



Dairy for life






Fonterra Farmers' Terms of Supply

Effective from June 2024



The
Co-operative
Difference

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Summary of Changes

Set out below is a summary of the main changes made to the Terms of Supply effective from 1 June 2024.

Clause Reference	Summary of Change
Entire document	Minor changes and amendments to update changes in titles, dates, references and to generally improve clarity.
1.1 (j)	New clause added to cover who the Terms of Supply are applicable to.
1.2	Removal of clause detailing the requirement to notify the Co-operative if a farmer is the subject of regulatory enforcement action.
1.4	New clauses added to note that farmers cannot benefit in other ways if they have breached the Terms of Supply and that a delay will not operate as a waiver.
1.8	Force Majeure clause rewritten to clarify that the Co-operative's liability under a Force Majeure event will be of limited duration, and to provide more specificity over the scope of events covered.
1.8 (d)	Removal of the requirement for the Co-op to deduct any cost savings incurred by the farmer from their Force Majeure payment.
2.3 (d) (previously)	Removal of clause requiring new suppliers to be registered for NAIT as this is covered by central government regulations.
3.8 (e)	Clause extensively rewritten to clarify the requirement for all payment change instructions to be made by the shareholder - specifically noting Fonterra will not carry this responsibility under any circumstances and will not be liable for any overpayments due to the farmer's failure to change instructions in the prescribed manner.
4.3	Trading Among Farmers reference removed.
4.3	New clause added allowing Fonterra to engage with regulatory authorities where your farm is subject to any investigations and/or enforcement proceedings.
4.3	Clause amended to allow direct verification of The Co-operative Difference payment requirements.
4.6	Clause reworded to improve clarity on disputes – by providing transparency on the 60 working day time limit to lodge a case with the Milk Commissioner.
5.1	Requirements for stock exclusion, fit for purpose effluent systems and product stewardship all removed as they are now/or soon will be covered by regulation.

Clause Reference	Summary of Change
6.1	If your farm is under Performance Management due to an animal welfare issue and your farm is also under a notice of direction with MPI, Fonterra may share relevant information with MPI to expedite resolution of the animal welfare issue.
6.2	Tail shortening requirement removed as this is covered in central government regulation.
6.2	Amend the date that Animal Wellbeing Plans will be required on all farms from 1 June 2024 to 1 June 2025.
6.3	Requirements relating to sending calves off farm removed as this is covered in central government regulation.
6.5 (previously)	Inductions requirements removed as the Code of Welfare: Dairy Cattle covers this.
6.7 (previously)	Requirements relating to Enzootic Bovine Leucosis (EBL) removed.
8.1.3 (a)	Clarified that water exclusion charges are only applied to months when milk has been supplied.
8.1.3 (a)	Updated reference to acceptable free chlorine levels to align with new residue testing limit of 20 ppm.
9.4	New sub-clause added to clarify that the Milk Quality Indicator may be used to trigger additional testing of milk.
9.5	New sub-clause added to clarify how the calculation of the 'deduction rate' works with the milk quality ratings and deductions to ensure that this is appropriately represented.
9.8 (a)	Clause amended for consistency on suspension timeframes between non-contracted winter milk supply and contracted winter milk (both now 12 downgrade days).
10.1.2 (b)	Updated testing frequency for Bactoscan as it can now now be triggered for testing based on the Milk Quality Indicator from Milk Vat Monitoring System (MVMS).
10.1.9 (c)	Amended wording to specify that testing will be at the farmer's cost.
10.1.12 (b)	New sub-clause added to reflect that an average milk quality result may be assigned if a test result is not able to be provided from a sample.
10.1.12 (c)	Updated the wording around Somatic Cell Count Geometric Means to ensure accuracy of the requirements.
10.2.2 (a) Bullet point 2	Updated clause to explicitly prohibit the feeding of materials that have been grown on land that has been used for the disposal of specified waste streams.
10.2.2 (a) Bullet points 1 and 3	Clause rewritten to clarify the requirements relating to the disposal of meat processing waste onto land used for grazing or producing feed for dairy animals.

Co-operative and Prosperity



1. Terms of Supply

1.1 THESE TERMS OF SUPPLY:

- (a) contain the standards, terms and conditions applying to the supply of milk to:
 - Fonterra Co-operative Group Limited ("FCGL") set by the FCGL Board under Clause 9.3 of the Constitution; and
 - MyMilk Limited ("MyMilk") set by MyMilk's Board and FCGL;
- (b) use the terms "Fonterra" and "Co-operative" to collectively refer to FCGL and MyMilk, unless otherwise specified;
- (c) for milk supplied to FCGL, include the Constitution which will take priority if there is any difference between a term in these Terms of Supply and the Constitution;
- (d) for milk supplied to MyMilk, include other MyMilk policies relating to the supply of milk that MyMilk tells you about;
- (e) will apply with effect from 1 June 2024 and will continue to have effect until the Co-operative notifies you of a new version (using reasonable endeavours to provide at least three months' notice prior to any new version taking effect);
- (f) include the requirements set out in the document 'On-Farm Milk Collection Plans and Specifications';
- (g) are subject to any other terms and conditions relating to the supply of your milk that you and the Co-operative agree in writing;
- (h) are for the benefit of the Co-operative and its related companies and are enforceable by the Co-operative's related companies under the Contract and Commercial Law Act 2017; and
- (i) are the terms that may be referred to as the "Farmers' Handbook" in other terms you may have agreed with the Co-operative in prior seasons.
- (j) apply to you, and you will be responsible for any breach of these Terms of Supply by any person working on your farm or helping you to supply milk to the Co-operative.

1.2 LAWS AND REGULATIONS

- (a) You are required to comply with all central or local government laws and regulations relating to your supply of milk to the Co-operative, including where applicable the laws and regulations listed below (as amended, restated and/or replaced from time to time):
 - the Dairy Industry Restructuring Act 2001, including the Dairy Industry Restructuring Amendment Act 2020;
 - the Animal Products Act 1999, Animal Welfare Act 1999 and supporting Notices, Codes and Regulations including:
 - the Animal Products (Dairy) Regulations 2005 and Animal Products Regulations 2021;
 - the Ministry for Primary Industries Animal Products Notice: Production, Supply and Processing Specifications and Approved Criteria;
 - the Ministry for Primary Industries Operational Code: NZCP1: Design and Operation of Farm Dairies;
 - the Ministry for Primary Industries Animal Products Notice: Production, Supply and Processing Dairy Products Criteria 2: Animal Products (Dairy): Approved Criteria for Farm Dairies; and
 - the Ministry for Primary Industries Code of Welfare: Dairy Cattle;
 - the Agricultural Compounds and Veterinary Medicines Act 1997 and supporting Codes and Regulations;
 - the Biosecurity Act 1993 and supporting Regulations;
 - the National Animal Identification and Tracing Act 2012 and supporting Regulations;
 - the Resource Management Act 1991 and applicable Local and Regional Council permitted activity rules and resource consent conditions;
 - the Employment Relations Act 2000, the Holidays Act 2003, the Wages Protection Act 1983, the Minimum Wage Act 1983, the Parental Leave and Employment Protection Act 1987, the Human Rights Act 1993, Fair Pay Agreements Act 2022, and supporting Regulations;
 - the Health and Safety at Work Act 2015 and supporting Regulations; and
 - the Privacy Act 2020.

1. Terms of Supply Continued

1.3 YOUR GENERAL OBLIGATIONS

GENERAL

(a) The Co-operative requires you to:

- comply with these Terms of Supply;
- be honest and reasonable in all of your dealings with the Co-operative, its employees, contractors, advisors or agents (including in the provision of any information under Clause 1.3(b));
- implement any action(s) within the timeframes specified by the Co-operative required for you to meet these Terms of Supply; and
- ensure that no one involved in or associated with your business or milk supply operations:
 - is prevented or restrained by any regulatory authority from being involved in or associated with farming; or
 - 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.

RECORDS AND PROVISION OF INFORMATION

(b) The Co-operative requires you to complete and make the following records and information available to the Co-operative in a legible format, within the timeframes that the Co-operative may notify to you from time to time:

- the Food Safety Practices and Procedures and monthly hygiene check records. From 1 June 2025 these must be completed and submitted online through Fonterra's website or mobile app;
- your Farm Dairy Records and any other records, plans or information required by the Co-operative to assess whether you are eligible for The Co-operative Difference payment in Clause 3.1;
- the following information if the Co-operative asks for it:
 - details of herd size, farm size and milk storage;
 - details of the volume of milk you think you will supply to the Co-operative (which is required to be consistent with all other information you give to the Co-operative). If the Co-operative's estimates for this information differ from yours, or if you do not provide this information to the Co-operative, the Co-operative's estimates will be treated as the milk supply information for that season;

- details of any supply you make to independent processors under the Dairy Industry Restructuring Act 2001;
- the legal description and location of each farm that is to be treated as a separate supply account; and
- any other accurate records and information about your farm where specified in these Terms of Supply or that the Co-operative may request from time to time.

ACCESS TO PROPERTY

(c) The Co-operative requires you to:

- allow any of the Co-operative's agents or representatives to come onto your farm at any time and enter your farm dairy to:
 - collect and monitor the supply of milk from you in accordance with these Terms of Supply;
 - inspect, maintain, test, repair, alter, monitor, clean or remove any vat or equipment supplied by the Co-operative or on the Co-operative's behalf; and
 - assess and/or verify your compliance with these Terms of Supply;
- allow a representative of a regulatory agency to come onto your farm, enter your farm dairy, and/or collect a sample of milk at any time in accordance with any applicable law or regulation listed in Clause 1.2;
- ensure your tanker roadway and loop does not have padlocked gates; and
- contact the On-Farm Assets Team if you wish to install security gates, who will provide the necessary operational requirements.

(d) The Co-operative will use reasonable endeavours to let you, your sharemilker or a delegated contact know in advance if:

- anyone is going to come onto your farm; or
- your farm will be entered for the purposes of assessing or verifying compliance with these Terms of Supply.

However, the Co-operative is not required to tell you in advance if its agents or representatives will be coming onto your farm:

- where a non-notified visit is being made (see Clause 1.3(g) below); or
- to test the quality of your milk or inspect, maintain, test, repair, alter, monitor, clean or remove any vat or other equipment supplied by the Co-operative.

FARM DAIRY ASSESSMENT

(e) The Co-operative:

- will pay for an approved Farm Dairy Assessor to carry out an annual assessment of your farm dairy and the wider property (in accordance with its Risk Management Programme), which 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 farm dairy presentation;
- will give you a Farm Dairy Assessment report that sets out any identified hazards, their hazard rating and required actions;
- may charge \$100 plus GST to cover costs if you cancel a scheduled Farm Dairy Assessment within seven calendar days of the scheduled assessment time; and
- may also verify the following at the time of the assessment:
 - the accuracy of data provided in the Farm Dairy Records; and
 - the achievements required to qualify for The Co-operative Difference payment.

(f) To assist the assessment process, you are required to have all records available for review and your milking plant open for inspection, if this has been requested.

(g) The Co-operative is required by MPI to complete five per cent of all assessments as non-notified each season and may carry out a non-notified assessment in addition to the annual notified assessment.

1.4 CONSEQUENCES FOR FAILURE TO MEET THESE TERMS OF SUPPLY

(a) If you:

- do not meet a Term of Supply;
- engage in any threatening, vexatious, unreasonable or dishonest conduct when dealing with the Co-operative, its employees, contractors, advisors or agents;
- operate your farm in a manner, or engage in any activity, that might (in the Co-operative's view) damage the Co-operative's reputation; and/or
- provide misleading or inaccurate information to the Co-operative in order to become eligible for The Co-operative Difference payment in Clause 3.1.

The Co-operative may do one or more of the following:

- undertake one or more of the steps specified under the Performance Management Framework (Clause 1.5);
 - make deductions from your milk payment in accordance with the milk quality framework (Clause 9.5);
 - where specified in these Terms of Supply, impose liquidated damages or recover its losses by way of damages (where liquidated damages are specified, the amounts calculated are proportionate to, and have been calculated to protect the Co-operative's legitimate commercial interests in the milk you have committed to supply under these Terms of Supply);
 - require you to implement certain actions within the timeframes specified by Fonterra in order to meet these Terms of Supply;
 - undertake follow-up assessments, visits and/or verification of information you have provided to the Co-operative, and the Co-operative may charge you a fee of:
 - \$300 plus GST for each visit to your farm; or
 - \$90 plus GST for each time a visit is substituted with documented evidence, as set out in Table 2 (page 51);
 - suspend your right to be eligible for The Co-operative Difference payment in the current and/or subsequent seasons;
 - reject your milk before or after it has been collected, not collect your milk, or suspend collection of your milk, and you will be considered to have not supplied that milk; and/or
 - notify any relevant regulatory agency where there is a significant animal health and welfare, environmental, or food safety and quality issue that, in the Co-operative's opinion, creates a reputational risk for the Co-operative.
- (b) In addition to the actions set out in Clause 1.4(a) above, the Co-operative may take any other action where specified in these Terms of Supply.
- (c) If the Co-operative does not collect your milk, rejects your milk, or suspends collection of your milk:
- you are required to dispose of uncollected or rejected milk at your own cost, and it cannot be presented again for collection (see Clauses 1.6 and 1.7 below);

1. Terms of Supply Continued

- the Co-operative will not pay you for that milk; and
 - collection will not begin again until the Co-operative is satisfied (in its sole discretion) that:
 - all minimum requirements are being met;
 - any actions required to address any resulting impacts have been completed within the timeframe specified; and
 - all actions considered necessary by the Co-operative to avoid a repeat of the issue have been implemented within the timeframe specified.
 - (d) The Co-operative can rely on the determination of any court or regulatory authority (including MPI, and any District or Regional Council) to inform its decisions in relation to the collection (including suspension of collection) of your milk.
 - (e) you acknowledge and agree that if you do not meet these Terms of Supply, you will not be entitled to and shall not benefit from, any gains, advantages or other opportunities under the Terms of Supply or otherwise, arising directly or indirectly from such breach.
 - (f) no failure or delay by the Co-operative in exercising any right under the Terms of Supply will operate as a waiver unless agreed in writing.
- ## 1.5 PERFORMANCE MANAGEMENT FRAMEWORK
- (a) In accordance with Clause 1.4(a), the Co-operative may use any of the following approaches, either individually or collectively, where you do not meet the Terms of Supply:
 - allow you to continue operating in a manner that does not meet the Terms of Supply where an agreed **Provisional Supply Plan** ("PSP") is in place and all conditions of the PSP are met. PSPs will be approved:
 - on a temporary or enduring basis and at the sole discretion of the Co-operative;
 - where there is a significant constraint on your ability to meet the Terms of Supply; and
 - where substantially the same or a better outcome can be achieved by following the PSP as would have been realised had the Terms of Supply been met.
- The Co-operative may change or cancel a farm's PSP at any time, allowing for a reasonable notice period;
- issue you with a **First Warning** that you are not meeting the Terms of Supply, and the likely next steps that the Co-operative may take should the issue not be resolved;
 - issue you with a **Final Warning** that you are not meeting the Terms of Supply, which means:
 - you must complete any actions specified within the timeframes provided by the Co-operative;
 - you will not be eligible for The Co-operative Difference payment for the current season; and
 - the Co-operative may suspend the payment of any specialty milks premiums.
 - place your farm under **Performance Management**, which means:
 - a full Farm Dairy Assessment, or an assessment by a specialist third party or the Co-operative's representative, will be undertaken once within every 30-day period (or other frequency as determined by the Co-operative);
 - you may be charged a fee of \$500 plus GST per month by the Co-operative to cover costs incurred, in addition to any other required third party costs or charge(s) imposed under these Terms of Supply;
 - your farm will remain under Performance Management for a minimum of three months, or until the Co-operative is satisfied (at its discretion) that you are able to meet these Terms of Supply on an ongoing basis;
 - you may be required to work with a specialist third party or the Co-operative's representative (at your cost) to develop and implement a plan to manage your compliance with these Terms of Supply;
 - while under Performance Management, any further breach of the Terms of Supply may result in the Co-operative immediately suspending collection of your milk, and you will be considered to have not supplied that milk; and
 - the Co-operative may terminate any relevant specialty milk contracts held.

