

Australian Dairy Plan

Draft for Feedback – December 2019



Australian Dairy Plan

Foreword



This draft Australian Dairy Plan is built on the distillation of countless hours of engagement with people involved across the industry. Its key commitments are formed from the views and opinions of over 1,500 contributors to a nationwide consultation process – one of the largest listening exercises in the history of this industry.

The Dairy Plan is borne out of a real concern for the prospects of dairy farming and the livelihoods of people working in the industry. It marks a concerted effort by all parts of the dairy supply chain to agree on the issues holding the industry back and to identify the priority actions needed to deliver transformational change and take the industry forward.

Over the last two decades, industry settings have changed more than was ever envisaged. In this new environment, farmers need better systems, better knowledge and skills as well as an increased focus from government to help them manage increased market and climate volatility. Policy settings need to deliver more consistent profitability and reward for hard work – not only to keep people in dairy farming, but for it to be attractive to future generations.

But the future of dairy is not just an issue about farmers. The decline of the national milk pool is also a major issue for processing companies, who have invested large amounts of capital and whose manufacturing plants are struggling with significant underutilisation.

I believe this Dairy Plan contains a series of practical commitments and initiatives for turning the fortunes of dairy around – to lift profitability, rebuild confidence in the future and facilitate industry stakeholders pulling together as a united force to address key challenges.

In addition to the proposed specific initiatives, this Dairy Plan also recognises and builds on our existing programs in a range of areas which are fundamental to the long-term future of the industry, including environmental sustainability, animal welfare, trade support and research and development.

We have included in this Dairy Plan detailed economic modelling which scopes the growth potential of the industry, and identifies the significant new employment opportunities which can be generated over the medium term in rural and regional areas.

Following a period for industry feedback on this draft Dairy Plan and the addition of recommendations from the Joint Transition Team (JTT) on industry structure and advocacy arrangements, we intend to finalise the Dairy Plan in March 2020.

John Brumby AO

Independent Chair
Australian Dairy Plan

Executive summary

The challenge

Dairy makes a crucial contribution to the Australian economy, and particularly to our regions. Our industry is one of the few remaining major manufacturing industries in Australia, and makes a vital contribution to the economy and rural and regional employment. Dairy's impact in regional Australia is enhanced by the fact that the processing of dairy products is predominantly regionally-based.

In recent years, rising input costs combined with unprecedented volatility has undermined profitability. Since the early 2000s the cost of production, from higher feed and labour costs, has outpaced the increases in milk price and put significant pressure on farm profit margins. The impact on profitability has been compounded by increases in market and climate volatility, while confidence has been shaken by \$1/litre milk and the 2016 milk price step downs.

It's time to turn this around and return the dairy industry to profitable growth. The good news is that this is not a demand problem - the demand for dairy products both in the domestic market and in export markets remains strong, while the investment climate is encouraging.

A new plan for the dairy industry

Key dairy organisations – Dairy Australia, Australian Dairy Farmers, Australian Dairy Products Federation and the Gardiner Dairy Foundation (DA, ADF, ADPF and Gardiner) – are working together to develop an Australian Dairy Plan that spans the next five years and beyond. The Dairy Plan aims to:

- **lift profitability across the supply chain**
- **rebuild the confidence of dairy businesses in the industry's future**
- **unite the industry by working together to address our key challenges.**

It does this in three parts:

Responding effectively to the key priorities

The development of the Dairy Plan was characterised by extensive industry-wide engagement, including one of the largest listening exercises in the industry's history. In this process, over 1,500 people across the entire dairy supply chain told us what needs to change to build a stronger industry. Remarkably, despite the diversity of dairy regions, and regardless of where people sat across the supply chain, the same priorities found their way to the top.

These have been distilled into five commitments, each with a set of supporting initiatives:

Commitment 1: We will reform our dairy industry structures and how we work together to create a more cohesive dairy industry and a more influential advocacy voice

There is broad recognition that the dairy industry's advocacy efforts are fragmented and lack unity, the funding model is not working well enough, and the value proposition of the industry bodies is unclear. In response to these signals, there is an opportunity to reform the dairy industry's structures. A Joint Transition Team (JTT) has been established to examine dairy industry organisational arrangements and recommend options to reform industry structures and improve advocacy arrangements. The JTT will provide its report to the Australian Dairy Plan (ADP) Committee by late December 2019. The JTT's report will be released in January 2020 for industry feedback, facilitated by the ADP Committee.



