

New Liquid Milk Agreement

New 5 year deal starts **1st Oct 2019**

Retirement scheme

All suppliers offered to apply to a voluntary liquid retirement scheme Nov 18- Feb 2019

Retirement scheme will have an upfront payment to retire liquid contract and pay a transitional payment to for 2 years

Exit Payment' 2 options

1. Banded payment for liquid contract

Liquid contract 0 – 100 day litres - **€40 per day litre**

Liquid contract 100 – 200 day litres - **€30 per day litre**

Liquid contract 200 – 300 day litres - **€20 day per litre**
above 300 day litres - **€10 per day litre**

'Transition Payment- 6.4cpl on retired liquid volume for Nov/Dec19 & Jan/Feb-Nov/Dec20

To account for the supplier with significant winter scheme payments, suppliers will be paid the greater of the base payment for their LMC above or

Exit Payment' 2 Total 2018 winter scheme and liquid premium payments

“the total liquid & winter scheme and liquid premium payments for one winter period,

Payments up to €25,000 multiplied by 1.5,

Payments above €25,000 multiplied by 1,

Winter milk restructure- Autumn calving Scheme

All current Winter milk/Baileys/Cheese contracts will be realigned into the Glanbia Autumn Calving (AC) scheme.

Each individual supplier will be assigned a volume 4-month AC scheme milk volume (Nov- Feb) based on current winter scheme supply (in addition to current Liquid Contract supply)

See attached AC scheme detail below

Dedicated liquid suppliers will be given 2 years to comply with terms on the new deal, - supply at least 650 litres/day total milk, Min % cows calved in Autumn/winter to supply fresh milk, and adherence to the AC scheme supply volume over the winter months.

Growth opportunity in AC scheme

All liquid suppliers will be given the opportunity to grow monthly AC supply in Nov-Feb by 15% in Nov/Dec 2019, Jan/Feb 2020 and Nov/Dec 2020. This is effectively 22.8% growth.

All AC milk will be paid a monthly premium of 8.5cpl Nov-Feb

Premium Payments: 2 parts

1. The Liquid Premium will be reduced depending on growth of AC supply, to fund the retirement cost, for a period of three years.

For supplier that grows AC supplies by up to 22.8%, the liquid premium is reduced by 2.25cpl annualised and the AC premium is reduced by 4cpl annualised for three years.

- There is also a permanent premium reduction of 4.2cpl annualised in the new deal

Table 1: Liquid Milk Premium for Growth Rates up to 22.8% (ex vat) (inc vat)

Premiums	2018	2019	2020	2021	2022	2023	2024
Liquid Contract Premium	46cpl 48.48	43.89 46.26	39.87 42.02	39.87 42.02	40.94 43.15	42.01 44.28	42.01 44.28
ACS	32.26 34	30.36 32	28.46 30	28.46 30	30.36 32	32.26 34	32.26 34

If a supplier decides to maintain liquid and AC production at current levels, the reduction will be to 0.75cpl on liquid annualised and 1.33cpl on the AC scheme annualised, in addition to the 4.2cpl reduction in Liquid premium

Table 2: Liquid Milk Premium (VAT Inc) for Suppliers Not Expanding Output:

Premiums	2018	2019	2020	2021	2022	2023	2024
Liquid Contract Premium	48.48cpl	47.02cpl	43.52cpl	43.52cpl	43.9cpl	44.28cpl	44.28cpl
5 year Avg Liq-Prem	48.48	48.19	47.20	46.21	45.29	44.45	43.9
ACS	34cpl	33.33cpl	32.67cpl	32.67cpl	33.33cpl	34cpl	34cpl

Summary Autumn Calving (AC) Scheme

- The AC Scheme** will pay a bonus on all qualifying Scheme volumes supplied in the months of November to February. This 8.5cpl (Inclusive of VAT) is a bonus paid above the base manufacturing milk price.
- Milk constituents:** The AC bonus will be paid on a flat rate basis (not adjusted for constituents).
- Adjustments for Consumer Price Index (CPI):** the ACS bonus (8.5cpl) will be subject to an upward only review based on the CPI, on an annual basis
- Minimum Supply Volume (MSV):**
In order to comply with the terms of the AC Scheme and qualify for bonus payments, the participating supplier must deliver a minimum supply as follows:
 - For suppliers delivering 20% of annual supplies in the Nov-Feb period.
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- GI will allocate a **minimum volume of milk to each supplier** each month for the five-year term of the Scheme, with built in flexibility to accommodate on farm supply patterns.