

Supplier No: \_\_\_\_\_

Date: \_\_\_\_\_



# Milk Supply Agreement

# TERMS OF AGREEMENT

## COVERSHEET- MILK SUPPLY AGREEMENT

### SUPPLIER

Supplier Name:		Supplier No:
Supplier Address:		Contact No:
		Dairy Licence No:
	Postcode:	Banking Instructions
Email Address:		Bank Name:
Farm Address:		Account Name:
	Postcode:	BSB No:
ACN/ABN:		Account No:

### BESTON GLOBAL FOODS

Processor Name: Beston Pure Dairies Pty Ltd	
Processor Address: 128 Maurice Road, Murray Bridge SA	
Email: bestonglobalfoods.com.au/contact-us/	Phone: +61 8 85393957
ABN: Beston Pure Dairies Pty Ltd ABN 71 606 417 994.	ACN: 606 417 994

### Term of Supply Period<sup>1</sup>

<b>Commencement Date:</b>	<b>End Date:</b>
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### Price and Terms of Payment<sup>2</sup>

<b>Price \$7.20</b> for year 2020/2021 based on Model Farm of 1.5M litres 3.2% Protein;3.9% Fat in accordance with incentives in the handbook at schedule 1
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### Particular or Special Instructions (if any)

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### Timing of Payments/Billing Frequency (Enter proposed billing/payment frequency)

See attached handbook at schedule 1
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### Volume of Milk Supply (either "all" or a specified amount and/or first right of refusal if specified amount)

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<sup>1</sup> Section 24 of the Code demands that a milk supply contract must specify the first and last days of the supply period during which milk is to be supplied under the agreement, which contains a definite end date.

<sup>2</sup> The milk supply agreement must clearly specify the minimum price or prices under the agreement. That may be a minimum single price, a schedule of minimum yearly prices or a schedule of monthly minimum prices. Section 26 of the Code.

### Contact for Beston<sup>3</sup>

Contact officers are listed in the handbook attached to this contract at Schedule 1 on page 3

### Execution as an Agreement

#### If Supplier/Owner is an individual (including a trustee) - Signed by

Signature of Supplier/owner	In the presence of: Signature of Witness
Name of Supplier/Owner	Name of Witness
Date	Date

#### If Supplier/Owner is a company

Signature of Director	Signature of Company Secretary/Director
Name of Director	Name of Company Secretary/Director
Date	Date
In the presence of: Signature of Witness	In the presence of: Signature of Witness
Name of Witness	Name of Witness
Date	Date

#### If Supplier/Owner is a partnership-Signed by the partner/s

##### Partner 1:

Signature of Partner	In the presence of: Signature of Witness
Name of Partner	Name of Witness
Date	Date

##### Partner 2:

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<sup>3</sup> Complaint handling officer is required Section 43(2) of the Code.

Signature of Partner

In the presence of: Signature of Witness

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Name of Partner

Name of Witness

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Date

Date

**Associated Sharefarmer Information**

Sharefarmer Name:		Sharefarmer No:
Sharefarmer Address:		Phone No:
	Postcode:	Mobile No:
Email Address:		Banking Instructions
Sharefarmer Allocation: ..... %		Bank Name:
		Account Name:
ACN/ABN:		BSB No:

**Sharefarmer 1 - Signed by**

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Signature of Sharefarmer

In the presence of: Signature of Witness

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Name of Sharefarmer

Name of Witness

--	--

Date

Date

**Sharefarmer 2 - Signed by**

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Signature of Sharefarmer

In the presence of: Signature of Witness

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Name of Sharefarmer

Name of Witness

--	--

Date

Date

**BESTON HEAD OFFICE USE ONLY**

**In the case of an authorised officer** (Section 126 of the Corporations Act)

On behalf of the Beston Global Foods as an authorised officer

<b>JONATHAN HICKS</b>	
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Name of Authorised Officer

Signature of Authorised Officer

<b>CHIEF EXECUTIVE OFFICER</b>	
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## Definitions

**ACCC** means the Australian Competition and Consumer Commission.

**Act** means the *Competition and Consumer Act 2010*<sup>4</sup>

**Agreement** means the Milk Purchase Contract including the coversheet and schedules. This agreement also incorporates the Beston's Handbook.

**Beston** means Beston Global Foods its subsidiary entity Beston Pure Dairies. References to Beston or Beston's in this agreement shall mean Beston Global Foods and its subsidiary entity Beston Pure Dairies Pty Ltd ABN 71 606 417 994.

**Billing frequency** means the frequency of payments made by Beston as described in the Handbook (Schedule 1 of this agreement).

**Code and Industry Code** means the *Competition and Consumer (Industry Codes – Dairy) Regulations 2019* as regulated under the Act.<sup>5</sup>

**Collection** means the point at which milk is transferred from the supplier to the Beston or Beston's agent or milk transporter. Unless otherwise provided for, occurs as the milk passes from the supplier's vat into the coupling of Beston's hose or another collecting device.

**Coversheet** means the pages of this agreement which appear after the title page of the agreement and those pages preceding the definitions page. The coversheet forms part of the agreement.

**Dispute** means a dispute between the parties to this milk supply agreement and in relation to a matter arising under or in connection with this agreement.

**Farmer/Supplier** means a person or business that produces, or that may produce milk.<sup>6</sup>

**Handbook** means the Beston Pure Foods Handbook issued by Beston Global Foods referred to in schedule 1.

**Milk** means the lacteal fluid product of the dairy cow.<sup>7</sup>

**Milk Quality Reduction** means reductions which are in accordance with the milk quality as described in schedule 1.

**Particular Collection Instructions** mean reasonable instructions which either party may make of the other described in this agreement or its schedule. (Beston's particular collection instructions are in the Handbook in schedule 1).

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<sup>4</sup> Defined by Section 5 of the Code.

<sup>5</sup> Defined by Section 5 of the Code.

<sup>6</sup> Defined by Section 5 of the Code.

<sup>7</sup> Defined by Section 5 of the Code.

**Particular or Special Instructions** means any specific conditions either party may make of the other as described on the coversheet of this agreement or its schedule which are compliant with the Code. (Beston's instructions are in the Handbook in schedule 1).

**Payments** means the payments made by Beston to the supplier for the purchase of milk.

**Price** means the price of the milk for purchase and may be expressed in terms of milk solids, including a separation of price determined by protein, butterfat and other products inherent in the milk referred to in the Handbook at schedule 1. Unless otherwise provided for, price will be in Australian dollars.

**Price Justification** shall mean a statement of price justification as required by section 14 of the Code as posted on the Beston Global Food website.

**Processor or Purchaser** means Beston Global Foods and its subsidiaries and associated entities.

**Purchase** means purchase in trade or commerce.<sup>8</sup>

**Retrospective Stepdown** is a variation of the milk supply agreement that reduces a minimum price for milk supplied under the agreement before the variation occurs.<sup>9</sup>

**Specifications** mean quality specifications incorporated into this agreement on the coversheet and/or in the Handbook at schedule 1.

**Stepdown** means a price adjustment which is less than the price indicated in the agreement for milk which complies with the standard agreed in this contract.

**Terms of Payment** means the terms of payment indicated on the coversheet of this agreement and in the Handbook at schedule 1.

**Transport Provider** means the provider of milk transport from the farm to the place of processing.

**Unilateral Prospective Stepdown** is a unilateral variation of the milk supply agreement by Beston that reduces a minimum price for the milk supplied under the agreement after the variation occurs.

**Writing** includes electronic writing in email or facsimile.

## **Interpretation**

1. If there is an inconsistency arising out of particular conditions and particular collection instructions in the Handbook (schedule 1) as referred to on the coversheet and the rest of this agreement, the body of the agreement will override the provision of the particular conditions to the extent of the inconsistency.

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<sup>8</sup> Defined by Section 5 of the Code.

<sup>9</sup> Defined at section 27(2) of the Code Retrospective stepdowns are banned by the Code.

