

DAIRY PRODUCT POLICY

1. General principles

- 1.1 This Product Policy governs the specific requirements, and the Seller's minimum obligations, with respect to any Dairy Product offered for sale on the Milk Exchange including Dairy Product quality, collection and testing of Dairy Product, storage of Dairy Product, animal welfare, workplace health and safety and environmental management.
- 1.2 Unless separately defined in this Dairy Product Policy, capitalised words and phrases adopt the meaning given to them in the Milk Exchange Terms.
- 1.3 It is a condition of the offering for sale of Dairy Product on the Milk Exchange that the Seller complies with all applicable legislation, regulations and accepted industry practices for:
- the production, storage and supply of Dairy Product;
 - animal health, welfare and husbandry;
 - environmental management and stewardship;
 - occupational health and safety; and
 - Farm Milk quality.
- 1.4 The following principles and procedures will apply to the sale, or offering for sale, of Dairy Product on the Milk Exchange.
- If MX suspects that the Seller is in breach of clause 21.3, MX may (in its sole discretion) issue a show cause notice to the Seller.
 - If the Seller receives a show cause notice referred to in clause 1.4(a), the Seller must within five (5) Business Days, show cause to MX as to why MX should not suspend the Seller from acting as a "Seller" on the Milk Exchange.
 - After receiving the Seller's response to the show cause notice (or if no response is received within five (5) Business Days), MX may, in its sole discretion, suspend the Seller's right to act as a "Seller" on the Milk Exchange for a period of time to be determined by MX. If MX exercises this suspension right, the suspension will only lift if MX is satisfied, in its sole discretion, that the Seller has demonstrated compliance with the requirements in clause 1.3.
 - The minimum supply requirement for Farm Milk supplied in accordance with a Contract is 400 litres for each batch of Farm Milk collected by the Buyer (or a representative of the Buyer). Farm Milk must only be sold on the Milk Exchange if the dairy farm from which the Farm Milk is harvested is licensed to produce Farm Milk and has an approved on-farm quality assurance program.
 - All States and Territories require a dairy farm to have an approved and audited 'Food Safety Program'. Sellers of Farm Milk must comply with all applicable state (or territory) legislation governing the 'Food Safety Program' including with respect to all auditing requirements by, or on behalf of, the relevant State authority.

2. Testing & Quality

2.1 MX's Collection, Testing and Delivery Services

- As per the Milk Exchange Terms, a Buyer may engage MX to conduct Collection, Testing and Delivery Services on the Buyer's behalf.
- Where MX is engaged to provide Collection, Delivery and Testing Services:

- MX will (as at the date of this policy) engage M2M to arrange independent testing; and
 - MX or its subcontractor will provide the services as described in the remainder of this clause 2, including, where the Contract is for the supply of Farm Milk, the testing of the Dairy Product in accordance with the Quality Requirements and Quality Standards.
- (c) If the Buyer does not engage MX to conduct Collection, Testing and Delivery Services to Buyer, but instead nominates that the testing of Dairy Product is to be conducted by the Buyer or a Buyer's Nominee (as that term is defined in the Payment Policy), the Buyer must test the Dairy Product, where the Contract is for the supply of Farm Milk, in accordance with the Quality Requirements and Quality Standards and provide the Testing Data to MX in accordance with the Payment Policy where MX is providing RCTI Services.

2.2 Process of Testing Farm Milk

The following applies where the Contract is for the supply of Farm Milk.

- Before pumping Farm Milk into the Transporter, the driver will agitate the vat of Farm Milk for at least two minutes (or five minutes for silos) to ensure an adequate distribution of components throughout the Farm Milk. On arrival at the testing facility, the sample will be measured for milk fat and true protein percentage. This sample is also used for Bulk Milk Cell Count (BMCC) testing.
- Samples taken for quality testing (excluding BMCC) are generally taken as either a dip sample directly from the Seller's vat after the required agitation process or a drip sample as the Farm Milk is transferred from the Sellers vat to the Transporter.

2.3 Testing Results

- The Buyer will not be required to pay for Dairy Product which is rejected according to the terms and conditions of the Standard Form Contract entered into between a Buyer and a Seller governing the ongoing supply of Dairy Product.
- Upon receiving the Testing Data and where MX is engaged to conduct Collection, Testing and Delivery Services on behalf of the Buyer, MX will use reasonable endeavours to provide early notification to the Seller of any out-of-the-ordinary results arising from the testing conducted by MX (or a subcontractor of MX).

