Dear Farmer

Our Co-operative’s reputation for delivering high-quality dairy products to our customers around the world starts on our farms.

This Farmers’ Handbook is designed to support you to produce top quality milk. It sets out what you can expect from us and the standards that our Co-operative requires from our farmers, ensuring those standards are clear, reasonable and applied fairly and consistently.

The Handbook also outlines the support systems on hand to help you farm sustainably and meet central and local government regulations.

I encourage you to read and become familiar with this year’s changes, which are summarised on pages 2 and 3. If any other changes are to be made to the terms and conditions of supply during the season, we’ll let you know as soon as possible.

We want the Handbook to be as useful as possible, so based on your feedback we have tried to make it easy to read and find the information you want. We have included details in some sections to explain the context behind minimum requirements and also give examples of best practice. Where relevant, we have also included where you can find additional material and information.

We recommend that you keep this Handbook available for easy reference so you and those working on-farm can refer to it when needed. Additional copies are available to download from the Farm Source website (www.nzfarmsource.co.nz).

For advice or help, I recommend you contact your local Area Manager, Sustainable Dairying Advisor or the Fonterra Farm Source Services Team (0800 65 65 68).

I wish you all the best for a safe and productive season.

John Wilson
CHAIRMAN
Fonterra Co-operative Group Limited

LETTER FROM THE CHAIRMAN

This Farmers’ Handbook contains the standard terms and conditions applying to the supply of milk to Fonterra Co-operative Group Limited from 1 June 2016.

FONTERRA FARMERS’ HANDBOOK 2015/2016
Set out below is a summary of the changes made to the Handbook for the 2016/17 season. Farmers should read and familiarise themselves with the new/amended clauses.

<table>
<thead>
<tr>
<th>CLAUSES</th>
<th>SUMMARY OF CHANGE</th>
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<tbody>
<tr>
<td>1.1: Regional Teams</td>
<td>The Technical &amp; Assurance Team is now known as the Milk Sourcing Assurance &amp; Advisory Team.</td>
</tr>
<tr>
<td>3: Environment</td>
<td>The Environmental Improvement Plan (EIP) is now known as an Environmental Action Plan (EAP).</td>
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<tr>
<td>3.2: Effluent management</td>
<td>Updated to include effluent management requirements applying to the supply of non-contracted winter milk.</td>
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<tr>
<td>3.4: Nitrogen Recording</td>
<td>Deadline for submitting Nitrogen Recording Form changed from 30 June to 31 July.</td>
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<tr>
<td>3.5: Waterway Management</td>
<td>Amended to include Sustainable Dairying: Water Accord targets in relation to dairy shed and irrigation water use.</td>
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<tr>
<td>4: Animal Welfare</td>
<td>Amended to:</td>
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<td></td>
<td>• Recommend that the Body Condition Score of your herd is determined four times per season (up from three times). Not mandatory.</td>
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<td></td>
<td>• Recommend anaesthetic is used for all painful procedures on animals of any age (e.g. dehorning/disbudding and castration). Not mandatory.</td>
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<td></td>
<td>• Include the Ministry for Primary Industries’ requirement that you must ensure that tail shortening above the bottom 2-3 vertebrae (switch removal) is not carried out on any dairy cow on your farm. Shortening above this level is classified as tail docking and is an offence under the Painful Husbandry Procedures Code 2005.</td>
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<tr>
<td>4.2: Bobby Calves</td>
<td>• Addition of section outlining the Ministry for Primary Industries’ requirements for treatment and welfare of bobby calves.</td>
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## FOR THE 2016/17 SEASON

<table>
<thead>
<tr>
<th>CLAUSES</th>
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| 6.1: Milk Cooling| Updated to reflect new Ministry for Primary Industries’ requirements for milk cooling systems which take effect:  
• 1 August 2016 (for new farm dairies or farm dairies undergoing significant change to the secondary cooling systems)  
• 1 June 2018 (for all farm dairies)                                                                                                                                 |
| 8.13: Animal Feed| Addition of voluntary guideline relating to use of Palm Kernel Extract (PKE) as animal feed. Voluntary guideline recommends maximum of 3 kg per cow per day if PKE is used as animal feed. |

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<tr>
<td>8.20: Geometric Means Monitoring and Management</td>
<td>Addition of new limits for Bactoscan and Coliform levels to meet export requirements.</td>
</tr>
<tr>
<td>Table 4: Milk Quality Tests and Standards</td>
<td>New levels of demerits relating to Aflatoxin and Coliform.</td>
</tr>
<tr>
<td>Table 6: Demerit Points and Milk Payments</td>
<td>Removed deduction for 60 demerits and added a deduction for 30 demerits.</td>
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POSSIBLE FUTURE REGULATIONS

Fonterra is aware of several areas where regulations or Government policy changes that relate to on-farm practices may be introduced within the coming years.

Animal Health and Welfare
Summary of change:
• Tail shortening: as included in Section 4 of this Handbook, tail shortening/docking above the last two to three vertebrae is not permitted under the Ministry for Primary Industries’ Animal Welfare (Painful Husbandry Procedures) Code of Welfare 2005. Public consultation is beginning this year with new regulations due to be released in December 2016 and it is possible shortening of any kind will no longer be permitted. It is possible any changes to the Code will be introduced in phases.
• Disbudding, dehorning and castration: recommended best practice under the Ministry for Primary Industries’ Animal Welfare (Painful Husbandry Procedures) Code of Welfare 2005 is to provide pain relief when these procedures are carried out, although this is not mandatory (see Section 4 of this Handbook). Public consultation is beginning this year with new regulations due to be released in December 2016 and it is possible the use of anaesthetic for all painful husbandry procedures will be a requirement. It is possible any new regulations may allow for a phased introduction.

We want to provide farmers with as much advance notice as possible about these changes. In some cases we are recommending farmers introduce these new targets as it suits their own farm development. If and when these changes are introduced we will communicate any new requirements to farmers.

Milk Cooling
Summary of change:
As outlined in Clause 6.1 of this Handbook, new Ministry of Primary Industries’ legislation relating to milk cooling has been confirmed, and comes into effect:
• 1 August 2016 for new farm dairies or farm dairies undergoing significant change to the secondary cooling systems.
• 1 June 2018 for all farm dairies.

Milking Machine Testing
Summary of change:
From next season (2017/18) you will be required to have your milking machine tested at least once per season by a milking machine tester with current New Zealand Milking and Pumping Trade Association registration. This is to ensure compliance with the Ministry for Primary Industries’ New Zealand Code of Practice 1: Design and Operation of Farm Dairies.

Environment
Summary of change:
Launched in 2013, the Sustainable Dairying: Water Accord is the dairy industry’s commitment to enhance the overall performance of dairy farming as it affects fresh water. The Accord contains targets including:
• 31 May 2017 – 100 per cent stock exclusion from significant waterways;
• end of 2017 – all crossings used once a month or more need to be bridged or culverted;
• 31 May 2016 – 50 per cent of dairy farms with waterways will have a riparian management plan;
• 31 May 2020 – 100 per cent of dairy farms with waterways will have a riparian management plan;
• 2020 – 85% of farms will have water meters.
While these targets are not mandatory, Fonterra’s commitment to the Sustainable Dairying: Water Accord means we will continue working with farmers over the coming seasons to ensure they are well prepared to meet the targets.
DAIRY FOR LIFE

At Fonterra ‘Dairy for life’ is our commitment to make the most of the goodness in dairy and share it with the world, using over a century’s worth of farming expertise and ingenuity.

Everyone in our Co-operative gives care and attention along a supply chain that we are proud to say we manage all the way from our farms to our customers around the world.

This supply chain starts on-farm. The first two sections of this Handbook on environment and animal health and welfare are all about how caring for the land and our animals is good for business and helps ensure high-quality milk.

The farm dairy and environmental assessment section covers industry requirements that will be assessed on-farm, so our customers and consumers can be confident their milk is produced through responsible dairying practices.

The following section on farm structures, milk storage, refrigeration, farm access and safety focuses on what is required for storing and refrigerating milk in vats and requirements to ensure that our tankers and staff can safely access your farm dairy.

The final sections in this chain are milk supply and collection and milk quality and testing. These sections cover the requirements of supply and quality regulations. Our reputation is built on the efforts of our farmers and staff to ensure we meet the highest standards.

All the information you need on payment and administration, plus a glossary of terms, is in the back of this Handbook.
Our Co-operative is committed to ensuring food safety and quality from your farms to the world.

*We are Dairy for life.*
THE V3 strategy is all about driving volume, value and velocity through our seven strategic paths:

• Optimise New Zealand milk.
• Build and grow beyond our current consumer positions.
• Deliver on Foodservice potential.
• Grow our Anlene® business.
• Develop leading positions in paediatrics and maternal nutrition.
• Selectively invest in milk pools.
• Align our business and organisation to enable the strategy.

With our purpose, story and values at the heart, our ‘This is Fonterra framework’ brings together our people, identity and strategy commitments to guide us ‘to be the world’s most trusted source of dairy nutrition’.

OUR STRATEGY

OUR IDENTITY

Responsible Dairying
• Committed to helping our dairying communities thrive.
• Champion of the health of our farms and waterways.

Nutrition for Life
• Delivering superior products to improve health at key life stages.
• Making dairy nutrition accessible.

Dairy Excellence
• Global leader in dairy safety and quality.
• Innovation, expertise and openness.

OUR PEOPLE

Inspiring Leaders
• Trusted leaders inspiring exceptional performance.

Getting Better Every Day
• Simplicity, clarity and focus in everything we do.
• Capable, passionate people, growing every day.
• High performing teams who own our collective success.

All of Us Together
• A collaborative and connected culture.
• Caring for our people and our consumers.
• Accountable to our customers, communities and shareholders.
OUR CORE VALUES

CO-OPERATIVE SPIRIT

- Put the whole of Fonterra before its parts
- Pitch in, volunteer my knowledge, capability and networks
- Safeguard the agribusiness and its values
- Form lasting partnerships
- Promote our reputation and honour our heritage
- Know what’s important to local communities

DO WHAT’S RIGHT

- Do what I say I will
- Treat others as I would expect to be treated
- Speak openly and honestly
- Have the tough conversations
- Have the courage to challenge when things don’t seem right

CHALLENGE BOUNDARIES

- Look at the future through customers’ eyes
- Keep one step ahead
- Embrace the unfamiliar, encourage different thinking
- Continuous improvement, improve quality
- Find a way - invent, innovate, solve
- Learn from success and mistakes

MAKE IT HAPPEN

- Create the desire for others to succeed
- Aim high, deliver exceptional results
- Step up, take accountability
- Ask thoroughly, include counterparts
- Persevere and do what it takes
- Celebrate success
The milk produced by Fonterra farmers is where it all starts. This milk is the source of our products that we market far and wide and it has won our place as the world’s largest dairy exporter.

Each year, Fonterra collects around 18 billion litres of milk from farms throughout New Zealand, which is processed into the highest quality dairy products, including a full range of dairy commodities, ingredients and branded consumer goods that are enjoyed around the world.

This section outlines how your Co-operative is structured and the support that is available to you.

1. YOUR CO-OPERATIVE

Directors
Fonterra’s Constitution provides for a Board of up to 13 directors. This is made up of nine farmer shareholder-elected directors and four Board-appointed directors.

Shareholders’ Council
Fonterra’s Shareholders’ Council represents the views of all Fonterra farmer shareholders as farmers, owners and investors and is independent from the Board. The Council is a national body of 35 shareholder-elected councillors who represent 35 wards.

The Council works with the Board to develop the Co-operative’s philosophy, reviews the Board’s statement of intentions for the Co-operative’s performance and operations, and publishes an Annual Report, commenting on these matters.

Contact details for your local Shareholders’ Councillor are in the ‘Contact’ section of the monthly Fonterra Farm Source magazine or the Council’s section on the Fonterra Farm Source website.

Networkers
Networkers are a group of approximately 750 Fonterra farmers who take on a voluntary role. They help farmers to get up-to-date information on the Co-operative and help the Co-operative hear farmer views – it’s two-way.

To volunteer, farmers put their hand up or are asked by their Area Manager and/or Shareholders’ Councillor.

To find out who your Networker is, please contact your local Area Manager or Shareholders’ Councillor.

Milk Commissioner
A Milk Commissioner is appointed by the Shareholders’ Council, in consultation with the Minister of Agriculture, to consider any disputes between farmers and Fonterra that cannot be resolved by steps 1 and 2 in the Co-operative’s disputes procedure (see Clause 10.6).

More information on Fonterra’s directors, the Shareholders’ Council and the Milk Commissioner can be found in Fonterra’s Constitution, the by-laws of the Shareholders’ Council, and the by-laws of the Milk Commissioner, copies of which are available from the Services Team. For more information about your council, visit the Shareholders’ Council section on the Farm Source website.
1.1 FONTERRA FARM SOURCE
FONTERRA FARM SOURCE is all about supporting you in your continued success on-farm by making the most of the unity and strength of our Co-operative.

FONTERRA Farm Source provides:
• a dedicated support team focused on helping you achieve your farming goals;
• discounts and savings on key farm input costs such as fuel, electricity and key supply items;
• leading technology to help you set goals and monitor your production and farm performance online;
• financial tools and services to support your stage of farming;
• sustainability and milk quality advice and support tailored to your farming region; and
• a network of over 65 farm supply stores dedicated to delivering the best price and on-farm technical advice for FONTERRA farmers.

REGIONAL TEAMS
Every farming region is different. That’s why through Farm Source we’re working on ways to give our farmers better, more streamlined support from people who know your region. We’re strengthening our regional networks to step up the way we work with and support you and our communities. FONTERRA is committed to helping you meet your business goals by leveraging the strength of our Co-operative.

Area Managers
Area Managers are your primary relationship contact and are available via phone or email for advice and support, regardless of the issue. They are there to understand your farm needs and connect you with services and solutions to support your plans. A key part of their role is to keep you updated on what’s happening with FONTERRA’s strategy, the global dairy industry and Co-operative news.

Your local Area Managers are listed in the ‘Contacts’ section at the back of Farm Source magazine, our monthly magazine for farmers.

Services Team
Our regional Services Teams are on hand to deal with all your queries from 7.00am–7.00pm, Monday to Friday. The team is made up of local people, with rural knowledge, who understand your business.

At weekends and after 7.00pm you can call our after-hours team for assistance with urgent matters like inhibitory substances or refrigeration problems.

Give your Service Specialists a call on 0800 65 65 68 if you have a question about anything at all, from queries about vats and milk collection to questions about your shareholding requirements and monthly payments.

Our Service Specialists are based at London Street in Hamilton, the Farm Source store in Whangarei, Russley Road in Christchurch and Leet Street in Invercargill.

If you are in the neighbourhood or would rather talk face-to-face, you’re always welcome to come in and see them.

Milk Sourcing Assurance & Advisory
The Milk Sourcing Assurance & Advisory Team provides technical assistance and support for farm dairy compliance, milk quality issues, animal health and welfare and other food safety-related queries. They play an important part in ensuring we deliver safe, high-quality milk to our manufacturing sites.

To contact your Milk Sourcing Assurance & Advisory Regional Food Safety Manager, please call the Services Team on 0800 65 65 68.

Sustainable Dairying Team
The Sustainable Dairying Team can provide one-to-one support if you have an on-farm environmental issue or query. They can help you adapt to nutrient limits set by Regional Councils, adopt water-saving technology to improve efficiency or help organise riparian planting to achieve the targets of the Sustainable Dairying Water Accord.

You can find the contact details for your local Sustainable Dairying Advisor in the ‘Contacts’ section of Farm Source magazine or call the Services Team on 0800 65 65 68.
On-Farm Assets Team
The On-Farm Assets Team is responsible for providing safe, reliable milk storage for collection.
They assist with farm access tanker roadways, vat capacity issues, vat maintenance, new farm dairies and any modifications to the farm dairy.
Contact our Regional On-Farm Asset Specialists on 0800 65 65 68.

Technical Sales Representatives
Technical Sales Representatives are your source of on-farm product sales and service, providing you with technical advice and solutions that are specific to your farm.
To find your local Technical Sales Representatives see the ‘Contacts’ section at the back of Farm Source magazine or visit the Farm Source website.

Store Teams
Our Fonterra Farm Source stores have your farming needs covered, with local knowledge, product advice and expertise. Make the most of exclusive deals for Fonterra farmers on core dairy products to meet your seasonal needs, benefit from an extended 90 days interest free for Fonterra farmers on all through store purchases and earn Farm Source Dollars on every dollar you spend.

To find your local store see the ‘Contacts’ section at the back of Farm Source magazine or visit the Farm Source website.

Livestock Agents
Our livestock agents can provide you with livestock selling and purchase opportunities to secure the best prices on the best stock, whether at auction or on-farm.
To find your local store see the ‘Contacts’ section at the back of Farm Source magazine or visit the Farm Source website.

Partnerships Team
The Partnership Team is committed to helping reduce the day-to-day costs of running a farm by using our Co-operative strength to negotiate you the best deals.
You can take advantage of these deals using your Farm Source Rewards card, while earning Rewards Dollars at the same time.
To find out more please contact the Customer Services Team on 0800 73 12 66.

Nutrition Team
The Nutrition Team offers a range of quality imported supplementary animal feed and minerals to New Zealand farmers, and has experts that provide advice about feed requirements.
For more information call the Nutrition Team on 0800 73 13 33.

NZAgbiz
NZAgbiz supplies calf milk replacer products formulated using Fonterra milk-based ingredients as well as imported Denkavit Whey product from Holland.
NZAgbiz can provide free on-farm technical support and nutrition advice. For more information, visit nzagbiz.com, call 0800 80 90 11 or email office@nzagbiz.com.

FONTERRA FARM SOURCE SERVICES
Farm Source Hubs
Our hubs provide a totally new exclusive approach to support our farmers. As part of our planned store maintenance and refresh we are gradually converting our existing farm supplies network, RDI, to Farm Source Hubs. They are a local base for your Area Manager, Sustainability Advisors and Technical Sales Representative. Hubs feature facilities, such as meeting rooms and a drop-in space where you can meet others and have a coffee, giving you better access to Fonterra directly in your community.

Farm Source Rewards
Our Rewards programme offers a wide range of exclusive deals with national suppliers, including great savings on insurance, electricity, telecommunications and fuel. The Farm Source Rewards card provides access to many exclusive deals as well as discounts at more than 2,000 retailers nationwide and all with the convenience of paying on your Farm Source account.
The Farm Business section lets you easily access the following:

- comparison reports;
- financial information like Advance Rates;
- statements;
- nitrogen reports;
- the Milk Payment Estimator.

From the Farm Business page you can link through to trade your Fonterra shares as well as accessing other key financial information such as Global Dairy Updates, presentations and market announcements.

You can still use your Fencepost login to access the Farm Source website. To get a Farm Source login, please contact the Services Team on 0800 65 65 68.

Farm Source Apps
We offer a range of mobile phone apps to help you manage your farming business.

- **My Co-op**: This is the app that connects you to your Co-operative. It provides you with news and updates from people right across the business, key financial updates, an ‘at a glance’ view of your on-farm production and quality information as well as local events and weather updates.

  The My Co-op app links to our other apps, making it easy to get the detailed information when you need it.

- **On Farm App**: The On Farm app (formerly Farm Source app) provides you with detailed up-to-date milk production and quality information and results at the tap of a button. You can view milk statistics for your last 30 days, your tanker ETA time and daily comparisons against last season.

  New features in the app include a historical production view, as well as 10 day production trending, summary report of all alerts and grades for the last 30 days.

- **Monthly Plant Check App**: This app makes filling out your Monthly Plant Check Assessment, in your Dairy Diary, easier and faster.

Farm Source Dollars
Every time you buy something on your Farm Source account, or through our wide range of partners using the Farm Source Rewards card, you’ll earn Farm Source Dollars. You can redeem them for all sorts of amazing products and experiences, such as:

- Farm Source store vouchers;
- overseas escapes;
- great experiences;
- popular retailer vouchers.

Farm Source Website
The Farm Source website provides you with quick and easy access to all things related to your Co-operative business. It can be accessed at www.nzfarmsource.co.nz.

Here you will find information to help you track your milk production and forecast and plan your business, reference material and advice to help on-farm and access the Farm Source Financial Toolbox.

In addition you can check your Farm Source Rewards balance, redeem your Farm Source Dollars, and buy on-farm supplies.

To request a Farm Source account or if you have any questions about the Rewards, please call your Customer Service Team on 0800 73 12 66 and have your supply number and email address ready.

Farm Source Website
The Farm Source website provides you with quick and easy access to all things related to your Co-operative business. It can be accessed at www.nzfarmsource.co.nz.

