

Achieving the Australian Dairy Plan: The first annual update

Summary

October 2020 – September 2021

*A bold new industry led plan to deliver
increased profitability, confidence
and unity across the industry*





Introduction

In the first year since the Australian Dairy Plan ('the Dairy Plan') was launched, the Dairy Plan partners have taken action to drive profitability, confidence and unity across the industry.

The partner organisations – Australian Dairy Farmers, Australian Dairy Products Federation, Gardiner Dairy Foundation and Dairy Australia – have continued to work closely together since the Dairy Plan's launch. Each organisation has updated its own strategic plans to align with and help deliver the Dairy Plan's overarching goals, commitments and ongoing programs. The partners meet regularly to track progress.

The Dairy Plan's five commitments are each backed by a range of supporting initiatives and key measures of success. This document summarises our progress towards the goals and commitments in the first year of operating under the Dairy Plan (October 2020 through to September 2021), as well as providing an update on the ongoing programs. The summary report will be supported by a full annual progress report to be released in the coming weeks. We will continue to report regularly on the progress of the Dairy Plan commitments, until the plan completes in 2025.

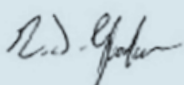
Since the Dairy Plan's launch, the partner organisations have applied resources specifically to deliver on the commitments. We have successfully introduced a number of initiatives designed to increase farmgate milk price transparency and strengthen trust in the supply chain. The dairy industry has launched new programs that complement existing ones to build business resilience and help farmers better understand the drivers of farm profitability. Marketing campaigns to build trust in the dairy industry have expanded in the past year, and we have advocated to improve our industry's access to skilled labour – a key challenge during COVID-19 restrictions.

Reforming the ways the Dairy Plan partner organisations work – both individually and collaboratively – is enabling more effective advocacy. A single, whole-of-industry structure was an appealing target and subsequently the partners invested in independent advice to explore how this could be achieved. However, a sufficiently resourced, single, whole-of-industry structure that would combine advocacy and industry services was not possible. The partner organisations are now assessing options for procedural and governance changes to existing structures that will deliver stronger leadership, greater unity and clarity of purpose – including a stronger, well-resourced Australian Dairy Industry Council. The expected benefits include increasing the impact of dairy farmer representation; making research, development and extension (RD&E) priority setting more transparent; and expanding dairy processors' collaboration and co-investment on whole of supply chain initiatives.

During the first year of the Dairy Plan, seasonal conditions have been favourable and provided some of the best settings for dairy farmers in recent times and we are on track to achieve the Dairy Plan's profitability target for farmers. The 23% increase in Southern Region FMP since 2017/18 has also been an important contributor to farmgate profitability. However, dairy processors have had to manage the pressures of a stagnate and competitive raw milk pool, COVID-19 disrupted inbound and outbound logistics, import competition, retailer resistance to price increases, and labour shortages.

Developing the Dairy Plan involved industry-wide, national engagement to align on a single set of national priorities. Delivering on the commitments in the five-year Dairy Plan will require all of the industry to continue to work collaboratively so that we can achieve long-term sustained growth across the supply chain.

Yours sincerely,



Rick Gladigau

President

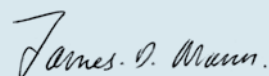
Australian Dairy Farmers



Grant Crothers

President

Australian Dairy
Products Federation



James Mann

Chair

Dairy Australia



Len Stephens

Chair

Gardiner Dairy Foundation

Progress against overarching goals

The Dairy Plan is designed to make substantial, measurable impacts on *profit*, *business confidence*, and *industry unity* over five years.

In summary, *profitability* has shown positive early signs of improvement for farmers in the first year, with an increase in the percentage of farmers who achieved the profit target. The Dairy Plan does not have a specific profitability measure for dairy processors, based on the complexity and commercial sensitivity of individual company data. However, the Australian Dairy Products Federation recently released a report by Deloitte Access Economics that shows as a result of the significant costs that processors incur, annual profit margins are modest, averaging between 3 and 5% in the decade to 2019/20.¹ Furthermore, during the first year of the Dairy Plan, dairy processors have had to manage the pressures of a highly competitive milk pool and increased costs.