Commitment 2: We will attract and support new entrants and investment to build industry capacity

Improving profitability is key to making the industry more attractive, but there are also several specific challenges that require attention to keep the pipeline of new people and investments open. These include reducing the entry costs and creating new avenues to dairy farm asset ownership for people looking to make a start in the industry, increasing industry investment by better targeting different investor groups, and promoting clear career pathways for people interested in careers either in farming or in the milk processing and supporting services sector.

Commitment 3: We will increase our effort in marketing and promotion to build greater levels of trust with consumers and to improve the value of dairy products

The dairy industry continues to respond to rising consumer expectations regarding health and nutrition, animal welfare, farmer welfare, environmental impacts and responses to climate change pressures. While there is a need to respond to expectations, there is also an opportunity to increase support for Australian dairy by reinforcing its value. To do this, industry needs to respond with an increased effort in marketing and promotion. We will secure whole of supply chain support for a major new national campaign that will double the size and scope of the marketing effort to drive trust and value for dairy products and the industry.

Commitment 4: We will intensify the focus on farm business skills to improve profitability and better manage risk

Increasing levels of volatility have put pressure on the ability of farm businesses to make a profit. The common characteristic of more profitable farming practices is the application of excellent business skills to manage risks and lower the costs of production. We will deliver a rapid expansion of services to increase farm business skills with the aim of all farm businesses working to a farm business plan by 2025. We will work with government to link effective business planning with access to on-farm grants that help reduce risk.

Commitment 5: We will restore trust and transparency between farmers, processors and retailers to strengthen industry confidence

The industry recognises that several recent events have contributed to a significant loss of trust across the dairy supply chain. A key part of rebuilding trust is helping farmers more effectively manage the risks associated with high levels of price volatility in the dairy industry. A stronger focus on farm milk price (FMP) disclosure and supporting measures will assist here. This includes the establishment of a Milk Price Monitor that will provide transparent information on FMP, as well as steps to lay the groundwork for transitioning over time to a functioning futures market for raw milk backed by government legislation.

Continuing to do the fundamentals well

The Dairy Plan also recognises that there are some well-regarded and fundamental activities that the industry must continue with to sustain long-term growth. A heightened focus on these fundamentals is required to accelerate progress. These fundamentals include:

- **Sustainability** We have a world-class *Australian Dairy Sustainability Framework* that shows how the industry is working to respond to the challenges of animal welfare, environmental impact, and climate change in order to sustain the trust and support of the community and consumers.
- **Policy leadership** In recent years, our advocacy efforts have had some major successes (e.g. the end of \$1/litre milk). It is vital that we continue to work towards a more influential advocacy voice given challenges in areas like water, energy, waste, food labelling, and health and nutrition.
- **Research, development and extension** The dairy industry's world-class capabilities in this area deliver a stream of innovations. A key focus will be responding to the challenges identified in this Dairy Plan – this will be achieved through revitalising the role of *Dairy Moving Forward* which guides investment in RD&E.

- **Market development** Constant investment in market development is required to sustain demand for dairy products. We have strong market development capabilities which will continue to be important as we work to supply more value-added dairy products to maintain our competitiveness in markets both locally and internationally.

Building and sustaining a positive culture

Historically, the dairy industry has prided itself on a constructive and collaborative culture, but many no longer see it that way. This needs to change. Together we commit to the creation of a culture that promotes the industry's interests, invites collaboration and engagement of all stakeholders, and demonstrates an agreed set of positive values and behaviours. This starts with agreeing on the values and behaviours we can commit to as an industry and supporting leaders at all levels to promote these values and behaviours throughout the industry.

Meaningful industry transformation is possible if we all choose to work together and use the Dairy Plan to set a new and positive direction for the industry that is supported and delivered by all.

Our vision for success

Working together to deliver the Dairy Plan and creating a profitable, confident and united industry will arrest the drift and decline and return the industry to profitable growth. Economic modelling suggests that a realistic scenario is for a one billion litre increase in milk production by 2024–25 (FY25) that would generate more than \$600 million annually in extra value at the farmgate and stimulate the growth of at least 1,000 direct new jobs, mostly in rural and regional areas. This will enable the industry to play its part in helping to meet the National Farmers' Federation's (NFF) target for \$100 billion of farmgate output by 2030 which has been endorsed by the Federal Government.

Finalising the plan

Members of industry and key stakeholders are now invited to provide feedback on this draft Dairy Plan – making it better by suggesting enhancements and better alternatives. Further detail for providing feedback will be posted on the Australian Dairy Plan website (www.dairyplan.com.au). The final Dairy Plan will be released in March 2020.