2.4 Contamination

For the purposes of the Payment Policy, the Collection, Testing and Delivery Policy and the Standard Form Contract, Dairy Product will be 'Contaminated' if the Dairy Product:

- Is contaminated by agricultural, veterinary chemicals or any other substance;
- is otherwise unusable or unfit; or
- poses a health or safety risk,

such that the Buyer, acting reasonably, rejects the Dairy Product on receipt.

2.5 Collection of Farm Milk

Where the Contract is for the supply of Farm Milk which is not intended for collection by a Transporter (including colostrum vats or tanks) must be clearly labelled "**NOT FOR COLLECTION**". The Seller must ensure any Farm

Milk not intended for collection is clearly labelled prior to the next scheduled collection of Farm Milk.

2.6 Age of Farm Milk Product

The following applies where the Contract is for the supply of Farm Milk.

- (a) The Seller must advise the driver of the Transporter if the Farm Milk marked for collection has been harvested in excess of 48 hours prior to collection. The Seller will ensure that Farm Milk which has been harvested in excess of 48 hours prior to collection will not be made available for collection by the Buyer unless the Seller has obtained the written consent of the Buyer. If the Seller has not received such written consent, the Farm Milk will be deemed to be 'Contaminated' and, in accordance with the Contract, a Buyer (or the Buyer's representative collecting the Farm Milk) may reject the Farm Milk. GMO
- (b) MX's general policy is to avoid the use of genetically engineered (GE) or genetically modified (GM) materials whenever possible. In the case of Farm Milk, MX's preference is that Sellers avoid GE / GM feed for their cows whenever possible.

2.7 Transporter Access

The following applies where the Contract is for the supply of Farm Milk where MX is providing Collection Testing and Delivery Services.

- (a) To reduce the instances of possible damage to or loss of Farm Milk, MX relies on the Seller to advise the Transporter driver if there are any reasons which would prevent or restrict the Transporter access to the Seller's property.
- (b) Any access road which leads from the property front entrance to the dairy turnaround area must be free of obstacles (which include farm equipment, cars, push bikes, or anything which may inhibit the free operation of the Farm Milk collection process).
- (c) Cattle or any other livestock must also be excluded from any driveway or turnaround area. This is not only a safety issue, but also a potential food safety issue, as there are aspects which could see the transfer of disease from one farm to another via trucks if there are animals or their waste on the Transporter.
- (d) Sellers must ensure they provide 24 hour all-weather access to their property. This includes ensuring that any bridges on or leading to the farm are structurally sound and can bear the load of the Transporter.

2.8 Quality Standards and Quality Requirements

- (a) As per the terms of the Payment Policy, the Buyer and the Seller will contract for Dairy Product to be supplied to the Quality Standards.
- (b) The Seller must always comply with the minimum Quality Requirements.
- (c) Deductions might be made to fees pre-agreed between a Buyer and a Seller to take into consideration quality and quantity issues, in accordance with the Payment Policy.

3. Animal Health and Welfare

The following applies where the Contract is for the supply of Farm Milk.

- 3.1 MX strongly supports the Australian dairy industry position on animal welfare. The Seller must ensure that animals are managed in a manner which prevents the introduction of any contaminants in the milk or which would in any way create any hazards in the Farm Milk. Single occurrences of animals exhibiting any unusual

symptoms of disease, suspect behaviour or unexplained deaths may simply be part of normal farm operations. However, it is the Seller's responsibility to assess the situation and, where relevant, report circumstances to the relevant authorities.

- 3.2 Any cows showing signs of illness must be immediately removed from the milking herd to ensure that their milk is not mixed in with milk from healthy animals. The Seller should keep suspect animals isolated and contained.
- 3.3 Some diseases and hazards to check for include:
 - (a) foot and mouth disease;
 - (b) botulism;
 - (c) pesticide poisoning; and
 - (d) poisonous plants.
- 3.4 Farm Milk which originates from cows which are affected by any of the diseases or hazards described in clause 3.3 will be treated as 'Contaminated' for the purpose of this policy, the Payment Policy, the Collection, Testing and Delivery Policy and the Standard Form Contract. The Australian dairy industry has developed the *National Dairy Industry Animal Welfare Strategy* to support the Australian government's vision under the Australian Animal Welfare Strategy that "the welfare of all animals in Australia is promoted and protected by the development and adoption of sound animal welfare standards and practices". Standards and guidelines titled the *Australian Animal Welfare Standards and Guidelines for Cattle – A Guide for Dairy Farmers (January 2017) (Guidelines)* have been developed by the Australian and state governments in consultation with Australian Dairy Farmers, Dairy Australia, other livestock organisations and animal welfare groups. The Guidelines have been developed to safeguard the welfare of cattle on farms across Australia, and create clear and consistent regulation based on current scientific knowledge, recommended industry practices and community expectations. The Seller must comply with the Guidelines, whether or not they are enacted by legislation.

