LIQUID MILK SUPPLY AGREEMENT

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IRELAND

Sustainable Dairy
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Glanbia Ireland Liquid Milk Supply Agreement (LMSA)

Seán Molloy,
Chief Agribusiness Growth Officer,
Glanbia Ireland

Glanbia Ireland (GI) has a long and proud commitment to the fresh milk market in Ireland. Over many years we have invested in building strong brands and maintaining our market leading position. Today, Avonmore is the clear market leader as Ireland's number one dairy brand. Whilst the liquid milk market in Ireland continues to face significant challenges particularly with the growth in private label sales, Glanbia Ireland is committed to leveraging the considerable strength of its branded position in this market and its suppliers' commitment to supply the highest quality milk.

In this context, over the past months in consultation with Fresh Milk Producers (FMP) Glanbia Ireland has developed a new liquid milk policy. The objective is to position both the business and our liquid milk suppliers to address the prevailing market and on-farm challenges and opportunities. This new policy is now enshrined in the Glanbia Ireland Liquid Milk Supply Agreement, details of which are set out in this brochure.

For Glanbia Ireland - Key Objectives:

- Construct a liquid milk policy that reflects the current dynamics at farm level, where certain farmers have expressed a desire to expand output and others have a preference to exit liquid milk production and to transition to creamery supply;
- Ensure certainty of supply of high quality liquid milk to meet GI business needs;
- Develop a liquid milk pricing policy capable of supporting the business and sustaining continued investment in our liquid milk brand.

For Milk Suppliers - Key Objectives:

- Construct a liquid milk pricing policy that is capable of supporting the long term needs of its members;
- Support the development of a cohort of dedicated commercial liquid milk suppliers focused on producing milk to a profile and quality required by GI;
- Facilitate dedicated suppliers to expand the volume of milk attracting seasonal premiums;
- Provide an opportunity for those who want to exit liquid milk production to do so by way of an appropriately attractive exit package.

To maintain our brands' highest quality standards, we require milk suppliers fully committed to all year round milk production, with a dedicated proportion of autumn calving cows. We also appreciate that some farms would benefit from the switch to a complete spring calving system. Other farms require higher winter milk volumes in order to justify their commitment to year round milk production. The new LMSA has options to suit both categories.

In summary, the LMSA provides:

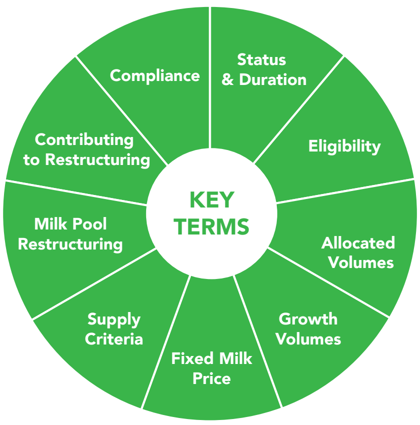
Whilst there are many progressive features to the LMSA, the key elements can be summarised as follows:

- For remaining suppliers a five year contract which gives certainty of pricing;
- For suppliers who want to grow, there is an ability to grow volumes by 23%;
- An opportunity for suppliers to exit liquid milk and transition to spring milk.

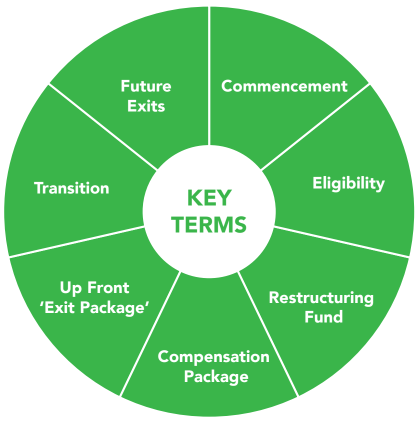
As there are many features to the LMSA, I would encourage you to discuss the new Agreement with your local Farm Development Manager to make the best decision for your farm business.

