

Progress update

October 2020 – March 2021



Introduction from the Australian Dairy Plan Committee

The Australian Dairy Plan ('the Dairy Plan') was launched in late September 2020. It was created with the aim of driving profitability, confidence and unity in our industry via a range of bold initiatives and ongoing programs.

The partner organisations – Australian Dairy Farmers ('ADF'), Australian Dairy Products Federation ('ADPF'), Gardiner Dairy Foundation ('GDF') and Dairy Australia ('DA') – continue to work closely together since its launch. Each have updated (or are currently updating) their individual strategic plans to ensure alignment in the delivery of the Dairy Plan's goals.

Each of the Dairy Plan's five commitments are backed by a range of supporting activities and targets. The commitment of the partner organisations to providing regular public updates on the delivery of key priorities is an important differentiating feature of the plan that sets it apart from previous industry strategies.

This document summarises our progress in their implementation during the past six months, highlighting key initiatives. A more comprehensive update will be produced annually, with the first one due by the end of 2021. These progress reports will continue until the plan is complete in 2025.

Since the Dairy Plan's launch, a huge body of work has been ongoing. We have introduced a number of initiatives designed to increase farmgate milk price transparency and strengthen trust in the supply chain. Building business resilience and better understanding the drivers of farm profitability has been another important focus area. In addition, we have launched a high level industry marketing campaign and a range of initiatives are underway to improve our industry's access to skilled labour – a key challenge during COVID-19 restrictions. Analysis and discussion have also occurred in the area of reform of industry structures, with a more detailed update to come separately.

Furthermore, this season's favourable conditions have 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. In FY19, 18% of monitored farms achieved the profitability target of \$1.50 EBIT/kgMs. However, this rose to 58% in FY20 – the highest it has been in the last five years. The results for the current year (FY21) are expected to further improve, driven by lower input costs, very strong seasonal conditions, continued strong farmgate milk prices and a high price for livestock.

John Brumby completed his term as the Independent Chair of the Australian Dairy Plan Committee following the Dairy Plan's launch. The position of Chair will now be filled on an annual rotational basis by the Chairs of the four partner organisations. Gardiner Dairy Foundation Chair Len Stephens has been appointed to the position for 2021.

Delivery of the Dairy Plan is a responsibility shared by the whole supply chain and everyone working in dairy has a role to play in getting us to a better place. It is vital that industry gets behind the aims of the Dairy Plan and drive the value of dairy products and the importance of the dairy sector, and there are plenty of opportunities to be involved.

We hope that this summary provides reassurance that the Dairy Plan has identified the key issues facing our industry, as well as enabling the industry to work together and take practical and deliberate actions that will support the sustained success of everyone working in dairy.

For more information about the Dairy Plan, including the full document and accompanying appendices, please visit dairyplan.com.au



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James Mann
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Len Stephens
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¹ Dairy Australia Analysis, March 2021. % of farms achieving target is regionally weighted.

Key updates

A number of key initiatives have been completed or progressed since the release of the Dairy Plan in September 2020 which will drive increased industry profitability, confidence and unity. These are outlined below, along with ways you can be involved and benefit.

Launch of the Milk Value Portal to foster the understanding of farmgate milk pricing and the value of raw milk (Commitment 5)

In a bid to improve transparency for farmers, the ADFP – with the support of dairy processors throughout Australia – created the *Milk Value Portal* ('MVP'), which aims to provide insights into dairy markets and supply chain influences on the farmgate milk price ('FMP'), answering the question, 'what is the milk price?' and then 'what drives the milk price?'

The MVP launched in November 2020 via a **publicly available website**, that is accessible through a web browser on a desktop, tablet or mobile device.

At the centre of the MVP is the interactive *Farmgate Milk Value Tool*. Based on current and verified aggregated processors data on raw milk pricing, this easy-to-use tool lets a farmer customise a farm situation by setting factors such as location, farm size, seasonal milk supply pattern and expected butterfat and protein content, in cents/litre or \$/kg of milk solids, for a particular time of the year.



The tool then provides a weighted average farm-gate milk value or set of ranges. Farmers can use this data to help understand the best value for their raw milk and help contribute to their business decisions such as when farmers are thinking about their next milk supply agreement.

The MVP also features local and global market data, and 'what-if' scenarios showing the impacts of changes in dairy commodity prices and exchange rates, to provide a complete picture of the value of raw milk.

It is complemented with a raft of education resources including videos, regular market insights and a quarterly market insights report.

The MVP has also been supported by DA through the development of specific farmer education resources on the *Farmgate Milk Value Tool*, as well as ADF in communicating the portal to farmers.

