



MILK SUPPLY

HANDBOOK 2018/19



FOREWORD

Welcome to the Warrnambool Cheese and Butter Factory Company Holdings Limited ("WCB") Milk Supply Handbook for 2018-19 ("Handbook").

This Handbook outlines details of the milk payment structure, milk quality and collection policies effective from 1 July 2018 to 30 June 2019 (the "Year").

As previously communicated, we will continue to operate with separate handbooks for the WCB and Saputo Dairy Australia Pty Ltd ("SDA") supply groups for the 2018/19 season with no major changes to current terms and conditions. We intend to fully combine the WCB and SDA supply groups from 1 July 2019 and provide an integrated range of pricing programs under one handbook.

I encourage all milk suppliers to read the following information carefully and to contact your Farm Services Advisor if you have any queries.

I also would like to take this opportunity to wish you and your families a safe and prosperous year ahead.

Yours sincerely,

A handwritten signature in black ink, consisting of two distinct, stylized loops or characters.

KAI BOCKMAN

President & Chief Operating Officer
Dairy Division Australia

WARRNAMBOOL CHEESE AND BUTTER

MILK SUPPLY HANDBOOK 2018/19

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1

MONTHLY PRICES

(Seasonal and Flat Payments)

Warrnambool Cheese and Butter Factory Company Holdings Limited ("WCB") offers the choice of two payment options: seasonal and flat.

The monthly milk prices for premium quality milk (inclusive of the Premium Milk Quality Bonus detailed in Section 10) supplied during the Year under each payment option are included in the table below.

MONTH	SEASONAL		FLAT*	
	\$ PER KG BUTTERFAT	\$ PER KG PROTEIN	\$ PER KG BUTTERFAT	\$ PER KG PROTEIN
July	3.96	8.72	3.85	8.48
August	3.85	8.48	3.64	8.00
September	3.20	7.04	3.20	7.04
October	3.20	7.04	3.20	7.04
November	3.20	7.04	3.20	7.04
December	3.85	8.48	3.64	8.00
January	3.96	8.72	3.64	8.00
February	3.96	8.72	3.64	8.00
March	3.96	8.72	3.85	8.48
April	3.96	8.72	3.85	8.48
May	3.96	8.72	3.85	8.48
June	3.96	8.72	3.85	8.48

* A Flat Supply Incentive will be payable in addition to the monthly price in July and from February to June to eligible suppliers under the flat payment option. An explanation of the eligibility criteria, conditions to be met and payment of the incentive are provided in Section 2.

Further details regarding Price Adjustments is provided in Section 19.

All suppliers have the choice as to which payment option they wish to be paid under during the Year. The default option for existing suppliers for payment during the Year will be the same as that paid under during the previous year. If you wish to be paid under the alternative option during the Year please contact your Farm Services Advisor prior to 25th July 2018.

Regardless of the payment option selected at the commencement of the Year, all suppliers will be paid at Year end according to the payment option that provides the highest total income they are eligible for, including on the basis of the SDA payment option. Any adjustment payments will be calculated through a reconciliation process. An explanation of the year end reconciliation process is provided in Section 17.

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FLAT SUPPLY INCENTIVE

(applies to the Flat Payment Option only)

In addition to the monthly price, a Flat Supply Incentive will be paid to eligible suppliers in the months of July, February, March, April, May and June based on the flat supply ratio and the banding in the table below.

BAND	FLAT SUPPLY RATIO	CENTS PER KG BUTTERFAT	CENTS PER KG PROTEIN
1	39.00% - 39.99%	9.0	19.0
2	40.00% - 40.99%	17.0	38.0
3	41.00% - 41.99%	26.0	57.0
4	42.00% - 42.99%	35.0	77.0
5	43.00% - 44.99%	44.0	96.0
6	45% plus	54.0	119.0

ELIGIBILITY, CONDITIONS AND PAYMENT

Flat Supply Ratio	<p>The Flat Supply Ratio is calculated as:</p> $\text{Total milk solids for: } \frac{\text{February, March, April, May and June (July*)}}{\text{Total milk solids for the Year}} \times 100$ <p>*For suppliers joining WCB prior to October 1st, July production will be included in the calculation of the Flat Supply Ratio.</p>
Minimum supply period	Suppliers must supply milk to WCB for a minimum of nine months to be eligible for the Flat Supply Incentive.
Share farmers	Any Flat Supply Incentive payment to a farm with a share farming arrangement will be paid to the owner and the share farmer on the same basis as for other milk payments, unless advised otherwise in writing by the farm owner.
Multiple farm ownership	Where there is common ownership of farms (as defined in Productivity Payment in Section 3) the Flat Supply Ratio will be calculated and banding determined based on the individual farm's production. Where WCB is satisfied that this should not occur, the banding will be based on the combined total production of all farms.
Monthly FSI payment	<p>For the months of July, February, March, April and May, the monthly payment will be made at one banding lower than the banding calculated on the average of the two most recent years. For example, if the two-year average Flat Supply Ratio is 42.5%, this equates to Band 4 and the monthly payment will be paid on Band 3.</p> <p>Should a supplier or share farmer leave WCB during the Year, any up front Flat Supply Incentive will be repayable to WCB on a pro rata basis (by set off if applicable).</p> <p>Suppliers who have previously supplied other companies must provide all relevant production information to enable the calculation of the Flat Supply Ratio.</p> <p>Note: Suppliers that fall into the lowest Flat Supply Ratio banding will be paid on the seasonal payment option during the Year.</p>
Final FSI payment	The final payment at Year end will be calculated on the actual Flat Supply Ratio and banding achieved for the Year. At this time, any adjustment for under/over payment during the Year will be made.

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PRODUCTIVITY PAYMENT

In addition to the monthly price and the Flat Supply Incentive (as applicable), a Productivity Payment will be paid to suppliers calculated on the total milk solids supplied for the season at the relevant band in the table below.

TOTAL KG BUTTERFAT & PROTEIN	CENTS PER KG BUTTERFAT	CENTS PER KG PROTEIN
0 - 19,999	-	-
20,000 - 49,999	1.0	2.0
50,000 - 69,999	2.0	4.5
70,000 - 89,999	4.0	9.0
90,000 - 104,999	5.0	11.0
105,000 - 129,999	7.0	14.0
130,000 - 179,999	9.0	19.0
180,000 - 209,999	11.0	24.0
210,000 - 299,999	13.0	29.0
300,000 - 399,999	15.0	34.0
400,000 - 499,999	17.0	38.0
500,000 - 599,999	19.0	42.0
600,000 - 699,999	22.0	48.0
700,000 - 799,999	24.0	53.0
800,000 - 899,999	26.0	57.0
900,000 - 999,999	28.0	62.0
1,000,000 - 1,249,999	30.0	66.0
1,250,000 - 1,499,999	35.0	77.0
1,500,000 - 1,999,999	39.0	86.0
2,000,000 - 2,749,999	44.0	96.0
2,750,000 - 3,499,999	48.0	105.0
3,500,000 - 4,249,999	50.0	110.0
4,250,000 - 4,999,999	52.0	115.0
5,000,000 plus	54.0	119.0

ELIGIBILITY, CONDITIONS AND PAYMENT

Total butterfat and protein supplied	The Productivity Payment will be paid on total butterfat and protein kilograms supplied to WCB during the Year.
Share farmers	Any Productivity Payment to a farm with a share farming arrangement will be paid to the owner and the share farmer on the same basis as for other milk payments, unless advised otherwise in writing by the farm owner.
Multiple farm ownership	Aggregation of milk supply for the purposes of calculating the Productivity Payment will only be allowed where the supplying entity producing the milk operates under a common ownership with one ABN. Common ownership means the supplier entity (including all milk producing assets) is owned and operated by or under the same person(s) or corporate body.