LMSA Key Terms

A. GROWTH MODEL – DEDICATED COMMERCIAL LIQUID MILK SUPPLIERS



B. RESTRUCTURING MODEL – EXITING SUPPLIERS



A LIQUID MILK SUPPLY AGREEMENT "GROWTH MODEL"

Scheme Term:	5 years - Commencing October 2019
Eligibility:	The five-year LMSA is open to all applicants that have a current National Milk Agency (NMA) signed agreement. This Scheme will replace all existing liquid contract and winter milk seasonality schemes held by liquid milk suppliers.
Aim of Scheme:	The aim of the LMSA is to reward dedicated liquid suppliers who calve cows in the autumn for the supply of high quality milk from freshly calved cows.
LMSA Contract:	The LMSA represents a legally binding contract between Glanbia Ireland (GI) and liquid milk suppliers. This scheme will include both Liquid Contract and Winter / Autumn Calving Scheme (ACS*) milk volumes.
Transfers:	Entitlements to liquid milk and ACS bonus payments cannot be traded or assigned (outside of family members). Hence, trading of LMSA's will not be permitted.
Retirement Mechanism:	Suppliers who exit the supply of liquid milk before January 2023 will have their contract cancelled and receive no compensation. The resulting liquid milk volume will be distributed to existing liquid contract suppliers should they wish to take it as liquid contract with associated premiums. Suppliers that exit liquid milk after January 2023, and give 12 months' notice will continue to receive liquid milk premium payments for twelve months post exit – without the obligation to supply. Suppliers who receive milk from retiring suppliers will receive premiums from year two onwards thus funding the suppliers exiting supply for one year.
Minimum Supply Volume (MSA):	To participate in the LMSA, suppliers are required to supply a minimum milk volume of no less than 650 litres per day.
Base Milk Price:	The base price for milk supplied under the LMSA will be the base manufacturing milk price paid by GI.
Milk Constituents:	The LMSA Bonus will be paid on a flat rate basis (not adjusted for constituents).
Base Milk Volumes:	Suppliers will be allocated an initial 'base volume' equivalent to their current liquid contract volume. Each supplier will be allocated a volume of ACS milk, the volume of which will ensure that the supplier in question receives the same premium value that they historically earned for the supply of winter / liquid surplus milk.
Growth Volumes:	Suppliers will be invited to apply for 'growth volumes'. i.e. an additional volume of milk above the current supply level which will attract seasonality premium payments. A minimum growth volume of 23% will be offered to all suppliers. Growth volumes will be allocated in two tranches: – 15% Nov / Dec 2019 – 15% Jan / Feb and Nov / Dec 2020 Growth by an individual supplier can be phased over the five year duration of the LMSA.
Fixed Milk Price Scheme:	Suppliers can opt to participate in a Fixed Milk Price scheme, which will be set at 35cpl (VAT Inc.) – subject to restructuring charge (see later). The Fixed Milk Price Scheme will run for a three year period from January 2020 to December 2022. Volumes available will be set at a max of 50% of 'liquid contract volumes' – but similar to previous Fixed Milk Price Schemes an individual can apply for whatever volumes they wish and pro rata allocation will be applied if over-subscribed.
Restructuring Levy:	Suppliers will be required to make a contribution towards the cost of restructuring the liquid milk pool. This restructuring levy will apply only for the first three years of the LMSA. The amount of the restructuring levy will depend on an individual supplier's milk volume requirements, as set out in the tables under: **For suppliers who wish to grow by up to 23%** the restructuring levy will be applied from years 1 to 3: • 2.25cpl on liquid contract volumes; and • 4cpl on ACS volumes **For suppliers who do not wish to grow volumes**, the contribution will be reduced by two thirds and will apply from years 1 to 3: • 0.75cpl on liquid contract volumes; and • 1.33cpl on ACS volumes **For suppliers who wish to grow greater than 23%**, the contribution will be set at 10cpl. The restructuring levy will be applied from years 1 to 3: • 2.25cpl on liquid contract volumes; and • 10cpl on ACS volumes - above 23% growth From year four onwards, restructuring contributions cease for all categories of suppliers. Restructuring contributions will not be collected during periods when the base manufacturing milk price falls below 30cpl (VAT Inc.) but will be collected during the term of the LMSA or the year following.
Supply Profile:	Suppliers will be required to supply liquid milk volumes on a daily basis (similar to previous contracts). ACS volumes will be allocated over the four winter months, with a +/-15% volume flexibility each month over the winter months.
Application Process:	Liquid milk suppliers who are currently in receipt of liquid milk bonus payments will be invited to make an application for milk volumes under the new LMSA. The Application Pack from Glanbia will include details of your farm's liquid contract volumes and winter premium payments. Upon receipt of all applications, GI will allocate a milk volume to each supplier each month for the five year term of the agreement.
Compliance:	There will strict adherence to the terms of LMSA. In the event of non compliance Glanbia Ireland reserves the right to terminate the suppliers' LMSA contract without compensation.
Next Steps:	Your Farm Development Manager will contact you to arrange a time suitable to discuss the key components on a one-to-one basis. See liquid milk premiums set out in Table 1 and 2 on page 4.

*Autumn Calving Scheme (ACS): All of the applicable terms of this scheme will apply to the LMSA.

