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UNITED Dairy Power has promised to pay suppliers millions of dollars owed to them.

The independent milk processor finally admitted yesterday it hadn't paid some dairy farmers for milk supplied in May.

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News that some farmers were owed more than \$300,000 shocked an industry where the monthly milk cheque is regarded as sacred.

After a confusing week for UDP and its suppliers, UDP chief operating officer Darryl Cardona confirmed the non-payment or part-payments to suppliers was a "short-term cashflow issue".

"It will be rectified by the end of this week," he said yesterday. "It stems from Australia and funds that have had to be injected from China to rectify the situation." Mr Cardona said only eight farmers were owed money and denied these were the company's largest suppliers.

The affected farmers are in Victoria and South Australia. The Weekly Times understands at least 10 farmers are owed money.

Confusion peaked at the weekend following a letter from a UDP director apologising to suppliers for the non-payment, which was followed by an email from Mr Cardona criticising "rumours and innuendo" after the story was broken by weeklytimes now.com.au on Sunday.

Mr Cardona said this was to "quash" several rumours about UDP from opposition dairy companies.

Mr Cardona also admitted UDP expected to lose "some supply". He stressed farmers would be paid on July 17 for milk supplied in June. Mr Cardona also confirmed UDP chief executive Mark Smith resigned as a company director in May.

UDP's non-payment is believed to have triggered a flurry of inquiry to other dairy companies from some of UDP's 150 suppliers.

One farmer told The Weekly Times he had been paid about 10 per cent of what he was owed for last month's milk. He was also still awaiting payment for much of his previous month's milk, which totalled several hundred thousand dollars.

He said UDP had not contacted him to tell him why the payment had not arrived. The farmer said he planned to switch suppliers this week.

He said there were "easily more than 10" suppliers in Victoria that had not been paid.

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Non-payment for June **milk** and the remainder of May would mean they would be owed up to \$500,000.

UDP director Johnny Chan's letter last Friday to some suppliers who were not paid said "I wish you could give us some patience for the funds".

"We believe the funds should be ready early next week.

"Once the funds is (sic) available, we will remit to UDP for settlement of the outstanding due to you and the payment of the 2 per cent penalty.

"We really appreciate your full support and understanding at this critical moment."

The Weekly Times understands some farmers who have been paid since the original payment date have received the 2 per cent penalty.

South Australian Dairyfarmers' Association president David Basham said he knew of four farms who hadn't received full payment.

He said they had "received part payments at different times over the last week or so".

"All we can do is support our members and those in the situation and help them seek assistance from professionals in this space, direct them to the right legal or financial avenues and those sorts of things," he said.

"SADA has spoken to all major **milk** companies in South Australia and they are all prepared to take on new supply at short notice if need be, but hopefully things can be settled and we won't need to have that happen."

United Dairyfarmers' of Victoria president Tyran Jones said he wasn't aware of any members directly affected.

"There's not a lot we can do, if the rumours turn out to be true. We can make sure there's lots of competition for **milk**," he said.

UDP was purchased by **Hong Kong** private investor William Hui in February. During the **sale** process the previous owner, and UDP founder, Tony Esposito told The Weekly Times suppliers would receive a farmgate price bonus linked to the **sale**.

At the time he said this bonus would be 80c/kg butterfat and \$1.20/kg protein on **milk** supplied during October and November last year. Mr Cardona confirmed farmers had not received this payment.

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