On *confidence*, the percentage of farmers who are confident about the future of the industry has increased. While the percentage of processors who are confident is still at the target of 75%, this represents a decrease from 90% in May 2020.

Unity, however, remains a work in progress as industry works toward meeting the 2025 target. Additional data in 2022, especially from farmers, will provide a clearer, fuller picture of progress.

Profitability



TARGET:

>50% of farms achieve a profit of at least \$1.50 EBIT/kgMS (average over five years) by the end of 2025.

LATEST RESULT:

For the 2019/20 period, **58%** of farmers achieved the profit target. This results in a 5-year rolling average of 26.1% (increased from the 22.1% rolling average from the previous period).²

Confidence



TARGET:

>75% of farmers and >75% of processors are confident about the future of the industry (measured in 2025).

LATEST RESULT:

In March 2021, 64% of farmers are confident (compared to 44% in 2020) and in October 2021, **75%** of processors are confident (compared to 90% in May 2020).³

Unity



TARGET:

>75% of farmers and >75% of processors are positive about industry unity (measured in 2025).

LATEST RESULT:

In October 2021, **17%**⁴ of processors are positive (compared to 30% in May 2020). Farmer results to be obtained in early 2022.

¹ 'Economic and Broader Contribution of the Australian Dairy Processing Industry' report, prepared by Deloitte Access Economics, released by ADPF, available at adpf.org.au/industry-resources/#deloitte-economic-report.

² Performance data gathered from Dairy Australia's Dairy Farm Monitor Project (DFMP) and Queensland Dairy Accounting Scheme (QDAS) programs.

³ Farmer confidence assessed through the National Dairy Farmer Survey (NDFS), which is Dairy Australia's longest tracking survey amongst dairy farmers, having commenced in 2004. It is conducted annually and focuses on farmer sentiment, how they see their businesses, herd size and production. In 2021, 713 farmers were interviewed from all dairy regions. Processor confidence assessed through a member survey (one-on-one interviews) in Q3 2021, with responses reflective of dairy processors that account for ~90% of the Australian milk pool.

⁴ Processor positivity about industry unity assessed through a member survey (one-on-one interviews) in Q3 2021, with responses reflective of dairy processors that account for ~90% of the Australian milk pool.



Performance against industry commitments

COMMITMENT 1

We will reform industry structures to create a more cohesive dairy industry and strengthen our influence with key stakeholders.

Reforming the ways the Dairy Plan partner organisations work – both individually and collaboratively – is enabling more effective advocacy for the whole industry. In the first year of the Dairy Plan, the partners have undertaken significant work to understand the opportunity for reform within existing industry structures that would increase effectiveness and simplicity while meeting stakeholder procedural and governance standards.

A single, whole-of-industry structure was an appealing target that was felt would deliver this commitment and subsequently the partners invested in independent advice and consultation to explore how this could be achieved. However, a sufficiently resourced, single, whole-of-industry structure that would combine advocacy and industry services was not possible. The key limitation is the use of farmer levy funds for activities that are considered to be advocacy and/or agri-political.

The partner organisations are now assessing options for procedural and governance changes to existing structures that will deliver stronger leadership, greater unity and clarity of purpose – including a stronger, well-resourced Australian Dairy Industry Council. The expected benefits include increasing the impact of dairy farmer representation; making research, development and extension (RD&E) priority setting more transparent; and expanding dairy processors' collaboration and co-investment on whole-of-supply chain initiatives.

Measures of success

Measure of success

By the end of H1 2021, there will be industry support for a new industry structure secured through a vote.

By the end of 2022, there will be a new industry organisation operating effectively.

By 2025, there will be high levels of satisfaction with substantial, measurable improvements in the performance of the new industry organisation.

Commentary on progress

Not achieved. Approach shifted from a single entity and vote, to options that will achieve better outcomes to strengthen advocacy and greater collaboration within the industry. New measures of success will be developed for future reports.

COMMITMENT 2

We will attract and support new people and investment to build our industry.

