

GOVERNMENT MILK GATE SUBSIDY SCHEME SUPPLY AGREEMENT

This Agreement is made this day of 2009.

BETWEEN (the company)..... a limited liability company having its registered office at....., in the Republic of Fiji Islands (which .together with its successors and assigns is hereinafter referred to as '**Co-Operative**) of the one part

AND (the seller)..... a privately/co-operative/company owned dairy farm with a supplying license issued by the Animal Health Division of the Ministry of Primary Industries. It is also registered as a milk supplier to the Company and is a shareholder/ non-shareholder of the **Co-Operative**. The dairy farm is located at _____ and hereinafter referred to as "**the Farmer**"

WHEREAS

- A. The Co-Operative is in the business of milk collection, manufacturing, distributing, marketing and processing of dairy products and fruit juices.
- B. The Co-Operative is in partnership with Government to develop the local dairy industry through an enabling trading environment and in return small

- holders are accepted as suppliers plus provide affordable farm inputs for the dairy farmers.
- C. The Farmer is in the business of dairy farming, supplying milk/cream and receiving payment for it from the Co-Operative.
 - D. As part of a new Support Scheme the Government has allocated FJD\$2 million in the 2009 National budget as an additional milk gate price for the milk/cream suppliers to the Co-Operative.
 - E. Government is desirous of stepping up the local milk production through encouraging measures through the Co-Operative filtering down to the Farmer with the intent that such measures would propel the dairy industry towards self sufficiency within a specified time frame and the Farmer has agreed to participate in the Support Scheme upon the terms and conditions hereinafter appearing.
 - F. The Ministry of Primary Industries – Animal Health & Production Division [“MPI”] will administer the Scheme.
 - G. It is intended by this Support Scheme to significantly increase farm production thereby improving the base line of the industry including the

Dairy farm infrastructure, to make farm administration better and to have better herds thus producing quality dairy products for consumers.

H. The parties have agreed to enter into this agreement on the following terms and conditions.

WHEREBY IT IS AGREED AS FOLLOWS:-

1. In this Agreement “the products” means those products (cows milk and cream per the Co-Operative’s specification) currently being produced by the farmer, picked up by the Co-Operative and chilled in some instances by the Co-Operative.
2. In consideration of the presents contained in this agreement the Farmer has volunteered himself/herself/co-operative/company to be part of the Support Scheme funded by Government and administered by the Dairy Advisory Division of the Co-Operative and the Ministry of Primary Industries.
3. The Farmer will focus on improving the dairy farm milk/cream supply through using the right inputs and upgrading the infrastructure. Refer to clause 10.

4. This Agreement shall come into force on day/month/year and shall subsist until the day/month/year. The fund disbursement will be programmed in such a way that the Support Scheme Fund is exhausted on the day/month/year.
5. The additional milk gate price from the Government scheme will be reviewed every month.
6. A new agreement will be entered into for the next Government Support Scheme.

The Co-Operative's Obligations under this Agreement

7. The Co-Operative shall:
 - [a]. collect milk/cream from licensed farmers.
 - [b]. provide services set out in clause 8 to 10 to the farmers and monitor Improvements as required under Schedule III where the farmer's targets are drawn up.

- [c]. administer the monies allocated by the Government towards the dairy industry development with a view of seeing an increase in milk production with the Ministry of Primary Industries.
- [d] in every quarter make available to Government all relevant correspondences and documents pertaining to the rolling out of this scheme.
- [e]. be the sole milk collector under this scheme
- [f]. ensure that raw milk supplied by the Farmer meets the quality specification provided for by the Company.
- [g]. keep weekly data of dairy farmers weekly supply information from volume, micro-biological and physical composition.

PAYMENTS

8. The Co-Operative shall:

- [a]. pay the price to the Farmer for the volume of milk and butterfat component collected from the farmer as per approved standard/specification set by the Board – outlined in schedule I.

- [b]. provide two payments to the farmer. [Refer to schedule II]
 - (i) The first component is the current market rate under schedule II where the base price is 46cents/litre.
 - (ii) The second component is the Government subsidy scheme. The price may vary depending on the volume supplied.

- [c] make payment to the Farmer after deducting any adjustments/deductions within 14 days of the collection of the milk from the Farmer.

- [d]. test the milk supplied on physical, chemical and micro-biological as stipulated under schedule I and make payments accordingly.

- [e] apply penalties on payment as per the guidelines contained in the Dairy Farmers Handbook.

FEED INPUTS

9 The Co-Operative shall:

- [a]. make available substitute and supplement feed for the farmers provided the orders for the feed are issued a day before delivery time.

[*Substitute feed* include copra meal, mill mix, pea meal and molasses]

[*Supplement feed* include multi-mineral, crest feed (mesh/pellets), calf milk replacer]

[b]. deliver the feed to the central warehouse and the rural collection centres for bulk and small holders to access.