About the Australian Dairy Plan

In early 2019, Dairy Australia, Australian Dairy Farmers, Australian Dairy Products Federation, the Gardiner Dairy Foundation (collectively the Partners) and John Brumby AO (appointed in May 2019 as the Independent Chair) committed to working together to develop the Dairy Plan – a plan which will set the Australian dairy industry's key priorities for the next five years and beyond, to deliver transformational change for a more profitable, confident and united Australian dairy industry.

In developing the Dairy Plan, the Partners recognise that the industry has changed significantly in recent years. Farmer-owned cooperatives no longer dominate the industry. On-farm, there is wide variation in performance as the industry works through the challenges of drought, access to water and price volatility. The Dairy Plan needs to respond to these current realities while supporting the whole industry to make the changes required for long-term success.

The key milestones to develop the Dairy Plan included:

- **A commitment to working together** This process began with a commitment by the Partners to collaborate on a new plan. This was a significant milestone – the first time in the industry's history that the four Partner organisations decided to work together to deliver a single plan with a single set of priorities for the dairy industry (see the *Terms of Reference*).
- **Detailed analysis of the dairy industry** In-depth analysis was undertaken to help the wider dairy community understand the key issues and conditions affecting the industry across a range of metrics in Australia's dairy regions. This included the *Australian Dairy Situation Analysis* that helped inform the nation-wide engagement that followed.
- **Nation-wide engagement** The Partners and the Independent Chair engaged in one of the largest listening exercises in our industry's history, holding productive conversations across the country. Over 1,500 people along the entire dairy supply chain, including dairy farmers, processors, retailers, investors and service providers, told us what needs to change to build a stronger industry (see the *National Engagement Themes*).

- **Australian Dairy Plan National Workshop** The culmination of the engagements was the Australian Dairy Plan National Workshop, where over 130 delegates representing all Australian states, and all parts of the supply chain in the dairy industry, came together to confirm the key priorities for the dairy industry, drawing on the themes of the nation-wide engagement (see *National Workshop Report*).
- **Establishment of the Joint Transition Team** One of the key priorities to emerge was the reform of industry structures and advocacy arrangements. A dedicated taskforce (the *Joint Transition Team*) was established to examine and recommend options to change structures and ways of working, aligned with the Dairy Plan objectives. This work complemented the in-depth analysis that was undertaken to inform the other priorities.
- **Growth Scenarios Paper** A paper was commissioned to inform and stimulate discussion about the scope of the Australian dairy industry to grow (see the *Growth Scenarios Paper*). It outlines three growth scenarios for the dairy industry. For the most realistic scenario, the paper also outlines the projected increases in milk volume, farmgate value and total economic contribution over the next five to ten years with implementation of the Dairy Plan.

Between the release of this draft plan and the final Dairy Plan in March 2020, we will also release two further documents – a reference paper that outlines profitability trends and targets; as well as the final report of the JTT on industry structure and advocacy arrangements.

1 The challenge

Dairy makes a vital contribution to the Australian economy, and particularly to our regions

The dairy industry makes a crucial contribution to the Australian economy.

It is a major rural industry, with a total economic contribution of \$9.2 billion¹, and one of the few remaining major manufacturing industries in Australia making an important contribution to the economy and regional employment.

Overall, the industry directly employs around 46,200 people across the country in dairy farming and manufacturing, with another 100,000 people employed in providing services to the industry.

The processing of dairy products is predominantly regionally-based, making dairy's impact on regions one of the greatest of any agricultural industry. The nature of the industry also means that more than 80 per cent of milk receipts earned by farmers are re-injected into regional communities, creating many flow-on economic opportunities.²

In recent years, rising input costs, combined with unprecedented volatility, have undermined profitability

Since the early 2000s the costs of production have outpaced the increases in milk price and put significant pressure on farm profit margins (see Figure 1).

There are many reasons for this, but one key contributor has been the shift by many farmers (in response to price signals) from a predominantly pasture-based seasonal production system to some form of more input intensive and 'flatter' production system that is able to supply milk year-round (primarily to help meet increasing domestic demand for fresh dairy products). These year-round production systems are reliant on significantly more purchased feed leading to substantially higher feed and capital costs as well as increased labour requirements. Feed and labour together account for about 70 per cent of milk production costs.