COVID-19 border closures have restricted the dairy industry's access to skilled labour, making the need to create clear career pathways to attract people to the industry even greater. The Dairy Plan partner organisations did this by advocating for dairy workers to government, as well as launching new initiatives. These included the *Pathway for People in Dairy* program, which connected 5,583 people to career resources. *The Dairy Learning Plan* was successfully embedded as part of the Marcus Oldham College scholarship program, with another pilot initiated at the University of Sydney, which has achieved a 100% retention rate so far.

The industry created new avenues to dairy farm asset ownership by launching the *Dairy Farm Managers* program. Over the next five years the project is expected to support 160 people to progress their career in the dairy industry towards farm management.

To help encourage investment, the industry has created a new program, *Deep Dive, Informed Investment in Dairy*, which aims to target and engage with different investor groups.

With the re-opening of states, this is a priority commitment on which the Dairy Plan partner organisations will focus across the dairy supply chain.

Measures of success

Measure of success	Commentary on progress
By 2025, all sections of the industry will have access to the people they require to meet their operating needs and who are trained in the skills required for their roles.	<p>Programs have been implemented to set out clear career pathways for entrants, and attract talent. In the past year, the <i>Pathway for People in Dairy</i> program connected 5,583 people to career resources. A suite of educational programs has been launched to train existing industry workers, and develop skills of new entrants, with 100% retention rate since launch.</p> <p>At a 2021 baseline, 20% of Australians would consider working on a dairy farm, 54% of employees have clear career pathways in dairy. 70% of employers were able to find an employee with the right capability within the last 12 months.</p>
By 2025, there will be clear pathways to farm ownership, supported by innovative capital access models tailored for the dairy industry.	<p>The <i>Dairy Farm Managers</i> program has been recently launched to help educate people on pathways to farm ownership. It is too early to report on results, however, the program aims to support 160 people towards farm management careers over the next five years.</p> <p>With the focus having been on attracting labour, there has not been progress on developing new capital access models. This will be an area of increased focus over the next two years.</p>
By 2023, dairy will be understood and seen as a competitive asset class by a range of investors in regard to profitability and risk.	<p>The <i>Deep Dive, Informed Investment in Dairy</i> program was launched to promote investment opportunities in the dairy industry and attract middle managers within investment institutions.</p> <p>At a 2021 baseline, 78% of farm owners and managers have the opportunity to access capital that meets their requirements.</p>

COMMITMENT 3

We will increase our effort in marketing and promotion to build greater levels of trust and improve the value of dairy.

It continues to be important to reinforce the reasons to consume Australian dairy, such as dairy's essential role in good health and nutrition. There are also rising expectations from consumers who are interested in environmental and animal welfare issues. Proactive industry marketing and promotion helps build trust in the industry.

The Dairy Plan's partner organisations have committed to growing value and highlighting reasons to consume dairy in marketing and promotion campaigns. These campaigns include a combination of new and proven activities, complemented through dairy processors' own marketing activities.

In the past year, the industry has built support for Australian dairy, promoting its inherent value and reason to consume every day, through the *Dairy Matters Support Aussie Dairy* campaign, which demonstrates an effective method for collaboration and co-investment through the supply chain. The campaign has been positively received with 41% of adults recalling seeing the campaign. Of those, 86% reported feeling more supportive of the industry, 81% more supportive of the product, and 63% consuming more dairy as a result of seeing it.

To build trust in and acceptance of Australian dairy products and industry, the industry ran campaigns including *Dairy Matrix*, *30 Ways Australian Dairy is Tackling Climate Change* and *Sustainable diets*, and extended education in schools through the *Discover Dairy* website, *virtual classrooms* and a partnership with *Life Education*.

