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A SUMMARY OF FARMERS’ HANDBOOK CHANGES

Set out below is a summary of the main changes made to the Handbook for the 2018/19 season.
Farmers should read and familiarise themselves with the new/amended Clauses.

FOR THE 2018/19 SEASON

CLAUSE
1.7 Fonterra Farm Source
SUMMARY OF CHANGE
Updated to exclude details about the new Tuki Sustainable Dairying and Financial Toolbox offerings. New information added about the MyConnect offering which replaces Networkers. A refresh of the Fonterra Farm Source Centre information updated (replaces Source Tool) and clarification around Partnerships team (as this team has been absorbed into wider Farm Source business). A refresh of the Farm Source App information to reflect non-substantive changes over the last year and reference the new digital Diary app.

CLAUSE
2. Terms of Supply
SUMMARY OF CHANGE
Updated with details of the new digital Dairy Diary app expected to launch in advance of the new season.

CLAUSE
3. Environment
SUMMARY OF CHANGE
Introductory text reordered to introduce Fonterra’s new water commitments and the Tuki Sustainable Dairying Programme. Some background information on the Sustainable Dairying Water Assurance removed. “Sustainable Dairying Pages” are now known as “Sustainable Dairying Records.” Specific environmental compliance requirements set out for water management. Revisited for data on farm information confidential and only share information with your permission” in respect of Nitrogen Programme data. This aligns the privacy commitments for Nitrogen Programme data with the general privacy provisions covered in section 10.5 and allows the sharing of data in some instances that offer benefit to Fonterra farmers - for example for the development of farm performance tools.

FOR THE 2018/19 SEASON

CLAUSE
3.3 Waterway Management
SUMMARY OF CHANGE
Terminology change from “support blocks” to “non-attached support land” which more accurately describes a block of land physically detached from the milking platform.

CLAUSE
3.4 Nitrogen Management
SUMMARY OF CHANGE
Deletion of Fonterra’s commitment to “keep your individual farm information confidential and only share information with your permission” in respect of Nitrogen Programme data. This aligns the privacy commitments for Nitrogen Programme data with the general privacy provisions covered in section 10.5 and allows the sharing of data in some instances that offer benefit to Fonterra farmers - for example for the development of farm performance tools.

CLAUSE
3.5 Nitrogen Management
SUMMARY OF CHANGE
New recommendation to measure and monitor your water use on farm. Any change to your farm water supply must be notified to the Risk Management Programme Operator.

CLAUSE
SUMMARY OF CHANGE
Information on proposed regulations concerning dehorning, disbudding and castrating cattle.

CLAUSE
4.2 Calf Welfare
SUMMARY OF CHANGE
Information on proposed regulations prohibiting tail shortening. New requirement to record lameness, mortalities, reproduction and mastitis data via the Evaluation Index testing alerted last season and which are covered in section 10.3, and allows the sharing of data in some instances that offer benefit to Fonterra farmers - for example for the development of farm performance tools.

CLAUSE
4.3 Animal Welfare
SUMMARY OF CHANGE
Deletion of the hazard explanations which relate to the Environment section and are no longer relevant for the annual assessment.

CLAUSE
5. Annual Assessment
SUMMARY OF CHANGE
Deletion of the hazard explanations which relate to the Environment section and are no longer relevant for the annual assessment.

CLAUSE
5.3 Annual Assessment
SUMMARY OF CHANGE
Deletion of the hazard explanations which relate to the Environment section and are no longer relevant for the annual assessment.

CLAUSE
5.5 Animal Welfare
SUMMARY OF CHANGE
Information on proposed regulations concerning dehorning, disbudding and castrating cattle.

CLAUSE
6. Farm Structures, Milk Storage, Refrigeration, Access and Safety
SUMMARY OF CHANGE
Addition of “legislative requirements” to wording in the introduction section. Various changes made to the milk cooling requirements to reflect the new milk cooling regulations. Clarification that coolants (other than water) must be a Ministry for Primary Industries-approved dairy maintenance compound.

CLAUSE
6.2 Milk Storage
SUMMARY OF CHANGE
Clarification added in respect of your liability for damage to Fonterra owned property.

CLAUSE
6.3 Milk Storage
SUMMARY OF CHANGE
Deletion of the words “for road safety reasons” from the sentence “salves for collection are not housed on or adjacent to the roadside for road safety reasons.”
# A SUMMARY OF CHANGES CONTINUED

Set out below is a summary of the changes made to the Handbook for the 2018/19 season. Farmers should read and familiarise themselves with the new/amended Clauses.

## 6.4 Refrigeration Operation

**CLAUSE**

- Changes to the timing requirement for improving a cooling system once a fault has been identified and tightening of the tolerance for failing the temperature standard. Changes to temperature acceptance criteria to align with section 8.10

## 6.5 Milk or Colostrom Not Intended For Collection

**CLAUSE**

- Liquidated damages cap increased from $300,000 plus GST per season to $500,000 plus GST per season. This change reflects an increase in the real cost to Fonterra including new regulations.
- New paragraph specifying that gates across tanker roadways must be situated a minimum of 24 metres along the tanker roadway from the road boundary to allow a safe distance for the tanker to be clear of the road. An increase in the weight requirement for a fully laden tanker crossing bridges, cattle stops or culverts over 2 metres from “44-48” to 50 tonnes to reflect an increase in the real cost to Fonterra including new regulations.

## 6.6 Access to Property

**CLAUSE**

- New ability for Fonterra to suspend milk collection if you refuse to allow Fonterra’s agents or representatives entry to your farm for the purposes of Clause 6.6.
- New paragraph requiring that you shall not operate in a way, or engage in activity, that might damage Fonterra’s reputation or otherwise be detrimental to the Co-operative.

## 7.3 Requirements for Milk for Supply

**CLAUSE**

- A new ability for Fonterra to suspend collection of milk in the event you operate a farm in a way, or engage in activity, that might damage Fonterra’s reputation or otherwise be detrimental to the Co-operative.

## 7.4 Start Collection

**CLAUSE**

- A new recommendation to complete the pre-season check as per the milk vat and cooling system maintenance guide.

## 7.5 Stop Collection

**CLAUSE**

- A new recommendation to complete the end of season shut down as per the milk vat and cooling system maintenance guide.

## 7.10 Special Collection Requests

**CLAUSE**

- Various changes to reflect compliance with the new milk cooling regulations.

## 8.7 Fat Evaluation Index Grading System

**CLAUSE**

- A new Clause on the Fat Evaluation Index (FEI) grading system. Note that as a result of the addition, section 8 numbering differs from the 2017/18 edition.

## 8.8 Demerit Point Scheme

**CLAUSE**

- Clarification that winter milk premium deductions will not apply to demerit points incurred under new section 8.7 for FEI grades.

## 8.9 Inhibitory Substances

**CLAUSE**

- An increase in the fee applied following a positive inhibitory substance grade from random testing. The new fee of $700 plus GST will cover daily testing for six months, liquid chromatography mass spectrometry (LCMS) testing and an inhibitory substance audit.

## 8.10 DDE/DDT and Heavy Metal Residues

**CLAUSE**

- Addition of new requirements to ensure milk collected by Fonterra is free of heavy metal contamination and Fonterra is notified of any stock illness or death due to heavy metal poisoning or if stock is grazed on any gun club land or shot fall land.

## 8.11 Milking Plant and Vat Cleaning

**CLAUSE**

- Addition of new requirement that any spillage in or around the farm dairy must be cleaned immediately.

## 8.12 Farm Dairy Water

**CLAUSE**

- Monthly deduction for farmers on a temporary water system in Clause 8.7.

## 8.13 Animal Poisoning

**CLAUSE**

- Changes to reflect the changes made in section 8 relating to inhibitory substance testing (fee increase) and the new Fat Evaluation Index and associated demerit scheme.

## 10.5 Your Privacy

**CLAUSE**

- Changes to the circumstances when Fonterra may disclose farm specific information to regulatory agencies. Amendment of Act name to Contract and Commercial Law Act 2017.

## 10.6 Disputes

**CLAUSE**

- The Shareholders’ Council is in the process of appointing a new milk commissioner as the existing commissioner is retiring at the end of the 2017/2018 season. The new commissioner’s name and contact details will be advised to shareholders once finalised.

## 8.22 Geometric Mean Monitoring and Management

**CLAUSE**

- An additional right for Fonterra to require you to implement a management plan (at your cost) before recommencing supply where there has been systemic geometric mean failures in the past. This will apply in circumstances where you have had consecutive seasons of milk suspensions due to geometric mean failures to try and prevent the same issue arising in the new season.

## Tables 4 and 5

Changes to reflect the changes made in section 8 relating to inhibitory substance testing (fee increase) and the new Fat Evaluation Index and associated demerit scheme. Various changes to comply with milk temperature regulations. A change to the farm revisit fees in accordance with Clause 5.1.
POSSIBLE FUTURE REGULATIONS AND CHANGES

Fonterra is aware of several areas where regulations or Government policy changes that relate to on-farm practices may be introduced within the coming years. Fonterra may also introduce changes which are in the best interests of the Co-operative, including to meet customer requirements and maximise returns.

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

ENVIRONMENT

Summary of Changes:

Launched in 2013, the Sustainable Dairying: Water Accord is the dairy industry’s commitment to enhance the overall performance of dairy farming as it affects fresh water. The Accord contains targets including:

- **31 May 2017**: 100 per cent stock exclusion from significant waterways;
- **31 May 2018**: all crossings used more than once a month need to be bridged or culverted;
- **31 May 2020**: 100 per cent of dairy farms with waterways will have a riparian management plan;
- **2020**: 85 per cent of farms will have water meters (including all significant water users).

While these targets are not mandatory, Fonterra’s commitment to the Sustainable Dairying: Water Accord means we will continue working with farmers over the coming seasons to ensure they are well prepared to meet the targets.

ANIMAL HEALTH AND WELFARE

Summary of Changes:

- **Tail shortening:** The Ministry for Primary Industries has released new proposed regulations on tail shortening. It is likely that this practice will be prohibited from 1 October 2018. A person must not shorten or remove any portion of the tail of a cattle beast. The only exception to this is where the tail of a cattle beast is shortened by a person under urgency to respond to an accidental tail injury for the purpose of preventing excessive bleeding or further injury. A person who shortens or removes the tail of a cattle beast in such circumstances must be a veterinarian or veterinary student under the direct supervision of a veterinarian throughout the procedure. The procedure must be performed for therapeutic purposes and pain relief must be used at the time of the procedure.

PHOTO COMPETITION

For the 2018/19 Farmers’ Handbook, we ran a competition for you to provide us with photos to feature throughout the Handbook. These photos celebrate and showcase life on your farm throughout New Zealand. Congratulations to all the category winners and special mentions – the diverse range and overall quality of photos were exceptional.

- **Photo:** Jackson Bainbridge
  - Winner: 17 and Under Environmental Category

- **Photo:** Tanya McCowatt
  - Winner: Over 18 Farming Life Category

- **Photo:** Kelly Keirl
  - Winner: Over 18 Farm Landscape Category

OWNERS OR PERSONS IN CHARGE OF ANIMALS UPON WHICH PAINFUL HUSBANDRY PROCEDURES ARE TO BE UNDERTAKEN, MUST ENSURE THAT THEY ARE OR THEIR PERSONNEL HAVE EITHER THE RELEVANT TRAINING OR APPROPRIATE SUPERVISION, AND SUITABLE EQUIPMENT, TO ENSURE THE HEALTH AND WELFARE NEEDS OF THE ANIMAL IN THEIR CARE ARE MET.

Castration and scrotal shortening: it is proposed that from 1 October 2018 pain relief must be used (for any method of castration) when castrating or shortening the scrotum of a bull over the age of six months.

MILK QUALITY AND TESTING

Summary of Change:

Fonterra is currently reviewing the level of compliance to the new Ministry for Primary Industries temperature regulations being introduced in June 2018, including how we support our farmers in achieving compliance. If necessary Fonterra may consider the implementation of a demerit point scheme associated with milk collection temperatures.
Our Co-operative is committed to ensuring food safety and quality from your farms to the world.

We are Dairy for life.
OUR CORE VALUES

CO-OPERATIVE SPIRIT

DO WHAT’S RIGHT

CHALLENGE BOUNDARIES

MAKE IT HAPPEN

OUR STRATEGY

The strategy is all about driving volume, value and velocity through our seven strategic paths:

• Optimize New Zealand milk.
• Build and grow beyond our current consumer positions.
• Deliver on Foodservice potential.
• Grow our domestic business.
• Develop trading positions in Caucasus and Russia.
• Constructively run a cost price.
• Align our heart and edge indexes to enable the strategy.

OUR PEOPLE

Inspiring Leaders

• Trusted leaders inspiring exceptional performance.
Get Better Every Day

• Creativity, drive and intellectual capital.
• Commitment to the well-being of everyone.
• Inspiring new leaders who know we all live by success.
All of Us Together

• A culture where we care, respect, develop and support each other, our people and our communities.
• Accountable to our customers, consumers and shareholders.

OUR IDENTITY

Responsible Dairying

• Committed to our dairying communities lives.
• Champions of the health of our farms and waterways.
Nutrition for Life

• Delivering better products to improve health at key life stages.
• Making dairy nutrition accessible.
Dairy Excellence

• Guided by dairy safety and quality innovationimportance and speed.

OUR CORE VALUES

Volume Responsible Dairying

Value Nutrition for Life

Velocity Dairy Excellence

Inspiring Leaders

Getting Better Every Day

All of Us Together

Our People

Our Strategy

Our Identity

Our Values

OUR STRATEGY

Co-operative Spirit

Do What’s Right

Challenge Boundaries

Make it Happen

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

THIS IS FONterra FRAMEWORK

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The milk produced by Fonterra farmers is where it all starts. This milk is the source of our products that we market far and wide and it has won our place as the world’s largest dairy exporter.

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

Fonterra is engaged and connected with its shareholders. The Fonterra Farmers’ Shareholders’ Council is the voice of Fonterra farmers to the Board of the Co-operative and monitors the performance of the Fonterra business relative to the views of Fonterra farmers to the Board of the Co-operative and fellow shareholders in 25 wards across New Zealand.

You can opt into My Connect at any time during the year either online at fonterra.co.nz or by calling the Farm Source Service Team on 0800 65 65 68 or via your Area Manager.

My Connect is a joint initiative between Fonterra Farm Source and the Shareholders’ Council. It provides a range of tools and support to farmers, and is available via phone or email for advice and support, regardless of the issue. They are there to help you meet your farm needs and connect you with services and solutions to support your plan. A key part of their role is to keep you updated on what’s happening with Fonterra’s strategy, the global dairy industry and Co-operative news.

Fonterra Farm Source provides:
- a dedicated support team focused on helping you achieve your farming goals;
- discounts and savings on key farm input costs such as fuel, electricity and key supply items;
- leading technology to help you set goals and monitor your production and farm performance online;
- financial tools and services to support your stage of farming;
- technical assistance and support tailored to your farming region;
- sustainability and milk quality advice and support.

The Milk Sourcing Assurance & Advisory Team provides: support, regardless of the issue. They are there to help you meet your farm needs and connect you with services and solutions to support your plan. A key part of their role is to keep you updated on what’s happening with Fonterra’s strategy, the global dairy industry and Co-operative news.

