



Australian Dairy Industry Council Inc.

Media Release

Friday 30th June 2017

ADIC Launches Code of Practice for Contractual Arrangements

Immediate Release

Today, the Australian Dairy Industry Council (ADIC) launched the first Dairy Industry Code of Practice for standard form contractual arrangements.

Through consultation with state member organisations, farmers and processors, the ADIC has developed the voluntary Code to help ensure greater transparency and fairness in milk supply and pricing.

It is anticipated most of the milk produced in Australia will be covered by the Code.

ADIC Interim Chair, Terry Richardson said it is important that contracts are fair, simple, realistic and easily understood by both parties.

“The Code will address a range of contractual issues which farmer organisations have been trying to address and rectify for a significant amount of time.

“Both farmers and processors sat down to work together cooperatively and in good faith to establish this code”, said Mr Richardson

ADIC Deputy Chair, Grant Crothers said, “we believe the Code will improve contracting arrangements between farmers and processors; and offer greater transparency through earlier and clearer pricing signals for farmers, which means less risk for farmers and more balance along the supply chain.”

The Code will include provisions that:

- there will be no price changes made retrospectively;
- ensure all farmers receive payment entitlement that accrued over the term of a contract or supply agreement (including any ‘loyalty payments’); and
- If a farmer produces more milk than required or contracted to their primary processor and the processor does not want to purchase the additional milk, then the contract between the farmer and processor must allow the dairy farmer to supply the additional milk to other processors.

The Code was initially drafted on 27th September 2016 at a workshop attended by processors, farmers, Mick Keogh from the ACCC and representatives from the Small Business and Family Enterprise Ombudsman.

It aims to address issues with dairy contracts in a way that works for both farmers and processors and will apply to standard form contracts between processors and farmers, but does not preclude a farmer negotiating an individual contract with a processor.

Mr Richardson said, “by incorporating these principles, the Code will give farmers, or their representative, the opportunity to have a standard form contract or supply agreement which better reflects a balanced supply chain approach between farmers and processors and not simply an agreement which is a ‘take it or leave it’ approach to a farmer’s milk supply arrangements.”

Although the Code is voluntary, it is designed to set out minimum good practice in terms of dairy contracts and will help ensure that supply agreements and contracts comply with the Unfair Contracts law that came into effect on 12 November 2016.

The unfair contracts legislation extends existing protections against unfair contracting practices for consumers to small businesses and is a practical step, that when coupled with the dairy industry Code of Practice, will provide dairy farmers with fairer and more transparent contracts.

“The ADIC will continue to work with farmers, processors and our industry bodies to build a robust supply chain and the Code will provide a new start to rebuild trust and confidence over time”, said Mr Richardson.

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The Australian Dairy Industry Council (ADIC) is the dairy industry's peak policy body. It co-ordinates industry's policy and represents all sectors of the industry on national and international issues through its two constituent bodies, Australian Dairy Farmers Ltd (ADF) and the Australian Dairy Products Federation (ADPF). It aims to foster, promote and protect the interests of the Australian dairy industry by driving a whole of industry approach to dairy policy and the development of the dairy industry.