TECHNICAL ASSISTANCE AND MONITORING

10. The Co-Operative will work with the Ministry of Primary Industries Animal Health & Production division on the following:

[a] re-establish the Co-Operative's Dairy Advisory Division and boost their resources for effective extension work.

[b]. provide the technical services to the farmer and seek assistance from professional services provided by SPC, input suppliers technical team, Diplomatic missions, International organization and other donor agencies with the purpose of improving the business, animal health and farm cow yields. The areas of emphasis are:

- [i] consult with the farmer concerning quality and non-conformance to ensure that these matters are remedied which will bring about improvements.
- [ii] in collaboration with the MPI, will engage a veterinary to support the industry on animal health matters.
- [iii] engage dairy feed nutritionist that provide service to the Co-Operative's supplement feed supplier to also provide advice to dairy farmers.
- [iv] assist dairy farmers with pasture management scheme and controlled paddocks systems.
- [v]. collate monthly data of each farm, and analyze and provide feedback to struggling farms on ways to improve.
- [vi] identify the training requirements upstream of the dairy food supply chain and organize the relevant trainings.

11] The Co-Operative and MPI shall jointly:

- [a]. Compile information of each farm to determine the base line.

- [b]. evaluate the improvements expected at the Farmer's farm.
Schedule III.
 - [c]. meet every month for scheme update, analyze and decide on
course of actions for concerned cases.
- 12] For its part the Co-Operative is expected to :
- [a]. Strive to ensure that the additional funds are made available from
the Government for each quarter.
 - [b]. Coordinate awareness meetings with stakeholders (MPI & Co-
Operative) to ensure a smooth implementation and clear
responsibilities of the main parties.
 - [c]. Facilitate the utilization of the Revolving Fund to assist the farmers
and each transaction to follow the Co-Operative rules of lending.

FARMER OBLIGATIONS

13. The Farmer shall:

- [a]. sign the agreement in order to qualify under the Support Scheme.

- [b]. Feed the dairy herd with the proper substitute and supplement inputs based on the nutritional advice rendered by the dairy feed nutritionist engaged by the Co-Operative.

- [c]. Participate in the national Artificial Insemination and mutli-mineral program.

- [d]. Utilize the subsidized inputs provided for the Company on the dairy herd.

- [e]. Participate or attend trainings/seminars in regards to dairy herd management provided for by the Ministry of Primary Industries, Co-Operative and/or aiding agencies.

- [f]. Ensure that the fencing and routes for the dairy cows are kept at a good state.

- [g]. Develop pasture with proven tropical grass species endorsed by the Ministry and the Company.

- [h]. Ensure that all sheds (milking, feed and calf rearing) and equipment used in the business of dairy farming are kept in a good state of repair.
- [i]. Maintain the cleaning regime of the shed, both cleaning in place (CIP) and cleaning out of place (COP) as stipulated under the Co-Operative's Dairy Farmers Guide Handbook .
- [j]. Ensure that the milk vats and cans are cleaned thoroughly after every use.
- [k]. Keep the shed yard in a clean state and the drive way accessible to pick up vehicles.
- [ll]. Ensure there is adequate water supply for the animals and cleaning.
- [m]. Ensure that the milk/cream supplied meets the Co-Operative's standard.

TECHNICAL ASSISTANCE

- [n]. agree to allow the Co-Operative and MPI extension unrestricted access to the Farmer's premises in connection with the provision of technical assistance and to check the Farmer's records concerning the herd and production.

BUSINESS DOCUMENTATION

- [o]. make the following documents and information available to the Co-Operative.
 - [i]. Business license issued by the relevant municipal government authority.
 - [ii]. Evidence of registration for VAT
 - [iii]. Where it applies, a provisional tax certificate of exemption.
 - [iv]. **Keep a record of the dairy herd. Outlining the dry, milking, calves, steer, culled, sold etc. (monthly update)**
 - [v]. **Monitor and record its own supply of milk in terms of volume and quality.**
 - [vi]. **At the beginning of each month the herd and milking report.**

[vii]. **To forward at the beginning of each month the herd movement report of the dairy farm.**

14. The Farmer acknowledges that in order to qualify for the Support Scheme he/she must meet the Government and Co-Operative's expectations which include the following:

[a]. The Farmer agrees with the performance targets drawn up for the farm by the Company and MPI – schedule III

[b]. The Farmer is expected to fulfill the performance target in schedule III by utilizing the extra milk gate earnings.

[c]. The Farmer agrees to reimburse the extra earning based on the Support Scheme if he/she/it decides to withdraw from the scheme within the 12 months.

[d]. The Farmer agrees to reimburse the extra earning based on the support scheme if he/she/it enters into a supply arrangement with another entity that is not associated with the Co-Operative within the 24 months after the initiation of this agreement.