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- a network of over 65 farm supply stores dedicated to delivering the best price and on-farm technical advice for Fonterra Farmers.

Fonterra Farm Source is all about supporting you in your continued success on-farm by making the most of the unity and strength of our Co-operative.

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Fonterra Farmers’ Handbook 2018/2019

On-Farm Assets Team
The On-Farm Assets Team is responsible for providing safe, reliable milk storage for collection. They assist with farm access tanker roadways, vat capacity issues, vat maintenance, new farm dairies and any modifications to the farm dairy. Contact your Regional On-Farm Asset Specialists on 0800 65 65 68.

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

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

Partnerships
We’re committed to helping reduce the day-to-day costs of running a farm by using our Co-operative strength to negotiate the best deals we can via a network of partners. You can take advantage of these deals by direct bidding through your Farm Source account or using your Farm Source Rewards card, and Earn Rewards Discounts at the same time. To find out more please contact the Farm Source Service Team on 0800 65 65 68.

Agrifeeds
Agrifeeds is a 50/50 joint venture between Fonterra and Willmar Companies, supplying an extensive range of quality imported and domestically-sourced animal feed and minerals to New Zealand farmers as well as imported Denkavit Whey product from Holland. Agrifeeds New Zealand supplies milk replacer products formulated using Fonterra milk-based ingredients as well as imported Denkavit Whey product from Holland. NZAgbiz provides free on-farm technical support and nutrition advice. For more information, visit nzagbiz.co.nz or call 0800 80 90 11 or email office@nzagbiz.com.

Fonterra Farm Source Services
Farm Source Hubs
Our hubs provide an exclusive approach to support our farmers. As part of our planned store maintenance and refresh we are gradually converting our existing farm supplies network, RD1, to Farm Source Hubs. They are a local base for your Area Manager, Sustainable Dairy Advisors and Technical Sales Representatives. Hubs feature facilities, such as meeting rooms and a drop-in space, where you can meet others and have a coffee giving you better direct access to Fonterra in your community.

Tiaki Sustainable Dairying
The Tiaki Sustainable Dairying Programme is committed to supporting our farmers as they continue to manage and maintain our environment for the land for future generations. All who work it and all who are connected to it.

The journey to sustainable nutrition begins on farm, and Tiaki has been designed exclusively for the use of Fonterra farmers. Our Sustainable Dairying Teams are in every region, and help farmers identify and act on sustainability opportunities for the future benefit of their dairy businesses. Building a sustainably-produced milk supply ensures Fonterra is relevant to communities, consumers and customers around the world.

Our Sustainable Dairying Advisors (SDAs) are available in all regions to support farmers with a suite of tools and services to assist with a broad range of sustainability-related farm matters, including:

• Farm environment plans;
• Consent support;
• Nutrient budgets;
• Nitrogen reports;
• Farm mapping;
• Catchment group management;
• DOC Living Water partnership;
• Riparian management plans;
• Efficient management;
• Water use efficiency.

For more information visit nzfarmsource.co.nz

Farm Source Rewards
Our Rewards programme offers a wide range of exclusive deals with national suppliers, including great experiences; food; and fuel. The Farm Source Rewards card provides access to many exclusive deals as well as discounts at more than 2,000 retailers nationwide and all with the convenience of paying on your Farm Source account.

To request a Farm Source account or if you have any questions about the Rewards, please call your Farm Source Service Team on 0800 65 65 68 and have your supply number and email address ready.

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

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

Access to ministry networks, contacts, and funding information.

Industry schemes
For more information on Tiaki Sustainable Dairying visit nzfarmsource.co.nz

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

ON-FARM ASSETS TEAM

- Effluent management;
- Riparian management plans;
- Catchment group management;
- Farm mapping;
- Consent support;
- Nutrient budgets;
- Nitrogen reports;
- Farm mapping;
- Catchment group management;
- DOC Living Water partnership;
- Riparian management plans;
- Efficient management;
- Water use efficiency.

- popular retailer vouchers.

- Farm Source store vouchers;
- overseas escapes;
- great experiences;
- Tiaki Sustainable Dairying

- sustainable nutrition opportunities for the future benefit of their dairy businesses. Building a sustainably-produced milk supply ensures Fonterra is relevant to communities, consumers and customers around the world.

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- Nitrogen reports;
- Farm mapping;
- Catchment group management;
- DOC Living Water partnership;
- Riparian management plans;
- Efficient management;
- Water use efficiency.
Here you will find information to help you track your milk production forecast, plan for your business, reference material, advice to help on-farm, and access to the Farm Source Financial Toolbox. In addition you can check your Farm Source Rewards to the Farm Source Financial Toolbox.

My Co-op:

- Stay connected to your Co-operative
- My Co-op provides you with news and updates, from people right across the business, key financial updates, at a glance view of your on-farm production and quality information as well as local events and weather updates.

On Farm App:

- See detailed up-to-date milk production, quality information and results at your fingertips. You can view milk stats for your last 31 days, make historic comparisons, receive alerts andgrades, tanker ETA, tanker pickup with time,iren and temperature and daily comparisons against last season.

Dairy Diary App:

- Create and manage your animal treatment schedule, do you receive milk testing on-farm if you have suspected milk quality problems.
- Farm Dairy Assessment. They are available to carry out milk testing on-farm if you have difficulty solving milk quality problem.

On Farm App:

- Ability to spend Farm Source Rewards on Shares for share compliance purposes at certain times.
- Tanker ETA
- Share-up Over Time, including the new Strike Price
- Contract and Contract Fee for Units;
- Invest as you Earn;
- Ability to spend Farm Source Rewards on Shares for share compliance purposes at certain times.
- You can find information on these tools on the Farm Source website, or contact your Area Manager who can discuss these options in more detail.
- To set up an online broker account, trade shares over the phone or can discuss these options in more detail.
- By collecting and investing the dairy farmer levy in effective resources for dairy farmers.

Fact Sheets and Additional Information

1.4 ADDITIONAL INFORMATION

Dairy Diary

The Dairy Diary is available every May and provides you with a means to update your food safety, quality management, animal health and welfare and environmental information in one place. This section allows our Regional Teams to provide support, and help you avoid recall, meet regulations and follow best practice. You can also have an email sent to you when what pages need to be filled out, the diary is colour coded. Completion of the red section of the diary is a condition of supply. This section contains the minimum mandatory information required to meet New Zealand regulations. To help simplify your farm compliance obligations, this season you can now choose to manage your farm quality management plan digitally.

Fact Sheets are available from the Regional Teams and the Farm Source website and contain helpful information on regulations and requirements. We have listed these at the end of each section of this Handbook for your information.

1.4 ADDITIONAL INFORMATION

Dairy Diary

The Dairy Diary represents all New Zealand dairy farmers and works better solutions to industry issues and develops effective resources for dairy farmers. By collecting and investing the dairy levy in research and development projects, it creates practical, farm tools and innovations that benefit the dairy industry.

Details for DairyNZ’s Local Consulting Officers as well as events and live on-farm information are available at www.dairynz.co.nz. You can contact DairyNZ on 0800 4 Dairynz (0800 43 24 79) between 8am–4pm weekdays.

Federated Farmers

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

Dairy Women’s Network

Dairy Women’s Network supports and connects women in the dairy industry through education and development. For more information please go to www.dwnz.org.nz.

Rural Support Trusts

The Trusts provide free services to those in the rural community to meet and overcome financial, personal or climate related issues. For further information please go to www.rural-support.org.nz.
2. TERMS OF SUPPLY

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

Your supply of milk to Fonterra is governed by:

- the Dairy Industry Restructuring Act 2001;
- the Animal Products (Dairy) Regulations 2005;
- the Ministry for Primary Industries Specifications and Approved Criteria;
- the Animal Products Act 1999 and supporting Codes and Regulations;
- the Agricultural Compounds and Veterinary Medicines Act 1997 and supporting Codes and Regulations;
- the Animal Welfare Act 1999 and supporting Codes and Regulations;
- the Biosecurity Act 1993 and supporting Regulations;
- the National Animal Identification and Traceability Act 2012 and supporting Regulations;
- the Resource Management Act 1991;
- the Health and Safety at Work Act 2015;
- the Terms of Supply, which means the contents of this Handbook, the Constitution (the Constitution will apply if there is any difference between a term in this Handbook and a term in the Constitution), and any other Fonterra policies relating to the supply of milk that Fonterra tells you about; and all other applicable central or local government regulations.

2.1 THIS HANDBOOK:

- contains the standards terms and conditions applying to the supply of milk set by the Board under Clause 9.3 of the Constitution;
- the introductory text at the start of some of the sections does not form part of the Terms of Supply and is not binding on Fonterra or you because it is of a descriptive nature only;
- will apply to the season starting on 1 June 2018 and will continue to have effect until Fonterra compiles a new version. Fonterra will advise you of any changes to the Terms of Supply; and
- is subject to any other terms and conditions relating to the supply of your milk that Fonterra and you agree in writing. If any of the terms and conditions which you and Fonterra agree are different from the Terms of Supply, then the agreed terms and conditions will apply.
3. ENVIRONMENT

New Zealand’s natural resources and the environment are fundamental to the high quality milk Fonterra farmers produce. So using our natural resources sustainably is good for farming, good for business, and will help dairy farming be enduring and competitive.

Our water and our natural environment has taken good care of us, so we want to take good care of it. We want our waterways to be strong enough to support nature and the many uses people have for them, and we’re committed to making them swimmable for future generations. We can have a globally competitive dairy industry, a thriving economy and a healthy environment, and we want to show the world this is possible.

Our six water commitments will help us achieve this, and you can read more about them and other initiatives in our Water Book and online at fonterra.com/water.

Our farmers have done a huge amount of work on environmental initiatives, and we support them in this work. The Tiaki Sustainable Dairying Programme provides a network of Sustainable Dairying Advisors nationwide, exclusively to Fonterra farmers. They can assist with their specialist regional knowledge, expertise and services supporting best-practice farm management, helping farmers proactively stay ahead of regulatory requirements and satisfy evolving consumer and market expectations.

This section explains what needs to be done to ensure our Co-operative is operating in a sustainable way and that we’re doing what we need to in order to meet our commitments and targets.

YOUR INDUSTRY HAS COMMITTED THROUGH THE SUSTAINABLE DAIRYING WATER ACCORD (SDWA) TO:

- **Riparian Management**
  - 100 per cent stock exclusion from a significant waterway by 31 May 2017 including 100 per cent exclusion from significant wetlands by 31 May 2014;
  - 100 per cent of regular stock crossing points are bridged or culverted by 31 May 2018;
  - 50 per cent of dairy farms have riparian management plans by 31 May 2016;
  - 100 per cent of dairy farms have riparian management plans by 31 May 2020; and
  - 100 per cent of dairy farms have completed riparian management plans by 31 May 2030.
  
  Note: Farms with no defined waterways may be excluded from a riparian management plan requirement.

- **Effluent Management**
  - Dairy farms comply with regional council effluent management rules and/or resource consent conditions.
  - Effluent systems installed on dairy farms are fit for purpose and able to achieve 365-day compliance with applicable regulations.

- **Nutrient Management**
  - Collect modelling of nitrogen loss and nitrogen conversion efficiency from 100 per cent of dairy farms for the season ending 31 May 2016.
  - Provide nitrogen reports including benchmarks to farmers by 30 November 2016.

- **Water use Management**
  - Dairy sheds use no more water for wash down and milk cooling than that necessary to produce hygienic and safe milk.
  - Irrigation systems are designed and operated to minimise the amount of water needed to meet production objectives.
  - 85 per cent of all dairy farms (including all significant water users) to install water meters by 2020.

- **Conversions**
  - Since 2013, new dairy farm conversions must comply with the following standards before milk collection commences:
    - Systems in place to manage all sources of effluent to ensure compliance with relevant regulatory obligations 365 days a year.
    - All animal races have bridges or culverts when crossing all waterways and drains.
Environmental Compliance Requirements for Winter Milk

- Sustainable milk production during winter requires a greater focus on planning and management to mitigate significant environmental risk because the loss of soils are saturated.
- Winter Milk has to be complete before milk collection commences.
- Spreading effluent during winter can lead to a repeat of the issue have been undertaken.
- Sustainable dairying during winter requires a greater focus on planning and management to mitigate environmental impacts have been completed; and
- Where requirements are not being met, Fonterra may require an Environmental Action Plan to be developed.
- The Environmental Action Plan will set out what actions are required, and the dates those actions are required to be completed.
- If you do not participate in the development of an Environmental Action Plan, or do not implement that Environmental Action Plan; and
- Fonterra will: • undertake follow-up assessments to ensure that the actions specified in the Environmental Action Plan are completed and the minimum standard is being met; and
- The Environmental Action Plan will set out what actions are required, and the dates those actions are required to be completed.
- If you do not participate in the development of an Environmental Action Plan, or do not implement that plan, Fonterra will specify the time frame within which the minimum standard is required to be met.
- You are required to: • meet all environmental regulations that apply on-farm and the requirements of this Section of the Handbook.
- take all reasonable and practical steps to minimise harm to the environment; and
- provide incorrect information in relation to this Section; Fonterra may: • charge a fee of $250 plus GST for a farm visit by a Fonterra representative; • require, at your cost, an independent consultant to develop an Environmental Action Plan that will achieve the minimum requirements; and/or • suspend the collection of your milk and as a result you may be required to dispose of united collected milk at your own cost. It cannot be presented again for collection (see Clauses 8.18 and 8.19).
- Milk collection will not begin again until Fonterra is satisfied that: • all minimum requirements are being met; • any actions required to address any resulting environmental impacts have been completed; and • all actions considered necessary by Fonterra to avoid a repeat of the issue have been undertaken.
- 3.2 EFFICIENT MANAGEMENT

- You are required to: • ensure all effluent collected and discharged on farm meets the relevant Regional Council resource consent or permitted activity rules; 90 days a year. This means your farm needs to have adequate effluent holding capacity (storage) so that you can defer effluent irrigation to prevent damage and when soils are saturated.
- Your farm must not have any current identified effluent issues.
- Any effluent issues identified during the farm’s Winter Milk Contract must be resolved immediately. • the Environmental Action Plan will set out what actions are required to address any resulting environmental issues.
- Fonterra will: • support you to continuously improve environmental outcomes on-farm; and • undertake assessments and verification of information you provide to Fonterra about environmental practices on your farm to ensure minimum requirements are being met.
- Nitrogen Management

- You must provide accurate information in the Sustainable Dairying Records (available in hardcopy or online) to Fonterra about your farm system by 31 July each season, and provide evidence to support your recordings.
- Waterways Management

- You must exclude stock from all waterways as described in the Sustainable Dairying Water Accord.
- Fonterra is committed to doing right by the land. Our contribution to environmental health, community well-being and economic prosperity is key to our overall success and our ability to work effectively in the communities Fonterra operates in. The Environmental Assessment and Sustainable Dairying Records are essential for our on-farm risk-based assessments to operate.
- By ensuring the Sustainable Dairying Records are completed and submitted we can continue to focus on improving the management of effluent, waterways, water use and nutrients. Maintaining complete records also allows for other information streams to ensure the assessment time on farm is being used to its full potential. The Environmental Assessment and Sustainable Dairying Records will ensure Fonterra’s minimum environmental standards are being met. Where there is a breach of these minimum environmental standards are being met.
- Nutrient management plan in place.
- All required regulatory consents have been sought or include consents for water take and/ or irrigation.
- Since 31 May 2015, all new dairy farm conversions must have a nutrient management plan in place before milk collection commences.

