

Brief description of negotiation process between Parmalat Australia Ltd and Premium Milk Ltd

1. Premium Milk Ltd is currently authorized by the Australian Consumer and Competition Commission (ACCC) to collectively bargain farm gate milk prices and milk quality standards with Parmalat Australia Ltd (formerly Pauls Ltd) on behalf of participating producers.
2. Parmalat and Premium have entered into a Milk Supply Agreement for a term of ten (10) years.
3. Under the Milk Supply Agreement a Milk Management Committee is established which comprises three (3) representatives from Parmalat and three (3) representatives from Premium. Each of the six (6) representatives have one vote. There is no second or casting vote.
4. The Milk Management Committee is required to meet not later than one (1) month prior to the commencement of each supply period (usually a calendar year) and at such other times as the members of the Committee agree, for the purposes of -
 - Determining relevant milk quality standards,
 - Negotiating the prices to be paid by Parmalat to producers for milk, and
 - Determining volumes of milk required from producers.
5. If the Milk Management Committee has not agreed on milk prices for a relevant supply period, then there is provision in the Milk Supply Agreement for an independent expert to determine the matter.