the official result for that 10-day period for the purposes of calculating the Purchase Price for the relevant milk supplied.

6.5 Bactoscan and Thermoduric testing continued

Table 7: Microbiological testing standards

	Bactoscan	Thermoduric
Premium	≤71,000	≤2,000
Acceptable	71,001 – 100,000	2,001 – 5,000
Sub-Standard	100,001 – 264,000	5,001 – 10,000
Unacceptable	>264,000	>10,000

Additional advisory tests may be requested by MG via a FSO. The results of any such advisory tests will not affect the official result used to determine the Purchase Price for the relevant milk supplied.

6.6 Bulk Milk Cell Count (BMCC) testing

The BMCC test measures the number of white blood cells (somatic cells) in milk and is an indicative measure of mastitis of the herd. White blood cells surround and destroy bacteria invading the udder and are an important defence mechanism for a cow to fight mastitis. The higher the BMCC, the greater the risk of raw milk contamination. High cell count levels can also cause problems with manufacturing processes, product taste and shelf life across much of MG's product range.

Each farm milk consignment is tested for BMCC, reported separately, then grouped into a 10-day BMCC weighted average. The weighted average takes into account both the BMCC of the consignment of milk and the litres attached to it.

Table 8: BMCC standards (weighted average for the period)

Premium	≤250,000
Acceptable	250,001 – 400,000
Sub-Standard	400,001 – 600,000
Unacceptable	>600,000

Calculation of the 10-day BMCC weighted average

The weighted average is determined in two steps.

1. The consignment cell count is determined by multiplying the consignment litres by the BMCC
for example, 2,000 litres x 240,000 (BMCC) = 480,000,000.
2. The total of the consignment cell counts is then divided by the total litres for the period.

Table 9: BMCC test

Day	Litres	Cell Count/ml	Total
1	2,000	240,000	480,000,000
3	2,200	265,000	583,000,000
5	2,450	235,000	575,750,000
7	2,560	238,000	609,280,000
9	2,600	240,000	624,000,000
Total	11,810		2,872,030,000
		2,872,030,000 ÷ 11,810 =	243,000

6.7 Impact of export requirements on MG's raw milk collection

To export our product to countries including the European Union (EU), MG must meet minimum raw milk requirements. These requirements are monitored at a farm level. Milk falling outside these requirements must be dealt with separately, including the potential need to segregate the affected milk at the factory.

In order to meet the EU raw milk compliance requirements, a 'Rolling Geometric Mean' has been established by our industry as the agreed measure for longer-term trend performance of BMCC (over three months) and Bactoscan (over two months). Where farm performance is deemed non-compliant for a sustained period, MG may choose to suspend collection until compliance can be demonstrated.

The thresholds are:

Table 10: Rolling Geometric Mean

Rolling Geometric Mean Bactoscan (two months)	Must be <464,000
Rolling Geometric Mean BMCC (three months)	Must be <400,000

6.8 Inhibitory substances/residues

The presence of inhibitory substances/residues in milk can cause severe risks to human health and the manufacturing properties of that milk.

Prohibited inhibitory substances/residues include, but are not limited to, colostrum, antibiotic and chemical residues such as Quaternary Ammonium Compounds (QACs) and Nonylphenol Ethoxylates (NPEs). From 1 July 2016, the use of all pre-milking teat sanitisers is prohibited. The level of Iodine in milk will be tested to monitor compliance with this prohibition. Suppliers whose milk is found to have an Iodine level of >60ug/100g will also be contacted by MG to determine the cause(s).

MG inhibitory substance/residue standard

All milk supplied must be negative when tested with a commercial inhibitory substance screening kit approved for use by MG. Testing technology is selected based on the maximum residue levels (MRLs) required in the markets that MG operates in, both domestically and internationally. Milk supplied to MG must meet this buying standard.

All milk tankers that come onto MG sites will be tested for inhibitory substances/residues before unloading. This includes any milk deliveries from third parties.

When a 'non-notified' inhibitory substance/residue is detected, the 'Unacceptable' discount (as set out in Section 5.7) will be applied to all milk supplied in that 10-day period. MG will cease collection on any farm that has three 'non-notified' inhibitory substance/residue incidents within a rolling 12-month period.

Testing frequency

Each tanker is tested on arrival at site. MG aims to test every farm randomly at least once per month. If there is an inhibitory substance/residues test failure, the supplier must volunteer a bulk milk vat sample for testing. Collection will not recommence until a negative result is confirmed by MG.

Accidental inclusion of antibiotics

If a supplier suspects that milk from a cow treated with antibiotics has entered the vat, they must immediately contact MG and arrange to deliver a sample for testing.

If practical, tanker collection will be delayed until the result of the test becomes available. If the sample is negative, the milk will be collected as per usual. If the sample is positive, the milk will not be collected (subject to Section 5.4).

Chemical residues

If a residue is suspected (for example, agricultural spray withhold violation or acid/alkali/QAC/NPEs inclusion during machine cleaning), the supplier must contact MG immediately before milk is collected.

MG's Site Quality Manager will conduct the appropriate tests and/or make an assessment of the suitability of the milk for collection.

6.9 Temperature

MG's standards for milk collection temperature are based on our quality and food safety requirements.

When milk is not stored at low temperatures, quality declines quickly due to the growth of bacteria and the accumulation of enzymes. As a result, pumping warm milk into an otherwise cool tanker load of milk can cause rapid deterioration of the entire tanker load, particularly with long travel times. In the initial stages of the milk collection procedure, milk temperature is measured by the tanker flow meter or as determined by the driver at the time.

When MG sells milk to third party processors, MG must deliver the milk at the temperature standard agreed with that third party. If the temperature exceeds the agreed standard, the milk is rejected and redirected at MG's cost. In the NSW – Sydney Market Region, this means:

1. milk must be 5°C or less at the time of collection; and
2. where the temperature of milk is greater than 5°C at the time of collection, a risk assessment will be conducted by Field Services and Inbound Logistics based on:
 - MG's ability to meet contractual requirements if the load is collected.
 - Volume of pick up from affected farm.
 - Distance to be transported to factory.
 - Previous compliance with adequate cooling.

Milk collection temperature

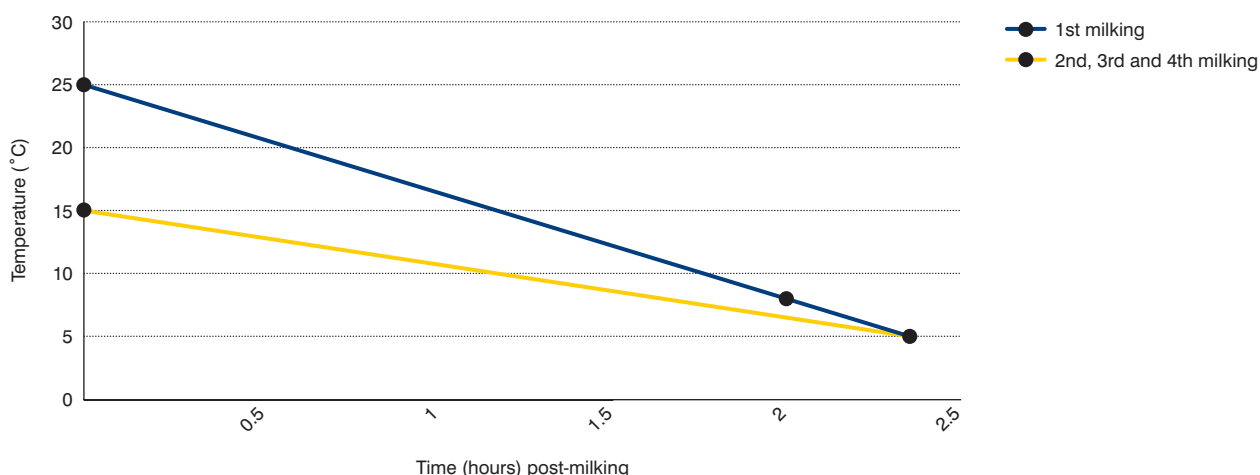
All milk collections, irrespective of the time of collection and in addition to third party processor requirements, are subject to a senses test, and potentially an escalated quality assessment as described below:

- milk must be cooled to 5°C or less within 90 minutes of the end of milking;
- milk will be rejected if it is equal to or above 25°C at time of collection, unless the collection has been formally notified as a 'Vat Out'. 'Vat Out' notification requires the supplier to contact the relevant MG Inbound Logistics office/Transport office and provide appropriate notice of the cooling issue. MG may at its discretion, consider the vat as a 'Vat Out'. The procedure for subsequent management of the 'Vat Out' is explained in detail in Section 6.10 below;
- milk will be rejected if it is equal to or above 30 °C at time of collection.

MG recognises that where milk is collected soon after milking (to maximise transport efficiencies), the milk may not be cooled to the expected level. To help manage milk collection/rejection decisions in these instances, we use an 'Early Milk Collection Index' (EMCI) tool, and an associated 'Milk Cooling Envelope'. This procedure is used by all Australian milk processors. Milk which falls outside the Milk Cooling Envelope will be subject to an escalated risk assessment and may not be collected.

The agreed industry-wide Milk Cooling Envelope and associated expected cooling performance is indicated below. Note the time taken to reach 5°C is measured in minutes after milking has ceased.

Table 11: Milk Cooling Envelope



6.10 Vat breakdown or power failure

If there is a vat breakdown or power failure, the supplier must notify the local Inbound Logistics/Transport office and/or FSO immediately, including after hours that there has been a 'Vat Out'.

Milk must be cooled to ensure quality is not compromised and that MG can take immediate steps to rectify the situation. If there is a delay in rectifying vat cooling issues, MG will assist the supplier to put in place an emergency rectification plan to address the cooling issue within an agreed timeframe. If MG considers that a supplier's rectification plan is not satisfactory, MG reserves the right to not collect the milk.