1.6 REJECTED MILK PRESENTED AGAIN FOR COLLECTION

- (a) The Co-operative will let you, your sharemilker or a delegated contact know if milk presented for collection has been rejected in accordance with these Terms of Supply. Milk that has been rejected is not to be presented again for collection.
- (b) If rejected milk is presented again for collection:
 - you will not be paid for that milk or for any other milk collected with it;
 - Fonterra may make deductions from your milk payment in accordance with the milk quality framework under Clause 9.5; and
 - Fonterra will charge you for all losses, costs and damages incurred or suffered by the Co-operative, and as a minimum, the Co-operative can charge you \$5,000 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).
- (c) The Co-operative will immediately suspend collection of your milk if you fail to respond to or answer queries within 12 hours from initial contact about any rejected milk that has been presented again for collection.

1.7 MILK DISPOSAL

- (a) The Co-operative requires you to:
 - meet your local Regional Council requirements when disposing of milk; and
 - have a documented milk disposal plan in case you need to dispose of milk as part of your quality management system on-farm.

1.8 FORCE MAJEURE

- (a) A force majeure event is any event that affects the Co-operative's ability to perform in any manner and is beyond the reasonable control of the Co-operative. The Co-operative may determine, at its sole discretion, if an event is a force majeure event.
- (b) If a force majeure event occurs:
 - the Co-operative may, at its sole discretion, determine which farms are impacted by such an event;
 - if you are impacted, the Co-operative may need to delay collection or stop collection;

- the Co-operative may need to delay payment to you under Clause 1.8(c). Payment will be made as soon as is practicable and by no later than three months after the usual payment date; and
- the Co-operative, acting reasonably, may 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) and/or provide records and information to assist the Co-operative's management of the force majeure event.

FORCE MAJEURE PAYMENTS

- (c) The Co-operative will pay you (in accordance with Clause 3 and based on the methodology at 1.8(d)), for the milk it would have collected from you if the force majeure event had not occurred, unless:
 - you caused the event;
 - you made it worse;
 - you could have done something to prevent it;
 - your supply is already suspended; or
 - the Co-operative, under these Terms of Supply (other than this Clause 1.8), is entitled to suspend or stop collection of your milk, or you are otherwise not permitted to supply that milk.
- (d) Force majeure payments for milk will be calculated based on your current season milk vat monitoring system data, and in scenarios where you have had to dry-off, the Co-operative may also rely on your three-season average collection data across the seasonal curve (normalised for any substantive farm system changes that have occurred during this time).
- (e) The maximum period the Co-operative will make payments for a force majeure event is to the end of the season following the season in which the force majeure event occurred.
- (f) The Co-operative reserves its rights to limit or adjust the methodology for force majeure payments for milk in these Terms of Supply on notice to you where the scale of the force majeure event is such that, in the Co-operative's view, the financial position of the Co-operative is, or is likely to be, materially affected by making the payments in the manner described.

OTHER FORCE MAJEURE IMPACTS

- (g) The Co-operative may, at its sole discretion, waive, vary or temporarily suspend any requirement under these Terms of Supply during a force majeure event, including by issuing you with an agreed Provisional Supply Plan under Clause 1.5(a).
- (h) You are responsible for disposing of any milk that the Co-operative does not collect from you (the Co-operative 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 1.6 and 1.7).

2. Applications and Ceases of Milk Supply

2.1 SUPPLY OF MILK

- (a) The Co-operative will collect milk from your farm dairy and deliver it to processing sites, subject to these Terms of Supply.
- (b) The Co-operative requires you to:
- supply at least 10,000kg of milk solids per season;
 - supply all milk produced on your farm to the Co-operative, unless you are supplying milk to FCGL and you inform the Co-operative that you do not wish to supply all milk produced on your farm to the Co-operative (such as raw milk for farm gate sales); and
 - make your milk available to the Co-operative for collection at the farm dairy designated for that supply.
- (c) If you are supplying milk to FCGL and you wish to exercise your right under the Dairy Industry Restructuring Act 2001 to supply up to 20 per cent of your weekly production throughout the season to another processor, you must give the Co-operative 20 working days' prior notice of the arrangements for the collection of milk allocated to independent processors. Milk not supplied to the Co-operative is not covered by the Co-operative's Risk Management Programme and needs to be covered by another Risk Management Programme.
- (d) You will be considered to have presented all milk in your vat for collection by the Co-operative, unless:
- you have advised the Co-operative 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 10.1(b); or
 - you have locked the vat using an approved vat lock in accordance with Clause 8.1.7(c); and/or
 - you have advised the Co-operative to stop collection in accordance with Clause 8.3.5.
- (e) You:
- own your milk until it enters the pumping system of the milk tanker collecting that milk; and
 - 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 the Co-operative identifies that defect by subsequent analysis and evaluation).
- (f) The Co-operative owns your milk from the time it enters the pumping system of the milk tanker collecting that milk and is responsible for the milk quality from that time.

2.2 TRANSFERRING SUPPLY

- (a) You cannot transfer your right to supply milk to FCGL to anyone else because it is personal to you. You can transfer your MyMilk contract to a purchaser of your farm for the remaining duration of your MyMilk contract.
- (b) If you intend to sell or otherwise transfer your interest in any farm that supplies milk to the Co-operative you are required to notify the Co-operative as soon as you commit to sell or transfer your interest.

2.3 NEW APPLICANTS

- (a) If you are a new applicant from a farm that already supplies the Co-operative, you need to complete FCGL's 'Application to Supply-Existing Farm' form and meet the requirements in the Constitution, these Terms of Supply and the Dairy Industry Restructuring Act 2001.
- (b) If you are a new applicant from a dry farm conversion, or from an established farm that did not supply the Co-operative in the previous season, you are required to complete FCGL's 'Application to Supply-Dry Farm Conversion' form and meet the requirements in the Constitution, these Terms of Supply and the Dairy Industry Restructuring Act 2001.
- (c) The Co-operative will:
- accept all applications made under Clause 2.3(a) subject to the requirements of that clause being fulfilled; and
 - assess all applications made under Clause 2.3(b) to consider the applicant's suitability to supply. You will be notified in writing of the Co-operative's decision to either accept or decline the application to supply within 15 working days of the application being received.
- (d) New applications to supply MyMilk will not be accepted by the Co-operative.

2.4 NOTICE OF CESSATION OF SUPPLY

- (a) If you wish to cease supplying your milk to the Co-operative, you are required to:
- notify the Co-operative in writing no later than three months before the commencement of the season in which the cessation will occur; and
 - specify in your notice the date on which you intend to cease supply to the Co-operative.
- (b) If you are supplying FCGL and 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.
- (c) If you breach these requirements:
- the Co-operative will suffer loss and you agree to pay to the Co-operative 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 the Co-operative 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 the Co-operative (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 the Co-operative 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.

- and you cease before 1 March you will not be eligible for The Co-operative Difference payment.
- (d) The Co-operative has the discretion to waive liquidated damages. In deciding whether to give a waiver, the Co-operative may consider factors such as (but not limited to):
- the length of time you have supplied the Co-operative;
 - whether you have helped transition milk supply to another person that is supplying, or will supply, milk to the Co-operative; and
 - your individual circumstances (including any personal hardship or similar circumstances).

3. Milk Payment Mechanism

3.1 MILK PAYMENT MECHANISM

- (a) The Co-operative 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 the Co-operative cannot obtain a sample suitable for measuring milk fat and protein, then it will decide an appropriate average composition to work out your payment.
- (b) The Co-operative will pay you for raw milk supplied by you as a shareholding farmer according to the formula: $a + b +/- c +/- d$

where:

a = cents per kilogram of the milk fat component contained in the milk supplied by you;

b = cents per kilogram of the protein component contained in the milk supplied by you;

c = volume adjustment in cents per litre of raw milk supplied by you; and

d = The Co-operative Difference payment in cents per kilogram of milk solids supplied by you.

- (c) 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.
- (d) If your eligibility for The Co-operative Difference payment is suspended in accordance with Clauses 1.4 and/or 1.5, or you are ineligible under Clause 2.4, the formula referred to in Clause 3.1(b) above will be amended to:
- $a + b +/- c - d$.
- (e) The Co-operative will 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.

3.2 INTERIM CREDITS AND FINAL CREDIT

- (a) The Co-operative 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 and vary credits at any time during the season. The credits will apply to all milk supplied in the season unless Fonterra decides otherwise; and
 - determine the final milk price for a season using the price for each component of milk, the volume adjustment, The Co-operative Difference payment and the actual milk solids content of all milk supplied to the Co-operative in that season.
- (b) If the final payout is:
- more than the total interim credits paid to you (or any third party on your behalf), the Co-operative will make a final payment to you so the total of the interim and final credits will be equal to the final milk price. The Co-operative decides when to make this final payment, but it is usually made within three months of the end of the Co-operative's financial year; or
 - less than the total interim credits paid to you (or any third party on your behalf), 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 the Co-operative.

3.3 GST

- (a) The Co-operative will:
- add GST to your milk payment as long as you provide the Co-operative 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 the Co-operative needs to enable the lawful payment of GST;
 - add GST to a sharemilker's or contract milker's share of the milk payment (excluding GST) and deduct the same amount of GST from your payment if:
 - you give the Co-operative the information about you set out above;
 - you or your sharemilker or contract milker provides the Co-operative with a completed Change of Milking Arrangements form at least 15 working days before payment is due setting out:
 - the legal name of the sharemilker or contract milker (that is registered for GST);
 - the sharemilker's or contract milker's GST number;
 - a warranty that the sharemilker or contract milker is registered for GST;
 - an indemnity to the Co-operative against any losses and claims if any of the information supplied or held for GST purposes is incorrect; and
 - any other information reasonably required by the Co-operative to enable the lawful payment of GST.
- If the above is not provided, the Co-operative will not back pay GST to sharemilkers or contract milkers. You will need to resolve any GST issues directly with your sharemilker or contract milker;
- 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 the Co-operative. You are not required to issue a tax invoice for any transaction with the Co-operative unless the Co-operative requests a tax invoice to be issued;
 - 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;
 - any other information the Co-operative requires; and
 - seek approvals under the GST Act on your behalf, and act as your agent for GST purposes in relation to transactions with the Co-operative or sharemilkers.
- (b) The Co-operative will 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.
- (c) You:
- warrant that you have provided the information set out above; and

- will indemnify the Co-operative against any losses and claims of the Co-operative as your agent (including if any of the information supplied or held by the Co-operative for GST purposes is incorrect).

3.4 DIVIDENDS

- (a) If a FCGL dividend is to be paid, the Board will announce a dividend amount and set a record date for dividend entitlement.
- (b) You will receive the announced dividend in respect of the FCGL shares you hold on the specified record date.

3.5 CREDITS, DEBITS AND PAYMENT

- (a) The Co-operative 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 due; and
 - if the interim price of the milk components have increased, any difference between the previous payments and the recalculated milk price.
 - use any credit balance in your Fonterra account to pay amounts that you owe to the Co-operative or any of its related companies. The Co-operative 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 includes any amount in relation to FCGL shares issued to you or which you are or will be obliged to purchase. The Co-operative will apply the same set-off or netting rules in respect of payments to sharemilkers or contract milkers. Where the Co-operative is unable to set-off any amount you owe the Co-operative or any of its related companies, that amount will be a debt you owe to the Co-operative;
 - transfer, by direct credit to a bank account of your choice, any credit balance in your Fonterra 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 account unless you settle, in cash and in full, that debit balance before the last day of the following month;

3. Milk Payment Mechanism Continued

- charge interest on outstanding debit balances or other debt at an interest rate fixed by the Co-operative with reference to the fringe benefit tax interest rate prescribed by the Inland Revenue Department from time to time plus a margin of one percent (1%) or such alternative rate as the Co-operative may notify to you (giving reasonable notice) from time to time;
 - 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 (including the Milk Solids Levy, and any Biosecurity Response Levy); and
 - deduct amounts payable to any authorised third parties as instructed by you, or under bank orders signed by you.
- (b) The Co-operative'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 these Terms of Supply.

3.6 USE OF ACCOUNT

- (a) The Co-operative may:
- if you have more than one account with Fonterra or a related company, combine some or all of your accounts at any time and the combined accounts will be treated as if they had always been one account; and
 - apply all or any part of the credits or debits applying to your account to another account nominated by you.
- (b) The Co-operative may let you assign to any person any amount in your account, provided:
- you first pay any amount you owe to the Co-operative or a related company;
 - you have a credit or nil balance in your account following the assignment;
 - you provide written instructions to the Co-operative of the assignment;
 - you indemnify the Co-operative from any liability from the assignment; and
 - the Co-operative can charge you a reasonable administration fee for setting up an assignment facility (whether one-off or periodic), or for modifying an existing assignment facility, and the administration fee will be deducted from your account.

3.7 SECURITY INTEREST OVER ACCOUNT

- (a) You may only grant a security interest over amounts payable by the Co-operative to you from your farmer's account with the prior written permission of the Co-operative and subject to completion of documentation to govern the Co-operative's relationship with your secured creditor.