Monthly Productivity Payment	<p>The monthly Productivity Payment will be paid at one banding lower than the banding calculated from the average of the two most recent years of production. For example, if the two-year average production is 95,000kg, the monthly payment will be paid at the 70,000-89,999 band (ie. at 4c/kg Fat and 9c/kg Protein) instead of at the 90,000-104,999 band (ie. 5c/kg Fat and 11c/kg Protein).</p> <p>Should a supplier or sharefarmer leave WCB during the Year, any up front Productivity Payment will be repayable to WCB on a pro rata basis (by set off if applicable).</p> <p>Suppliers who have previously supplied other companies must provide all relevant production information to enable the calculation of the productivity banding.</p>
Final Productivity Payment	<p>The final Productivity Payment will be calculated based on the actual banding achieved for the Year. At this time, any adjustment for under/over payment during the Year will be made.</p>

Suppliers may elect to have their Productivity Payment paid as a lump sum payment made at the end of the Year.



MILK GROWTH INCENTIVE

The Milk Growth Incentive assists suppliers in growing their production and will be payable as outlined in the table below.

	CENTS PER KG BUTTERFAT	CENTS PER KG PROTEIN
Milk solids in excess of the most recent two year farm production average	44.0	96.0

ELIGIBILITY, CONDITIONS AND PAYMENT

Calculation of the two-year farm production average	<p>The two-year farm production average will be calculated as the average butterfat and protein production over the two previous seasons for each farm.</p> <p>Suppliers who have previously supplied other companies must provide all relevant information to enable the calculation of this average.</p>
Conversion farms	<p>The two-year production average for conversion farms in the first year of production will be zero.</p>
Share farmers	<p>Any incentive payment relating to a farm with a share farming arrangement will be paid to the owner and the share farmer on the same basis as for other milk payments, unless advised otherwise in writing by the farm owner.</p>
Multiple farm ownership	<p>Where there is common ownership (as defined in Productivity Payment in Section 3) of farms, any Milk Growth Incentive payment will be based on the combined total production of all farms.</p>
Change of ownership	<p>If there is a change of ownership during the Year, any Milk Growth Incentive will be paid to each party in accordance with the respective contribution to total production for the season.</p>
Milk Growth Incentive payment	<p>Any eligible Milk Growth Incentive will be paid to suppliers when the two-year farm production average has been exceeded.</p> <p>Milk Growth Incentive will only be paid on Premium and Standard 1 milk.</p> <p>Suppliers that are participating in the WCB Farm Investment Partnership will be ineligible for the Milk Growth Incentive.</p>

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VOLUME AND COLLECTION CHARGES

A volume charge is applied to all suppliers for milk collected and is deducted from milk payments in accordance with the table below.

Farms with B double access	2.1 cents per litre
Farms with no B double access	2.3 cents per litre

No charge will be incurred for the first daily collection. Second and subsequent daily collections will incur a collection charge of \$20.

The second and subsequent daily collection charge will be waived by WCB where a supplier has vat capacity of greater than 10,000 litres and/or the second daily collection exceeds 5,000 litres.

The litres of milk collected will be measured by flowmeter fitted to the milk tanker.

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QUALITY ASSURANCE PROGRAM

All dairy farms are required to have an approved food safety program to meet the conditions of their dairy license. WCB's Quality Plus - Farm Food Safety Program, as may be amended from time to time by WCB in its sole discretion, is approved by the state dairy authorities and documents the required food safety requirements. Compliance with this Program is a condition of supply to WCB.

WCB will work with suppliers to provide assistance and support to achieve compliance with this Program. If non-compliance with the Program continues or there are no actions being undertaken to achieve compliance, then WCB reserves the right to cease collection of milk.

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ANIMAL WELFARE

All suppliers must comply with the provisions of the Saputo Animal Welfare Policy, which may be found at www.saputo.com, as may be amended from time to time by Saputo Inc. in its sole discretion.

The Saputo Animal Welfare Policy endorses the Australian Animal Welfare Standards and Guidelines for Cattle and the Australian Dairy Industry Council policy regarding the phase out of routine calving induction.

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MILK QUALITY STANDARDS

Milk supplied to WCB will be tested in accordance with the quality parameters in the table below. Further details and explanation of milk quality standards and testing policies are included in Appendix 1.

QUALITY TEST	TEST FREQUENCY	PREMIUM	STANDARD 1	STANDARD 2	SUB-STANDARD	REJECT	BASIS OF MILK QUALITY PRICE ADJUSTMENT
Bulk Milk Cell Count /ml	Each Milk Collection	≤ 300 000	> 300 000 ≤ 400 000	> 400 000 ≤ 600 000	> 600 000		10 day weighted average
Bactoscan (bacteria count)	10 Days	≤ 80 000	> 80 000 ≤ 200 000	> 200 000 ≤ 400 000	> 400 000		Sample date
Thermoturic (cfu/ml)	Monthly	≤ 2,000	> 2,000 ≤ 5,000	> 5,000 ≤ 10,000	>10,000		Sample date
Antibiotic and Other Inhibitory Substances (ug/ml)	At least once per month	Absent	Absent	Absent	> .003		Sample date
Temperature (°C)	Each Milk Collection	0 - 5	Milk > 5°C will be subject to a quality assessment.				Sample date
Sensory	Each Milk Collection					Reject	Sample date
Sediment	WCB discretion	Disk 1 & Disk 2			Disk 3 & Disk 4		Sample date
Freezing Point (°C)	WCB discretion	≤ - 0.517			> - 0.517		Sample date
Spore Count (cfu/ml)	WCB discretion						
Colostrum (%)	WCB discretion						
Milk Quality Price Adjustment			5% Reduction of the Premium price	20% Reduction of the Premium price	50% Reduction of the Premium price		

Your Farm Services Advisor is available to assist with troubleshooting on all quality parameters. Suppliers are encouraged to contact their Farm Services Advisor should they have concerns about meeting WCB's quality standards.

Where a supplier's milk quality consistently falls into the Standard 2 or Sub-standard category for 1 or more quality tests, WCB will contact the supplier to discuss corrective measures and a Corrective Action Plan will be compiled and signed off by WCB and the supplier.

Should a supplier fail to implement the agreed Corrective Action Plan, or continue to supply Standard 2 or Sub-standard quality milk, WCB reserves the right to cease milk collection until it is satisfied the milk quality has returned to premium grade.

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MILK QUALITY PRICE ADJUSTMENT

All milk payments, including monthly prices, flat supply incentive, productivity payment, milk growth incentive and any price changes during the Year will be adjusted and paid based on milk quality as follows:

CATEGORY	MILK QUALITY PRICE ADJUSTMENT (REDUCTION TO THE PREMIUM PRICE)
Premium	-
Standard 1	5%
Standard 2	20%
Sub-standard	50%

Note: Any eligible Milk Growth Incentive and Farm Investment Partnership Incentive will only be paid on premium and standard 1 quality milk as outlined in Section 4 and Section 14, respectively.

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PREMIUM MILK QUALITY BONUS

The Premium Milk Quality Bonus rewards the achievement of quality excellence throughout the Year. It recognises the importance of premium quality raw milk supply to WCB and the impact this has on WCB's ability to manufacture high value products.

The Premium Milk Quality Bonus is a monthly payment paid to eligible suppliers as per the table below. The Premium Milk Quality Bonus is included in the Monthly Prices table for premium quality milk detailed in Section 1.

