



Macadamia Processing Co. Limited (MPC)

TERMS AND CONDITIONS OF NUT IN SHELL PURCHASE FOR THE 2018 SEASON

MPC will purchase NIS from suppliers during the 2018 season under the following terms and conditions (the “Terms and Conditions”):

1. NIS Specification

Subject to these terms and conditions, MPC will only purchase NIS delivered to its Alphadale factory or its nominated depots that meets the following specifications:

1.1 Acceptable Varieties

Both grafted Integrifolia and Tetraphylla varieties will be accepted provided they are kept separate and clearly labelled.

1.2 Moisture Content

Macadamia NIS will be accepted at varying moisture levels, however, suppliers are advised that correct farm storage is essential and the removal of moisture should begin immediately following harvest.

1.3 Quality Requirements

- Consignments shall not be contaminated with excessive dirt, animal waste and / or foreign compounds not naturally associated with macadamia products (examples of contamination are oils, fuel, fertiliser, etc).
- All NIS must conform to the relevant State and Federal Regulatory requirements governing agricultural production and food products.

1.4 Nut Size

NIS must have a minimum diameter of 17mm. NIS that passes through a 17mm bar screen will be removed and the weight deducted from the delivered weight. See section 7 for further explanation.

1.5 Kernel Recovery Requirements

NIS shall have a combined Premium and Commercial Kernel Recovery of not less than 18.0% (total of PKR + CKR must be greater than or equal to 18%). See sections 4 and 5 for an explanation of these terms.



2. Delivery Specifications

2.1 MPC Alphadale and nominated depots excluding approved dehusking facilities

In addition to points 1.1-1.5, deliveries to MPC Alphadale and nominated depots (excluding approved dehusking facilities) must meet the limits specified in table 1 below:

Table 1. Delivery requirements for MPC Alphadale and MPC's nominated depots excluding approved dehusking facilities

Category	Definition	Cut-off
Foreign Materials	Materials that do not grow on the macadamia tree or are not naturally found on the orchard floor – 2 categories: 1. Significant Food Safety hazards (eg Rat baits)	Significant Food Safety hazards – nil allowed
	2. Other Foreign materials (eg irrigation fittings, harvester wheel fingers)	Other foreign material – 1 piece/tonne
Trash	Leaf	10% by Area
	Stick	20 pieces/tonne
	Rock	10 pieces/tonne
Gross Rejects	This includes black nuts, loose shell, loose kernel, rodent damaged nuts, rancid nuts, nuts exhibiting mould on the shell and seedling nuts	5% by weight
Nut in Husk	Nut in shell that is encased in husk	10% by count

- Deliveries that do not meet this specification may be rejected.

2.2 Approved dehusking facilities delivery specifications

In addition to points 1.1-1.5, deliveries to approved dehusking facilities must comply with the following specifications:

- Deliveries made to MPC's depot at the approved dehusking facilities may contain up to 100% Nut in Husk (NIH).
- MPC and the approved dehusking facility reserve the right to reject consignments due to excessive leaf, rock, detection of animal manure and/or the detection of any significant food safety hazards such as rat baits.



3. Charges

- Deliveries to MPC Alphadale and nominated depots, excluding the approved dehusking facility, that meet the limits specified in Table 1 will not incur a charge for cleaning, dehusking or sorting.
- Deliveries to the approved dehusking facility that contain greater than 10% NIH but less than 5% Gross Rejects will incur a dehusking charge based on the received weight. The rate will be \$0.11/kg of received weight, with a minimum charge of \$110.00 applied to any delivery.
- Deliveries to the approved dehusking facility with greater than 10% NIH and greater than 5% Gross Rejects will be accepted and will incur a dehusking and sorting charge based on the received weight. The rate will be \$0.18/kg of received weight for the dehusking and sorting, with a minimum charge of \$110.00 applied to any delivery.
- Any delivery that is outside of the standard load specifications contained within the “HWNS Standard Terms of Operation – Contract dehusking and sorting 2018” document may incur the contaminated NIS/NIH charge of \$0.25/kg. A grower will be notified prior to this charge being incurred.
- The dehusking and/or sorting charges will be deducted from the consignment value.

4. Recovery and Adjustment Definitions

In the following definitions, the weight of the kernel and NIS are taken at the moisture content reached after drying for lab testing which is approximately 3% NIS:-

- **Premium Kernel Recovery (PKR)**
The percentage of Premium kernel to the total NIS by weight.
- **Commercial Kernel Recovery (CKR)**
The percentage of Commercial kernel to total NIS by weight.
- **Reject Kernel Recovery (RKR)**
The percentage of Reject kernel to total NIS by weight.