To use the MVP or to register for regular information updates, please visit milkvalue.com.au or contact Janine Waller at info@adpf.org.au.



Building a functioning futures market for raw milk and laying the groundwork for additional milk trading options (Commitment 5)

The *Australian Milk Price Initiative* milk trading platform has designed a way for the Australian dairy industry to have milk price hedging tools, like those providing benefits to global competitors by way of margin management and improved funding.

The market has been designed in consultation with industry and builds on best practice seen in other global agricultural markets, adapted to the needs of dairy. The market is based on a monthly milk auction which, beyond forming the backbone of the 3 year forward hedge market, will provide additional transparency on short term milk pricing.

The project has been meeting deadlines to achieve an auction and hedge market launch by June 2021.

For more information, please contact Scott Briggs at sbriggs@bridgecape.cc

Two new business calculators to drive the understanding of farm milk price margins (Commitment 5)

As part of the Federal Government's election commitment to help farmers improve their financial and legal literacy, DA will deliver two business calculators by May 2021 that will enable farmers and consultants to better understand their production costs and overall profitability. *The Farm Business Snapshot* ('FBS') and the *DairyBase Budgeting Tool* will tie into DairyBase, DA's financial benchmarking program that enables dairy farmers to measure and compare their farm business performance over time.

The *Farm Business Snapshot*, on track to be launched by May 2021, will be accessible from the DA website and it is set out to provide a profitability assessment. This assessment is based on historical income, expenses and four easily identifiable physical farm data inputs including: milking cows, usable area, milking area and total farm production.

Meanwhile, the *DairyBase Budgeting Tool* launched in December 2020, allows farmers to select a historical dataset in DairyBase and adjust some key financial parameters to enable forward planning. DairyBase users can quickly combine existing data with estimated milk price and input costs to build a more accurate picture of where opportunities for profit might be found.

DA has invited regional representatives, farmers, farm business consultants and representatives of ADF and ADPF into the design phase to ensure their contribution and input were considered in what is delivered for farmers.

More information is available at dairyaustralia.com.au/en/news-repository/2021/01/04/dairybase-budgeting-feature-launched

Got your game plan?

Set your farming and personal goals with
Our Farm, Our Plan



Expansion of the “Our Farm, Our Plan” program to all regions (Commitment 4)

Developed by DA with support from the GDF and DairyNZ, the *Our Farm, Our Plan* program equips farmers and their advisers to clarify their business and personal goals, prioritise where they’ll put their efforts, decide the actions that need to be taken, consider risks and document their plan on a page. The program will drive consistent improvement in business performance and help manage volatility.

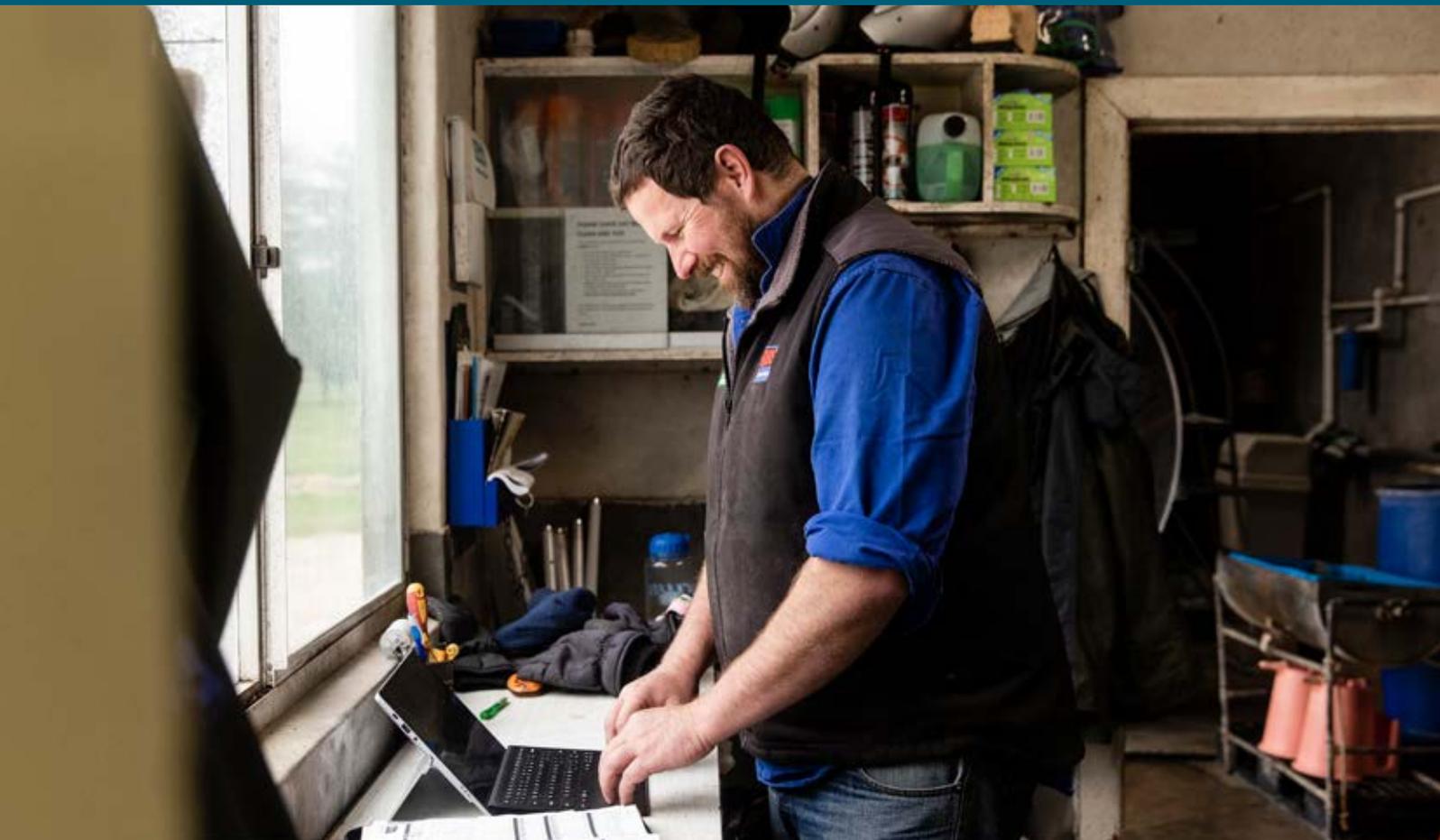
Launched during the development of the Dairy Plan, *Our Farm, Our Plan* has been expanded and accelerated as recommended by the Dairy Plan. DA and the GDF have committed to the project for