ELIGIBILITY AND PAYMENT

Bonus	Qualifying Production	Cents per kg butterfat	Cents per kg protein
Monthly Bonus	Eligible Monthly Butterfat and Protein kilograms	4.0	9.0

All WCB suppliers are eligible to participate in the Premium Milk Quality Bonus, subject to the criteria outlined below.

Monthly Quality Bonus	Suppliers will be eligible for the monthly bonus in any given month that they supply 100% premium quality milk as per the quality standards detailed in Section 8. The monthly quality bonus will be paid with the monthly proceeds of each qualifying month.
Share farmers	Monthly Quality Bonus payments made to farms with a share farming arrangement will be paid to the owner and the share farmer on the same basis as for other milk payments, unless advised otherwise in writing by the farm owner.
Premium Quality milk plaques	WCB Premium Quality milk plaques will only be awarded to suppliers with 100% premium quality milk for the Year.

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INTEREST FREE ADVANCES

Interest free advances are available to all suppliers for the purchase of feed (fodder, grain and pellets) and fertilizer as well as pasture and crop seed.

ELIGIBILITY, CONDITIONS AND REPAYMENT

Eligible Suppliers	All suppliers, subject to application approval.
Existing Interest Free Advances	Any existing interest free advance must be repaid in full before an application for a new advance will be considered.
Purpose	For the purchase of fodder, grain, pellets and fertilizer as well as pasture and crop seed.
Amount	Up to \$125 per cow milked during the Year.
Drawdown	Advance funds will be paid directly to the supplier of the feed / fertilizer/seed and not as re-imburement to the supplier for invoices already paid.
Repayment	Advance repayment should be aligned to the period the feed / fertilizer/seed is utilised to generate income. Advance repayments must commence within 2 months of drawdown and be in even instalments. Advances must be repaid in full within 12 months from approval for continuing suppliers. Advance payments must be paid in full immediately if supply ceases.

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TEN DAY PAYMENT OPTION

All suppliers can apply to have their milk proceeds paid in instalments during the month under WCB's ten-day payment option. The calendar of expected payment dates is outlined in Appendix 4. Applications should be lodged with your Farm Services Advisor prior to the start of the production month.

Suppliers may make one change to their method of payment during the Year. Applications for the ten-day payment option and the ongoing participation of a supplier in this payment option are subject to WCB's approval, at WCB's discretion.

FLAT CASH FLOW OPTION

The flat cash flow option is available to all suppliers, subject to application approval by WCB, at WCB's discretion.

ELIGIBILITY, CONDITIONS AND PAYMENT

Eligible Suppliers	All suppliers, subject to application approval by WCB. Suppliers should be aware that the Flat Cash Flow Option is best suited to farms with a stable production profile.
Interim monthly price	The interim monthly price will be based on the anticipated average price over the Year. This calculation will be based on the opening monthly price, flat supply incentive (where applicable), and productivity payment, less volume charge and statutory levies, applied to the two-year monthly production average. Should a supplier or share farmer cease supplying WCB during the Year, any up front Flat Cash Flow payment will be repayable to WCB on a pro rata basis (by set off if applicable).
Milk Growth Incentive or Farm Investment Partnership	Any eligible Milk Growth Incentive or Farm Investment Partnership Incentive will be paid when the relevant two-year production average has been exceeded.
Price changes	The monthly price will be adjusted in accordance with any price changes announced during the Year.
Production changes	Suppliers are advised that variations in production and seasonality of milk supply can affect the payment reconciliation. Suppliers should consult their Farm Services Advisor if they are considering changes to their production system to determine if any interim price changes are required during the Year.
Reconciliation and Payment Adjustments	A reconciliation of income based on monthly milk prices and actual production, compared to the interim payment will be undertaken during the Year and at year end. A price adjustment may be made during the Year as required, and a final adjustment will be made at Year end to reconcile total interim payments with the higher of the seasonal or flat payment options.

Eligible suppliers must apply to take up the Flat Cash Flow Option prior to 25th July 2018.

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FARM INVESTMENT PARTNERSHIP

The Farm Investment Partnership (FIP) was available for participation from July 1st 2014 to September 30th 2016 and has now closed.

The FIP incentive is paid to the participating suppliers over the four year period as agreed with each participating supplier at the time of joining the FIP.

All milk solids produced over and above the supplier entity's (frozen) production average will be paid a FIP payment at the following rates:

	CENTS PER KG BUTTERFAT	CENTS PER KG PROTEIN
Year 1	54.0	119.0
Year 2	35.0	77.0
Year 3	17.0	38.0
Year 4	9.0	19.0

The existing Milk Growth Incentive will remain unchanged. Suppliers that participate in the FIP program will be ineligible to receive the existing Milk Growth Incentive.

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MILK COOLING REBATE

The Milk Cooling Rebate (MCR) aims to assist suppliers to develop and maintain a milk cooling and storage system that complies with WCB temperature and milk quality guidelines.

WCB encourages all suppliers to install cooling capacity to hold a minimum of 1.5 times their expected daily peak production. This assists WCB in improving milk collection efficiency and reducing cartage collection costs. The MCR will also provide assistance to suppliers installing or upgrading dairy cooling systems in order to cool milk to five degrees Celsius or less prior to entering the vat.

ELIGIBILITY, CONDITIONS AND PAYMENT

Milk Vats	Milk vat upgrades must assist the supplier in achieving capacity to store a minimum of 1.5 times their expected daily peak production. The total number of milk vats on farm must not exceed three.
Milk Cooling Equipment	Milk cooling system installations and upgrades must enable the supplier to pre-cool milk to 5 degrees Celsius or less before entering the vat.
Milk Collection Charges	Where a supplier upgrades their milk cooling capacity to 1.5 times their expected average daily peak production, any second stop pick up charges incurred in the previous twelve (12) months will be reimbursed. The previous 12 months will be set from the date of installation of improved capacity.

MILK COOLING REBATE

<p>Eligibility</p>	<p>The MCR applies to all equipment, storage tanks and installation costs associated with cooling milk. This will include but may not be limited to:</p> <ol style="list-style-type: none"> i. Milk vats and vat wash hot water services; ii. Refrigeration units and compressors, chiller systems, plate coolers, pumps and storage tanks; iii. Dairy generators, provided they are of suitable capacity to run dairy plant and cool milk simultaneously; iv. Concrete slab foundations required for the installation of vats, chiller systems or storage tanks; or v. All plumbing, refrigeration and electrical work related to the installation of components listed above. <p>WCB will have ultimate discretion in determining if an application is eligible for MCR assistance. The following will not be eligible for MCR assistance:</p> <ol style="list-style-type: none"> i. General repairs and maintenance to dairy, dairy plant and milk cooling systems. This includes routine and breakdown servicing and/or repair of milk cooling systems, hot water services, vats and general dairy plant; ii. Electrical and plumbing mains upgrades or installations; iii. Dairy plant hot water services; iv. Effluent system upgrades or installations; or v. Infrastructure improvements to dairy, dairy sheds or dairy surrounds. <p>New dairy constructions will be eligible for MCR assistance as per the criteria listed above.</p> <p>Suppliers will be eligible to access the maximum \$45,000 MCR once per ten (10) year period. The ten (10) year period will commence on the date the first MCR application is approved.</p> <p>Suppliers with multiple farms can access the MCR on a per farm basis. The MCR will not be transferrable between farms.</p>
<p>MCR Payment</p>	<p>WCB will rebate 30% of the net cost of purchase and installation.</p> <p>The rebate is applicable to all projects with a net cost of \$5,000 or more up to a maximum net cost of \$150,000 excluding GST.</p> <p>Payment will only be made once the upgrade or installation has been completely installed, commissioned and is working to the satisfaction of both supplier and WCB.</p> <p>The rebate will be paid as a lump sum directly to the supplier through their milk proceeds in the month following application approval.</p> <p>Where a share farming agreement is in place, the MCR payment will be made to the owner of the farm unless otherwise authorised in writing by the farm owner and share farmer.</p>
<p>MCR Supply Term</p>	<p>The MCR has been developed to encourage suppliers to upgrade milk cooling systems and capacity. These upgrades have the potential to provide mutual benefit for suppliers and WCB. In order for both parties to realise these benefits, each MCR is subject to a supply term.</p>

Please contact your Farm Services Advisor for full terms and conditions and further information regarding the MCR application process.