3.8 SHAREMILKERS AND CONTRACT MILKERS

- (a) You can ask the Co-operative to act as your agent by crediting a percentage of your milk payments to the accounts of your sharemilker and/or contract milker. The Co-operative 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.
- (b) If the Co-operative agrees to make payments to your sharemilker and/or contract milker, it is on the basis that when the Co-operative pays and deals with a sharemilker or contract milker, the Co-operative is acting as your agent, and is not acting in its own capacity.
- (c) Payment to your sharemilker or contract milker does not limit, or in any way transfer, your obligations under these Terms of Supply. In particular, you remain responsible for any deductions made under the milk quality framework and any fees, charges or other payments under these Terms of Supply, including where your milk payments are insufficient to meet any such amount.
- (d) The Co-operative cannot act as a mediator between you and a sharemilker or contract milker.
- (e) You must provide written instructions to the Co-operative or update your preferences via the Farm Source or MyMilk website (as applicable) 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
 - otherwise direct the Co-operative to act with respect to a sharemilker or contract milker.

If the Co-operative does not receive written instructions from you in time to make any change before a payment run, the Co-operative will pay the sharemilker or contract milker in accordance with your previous instructions. The Co-operative will not be liable under any circumstances for any incorrect payments made to sharemilkers or contract milkers due to your failure to make payment changes in the prescribed manner. For the avoidance of doubt, the Co-operative will not initiate payment changes based on your verbal instructions.

- (f) If your sharemilker or contract milker has agreed with Farm Source (RD1 Limited) that amounts payable by them to RD1 Limited may be deducted from the milk payments paid by the Co-operative to them as your agent pursuant to this Clause 3.8, the Co-operative may deduct from your milk payment any indebtedness to RD1 Limited incurred by the sharemilker or contract milker up to the date your instruction is received by the Co-operative.
- (g) You are responsible for, and should ensure that, any instructions you give the Co-operative meet your obligations under your agreement with your sharemilker or contract milker, and all relevant laws and regulations.

4. Administration

4.1 YOUR INSTRUCTIONS TO FONTERRA

- (a) The Co-operative requires you to:
- give all instructions and notices to the Co-operative in writing or in accordance with any procedure specified by the Co-operative in any standard form provided by the Co-operative for this purpose;
 - ensure an attorney who signs an instruction or notice sends the power of attorney and a certificate of non-revocation to the Co-operative; and
 - give the Co-operative any instructions to change your personal information (including bank accounts) by the end of the month to which the payment relates.
- (b) The Co-operative may rely on a written instruction or instructions that have been accepted or submitted through an online form on the Farm Source or MyMilk One website (as applicable) 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.
- (c) Notwithstanding (b) above, the Co-operative may require signatures from at least two owners, trustees, shareholders and/or partners in the event that the Co-operative is notified of a dispute between these parties. The Co-operative cannot act as a mediator in any such dispute.
- (d) The Co-operative may rely on any delegations to farm contacts you make in writing when administering its relationship with you under these Terms (noting any limits applicable to such delegations).

4.2 RECORDS

- (a) The Co-operative will:
- keep records of your supply history, your compliance with these Terms of Supply, and its relationship with you;
 - treat its records (including its test results) as accurate unless you can prove to the Co-operative that the records are inaccurate or defective in some way; and
 - correct errors in its records.

4.3 YOUR PRIVACY AND FARM DATA

- (a) The Co-operative will collect, use, store and disclose your personal information and data about or produced on your farm ("Farm Data"), and will allow its related companies to use your personal information and Farm Data, for:

- its business purposes;
 - enabling third parties to develop services that will provide benefits to Fonterra farmers;
 - collating company financial information;
 - meeting its legal obligations;
 - responding to enquiries from regulatory authorities;
 - engaging with regulatory authorities where your farm is subject to any investigations and/or enforcement proceedings;
 - research;
 - communicating, and administering its relationship with you or with any sharemilker who has operational control of your farm;
 - facilitating Flexible Shareholding;
 - contacting you about products and services that you may be interested in;
 - assisting NAIT Limited in maintaining accurate records;
 - assisting ambulance, fire and police services for the benefit or well-being of the community;
 - verifying your eligibility to receive the Co-operative Difference payment;
 - supporting your farm to meet its legal obligations; and
 - other purposes relating to the dairy industry.
- (b) All personal information and Farm Data is stored securely by the Co-operative and its third party suppliers. You can access and correct your personal information and Farm Data on the Farm Source or MyMilk One website (as applicable) or by phoning the Farmer Support Team.
- (c) You agree that the Co-operative (or any of its related companies) may:
- use your personal information and Farm Data and give that information to third parties for the purposes set out in clause 4.3 (a) above;
 - anonymise and/or aggregate your personal information and/or Farm Data with other records and data that it holds, and use such aggregated data for the purposes set out in Clause 4.3(a) above;
 - make enquiries about you to third parties for the purposes set out above; and
 - request and receive information about the date(s) that your farm has consent audit or compliance obligations from the relevant local government body for your farm. Any date information received will be stored and used by the Co-operative in accordance with this section 4.3.

- (d) The Co-operative will not disclose any personal information or Farm Data to any regulatory agency (other than NAIT Limited) unless:
- you have provided further instructions to the Co-operative to allow this information to be disclosed;
 - there is a significant issue that in the Co-operative's opinion creates a reputational risk for the Co-operative;
 - the Co-operative is legally required to provide this information; or
 - such information is aggregated and/or anonymised such that it is not able to identify you or your farm.

4.4 CONFIDENTIAL INFORMATION ABOUT FONTERRA

- (a) You are not permitted to disclose any confidential information about the Co-operative to anyone.

4.5 NO OBSTRUCTION

- (a) You are not permitted to obstruct, hinder or otherwise prevent the Co-operative 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 the Co-operative is able to meet its legal obligations.

4.6 DISPUTES

- (a) If you disagree with a decision made by the Co-operative under these Terms of Supply, you need to pursue each step in the following 3-stage dispute process, in an effort to achieve a satisfactory resolution, before escalating the issue to the next level.
- Step 1. Management Review:
 - Contact the Farm Source team on **0800 65 65 68**, log onto the Farm Source website and raise a complaint through the 'Contact Us' section or email your dispute to dispute@fonterra.com.
 - Clearly state that you are raising a dispute in accordance with the Terms of Supply disputes process.
 - Provide full details of the dispute and the solution you would like to see.
 - Your dispute will be investigated. You will be contacted with a response and, if applicable, any potential solutions within a reasonable timeframe.

- Step 2. Co-operative Relations Committee review:
 - If you have exhausted all efforts to reach a satisfactory solution in Step 1, you may request a review by the Fonterra Co-operative Relations Committee.
 - You should submit a written complaint detailing the dispute and the steps already taken to achieve an effective resolution by email to crc@fonterra.com, via the Farm Source website or in writing to:

Co-operative Relations Committee
Fonterra Co-operative Group
Private Bag 92032
Auckland 1142.

- The Committee may contact you for further details and give a progress update as required.
- You acknowledge that your complaint will be scheduled to the next available Committee meeting and may not be heard for a number of weeks.
- Upon completion of the review you will be advised of the Committee's decision.
- Step 3. Milk Commissioner review:
 - If you are still dissatisfied following Steps 1 and 2, you may then take your dispute to the Milk Commissioner.
 - Disputes must be lodged with the Milk Commissioner within 60 working days from the date you are advised of the Committee's decision in Step 2.
 - You must approach the Milk Commissioner (whose contact details will be provided to you with the Committee's decision under Step 2), and provide details of your dispute and the steps taken to resolve it.
 - The Milk Commissioner will ask the Committee to confirm your dispute has been through the above steps.
 - If the dispute is within the Milk Commissioner's jurisdiction, the Milk Commissioner will review the case in accordance with their procedures and attempt to facilitate resolution and/or report back with their recommendation (as applicable).

5. Environmental Management

5.1 ENVIRONMENTAL STANDARDS

(a) The Co-operative requires you to:

- take all reasonable and practical steps to minimise harm to the environment;
- where the Co-operative has required the completion of a Farm Environment Plan for your farm, implement any mandatory action(s) set out in that Farm Environment Plan that are required to ensure these Terms of Supply are met, within the timeframes specified;
- ensure that sediment and/or effluent is not discharged into any waterway where it is likely to result in an adverse effect on the environment.

(b) All farms must have a current Farm Environment Plan in place by 1 June 2025.

(c) The discharge of dairy effluent to water is to cease from 1 June 2025, unless permitted through an approved Provisional Supply Plan in accordance with Clause 1.5.

5.2 WINTER MILK SUPPLY

(a) All farms supplying milk during the 61-day period between 16 May and 15 July in the North Island, and 1 June and 31 July in the South Island are required to ensure that:

- a Farm Environment Plan is in place;
- the farm meets the minimum industry agreed good farming practices;
- there are no significant effluent hazards on-farm; and
- there is adequate effluent storage capacity available at all times to ensure that effluent irrigation can be deferred.

6. Animal Wellbeing

6.1 GENERAL

(a) The Co-operative requires you to:

- carry out any instructions given by the Ministry for Primary Industries (MPI) or a person authorised by MPI relating to the requirements of the Biosecurity Act, Agricultural Compounds and Veterinary Medicines Act, Animal Welfare Act, and supporting Regulations;
- notify the Co-operative immediately (by calling 0800 65 65 68) if MPI or a person authorised by MPI, or the Royal New Zealand Society for the Prevention of Cruelty to Animals (SPCA) conducts a biosecurity, veterinary medicines or animal welfare investigation or inspection in relation to your farm and/or dairy animals from your farm located on any support block that you own or control; and
- immediately authorise MPI/SPCA (in writing) to share information concerning any investigation/inspection with the Co-operative. If your farm is under Performance Management due to an animal welfare issue and your farm is also under a notice of direction with MPI, Fonterra may share relevant information with MPI to expedite resolution of the animal welfare issue.

6.2 ANIMAL WELLBEING

(a) The Co-operative requires you to:

- ensure animals under your control are looked after in accordance with appropriate animal husbandry and welfare practices;
- record all incidences of lameness (whether treated with animal remedies or not) and have a lameness identification strategy to identify, manage and record lame cows;
- ensure that dead animals are managed and disposed of in a responsible manner to minimise disease, biosecurity risk and environmental impact. Dead animals (including slinks) for collection are to be:
 - stored a minimum of five metres inside the farm boundary and are to be covered, screened, or in a purpose-built container that ensures no part of the animal's body can be sighted from the roadway; and
 - not stored within 45 metres of your farm dairy;

- ensure stock are fit for transportation; and
- take urgent remedial action to improve an animal's body condition score if the body condition score of any animal falls below 3.5 (on a scale of 1–10).

(b) From 1 June 2025, each farm will be required to have an Animal Wellbeing Plan developed in conjunction with a veterinarian.

6.3 CALF WELLBEING

(a) The Co-operative requires you to only euthanise calves on-farm if:

- it is required on humane grounds such as:
 - to relieve suffering in an emergency situation where timely treatment cannot be sought;
 - following veterinary advice;
 - to relieve suffering from a significant congenital abnormality; or
 - to protect the wellbeing of an animal which is unfit for transport.
- the calves are not able to be raised on-farm and the following options are not available:
 - sale to a third party for rearing as sucklers or weaners;
 - third-party calf meat processing; or
 - third-party petfood processing where calves are slaughtered by the petfood processor, either on-farm (transported dead) or at the processing facility (transported live).

6.4 ANIMAL HEALTH

(a) The Co-operative requires you to:

- keep all animal health and treatment records for a minimum of four years, specifying 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;
- obtain veterinary supervision or advice when a problem with a milking animal's health is suspected;

6. Animal Wellbeing Continued

- identify and isolate any animals that have been diagnosed with, or are showing clinical signs of infectious diseases;
- not supply any milk from these animals until they are considered clinically recovered, and ensure you have records to demonstrate you have met these requirements;
- only use restricted veterinary medicines when prescribed by a veterinarian, and follow your veterinarian's instructions when giving treatment or administering restricted veterinary medicines to your animals;
- ensure all milking animals are individually identified, your herd is registered, as required by the National Animal Identification and Tracing Act 2012 (NAIT) and with TBfree NZ, and you meet the operational requirements of these programmes;
- keep a copy of your restricted veterinary medicine authorisation (prescription) issued by your veterinarian for a minimum of four years; and
- notify the Co-operative immediately if you have a confirmed or suspected significant disease outbreak in your herd.

6.5 TUBERCULOSIS ("TB")

(a) The Co-operative requires you to:

- send any confirmed positive TB reactor animals to slaughter as directed by TBfree NZ;
- withhold supply of milk to the Co-operative from any animal that has been designated for slaughter; and
- 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.

6.6 CLONED ANIMALS

(a) The Co-operative requires you to ensure that your milk is not from cows that are:

- artificially cloned; or
- the offspring of an artificial cloned animal, through direct mating, embryo transfer or artificial insemination.

6.7 SIGNIFICANT ANIMAL HEALTH ISSUES

(a) If there is a significant animal health issue, even where you have complied with these Terms of Supply, the Co-operative may:

- determine if your farm or the area in which your farm is located is affected, and/or, if necessary, which farms within the area are affected; and
- decide not to collect your milk or suspend collection of your milk if the Co-operative determines that your farm or your area is affected. As a result, you will be considered to have not supplied that milk to the Co-operative. You are required to dispose of uncollected milk at your own cost and it cannot be presented again for collection (see Clauses 1.6 and 1.7).



People and Community



7. Health and Safety

7.1 HEALTH AND SAFETY

(a) The Co-operative will:

- ensure that our people have been trained for the activity they are carrying out, and are aware of the relevant risks and hazards that are commonly present in farm environments and any other specific risks or hazards you make us aware of;
- where the Co-operative's staff and/or contractors are required to go beyond the tanker roadway and milk collection area, meet all reasonable requests to:
 - sign-in upon arrival; and
 - abide by the farm's health and safety systems, provided that this provision shall not limit the Co-operative's rights to access the property in accordance with Clause 1.3;
- if it is notified of any risks, or creates, identifies or brings any risk or hazard on-farm, work with you to eliminate or minimise any shared risks.

(b) The Co-operative requires you to ensure that:

- the areas of your farm where the Co-operative employees, contractors, advisers or agents enter, cross or work meet the requirements of the Health and Safety at Work Act 2015;
- all electrical switches are appropriately Ingress Protection rated for their location and purpose according to approved electrical standards;
- vat switches for all new and modified farm dairies are to be located outside of the farm dairy and in a location that is approved by the Co-operative;
- you and other people working on your farm ensure that the Co-operative's employees, contractors, advisers or agents are not put at risk;
- you record and control potential hazards as part of a hazard management system and advise the Co-operative's 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, for example farm vehicles, implements, or calf feeders;

- the milk vat can be safely accessed and the area immediately in front of the milk vat is clear of obstacles (for example large stones, holes, hoses or unsafe steps) that may obstruct or injure the tanker driver, and is clear of trip hazards day and night;
- family members, employees or visitors are aware of the potential hazards when a tanker is picking up milk and that people to keep clear of the farm roadway when the tanker is on-farm;
- 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;
- hoses, containers and other loose items are stored safely away and clear of the vat working space;
- 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;
- all reasonably practicable steps are taken to manage risks as required by the Health and Safety at Work Act 2015 and all regulations, standards and codes of practice made under New Zealand health and safety legislation; and
- you consult, co-operate and co-ordinate with the Co-operative in relation to health and safety matters to ensure, so far as reasonably practicable, that working conditions are safe for all employees, contractors, advisers and agents.