SUSTAINABLE DAIRYING RECORDS

The Sustainable Dairying Records are essential for our on-farm risk-based assessments to operate. By ensuring the Sustainable Dairying Records are completed and submitted we can continue to focus on improving the management of effluent, waterways, water use and nutrients. Maintaining complete records also allows for other information streams to ensure the assessment time on farm is being used to its full potential. The Environmental Assessment and Sustainable Dairying Records will ensure Fonterra’s minimum environmental standards are being met. Where there is a breach of these minimum environmental standards are being met.
You are required to:
- ensure stock circuses include bridges or culverts where stock regularly cross any waterway;
- ensure sediment and/or effluent is not discharged into any waterway any time of the year, including locations where waterway fencing and all waterway crossing points.

If you do not meet the requirements of this section you are required to:
- work with a Sustainable Dairying Advisor (or representative) to create an Environmental Action Plan that sets out actions required to reach the minimum standard and a time frame to achieve this.
- meet the actions specified in any Environmental Action Plan within the relevant time frames.

3.3 WATERWAY MANAGEMENT

You are required to:
- verify the results of a set number of forms to ensure the accuracy of the results provided;
- your farm information to the extent permitted under Clause 10.3.

3.4 NITROGEN MANAGEMENT

You are required to:
- your individual farm information to the extent permitted under Clause 10.3.

3.5 WATER USE MANAGEMENT

You are required to:
- provide accurate information in the prescribed form to Fonterra within the relevant time frames.
- consult with your Sustainable Dairying Advisor or Area Manager.
- assist Fonterra with the preparation of a nitrogen budget for your farm system by 31 July each season; and
- report any change to the farm dairy water supply to the Risk Management Programme Operator without delay.

ADDITIONAL INFORMATION:
Our team of Sustainable Dairying Advisors working across the country are able to offer regular telephone or one-on-one support and service to:
- help understand your position where nutrient limits are set by your Regional Council, by preparing your farm’s nitrogen budget;
- help you implement and demonstrate good management practice when irrigating;
- help prepare water consent applications;
- help create a farm environment plan; and
- help create efficient management plans, including calculating efficient storage requirements.

You can find the contact details for your local Sustainable Dairying Advisor in the ‘Contacts’ section at the back of Farm Source magazine or call the Farm Source Services Team on 0800 65 65 68. Visit our Farm Source website at www.farmsource.co.nz/business/my-business/sustainability for fact sheets and more information about our environmental programmes. Additional Information is available at: www.dairynz.co.nz/environment/ www.iriqatana.co.nz

Sustainable Dairying: Water Accord expectations in this space are that:
- dairies sheds will use no more water for wash down and milk cooling than is necessary to produce hygienic and wholesome milk;
- irrigation systems will be designed and operated to minimise the amount of water needed to meet production objectives; and
- 85% of farms will have water meters installed by 2020.

You are required to:
- provide information to Fonterra about water management practices on your farm, when requested; and
- notify any change to the farm dairy water supply to the Risk Management Programme Operator without delay.

You are required to:
- provide evidence to support your records upon request.
- audit the results of a set number of farms to ensure the accuracy of the results provided, and
- verify the results of a set number of farms to ensure the accuracy of the results provided; and
- your farm information to the extent permitted under Clause 10.3.

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- irrigation systems will be designed and operated to minimise the amount of water needed to meet production objectives; and
- 85% of farms will have water meters installed by 2020.
4. ANIMAL HEALTH AND WELFARE

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

Increasingly our international customers, and the consumers they supply, are looking for reassurances that the products they buy are produced using responsible animal welfare practices such as the ‘Five Freedoms’. Practising sound animal husbandry and welfare ensures animals under your control are looked after in accordance with appropriate animal husbandry and welfare practices.

The health and well-being of your animals is essential to ensuring safe, high-quality milk leaves the farm.

4.1 ANIMAL WELFARE

Veterinarians:

- must be used for castration, dehorning and disbudding animals;
- must be used for disbudding and dehorning animals;
- may be performed by a veterinarian or in accordance with appropriate animal husbandry and welfare practices;
- must be accompanied by the use of an anaesthetic to minimise pain and distress for the animal. This procedure may be performed by a veterinarian; and
- must be used for tail shortening above the 2-3 vertebrae.

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

The five freedoms:

1. Freedom from harm or thirst
2. Freedom from discomfort
3. Freedom from pain, injury or disease
4. Freedom to express (most) normal behaviour
5. Freedom from fear and distress

The best farmers work hard to ensure their animals have content and healthy animals. Practising sound animal husbandry and welfare ensures animals under your control are looked after in accordance with appropriate animal husbandry and welfare practices.

The Five Freedoms: The best farmers work hard to ensure their animals have content and healthy animals. Practising sound animal husbandry and welfare ensures animals under your control are looked after in accordance with appropriate animal husbandry and welfare practices.

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You are required to:

- carry out any instructions given by a Ministry for Primary Industries officer relating to the requirements of the Animal Welfare Act 1999 or the Boscorey Act 1999;
- ensure dead animals (including slinks) for collection are stored within the farm boundary and are not visible from the roadside. If a slink is more than 80 cm screened, or in a purpose built container that ensures no part of the animal body can be sighted. Dead animals must not be stored within 45 metres of your farm dairy;
- ensure calves for collection are not housed on or adjacent to the roadside.

You must:

- ensure you have access to the appropriate technical assistance to help you meet the required standards;
- ensure your animals are used in accordance with the Codes of Welfare; and
- ensure you have access to the appropriate technical assistance to help you meet the required standards.

The best farmers work hard to ensure their animals have content and healthy animals. Practising sound animal husbandry and welfare ensures animals under your control are looked after in accordance with appropriate animal husbandry and welfare practices.

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- ensure dead animals (including slinks) for collection are stored within the farm boundary and are not visible from the roadside. If a slink is more than 80 cm screened, or in a purpose built container that ensures no part of the animal body can be sighted. Dead animals must not be stored within 45 metres of your farm dairy.
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- ensure you have access to the appropriate technical assistance to help you meet the required standards.
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4.3 ANIMAL HEALTH

You are required to:

- meet all the animal health and associated recording requirements outlined in the milk quality and testing sections of this Handbook. These are also outlined in your Dairy Diary;
- keep all animal health and treatment records for a minimum of four years – these records are required to specify the date of treatment, type of treatment and withholding period, including return to vat date and unique animal identification;
- ensure the health status of your herd is reviewed by a veterinarian at least annually. This allows your veterinarian to legally prescribe restricted veterinary medicines for you to use;
- obtain veterinary supervision or advice when a problem with a milking animal’s health is suspected;
- identify and isolate any animals that have been diagnosed with, or are showing clinical signs of, infectious diseases. The milk from these animals is required to be withheld from supply until they are considered clinically recovered, and records are required to be kept demonstrating you have met these requirements;
- only use restricted veterinary medicines when prescribed by a veterinarian;
- follow your veterinarian’s instructions when giving treatment to your animals;
- follow your veterinarian’s instructions when administering restricted veterinary medicines to your animals;
- ensure all milking animals are individually identified as required by the National Animal Identification and Tracing Act 2012;
- follow your veterinarian’s instructions when administering restricted veterinary medicines to your animals;
- ensure all recording requirements for Farm Dairies.

4.4 TUERBCEULOSIS (TB)

You are required to:

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

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

4.5 ENZOOTIC BOVINE LEUCOSIS (EBL)

You are required to:

- send any EBL-positive cow to slaughter immediately (not via any boner cow pens at sale yards) upon finding out the cow is EBL positive;
- note the herd in the same season and at least 60 days after any infected animal was sent to slaughter; and
- meet all costs associated with the EBL scheme resulting from one or more of your herd testing positive for EBL.
If your milk is not EBL-free Fonterra will not collect milk from your herd unless an individual milk sample from every milking cow in the herd is screened for EBL. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.18 and 8.19).

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

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

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

4.6 LEPTOSPIROSIS VACCINATION

While not mandatory, we recommend that you vaccinate all classes of stock on your farm for Leptospirosis at the appropriate times under the direction of your veterinarian. Leptospirosis is a disease that can spread from animal to humans and cause serious illness and death to humans exposed to infected cattle. Vaccination is a means to prevent and reduce incidence in cattle, thereby reducing the risk of infection to humans. Best practice is to:

- ensure all classes of stock are vaccinated when purchased or at specific times under the direction of your veterinarian;
- vaccinate all classes of stock that are on your farm at the same time;
- ensure that all new bought stock or stock from a farm with a history of Leptospirosis is vaccinated on your farm to provide a protective buffer; and
- ensure all bought stock is tested serologically to confirm vaccine status.

Fonterra will not accept milk from any cow that is:

- a genetic clone; or
- the offspring of a genetic clone (for example through direct mating, embryo transfer or artificial insemination).

4.8 INDUCTIONS

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

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

Fonterra Support Information:

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

ADDITIONAL INFORMATION:

www.nzfarmsource.co.nz
Fonterra Dairy Diary
Fonterra Support Information:

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

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

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

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

- suspend collection of your milk and as a result you will be considered to have not supplied that milk.
- You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.18 and 8.19).

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

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

For more information, please contact your Fonterra Farm Dairy Assessor.

5.1 FARM DAIRY

To ensure your assessment runs without delay, please open your milk cooler inlets, milk pump, receiving can and milk line before the assessment, unless you have been notified beforehand that this is not required.

To assist the assessment process, you are required to have all records available for review and your quality performance. More information can be found on Farm Source Online or in your notification brochure.

5.2 FARM DAIRY HYGIENE AND MILK CONTAMINATION

If at any time Fonterra considers your milk to be a risk to food safety, it may decide not to collect any milk in your vat and suspend further collections, and as a result you will be considered to have not supplied that milk.

Fonterra will pay for an approved Farm Dairy Assessor to carry out an annual assessment of your farm dairy and the wider property. Fonterra will try to let you know in advance when this assessment will take place. Your start time may be reduced based on your quality performance. More information can be found on Farm Source Online or in your notification brochure.

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

The assessment will focus on:

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

Details of the assessment procedures and standards are available from the Farm Source Service Team.

5.3 ANNUAL ASSESSMENT

Fonterra will pay for an approved Farm Dairy Assessor to carry out an annual assessment of your farm dairy and the wider property. Fonterra will try to let you know in advance when this assessment will take place. Your start time may be reduced based on your quality performance. More information can be found on Farm Source Online or in your notification brochure.

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

The assessment will focus on:

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

Details of the assessment procedures and standards are available from the Farm Source Service Team.

If milk tests indicate a food safety or milk quality risk, Fonterra will bring forward your annual farm dairy assessment.

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

Farm dairy hazard ratings

If you receive a ‘critical’ hazard:

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

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

- Fonterra will need to carry out a follow-up assessment within two weeks; and
- if that follow-up assessment the hazards identified have not been fixed, Fonterra will increase the charge to 100 cents per 100 litres of milk supplied starting on the first day of the month after the second revisit until the identified hazards are fixed.
If there is any major hazard that may contaminate your milk or if you have not met the Ministry for Primary Industries Dairy Products Criteria 2: Animal Products (Dairy): Approved Criteria for Farm Dairies, Fonterra:

- will specify a date by which the hazard(s) must be fixed;
- will arrange for an approved Farm Dairy Assessor to carry out follow-up assessments;
- if you do not fix the hazard(s) by that date, may suspend collections of your milk and as a result you will be considered to have not supplied that milk; and
- may ask you to prepare a written improvements plan that sets out your plans to fix the hazard(s) before the start of the next season.

If Fonterra suspends collection of your milk, you are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.18 and 8.19).

Fonterra may charge a fee of $250 plus GST for each new or modified farm dairy. If you want to build a new farm dairy or make any changes to your existing farm dairy, you are required to:

- get the following approvals from Fonterra:
  - approval of the farm dairy, following a site visit, and approval of building plans (these are required to be approved before you begin work, including any variations to those plans);
  - approval of any subsequent change to the position of the site, followed by at least one visit during construction; and
  - approval of any change which includes a milk dairy approvals, milking machinery installation approval and a water supply validation.

- meet the costs of getting these above approvals. These approval checks will be carried out by Fonterra’s contracted service providers. If you do not get any of these approvals before you start work, Fonterra may charge you the cost of the approvals and require you to fix any problems by a date set by Fonterra.
- fix any non-compliance (i.e. a major or critical hazard) before milk collection is approved.

If your farm is a new conversion, a farm division or a farm returning to supply Fonterra, meet all minimum requirements in relation to the environment sustainability, as detailed in Section 3, before milk collection is approved.

5.5 NEW OR MODIFIED FARM DAIRIES
If you want to build a new farm dairy or make any changes to your existing farm dairy, you are required to:

- get the following approvals from Fonterra:
  - approval of plans (those are required to be approved before you begin work, including any variations to those plans);
  - approval of farm dairy, following a site visit, and approval of any subsequent change to the position of the site, followed by an at least one visit during construction; and
  - a farm dairy approval, which includes a milk dairy approvals, milking machinery installation approval and a water supply validation.

- meet the costs of getting these above approvals. These approval checks will be carried out by Fonterra’s contracted service providers. If you do not get any of these approvals before you start work, Fonterra may charge you the cost of the approvals and require you to fix any problems by a date set by Fonterra.
- fix any non-compliance (i.e. a major or critical hazard) before milk collection is approved.

If your farm is a new conversion, a farm division or a farm returning to supply Fonterra, meet all minimum requirements in relation to the environment sustainability, as detailed in Section 3, before milk collection is approved.
If you do not meet the above requirements, Fonterra may suspend collection of your milk or refuse to collect your milk, and as a result you will be considered to have not supplied that milk, until the requirements are met. If Fonterra suspends collection of your milk you are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.18 and 8.19).

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

ADDITIONAL INFORMATION:

nzfarmsource.co.nz
Fonterra Dairy Diary
Fonterra Support Information:
• Food Safety – Risk Management Programme
• Non-notified Farm Dairy Environmental Assessment Visits
  - Bacterium Test
  - Focusing Point
  - Califorms
  - Thermodynamic
  - Sensum Test
  - Inhibitory Substance Test
  - Test Spraying
  - NAIL Collection Temperature
  - Filtration
  - Cali Milk
  - Green Water
  - Detergent Rinsing
  - Water Exclusion
  - Rubber Matting – Guidelines for installing rubber matting in farm dairies

DairyNZ – Off Paddock Systems guide
www.dairynz.co.nz
Ministry for Primary Industries
www.mpi.govt.nz

Photo: Maree Klee
6. FARM STRUCTURES, MILK STORAGE, REFRIGERATION, ACCESS AND SAFETY

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

Fonterra employs milk collection staff and other contracted staff to install and service vats, collect milk and perform it.

We need your help to ensure anyone accessing your farm meets these new standards and, if appropriate, get professional advice in good time to allow for installation.

We recommend you familiarise yourself with the new cooling requirements. It’s important you assess the ability of your refrigeration systems to meet these new standards and, if appropriate, get professional advice to give you the best quality milk ensuring access to high value markets. The faster milk is cooled, the slower the rate of bacterial growth, reducing the chance of grading.