Measures of success

Measure of success	Commentary on progress ⁵
By 2025, there will be greater recognition of the value of dairy in terms of quality and health and nutrition benefits.	<p>High impact campaigns and initiatives have contributed to maintaining positive perceptions of the value of Australian dairy. The dairy industry also commissioned global research, published this year, that recognises dairy's role in managing fractures and falls in the elderly.⁶</p> <p>According to the 2021 Dairy Trust Tracker annual consumer survey, dairy continues to be seen as an important part of the diet by 82% Australian adults, with 49% making an effort to have enough dairy each day. While the importance of dairy in the diet has softened slightly across the population since 2020, consumers who saw Dairy Australia's campaigns have stronger perceptions than those who didn't.</p>
By 2025, there will be stronger support for Australian dairy and a preference to consume Australian.	<p>The <i>Support Aussie Dairy</i> campaign has reinforced community support for Australian dairy. According to the 2021 Dairy Trust Tracker: 82% of Australians believe it's important to support the industry, and 79% of Australians continue to feel supportive of dairy farmers on par with 2020 results.</p> <p>Last year the broader shift towards supporting local on the back of the pandemic saw preference for buying Australian dairy surge to 80%. While this softened to 76% in 2021 as life appeared to return to normal, quarterly tracking in September has shown uplifts on the back of the <i>Support Aussie</i> campaign with 85% of the target audience preferring Aussie dairy.</p>
By 2025, there will be stronger trust and acceptance in the health credentials of dairy, the way dairy is produced and the industry's commitment to the environment and animal care.	<p>Community trust and acceptance continues to be strong and requires ongoing progress and commitment by industry to be sustained. In 2020, the concept of food security hit the public's radar, driving community appreciation of local agriculture, and in turn trust peaked at 74%.</p> <p>While consumer trust has softened this year to pre-COVID levels (70%), the key perceptions of dairy that are correlated with trust have been sustained. According to the 2021 Dairy Trust Tracker, over 85% of consumers agree that the dairy industry produces safe, nutritious high quality dairy products. Consumer acceptance is shown in that 66% of Australians agree the dairy industry meets their expectations in doing the right thing, 64% agree that dairy farmers do a good job of caring for the environment, and 72% of Australian's agree dairy farmers do a good job of caring for animals.</p>

⁵ The figures provided in this table are from the 2021 Dairy Trust Tracker. Its annual survey was undertaken from June 17–28 with an online panel of 1,274 consumers.

⁶ Effect of dietary sources of calcium and protein on hip fractures and falls in older adults in residential care: cluster randomised controlled trial', *BMJ* 2021;375:n2364. [bmj.com/content/375/bmj.n2364](https://www.bmj.com/content/375/bmj.n2364)

COMMITMENT 4

We will intensify the focus on farm business skills to improve profitability and better manage risk.

The Dairy Plan partner organisations have committed to providing every dairy business with the support and tools they need to manage risk and volatility to improve profitability. In the plan's first year, the industry has expanded the *Our Farm, Our Plan* business planning program to all regions. An extensive awareness-raising campaign with the aim of lifting the number of farmers aware of the program was launched in February 2021. The program has supported over 250 participants in the past year to have documented long-term plans, with an additional \$1.7 million of project partner funding secured.

Dairy Australia commissioned a research project that delved into the drivers of farm productivity and their connection with profitability. Key findings from the project were presented to dairy farmers through productivity forums in May 2021. A full report will be released in 2021/22 that will help dairy farmers better measure and improve their productivity. This report will also help to guide industry efforts on improving farmers' business skills.

A digital tool was launched to help dairy farmers gather and analyse historical data about their business – the *Farm Business Snapshot*. These efforts complement existing resources such as the *Dairy Farm Monitor* project and the *DairyBase* tool.