8. Milk Collection and Infrastructure

8.1 FARM DAIRY

(a) The Co-operative requires you to:

- ensure your farm dairy and surrounds meet the requirements for the safe harvesting and storage of milk in a farm dairy (as set out in the Ministry for Primary Industries Operational Code: NZCP1: 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 Operational Code: NZCP1: Design and Operation of Farm Dairies).

8.1.1 FARM DAIRY APPROVAL TO SUPPLY

(a) If you want to build a new farm dairy or make any material changes to your existing farm dairy or surrounds ('modified farm dairy'), you are required to:

- get the Co-operative's approval of:
 - the farm dairy site;
 - building plans before you begin work, including any variations to those plans;
 - the final farm dairy, milking machine installation and water supply; and
 - any building of a vat or tanker pad, or altering an existing vat or tanker pad or milk storage room, before you do any work;
- meet all the costs of getting the above approvals (which will be carried out by the Co-operative's contracted service providers);
- ensure that any new or modified farm dairy meets the tanker entrance, turning circle and concrete tanker pad standards set out in Diagrams 1–4 (pages 46–49);
- have two vats installed, if required by the Co-operative, in order to provide flexibility in collection.

(b) If you do not get the Co-operative's approval before you start work, the Co-operative may charge you the cost of the approvals and require you to fix any problems by a date set by the Co-operative.

(c) Milk collection will not commence until the Co-operative is satisfied that the new or modified farm dairy meets the Terms of Supply.

8.1.2 ANIMAL HOUSING, FEED PADS AND STAND-OFF AREAS

(a) The Co-operative requires you to ensure any housing/feeding system for your herd, including an off-pasture system, does not compromise any outcomes for:

- animal wellbeing, in that it meets outcomes for all relevant codes and acts, and will not compromise the five freedoms of animal welfare; or
- food safety by creating a risk to milk quality or creating an environment where there is risk of pathogens or disease being included in milk harvested from dairy cows.

(b) You must obtain consent from the Co-operative to use an off-pasture system during lactation, and the Co-operative will require you to have a management plan in place demonstrating that your system meets the requirements of the Ministry for Primary Industries Operational Code: NZCP1: Design and Operation of Farm Dairies. The Co-operative may require you to make changes to your management plan and system if milk quality tests indicate that quality is compromised.

8.1.3 FARM DAIRY WATER

(a) Water Quality Standard:

- the water used for the rinsing and washing of the milking machines and milk storage vessel and the milk harvesters' hands and forearms must meet the Ministry for Primary Industries Operational Code: NZCP1: Design and Operation of Farm Dairies:
 - *Turbidity*: is required to be equivalent to no more than 5 NTU. Water that does not meet requirements for turbidity is required to be filtered to remove suspended solids. Any further treatment options used must be approved by the Co-operative.
 - *E.coli*: is required to be absent per 100ml (tested every three years by an approved IANZ test method). Water that does not meet this standard can be treated with an approved chlorine sanitiser ensuring free chlorine does not exceed 20ppm or an appropriate treatment system such as UV or ozone.

8. Milk Collection and Infrastructure Continued

- the Co-operative will periodically test your farm dairy water at the point of use to determine if it meets the water quality standards. If it does not:
 - you must implement a water management plan that requires the disposal of an appropriate volume of the first milk through your plant to achieve detergent residue-free milk, along with any other actions approved by a Farm Dairy Assessor until your water meets the required standard; and
 - The Co-operative will deduct a monthly charge of \$250 plus GST from milk payments to farmers on a water management plan for the months any milk is supplied. This is to cover the cost of additional testing and monitoring that the Co-operative may undertake. The charge will start in the month that you come on to, and cease in the month that you go off, a water management plan.
- (b) The Co-operative requires you to:
- use only approved water treatment chemicals, as listed on MPI's website;
 - ensure that the water treatment method used does not result in a residue being detected in the raw milk supply;
 - complete the Co-operative's farm dairy water quality status checklist with the Co-operative's appointed Farm Dairy Assessor:
 - your Farm Dairy Assessor will update your water quality status checklist with you every three years;
 - you are also required to update the water quality checklist with your Farm Dairy Assessor whenever you make a significant change to your water supply; and
 - if the checklist shows a potential risk, you are required to identify actions to manage the risk and gain approval of those actions by a Farm Dairy Assessor prior to implementation.
 - provide all reasonable assistance to ensure the Co-operative meets the Ministry for Primary Industries Animal Products Notice: Production, Supply and Processing.
- ### 8.1.4 MILK VAT
- (a) The Co-operative will:
- provide you with a milk vat, or vats, appropriate to your farming operation and efficient milk collection;
 - attach a unique Radio Frequency Identification Device ("RFID") to the vat for milk collection; and
 - be responsible for all maintenance costs associated with the vat and other Fonterra owned or provided equipment except if you damage any part of the vat or damage or interfere with the performance of any Fonterra owned or provided equipment or devices attached to the vat as set out below.
- (b) The Co-operative may attach a device to each vat that transmits data to the Co-operative (including age of milk, temperature, agitation, and/or volume of milk) and you are required to ensure that such device remains connected to a power supply and that you do not interfere with its operation. Where the Co-operative agrees to attach a device chosen by you to replace a device already attached, you will be responsible for any costs incurred (including installation and removal).
- (c) The Co-operative requires you to:
- call the Farmer Support Team immediately if the RFID tag becomes detached or there is any damage to the vat or Fonterra owned or provided equipment attached to the vat including without limitation, devices, inlet and outlet valves, stirrer, ladder and strongbacks;
 - check and replace all vat seals and rubbers regularly, including those for taps and valves (the Co-operative will provide replacement rubber-ware parts at no cost through your local Fonterra Farm Source store or if you call the Farmer Support Team);
 - ensure that for new or modified/upgraded vat installations there is a filter on the inlet pipe to minimise the risk of spray ball blockage, and the filter does not restrict cleaning solution flow rates below recommended levels;
 - ensure foreign matter, birds, insects and vermin are kept out of the vat at all times;
 - assess your vat capacity requirements for each season and let your Regional On-Farm Asset Specialist know at least three months before the start of the next season if you require a larger vat;
 - request an increase to your on-farm milk storage capacity prior to the start of the next season (assets permitting) if your daily supply volume exceeds the stated on-farm capacity of your vat(s) during the current season;
 - apply for 'twice a day' collection if milk volumes exceed your vat capacity;
 - have the vat vent and milk vat monitoring components attached to the vent manually cleaned (observing health and safety requirements) if the milk volume exceeds the vat's capacity before further use, and if damage occurs, then all resulting costs and losses will be your responsibility;
 - monitor the operation of the vat and refrigeration unit and let the Farmer Support Team know of any equipment failures;
 - ensure all handle locating quadrants remain fitted in place and 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.
- (d) You are not permitted to make any modifications to the vat (or Fonterra owned or provided equipment) including (without limitation) attaching any sensor or monitoring systems to a vat, any welding to a vat or components (including, without limitation, valves, stirrer, ladder and strongbacks), except where you have:
- obtained the Co-operative's prior written approval for any modifications you wish to make and they meet these Terms of Supply including but not limited to the Ministry for Primary Industries Operational Code: NZCPI: Design and Operation of Farm Dairies; or
 - decided to insulate a milk vat and you:
 - ensure the insulation is adhesive free and maintained in a satisfactory state; and
 - remove (at your own cost) all insulation, clean any glue deposits and repair any damage or corrosion to the vat to a compliant level if the vat is changed.
- (e) The Co-operative requires you to:
- protect from loss, damage, theft or unauthorised modification any vat, agitator, sensor, transmitter, cabling, RFID equipment or other device owned or provided by the Co-operative; and
 - pay to the Co-operative the cost of any repairs or replacement of the Co-operative owned or provided equipment described above.
- (f) The Co-operative 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 (determined in accordance with section 109 of the Dairy Industry Restructuring Act 2001) and related equipment it supplied from your milk payment (without limiting the Co-operative's rights under Clause 3.5). No delay in the Co-operative exercising this right will operate as a waiver or as a representation that the Co-operative does not intend to enforce this right (whether or not the Co-operative has notice of a breach).
 - If you cease supplying milk to the Co-operative, you will be responsible for any costs the Co-operative incurs in removing the vat from inside the farm dairy including, without limitation, any costs incurred in removing any device attached to the vat that transmits data to the Co-operative. 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 from your farm dairy.
- (g) If you sell your farm dairy and:
- the purchaser will not be supplying the Co-operative; and
 - you wish to include the milk vat as one of the assets in the sale, you are required to pay to the Co-operative the market value of the milk vat (in the absence of agreement on the market value, this will be determined in accordance with section 109(4) of the Dairy Industry Restructuring Act 2001). This amount will be a debt that you owe to the Co-operative.
- (h) 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 Farmer Support Team.
- ### 8.1.5 MILK VAT INSTALLATION
- (a) The Co-operative will install a milk vat according to the Co-operative's requirements and may require you to have two vats on your farm.

8. Milk Collection and Infrastructure Continued

(b) The Co-operative requires you to:

- meet all costs associated with the disconnection and reinstallation of your refrigeration equipment, and the purchase of additional refrigeration capacity;
- upon request, build two vat stands where the Co-operative requires you to future-proof your farm;
- install a tanker pad that meets the requirements set out in Clause 8.1.2(a) if you are building a new silo pad or changing an old silo pad or vat stand;
- meet all costs associated with the removal of the exterior wall, roof or lintel if it is necessary to do so, where your vat is situated in your farm dairy; and
- ensure you have a separate vat wash system for any second vat installed.

8.1.6 REFRIGERATION OPERATION

(a) The Co-operative is not responsible for the supply and maintenance of refrigeration units or thermostats to manage milk cooling temperatures.

(b) The Co-operative requires you to:

- provide and maintain your own refrigeration unit(s) and thermostat(s) to manage milk cooling temperatures;
- have an auditable system that confirms your farm dairy is meeting the milk cooling requirements;
- monitor and record milk cooling performance on at least two occasions per dairy season in accordance with the requirements set out in the Dairy Diary. The following are acceptable devices for undertaking these measurements:
 - an electronic monitoring system;
 - a chart recorder;
 - a tiny tag or similar temperature logging device;
 - manual measurements using an electronic thermometer (non-glass); or
 - any other equivalent method, provided the accuracy of the temperature measurement device is known.

- ensure you comply with the Ministry for Primary Industries New Zealand Operational Code: NZCP1: Design and Operation of Farm Dairies, including ensuring:
 - your milk is pre-cooled before it enters the vat;
 - milk temperatures are maintained at or below the requirements as set out in Clause 10.1.14; and
 - milk is continually agitated;
 - ensure your dairy-approved temperature display/thermostat operates from 0.0°C to 40.0°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 which is visible in all light (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 to ensure compliance with the milk cooling requirements in the Ministry for Primary Industries New Zealand Operational Code: NZCP1: Design and Operation of Farm Dairies. If the temperature is outside the requirements in Clause 10.1.14 you should contact the Farmer Support Team as the Co-operative may need you to dispose of your milk;
 - 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 the Co-operative's guidelines provided by your local Regional On-Farm Asset Specialist for the installation of refrigeration equipment.
- (c) Where coolants are used that are not water (for example, glycol):
- the coolants must be food safe and be approved by MPI as a dairy maintenance compound;
 - you must inform the Co-operative if the coolants are being used in your primary cooling system (Plate Heat Exchanger) and/or the farm vat.

(d) The Co-operative will not defer a collection of your milk to allow you to reduce milk temperatures to the required standards.

(e) In addition to the actions the Co-operative may take in Clause 1.4, the Co-operative may reject your milk, decide not to collect your milk or suspend collection of your milk if:

- your milk does not comply with the milk quality standards for temperature as outlined in Clause 10.1.14; or
- the Co-operative has assessed the milk (either on-farm or through data transmitted to the Co-operative through the device attached to your vat) and considers that it is unsuitable for supply.

As a result, you will be considered to have not supplied that milk to the Co-operative. The Co-operative requires you to dispose of any uncollected or rejected milk at your own cost, and it cannot be presented again for collection (see Clauses 1.6 and 1.7).

If the Co-operative determines that the milk does not comply with the milk cooling temperature requirements or assesses the milk and considers that it is unsuitable for supply after it pumps milk into the tanker, then the volume of milk pumped into the tanker prior to the determination or assessment will be treated as presented for supply. This milk will be tested, a milk quality rating will be applied, and any adjustments and/or deductions to or from your milk payment will be made in accordance with Table 1 (pages 48–49).

8.1.7 MILK OR COLOSTRUM NOT INTENDED FOR COLLECTION

(a) Fonterra owned vats shall only be used for the storage of milk or colostrum.

(b) The Co-operative recommends that Fonterra-owned vats are not used to store milk or colostrum intended for feeding calves, and the Co-operative will not supply you a vat for this purpose.

(c) If you do use Fonterra-owned vat(s) for storing milk or colostrum not intended for supply you are required to ensure:

- you lock the vat's outlet using an approved vat lock (available through your local Farm Source store);
- you clearly label the vat 'Not for Collection' using a sticker available from the Farmer Support Team and position the sticker 150mm directly above the outlet valve; and
- Fonterra-owned vats are available for milk supply and vat maintenance when required.

(d) In addition to the actions the Co-operative may take in Clause 1.4 and Clause 9.6, if you do not meet the requirements of this Clause 8.1.7, the Co-operative may:

- impose deductions from your milk payment in accordance with Clause 9.5 and Table 1 (pages 48–49); and
- as a minimum, require you to pay \$5,000 plus GST by way of liquidated damages.