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MILK UREA RESULTS

Suppliers can opt to receive milk urea results as part of their daily quality results.

Milk urea is an indirect measurement of the amount of nitrogen secreted by the cow into the milk. High levels of milk urea are present when the cow receives excess protein or nitrogen in the diet. This is quite commonly seen when cows are overfed protein in the ration or where cows have grazed a fertilised paddock too early.

On the contrary, relatively low milk urea results could indicate that a production response may be achieved by adding or increasing a protein supplement in the ration.

WCB will test the milk urea via the normal component sample taken by the tanker. This test will only be provided for bulk milk samples. Suppliers and their advisors can opt to receive these results by contacting their Farm Services Advisor.

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YEAR END RECONCILIATION

All suppliers and share farmers will be paid at the end of the Year the highest total income they are eligible for based on both the SDA and WCB milk payment systems.

At Year end, the total income under the WCB payment option that the supplier received during the Year will be reconciled with the alternate WCB payment option. This process will ascertain the WCB payment option that would have provided the supplier with the highest total income they are eligible for under the WCB milk payment system. If the total income would have been higher on the alternate WCB payment option, an adjustment payment will be made and paid in July with June proceeds.

This reconciliation between the two WCB payment options will be set out clearly in the June milk statement.

At Year end, we will also reconcile the total income from your highest WCB payment option, as provided above, with the total income you would have received under the SDA payment system. If your total income would have been higher on the SDA payment system a top up payment will be made and paid in August with July proceeds.

Suppliers or share farmers that cease supply to WCB during the Year will have all milk payments reconciled with their final milk proceeds.

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STATUTORY LEVIES

Any mandatory statutory levies, including the Dairy Australia Levy and the applicable State Regulatory Authority Levy will be deducted from milk proceeds. These deductions will be detailed in the charges section of your monthly milk statement and on all income estimates provided by WCB.

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PRICE ADJUSTMENTS

Suppliers that supply WCB continuously to June 30th of the Year are entitled to all relevant incentives and milk income for that Year.

Any changes to the monthly prices during the Year will apply equally to the seasonal and flat payment options.

Any increase to the monthly prices during the Year will only be paid to suppliers current at the time of announcement and not to the suppliers who have ceased supplying WCB. The only exception to this will be suppliers that have retired from the dairy industry.

Whilst rare, price reductions can occur. In the unlikely event of a reduction in price, WCB will provide suppliers with a written notice 30 days prior to the implementation of any reduction. Within 30 days following notification by WCB of any reduction in price, a supplier may cease supplying WCB on 30 days' written notice to WCB. If no termination notice is provided to WCB or if the termination notice is rescinded by the supplier within 21 days' following the date of the notice of termination, the price reduction or price adjustment reduction will be applied as notified by WCB.

WCB will not implement retrospective price reductions.

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MILK PRICE COMMITMENT

WCB is committed to paying suppliers a market competitive milk price at the end of the Year. WCB will pay at least the equivalent price to the largest two milk processors in the Southern Milk Region.

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ELIGIBILITY FOR MILK PAYMENTS

To be eligible to receive payments for the supply of milk:

- There must not have been a change in the structure of the supplier, including as a result of succession planning or a change in majority ownership, except with the prior written consent of WCB, which consent shall not be unreasonably withheld. WCB will provide its written consent to a change in the structure of the supplier to the extent any such change does not reasonably prejudice the interests of WCB;
- The supplier must not be insolvent within the meaning of section 95A of the Corporations Act 2001 (Cth); and
- There must not be in relation to the supplier a liquidator, interim liquidator, receiver, receiver and manager, voluntary administrator, statutory manager, trustee, controller, inspector or administrator appointed under any law.

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GENERAL REQUIREMENTS

SET OFF

The supplier authorises WCB to deduct from any payment due to supplier or set-off against any claim by supplier, any amount which is due to WCB by supplier for any reason whatsoever.

DISPUTE

Where there is a dispute or claim between WCB and a supplier, the parties will initially seek to resolve the relevant dispute by good faith negotiations. If the dispute is not resolved within 14 days from the date on which either party notifies the other party, in writing, of the dispute, either party may submit the dispute for resolution to the exclusive jurisdiction of the courts of Victoria, Australia.

INDEMNITY

Supplier will indemnify and keep WCB (and its affiliated entities, respective directors, officers, employees, agents and other representatives) harmless from and against any breach by supplier of its obligations under this Handbook or the negligence of supplier, or any of its employees and other agents, but shall not include any loss which could have been avoided or mitigated by WCB acting reasonably.

TERMINATION

Either party may terminate the supply of milk to WCB immediately by written notice to the other party if such party:

- a. breaches any obligation under this Handbook that is not capable of remedy;
- b. breaches any obligation under this Handbook which is capable of remedy and fails to remedy the breach within 30 days following written notice from the non-defaulting party to do so;
- c. ceases to hold any certificate, permit, registration or license necessary for it to conduct its business; or
- d. becomes insolvent or bankrupt, or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors, or ceases to function as an on-going concern or to conduct its operations in the normal course of business.

GENERAL REQUIREMENTS

Except as provided above, either party may terminate the supply of milk to WCB upon a thirty (30) day prior written notice to the other party.

At the expiration or termination of the supply of milk to WCB, all amounts owing by one party to the other pursuant to this Handbook become immediately due and payable in accordance with the terms of this Handbook.

COMPLIANCE WITH LAWS

WCB and the supplier will comply with and conform to all applicable federal, state and local laws, rules and regulations governing the testing, handling, storage and delivery of milk or any other aspect relating to the supply of milk pursuant to this Handbook.

INSURANCE

During the Year, the supplier shall maintain, at its own cost and expense, adequate public liability insurance with a reputable insurer for a minimum of \$10 million per occurrence. On request, the supplier shall provide WCB with satisfactory evidence that the supplier has complied, and continues to comply, with its obligations under this clause.

FORCE MAJEURE

Neither supplier nor WCB shall be liable for any delay in performance, directly or indirectly, caused by or resulting from acts of God, fire, flood, accident, riot, war, acts of terrorism, government intervention, embargos or other difficulties which are beyond the reasonable control of the party. In case of a force majeure event, the affected party shall not be held liable for non-performance of its obligations under this Handbook provided the affected party employs their best efforts to resolve the circumstances which cause the non-performance as quickly as possible.

TITLE, RISK OF LOSS

Title and risk of loss to all milk supplied pursuant to this Handbook shall pass to WCB when milk is loaded into the tanker on farm.

GOVERNING LAW

This Handbook and its application shall be governed by the laws of the State of Victoria.

1

APPENDIX 1 MILK QUALITY STANDARDS

A. BULK MILK CELL COUNT

Bulk Milk Cell Count (BMCC) is an indicator of cow health in a dairy herd and therefore a valuable tool in farm, herd and dairy management. Somatic cells, including white blood cells, are continually released in the udder as the cow's defence against bacteria and infection.