three years and further project partners and funding are coming on stream. The program has been expanded to deliver to farmers in all dairy regions with groups of farmers coming together in person, where possible, and online.

One-on-one support is being provided to farmers over 24 months to embed the planning process and implement plans. Pathways into the program include through DA’s regional teams who are delivering in-person and online workshops, a new digital Farm Fitness Checklist, and through 3rd parties that farmers work with on a regular basis and trust, such as milk processors, accountants and Rural Financial Counsellors.

The program has been received positively by farmers, industry and government and is backed by a new marketing campaign presenting farmers with the challenge “Got your game plan?”. Recruiting for additional *Our Farm, Our Plan* team members is underway to bolster the delivery capacity and in the coming months the digital Farm Fitness Checklist will be promoted as an easy entry point to the program for farmers.

For further information about *Our Farm, Our Plan*, to access the Farm Fitness Checklist or to register your interest go to dairyaustralia.com.au/ofop, or contact DA’s regional teams or call **1800 548 073**



Commencement of new farm productivity research and forums to boost profitability (Commitment 4)

A new research project to improve the understanding of dairy farm productivity and its relationship to profitability has been commissioned by DA. The need for this research became evident through the Dairy Plan process, with the project being undertaken by Marsden Jacob Associates and expected to be delivered mid-2021.

Drawing on detailed Dairy Farm Monitor Project data, as well as data from the Australian Bureau of Statistics and ABARES, the project will investigate farm performance in finer detail, aiming to better

understand industry drivers of farm productivity. Gaining these insights will mean the industry is more able to shape and influence productivity drivers and reveal implications for competitiveness under different scenarios. Further, it will allow the Australian dairy industry to better understand research and development opportunities and find ways to improve farm performance.

DA's Farm Performance team has committed to staging a Productivity Forum in the format of three 1 hour virtual meetings in May 2021. Developed in collaboration with ADF, the forum will engage and inform the industry about DA's research into farm productivity and

competitiveness for domestic resources, and factors impacting these. Open to all it will provide an opportunity for a range of views and questions about profitability, productivity and competitiveness to be captured and, where possible, addressed. It will also contribute to the identification of priorities for further research, development and extension.

For further information about the research underway please contact Helen Quinn at helen.quinn@dairyaustralia.com.au

New large-scale marketing campaign to drive the value and importance of Aussie dairy (Commitment 3)

In February, a large-scale national industry marketing campaign *Dairy Matters Support Aussie* launched featuring Dairy Ambassador Jonathan Brown, alongside people from across the supply chain.

Building on the Dairy Matters platform, the campaign highlights why supporting Australian dairy matters – for good health and for Australian livelihoods too.

