



Macadamia Processing Co. Limited (MPC)

TERMS AND CONDITIONS OF NUT IN SHELL PURCHASE FOR THE 2011 SEASON

MPC will purchase NIS from shareholders during the 2011 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 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, shareholders are advised that correct farm storage is essential and the removal of moisture should begin immediately following harvest.

1.3 Dehusking

NIS must be dehusked prior to delivery.

1.4 Quality Requirements

All consignments shall be free of the following:

- Last season’s nuts, rodent damaged nuts, rancid nuts, seedling nuts and excessive husk
- Exposed kernel, eg NIS with large cracks, splits and holes
- Mould affected NIS – external mould on shell
- NIS contaminated with excessive dirt, animal waste and / or foreign materials or compounds not naturally associated with macadamia products (examples of contamination are oils, fuel, fertiliser, rat baits, etc).
- All NIS must conform to the relevant State and Federal Regulatory requirements governing agricultural production and food products.

1.5 Nut Size

NIS less than 17mm in diameter will not be accepted.





1.6 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 2 and 3 for an explanation of these terms.

2. 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.
- **Whole Kernel Percentage**
The percentage of whole kernel in the premium and commercial categories to the total premium and commercial kernel by weight.
- **Whole Kernel Adjustment**
An adjustment factor that is applied to the value of the premium and commercial kernel in a consignment based on the whole kernel percentage.

3. 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 immaturity
 - Light 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 immaturity
- Heavy germination
- Rancidity
- Off odours or flavours

- **Whole kernel**

A Premium or Commercial Grade Kernel that is greater than 75% intact.

4. Payment

4.1 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 shareholders 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

4.2 Sampling and Testing of NIS

- For the purposes of grower payment, all consignments of up to ten tonnes will be sampled at a rate of one sample per two tonnes or part thereof. All consignments greater than ten tonnes will be sampled at a rate of 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.
- For the purposes of determining if a consignment meets our quality and delivery requirements as set out in sections 1 and 6.2 of this document, all sampling and testing of NIS consignments will be conducted at our Alphadale premises.
- Shareholders are welcome to view their product being tested.





4.3 Basis of Payment

- Premium kernel recovery, Commercial kernel recovery, Whole kernel percentage, Reject kernel recovery, moisture content and consignment weight will be analysed for each consignment and will be the only basis for payment to shareholders.
- 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. This value will then be multiplied by the Whole kernel adjustment as determined from the notional price table.
- A bonus or penalty will then be applied based on the Reject kernel recovery percentage for the consignment. The bonus or penalty will be determined from the notional price table. Note that this bonus or penalty will be applied after the whole kernel adjustment has been applied.
- The minimum payment for any consignment that meets these Terms and Conditions of Nut in Shell Purchase for the 2011 Season is detailed in the notional price table.
- The notional prices in the price tables are expressed in dollars per kg of NIS at 10% moisture content.

4.4 Re-tests

- Should a shareholder wish to query a test result, duplicate samples will be retained for a period of two months only, during which a re-test can be conducted at the shareholder's 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.

5. 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 total 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
Covert NIS to 3.5% moisture	$1,000 \times 0.90/0.965 = 932.64\text{kg}$
Total kernel = 38% x 932.64	354.40 kg of kernel
Levy = $\$0.2521 \times 354.40$	\$89.34





6. Deliveries

6.1 Delivery Hours and Contact Numbers

- Our Alphadale premises will be open for NIS deliveries from 7.30am – 4.00pm Monday – Friday during the season. Operating hours will 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: 6625 6312 (7.00am – 4.00pm)
If busy, call: 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 6564 4024 or 0428 619 277.
- Shareholders utilising the dehusking and sorting facilities at the House With No Steps (HWNS) at Alstonville can arrange for delivery to be accepted at the HWNS after sorting operations are complete. To make these arrangements please contact our Alphadale Receivals officer prior to sending your nuts to HWNS.

6.2 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.
- Whenever a contract carrier is used to deliver NIS, a consignment note must accompany the load listing the following:-
 - § The name of the shareholder
 - § Grower number
 - § The name of the farm
 - § The variety or varieties being delivered
 - § The approximate weight of the consignment
- The shareholder must supply an MPC Pre-Season Report prior to their first delivery for the season.
- The shareholder must supply an MPC 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 shareholder or their duly authorised representative.





- Organic certification and an MPC Organic Delivery Report must be presented and approved by MPC prior to delivery and acceptance of organic NIS.

6.3 Pre Delivery and Pre Acceptance Testing

- We encourage all shareholders 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.

7. Freight

- Shareholders will be responsible for their freight charges and must make their own contractual arrangements direct with a cartage contractor of their choice. Cartage contractors will therefore act as agents for shareholders.
- Shareholders 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 6.1 above.

8. Risk and Title in NIS

Risk in consignments shall only pass to MPC upon delivery of NIS by the shareholder or the shareholder's employee, agent or contractor to MPC's nominated depots 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, whether or not such delivery and unloading is by a shareholder'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.





Macadamia Processing Co. Limited (MPC)

**ACCEPTANCE OF THE TERMS AND CONDITIONS OF
NUT IN SHELL PURCHASE 2011 SEASON**

I have read the document entitled “Terms and Conditions of Nut in Shell Purchase for the 2011 Season” and accept the terms and conditions contained in it

Shareholder name

Grower number

Shareholder signature

Date

Please note that as of 18th April 2011 deliveries will not be accepted unless the shareholder has signed and returned this form to MPC. You may return the form in person to Ron Pirlo in the delivery area or Tracey Bayliss at MPC reception. Alternatively you can fax the document to MPC on 02 6624 2297, email to reception@mpcmacs.com.au or send by mail to the address below.