4. Transportation of Livestock

- 4.1 The dairy industry has worked with other industry bodies, animal welfare scientists, governments and welfare groups to develop new national standards for the transport of animals. The *Australian Animal Welfare Standards and Guidelines – Land Transport of Livestock* are complete and have been enacted into State legislation. The Seller must comply with the *Australian Animal Welfare Standards and Guidelines – Land Transport of Livestock* and ensure that bobby calves being transported for sale or slaughter are:
 - (a) at least five days old (unless consigned directly to a calf-rearing farm);
 - (b) fit and healthy;
 - (c) adequately fed within six hours prior to transport; and
 - (d) free from antibiotic residues.

5. Definitions

The following definitions apply to this policy:

- (a) **Contamination** or **Contaminated** means the contamination of Dairy Product due to one or more of the reasons described in clause 2.4.
- (b) **Dairy Product** means the dairy product contracted to be supplied by a Seller to a Buyer on the terms of a Contract.
- (c) **Farm Milk** means Raw Milk harvested directly from dairy cattle on a dairy farm.

- (d) **Milk Exchange Terms** means the terms and conditions governing the use of the Milk Exchange available here: www.milkexchange.com.au.
- (e) **Quality Requirements** means those requirements which are specified in the Contract.
- (f) **Quality Standards** means those standards which are specified in the Contract.
- (g) **Raw Milk** means Dairy Product in the form of unprocessed or unpasteurised raw milk contracted to be supplied by a Seller to a Buyer on the terms of a Contract.
- (h) **Testing Data** means the data obtained from conducting the tests specified in the Quality Standards and Quality Requirements, and the collection data of the Dairy Product (i.e. the volume and fat protein or solids non-fat of the Dairy Product).
- (i) **Transporter** means any vessel used by MX, a third party collection agent, or any other representative of the Buyer, to collect Dairy Product from the Seller on behalf of the Buyer.

Attachment 1 Quality Standard and Quality Requirements

Quality Standards

Quality Standard	Test Frequency	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Basis of Quality Penalty	Comments
Bactoscan	Three times per month	≤ 100,000	101,000 - 150,000	151,000 - 300,000	301,000 - 400,000	> 400,000	Test per 10-day period	Tested every 10-days. If the result is > grade 1, a second test is undertaken using the next available sample. The lowest for the two results will be the official result for the period
Bulk Milk Cell Count	Every pick up	≤ 250,000	251,000 - 300,000	301,000 - 350,000	351,000 - 400,000	> 400,000	Weighted average every 10-day period	Any daily result that varies by > 20% from the previous daily result will be withheld and reviewed against subsequent and prior results prior to confirming the official result for the period
Thermoduric	Once per month (minimum)	≤ 2,000	2,001 - 4,750	4,751 - 7,500	7,501 - 10,000	> 10,000	Every pick-up	If a result is > grade 1, follow up testing will occur until 3 consecutive results < 2,000 are received. No percentage penalty for Thermoduric quality failures on the first four pickups with results > 2,000 in each new testing round. Sellers who are on follow-up testing for Thermodurics that continues from one month into the next are not eligible for penalty-free consignments until they have received three consecutive results ≤ 2,000

Quality Requirements

Quality Requirements	Test Frequency	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Basis of Quality Penalty	Comments
Sensory Evaluation	Every pick up before milk is pumped into the tanker	Pass	NA	NA	NA	Fail - Not Collected and will not be paid for	Every pick-up	Prior to pumping at every pick up, the Milk will be graded by the Milk Tanker driver . The Milk Tanker driver will decide by the Milk's appearance, smell and, if necessary, taste whether it is clean, fresh and free from taints, insects, odours, colostrum and foreign matter. If the tanker driver notices any visible foreign matter, floating extraneous matter, pink colouration, or clotting from blood, signs of colostrum, blue dye from antibiotics, flies or unacceptable odour, the milk will be rejected and not collected.