Q&A Liquid Milk Supply Agreement "Growth Model"

Q. What is the current Liquid Milk Bonus Payment (VAT Inc)?
A. Suppliers currently receive 48.48cpl for each litre of milk that qualifies as liquid contract. This comprises of 7.4cpl for the months of October to March and 0.7cpl for the months April to September.

Q. What is the new Liquid Milk Bonus Payment (VAT Inc)?
A. Suppliers will receive 44.28cpl for each litre of milk that qualifies as liquid contract. This comprises of 7.38cpl for the months of October to March.

Q. Will I have to pay the restructuring levy even if I do not intend to grow?
A. Yes – All suppliers participating in the LMSA are required to contribute to the restructuring levy, however the amount of the restructuring levy is dependant on a supplier's ambition to grow. Where a supplier elects not to grow their supply of milk over the winter months – then the contribution is significantly reduced. For growth volumes above 23%, the contribution is significantly increased.

Q. Will the restructuring levy apply to both liquid contract and ACS volumes?
A. Yes – The restructuring levy applies to all milk volumes in liquid contract and ACS.

Q. Will my liquid contract litres be subject to a percentage decrease over the duration of the LMSA?
A. Glanbia has an ambitious growth strategy for the liquid milk business and plans to continue to develop the business. Downward volume adjustments will only occur in exceptional circumstances where there is a significant disruption in the liquid milk market.

Q. How are my liquid contract litres established?
A. The liquid contract litres are based on the liquid contract litres held as of January 2018.

Q. Can I exit liquid milk production to produce milk exclusively under the ACS scheme?
A. Yes – If a supplier wants to discontinue supplying liquid contract milk and only participate in the ACS this is allowed. In addition, any milk volumes that a supplier had under liquid contract will be transferred into the ACS volumes (November to February Liquid Contract Volumes). Note, under the ACS there is no requirement to supply a minimum of 650 litres per day.

Q. What if the VAT flat rate addition rate changes?
A. Any change to the VAT flat rate addition will to the account of the supplier.

Q. I am a relatively small milk producer, what happens if I cannot reach the minimum 650 daily total litres production? Is there an appeals process?
A. Glanbia is conscious of the diversity of the liquid milk supply base, and in the event that suppliers cannot achieve the 650 litre daily supply threshold as a result of their farm scale, the option exists to convert to supplying under Glanbia Ireland's ACS where the 650 litre minimum daily supply volume is not a requirement.

Q. Will I be required to contribute to the restructuring levy of the liquid milk pool if I transfer to ACS?
A. No – Suppliers that move to an ACS contract are not obliged to contribute to the restructuring levy.

Q. Can I exit winter / ACS and get additional liquid contract to replace it?
A. If a supplier wants to discontinue supplying winter / ACS milk and only participate in the Liquid Contract this is allowed. However a supplier cannot increase their liquid contract volumes - all growth volumes will be under the ACS.

Q. How are my ACS litres calculated?
A. The ACS Litres are established by calculating the value of your winter premium (including lactose payment) for October 2017 to February 2018 and dividing by 8.5cpl (with 8.5cpl representing the ACS premium).

Q. What is the ACS Milk Bonus Payment (VAT Inc)?
A. Suppliers will receive 34cpl for each litre of milk that qualifies as liquid contract. This comprises of 8.5cpl for the months of November to February.

Q. How are my ACS litres allocated by period?
A. The ACS litres are allocated by month to reflect the supply profile of an autumn calving herd, 25% of the ACS milk volumes are allocated to Feb & Nov, 18.75% is allocated to Jan & 31.25% is allocated to Dec (5 week period).

Q. What volumes can I apply to put into the Fixed Milk Scheme?
A. Suppliers can apply for Fixed Milk Price up to a maximum of 100% of their liquid contract volumes. Suppliers will receive 50% of their liquid contract volumes, however in the event that certain suppliers do not apply for the Fixed Milk Price Scheme other suppliers may receive more than 50% of their liquid contract milk volumes.

Q. If I over-supply in one period, are those additional litres available for calculating my ACS payment in the following period?
A. There is a 15% volume flexibility in each of the winter months. Suppliers can over-supply in one month and under-supply in another month and continue to comply with the terms of the scheme. However suppliers must supply their total winter milk volumes over the four winter months.

Q. Will I need to provide proof of calving patterns to Glanbia, if required?
A. The LMSA is intended to incentivise the production of milk from freshly calved cows over the winter period. Glanbia reserves the right to request confirmation of calving from suppliers that participate in the LMSA.