SUSPENSION

15. [a] At anytime during the period of this Agreement the Co-Operative decides based on data available to it that the Farmer is not meeting the targets expected of him and/or fulfilling other terms and conditions of this Agreement the Farmer's further participation in the Support Scheme shall be suspended at the discretion of the Co-Operative.
- [b] The Production Committee at Board level will be involved in this decision and advise MPI's Animal Health Production Division.
16. If a Farmer is suspended or his farm is not meeting the expected targets the parties shall endeavor to take all steps as the Co-Operative deems necessary in a bid to rectify the problems so as to reinstate the Farmer to the Support Scheme.

CO-OPERATION

- 17 Each party hereto shall promptly and properly do all acts and things and execute all documents to give full effect to the terms of this Agreement.

CONFIDENTIALITY

18. The parties shall treat all aspects of this transaction and all other transactions including financial and other information made available by one to the other in the course of negotiations leading to this Agreement as strictly confidential and shall:
- (a) not use any such information for any purpose not connected with the completion of the transactions;
 - (b) consult on any announcement or public statement in respect of any of the transactions.

NOTICE

19. A notice to be given under this Agreement:
- (a) shall be in writing and delivered or transmitted as follows:

Company :

Farmer :

or such other address as any party shall notify to the other.
 - (b) shall be deemed to have been duly given:
 - (i) when delivered by hand; or

- (ii) 7 days after being posted by registered mail postage pre-paid;

AMENDMENT TO BE IN WRITING

- 20 This Agreement shall not be amended, varied or modified in any way subsequent to its execution except in writing signed by the parties and no right of either party is waived unless the party claiming the benefit of the right waives the said right in writing.

WHOLE AGREEMENT

- 21. This Agreement forms the whole of the agreement between the parties in respect of the Support Scheme and no representation, warranty or statement not included or specifically provided for herein shall form part of the agreement between the parties.

TIME

- 22. Time shall be of the essence of this Agreement.

FARMER'S DEFAULT

- 23 If the Farmer shall make default in the performance or observance of any other stipulation, condition or agreement on the Farmer's part herein contained and if such default shall continue for the space of fourteen (14) days from the date of receipt of Notice of Default, then and in any such case the Co-Operative without prejudice to any other remedies available to the Co-Operative) may at its option exercise all or any of the following

remedies, namely rescind the Agreement and cease all further support to the Farmer under the Support Scheme.

COSTS AND DISBURSEMENTS

24 The Co-Operative will cover the cost of preparation of this Agreement.

IN WITNESS WHEREOF these presents were executed the day and year hereinbefore written.

THE COMMON SEAL of the company
.....as Vendor was)
hereunto affixed in our presence and we)
certify that we are the proper officers of)
the said company by whom and in)
whose presence the said seal is to be)
affixed to documents executed by the)
said company:)

.....
DIRECTOR

.....
DIRECTOR/SECRETARY

THE signature of)
as Farmer)
hereunto affixed in my presence

.....

Schedule I

MICRO-BIOLOGICAL STANDARD

	Micro-biological test	FIJI		
Premium	Standard Plate Count			
	Thermoturic Plate Count			
	Somatic Cell count			
1st Grade	Standard Plate Count			
	Thermoturic Plate Count			
	Somatic Cell count			
2nd Grade	Standard Plate Count			
	Thermoturic Plate Count			
	Somatic Cell count			

Schedule II

Farm Milk-Gate Price (2009 season)

The Company rates		
Base Price		46cents/litre
Somatic Cell Count Premium		3cents/litre
Total Plate count - Premium		3cents/litre
Thermoduric - Premium		3cents/litre
Butterfat	\$5.50/kg	
Sub-total		55cents/litre
Government Milk gate price subsidy	Quarterly basis	17c/l - 25c/l
Total		72c/l - 80c/l

Schedule III

DAIRY FARM _____ PERFORMANCE TARGETS

Overall:

- Increase milk production by _____%.
2007 supply = _____ 2008 supply = _____

Pasture:

- 20 % of land developed for pasture.

Supplement/Substitute feed:

- Buy and use the recommended feed mix by the company (copra/mill mix/molasses/multi minerals/crest dairy [mesh/pellet] for the milking cows.
- Buy and use calf milk replacer and calf pellet (crest).

Dairy Shed infrastructure:

- Erect or make good the calf rearing shed.
- Make good the milking shed. Flooring, roofing, railings, water reticulation as stipulated under the Dairy Act.
- Erect can stand with shelter. (Rural collection centre supplier)
- Improve staff quarters.

Administration & Farm records:

- Service the Co-Operative Revolving Fund properly.
- Identify all the animals with tags.
- Herd recording to be done.
- Milk recording to be done.

Conformance to relevant Acts:

- Producer to adhere to the Animal Act in regards to herd keeping, culling and selling.
- Ensure the dairy shed operation improves towards conforming to the proposed Food Safety Act.
- Work towards uplifting the waste/effluent management.