8.2 FARM DAIRY ACCESS

(a) The Co-operative requires you to maintain a roadway and tanker loop that provides clear access between the road and your farm dairy, and:

- is kept free from obstructions at all times, including but not limited to:
 - trees, branches, buildings, vehicles, implements, animal feed and stock;
- has a sign (which the Co-operative will provide and erect) 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 the sign is kept clean and free from obstruction at all times;
- is permanently fenced with cattle excluded from the roadway and tanker loop except where required at crossing points;
- where crossed by an irrigator, the crossing occurs in one motion, any wiper arms are folded up as close as possible to the irrigator and the irrigator does not cross the tanker roadway during collection windows;

(b) The milk collection and storage areas must be kept clean and clear of any obstacles at all times and all steps are to be maintained in a safe and secure condition;

(c) Any cattle crossing that is within 45 metres of the milk collection point is to be made of concrete or a similar material that can be easily cleaned and the crossing is to be at a right angle to the direction of the roadway;

(d) Effluent from any roadway crossing that is made of concrete or a similar material is to be collected into an effluent disposal system;

(e) Ensure that you have the Co-operative's prior written approval for any electronic security gate installed on a tanker roadway, and ensure you comply with any further requirements specified in the approval;

8. Milk Collection and Infrastructure Continued

- (f) The entrance from the road must comply with all relevant regulatory requirements;
- (g) The Co-operative will not be liable for any damage that results from you not meeting these Terms of Supply.

8.2.1 ROADWAY DIMENSIONS

- (a) Subject to Clause 8.2.1(b), the Co-operative requires you to meet the Roadway Dimension Standards as set out in Diagrams 1–4 (pages 46–49).
- (b) Your farm is not required to meet the standards set out in Diagrams 1–4 (pages 46–49) prior to 1 August 2030 if:
 - the farm dairy was operational prior to 1 June 2023 and has remained in operation since that time;
 - no changes are made to the tanker roadway entrance, tanker roadway or tanker loop that would further reduce the extent to which the farm meets the standards; and
 - the Co-operative can continue collection with its standard milk collection assets without creating additional risk to the health and safety of its employees or damage to its assets. The extent of any risks will be determined by the Co-operative at its sole discretion.

8.2.2 ROADWAY SURFACE AND GRADIENT

- (a) The Co-operative requires you to:
 - have an all-weather roadway from the farm entrance to the farm dairy suitable for access by a tanker travelling at reasonable speed;
 - maintain the roadway and loop to a high standard that is free from surface material, potholes and corrugations, and ensuring that;
 - if your roadway is longer than a kilometre from the entrance to the farm dairy, a tanker can safely maintain a speed of up to 50km/hour on that roadway;
 - if your roadway is shorter than a kilometre 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, or 1 in 7 if the surface has been sealed using grade two chip with locking coat, concrete or bitumen;
 - ensure corners on steep roadways are constructed and maintained so that a tanker can maintain traction and corner safely;

8.2.3 CATTLESTOPS, BRIDGES, CULVERTS AND UNDERPASSES

- (a) The Co-operative requires you to:
 - ensure that when a new cattle stop is installed on a tanker roadway, it has no less than 4.5 metres of usable width and has a manufacturer's engineering certificate;
 - ensure any existing bridges, cattle stops, stock underpasses, or culverts over two metres on the roadway are maintained in accordance with local authority requirements and all relevant laws, and allow safe crossing by a fully laden 50 tonne milk tanker travelling at a reasonable speed;
 - ensure all bridges, culverts and stock underpasses meet the requirements of the Health and Safety at Work Act 2015;
 - ensure any bridge or major crossing on the roadway is inspected by a Chartered Professional Engineer ("CPEng") qualified for assessing bridges and culverts, at your cost. The CPEng is required to provide you written confirmation of compliance with all relevant requirements (Class 1 Standards). A major crossing is one that has a cross-sectional area of the opening of 3.15 m² or more;
 - ensure any new, repaired or structurally upgraded bridges, crossings or culverts on tanker roadways are certified to meet all relevant requirements (Class 1 Standards). The On-Farm Assets Team will provide all the necessary compliance information and conduct a final inspection before a transport certificate is issued, which will allow milk collection to begin; and
 - provide the Co-operative written confirmation of any certification and confirmation of compliance when reasonably requested.

8.3 REQUIREMENTS OF COLLECTION

- (a) The Co-operative requires you to:
 - only put milk that has been produced on your farm into your vat;
 - ensure that any vat(s) that have calf milk/milk not intended for supply are secured, locked with a Fonterra approved vat lock, labelled and a red outlet cap is attached to the vat(s);
 - have a minimum volume of 400 litres available at each collection (or any other minimum volume the Co-operative notifies at any time and publishes on the Farm Source website); and

- ensure all milk is continually agitated and refrigerated to comply with the requirements set out in the Ministry for Primary Industries Operational Code: NZCPI: Design and Operation of Farm Dairies.
- (b) If less than the minimum volume is available at a collection, the Co-operative may charge you collection costs.
- (c) You are not permitted to:
 - supply milk from animals within four days of calving and eight complete udder evacuations unless this forms part of a specific contracted supply;
 - remove milk from your vat and then subsequently return all or part of that milk to the vat for supply;
 - put milk into your vat that has been held in any container or other receptacle other than your milking equipment; or
 - extend the agitator in order to stir low volumes.

8.3.1 START COLLECTION

- (a) At the start of each season you are required to tell the Co-operative 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 online using the Farm Source website or by calling the Farmer Support Team.
- (b) It is recommended that you ensure the first milking into the vat meets the minimum volume outlined in Table 3 (page 52) to ensure effective agitation. 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 downgrades.
- (c) The Co-operative will begin collecting your milk when you have the minimum volume available for collection (see Clause 8.3(a)).

8.3.2 TIME AND FREQUENCY OF COLLECTION

- (a) The Co-operative requires you to have your milk available for collection at all times outside your milking windows.
- (b) The Co-operative will collect milk from you on alternate days or other frequencies as appropriate and try to tell you in advance about a change to collection timing, but this may not always be possible.

- (c) Changes to collection cycles will be updated on the Farm Source website as they are made.
- (d) Any change to and from daily collections will be determined by milk volumes and your vat capacity.
- (e) Milk is to be no older than 48 hours at time of collection.

8.3.3 MILKING WINDOWS

- (a) The Co-operative requires you to:
 - elect twice a day, once a day, three in two or a repeatable 7 day milking frequency;
 - specify your own milking windows, available in 15 minute intervals, and a single vat wash length, available in five minute intervals; and
 - give the Co-operative at least 24 hours' notice if you change your milking frequency and/or milking windows during the season, on the Farm Source website or by calling the Farmer Support Team.
- (b) To ensure optimal milk collection scheduling and lowest milk collection costs, the Co-operative may specify milking windows that will apply in place of those specified by you where:
 - your farm is located in a restricted access area;
 - you specify milking windows that the Co-operative considers, acting reasonably, to be materially longer than what is usual for similar farming operations;
 - your farm infrastructure allows milking to be independent of collection (in which case the Co-operative may specify your farm has no milking windows); or
 - the Co-operative can determine your actual milking times via a monitoring device attached to your vat.
- (c) If you do not specify your own milking windows and/or single vat wash length, and the Co-operative cannot determine your actual milk times via a monitoring device attached to your vat, a milking time window will be assigned based on a rolling average of your milking times.

8. Milk Collection and Infrastructure Continued

8.3.4 SPECIAL COLLECTION REQUESTS

(a) The Co-operative requires you to:

- inform the Co-operative of any scheduled or unscheduled power outages
- provide the Co-operative as much notice as reasonably practicable of a request for a special collection, for example to ensure your vat is empty for a specific purpose such as maintenance of your vat or refrigeration equipment or the need for a visual inspection for milk quality purposes; and
- ensure that any milk presented for special collection meets all the requirements of these Terms of Supply.

(b) The Co-operative will try to (but cannot guarantee it will be able to) make arrangements to collect your milk where there is a scheduled or unscheduled power outage or a refrigeration fault. Where the Co-operative is not informed, standard temperature controls will be enforced.

(c) If you have a refrigeration fault, the Co-operative will try to:

- check availability in the collection schedule to determine whether it can accommodate your request; and
- collect your milk at the earliest possible time based on tanker schedules.

8.3.5 STOP COLLECTION

(a) The Co-operative requires you to:

- advise the Co-operative 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 Farmer Support Team; and
- tell the Co-operative if you need to dispose of milk for any reason.

(b) The Co-operative may:

- stop milk collection for the season once the amount of milk available for collection has dropped below the minimum amount;
- charge for transport where you have failed to stop collection resulting in a tanker arriving to collect milk and any milk quality downgrades incurred will stand;
- treat a missed collection as notice that you want the Co-operative to stop collection if you did not tell the Co-operative that you had to dispose your milk; and
- stop collection from your area by giving one week's notice to you and other farmers in your area.



9. Milk Quality Management

9.1 QUALITY MANAGEMENT SYSTEM

(a) The Co-operative requires you to operate a Quality Management System on your farm which:

- ensures your raw milk is not affected or contaminated by micro-organisms, inhibitory substances, residues, water, disease or foreign matter (e.g. glass, toxins or anything else that might taint your milk in any way);
- includes the completion and implementation of Food Safety Practices and Procedures for your farm dairy prior to supply commencing for the season. These can be completed online through the Farm Source Website, or in the Food Safety Practices and Procedures section of the Dairy Diary. From 1 June 2025 these records will only be accepted digitally.
- displays procedures for cleaning the milking plant and milk vats in a prominent place within your farm dairy at all times; and
- retains the following records for a minimum period of four years in a legible and readily available format:
 - monthly hygiene assessment. From 1 June 2025 these records will only be accepted digitally;
 - records required by the Ministry for Primary Industries Animal Products Notice: Production Supply and Processing, or any amended, restated and/or replaced Operational Code: NZCP1: Design and Operation of Farm Dairies relating to milk cooling, animal health, farm dairy water and raw milk acceptance, and your Farm Dairy Assessment;
 - records of milk from diseased animals that has been withheld (regardless of whether treatment has been administered);
 - records of veterinary medicines administered;
 - records of veterinary authorisation documents outlining which restricted veterinary medicines you can purchase and use;
 - veterinarian treatment documents;
 - veterinarian documentation relating to any inductions;
 - records of milk harvester health and training;
 - procedures for and 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 the Co-operative has requested in writing that you keep.

(b) During your annual Farm Dairy Assessment, the Co-operative will audit your Quality Management System to ensure that it meets the requirements above.

9.2 MILKING PLANT AND MILK VAT CLEANING

(a) The Co-operative requires you to ensure:

- all water used for cleaning the plant and vat meet the water quality standards as set out in Clause 8.1.3; or an appropriate water management plan is in place;
- all residual cleaning chemicals are prevented from entering the milk supply;
- 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) before further use;
- detergent and sanitiser residues are rinsed from the plant and vat prior to milking;
- the exterior of the milking equipment and vat is kept in a clean condition;
- you keep an approved non-glass thermometer at the farm dairy for monitoring your plant cleaning temperatures; and
- any spillage in or around the farm dairy must be cleaned immediately.

9.3 AUDIT CONSEQUENCES

(a) The following provides detail on how the Co-operative will respond to hazards identified during your annual Farm Dairy Assessment, unless the hazard identified is rectified during the Farm Dairy Assessment:

- Critical hazards will result in a follow-up assessment being conducted within 24 hours.
- Overall C classifications where two or more major, or one major and multiple minor hazards in any section other than environmental sustainability and structures/facilities have been identified, will result in a follow-up assessment being conducted within two weeks.

- Two or more major hazards relating to your structures/facilities or one major hazard that is classified as being a significant food safety risk, will result in a follow up assessment being conducted at a date determined by the Co-operative.

- Any major hazard that may contaminate your milk or if you have not met the Ministry for Primary Industries; Animal Productions Notice: Production Supply and Processing, will result in the Co-operative specifying a date by which the hazard(s) must be fixed and arranging for a follow up assessment at a date determined by the Co-operative.

(b) Where any of the hazards above are not rectified within the specified timeframes and/or at the time of the follow-up assessment, the Co-operative may exercise any of its rights as outlined in Clause 1.4 at its discretion.

9.4 MILK QUALITY TESTING

(a) The Co-operative will:

- test all milk or milk components you supply as it considers appropriate and determine the quality and composition of your milk;
- test samples of your milk for quality on the day after collection and may change the frequency of tests during known risk periods such as in the early season and when you have poor quality results;
- advise you of the milk quality ratings of the milk you have supplied on your your milk docket and On-Farm App; and;
- treat test results from an independent laboratory recognised under the Ministry for Primary Industries Animal Products Recognised Laboratory programme as accurate, unless you can prove to the Co-operative that the test results are inaccurate or defective in some way;
- utilise the Milk Quality Indicator (MQI) to support milk quality testing frequency. The MQI is an estimate of the bacterial level in the vat based on the milking time and temperature data utilising the Milk Vat Monitoring device.

(b) If the Co-operative rejects and/or suspends collection of your milk on the basis of any milk quality test results, the Co-operative will provide you with a copy of the test results for that milk. If you do not agree with the Co-operative's test results, you will need to prove to the Co-operative that your milk did not have a defect when it passed into the tanker.

(c) If your milk has a quality defect that incurs any payment deductions, the Co-operative will conduct follow-up tests on your milk until you have three clear tests in a row, or until the Co-operative determines it no longer needs to carry out these tests.

9.5 MILK QUALITY RATINGS AND MILK PAYMENTS

(a) The Co-operative will apply a milk quality rating to each milk quality parameter that your milk is tested for. This rating will be based on the results of testing carried out in accordance with Clause 9.4(a) and applied in accordance with the milk quality standards set out in Table 1 (pages 48–49).

- The deduction rate will be calculated using the lower of the opening forecast conventional/organic (as applicable) milk price for the season and the conventional/organic (as applicable) milk price forecast as at 31 May. A deduction will initially be calculated on the opening forecast price. If the forecast price as at 31 May is less than the opening forecast price, then an adjustment will be made.

(b) The milk quality ratings are:

- **Excellence:** Your milk exceeds Fonterra's milk quality standards. Provided you meet the prerequisites of The Co-operative Difference, where a milk quality rating of 'excellence' is achieved on all milk quality parameters tested on a particular day, you may be eligible for the Te Puku component of The Co-operative Difference payment for all milk collected on that day.
- **Quality:** Milk meets Fonterra's milk quality standards.
- **Minor downgrade:** Minor defect(s) have been identified in your milk. Each Minor downgrade incurred will result in 5% being deducted from your milk payment for that day.
- **Major downgrade:** Major defect(s) have been identified in your milk. Each Major downgrade incurred will result in 20% being deducted from your milk payment for that day.
- **Critical downgrade:** Critical defect(s) have been identified in your milk. Any Critical downgrade incurred will result in 50% being deducted from your milk payment for that day.
- **Reject:** Milk is unacceptable for supply. Any milk that is collected and subsequently incurs a Reject rating will result in a 100% deduction from your milk payment for that day.

