



2 Randall Street, Wauchope NSW 2446

ABN: 19 611 077 626

RDA MILK SUPPLY AGREEMENT

This Agreement is made on the _____ day of _____ 2020.

BETWEEN: REAL DAIRY AUSTRALIA PTY LTD

AND: REAL DAIRY MILK SUPPLIER

Agreement Period 1st July 2020 to 30th June 2021

Real Dairy carries on business in New South Wales as a Milk Processor and enters into this agreement in good faith.

The Supplier agrees to supply Milk to Real Dairy and Real Dairy agrees to purchase Milk from the Supplier on the conditions contained in this agreement.

Pricing for the year 1st July 2020 to 30th June 2021 is as specified in the table below, to be reviewed every 12 months

These prices are a guaranteed minimum price for the 20/21 production year. This means that Real Dairy will not reduce the pricing during the period. The prices will be subject to change as per the market requirements only after 30th June 2021

Upon signing a supplier has a 14-day cooling off period to withdrawn from the agreement and be released from the contract.

Statement of Circumstances

Real Dairy purchases milk direct from suppliers within an area on the MID NORTH COAST centrally locating Wauchope near Port Macquarie for delivery to our Wauchope plant.

Current supply ranges from Taree/ Wingham in the south and Rollands Plains/Telegraph Point in the North

Suppliers outside these areas may be looked at although freight charges may apply.

2020/2021 Minimum Pricing

Month	July 2020	Aug 2020	Sept 2020	Oct 2020	Nov 2020	Dec 2020	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	June 2021
Cents/Litre	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.56

We are proud to announce we will continue with our same, simple approach and benefits for next season:

- A flat payment model for better cash flow during spring.
- Strong prices compared to major market competitors.
- No milk collection fee, no volume charge.
- Pricing is a guaranteed minimum for the season
- If business conditions permit, we will review accordingly.

Minimum Pricing Quality Standards

Butter Fat - 4.00%

Protein—3.20%

Butterfat and Protein component breakdown

Butterfat 40%

Protein 60%

Payment based on per kg Butterfat and per kg Protein

Industry Levies

Real Dairy will pay on behalf of the supplier any industry levies that are required, and these will be itemized on the Statement

Statement of Pricing Justification

Pricing has been based on a comparison of the market value of the milk supplied to the Real Dairy business and the market value of our end products, market share and the seasonal conditions that could be expected for the next 12 months

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3.0 Quality of Milk Supplied

Real Dairy expects that the milk supplied by farmers is to be of a suitable quality standard.
See Schedule 1 -Quality Specifications and Penalties

The supplier is to be registered with the relevant state authority and provide Real Dairy with a copy of their license on request. It is the supplier's responsibility to have their On-Farm Quality Assurance manuals and recording sheets up to date in accordance with the relevant state authority requirements.

Milk is to be free of taints and have no residual antibiotic. Milk must also be less than 48 hours old

For base payment milk supplied must be 4.00% butterfat and 3.20% protein, be less than 10,000cfu/ml and have a BMCC of less than 200,000

Milk at collection must be under 5°C from 3hrs after the commencement of milking.
See 6.5 Milk Temperature Policy

4.0 Transfer of Ownership

Ownership of collected milk is transferred once the milk has been collected by the carrier, it then becomes the property of Real Dairy.

5.0 Communication of Results

Statements will be emailed once a month.

The Real Dairy QA or administrative team make every effort provide early notification of high results. It is the obligation of all suppliers to ensure that Real Dairy is able to contact them by email, mobile phone, answering machine or fax within a 24 hour period.

6.0 Sampling Procedures and Temperature

Real Dairy engages Carrier contractors to collect supplier milk. These contractors are to have their own HACCP system in place and be licenced through the relevant authorities to collect milk within the relevant state.

Samples are to be taken aseptically and within accordance with the relevant state food authority.

6.1 Milk Volume

Carrier milk transfer computers are calibrated regularly and as such the volume that is collected and printed out on the supplier docket/ load summary will be deemed as correct for that days collection.

6.2 Sampling requirements-

Microbiological – weekly basis through an asptic sample taken from the vat. Sampling days may change from time to time without notice to assure quality. If a supplier is out of specification additional samples may be taken

These results are reported as colony forming units per ml (cfu/ml)

Compositional – a composite sample will be taken on every collection through the collection tankers computer sampling device – this is taken across the entire vat/vats volume collected

BMCC – Bulk Milk Cell Count – is to be taken from the well stirred vat on collection days.