In addition you can check your Farm Source Rewards balance, redeem your Farm Source Dollars, and buy on-farm supplies.
It provides you with helpful diagrams and information on what you should be checking for, space to record notes as you go and a ‘farm summary’ screen which shows what checks have been completed and what checks still need to be done.

**We’ll be piloting the Monthly Plant Check app over the 2016/17 season.**

All of our Farm Source apps are available to download for both Apple and Android devices. You can use your Farm Source login to access all our apps. Once you have logged in once the app will automatically log you in each time.

To get a Farm Source login, please contact the Services Team on 0800 65 65 68.

**Financial Toolbox**

Farm Source has a Financial Toolbox to help support your business, which includes information on:

- Dividend Reinvestment Plan;
- Share-up Over Time;
- Invest as You Earn;

You can access these tools on the Farm Source website or contact your Area Manager for more information.

To set up an online broker account, trade shares over the phone, obtain a FIN or discuss your general Trading Among Farmer queries call 0800 86 87 233 between 8.30am–5.00pm, Monday to Friday.

**Farm Source Magazine**

From February to December, you’ll receive Farm Source magazine – our monthly farmer magazine. Each issue has columns from the Fonterra Chairman, Fonterra CEO and Chairman of the Shareholders’ Council.

The magazine includes updates about Fonterra overseas as well as what we’re doing here at home. Farm Source magazine contains useful on-farm information on topics like shares, payments and milk quality. The Advance Rates are just inside the front cover.

**1.2 FARM DAIRY ASSESSORS**

Farm Dairy Assessors, contracted to Fonterra through AsureQuality and QCONZ, carry out your annual Farm Dairy and Environmental Assessment. They are available to carry out milk testing on-farm if you have suspected antibiotic contamination and can conduct grade trace backs in your dairy if you have difficulty solving milk quality problems.

Contact details for your local Farm Dairy Assessor are available in the ‘Contacts’ section of Farm Source magazine or through the Services Team on 0800 65 65 68.

**1.3 FURTHER SUPPORT**

A number of organisations throughout New Zealand offer support and information for dairy farmers. Fonterra encourages farmers to take advantage of the services they provide.

**DairyNZ**

DairyNZ represents all New Zealand dairy farmers and seeks better solutions to industry issues and develops effective resources for dairy farmers.

By collecting and investing the dairy farmer levy in research and development projects it creates practical on-farm tools and innovation technologies that benefit the dairy industry.

Details for DairyNZ local Consulting Officers as well as events and free on-farm information are available at www.dairynz.co.nz.

You can contact DairyNZ on 0800 4 DAIRYNZ 0800 43 24 79 69 between 8am–4pm weekdays. You can also email them on info@dairynz.co.nz.

**Federated Farmers**

Federated Farmers gives farmers a collective voice, responding on their behalf on policy and issues at regional, national and international levels. Additional information can be found at www.fedfarm.org.nz.

**Dairy Women’s Network**

Dairy Women’s Network supports and connects women in the dairy industry through education and development. For more information please go to www.dwn.co.nz.
Rural Support Trusts
The Trusts provide free services to help those in the rural community to meet and overcome financial, personal or climate-related issues. For further information please go to www.rural-support.org.nz.

1.4 ADDITIONAL INFORMATION

Dairy Diary
The Dairy Diary is delivered every May and provides you with a means to update your food safety, quality management, animal health and welfare and environmental information in one place. This information allows our Regional Teams to provide support and help you avoid risk, meet regulations and future-proof your systems. To ensure you know what pages need to be filled out, the diary is colour coded. Completion of the red section of the diary is a condition of supply. This section contains the minimum mandatory information required to meet New Zealand regulations.

Fact Sheets and Additional Information
Fact sheets are available from the Regional Teams and the Farm Source website and contain helpful information on regulations and requirements.

We have listed these at the end of each section for your information.
2. TERMS OF SUPPLY

This section provides helpful information about the administration side of your relationship with Fonterra, including relevant legislation.

Your supply of milk to Fonterra is governed by:
• the Dairy Industry Restructuring Act 2001;
• the Animal Products (Dairy) Regulations 2005;
• the Ministry for Primary Industries’ Specifications and Approved Criteria;
• the Animal Products Act 1999 and supporting Codes and Regulations;
• the Agricultural Compounds and Veterinary Medicines Act 1997 and supporting Codes and Regulations;
• the Animal Welfare Act 1999 and supporting Codes and Regulations;
• the Resource Management Act 1991;
• the Terms of Supply, which means the contents of this Handbook, the Constitution, and any other Fonterra policies relating to the supply of milk that Fonterra tells you about;
• the Constitution (the Constitution will apply if there is any difference between a term in this Handbook and a term in the Constitution); and
• all other applicable central or local government regulations.

2.1 THIS HANDBOOK:
• contains the standard terms and conditions applying to the supply of milk set by the Board under Clause 9.3 of the Constitution;
• the introductory text at the start of some of the sections does not form part of the Terms of Supply and is not binding on Fonterra or you because it is of a descriptive nature only;
• will apply to the season starting on 1 June 2016 and will continue to have effect until Fonterra compiles a new version. Fonterra will advise you of any changes to the Terms of Supply; and
• is subject to any other terms and conditions relating to the supply of your milk that Fonterra and you agree in writing. If any of the terms and conditions which you and Fonterra agree are different from the Terms of Supply, then the agreed terms and conditions will apply.
3. ENVIRONMENT

Fonterra’s environmental objectives build on the good work achieved by Fonterra farmers over the past decade and align with the Sustainable Dairying: Water Accord (SDWA).

The Accord is the dairy industry’s commitment to enhance the overall performance of dairy farming as it affects fresh water. It aims to protect water quality through improved riparian management, water use efficiency, effluent management and nutrient management.

New Zealand’s natural resources and the environment are fundamental to the high-quality milk Fonterra farmers produce – responsible use of these resources is good for farming and good for business. For dairy farming to be enduring and competitive, environmental practices must be sustainable.

Fonterra advocates for reasonable regulations for farming, based on a set of agreed principles, with central and local government.

Our environmental programmes are aligned to external commitments, industry agreements and regulations, and support the Co-operative’s farmers by addressing the water quality issues that are currently facing the industry.

Best practice farming examples include the following:

- all waterways are protected from stock access; wintering practices and stock management take into account soil types, land prone to erosion and flooding; and riparian management plans identify specific areas where planting would provide a water quality benefit;
- applying effluent and nutrients to the land efficiently and effectively to promote pasture growth and minimise impacts to water; and
- using only as much water and energy required to produce safe and hygienic milk and maintain healthy stock.
You are required to:
- meet all environmental regulations that apply on-farm and the requirements of this section of the Handbook;
- take all reasonable and practical steps to minimise harm to the environment; and
- ensure Fonterra’s reputation is not compromised as a result of poor farming practices or inadequate infrastructure.

Fonterra will:
- ensure you are supported to continuously improve environmental outcomes on-farm; and
- undertake assessments as part of your Farm Dairy and Environmental Assessment to ensure that the Co-operative’s minimum requirements are being achieved.

Where it is identified that these requirements are not being met, the issue will be rated as a minor, major or critical hazard.

- **Minor** hazards pose a small risk of environmental damage, breaching environmental regulations and/or causing damage to Fonterra’s reputation. Your Farm Dairy Assessor will work with you to address these issues, but if you require further support you should call the Services Team.

- **Major** hazards pose a significant risk of environmental damage, breaching environmental regulations and/or causing damage to Fonterra’s reputation. Major hazards are required to be fixed as soon as is practically possible but no later than the start of the following season.

- **Critical** hazards cause environmental damage, and are likely to breach environmental regulations and/or cause damage to Fonterra’s reputation. The immediate issue is required to be resolved within 24 hours. Any further actions reasonably necessary to avoid a repeat occurrence are required to be completed as soon as is practically possible but no later than the start of the following season.

Where a minor, major or critical hazard is identified, Fonterra may require an Environmental Action Plan to be developed.

- The Environmental Action Plan will set out what actions are required, and the dates those actions are required to be completed by;

- If you do not participate in the development of an Environmental Action Plan, or do not implement that plan, Fonterra will specify the time frame within which the minimum standard is required to be met.

If you:
- do not meet the requirements of this Section; or
- do not undertake the actions required in an Environmental Action Plan or that your Farm Dairy Assessor requires you to undertake to meet the minimum requirements within the specified time frames; or
- have had more than one major or critical hazard in the past three years on your farm; or
- provide incorrect information in relation to this Section;

Responsible waste management is important to our communities. We recommend you familiarise yourself with local regulations and take advantage of recycling schemes in your area.

Along with every other dairy company in New Zealand we’ve signed up to the Sustainable Dairying: Water Accord.

The Sustainable Dairying: Water Accord has set key commitments and targets in the following areas:
- stock excluded from waterways;
- stock crossings bridged or culverted;
- riparian management plans;
- nutrient management;
- effluent management and compliance;
- water use managed and monitored;
- compliance standards for conversions.

Our support programmes are aligned to help you achieve these targets.

3.1 ENVIRONMENT

Fonterra is committed to doing right by the land. Our contribution to environmental health, community well-being and economic prosperity is key to our overall success and our ability to work effectively in the communities Fonterra operates in.

There are key areas of focus under the Sustainable Dairying: Water Accord:

- **Stock Exclusion** — reducing the risk of erosion and nutrient transfer from land to water;
- **Stock Crossings** — making sure stock crossings are managed to prevent erosion and nutrient transfer;
- **Riparian Management** — managing land along waterways to reduce erosion and nutrient transfer;
- **Nutrient Management** — ensuring manure and slurry is applied and managed in a way that minimises environmental impacts; and
- **Effluent Management** — ensuring effluent is managed and monitored to meet environmental standards.

Our support programmes are aligned to help you achieve these targets.
Following these standards means we protect our ground and surface water bodies from contamination and the Co-operative can demonstrate a strong record of meeting regulatory requirements. In accordance with the Sustainable Dairying: Water Accord, Fonterra is working with farmers to reduce reliance on effluent systems that discharge to water. The Co-operative's aim is zero discharge to water from effluent systems by 2020.

You are required to:
• ensure all effluent collected and discharged on-farm meets the relevant Regional Council resource consent or permitted activity rules, 365 days a year.

If you do not meet the above you are required to:
• work with a Sustainable Dairying Advisor or Farm Dairy Assessor to create an Environmental Action Plan that sets out the actions required to reach the minimum standard and a time frame to achieve this; and
• implement the actions in the Environmental Action Plan within the time frames specified.

Fonterra will:
• assess your effluent system during the annual Farm Dairy and Environmental Assessment;
• provide you with support, or refer you to an appropriate service provider, to develop an Environmental Action Plan in the event that a major or critical hazard is identified on your farm; and
• undertake follow-up assessments to ensure that the actions specified in the Environmental Action Plan are completed and the minimum standard is being met.

Non-contracted Winter Milk
The management of effluent during the winter period carries increased environmental risk due to the reduced ability of saturated soils to absorb and utilise the nutrient content of the effluent, as well as increased potential for the runoff and leaching of nutrients, bacteria and sediments to water.

You are required to:
• ensure your effluent system is capable of complying with relevant Regional Council resource consent or permitted activity rules in the winter supply period by:
  - preparing an effluent management plan describing the measures employed to effectively manage your effluent through the winter period; and/or
  - installing adequate effluent storage capacity to enable deferred irrigation of effluent in unsuitable conditions

If you do not meet the above you are required to:
• meet with a Sustainable Dairying Advisor to create an effluent management plan that sets out the actions required to minimise the increased risk of managing effluent in winter.
Specific targets are:

- 100 per cent stock exclusion from significant waterways by 31 May 2017 including: 100 per cent exclusion from significant wetlands by 31 May 2014;
- 100 per cent of regular stock crossing points are bridged or culverted by 31 May 2018;¹
- 50 per cent of dairy farms will have riparian management plans by 31 May 2016;
- 100 per cent of dairy farms will have riparian management plans by 31 May 2020;
- 100 per cent of dairy farms will have completed riparian management plans by 31 May 2030.

Note: farms with no defined waterways may be excluded from a riparian management plan requirement.

You are required to:

- exclude stock from all waterways that permanently contain water and that are, at any time of the year, wider than 1 metre and deeper than 30cm at any point within or immediately adjacent to the boundary of the farm and all significant wetlands (best practice is to exclude stock from ALL waterways);
- ensure farm races include bridges or culverts where stock regularly cross any waterway;¹
- ensure sediment and/or effluent is not discharged into any waterway where it is likely to result in a significant adverse effect on the environment; and
- provide accurate information on the extent of the farm boundaries and any owned or leased support blocks, locations of waterway fencing and all waterway crossing points during your Farm Dairy and Environmental Assessment and at any other time as required by Fonterra.

If you do not meet the requirements of this section you are required to:

- work with a Sustainable Dairying Advisor (or representative) to create an Environmental Action Plan that sets out actions required to reach the minimum standard and a time frame to achieve this in; and
- meet the actions specified in any Environmental Action Plan within the relevant time frames.

Fonterra will:

- verify the records of stock exclusion;
- provide you with support to develop an Environmental Action Plan where one is required;
- provide you with support to develop a riparian management plan; and
- consider applications for dispensations from the stock exclusion requirements where:
  - the physical nature of the farm precludes a viable and financially feasible option, or there are other exceptional circumstances; and
  - the site has been assessed by a Sustainable Dairying Advisor or Area Manager.

³ Note the change in definition of a ‘regular crossing’ from 1 August 2017, to include any crossing point over a waterway that is used more than once per month. One ‘crossing’ is the herd going across the waterway for milking, and then returning following milking.
3.4 NITROGEN MANAGEMENT

The Nitrogen Management Programme aims to improve nitrogen management on-farm by providing you with information on how your farm is performing. This information will enable you to make decisions and plan changes, as applicable, to meet farm goals and manage regulatory constraints, in parallel with enabling the Co-operative to demonstrate our commitment to nitrogen management to our communities, markets and regulators.

To achieve this, Fonterra models farmers’ nitrogen loss and nitrogen conversion efficiency using the Overseer™ model. This will provide you with a guide of how efficiently your farm is converting its nitrogen resources into milk, along with the annual nitrogen loss risk for your farm. It will also provide you with peer comparisons based on aggregated data.

Current commitments under the Sustainable Dairying: Water Accord include:

- collect modelling of nitrogen loss and nitrogen conversion efficiency from 100 per cent of dairy farms for the season ending 31 May 2016;
- provide nitrogen reports including benchmarks to farmers by 30 November 2016.

You are required to:

- provide accurate information in the prescribed form (available with your Dairy Diary and online) to Fonterra about your farm system by 31 July each season; and
- provide evidence to support your records upon request.

Fonterra will:

- model the data provided and provide a report on the nitrogen loss and nitrogen conversion efficiency for your farm, along with a comparison to your relevant peer group(s) (provided your information was received by 31 July);
- audit the results of a set number of farms to ensure the accuracy of the results provided; and
- keep your individual farm information confidential and only share information with your permission.

If the minimum requirements are not met Fonterra may visit your farm in the following season to gather the information detailed in the Dairy Diary. A $200 fee plus GST may be charged for this visit.
3.5 WATER USE MANAGEMENT
As an industry we need to ensure we use water efficiently and have secured appropriate legal access to it. The Water Use Management Programme aims to protect water resources by promoting responsible, effective and efficient use on-farm.

Water is critical to Fonterra’s end-to-end supply chain, for stock water, shed use, irrigation and in running our processing plants. The programme builds awareness of changing water allocation rules and advises on water efficiency practices to aid responsible dairying and sustainable water management.

To ensure all dairy farms have the ability to monitor and manage water use, the commitment under the Sustainable Dairying: Water Accord requires 85% of farms to have water meters installed by 2020. In achieving this, Sustainable Dairying: Water Accord expectations are that:

- dairy sheds will use no more water for wash down and milk cooling than is necessary to produce hygienic and safe milk; and
- irrigation systems will be designed and operated to minimise the amount of water needed to meet production objectives.

You are required to:
• provide information to Fonterra about water management practices on your farm, when requested.

ADDITIONAL INFORMATION:
www.nzfarmsource.co.nz
Fonterra Dairy Diary

Fonterra Support Information:
• Waterway Management
• When can I Irrigate?
• Application Depth Test
• Nitrogen Management Programme
• Water Use Programme
• Water Use Efficiency
• Water Meter Installation
• Regional Consents for Water Access

DairyNZ material
www.dairynz.co.nz
4. ANIMAL HEALTH AND WELFARE

The health and well-being of your animals directly impacts on milk quality. The best farmers work hard to ensure they have content and healthy animals. Practising sound animal husbandry and keeping animals in good condition is essential to ensuring safe, high-quality milk leaves the farm.

Animal welfare is receiving a stronger focus both in New Zealand and overseas. Increasingly our international customers, and the consumers they supply, are looking for reassurances that the products they buy are produced using responsible animal welfare practices.

Good farmers monitor their herds and record all animal health events, engage regular veterinary health checks, take on the veterinarian’s advice and only give veterinary medicines when treating sick animals.

While not mandatory, we recommend:

- you know the Body Condition Score of your herd. We recommend this is determined a minimum of four times per season (DairyNZ advises key times are before the planned start of calving, before the planned start of mating, before the summer dry period and mid-late autumn) and take urgent remedial action if the Body Condition Score of any animal falls below 3;
- all painful procedures performed on animals of any age are accompanied by the use of an anaesthetic to minimise pain and distress for the animal. This includes dehorning, disbudding and castration.

4.1 ANIMAL WELFARE

You are required to:

- meet all relevant laws, changes to regulations, new regulations, industry guidelines and animal welfare codes of practice including the Code of Welfare: Dairy Cattle;
- ensure animals under your control are looked after in accordance with appropriate animal husbandry and welfare practices;
- ensure that tail shortening above the bottom 2-3 vertebrae (switch removal) is not carried out on any dairy cow on your farm. Shortening above this level is classified as tail docking and its routine use is not permitted. It is an offence under the Animal Welfare (Painful Husbandry Procedures) Code of Welfare 2005. There is no research to show that tail docking has any benefit to the cow or milk quality. If a tail is docked for medical reasons this must be documented by a veterinarian. The recommended best practice is to trim the switch. Further information can be found at www.dairynz.co.nz/media/2170189/painful-procedures-pack.pdf;
- carry out any instructions given by a Ministry for Primary Industries’ officer relating to the requirements of the Animal Welfare Act 1999;
- notify Fonterra immediately (by calling 0800 65 65 68) if Ministry for Primary Industries or the Royal New Zealand Society for the Prevention of Cruelty to Animals (SPCA) conducts an animal welfare investigation or inspection in relation to your farm;
• immediately authorise Ministry for Primary Industries/SPCA (in writing) to share information concerning any investigation/inspection with Fonterra; and

• ensure no slinks and or dead animals are on or visible from the roadside as per the Ministry for Primary Industries’ New Zealand Code of Practice 1: Design and Operation of Farm Dairies.

Fonterra will:
• provide you with guidance to ensure you are aware of your obligations in relation to animal welfare;

• ensure you have access to the appropriate technical assistance to help you meet the required standards;

• work with you, if you have potential animal welfare issues on-farm, to create a remedial plan that you will need to implement; and

• work with relevant stakeholders, including regulatory and statutory authorities, as required.

If unacceptable animal welfare practices are identified on your farm, and you do not take measures to remedy them in an appropriate timeframe or any agreed action plan is not followed, Fonterra can, at its discretion, suspend the collection of your milk. As a result you will be considered to have not supplied that milk.

Fonterra will:
• ensure the health status of your herd is reviewed by a veterinarian at least annually. This allows your veterinarian to legally prescribe restricted veterinary medicines for you to use;

• obtain veterinary supervision or advice when a problem with a milking animal’s health is suspected;

• identify and isolate any animals that have been diagnosed with, or are showing clinical signs of, infectious diseases. The milk from these animals is required to be withheld from supply until they are considered clinically recovered, and records are required to be kept demonstrating you have met these requirements;

• only use restricted veterinary medicines when prescribed by a veterinarian;

• follow your veterinarian’s instructions when giving treatment to your animals;

• follow your veterinarian’s instructions when administering restricted veterinary medicines to your animals;

• ensure all milking animals are individually identified as required by the National Animal Identification and Tracing Act 2012;

• keep a copy of your annual veterinary milk quality consultation in your Dairy Diary;

• notify Fonterra immediately if you have a confirmed or suspected significant disease outbreak in your herd.

4.2 BOBBY CALVES
Calf welfare is an important issue both in New Zealand and overseas. To meet Ministry for Primary Industries’ Codes of Welfare, if you send calves to slaughter you are required to ensure:

• calves are fed half of their full daily meal no more than 2 hours before collection;

• bobby pens are located out of the prevailing wind and have a roof to shelter calves from the weather; and

• calves are able to stand up and lie down freely in their pen.