If the proposed rectification plan is acceptable to MG:

1. All reasonable efforts will be made to pick-up the milk as soon as possible to minimise both the quality impact to MG's products and to the supplier's milk quality. MG will assess every collection using senses testing and the EMCI tool, as per standard practice.
2. The supplier must initiate appropriate vat repairs within two business days of the Vat Out notification. As a minimum, this should ensure that milk is cooled to 10°C or less, within 90 minutes of the end of milking.
3. If two business days after the Vat Out notification:
 - a. the milk temperature at the end of milking is above 25°C, but below 30°C, the supplier must ensure that within 14 days of the Vat Out notification it has an emergency milk cooling facility capable of cooling milk to 10°C or less within 90 minutes of the end of milking. From the date which is 14 days from the Vat Out notification, any milk which is more than 10°C after 90 minutes of end of milking will be rejected; or
 - b. the milk temperature at the end of milking is above 10°C, but below 25°C, the supplier must ensure that within 21 days of the Vat Out notification milk is cooled to 10°C or less within 90 minutes of the end of milking. From the date which is 21 days from the Vat Out notification, any milk which is more than 10°C after 90 minutes of end of milking will be rejected.
4. No additional charge will initially be levied for any collections after the 'Vat Out' notification. If after seven days of the Vat Out notification the vat is not capable of cooling milk to 10°C or less within 90 minutes of the end of milking, the supplier will be charged \$40/day for each further pick-up.

Every effort should be made by the supplier to ensure pre-cooling of milk through the plate cooler is as effective as possible. Pre-coolers that deliver milk to the vat at excessive temperatures often result in milk not being cooled to 5°C within 90 minutes of end of milking. This places the relevant Farm's collection at risk and is particularly relevant in high ambient temperature zones, where warm water supplies are the primary pre-cooling water source. Pre-coolers that deliver milk to the vat above 25°C at any time place that supplier at severe risk of milk rejection if there is a vat failure.

6.11 Colostrum

Colostrum in milk is a valuable food source for calves. It is high in fat, proteins, sugars and most importantly immunoglobulins. However, colostrum milk can interfere with some manufacturing processes and as a result, must be withheld from milk supply for at least eight milkings (four days) after calving.

MG routinely tests for colostrum on a random basis across the year. If colostrum indicators are detected in milk, collection may cease temporarily at MG's discretion.

Any product which is unsuitable for collection by MG, for example colostrum, must not be stored in the milk room or the milk storage area.

If a MG tanker driver, or an appointed agent, accidentally collects colostrum or rejects milk because that milk has been incorrectly stored in the milk room or milk storage area, the supplier will receive the discounted rate applicable to a non-notified inhibitory substance.

6.12 Rolling grade penalties system

This system is a record of milk quality grades received in a rolling 12-month period. A rolling 12-month period is calculated as the previous 12 months from the end of each 10-day period. At the end of each period, the record that is 12 months old is replaced with the current record. The record does not revert to zero at the end of the Financial Year.

The rolling grade system applies to any Bactoscan, Thermoduric or BMCC tests and is applied to each test separately on a 10-day period basis. For example, suppliers who have received three BMCC grades and three Bactoscan grades, have three of each test, not six rolling grades.

Rolling Grades are applied to milk assessed as either Sub-Standard or Unacceptable. If a Sub-Standard or Unacceptable result is received in a 10-day period, a four-day grade discount is applied based on the table below, while the other six days are paid at the Acceptable rate.

Table 12: Rolling grade penalties system

Number of Rolling Grades	Bactoscan	Grade Discounts
1–5	4-day	Sub-Standard 12%
		Unacceptable 32%
6 and over	6-day, i.e. remainder of the period	Acceptable 2%
	10-day, i.e. whole of the period	Sub-Standard 12%
		Unacceptable 32%

Number of Rolling Grades	Thermoduric	Grade Discounts
1–5	4-day	Sub-Standard 12%
		Unacceptable 32%
6 and over	6-day, i.e. remainder of the period	Acceptable 2%
	10-day, i.e. whole of the period	Sub-Standard 12%
		Unacceptable 32%

Number of Rolling Grades	BMCC	Grade Discounts
1–5	4-day	Sub-Standard 12%
		Unacceptable 32%
6 and over	6-day, i.e. remainder of the period	Acceptable 2%
	10-day, i.e. whole of the period	Sub-Standard 12%
		Unacceptable 32%

Bactoscan, Thermoduric and BMCC discounts will be cumulative to a maximum of 64 percent. For example: for Milk supplied with a Sub-Standard Bactoscan (SB), a Sub-Standard Thermoduric (ST) and a Sub-Standard BMCC (SCC) the grade discount is SB 12 percent + ST 12 percent + SCC 12 percent = 36 percent.

An advisory letter will be sent to a supplier after reaching four rolling grades in any single category. An advisory letter will also be sent to a supplier after reaching the sixth rolling grade in any category, at which time a 10-day discount will be applied.

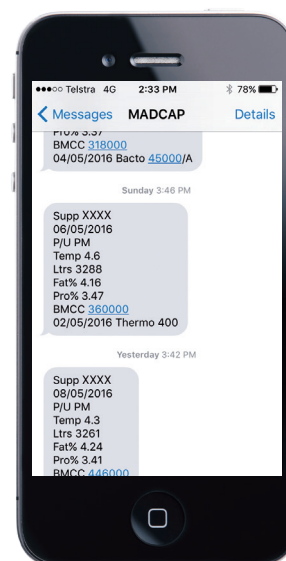
6.13 Milk quality reports

Milk quality data is available to the supplier on the day the sample has been tested. This information can be accessed via a number of methods including:

1. Online via MG F@rm: www.mgfarm.com.au



2. Text message



3. Fax and email

MG DAILY RESULTS

Koroit

Date: 10/05/2016

Farm No. : XXXX

Supplier name: XXXXXXXXXXXXXXXX

MG MILKCARE: A Passed 15/12/2015

Date: PU	Litres	B/Fat%	kg	Pro%	kg	Tmp	BMCC
09/05/2016 MX	2160	3.79	81.9	3.08	66.5	3	216
07/05/2016 MX	2196	3.77	82.8	3.09	67.9	8	201
03/05/2016 MX	1606	3.87	62.2	2.89	46.4	3	274
29/04/2016 MX	1882	3.71	69.8	3.11	58.5	3	208
27/04/2016 MX	1026	3.78	38.8	3.06	31.4	3	206

QUALITY RESULTS:

05/05/2016 MX THERMO

= 1700 – PREMIUM QUALITY MILK

27/04/2016 MX BACTO. RETEST

= 62000/A – PREMIUM QUALITY MILK

26/04/2016 MX THERMO. RETEST

= 1000 – PREMIUM QUALITY MILK

4. Flow Meter dockets

MURRAY GOULBURN SUPPLIER RECEIPT	
Date 29-05-2016	Time 08:45
Collection	5007274
Truck:	1043844
Rate:	1043844
Trip:	5418 L
Volume:	10.6 °C/C
Temperature:	Cow milk
Product:	
Pump stopped:	29-05-2016 08:56
Haulier no.:	999999
Haulier:	WCC

ANALYSIS-	
SAMPLE DATE	22-05-16
Thermotrics	0

ANALYSIS-	
SAMPLE DATE	26-05-16
Temperature	3.8
Volume	5018
BMCC	252000
Fat	4.35
Lactose	5.06
Protein	3.41
Solids non fat	9.20

ANALYSIS-	
SAMPLE DATE	27-05-16
Temperature	4.6
Volume	5196
BMCC	172000

6.14 Quality Solutions[®] programs

MG's goal is to ensure all our suppliers produce quality milk. The Field Services team will assist suppliers avoid and/or rectify any potential milk quality problems on-farm and, where required, work with suppliers to develop a plan of action to solve milk quality issues.

We have a dedicated quality service offer (MG Quality Solutions[®]) available to current and prospective suppliers, which includes providing tailored support packages to address issues regarding animal health, temperature control, plant hygiene and residue management.

Suppliers are encouraged to contact Field Services if they require assistance with milk quality issues or wish to participate in MG's specific technical and financial support programs.

7

In this section

- 7.1 MG Milkcare
- 7.2 On-farm audits
- 7.3 Milk quality standards and regulations
- 7.4 MG FarmC@re
- 7.5 Animal welfare
- 7.6 Position on Genetic Modification (GM)

Food safety and quality assurance program



MG is committed to ensuring our products meet the quality and food safety standards demanded by our customers, consumers and regulators in the markets in which we sell our quality dairy goods. This commitment is underpinned by a requirement that all Australian dairy farmers must have an approved food safety program in place to meet the conditions of their licence as dairy farmers and food producers. MG's Food Safety and Quality Assurance (QA) program, MG Milkcare, has been designed for suppliers to ensure compliance with these market and regulatory requirements.

7.1 MG Milkcare

MG Milkcare is designed to add value to a supplier's farm quality management system by identifying and controlling milk quality risks, and ensuring compliance with the relevant food safety regulations. By implementing the MG Milkcare program, suppliers can demonstrate to regulators and MG customers that risks related to on-farm food safety and quality are being managed effectively.

The core elements of MG Milkcare include:

- control of contaminants – physical, chemical and microbiological
- dairy milking premises
- hygienic milking
- milk cooling
- water supply and quality
- cleaning and sanitising
- traceability and records
- personnel competency
- control of residues in milk.

7.2 On-farm audits

As a condition of milk supply to MG, all dairy farmers must be licensed or accredited with their State Regulatory Authority. To ensure compliance with the system and effective implementation, regular audits of suppliers against the requirements of MG Milkcare are conducted. A combination of trained State Food Authority approved MG personnel and approved third party auditors are used for this purpose.