2. If there is an inconsistency arising out of this agreement between the operation of the Code and the agreement, the Code will override the agreement to the extent of the inconsistency.
3. In this agreement:
  - a. a reference to a party to this agreement includes the party's proper assigns, proper substitutes and successors.
  - b. words expressed in singular terms include the plural and visa versa.
  - c. where a word is defined its similar grammatical forms have the same applicable meaning.
  - d. words indicating a gender include all genders.
  - e. any reference to legislation, including subordinate legislation or any provisions of legislation or subordinate legislation shall incorporate such legislation as amended from time to time.
  - f. any reference to a legal personality shall include a corporation, partnership, trust, incorporated association, local government authority or individual capable of legal personality.
  - g. a reference to a week shall mean a seven-night period commencing on a Monday and concluding the next Sunday following.
  - h. a reference to a month shall mean a calendar month.
  - i. a reference to a year shall mean a financial year.
  - j. footnotes do not form part of this agreement
4. Where a party to the contract employs the use of an agent the agent may represent the party in this agreement.

### **Good Faith**

5. Parties to this agreement shall at all times deal with each other in good faith.<sup>10</sup>
6. Without limitation, in determining whether either party has acted in good faith in dealing with the other party, the following shall be taken into account:
  - a. whether the first party has acted honestly;
  - b. whether the first party has tried to cooperate with the other party to achieve the purposes of this agreement;
  - c. whether the first party has not acted arbitrarily, capriciously, unreasonably, recklessly or with ulterior motives;
  - d. whether the first party has not acted in a way that constitutes retribution against the other party for past complaints and disputes;
  - e. whether the first party's relationship with the other party has been conducted without duress;
  - f. whether the first party's relationship with the other party has been conducted in recognition of the need for certainty regarding the risks and costs of supplying or purchasing Milk;

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<sup>10</sup> Good faith is a requirement of the Code and cannot be contracted away. Good faith is prescribed for both farmers and processors alike. Failure to act in good faith carries penalties. Refer to Section 11 of the Code.

- g. whether the first party has undermined, or denied the other party, a benefit of this agreement;
- h. whether the first party has observed any confidentiality requirements relating to information disclosed or obtained in dealing with or resolving a complaint or dispute with the other party; and
- i. whether, in dealing with the first party, the other party has acted in good faith.

## **Terms of Agreement**

- 7. This agreement has a cooling off period of 14 days after the signing of this contract. A supplier may exercise the right to rescind this agreement within those 14 days by notifying Beston in writing.<sup>11</sup>
- 8. This agreement becomes operational on the start date written in the coversheet and will end at midnight on the day on which the term expires as described in the coversheet. (Unless the contract is terminated for other reasons described in this agreement or for grounds articulated in the Code).
- 9. Beston shall in writing at least 60 days prior to the end of this agreement, notify the supplier of Beston's intention to renew, extend or end the agreement.
- 10. Where Beston informs the supplier of an intention to extend or renew the agreement the supplier shall within 14 days notify the processor of their intention to agree to or reject the proposal.<sup>12</sup>
- 11. If Beston or the supplier do not provide written notices to each other regarding renewal or extension of this existing agreement, the agreement will be deemed to continue until terminated by either party with not less than 30 days' notice of the termination. (Unless a shorter period of termination is agreed by the parties in writing).

## **Purchasing the Milk**

- 12. The supplier agrees to sell milk to Beston and Beston agrees to purchase the milk from the supplier:
  - a. for the agreed price on the coversheet and consistent with the incentive schemes as described in the Handbook (schedule 1)<sup>13</sup>
  - b. at the standard outlined in the coversheet and the Handbook (schedule 1)
  - c. at agreed volumes<sup>14</sup>

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<sup>11</sup> The 14-day cooling off period is mandated by the Code. Refer to Section 23 of the Code.

<sup>12</sup> If the contract is longer than 3 years different rules apply. Refer to Section 36 of the Code regarding these arrangements.

<sup>13</sup> The milk supply agreement must clearly specify the minimum price or prices under the agreement. Refer Section 26 of the Code.

<sup>14</sup> Note that combining both exclusive supply and a maximum volume in the same agreement is banned by the Section 31 of the Code.



- d. at the times indicated
- e. complying with any particular collection instructions including those in the Handbook (schedule 1)

13. The supplier will comply with all laws and standards to deliver a merchantable product to Beston.<sup>15</sup>
14. The standards of the milk to be delivered by the supplier are described in the Handbook (schedule 1). Any other terms and conditions not encompassed in this agreement are not a term or condition of this agreement.
15. If on the coversheet of this document Beston indicates that Beston will take all of the milk the supplier produces the contract is an exclusive supply contract.
16. If on the coversheet of this document Beston indicates they wish to exercise a first right of refusal for milk produced in excess of an agreed amount, the excess will be purchased at the same price (or greater) than the agreed price indicated on the coversheet. The agreement is an exclusive supply contract until Beston declines to purchase the excess milk.
17. If on the coversheet the parties indicate the supply of a specific volume of milk only, the contract is not an exclusive supply agreement and the supplier is at liberty to sell the additional milk to any third party.
18. Milk will be supplied in accordance with the specifications described in the Handbook (schedule 1). Any alteration to the specifications may only be made in accordance with the variation clauses of this contract and the Code.
19. No penalty shall arise for a supplier where the supplier has agreed to produce a fixed volume and the volume produced is up to 10% over the indicative volume described on the coversheet. Beston shall accept delivery of the excess milk.
20. The supplier shall be paid for the milk in accordance with the price agreed on the coversheet and incentives as contemplated by the Handbook (schedule 1).

### **Ownership and Transport**

21. Ownership of the milk is transferred from the supplier to Beston when the milk passes through the coupling on the hose of the milk supply truck. It occurs where that coupling attaches to the supplier's vat, if there is some other transport device, it occurs where the milk passes from the supplier's vat to the transport device.<sup>16</sup>

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<sup>15</sup> While not a requirement of the Code it is a requirement of Australia's Consumer Laws.

<sup>16</sup> Section 30 of the Code provides that "*The milk supply agreement must specify when the processor becomes the owner of the milk supplied under the agreement.*"

22. Cost of transport is to be borne by Beston, however Beston may impose a stop charge and freight cost as indicated in the attached Handbook (schedule 1) or a charge as indicated in the "Particular Collection Instructions" section on the coversheet.<sup>17</sup>
23. Losses arising after the change of ownership from the supplier to Beston shall be borne by Beston.
24. Beston is to arrange for the collection and transport of the agreed volumes of milk from the farm.
25. Beston will abide by all reasonable requests and directions of the supplier regarding access to the farm and the farm's vat.
26. The supplier will make available safe, all-weather access to the farm and vat to enable Beston to collect the milk as indicated in the attached Handbook (schedule 1).

### **Testing**

27. Test samples are to be collected from a point as close as reasonably practicable to the coupling at the time the milk is transferred from the vat to Beston's milk truck.
28. At the request of the supplier, Beston will provide a test sample to the supplier of the milk collected. The supplier's sample will be taken from the same place as Beston's test sample is drawn.
29. Beston will test the milk at Beston's expense.
30. If the supplier seeks to test the milk the supplier can test the sample given to them at the supplier's expense.
31. Beston's sample will be tested within 24 hours of the collection of the milk on a weekday. Where the test occurs on weekend or public holiday, the following working day. Any test result that exceeds these periods may not be relied upon by Beston or to make any assertion regarding the quality of the milk received.
32. Beston will endeavour to inform the farmer within 24 hours of the results of the test, but in any instance, not less than 4 working days after the sample is taken.
33. The information in the written notification to the supplier shall reflect the results which are reported on in compliance with the standards outlined in the Handbook (schedule 1).

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<sup>17</sup>This is an example of a fee for service. If any other fees for services are described they have to be in the agreement on a yearly basis. Requirement of Section 29 of the Code

34. Beston will inform the supplier in writing of the test results.<sup>18</sup> For the purpose of this section writing may include electronic transmission via SMS text message.
35. To avoid adverse test results the supplier and Beston will take all necessary steps to ensure that the equipment, couplings, hoses or any other equipment associated with the transfer of the milk from the vat are clean, well maintained and serviceable.
36. Beston will take all reasonable measures to ensure the milk collected from the vat has had a reasonable time for the milk to be brought to a temperature between 0 and 5 degrees Celsius. Where milk is collected at a higher temperature within 3 hours and 30 minutes of milking and the milk is above the temperature, no action lies against the supplier by Beston. This clause may only be relied upon in circumstances arising from early collection after milking. Where the milk temperature is too high arising out of equipment failure or poor equipment maintenance Beston reserves the right to grade or reject the milk in accordance with the Handbook (schedule 1).