When an infection occurs, the cow moves huge quantities of these cells from the blood stream into the udder in an attempt to combat the infection. High BMCC levels in raw milk can reduce shelf life, manufacture yields and overall quality of final product.

Testing Frequency

All individual milk consignments will be tested for BMCC on an advisory basis. This is reported on results as BMCC ADV.

Suppliers will be graded based on the weighted average BMCC for each ten (10) day period. This is reported on results as BMCC WgtAv.

The weighted average for each ten-day period is calculated as:

$$\text{(Daily Litres X Daily BMCC)} / \text{Total Litres in ten-day period}$$

QUALITY STANDARDS AND MILK QUALITY PRICE ADJUSTMENT

GRADE	RESULT (CELLS/ML)	MILK QUALITY PRICE ADJUSTMENT
Premium	≤300,000	-
Standard 1	>300,000 - ≤400,000	5%
Standard 2	>400,000 - ≤600,000	20%
Sub-standard	>600,000	50%

Geometric Mean

In order to comply with quality standards set by government and many export markets, the BMCC of supplier's raw milk is required to be less than 400,000 cells/ml based on a 3 month 'rolling' Geometric Mean.

Where a supplier's rolling Geometric Mean exceeds 400,000 cells/ml, WCB will contact the supplier to discuss corrective measures and a Corrective Action Plan will be compiled and signed off by WCB and the supplier.

Where a supplier's rolling Geometric Mean exceeds 400,000 cells/ml for a further three (3) month period, or where a supplier fails to implement the agreed Corrective Action Plan, WCB reserves the right to cease milk collection until the daily BMCC is sustained at less than 300,000 cells/ml.

Where a supplier's BMCC weighted average exceeds 600,000 cells/ml for three (3) consecutive ten-day periods, WCB reserves the right to cease milk collection until the daily BMCC is sustained at less than 300,000 cells/ml.

Individual Cow Cell Count Samples (ICCC)

The WCB supplier laboratory is available to test suspected cow samples for ICCC.

This service is not provided for routine testing of cow samples. WCB maintains this as a cost-free service to suppliers; should a supplier routinely submit samples a fee for testing may be applied.

To utilise this service suppliers should sample the relevant cows, fill out the plastic sample bag provided and leave the sample bag nearby the vat to be picked up by the tanker driver. The individual cow ID should also be written on the lid of the sample bottle. Suppliers can alternatively deliver samples to the transport office at Allansford. Please ensure that you notify your Farm Services Advisor or the transport department if samples are delivered to Allansford for testing. Suppliers should not submit more than 10 samples per occasion.

ICCC results will be faxed or emailed directly to suppliers. These samples will be tested after regular testing schedules have been completed. This may result in a delay of up to 24 hours.

B. BACTOSCAN

The Bactoscan provides a measure of individual bacteria present in a sample of milk. Bacteria may grow and reproduce rapidly in milk, causing food safety, spoilage and quality problems with final product.

Testing Frequency

Supplier's consignments are tested by Bactoscan once every ten-day period on a randomly selected date.

QUALITY STANDARDS AND MILK QUALITY PRICE ADJUSTMENT

GRADE	RESULT (BACTERIA/ML)	MILK QUALITY PRICE ADJUSTMENT
Premium	≤80,000	-
Standard 1	>80,000 - ≤200,000	5%
Standard 2	>200,000 - ≤400,000	20%
Sub-standard	>400,000	50%

Note: Milk quality price adjustments are applied to the tested consignment only, not the ten-day period.

Bactoscan Advisory Tests

WCB has implemented a 'three test' Bactoscan policy.

Where a supplier receives a high or irregular initial result in any given ten-day period, that result will be reported as Bactoscan Advisory or Bacto (a). A further two tests will be taken to validate the initial result. The supplier will be graded on the result of the third test only.

Where the initial test in a ten-day period is Premium, subsequent tests will not be taken.

A Farm Services Advisor may request additional Bactoscan Advisory testing (specials) for an individual supplier to assist with a milk quality investigation. This testing can only commence after the grade test is received and may continue for a maximum of two test periods (i.e. 20 days) as determined by the Farm Services Advisor.

In cases where a supplier is on advisory testing over an entire ten-day period, the grade used will be that of the lowest Bactoscan Advisory result achieved.

Geometric Mean

In order to comply with quality standards set by government and many export markets, WCB will monitor individual supplier's Bactoscan results using a two (2) month rolling Geometric Mean.

Where a supplier's two (2) month rolling Geometric Mean exceeds 400,000 bacteria/ml, WCB will contact the supplier to discuss corrective measures. A Corrective Action Plan will be compiled and signed off by WCB and the supplier.

Where a supplier's rolling Geometric Mean exceeds 400,000 bacteria/ml for a further two (2) months, or a supplier fails to implement the agreed Corrective Action Plan, WCB reserves the right to cease milk collection until the bacteria/ml is less than 80,000.

C. ANTIBIOTIC AND INHIBITORY SUBSTANCES

Milk containing inhibitory substances (ISB) including antibiotic and colostrum residues can have dramatic consequences for the manufacturing of dairy products, particularly cheese and cultured products. These products rely on bacteria during the manufacturing process which can be affected by antibiotics or inhibitory substances.

The presence of ISB residues in final product can also pose a risk to human health. For these reasons, WCB maintains a strict policy on the management of these substances. Two tests are used to monitor the presence of ISB at WCB: a rapid test, and a broad-spectrum test. WCB suppliers will be graded based on the result of the broad-spectrum test.

Testing Frequency

Consignments from individual suppliers will be tested at least once per month on a random basis using the broad-spectrum test.

All tanker loads of milk will be tested for ISB using the rapid test and the broad-spectrum test. In the event a tanker fails the ISB test, follow-up testing of individual farms using the rapid test will be conducted to determine the offending supplier/s. Any positive rapid test results will be confirmed using the broad-spectrum test.

In the event a supplier fails a monthly test or trace back test from a positive tanker, milk collection will cease until a clear (negative) vat sample is submitted by the supplier. It is the supplier's responsibility to submit a follow-up sample as soon as possible following a positive result. WCB will make every effort to assist with sample delivery where practical.

QUALITY STANDARDS AND MILK QUALITY PRICE ADJUSTMENT

GRADE	MAXIMUM RESIDUE LIMIT	MILK QUALITY PRICE ADJUSTMENT
Premium	Less than 0.003 µg/ml*	-
Sub-standard	>0.003 µg/ml	50%

*Note: For all practical purposes on farm this means nil.

Suspected ISB Contamination

WCB strongly encourages all suppliers to report any suspected ISB contamination of milk.

If a supplier suspects an ISB contamination has occurred, they must immediately notify their relevant transport department. It is the responsibility of the supplier to deliver a sample of the suspected vat to the local laboratory or testing source. WCB will make every effort to assist with sample delivery where practical.

In exceptional circumstances, where the supplier is unable to deliver a sample, the transport department or a Farm Services Advisor may request for the milk to be disposed of. In the event this occurs, the Farm Services Advisor has the discretion in determining if any payment is applicable.

No payment will be made if the milk is disposed of before WCB is notified or a test result is received.

Notified ISB Failure

In the event that a supplier notifies WCB of suspected ISB contamination and the sample tests positive, the supplier will be paid as follows:

- First Failure of the Year.
 - o Payment will be based on the volume of milk dumped, with the grade determined using the average Butterfat, Protein and BMCC results from the previous five (5) collections.
- Second Failure of the Year.
 - o Payment will be at the Sub-standard rate based on the volume of milk dumped, with the grade determined using the average Butterfat and Protein tests for the previous five (5) collections.
- Third Failure of the Year.
 - o No payment will be made.