5. Kernel Definitions

The following kernel quality definitions will be applied when testing NIS consignments:-

- **Premium kernel**
Fully mature kernel that is plump (not shrivelled), round and firm with an even white or cream colouring and free of any off odours or flavours or rancidity will be regarded as Premium kernel.





- **Commercial kernel**
Kernel affected by the following defects will be regarded as Commercial kernel:-
 - Light discolouration
 - Light shrivelled (immaturity)
 - Light discoloured crest (germination)

- **Reject kernel**
Kernel affected by the following defects will be regarded as Reject kernel:-
 - Insect damage
 - Mould
 - Heavy discolouration
 - Decay (including internal discolouration)
 - Heavy shrivelled (immaturity)
 - Heavy discoloured crest (germination)
 - Rancidity
 - Off odours or flavours

6. Payment

6.1 Important Payment Information

- Payments will be based upon a NOTIONAL PRICE ONLY and all prices are therefore subject to change at the discretion of the Board of Directors.
- The payment schedule is notified to suppliers from time to time in writing and is subject to change at the discretion of the Board of Directors.
- MPC offers to pay only for NIS that meets these Terms and Conditions.

7. Sampling and Testing of Deliveries

7.1 Delivered weight adjustment and terms

- To determine the Consignment NIS Weight, the delivered weight will be adjusted by deducting:
 - the weight of foreign materials, trash, husk, less than 17mm NIS and gross rejects removed during processing; **and**
 - the weight of the foreign materials, trash, husk, less than 17mm NIS and gross rejects remaining in the consignment after processing as calculated using sample analysis.
- For deliveries that are sampled prior to processing, the weight of foreign materials, trash, husk, less than 17mm NIS and gross rejects will be calculated using sample





analysis only. This weight will then be deducted from the delivery weight to determine the Consignment NIS weight.

The following definitions apply to the weight adjustment calculations:

- **Delivered Weight** – The total weight of NIS, husk, foreign materials, trash and gross rejects delivered to MPC or its nominated depot.
- **Removed Weight** – The weight of husk, foreign materials, trash, gross rejects and less than 17mm NIS that is removed from a consignment during processing plus the calculated weight of these materials remaining to be removed after processing as determined using sample analysis.
- **Consignment NIS Weight** – Delivered Weight minus the Removed Weight (at delivered moisture content).
- **Processing** – passing the whole consignment through machinery to remove some or all of the husk, foreign materials, trash, gross rejects and less than 17mm NIS.

7.2 NIS

- For the purpose of payment, NIS that is free of husk, foreign materials, trash, gross rejects and less than 17mm NIS either at delivery or after MPC cleans and dehusks it will be sampled at the rate of one sample per two tonnes or part thereof for consignments of up to ten tonnes. The lowest sampling rate for consignments greater than ten tonnes will be one sample per four tonnes.
- All samples will be assessed in accordance with the Industry Standards in our AMS accredited laboratory. Payment for a consignment is based solely on the results of the assessment of these samples.
- Suppliers are welcome to view their product being tested.

8. Basis of Payment

- Premium kernel recovery, commercial kernel recovery, reject kernel recovery, moisture content and the consignment NIS weight will be analysed for each consignment and will be the only basis for calculating the consignment value.
- Payment for a consignment will be based on the combined total value of Premium kernel recovery and Commercial kernel recovery in the consignment as determined from the notional price table.
- No penalty will be applied based on the reject kernel recovery percentage for the consignment.





- A freight subsidy will be added to the above calculated price. This subsidy will be paid to all growers, regardless of whether you use a contract carrier or cart NIS yourself. The amount to be paid will be radius based, determined by the distance of your farm from MPC Alphadale or alternate approved MPC depot. The amount of freight subsidy to be paid is outlined in the table below and is based on the weight of NIS delivered at 10%MC.:

Radius from Depot:	Subsidy per kg NIS @ 10%MC
0-50km	3.0c
50-100km	3.7c
100km +	5.5c

- The notional prices in the price tables are expressed in dollars per kg of NIS at 10% moisture content.
- Where applicable, approved dehusking facility charges for dehusking and NIS sorting will be subtracted from the calculated consignment value and subtracted from the first payment.

9. Re-tests

- Should a supplier wish to query a test result, duplicate NIS samples will be retained for a period of two months only, during which time a re-test can be conducted at their request.
- Results from re-tests will be averaged with the original test result and payment for the associated consignment will be based on the averaged result.

10. Australian Macadamia Industry Compulsory Levies

The Macadamia Industry Levy will be deducted from the first payment for a consignment.

