

Farmers: Llew & Elaine Carter

4 October 2009

To Whom It May Concern,

The following is an overview of our five year business experience as farmers leasing land off National Foods on King Island to produce and supply milk.

About Us

Llew and Elaine Carter - Previously, we owned and developed dairy farmers. We are extremely competent farmers with a good record, including winning the Pivot Dairy Farm of the Year in 2000. We are in our mid-sixties and National Foods has successfully taken away everything we have ever owned and worked for.

Situation

- On 'Kyeema' Farm (Flagship farm owned by National Foods).
- Leased for 5 years from National Foods.
- Dairy Farming (1100 cows) – Split into Spring & Autumn Herds
- Then sold ELK Enterprises Pty Ltd to National Foods - 'walk-in, walk-out'.

Water Supply

- Water supply dried up and cost \$600,000 for 12 months worth of water.
- National Foods pressured us to pay for half of this expense, of which we refused.
- The lack of water cost us \$200,000 in lost production alone.
- National Foods took one year to get the water replenished.

Sale of ELK Enterprises Pty Ltd Business to National Foods

All payments for sale of ELK Enterprises Pty Ltd were due to be paid in full on the 24 June 2007. After letters from our lawyers we got paid mid July. However, National Foods continued to use our tractor, eventually paying for it in September.

Many requests by National Foods were made to 'change the invoices' in order to delay our payment.

No documentation supplied by National Foods lawyers to verify the sale of the ELK Enterprises Pty Ltd business to National Foods.

No Written Documentation

National Food originally pursued us relentlessly to run the Kyeema Property. They promised many incentives including calf-rearing facilities and an implement shed. None of these were built at all, caring for thousands of calves over the five years with no facilities.

National Foods would not put anything in writing. This way there was no accountability or consequences.

Inappropriate Behaviour

Constant power play – “You will need to speak to our legal team”.

John Perrott – “So sue me”.

Endless arguing.

King Island farmers are only granted a 12 month contract at any one time. This made it impossible to get working capital from mainstream lending institutions. Consequently our interest rates were higher than most.

Countless other issues never resolved at our expense.

Constant Pressure to Pay for National Foods Capital

Fencing – Had to fight for fencing which was non-existent upon arrival (50 x 6 hectare paddocks). \$13,000 was reimbursed for \$18,000 costs after months of struggling to get it.

Parcels of land were inaccessible because of National Foods reluctance to pay for capital expenditure.

No Retrospective Payment

Retrospective payments were to be written in the sale document of ELK Enterprises Pty Ltd as agreed by John Perrott, who said, “I will gladly put it in, however there will be none”. Then a retrospective payment was made and another supplier on King Island informed us that National Foods had changed the wording (Continuation of Supply/Loyalty Payment) to stop ELK Enterprises Pty Ltd getting the retrospective payment which is valued at \$120,000. This payment was to be paid retrospectively for milk volume produced over the last 12 months; which was paid to everybody else except us.

Withholding TFGA Fees

As informed by a TFGA representative – All TFGA fees were deducted from supplier’s dairy payments, however

National Foods withheld the payments from the TFGA.

We were advised by TFGA not to pursue our cause as National Foods were too difficult to deal with.

Dangerous & Costly

We had no option but to remove over 28 hectares of good land due to a dangerous bridge making it inaccessible.

Our Opinion

In our opinion, National Foods are dishonest and have no concept of what it takes to operate a dairying business. National Foods are geared to rip-off King Island farmers, as they have the monopoly. They acted with complete arrogance and incompetence in all our negotiations. We consider them totally disreputable.

Please contact us should you wish to discuss this further.

Kindest Regards

Llew & Elaine Carter