9. Milk Quality Management Continued

- (c) Where the milk quality rating is Minor, Major, Critical or Reject, deductions will be made from your milk payments for all milk collected on that day:
- For the purposes of this Clause, a 'day' is the period between 6:00am and 5:59am the following day.
 - Deductions for Minor, Major or Critical ratings will accumulate up to a maximum of 50% of the milk payment for any day. For example, if you incur three Minor ratings for different milk quality parameters, your deduction will be 15% of your milk payment for that day.
 - No deductions will be made for the first two Minor ratings incurred in each calendar month. This does not apply to winter milk premium deductions.
 - Subject to bullet 3 above, all deductions incurred will be doubled in the first 10 days following the commencement of supply in the months of June, July, August and September up to a maximum of 100% for Downgrade Milk and 200% for Reject Milk.
 - Where a Minor, Major, Critical or Reject rating is incurred, the Co-operative may also apply the corresponding deduction to the winter milk premium, including the first two Minor ratings incurred in any month.
- (d) For the purposes of Clause 1.4, any milk supplied with a milk quality rating of Minor, Major, Critical or Reject is deemed to not meet these Terms of Supply.
- (e) "Downgrade days" means the number of days where your milk quality rating is Minor, Major, Critical or Reject for any parameter.

9.6 NON-COMPLYING MILK AND LIABILITY

- (a) In addition to the actions the Co-operative may take in Clause 1.4, including any deductions from your milk payment made under Clause 9.5, if you have supplied non-complying milk that requires the Co-operative to dispose of a tanker load of milk or a factory vat of milk into which your milk was discharged, or put product on hold, the Co-operative may:
- require you to pay the full value of the disposed milk including the milk of all other farmers collected on the tanker load or stored in the factory vat into which the milk was discharged, including collection costs, any premiums paid, tanker cleaning costs and any disposal costs (plus any GST payable in each case);
 - if final product is required to be put on hold, require you to pay the full value of storage, additional laboratory testing costs, additional labour costs and other costs incurred while tracing and clearing the product (plus any GST payable in each case); and
 - if final product is affected by the non-complying milk collected from your farm, require you to reimburse the Co-operative for the shortfall in realisable value of the affected product and/or the cost of re-routing that product to a different market as a result (plus any GST payable in each case).
- (b) If more than one farmer's milk has caused a defect that requires the Co-operative to incur the costs referred to in Clause 9.6(a) above, all responsible farmers will share the compensation costs on a fair and reasonable basis as determined by the Co-operative in the circumstances.
- (c) Your liability for any losses or costs to the Co-operative for failing to supply milk that meets these Terms of Supply is limited to \$500,000 plus GST per season, plus the value of any deductions made under Clause 9.5.

9.7 MILK QUALITY SUPPORT

- (a) Fonterra will refund up to the total amount of the deductions made under Clause 9.5, in the current season, to cover the cost of help from a Fonterra approved service provider to solve milk quality problems.
- (b) This refund is based on the cost of the professional advice you receive and not on the cost of repairs to your equipment, or consumables purchased to resolve the milk quality issue.
- (c) For mastitis work conducted by National Milk-Quality Advisory Committee (NMAC) accredited veterinarians, or Fonterra approved veterinarians, before you receive your refund:
- you will need to provide a copy of the paid invoice from the accredited veterinarian to the Co-operative; and
 - the veterinarian is required to upload their assessment of your herd and the report to the mastitis support database.

9.8 WINTER MILK

- (a) Milk supplied between 16 May and 15 July (North Island) and 1 June and 31 July (South Island) that is not supplied under a Winter Milk Contract is subject to the following requirements:
- if seven Downgrade days are reached during this period then no further winter premium payments will be made, and a transport charge may apply;
 - collections may be suspended until milk can be demonstrated as being fit for its purpose; and
 - if a further five Downgrade days are reached during this period the Co-operative may suspend collection for the remainder of the period.
- (b) If the Co-operative has terminated your Winter Milk Contract, then the Co-operative may suspend any collection until milk can be demonstrated as being fit for its purpose.

10. Milk Quality Standards

10.1 QUALITY STANDARDS

- (a) This section provides details on the Co-operative's milk quality standards and the specific testing and assessment criteria used for each. Full details of the milk quality ratings can be found in Table 1 (pages 48–49).
- (b) You must tell the Farmer Support Team as soon as possible if you:
- suspect the milk quality rating for the milk in your vat is 'Reject' for any applicable parameter, and you must also immediately secure the vat from collection with an approved vat lock (available through your local Farm Source store); or
 - find out after your milk has been collected that the milk may have a milk quality rating of Reject for any applicable parameter or may compromise food safety for any reason.

10.1.1 AFLATOXINS

(a) Milk Quality Standard:

Milk Quality Rating Ranges (ppt)			
Excellence	Quality	Downgrade	Reject
< 10	10–19	20–49	≥ 50

- (b) **Testing:** The Co-operative will test random tanker load samples each week. If a tanker load has elevated levels of aflatoxin then all farmers on the tanker run will be tested for aflatoxin. If your milk contains aflatoxin then the appropriate milk quality rating will be applied to your milk.
- (c) **Additional Requirements:** Where your aflatoxin result exceeds 20 ppt, the Co-operative may suspend collections immediately. If collection is suspended, testing will be required prior to collection restarting. You will be required to pay for all sampling and testing charges to clear supply for collection.

10.1.2 BACTOSCAN (BSCAN)

(a) Milk Quality Standard:

Milk Quality Rating Ranges (APC eq. cfu/ml)			
Excellence	Quality	Downgrade	Reject
< 20,000	20,000–49,999	50,000–999,999	≥ 1,000,000 or GEOMEAN > 50,000 (See (c) below)

- (b) **Testing:** The Co-operative will test your milk randomly on three occasions during each month and additional testing may be triggered by the MQI.

- (c) **Additional Requirements:** 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, the Co-operative will:

- advise you in writing that you are required to reduce the Bactoscan level to below 50,000 cfu/ml within the following two months; and
- if the Bactoscan level for the following two months has a geometric mean above 50,000 cfu/ml, suspend collection of your milk until you provide evidence to the Co-operative that your milk has a Bactoscan level of less than 50,000 cfu/ml for a ten day period.
- If you have two consecutive Bactoscan results above 1,000,000 APC eq. cfu/ml, collection will be suspended until it is shown to be less than 100,000 cfu/ml. You will be considered to not have supplied that milk and you are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 1.6 and 1.7).

Also see Clause 10.1.5: Bacterial Downgrade Days.

10.1.3 THERMODURIC PLATE COUNT (THERM)

(a) Milk Quality Standard:

Milk Quality Rating Ranges (cfu/ml)			
Excellence	Quality	Downgrade	Reject
< 500	500–1,499	1,500–59,999	≥ 60,000 (See (c) below)

- (b) **Testing:** The Co-operative will test your milk once a month between April and October and twice a month from November to March.
- (c) **Additional Requirements:** If you have two consecutive results above 60,000 cfu/ml, collection may be suspended until it is shown to be less than 40,000 cfu/ml or better.

Also see Clause 10.1.5: Bacterial Downgrade Days.

10.1.4 COLIFORM PLATE COUNT (COLI)

(a) Milk Quality Standard:

Milk Quality Rating Ranges (cfu/ml)			
Excellence	Quality	Downgrade	Reject
< 300	300–499	> 500	GEOMEAN > 500 (See (c) below)

- (b) **Testing:** The Co-operative will test your milk randomly twice per month.

- (c) **Additional Requirements:** If you have a rolling two month geometric mean above 500 cfu/ml Coliform at the end of any month, the Co-operative will:

- advise you in writing that you are required to reduce the Coliform level to below 500 cfu/ml within the following two months; and
- if the Coliform level for the following two months has a geometric mean above 500 cfu/ml, collection will be suspended, and as a result you will be considered to have not supplied that milk. If collection is suspended, you must provide evidence to the Co-operative that your milk has a Coliform level of less than 500 cfu/ml for a ten day period prior to collection restarting.

Also see Clause 10.1.5: Bacterial Downgrade Days.

10.1.5 BACTERIAL DOWNGRADE DAYS

(a) Where your farm has:

- 25 Bacterial Downgrade days or more in a season, the Co-operative may place your farm under Performance Management as set out in Clauses 1.4 and 1.5; or
- 35 Bacterial Downgrade days or more in a season, the Co-operative may suspend collection of your milk as set out in Clause 1.4.

'Bacterial Downgrade days' means the number of days where, as a result of a Bactoscan (Clause 10.1.2), Thermoduric (Clause 10.1.3) and/or Coliforms (Clause 10.1.4) test result, either singularly or in combination with other test results, a Minor, Major, Critical or Reject milk quality rating has been applied.

10.1.6 ORGANOLEPTIC ASSESSMENT (SENSES)

(a) Milk Quality Standard:

Milk Quality Rating Ranges			
Excellence	Quality	Downgrade	Reject
Finest	Finest	Minor, Major & Serious	Gross

- (b) **Testing:** The Co-operative will test your milk at least once per month, with frequency increasing at times of elevated risk.

10.1.7 SEDIMENT (SED)

(a) Milk Quality Standard:

Milk Quality Rating Ranges			
Excellence	Quality	Downgrade	Reject
A	B or C	D	N/A

- (b) **Testing:** The Co-operative will test your milk at least once per month, with frequency increasing at times of elevated risk.

10.1.8 COLOSTRUM

(a) Milk Quality Standard:

Milk Quality Rating Ranges (g/L)			
Excellence	Quality	Downgrade	Reject
≤ 1.35	≤ 1.35	> 1.35	N/A

- (b) **Testing:** The Co-operative will test your milk as required.

10.1.9 INHIBITORY SUBSTANCES (I.S.)

(a) Milk Quality Standard:

Milk Quality Rating Ranges (IU/ml)			
Excellence	Quality	Downgrade	Reject
< 0.003	< 0.003	0.003–0.005	≥ 0.006

- (b) **Testing:** The Co-operative will test your milk a minimum of three times per month with testing frequency increasing at times of elevated risk. The Co-operative will screen all tanker loads of milk for inhibitory substance residue prior to delivery for processing. If screening indicates that a tanker load of milk has inhibitory substances present, all farms that have been collected on the load will be identified and tested for inhibitory substances by an MPI recognised laboratory under the Animal Products Act 1999 Recognised Laboratory Program. A milk quality rating based on this laboratory test will be applied to your milk.

(c) Additional Requirements:

- If you think your milk contains inhibitory substance residue, then:
 - You are required to call the Farmer Support Team and secure the vat from collection using an approved vat lock.

10. Milk Quality Standards Continued

- You may arrange for an appropriate on-farm test (at your cost) prior to collection. On-farm testing must be completed by an organisation approved by the Co-operative to ensure test result assurance. Based on the results of that test, and if the Co-operative considers the milk to be low risk, you may decide to supply the milk at your risk.
- If you decide to supply the milk, it will be tested at a recognised laboratory. If the laboratory test result for the milk is 0.003 IU/ml or greater, for the purposes of the milk quality rating, the inhibitory substances result will be considered to be Minor.
- If your milk test result is 0.003 IU/ml or greater, the Co-operative will:
 - suspend collection of your milk in accordance with Clause 1.4;
 - undertake liquid chromatography mass spectrometry testing to confirm the level of antibiotic present;
 - undertake daily inhibitory substance testing for six months;
 - arrange for an inhibitory substance audit to be carried out by an approved Farm Dairy Assessor; and
 - charge you a fee of \$700 plus GST each time your milk test result is 0.003 IU/ml or greater to cover the costs incurred by the Co-operative.
- If your test result is 0.003 IU/ml or greater three or more times during a season, you will be tested daily in the following season.

10.1.10 FREEZING POINT (FR.PT.)

(a) Milk Quality Standard:

Milk Quality Rating Ranges (deg C)			
Excellence	Quality	Downgrade	Reject
≤ -0.513	≤ -0.513	≥ 0.512	N/A

- (b) **Testing:** The Co-operative will scan composition results daily by computer. Where a problem is identified, the freezing point will be checked on a cryoscope.

10.1.11 FAT EVALUATION INDEX (FEI)

(a) Milk Quality Standard:

Milk Quality Rating Ranges (FEI Index)			
1 June - 30 September			
Excellence	Quality	Downgrade	Reject
≤ 16	≤ 16	-	≥ 16.01
1 October - 31 May			
Excellence	Quality	Downgrade	Reject
≤ 11	≤ 11	11.01-16	≥ 16.01

(b) Testing: The Co-operative will:

- conduct screening tests (daily where possible) and report to you the rolling six day average result;
- undertake confirmatory testing after 3 consecutive screening tests results above the quality threshold (the tests might not occur on consecutive days);
- continue confirmatory testing until a FEI result at or below the quality threshold is achieved and recommence confirmatory testing if any pending results subsequently exceed the quality threshold;
- Downgrade and Reject milk quality ratings will only be incurred based on confirmatory FEI tests over the quality threshold, and not based on screening test results; and
- be entitled to charge you a fee of \$160 (plus GST) for each confirmatory test which confirms a FEI result above the quality threshold.

(c) Additional Requirements:

- The Co-operative may place your farm under Performance Management as set out in Clauses 1.4 and 1.5 if you have confirmatory FEI test results that are assigned a Major Rating for more than 40 collection days in a season (full details of the milk quality ratings can be found in Table 1, pages 48-49).
- The Co-operative may suspend collection of your milk if you have a confirmatory test result of 16.01 or over. If the Co-operative suspends collection of your milk, milk collection will not recommence until:
 - confirmatory tests confirm a FEI result at or below the quality threshold for at least three test results; and
 - the Co-operative is satisfied that you have taken all actions the Co-operative considers necessary to lower the FEI results for your farm and avoid a further suspension.

10.1.12 SOMATIC CELL COUNT (SCC)

(a) Milk Quality Standard:

Milk Quality Rating Ranges (cells/ml)			
Excellence	Quality	Downgrade	Reject
≤ 150,000	150,001-399,999	≥ 400,000	≥ 700,000 (See Table 1 and (c) below for GEOMEAN)

- (b) **Testing:** The Co-operative will test each consignment that is collected.
- (c) For the purposes of the Co-operative Difference, an average somatic cell count result will be assigned for any collection which does not produce a valid lab test result. The average result will be calculated by using surrounding real results where possible.
- (d) **Additional Requirements:**
- If you have a rolling two month geometric mean above 400,000 cells/ml at the end of any month, the Co-operative will advise you in writing that you are required to reduce your geometric mean somatic cell count to less than 400,000 cells/ml within the following three months.
 - If you have a rolling two-month geometric mean above 400,000 cells/ml at the end of any month, collections above 400,000 cells/ml in the second month (month 4) and third (month 5) months following that will incur an increase in downgrades applied as set out in Table 1.
 - If your monthly geometric mean for the third month of the three-month period is above 400,000 cells/ml, the Co-operative may suspend collection of your 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 ten-day period. You will be considered to not have supplied that milk and you are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 1.6 and 1.7).
 - If you have two consecutive somatic cell count results above 700,000 cells/ml, collection will be suspended until it is shown to be less than 500,000 cells/ml. You will be considered to not have supplied that milk and you are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 1.6 and 1.7).