Victoria

The frequency of audit for dairy farms is a minimum of once every two years, however depending on farm performance, the audit can be more frequent. Other audits or 'quality visits' can occur to assist a supplier with quality problems after a serious quality incident has occurred, or to provide general assistance regarding implementation of the program.

New South Wales

Every licensed business has regular audits. The frequency of audits will depend upon the type of business (dairy farms are classified as a Priority 2 business) and the rating received at last audit.

Table 13: Audit frequency of business with acceptable or marginal audits

Rating	Priority 1	Priority 2
A	12 months	24 months
B	6 months	12 months
C	3 months	6 months

South Australia

Dairy Farmers (including farms that milk goats, sheep, etc.) intending to sell or deliver milk to a Dairy Processor must obtain accreditation which is renewed on an annual basis. Accredited dairy farmers will also be audited on an annual basis.

Tasmania

Each licensee is required to hold a current industry licence and have an approved Food Safety Program in place. Food Safety Programs are registered with the Tasmanian Dairy Industry Authority and audited on an annual basis.

7.3 Milk quality standards and regulations

The dairy industry is subject to a range of regulations and standards with regard to food safety and quality. All states have a regulatory body that enforces supplier compliance with the relevant rules and regulations. On a national level, the applicable standards include:

- The Food Standards Code, and particularly Standard 4.2.4 – The Primary Production and Processing Standards for Dairy Products
- National Guidelines – Pathogen Management
- Australia New Zealand Food Standards Code
- Department of Agriculture registered establishments have responsibilities to provide transfer documentation and declarations of compliance for milk and milk product to be exported
- Export Control (Milk and Milk Products) Orders 2005
- HACCP – food quality and safety assurance systems

In Victoria, suppliers must comply with the following legislation and regulation:

- *Dairy Act 2000*
- *Food Act 1984*
- Code of Practice for Dairy Food Safety
- Dairy Food Safety Victoria licensing and compliance with food safety programs

In New South Wales, suppliers must comply with the following legislation and regulation:

- *Food Act 2003 (NSW)*
- *Food Regulation 2010*

In Tasmania, suppliers must comply with the following legislation and regulations:

- *Dairy Industry Act 1994*
- *Food Act 2003*
- Dairy Industry Regulations 2014
- Tasmanian Code of Practice for Dairy Food Safety

In South Australia, suppliers must comply with the following legislation and regulations:

- *Primary Produce (Food Safety Schemes) Act 2004*
- Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005
- Dairy Authority of South Australia, accreditation

The relevant State Dairy Authorities are:

- Dairy Food Safety Victoria
- NSW Food Authority
- Tasmanian Dairy Industry Authority
- Dairy Authority of South Australia

7.4 MG FarmC@re

MG supports suppliers to strengthen their business by helping them to implement practices to enhance their environment, manage and retain farm employees and meet animal welfare expectations.

MG FarmC@re is our on-farm sustainability program that assists suppliers to attain desirable long-term outcomes in the areas of people, profit and planet. Through workshops and one-to-one visits with specifically trained staff, suppliers are offered the latest information on regulatory requirements and industry best practice management to raise their awareness of the issues being addressed.

Please contact your local FarmC@re officer for advice on best practice measures around on-farm sustainability and environmental management. (Refer Section 3.8 for contacts.)

7.5 Animal welfare

The care and welfare of all animals on dairy farms is of paramount importance to MG and we take any incident relating to animal welfare extremely seriously.

In September 2014, new standards and guidelines were released to industry (*Australian Animal Welfare Standards and Guidelines for Cattle: A Guide for Dairy Farmers*). This followed a long period of consultation with relevant bodies, including industry bodies, livestock organisations and animal welfare groups. MG has and continues to communicate and emphasise the importance of these standards to all MG suppliers.

MG expects suppliers to comply with these standards which cover a breadth of animal welfare considerations including:

- feed and water
- risk management of extreme weather, natural disasters, disease, injury and predation
- facilities and equipment
- handling and management
- castration, dehorning and spaying
- breeding management
- calf-rearing systems
- dairy management
- beef feedlots
- humane killing.

Any reported instance of non-compliance is fully investigated. Depending on the outcome of that investigation, MG may provide support to ensure compliance, report the incident to the regulator and/or cancel the supplier's Supply Arrangement.

The dairy industry has also worked with other industry bodies, animal welfare scientists, governments and welfare groups to develop national standards for the transport of animals.

The *Australian Animal Welfare Standards and Guidelines – Land Transport of Livestock* are now implemented into state legislation. The Standards protect the welfare of animals being transported and provide consistent regulation around Australia.

These standards are essential legal requirements that must be met by all dairy farmers. The guidelines have been developed as additional recommended practices to inform welfare outcomes.

MG has taken a leadership role to drive this industry-wide response to animal care and welfare. It is expected that all MG suppliers are familiar with the required standards, and are in a strong position to demonstrate compliance when required. If you require clarification on your obligations, please contact your local FSO.

Additionally, Dairy Australia provides a number of resources for farmers seeking more information with regard to this issue at www.dairyaustralia.com.au.

7.6 Position on Genetic Modification (GM)

MG products are not Genetically Modified (GM) and we ensure compliance with national, State and Territory Food Standards.

MG's fully integrated quality management system extends from the farm through to manufacturing, storage, distribution and customer delivery ensuring our products meet or exceed both customer expectation and regulatory requirements.

MG will not accept milk which contains GM material.

8

Milk collection and on-farm requirements

In this section

- 8.1 Farm track and dairy access
- 8.2 Accessing your property
- 8.3 Requirements for tanker access
- 8.4 Access track design
- 8.5 Vat room requirements
- 8.6 Vat room asbestos control measures
- 8.7 On-farm safety
- 8.8 Issue resolution process



8.1 Farm track and dairy access

MG's comprehensive Farm Track and Dairy Access Standard is designed to facilitate safe farm access for everyone involved in MG's daily operations.

The Standard aims to protect suppliers, farm milk collection staff, field services and trading stores employees, and on-farm delivery services from any potential risk to their health and safety.

8.2 Accessing your property

MG's primary requirement is to ensure safe access to suppliers' properties to complete bulk milk collection. We also require safe access to:

- inspect the premises to ensure the workplace is safe for MG employees;
- inspect and discuss hazards that may have been identified at these premises;
- undertake repairs to the track, fence or dairy caused by MG employees or representatives;
- monitor the quality and supply of milk.

As far as is reasonably practicable, MG will inform you in advance of an intended visit.

8.3 Requirements for tanker access

To ensure safe farm entry and exit for MG tankers, the following minimum standards for milk tanker access are required:

- a sign displaying your supplier number displayed at the entrance to the track leading to the dairy and clearly visible from both directions to the adjacent road. The sign will be provided by MG;
- a maintained, splayed entrance that complies with the requirements of local and state authorities. This must allow the tanker to enter the property without having to cross the centre of the roadway when approaching from the left side of the entrance;
- clear access on the track and turnaround from the roadway to the dairy;
- gateways leading to the track are at least 26 metres from the edge of the roadway ensuring a tanker combination is clear of the roadway;
- a track surface that is suitable for all weather conditions;
- a track with no sharp corners ensuring a MG tanker can navigate in a single motion;
- a track that is free of potholes and debris that may cause damage to a tanker combination or operator, and allow a reasonable speed of 10 to 20 km/h to be safely maintained;
- trimmed trees or shrubs (maximum height of five metres above ground) allowing an unobstructed view of the whole track;
- clean, maintained cattle crossings;
- tracks and locations designed to ensure tankers do not have to reverse off or onto a public road;
- tree canopies, shrubs or other objects trimmed or removed to allow at least 300 metres of clear vision for both lanes of traffic where the exit point of the farm is within three metres of the roadway.

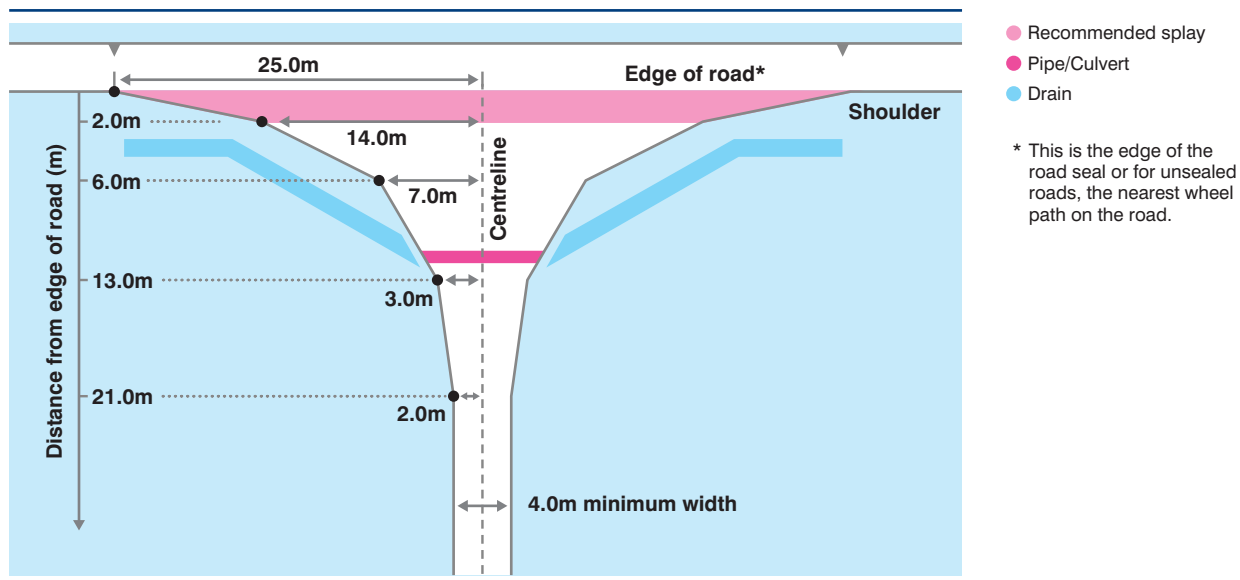
8.4 Access track design

MG encourages all farms to have a multi-directional entrance to their property allowing safe access and egress onto adjacent public roads.