6.1 MILK COOLING

Milk cooling is consistently a focus of regulators and other dairy farms. The faster milk is cooled, the slower the rate of bacterial growth, reducing the chance of grading.

Milk cooling is consistently a focus of regulators and other dairy farms. The milk must enter the bulk milk tank at 6ºC or below (‘continuous or extended milking’ is defined as milking for six hours or longer from the time that milk first enters any bulk milk tank).

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

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

- the time that the milk is confirmed to meet the new cooling requirements and assist with maintaining these requirements.

Man milk measurements and recording can be accomplished using:

- an electronic monitoring system;
- a chart recorder;
- a tiny tag or similar temperature logging device;
- the time that the milk is confirmed to meet the new cooling requirements and assist with maintaining these requirements.

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

- the temperature of the milk in each bulk milk tank immediately prior to the start of milking (if any);
- the time that milking started;
- the time milking is completed;
- the time the milk is confirmed to meet the new cooling requirements and assist with maintaining these requirements.

Current requirements:

- milk cooled immediately for further processing, milk is required to be:
  - cooled to 30.0ºC or below within four hours of the commencement of milking, and
  - cooled to 6.0ºC or below within the sooner of:
    - six hours from the commencement of milking, or
    - two hours from the completion of milking, and
  - be held at or below 6.0ºC without freezing until collection or wastage milk, and
  - not exceed 10.0ºC during subsequent milkings until collection.

In situations where there is continuous or extended milking, such as automated milking systems, the milk must enter the bulk milk tank at 6ºC or below (‘continuous or extended milking’ is defined as milking for six hours or longer from the time that milk first enters any bulk milk tank).

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- the temperature of the milk in each bulk milk tank immediately prior to the start of milking (if any);
- the time that milking started;
- the time milking is completed;
- the time the milk is confirmed to meet the new cooling requirements and assist with maintaining these requirements.
You are required to:
- call the Farm Source Service Team immediately if the milk payment is supplied from your milk payment (without limiting Fonterra’s rights under Clause 9.5); this delay in Fonterra exercising this right will operate as a waiver of Fonterra’s rights under Clause 9.5. No delay in payment, the value of the vat supplied by Fonterra will be ascertained as if Section 109 of the Dairy Industry Restructuring Act 2010 applies.
- install a vat or vats, sized for collection on alternate days.
- 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 post.
- require you to have a separate vat wash system for this vat. If you have a second vat installed, you are required to have a separate vat wash system for this vat.
- require you to have two vats in order to provide flexibility in collection and minimal disruption to your milking times; or
- install a vat or vats, stand for collection on alternate days.
- if you are building a new silo pad or changing an old silo pad or vat stand, you are required to put in a tanker pad. You are required to obtain and meet the requirements of the standard vat pad drawings by contacting the Farm Source Service Team.
provide a digital temperature display (preferably with an ice blue display), with accuracy to one decimal point for all new or upgraded vats; 
- check the temperature of any milk in the vat from a previous milking before you start the next milking. If the temperature of this previous milking falls outside the milk cooling requirements in the Ministry for Primary Industries New Zealand Code of Practice 1: Design and Operation of Farm Dairies, you are required to dispose of the milk at your own cost. It can be presented again for collection (see Clauses 8.18 and 8.19); 
- check the temperature after each milking to ensure refrigeration equipment is working effectively; 
- meet all costs associated with your refrigeration equipment, displays and probes (including installation, maintenance, repairs and any other related costs); and 
- follow Fonterra’s guidelines for the installation of refrigeration equipment. You can get a copy of these guidelines from your local Regional On-Farm Asset Specialist.

Fonterra will:
- not knowingly defer a collection to allow milk temperatures to reduce to meet the required standards; 
- require you to improve your cooling system within three weeks of a failure in the milk cooling system; and 
- refuse to collect your milk if it pumps milk into the tanker and then accepts it as above, or that your temperature display is in display, B/L/C or 4°C, respectively if Fonterra suspends collection of your milk or requirements. Milk can be rejected due to temperatures falling outside the regulatory requirements regardless of the cause.

Fonterra provides vats capable of cooling milk through the direct expansion of gas. Glycol or water can be used as a cooling medium in the vat base with the following conditions:
- you have notified Fonterra so it can approve the use of food-grade glycol or water in the vat base; and
- Fonterra does not guarantee the cooling performance of the vat base and does not check the quality of glycol used.

Fonterra recommends that Fonterra-owned vats are available from the Farm Source Service Team. The best site to obtain information is available through your local Farm Source store;
- clearly label the vat ‘Not for Collection’ using a sticker available from the Farm Source Service Team. The sticker should be positioned on the vat base in accordance with the Terms of Supply; and
- you have notified Fonterra so it can approve the use of food-grade glycol or water in the vat base; and
- clearly label the vat ‘Not for Collection’ using a sticker available from the Farm Source Service Team. The sticker should be positioned on the vat base in accordance with the Terms of Supply;
- lock the vat’s outlet using an approved vat lock designed for this purpose; 
- clearly label the vat ‘Not for Collection’ using a sticker available from the Farm Source Service Team. The sticker should be positioned on the vat base in accordance with the Terms of Supply; and
- if you require a new vat to meet Fonterra’s logistical requirements, then any costs associated with the removal of glycol or water from the vat base are your responsibility. If you fail to lock and label a vat in accordance with this Clause you will be liable for demerits, and all losses, costs and damages incurred or suffered by Fonterra. As a minimum Fonterra can charge you $500,000 plus GST per season. Fonterra will not supply a vat for you to store milk or colostrum used to feed calves.

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

You are required to:
- lock the vat’s outlet using an approved vat lock (available through your local Farm Source store) 
- clearly label the vat ‘Not for Collection’ using a sticker available directly above the outlet valve; and
- ensure Fonterra-owned vats are available for milk supply and vat maintenance when required. If you fail to lock and label a vat in accordance with this Clause you will be liable for demerits, and all losses, costs and damages incurred or suffered by Fonterra. As a minimum Fonterra can charge you $500,000 plus GST per season. Fonterra will not supply a vat for you to store milk or colostrum used to feed calves.

**6.6 ACCESS TO PROPERTY**

You are required to:
- allow any of Fonterra’s agents or representatives to come onto your farm at any time and enter your farm dairy. You are not permitted to use padlocked gates on your tanker roadway and loop and your farm is required to be a safe environment for Fonterra staff. This is to allow them to:
- collect milk from the supply of milk from you in accordance with the Terms of Supply;
- inspect, carry out maintenance test, repel, replace, alter or move any vat related profiles of clean or repair any vat equipment supplied by Fonterra; 
- assess hazards in accordance with the Health and Safety at Work Act 2015 that may have the potential to cause harm to any person and 
- assess and/or verify compliance with the Terms of Supply in relation to Milk Collection, Environmental Sustainability, Animal Welfare and Food Safety requirements.

In most cases, Fonterra will do its best to let you, your sharemilker or a delegated contact know in advance if anyone is going to come onto your farm. However, Fonterra is not required to tell you in
advance if its agents or representatives will be bringing onto your farm any new or the quality or milk or inspect, test, repair, alter or otherwise to improve the temperature profiles of, clean or remove any vat or equipment owned by Fonterra.

Where your farm will be entered for the purposes of assessing or verifying compliance with the Environmental Sustainability Requirements set out in these Terms of Supply, entry among a non-notified visit is being made (see Clause 5.4), Fonterra will make reasonable attempts to make contact with you, your shareholding director or a delegate thereof prior to undertaking the assessment and/or verification. If you wish to install security gates you will need to contact the On Farm Assets Team who will provide the necessary compliance information.

If you refuse to allow Fonterra’s agents or representatives to enter your farm in the interests of the purposes identified by this Clause, Fonterra may suspend collection of your milk and, if so, you will be considered not to have supplied that milk. If Fonterra suspends collection of your milk you are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.18 and 8.19). Fonterra will make all reasonable attempts to discuss the situation with you before milk collection is stopped.

6.7. SAFETY

Unless the Health and Safety at Work Act 2015 businesses that work together have a mutual obligation to consult, co-operate and co-ordinate in relation to health and safety matters. This means that we are required to work together to ensure: so far as reasonably practicable, that working conditions are safe for all employees, contractors, advisers and agents.

For a copy of Fonterra’s safety and well-being policy, call the Farm Source Service Team.

You are required to ensure that:

• the areas of your farm where Fonterra employees, contractors, advisers or agents enter, cross or work must meet the requirements of the Health and Safety at Work Act 2015;
• all electrical switches are appropriately located for their rating and purpose and according to approved electrical standards and not switches are located within the confines of the vat stand area;
• any upgrade to new farm milk vat displays and temperature displays are located outside the farm dairy or vat stand and meet Fonterra specifications;
• you and other people working on your farm ensure that Fonterra employees, contractors, advisers or agents are not put at risk;
• you record and control potential hazards as part of a hazard management system and advice Fonterra employees, contractors, advisers or agents of the location of any hazards they may be exposed to;
• all potential hazards are identified by appropriate signage;
• you remove anything that may block or interfere with tanker access, for example farm vehicles, implements, cattle, fences, gates and hedges;
• the area immediately in front of the milk vat is clear of obstacles (for example large stones, holes or troughs) that may obstruct or injure the tanker driver, and is clear of tripping hazards and day and night;
• family members, employees, visitors or students are aware of the potential hazards when a tanker is picking up milk and that people are required to keep clear of the farm roadway when the tanker is on farm;
• slippery and/or uneven surfaces are maintained to ensure safe 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; and
• all practical steps are taken to manage significant risks as required by the Health and Safety at Work Act 2015 (and supporting regulations).

Fonterra 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;
• if we create a risk or hazard, or bring a risk or hazard on farm, let you know and we will work with you in an effort to eliminate or minimise the risk; and
• if we are notified of any risk, or identify any risk, work with you in an effort to eliminate or minimise the risk.

The health and safety of our people is a core value of our Co-op. We collectively hold ourselves accountable for the health and safety of our people. If we become aware of instances where the health and safety of our people is not being cared for appropriately on farm our people will work with you in an effort to eliminate or minimise the risk.

Please contact the Farm Source Service Team if you

You are required to:

• have a splayed entrance that meets with Fonterra’s specifications and the rules in the territorial local authority plan and that is accessible by a truck and tanker without the vehicle having to cross the centre of the roadway. For an entrance compliance you also are required to get permission from Transit New Zealand and/or your local District Council;
• ensure there is a minimum of 24 metres on the tanker roadway from the road boundary to allow a safe distance for the tanker to be clear of the road. Where the roadway or entrances to farm dairy is not accessible by a service vehicle or tanker the vehicle to cross the centre of the roadway when turning left into a farm roadway for entrance compliance you also are required to get permission from Transit New Zealand and/or your local District Council;
• ensure there is a minimum of 24 metres on the tanker roadway from the road boundary to allow a safe distance for the tanker to be clear of the road. Where the roadway or entrances to farm dairy is not accessible by a service vehicle or tanker the vehicle to cross the centre of the roadway when turning left into a farm roadway for entrance compliance you also are required to get permission from Transit New Zealand and/or your local District Council;
• keep the milk collection and storage areas clean and clear of any obstacles at all times;
• maintain any steps in a safe and secure condition;
• not hold any stock on the loop or roadway;
• maintain any gates in a safe and secure condition;
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• maintain any gates in a safe and secure condition;
• not hold any stock on the loop or roadway;
• keep the tanker roadway and loop free from obstructions at all times (e.g. trees, branches, buildings, rocks, debris, hard objects, etc.); and
• do not hold any stock on the loop or roadway;
• maintain any gates in a safe and secure condition;
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• maintain any gates in a safe and secure condition;
• not hold any stock on the loop or roadway;
• maintain any gates in a safe and secure condition;
• concrete (or similar) so you can easily clean the roadway crossing; and
• at a right angle to the direction of the roadway.
• keep any on-farm roadway crossing clean and well maintained;
• make sure effluent from any roadway crossing drains into your farm's effluent disposal system;
• keep the roadway and loop free from surface material and potholes to eliminate damage to milk tankers;
• ensure that, if your roadway is longer than 1km from the entrance to the farm dairy, a tanker can safely maintain a speed of up to 50km/hour on that roadway;
• ensure that, if your roadway is shorter than 1km from the entrance to the farm dairy, a tanker can safely maintain a speed of up to 30km/hour on that roadway;
• ensure your roadway does not exceed a climbing gradient of 1 in 11. However, if the surface has been sealed using grade two chip with locking coat then a climbing gradient not exceeding 1 in 7 will be accepted.
• sealing the roadway with concrete or bitumen is acceptable;
• ensure corners on steep roadways meet the requirements so that a tanker maintains traction and can corner safely;
• ensure irrigators that travel over a tanker roadway do so in one motion and, if a wiper arm is fitted to the end of an irrigator, ensure all arms are folded up as close as possible to the irrigator. The irrigator is not permitted to be over the tanker roadway during collection windows (day and night);
• when a new cattle stop is installed on a tanker roadway, ensure it has no less than 4.5 metres of usable width and has a manufacturer's engineering certificate;
• ensure any existing bridges, cattle stops or culverts over 2 metres on the roadway are maintained in accordance with local authority requirements and all relevant laws, and allow safe crossing by a fully laden 50 tonne milk tanker travelling at a reasonable speed;
• ensure all bridges and culverts meet the requirements of the Health and Safety at Work Act 2015; and
• arrange for any bridge or major crossing on the roadway to be inspected by a Chartered Professional Engineer (CPEng) qualified for assessing bridges and culverts, at your cost. The CPEng is required to provide written confirmation of compliance with all relevant requirements (Class 1 Standards). Fonterra may refuse to use any bridge or crossing until such written confirmation is provided. A major crossing is one that has a cross-sectional area of the opening of 3.15 metres or more.
Fonterra will not be liable for any damage that results from you not meeting the above requirements.
If tanker access on your farm does not meet the above requirements, Fonterra may:
• suspend collection of your milk and as a result you will be considered to have not supplied that milk. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.18 and 8.19); and
• ask you to provide a written improvement plan. A written improvement plan is required to set out your plans to fix the access problems before the start of the next season; and
• apply the following charges if you do not make the improvements set out in the plan:
  - in the first season of non-compliance, 50 cents per 100 litres of milk supplied; and
  - in the second season of non-compliance, 200 cents per 100 litres of milk supplied.
In the third season of non-compliance, Fonterra will not collect your milk and as a result you will be considered to have not supplied that milk.
If Fonterra suspends collection of your milk you are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.18 and 8.19).
3. If more than 10 metres the minimum width A.

2. If less than 10 metres use the table below.

1. Measure from centre of road to farm boundary.

### Table 1: To calculate measurements for existing splayed entrance

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

### Notes:
- When the entrance involves crossing a water table or drain, prior consent for the entrance is required from your local Regional or District Council.
- You need to contact either Transit New Zealand or your local District Council to ensure your farm dairy entrance meets their requirements. Call pens, letterboxes and other potential hazards or obstructions are not permitted to be within the splayed area. Fonterra will not collect your milk until you have either Transit New Zealand or your local District Council’s approval and Fonterra’s approval of vehicle access.
- All new conversions and tanker roads will be required to meet the requirements of Table 2. Existing entrances will be required to upgrade to the new standard when requested by Fonterra due to safety issues or when requested by Transit New Zealand.
- All new farm dairies are required to have a minimum 15m radius tanker turn around area.