These results determine the quality bonus payments.

6.3 Antibiotics (Inhibitory Substances) - Milk Rejection

The occurrence of any form of antibiotic above the legal MRL'S in our milk supply automatically renders that milk unsuitable for processing.

6.3.1 Milk Vat Antibiotic Contamination

It is the supplier's responsibility to inform Farm Services/QA of possible or probable antibiotic residues in any milk BEFORE the tanker arrives on farm.

In the event that you are unable to contact Real Dairy
The milk must be measured and dumped. Supplier to contact the carrier.

6.3.2 Positive Antibiotic Milk Tested on Farm

Letters for insurance purposes will not be given for dumped positive antibiotic milk on farm that has not been tested using an Antibiotic Test Kit. This testing service is for vat tests only.

6.3.3 Milk Tanker Antibiotic Contamination

All milk tankers are tested by a “quick screen” test on arrival at the factory. Should a positive result be detected on the tanker, the tanker is segregated while the recognised official COPAN/DELVO SP test is conducted. Each supplier's vat sample will then be checked for the presence of antibiotics and the offending supplier notified. It is the offending supplier's responsibility to have the next consignment of milk tested BEFORE their next collection.

Where a supplier has tested positive for antibiotics through routine testing procedures COPAN/DELVO SP test, Real Dairy reserves the right to conduct an audit of the suppliers Dairy Food Safety Program to determine the cause.

Where notification of possible or probable antibiotic residues is not received and milk is collected and found positive for antibiotics, the following levies shall apply:

STANDARD	LEVY
Positive result COPAN/DELVO SP test	No payment for the consignment of milk. Full costs will be recovered and retained by. for additional testing, segregation, extra transport and processing/disposal of contaminated consignment, plus the actual net value of the other suppliers' milk plus cartage.

Please note:

All suppliers should have adequate insurance to cover any incidences of milk loss, contamination or damage to other supplier's milk in the milk tanker. Should a supplier require a letter for an insurance claim please contact Real Dairy.

Insurance can be taken to cover costs recovered by Real Dairy for commercial damage.
Insurance is the supplier's choice and responsibility.

6.4 Payment When Notified

Where a supplier suspects a contamination of farm milk may have occurred involving antibiotics, chemical residues or temperature and they notify Real Dairy of such an event prior to collection, then the supplier shall be eligible for payment at base prices even if the company elects not to collect the milk for **one incident only per year**. Any incidents of this type thereafter will result in payment at Real Dairy's discretion.

In the event of a suspected contamination Real Dairy will review the farms On Farm Quality Assurance Program.

6.5 Milk Temperature Policy

Milk stored at greater than 5°C for any length of time increases bacterial activity resulting in a reduction of milk quality. The aim of this policy is to reduce the temperature of milk to 5°C or less as quickly as possible and to maintain this temperature until collection.

Suppliers should not place freshly harvested milk on top of milk that has not been cooled and maintained at temperatures less than 5°C.

Suppliers must have an immersion thermometer, which will be calibrated against a standard calibrated thermometer.

Milk temperatures are monitored on a per collection basis. **Milk will not be collected under any circumstances from storage vessels that are not refrigerated.**

Suppliers should check the temperature recorded on each slip left by the tanker driver and call Real Dairy if they believe the recorded temperature is incorrect.

6.5.1 Policy for Collection of Hot Milk - Notified

If contact has been made by the supplier prior to the arrival of the tanker regarding a hot milk issue, some leniency may be granted. This is at the discretion of the Factory Manager or QA.

The QA is under an obligation to ensure that the tanker is not greater than 5°C in transit or arrive at a factory at greater than 5°C. An acidity test will be performed on all tankers arriving at factory with a temperature greater than 5°C with the potential of total rejection of the tanker load of milk. Therefore, allowing hot milk to be loaded onto a tanker can have serious consequences

6.5.2 Power Failures

- In the event of a failure to cool milk due to, vat breakdowns and or power failures Supplier must contact Real Dairy
- Milk rejected by the driver for failing a test as a result of high storage temperatures, **WILL NOT BE COLLECTED, AND THEREFORE, WILL NOT BE PAID FOR.**

6.5.3 Milk Not Collected

Real Dairy will not be responsible for payment of milk not collected due to:

- Adverse weather conditions
- Where the farm has restricted access due to safety, or notified public health reasons such as animal disease (botulism, FMD, Anthrax) etc.
- Road Access - specifically lack of adequate road access and safe road access for milk tankers under all weather conditions to the dairy

