

MILK PAYMENT SCHEDULE

Exclusive Supply

1. Milk Payment Basis

All prices are based on a farm gate price and are GST exclusive [i.e. GST is added to the prices]. Milk payments are calculated on a mass/mass basis.

2. Milk Pricing Schedule

2.1 Milk Fat and Protein Standards

A reference litre specification of 4.20% for Milk Fat and 3.30% for Milk Protein has been set (mass/mass).

Milk Fat

Calculated monthly on the weighted average *Milk Fat* %, a bonus of 1.2 cent/litre will be paid for each 0.10% increase in *Milk Fat* above our standard of 4.20%. If milk falls below the standard of 4.20%, a deduction of -0.5 cents/litre for each 0.10% below 4.20% will be made.

For example, if the weighted average *Milk Fat* % received in a particular month is 5.21%, then a 12.12 cents/litre bonus will be paid on top of the Base Milk Price for that month. If the average *Milk Fat* % received in a particular month is 4.01%, then a 0.95 cent/litre adjustment is deducted from the Base Milk Price for that month.

Milk Protein

Calculated monthly on the weighted average *Protein* %, a bonus of 0.75 cents/litre will be paid for each 0.10% increase in *Protein* above our standard of 3.30%. If milk falls below the standard of 3.30%, a deduction of -0.75 cents/litre for each 0.10% below 3.30% will be made.

For example, if the weighted average *Protein* % received in a particular month is 3.60%, then a 2.25 cents/litre bonus will be paid on top of the Base Milk Price for that month. If the average *Protein* % received in a particular month is 3.21%, then a 0.675 cent/litre adjustment is deducted from the Base Milk Price for that month.

2.2 Quality Payments/Deductions*

BMCC	Total Bacteria (Standard Plate Count Method)				
	Less than 15,000	15,000 to 30,000	30,000 to 50,000	50,000 to 75,000	Greater than 75,000
Less than 250,000	2	1	0.5	-2	Out of Spec Milk (50% of the base price)
250,000 to 300,000	1	0.5	0	-4	Out of Spec Milk (50% of the base price)
300,000 to 350,000	0	-1	-4	-8	Out of Spec Milk (50% of the base price)
350,000 to 400,000	-1	-4	-6	-10	Out of Spec Milk (50% of the base price)
400,000 to 500,000	-4	-6	-8	-12	Out of Spec Milk (50% of the base price)
Greater than 500,000	Out of Spec Milk (50% of the base price)	Out of Spec Milk (50% of the base price)	Out of Spec Milk (50% of the base price)	Out of Spec Milk (50% of the base price)	Out of Spec Milk (50% of the base price)

*Updated January 2014

2.3 Bulk Milk Cell Counts [BMCC]

The result for BMCC is calculated based on the monthly weighted average of all BMCC test results.

The BMCC result for the month will be applied to the quality payments schedule as set out in the Quality Payments/Deductions schedule [point 2.2].

2.4 Standard Plate Count [SPC]

The 2 highest results for the month will not be included in any calculations. The result for SPC will be based on the monthly weighted average of all remaining results.

The SPC result for the month will be applied to the quality payments schedule as set out in the Quality Payments/Deductions schedule [point 2.2].

2.5 High-Quality Bonus

Apart from the Quality Payment / Deduction outlined above, an additional High-Quality Bonus will be paid each month where the weighted average for SPC results remains



Annexure A

<10,000 cfu/mL and the weighted average for BMCC remains <200,000 cells/µL. These weighted averages will be calculated on a yearly cumulative basis. These weighted average calculations will be reset every 12 months in July. There will be no carryover of weighted average calculations from one contract year (July to June) to the following.

For clarity, this High-Quality Bonus payment is paid on top of the Quality Payment / Deduction payment outlined in paragraph 2.2 above.

High-Quality Bonus	5 cents per qualifying litre
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By way of example:

Farmer A supplies 100,000 litres of milk in July with an average SPC result of 8,000 and an average BMCC result of 210,000. The year-to-date weighted average (YTDWA) for SPC is 8,000 and BMCC is 210,000 therefore no High-Quality Bonus is payable.