### Diagram 1: Existing splayed entrance

- Tanker entrance and turning circle
- These are the standards for existing farm dairies.
- For new dairies and upgrades to existing dairies, you are required to meet the standards in Diagrams 4-6.
- Table 1 is to calculate measurements for existing splayed entrance:
  1. Measure from centre of road to farm boundary.
  2. If less than 10m use the table below.
  3. If more than 10m the minimum width A.

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

- 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 10m from centre of road the entrance is not to be splayed. 10 metres one side only and to a depth of 17 metres.
- When entrance involves crossing any water table or drain, prior consent is required from the county engineer of your local Drainage Board.
- You need to make contact with either Transit New Zealand or your local District Council to ensure your farm dairy entrance meets their requirements – this and Fonterra’s approval of vehicle access are required prior to milk collection.
- All new farm dairies are required to have a minimum 15m radius tanker turn around area.
Diagram 3: Existing farm boundary and turning circle (left hand)

3.0m clear area on inside of loop

0.5m clearance on each side of farm roadway (no fences, trees, implements)

Increase drive width at any corners from 3.5m up to 6.5m depending on how sharp the bend is, the minimum bend radius should be at least 12.5m.

From 5m forward mark tanker roadway must be level for 10m to rear.

7.0m minimum straight section before stand.

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

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

<table>
<thead>
<tr>
<th>ROAD CENTRE TO BOUNDARY</th>
<th>WIDTH OF ENTRANCE A</th>
<th>DEPTH OF SPLAY B</th>
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<tbody>
<tr>
<td>10m</td>
<td>11m</td>
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<td>5m</td>
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<td>12m</td>
</tr>
<tr>
<td>4m</td>
<td>23m</td>
<td>15m</td>
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</tbody>
</table>

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

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

- 3.0m clear area on inside of loop
- 0.5m clearance on each side of farm roadway (no fences, trees, implements)
- 2.0m usable road
- Tank Stand
- From 5m forward mark tanker roadway must be level for 20m to rear
- 3.0m minimum straight section before stand
- 3.5m clear of letterboxes, calf pens and any other objects
- 15m from edge of roadway
- Increase drive width at any corners from 3.0m up to 7.5m depending on how sharp the bend is, the minimum bend radius should be at least 10m

ADDITIONAL INFORMATION:
- www.business.govt.nz/worksafe
- www.nzfarmsource.co.nz
- Fonterra Support Information:
  - Milk Collection Temperature
  - Filtration
  - Cell Milk
  - Raw Milk Temperature
  - Detergent Rinsing
  - Teat Spraying
- DairyNZ material
  - www.dairynz.co.nz
- Ministry for Primary Industries
  - www.mpi.govt.nz
- New Zealand Transport Agency
  - www.nzta.govt.nz

Photo: Nicola Havels
7. MILK SUPPLY AND COLLECTION

7.1 SUPPLY OF MILK

You are required to:
• supply all milk produced on your farm to Fonterra; and
• make your milk available to Fonterra for collection at the farm dairy designated for that supply.

You are required to inform Fonterra if you do not wish to supply all milk produced on your farm to Fonterra. This includes raw milk for farm gate sales. The Dairy Industry Restructuring Act 2001 allows a Fonterra farmer to supply up to 20 per cent of their weekly production to another processor under certain circumstances. You are required to give Fonterra prior notice of certain matters if you exercise this entitlement.

Milk not supplied to Fonterra is not covered by Fonterra’s Risk Management Programme and needs to be covered by another Risk Management Programme. A template can be downloaded from the Ministry for Primary Industries website www.mpi.govt.nz

You will be considered to have presented all milk in your vat for collection by Fonterra, unless:
• you have advised Fonterra there are quality issues with your milk and you have secured the vat from collection by using an approved vat lock in accordance with Clause 8.17; or
• you have locked the vat using an approved vat lock in accordance with Clauses 6.5 and 8.17 (as applicable); or
• you have advised Fonterra to stop collection in accordance with Clause 7.5

Approved vat locks are available through Fonterra Farm Source stores.

7.2 OWNERSHIP AND MILK QUALITY

You:
• own your milk until it enters the pumping system of the milk tanker collecting that milk; 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 Fonterra identifies that defect by subsequent analysis and evaluation); and
• are required to contact Fonterra before collection to discuss concerns relating to on-farm incidents that may impact the milk; and
• are responsible for the use of the vat supplied by Fonterra, and in particular for ensuring that foreign matter, birds, insects and vermin are kept out of the vat.

You are required to provide to Fonterra:
• when requested each season, details of herd size, farm size and milk storage if these have changed from the previous season;
• the legal description and location of each farm that is to be treated as a separate supply account if Fonterra asks you for this information.

7.3 REQUIREMENTS OF MILK FOR SUPPLY

You are required to:
• put into your vat only milk that has been produced on your farm;
• have a minimum volume of 400 litres available at each collection. Fonterra can change the minimum volume at any time and will publish any change in Farm Source magazine and on the Farm Source website; and
• ensure all milk is continually agitated and refrigerated to conform to the requirements set out in the Ministry for Primary Industries New Zealand Code of Practice 1: Design and Operation of Farm Dairies.
If less than the minimum volume is available at a collection, Fonterra may charge you collection costs. For effective vat agitation Fonterra recommends a higher minimum volume for larger vats. Please refer to Table 7 (pages 94-95).

You are not permitted to:

• supply milk from an animal within the first four days and eight milkings of giving birth unless there is a supply agreement to collect such milk separately from the raw milk supply;

• remove milk from your vat and then subsequently return all or part of that milk to the supply vat or put milk into another container or other receptacle other than your milking equipment.

Fonterra can give you notice that it will not collect your milk or has suspended collection of your milk, and as a result you will be considered to have not supplied that milk. You are required to:

• complete the pre-season check as per the milk vat and cooling system maintenance guide (available from the On-Farm Assets Team);

• begin collecting your milk when you have the minimum volume available for collection (see Clause 7.3).

It is recommended that you:

• complete the permission check as per the milk vat and cooling system maintenance guide (available from the On-Farm Assets Team);

• advise Fonterra at least 48 hours prior to the day you want to stop milk collection during a season either online on the Farm Source website or by calling the Farm Source Service Team. Failure to stop collection resulting in a tanker arriving to collect milk may incur a transport charge and any grades incurred will stand;

• tell Fonterra if you need to decline milk for any reason. If you do not tell Fonterra, Fonterra will treat a supply of milk declined by you as wasted and you will be considered to have presented milk for collection.

• assure that any milk that has been milked and is not intended for supply is suitable for supply and has been held in your on-farm containers and/or has been tested before being moved to another location;

• complete the end of season shut down as per the milk vat and cooling system maintenance guide (available from the On-Farm Assets Team).

Fonterra can:

• stop milk collection for the season once the amount of milk supplied meets the minimum volume to agitate outlined in Table 7 (pages 94-95). This is because refrigeration systems only operate efficiently if milk in the vat is fully agitated. Without full agitation some milk is likely to freeze at the bottom of the vat, which may result in milk quality grades.

• extend the agitator in order to stir low volumes.

• recommend that you:

• complete the end of season shut down as per the milk vat and cooling system maintenance guide (available from the On-Farm Assets Team);

• have your milk available for collection at all times and/or single vat wash length.

7.4 START COLLECTION

At the start of each season you are required to:

• tell Fonterra at least 24 hours before you put milk for collection into your milk vat and advise the estimated volume that will be available for collection, either online using the Farm Source website or by calling the Farm Source Service Team.

7.5 STOP COLLECTION

You are required to:

• advise Fonterra at least 48 hours prior to the day you want to stop collection at season end and at any other time you want to stop collection during a season either online on the Farm Source website or by calling the Farm Source Service Team. Failure to stop collection resulting in a tanker arriving to collect milk may incur a transport charge and any grades incurred will stand;

• tell Fonterra if you need to decline milk for any reason. If you do not tell Fonterra, Fonterra will treat a supply of milk declined by you as wasted and you will be considered to have presented milk for collection.

• assure that any milk that has been milked and is not intended for supply is suitable for supply and has been held in your on-farm containers and/or has been tested before being moved to another location;

• complete the end of season shut down as per the milk vat and cooling system maintenance guide (available from the On-Farm Assets Team)

Fonterra can:

• stop milk collection for the season once the amount of milk supplied meets the minimum volume to agitate outlined in Table 7.3.

• have your milk available for collection at all times and/or single vat wash length.

7.6 FREQUENCY OF COLLECTION

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

You are not permitted to:

• tell Fonterra at least 24 hours notice if you change your milking frequency and/or milking windows during the season.

You can check this on the Farm Source website or by calling the Farm Source Service Team on 0800 65 65 68.

To ensure optimal milk collection scheduling and lowest milk collection costs, Fonterra may specify milk collection windows that will apply in place of those specified by you where:

• your farm is located in a restricted access area or
• you have any milk windows that Fonterra considers, acting reasonably, to be materially longer than what is usual for similar farming operations; or
• your farm infrastructure allows milk to be independent of collection (in which case Fonterra may specify farm hours as no milk window).

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

If you use a three-times-a-milking frequency, then the daily equivalent will be one half of the total duration of your milking windows used over two days, including one vat wash.
7.9 NOT MEETING MILKING WINDOW REQUIREMENTS

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

If you do not take satisfactory measures to meet milking window requirements, on the next occasion you do not meet requirements for your milking windows, Fonterra will not collect your milk and as a result you will be considered to have not supplied that milk. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.18 and 8.19).

7.10 SPECIAL COLLECTION REQUESTS

If you require a special collection in order to ensure your vat is empty for a specific purpose, for example maintenance of your vat or refrigeration equipment or the need for a visual inspection for milk quality purposes, we will try to meet this request. However, we cannot guarantee we will be able to meet every request. In particular, we may not be able to schedule a special collection following a refrigeration fault, as these are typically given with short notice. Milk presented for special collection is required to meet all milk quality requirements (including, without limitation, the temperature requirements set out in Clauses 6.1 and 6.4).

The more notice you can give Fonterra the better. Please call the Farm Source Service Team if you need a special collection for any of the above purposes.

7.11 TRANSFERRING SUPPLY

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

7.12 NEW APPLICANTS

Farms already supplying Fonterra

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

Photo: Angela Dean
7.13 FORCE MAJEURE

A force majeure event is any event that affects Fonterra’s ability to perform and is beyond the reasonable control of Fonterra, and includes damage to, or destruction of, Fonterra’s processing plants, which has already collected your milk, not to process your milk; or
- Fonterra 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 demand); and if you fail to do so. The price paid by Fonterra under this Clause will be reduced by those reasonable cost reductions. In these circumstances you will consider the reasonable requests and advice of Fonterra in relation to your farming practices, potential cost reductions and promptly provide information reasonably requested by Fonterra in relation to them.

If a Force Majeure event occurs:
- you are responsible for disposing of any milk that Fonterra does not collect from you (Fonterra will not meet any costs of disposal or any other costs or losses you have). You cannot present this milk again for supply or you are not permitted to supply that milk;
- where Fonterra delays collection of your milk, and you receive demerit points in relation to that milk, you may ask Fonterra to review these demerits where they have arisen due to the force majeure event.

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

If you breach these requirements, the Co-operative is entitled to suspend or stop collection of your milk or you are not permitted to supply that milk. If you are in a Transition Period (as defined in the Constitution) for achieving compliance with the share standard, the Constitution provides that you may include your dry herd in your estimate of the quantity of milk solids you have forecast to supply in the season during which you ceased supply; and
- make your application no later than three months before the commencement of the season in which you cease supply or, if you did not provide such a forecast, the greater of the quantity of milk solids you have forecast to supply in the season during which you ceased supply, and the quantity you supplied to Fonterra in the season that immediately preceded the season in which you ceased supply. You acknowledge that this is a reasonable pre-estimation of the loss that Fonterra would suffer as a result of your failure to meet the supply cessation notice requirements. Fonterra is entitled to set off any amounts you owe to Fonterra under this Clause in the same manner as any other amounts owed to Fonterra by you under Section 9 of this Handbook or otherwise.

Fonterra, under these terms (other than this Clause 7.13), is entitled to suspend or stop collection of your milk or you are not permitted to supply that milk; or
- where Fonterra delays collection of your milk, and you receive demerit points in relation to that milk, you may ask Fonterra to review these demerits where they have arisen due to the force majeure event.

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

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

7.34 NOTICE OF CESSATION OF SUPPLY

Under the Terms of Supply, if you wish to cease supplying your milk to Fonterra you are required to:
- comply with any notice requirements. Fonterra is entitled to set off any amounts you owe to Fonterra under this Clause in the same manner as any other amounts owed to Fonterra by you under Section 9 of this Handbook or otherwise.

ADDITIONAL INFORMATION

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

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

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

Many customers have very detailed acceptance specifications as to how they can provide their customers with traceability. We need to provide assurance that all milk is fit for purpose – safe, suitable and truthfully labelled.

Typically farmers with high-quality milk:
• produce faecal count results of less than 1,000 (cfu/ml).
• Achieving a very low faecal count is an indicator of a very clean milk machine/vat and good milk cooling;
• have a monthly average Somatic Cell Count (SCC) of less than 100,000 cells per ml; and
• present milk that is free of grades and any residues.

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

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

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

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

8.1 MILK QUALITY REGULATIONS

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

8.3 MILK QUALITY RECORDS
You are required to keep a number of records for a minimum period of four years so Fonterra can meet its food safety obligations. These records are required to be legible and readily available during your farm dairy inspection and when requested by Fonterra:
- under the Animal Products Act 1999, you are required to complete your milk quality records and provide them on request. If these are not provided, Fonterra may suspend milk collection until the records are provided; if Fonterra suspend collection of your milk you are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.18 and 8.19).

These records include:
- monthly hygiene assessment; records required by the Ministry for Primary Industries Dairy Products Criteria 2: Animal Products (Dairy); Approved Criteria for Farm Dairies relating to milking, animal health, farm dairy water and raw milk acceptance; and your Farm Dairy Assessment; records of milk from diseased animals that have been withheld (regardless of whether treatment has been administered); and
- records of veterinary medicines administered; and
- records of veterinary authorisation documents outlining which restricted veterinary medicines you can purchase and use; and
- veterinarian treatment documents; and
- veterinarian documentation relating to any inductions; and
- records of milk harvesters health and training; and
- records of any disposal of unsafe or suspect milk; and
- display in the farm dairy your procedures for cleaning the milking plant and milk vats; and
- any other records Fonterra requires that you keep from time to time.

8.4 QUALITY MANAGEMENT SYSTEM
You are required to:
- display in the farm dairy your procedures for cleaning the milking plant and milk vats; and
- any other records Fonterra requires that you keep from time to time.

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

The details of Fonterra’s demerit point scheme are set out in Clause 8.8. A table of the standards of milk or milk components; and
- test samples of your milk for quality on the day after collection. Fonterra may change the frequency of tests during known risk periods such as in the early season and when poor grading is evident;
- advise you of the standard of the milk you have supplied on your milk supply contract. If you do not get your milk supply contract, please call the Farm Source Service Team on 0800 65 65 68; and
- continue to assure you at monthly intervals, applying a charge of $200 plus GST per monthly assessment, until you have a quality assurance system that meets Fonterra’s assessment standards.