Measures of success

Measure of success	Commentary on progress
By 2025, dairy farmers will report they are more confident in their businesses skills and are making more effective, data-driven decisions to improve farm performance and manage risk and volatility than they were previously (target: 80%).	<p>A new research project has uncovered new ways of defining and measuring productivity and farm performance. These findings were shared with over 150 attendees at productivity forums this year.</p> <p>Dairy farmers are more confident when it comes to their understanding and decision-making around productivity with 81% of farm decision makers able to accurately state the productivity drivers for their farm.</p> <p>However, only 15% of farm decision makers can accurately state the profit metrics for their farm. Building dairy farmers' understanding of farm profitability continues to be an area of critical importance.</p>
By 2025, all dairy farm businesses will have a documented long-term plan and review their progress, at least annually.	<p>The new <i>Our Farm, Our Plan</i> program has already supported 250 participants to document long-term plans.</p> <p>With 49% of dairy farm businesses making long-term decisions using a documented business plan, there is still much progress ahead.</p> <p>Positively, 69% of dairy farm businesses perform systematic business reviews annually, with the industry aiming to continue increasing this figure.</p>
By 2025, at least 75% of dairy farms will be utilising financial risk management tools and products.	<p>Effective risk management remains an area that requires attention.</p> <p>57% of farm businesses are actively using risk mitigation initiatives to manage exposure to price and cost volatility. And only 23% of farm owners and managers' specific business needs are met through the range of risk mitigation initiatives available.</p> <p>In the next period, over 2021/22, building capacity around risk management will be a focus for the industry. These efforts will be supported by an Agribusiness Manager who starts at Dairy Australia in late 2021.</p>

COMMITMENT 5

We will restore trust and transparency between farmers and processors to strengthen industry confidence.

The development of key transparency and risk management tools over the past year has enabled farmers (and other key stakeholders) to better understand the value of raw milk and manage market volatility, so as to enhance their productivity and profitability.

Such initiatives include the *Milk Value Portal* (launched in November 2020 with new farmgate milk pricing data made available in July 2021), which provides farmers with more detailed, verified information about current and historical farmgate milk prices for the eight production region across Australia, and the many factors that influence pricing. Early survey results (March 2021) among farmers and other stakeholders showed that 47% of respondents have found it easier to understand farmgate milk price since the website launched. The latest survey data (November 21) shows that this has increased to 65%.⁷

Industry also developed two online business calculators – the *Farm Business Snapshot* and *DairyBase Budgeting* – enabling farmers to undertake business profitability assessments. Work has also progressed on a raw milk auction.

Measures of success

Measure of success	Commentary on progress
By the end of 2021, the <i>Milk Value Portal</i> will be a central and credible reference point on farmgate milk price, with 75% of users agreeing the <i>Milk Value Portal</i> has increased their understanding of farmgate milk price and value of milk.	Education to key stakeholders remains a primary focus of the <i>Milk Value Portal</i> , with phase 2 of the communication and stakeholder strategy to commence shortly. Various resources have been developed to facilitate uptake of the information on the Portal, including the quarterly <i>Dairy Markets Insights</i> reports. Early survey results (March 2021) among farmers and other stakeholders showed that 47% of respondents have found it easier to understand farmgate milk price since the website launched. A second survey went out in late November 2021, with results showing an increase to 65%. ⁷
By the end of 2022, the first 300 users will download and/or use the business calculators and 75% of users will agree the calculator improved their understanding of, and supported, business decision making.	The dairy industry tools support important culture changes are not expected to shift in a single year. To date, more than 100 users have used the tools with further engagement activities scheduled.
By 2025, there will be a 100% increase in the understanding and level of confidence of the market dynamics across the whole value chain, including the key drivers of farmgate milk price and the impact of their relative movement (baseline measure to be determined at end of 2020).	The original deadline for the futures market to begin trading as a private initiative in July 2021 has been delayed to 2022. This will allow time to adjust design and implementation based on outcomes of the Dairy Code review (with a report from the Agriculture Minister due to the Treasurer by the end of December 2021).

⁷ Gathered through the Milk Value Portal Survey November 2021, receiving data from a small sample size of users.

Performance of Ongoing Programs

1. Shaping future success through research and innovation

Work in the past year has helped to strengthen research and innovation's support of industry goals. This work has included Dairy Australia's co-investment with the NSW Government on the five-year RD&E program *DairyUP* which will help reduce risk in the industry, develop new markets and improve on-farm productivity and profitability. Industry has accelerated genetic progress in the feedbase and animal breeding, and provided new tools for pasture management. Work is ongoing to revise *The Dairy-Moving Forward* framework, which prioritises the industry's investment into RD&E on a national scale.