Figure 1 illustrates the base requirement for tanker access.

Deviations from this plan can be made to cater for specific farm and topography restrictions through consultation and agreement with MG.

Figure 1: Base requirement for 25m B-Double tanker access

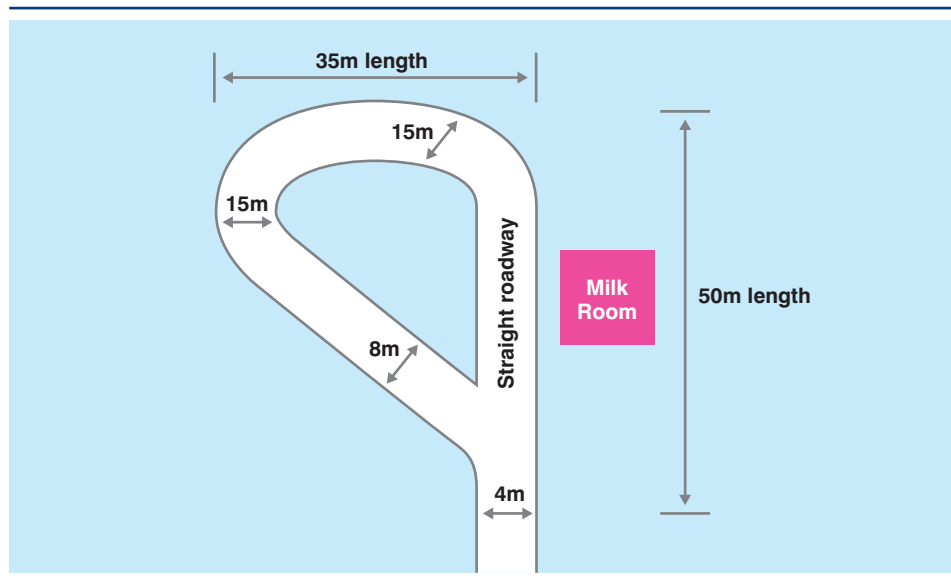


Where an entrance or exit of the farm is adjacent to a boundary fence, it is recommended that the opening be 30 metres in width and splayed back 17 metres to the point where the track reaches a standard width of four metres. Suppliers and farm managers should also be aware that as far as is practicable, all entrances should meet state and local authority requirements. MG may also request that existing entrances are upgraded if issues relating to safety are identified.

Standard turning circle

MG recommends all farms have a standard turning circle to allow safe traffic flow on-farm.

Figure 2: Standard turning circle



8.4 Access track design continued

Where farm topography will not allow for a full turning circle, MG recommends that the extent to which a tanker combination needs to be reversed is kept to a minimum. The area to be reversed into must also be kept clear at all times.

When designing a turn around, MG recommends as much room, as is practicably possible, is made available for the turn around. This will reduce the likelihood of damage to equipment, track or property.

Any items stored on the centre island should not protrude onto the track. Tractors, bikes and implements should be parked well clear of the designated track at all times to protect assets.

Wherever possible, interaction between people and vehicles should be restricted by physical barriers or fences and clearly designated with signed walkways.

Tree canopies and shrubs should be trimmed or removed to allow clear vision of buildings, other traffic or pedestrians that may occupy this space.

Private bridges

MG understands some farm topography and natural water courses will require fabricated or earth bridges to allow access to the dairy. Some of these constructions may have existed for several years without issue, however, due to changing equipment, greater volumes and weights carried by MG tankers and other associated farm activities, MG will require engineering assessments and/or improvements to be undertaken on the construction of the bridge to ensure safe milk collection.

Where a new bridge is to be constructed, the farm owner must engage a qualified engineer to assess the proposed works and provide a compliance certificate of construction, including weight ratings and an ongoing maintenance plan for the construction.

Construction or alterations to tanker access tracks and vat rooms

MG understands that work will always need to be undertaken to maintain and improve farm facilities. To ensure all safety scenarios are considered prior to work commencing on tracks or in milk rooms, suppliers and/or farm managers must engage with MG's local Inbound Logistics team prior to commencing:

- construction or modification of tanker access tracks
- construction of a new dairy
- construction of a new vat room
- alterations to an existing vat room
- replacement or relocation of a vat
- construction or alteration to a bridge or culvert.

A MG representative will be assigned to assist with the process.

Engaging with MG before key works are undertaken may prevent the introduction of potential hazards during the works process and avoid the need to undertake alterations at the conclusion of the works.

Power lines

Wherever possible, underground power is preferred. However in areas where MG representatives are required to work under overhead power lines, all reasonable steps must be taken to ensure a safe work environment. In particular:

- power lines must meet all required regulations;
- warning signs must be fitted to all overhead power lines which cross where the tanker combination or other vehicles will park to load or unload;
- insulated overhead power lines must be in place where lines traverse the track or parking area, no less than 4.5 metres above ground level to 5.5 metres above the ground;
- non-insulated overhead power lines that traverse over the track or parking area must be no less than 5.5 metres above ground level.

8.5 Vat room requirements

Ensuring MG employees have safe and efficient access to farm vat rooms is essential. To assist in this process, the following guidelines apply:

- a tanker parking site requiring six metres or less of milk collection hose;
- A farm number sign (as supplied by MG) must be affixed and adjacent to the vat room doorway;
- an area where the driver exits the vehicle that is free of obstacles which may potentially injure the driver, including potholes, boulders or rocks;
- an area for the driver, no less than one metre wide, where the hose can be safely manoeuvred from the vehicle to the vat outlet;
- where the gradient or surface presents a slip, trip or fall hazard, a formed walkway with steps to the entrance door;
- an unobstructed doorway to the vat room that is no less than 2.04 metres high and 0.75 metres wide;
- a vat outlet that is no more than three metres from the vat room door and suitable to adapt to a three-inch BSM female fitting. Where multiple vat configurations are installed, outlets should be in a manifold type, or within one metre of each other, with the furthest being no more than three metres from the vat room door;
- an unobstructed work area within the vat room where tasks can be performed;
- waterproof switches in the milk storage area;
- light switch(s) placed immediately inside and/or outside the tanker driver entry door;
- where sensor lights are installed as an alternative to a waterproof light switch, lights that do not impair the driver's vision when reversing;
- sufficient lighting to allow safe access around the milk storage area;
- a vat room free from chemicals. Where chemicals cannot be removed and must be stored in the vat room for dairy hygiene purposes, they must be stored away from the tanker operator's work area and clearly and correctly labelled with the relevant Material Safety Data sheets readily available;
- vat controls with clear instructions, including wash procedures and/or farm specific requirements positioned in an open space for ease of access and operation;
- a vat rinse hose that is clean and suitable for the task. If the driver is required to climb a ladder to rinse the vat, this hose must be suspended from the ceiling and connected to an automatic pressure system;
- segregation of dogs from MG staff or representatives while they are on site, to avoid the possibility of threats or attacks;
- where steps or ladders are required to be used the step or ladder must meet or exceed the relevant Australian Standards;
- where a landing or platform is required to be used fall protection must be installed to meet or exceed the relevant standards.

8.6 Vat room asbestos control measures



Where dairies have been, or are suspected of being, fabricated from materials containing asbestos the farm owner/manager must:

- notify MG of such known or potential materials within the vat room;
- remove any broken or damaged materials which contain asbestos;
- affix appropriate warning labels to identified or suspected materials which are undamaged and are to remain within the dairy's construction.

Example of an approved label.

8.7 On-farm safety

Our safety vision Goal Zero is to eliminate potential injury hazards by building a robust safety culture. Goal Zero sets clear expectations about what is accepted safety behaviour in our workplaces and from our employees. It also provides the necessary training, tools and information to ensure everyone at MG successfully fulfils their responsibilities as a safety leader.

MG is equally committed to supporting our suppliers to meet their safety needs and requirements, as well as improving their overall health and wellbeing. While we have made a big shift in the safety performance for MG's workplaces, we believe we can now also support others to achieve their own goals. A range of health and safety strategies are now available to engage and support you, including key programs which will be rolled out throughout the year. Please contact your FSO for further details.

8.8 Issue resolution process

MG understands there may be circumstances where standards or the required actions as a result of these standards cause concerns for suppliers. Should those circumstances arise, the supplier should contact their FSO or local Farm Liaison Officer for specific assistance with on-farm Inbound Logistics and access issues.

Where a serious safety hazard has been identified and it has the potential to cause serious injury and cannot be effectively controlled, MG may choose to cease collection until a suitable control measure has been agreed and implemented.

9

In this section

Summary information
Murray Goulburn Standard Milk
Payment Terms (Terms)

Standard Milk Payment Terms 2016/17

(NSW – Sydney Market Region) (SMR Terms)



Summary information

The MG Milk Payment Terms (NSW – Sydney Market Region) (**SMR Terms**) set out the terms and conditions that apply to your supply of milk to MG. Specific definitions of words used in the SMR Terms and throughout the SMR Handbook are set out in clause 22 below.

The SMR Terms will replace the existing 2015/16 MG Standard Milk Payment Terms – (NSW – Sydney Market Region) and will take effect on 1 July 2016. By continuing to supply milk to MG on or after 1 July 2016, you are deemed to have accepted these Terms.

Please read the Terms carefully. You should also refer to the Opening Price Circular which sets out the monthly rates of the opening base price and seasonal incentives, and to the Milk Payment System Explained in Section 5 of the SMR Handbook for further details on the payment system.