The levy is calculated at 25.21 cents per kg of premium and commercial kernel weight calculated at 3.5% NIS moisture. Following is an example of the levy calculation for a consignment of NIS of 1,000kgs with 2% Reject Kernel, 2% Commercial Kernel and 34% Premium Kernel:-

NIS at 10% moisture	1,000kg
Convert NIS to 3.5% moisture	$1,000 \times 0.90/0.965 = 932.64\text{kg}$
Total Saleable kernel = 36% x 932.64	335.75 kg of kernel
Levy = \$0.2521 x 335.75	\$84.64





11. Deliveries

11.1 Delivery Hours, Contact Numbers and Bookings

- Our Alphadale premises will be open for NIS deliveries from 7.30am – 4.00pm Monday – Friday during the season. Operating hours may be extended during the season to accommodate deliveries. To assist in the management of the delivery schedule at Alphadale, bookings will be required.
Phone Direct: (02) 6625 6312 (7.00am – 4.00pm)
If busy, call: (02) 6624 3900 (8.30am – 5.00pm)
- Our Macksville depot will be open for NIS deliveries from 6.00am – 10.30am each Wednesday during the season. If deliveries are made during these hours no bookings are required. To arrange deliveries outside these hours please contact Lee Fewings on (02) 6568 3003 or 0428 619 277.
- Note that MPC may limit the amount of NIS containing more than 10% NIH that it receives through its depots at approved dehusking facilities. The available tonnage will be allocated on a first in first served basis.
- Growers who wish to deliver a consignment with a NIH content greater than 10% to MPC via approved dehusking facilities must contact Kevin Quinlan at MPC prior to delivering to the facility. Any delivery to the approved dehusking facility that has not been pre-arranged with MPC will be rejected.
- Approved dehusking facilities are the Summerland House Farm and Nimungi Pastoral.

11.2 Conditions that must be met prior to or at Delivery

MPC reserves the right not to accept delivery of any consignment if the following conditions have not been met:-

- The minimum delivery weight is 400kg of NIS.
- Deliveries of NIH will need to contain 400kg of NIS.
- Whenever a contract carrier is used to deliver NIS, a consignment note must accompany the load listing the following:-

- § The name of the supplier
- § Grower number
- § The name of the farm
- § The variety or varieties being delivered
- § The approximate weight of the consignment





- The supplier must supply a completed MPC 2018 Pre-Season Report which includes an “Acceptance of the Terms and Conditions of Nut in Shell Purchase 2018 Season” prior to their first delivery for the season.
- The supplier must supply an MPC 2018 Delivery Report for each delivery either before or upon arrival of the consignment at our receivals point. The report must be filled out with the details of the consignment and signed by the supplier or their duly authorised representative.
- Organic certification and an MPC Organic or Organic-In-Conversion Pre-Season and Delivery Report must be presented and approved by MPC prior to delivery and acceptance of organic NIS.

11.3 Pre Delivery and Pre Acceptance Testing

- We encourage all suppliers to submit a representative pre-delivery sample to the MPC laboratory for all consignments. The results of this sample will be used to segregate NIS according to its Commercial and Reject kernel content. A period of four to seven working days should be allowed for evaluation and testing of samples before results can be made available.
- If a pre delivery test has been carried out please provide a copy of these test results to receivals when you deliver. Alternatively you may quote the pre-delivery test number at the time of delivery. This test number will be supplied by the MPC laboratory along with the test results.
- A pre-acceptance test (Rapid Test) of a consignment will be conducted at the time of delivery but prior to unloading of NIS into our hoppers to assist MPC staff in segregation of product. These results are in no way linked to payment of the consignment.

12. Freight

- Suppliers will be responsible for their freight charges to MPC Alphadale or to the nominated depots and must make their own contractual arrangements directly with a cartage contractor of their choice. Cartage contractors will therefore act as agents for suppliers.
- Suppliers must ensure any truck or bin is cleaned prior to the loading of NIS in accordance with the Approved Supplier Program.
- Please note all deliveries must be scheduled in terms of paragraph 11.1 above.





13. Risk and Title in NIS

- Risk in consignments shall only pass to MPC upon delivery of NIS by the supplier or the supplier's employee, agent or contractor to MPC's nominated depots (including the approved dehusking facility) or to our Alphadale premises.
- Title in NIS shall be deemed to pass to MPC upon the physical delivery and unloading of NIS into our hopper at our Alphadale premises or into the delivery hopper at the approved dehusking facility, whether or not such delivery and unloading is by a supplier's or MPC's employees, agents, or contractors. MPC reserves the right not to accept any such delivery that fails to meet these Terms and Conditions.