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

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

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- test samples of your milk for quality on the day after collection. Fonterra may change the frequency of tests during known risk periods such as in the early season and when poor grading is evident;
- advise you of the standard of the milk you have supplied on your milk supply contract. If you do not get your milk supply contract, please call the Farm Source Service Team on 0800 65 65 68; and
- continue to assure you at monthly intervals, applying a charge of $200 plus GST per monthly assessment, until you have a quality assurance system that meets Fonterra’s assessment standards.
8.7 FAT EVALUATION INDEX GRADING SYSTEM

To better manage fat composition and to assist you with producing suitable milk, the Cooperative has introduced a Fat Evaluation Index (FEI) Grading System. Rather than prescribing what fixed and how much fat a farmer should use, Fonterra will measure the resulting fat composition to ensure suitable milk is available for manufacturing.

You will report your farm Grade Category daily which will reflect your day average of the daily FEI Result, as set out below.

<table>
<thead>
<tr>
<th>GRADE</th>
<th>CATEGORY</th>
<th>FEI RESULT</th>
<th>DEMERIT POINTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>&gt; 11.00</td>
<td>Alert</td>
<td>4</td>
</tr>
<tr>
<td>B</td>
<td>7.50 – 9.00</td>
<td>Alert</td>
<td>2</td>
</tr>
<tr>
<td>C</td>
<td>9.01 – 11.00</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>D</td>
<td>≤ 7.50</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Fonterra may:
- confirmatory tests confirm a FEI result of 9 or greater;
- suspend the collection of your milk if
  - a confirmatory test confirms a FEI result on any day in Grade Category C or D;
- a confirmatory test result for that sample of 9.01 or higher is obtained, and confirmatory testing will continue to each day until a FEI result of 9.01 is achieved.

Fonterra will:
- charge a fee of $500 plus GST for each confirmatory test which confirms a FEI result of 9.01 or greater;
- suspend the collection of your milk if;
  - a confirmatory test confirms your FEI result on any day in Grade Category B is obtained;
  - you incur a deduction from payments, as set out in Table 6 (page 94).

If Fonterra suspends collection of your milk you are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.18 and 8.19).

Fonterra may:
- concentrate tests confirm a FEI result of 9.01 or greater for more than 40 collection days in a season, and as a result you will be considered to have not supplied that milk.

If Fonterra suspends collection of your milk you are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.18 and 8.19).

Milk collection will not begin again until:
- a maximum of 12 demerit points can be imposed on or in any one collection day; except
  - if you incur demerit points for an inhibitory substance;
  - if you incur demerit points for bactoscan, thermoduric or aflatoxin;
  - if you supply reject milk.

Demerit points do not limit any other liability you may have if you supply milk that has a defect (refer to Chapter 8.20). Your liability for any losses to Fonterra under the demerit point scheme is limited to an amount equal to 15 per cent of your total milk payments in the season in which the demerit points accrued.

Fonterra will:
- if you have 25 bacterial grading days or more in a season, charge you an additional $500 plus GST fee. This fee covers the additional costs incurred to monitor and manage your milk quality and;
- if you have 25 grading days or more in a season, determine whether or not to stop your milk collection, and as a result you will be considered to have not supplied that milk until it is satisfied that any problems have been fixed and suitable measures are in place to prevent further issues with grading. If Fonterra suspends collection of your milk you are required to dispose of uncollected milk at your own cost, it cannot be presented again for collection (see Clauses 8.18 and 8.19).

Milk tests that will be counted as grading days are bactoscan, coliforms and thermoduric.
to be positive for an inhibitory substance, all will
will be required to pay the full value of the disposed
inhibitory substances.
identified and tested by MilkTestNZ for
milk is found to be positive for an inhibitory
Fonterra also screens all tanker loads of milk prior
payment statement.
It will only report inhibitory substance results to
substance residues at any time during the season.
8.9 INHIBITORY SUBSTANCES
$a$\textsuperscript{14}

SOURCE SERVICE TEAM when you call to tell us about a
test result for inhibitory substance residues. You will be
will be tested and you are required to have a negative
You are required to call the Farm Source Service
Fonterra considers the milk poses a quality risk.
contains inhibitory substance residue.
You can also try to arrange for testing of the milk
Assess whether or not your milk poses a quality risk.
Fonterra will require you to complete a DDE
management plan if you have tested over 0.3 mg/kg
milk fat. Fonterra will require you to complete a DDX
management plan if you have tested over 0.45 mg/kg
milk fat. You may also be liable for liquidated damages under Clause 8.20.
if more than one farmer collected on a load is found to be positive for an inhibitory substance, all will
incur demerit points and will share (on a fair and
reasonable basis determined by Fonterra in the
circumstances) the cost of compensating for the
value of milk disposed of, collection costs, premiums
and any liquidated damages.
If your milk has a positive inhibitory substance result Fonterra will suspend further collection from you.
You will be required to dispose of uncleared milk at your own cost. You will be required to have not supplied that milk. It cannot be presented again for collection
(sees Clauses 8.18 and 8.19).
If you are found to be the cause of the inhibitory substance contamination you:
• will incur demert points against your collection on
the day concerned in accordance with the demerit
points scheme (see Clause 8.20); and
• you can ask Fonterra to provide a letter for
employment purposes if you have not supplied that milk;
• the level is 0.003 IU/ml or greater, six demerit points
will be imposed, and
• you will be placed on daily testing for a period of six
calendar months;
• your premiums will be audited; and
• you will not incur any audit or testing charges
despite such an audit occurring more than once in a season.
If Fonterra considers the milk poses a quality risk, Fonterra will not collect that milk and as a result
you will be considered to have not supplied that milk. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for
collection (see Clauses 8.18 and 8.19).
In this case:
• you will not be paid for this milk; and
• you can ask Fonterra to provide a letter for
insurance purposes.
If, during a season, you have a positive inhibitory
substance grade from random testing you are required to:
• pay a fee of $170 plus GST for:
• daily inhibitory substance testing for 6 months (which
Fonterra will then carry out); and
• liquid chromatography mass spectrometry (LCMS)
results to confirm the level of antibiotic present; and
• an inhibitory substance audit at an time out by an
approved farm Dairy Advisor.
If, during a season, you have:
• more than one positive inhibitory substance grade, Fonterra will visit your farm every month at the
start of the following season to check you have appropriate procedures in place to prevent inhibitory
substance contamination. Fonterra is not required to inform you it will be making this visit. If Fonterra
considers that your procedures are not up to standard, it will not collect your milk and as a result you will be
considered to have not supplied that milk. You are required to dispose of uncollected milk at your own
cost. It cannot be presented again for collection
(sees Clauses 8.18 and 8.19); or
• more than one positive inhibitory substance grade, you will be tested daily in the following season.
8.10 DDE/DDT AND HEAVY METAL RESIDUES
You:
• are required to ensure all DDE residues in milk are below 0.5mg DDE/kg milk fat. Fonterra can require
you to test your milk if you have not supplied that milk for the past six months and it may impose a rule that it will only collect milk from a farm with a weighted average level in the soil of less than
0.1mg/kg for DDT and its metabolites; or
• pay a payment deduction for any milk supplied containing levels of DDE of 0.1 mg/kg milk fat and
above from 1 June until 30 September and 0.35 mg/kg
milk fat and above from 1 October until 31 May.
Fonterra will require you to complete a DDX
management plan if you have tested over 0.3 mg/kg
milk fat.
Fonterra will carry out:
• a record of DDE payment deductions.
• a record of DDE payment deductions.
The DDE testing regime is as follows:
• all consignments of milk early in the season are tested;
• if you supply any milk with DDE residues in excess of
the payment deduction trigger level at any time in a
season, all milk collected from you will be tested; and
• any test result indicates the levels of DDE residues in
your milk has dropped below the payment deduction
trigger level, your milk will be tested on a random basis
during the rest of the season.
DDE payment deductions will not exceed 20c/kg
milk for milk supplied between 1 June and 30 September. Fonterra may require you to complete a DDX
management plan if you have tested over 0.3 mg/kg
milk fat.
Fonterra will require you to complete a DDX
management plan if you have tested over 0.3 mg/kg
milk fat.
Additional information about DDX management plans is available from the Milk Sourcing Assurance &
Advisory team.
Heavy Metal Residues:

You are required to:
• ensure milk collected by Fonterra is free of heavy metal contamination. Fonterra can 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;
• notify Fonterra of any stock illness or death that is suspected or confirmed due to heavy metal poisoning; and
• notify Fonterra if you graze any gun club land or shot fall land with stock of any class or age.

8.11 MILKING PLANT AND VAT CLEANING (INCLUDING MANAGEMENT OF CLEANING RESIDUES)

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

You are required to ensure:
• milking equipment is rinsed and cleaned immediately after use;
• the vat is rinsed as soon as possible after milk collection and is cleaned following correct CIP procedures before further use;
• the plant and vat are cleaned with an approved farm dairy detergent that is in accordance with the manufacturer’s directions (contact your contract service provider or detergent supplier for advice);
• detergent and sanitiser residues are rinsed from the plant and vat prior to milking;
• you complete and follow the Milking Plant and Vat Cleaning section of the Dairy Diary;
• the water used to rinse your plant and vat following cleaning meets the water standard set out in Clause 8.12, or that steps are taken to make the water compliant:
  - water that does not meet requirements for turbidity is required to be disposed of an appropriate volume of the first milk through your plant in order to achieve detergent residue-free milk;
  - 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.

Fonterra will:
• ensure you are supported (via our contracted service providers and/or your detergent supplier) with the correct advice in cleaning your plant and vat; and
• routinely test your milk for the presence of farm dairy detergent and sanitiser residues (which may include, but are not limited to, quaternary ammonium compounds, poly quaternary ammonium compounds, sodium and peracetic acid) and apply demerits as set out in Table 4 (pages 82-85).

8.12 FARM DAIRY WATER

You are required to meet the requirements set out below to help Fonterra meet the Ministry for Primary Industries Dairy Products Criteria 2: Animal Products (Dairy) Approved Criteria for Farm Dairies.

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

Table 3: Example of DDE payment deduction

<table>
<thead>
<tr>
<th>DATE</th>
<th>QUANTITY MILK FAT SUPPLIED (KGS)</th>
<th>DDE TEST MG DDE/KG MILK FAT</th>
<th>LEVEL OF DDE DUE FOR PAYMENT REDUCTION</th>
<th>TOTAL MILLIGRAMS DDE SUBJECT TO PAYMENT DEDUCTION</th>
<th>TOTAL COST</th>
</tr>
</thead>
<tbody>
<tr>
<td>21/9</td>
<td>200</td>
<td>0.48</td>
<td>0.48 – 0.5 – 0.18</td>
<td>0.18 x 200 – 0.36</td>
<td>36 x $3.50 = $126</td>
</tr>
<tr>
<td>25/9</td>
<td>200</td>
<td>0.42</td>
<td>0.42 – 0.3 – 0.52</td>
<td>0.12 x 200 – 0.52</td>
<td>24 x $3.50 = $84</td>
</tr>
<tr>
<td>3/10</td>
<td>210</td>
<td>0.54</td>
<td>0.54 – 0.5 – 0.04</td>
<td>0.04 x 210 – 0.84</td>
<td>8.4 x $3.50 = $29.4</td>
</tr>
<tr>
<td>5/10</td>
<td>220</td>
<td>0.36</td>
<td>Result is under 0.5 level</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>13/10</td>
<td>250</td>
<td>0.28</td>
<td>(all further tests below 0.3)</td>
<td>Result is under 0.5 level</td>
<td>0</td>
</tr>
</tbody>
</table>

Table 3: Example of DDE payment deduction
• implement the temporary water exclusion plan approved by an assessor until your water meets the required standard.

Fonterra will:

• sample your farm dairy water at the point of use to determine if it meets water quality standards. If it does not, you are required to implement a temporary water exclusion plan approved by an assessor until your water meets the required standard.

• test your milk more stringently for the presence of added milk waste that has not been treated in accordance with the ‘Californian Standard – title 22’ (available from the Milk Sourcing Assurance & Advisory or Sustainable Dairying Teams).

You are not permitted to feed any material to your lactating animals that:

• was grown or land irrigated on land that has been land farmed on or after 1 June 2013
• was grown on land that had been land farmed during or before the 2012/13 season; or
• was grown on land that has had ‘fertilisers’ or soil conditioners containing human sewage sludge/bio solids applied (for example, vermicaste); or
• was grown on land treated with waste from tanneries and pulp and paper mills (both water waste and sludge/ bio solids); or
• was grown on land treated with human sewage sludge/bio solids derived from the treatment of human waste; or
• was grown or land irrigated or treated with human sewage sludge which has not been treated in accordance with the ‘Californian Standard – title 22’ (available from the Milk Sourcing Assurance & Advisory or Sustainable Dairying Teams).

According to Fonterra, this requirement is in place to ensure that any feed material which can impact our ability to meet customer specifications. To better manage milk fat composition, the cooperative has introduced a Fat Evaluation Index (FEI) Grading System.

8.15 ANIMAL FEED

Palm Kernel Extract (PKE):

PKE can be a useful tool for farmers in their feed system when managed appropriately. However, overuse of PKE can affect the fat composition of your milk which can impact our ability to manufacture and supply milk to meet customer specifications.

PKE can be a useful tool for farmers in their feed system when managed appropriately. However, overuse of PKE can affect the fat composition of your milk which can impact our ability to manufacture and supply milk to meet customer specifications. To better manage milk fat composition, the Co-operative has introduced a Fat Evaluation Index (FEI) Grading System.
• a milk withholding period may be applied; and
• you may be liable for liquidated damages under Clause 8.20.

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

8.16 AFLATOXIN TESTING
Aflatoxin can be detected in dairy products due to animal consumption of aflatoxin B1-contaminated feed.

Aflatoxin are heat-stable toxins produced by fungi and are a risk associated with the feeding of Copra or other feeds that may have been improperly stored.

Fonterra will test random tanker-load samples each week. If a tanker load is found to have elevated levels of aflatoxin then all farmers on the tanker run will be tested for aflatoxin. If your milk contains aflatoxin then you will incur demerit points against your collection in accordance with the demerit points scheme. You may also be liable for liquidated damages under Clause 8.20.

Where your aflatoxin result exceeds 25 ppt, Fonterra may suspend collections immediately and as a result you will be considered to have not supplied that milk. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.18 and 8.19). Testing prior to collection will be required to continue supplying Fonterra.

8.17 REJECT MILK
You are not permitted supply milk to Fonterra that:
• is from any animal infected by a clinical disease communicable to humans, such as leptospirosis, salmonellosis or tuberculosis;
• is from any animal suffering from conditions such as severe weight loss, severe injury or fever; and
• is from an animal within eight milkings of calving unless special arrangements have been made for you to supply colostrum to Fonterra, or contains any inhibitory substance, chemical residue or any other substance that could compromise food safety; and
• fails an organoleptic assessment (senses test); and
• contains any foreign matter or has water added to it; and
• has any milk been adulterated or tampered with; and
• has been harvested by any person with a communicable or notifiable disease;
• contains any foreign matter or has water added to it; and
• has any milk been adulterated or tampered with;
• has in any way been adulterated or tampered with; or
• has deteriorated due to inadequate cooling;
• exceeds 18.0°C at any time, 16.0°C up to 2 hours into your collection window or 12.0°C at any other time; or
• has not been continuously agitated in vat; or
• has previously been rejected by Fonterra (see Clause 8.18).