Murray Goulburn Standard Milk Payment Terms (Terms)

1 Introduction and precedence

- 1.1 These are the 'MG Milk Payment Terms (NSW – Sydney Market Region)' (referred to as the 'SMR Terms' in this document).
- 1.2 These SMR Terms only apply to a Supply Arrangements relating to a dairy farm in the 'Sydney Market Region' (**SMR Farm**). MG has the sole discretion in determining whether a dairy farm is an SMR Farm.
- 1.3 These SMR Terms are separate and different from the terms known as the 'Murray Goulburn Standard Milk Payment Terms' (Southern Region Terms). The Southern Region Terms use and refer to terminologies and terms that are substantially similar to those used in these SMR Terms. However, unless expressly stated otherwise, terms used in the Southern Region Terms (including 'Opening Price', 'Step-up' and 'Backpay') do not share the same meaning as those terms under these SMR Terms, and announcements made by MG in respect of the Southern Region Terms (and supply arrangements formed under the Southern Region Terms) do not apply to these SMR Terms and Supply Arrangements formed under these SMR Terms.
- 1.4 Despite clause 1.3, the 'Farm Milk Quality Standard' and 'Transport Standard' referred to in the Southern Region Terms are the same as the Farm Milk Quality Standard and Transport Standard under these SMR Terms.
- 1.5 To the extent of any inconsistencies between any of the documents that constitute the Supply Arrangement, they will be interpreted in the following descending order of precedence:
 - (1) other additional terms (if any) as agreed in writing between MG and the Supplier from time to time, and which expressly refer to the Supply Arrangement;
 - (2) these SMR Terms;
 - (3) the Relevant Standards; and
 - (4) the I&I Form.

2 Term

- 2.1 Each Supply Arrangement will commence on the date on which the Supplier accepts in writing the terms of the Supply Arrangement, indicated by a SMR Supply Acceptance Form. Each Supply Arrangement will continue until terminated in accordance with clause 18 or by law.

3 Supply

- 3.1 The Supplier agrees to continually supply, and to procure the continuous supply of, all of the Supplier's Farm Output in respect of each SMR Farm, during the Supply Arrangement.
- 3.2 Unless otherwise agreed by MG in writing or expressly set out in the Supply Arrangement, the Supplier must not supply any Farm Output to any other person during the term of the Supply Arrangement.
- 3.3 MG may determine that a Supplier has ceased to be a Supplier where MG has not been required to collect Farm Output from the Farm(s) for at least 60 days or MG has determined, in its absolute discretion, that the Supplier has commenced supply to another dairy company or milk processor.

4 Milk allocation

- 4.1 On or about the commencement of each Financial Year MG will, following discussions with the Supplier, specify a monthly allocation of Farm Output to be supplied by the Supplier in respect of an SMR Farm (**Monthly Allocation**). MG will act reasonably, but the amount of the Monthly Allocation is at MG's discretion. In particular, the Supplier acknowledges that MG may reduce the Monthly Allocation if the Supplier is unable to meet the Monthly Allocation in the previous Financial Year in any material respect.
- 4.2 The Supplier will use reasonable endeavours to ensure that the volume of Farm Output that it supplies to MG under the Supply Arrangement in each calendar month is equal to the Monthly Allocation.
- 4.3 If the Supplier supplies a volume of Farm Output that exceeds 110 percent of the Monthly Allocation in respect of any particular calendar month, then MG will have the right (at its discretion), after discussing the issue with the Supplier, to calculate the Purchase Price of the excess volume (i.e. the volume exceeding 110 percent of the Monthly Allocation) using the 'Opening Price' that applies under the Southern Region Terms (plus any applicable 'Step-ups' under the Southern Region Terms, but without any adjustment for Seasonal Incentive) but after deducting MG's reasonable costs of transporting the excess volume to Victoria.

5 Productivity Incentive

- 5.1** (General qualifying criteria for Productivity Incentive) The Supplier is entitled to payment of the Productivity Incentive if and only if:
- (1) the Supplier has continued to actively supply all of its Farm Output to MG up to and including the date on which the Productivity Incentive is due for payment; or
 - (2) the Supplier has ceased supplying Farm Output to MG solely because the Supplier (including in the case of a corporate Supplier, each individual who is a director or shareholder of the Supplier) has fully retired from dairying, and remains fully retired up to and including the date on which the Productivity Incentive is due for payment. MG may determine conclusively and at its discretion whether a Supplier or any individual has fully retired from dairying and remains fully retired as at any particular date.
- 5.2** (Milk produced at the end of a Financial Year) If MG collects any Farm Output from a SMR Farm within one Business Day after the end of a Financial Year, MG may, at its discretion, treat all or part of the collected Farm Output as being supplied in the previous Financial Year for the purposes of calculating the Productivity Incentive, to the extent MG considers (at its discretion) that such Farm Output was produced in the previous Financial Year.
- 5.3** Productivity Incentive
- (1) The Productivity Incentive applies to all Suppliers.
 - (2) Upon request from the Supplier, the Farm Output supplied from other SMR Farms may, subject to MG agreeing at its discretion, be combined for the purposes of calculating the Productivity Incentive. MG will not consider agreeing to combine the Farm Output from multiple SMR Farms in the calculation of the Productivity Incentive unless such SMR Farms have the same majority ownership and the ABN and payment instructions are the same in respect of each SMR Farm.
 - (3) The Productivity Incentive will be calculated and paid for on a monthly basis based upon the total number of kilograms of butterfat and protein in the Qualifying Milk Solids supplied to MG by the Supplier from SMR Farms during the relevant calendar month, at the rates shown in the Milk Payment System Explained. The Productivity Incentive in respect of a month is payable together with the monthly milk supply proceeds of that month (which usually occurs on or about the 15th day of the following month).
- 5.4** (Productivity Incentive under a current Owner/Sharefarmer Supply Arrangement) If an Owner and one or more Sharefarmers supplies Milk from the same SMR Farm in any one Financial Year, then the Productivity Incentive will be calculated on the total Farm Output supplied to MG from the SMR Farm under the Owner and each Sharefarmer in that Financial Year. The amount of Productivity Incentive payable will be paid to the Owner and each Sharefarmer in proportions based on their contribution of Qualifying Milk Solids to the overall supply for the relevant Financial Year and calculated in accordance with the terms of the applicable I&I Forms.

6 Collection

- 6.1** Subject to these SMR Terms, MG or its agent or representative will collect the Farm Output from the SMR Farm.
- 6.2** MG may, at its discretion collect the Farm Output daily or on alternate days. MG will give the Supplier reasonable prior notice of any change from daily collection or alternate day collection. If the SMR Farm meets the requirement (as specified in the Milk Payment Terms Explained) for collection to occur on alternate days but MG collects the Farm Output daily, then MG will calculate the Collection and Volume Charge on an alternate day collection basis and provide the Supplier a rebate in accordance with the terms of the Farm Milk Quality Standard and/or the Milk Payment System Explained.
- 6.3** The Supplier must:
- (1) ensure that MG and its representatives have safe and unrestricted access to each SMR Farm as is necessary to collect the Farm Output at any time on each collection day;
 - (2) ensure that each SMR Farm complies with the Relevant Standards; and
 - (3) immediately notify MG of any circumstances that may affect MG's ability to collect Farm Output.
- 6.4** MG may collect Farm Output from each SMR Farm at any time on each collection day. MG will use reasonable endeavours to schedule collection of Farm Output outside the milking time at each SMR Farm.

6 Collection continued

6.5 MG may, at its discretion, refuse to collect Farm Output for such period of time as MG may reasonably determine if, in MG's reasonable view:

- (1) the Supplier, the SMR Farm or the Farm Output does not comply with any of the Relevant Standards;
- (2) collection from the SMR Farm is not safe; or
- (3) the volume of Farm Output available for collection does not meet the minimum pick up requirement (if any) set out in the Relevant Standards.

MG will notify the Supplier of the reason for such refusal. MG is not liable to the Supplier for any Loss suffered by the Supplier arising from the refusal to collect.

7 Testing and rejection

7.1 MG may inspect and test the Farm Output prior to collection (including any tests referred to in the Relevant Standards), and may, at its discretion, reject and/or not collect any Farm Output if:

- (1) the Farm Output fails any of the tests conducted; or
- (2) the Farm Output does not comply with the pick up requirements (if any) set out in the Relevant Standards.

7.2 MG is not liable to the Supplier for any Loss suffered by the Supplier arising from any rejection under clause 7.1.

7.3 MG is not obliged to inspect or carry out any testing of the Farm Output, or to identify any non-compliance. In particular:

- (1) the testing (or non-testing) of any Farm Output at the time of collection will not affect the Supplier's obligations under the Supply Arrangement; and
- (2) the collection of Farm Output by MG does not indicate that the Farm Output is compliant.

7.4 In addition to inspecting and testing at the time of collection, MG may also take samples of the Farm Output at any time for the purposes of confirming whether the Farm Output is compliant and determining the quality and composition of the Farm Output.

7.5 MG will promptly make the test results available to the Supplier in accordance with the process set out in the Relevant Standards.

8 Collection Zones

8.1 The Collection and Volume Charge that MG may deduct under clause 10.1 is dependent on the location of the SMR Farm.

8.2 MG may from time to time classify the location into different zones (Collection Zones).

8.3 MG will determine the Collection Zone of each SMR Farm at its discretion, and such decision will be final and binding. MG may from time to time reclassify the Collection Zone of an SMR Farm to reflect any changes in relevant circumstances (including changes to the classification regime), but otherwise the Collection Zone of an SMR Farm will remain during the term of the Supply Arrangement.

9 Administration and changes

9.1 (Regular pricing review) On or about the commencement of each Financial Year, MG will provide the Supplier with a revised Opening Price Circular that applies in respect of that Financial Year.