You are also required to ensure:
• calves for collection are not housed on or adjacent to the roadside.

4.3 ANIMAL HEALTH
You are required to:
• meet all the animal health and associated recording requirements outlined in the milk quality and testing sections of this Handbook. These are also outlined in your Dairy Diary;

• keep all animal health and treatment records for a minimum of four years – these records are required to specify the date of treatment, type of treatment and withholding period, including return to vat date and unique animal identification;

• ensure the health status of your herd is reviewed by a veterinarian at least annually. This allows your veterinarian to legally prescribe restricted veterinary medicines for you to use;

• obtain veterinary supervision or advice when a problem with a milking animal’s health is suspected;

• identify and isolate any animals that have been diagnosed with, or are showing clinical signs of, infectious diseases. The milk from these animals is required to be withheld from supply until they are considered clinically recovered, and records are required to be kept demonstrating you have met these requirements;

• only use restricted veterinary medicines when prescribed by a veterinarian;

• follow your veterinarian’s instructions when giving treatment to your animals;

• follow your veterinarian’s instructions when administering restricted veterinary medicines to your animals;

• ensure all milking animals are individually identified as required by the National Animal Identification and Tracing Act 2012;

• keep a copy of your annual veterinary milk quality consultation in your Dairy Diary;

• notify Fonterra immediately if you have a confirmed or suspected significant disease outbreak in your herd.
If there is a significant animal health issue, Fonterra may:

- determine if your farm, the area in which your farm is located and/or, if necessary, which farms are affected by a significant animal health issue;
- decide not to collect your milk, or suspend collection of your milk if Fonterra determines that your farm or your area is affected (see Section 7). As a result you will be considered to have not supplied that milk to Fonterra. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17).

These requirements form an integral part of Fonterra's risk management programme, and are outlined in 'the Ministry for Primary Industries' Dairy Products Criteria 2: Animal Products (Dairy): Approved Criteria for Farm Dairies.

4.4 TUBERCULOSIS (TB)

You are required to:

- send any confirmed positive TB reactor animals to slaughter as directed by TBfree NZ;
- withhold supply of milk to Fonterra from any animal that has been designated for slaughter;
- keep accurate records of TB testing and animal movements, ensuring any animal testing positive is recorded, including the date it was confirmed positive and the date it was withheld from supply; and
- ensure your herd is registered with NAIT and TBfree NZ as required by the National Animal Identification and Tracing Act 2012 and meet the operational requirements of these programmes.

If a TB-positive animal is identified on your farm, Fonterra will audit your records to ensure its milk has been withheld from supply.

4.5 ENZOOTIC BOVINE LEUCOSIS (EBL)

You are required to:

- send any EBL-positive cow to slaughter immediately (not via any boner cow pens at sale yards) upon finding out the cow is EBL-positive;
- retest the herd in the same season and at least 60 days after any infected animal was sent to slaughter; and
- meet all costs associated with the EBL scheme resulting from one or more of your herd testing positive for EBL.

If your milk is not EBL-free Fonterra will not collect milk from your herd unless an individual milk sample from every milking cow in the herd is screened for EBL. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17).

If your animals test positive during the routine annual screening, or your herd has an EBL-positive status for other reasons (such as if you buy EBL-positive animals) or if routine EBL testing was carried out in the previous season, then Fonterra may, through the EBL control scheme:

- ask for extra samples and samples from young stock (at Fonterra's cost);
- continue retesting until your herd achieves a 'provisionally' negative status within the supply season; and
- continue individual cow testing for every milking cow in the herd until the herd is found to be EBL-free.

EBL-free status requires clear individual cow testing for three years in a row.

4.6 CLONED ANIMALS

Fonterra’s policy is to not accept milk from cows that are cloned or are the offspring of clones due to the animal welfare and reputational concerns around this practice.

Fonterra will not accept milk from any cow that is:

- a genetic clone; or
- the offspring of a genetic clone, e.g. through direct mating, embryo transfer or artificial insemination.
4.7 INDUCTIONS

The wider industry, including Federated Farmers, DairyNZ, New Zealand Veterinary Association and Dairy Companies Association of New Zealand, has set the policy that from the 2015/16 season onwards there are to be no routine inductions undertaken on New Zealand dairy farms.

If an induction is necessary due to extraordinary situations outside of farm management control that significantly impact breeding performance, farmers will need to apply for a one-off dispensation. You should discuss this with your veterinarian who is required to apply for an exemption via DairyNZ. If an exemption were to be granted, you would need to retain a record of this approval at your farm dairy assessment.

There is a review panel to ensure consistent decisions across the country and across all dairy companies. The review panel comprises representatives of Dairy Companies Association of New Zealand (at a company technical level), New Zealand Veterinary Association, Federated Farmers and DairyNZ.

Where inductions have occurred and no dispensation has been given Fonterra may:

- suspend collection of your milk and as a result you will be considered to have not supplied that milk. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17).

Support for good practice with mating can be sourced from your local veterinarian or DairyNZ.

**ADDITIONAL INFORMATION:**

- www.nzfarmsource.co.nz
- Fonterra Dairy Diary

**Fonterra Support Information:**

- Animal Health & Welfare Brochure
- Mastitis Support Programme
- Theileria – What to look out for and how to control
- Shade and Shelter
- Stand-off Areas, Feed Pads and Winter Housing
- Transporting Animals
- Bobby Calves
- Tuberculosis – Important animal health information
- Managing Somatic Cell Counts (SCC)
- Salmonella – Preventing salmonella on your farm
- Race Construction and Management

**DairyNZ material**

- www.dairynz.co.nz

**Ministry for Primary Industries**

- www.mpi.govt.nz
5. FARM DAIRY AND ENVIRONMENTAL ASSESSMENT

FONTERRA’S RISK MANAGEMENT PROGRAMME (RMP)

A Risk Management Programme and comprehensive milk testing and monitoring programmes ensure that all milk is ‘fit for purpose’ – safe, suitable and truthfully labelled.

Fonterra operates one Risk Management Programme on behalf of our farmers. We check you meet the requirements of the Risk Management Programme by visiting every farm once every year and ensuring that the milk you supply meets the Food Safety Standards of Fonterra, New Zealand’s Government, the government authority of each overseas country we export to and our individual customers in those countries.

This gives our communities assurance about the quality of the milk we produce and the integrity of the system producing the milk. You get a report on how well you are meeting requirements and you can access a number of support programmes if you need help to meet requirements.

5.1 FARM DAIRY

You are required to:

- ensure your farm dairy and surrounds meet the minimum requirements for the safe harvesting and storage of milk in a farm dairy. These requirements are set out in the Ministry for Primary Industries’ Code of Practice 1: Design and Operation of Farm Dairies;
- carry out regular maintenance and inspection programmes; and
- ensure no restricted goods are stored within the control zones around your shed (as outlined in the Dairy Diary and the Ministry for Primary Industries’ New Zealand Code of Practice 1: Design and Operation of Farm Dairies).

5.2 FARM DAIRY HYGIENE AND MILK CONTAMINATION

If at any time Fonterra considers your milk to be a risk to food safety it may decide not to collect any milk in your vat and suspend further collections, and as a result you will be considered to have not supplied that milk. Any representative of Fonterra or Fonterra’s approved assessor can make this decision. Fonterra will give you, your sharemilker and any farm manager a written record of the improvements required to remove the food safety threat on your farm and review the suspension of collection when you advise Fonterra that the problem has been fixed and the milk vat is empty.

When Fonterra is satisfied that the required improvements have been made, milk can be stored in the vat and collections will resume. Any representative of Fonterra or Fonterra’s approved assessor can make this decision.

If Fonterra suspends collection of your milk you are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17).

Producing quality dairy products starts on-farm. Your Farm Dairy and Environmental Assessment ensures your farm dairy is in line with industry requirements and confirms these practices are taking place.

To manage the impact of business disruption risk caused by extreme weather events and/or extended loss of power or infrastructure, we recommend that you ensure your business continuity plans provide adequate protection and will enable you to continue to meet requirements.

To ensure your assessment runs without delay, please open your milk cooler inlets, milk pump, receiving can and milk line before the assessment.

More information to help you prepare for your Farm Dairy Environmental Assessment is available on the Farm Source website, including a short video.
5.3 ANNUAL ASSESSMENT

Fonterra will pay for an approved Farm Dairy Assessor to carry out an annual assessment of your farm dairy and the wider property. Fonterra will try to let you know in advance when this assessment will take place.

To assist the assessment process, you are required to have all records available for review and your plant open for inspection.

The assessment will focus on:

- structures;
- facilities;
- sanitation of premises and plant;
- environmental sustainability;
- animal health;
- treatment records;
- milk quality management system;
- farm dairy water;
- farm access; and
- animal and feed traceability.

Details of the assessment procedures and standards are available from the Services Team.

After the assessment Fonterra will give you a Farm Dairy and Environmental Assessment report that sets out any identified hazards, their hazard rating (minor, major, critical) and required actions.
Farm dairy hazard ratings

If you receive a ‘critical’ hazard:

• Fonterra will need to carry out a follow-up assessment within 24 hours;
• if you do not fix the critical hazard by the time of the follow-up assessment, then Fonterra may suspend the collection of your milk and as a result you will be considered to have not supplied that milk.

If you receive an overall C classification, where two or more major hazards in any section other than environmental sustainability and structures/facilities have been identified:

• Fonterra will need to carry out a follow-up assessment within two weeks;
• if at that follow-up assessment the hazards identified have not been fixed then Fonterra will (at its discretion) carry out another return assessment visit or suspend the collection of your milk, and as a result you will be considered to have not supplied that milk.

If there are two or more major hazards relating to your structures/facilities or one major hazard that is classified as being a significant food safety risk, Fonterra will:

• arrange for an approved Farm Dairy Assessor to carry out follow up assessments; and
• if the hazard(s) identified have not been fixed by the time of a second revisit by a Farm Dairy Assessor, charge you:
  - 50 cents per 100 litres of milk supplied starting on the first day of the month after the second revisit; and
  - increase the charge to 200 cents per 100 litres of milk supplied, starting on the first day of the month that is 12 months after the second revisit until the identified hazard(s) are fixed.

If you do not make the improvements set out in the plan Fonterra may:

• in the first season of non-compliance, charge you 50 cents per 100 litres of milk supplied;
• in the second season of non-compliance, charge you 200 cents per 100 litres of milk supplied;

In the third season of non-compliance Fonterra will suspend collections of your milk and as a result you will be considered to have not supplied that milk.

If Fonterra suspends collection of your milk you are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17).

If Fonterra suspends collection of your milk you are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17).

Fonterra may charge a fee of $200 plus GST for each farm revisit by a Farm Dairy Assessor.

Environmental hazard ratings

The Environmental Assessment will focus on the effluent disposal system, waterway management, water use and recording farm system information for the Nitrogen Management Programme.

Where a breach of Fonterra’s environmental minimum requirements is identified during the Farm Dairy and Environmental Assessment, it will be rated as a minor, major or critical hazard (see Clause 3.1).
The assessor may also make recommendations where the current minimum standard is met, but the practice(s) used are not accepted good practice and/or may not meet minimum requirements in the future.

Fonterra will work with you to develop an Environmental Action Plan. This plan will set out the dates you are required to complete corrective action by. Further details are provided in Section 3.

5.4 NON-NOTIFIED FARM DAIRY AND ENVIRONMENTAL ASSESSMENT

A non-notified assessment is an assessment that is additional to the annual notified assessment. Fonterra is required by Ministry for Primary Industries to complete 5 per cent of all assessments as non-notified each season.

You will be required to pay for this assessment if:
• you get a C classification;
• you get a critical hazard; or
• two or more major hazards relating to Sanitation of Plant and Premises or milk quality management system are identified.

For any of the above, Fonterra will:
• carry out a follow-up visit, which you will have to pay for. Fonterra can suspend collection of your milk, and as a result you will be considered to have not supplied that milk, until you have fixed the hazard.

If Fonterra suspends collection of your milk you are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17).

5.5 NEW OR MODIFIED FARM DAIRIES

If you want to build a new farm dairy or make any changes to your existing farm dairy, you are required to:
• get the following approvals from Fonterra:
  − approval of building plans (these are required to be approved before you begin work, including any variations to those plans);
  − approval of the farm dairy, following a site visit, and approval of any subsequent change to the position of the site, followed by at least one visit during construction; and
  − a final approval, which includes a final farm dairy approval, milking machine installation approval and a water supply validation;
• meet all the costs of getting the above approvals. These approval checks will be carried out by Fonterra’s contracted service providers. If you do not get Fonterra’s approval before you start work, Fonterra may charge you the cost of the approvals and require you to fix any problems by a date set by Fonterra;
• fix any non-compliance (i.e. a major or critical hazard) before milk collection is approved;
• if your farm is a new conversion, a farm division or a farm returning to supply Fonterra, meet all minimum requirements in relation to environmental sustainability, as detailed in Section 3, before milk collection is approved;
• ensure any new or reconstructed farm dairy has a reinforced concrete apron in front of the milk collection point that is 5 metres wide, 150mm thick and 8 metres long (or as long as the bulk milk stand, whichever is longer), with suitable drainage to approved outlet areas;
• get Fonterra’s approval if you are building a vat or tanker pad, or altering an existing vat or tanker pad or milk storage room, before you do any work; and
• have two vats installed, if required by Fonterra, in order to provide flexibility in collection.

Farm dairy water on new conversion farms is required to meet all the requirements of Ministry for Primary Industries’ DPC 2: Animal Products (Dairy): Approved Criteria for Farm Dairies. Temporary water exclusion is only available within the first season of supply until a compliant water status is achieved. If you do not meet the above requirements Fonterra may suspend collection of your milk or refuse to collect your milk, and as a result you will be considered to have not supplied that milk, until the requirements are met. If Fonterra suspends collection of your milk you are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17).

5.6 ANIMAL HOUSING, FEED PADS AND STAND-OFF AREAS
You are required to ensure any off-pasture housing/feeding system for your herd does not compromise any outcomes for:
• Animal health and welfare, in that it:
  - meets outcomes for all relevant codes and acts, and will not compromise the five freedoms of animal welfare;
• Food safety, in that it:
  - does not create a risk to milk quality; and
  - does not create an environment where there is risk of pathogens or disease included in milk harvested from dairy cows in an off-pasture system;
• Environment, in that it:
  - meets all the minimum requirements set out in Section 3.

ADDITIONAL INFORMATION:
www.nzfarmsource.co.nz
Fonterra Dairy Diary

Fonterra Support Information:
• Food Safety – Risk Management Programme
• Non-notified Farm Dairy Environmental Assessment Visits
• Bactoscan Test
• Freezing Point
• Coliforms
• Thermoduric
• Senses Test
• Inhibitory Substance Test
• Teat Spraying
• Milk Collection Temperature
• Filtration
• Calf Milk
• Green Water
• Detergent Rinsing
• Water Exclusion
• Rubber Matting – Guidelines for installing rubber matting in farm dairies

DairyNZ – Off Paddock Systems guide
www.dairynz.co.nz
Ministry for Primary Industries
www.mpi.govt.nz
6. FARM STRUCTURES, MILK STORAGE,

Our dairy farms are often the face of the industry to customers, officials and the public and their presentation can make a lasting impression. Tidy farms and well-maintained farm structures and facilities are generally more efficient to run and minimise risks to staff, stock and to food safety.

Fonterra employs milk collection staff and other contracted staff to install and service vats, collect milk and assess standards.

We need your help to ensure anyone on-farm can carry out their jobs with no risk to their health or safety, and that access ways and dairy farms meet minimum standards.

Please note the WorkSafe NZ requirement that confined space entry (e.g. entering the vat) and working at heights (e.g. climbing the vat) can only be performed if appropriate training and certification is obtained and approved personal safety protective equipment is used.

Fonterra provides on-farm storage facilities appropriate for your farming operation and to aid the efficient collection of milk. The milk storage and refrigeration standards are necessary to meet New Zealand Government requirements and ensure you can provide the best quality milk enabling access to high value markets. The faster milk is cooled, the slower the rate of bacterial growth, reducing the chance of grading.

6.1 MILK COOLING

Milk cooling is consistently a focus of regulators and our customers and is an area where some farms will need to make some changes to meet new standards. We recommend you familiarise yourself with the new milk cooling requirements. It’s important that you assess the ability of your refrigeration systems to meet these new standards and, if appropriate, get professional advice in good time to allow for installation.

We recommend you contact a minimum of two professionals and get two competitive quotes before undertaking any work on your farm.

Current requirements:

Unless used immediately for further processing, milk is required to be:

- cooled to 18.0ºC or less at the completion of the first milking into the bulk milk tank, and should not exceed 13.0ºC at the completion of subsequent milkings; or
- cooled to and maintained at 7.0ºC or below within three hours of the completion of milking and kept at or below 7.0ºC until it is collected or the next milking;
- in the case of automatic milking systems (robotic milking systems), milk is required to be cooled to 7.0ºC immediately after harvesting and held at 7.0ºC or below until collection.

New Ministry for Primary Industries’ requirements:

- 1 August 2016 (for new farm dairies or farm dairies undergoing significant change to the secondary cooling systems); and
- 1 June 2018 (for all farm dairies).

Raw milk is required to:

- be cooled to 10.0ºC or below within four hours of the commencement of milking; and
- be cooled to 6.0ºC or below within the sooner of:
  - six hours from the commencement of milking, or
  - two hours from the completion of milking; and
- be held at or below 6.0ºC without freezing until collection or the next milking; and
- not exceed 10.0ºC during subsequent milkings.
In situations where there is continuous or extended milking, such as automated milking systems, the milk is required to enter the bulk milk tank at 6.0°C or below. “Continuous or extended milking” is defined as milking for six hours or longer from the time that milk first enters any bulk milk tank.

To confirm the capability of milk cooling equipment, farm dairy operators are required to have an auditable system that confirms milk cooling requirements are met.

As a minimum, milk cooling performance must be monitored and recorded on at least two occasions per dairy season, including:

- about the time of expected peak milk production; and
- February each year.

Each performance check must cover at least two consecutive milkings, and the records must include:

- the temperature of the milk in each bulk milk tank prior to the start of milking (if any);
- the time that milking started;
- the time milking is completed;
- the temperature of the milk in the bulk milk tank at the completion of milking; and
- the time that the milk is confirmed to meet the requirements.

Temperature measurements and recording can be accomplished using:

- an electronic monitoring system;
- a chart recorder;
- a tiny tag or similar temperature logging device;
- manual measurements using an electronic thermometer (non-glass);
- any other equivalent method.

The accuracy of the temperature measurement device must be known as the data collected is an official record.

Where coolants other than water are used, the construction must be such that either:

- the passage of milk is maintained at a higher pressure so that in the event that a plate is compromised the ‘leak’ will be from the milk path and not into the milk; or
- an automatic leak detection system is in place that ensures the milk flow will stop or be diverted immediately should a leak be detected.

Coolants that are not water, e.g. glycol, must be food safe. You are required to inform Fonterra if you are using a coolant other than water in your primary cooling system.

Our support programme can help you understand what the new cooling requirements will mean to your current systems.

6.2 MILK STORAGE

To ensure our Co-operative operates efficiently at all levels, management of key on-farm assets such as vats requires forward planning and regular maintenance.

Fonterra will:

- provide you with a milk vat, or vats, appropriate to your farming operation and efficient milk collection. Vats may have a device installed that determines the volume of milk and in-line temperature sensors that could transmit data;
- attach a Radio Frequency Identification Device (RFID) to the vat. These devices are unique to the vat and are essential to the milk collection operation and sample accuracy. The device should always remain attached to the vat;
• be responsible for all maintenance costs associated with the vat and other Fonterra-owned equipment (except if you damage any part of the vat as set out below); and

• provide a complimentary farm dairy ‘Milk Vat & Cooling System Maintenance Guide’ to assist with the correct use of your farm vat and cooling system. These are also helpful for staff training purposes. Guides can be attached to the farm dairy or office wall and further copies can be obtained from the Fonterra Supplier Services Team or your local Farm Source store.

