

MILK SUPPLY AGREEMENTS



Farmer's Guide to Milk Supply Agreements and the Dairy Industry Code of Conduct

Negotiating or renegotiating a milk supply agreement? We have the resources to help dairy farmers to put an arrangement in place that best suits their business.

The resources are aligned with the Dairy Code of Conduct and take the 'grey areas' out of contract negotiations between dairy farmers and processors.

Dairy farmers can use the Milk Contract Checklist and Contract Discussion Guide to work through important legal and operational considerations for their farm business when negotiating contracts.

Under the Dairy Industry Code of Conduct (the Code), there are specific requirements for all Milk Supply Agreements (MSAs). The **Farmer's Guide to Milk Supply Agreements and the Dairy Industry Code of Conduct** is now available to farmers to help distil the terms of the Code, and to make contract negotiations with processors easier and more transparent.

Developed by Dairy Australia, with contributions from industry partners, the guide includes step-by-step **Milk Supply Agreement Checklists** and **Talking points for contract discussions** which farmers can use to work through important legal and operational considerations for their business. These resources can be used in conjunction with templates developed by [ADF](#) and [ADPF](#).

Click to download the following resources:

- [Milk Supply Agreement Checklist 1](#) is designed to help farmers interpret the Dairy Industry Code of Conduct and outlines the considerations for a Milk Supply Agreement required under the Code such as contract timelines, milk quality, quantity and testing requirements, milk testing procedures, pricing and additional payments, handbooks, and roles and responsibilities of the supplier and processor. This step-by-step checklist outlines an objective list of terms that must be incorporated in a milk supply agreement to be compliant. It is designed to provide clarity on the terms of the Code, new terminology in milk supply agreements and suppliers' rights and responsibilities.

- [Milk Supply Agreement Checklist 2](#) builds on to checklist 1 with considerations for Milk Supply Agreements beyond the requirements of the Code, including ownership and transport arrangements, payment system, insurance, testing regimes, milk defects, guarantees and indemnities, termination clauses and contract variations. This step-by-step checklist is designed to give farmers confidence about putting an arrangement in place that best suits their business.
- [Talking points for contract discussions](#) incorporates a list of talking points and questions that farmers may want to use as a prompt when negotiating contracts with processors. With so many aspects to consider, the talking points help farmers work systematically through different options and make the right choice for their business. This resource can help to ensure that suppliers and processors are fully informed about the agreement and aligned on contract terms and expectations.

The guide is the first step in a broader project to drive improved profit margins in dairy businesses, with resources and extension programs to come. It will complement any future tools developed by processors to enhance milk price transparency.

The Milk Value Portal and the Farmgate Milk Value Tool

The [Milk Value Portal](#) (MVP), developed by the Australian Dairy Products Federation, was created to provide farmers with a deeper understanding and transparency of farmgate milk prices.

The MVP is your gateway to understanding the many factors that shape your milk price and how they might influence decision-making next time you sign a milk supply agreement.

The Farmgate Milk Price Tool in this portal enables dairy farmers to assess the current value of their milk based on location, farm size, calving pattern, milk quality and components.

In combination with details from your processor, the Farmgate Milk Price Tool creates a weighted average milk value for a farm like yours and shows you all the milk prices available from different milk processors in your region. However, it won't give you a specific milk price offer.

This tool also allows you to see how changes of seasonality supply could affect your milk price.

The Dairy Industry Code of Conduct

The [Dairy Industry Code of Conduct](#) (also known as the Mandatory Code, or the Code) aims to improve the clarity and transparency of trading arrangements between dairy farmers and processors.

Under the Code, which came into effect on 1 January 2020, dairy farmers and processors are given specific protections and obligations.

All Milk Supply Agreements (MSAs) between suppliers and processors that are created, varied or renewed this year are subject to the Code. All MSAs, no matter when they were entered into, must be compliant with the Code from 1 January 2021.

The Australian Competition and Consumer Commission (ACCC) is responsible for enforcement of the Code and investigates alleged breaches.

The ACCC has developed a fact sheet intended to help dairy farmers understand their rights and obligations under the Code.

Click here to find the ACCC factsheet: ['What the dairy code means for farmers'](#).

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Have any questions on negotiating or re-negotiating milk supply agreements? We're here to help - email your questions to msa.support@dairyaustralia.com.au