## **Payment**

37. The price paid to the supplier will be in accordance with the price identified on the coversheet, (or higher).
38. The supplier will be paid the full price indicated on the coversheet minus:
- a. any deduction arising from a downgrading of the milk described in the Handbook (schedule 1),
  - b. the Dairy Produce Levy, and
  - c. any other deduction authorised by law or by the supplier.
39. Beston agrees to generate a recipient created tax invoice (RCTI) which complies with the provisions of the *A New Tax System (Goods and Services Tax) Act 1999*.
40. Beston will issue RCIT in accordance with the billing frequency identified on the coversheet and in the Handbook (schedule 1).
41. Beston may pay a loyalty payment to the supplier.
42. Beston will not impose upon the loyalty payment a condition that the supplier:
- a. supply milk to Beston after the agreement ends, or
  - b. agree to vary the agreement to postpone the end of the supply period, or
  - c. enter into a new milk supply agreement with Beston.<sup>19</sup>

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<sup>18</sup> Section 25(c) of the Code.

<sup>19</sup> Subsections (a), (b) and (c) are required by Section 35 of the Code.

43. If this agreement is terminated before the end of the supply period the supplier is entitled to a *pro rata* payment of the loyalty payment of the completed portion of this contract prior to the termination.<sup>20</sup>
44. Beston may withhold a loyalty payment for a material breach of this agreement.
45. The Company will assess the need for step-ups as the season progresses, but in any case, the Beston closing price will be higher than the highest closing price paid by the nominated processing companies purchasing Milk in South Australia, defined as Saputo, Fonterra or Bega in any given year.
46. Flat Milk Incentives, Growth Incentives and Productivity Incentives are not loyalty payments. They are incentive payments payable for consistency of supply and enhanced productivity efforts by the supplier.

## **Defects**

47. Where there are defects in the milk as described in the Handbook (schedule 1), Beston may proceed by way of a price penalty as described in the Handbook (schedule 1) of this contract.
48. If Beston rejects the milk because of a failure to meet the expectations described in the Handbook (schedule 1), Beston will, as soon as practicable, inform the supplier of the grounds for the reduction or rejection in writing.<sup>21</sup>
49. A price quality reduction is not a stepdown contemplated by this agreement. A price quality reduction is a reduction arising out of a quality of milk that is below the specifications described on the coversheet and the Handbook (schedule 1) of this agreement.
50. A price quality reduction shall be in accordance with the structure outlined in the Handbook (schedule 1) of this agreement.
51. The grading systems identified in the Handbook (schedule 1) of this agreement shall reflect reasonable operating norms of quality expected in the dairy industry in Australia.
52. If Beston intends to take an adverse action regarding a defect, Beston must issue a notice to the supplier as soon as practicable but in any instance within 15 days of the sample being tested, in writing.
53. Where Beston or the supplier become aware of:
- a. any possible actual or potential defect, contamination, fault or other condition in any milk supplied,
  - b. any matter that may impact on compliance with any health standard, public policy or code,

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<sup>20</sup> Section 42 of the Code provides penalties for withholding loyalty payments.

<sup>21</sup> Requirement of the Code Section 25(e)

c. any matter which may affect compliance with any law or regulatory health standard,

Beston or the supplier must, as soon as possible, advise the other party to the contract of the nature of the defect or issue, details of the collections impacted and the actions that have been taken or are proposed to be taken to diminish the impact of the defect.

54. Beston and the supplier will co-operate to the fullest extent possible to diminish any risk to the public from the defect including (but not limited to) compliance with laws, assisting each other in investigating the source of the defect and taking such remedial action as necessary to ameliorate the impact of the defect. Such steps include assisting government authorities and disseminating information to the public where necessary.

55. Where a defect is detected, both Beston and the supplier are expected to act in good faith.

### **Stepdowns**

56. Unilateral retrospective processor stepdowns are not allowed by this agreement.<sup>22</sup>

57. Unilateral prospective processor stepdowns are only permitted in extraordinary circumstances that are temporary and involve a change in market conditions that occur outside Australia, have a highly significant effect on supply, demand or costs in the dairy industry and are not caused by decisions made by Beston.<sup>23</sup>

58. Where Beston cannot demonstrate they have taken all reasonable steps to prevent or limit the impact of the extraordinary event, or there are no such steps that Beston can take to demonstrate that the stepdown is unavoidable, Beston may not impose a prospective stepdown.

59. Where Beston has not provided the ACCC or the supplier 30 days' notice of the prospective stepdown, Beston may not impose the stepdown.<sup>24</sup>

60. Where Beston intends to impose a prospective stepdown the supplier may, within 21 days terminate this agreement.

### **Guarantees/Warranties**

61. Beston guarantees the testing procedure used to test milk samples.<sup>25</sup>

62. Beston guarantees the accuracy of volumetric measuring of milk collected.<sup>26</sup>

63. Beston guarantees the cleanliness of all equipment upon taking ownership of the milk.

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<sup>22</sup> Defined at section 27(2) of the Code Retrospective stepdowns are banned by the Code.

<sup>23</sup> Section 28 (4) of the Code.

<sup>24</sup> Section 28 (4)(c) of the Code outlines the steps required for ACCC notification.

<sup>25</sup> Section 25 (b)(i) of the Code requires this guarantee.

<sup>26</sup> Section 25 (b)(ii) of the Code requires this guarantee.

64. Both parties warrant that they will abide by the procedures of milk production and processing which reflect minimum standards and practices in the dairy supply chain and furthermore, warrant that they are compliant with all relevant laws, regulations and codes of practice relevant to the production and processing of milk in Australia.
65. The supplier guarantees that the milk supplied is not adulterated, tainted or contaminated when it is collected by Beston.
66. Both Beston and supplier warrant that they are possessed of all necessary authorisations, licences, approvals and permits for the conduct of their respective businesses.
67. Both Beston and supplier warrant that their respective employees are legally entitled to work in Australia and that each party will comply with legal requirements regarding their employees.
68. Each party will inform the other if they become aware of a breach of the warranties or guarantees described in this agreement.
69. If a party becomes aware of a wilful breach, false or misleading representation in relation to any warranty under this agreement, they will inform the other party.
70. A party who is affected by a breach may rely on the indemnities provided by this agreement.
71. Both parties respectively warrant that at the date of signing the agreement that each party has the power to lawfully execute the agreement and all necessary actions have been taken to authorise the execution of the agreement.
72. The supplier warrants that they will comply with all reasonable standards of animal welfare and management reflecting the minimum standards as anticipated by the law and the generally accepted standards of animal husbandry as practiced in the dairy industry in Australia.

### **Termination of Agreement**<sup>27</sup>

73. This contract may be terminated by consent of both parties. Where the parties consent to termination Beston will provide a written record to the supplier within 30 days.
74. Where Beston intends to impose a prospective stepdown the supplier may, within 21 days terminate the agreement by notice in writing.<sup>28</sup>
75. Either party may terminate the contract immediately if:
  - a. the other party to the contract has committed a fundamental or material breach of the contract and has not remedied it in 30 days
  - b. the other party has committed a material breach which cannot be remedied

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<sup>27</sup> The rules for termination are in Section 34 of the Code.

<sup>28</sup> Requirement of the Code, Section 28(5)(a)

- c. the other party has become insolvent, bankrupt or has made an assignment to creditors
- d. a party has appointed to its assets, an agent in possession, a mortgagee in possession, a trustee in bankruptcy, a liquidator, a receiver or a receiver and manager, or
- e. in the case of a natural person, dies, is deprived of capacity or is imprisoned.

76. A party to this contract may terminate this contract in writing in circumstances that:

- a. the other party conducts themselves in such a fashion as to diminish the reputation of the terminating party
- b. that either party assigns their interest in this agreement to a third party without the permission of the other party.

77. Unless otherwise provided for, the termination of the contract must be in writing with accompanying reasons for the termination as well as the date upon which the termination takes effect.<sup>29</sup>

78. A supplier may terminate this agreement by giving 90 days' notice to Beston if the supplier intends to exit the dairy industry.

79. Where an agreement is for a period longer than 3 years, the supplier may extend the contract for a period of 12 months. Such notice shall be given between 30 days and 7 days from the end of the supply agreement.<sup>30</sup>

## **Indemnities**

80. To the maximum extent permitted by law the supplier will not be liable to Beston should the supplier fail to provide the required volume of milk during the operational period of this contract.

81. Excepting those warranties imposed by statute and this contract, the supplier excludes all express or implied warranties or representations regarding the milk supplied.

82. The supplier indemnifies Beston against any claims which arise out of a death or injury or damage to property because of the supplier's breach of the agreement with the exception that the conduct of Beston contributes to the death, injury or loss.