Non-Notified ISB Failure

In the event a supplier fails an individual supplier test or trace back test from a positive tanker, milk collection will cease until a clear (negative) vat sample is submitted by the supplier. It is the supplier's responsibility to submit a follow-up sample as soon as possible following a positive result. WCB will make every effort to assist with sample delivery where practical.

For non-notified ISB failures, the supplier will be subject to the milk quality price adjustment such that:

- First Offence of the Year.
 - o Sub-standard for the offending collection.
- Second Offence of the Year.
 - o Sub-standard for the offending collection.
 - o The balance of the corresponding ten (10) day test period will be paid at Standard 2 rate.
 - o An ISB residue detection report and review of the supplier's farm Quality Assurance Program will be conducted within the following 14 working days.
- Third Offence of the Year.
 - o Sub-standard for the offending collection.
 - o The balance of the corresponding ten (10) day test period will be paid at Sub-standard rate.

- o An ISB residue detection report and review of the supplier's farm Quality Assurance Program will be conducted within the following five (5) working days.
- o WCB may suspend milk collection until an ISB management plan is agreed to by the supplier and WCB. If WCB is not satisfied with the ISB management plan, WCB reserves the right to cease collection indefinitely.

Note: Where a supplier has two Notified ISB Failures and then receives a Non-Notified ISB Failure during the Year, the Non-Notified Failure will be deemed to be the supplier's second Non-Notified Failure.

In order to comply with quality standards set by government, in all instances where a tanker fails an ISB residue test, an ISB residue detection report will be submitted to the relevant dairy authority within five (5) working days. This will include a review of the offending supplier's ISB management plan and farm Quality Assurance Program.

Individual Cow ISB Samples

The WCB supplier laboratory is available to test suspected cow samples for ISB.

This service is not provided for routine testing of cow samples. WCB maintains this as a cost-free service to suppliers; should a supplier routinely submit samples a fee for testing may be applied.

To utilise this service suppliers should sample the relevant cows, fill out the plastic sample bag provided and leave the sample bag nearby the vat to be picked up by the tanker driver. The individual cow or vat ID should also be written on the lid of the sample bottle. Suppliers can alternatively deliver samples to the transport office at Allansford. Please ensure that you notify your Farm Services Advisor or the transport department if samples are delivered to Allansford for testing. Suppliers should not submit more than 10 samples per occasion.

Individual cow sample results will be faxed or emailed directly to suppliers. These samples will be tested using the broad-spectrum test after regular testing schedules have been completed. This may result in a delay of up to 24 hours.

D. SEDIMENT

Sediment is extraneous matter in milk such as cow hair, dirt, manure, dust, vegetable matter, insects and teat scabs. 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.

Testing Frequency

Milk will be tested for sediment at WCB's discretion only.

QUALITY STANDARDS AND MILK QUALITY PRICE ADJUSTMENT

GRADE	MAXIMUM RESIDUE LIMIT	MILK QUALITY PRICE ADJUSTMENT
Premium	Disk 1 & 2	-
Sub-standard	Disk 3 & 4	50%

*Note: For all practical purposes on farm this means nil.

Sediment Advisory Tests

WCB maintains a 'two test' policy with regard to sediment testing.

Where a supplier's first sediment test is outside the premium range, a follow-up test will be performed to validate the initial result. The initial result will be presented as Sediment Advisory, with the follow-up result being used for grading.

E. MILK COOLING / TEMPERATURE

Milk cooling is a critical component in maintaining milk quality standards. In order to comply with dairy farm licence requirements, government and many export market regulations, milk must be cooled to 5°C or less within 3.5 hours from the commencement of milking.

For reasons of practicality, WCB requires all suppliers to have milk cooled to 5°C or less within 2 hours and 20 minutes from the completion of milking.

Testing Frequency

All suppliers' milk consignments shall be monitored and graded for milk temperature on farm. Tanker thermometers will be the official basis of recording milk temperatures. All temperatures will be measured in degrees Celsius.

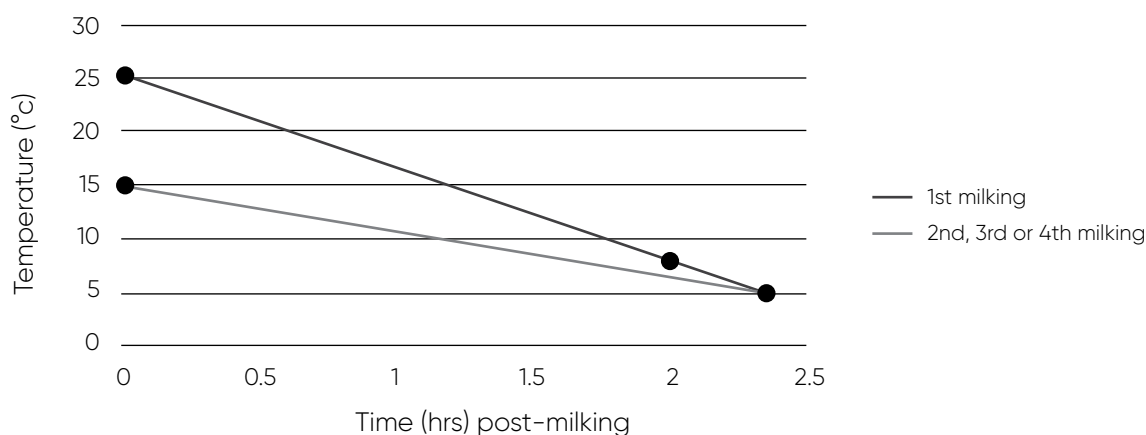
QUALITY STANDARDS AND MILK QUALITY PRICE ADJUSTMENT

GRADE	RESULT (°C)
Premium Quality Assessment	≤5°C >5°C

Milk must be cooled to 5°C or less within 2 hours and 20 minutes of the completion of milking.

Suppliers are required to clearly display their milking completion times on the WCB Milking Completion Time stickers provided. New or replacement stickers can be requested via your Farm Services Advisor.

Should your milk collection occur within 2 hours and 20 minutes from the completion of milking then milk may be collected at temperatures above 5°C subject to WCB conducting sensory grading and a quality assessment utilising the graph below.



WCB tanker drivers will use the milking completion time displayed on the sticker as the basis for this calculation. Failure to clearly display accurate milking times may result in a supplier's milk being rejected due to temperature non-conformance.

WCB tanker flow meters are designed to stop pumping if the milk temperature exceeds acceptable levels. If this occurs, WCB will conduct a milk quality assessment to determine if the milk can be collected. If the milk is rejected in this manner no payment will be made.

Suppliers that exceed acceptable milk temperatures will be contacted by WCB to formulate a Corrective Action Plan to improve their milk cooling capabilities. WCB's Milk Cooling Rebate (MCR) outlined in Section 15 is available to assist suppliers considering upgrading their milk cooling capabilities to meet requirements. Please contact your Farm Services Advisor for full MCR details.

Milk Cooling Breakdowns

WCB strongly encourages all suppliers to report any breakdown in milk cooling capability. If a supplier has a vat or milk cooling system breakdown they must immediately notify their relevant transport department. The transport department may determine that a sample of milk is required for testing prior to the milk being collected. In this case, the supplier is responsible for delivering a sample of the affected vat to the local laboratory. WCB will make every effort to assist with sample delivery where practical.

In exceptional circumstances where the supplier is unable to deliver a sample, the transport department or a Farm Services Advisor may request for the milk to be disposed of. In the event this occurs, the Farm Services Advisor has the discretion to determine if any payment is applicable.