Farmer A supplies 100,000 litres of milk in August with an average SPC result of 11,000 and an average BMCC result of 130,000. The YTDWA for the year is now SPC 9,500 and BMCC 170,000 therefore a High-Quality Bonus is paid of \$5,000 (being 100,000 litres of raw milk received in August at 5 cents per litre.)

Farmer A supplies 150,000 litres in September with an average SPC result of 8,000 and an average BMCC result of 210,000. The YTDWA for the year is now SPC 9,000 and BMCC 187,000 therefore a High-Quality Bonus is paid of \$7,500 (being 150,000 litres of raw milk received in September at 5 cents per litre.)

Farmer A supplies 150,000 litres in October with an average SPC result of 15,000 and an average BMCC result of 250,000. The YTDWA for the year is now SPC 11,000 and BMCC 206,000 therefore no High-Quality Bonus is payable.

Farmer A	Litres per mth	Litres Cumulative	MTD SPC (000)	MTD BMCC (000)	YTDWA SPC (000)	YTDWA BMCC (000)	Explanation
July	100,000	100,000	8	210	8	210	No High-Quality Bonus - YTDWA BMCC >200,000
August	100,000	200,000	11	130	9.5	170	High Quality Bonus - YTDWA SPC <10,000 and BMCC <200,000
September	150,000	350,000	8	210	9	187	High Quality Bonus - YTDWA SPC <10,000 and BMCC <200,000
October	150,000	500,000	15	250	11	206	No High-Quality Bonus - YTDWA SPC >10,000 and BMCC >200,000

2.6 Out of Specification Milk

Antibiotic Milk

The Farmer is responsible to ensure that all milk supplied to Richmond Dairies is free of Antibiotics. Therefore, milk that is positive in Antibiotics will not be collected.

If however the milk is collected and found to be positive, the Farmer is responsible for all costs involved in disposing of the contaminated milk and no payment will be made to the farmer for the contaminated milk.

Further to this, if further contamination is caused to other milk, then the Farmer is duly responsible for the costs involved in disposing of all contaminated milk.

High BMCC / SPC

Richmond Dairies will not be able to collect milk that is determined to be Out of Specification as set out in the Quality Payments/Deductions schedule [point 2.2].

If however the milk is collected and found to be Out of Specification, the price paid for Out of Specification Milk will be 50% of the Base Milk Price.

No Milk Fat or Milk Protein bonuses or adjustments will apply.

Minimum Milk Components

The minimum requirements for milk to be collected by Richmond Dairies are 3.2% Milk Fat and 2.7% Milk Protein (mass/mass).

If the monthly weighted average is below the minimum requirements for either fat or protein then the milk is out of specification and will be paid at 50% of the Base Milk Price.

No Milk Fat or Milk Protein bonuses or adjustments will apply.

Thermoduric Bacteria

Thermoduric bacteria are resistant to heat treatment.

If milk collected has a high SPC result of >75,000 (cfu/ml) for three consecutive pick-ups, Richmond Dairies will perform thermoduric testing on each following milk pick-up for a period of two weeks.

If thermoduric results are >2,000 (cfu/ml) a member of the Quality Assurance team will contact the farmer to help remedy the out of specification results.

If after two weeks thermoduric results remain >2,000 (cfu/ml) Richmond Dairies will temporarily cease farm pick-up until results fall below 2,000 (cfu/ml) consistently. Thermoduric bacteria testing will incur no extra fee.

3.0 Freight

All milk prices are based on a farm gate basis. Therefore, Richmond Dairies will be responsible for all freight costs [except where contaminated milk is involved]. As such, stop charges do not apply, unless other arrangements are stated in the Farmers contract.

4.0 Milk Levies

Statutory levies imposed by the Department of Fisheries and Forestry will be deducted each month from the total Milk Payment for the month. The current levies are listed below.