7.0 General Quality Standards, Procedures and Actions

- Milk not for collection by a tanker (due to rejection/antibiotics etc.) must clearly be labelled "Not for collection by tanker" by the supplier immediately and prior to the next milk collection.
- Real Dairy will not pay for rejected milk, or milk collected and subsequently found defective. In the event an entire tanker load is rejected following collection then the supplier causing the rejection will be charged additional testing, segregation, extra transport and processing/disposal cost of the contaminated consignment plus the actual value of the other suppliers milk plus cartage.
- Suppliers whose delivery has been contaminated with antibiotic, weed or any other foreign substance by another supplier will have their supply recorded as normal.
- Real Dairy will conduct an audit of a farm if that farm causes an antibiotic tanker contamination and in accordance to NSW Food Authority requirements will notify relevant authorities.
- All test results for rejected milk remain the property of Real Dairy

8.0 Quality Accreditation and Other Standards

- It is the supplier's responsibility to ensure that their On Farm Quality Assurance Manuals are compliant with relevant State Authority requirements and that recording sheets and Manuals are kept updated. All States require dairy producers to have an approved and audited Food Safety Program. They must comply with individual State legislation and Real Dairy requirements with regards to auditing of these systems by or for the relevant State Authorities. Any supplier that fails an audit could be immediately suspended from supply until the cause of the failure is rectified. Suppliers who have a minor or major; non-conformance entered on their audit may receive time to demonstrate rectification of the non-conformance.
- Raw milk will only be collected from premises that are licensed milk producers and have an approved Dairy Food Safety Program in place.

9.0 Chemical Standards

Chemicals used in the operation of the dairy and coming into either direct or indirect contact with milk, e.g. lubricants, cleaning chemicals, rubber ware and coolants must be classed as "Food Grade" and able to be verified as "Food Grade".

Any chemicals used in the operation of the dairy, e.g. pesticides, lubricants, cleaning chemicals and coolants must be stored and used in a way that ensures the milk is protected from contamination. Chemicals used to clean milking plants must indicate on the label that they are listed for cleaning contact surfaces in a dairy unit. Where a supplier has contaminated milk from the use of chemicals the supplier must inform Real Dairy. If unable to contact Real Dairy Farm Services milk must be measured for credit purposes then dumped and the carrier notified Real Dairy reserves the right to conduct an audit of the Dairy Food Safety Program to determine the cause.

9.1 Pesticide (Chemical) Exposure Policy

Chemicals are used on dairy farms to control pests and diseases for crops and animals. When these chemicals are applied it is important that the dosage rate and withholding periods are followed. If chemicals have been used to the manufacturer's recommendation on the label, residue levels should not be detected or exceed the MRL limits. It is the responsibility of the supplier to make sure that the instructions on the label are followed. However, if a supplier suspects that the milk may be contaminated, immediate action and notification to Real Dairy is required. Where a supplier suspects that a contamination has occurred and a withhold period has not been met, Real Dairy reserves the right to conduct an audit of the Food Safety Program to determine the cause.

9.2 Pesticide (Chemical) Detection

Any milk collection, which has residues greater than the Maximum Residue Level (>MRL) standards shall be rejected (Reference Food Standards)

9.3 Biosecurity

All suppliers of RDA are to comply State and Federal Regulations regarding Biosecurity and Farm Management procedures as required by the relevant authorities.

10.0 Sensory Test

It is a requirement that all consignments of farm milk undergo a sensory testing by the tanker driver. All drivers are accredited Bulk Milk Graders. The sensory test is to ensure the milk does not contain any objectionable odours and or foreign matter. Foreign matter includes contaminants such as the presence of manure, flies, blood (pink milk), colostrum or antibiotics (blue milk).

- Where milk undergoes a sensory testing by a milk grader on behalf of Real Dairy prior to collection, any objectionable odours and or foreign matter will result in the milk being rejected by Real Dairy
- **Real Dairy will not pay for milk contaminated with objectionable odours or foreign matter.**

11.0 Extraneous Water

All milk supplied to Real Dairy must be free of any extraneous water. The Real Dairy standard for freezing point of milk is -0.517°C max. If the standard is not met the first occurrence will attract a warning. A subsequent second offence will be paid for at 10% of the price paid for milk in that particular month

12.0 Disputes Procedure

All disputes are subject to the provisions of the Code relating to disputes.