No payment will be made if the milk is disposed of before WCB is notified or a test result is received.

The supplier must take action within 2 working days to rectify the milk cooling breakdown. WCB will attempt where possible to reschedule milk collection to satisfy temperature regulations provided action is in place to restore milk cooling capability.

The supplier must provide their Farm Services Advisor with evidence of action taken and keep them informed of any possible delays outside the supplier's control. WCB will continue to provide assistance for up to 15 working days. This period may be extended if there are exceptional circumstances as determined by the supplier's Farm Services Advisor and the Farm Services Manager. Should no exceptional circumstances be present, the second stop charge of \$20 will apply to all second and subsequent daily milk collections.

Notified Milk Cooling Failure

In the event that a supplier notifies WCB of a milk cooling breakdown and the milk is rejected, the supplier will be paid as follows:

- First Failure of the Year.
 - o Payment will be based on the volume of milk dumped, with the grade determined using the average Butterfat, Protein and BMCC results from the previous five (5) consignments.
- Second Failure of the Year.
 - o Payment will be at the Sub-Standard rate based on the volume of milk dumped, with the grade determined using the average Butterfat and Protein tests for the previous five (5) consignments.
- Third Failure of the Year.
 - o No payment will be made.

F. SENSORY GRADE

All milk must be graded by the tanker driver using the senses test before it is collected for delivery to the factory. The milk grader must be able to decide quickly, 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.

Sight and smell are the most important factors in grading milk in farm bulk milk tanks. Fresh, clean milk appeals to most people and only needs a slight departure from normality to make it unattractive.

Suppliers should be aware that the presence of milk residues in drains and buckets, calf milk stored in or around the vat room and poor milk room hygiene can have a negative effect on the driver's ability to sensory grade the milk.

Testing Frequency

Every consignment will be sensory graded prior to loading by the tanker driver.

QUALITY STANDARDS AND MILK QUALITY PRICE ADJUSTMENT

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 an unacceptable odour, the milk will be rejected by the tanker driver and not collected.

A Farm Services Advisor will be notified and no milk payment will be made to the supplier. The contents of the rejected vat must be disposed of in an appropriate manner prior to the next milking or scheduled collection, whichever occurs first.

If the supplier detects any of the above contaminants, they should notify their Farm Services Advisor or relevant transport department immediately. If the milk is rejected, the Notified ISB Failure policy may apply.

G. MILK CONTAMINATION AND CHEMICAL RESIDUES

Maintaining the high quality and food safety standards of our manufactured dairy products is of the utmost importance to WCB. Suppliers are required to take preventative measures to remove the risk of contaminants or chemical residues entering the milk supply.

Suppliers should be aware that milk contaminants and chemical residues can trigger a failure of WCB's ISB testing system. In this instance, the ISB milk quality price adjustment system, notified or non-notified, will apply and the supplier will be graded accordingly.

Quaternary Ammonium Compounds (QAC's)

The use of dairy plant and vat wash chemicals containing quaternary ammonium compounds or QAC's is prohibited. A list of approved dairy plant and vat wash chemicals is available from your Farm Services Advisor.

Nonylphenol ethoxylates (NPE's)

The use of pre and post milking teat sprays containing nonylphenol ethoxylates or NPE's is prohibited. A list of approved pre and post milking teat sprays is available from your Farm Services Advisor.

Testing Frequency

Milk will be tested for chemical residues at WCB's discretion.

Notified Milk Contamination

Should a supplier suspect their milk has been contaminated with wash water, chemicals from the dairy cleaning process or any other contaminants, they should contact the relevant transport department immediately. The transport department, along with the Farm Services Advisor, may determine that a sample of milk is required for testing prior to the milk being collected. In this case, the supplier is responsible for delivering a sample of the affected vat to the local laboratory. WCB will make every effort to assist with sample delivery where practical.

In exceptional circumstances where the supplier is unable to deliver a sample, the transport department or a Farm Services Advisor may request for the milk to be disposed of. In the event this occurs, the Farm Services Advisor has the discretion to determine if any payment is applicable.

No payment will be made if the milk is disposed of before WCB is notified or a test result is received.

In the event the supplier notifies WCB and the milk is rejected for collection, the notified ISB milk quality price adjustment system may apply.

Non-Notified Milk Contamination

In the event that WCB detects a supplier's milk has been contaminated with chemical from the dairy cleaning process, or any other contaminants, the supplier will be issued with one (1) written warning.

If a further contamination is detected, the non-notified ISB milk quality price adjustment system will apply and the supplier will be graded accordingly.

H. FREEZING POINT

Normal quality milk should freeze at minus 0.517°C or lower. Freezing point is measured in degrees Celsius.

The freezing point test detects the presence of excessive water in the milk. Water can be introduced to milk during the milking, cooling, washing or storage process. Milk composition can also influence freezing point through changes in a herd's daily diet, feed rations and nutrient status.

Testing Frequency

Supplier's consignments are tested for freeze point at WCB's discretion.

QUALITY STANDARDS AND MILK QUALITY PRICE ADJUSTMENT

GRADE	FREEZING TEMPERATURE °C	MILK QUALITY PRICE ADJUSTMENT
Premium	≤ minus 0.517° C	-
Sub-standard	> minus 0.517° C	50%

Where a freezing point test failure is confirmed, only one (1) warning will be issued to the supplier concerned.

Should further testing continue to indicate the presence of added water in the milk, collection from that supplier will cease until a firm guarantee is given in writing that no further adulteration of the milk with added water will occur. In the case where suppliers are unaware of the cause of the freezing point test failure, your Farm Services Advisor will be available for advice.

I. THERMODURIC COUNT AND SPORE COUNT

Thermodurics are heat resistance bacteria. Higher counts are often, but not always, associated with the build-up of milk or water stone deposits on the milk contact surfaces. Thermoduric counts are reduced with appropriate cleaning routines and regular renewal of rubber ware.

Spores are also formed by heat resistance bacteria. They are found in soil, grain and silage dust. Wherever possible, it is important to exclude these contaminants from entering the milk supply, by closing vat lids, shutting milk room doors and reducing feed dust. Teat cleanliness may also assist in the reduction of spore levels.

Testing Frequency

Milk will be tested for thermoduric bacteria and spore count once per month. This will be reported via the Thermoduric test.

QUALITY STANDARDS AND MILK QUALITY PRICE ADJUSTMENT

Thermoduric quality standards are detailed on the table below.

GRADE	RESULT (CF μ /ML)	MILK QUALITY PRICE ADJUSTMENT
Premium	$\leq 2,000$	-
Standard 1	$>2,000 - \leq 5,000$	5%
Standard 2	$>5,000 - \leq 10,000$	20%
Sub-standard	$>10,000$	50%

Thermoduric Advisory Tests

WCB has implemented a 'four test' Thermoduric policy.

Where a supplier receives a high or irregular result in any given monthly period, that result will be reported as Thermoduric Advisory (Thermo ADV). Three (3) further tests will be taken to validate the initial result. The supplier will be graded on the result of the fourth test only.

Where the initial test in a monthly period is Premium, subsequent tests will not be taken.

A Farm Services Advisor may request additional Thermoduric Advisory testing (specials) for an individual supplier to assist with a milk quality investigation. This testing can only commence after the grade test is received and may continue for a maximum of two (2) test periods (i.e. 20 days) as determined by the Farm Services Advisor.

Where a supplier is on advisory testing over an entire monthly period, the grade used will be that of the lowest Thermoduric Advisory result achieved.