Phase 1 will be delivered from February to May, focusing on how buying Aussie dairy can positively impact on Australian jobs and local communities. Campaign channels include TV, radio, podcasts, digital, social media and YouTube. The second phase of the campaign will launch in July and showcase how dairy is enjoyed by Australians in everyday moments.

To increase marketing reach and impact, four processors have also contributed to investing in out-of-home advertising beyond the supermarket, as an extension of the broader campaign.

In addition, the advertising is being supported with a public relations activity *Dairy Destinations*. In partnership with Airbnb, DA has created twelve



road trip itineraries across the eight dairy regions showcasing a selection of experiences including cheesemakers, ice-creameries, kids dairy tours, roadside milkshake hotspots and dairy farm stays. Over 15 farmers, 40 manufacturers and 60 dairy experiences (e.g., farm stays, cafés, shops) are involved.

DA has also initiated activities to broaden reach into schools including a Life Education partnership and virtual classrooms. A farmer ambassador program was also piloted with 16 farmers and will scale up during 2021.

For further information about the marketing campaigns, visit dairy.com.au/dairy-matters



existing leadership development programs currently available, but new programs and approaches will be added that make it easier for anyone in the industry to develop and apply leadership skills and behaviours. These additional approaches will be progressively implemented over 2021 and beyond.

Progressing Dairy Reform (Commitment 1)

Dairy industry reform is an important commitment of the Dairy Plan and its objective of supporting a more profitable, confident and united industry, and as such, is being treated as a standalone project. A separate update will be released in the near future, detailing progress on the reform process.

In the interim, for further information please visit dairyplan.com.au/about-dairy-reform

A new industry-wide Dairy Leadership Strategy to transform culture and industry success (Ongoing Programs)

A new Dairy Industry Leadership Strategy is in final draft form and undergoing final review for endorsement by the Dairy Plan partner organisations.

The strategy builds on ideas and suggestions from a range of industry consultations over the past two years, together with information on best practice leadership development in other industries.

The strategy is intended to be transformational. It identifies leadership as something that everyone in the industry can contribute to in their own way, in whatever role they play. Thus, it is different from previous approaches to leadership development in that it identifies everyone in the dairy industry can be a leader, not just those

in formal leadership positions. The strategy recognises that leadership involves our mindsets and behaviours, not just skills and knowledge. Agreed values, mindsets and behaviours can promote a more unified, inclusive and collaborative industry culture leading to positive support for people in the industry and those interested in joining the industry. An effective leadership strategy, emphasizing contemporary leadership approaches, is seen as a key enabler in this process.

Implementing the strategy will involve retaining many of the



Building access to a capable workforce

(Commitment 2,
Ongoing Programs)

One of the biggest challenges currently facing dairy farmers in most regions is access to a capable workforce – an issue which has been further accentuated by COVID-19 restrictions.

Attracting new people to our industry is the Dairy Plan's second commitment and there are several initiatives underway.

ADF and DA contributed to the development of the Australian Government's *National Agriculture Workforce Strategy*, which aims to address the dairy industry's workforce issues relating to recruitment, skills and training. Most of the recommendations made by the dairy industry were adopted by government and it is the goal of the industry to work with the government of the day in ensuring that the strategy is implemented.

In July last year, ADF wrote to the Australian Government requesting that artificial insemination ('AI') technicians be declared as a critical skills shortage and that visa applications for these positions be prioritised.

ADF recommended a series of amendments to the *Dairy Industry Labour Agreement* ('DILA') that will ensure a non-discriminatory and



consistent approach to qualifications and English language standards for international workers. As of writing, these recommendations are being considered by the Department of Home Affairs.

The Fair Work Amendment (Supporting Australia's Jobs and Economic Recovery) Bill 2021 proposed a series of reforms to address known problems in the industrial relations system that provides for greater efficiency and employment generation. This legislation became the subject of a Senate inquiry, and ADF has provided feedback. The Bill received royal assent in late March 2021.

DA has created a Learning & Development team that is focused on practical initiatives to attract newcomers into the industry, ensuring they are work ready and can build their skills as they develop

their careers. A *Pathway for People in Dairy* website has also been created where people can access information and resources to help them enter the industry. The *Our Dairy Passport* program is also focused on helping people whose employment has been impacted by COVID retrain and find work in dairy in a supported manner.

Whilst building the pool of available talented labour, DA has also supported farmers to be on farm leaders and employers of choice, with the *Dairy Passport* providing online resources that assist farmers with onboarding staff as well as a '2IC' program focused on building management expertise.

To access these resources, visit dairyaustralia.com.au/en/news-repository/2020/09/22/a-new-pathway-for-people-in-dairy

For more information on the Australian Dairy Plan visit: dairyplan.com.au

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