You are required to:
• call the Services Team immediately if the RFID tag becomes detached from your vat;
• check all vat seals, rubbers, taps and valves regularly. Replacement rubberware parts can be obtained from your local Fonterra Farm Source store or by calling the Services Team;
• ensure foreign matter, birds, insects and vermin are kept out of the vat at all times;
• assess your vat capacity requirements for each season. If you need a larger vat, let your Regional On-Farm Asset Specialist know at least three months before the start of the next season;
• increase your on-farm capacity prior to the start of the next season if your daily supply volume exceeds the stated on-farm capacity of your vat/s during the current season. If you need a larger vat, let your Regional On-Farm Asset Specialist know at least three months before the start of the next season;
• apply for ‘twice a day’ collection if milk volumes exceed your vat capacity. This will be at the discretion of your Regional On-Farm Asset Specialist and vat capacity will need to be addressed before the start of the next season;
• ensure the vat does not exceed its stated capacity. If it does and damage occurs, then all resulting costs and losses will be your responsibility;
• monitor the operation of the vat and refrigeration unit and let the Services Team know of any equipment failures. You are responsible for any milk spoilt or lost as a result of refrigeration equipment failures, and for any milk spoilt or lost as a result of vat equipment failures where you fail to notify the Services Team;
• ensure all handle locating quadrants remain fitted in place. Where a quadrant is removed you will be responsible for any contamination of milk in the vat; and
• ensure for the correct operation and cleaning of the non-return valve (NRV) that the Clean-In-Place (CIP) system can produce a minimum of 12 PSI (pounds per square inch) at the NRV and inlet port.

If you insulate a milk vat, you are required to:
• ensure the insulation is adhesive free and maintained in a satisfactory state; and
• if the vat is changed, remove (at your own cost) all insulation, clean any glue deposits and repair any damage or corrosion to the vat.

If you damage any Fonterra-owned vat, agitator, sensor or RFID equipment or lose or modify (including theft) Fonterra equipment of components (including, without limitation, valves, stirrer, ladder, strongbacks, etc) you will be responsible for the cost of any repairs or replacement.

Fonterra will continue to own its milk vat, which will not be a fixture on your property. You are not permitted to give anyone an interest in the milk vat (for example, by granting a mortgage or other security interest over the milk vat in favour of a third party, whether by way of general security agreement or otherwise).

If you breach this obligation Fonterra may deduct the value of any vat and related equipment it supplied from your milk payment (without limiting Fonterra’s rights under Clause 9.5). No delay in Fonterra exercising this right will operate as a waiver or as a representation that Fonterra does not intend to enforce this right (whether or not Fonterra has notice of a breach).
For the purposes of deductions from the milk payment, the value of the vat supplied by Fonterra will be ascertained as if Section 109 of the Dairy Industry Restructuring Act 2001 applies.

6.3 FARM VAT INSTALLATION

If you need to increase milk storage capacity (see Clause 6.2) you are required to contact your local Regional On-Farm Asset Specialist, giving at least three months’ notification so the correct size vat can be built and resources planned for installation.

You are required to meet all costs associated with the disconnection and reinstallation of your refrigeration equipment, and the purchase of additional refrigeration capacity.

The vat will be installed according to Fonterra’s requirements. In most circumstances, one single vat will be installed. However, where an appropriate double vat stand exists and it makes economic sense to do so, Fonterra may:

- allow two vats to be installed;
- require you to have two vats in order to provide flexibility in collection and minimal disruption to your milking times; or
- install a vat or vats, sized for collection on alternate days.

If you are building a new silo pad or changing an old silo pad or vat stand, you are required to put in a tanker pad. You are required to obtain and meet the requirements of the standard vat pad drawings by contacting the Services Team or On-Farm Assets Team. Fonterra may require you to build two vat stands with tanker pads to future-proof your farm.

Where a vat is installed inside a farm dairy, and it is necessary to remove the exterior wall, roof or lintel to install or remove the vat, you will be responsible for meeting all costs associated with the removal of the exterior wall, roof or lintel. In relation to a new dairy, all vats are required to be outside.

If you have a second vat installed, you are required to have a separate vat wash system for this vat.

If you cease supplying milk to Fonterra, you will be responsible for any costs Fonterra incurs in removing the vat from inside the farm dairy and/or the removal of glycol from the vat base (if glycol has been used as a cooling medium). You are required to ensure the vat is in a clean, hygienic state and any vat wrap/insulation is removed and external surfaces are cleaned before the vat is removed.
6.4 REFRIGERATION OPERATION

Fonterra does not provide refrigeration units or thermostats to manage milk cooling temperatures. You are required to:

• provide and maintain your own refrigeration unit(s) and thermostat(s) to manage milk cooling temperatures;
• ensure your milk is pre-cooled as it enters the vat, in accordance with the Ministry for Primary Industries’ New Zealand Code of Practice 1: Design and Operation of Farm Dairies (see Clause 6.1);
• ensure milk is cooled in accordance with the Ministry for Primary Industries New Zealand Code of Practice 1: Design and Operation of Farm Dairies (see Clause 6.1);
• ensure that milk temperatures are maintained at or below the requirements in the Ministry for Primary Industries’ New Zealand Code of Practice 1: Design and Operation of Farm Dairies; and
• ensure your dairy-approved temperature display/thermostat operates from 0°C to 40°C as a minimum;
• ensure temperature display and switches are located on the outside wall of the vat stand at a height of 1600mm from the ground so they can be easily read by staff and the tanker driver at collection;
• provide a digital temperature display (preferably with an ice blue display), with accuracy to one decimal point for all new or upgraded vats;
• check the temperature of any milk in the vat from a previous milking before you start the next milking. If the temperature of this previous milking falls outside the milk cooling requirements in the Ministry for Primary Industries’ New Zealand Code of Practice 1: Design and Operation of Farm Dairies, you are required to dispose of this milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17);
• check the temperature after each milking to ensure refrigeration equipment is working effectively;
• meet all costs associated with your refrigeration equipment, displays and probes (including installation, maintenance, repairs and any other related costs); and
• follow Fonterra’s guidelines for the installation of refrigeration equipment. You can get a copy of these guidelines from your local Regional On-Farm Asset Specialist.

Fonterra will:
• not knowingly defer a collection to allow milk temperatures to reduce to meet the required standards.
• require you to improve your cooling system within one month of a fault being identified if:
  • you fail the temperature standard five times; or
  • a failure to the cooling standard is identified at your annual assessment; or
  • a failure in the milk cooling system is found through testing of the cooling system.
• charge a payment deduction of 50 cents per 100 litres for all milk supplied for the remainder of the season, and 200 cents per 100 litres for the following season, if you don’t improve your system within the one-month period and provide Fonterra with written evidence of the necessary repair work; and
• apply the payment deduction immediately if, after the remedial work has been completed, you have another temperature failure in that season or the following season.

Fonterra will:
• refuse to collect milk with a temperature greater than 18.0°C outside your collection window unless you are still milking into a vat that was empty at the start of that milking;
• refuse to collect milk with a temperature greater than 18.0°C inside your milking window if the tanker arrives early and you have finished milking;
• refuse to collect milk with a temperature greater than 18.0°C up to 3 hours into your collection window or greater than 14.0°C at any other time;
• refuse to collect your milk if the temperature displayed does not meet Fonterra’s temperature acceptance requirements;
• reject your milk if it pumps milk into the tanker and then ascertains it is above, or that your temperature is displaying it is above, 18.0°C or 14.0°C respectively.

If Fonterra suspends collection of your milk you are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17).

Milk can be rejected due to temperatures falling outside the regulatory requirements regardless of the cause.

Fonterra provides vats capable of cooling milk through the direct expansion of gas. Glycol can be used as a cooling medium in the vat base with the following conditions:

• you have notified Fonterra so it can approve the use of food grade glycol in the vat base;
• Fonterra does not guarantee the cooling performance of the vat when food grade glycol is used in the vat base; and
• if you require a new vat to meet Fonterra’s logistical requirements, then any costs associated with the removal of glycol from the vat base are required to be met by you. Fonterra will organise the removal of the glycol to ensure correct procedures are followed and to ensure any warranty on the vat is not compromised.

6.5 MILK OR COLOSTRUM NOT INTENDED FOR COLLECTION

Fonterra recommends that Fonterra-owned vats are not used for milk or colostrum intended for feeding calves.

If you use a vat to store milk or colostrum intended for feeding calves or otherwise not intended for collection, you are required to:

• lock the vat’s outlet using an approved vat lock (available through your local Farm Source store);
• clearly label the vat ‘Not for Collection’ using a sticker available from the Services Team. The sticker is required to be positioned 150mm directly above the outlet valve; and
• ensure Fonterra-owned vats are available for milk supply and vat maintenance when required.

If you fail to lock and label a vat in accordance with this Clause you will be liable for demerits, and all losses, costs and damages incurred or suffered by Fonterra. As a minimum Fonterra can charge you $1,600 plus GST by way of liquidated damages. In any event, your liability for liquidated damages for any losses (other than under the demerit point scheme outlined in Clause 8.7) to Fonterra from you failing to comply with this clause is limited to $300,000 plus GST per season. Fonterra will not supply a vat for you to store milk or colostrum used to feed calves.

6.6 ACCESS TO PROPERTY

You are required to:

Allow any of Fonterra’s agents or representatives to come onto your farm at any time and enter your farm dairy. You are not permitted to use padlocked gates on your tanker roadway and loop and your farm is required to be a safe environment for Fonterra staff. This is to allow them to:

• collect and monitor the supply of milk from you in accordance with the Terms of Supply;
• inspect, test, repair, alter, monitor temperature profiles of, clean or remove any vat or equipment supplied by Fonterra;
• assess hazards that may have the potential to cause harm to any person; and
• assess and/or verify compliance with the Terms of Supply in relation to Environmental Sustainability, Animal Welfare and Food Safety requirements.

In most cases, Fonterra will do its best to let you, your sharemilker or a delegated contact know in advance if anyone is going to come onto your farm. However, Fonterra is not required to tell you in advance if its agents or representatives will be coming onto your farm to test the quality of your milk or inspect, test, repair, alter, monitor the temperature profiles of, clean or remove any vat or other equipment supplied by Fonterra.
Where your farm will be entered for the purposes of assessing or verifying compliance with the Environmental Sustainability requirements set out in these Terms of Supply then, except where a non-notified visit is being made (see Clause 5.4), Fonterra will make reasonable attempts to make contact with you, your sharemilker or a delegated contact prior to undertaking the assessment and/or verification.

If you wish to install security gates you will need to contact the On Farm Assets Team who will provide the necessary compliance information.

6.7 SAFETY
Fonterra has to provide safe working conditions for its employees, contractors, advisers and agents. For a copy of Fonterra's safety and well-being policy, call the Services Team.

You are required to ensure that:
- the areas of your farm where Fonterra employees, contractors, advisers or agents enter, cross or work meet the requirements of the Health and Safety in Employment Act 1992;
- all electrical switches are appropriately IP rated for their location and purpose according to approved electrical standards and vat switches are located within the confines of the vat stand area;
- any upgrade or new farm dairy vat switches and temperature displays are located outside the farm dairy or vat stand in accordance with Fonterra specifications;
- you and other people working on your farm do not do anything that could put a Fonterra employee, contractor, adviser or agent at risk;
- you record and control potential hazards as part of a hazard management system and advise Fonterra employees, contractors, advisers or agents of the location of any hazards they may be exposed to;
- all potential hazards are identified by appropriate signage;
- you remove anything that may block or interfere with tanker access, e.g. farm vehicles, implements, calf feeders;
- the area immediately in front of the milk vat is clear of obstacles (e.g. large stones, holes or hoses) that may obstruct or injure the tanker driver, and is clear of trip hazards day and night;
- all family members, employees or visitors are aware of the potential hazards when a tanker is picking up milk and that people are warned to keep clear of the farm roadway when the tanker is on-farm;
- all sliding and roller doors are maintained to ensure easy operation that reduces risk of harm to any person;
- the vat stand area is completely free of chemical substances;
- all hoses, containers and other loose items are stored safely away and clear of the vat working space; and
- all practical steps are taken to manage significant risks as required by the Health and Safety in Employment Act 1992 (and supporting regulations).

If Fonterra considers that you are not following the safety requirements set out above it can:
- ask a Regional On-Farm Asset Specialist to contact you to discuss its concerns; and
- stop collecting your milk, and as a result you will be considered to have not supplied that milk.

If Fonterra suspends collection of your milk you are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17).

Fonterra will make all reasonable attempts to discuss the situation with you before milk collection is stopped.

Please contact the Services Team if you think that a Fonterra representative is not following safety rules when on your farm.
6.8 TANKER ACCESS
You are required to:
• have a sign at the entrance to the tanker road showing the supply number of your farm that is clearly visible from the public road from both directions and keep the sign clean and free from obstruction. Fonterra will provide and erect the sign;
• have a splayed entrance that meets with Fonterra’s specifications and the rules in the territorial local authority plan and that is accessible by a truck and trailer without the vehicle having to cross the centre of the roadway when turning left into a farm roadway. For entrance compliance you also are required to get consent from Transit New Zealand and/or your local District Council;
• ensure there is a minimum of 24 metres on the tanker roadway from the road boundary to allow a safe distance for the tanker to be clear of the road. Where the tanker roadway entrance/exit has a rail track, you will need to ensure there is a safe distance for the tanker to stop clear of the rail line;
• have an all-weather roadway from the farm entrance to the farm dairy suitable for all-weather access by a tanker travelling at reasonable speed. The minimum permissible dimensions of the farm entrance and the tanker roadway are set out in Diagrams 1–6, pages 44-50;
• maintain a clear access from the road to your farm dairy at all times – this includes your tanker loop;
• keep the tanker roadway and loop free from obstructions at all times (e.g. trees, branches, buildings, vehicles, implements and stock). A clearance of 4.5 metres is required. Animal feed is required to be stored well clear of the tanker roadway. This is not permitted to be an area where material can be driven over or moved onto the tanker roadway;
• keep the milk collection and storage areas clean and clear of any obstacles at all times;
• not hold any stock on the loop or the roadway;
• fence off all roadways and not use roadways as cattle races. Cattle can cross roadways, but any crossing within 45 metres of the farm dairy or the start of the tanker loop is required to be:
  - concrete (or similar) so you can easily clean the roadway crossing; and
  - at a right angle to the direction of the roadway.
• keep any on-farm roadway crossing clean and well maintained;
• make sure effluent from any roadway crossing drains into your farm’s effluent disposal system;
• keep the roadway and loop free from surface material and potholes to eliminate damage to milk tankers;
• ensure that, if your roadway is longer than 1km from the entrance to the farm dairy, a tanker can safely maintain a speed of up to 50km/hour on that roadway;
• ensure that, if your roadway is shorter than 1km from the entrance to the farm dairy, a tanker can safely maintain a speed of up to 30km/hour on that roadway;

• ensure your roadway does not exceed a climbing gradient of 1 in 11. However, if the surface has been sealed using grade two chip with locking coat then a climbing gradient not exceeding 1 in 7 will be accepted. Sealing the roadway with concrete or bitumen is acceptable;

• not have corners on steep roadways that are so sharp that a tanker cannot corner safely;

• ensure irrigators that travel over a tanker roadway do so in one motion and, if a wiper arm is fitted to the end of an irrigator, ensure all arms are folded up as close as possible to the irrigator. The irrigator is not permitted to be over the tanker roadway during collection windows (day and night);

• when a new cattle stop is installed on a tanker roadway, ensure it has no less than 4.5 metres of usable width and has a manufacturer’s engineering certificate;

• ensure any existing bridges, cattle stops or culverts over 2 metres on the roadway are maintained in accordance with local authority requirements and all relevant laws, and allow safe crossing by a fully laden 44-48-tonne milk tanker travelling at a reasonable speed;

• ensure all bridges and culverts meet the requirements of the Health and Safety in Employment Act 1992; and

• when Fonterra requires, in respect of any bridges or major crossings on the roadway, have the bridge or crossing inspected by an engineer with a Chartered Professional Engineer (CPEng) qualification for assessing bridges and culverts, at your cost, so that engineer can provide written confirmation of compliance with all relevant requirements. Fonterra may refuse to use the bridge or crossing until such written confirmation is provided.

Fonterra will not be liable for any damage that results from you not meeting the above requirements.

New, modified or recertified bridges, crossings or culverts on tanker roadways
Fonterra milk tankers must meet the requirements of the heavy vehicle regulations, which limit the maximum weight to 53 tonnes. However, it is currently impractical to broadly increase the capacity of the fleet as Fonterra is constrained by the existing public road infrastructure and the Road Users Charge regime.

In the future, public road infrastructure will improve and in preparation for this Fonterra requires new, repaired or structurally upgraded tanker roadway bridges or crossings to be certified to at least 53 tonnes.

The On-Farm Assets Team will provide all the necessary compliance information and final inspection before a transport certificate is issued, which will allow milk collection to begin.

If tanker access on your farm does not meet the above requirements, Fonterra may:

• suspend collection of your milk and as a result you will be considered to have not supplied that milk. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17); and

• ask you to provide a written improvement plan. A written improvement plan is required to set out your plans to fix the access before the start of the next season; and

• apply the following charges if you do not make the improvements set out in the plan:
  - in the first season of non-compliance, 50 cents per 100 litres of milk supplied; and
  - in the second season of non-compliance, 200 cents per 100 litres of milk supplied.

In the third season of non-compliance, Fonterra will not collect your milk and as a result you will be considered to have not supplied that milk.

If Fonterra suspends collection of your milk you are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17).
Tanker entrance and turning circle

These are the standards for existing farm dairies. For new dairies and upgrades to existing dairies, you are required to meet the standards in Diagrams 4–6.

Table 1: To calculate measurements for existing splayed entrance:
1. Measure from centre of road to farm boundary.
2. If less than 10 metres use the table below.
3. If more than 10 metres the minimum width A is 10 metres.

<table>
<thead>
<tr>
<th>ROAD CENTRE TO BOUNDARY</th>
<th>WIDTH OF ENTRANCE A</th>
<th>DEPTH OF SPLAY B</th>
</tr>
</thead>
<tbody>
<tr>
<td>10m</td>
<td>10m</td>
<td>7m</td>
</tr>
<tr>
<td>9m</td>
<td>12m</td>
<td>8m</td>
</tr>
<tr>
<td>8m</td>
<td>14m</td>
<td>9m</td>
</tr>
<tr>
<td>7m</td>
<td>16m</td>
<td>10m</td>
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<tr>
<td>6m</td>
<td>18m</td>
<td>11m</td>
</tr>
<tr>
<td>5m</td>
<td>20m</td>
<td>12m</td>
</tr>
<tr>
<td>4m</td>
<td>22m</td>
<td>13m</td>
</tr>
</tbody>
</table>
Notes:

- When the entrance involves crossing a water table or drain, prior consent for the entrance is required from your local Regional or District Council.
- You need to contact either Transit New Zealand or your local District Council to ensure your farm dairy entrance meets their requirements. Calf pens, letterboxes and other potential hazards or obstructions are not permitted to be within the splayed area. Fonterra will not collect your milk until you have either Transit New Zealand’s or your local District Council’s approval and Fonterra’s approval of vehicle access.
- All new conversions and tanker roads will be required to meet the requirements of Table 2. Existing entrances will be required to upgrade to the new standard when required by Fonterra due to safety issues or when required by Transit New Zealand.

**Diagram 2: Existing splayed entrance – boundary adjacent**

**Diagram 2 notes:**

- This plan is to be used only if the entrance is unable to be splayed evenly both sides e.g. because of large drain/boundary fence.
- If boundary is less than 10 metres from centre of road the entrance is to be splayed 10 metres one side only and to a depth of 17 metres.
- When entrance involves crossing any water table or drain, prior consent is required from the county engineer of your local Drainage Board.
- You need to make contact with either Transit New Zealand or your District Council to ensure your farm dairy entrance meets their requirements – this and Fonterra’s approval of vehicle access are required prior to milk collection.
- All new farm dairies are required to have a minimum 15m radius tanker turn around area.
Diagram 3: Existing farm boundary and turning circle (left hand)

- 3.0m clear area on inside of loop
- 7.0m minimum straight section before stand
- Tanker Stand
- From 5m forward mark tanker roadway must be level for 20m to rear
- Increase drive width at any corners from 3.5m up to 6.5m depending on how sharp the bend is, the minimum bend radius should be at least 12.5m
- 0.5m clearance on each side of farm roadway (no fences, trees, implements)
- 7.0m minimum straight section before stand

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**Diagram 3: Existing farm boundary and turning circle (left hand)**

- Tanker Stand
- 3.0m clear area on inside of loop
- 7.0m minimum straight section before stand
- 12.5m radius
- From 5m forward mark tanker roadway must be level for 20m to rear
- Increase drive width at any corners from 3.5m up to 6.5m depending on how sharp the bend is, the minimum bend radius should be at least 12.5m
- 0.5m clearance on each side of farm roadway (no fences, trees, implements)
Tanker entrance and turning circle
These are the standards for upgraded and new farm dairies.

Table 2: To calculate measurements for upgraded and new farm dairy splayed entrance:
1. Measure from centre of road to farm boundary.
2. If less than 10 metres use the table below.
3. If more than 10 metres the minimum width A is 11 metres.