Quality Requirements	Test Frequency	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Basis of Quality Penalty	Comments
Temperature	Every pick up before milk is pumped into the tanker	≤ 5°C	NA	NA	NA	>5°C Subject to a Quality Assessment	Every pick-up	<p>Milk stored at greater than 5°C for any length of time increases bacterial activity, resulting in a reduction in milk quality.</p> <p>Sellers are required to reduce the temperature of their Milk to 5°C or less as quickly as possible, and maintain this temperature until the Milk is collected.</p> <p>Milk rejected by the tanker driver for failing a sensory test as a result of high storage temperatures WILL NOT BE COLLECTED and therefore WILL NOT BE PAID FOR.</p> <p>Sellers are not to place freshly-harvested Milk on top of Milk that has not been cooled and maintained at 5°C or below.</p> <p>Milk will not be collected under any circumstances from storage vessels that are not refrigerated.</p> <p>Sellers are required to have an immersion thermometer for verifying temperature.</p> <p>Milk is required to be cooled to ≤ 5°C within 2 hours and 20 minutes from completion of milking (“cups off time”) and maintained at that temperature until collected.</p> <p>Milk cooling must be compliant with the industry standard ‘milk cooling curve’, as demonstrated in the table below.</p>
Antibiotics	When antibiotics are detected on a tanker of milk ex-farm, each Seller on that tanker will have their vat sample tested.	Undetected				Detected	Every pick-up	<p>The occurrence of any form of antibiotic above the legal MRLs automatically renders that Milk unsuitable for processing. All Milk Tankers are tested by a “rapid test” / “quick screen” on arrival at the factory. Should a positive result be detected on the Milk Tanker, the Milk Tanker is segregated while a recognised Australian standard test is conducted.</p> <p>Each Seller’s vat sample will then be checked for the presence of antibiotics and the offending Seller(s) will be notified. It is the offending Seller(s)’ responsibility to have the next consignment of their Milk tested and declared free from antibiotics BEFORE the next collection can proceed.</p> <p>Where a Seller has tested positive for antibiotics through any routine testing procedures (e.g. “rapid test” or Australian standard test), M2M reserves the right to conduct an audit of the Seller’s On-Farm Quality Assurance Program to determine the cause of the issue. Antibiotics present in Milk Tankers will result in the offending Seller responsible for 100% of all costs – including no payment for the full consignment of milk and the full costs of:</p> <ul style="list-style-type: none"> • Additional testing, segregation, extra transport and processing/

Quality Requirements	Test Frequency	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Basis of Quality Penalty	Comments
								disposal of the contaminated consignment • Demurrage charge for the cost of the Milk Tanker being held up for the duration of a recognised Australian standard antibiotic test (approximately three hours) • The actual net value of the other Seller's Milk • Cartage All Sellers should have adequate insurance to cover any incidences of Milk loss, contamination or damage to other Seller's Milk in the Milk Tanker. Insurance can be taken to cover costs recovered by the Buyer for commercial damage. Insurance is the Seller's choice and responsibility.
Sediment	Discretionary	Disc 1 and Disk 2	NA	NA	NA	Disk 3 and Disk 4	Every pick-up	Sediment such as cow hair, dirt, manure, dust, vegetable matter, insects and tea scabs can carry bacteria resulting in Contamination. The presence of sediment can affect taste, appearance and quality.
Freezing Point	Discretionary	-0.517°C or lower	NA	NA	NA	-0.516 or higher	Every pick-up	Freezing point detects the presence of excessive water in the Milk. Repeated freezing point failures may result in Milk not being picked up.
Colostrum	Discretionary	< 0.3%	NA	NA	NA	> 0.3%	Every pick-up	
Pesticides or other Chemical Contaminants	Discretionary	Below Australian MRL	NA	NA	NA	Detected	Every pick-up	

Cooling Table	Temperature (°C)	
	Twice Daily Pick up (one milking	Daily or Skip a Day Pick up
Time Since End of Milking		
0 mins	25.0	15.0
20 mins	22.2	13.6
40 mins	19.3	12.2
1 hr	16.5	10.8
1 hr 20 mins	13.7	9.3
1 hr 40 mins	10.8	7.9
2 hr	8.0	6.5
2hr 20 mins (and any time onwards)	5.0	5.0