<i>Cents Per Kg</i>									
Dairy Australia for Research and Development						Animal Health		Rate	
Milk fat	Protein					Milk fat	Protein	Milk fat	Protein
2.8683	6.9914					0.0580	0.1385	2.9263	7.1299

For further details, please contact:

Australian Government Department of Agriculture Fisheries & Forestry
 Locked Bag 4488, Kingston ACT 2604
 Phone: 1800020619
 Email: Levies.Management@daff.gov.au

5.0 General Policy Matters

The following points are listed for the information of a Farmer who supplies milk to Richmond Dairies. These policy guidelines are set out to cover a range of possible issues relating to direct milk supply.

(1) Exceptional Circumstances

- **Flooding.** In times of flooding and where access roads to a dairy will probably be denied because of flooded roadways, every endeavour will be made to empty the farm vat/vats prior to such flooding occurring. Likewise, after floodwaters recede, every endeavour will also be made to provide an urgent milk pick up if required.

- **Power loss / spoilage.** In the event of an extended power loss, a farm vat would be emptied of correctly chilled milk [less than 5.0°C] as soon as practicable so as to prevent spoilage of the milk. Should there be fresh warm milk in a vat an assessment will be done to determine the possible use of such milk and how it would be collected. Milk that is spoiled as a result of flooding or power outages and is of unacceptable standard will be disposed of by the Farmer.

(2) Milk Collection Timings

Richmond Dairies in conjunction with the haulage contractor will arrange milk collection times during daylight hours with the possibility of collection also at night. Milk collection times will be arranged so as to avoid collection during what is "normal" milking hours so as to ensure the correct temperature of milk prior

to pick up. Richmond Dairies will ensure reasonable consultation with farmers with respect to collection times.

(3) Testing facilities for Antibiotic milk

Within reason Richmond Dairies will provide a facility near each pickup area whereby Farmers will be able to arrange to have samples of any suspect antibiotic milk (vat or individual cows) tested. The details for contacts and times of this service will be made available to Farmers upon request.

(4) Sour Milk

Sour milk or other milk, which may be rejected from supply because of a serious non-conformance, will not be collected from the vat. Such milk will be disposed of by the Farmer prior to the recommencement of milking into the vat for future tanker collection.

(5) Milk Quantity and Quality Reports

Richmond Dairies will provide a report for each milk pick-up so as to confirm the quantity and quality of milk collected. These reports will include for each pick up the volume, temperature at collection, fat and protein test for that collection, SPC and BMCC results.

(6) Timing of Reports

The documentation to convey these results to Farmers will show the last pick up as well as the progressive results for the month on each communication. It is intended to send these results to each farmer by email or SMS.

(7) Sampling

- Bacteria samples that are used to calculate the monthly weighted average are to be taken directly from the farmers vat after adequate agitation.
- Chemical samples that are used to calculate the monthly weighted average result are to be taken by the automatic sampler on the truck after adequate agitation.

(8) Ownership of Milk

The ownership of milk transfers from the Farmer to Richmond Dairies when the milk is unloaded at the factory. Richmond indemnifies the Farmer for any loss of their milk during collection or in transit.

(9) Volume Accuracy

Equipment used by Richmond Dairies or its sub-contractors to collect milk from Farmers is to meet the requirements of the National Measurements Institute.

6.0 On-Farm Services

Richmond Dairies will provide \$250 per month to each Farmer to financially assist the farmer in the payment of agronomy, nutritional or veterinary services.

7.0 Contractual Obligations

Warranties by Richmond Dairies

- To collect and pay for milk from the Farmer as outlined in the Milk Payment Schedule
- Monthly payments for milk supplied will be made on the 15th of the following month. If the 15th falls on a weekend or public holiday then the payment will be made on the first working day following the week-end or public holiday.
- That any changes made to the contract comply with the *Competition and Consumer (Industry Codes-Dairy) Regulations 2019*

Warranties by the Farmer:

- To have a gate free all weather access for the milk collection vehicle
- To supply all milk produced on farm to Richmond Dairies, excluding milk that is used on farm such as for the feeding of livestock
- To supply milk that complies with the specifications as outlined by Richmond Dairies and with specification and guidelines required by any local, state or federal authority and legislation.
- That all farm milk plant, milk vat/s and ancillary dairy equipment complies with relevant local, state or federal requirements or legislation.