9.2 (Other pricing changes) In addition to clause 9.1, MG may, at its discretion, but acting reasonably, vary (including reduce) the Opening Base Price or Seasonal Incentive at any time provided that MG must give the Supplier at least 10 Business Days prior notice of any reduction in the Opening Base Price or Seasonal Incentive. The Opening Base Price and Seasonal Incentive will be adjusted with effect from the expiry of the notice period. If MG notifies the Supplier of a reduction to the Opening Base Price or Seasonal Incentive under this clause 9.2, then the Supplier may, at its discretion, terminate the Supply Arrangement by notice to MG at any time within 90 days after receiving the notice of reduction.

9.3 (Changes to Relevant Standards) To the extent permitted by law, MG may from time to time, at its discretion, introduce new Relevant Standards, or amend or repeal existing Relevant Standards, provided that:

- (1) all such amendments apply generally across the suppliers of MG in respect of SMR Farms, and are not targeted at the Supplier; and
- (2) MG gives the Supplier at least 20 Business Days prior notice of the amendment.

9 Administration and changes continued

- 9.4** (Changes to Incentive Section) To the extent permitted by law, MG may from time to time, at its discretion, amend, add to or remove any part of clause 5, provided that:
- (1) such amendments do not apply to any Supply Arrangement until the following Financial Year; and
 - (2) such amendments will not automatically place the Supplier into any fixed term commitment.
- 9.5** (I&I Form) The Supplier is responsible for ensuring that the information set out in the I&I Form is accurate and up to date. The Supplier must notify MG if any of the information contained in the I&I Form is no longer up to date, and must upon request complete and sign a revised I&I Form with the correct information.
- 9.6** (Other changes to these SMR Terms) Without limiting any other provision of this clause 9, MG may, to the extent permitted by law, from time to time amend any part of these SMR Terms (with the effect of varying the Supply Arrangement with the Supplier), provided that, in MG's reasonable opinion, the amendment:
- (1) is a clarification or administrative variation which does not affect the substantive or material rights of the Supplier under the Supply Arrangement; or
 - (2) is for the benefit of the Supplier.
- 9.7** (Notification) MG will notify the Supplier of any amendments made under this clause 9. All such amendments will take effect on and from the date of notification, or such other date as MG may specify in the notification.
- 9.8** (Giving effect to amendments) Upon request from MG, the Supplier must execute and enter into such amendment or restatement deed as reasonably required by MG to formalise and document any amendments made under this clause 9.

10 Price and payment

- 10.1** (Obligation to pay) For all Farm Output supplied by the Supplier (and collected by MG), MG will pay the Purchase Price in respect of the Farm Output, less the applicable Collection and Volume Charge and compulsory industry surcharges and levies imposed by Applicable Laws. To avoid doubt, MG is not liable to pay the Supplier for any Farm Output that MG rejected or otherwise did not collect.
- 10.2** (Determination of Purchase Price) The Purchase Price of Farm Output is determined by:
- (1) the then current Opening Base Price as adjusted by the applicable Seasonal Incentive (subject to adjustment under clause 4.3);
 - (2) plus any applicable SMR Step-up (subject to clause 4.3). The Supplier acknowledges that there may be no SMR Step-up in any particular Financial Year; and
 - (3) less any applicable discounts based on the quality grading of the Farm Output, as set out in the Farm Milk Quality Standard or the Milk Payment System Explained.
- 10.3** (Payment of Purchase Price) MG will pay the Purchase Price of the Farm Output on or about the middle of each calendar month, in respect of Farm Output collected in the previous calendar month.
- 10.4** (Productivity Incentive) MG will calculate the Productivity Incentive to which the Supplier is entitled, in accordance with the terms of clause 5. Subject to clause 18.2(4) and the Supplier meeting the relevant criteria for payment, MG will pay the Supplier the Productivity Incentive in accordance with the terms of clause 5.
- 10.5** (SMR Backpay) Subject to clause 10.6, MG will calculate the amount of SMR Backpay to which the Supplier is entitled, in accordance with the terms announced by MG in respect of the SMR Backpay, and pay the Supplier in accordance with those announced terms. The Supplier acknowledges that there may be no SMR Backpay in any particular Financial Year.
- 10.6** (General qualifying criteria for SMR Backpay) The Supplier is entitled to SMR Backpay if and only if:
- (1) the Supplier has continued to actively supply all of its Farm Output to MG up to and including the date on which the SMR Backpay is due for payment; or
 - (2) the Supplier has ceased supplying Farm Output to MG solely because the Supplier (including in the case of a corporate Supplier, each individual who is a director or shareholder of the Supplier) has fully retired from dairying, and remains fully retired up to and including the date on which the SMR Backpay is due for payment. MG may determine conclusively and at its discretion whether a Supplier or any individual has fully retired from dairying and remains fully retired as at any particular date.
- 10.7** (Method of payment) MG will make all payments in accordance with the payment instructions of the Supplier as set out in the applicable I&I Form.

11 Risk and title

- 11.1 The Supplier warrants that it owns the Farm Output supplied to MG, and that it has the right and authority to supply and sell the Farm Output to MG free from any mortgage, charge or other security interests.
- 11.2 Risk in the Farm Output collected by MG will pass to MG when the Farm Output is loaded into the tanker at the SMR Farm. Title to the Farm Output passes to MG at time of collection or on payment of the Purchase Price by MG, whichever occurs earlier.

12 Insurance

- 12.1 The Supplier must, at its own cost, effect and maintain adequate public liability insurance with a reputable insurer in respect of the SMR Farm and the delivery and collection of Farm Output. The cover must be for a minimum of \$10 million per occurrence.
- 12.2 On request, the Supplier must provide MG with satisfactory evidence that the Supplier has complied, and continues to comply, with its obligations under this clause 12.

13 Compliance

- 13.1 Each party must comply with all Applicable Laws in performing their obligations under the Supply Arrangement. The Supplier must, at its own cost, hold and maintain all necessary licences, approvals, permits and the like required by any government authority or agency (including NSW Food Authority).
- 13.2 The Supplier must ensure that all Farm Output complies with all Applicable Laws and Relevant Standards.
- 13.3 If there is any conflict between the requirements of Applicable Laws and the Relevant Standards, the higher standard must be complied with.
- 13.4 The Supplier must promptly notify MG if the Supplier has any reasonable basis to suspect that any Farm Output may not comply with the Relevant Standards or Applicable Laws.

14 Inspection

- 14.1 The Supplier must permit MG to, at any reasonable time during the term of the Supply Arrangement and for a period of 12 months thereafter:
 - (1) monitor the steps involved in, and relating to, the production and supply of the Farm Output;
 - (2) undertake any investigation or tests at the Supplier's property and the SMR Farm that MG reasonably considers necessary; and
 - (3) enter the Supplier's property and the SMR Farm for the purposes of assessing the Supplier's compliance with the Supply Arrangement.

15 Quality and system improvement program

- 15.1 If the Farm Output does not comply with the Applicable Laws or the Relevant Standards or the Supplier or an SMR Farm otherwise does not comply with the terms of the Supply Arrangement, then without limiting the rights and remedies of MG, including under clause 18:
 - (1) upon request from MG, the Supplier must prepare an improvement plan that sets out how the Supplier will make improvements and reduce the likelihood of non-compliance, and submit the plan to MG for review and approval;
 - (2) MG will review the improvement plan submitted by the Supplier, and may, acting reasonably, require amendments to the plan, which the Supplier must carry out; and
 - (3) upon approval of the improvement plan by MG, the Supplier must implement and carry out the plan in accordance with its terms.

16 GST

- 16.1** Words or expressions used in this clause 16 which have a particular meaning in the *New Tax System (Goods and Services Tax) Act 1999* as amended have the same meaning, unless the context otherwise requires.
- 16.2** Unless otherwise expressly stated, all prices or other sums to be paid or provided for any supply made under or in connection with the Supply Arrangement do not include GST.
- 16.3** To the extent that any supply made under or in connection with the Supply Arrangement is a taxable supply, the GST exclusive consideration otherwise to be paid or provided for that taxable supply is increased by the amount of any GST payable in respect of that taxable supply and that amount must be paid at the same time and in the same manner as the GST exclusive consideration is otherwise to be paid or provided.
- 16.4** To the extent that a party is required to reimburse or indemnify another party for a loss, cost or expense incurred by that other party, that loss, cost or expense does not include any amount in respect of GST for which that other party is entitled to claim an input tax credit.
- 16.5** If the I&I Form in respect of the SMR Farm indicates that the parties elect to use recipient created tax invoices, then:
- (1) each party warrants to each other that it is registered for GST, and agrees to notify the other party if it ceases to be registered;
 - (2) the Supplier agrees that it will not issue tax invoices in respect of the Farm Output supplied by it under the Supply Arrangement;
 - (3) MG will issue tax invoices in the form of recipient created tax invoices in respect of the Farm Output supplied to it under the Supply Arrangement; and
 - (4) MG may issue an adjustment note in relation to GST adjustment events, where applicable.

17 Confidentiality

- 17.1** The terms of the Supply Arrangement, and all confidential or commercial information relating to the subject matter of the Supply Arrangement and disclosed to the Supplier by or on behalf of MG, is confidential to MG (Confidential Information).
- 17.2** The Supplier must not and must not permit any of its personnel, subcontractors or related entities to use or to disclose to any person any Confidential Information other than for the purposes of complying with its obligations under the Supply Arrangement without the prior written consent of MG.
- 17.3** Clause 17.2 does not apply to any information which:
- (1) is generally available to the public (other than as a result of the wrongful disclosure by the Supplier); or
 - (2) the Supplier obtains independently from a third party on a non-confidential basis without that third party being in breach of any obligations of confidence.
- 17.4** The Supplier is not in breach of clause 17.2 to the extent it is required to disclose any Confidential Information by law, provided that the Supplier (to the extent permitted by law) gives reasonable notice to MG prior to disclosure and assists MG in any legal means to minimise or oppose disclosure.
- 17.5** The Supplier acknowledges that a breach of this clause 17 would be harmful to the business interests of MG and monetary damages alone would not be a sufficient remedy. In addition to any other remedy which may be available in law or equity, MG is entitled to interim, interlocutory and permanent injunctions or any of them to prevent breach of this clause 17 and to compel specific performance of it.