2. Industry success through stronger policy leadership

The partners are committed to working collaboratively along the supply chain. Key initiatives and outcomes delivered so far include successful advocacy to amend the Dairy Industry Labour Agreement and submissions to the review of Australian and New Zealand Standard Classification of Occupations (ANZSCO) to better reflect the dairy workforce. The industry also secured additional government funding to enhance market development programs.

Work continues on key nutrition policy issues, to promote and protect dairy as part of a nutritious, sustainable diet every day. This has involved participating in the

review of the Australian Dietary Guidelines, advocating for improvements to the Health Star Rating (particularly cheeses), and promoting truth in labelling for plant-based alternatives versus dairy products. Advocating for the importance of dairy as part of a nutritious, sustainable diet in the Dietary Guidelines review, is one of three areas that the Dairy Plan identified for immediate focus. Work has also progressed on the other two priority areas: water and energy. In September 2021, the Australian Dairy Products Federation launched a new report by Deloitte Access Economics, that highlights the significant contribution dairy processors make to the Australian economy and regional communities.

3. Creating opportunities through market development

In the past year, the industry has focused on developing well-informed and unified industry positions on market and trade policy. Industry has advocated for Australian dairy to continue to be able to use common cheese names such as feta and parmesan. The dairy industry also worked with the Australian Government to secure a commitment which will remove all export tariffs for dairy exports to the United Kingdom. A new Dairy Export Assurance Program delivers a regulatory framework that is easier to implement. The program is a partnership between the Australian Government, state



regulatory agencies, and the dairy industry. Dairy Australia's Scholarship Program continues to present the best of Australian dairy with contacts in key export markets. We also continue to support advocacy efforts for fairer reforms on international shipping.

4. Empowering people through learning and capability development

Work is progressing to leverage what has been developed, enhance its relevance and accessibility (including participation rates) and improve the capabilities of dairy people.

Recent achievements include program development and delivery through tertiary institutions and Vocational Education and Training (VET) partners. Industry has also provided access to the 90-day dairy onboarding framework for 60 new entrants to the industry in the past year. There has been significant work to leverage existing extension opportunities and make these available for self-development, including by making programs available online.

5. Transforming dairy through industry-wide leadership and a positive culture

The Dairy Industry Leadership Strategy, launched in August 2021, identifies opportunities for us to develop leadership capabilities in people across the



industry. Opportunities range from formal leadership programs to informal leadership development in workplaces and community organisations.

The Dairy Plan partner organisations are also role-modelling positive culture by agreeing to and abiding by principles of conduct. These are focused on respect, collaboration, transparency, support and accountability.

6. Sustaining the trust and support of the community and consumers

The Australian Dairy Industry Sustainability Framework is the key mechanism for sustaining trust and community support in the industry.

The Sustainability Framework has won widespread support for the way in which it operates across and unites the whole dairy supply chain; profiles industry achievements; and provides clarity where the industry needs to do more.

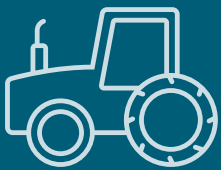
In the past year, a review of the goals and targets of the Framework has commenced, including engagement with diverse stakeholders.

The Australian Dairy Sustainable Packaging Roadmap was launched in October 2021 and provides a strategic framework as the dairy industry works towards the 2025 national packaging targets. Funding was also obtained to develop a Dairy Sector Food Waste Action Plan, that will be completed by August 2022.

What makes Australian dairy great

DAIRY IS VITAL TO THE AUSTRALIAN ECONOMY AND OUR REGIONS

3rd
largest
rural industry



\$4.7
billion
farmgate value
production

\$9.8
billion
economic
contribution

\$3.3
billion
export revenue

37,400 people

employed directly across dairy farming and manufacturing



DAIRY CONTRIBUTES TO THE HEALTH AND NUTRITION OF ALL AUSTRALIANS

309
litres

per capita
consumption
dairy (milk equivalent)



Milk, cheese and yoghurt
naturally contain more than

10 essential
nutrients

Health
benefits



of eating dairy foods include
strong bones and muscles, heart
health, healthy blood pressure
and maintaining a healthy weight

Disclaimer

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