<table>
<thead>
<tr>
<th>ROAD CENTRE TO BOUNDARY</th>
<th>WIDTH OF ENTRANCE A</th>
<th>DEPTH OF SPLAY B</th>
</tr>
</thead>
<tbody>
<tr>
<td>10m</td>
<td>11m</td>
<td>7m</td>
</tr>
<tr>
<td>9m</td>
<td>13m</td>
<td>8m</td>
</tr>
<tr>
<td>8m</td>
<td>15m</td>
<td>9m</td>
</tr>
<tr>
<td>7m</td>
<td>17m</td>
<td>10m</td>
</tr>
<tr>
<td>6m</td>
<td>19m</td>
<td>11m</td>
</tr>
<tr>
<td>5m</td>
<td>21m</td>
<td>12m</td>
</tr>
<tr>
<td>4m</td>
<td>23m</td>
<td>13m</td>
</tr>
</tbody>
</table>

Diagram 4: Upgraded and new farm dairies splayed entrance

4.5m fence to fence culvert pipes and cattle stops

Total area of ‘A’ and ‘B’ to be left clear of letterboxes, calf pens and any other objects

3.5m usable road

ROAD CENTRE TO BOUNDARY

Boundary

Edge of road

Centre of road
Notes:

- When the entrance involves crossing a water table or drain, prior consent for the entrance is required from your local Regional or District Council.
- You need to contact either Transit New Zealand or your local District Council to ensure your farm dairy entrance meets their requirements. Calf pens, letterboxes and other potential hazards or obstructions are not permitted to be within the splayed area. Fonterra will not collect your milk until you have either Transit New Zealand’s or your local District Council’s approval and Fonterra’s approval of vehicle access.
- All new conversions and tanker roads will be required to meet the requirements of Table 2. Existing entrances will be required to upgrade to the new standard when required by Fonterra due to safety issues or when required by Transit New Zealand.

Diagram 5: Upgraded and new farm dairies splayed entrance – boundary adjacent

Diagram 5 notes:

- This plan is to be used only if the entrance is unable to be splayed evenly both sides e.g. because of large drain/boundary fence.
- If boundary is less than 11 metres from centre of road the entrance is to be splayed 11 metres one side only and to a depth of 17 metres.
- When entrance involves crossing any water table or drain, prior consent is required from the county engineer of your local Drainage Board.
- You need to make contact with either Transit New Zealand or your District Council to ensure your farm dairy entrance meets their requirements – this and Fonterra’s approval of vehicle access are required prior to milk collection.
- All new farm dairies are required to have a minimum 15m radius tanker turn around area.
Diagram 6: Upgraded and new farm dairies farm boundary and turning circle (left hand)

- Increase drive width at any corners from 3.5m up to 7.5m depending on how sharp the bend is, the minimum bend radius should be at least 15m.
- From 5m forward mark tanker roadway must be level for 20m to rear.
- 3.0m clear area on inside of loop.
- 0.5m clearance on each side of farm roadway (no fences, trees, implements).
- 7.0m minimum straight section before stand.

Tank Stand

7.0m minimum straight section before stand.
ADDITIONAL INFORMATION:
www.business.govt.nz/worksafe
www.nzfarmsource.co.nz
Fonterra Dairy Diary

Fonterra Support Information:
• Milk Collection Temperature
• Filtration
• Calf Milk
• Raw Milk Temperature
• Detergent Rinsing
• Teat Spraying

DairyNZ material
www.dairynz.co.nz

Ministry for Primary Industries
www.mpi.co.nz

New Zealand Transport Agency
www.nzta.govt.nz
7. MILK SUPPLY AND COLLECTION

Fonterra will collect milk from your farm dairy and deliver it to our processing sites. By meeting the following supply and collection requirements, you’ll help Fonterra minimise costs and maximise returns to you.

7.1 SUPPLY OF MILK
You are required to:
• supply all milk produced on your farm to Fonterra; and
• make your milk available to Fonterra for collection at the farm dairy designated for that supply.
You are required to inform Fonterra if you do not wish to supply all milk produced on your farm to Fonterra. This includes raw milk for farm gate sales.
The Dairy Industry Restructuring Act 2001 allows a Fonterra farmer to supply up to 20 per cent of their weekly production to another processor under certain circumstances. You are required to give Fonterra prior notice of certain matters if you exercise this entitlement.
Milk not supplied to Fonterra is not covered by Fonterra’s Risk Management Programme and needs to be covered by another Risk Management Programme. A template can be downloaded from the Ministry for Primary Industries’ website www.mpi.govt.nz.

You will be considered to have presented all milk in your vat for collection by Fonterra, unless:
• you have advised Fonterra there are quality issues with your milk and you have secured the vat from collection by using an approved vat lock in accordance with Clause 8.15; or
• you have locked the vat using an approved vat lock in accordance with Clauses 6.5 and 8.15 (as applicable); or
• you have advised Fonterra to stop collection in accordance with Clause 7.5.
Approved vat locks are available through Fonterra Farm Source stores.

7.2 OWNERSHIP AND MILK QUALITY
You:
• own your milk until it enters the pumping system of the milk tanker collecting that milk;
• are responsible for milk quality until it enters the pumping system of the milk tanker, including any defect in the milk that was present at that time (even if Fonterra identifies that defect by subsequent analysis and evaluation);
• are required to contact Fonterra before collection to discuss concerns relating to on-farm incidents that may impact the milk; and
• are responsible for the use of the vat supplied by Fonterra, and in particular for ensuring that foreign matter, birds, insects and vermin are kept out of the vat.

You are required to provide to Fonterra:
• when requested each season, details of herd size, farm size and milk storage if these have changed from the previous season;
• when requested each season, details of the volume of milk you think you will supply. This information is required to be consistent with all other information you give to Fonterra. If Fonterra’s estimates for this information differ from yours, or if you do not provide this information to Fonterra, Fonterra’s estimates will be treated as the milk supply information for that season; and
• the legal description and location of each farm that is to be treated as a separate supply account if Fonterra asks you for this information.

Fonterra owns your milk from the time it enters the pumping system of the milk tanker collecting that milk and is responsible for milk quality from that time.

7.3 REQUIREMENTS OF MILK FOR SUPPLY

You are required to:
• put into your vat only milk that has been produced on your farm;
• have a minimum volume of 400 litres available at each collection. Fonterra can change the minimum volume at any time and will publish any change in Farm Source magazine and on the Farm Source website; and
• ensure all milk is continually agitated and refrigerated to conform to the requirements set out in the Ministry for Primary Industries’ Code of Practice 1: Design and Operation of Farm Dairies.
If less than the minimum volume is available at a collection, Fonterra may charge you collection costs. For effective vat agitation Fonterra recommends a higher minimum volume for larger vats. Please refer to Table 7 (pages 88-89).

You are not permitted to:
- supply milk from an animal within the first four days and/or eight milkings of giving birth unless there is a supply agreement to collect such milk separately from the raw milk supply; or
- remove milk from your vat and then subsequently return all or part of that milk to the vat for supply; or
- put milk into your vat that has been held in any container or other receptacle other than your milking equipment.

Fonterra can give you notice that it will not collect your milk or has suspended collection of your milk, and as a result you will be considered to have not supplied that milk, if:
- you have not followed the Terms of Supply;
- you supply less than 10,000kg of milk solids in a season;
- you are dishonest in your dealings with Fonterra;
- you engage in any threatening, vexatious or unreasonable conduct when dealing with Fonterra, its employees, contractors, advisors or agents;
- or for any other reason set out in this Handbook.

If Fonterra suspends collection of your milk you are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17).

You are required to ensure that no person is involved in or associated with your business or milk supply operations:
- who is, in relation to any enforcement action by any regulatory authority, prevented or restrained from being involved in or associated with farming; or
- who has had their supply, or the supply of a business they were associated with, to any milk processor terminated due to a material breach of the terms and conditions of supply of milk to that processor.

7.4 START COLLECTION
At the start of each season you are required to:
- tell Fonterra at least 24 hours before you put milk for collection into your milk vat and advise the estimated volume that will be available for collection, either using the Farm Source website or by calling the Services Team. Fonterra will:
  - begin collecting your milk when you have the minimum volume available for collection (see Clause 7.3).
- It is recommended that the first milking into the vat meets the minimum volume to agitate outlined in Table 7 (pages 88-89). This is because refrigeration systems only operate efficiently if milk in the vat is fully agitated. Without full agitation some milk is likely to freeze at the bottom of the vat, which may result in milk quality grades.
- Do not extend the agitator in order to stir low volumes. If you do, Fonterra can reject the milk either before or after it has been collected. Fonterra will not pay you for rejected milk and you will be considered to have not supplied that milk. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17).

7.5 STOP COLLECTION
You are required to:
- advise Fonterra at least 48 hours prior to the day you want to stop collection at season end or at any other time you want to stop collection during a season either online on the Farm Source website or by calling the Services Team. Failure to stop collection resulting in a tanker arriving to collect milk may incur a transport charge and any grades incurred will stand;
- tell Fonterra if you need to dispose of milk for any reason. If you do not tell Fonterra, Fonterra will treat a missed collection as notice that you want Fonterra to stop collection; and
- ensure that any vat(s) that have calf milk/milk not intended for supply is secured and locked with a Fonterra approved vat lock;
- call the Services Team for a copy of Fonterra's guidelines for winter collection if you want to supply milk for winter collection.
Fonterra can:
• stop milk collection for the season once the amount of milk available for collection has dropped below the minimum amount; and
• stop collection from your area by giving one week’s notice to you and other farmers in your area.

7.6 FREQUENCY OF COLLECTION
Fonterra will collect milk from you on alternate days or other frequencies as appropriate. The change to and from daily collections will be determined by milk volumes and your vat capacity. Fonterra will try to tell you in advance about a change to collection timing but this may not always be possible. Changes to collection cycles will be updated on the Farm Source website as they are made.

After the end of your calving period, you should notify Fonterra at least 12 hours before collection if your milk volume is going to increase or reduce by more than 30 per cent from the last collection. By doing so, you will ensure optimal milk collection scheduling and lowest milk collection costs.

7.7 TIME OF COLLECTION
You are required to:
• have your milk available for collection at all times outside your milking windows.

7.8 MILKING WINDOWS
You are required to:
• elect twice-a-day, once-a-day or three-in-two (16/18-hour) milking frequencies;
• specify your own milking windows, available in 15-minute intervals, and a single vat wash length, available in five-minute intervals; and
• give Fonterra at least 24 hours notice if you change your milking frequency and/or milking windows during the season.

You can do this on the Farm Source website or by calling the Services Team.

To ensure optimal milk collection scheduling and lowest milk collection costs, Fonterra may specify milking windows that will apply in place of those specified by you where:
• your farm is located in a restricted access area; or
• you specify milking windows that Fonterra considers, acting reasonably, to be materially longer than what is usual for similar farming operations; or
• your farm infrastructure allows milking to be independent of collection (in which case Fonterra may specify your farm has no milking windows).

If you do not specify your own milking windows and/or single vat wash length you will be deemed to have specified twice-a-day milking frequencies between 5.30am–7.30am and 4pm–6pm, and a 15-minute vat wash length.

If you use a three-in-two milking frequency, then the daily equivalent will be one half of the total duration of your milking windows used over two days, including one vat wash.

7.9 NOT MEETING MILKING WINDOW REQUIREMENTS
If Fonterra arrives at your farm outside your milking windows and either:
• cannot start collection; or
• can start collection but you are milking and you do not complete milking before the pump-end time;
Fonterra will:
• either wait on-farm for milking to end or leave your farm and, if possible, return at a later time to collect your milk;
• record that you are milking outside your milking window; and
• if there are repeated instances of you milking outside your milking window, contact you and require you to develop a plan to ensure you milk inside your milking window.

If you do not take satisfactory measures to meet milking window requirements, on the next occasion you do not meet requirements for your milking windows, Fonterra will not collect your milk and as a result you will be considered to have not supplied that milk. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17).

7.10 SPECIAL COLLECTION REQUESTS
If you require a special collection in order to ensure your vat is empty for a specific purpose, for example maintenance of your vat or refrigeration equipment or the need for a visual inspection for milk quality purposes, we will try to meet this request. However, we cannot guarantee we will be able to do so. Where we are not informed, standard temperature controls will be enforced.

If you have a refrigeration fault and the milk temperature is 18.0°C or less up to three hours into your collection window or 14.0°C or less at any other time, Fonterra will typically:
• check availability in the collection schedule to determine whether we can accommodate your request;
• try to collect your milk at the earliest possible time achievable based on tanker schedules. This milk is required to meet the requirements in the Ministry for Primary Industries’ Code of Practice 1: Design and Operation of Farm Dairies and Dairy Products Criteria 2: Animal Products (Dairy): Approved Criteria for Farm Dairies.

Fonterra will not collect milk with a temperature:
• greater than 18.0°C unless you are still milking into a vat that was empty at the start of that milking; or
• greater than 14.0°C three hours after the end of your milking window.

If Fonterra pumps milk into the tanker and then discovers it does not meet these temperature...
requirements it can reject the milk and refuse to collect the remainder of the milk in the vat. In any such case it will consider that milk to have not been supplied. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17).

7.11 TRANSFERRING SUPPLY
You cannot transfer your right to supply milk to Fonterra to anyone else because it is personal to you. If you intend to sell or otherwise transfer your interest in any farm that supplies milk to Fonterra you are required to notify Fonterra as soon as you commit to sell or transfer your interest.

7.12 NEW APPLICANTS
Farms already supplying Fonterra
If you are a new applicant from a farm that already supplies Fonterra, you need to complete Fonterra’s Application to Supply Form (available from www.fonterra.com or the Services Team) and meet the requirements in the Constitution, this Handbook and the Dairy Industry Restructuring Act 2001.

Dry farm conversions, established farms returning to Fonterra and farms supplying Fonterra for the first time
If you are a new applicant from a dry farm conversion, or from an established farm that has previously supplied Fonterra, or from an established farm that has not previously supplied Fonterra, you are required to complete Fonterra’s Application to Supply – Dry Farm Conversion Form (available from your local Area Manager) and meet the requirements in the Constitution, this Handbook and the Dairy Industry Restructuring Act 2001.

In each case, you are required to register any newly formed herd with National Animal Identification and Tracing (NAIT) and TBfree NZ as soon as it is formed.
7.13 FORCE MAJEURE

A force majeure event is any event that affects Fonterra’s ability to perform and is beyond the reasonable control of Fonterra, and includes damage to, or destruction of, Fonterra’s processing plants, strikes, processing or transport difficulties, flooding, earthquake, government/regulatory intervention and other acts of God.

If a force majeure event occurs:

- Fonterra may, at its discretion, determine which farms are impacted by such an event;
- if you are impacted, Fonterra may need to delay collection of your milk or can decide not to collect your milk if it would be impractical to collect your milk or, if Fonterra has already collected your milk, not to process your milk;
- Fonterra will pay you for the milk it would have collected from you if the force majeure event had not occurred in accordance with Section 9, as adjusted below, unless:
  - you caused the event;
  - you made it worse;
  - you could have done something to prevent it; or
  - Fonterra, under these terms (other than this Clause 7.13), is entitled to suspend or stop collection of your milk or you are not permitted to supply that milk;
- if we ask you to adjust your farming practices (which may include drying your herd off, moving to once-a-day milking or reducing feed inputs to manage volume down) to assist our management of the force majeure event then you are required to promptly do so and reduce any costs to the extent you are reasonably able to do so. The price paid by Fonterra under this clause will be reduced by those reasonable cost reductions. In these circumstances you will consider the reasonable requests and advice of Fonterra in relation to your farming practices and potential cost reductions and promptly provide information reasonably requested by Fonterra in relation to them;
- you are responsible for disposing of any milk that Fonterra does not collect from you (Fonterra will not meet any costs of disposal or any other costs or losses you have). You cannot present this milk again for collection (see Clauses 8.16 and 8.17); and
- where Fonterra delays collection of your milk, and you receive demerit points in relation to that milk, you may ask Fonterra to review these demerits where they have arisen due to the force majeure event.
7.14 NOTICE OF CESSATION OF SUPPLY

Under the Terms of Supply, if you wish to cease supplying your milk to Fonterra then you are required to apply to Fonterra for permission. You are required to:

• make your application in writing to Fonterra;
• make your application no later than three months before the commencement of the season in which the cessation will occur; and
• specify in your application the date on which you intend to cease the supply to Fonterra.

If you are in a Transition Period (as defined in the Constitution) for achieving compliance with the share standard, the Constitution provides that you are required to supply milk throughout the Transition Period.

If you breach these requirements, the Co-operative will suffer loss and you agree to pay to Fonterra by way of liquidated damages the sum calculated in accordance with the following formula::

• Liquidated damages = $1 x kgMS lost.

Where:
If you cease supply before 1 March in a season:

• kgMS lost = kgMS forecast – kgMS supplied season to date.

If you cease supply on or after 1 March in a season:

• kgMS lost = (kgMS forecast – kgMS supplied season to date) + kgMS forecast next season.

And:

• kgMS forecast = the quantity of milk solids supplied by you to Fonterra in the season that immediately preceded the season in which you cease supply or, if greater, the quantity of milk solids you have forecast to supply in the season during which you cease supply;
• kgMS supplied season to date = the quantity of milk solids you supplied to Fonterra (if any) in the season during which you ceased supply;
• kgMS forecast next season = the quantity of milk solids you have forecast to supply to Fonterra in the season following the season during which you cease supply or, if you did not provide such a forecast, the greater of the quantity of milk solids you supplied in the season during which you cease supply and the quantity you supplied in the season that immediately preceded the season in which you cease supply.

You acknowledge that this is a reasonable pre-estimation of the loss that Fonterra would suffer as a result of your failure to meet the supply cessation notice requirements. Fonterra is entitled to set off any amounts you owe to Fonterra under this clause in the same manner as any other amounts owed to Fonterra by you under Section 9 of this Handbook or otherwise.

ADDITIONAL INFORMATION

www.nzfarmsource.co.nz
Ministry for Primary Industries
www.mpi.co.nz
8. MILK QUALITY AND TESTING

Fonterra farmers play a critical role in the quality of the dairy products we manufacture. The quality of our farmers’ milk has been increasing year on year, evident by a rising number of farmers reaching grade free and reductions in average somatic cell counts.

The milk supplied by you must meet the food safety and quality standards of Fonterra, New Zealand’s government, the government authority of each overseas country we export to, and our individual customers in those countries.

Many customers have very detailed acceptance specifications so they can provide their customers with traceability.

We need to provide assurance that all milk is fit for purpose – safe, suitable and truthfully labelled.

Fonterra’s Risk Management Programme is a New Zealand Government-approved programme that is required in order for Fonterra to meet government requirements. This section includes the milk safety and quality requirements contained within the Risk Management Programme and is a translation of regulatory and market access requirements into practical on-farm standards and requirements.

To ensure we maintain our high quality milk products we set quality standards, monitor, sample and test your milk, notify you of any quality and safety issues, and assist you to address any issues that arise.

Typically farmers with high-quality milk:
• produce bactoscan results of less than 3,000 (cfu/ml). Achieving a very low bactoscan is an indicator of a very clean milk machine/vat and good milk cooling;
• have a monthly average Somatic Cell Count (SCC) of less than 100,000 cells per ml; and
• present milk that is free of grades and any residues.

Our Food Safety support programmes give you access to advice and support on milk quality, mastitis, residue management and temporary water exclusion.

Residue testing of milk has identified that some teat sprays can cause positive residue tests, if the concentration of the teat spray, or the volume applied to teats, is not actively managed.

We recommend you:
• use a teat spray mix at the lowest concentration rates according to the label throughout the year that is iodine-based or chlorhexidine-based (usually 1:9 for iodine teat sprays);
• add extra emollient during times of adverse weather to maintain teat condition or to improve teats that are in poor condition;
• apply 15 to 20mls per cow per milking of the mixed product;
• adjust your automatic spray equipment to optimise teat spray application;
• ensure farm staff are trained in correct mixing and application procedures; and
• pre-mix teat spray before putting it into teat spray tank.

Additional information about teat spray mix and use is available in your Dairy Diary.