83. The supplier is not liable to Beston for any losses of savings or profits incurred by Beston arising out of the execution of this agreement.

84. The supplier indemnifies Beston from any unlawful or improper conduct of the supplier or the supplier's employees, agents or representatives.

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<sup>29</sup> Required by Sections 34 (4) and (6) of the Code.

<sup>30</sup> Time frame imposed by Section 36 (3)(a) and (b) of the Code

85. Beston indemnifies the supplier from any unlawful or improper conduct of Beston or Beston's employees, agents or representatives.

### **Insurances**

86. The supplier must, at the supplier's cost, maintain public liability and product liability insurance to an amount of at least \$10 million for each occurrence in respect of any death, injury, or loss arising out of the supplier's negligence or any other defect in the milk supplied to Beston.

87. Where Beston requests evidence of the insurance being current, the supplier will furnish such evidence to the reasonable satisfaction of Beston.

### **Force Majeures**

88. Neither party to this agreement is liable for a failure to comply with this contract or a failure to perform an obligation under this contract, with the exception of the payment of money, because that party is unable to perform that function arising out of:

- a. an act of God,
- b. natural disaster,
- c. an act of terrorism,
- d. the outbreak of war, or
- e. any such other event of such a magnitude as to render reasonable performance impossible.

89. Where possible, the party relying on a force majeure must notify the other party as soon as practicable and in writing of the reliance on the force majeure.

### **Variations**

90. A party may not unilaterally vary a term of this contract other than a variation imposed by law.

91. The contract may be varied by the parties by way of written consent only if the variation complies with the provisions of the Code. Where a variation by consent occurs Beston will provide a written record of the variation within 30 days.

92. Any variation agreed to by the parties is limited to compliance with the law or the Code. If the variation to the contract is inconsistent with a law or the Code the law or Code will prevail to the extent of the inconsistency.

93. An agreed variation which is not written in the first instance will be written and transmitted by Beston to the supplier within 30 days.<sup>31</sup>

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<sup>31</sup> Required by Section 19 of the Code which makes it an offence to have a non-compliant variation to processors.



94. If a law or the Code is amended to such an extent as to render the contract inoperable the contract is frustrated on the day of the change of the law.

## **Confidentiality**

95. The parties must keep confidential and must not disclose or make available directly or indirectly to any third party all confidential information unless:
- a) the disclosure of the confidential information is necessary to comply with any laws or the lawful requirements of any public, statutory, governmental, semi-governmental, local governmental or judicial body entity or authority;
  - b) at the time of the disclosure, the information was in the public domain; or
  - c) subsequent to the disclosure, the information becomes part of the public domain (other than because of a breach of this clause).
96. The parties must not use, disclose, or access the confidential information for any reason except as is necessary to perform this agreement.
97. At the end of the term or upon earlier termination or completion of this agreement, Beston must deliver to the supplier or as it otherwise directs any confidential information in the Beston's possession that is capable of being delivered. Beston must delete, erase, or otherwise destroy any confidential information contained in computer memory, magnetic, optical, laser, electronic, or other media in its possession or control which is not capable of delivery to the supplier or as it directs.
98. For the avoidance of doubt, the parties' obligations in clause 95 apply to any information disclosed or obtained in dealing with or resolving the complaint or dispute under this agreement in accordance with section 54 of the Code.
99. For the purpose of this clause confidential information means the terms of this agreement and (whether or not in material form and whether disclosed before or after the date of this agreement) any information of whatever kind relating to a party that is disclosed or becomes known to the other party in the course of their discussions and negotiations regarding or in connection with this agreement and which:
- a) is by its nature confidential;
  - b) is designated by the party disclosing the information as confidential; or
  - c) the party receiving the information knows or ought reasonably to know is confidential;

but does not include any part of the information that:

- d) is generally known to the public at the time of disclosure or becomes generally known to the public through no wrongful act on the part of the party receiving the information;
- e) is in the possession of the party receiving the information at the time of disclosure otherwise than as a result of that party's breach of a legal obligation;
- f) becomes known to the party receiving the information through disclosure by sources other than the other party provided that, in so far as is known to that source, it is not

prohibited by law or contract from disclosing the information to the party receiving the information;

- g) is independently developed by the party receiving the information outside the scope of the relationship with the other party; or
- h) is required to be disclosed by court order, subpoena or other law or legal process.

100. Beston may make information available to a third party, such as an agent, employee or contractor in circumstances needed for the successful execution of the obligations of the processor relating to this contract. Where Beston makes such information available Beston will ensure that there is also a confidentiality agreement in place with that agent, employee or contractor.

### **Compliance with Law and Corruption**

101. Each party shall at all times comply with legislation, subordinate legislation and regulations. A serious and wilful breach of the law amounts to a fundamental breach of the contract.

102. If either party engages in conduct, whether related to this contract or not, which would be considered 'corrupt' by the law or generally accepted standards of the community, such conduct amounts to a fundamental breach of this contract.

### **Complaints and Dispute Resolution**<sup>32</sup>

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

104. Where a dispute arises out of, or in connection with, the performance of this contract 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 90 days after the event occurs which leads to the dispute.

105. Notification will include:

- a. the nature of the complaint
- b. that the aggrieved party wishes to resolve the dispute in accordance with this contract, and
- c. the desired resolution

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

107. Beston will supply the names of people who are contacts in the case of a dispute. Those people are the field service officers identified in the Handbook (schedule 1). Beston may, in writing, advise the supplier from time to time as to changes of field service officers to be

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<sup>32</sup> This dispute mechanism is required by, Subdivision F - Complaints and Disputes, of the Code. Arbitration is a voluntary matter for the parties under the Code however forms a term of this agreement, note clause 106.

contacted, without triggering the variation clauses of this contract.

108. Where a notification of a dispute is made to the other party of the contract both parties will act, in good faith, to resolve the dispute.
109. Upon completion of the exchange of written material both parties agree that, on a without prejudice basis, they will meet at least twice in face to face meetings in an effort to resolve the dispute.<sup>33</sup>
110. 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.
111. Both parties to this agreement agree that should mediation be unsuccessful they will subordinate themselves to arbitration as described in the Code.
112. 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 or arbitration process, such legal costs will be borne by that party, unless otherwise agreed.
113. Nothing in this dispute resolution procedure will prevent a party seeking an injunction.

### **General and Other Matters**

114. Without prior and written permission of the other party, neither party will assign the milk supply arrangement.
115. Each party will be restrained from making a public statement about the other party without first obtaining written permission from the other party.
116. The parties remain independent of each other. Nothing in this agreement may be read down as creating any form of legal relationship beyond a contractual obligation. This contract does not create a partnership, trust arrangement, joint venture, agency, employment relationship or other relationship that is not contractual in nature.
117. This contract represents the whole contract between the parties.
118. If a party chooses not to demand enforcement of a term of this contract the choice cannot be interpreted as a waiver of the term. An aggrieved party may seek damages or specific performance for breach of this contract where appropriate.
119. Subject to compliance with the dispute resolution processes articulated in this contract and the Code, the remedies in this contract do not exclude remedies available to a party in law or equity.

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<sup>33</sup> Clauses 109 and 112 are the complaints handling procedure as contemplated by Section 47 of the Code.

120. Expiry or termination of this contract does not limit any rights or obligations a party had prior to the expiry or termination.
121. Both parties will keep a record or a copy of a record, of this agreement for at least 6 years following the end of this agreement.<sup>34</sup>
122. Clauses which are intended to operate beyond the term of the contract may be relied upon by a party beyond the term of the contract.
123. Invalidity of a term shall only impact on the contract to the extent of the invalidity. Remaining provisions which are capable of execution remain binding on the parties.
124. Beston is liable for any stamp duties arising out of this contract.
125. This agreement will be governed by the laws of the state or territory in which the milk is collected from the supplier.

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<sup>34</sup> Section 55(3) of the Code

## Statement of Price Justification<sup>35</sup>

### **Statement of Price Justification**

As outlined in our contract Beston Pure Dairies are offering an opening milk base price for season 2020/2021 of \$7.20/kg milk solids based on the specifications described in the Beston Milk Handbook schedule 1.

In setting the price for season 2020/2021 Beston has paid close consideration to the following factors:

1. Sustainability of Dairy Farming in South Australia and declining regional farm milk production trends of the past 2 years.
2. Increasing milk supply growth needs of Beston this year and for following years.
3. Beston product contract values, domestic and international market conditions, and outlook.