Q. If the volumes targeted for exit are not met, will the growth volumes be fully accommodated under the agreement?
A. Growth volumes are contingent on getting sufficient restructuring in the liquid milk pool.

Q. Is there a lead-in to being fully compliant with filling the ACS and / or liquid contract volumes?
A. Participating suppliers will be required to be fully compliant with the terms and conditions of the LMSA by October 2020 – including the phase growth volumes over a 5 year period.

Q. Will working bands continue to be voluntary in the LMSA?
A. Working bands will continue to be a feature of liquid volume component of the LMSA.

Q. When is the closing date for applying for this growth volume?
A. Glanbia Farm Development team will be engaging with each supplier on a 'one to one' basis over the next number of months. The closing date for receipt of applications to participate in the LMSA is Friday 22nd of February 2019.

Q. Will I need to apply even if I do not intend to grow above my current volumes – both liquid contract and 'effective' ACS volumes?
A. Yes – All suppliers will be obliged to apply for the LMSA as this will replace the previous liquid contract and winter milk schemes. The closing date for applications is Friday 22nd of February 2019.

Q. What are the penalties for non compliance?
A. Failure to supply the defined volumes subject to the ACS Supply Flexibility will result in a reduced AC payment / reduction of 4.25cpl. In the event of repeated non-compliance, Glanbia Ireland reserves the right to disqualify suppliers from the LMSA.

LMSA – Growth Model: Premium

Table 1: Liquid Milk Premium (VAT Inc) for Growth Rates up to 23%:

Premiums	2018	2019	2020	2021	2022	2023	2024
Liquid Contract Premium	48.48cpl	46.31cpl	42.02cpl	42.02cpl	43.16cpl	44.28cpl	44.28cpl
ACS	34cpl	32cpl	30cpl	30cpl	32cpl	34cpl	34cpl

Working bands will continue to operate

Table 2: Liquid Milk Premium (VAT Inc) For Suppliers Who Elect Not to Grow Their Volumes:

Premiums	2018	2019	2020	2021	2022	2023	2024
Liquid Contract Premium	48.48cpl	47.06cpl	43.53cpl	43.53cpl	43.91cpl	44.28cpl	44.28cpl
ACS	34cpl	33.33cpl	32.67cpl	32.67cpl	33.33cpl	34cpl	34cpl

Note: The current 'working band' arrangement will remain in place with respect to Liquid Contract premium for the duration of the LMSA (assuming no change during the review period at the end of year 3 when a review of the overall LMSA will take place).

B RESTRUCTURING MODEL FOR SUPPLIERS WHO WISH TO EXIT LIQUID MILK PRODUCTION

For those supplies who wish to exit liquid milk supply, Glanbia has constructed a liquid milk restructuring programme, with an appropriately attractive exit and transition payment. The exit payment is a 'once off' offer to suppliers that intend to transition to creamery milk production.

Scheme Term:	The restructuring / conversion to creamery programme will accept applications from suppliers from December 2018 to the 22nd February 2019. Suppliers intending to exit liquid contract milk will be entitled to existing liquid premium and winter premiums until October 2019.
Eligibility:	All currently registered liquid suppliers can apply to exit liquid contract and winter milk volumes.
Aim of Scheme:	The Liquid Contact exit programme is intended to assist suppliers to transition to creamery milk production.
Compensation Package:	A compensation package will be established to pay any supplier wishing to exit liquid milk. The compensation will consist of two elements: • An upfront 'exit payment'; and • A 'Transition Payment' to assist a supplier convert to a creamery milk production. If over-subscribed, prioritisation criteria will apply; if under-subscribed, the programme may not be executed.
Up Front 'Exit Payment':	The upfront exit payment will be payable to suppliers who want to exit liquid milk no later than 30 March 2019. The absolute value of the upfront payment will be the higher of A or B below. **A:** Liquid contract held in 2018 will be valued at: • First 100 day litres – €40 per day litre • Between 100 – 200 day litres – €30 per day litre • Between 200 – 300 day litres – €20 day per litre • Above 300 day litres – €10 per day litre **B:** Calendar 2018 seasonality payments (liquid and winter) by: • Payments up to €25,000 multiplied by 1.5 times • Payments above €25,000 multiplied by 1 times
Transition Payment:	Exiting Suppliers will be paid existing liquid premiums to October 2019 Year 1 post restructuring (Nov / Dec 2019), exiting suppliers will receive 75% of the ACS rate (6.4cpl) on liquid contract volumes exited. Year 2 post restructuring (Jan / Feb + Nov / Dec 2020), exiting suppliers will receive 75% of the rate (6.4cpl) on liquid contract volumes exited. Exiting Suppliers will not have to supply any minimum volume over the autumn months to qualify for the transition payment.
Previously Exited Liquid Supply:	Glanbia will compensate suppliers that have exited liquid milk production in 2016, 2017 and 2018. These suppliers can have transferred to creamery or retired. The exit compensation payment is €15 / day litre.
Application Process:	Suppliers will be invited to apply to participate in the exit programme. Once a supplier elects to participate in the exit programme, they will be entitled to their current liquid and winter milk premiums to October 2019.
Prioritisation:	In the event that Exit Programme is oversubscribed, exiting suppliers will be prioritised on a number of criteria.
Next Steps:	Your Farm Development Manager will contact you to arrange a time suitable to discuss the key components on a one-to-one basis.