8.1 MILK QUALITY REGULATIONS
You are required to meet the following:
• Animal Products Act 1999;
• Animal Products (Dairy) Regulations 2005;
• The Ministry for Primary Industries’ Specifications and Approved Criteria;
• The Ministry for Primary Industries’ New Zealand Code of Practice 1: Design and Operation of Farm Dairies;
• The Ministry for Primary Industries’ Dairy Products Criteria 2: Animal Products (Dairy): Approved Criteria for Farm Dairies; and
• Agricultural Compounds and Veterinary Medicines Act 1997.
8.2 MILK QUALITY
You are required to:
• ensure the milk you supply meets Fonterra’s quality standards;
• meet the requirements of Fonterra’s Risk Management Programme, which is generally covered by this Handbook and Sections 7 and 8 of the Farm Dairy and Environmental Assessment;
• ensure your farm dairy meets the standards required to process a food product;
• follow (and keep legible records of) systems and procedures that ensure your milk is not affected or contaminated by microorganisms, inhibitory substances, residues, water, disease or foreign matter (e.g. glass, toxins or anything else that might taint your milk in any way);
• in accordance with the manufacturer’s instructions ensure animals cannot gain access to pasture or feeds sprayed with herbicide or pesticide; and
• contact your Regional Food Safety Manager or Farm Dairy Assessor, or phone the Services Team if you:
  - have any questions relating to milk quality;
  - have any concerns relating to incidents on-farm that may have impacted the milk;
  - need any help in relation to milk quality.

8.3 MILK QUALITY RECORDS
You are required to keep a number of records for a minimum period of four years so Fonterra can meet its food safety obligations. These records are required to be legible and readily available during your farm dairy inspection and when requested by Fonterra.

Under the Animal Products Act 1999 you are required to complete your milk quality records and provide them on request. If these are not provided Fonterra may suspend milk collection until the records are provided. If Fonterra suspends collection of your milk you are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17).

These records include:
• monthly plant inspections;
• records required by the Ministry for Primary Industries’ Dairy Products Criteria 2: Animal Products (Dairy): Approved Criteria for Farm Dairies relating to milk cooling, animal health, farm dairy water and raw milk acceptance, and your Farm Dairy and Environmental Assessment;
• records of milk from diseased animals that has been withheld (regardless of whether treatment has occurred);
• records of veterinary medicines administered;
• records of veterinarian consultation documents outlining which drugs you can purchase and use;
• veterinarian treatment documents;
• veterinarian documentation relating to any inductions;
• records of milk harvester health and training;
• records of any disposal of unsafe or suspect milk;
• farm dairy water quality records;
• all details of feed brought onto your property including feed declarations; and
• any other records Fonterra requires that you keep from time to time.

8.4 QUALITY MANAGEMENT SYSTEM
You are required to:
• display in the farm dairy your procedures for cleaning the milking plant and milk vats;
• document other procedures as detailed in the mandatory section of the Dairy Diary; and
• maintain the records referred to in Clause 8.3.

If you do not have a quality management system that meets Fonterra’s assessment standards, Fonterra will continue to assess you at monthly intervals, applying a charge of $200 plus GST per monthly assessment, until you have a quality management system that meets Fonterra’s assessment standards.
If you refuse to implement or follow a quality management system, Fonterra can give you notice that it will not collect your milk or has suspended collection of your milk, and as a result you will be considered to have not supplied that milk. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17).

For more information on how to set up a quality management system, please call the Services Team.

**8.5 MILK QUALITY STANDARDS**

**Fonterra will:**
- test all milk or milk components you supply as it considers appropriate and determine the standard of your milk;
- determine whether to pay you a premium, or allowance, or make any payment deductions for milk supplied based on a grading system for milk or milk components; and
- allocate demerit points for quality defects detected in your milk.

The details of Fonterra’s demerit point scheme are set out in Clause 8.7. A table of the standards of milk or milk components, and demerit points or payment deductions for each standard, can be found on Table 4 (pages 82-85) and the effect of demerit points on your milk payments is set out in Table 6 (page 88).

Fonterra can update these tables at any time and will publish any updated tables on the Farm Source website and in Farm Source magazine.

**8.6 TESTING**

**Fonterra will:**
- test samples of your milk for quality on the day after collection. Fonterra may change the frequency of tests during known risk periods such as in the early season and when poor grading is evident;
- advise you of the standard of the milk you have supplied on your milk docket. If you do not get your milk docket, please call the Services Team;
- operate an automated phone-based system that you can use to find out if your milk did not meet the quality standards. This system will provide you with your results either:
  - by phone between 5.30pm and 8.30pm; or
  - by fax before 9.00pm.
(Please call the Services Team to arrange access to this system);
- operate a text messaging system that will enable you to receive the milk quality results via text message delivered as soon as the results are received from the testing laboratory. You can arrange to receive text alerts on the Farm Source website or call the Services Team;
- make your milk test results available online through the Farm Source website or the app;
- apply the rules set out in Clause 8.19 to your milk quality; and
- if your milk has a quality defect, conduct follow-up tests on your milk until you have three clear tests in a row, or until Fonterra determines it no longer needs to carry out these tests.

Fonterra uses independent accredited laboratories to test your milk samples. Fonterra will treat these test results as accurate unless you can prove to Fonterra that the test results are inaccurate or defective in some way.
8.7 DEMERIT POINT SCHEME

Under the demerit point scheme:

- you are responsible for the quality of the milk you supply to Fonterra;
- you receive demerit points depending on the results of your milk quality tests as set out in Table 4 (pages 82-85);
- you incur a deduction from payments, as set out in Table 6 (page 88).

Generally, one demerit point on any collection day (i.e. generally the period between 6am and 5.59am the following day) will mean a payment deduction equal to 5 per cent of the opening forecast milk price for the season from payments made for milk collected on that day;

- a maximum of 12 demerit points can be imposed on you in any one collection day, except:
  - if you incur demerit points for an inhibitory substance;
  - if you incur demerit points for bactoscan, thermoduric or aflatoxin;
  - if you supply reject milk;
  - if you have a rolling two-month geometric mean above 400,000 somatic cells/ml at the end of any month, and collections above 400,000 cells/ml in the third month (month 5) following that;
  - if you supply milk having a somatic cell count above 700,000 somatic cells/ml;
  - if you incur demerit points in the first 10 days of supply in a season or the first 10 days of supply after a minimum two-week dry period during a season. In this case, any demerit points imposed are doubled, up to a maximum of 20 demerit points for a collection day. This deduction is imposed because there is an increased risk of poor quality milk being supplied to Fonterra at the start of supply in a season;
  - you do not incur a payment deduction for the first two days in each month that your milk tests positive for a quality defect that incurs two demerit points or less. This means the grade determined from Table 4 (pages 82-85) will remain in place, but no deduction on the basis set out in Table 6 (page 88) will be made.
  - if you receive professional help from a Fonterra-approved service provider to solve milk quality problems, Fonterra can refund a maximum of the deduction made in accordance with Table 6 (page 88) for the demerit points relating to that grade to help cover the cost of that help;
- please note this refund is based on the cost of the professional advice you receive and not on the cost of repairs to your equipment, consumables purchased to resolve the grading issue, or herd testing fees;
- for mastitis work conducted by accredited veterinarians the veterinarian who has provided the service is required to be on the industry approved list at the time the work was completed in order for this to qualify for a refund of demerit deductions. You will need to provide a copy of the paid invoice from the accredited veterinarian to Fonterra and the veterinarian is required to upload their assessment of your herd and the report to the mastitis support database before you receive this refund.

For information on maximum demerit points please refer to Table 4 (pages 82-85).

Demerit points do not limit any other liability you may have if you supply milk that has a defect (refer to Clause 8.18). Your liability for any losses to Fonterra under the demerit point scheme is limited to an amount equal to 15 per cent of your total milk payments in the season in which the demerit points occurred.
Fonterra will:

- if you have 25 bacterial grading days or more in a season, charge you an additional $600 plus GST fee. This fee covers the additional costs incurred to monitor and manage poor quality milk;
- if you have 35 bacterial grading days or more in a season, determine whether or not to stop your milk collection, and as a result you will be considered to have not supplied that milk until it is satisfied that any problems have been fixed and suitable measures are in place to prevent further issues with grading.

If Fonterra suspends collection of your milk you are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17).

Milk tests that will be counted as grading days are bactoscan, coliforms and thermoduric.

8.8 INHIBITORY SUBSTANCES

Fonterra may screen your milk for inhibitory substance residues at any time during the season. It will only report inhibitory substance results to you if the result is positive. If the result is negative, Fonterra will notify you in your next payment statement.

Fonterra also screens all tanker loads of milk prior to delivery for further processing. If a tanker load of milk is found to be positive for an inhibitory substance and that milk is disposed of, all farmers that have been collected on the load will be identified and tested by MilkTestNZ for inhibitory substances.

**If you are found to be the cause of the inhibitory substance contamination you:**

- will incur demerit points against your collection on the day concerned in accordance with the demerit points scheme (see Clause 8.7); and
- will be required to pay the full value of the disposed milk (including the milk of all other farmers collected on the load), including collection costs and any premiums paid.

You may also be liable for liquidated damages under Clause 8.18.

If more than one farmer collected on a load is found to be positive for an inhibitory substance, all will incur demerit points and will share (on a fair and reasonable basis determined by Fonterra in the circumstances) the cost of compensating for the value of milk disposed of, collection costs, premiums paid and any liquidated damages.

If your milk has a positive inhibitory substance result Fonterra will suspend further collection from you. You will be required to dispose of uncollected milk at your own cost. You will be considered to have not supplied that milk. It cannot be presented again for collection (see Clauses 8.16 and 8.17).

Before Fonterra recommences collections your milk will be tested and you are required to have a negative result for inhibitory substance residues. You will be responsible for the cost of this additional testing.

**You are required to call the Services Team and also secure the vat from collection using an approved vat lock if you think your milk contains inhibitory substance residue.** If you do this prior to collection, Fonterra may be able to assess whether or not your milk poses a quality risk.

You can also try to arrange for testing of the milk before Fonterra is due to collect it. This will also help Fonterra assess whether or not the milk poses a quality risk. This can be discussed with the Services Team when you call to advise of a potential inhibitory substance contamination.
If the milk is considered to be low risk, based on an appropriate on-farm test, and you decide to supply the milk and:

- the level of inhibitory substance in the sample is less than 0.003 IU/ml, no demerit points will be imposed;
- the level is 0.003 IU/ml or greater, six demerit points will be imposed, and:
  - you will be placed on daily testing for a period of six calendar months;
  - your procedures will be audited; and
  - you will not incur any audit or testing charges (unless such an event occurs more than once in a season).

If Fonterra considers the milk poses a quality risk, Fonterra will not collect that milk and as a result you will be considered to have not supplied that milk. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17). In this case:

- you will not be paid for this milk; and
- you can ask Fonterra to provide a letter for insurance purposes.

If, during a season, you have a positive inhibitory substance grade from random testing you are required to:

- pay an annual fee of $400 plus GST for daily inhibitory substance testing for 6 months (which Fonterra will carry out); and
- have an inhibitory substance audit carried out by an approved Farm Dairy Assessor.

If, during a season, you have:

- two or more positive inhibitory substance grades, Fonterra will visit your farm dairy at the start of the following season to check you have appropriate procedures in place to prevent inhibitory substance contamination. Fonterra is not required to inform you it will be making this visit. If Fonterra considers that your procedures are not up to standard, it will not collect your milk and as a result you will be considered to have not supplied that milk. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17);
- three or more positive inhibitory substance grades, you will be tested daily in the following season.

8.9 DDE/DDT RESIDUES
You:

- are required to ensure all DDE residues in milk are below 1.0mg DDE/kg milk fat. Fonterra can require testing of your farm for DDT and its metabolites and may impose a rule that it will only collect milk from a farm with a weighted average level in the soil of less than 0.7mg/kg for DDT and its metabolites;
- will incur a payment deduction for any milk supplied containing levels of DDE of 0.3 mg/kg milk fat and above from 1 June until 30 September and 0.5 mg/kg milk fat and above from 1 October until 31 May. The DDE payment deduction is additional to other liabilities and is not part of the demerit point scheme. A payment deduction of $3.50/mg DDE supplied is applied for all milligrams of DDE supplied above the relevant trigger level (see example):

If the milk is considered to be low risk, based on an appropriate on-farm test, and you decide to supply the milk:

- the level of inhibitory substance in the sample is less than 0.003 IU/ml, no demerit points will be imposed;
- the level is 0.003 IU/ml or greater, six demerit points will be imposed, and:
  - you will be placed on daily testing for a period of six calendar months;
  - your procedures will be audited; and
  - you will not incur any audit or testing charges (unless such an event occurs more than once in a season).

If Fonterra considers the milk poses a quality risk, Fonterra will not collect that milk and as a result you will be considered to have not supplied that milk. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17). In this case:

- you will not be paid for this milk; and
- you can ask Fonterra to provide a letter for insurance purposes.

If, during a season, you have a positive inhibitory substance grade from random testing you are required to:

- pay an annual fee of $400 plus GST for daily inhibitory substance testing for 6 months (which Fonterra will carry out); and
- have an inhibitory substance audit carried out by an approved Farm Dairy Assessor.

If, during a season, you have:

- two or more positive inhibitory substance grades, Fonterra will visit your farm dairy at the start of the following season to check you have appropriate procedures in place to prevent inhibitory substance contamination. Fonterra is not required to inform you it will be making this visit. If Fonterra considers that your procedures are not up to standard, it will not collect your milk and as a result you will be considered to have not supplied that milk. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17);
- three or more positive inhibitory substance grades, you will be tested daily in the following season.

8.9 DDE/DDT RESIDUES
You:

- are required to ensure all DDE residues in milk are below 1.0mg DDE/kg milk fat. Fonterra can require testing of your farm for DDT and its metabolites and may impose a rule that it will only collect milk from a farm with a weighted average level in the soil of less than 0.7mg/kg for DDT and its metabolites;
- will incur a payment deduction for any milk supplied containing levels of DDE of 0.3 mg/kg milk fat and above from 1 June until 30 September and 0.5 mg/kg milk fat and above from 1 October until 31 May. The DDE payment deduction is additional to other liabilities and is not part of the demerit point scheme. A payment deduction of $3.50/mg DDE supplied is applied for all milligrams of DDE supplied above the relevant trigger level (see example):
will need to dispose of milk at your own cost if your milk contains levels of 1.0 mg DDE/kg milk fat and above, and as a result you will be considered to have not supplied that milk. You cannot present that milk again for collection (see Clauses 8.16 and 8.17);

will be tested on a random basis if you have no record of DDE payment deductions;

will be tested under the DDE testing regime if you have a record of DDE payment deductions.

The DDE testing regime is as follows:

- all consignments of milk early in the season are tested;
- if you supply any milk with DDE residues in excess of the payment deduction trigger level at any time in a season, all milk collected from you will be tested; and
- if any test result indicates the level of DDE residues in your milk has dropped below the payment deduction trigger level, your milk will be tested on a random basis during the rest of the season.

DDE payment deductions will not exceed 20c/kgMS for milk supplied between 1 June and 30 November.

Fonterra may require you to complete a DDE management plan if you have tested over 0.3 mg/kg milk fat.

Fonterra will require you to complete a DDE management plan if you have tested over 0.45 mg/kg milk fat.

Additional information about DDE management plans is available from the Milk Sourcing Assurance & Advisory team.
8.10 MILKING PLANT AND VAT CLEANING (INCLUDING MANAGEMENT OF CLEANING RESIDUES)

As part of your regular cleaning process for your milking plant and vat, you are required to prevent all residual cleaning chemicals from entering the milk supply.

You are required to ensure:
- milking equipment is rinsed and cleaned immediately after use;
- the vat is rinsed as soon as possible after milk collection and is cleaned following correct CIP procedures before further use;
- the plant and vat are cleaned with an approved farm dairy detergent that is used in accordance with the manufacturer’s directions (contact your contract service provider or detergent supplier for advice);
- detergent and sanitiser residues are rinsed from the plant and vat prior to milking;
- you complete and follow the Milking Plant and Vat Cleaning section of the Dairy Diary;
- the water used to rinse your plant and vat following cleaning meets the water standard set out in Clause 8.11, or that steps are taken to make the water compliant:
  - water that does not meet requirements for E.coli only can be treated with an approved chlorine sanitiser (contact your detergent company or contract service provider for advice), or an appropriate treatment system such as UV, or ozone;
  - water that does not meet requirements for turbidity is required to be filtered before an appropriate treatment step is deployed, to remove suspended solids;
  - if you are unable to meet water standard requirements for rinsing your plant, you are required to dispose of an appropriate volume of the first milk through your plant in order to achieve detergent residue-free milk;
- the exterior of the milking equipment and vat is kept in a clean condition; and
- you keep an approved non-glass thermometer at the farm dairy for monitoring your plant cleaning temperatures.

Fonterra will:
- ensure you are supported (via our contracted service providers and/or your detergent supplier) with the correct advice in cleaning your plant and vat; and
- routinely test your milk for the presence of farm dairy detergent and sanitiser residues (which may include, but are not limited to quaternary ammonium compounds, poly quaternary ammonium compounds, iodine and peracetic acid) and apply demerits as set out in Table 4 (pages 82-85).
8.11 FARM DAIRY WATER
You are required to meet the requirements set out below to help Fonterra meet the Ministry for Primary Industries’ Dairy Products Criteria 2: Animal Products (Dairy): Approved Criteria for Farm Dairies.

You are required to:
• ensure your water meets the following standards:
  - turbidity: is required to be equivalent to no more than 5 NTU as measured on a SHMACK meter; and
  - E.Coli: is required to be absent per 100ml (tested every three years by an approved IANZ test method).
• complete a copy of Fonterra’s farm dairy water quality status checklist. Fonterra’s appointed assessor will keep the copy of the completed checklist;
• update your water quality status checklist every three years or when you make a significant change to your water supply;
• if the checklist shows a potential risk, prepare a temporary water exclusion plan approved by an assessor prior to implementation; and
• implement the temporary water exclusion plan approved by an assessor until your water meets the required standard.

Fonterra will:
• sample your farm dairy water at the point of use to determine if it meets water quality standards. If it does not, you are required to implement a temporary water exclusion plan approved by an assessor until your water meets the required standard;
• test your milk more stringently for the presence of added water, if your farm is on a water exclusion policy, and
• deduct a monthly charge of $100 plus GST from the milk payments to farmers on a temporary water exclusion plan to cover the cost of additional testing and monitoring. The charge will start in the month that you come on to, and cease in the month that you go off, a water exclusion policy.

While temporary water exclusion is available, it is only a temporary measure to allow you time to make the necessary improvements to your water supply to meet the required water standard.

8.12 LAND FARMING
You are not permitted to feed any material to your lactating animals that:
• was grown or harvested on land used for land farming (that is where petrochemical drilling cuttings or waste have been reincorporated into the soil within the first metre of soil) except where that land was part of a farm that supplied milk to Fonterra during the 2012/13 season and either:
  - that land had been land farmed during or before the 2012/13 season; or
  - that land was land farmed on or after 1 June 2013 pursuant to a resource consent granted before 1 June 2013 (and if so you are required to notify Fonterra of land farming operations under such resource consents as they occur).

If you supply milk to Fonterra from land that has been land farmed (as permitted by this clause) you are still required to meet all the milk quality requirements.

Refer to Clause 8.13 for documentation requirements for brought-in feed.
8.13 ANIMAL FEED
Palm Kernel Extract (PKE):
If you use PKE as animal feed we recommend a maximum of 3kg per cow per day and these guidelines are voluntary.

You are not permitted to feed any material to your lactating animals that:
- was grown on land irrigated or treated with human waste water that has not been treated in accordance with the ‘Californian Standard – title 22’ (available from the Milk Sourcing Assurance & Advisory or Sustainable Dairying Teams);
- was grown on land treated with sewage sludge derived from the treatment of human waste; or
- was grown on land treated with waste from tanneries and pulp and paper mills; unless the waste has been treated by a process that ensures potential hazards are reduced to an acceptable level and that process is documented in a management plan and has been evaluated and confirmed in writing by Fonterra to be fit for purpose.

You are not permitted to feed animals any material that:
- may contaminate milk with toxins, residues or any other harmful substance;
- was grown on land irrigated or treated with meat waste (or contains ruminant protein), unless you hold a management plan that complies with the requirements of the Biosecurity (Ruminant Protein) Regulations 1999, which has been evaluated and approved in writing by Fonterra to be fit for purpose.

Any industrial or commercial waste, or human waste water, can only be applied to land used for dairy feed and grazing:
- if Fonterra has been advised;
- if Fonterra has given its written approval to your management plan, which must:
  - identify potential hazards and mitigating actions to reduce the risks to milk safety, milk quality and animal health and welfare; and
  - set out the records that will be kept (which as a minimum include type of waste, area of application and quantities) and the time periods those records will be kept; and
- in accordance with the requirements of the local Regional Council.

Any industrial or commercial waste applied to land on, or from, which your animals feed is required to be declared at the time of your Farm Dairy and Environmental Assessment. Depending on the type of waste, Fonterra may require, and you are required to provide, further information in order to assess any food safety risk.