With factories located at Murray Bridge S.A. and Jervois S.A., Beston's most relevant area for the sourcing of milk is the South Australian Dairy Regions of Fleurieu Peninsula, River and Lakes, Adelaide Hills, Mid North, and the South East.

With the exception of the South East, these South Australian dairy production regions have experienced static or falling production levels in the past 2 years, due largely to high costs for dairy farming inputs such as grain and fodder emanating out of severe drought conditions that impacted major agricultural areas of Australia at that time.

In setting our price at \$7.20/kg MS for season 2020/2021 extending from July 1<sup>st</sup> 2020 to June 30<sup>th</sup> 2021 Beston is aiming to provide confidence in a sustainable future to dairy farmers in the South Australian dairy regions and encourage stabilisation and growth in milk production volumes.

### **Milk Contract - Description of Circumstances for Offer**

Beston's season 2020/2021 contract is available to producers in each of South Australia's major dairy regions defined as:

- Fleurieu Peninsula
- River and Lakes
- Adelaide Hills
- Mid North
- South East

A limited volume is still required to fulfill our needs for the forthcoming year.

Beston has previously offered a 3-year minimum price option @ \$6.80/kg. Further offers of this option for season 2020/2021 are not available.

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<sup>35</sup> Required by Section 14 of the Code for a published standard form contract.

Schedule 1 - Handbook



MILK SUPPLIER HANDBOOK



Version 2 - Effective 1st July 2020

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## About Beston Global Food Company

Beston Global Food Company (ASX: BFC) is a proud South Australian dairy company, providing direct and indirect employment for approximately 300 people. Industry recognition has resulted in a total of 119 Champion, Gold, Silver and Bronze national and international Dairy Industry awards in just over four years since listing on the Stock Exchange in 2015 - including the nation's highest awards for Parmesan in 2020, Cheddar in 2017 and 2019, and Colby in 2018...our Vintage Cheddar was also named "People's Favourite" at the 2020 Australian Grand Dairy Awards.

BFC comprises wholly owned and operated businesses that provides a diverse portfolio of natural, healthy, safe and clean premium Australian produced products, as follows:

- A dairy factory at Murray Bridge, engaged primarily in the manufacture of hard cheeses (Cheddar, Parmesan, Gouda, Colby, etc.).
- A dairy factory at Jervois, engaged primarily in the manufacture of Mozzarella cheese, cream, butter and sweet whey powder.
- A dairy protein fractionation plant at Jervois, South Australia.
- A meat processing factory at Shepparton, (Provincial Food Group) producing ready-to-heat meals.

BFC is an industry leader in providing natural and verifiably safe food to global markets. The BFC business ethos is grounded in delivering the best, most premium Australian products to both the domestic and export markets. This is underpinned by the commitment to health, wellness and optimal nutrition via safe, sustainable and responsible food supply and production inputs.

Winning the awards referenced above, has been crucial to Beston's positioning of our products as "*high quality*" and "*premium every day*". Every company claims to have the highest quality – often this is marketing spin, but Beston Global Food Company can prove that we do, and this would not have been possible without us having access to a consistent supply of premium quality milk. As we progress with our Milk Supply Program, we seek to continually improve our capabilities and services in this space.





## Milk Supply Support and Services Team

### Executive General Manager Agribusiness

**Hamish Browning** was appointed to the Beston Senior Executive team in July 2017 and currently holds the position of General Manager of Agribusiness. Hamish brings 25 years of experience in the international and domestic food and agricultural industries. Previous senior management and directorship positions have been held with Elders International, Frontier international Agri Pty Ltd, and Thomas Foods International. In 2019 Hamish joined the DairySA Board as Processor Director.

### Milk Supply Manager

**Samde Ramah** joined Beston Global Food Company in May 2019. Samde is very passionate about the Australian Dairy Industry. He is strongly focussed on driving a high service level to Beston's farmers for the provision of support with milk quality, farm milk budgeting, and guidance to meet regulatory requirements of suppliers. Prior to joining Beston Samde was a Field Service Officer with MG/Saputo and worked as an Extension Officer for 15 years in dairy and horticulture. Samde has an Honours Degree in Agriculture and MSc. Management.

### Field Service Officer/Administrative Officer

**Julian Manowski** came to Beston with many years of experience in the dairy industry. After his parents bought a dairy farm on the Fleurieu Peninsula in the 1970s, Julian undertook a Dip in Ag Science at Roseworthy and worked as a dairy farmer for a number of years. Before joining Beston worked as a Field Officer for 20 years with National Foods and established himself as a reliable, knowledgeable and trusted support to suppliers. Julian lives in Murray Bridge, he can provide support with contracts, payments, and milk quality. He is based in the Murray Bridge Beston cheese factory, where he can be contacted by phone or email.

### Field Service Manager (Central)

**Glen Aldridge** joined Beston Global Food Company soon after it commenced operations in South Australia. As the Field Services Manager, Glen has been the driver of milk supply activities for the Murray Bridge and Jervois factories. Glen previously held a position as a Rural Studies Lecturer in dairying with TafeSA that had as participants some of the finest dairy farmers in South Australia today. He has also worked as a Field Service Officer with the Ex-UDP. From an engineering background, Glen has experience in dairy machine maintenance and installation of new dairy equipment. Glen works with Beston on a part-time basis with the Milk Supply Team and is willing to assist any time.

### Senior Farm Manager/Field Service Manager (SE)

**Chris Williams** joined Beston in 2018 after 31 years as an active dairy farmer. Chris has dairy farmed in South Australia under various models including; share farming, farm ownership partnerships, and management of Beston Farms Pty Ltd. He was awarded Dairy SA share farmer of the year in 2000. Chris enjoys working with farmers in practical problem solving. He can assist in a wide range of issues from Milk quality, Payment and Budget structures, or assist through wide range of industry contacts for any issues suppliers may have.

### Milk Supply Contacts

<b>Hamish Browning</b>	<b>GM Agribusiness</b>	<a href="mailto:hbrowning@bestongolbalfoods.com.au">hbrowning@bestongolbalfoods.com.au</a>	<b>0427 411 406</b>
<b>Samde Ramah</b>	<b>Milk Supply Manager</b>	<a href="mailto:samde.ramah@bestonpurefoods.com.au">samde.ramah@bestonpurefoods.com.au</a>	<b>0408 735 400</b>
<b>Julian Manowski</b>	<b>Milk Supply &amp; Admin</b>	<a href="mailto:julian.manowski@bestonpurefoods.com.au">julian.manowski@bestonpurefoods.com.au</a>	<b>0407 589 938</b>
<b>Chris Williams</b>	<b>FSM – South East</b>	<a href="mailto:cwilliams@bestonfarms.com.au">cwilliams@bestonfarms.com.au</a>	<b>0427 754 282</b>
<b>Glen Aldridge</b>	<b>FSM - Central</b>	<a href="mailto:glen.aldridge@bestonpurefoods.com.au">glen.aldridge@bestonpurefoods.com.au</a>	<b>0406 055 259</b>

## Milk quality

These are Beston Pure Dairies (BPD) quality standard which all suppliers must comply with. Our Milk Supply Team, in conjunction with the Milk Supply Manager, offer assistance to help suppliers maintain compliance with Beston Global Food milk quality standard.

### Quality periods

The Beston Pure Dairies (BPD) year or season is defined as the milk supplied from the 1st July 2020 onwards on a yearly basis.

Each month of milk supply, is divided into two periods for quality purposes.

Quality Period 1 is 1<sup>st</sup>--15<sup>th</sup> inclusive;

Quality Period 2 is 16<sup>th</sup>-- to the end of the month inclusive.

### Sample testing overview

The tanker driver, on behalf of BPD, collects raw milk samples from the farm with each milk collection using precision sampling equipment located on the milk tanker. To ensure traceability to farm, each sample is identified with a barcode sticker. Barcodes are kept on Farm, and supplied by Beston Pure Dairies. The samples are tested for composition and quality parameters through a NATA accredited laboratory.

BPD take samples for compositional testing each time it collects milk from you. The amount of milk fat and protein in each sample will be used to work out your payment. If BPD cannot obtain a sample suitable for measuring milk fat and protein, then it will decide an appropriate average composition to work out your payment. BPD reserves the right to adjust unusual Fat and Protein results at the end of the month.