18 Default and termination

18.1 (Termination for convenience)

- (1) Without limiting clause 9.2, if the Supply Arrangement does not have a fixed minimum term, the Supplier may terminate the Supply Arrangement:
 - (a) at the end of each Financial Year by giving MG at least 90 days prior written notice; and
 - (b) at any time in the period of 90 days after the commencement of each Financial Year by giving MG 30 days' written notice.
- (2) MG may terminate the Supply Arrangement by giving the Supplier at least 90 days prior written notice.

18.2 Default and rectification

- (1) If the Supplier commits any breach of the Supply Arrangement (Default Event) and that Default Event is capable of being remedied, then without limiting any rights and remedies of MG, MG may give a notice (**Rectification Notice**) to the Supplier, specifying:
 - (a) the nature of the Default Event; and
 - (b) a reasonable time period for the Supplier to remedy the Default Event (which period must be at least five Business Days).
- (2) MG will withdraw the Rectification Notice if the Supplier demonstrates to the reasonable satisfaction of MG that the Default Event referred to in the Rectification Notice has been remedied.
- (3) MG may also withdraw the Rectification Notice at its own discretion for any reason.
- (4) If the Rectification Notice is not withdrawn by MG by the expiry of the remedial period specified in the Rectification Notice, then the Supplier is disqualified from, and is not entitled to, any unpaid and future Loyalty Payments (including Loyalty Payments that have accrued but not been paid).

18.3 (Termination for cause) MG may terminate the Supply Arrangement with immediate effect by written notice to the Supplier if:

- (1) the Supplier is the subject of an Insolvency Event;
- (2) the Supplier or one of its officers engages in conduct that, in the reasonable opinion of MG, adversely affects the reputation of MG;
- (3) the Supplier has committed one or more Default Events that is not capable of being remedied; or
- (4) the Supplier fails to remedy any Default Events which are the subject of a Rectification Notice, and the remedial period specified in the Rectification Notice has expired.

18.4 (Indemnity) The Supplier indemnifies MG from and against all Losses incurred by MG arising from or in connection with any breach of the Supply Arrangement by the Supplier.

18.5 Consequences of termination

- (1) Clauses 7.2, 7.3, 10, 11, 14, 16, 17, 18, 19, 20, 21 and 22 of these SMR Terms, and other terms of the Supply Arrangement which are intended to have operation following termination, will survive termination of the Supply Arrangement for any reason.
- (2) Termination or expiry of the Supply Arrangement, however caused, is without prejudice to any rights or liabilities of the parties accruing as at the date of termination.
- (3) If the Supply Arrangement is terminated under clause 18.1, the Supplier is not entitled in contract, tort, in equity or otherwise to any payment or compensation for any Loss incurred as a result of the termination of the Supply Arrangement, other than amounts due and payable for Farm Output supplied up until the effective date of termination.

19 Shareholding arrangements

- 19.1** In this section 19, 'Associated Shareholder' means any person that holds Shares acquired in connection with or as a result of its relationship with the Supplier (including because it is a shareholder or partner in the Supplier or was nominated by the Supplier to receive the Shares under the Share Offtake Policy).
- 19.2** The Supplier will comply with, and will ensure that any Associated Shareholder, complies with:
- (1) the Share Standard Policy; and
 - (2) the Share Offtake Policy.
- 19.3** The Supplier acknowledges and agrees that MG is not liable for any loss or damage incurred by the Supplier or any Associated Shareholder arising directly or indirectly from:
- (1) any decision to trade Shares on the STP;
 - (2) the availability or performance of the STP;
 - (3) the conduct of any person involved in the operation of the STP;
 - (4) any decision to grant any person a security interest in any Shares; or
 - (5) the conduct of any holder of a security interest in any Shares.
- 19.4** The Supplier indemnifies MG in relation to any loss or damage arising directly or indirectly from any claim against MG by the Supplier or an Associated Shareholder that is inconsistent with clause 19.3.
- 19.5** The Supplier, on its own behalf and on behalf of any Associated Shareholders, appoints MG as agent for the purpose of selling any Shares held by the Supplier or the Associated Shareholder (as applicable) to the extent necessary to ensure compliance with the Share Standard Policy. The proceeds of any such sale (less any costs relating to the sale) will be held by MG on behalf of the Supplier or the Associated Shareholder (as applicable).

20 Notices

- 20.1** A notice or other communication connected with the Supply Arrangement (Notice) has no legal effect unless it is in writing.
- 20.2** A Notice must be:
- (1) sent by prepaid post to the address of the addressee; or
 - (2) delivered at the address of the addressee.
- 20.3** If the Notice is sent or delivered in a manner provided by clause 20.2, it must be treated as given to and received by the party to which it is addressed:
- (1) if sent by post, on the third Business Day (at the address to which it is posted) after posting; or
 - (2) if otherwise delivered before 5pm on a Business Day at the place of delivery, upon delivery, and otherwise on the next Business Day at the place of delivery.
- 20.4** The address of MG for the purposes of Notices is the address of its registered office.
- 20.5** The address of the Supplier is the postal address specified in the Supplier's I&I Form, or such other address notified to MG from time to time.

21 General

- 21.1** (No Supplier Terms) Any terms or conditions on any invoice, delivery note or other document provided by the Supplier will be of no effect and will not replace or vary any terms of the Supply Arrangement unless MG expressly agrees in writing that they do so.
- 21.2** (Relationship of parties) Nothing in these SMR Terms is to be construed as constituting one party as employer, agent or partner of the other party or in joint venture with the other party. No party has authority to bind or purport to bind the other party.
- 21.3** (Variation) Subject to clause 9, an amendment or variation to any part of the Supply Arrangement is not effective unless it is in writing and signed by the parties.
- 21.4** (Set off) MG may set off any amount due by it to the Supplier, against any amount payable by the Supplier to MG (whether under the Supply Arrangement or any other agreements).

21 General continued

- 21.5** (Assignment) The Supplier may not assign or otherwise deal with the Supply Arrangement except with the prior written consent of MG, which consent may be withheld at MG's discretion. MG may, subject to giving prior notice in writing to the Supplier, assign or novate the Supply Arrangement to any other person. The Supplier must, upon request, enter into such assignment or novation deeds as reasonably required by MG to give effect to the assignment or novation.
- 21.6** (Waiver) A party's failure or delay to exercise a power or right does not operate as a waiver of that power or right. The exercise of a power or right does not preclude either its exercise in the future or the exercise of any other power or right. A waiver is not effective unless it is in writing. Waiver of a power or right is effective only in respect of the specific instance to which it relates and for the specific purpose for which it is given.
- 21.7** (Severability) If any provision in the Supply Arrangement is unenforceable, illegal or void or makes the Supply Arrangement or any part of it unenforceable, illegal or void, then that provision is severed and the rest of the Supply Arrangement remains in force.
- 21.8** (Parties acting as trustees) If a party is or becomes the trustee of a trust for the purposes of the Supply Arrangement, that party and its successors as trustee of the trust will be liable in its own right and as trustee of that trust. Nothing releases the party from any liability in its personal capacity. The party warrants that, to the extent it is a trustee:
- (1) all the powers and discretions conferred by the deed establishing the trust are capable of being validly exercised by the party as trustee and have not been varied or revoked and the trust is a valid and subsisting trust;
 - (2) the party is the sole trustee of the trust and has full and unfettered power under the terms of the deed establishing the trust to enter into and be bound by the Supply Arrangement on behalf of the trust and that the Supply Arrangement are being entered into as part of the due and proper administration of the trust and for the benefit of the beneficiaries of the trust; and
 - (3) no restriction on the party's right of indemnity out of or lien over the trust's assets exists or will be created or permitted to exist and that right will have priority over the right of the beneficiaries to the trust's assets.
- 21.9** (Force Majeure) Neither party is liable for any failure or delay in performing an obligation, to the extent that such failure or delay is caused by an event or circumstances beyond the reasonable control of that party. The affected party must promptly notify the other party as soon as possible, use reasonable endeavours to mitigate against the effect of such event or circumstances, and resume performance of its obligations as soon as possible.
- 21.10** (Suppliers having multiple SMR Farms) Except as expressly set out otherwise, each Supply Arrangement relates to the supply of Farm Output at one SMR Farm, and the breach or termination of one Supply Arrangement does not necessarily affect other Supply Arrangements (including other Supply Arrangements between MG and the same Supplier).
- 21.11** (Jurisdiction) The laws of Victoria govern the Supply Arrangement. The parties submit to the non-exclusive jurisdiction of the courts of Victoria and of the Commonwealth of Australia.

22 Definitions and interpretation

- 22.1** In these SMR Terms, unless the context otherwise requires:
- (1) Applicable Laws means all laws, regulations and mandatory codes of practices (as amended from time to time) applicable to milk production, broking, carriage and distribution
 - (2) Business Day means:
 - (a) in respect of any payment obligation, a day that is not a Saturday, Sunday or any other day which is a public holiday or a bank holiday in Victoria, Australia, and
 - (b) otherwise, a day that is not a Saturday, Sunday or any other day which is a public holiday or a bank holiday in New South Wales, Australia.
 - (3) Collection and Volume Charge means the amounts that MG may deduct from the Purchase Price in respect of the collection of Farm Output, as specified and calculated in accordance with the Relevant Standards and/or the Milk Payment System Explained, based on the Collection Zone of the SMR Farm.
 - (4) Collection Zone has the meaning given in clause 8.2.
 - (5) Commencement Date means the commencement date of a Supply Arrangement, as determined by clause 2.1.
 - (6) Default Event has the meaning given in clause 18.2.