If it is determined that an animal feed is unsuitable for its intended use and may pose a risk to food safety or biosecurity:
- you are required to immediately meet any request to cease feeding the identified animal feed or grazing the specified land;
- a milk withholding period may be applied; and
- you may be liable for liquidated damages under Clause 8.18.
8.14 AFLATOXIN TESTING
Aflatoxin can be detected in dairy products due to animal consumption of aflatoxin B1-contaminated feed. Aflatoxin are heat-stable toxins produced by fungi and are a risk associated with the feeding of Copra or other feeds that may have been improperly stored. Fonterra will test random tanker-load samples each week. If a tanker load is found to have elevated levels of aflatoxin then all farmers on the tanker run will be tested for aflatoxin. If your milk contains aflatoxin then you will incur demerit points against your collection in accordance with the demerit points scheme. You may also be liable for liquidated damages under Clause 8.18.

Where your aflatoxin result exceeds 25 ppt, Fonterra may suspend collections immediately and as a result you will be considered to have not supplied that milk. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17). Testing prior to collection will be required to continue supplying Fonterra. All sampling and testing costs to clear supply for collection will be your responsibility.

8.15 REJECT MILK
You are not permitted to supply milk to Fonterra that:

- is from any animal infected by a clinical disease communicable to humans, such as leptospirosis, salmonellosis or tuberculosis;
- is from any animal suffering from conditions such as severe weight loss, severe injury or fever;
- is from an animal within eight milkings of calving unless special arrangements have been made for you to supply colostrum to Fonterra;
- contains any inhibitory substance, chemical residue or any other substance that could compromise food safety;
- fails an organoleptic assessment (senses test);
- contains any foreign matter or has water added to it;
- has in any way been adulterated or tampered with;
- has been harvested by any person with a communicable or notifiable disease;
- has deteriorated due to inadequate cooling;
- exceeds 18.0°C up to three hours into your collection window or 14.0°C at any other time;
- has not been continuously agitated in vat; or
- has previously been rejected by Fonterra (see Clause 8.16).

You are required to:

- obtain a vendor declaration of feed being fit for purpose and keep this document for your own protection, and to give adequate traceability, should an issue arise; or
- arrange for a risk assessment to be completed, at your own cost, by someone approved by Fonterra.
You are required to:

• tell the Services Team as soon as possible if you suspect the milk in your vat may not meet the requirements above;
• secure the vat from collection with an approved vat lock;
• tell the Services Team as soon as possible if you find out after your milk has been collected that the milk does not or may not meet these conditions or may compromise food safety; and
• dispose of milk at your own cost if any of the categories above apply to your milk.

Fonterra can reject milk either before or after it has been collected and will not pay for rejected milk. If your milk is rejected you will be considered to have not supplied that milk. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17).

8.16 PREVIOUSLY REJECTED MILK PRESENTED AGAIN FOR COLLECTION

Fonterra will let you, your sharemilker or a delegated contact know if milk presented for collection has been rejected in accordance with the Terms of Supply and is not to be presented again for collection.

If milk previously rejected is presented again for collection Fonterra will:

• not pay for the re-presented milk or for any milk collected with it;
• impose demerit points depending on the results of milk quality tests; and
• charge you for all losses, costs and damages incurred or suffered by Fonterra.

As a minimum, Fonterra can charge you $1,600 plus GST by way of liquidated damages (to meet the costs of tracking, tracing and testing product and managing the regulatory processes associated with the processing of milk not intended for collection).

Failing to respond or answer queries (normally via phone) within 12 hours to discuss where milk may have been presented again will result in the immediate suspension of collection. This clause supports the requirement to report failures through to the Ministry for Primary Industries within the required time period.

8.17 MILK DISPOSAL

You are required to meet your local Regional Council requirements when disposing of milk. As part of your quality management system on-farm, you are required to have a documented milk disposal plan in case you need to dispose of milk.

8.18 MAJOR DEFECTS AND LIQUIDATED DAMAGES

If you supply milk that does not meet the Terms of Supply, Fonterra will, if practical, provide you with a copy of the test results for any milk it rejects. If you do not agree with Fonterra’s test results, you will need to prove to Fonterra that your milk did not have a defect when it passed into the tanker.

In addition and by way of liquidated damages Fonterra can:

• if it has to dispose of the tanker load of milk from the tanker that collected your milk or a factory vat of milk into which your milk was discharged, require you to pay the full value of the disposed milk, including collection costs and any premiums paid, tanker cleaning costs and any disposal costs;
• if it has to put final product on hold due to non-complying milk being collected from your farm, require you to pay the full value of storage (at the rate of $30 plus GST per tonne per day), additional laboratory testing costs and additional labour costs (at a rate of $50 plus GST per hour) incurred while tracing and clearing the product;
• if final product is affected by the non-complying milk collected from your farm, require you to reimburse Fonterra for the shortfall in realisable value of the affected product.

In any event, your liability for liquidated damages for any losses (other than under the demerit point scheme outlined in Clause 8.7) to Fonterra in failing to supply milk that meets the Terms of Supply due to your actions or inaction, is limited to $300,000 plus GST per season.

8.19 NON-CONTRACTED MILK SUPPLIED BETWEEN 1 JUNE AND 15 JULY
Milk supplied between 1 June and 15 July that is not supplied under a winter milk contract is subject to the following requirements:
• if seven grading days are reached during this period then no further winter premium payments will be made and a transport charge may apply; and
• if 12 grading days are reached in this period then collections may be suspended until milk can be demonstrated as being fit for its purpose.

Milk tests that will be counted as grading days are: bactoscan, coliforms, thermoduric, somatic cell count, senses, aflatoxin and inhibitory substances.

8.20 GEOMETRIC MEANS MONITORING AND MANAGEMENT
An increasing number of countries require Fonterra to monitor milk quality performance using geometric means. Where permitted levels are exceeded, milk collection will be suspended until corrective action is taken and levels return to normal.

To meet export requirements Fonterra has the following quality standards:
• if you have a rolling two-month geometric mean above 50,000 cfu/ml APC equivalent (Bactoscan C or worse) at the end of any month, Fonterra will advise you in writing that you are required to reduce the Bactoscan level to below 50,000 cfu/ml APC equivalent within the following two months. If the Bactoscan level for the last two months (month 3 and 4) has a geometric mean above 50,000 cfu/ml, Fonterra will not collect your milk, and as a result you will be considered to have not supplied that milk, until you provide evidence to Fonterra that your milk has a Bactoscan level of less than 50,000 cfu/ml for a ten day period. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17).
• If you have a rolling two-month geometric mean above 500 cfu/ml Coliform at the end of any month, Fonterra will advise you in writing that you are required to reduce the Coliform level to below 500 cfu/ml within the following two months. If the Coliform level for the last two months (month 3 and 4) has a geometric mean above 500 cfu/ml, Fonterra will not collect your milk, and as a result you will be considered to have not supplied that milk, until you provide evidence to Fonterra that your milk has a Coliform level of less than 500 cfu/ml for a ten day period. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see clauses 8.16 and 8.17).
• if you have a rolling two-month geometric mean above 400,000 somatic cells/ml at the end of any month, Fonterra will advise you in writing that you are required to reduce your somatic cell count to less than 400,000
cells/ml within the following three months. If your somatic cell count geometric mean for the last month (month 5) is above 400,000 cells/ml, Fonterra will not collect your milk, and as a result you will be considered to have not supplied that milk, until you provide evidence that your milk is below 300,000 cells/ml for a five-day period, or 350,000 cells/ml for a 10-day period. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17);

- if you have a rolling two-month geometric mean above 400,000 somatic cells/ml at the end of any month, collections above 400,000 cells/ml in the second (month 4) and third (month 5) months following that will incur an increase in the daily somatic cell count demerit points as set out in Table 4 (pages 82-85).

- If you have a rolling two-month geometric mean above 400,000 somatic cells/ml at the end of any month, you are required to complete a farm dairy assessor mastitis investigation. Fonterra will provide an approved Farm Dairy Assessor to carry out the investigation;

- if you have a rolling two-month geometric mean above 400,000 somatic cells/ml at the end of any month, and the following month (month 3) is above 400,000 cells/ml, you are required to complete a veterinarian mastitis investigation by an approved accredited veterinarian. Fonterra will provide demerit relief for this investigation up to the value of the demerits incurred for the period
contributing to the grading situation. Should the cost of the investigation exceed the value of demerit relief available, you are required to meet the difference;

- if you have a rolling two-month geometric mean above 100,000 cfu/ml APC equivalent (bactoscan D or worse) at the end of any month, Fonterra will advise you in writing that you are required to reduce the bactoscan level to below 100,000 cfu/ml APC equivalent within the following two months. If the bactoscan level for the last month (month 4) has an average above 100,000 cfu/ml, Fonterra will not collect your milk, and as a result you will be considered to have not supplied that milk, until you prove to Fonterra that the milk has a bactoscan level of less than 100,000 cfu/ml. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17); and

- if your average somatic cell count is above 400,000 somatic cells/ml for any one month, Fonterra will ask you to explain how you intend to reduce your somatic cell count.

Following two consecutive somatic cell count results above 700,000 somatic cells/ml, collection will be suspended until it is shown to be less than 500,000 cells/ml. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.16 and 8.17).

8.21 MILK QUALITY TRAINING
To reduce the risk of incurring quality grades, milk quality training is available through Primary ITO. This training has been developed in conjunction with Fonterra.

The Licence to Milk programme enables your entire milking team to be trained together giving them a better understanding of why they should do things a particular way and how to apply the skills they learn directly to their day-to-day milking processes.

There are two stages to the programme. Stage One is a five-hour workshop that provides training for milk harvesters, managers and owners. Stage Two is an additional session for milking supervisors, farm managers and owners who have completed the Stage One workshop and has an emphasis on training and supervising staff in the on-farm dairy.

For more information please contact Primary ITO on 0800 20 80 20.

ADDITIONAL INFORMATION
www.nzfarmsource.co.nz
Fonterra Dairy Diary

Fonterra Support Information
- Food Safety – Risk Management Programme
- Bactoscan Test
- Freezing Point
- Coliforms
- Thermoduric
- Senses Test
- Inhibitory Substance Test
- Teat Spraying
- Milk Collection Temperature
- Filtration
- Calf Milk
- Detergent Rinsing
- Temporary Water Exclusion
- Rubber Matting – Guidelines for installing rubber matting in farm dairies
- Milk Quality Support Brochure
- Mastitis Support Brochure

Ministry for Primary Industries
www.mpi.co.nz
9. PAYMENT AND FARMERS’ ACCOUNTS

9.1 MILK PAYMENT MECHANISM

Fonterra will:
• 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 Fonterra cannot obtain a sample suitable for measuring milk fat and protein, then it will decide an appropriate average composition to work out your payment;
• pay you for raw milk supplied by you as a shareholding farmer according to the formula:

\[ a + b +/- c \]

where:
\[ a = \text{cents per kilogram of the milk fat component contained in the milk supplied by you;} \]
\[ b = \text{cents per kilogram of the protein component contained in the milk supplied by you;} \]
\[ c = \text{volume adjustment in cents per litre of raw milk supplied by you.} \]

The total payment to you for raw milk supplied by you (including cents per kilogram paid for milk fat and protein) is determined by the Board under the Constitution.
• make a Capacity Adjustment payment for milk solids supplied in the months of June, July, August, January, February, March, April and May.

The amount of the Capacity Adjustment payment will be determined by the Board based on the cost to Fonterra of installing an additional litre of processing capacity;
• set:
  - interim credits for the protein and milk fat components of the milk price;
  - the estimated average protein and milk fat components of all milk supplied by all farmers; and
  - the estimated average milk solids percentage content for all milk supplied by all farmers.

9.2 INTERIM CREDITS AND FINAL CREDIT

Fonterra may:
• decide at any time during a season to set and credit interim credits to your account as part payment for milk supplied during that season;
• vary credits at any time during the season. The credits will apply to all milk supplied in the season unless Fonterra decides otherwise;
• determine the final milk price for a season using the price for each component of milk, the volume adjustment and the actual milk solids content of all milk supplied to Fonterra in that season. If the final payout is:
- more than the total interim credits paid to you, Fonterra will make a final payment to you so the total of the interim and final credits will be equal to the final milk price. Fonterra decides when to make this final payment, but it is usually made three months after the end of the Fonterra financial year; or
- less than the total interim credits paid to you, you are required to refund the difference between the total of the interim credits and the final price. That amount will be a debt you owe to Fonterra.

9.3 GST
Fonterra will:
- add GST to your milk payment as long as you provide Fonterra with the following information at least 15 working days before payment - otherwise payment for milk is inclusive of goods and service tax (GST), as is required by the Goods and Services Tax Act 1985 (GST Act):
  - your legal name (that is registered for GST);
  - your GST number; and
  - any other information Fonterra needs to enable the lawful payment of GST.
- add GST to a sharemilker’s share of the milk payment (excluding GST) and deduct the same amount of GST from your payment if:
  - you give Fonterra the information about you set out above;
  - you or your sharemilker provides Fonterra with the following information at least 15 working days before payment is due:
    a) the legal name of the sharemilker (that is registered for GST);
    b) the sharemilker’s GST number;
    c) a warranty that the sharemilker is registered for GST;
    d) an indemnity to Fonterra against any losses and claims if any of the information supplied or held for GST purposes is incorrect; and
    e) any other information reasonably required by Fonterra to enable the lawful payment of GST.
If the above is not completed, Fonterra will not back pay GST to sharemilkers. You will need to resolve any GST issues directly with your sharemilker;
- issue a tax invoice that meets the requirements of the GST Act on behalf of you, or a buyer created tax invoice, for any transaction with Fonterra. You are not required to issue a tax invoice for any transaction with Fonterra unless Fonterra requests a tax invoice to be issued;
- not issue a tax invoice for the DairyNZ Levy. The Inland Revenue Department has approved an ‘accepted’ DairyNZ Levy transaction on your monthly statement as sufficient for you to claim GST. This can be found on the monthly deduction statement section of your monthly statement;
- decide whether or not to back pay GST for payments after the GST registration date if GST is not paid to you (for example, because you are waiting for GST registration) and you provide the following:
  - a copy of the GST registration date notice from the Inland Revenue Department; and
  - any other information Fonterra requires.
- seek approvals under the GST Act on your behalf, and act as your agent for GST purposes in relation to transactions with Fonterra or sharemilkers.
You will:
- warrant that you have provided the information set out above; and
- indemnify Fonterra against any losses and claims of Fonterra as your agent (including if any of the information supplied or held by Fonterra for GST purposes is incorrect).
9.4 DIVIDENDS
All Co-operative shares, including those held by the Custodian on trust for the benefit of the Fund, are eligible to receive a dividend if declared by the Board.

If a dividend is to be paid the Board will announce a dividend amount and set a record date for dividend entitlement.

Any dividend will be paid to shareholders holding shares on the specified record date.

9.5 CREDITS, DEBITS AND PAYMENT
Fonterra will:
- credit your Fonterra account after the end of each month with:
  - interim credits for the milk collected from you during the previous month, calculated according to the current interim price of the milk components, plus or minus any adjustments; or
  - if the interim price of the milk components has increased, any difference between the previous payments and the recalculated milk price;
- use any credit balance in your account to pay amounts that you owe to Fonterra or any of its related companies. Fonterra can do this by way of set-off or netting or otherwise, and this applies to amounts you owe in any capacity, on your own or jointly with another person and including, for the avoidance of doubt, in relation to shares issued to you or which you are or will be obliged to purchase. Fonterra will apply the same set-off or netting rules in respect of payments to sharemilkers;
- transfer, by direct credit to a bank account of your choice, any credit balance in your Fonterra farmer’s account at the end of each month by the end of the following month. You will need to give Fonterra the details of this account by the last day of the month so Fonterra can make this transfer;
- deduct the amount of any debit balance in your account at the end of each month from any future credit to your Fonterra farmer’s account unless you settle, in cash and in full, that debit balance before the last day of the following month;
- charge interest on outstanding debit balances at an interest rate fixed by Fonterra;
- deduct from any credit balance in your Fonterra account, any amounts it is legally required to deduct, including amounts payable to the Inland Revenue Department, by court order, or to DairyNZ; and
- deduct amounts payable to any authorised third parties or under bank orders signed by you or your sharemilkker.
Fonterra’s obligation to pay you interim and final payments for milk is an obligation to pay you a net amount after any deductions and/or set-offs have been made in accordance with the Terms of Supply.

9.6 USE OF ACCOUNT
Fonterra may:
- if you have more than one account with Fonterra or a related company, combine some or all of your accounts at any time. The combined accounts will be treated as if they had always been one account;
- apply all or any part of the credits or debits applying to your account to another account nominated by you;
- let you assign to any person any amount in your account, provided you first pay any amount you owe to Fonterra or a related company. Fonterra will not usually let you do this if, after the assignment, your account will have a debit balance. You indemnify Fonterra from any liability from the assignment. Fonterra can charge you an administration fee for setting up an assignment facility (whether one-off or periodic), or for modifying an existing assignment facility. The administration fee will be deducted from your account.

9.7 SECURITY INTEREST OVER ACCOUNT
You may only grant a security interest over amounts payable by Fonterra to you from your farmer’s account with the prior written permission of Fonterra. Fonterra has a procedure and documentation available that may be used as a condition of such consent, to govern Fonterra’s relationship with your secured creditor.
9.8 SHAREMILKERS AND CONTRACT MILKERS

You can ask Fonterra to act as your agent by crediting a percentage of your milk payments to the accounts of your sharemilker and/or contract milker.

However, please be aware that Fonterra does not have to agree to do so and can set any restrictions on the percentage and number of payments made to sharemilkers or contract milkers.

If Fonterra agrees to make payments to your sharemilker and/or contract milker, it is on the basis that when Fonterra pays and deals with a sharemilker or contract milker, Fonterra is acting as your agent, and is not acting in its own capacity. Payment to your sharemilker or contract milker does not limit, or in any way transfer, your obligations under the Terms of Supply. In particular, you remain responsible for demerit deductions and any fees, charges or other payments under this Handbook, including where your milk payments are insufficient to meet any such amount.

Fonterra cannot act as a mediator between you and a sharemilker or contract milker. **You are required to provide instructions to Fonterra in writing to:**

- set up payments to a sharemilker or contract milker;
- change payments to a sharemilker or contract milker;
- cancel any or all payments to a sharemilker or contract milker;
- pay any amount in dispute to a solicitor’s trust account; or
- make any other direction to Fonterra to act with respect to a sharemilker or contract milker.

If Fonterra does not receive instructions from you in writing in time to make any change before a payment run, Fonterra will pay the sharemilker or contract milker in accordance with your previous written instructions.

You are responsible for ensuring that any instructions you give Fonterra meet your obligations under your agreement with your sharemilker or contract milker, and all relevant laws and regulations.

9.9 DAIRYNZ

Fonterra will collect a levy on behalf of DairyNZ under the Milk Solids Levy Order. This levy is used to fund industry good activities. More information about DairyNZ can be found at [www.dairynz.co.nz](http://www.dairynz.co.nz).
10. ADMINISTRATION

This section provides helpful information about the administration side of your relationship with Fonterra.

10.1 YOUR INSTRUCTIONS TO FONTERRA

You are required to:

• give all instructions and notices to Fonterra in writing or in accordance with a procedure specified by Fonterra;

• ensure an attorney who signs an instruction or notice sends the power of attorney and a certificate of non-revocation to Fonterra; and

• give Fonterra any instructions to change your personal information (including bank accounts) by the end of the month to which the payment relates.

Fonterra may rely on a written instruction as the valid and binding instructions of the named shareholder, including where the instruction is signed or given by only one joint owner, one partner or one trustee or by a person for a company.

10.2 RECORDS

Fonterra will:

• keep records of your supply history and its relationship with you;

• treat its records (including its test results) as accurate unless you can prove to Fonterra that the records are inaccurate or defective in some way; and

• correct errors in its records.

10.3 YOUR PRIVACY

Fonterra will collect, use, store and disclose your personal information and, where appropriate, will allow its related companies to use your personal information for:

• business purposes;

• providing you with supplier services;

• collating company financial information;

• meeting its legal obligations;

• responding to enquiries from regulatory authorities;

• research;

• administering its relationship with you;

• facilitating Trading Among Farmers; and

• other purposes relating to the dairy industry.

All personal information is kept at the business premises of Fonterra. You can access and correct your personal information on the Fonterra Farm Source website or by phoning the Services Team.

Fonterra will not, however, disclose any information, that has been obtained from you for the purposes of Fonterra’s Environmental Programme that is specific to your farm, to any regulatory agency unless:

• you have provided further instructions to Fonterra to allow this information to be disclosed; or

• Fonterra is legally required to provide this information.
You agree that Fonterra (or any of its related companies) may:
- use your personal information and give that information to third parties for the purposes set out above; and
- make enquiries about you to third parties. You also agree to those third parties providing personal information about you to Fonterra.