### Quality Summary

Beston Pure Dairies assess and grades milk quality in accordance with Table 1.

Test	Testing Frequency	Premium	Choice	Grade
Bactoscan	Minimum Twice per month	<80,000	80,001 – 150,000	150,001-300,000
BMCC	Per consignment	<300,000	300,000 – 400,000	400,001 – 600,000
Inhibitory Substances	Per consignment	Negative	Negative	Positive
Thermoduric	Beston discretion	<=2,000	2,001 – 5,000	5,001 – 10,000
Freezing Point	Beston discretion	>0.517°C	>0.517°C	<-0.517°C
Sediment	Beston discretion	PASS	PASS	FAIL
Quality Payment Penalty		0%	-5%	-20%

### Bactoscan

Bactoscan is tested at a minimum of twice a month. The Bactoscan is a fully automated instrument for estimating the total number of bacterial cells in a sample of raw milk. Bacteria can grow quickly in milk and can cause food quality issues in the finished product. It is critical that this is maintained at a low level.

If the result of the supplier's Bactoscan is greater than 80,000 cfu/ml, the following action will result;

- BPD will inform the implicated supplier by SMS, MADCAP or Field Services Officer. The supplier will know what the result was and when the test was taken.
- BPD will continue testing each milk consignment until two consecutive Premium grade results are achieved.
- The final quality test for the period will be used to identify which quality payment penalty applies.
- If the supplier gets a high average result in two consecutive periods, regardless of the quality, the supplier's milk for those periods will be paid as grade milk.

### **Bulk Milk Cell Count**

Bulk Milk Cell Count (BMCC) testing measures the number of white blood cells (somatic cells) in milk and is an indicative measure of mastitis in the herd. High cell count levels can cause problems with manufacturing processes, product taste and shelf life across our product range.

Every consignment of milk is tested for BMCC and these test results are averaged over the relevant 15-day period.

### **European Union Requirements**

BFC is registered for export to the European Union (EU) and all milk and milk products that are exported to the EU, must meet BMCC criteria which is governed by the Australian Quarantine Inspection Service (AQIS). Therefore, BFC will not pick up milk from any farm that does not meet AQIS/EU standard for BMCC. Any farms calculated to have a rolling geometric above the maximums below, will be required to complete the relevant paperwork required to be submitted to AQIS.

*Table 1 Rolling Geometric Mean*

Rolling Geometric Mean Bactoscan	2 months	>100,000 cfu/ml
Rolling Geometric Mean BMCC	3 months	> 400,000 cells/ml

### **Antibiotic and other Inhibitory Substances**

The presence of Inhibitory substances in milk can cause severe risk to human health and have extreme effects on manufacturing processes.

All milk tankers that come onto Beston sites will be tested for inhibitory substances before unloading. Inhibitory substances can include: Antibiotics; Pesticides; Herbicides; Blood; Colostrum; Sediments; chemical residues like NPE, QAC.

BPD policy states that it does not knowingly process milk that has been shown to be positive for inhibitory substances by any valid test.

### **Suspected inclusion of inhibitory substances**

If a supplier suspects that milk may have been contaminated with antibiotics or other chemicals, they must immediately inform the Milk Supply Team. The supplier must then arrange to deliver a vat sample to a designated site for testing and risk assessment.

Tanker collection will be delayed until our Milk Quality Team determines the suitability of the milk for collection. If milk is not suitable for collection, the milk is to be disposed of on-farm by the supplier.

## **Inhibitory Substances Testing**

The two samples the driver takes daily will be used to do a random test for each fifteen-day period. This will give us a PASS/FAIL result.

If the result is FAIL, then the supplier will be tested every pick-up until the situation is rectified. More than three FAIL tests will give the supplier a downgrade in quality.

## **Antibiotic Testing**

All tankers are tested on arrival at a BPD processing facility, using BetaStar and Copan, with subsequent additional testing for individual supplier's milk if there has been a positive result.

Random testing also takes place for each and every supplier, at least once every quality period.

If a supplier's milk sample tests positive for antibiotics:

- The implicated supplier will be informed of the result and penalised.
- A sample will then be taken every day for two weeks until cleared.
- **If a positive result infects an entire load of milk, then the supplier that supplied the milk, will be responsible for paying for both the milk supplied, and the milk infected. Charges may also apply to dispose of AB positive milk.**
- All suppliers take out insurance for AB and other inhibitory substances in the off chance of contamination occurrences.

## **Tipped milk – Antibiotic**

Beston Pure Dairies encourages suppliers to proactively notify us of any potential non-compliance with this milk quality standard, whether an inhibitory substance contamination or temperature collection failure or otherwise. At BPD's absolute discretion and to encourage this behaviour, BPD will provide compensation, for the first incident in 12 months, to suppliers who are required to tip milk as a result of a confirmed Antibiotic contamination.

## **Colostrum**

Colostrum can interfere with some manufacturing processes. Milk from cows must not enter the vat until at least eight milking after calving.

BPD may test for colostrum on a random basis across the year. If colostrum indicators are detected in a milk sample, milk quality penalties will apply and BPD may temporarily suspend collection.

Milk that is unsuitable for collection must not be stored in the milk vat, milk room or other milk storage area and must be clearly labelled.

## **Australian Milk Residue Analysis (AMRA) survey**

BPD participates in the Australian Milk Residue Analysis (AMRA) survey. This is an independent, government – operated, chemical residue monitoring program for the Australian Dairy Industry. It is carried out by independent experts at BPD sites and other processors sites throughout Australia. Both random and targeted milk samples are taken from bulk farm pick-up tankers for testing at Government-contracted laboratories. If a sample is confirmed as containing a residue of 50% or more of the Maximum Residue Limit, then trace-back is also initiated when a sample is reported as screen (presumptive) positive for antibiotics or aflatoxin M1.

## **Milk Temperature**

Milk cooling is a critical component in maintaining milk quality standards. To comply with food safety regulation, dairy farm licence and export market requirements, milk must be cooled to 5°C or less within 3.5 hours of the commencement of milking.

### **Milk collection temperature**

To maximise transport efficiencies, milk may be collected soon after milking even though milk may not be cooled to the expected temperature. Should the supplier's milk collection occur within 2 hours from the completion of milking, milk may be pumped into the milk tanker at temperatures above 5°C (subject to conducting sensory grading and applying the temperature assessment in Graph 1). In applying the temperature assessment in Graph 1, tanker drivers will use the milking completion time displayed in the supplier's milk room as the basis for the calculation. Failure to clearly display accurate milking times may result in a supplier's milk being rejected due to temperature non-conformance.

For milk out of the above temperature and time specifications, in the first instance, the Supplier's Field Services Officer will contact the supplier to ascertain the cause of the issue, which is then to be rectified and a Corrective Action Report completed.

Subsequent failure to eliminate the problem, may result in the milk being paid as grade milk.

### **Vat breakdown or power failure**

The supplier must contact their Field Services Officer immediately when milk cooling is interrupted for example, due to vat breakdown or power failure.

## **Sediment**

Extraneous matter or sediment in milk includes cow hair, dirt, manure, dust, vegetable matter and insects. Bacteria accompany sediment into the milk, resulting in contamination. The presence of sediment in milk can affect the taste, appearance and quality of manufactured products.

The two samples the driver takes daily will be used to do a random test for each fifteen-day period. This will give us a PASS/FAIL result.

If the result is FAIL, then the supplier will be tested every pick-up until the situation is rectified. More than three FAIL tests will give the supplier a downgrade in quality.

## **Freezing Point**

The freezing point test is used to detect any added water. Adverse freezing point values may either indicate the presence of extraneous water or occasionally poor nutritional status of the cow or herd. In most cases a freezing point under -0.517, will indicate the presence of extraneous water, over and above that of the natural water content of milk.

BPD may test for both freezing point at times throughout the year to ensure customer requirements are met.