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

Fonterra can reject milk either before or after it has been collected and will not pay for rejected milk. If your milk is rejected you will be considered to have not supplied that milk. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.18 and 8.19).

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

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

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

Failing to respond or answer queries (normally via phone) within 12 hours to discuss where milk may have been presented again will result in the immediate suspension of collection. This Clause supports the requirement to report failures through to the Ministry for Primary Industries within the required time period.
8.19 MILK DISPOSAL
You are required to meet your local Regional Council requirements when disposing of milk. As part of your quality management system on-farm, you are required to have a documented milk disposal plan in case you need to dispose of milk.

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

In addition and by way of liquidated damages, if it has to put final product on hold due to non-compliance, you will need to prove to Fonterra for the shortfall in realisable value of the affected product.

In any event, your liability for liquidated damages for any losses (other than under the demerit point scheme outlined in Clause 8.8) to Fonterra in failing to supply milk that meets the Terms of Supply due to your actions or inaction, is limited to $500,000 plus GST per season.

8.21 NON-CONTRACTED WINTER MILK
Milk supplied between 1 June and 15 July (North Island) and 1 June and 15 July (South Island) that is not supplied under a winter milk contract is subject to the following 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, Fonterra will advise you in writing that you are required to reduce the Bactoscan level to below 50,000 cfu/ml APC equivalent within the following two months. If the Bactoscan level for the last two months (month 3 and 4) has a geometric mean above 50,000 cfu/ml, Fonterra will not collect your milk, and as a result you will be considered to have not supplied that milk, until you provide evidence to Fonterra that your milk has a Bactoscan level of less than 50,000 cfu/ml for a 10-day period. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.18 and 8.19).
- If you have a rolling two-month geometric mean above 400,000 somatic cells/ml within the last month, Fonterra will advise you in writing that you are required to reduce your somatic cell count to less than 400,000 cells/ml within the following three months. If your somatic cell count geometric mean for the last month (month 5) is above 350,000 cells/ml, Fonterra will not collect your milk, and as a result you will be considered to have not supplied that milk, until you provide evidence to Fonterra that your milk is below 300,000 cells/ml for a five-day period, or 350,000 cells/ml for a 10-day period. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.18 and 8.19).
- If you have a rolling two-month geometric mean above 500 cfu/ml Coliform at the end of any month, Fonterra will advise you in writing that you are required to reduce the Coliform level to below 500 cfu/ml within the following two months. If the Coliform level for the last two months (month 3 and 4) has a geometric mean above 500 cfu/ml, Fonterra will not collect your milk, and as a result you will be considered to have not supplied that milk, until you provide evidence to Fonterra that your milk has a Coliform level of less than 500 cfu/ml for a 10-day period. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.18 and 8.19).
- If you have a rolling two-month geometric mean above 500 cfu/ml Bactoscan at the end of any month, Fonterra will advise you in writing that you are required to reduce your somatic cell count to less than 50,000 cfu/ml APC equivalent within the following two months. If the Bactoscan level for the last two months (month 3 and 4) has a geometric mean above 50,000 cfu/ml APC equivalent (Bactoscan C or worse) at the end of any month, Fonterra will advise you in writing that you are required to reduce the Bactoscan level to below 50,000 cfu/ml APC equivalent within the following two months. If the Bactoscan level for the last two months (month 3 and 4) has a geometric mean above 50,000 cfu/ml, Fonterra will not collect your milk, and as a result you will be considered to have not supplied that milk, until you provide evidence to Fonterra that your milk has a Bactoscan level of less than 50,000 cfu/ml for a 10-day period. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection.
• if you have a rolling two-month geometric mean of above 400,000 somatic cells/ml at the end of any month, collections above 400,000 cells/ml in the second (month 4) and third (month 5) months following that will incur an increase in the daily somatic cell count demerit points as set out in Table 4 (pages 88-91);

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

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

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

Following two consecutive somatic cell count results above 700,000 somatic cells/ml, collection will be suspended until it is shown to be less than 500,000 cells/ml. You are required to dispose of uncollected milk at your own cost. It cannot be presented again for collection (see Clauses 8.18 and 8.19).

Where milk collection has been suspended under this Clause due to a geometric mean failure, in addition to any other specified requirements, Fonterra may require you to work with a vet to develop and implement (at your cost) a written management plan for approval by Fonterra. Fonterra will monitor adherence to the management plan for 12 months from implementation. If during that time, Fonterra considers you have failed to comply with the management plan, and you fail to rectify any issues within the timeframe notified by Fonterra in writing, Fonterra may immediately suspend collection of your milk. As a result you will be considered not to have supplied that milk. You are required to dispose of uncollected milk at your own cost and it cannot be presented again for collection (see Clauses 8.18 and 8.19). Collection will only resume once Fonterra is satisfied that any outstanding issues have been dealt with.

8.23 MILK QUALITY TRAINING

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

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

There are two stages to the programme: Stage One is a five-hour workshop that provides training for milk harvesters, managers and owners. Stage Two is an additional session for milking supervisors, farm managers and owners who have completed the Stage One workshop and has an emphasis on training and supervising staff in the on-farm dairy. For more information please contact Primary ITO on 0800 20 80 20.
9. PAYMENT AND FARMERS' ACCOUNTS

9.1 MILK PAYMENT MECHANISM

Fonterra will:

- take samples for compositional testing each time it collects milk from you. The amount of milk fat and protein in each sample will be used to work out your payment. If Fonterra cannot obtain a sample suitable for measuring milk fat and protein, then it will decide on an appropriate average composition to work out your payment;
- pay you raw milk supplied by you as a shareholding farmer according to the formula:

\[
\text{Your Payment} = a + b + c
\]

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.

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;

- determine the final milk price for a season using at least 15 working days before payment otherwise the price for milk is exclusive 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); and
- your GST number; and
- any other information Fonterra requires.

9.2 INTERIM CREDITS AND FINAL CREDIT

Fonterra may:

- decide at any time during a season to set credit interim credits to your account as part payment for milk supplied during that season;
- vary credits at any time during the season. The credits will apply to all milk supplied in the season unless Fonterra decides otherwise;
- determine the final milk price for a season using the price for each component of milk, the volume adjustment and the actual milk solids content of all milk supplied to Fonterra in that season. If the final payout is

- more than the total interim credits paid to you, Fonterra will make a final payment to you so the total of the interim and final credits will be equal to the final milk price. Fonterra decides when to make this final payment, but it is usually made three months after the end of the Fonterra financial year, or
- less than the total interim credits paid to you, you are required to refund the difference between the total of the interim credits and the final price. That amount will be a debit you owe to Fonterra;

9.3 GST

Fonterra will:

- add GST to your milk payment as long as you provide Fonterra with the following information at least 15 working days before payment - otherwise payment for milk is exclusive 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;
  - any other information Fonterra needs to enable the lawful payment of GST.

If the above is not completed, Fonterra will not back pay GST to shareholders. You will need to resolve any GST issues directly with your shareholder;

- issue a tax invoice that meets the requirements of the GST Act on behalf of you, or a buyer created tax invoice, for any transaction with Fonterra. You are not required to issue a tax invoice for any transaction with Fonterra unless Fonterra requests a tax invoice to be issued;

- remit tax or tax credits for the DairyNZ Levy to the Inland Revenue Department; and
- any other information Fonterra requests.

You are required to provide the information set out above, and

- notify the Inland Revenue Department of any transactions with Fonterra or shareholders.

9.4 DIVIDENDS

- claim any GST issues directly with your shareholder;

9.5 PAYMENT AND FARMERS’ ACCOUNTS
9.6 USE OF ACCOUNT
Fonterra will:
• credit your Fonterra account after the end of each month with:
  - interim credits for the milk collected from you during the previous month;
  - credits for the milk collected from you during the previous month, calculated according to the current interim price of the milk components, plus or minus any adjustments; or
  - the interim price of the milk components has increased, any difference between the previous month, calculated according to the current interim price of the milk components, plus or minus any adjustments; or
  - the previous month minus any adjustments; or
  - any liability from the assignment. Fonterra can charge interest on outstanding debit balances at an interest rate fixed by Fonterra.
• let you do this if, after the assignment, your account will have a debit balance. You indemnify Fonterra from any liability from the assignment.
• let you assign to any person any amount in your account, provided you first pay any amount you owe to Fonterra or a related company. Fonterra will not usually let you do this if, after the assignment, your account will have a debit balance. You indemnify Fonterra from any liability from the assignment. Fonterra can charge interest on outstanding debit balances at an interest rate fixed by Fonterra.
• let you do this if, after the assignment, your account will have a debit balance. You indemnify Fonterra from any liability from the assignment. Fonterra can charge interest on outstanding debit balances at an interest rate fixed by Fonterra.
• deduct the amount of any debit balance in your account at the end of each month from any future payments for milk made to you. Fonterra has a procedure and documentation available that may be used as a mediator between you and your secured creditor.
• deduct amounts payable to any authorised third parties or under bank orders signed by you or your Sharemilker. Fonterra’s obligation to pay you interim and final payments for milk is an obligation to pay you a net amount after any deductions and/or set-offs have been made in accordance with the Terms of Supply.

9.7 SECURITY INTEREST OVER ACCOUNT
You may only grant a security interest over amounts payable by Fonterra to you from your farmer’s account with the prior written permission of Fonterra. Fonterra has a procedure and documentation available that may be used as a mediator between you and your secured creditor.

9.8 SHAREMILKERS AND CONTRACT MILKERS
You can ask Fonterra to act for you in the following ways:
• change payments to a sharemilker or contract milker;
• set up payments to a sharemilker or contract milker;
• change payments to a sharemilker or contract milker; and
• make any other direction to Fonterra to act with respect to a sharemilker or contract milker.
Fonterra cannot act as a mediator between you and your sharemilker and/or contract milker, it is on the basis that when Fonterra pays with a sharemilker or contract milker, Fonterra acts as your agent, and is not acting in its own capacity.
Payment to your sharemilker or contract milker does not limit, or in any way transfer, your obligations under the Milk solids Levy Order. This levy is used to fund industry good activities. More information about DairyNZ can be found at www.dairyNZ.co.nz
You are required to provide instructions to Fonterra in writing to:
• set up payments to a sharemilker or contract milker;
• change payments to a sharemilker or contract milker;
• cancel any or all payments to a sharemilker or contract milker; and
• pay any amount in dispute to a solicitor’s trust account or
• make any other direction to Fonterra to act with respect to a sharemilker or contract milker.
Fonterra is acting as a mediator between you and your sharemilker or contract milker.
10. ADMINISTRATION

10.1 YOUR INSTRUCTIONS TO FONTERA
You are required to:
• give all instructions and notices to Fonterra in writing or in accordance with a procedure specified by Fonterra;
• ensure an attorney who signs an instruction or notice sends the power of attorney and a certificate of non-revocation to Fonterra; and
• give Fonterra any instructions to change your personal information (including bank accounts) by the end of the month to which the payment relates.
Fonterra may rely on a written instruction as the valid and binding instructions of the named shareholder, including where the instruction is signed or given by only one joint owner, one partner or one trustee or by a person for a company.
10.2 RECORDS
Fonterra will:
• keep records of your supply history and its information (including bank accounts) by the end of the month to which the payment relates.
• provide you with information about Fonterra to anyone.
• give Fonterra any instructions to change your personal information for:
  • business purposes;
  • providing you with supplier services;
  • collating company financial information;
  • meeting its legal obligations;
  • responding to enquiries from regulatory authorities;
  • ensuring that it is able to meet its legal obligations.
• respond to enquiries from regulatory authorities; and
• ensure an attorney who signs an instruction or notice sends the power of attorney and a certificate of non-revocation to Fonterra; and
• give all instructions and notices to Fonterra in writing or in accordance with a procedure specified by Fonterra.
Fonterra will:
• ensure that it is able to meet its legal obligations.

10.3 YOUR PRIVACY
Fonterra will collect, use, store and disclose your personal information and, where appropriate, will allow its related companies to use your personal information for:
• business purposes;
• providing you with supplier services;
• collating company financial information;
• meeting its legal obligations;
• responding to enquiries from regulatory authorities;
• ensuring that it is able to meet its legal obligations; and
• ensuring that it is able to meet its legal obligations.

10.4 CONFIDENTIAL INFORMATION ABOUT FONTERA
You agree that Fonterra (or any of its related companies) may:
• use your personal information and give that information to third parties for the purposes set out above;
• make enquiries about you to third parties. You also agree to those third parties providing personal information about you to Fonterra.

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

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

Step 1. Shareholder Services Complaint and Feedback process:
• contact your local Area Manager, ring the Farm Source Service Team on 0800 65 65 68, or log onto the Fonterra Farm Source website and raise a complaint through the ‘Contact Us’ service;
• provide full details of the complaint or feedback and the solution you would like to see; and
• the Milk Commissioner will review the complaint in accordance with procedures and report back with their ruling.

SOURCE:
Fonterra’s Sustainability, Food Safety and Quality or Animal Health and Welfare Programme (including farm digital quality management records) that is specific to your farm, to any regulatory agency unless:
• you have provided further instructions to Fonterra to allow this information to be disclosed;
• there is a significant financial and welfare issue that, in Fonterra’s opinion, creates a reputational risk for Fonterra; or
• Fonterra is legally required to provide this information.

10.7 COUNTRY OF ORIGIN

SOURCE:
Fonterra is able to meet its legal obligations.
10.8 DISCLOSURE
You are not permitted to disclose any information about Fonterra to anyone.
10.9 REVIEW
You are not permitted to obstruct, hinder or otherwise prevent Fonterra from meeting any of its legal obligations or from exercising any of its powers, and you are required to do all things reasonably necessary or desirable to ensure that Fonterra is able to meet its legal obligations.

10.10 DISCREPANCIES
If you disagree with a decision made by Fonterra under the terms of supply, a three-stage process is available to achieve an effective resolution.
Each process is designed to achieve the quickest possible resolution and therefore you need to pursue each step, in an effort to achieve a satisfactory outcome, before escalating the issue to the next level.

Step 1. Shareholder Services Complaint and Feedback process:
• contact your local Area Manager, ring the Farm Source Service Team on 0800 65 65 68, or log onto the Fonterra Farm Source website and raise a complaint through the ‘Contact Us’ service;
• provide full details of the complaint or feedback and the solution you would like to see; and
• the Milk Commissioner will ask the Co-operative Relations Committee to confirm your complaint has been through the above steps; and
• the committee may contact you for further details and advise a process as required, and
• upon completion of the review the committee will advise you of its decision.

Step 2. Milk Commissioner review:
• if you are still dissatisfied, you may take your complaint to the Milk Commissioner;
• approach the Milk Commissioner with details of your complaint and the steps taken so far to resolve it; and
• if the complaint is within the Milk Commissioner’s jurisdiction, the Milk Commissioner will review the complaint in accordance with procedures and report back with their ruling.

SOURCE:
Fonterra is able to meet its legal obligations.