J. COLOSTRUM

Colostrum is the secretion produced by the udder pre and post calving. Colostrum is not milk; it contains protective antibodies for the calf. At calving, the milk secretory cells in the udder are not ready for normal milk production. Milk of freshly-calved cows should not be included in the bulk tank for 96 hours after calving. Colostrum is regarded as an inhibitory substance (ISB) and may be detected by the ISB testing system outlined in Section c).

Stored colostrum must be clearly labelled and should be kept away from the milk room so it does not influence the sensory grading of the vat milk by the driver. Colostrum should not be stored in milk vats also used to store milk for human consumption.

Testing Frequency

Milk will be tested for colostrum at WCB's discretion.

QUALITY STANDARDS AND MILK QUALITY PRICE ADJUSTMENT

Specific testing for colostrum is on an advisory basis only. Suppliers will be notified prior to any change being made. Suppliers should be aware that colostrum residues in milk can trigger a failure of WCB's ISB testing system. In this instance, the ISB milk quality price adjustment system will apply and the supplier will be graded accordingly.

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APPENDIX 2 MILK COLLECTION POLICY

A. MILK STORAGE CAPABILITY

All suppliers are required to install sufficient capacity to hold at least one full day's worth of peak milk production.

WCB encourages all suppliers to install and maintain cooling capacity to store 1.5 times their average daily peak production.

The number of milk vats in the milk room should not exceed three (3).

Where multiple vats are in use, the tanker driver will collect individual samples from each vat for Bactoscan testing. The result given will be the weighted average based on the volume for each vat. All other tests will be performed using a combined sample.

B. CHANGE OF COLLECTION REQUIREMENT

The supplier is responsible for notifying the relevant transport department or their Farm Services Advisor should they require a change of collection schedule. This includes at the start and finish of a season, or requirements for daily and/or twice daily collection.

WCB requires a minimum of 24 hours notification on change of collection requirements.

Suppliers are encouraged to notify the relevant transport department should their daily milk production vary significantly from previous collection volumes.

C. MINIMUM VOLUME

The minimum collection volume is 300 litres. The minimum collection volume applies to suppliers drying off or restarting milk supply.

Should a supplier's collection volume drop below 300 litres, a Farm Services Advisor will notify the supplier that collection will cease until the collection volume returns to greater than 300 litres. Milk collections that fall below 300 litres will incur a collection charge of \$20 per collection.

D. COLLECTION CHARGE

WCB will not levy a collection charge for the first daily collection.

In the event that milk is collected twice daily due to insufficient milk vat or cooling capacity, the supplier will be charged \$20 for second and any subsequent collection on that day.

The second daily collection charge will be waived where a supplier has vat capacity of greater than 10,000 litres and/or the second daily collection exceeds 5,000 litres.

To ensure that suppliers are charged correctly for the collection charge, suppliers should inform their Farm Services Advisor if there is any change in milk storage capacity.

E. COLOSTRUM STORAGE

Colostrum or calf milk should not be stored in any milk vat used for WCB milk collection. If colostrum or calf milk is stored in the milk room, the supplier must notify its Farm Services Advisor to arrange appropriate labelling.

Suppliers should note that storage of colostrum in the milk room can interfere with sensory grading and therefore risk rejection of milk intended for factory supply.

F. ASBESTOS

Asbestos is a naturally occurring mineral made up of tiny fibres. When disturbed, it may produce a dust containing asbestos fibres which can cause health issues. If the asbestos material is in good condition and left undisturbed, it is unlikely that fibres will be released into the air and the risk to health is extremely low. While it remains in good condition and is undisturbed it is safer to leave it fixed or installed and review its condition over time.

If asbestos is in poor condition within areas in which WCB tanker drivers and WCB personnel operate, a system must be put in place to safely remove the damaged asbestos from these areas. Asbestos areas must also be clearly labelled with signage as per the example below:



Where asbestos is found to be in poor condition, WCB may contact the supplier to develop an agreed asbestos removal plan. Failure to adhere to the agreed asbestos removal plan may result in WCB ceasing milk collection.

Suppliers are required to notify their Farm Services Advisor prior to engaging in any works on, or removal of, asbestos-containing materials in their dairy or vat room.

G. OCCUPATIONAL HEALTH & SAFETY

Suppliers are required to provide WCB and its employees with clear, safe and unrestricted access to dairies and milk vats at all times. This includes maintaining the tanker track, dairy and surrounds in a neat and tidy state with sufficient lighting.

Suppliers that fail to maintain adequate standards may be required to complete a Quality Assurance audit or Milk Collection Risk Assessment. A failure to maintain adequate standards may result in WCB ceasing milk collection.

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APPENDIX 3

MILK SUPPLY CONTACTS

ALLANSFORD OFFICE: **Bus:** (03) 5565 3200 **Fax:** (03) 5565 3280

MT GAMBIER OFFICE: **Bus:** (08) 8724 7660 **Fax:** (08) 8724 7663

GM MILK SUPPLY:	Business	Mobile	Email
Anthony Cook	(03) 5565 3197	0409 703 156	anthony.cook@saputo.com

FARM QA MANAGER:			
Anne Prince	(03) 5565 3218	0447 467 303	anne.prince@saputo.com

FARM SERVICES MANAGER:			
Rowan Ault	(03) 5565 3140	0439 356 952	rowan.ault@saputo.com

FARM SERVICES ADVISORS:

Victoria

Simon Adams	(03) 5565 3277	0429 047 111	simon.adams@saputo.com
Rachel Alexander	(03) 5565 3692	0439 790 252	rachel.alexander@saputo.com
Anthony. R. Cook	(03) 5565 3223	0400 856 467	anthony.r.cook@saputo.com
Joy Coulson	(03) 5565 3221	0408 529 908	joy.coulson@saputo.com
Stuart Hose	(03) 5565 3806	0409 728 541	stuart.hose@saputo.com
Jessica Howe	(03) 5565 3572	0429 424 377	jessica.howe@saputo.com
Nadine Markham	(03) 5565 3582	0428 582 728	nadine.markham@saputo.com

South Australia

Brett Gilbertson	(08) 8724 7661	0407 106 080	brett.gilbertson@saputo.com
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TRANSPORT

Allansford & Ballarat	(03) 5565 3115	
Mt Gambier	0408 974 158	
Fleurieu/Meningie	0438 103 385	

TEST LAB	(03) 5565 3117	(03) 5565 3120
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4

APPENDIX 4 SUPPLIER PAYMENTS

JULY 2018						
M	Tu	W	Th	F	Sa	Su
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

AUGUST 2018						
M	Tu	W	Th	F	Sa	Su
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

SEPTEMBER 2018						
M	Tu	W	Th	F	Sa	Su
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

OCTOBER 2018						
M	Tu	W	Th	F	Sa	Su
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

NOVEMBER 2018						
M	Tu	W	Th	F	Sa	Su
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

DECEMBER 2018						
M	Tu	W	Th	F	Sa	Su
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

JANUARY 2019						
M	Tu	W	Th	F	Sa	Su
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

FEBRUARY 2019						
M	Tu	W	Th	F	Sa	Su
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28			

MARCH 2019						
M	Tu	W	Th	F	Sa	Su
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

APRIL 2019						
M	Tu	W	Th	F	Sa	Su
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

MAY 2019						
M	Tu	W	Th	F	Sa	Su
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

JUNE 2019						
M	Tu	W	Th	F	Sa	Su
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30



- 10 DAY PAYMENT (1)



- 10 DAY PAYMENT (2)



- MONTHLY PAYMENT



- PUBLIC HOLIDAY



**WARRNAMBOOL CHEESE AND BUTTER FACTORY COMPANY HOLDINGS LIMITED
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