## **Sensory Test**

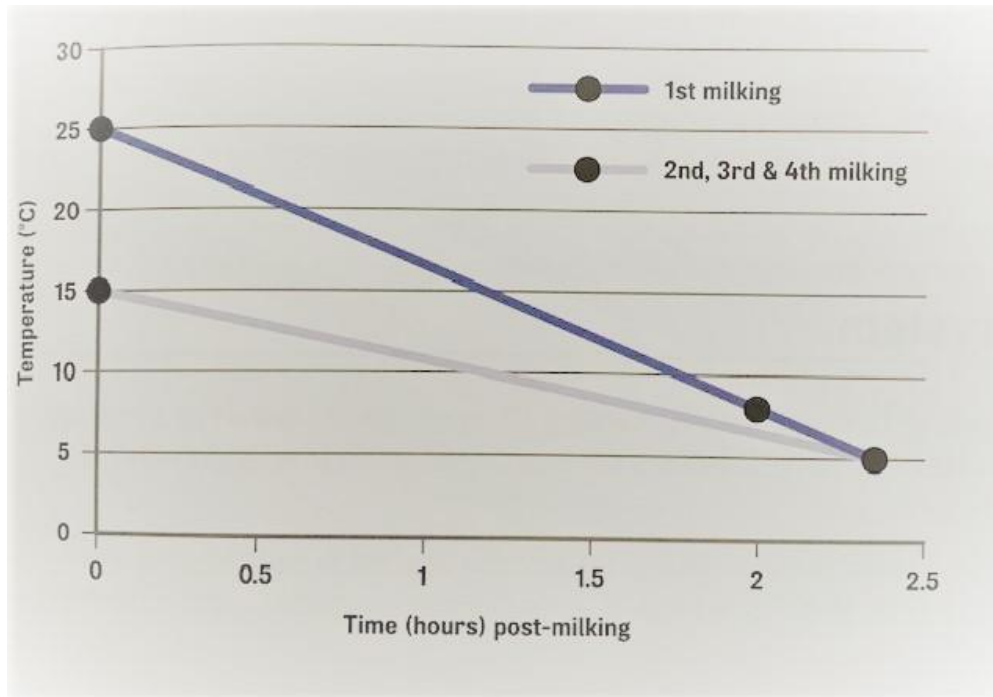
When picking up milk from a supplier, tanker drivers have been instructed to complete a sensory test on the milk. The tanker driver will check that the supplier's milk meets the following criteria:

- White to cream in colour
- Free from foreign matter, taints and coagulation
- That it has no abnormal odours.

This test is at the discretion of the tanker driver and they are given the authority by BPD to reject any loads of milk that do not meet the criteria above. The supplier's Field Services Officer will be informed and will come out and check that the supplier's milk is fit to be collected. If so, then the tanker driver will return and pick up the milk.

The supplier will be penalised at the company's discretion for any loads that fail the sensory test.

Graph 1.



## Milk Payment System

### Milk Pricing

#### Opening Price

By the 1<sup>st</sup> of June to the milk year commencing 1<sup>st</sup> July of the supply year, BPD will announce the Opening Price for the year for all suppliers in the Southern Milk Region. The Opening Price provides a monthly price for butterfat and protein across the year and is based on the supply of premium quality milk. BPD will pay for butterfat and protein at a ratio of 1:2.2 based on the Model Farm Pricing which is reflected in all milk pricing components in this Handbook.

#### Model Farm Pricing

The Model Farm relates to a farm production of 1.5 million litres of milk with components of 3.9% Butterfat and 3.2 % protein. The base price of butterfat and protein for each month will reflect the opening price set as at 1 June for each year.

#### Milk Price Reviews

During the Milk Year, BPD will perform occasional milk price review to assess prevailing business and market performance. Any resulting increase in our milk price will be announced and paid as a step-up

to the Opening Price, for milk supplied in the remainder of the year. To receive a STEP-UP, you must be supplying at the date of the announcement by BPD. Retrospective payments may also be announced and available to eligible suppliers for milk supplied before the step-up. BPD will never implement a retrospective **step-down** or retrospective price reduction.

### Milk Price Commitment

BPD is committed to paying a market-competitive milk price at the end of the year, and will pay at least an equivalent price paid by the major cheese processing companies purchasing Milk in South Australia.

### Additional Payments

#### Productivity Incentive

The productivity incentive is paid monthly and will be paid for all milk which is of Premium or Choice quality (subject to any milk quality penalty). Milk at Grade or Off Grade quality will not qualify for productivity payments.

Suppliers with multiple farms under common ownership may elect to combine production from two or more farms for the purpose of calculating the Productivity Payment. The Productivity Payment is available to suppliers who supply milk for the entire month.

Table 2 Productivity Incentive Rate

MILK SOLIDS / MONTH		PAYMENT RATE	
Min kg	Max kg	\$/kg Butterfat	\$/kg Protein
-	1,700	-	-
1,701	3,800	0.03	0.07
3,801	5,800	0.04	0.09
5,801	8,000	0.05	0.11
8,001	10,000	0.06	0.13
10,001	12,500	0.07	0.15
12,501	15,000	0.08	0.18
15,001	17,500	0.09	0.20
17,501	20,000	0.10	0.22
20,001	25,000	0.11	0.24
25,001	30,000	0.12	0.26
30,001	40,000	0.13	0.29
40,001	60,000	0.14	0.31
60,001	80,000	0.15	0.33
80,001	100,000	0.16	0.35
100,001	120,000	0.17	0.37
120,001	140,000	0.18	0.40
140,001	and more	0.19	0.42

#### Flat Milk Incentive (Autumn Winter Payments)

The Flat Milk Incentive (FMI) offers a reward for milk supplied in the off-peak production months. The FMI payment is calculated on the full months production of July, March, April, May, June, and half of

the months August and February. It is calculated by dividing the total butterfat and protein produced in these months, by the total butterfat and protein produced for the entire season, multiplied by 100.

The formula for calculating the FMI percentage is shown below:

$$FMI \% = \frac{\text{Total MS kg for: July, March, April, May, June} + \text{Half MS kg for: August, February}}{\text{Total MS kg for the Milk Year}} * 100$$

Table 3 FMI Rates

FLAT MILK INCENTIVE %		PAYMENT RATE	
Min %	Max %	\$/kg Butterfat	\$/kg Protein
less than	41.00%	-	-
41.01%	42.00%	0.15	0.33
42.01%	43.00%	0.25	0.55
43.01%	46.00%	0.35	0.77
46.01%	& above	0.50	1.10

The FMI payments are only paid for the months outlined above, not for the entire season. A supplier's FMI percentage can only be calculated on a full 12 months of production. If a supplier leaves BFC part way through the season, then any outstanding FMI will not be paid.

If the supplier's FMI percentage is greater than 42% in the supply year, estimated Income, the supplier will be paid 2/3rd of the supplier's estimated FMI payment in the month that it falls due, and the remaining 1/3rd of the payment will be paid at the end of the supply year, in the June payment. If the supplier does not meet the supplier's projected FMI % and there are insufficient FMI payments held back to cover FMI shortfall, the supplier's will be required to repay any over payment. For new suppliers who join BPD prior to October 1st in the supply year, that supplier's prior production (i.e. July, August, September) will be included in the FMI calculation.

### Growth Incentive

The growth incentive is to encourage suppliers to increase production. It is paid on all milk solids (butterfat and protein) produced in excess of the average milk solids produced in the preceding two supply years. Suppliers who have previously supplied other companies will need to supply evidence of their previous year's production to receive this incentive.

PAYMENT RATE	
\$/kg Butterfat	\$/kg Protein
0.33	0.72

### Alternative Milk Payment Systems

BPD offers alternative milk payment systems to suppliers that are based on the seasonal milk payment system. At the end of the season, no matter what payment system is elected, the full year payment will be equal to the seasonal milk payment system.



## Flat Milk Rate (FMR)

### Fat and Protein Base Rate

FMR Fat and Protein base rates are calculated using the previous year's production and the opening seasonal base rates to calculate the estimated full year base rate payments. The estimated full year base rate payment is then divided by the previous seasons KGs to achieve the FMR Fat and Protein base rates.

How the July FMR Fat base rate is calculated:

$$\text{July FMR Fat base rate} = \frac{\text{Current July Fat KG} * \text{July seasonal base rate} + \text{Previous August Fat KG} * \text{August seasonal base rate} + \dots + \text{Previous June Fat KG} * \text{June seasonal base rate}}{\text{Current July Fat KG} + \text{Previous August Fat KG} + \dots + \text{Previous June Fat KG}}$$

As the season progresses adjustments will be made to the rate to adjust for difference between estimates and actuals. The full dollar amount will be spread over the remaining estimated KGs for the season.

## Uniform Payment Plan (UPP)

The Uniform Payment Plan-UPP has been optionally introduced in July 2019. The principle is based on an assessed income estimated payment for the full supply year divided equally over 12 months. UPP allows suppliers to balance out their payments month on month, providing security and volatility in milk payments. This UPP remains optional to suppliers who want to participate in the plan. UPP is reviewed quarterly to keep track of actual milk supply with estimates. UPP is free of charge.