These authorisations are for the benefit of Fonterra and its related companies and are enforceable by Fonterra’s related companies under the Contracts (Privacy) Act 1982.

10.4 CONFIDENTIAL INFORMATION ABOUT FONTERRA
You are not permitted to disclose any confidential information about Fonterra to anyone.

10.5 NO OBSTRUCTION
You are not permitted to obstruct, hinder or otherwise prevent Fonterra from meeting any of its legal obligations or from exercising any of its powers, and you are required to do all things reasonably necessary or desirable to ensure that Fonterra is able to meet its legal obligations.

10.6 DISPUTES
If you disagree with a decision made by Fonterra under the terms of supply, a three-stage process is available to achieve an effective resolution.

Each process is designed to achieve the quickest possible resolution and therefore you need to pursue each step, in an effort to achieve a satisfactory outcome, before escalating the issue to the next level.

Step 1. Shareholder Services Complaint and Feedback process:
- contact your local Area Manager, ring the Services Team on 0800 65 65 68, or log onto the Fonterra Farm Source website and raise a complaint through the ‘Contact Us’ section;
- provide full details of the complaint or feedback and the solution you would like to see;
- your complaint/feedback will be assigned to an appropriate person to follow through and they will be in touch with progress and a satisfactory resolution where possible.

Step 2. Co-operative Relations Committee review request:
- if you have exhausted all efforts to reach a satisfactory solution in Step 1, you may now request a review by the Fonterra Co-operative Relations Committee;
- a written complaint detailing the complaint/feedback and the steps already taken to achieve an effective resolution should be submitted via the Fonterra Farm Source website or in writing to:

Co-operative Relations Committee
Shareholder & Supplier Services
Fonterra Co-operative Group
Private Bag 92032
Auckland 1142
- the Committee may contact you for further details and advise a progress update as required;
- upon completion of the review the Committee will advise you of its decision.

Step 3. Milk Commissioner review:
- if you are still dissatisfied, you may then take your complaint to the Milk Commissioner;
- approach the Milk Commissioner with details of your complaint and the steps taken so far to resolve it, by writing to:

Mr Peter Radich
PO Box 842
Blenheim 7240
- the Milk Commissioner will ask the Co-operative Relations Committee to confirm your complaint has been through the above steps;
- if the complaint is within the Milk Commissioner’s jurisdiction, the Milk Commissioner will review the complaint in accordance with procedures and report back with his ruling.
<table>
<thead>
<tr>
<th>TEST</th>
<th>MINIMUM FREQUENCY</th>
<th>STANDARD</th>
<th>DEMERIT POINTS</th>
<th>NOTES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aflatoxin</strong></td>
<td>As required</td>
<td>Less than 10 ppt</td>
<td>0</td>
<td>An 'ALERT' will show on milk dockets where a &gt;10–14 ppt result is obtained. For levels greater than 25 ppt Fonterra may suspend collection immediately.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Less than 10–14 ppt</td>
<td>0</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>15–19 ppt</td>
<td>0</td>
<td>Testing will be required prior to collection restarting. You are required to pay all sampling and testing charges to clear supply for collection.</td>
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<td>20–24 ppt</td>
<td>2</td>
<td></td>
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<td>25–49 ppt</td>
<td>12</td>
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<td>50 ppt and above</td>
<td>40</td>
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<tr>
<td><strong>Bactoscan (Bscan)</strong></td>
<td>3 per month</td>
<td>APC Equivalent:</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>A+ Less than 10,000/ml</td>
<td>0</td>
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<td>A 10,000–19,999/ml</td>
<td>0</td>
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<tr>
<td></td>
<td></td>
<td>B 20,000–49,999/ml</td>
<td>0</td>
<td>An 'ALERT' will show on milk dockets where a B category result is obtained. C, D, E and F results may be further checked/investigated. Following two consecutive results of R category, supply may be suspended until it is shown to be a D category or better.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>C 50,000–99,999/ml</td>
<td>1</td>
<td>For geometric means requirements refer to section 8.20</td>
</tr>
<tr>
<td></td>
<td></td>
<td>D 100,000–199,999/ml</td>
<td>2</td>
<td></td>
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<td></td>
<td>E 200,000–499,999/ml</td>
<td>4</td>
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<td>F 500,000–2,999,999/ml</td>
<td>8</td>
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<td>R over 3,000,000/ml</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>TEST</td>
<td>MINIMUM FREQUENCY</td>
<td>STANDARD</td>
<td>DEMERIT POINTS</td>
<td>NOTES</td>
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<tr>
<td>Thermoduric Plate Count (Therm)</td>
<td>1 per month April–Oct plus 2 per month Nov–March inclusive</td>
<td>Less than 1,500/ml</td>
<td>0</td>
<td>An ‘ALERT’ will show on milk dockets for counts 500–1,499/ml inclusive. There will be 1 follow up result for a result above 1,200/ml</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,500–4,999/ml</td>
<td>1</td>
<td>‘THERM EARLY WARNING’ will appear for counts &gt;1,000/ml at 48 hours. Following two consecutive results above 60,000/ml supply may be suspended until it is shown to be less than 40,000/ml or better.</td>
</tr>
<tr>
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<td>5,000–9,999/ml</td>
<td>4</td>
<td></td>
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<td></td>
<td>10,000–59,999/ml</td>
<td>8</td>
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<td></td>
<td></td>
<td>60,000 and above</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Coliform Plate Count (Coli)</td>
<td>2 per month</td>
<td>Less than 499/ml</td>
<td>0</td>
<td>An ‘ALERT’ will show on the milk dockets for counts 300–499/ml inclusive.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>500–999/ml</td>
<td>1</td>
<td>For geometric means requirements refer to section 8.20</td>
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<tr>
<td></td>
<td></td>
<td>1,000–1,999/ml</td>
<td>2</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>2,000–3,999/ml</td>
<td>4</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>4,000 and above</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Organoleptic Assessment (Senses)</td>
<td>As required</td>
<td>Finest</td>
<td>0</td>
<td>As per Ministry for Primary Industries (MPI) laboratory standards.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Minor Defect</td>
<td>1</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Major Defect</td>
<td>3</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Serious Defect (includes Cress Taint)</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>TEST</td>
<td>MINIMUM FREQUENCY</td>
<td>STANDARD</td>
<td>DEMERIT POINTS</td>
<td>NOTES</td>
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<tr>
<td>Sediment (Sed)</td>
<td>As required</td>
<td>Category ABC</td>
<td>0</td>
<td>(Farmers should also refer to the relevant clauses in this Handbook)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Category D</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Colostrum</td>
<td>As required</td>
<td>1.35g/L or less</td>
<td>0</td>
<td>If notified and tested prior to collection: Less than 0.003 IU/ml – no demerits; 0.003 IU/ml or greater – 6 demerits.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Over 1.35g/L</td>
<td>4</td>
<td>Following a positive result, supply will be suspended until it is shown to be clear.</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>For any non-notified positive result, supply is placed on daily testing for 6 calendar months. There is a $400 charge for this testing.</td>
</tr>
<tr>
<td>Inhibitory Substances (I.S.)</td>
<td>Minimum 4 per month (testing frequency increased at times of risk)</td>
<td>Less than 0.003 IU/ml</td>
<td>0</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>0.003 - 0.006 IU/ml</td>
<td>12</td>
<td></td>
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<td></td>
<td></td>
<td>0.006 - 0.03 IU/ml</td>
<td>30</td>
<td></td>
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<td></td>
<td></td>
<td>0.03 IU/ml or greater</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Added water detected via Freezing Point (Fr.Pt.)</td>
<td>Daily computer scan on composition results.</td>
<td>Freezing Point: -0.513°C or lower</td>
<td>0</td>
<td>Where computer monitoring for excess water shows a problem the Freezing Point is checked on a cryoscope.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Freezing Point: -0.512°C to -0.470°C</td>
<td>1</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Freezing Point: -0.469°C or higher</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Somatic Cell Count (SCC)</td>
<td>Per consignment.</td>
<td>0–399,999 cells/ml</td>
<td>0</td>
<td>Following two consecutive results above 700,000 cells/ml, supply may be suspended until it is shown to be less than 500,000 cells/ml.</td>
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<tr>
<td></td>
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<td>400,000–499,999 cells/ml</td>
<td>1</td>
<td></td>
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<td></td>
<td></td>
<td>500,000–599,999 cells/ml</td>
<td>2</td>
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<td></td>
<td></td>
<td>600,000–699,999 cells/ml</td>
<td>6</td>
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<td></td>
<td></td>
<td>Over 700,000 cells/ml</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>TEST</td>
<td>MINIMUM FREQUENCY</td>
<td>STANDARD</td>
<td>DEMERIT POINTS</td>
<td>NOTES</td>
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</tr>
<tr>
<td><strong>Somatic Cell Count (SCC)</strong> applicable where a farmer has a rolling two-month geometric mean above 400,000 somatic cells/ml</td>
<td>Per consignment second month following a geometric failure.</td>
<td>0–399,999 cells/ml</td>
<td>0</td>
<td>Following two consecutive results above 700,000 cells/ml, supply may be suspended until it is shown to be less than 500,000 cells/ml.</td>
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<td></td>
<td></td>
<td>400,000–499,999 cells/ml</td>
<td>10</td>
<td></td>
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<td></td>
<td></td>
<td>500,000–599,999 cells/ml</td>
<td>10</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>600,000–699,999 cells/ml</td>
<td>10</td>
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<td></td>
<td></td>
<td>Over 700,000 cells/ml</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Per consignment third month following a geometric failure.</td>
<td>0–399,999 cells/ml</td>
<td>0</td>
<td>Following two consecutive results above 700,000 cells/ml, supply will be suspended until it is shown to be less than 500,000 cells/ml.</td>
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<tr>
<td></td>
<td></td>
<td>400,000–499,999 cells/ml</td>
<td>20</td>
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<tr>
<td></td>
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<td>500,000–599,999 cells/ml</td>
<td>20</td>
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<td></td>
<td></td>
<td>600,000–699,999 cells/ml</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Over 700,000 cells/ml</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td><strong>Residue Grading</strong></td>
<td>As required.</td>
<td>Less than 10 parts per billion (ppb)</td>
<td>0</td>
<td>This is a testing parameter to ensure no residues exist in milk.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10–29 ppb</td>
<td>low alert</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>30–99 ppb</td>
<td>high alert</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>100–199 ppb</td>
<td>2</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>200–500 ppb</td>
<td>4</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Over 500 ppb</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td><strong>Reject Milk</strong></td>
<td>Where milk is suspect or demonstrated to be unfit for human consumption or outside regulatory requirements it will be rejected.</td>
<td>No payment</td>
<td></td>
<td>Disposal will be your responsibility at your cost. Refer to Clauses 8.16 and 8.17.</td>
</tr>
</tbody>
</table>
### TABLE 5: OTHER DEDUCTIONS

<table>
<thead>
<tr>
<th>TYPE</th>
<th>FREQUENCY</th>
<th>STANDARD</th>
<th>DEDUCTION</th>
<th>NOTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>DDE</td>
<td>As required.</td>
<td>Above 0.3mg DDE/kg milkfat, payment deduction applied June to September inclusive. Above 0.5mg DDE/kg milkfat, payment deduction applied October to May inclusive.</td>
<td>$3.50/mg DDE.</td>
<td>All new supply properties must have a weighted average soil level of 0.7 mg/kg or less for DDT and its metabolites.</td>
</tr>
<tr>
<td>Temporary Water Exclusion</td>
<td>Monthly while on water exclusion policy.</td>
<td>Where farm dairy water is non-compliant.</td>
<td>$100/month.</td>
<td>Refer Clause 8.11. Applied where a farm is on water exclusion policy due to non-compliant water.</td>
</tr>
<tr>
<td>Collection Temperature (Temp)</td>
<td>Per consignment.</td>
<td>0 hour 18.0°C 1 hour 14.0°C 2 hours 10.0°C 3 hours 7.0°C</td>
<td>50c/100L for all milk supplied for the remainder of the season, and 200c/100L for the following season.</td>
<td>Refer Clause 6.1. Time is from end of milking, defined by your milking window or as 7.30am for morning and 6.00pm for evening if you have no elected milking window. If you fail the temperature standard five times in one month, and a fault in the cooling system is found, you are required to improve your system within one month of the fault being identified. If you don't improve your system within this month period, you will incur a payment deduction of 50 cents per 100 litres for all milk supplied for the remainder of the season, and 200 cents per 100 litres for the following season, unless you carry out remedial work to Fonterra's satisfaction.</td>
</tr>
<tr>
<td>Tanker Roadway</td>
<td>As required.</td>
<td>Where significant non-compliance issues exist on a tanker roadway.</td>
<td>50c/100L in year one, or 200c/100L in year two.</td>
<td>Deductions are applied when all improvements from your improvement plan to address the issues have not been completed.</td>
</tr>
<tr>
<td>TYPE</td>
<td>FREQUENCY</td>
<td>STANDARD</td>
<td>DEDUCTION</td>
<td>NOTES</td>
</tr>
<tr>
<td>---------------------------------------------------------------------</td>
<td>-----------------</td>
<td>--------------------------------------------------------------------------</td>
<td>-----------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Collection of Calf Milk or Other Milk not Intended for Collection</td>
<td>As required.</td>
<td>If a vat is used to store milk or colostrum intended for feeding calves or otherwise not intended for supply it is required to be locked and labelled.</td>
<td>$1,600 minimum liquidated damages.</td>
<td>Refer Clause 6.5. You will be liable for demerits, and all losses, costs and damages incurred or suffered by Fonterra. The minimum deduction of $1,600 covers the minimum cost of time and resources required to track and trace product, test product and manage the regulatory processes associated with the processing of milk not intended for collection.</td>
</tr>
<tr>
<td>Including Previously Rejected Milk that is Presented Again for</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collection</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revisits for Appraisals and Inspections</td>
<td>As required.</td>
<td>Where a revisit is required due to requirements not being met at Farm Dairy and Environmental Assessment.</td>
<td>$200</td>
<td></td>
</tr>
<tr>
<td>Environmental Visit</td>
<td>As required.</td>
<td>Where a farm visit is required for the purposes of meeting the requirements of Section 3 (Environment).</td>
<td>$200</td>
<td></td>
</tr>
<tr>
<td>that Requires the Development of an Environmental Improvement Plan</td>
<td>As required.</td>
<td>Where a farm visit is required for the purposes of meeting the requirements of Section 3 (Environment) and an Environmental Improvement Plan is required to be developed.</td>
<td>$250</td>
<td></td>
</tr>
</tbody>
</table>
### TABLE 6: DEMERIT POINTS AND MILK PAYMENTS

<table>
<thead>
<tr>
<th>DEMERITS</th>
<th>DEDUCTION%*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>4</td>
<td>20</td>
</tr>
<tr>
<td>5</td>
<td>25</td>
</tr>
<tr>
<td>6</td>
<td>30</td>
</tr>
<tr>
<td>7</td>
<td>35</td>
</tr>
<tr>
<td>8</td>
<td>40</td>
</tr>
<tr>
<td>9</td>
<td>45</td>
</tr>
<tr>
<td>10</td>
<td>50</td>
</tr>
<tr>
<td>11</td>
<td>55</td>
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<tr>
<td>12</td>
<td>60</td>
</tr>
<tr>
<td>20</td>
<td>100</td>
</tr>
<tr>
<td>30</td>
<td>150</td>
</tr>
<tr>
<td>40</td>
<td>200</td>
</tr>
</tbody>
</table>

* of the lower of the opening forecast milk price for the season and the forecast milk price as at 31 May. A deduction will initially be calculated on the opening forecast milk price. If the forecast milk price as at 31 May is less than the opening forecast milk price an adjustment will then be made.

### TABLE 7: RECOMMENDED MINIMUM VAT VOLUME FOR EFFECTIVE AGITATION

<table>
<thead>
<tr>
<th>VAT SIZE (litres)</th>
<th>TO AGITATE (litres)</th>
<th>TO COVER FLOOR (litres)</th>
<th>RECOMMENDED MINIMUM COLLECTION* (litres)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,000</td>
<td>35</td>
<td>60</td>
<td>400</td>
</tr>
<tr>
<td>2,200</td>
<td>65</td>
<td>300</td>
<td>400</td>
</tr>
<tr>
<td>2,700</td>
<td>85</td>
<td>300</td>
<td>400</td>
</tr>
<tr>
<td>3,400</td>
<td>100</td>
<td>300</td>
<td>400</td>
</tr>
<tr>
<td>4,100</td>
<td>100</td>
<td>300</td>
<td>400</td>
</tr>
<tr>
<td>4,500</td>
<td>250</td>
<td>400</td>
<td>1,000</td>
</tr>
<tr>
<td>5,700</td>
<td>250</td>
<td>400</td>
<td>1,000</td>
</tr>
<tr>
<td>6,800</td>
<td>250</td>
<td>400</td>
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<tr>
<td>9,100</td>
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<td>12,000T</td>
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</tr>
<tr>
<td>18,000T</td>
<td>250</td>
<td>400</td>
<td>1,000</td>
</tr>
</tbody>
</table>
### TABLE 7 CONT: RECOMMENDED MINIMUM VAT VOLUME FOR EFFECTIVE AGITATION

<table>
<thead>
<tr>
<th>VAT SIZE (litres)</th>
<th>TO AGITATE (litres)</th>
<th>TO COVER FLOOR (litres)</th>
<th>RECOMMENDED MINIMUM COLLECTION* (litres)</th>
</tr>
</thead>
<tbody>
<tr>
<td>11,500</td>
<td>350</td>
<td>900</td>
<td>1,400</td>
</tr>
<tr>
<td>14,000</td>
<td>350</td>
<td>900</td>
<td>1,400</td>
</tr>
<tr>
<td>16,000</td>
<td>350</td>
<td>900</td>
<td>1,400</td>
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<tr>
<td>18,000</td>
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<tr>
<td>21,500</td>
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<tr>
<td>24,000</td>
<td>350</td>
<td>900</td>
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</tr>
<tr>
<td>26,000</td>
<td>350</td>
<td>900</td>
<td>1,400</td>
</tr>
<tr>
<td>30,000</td>
<td>350</td>
<td>900</td>
<td>1,400</td>
</tr>
</tbody>
</table>

*Recommended minimum collection is based on four milkings. Fonterra recommends you meet or exceed the minimum litres for collection for the size of your vat, particularly the first two collections of the season. Milk quality demerits for collections that do not meet the recommended minimum collection volume will not typically be subject to review.
GLOSSARY

Where this document refers to:

- any Act, Regulation, Specification, Criteria, Code, Standard or any other document, it includes any modification or replacement document;
- a ‘collection window’, this means the period between your milking windows;
- a ‘farm’, this means an area of land that Fonterra treats as a single farm, and may include proximate, neighbouring, adjoining or leased blocks of land, whether physically connected or not, and whether on separate legal title or not;
- a ‘farm dairy’, this means the farm dairy from which you supply milk to Fonterra that is recorded as a separate supply account by you to Fonterra. However, Fonterra can allow more than one supply account from a farm dairy in special circumstances;
- ‘farmer’, this means all shareholders of Fonterra who supply milk, and all non-shareholders who are contracted to supply milk, under the Terms of Supply;
- ‘milk’, this means whole milk, cream and any other component or classification of a mammary secretion of a cow, as may be specified by the Board;
- ‘milking windows’, this means the periods each day or every two days, specified by you or Fonterra in accordance with Clause 7.8, during which you milk and carry out a single vat wash;
- ‘regular crossing’, prior to 1 August 2017, this means any crossing point over a waterway that is used more than twice per week, averaged over the year. After 1 August 2017, this will mean any crossing point over a waterway that is used more than once per month. One ‘crossing’ is the herd going across the waterway for milking, and then returning following milking. ‘Regularly cross’ shall be similarly interpreted;
- ‘season’, this means the period from 1 June to 31 May each year;
- ‘shareholder’, this means a person whose name is entered in the Share Register as the holder for the time being of one or more shares;
- ‘significant wetland’, this means an area that has a vegetative cover dominated by indigenous wetland plant species and is identified as significant in an operative regional policy statement or regional plan; and
- ‘waterway’, this means any river, stream, drain or canal and any lake or wetland to its fullest wetted extent, that flows or contains water at least once annually. This definition does not include ephemeral water courses that only flow during or immediately following extreme weather events.

FOR MORE INFORMATION, PLEASE CONTACT:
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www.fonterra.com
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This Farmers' Handbook was developed for Fonterra Co-operative Group Limited.
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