22 Definitions and interpretation continued

- (7) Farm Milk Quality Standard means Section 6 of the SMR Handbook or such updated document by that name as may be published and updated by MG from time to time.
- (8) Farm Output means, in respect of an SMR Farm and the Supplier, all cow's milk produced at or in respect of that SMR Farm, and includes:
 - (a) all milk produced from dairy herds which are located on any part of the SMR Farm from time to time (whether or not such herds are milked on that SMR Farm); and
 - (b) all milk produced from the milking of dairy herds at the SMR Farm from time to time (whether or not the dairy herds from which such milk is produced are located on that SMR Farm), but excludes:
 - (c) milk solely for the domestic use of the Supplier; and
 - (d) any milk in such other quantities or produced in such circumstances as may be agreed by MG in writing at its discretion.
- (9) Financial Year means each period of 12 months commencing on 1 July and ending on the following 30 June.
- (10) I&I Form means, in relation to an SMR Farm, the Supplier's information and instruction form held by MG in respect of that SMR Farm, as amended from time to time in accordance with clause 9.5.
- (11) Insolvency Event means the happening of any of these events in relation to the Supplier:
 - (a) execution or other process of a court or authority or distress is levied for an amount exceeding \$10,000 upon any of the Supplier's property and is not satisfied, set aside or withdrawn within 14 days of its issue;
 - (b) an order for payment is made or judgment for an amount exceeding \$10,000 is entered or signed against the Supplier which is not satisfied within 14 days;
 - (c) the Supplier suspends payment of its debts;
 - (d) where the Supplier is a body corporate:
 - (i) the Supplier becomes an externally administered body corporate under the *Corporations Act 2001* (Cth);
 - (ii) steps are taken by any person towards making the Supplier an externally administered body corporate;
 - (iii) a controller (as defined in section 9 of the *Corporations Act 2001* (Cth)) is appointed of any of the property of the Supplier or any steps are taken for the appointment of a controller;
 - (iv) the Supplier is taken to have failed to comply with a statutory demand within the meaning of section 459F of the *Corporations Act 2001* (Cth); or
 - (e) where the Supplier is a natural person:
 - (i) the Supplier authorises a registered trustee or solicitor to call a meeting of his or her creditors or proposes or enters into a deed of assignment or deed of arrangement or a composition with any of his or her creditors;
 - (ii) a person holding a security interest in assets of the Supplier enters into possession of or takes control of any of those assets or takes any steps to enter into possession of or take control of any of those assets; or
 - (iii) the Supplier commits an act of bankruptcy.
- (12) Loss means any costs, expenses (including legal costs on a party/party basis), losses, damages, compensation, amounts paid on advice of legal advisers to compromise or settle a claim, taxes, outgoings or other payments.
- (13) Loyalty Payments means the Productivity Incentive, the SMR Backpay and SMR Step-ups.
- (14) MG and Murray Goulburn means Murray Goulburn Co-operative Co. Limited (ABN 23 004 277 089).
- (15) Milk Payment System Explained means Section 5 of the SMR Handbook which summarises the Productivity Incentive and other pricing related information in respect of supply of Farm Output to MG from an SMR Farm.
- (16) Monthly Allocation has the meaning given in clause 4.1.
- (17) Opening Base Price means, in respect of each calendar month in a Financial Year, the applicable base Purchase Price for Farm Output that qualifies as 'Premium' (in accordance with the Farm Milk Quality Standard) supplied by the Supplier from an SMR Farm in that month, as set out in the Opening Price Circular in respect of that Financial Year and as adjusted in accordance with clause 9.2.

22 Definitions and interpretation continued

- (18) Opening Price Circular means the letter provided by MG to the Supplier on or about the commencement of each Financial Year, which sets out, amongst other things, the Opening Base Price and Seasonable Incentive in respect of that Financial Year for supply of Farm Output from an SMR Farm.
- (19) Owner means the owner of an SMR Farm, being the entity identified as such on the I&I Form in respect of that SMR Farm.
- (20) Productivity Incentive means the incentive payment of that name, as announced by MG from time to time and as further described in clause 5.
- (21) Purchase Price means the purchase price of Farm Output, as determined in accordance with clause 10.2.
- (22) Qualifying Milk Solids means Farm Output that was supplied to MG under a Supply Arrangement and which:
 - (a) qualifies as Premium or Acceptable quality, as defined in the Farm Milk Quality Standard; and
 - (b) is made available for collection by MG in accordance with all Relevant Standards.
- (23) Rectification Notice has the meaning given in clause 18.2.
- (24) Relevant Standards means the standards or policies of MG that are applicable to the supply of Farm Output, as specified by MG from time to time, including the Farm Milk Quality Standard and the Transport Standard.
- (25) Seasonal Incentive means, in respect of each calendar month in a Financial Year, the applicable adjustment to the Opening Base Price for Farm Output supplied by the Supplier from an SMR Farm in that month, as set out in the Opening Price Circular in respect of that Financial Year and as adjusted in accordance with clause 9.2.
- (26) Share means an ordinary share in MG.
- (27) Share Offtake Policy means MG's share offtake policy, as amended by MG from time to time.
- (28) Share Standard Policy means MG's share standard policy, as amended by MG from time to time.
- (29) Share Trading Platform or STP means a private trading platform that permits Shares to be bought and sold through a nominated stockbroker subject to certain conditions (including compliance with the Share Standard Policy).
- (30) Sharefarmer means a sharefarmer of an SMR Farm, being the entity identified as such on the I&I Form in respect of that SMR Farm.
- (31) SMR Backpay means any backpay or retrospective payment announced by MG from time to time in respect of Farm Output supplied from an SMR Farm, the frequency and amount of which may vary from time to time, at the discretion of MG.
- (32) SMR Farm has the meaning given in clause 1.2, and is identified in the I&I Form in respect of each Supply Arrangement.
- (33) SMR Handbook means the Murray Goulburn Co-operative Co. Limited Supplier handbook – NSW – Sydney Market Region provided to Suppliers from time to time.
- (34) SMR Step-ups means step-ups (if any) to the Opening Base Price announced by MG from time to time in respect of Farm Output supplied from an SMR Farm, at the discretion of MG.
- (35) SMR Terms means these MG Milk Payment Terms (NSW – Sydney Market Region).
- (36) Supplier means the supplier, as identified by the details as set out in the applicable I&I Form.
- (37) Supply Arrangement means the binding agreement for the sale and purchase of Farm Output between MG and a Supplier in respect of an SMR Farm, on the terms of:
 - (a) these SMR Terms;
 - (b) the Relevant Standards;
 - (c) the I&I Form; and
 - (d) other additional terms (if any) as agreed in writing between MG and the Supplier from time to time, and which expressly refer to these SMR Terms and the applicable Supply Arrangement, as evidenced by one or more written documents signed by the Supplier accepting the terms of the Supply Arrangement, or the continued supply of Farm Output to MG on or after the Commencement Date.
- (38) Transport Standard means Section 8 of the SMR Handbook titled 'Milk Collection and On Farm Requirements' or any replacement document designated as the Transport Standard by MG from time to time.

22 Definitions and interpretation continued

22.2 Reference to:

- (1) the singular includes the plural and the plural includes the singular;
- (2) a person includes a body corporate;
- (3) a party includes the party's executors, administrators, successors and permitted assigns;
- (4) a thing includes the whole and each part of it separately;
- (5) dollars means Australian dollars unless otherwise stated.

22.3 'Including' and similar expressions are not words of limitation.

22.4 Where a word or expression is given a particular meaning, other parts of speech and grammatical forms of that word or expression have a corresponding meaning.

22.5 Headings and any table of contents or index are for convenience only and do not form part of these SMR Terms or affect its interpretation.

22.6 provision of must not be construed to the disadvantage of a party merely because that party was responsible for the preparation of the terms or the inclusion of the provision in the Supply Arrangement.

22.7 If an act, matter or thing under this Agreement is said to be at MG's discretion, then it will be at the absolute and unfettered discretion of MG 22.8 If an act must be done on a specified day which is not a Business Day, it must be done instead on the next Business Day.

Sydney Market Region (SMR) Supply Acceptance Form

1 Identification of the SMR farm and the supplier

This SMR Supply Acceptance Form (**SMR Supply Acceptance Form**) is returned by the following Supplier:

Name:

(**'Supplier'**)

Farm Trading Name

In respect of the SMR Farm, I am (tick the appropriate box below):

<input type="checkbox"/>	the Owner	<input type="checkbox"/>	a Sharefarmer
--------------------------	-----------	--------------------------	---------------

2 Declaration

The Supplier who signs this SMR Supply Acceptance Form acknowledges and declares that: I/we have read and understood this SMR Supply Acceptance Form and the SMR Terms.

I/we agree to supply all my/our Farm Output to Murray Goulburn in accordance with the SMR Terms.

The persons signing this SMR Supply Acceptance Form on behalf of the Supplier are duly authorized to execute it on behalf of the Supplier, and no other person is required to sign on behalf of the Supplier.

3 Execution

Supplier Execution:

Signature	Printed Name (in full)
-----------	------------------------

Signature*	Printed Name (in full)
------------	------------------------

Signature*	Printed Name (in full)
------------	------------------------

Witness:

Signature	Printed Name (in full)
-----------	------------------------

Date: Day

--	--	--

 Month

--	--	--

 Year

--	--	--	--	--

Capacity in which this declaration is made (please tick):

<input type="checkbox"/>	Individual/Sole Trader	<input type="checkbox"/>	Partnership	<input type="checkbox"/>	Company	<input type="checkbox"/>	Trust
--------------------------	------------------------	--------------------------	-------------	--------------------------	---------	--------------------------	-------

Please attach additional signing authority if required.

* Note: A second director's, or a secretary's, signature is required if the Supplier is a company with two or more directors. A second partner may sign here if required to do so.