## Early Payment Program (EPP)

Beston's Early Payment Program allows suppliers to improve their cash flows on demand through early payments. This Beston innovation for suppliers provides flexible payment solutions to help strengthen their business. Beston has partnered with Earlytrade, a technology company that operates early payment programs for companies. When using the Earlytrade service, eligible suppliers have the option to receive early contract payments directly from Beston to improve their cash flow. The Early Payment Program is currently only accessible to suppliers who sign up to the Uniform Payment Plan

### Payment Details

BPD pays the supplier on a monthly frequency, with payments being transferred on the 15th of each month, depending on the Supplier's bank funds may be available on the day or the next business day. If the 15th day of the month falls on a weekend or public holiday (non-business day), then payment will occur on the previous business day.

### Recipient Created Tax Invoices

On behalf of the supplier, at the completion of each month BPD will generate Recipient Created Tax Invoices (RCTI) in line with the GST.

The RCTI and Statements will include:

- detailed breakdown of the entire month's payments
- Daily testing results for the month
- Year-to-date payment summary

- Year-to-date monthly production total

All milk purchased from suppliers by BFC is subject to the guidelines outlined in this book.

## Penalties

BPD's opening milk price for the year is based on the supply of premium quality milk, being milk that meets all the premium quality parameters set out in Table 1 of this handbook.

Only one failed quality result is required. The lowest quality result will determine the supplier's quality penalties. (Example: If the supplier's BMCC result is 320,000 and all other quality parameters are in the required levels for premium, the supplier's will be paid at Choice price due to the high BMCC result).

The price payable by BPD will be penalised as follows:

*Table 4 Milk Quality Penalties*

<b>Milk Quality Grade</b>	<b>Payment Penalty</b>
<i>Premium</i>	0%
<i>Choice</i>	-5%
<i>Grade</i>	-20%
<i>Off Grade</i>	-50%

### **Additional Notes on Penalties**

- Two consecutive periods of Choice milk will drop the supplier to Grade milk.
- After FOUR periods (4 X 15 days) of continuous production of grade milk, milk may not be collected until the problem has been rectified. When collection resumes, the supplier will be on a notifiable quality improvement program, due to AQIS requirements.
- If collection of grade milk is allowed to continue after four periods (4 X 15 days), the supplier will be placed on an agreed probation period, developed in consultation with the supplier's field services officer, with a plan to rectify the problem on farm. It is expected that the supplier will make every effort to bring their milk quality back to premium.
- At any stage, BFC reserves the right to stop collecting milk from suppliers that it deems to have unmarketable quality milk, or where milk being received is having ongoing issues with any of the company's testing parameters. BFC reserves the right to penalise this milk at management's discretion.

## Levies and Charges

### **Freight Cost**

BPD may impose a freight cost of 2.1 c/l or less depending on the geographic location of the farm.

### **Stop Charge**

A stop charges of \$7.50 is applicable to every milk collection, unless that collection is carried out for logistical reasons.

### Minimum Volumes

To ensure our transport costs are kept at a minimum for all suppliers, our minimum volume level is currently set at 400 litres on a skip day basis. Suppliers, who are unable to supply 400 litres on a skip day basis, will incur a \$40 stop charge for every pickup under this amount.

### Levies

Levies will be changed from time to time in accordance with charges set by the relevant Authority. BPF may also deduct voluntary levies from milk proceeds if requested by a supplier (e.g. for a supplier organisation).

### Dairy Produce Levy

Whole milk or whole milk products that are produced in Australia and delivered to a manufacturer or produced and used by a manufacturer to make dairy produce will attract a levy. Dairy Australia Limited and Animal Health Australia (AHA) manage the expenditure of the dairy produce levy.

Levy Rate	
c/kg Butterfat	c/kg Protein
2.9263	7.1299

### Dairy Authority of South Australia (Dairysafe)

The monthly fee for 2020/21 for suppliers supplying to large scale dairy processors (receiving 1,000,000 litres of milk or more per annum) is 0.0637 cents per litre.

## REGULATORY REQUIREMENTS

### DAIRY LICENSE

All suppliers must comply with the regulatory requirements of the Food Act, Dairysafe and AQIS requirements for the EU. Failure to comply will mean BPD cannot pick up the Supplier's milk.

A current Dairy Licence with the State Regulatory Authority must be held on farm at all times. Failure to hold a current licence will result in an immediate stop to milk pick up on farm.

### On-farm QA

BPD provides all suppliers with the BFC Food Safety Farm Program, Edition 2, which is compliant with Dairysafe. It is a supplier's responsibility to ensure that they always have one of these manuals on farm, and that it is adequately filled in and personalised to the farm.

All suppliers will be audited in compliance with their relevant Dairysafe expectations, being a frequency between audits of less than 12 months by Dairysafe. It is a supplier's responsibility to ensure that they are audited on time within these time frames.

Guidelines issued by the State Regulative Authority's (SRA's) now state that written programs must be reported with any supplier with ongoing quality issues. AQIS or Dairysafe may audit these procedures at any time, and in certain circumstances, BFC must notify these bodies of any breaches to the supplier's licence conditions. In all circumstances, BFC will assist suppliers to comply with these SRA's where we can.

Only the owner of the license of the farm has a direct agreement with BFC and or its associated companies. If BFC obtains a notice from the Magistrates Court or similar, then we must legally act upon this notice. Should for any other reason any person, company or bank approach BPF for direct payment, it will be referred to the supplier in question. BFC's agreement is with the dairy license

holder only. Both BFC and its suppliers must comply with the laws of the land, inclusive of all OH&S, DASA, Workplace Safety and similar laws.

## **Animal Welfare**

The Australian Animal Welfare Standards and Guidelines for the Welfare of Animals cover the full range of on farm practices for dairy cattle and their welfare considerations. It is expected that all Beston suppliers are familiar with the required standards and are in strong position to demonstrate compliance when required. Information on standard practices is available at [www.animalwelfarestandards.net.au](http://www.animalwelfarestandards.net.au)

## **Position on Genetic Modification (GM)**

Beston products are not Genetically Modified (GM) and we ensure compliance with National and International Standards. Beston will not accept milk which contains GM material. Beston quality management system extends from farm through to manufacturing, storage, distribution and customer delivery ensuring that our product meet both customer expectation and regulatory requirements.

## **Tanker Access**

For the safety of all parties involved, including drivers, animals, suppliers and property, all BPF suppliers must have acceptable tanker access. At a minimum this must include:

- Easily accessible entree for milk tankers onto and off the Supplier's farm;
- All weather access for milk tankers;
- B Double access or the guidelines to work towards it;
- Tankers not being required to reverse into or out of farms onto public roads;
- Tanker access be separate from cattle laneways, so no cattle are on access tracks;
- Compliance to OH&S, Worksafe and Workcover laws, applicable to the state of operation.

## **Result Notification**

### **Result Processing Time**

Quality results are typically available the day after collection, unless collected Friday, Saturday or during public holidays.

### **Quality Result Format**

BMCC and TPC results are displayed in '000. Example, result displaying 3 is 3,000.

## **Result Delivery**

### **Delivery Dockets**

BPD is working on providing last 5 pickup and quality results on transport company's docket left in milking shed.

### **MADCAP**

Results should be available on the MADCAP Web Portal at approximately 5.00 pm. All BFC quality information is available to suppliers on the MADCAP Web Portal. Each supplier will be given a username and password sign-on to access this information via the internet and can utilise the many features available on this program. Information can also be downloaded into most Microsoft Office

applications. MADCAP web portal can be accessed via most Smart Phones but is more efficient on a computer.

### **SMS**

Results are sent via SMS to nominated mobile numbers at approximately 6.30 pm on the day that quality results for the pickup are available.

### **Updating Information**

It is the Supplier's responsibility to ensure that contact information is kept up to date when the supplier no longer wish a recipient to receive the result notifications. Changes of contact information can be co-ordinated through the Supplier's Field Service Officer or the Milk Supply Administrative Officer.

### **Insurance Cover**

It is a supplier's responsibility to ensure that they have adequate insurance cover for incidences that may result in the loss of milk or income through contamination (both the supplier's own milk and other suppliers milk contaminated in the milk tanker), or break downs.

If a supplier requires a letter for an insurance claim, the supplier may contact the Milk Supply Team.