### TABLE 4: MILK QUALITY TESTS AND STANDARDS 2018/19 SEASON

<table>
<thead>
<tr>
<th>TEST SCHEDULE</th>
<th>TEST MINIMUM FREQUENCY</th>
<th>STANDARD</th>
<th>DEMERIT POINTS</th>
<th>NOTES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aflatoxin</strong></td>
<td>As required</td>
<td>Less than 10 ppt</td>
<td>0</td>
<td>An ‘ALERT’ will show on milk dockets where a &gt;10–19 ppt result is obtained. For levels greater than 25 ppt Fonterra may suspend collection immediately. Testing will be required prior to collection restarting. You are required to pay all sampling and testing charges to clear supply for collection.</td>
</tr>
<tr>
<td></td>
<td>10–14 ppt</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>15–19 ppt</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>20–24 ppt</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>25–49 ppt</td>
<td>2</td>
<td></td>
<td>50 ppt and above 40</td>
</tr>
<tr>
<td></td>
<td>As required</td>
<td>Bactoscan (Bscan)</td>
<td>3 per month</td>
<td>APC Equivalent: An ‘ALERT’ will show on milk dockets where a B category result is obtained. C, D, E and F results may be further checked/investigated. Following two consecutive results of R category, supply may be suspended until it is shown to be a D category or better. For geometric means requirements refer to Clause 8.22.</td>
</tr>
<tr>
<td></td>
<td>A&lt; 10,000/ml</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>A 10,000–19,999/ml</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>B 20,000–49,999/ml</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>C 50,000–99,999/ml</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>D 100,000–199,999/ml</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>E 200,000–499,999/ml</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>F 500,000–2,999,999/ml</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>R over 3,000,000/ml</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Thermotolerant Plate Count (Therm)</strong></td>
<td>1 per month April–Oct plus 2 per month Nov–March inclusive</td>
<td>Less than 1,500/ml</td>
<td>0</td>
<td>An ‘ALERT’ will show on milk dockets for counts 500–1,499/ml inclusive. There will be two follow up result for a result above 1,500/ml. 'THERM EARLY WARNING’ will appear for counts &gt;1,000/ml at 48 hours. Following two consecutive results above 60,000/ml, supply may be suspended until it is shown to be less than 40,000/ml or better.</td>
</tr>
<tr>
<td></td>
<td>1,500–4,999/ml</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5,000–9,999/ml</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>10,000–19,999/ml</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>50,000 and above</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Coliform Plate Count (Coli)</strong></td>
<td>2 per month</td>
<td>Less than 499/ml</td>
<td>0</td>
<td>An ‘ALERT’ will show on the milk dockets for counts 300–499/ml inclusive. For geometric means requirements refer to Clause 8.22.</td>
</tr>
<tr>
<td></td>
<td>500–999/ml</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,000–1,999/ml</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,000 and above</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Organoleptic Assessment (Senses)</strong></td>
<td>As required (testing frequency increased at times of risk)</td>
<td>Finest</td>
<td>0</td>
<td>As per Ministry for Primary Industries laboratory standards.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Minor Defect</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Major Defect</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Serious Defect (includes Cress Taint)</td>
<td>6</td>
<td></td>
</tr>
</tbody>
</table>

*Farmers should refer to the relevant clauses in this Handbook.*
<table>
<thead>
<tr>
<th>TEST</th>
<th>MINIMUM FREQUENCY</th>
<th>STANDARD</th>
<th>DEMERIT POINTS</th>
<th>NOTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sediment (Sed)</td>
<td>As required</td>
<td>Category ABC</td>
<td>0</td>
<td>Farmers should also refer to the relevant clause in this Handbook.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Category D</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Colostrum</td>
<td>As required</td>
<td>1.5%L or less</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Over 1.5%L</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Inhibitory Substances (I.S.)</td>
<td>Minimum 4 per month (testing frequency increased at times of risk)</td>
<td>Less than 0.003 IU/ml</td>
<td>0</td>
<td>If notified and tested prior to collection: less than 0.003 IU/ml – no demerits; 0.003 IU/ml or greater – 6 demerits. Following a positive result, supply will be suspended until it is shown to be clear. If, during a season, you have a positive inhibitory substance grade from random testing you are required to: • pay a fee of $500 plus GST for daily inhibitory substance testing for 6 months (which Fonterra will carry out); • LCMS testing to confirm the level of antibiotic present; and • an inhibitory substance audit carried out by an approved Farm Dairy Assessor. Refer Clause 8.9.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.003 - 0.005 IU/ml</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.006 - 0.009 IU/ml</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.009 IU/ml or greater</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Added water detected via Freezing Point (Fr.Pt.)</td>
<td>Daily computer scan on composition results.</td>
<td>Freezing Point: -0.513°C or lower</td>
<td>0</td>
<td>Where computer monitoring for excess water shows a problem the Freezing Point is checked on a cryoscope.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Freezing Point: -0.512°C to -0.470°C</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Freezing Point: -0.469°C or higher</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Fat Evaluation Index (FEI)</td>
<td>Confirmatory testing</td>
<td>Grade A: 75</td>
<td>0</td>
<td>Refer Clause 8.7.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Grade B: 75-90</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Grade C: 90 – 110</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Grade D: &gt; 110</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Somatic Cell Count (SCC)</td>
<td>Per consignment.</td>
<td>0–399,999 cells/ml</td>
<td>0</td>
<td>Following two consecutive results above 700,000 cells/ml, supply may be suspended until it is shown to be less than 500,000 cells/ml.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>400,000–499,999 cells/ml</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>500,000–599,999 cells/ml</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>600,000–699,999 cells/ml</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Over 700,000 cells/ml</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Residue Grading</td>
<td>As required.</td>
<td>Less than 10 parts per billion (ppb)</td>
<td>0</td>
<td>This is a testing parameter to ensure no residues exist in milk.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10–29 ppb</td>
<td>low alert</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>30–99 ppb</td>
<td>high alert</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>100–199 ppb</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>200–500 ppb</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Over 500 ppb</td>
<td>8</td>
<td></td>
</tr>
</tbody>
</table>

TABLE 4 CONT.

<table>
<thead>
<tr>
<th>TEST</th>
<th>MINIMUM FREQUENCY</th>
<th>STANDARD</th>
<th>DEMERIT POINTS</th>
<th>NOTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Somatic Cell Count (SCC) applicable where a farmer has a rolling two-month geometric mean above 400,000 somatic cells/ml</td>
<td>Per consignment second month following a geometric failure.</td>
<td>0–399,999 cells/ml</td>
<td>0</td>
<td>Following two consecutive results above 700,000 cells/ml, supply may be suspended until it is shown to be less than 500,000 cells/ml.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>400,000–499,999 cells/ml</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>500,000–599,999 cells/ml</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>600,000–699,999 cells/ml</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Over 700,000 cells/ml</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Residue Grading</td>
<td>Per consignment third month following a geometric failure.</td>
<td>0–399,999 cells/ml</td>
<td>0</td>
<td>Following two consecutive results above 700,000 cells/ml, supply will be suspended until it is shown to be less than 500,000 cells/ml.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>400,000–499,999 cells/ml</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>500,000–599,999 cells/ml</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>600,000–699,999 cells/ml</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Over 700,000 cells/ml</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Reject Milk</td>
<td>Where milk is suspect or demonstrated to be unfit for human consumption or outside regulatory requirements it will be rejected.</td>
<td>Where milk is suspect or demonstrated to be unfit for human consumption or outside regulatory requirements it will be rejected.</td>
<td>No payment</td>
<td>Disposal will be your responsibility at your cost. Refer to Clauses 8.18 and 8.19.</td>
</tr>
<tr>
<td>TYPE</td>
<td>FREQUENCY</td>
<td>STANDARD</td>
<td>DEDUCTION</td>
<td>NOTES</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>--------------------------------</td>
<td>--------------------------------------------------------------------------</td>
<td>-----------------------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>DDE</td>
<td>As required</td>
<td>Above 0.3 mg DDE/kg milkfat, payment deduction applied June to September inclusive. Above 0.5 mg DDE/kg milkfat, payment deduction applied October to May inclusive.</td>
<td>$3.50/mg DDE.</td>
<td>Farmers should also refer to the relevant Clauses in this Handbook.</td>
</tr>
<tr>
<td>Temporary Water Exclusion</td>
<td>Monthly while on water exclusion policy.</td>
<td>Where farm dairy water is non-compliant.</td>
<td>$50/month.</td>
<td>Refer Clause 8.12. Applied where a farm is on a water exclusion policy due to non-compliant water.</td>
</tr>
<tr>
<td>Collection Temperature (Temp)</td>
<td>Per consignment.</td>
<td>0 hour 10.0°C, 1 hour 8.0°C, 2 hours 6.0°C.</td>
<td>50c/100L for all milk supplied for the remainder of the season, and 200c/100L for the following season.</td>
<td>Refer Clause 6.1. Time is from end of second or subsequent milking until collection, defined by your milking window or as at 7.30am for morning and 6.00pm for evening if you have no elected milking window. If you fail the temperature standard four times in one month, and a fault in the cooling system is identified, you are required to improve your system within 3 weeks of the fault being identified. If you don’t improve your system within this 3 week period, you will incur a payment deduction of 50c per 100 litres for all milk supplied for the remainder of the season, and 200c per 100 litres for the following season, unless you carry out remedial work to Fonterra’s satisfaction.</td>
</tr>
<tr>
<td>Tanker Roadway</td>
<td>As required.</td>
<td>Where significant non-compliance issues exist on a tanker roadway.</td>
<td>50c/100L in year one, or 200c/100L in year two.</td>
<td>Deductions are applied when all improvements from your improvement plan to address the issues have not been completed. Refer Clause 6.1. You will be liable for all losses, costs and damages incurred or suffered by Fonterra. The minimum deduction of $1,500 covers the minimum cost of time and resources required to track and trace products, test product and manage the regulatory processes associated with the processing of milk not intended for collection.</td>
</tr>
<tr>
<td>Collection of Calf Milk or Other Milk not Intended for Collection Including Previously Rejected Milk that is Presented Again for Collection</td>
<td>As required.</td>
<td>If a vat is used to store milk or colostrum intended for feeding calves or otherwise not intended for supply it is required to be locked and labelled.</td>
<td>$1,600 minimum liquidated damages.</td>
<td>Refer Clause 6.5. You will be liable for all losses, costs and damages incurred or suffered by Fonterra. The minimum deduction of $1,600 covers the minimum cost of time and resources required to track and trace product, test product and manage the regulatory processes associated with the processing of milk not intended for collection.</td>
</tr>
<tr>
<td>Revisits for Appraisals and Inspections</td>
<td>As required.</td>
<td>Where a revisit is required due to requirements not being met at Farm Dairy Assessment.</td>
<td>$250.</td>
<td>Where photographic evidence can be substituted for a farm revisit.</td>
</tr>
<tr>
<td>Environmental Visit</td>
<td>As required.</td>
<td>Where a farm visit is required for the purposes of judging the requirements of section 3 (Environment).</td>
<td>$250.</td>
<td>Where a farm visit is required for the purposes of judging the requirements of section 3 (Environment).</td>
</tr>
</tbody>
</table>
### Table 6: Demerit Points and Milk Payments

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

* of 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, an adjustment will then be made.

### Table 7: Recommended Minimum VAT Volume for Effective Agitation

<table>
<thead>
<tr>
<th>VAT Diameter 2.4m</th>
<th>VAT Size (litres)</th>
<th>To Agitate (litres)</th>
<th>To Cover Floor (litres)</th>
<th>Recommended Minimum Collection* (litres)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,000</td>
<td>35</td>
<td>60</td>
<td>400</td>
</tr>
<tr>
<td></td>
<td>2,200</td>
<td>65</td>
<td>30</td>
<td>400</td>
</tr>
<tr>
<td></td>
<td>2,700</td>
<td>85</td>
<td>30</td>
<td>400</td>
</tr>
<tr>
<td></td>
<td>3,400</td>
<td>100</td>
<td>30</td>
<td>400</td>
</tr>
<tr>
<td></td>
<td>4,100</td>
<td>100</td>
<td>30</td>
<td>400</td>
</tr>
<tr>
<td></td>
<td>4,500</td>
<td>250</td>
<td>400</td>
<td>1,000</td>
</tr>
<tr>
<td></td>
<td>5,700</td>
<td>250</td>
<td>400</td>
<td>1,000</td>
</tr>
<tr>
<td></td>
<td>6,800</td>
<td>250</td>
<td>400</td>
<td>1,000</td>
</tr>
<tr>
<td></td>
<td>7,800</td>
<td>250</td>
<td>400</td>
<td>1,000</td>
</tr>
<tr>
<td></td>
<td>9,100</td>
<td>250</td>
<td>400</td>
<td>1,000</td>
</tr>
<tr>
<td></td>
<td>12,000T</td>
<td>250</td>
<td>400</td>
<td>1,000</td>
</tr>
<tr>
<td></td>
<td>14,000T</td>
<td>250</td>
<td>400</td>
<td>1,000</td>
</tr>
<tr>
<td></td>
<td>16,000T</td>
<td>250</td>
<td>400</td>
<td>1,000</td>
</tr>
<tr>
<td></td>
<td>18,000T</td>
<td>250</td>
<td>400</td>
<td>1,000</td>
</tr>
</tbody>
</table>

### Table 7 Cont: Recommended Minimum VAT Volume for Effective Agitation

<table>
<thead>
<tr>
<th>VAT Diameter 3m</th>
<th>VAT Size (litres)</th>
<th>To Agitate (litres)</th>
<th>To Cover Floor (litres)</th>
<th>Recommended Minimum Collection* (litres)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>11,500</td>
<td>350</td>
<td>900</td>
<td>1,400</td>
</tr>
<tr>
<td></td>
<td>14,000</td>
<td>350</td>
<td>900</td>
<td>1,400</td>
</tr>
<tr>
<td></td>
<td>16,000</td>
<td>350</td>
<td>900</td>
<td>1,400</td>
</tr>
<tr>
<td></td>
<td>18,000</td>
<td>350</td>
<td>900</td>
<td>1,400</td>
</tr>
<tr>
<td></td>
<td>21,500</td>
<td>350</td>
<td>900</td>
<td>1,400</td>
</tr>
<tr>
<td></td>
<td>24,000</td>
<td>350</td>
<td>900</td>
<td>1,400</td>
</tr>
<tr>
<td></td>
<td>26,000</td>
<td>350</td>
<td>900</td>
<td>1,400</td>
</tr>
<tr>
<td></td>
<td>30,000</td>
<td>350</td>
<td>900</td>
<td>1,400</td>
</tr>
</tbody>
</table>

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

### Table 8: Winter Milk Premium Deductions

<table>
<thead>
<tr>
<th>Demerits</th>
<th>Deduction%*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-2</td>
<td>20</td>
</tr>
<tr>
<td>3-4</td>
<td>50</td>
</tr>
<tr>
<td>5+</td>
<td>100</td>
</tr>
</tbody>
</table>

*All milk supplied during the winter (North Island 16 May-15 July and South Island 1 June-31 July) is subject to a premium deduction for demerit points. In addition to the standard litres based deduction set out in Table 6.

Photo: Sonja Dobbie
GLOSSARY

Where this document refers to:

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

FOR MORE INFORMATION, PLEASE CONTACT:
Fonterra Co-operative Group Limited
Private Bag 92032, Auckland 1142, New Zealand
Fonterra Centre, 109 Fanshawe Street
Auckland, New Zealand

Farm Source Service Team: 0800 65 65 68
www.fonterra.com

Photo: Renae Flett