Where a dispute arises out of or in connection with performance of this Agreement both parties, acting in good faith, will use all reasonable endeavours to bring the issue to the attention of the other party in a timely fashion and in any instance not more than 30 days after the event occurs which leads to the dispute.

Notification will include:

- (a) nature of the complaint
- (b) that the aggrieved party wishes to resolve the dispute in accordance with this Agreement
- (c) desired resolution.

The party receiving the complaint will in writing notify the other party that they have received the complaint within five days and articulate steps intended to resolve the dispute.

Any complaints arising under this Agreement must, in the case of the Processor, in the first instance be referred to the Processor's Internal Complaints Handling Officer for resolution.

Where a notification of a dispute is made to the other party to this Agreement both parties will act, in good faith, to resolve the dispute.

If after attempting to resolve the dispute, and in any instance not before the elapse of 60 days after notification, the parties are not reconciled, both parties agree to subordinate themselves to a mediation process as articulated in the Code.

Any disputes arising under or in any way resulting from this Agreement which cannot be resolved in mediation shall be referred to arbitration.

The costs of a mediation and/or arbitration will be borne by each party equally, unless otherwise agreed. If a party seeks legal representation in the mediation/arbitration process, such legal costs will be borne by that party.

Nothing in this dispute resolution procedure will prevent a party seeking an injunction.

13.0 Termination

After the initial cooling off period of 14 days termination of this agreement is as follows.

This agreement may be terminated by either party upon a **written notice** by the terminating party to the other party if a fundamental breach of this agreement is committed. (A fundamental breach is a breach of contract where the **offending party fails to complete a contractual term that was so fundamental** to the contract that another party was prevented from fulfilling their own responsibilities)

Termination Notice periods apply for the party wishing to terminate the agreement,

- these may be varied due to Force Majeure after discussion between the parties and applied with no prejudice
- or immediately in the event that the other party (if an individual) is declared bankrupt or (if a corporation) is placed under any form of external administration

In the event of a termination, the date of termination shall be deemed to be the first business day occurring after the expiration of the notice period.

Notice periods to adhere with agreed contracts from both parties

13.1 Termination Notice Periods

1 Year – 90 days

Where the supplier has not entered into a new milk supply agreement at the end of the agreement term and has continued to supply milk for 60 days after the expiry of the agreement it is deemed that the supplier has agreed to supply milk to Real Dairy for 12 months from the expiry of the agreement on page 1 of the this agreement, termination notification periods apply to the continuation of supply.

Executed as an Agreement:

SIGNED for and on behalf of REAL DAIRY AUSTRALIA PTY LTD by its duly Authorised Representative:

.....

Print Name

SIGNED for and on behalf of **the Supplier** by its duly Authorised Representative:

.....

Print Name

Schedule 1 – Quality Specifications and Penalties

Quality Attributes	Result	Result Period	Action
Tanker Standard Plate Count	>30,000	C	All suppliers on the tanker load require Standard Plate Testing
Standard Plate Count (cfu/ml) Supplier Vats Refer Microbiological Testing	>20,000	C	Retest for the next 3 collections
	>30,000	C	Retest for next 3 collections
BMCC (cells/mL) SPC < 10,000	>300,000 <400,000	C	Penalty of \$0.01 per litre
	> 400,000	C	Penalty of \$0.025 per litre
BMCC (cells/mL) SPC>10,000 <20,000	> 250,000 <300,000	C	\$0.00 per litre
	> 300,000 <400,000	C	Penalty of \$0.025 per litre
	> 400,000	C	Penalty of \$0.035 per litre
Temperature (°C)	> 5.0	C	Possible Reject
Freezing point (°C)	-0.517 max	C	a.) First occurrence - Warning. b.) Second and subsequent occurrence - Milk will be paid for at 10% of that months price paid for milk
Antibiotics (COPAN/DELVO SP)	Positive test	C	Reject, no payment, claim costs
Acidity (% lactic acid)	>0.14	C	Reject, no payment, claim costs
Pesticides (MRL)		C	Suspension
Aflatoxin (ppb AFM1)		C	
PH	<6.6	C	Nil Payment

Notes:

Greater than or equal to
< Less than
> Greater than

Suppliers with more than one Vat official Standard Plate Count result will be an average of the individual vat results

C Individual collection results

Any failure on quality issues which contaminates other milk may render the supplier liable for the cost of all milk contaminated.