10.1.13 RESIDUES

(a) Milk Quality Standard:

Milk Quality Rating Ranges (mg/l)		
Compound	Excellence	Downgrade
Chlorates	< 0.02	≥ 0.02
Perchlorates	< 0.005	≥ 0.005
Quaternary Ammonium Compounds (QACs)	< 0.005	≥ 0.005
Nonylphenol Ethoxylate (NPE)	< 0.02	≥ 0.02
Dicyandiamide (DCD)	< 0.1	≥ 0.1
Cyanuric Acid	< 0.1	≥ 0.1

- (b) **Testing:** The Co-operative will routinely test your milk for the presence of residues.

10.1.14 MILK TEMPERATURE

(a) Milk Quality Standard:

Milk Quality Rating Ranges (failure)			
Excellence	Quality	Downgrade	Reject
Standard met	≤ 2 failures per month	> 2 failures per month	≥ 18.0 °C

Milk must:

- be cooled to 10.0°C or below within four hours of the commencement of milking;
- be cooled to 6.0°C or below within the sooner of:
 - six hours from the commencement of milking; or
 - two hours from the completion of milking;
- be held at or below 6.0°C without freezing until collection or the next milking;
- not exceed 10.0°C during subsequent milkings until collection; and
- enter the bulk milk tank at 6.0°C or below where milking continues for six hours or longer from the time that milk first enters any bulk milk tank (such as an automated milking system).
- milk that is at or above 18°C will not be collected. You will be considered to not have supplied that milk and you are required to dispose of uncollected milk at your own cost. It cannot be presented again

10. Milk Quality Standards Continued

for collection (see Clauses 1.6 and 1.7).

- (b) **Testing:** The Co-operative will monitor milk temperatures via milk vat monitoring systems and check the milk temperature of every consignment at collection.
- (c) **Additional Requirements:** The Co-operative may place your farm under Performance Management as set out in Clauses 1.4 and 1.5 if:
- your farm has incurred more than 30 failures of the milk temperature requirements in a season; or
 - there is a milk cooling fault identified during the annual Farm Dairy Assessment.

10.1.15 DDE/DDT RESIDUES

(a) Milk Quality Standard:

Milk Quality Rating Ranges (mg/kg milk fat)				
	Excellence	Quality	Downgrade	Reject
1 Jun–30 Sep	< 0.3	< 0.3	0.3–0.99	> 0.99
1 Oct–31 May	< 0.5	< 0.5	0.5–0.99	> 0.99

(b) Testing:

- Consignments of milk from at risk areas are tested for DDE early in the season.
 - If you supply any milk with DDE in excess of 0.3 mg/kg at any time in a season:
 - all subsequent milk collected from you will be tested until results are 0.3 mg/kg or less; and
 - your milk may be tested on a random basis during the rest of the season.
 - The Co-operative can require testing of your farm, or parts of your farm deemed to be a risk, for DDT and its metabolites. Following this testing, if the weighted average level in the soil is greater than 0.7 mg/kg, then, in accordance with Clause 1.4 and at its discretion, the Co-operative may:
 - impose rules on supply of milk from your farm;
 - reject milk from your farm, either before or after collection; or
 - suspend milk collection from your farm.
- (c) **Additional Requirements:** The Co-operative may require you to identify actions to manage DDE on your farm if you have tested over 0.3 mg/kg milk fat.

10.1.16 TITRATABLE ACIDITY

(a) Milk Quality Standard:

Milk Quality Rating Ranges (% Lactic Acid)			
Excellence	Quality	Downgrade	Reject
N/A	N/A	N/A	> 0.16

- (b) **Testing:** Testing is only undertaken on an as required basis.

10.2 RESTRICTED PRACTICES

10.2.1 LAND FARMING

- (a) You are not permitted to feed any material to your lactating animals that was grown or harvested on land used for land farming (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 the Co-operative 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 in accordance to a resource consent granted before 1 June 2013. You must notify the Co-operative of land farming operations under such consents as they occur.

10.2.2 WASTE DISCHARGES

- (a) You are not permitted to:
- apply the following wastes, either directly or through the dairy effluent system, to land used for grazing or producing feed for dairy animals:
 - human waste including waste water, sewerage sludge, or biosolids;
 - fertilisers or soil conditioners e.g., vermicast, compost, or dried biosolids products, that contain human waste sludge or biosolids;
 - meat processing waste and sludge/ biosolids; or
 - wastewater or sludge/biosolids from paper and pulp mills or tanneries.
 - feed dairy animals any material that has been grown on land that has been used for the disposal of the waste streams listed above;
- (b) To apply any other waste stream (commercial or industrial e.g. such as dairy processing waste, meat processing wastewater or poultry waste i.e. shed scrapings) to land that is used for grazing or producing feed for dairy animals either directly or through the dairy effluent system, unless you;

- notify the Co-operative of your intentions and receive written approval prior to commencing the discharge;
 - Approval may require a management plan that identifies the waste and how the potential hazards are reduced and maintained to acceptable levels;
 - maintain records of the location, frequency, quantity, and withholding periods associated with each application, and/or when land is returned to dairy feed production or grazing, this may include relevant analytical reports; and
 - meet all relevant regulatory requirements.
- (c) The Co-operative requires you to declare all waste applications at the time of your Farm Dairy Assessment.
- (d) The Co-operative may:
- make any approval made under this Clause conditional to further mitigation steps being undertaken;
 - decline any request for approval at its discretion; or
 - reject any milk where the provisions of this Clause are not met.

10.2.3 ANIMAL FEEDS

- (a) You must not feed animals any material that:
- may contaminate milk with toxins, residues or any other harmful substance;
 - is from any part of, or is derived from, the hemp plant; or
 - may cause organoleptic or flavour taints.
- (b) All stock feed brought in from offsite sources must only be accepted when delivered with documentation identifying:
- the feed (what it contains);
 - source of feed (where it came from); and
 - confirmation that it is suitable for feeding to dairy animals and that it meets Clause 10.2.2.
- (c) All feed documentation (electronic or hard copy) is to be kept for at least four years.
- (d) The Co-operative may require you to cease feeding any feed or grazing the specified land if it is determined that it is unsuitable for its intended purpose and may pose a risk to food safety, animal welfare or biosecurity.

10.2.4 HEAVY METAL CONTAMINATION

- (a) You must ensure milk collected from your farm by the Co-operative is free of heavy metal contamination and notify the Co-operative:
- of any stock illness or death that is suspected or confirmed due to heavy metal poisoning; and
 - if you graze any gun club land or shot fall land with stock of any class or age.
- (b) The Co-operative may require testing of your farm, or parts of your farm deemed to be a risk, for heavy metals and may impose rules on supply of milk from your farm.

10.2.5 OTHER RESTRICTED PRACTICES

- (a) You are not permitted to supply milk to the Co-operative 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 any animal that has had access to pasture or feeds sprayed with herbicide or pesticide in a manner that does not meet the manufacturer's instructions;
 - has in any way been adulterated or tampered with; or
 - has been harvested by any person with a communicable or notifiable disease.

Tables and Diagrams

Table 1 Milk Quality Framework

PARAMETER	CLAUSE	ACCEPTABLE	
		Quality Rating:	
		Excellence	Quality
		Milk Price Impact*:	
		Te Puku Payment	Milk Price
PARAMETER	CLAUSE	Excellence	Quality
Aflatoxin (ppt)	10.1.1	< 10	10–19
Bactoscan (APC eq.cfu/ml)	10.1.2	< 20,000 (A)	20,000–49,999 (B)
Thermoturics (cfu/ml)	10.1.3	< 500	500–1,499
Coliforms (cfu/ml)	10.1.4	< 300	300–499
Organoleptic	10.1.6	Finest	Finest
Sediment	10.1.7	A	B or C
Colostrum (g/L)	10.1.8	≤ 1.35	≤ 1.35
Inhibitory Substances (IU/ml)	10.1.9	< 0.003	< 0.003
Freezing Point (deg. C)	10.1.10	< -0.513	< -0.513
FEI (1 June - 30 September)	10.1.11	≤ 16	≤ 16
FEI (1 October - 31 May)	10.1.11	≤ 11	≤ 11
Somatic Cell Count (cells/ml)	10.1.12	≤ 150,000	150,001–399,999
- GEOMEAN Month 2	10.1.12(c)		
- GEOMEAN Month 3	10.1.12(c)		
Residues	10.1.13		
- Chlorates	10.1.13(a)	< 0.02	< 0.02
- Perchlorates	10.1.13(a)	< 0.005	< 0.005
- Quaternary Ammonium Compounds (QACs)	10.1.13(a)	< 0.005	< 0.005
- Nonylphenol Ethoxylate (NPE)	10.1.13(a)	< 0.02	< 0.02
- Dicyandiamide (DCD)	10.1.13(a)	< 0.1	< 0.1
- Cyanuric Acid	10.1.13(a)	< 0.1	< 0.1
Milk Temp	10.1.14	Standards met	≤ 2 failures/month
DDT/DDE (1 Jun–30 Sept) (mg/kg milk fat)	10.1.15	< 0.3	< 0.3
DDT/DDE (1 Oct–31 May) (mg/kg milk fat)	10.1.15	< 0.5	< 0.5
Titrateable Acidity	10.1.16		

Table 1 Milk Quality Framework Continued

DOWNGRADE			
Minor	Major	Critical	Reject
-5%	-20%	-50%	-100%
MINOR, MAJOR AND CRITICAL DEDUCTIONS ACCUMULATE UP TO A MAXIMUM OF 50%			
20–24	25–49		≥ 50
50,000–199,999 (C,D)	200,000–499,999 (E)	500,000–999,999 (F)	≥ 1,000,000 (R)
1,500–4,999	5,000–9,999	10,000–59,999	≥ 60,000
500–1,999	2,000+		
Minor defect	Major/Serious defect		Gross defect
	D		
	> 1.35		
Notified IS collection		0.003–0.005	≥ 0.006
-0.512 TO -0.470	> -0.47		
			≥ 16.01
11.01–12	12.01–16		≥ 16.01
400,000–499,000	500,000–699,999		≥ 700,000
		400,000–499,000	≥ 500,000
			≥ 400,000
0.02–0.0999	≥ 0.1		
≥ 0.005			
≥ 0.005			
≥ 0.02			
≥ 0.1			
≥ 0.1			
> 2 failures/month			≥ 18°C at collection
0.3–0.49	0.5–0.99		> 0.99
0.5–0.99			> 0.99
			> 0.16% Lactic Acid



Table 2 – Other Deductions

TYPE	FREQUENCY	STANDARD	DEDUCTION/FEE	CLAUSE
Water Exclusion	As required	Where farm dairy water is non-compliant	\$250 + GST/ month	Refer Clause 8.1.3.
Collection of calf milk or other milk not intended for collection including previously rejected milk that is presented again for collection	As required	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	\$5,000 + GST Minimum damages	Refer Clause 8.1.7.
Revisits to address issues of non-compliance with these Terms of Supply	As required	Where a revisit is required due to requirements not being met	\$300 + GST	Refer to Clause 1.4.
		Where documented evidence can be substituted for a farm revisit	\$90 + GST	Refer to Clause 1.4.
Cancelled scheduled Farm Dairy Assessments	As required	Where a scheduled Farm Dairy Assessment is cancelled by the farmer within 7 calendar days of the scheduled assessment time	\$100 + GST	Refer to Clause 1.3. (e)

Table 3 – Recommended Minimum VAT Volume for Effective Agitation

VAT DIAMETER 2.4M				VAT DIAMETER 3M			
VAT SIZE (litres)	TO AGITATE (litres)	TO COVER FLOOR (litres)	RECOMMENDED MINIMUM COLLECTION* (litres)	VAT SIZE (litres)	TO AGITATE (litres)	TO COVER FLOOR (litres)	RECOMMENDED MINIMUM COLLECTION* (litres)
2,000	35	60	400	11,500	350	900	1,400
2,200	65	300	400	14,000	350	900	1,400
2,700	85	300	400	16,000	350	900	1,400
3,400	100	300	400	18,000	350	900	1,400
4,100	100	300	400	21,500	350	900	1,400
4,500	250	400	1,000	24,000	350	900	1,400
5,700	250	400	1,000	26,000	350	900	1,400
6,800	250	400	1,000	30,000	350	900	1,400
7,800	250	400	1,000				
9,100	250	400	1,000				
12,000T	250	400	1,000				
14,000T	250	400	1,000				
16,000T	250	400	1,000				
18,000T	250	400	1,000				

*Recommended minimum collection is based on four milkings. The Co-operative 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 deductions for collections that do not meet the recommended minimum collection volume will not typically be subject to review.