Q&A Restructuring Model For Suppliers Who Wish to Exit Liquid Milk Production

Q. What year is used to calculate the exit payments?

A. 2018 will be the reference year used to calculate your exit payments – the exit payment will be the higher of the liquid contract you held in 2018 by the buy-out rates per litre or the total seasonality premium you received by the multiplier of 1.5 times up to €25,000 and 1 times thereafter.

Q. What is the transition payment and why is it being paid?

A. The transition payment which is paid over 2019 and 2020. It is intended to assist suppliers in the transition from liquid to creamery milk production.

Q. How are the exit and transition payments treated from a taxation perspective?

A. Glanbia would recommend that each supplier participating in the Exit programme would seek tax advice from a Qualified Financial Adviser.

Q. Is VAT payable on the exit and transition payments?

A. No – VAT is not payable on either the exit or transition payment. The Exit Payment does not relate to the supply of milk, and suppliers can receive the Transition Payment without the need to supply milk over the winter months.

Q. What, if any, compensation is available to liquid suppliers who have ceased liquid milk production in past years?

A. Registered NMA Liquid contract suppliers that have either ceased milk production or transitioned to creamery production and supply Glanbia are entitled to compensation of €15 per day litre for the last full year of supply. This compensation is for suppliers that have existed milk in 2016, 2017 and 2018.

Q. During the transition phase, will I be able to access seasonality scheme payments from Glanbia?

A. No – Suppliers that are receiving the transition payment are not entitled to other seasonality payments.

Q. Will there be an exit scheme with associated compensation (1) in future years during the 5 year agreement? (2) in the years following the 5 year agreement?

A. Glanbia has invested significantly in developing an Exit Fund for suppliers who want to transition to creamery supply. This is a 'once off' offer and will not be repeated in future years. The new LMSA will not allow for liquid contracts to be traded.

Q. If I sell my farm on which liquid milk is / has been produced, will the liquid milk contract still be available to the new owner?

A. No – The contract cannot be transferred between parties (with exception of family members).

Q. When is the closing date for applications to the exit scheme?

A. The closing date for receipt of applications is Friday 22 February 2019. However Glanbia would encourage suppliers to submit their application form for the Exit Programme once you have examined the scheme.

Q. What happens if I delay putting my cows in calf in the coming breeding season and I am subsequently not accepted into the exit scheme?

A. Glanbia is conscious that suppliers need certainty in terms of acceptance into the Exit Scheme, particularly if suppliers are planning their breeding programme for 2020. The Farm Development team will engage on a 'one to one' basis with each supplier and Glanbia will attempt to give the required certainty earlier than end of February if it is required by the supplier.

Q. What happens in the event of the exit scheme being over-subscribed?

A. In the event that the Exit Scheme is over-subscribed, Glanbia will prioritise suppliers exiting the scheme against a set of defined criteria.

Q. What happens in the event of the exit scheme being under subscribed?

A. In the event that the Exit Programme is under-subscribed, Glanbia reserves the right not to execute the programme.

Key Advantages of the LMSA

- Progressive Scheme – facilitating dedicated suppliers grow their milk supply attracting premium on predictable basis
- Facilitates those wishing to exit production with an appropriate and attractive compensation package
- Provides significant certainty to milk suppliers (and Glanbia Ireland) for a five year period
- Premium substantially maintained over the five year period (adjusted for growth) with significant fixed milk price opportunity
- Significant investment by the business in restructuring / facilitating growth
- Provides a platform for Glanbia Ireland to focus on developing the liquid milk business and continuing to develop its relationship with liquid milk suppliers

Next Steps

- One to one meetings to be arranged with each liquid milk supplier
- Applications for growth / restructuring to be received by the 22nd February 2019 and Glanbia Ireland will endeavour to process these by 29th March 2019.