



29 May 2017

## Milk Payment System

Dear Suppliers

I would like to update you on the findings of MG's Milk Payment Review and the actions we have decided to implement in the 2017/18 season.

### FY18 Milk Payment System – at a glance

Our priority is to ensure the stability of MG and restore the trust of our suppliers. As a result, your Board has decided to make minimal changes to the milk payment system in 2017/18. Further changes will be addressed and communicated to you during the 2017/18 season and include potentially moving to a more frequent pricing interval (half yearly or quarterly).

For the 2017/18 season, we will:

- maintain our historical approach and set a single base price
- provide a full year forecast expressed as a range in \$/kg MS
- continue current seasonal incentives as part of the single base price
- continue the current productivity incentive
- continue the current volume and collection charges

The following key changes will apply for the 2017/18 season:

#### 1. General changes

- a milk reward program will be introduced under which current continuing suppliers will receive an additional 10 cents per kg MS.

#### 2. Farm Milk Quality Standard changes

- milk must be 5°C or less at time of collection. MG applies a risk assessment process to the determination of collecting milk which is above the accepted temperature level
- simplifying the requirements to rectify milk temperatures within required time limits (after a vat breakdown or power failure)
- clarification that we can cease milk collection where a supplier's rolling 12-month grades reach 12 in any category (Bactoscan, Thermoduric or Bulk Milk Cell Count)

#### 3. Transport Standard changes

- updated guidelines for supplier vat room requirements as follows:
  - vat room doorways must comply with relevant Australian Standards
  - milk stored in buckets must not be kept in vat rooms
  - areas where tanker operators exit vehicles are clear of potentially hazardous obstacles
- updated asbestos control measures which require damaged or broken asbestos in vat rooms to be reported and a risk assessment conducted prior to further milk collection

These terms, together with other administrative changes, will be included in the 2017/18 Supplier Handbook which will take effect on 1 July 2017. The 2017/18 hard copy of the Supplier Handbook will commence distribution to Suppliers on 13 June and is also available on our website at [www.mgc.com.au/legal](http://www.mgc.com.au/legal). We encourage all suppliers to read the Handbook in detail.

If you do not require a hard-copy of the 2017/18 Supplier Handbook, please notify us via email at [communications@mgc.com.au](mailto:communications@mgc.com.au) by 8 June. Please ensure that you include your full supplier number with your email notification.

If you have any queries in relation to the 2017/18 Milk Payment System, please don't hesitate to contact your local Field Services Officer.

Thank you for your continued support.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'C. Smith', written in a cursive style.

**Cameron Smith**  
Supplier Relations Director