Roadway Dimension Standards

Diagram 1 – Splayed Entrance

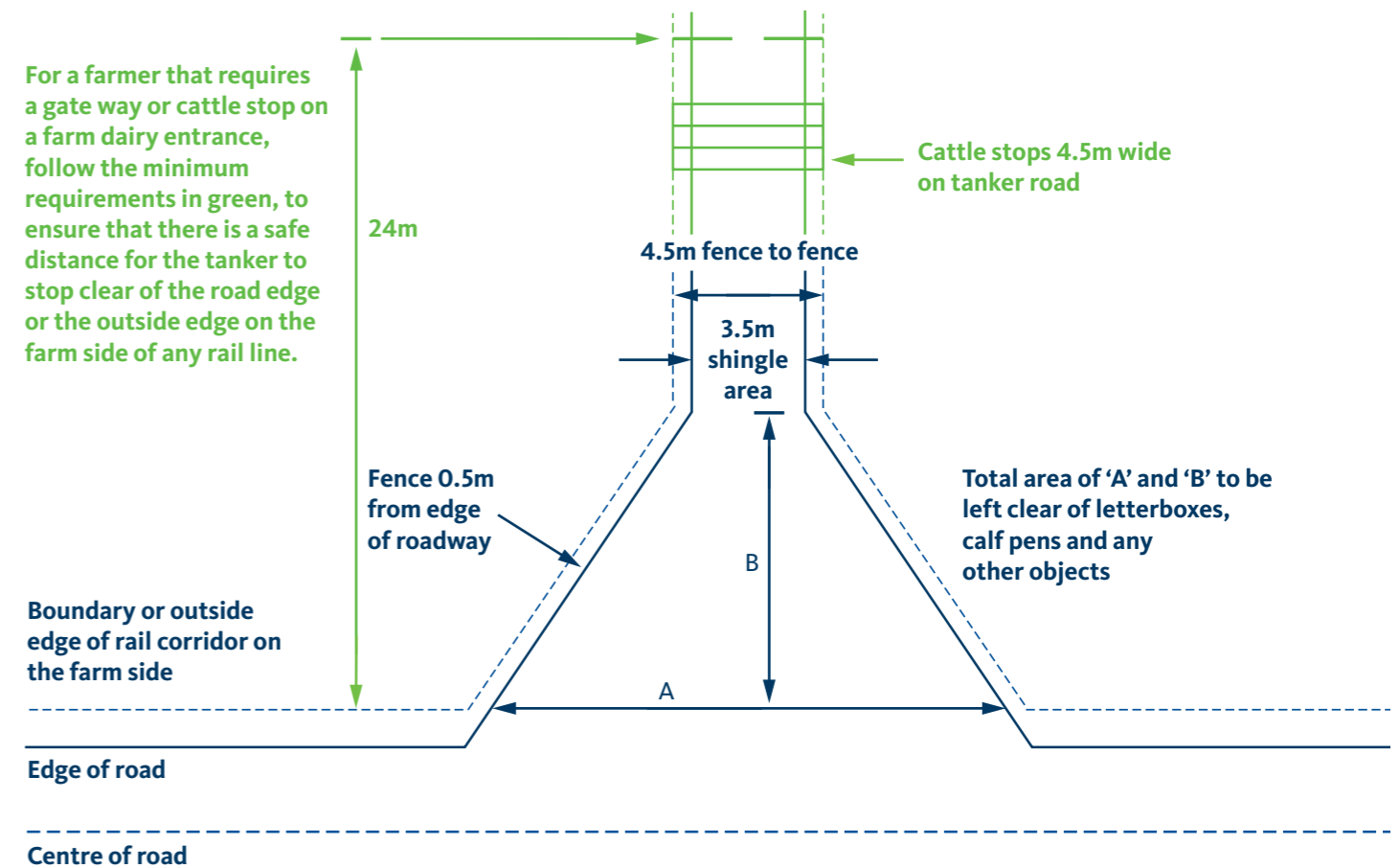
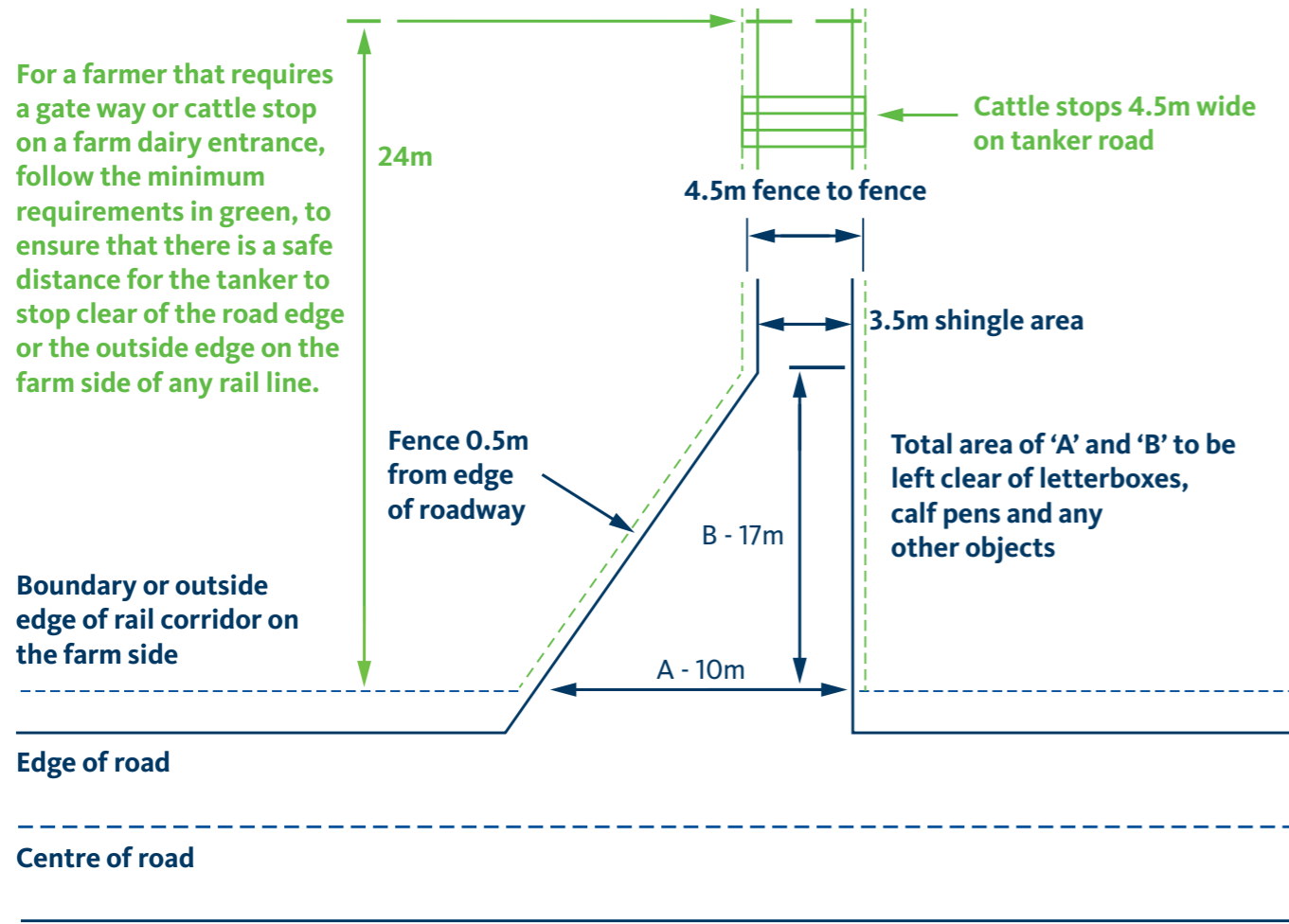


Diagram 2 – Splayed Entrance (Boundary Adjacent)



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 NZTA or your District Council to ensure your farm dairy entrance meets their requirements. NZTA, District Council and Fonterra approval of vehicle access is required prior to milk collection.

Table 4 – Measurements for Farm Dairy Entrance

ROAD CENTRE TO BOUNDARY	WIDTH OF ENTRANCE A	DEPTH OF SPLAY B
10m	10m	7m
9m	12m	8m
8m	14m	9m
7m	16m	10m
6m	18m	11m
5m	20m	12m
4m	22m	13m

1. Measure from centre of road to farm boundary.
2. If less than 10 metres use the table to the left.
3. If more than 10 metres use the minimum of 10 metres.

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 NZTA 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. The Co-operative will not collect your milk until you have either NZTA's or your local District Council's approval and the Co-operative's approval of vehicle access.

Diagram 3 – Boundary and Turning Circle (left hand)

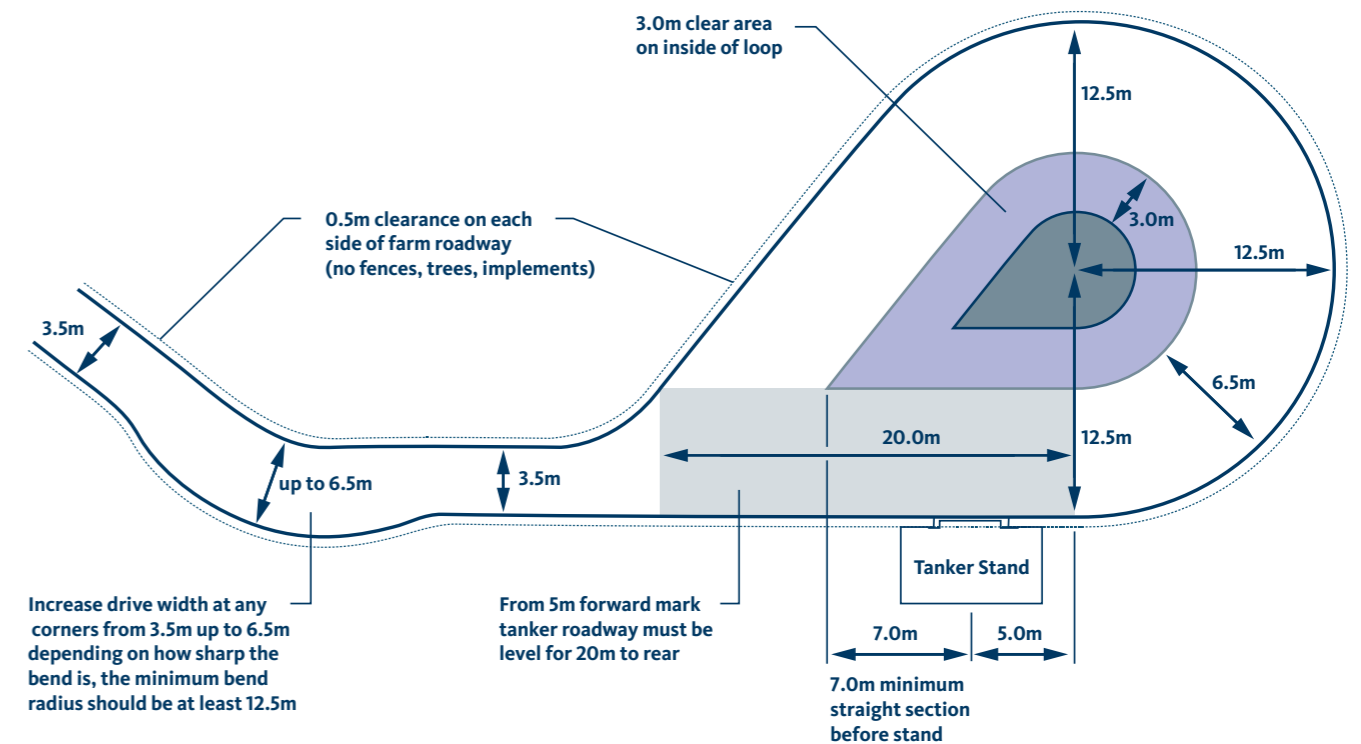
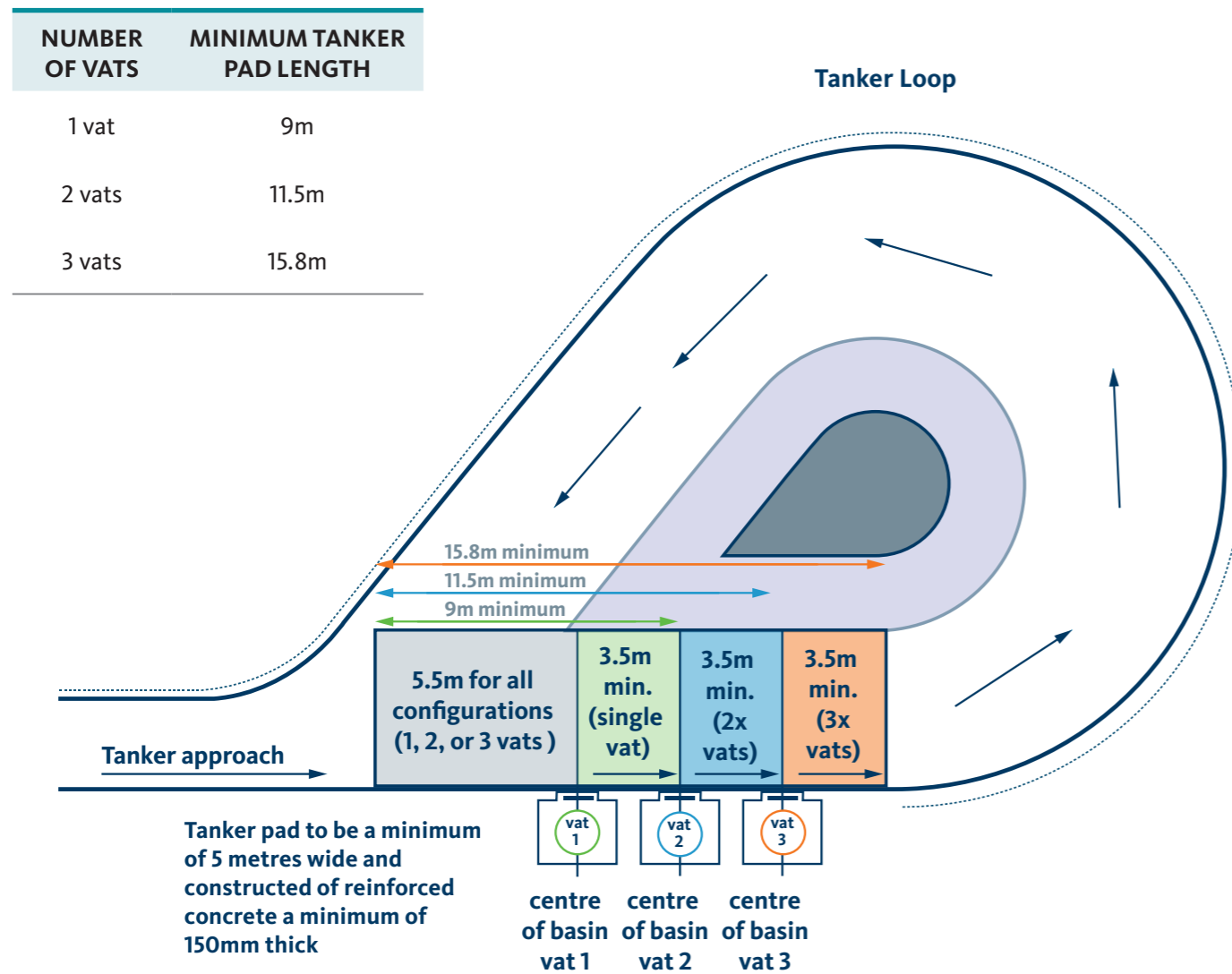


Diagram 4 – Concrete Tanker Pad Design Standard



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 the Co-operative 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 the Co-operative that is recorded as a separate supply account by you to the Co-operative. However, the Co-operative can allow more than one supply account from a farm dairy in special circumstances;
- A **'farmer'**, this means all Shareholders of the Co-operative who supply milk (including Secondary Shareholders deemed to be a registered supplying shareholder of the Co-operative under Fonterra's 'Rules for Shareholding'), and all non-shareholders who are contracted to supply milk, under these Terms of Supply;
- **'Including'**, this means including without limitation;
- **'In writing'**, this includes in electronic form;
- **'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 the Co-operative in accordance with Clause 8.3.3, during which you milk and carry out a single vat wash;
- **'Off-pasture system'**, this means any covered animal housing that is used as part of routine milking herd management for 8 hours or more over a 24 hour period and used more than 30 days over a season;
- **'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;
- **'The Co-operative Difference'**, this is Fonterra's framework for supporting farmers to meet the expectations of our customers and communities, both today and into the future. The detail of the framework is set out on the Farm Source Website;
- **'The Co-operative Difference payment'**, this is a milk payment parameter as set out in the Fonterra Milk Payment Manual; and
- **'You'**, this means a farmer who supplies milk to the Co-operative.



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