The impact of rising input costs on profitability have been compounded by the increase in the two forms of volatility dairy farmers have had to negotiate in recent years. These are:

- **Market volatility** Dairy commodity prices are commonly perceived as among the most volatile of all globally traded agricultural commodities and in recent years there have been several major price shocks. Market volatility is unlikely to decrease, and may well increase even further over time as a result of changing macroeconomic factors (e.g. currency fluctuations, increasing trade barriers, geopolitical conflict).
- **Climate volatility** The Australian climate is highly variable, contributing to agriculture experiencing nearly twice the level of volatility of any other industry. The number and severity of recent droughts has increased focus on this risk.

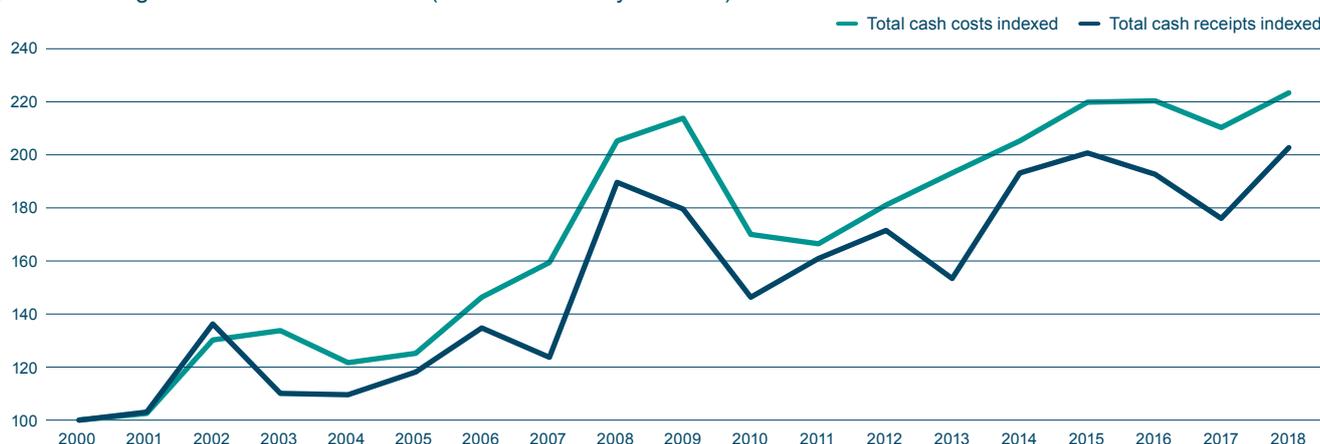
The impact of our increasingly variable climatic conditions has contributed to dramatic increases in water costs for dairy farmers. Decreasing water storage levels, in combination with greater sharing of water with the

Please note that this section draws heavily on the information and data in the Australian Dairy Situation Analysis. Additional sources:

1 ADP Growth Scenarios Paper

2 Based on successive ABARES farm survey figures

Figure 1 Average on-farm income v costs (indexed to base year 2000)



environment, and the intensified competition for water from industries such as horticulture and large-scale tree crops, have driven water prices well above the price where dairy businesses in irrigation regions are able to compete on the traded market.

Australia's dairy farmers are particularly susceptible to this volatility. They manage highly complex farming systems, where implementing a change in farm system (e.g. a move to a more intensive system) requires significant investment in new infrastructure, equipment and practices that cannot be easily reversed.

On top of these rising input costs, and unprecedented volatility, the confidence of the industry has been shaken by other major events in recent years, including the introduction of \$1/litre milk by supermarkets (and other forms of heavy discounting that have de-valued dairy products for many consumers) and the milk-price step-downs in 2016.

The implications of all of this on profitability have been dramatic.

As our soon to be released reference paper on profitability trends and targets will show, in 2018 the average dairy farmer had earnings before interest and taxes (EBIT) of only \$0.66 per kilogram of milk solids (kgMS) – well below the \$1.50/kgMS that is the widely considered threshold for earning enough profit to provide adequate income, to sustainably service debt and to reinvest in the farm. While on-farm profit margins will vary widely between regions and between seasons, nationally the number of farms achieving >\$1.50 EBIT/kgMS has declined to 16 per cent in 2018–19, which continued a trend of the past five years where less than 40 per cent of farms achieved this threshold.

The impact of these trends has been substantial

While reducing farm numbers has been a consistent trend for generations, the lower profitability, increasing market and climate volatility, as well as depleted industry confidence have combined to accelerate the rate of farm exits.

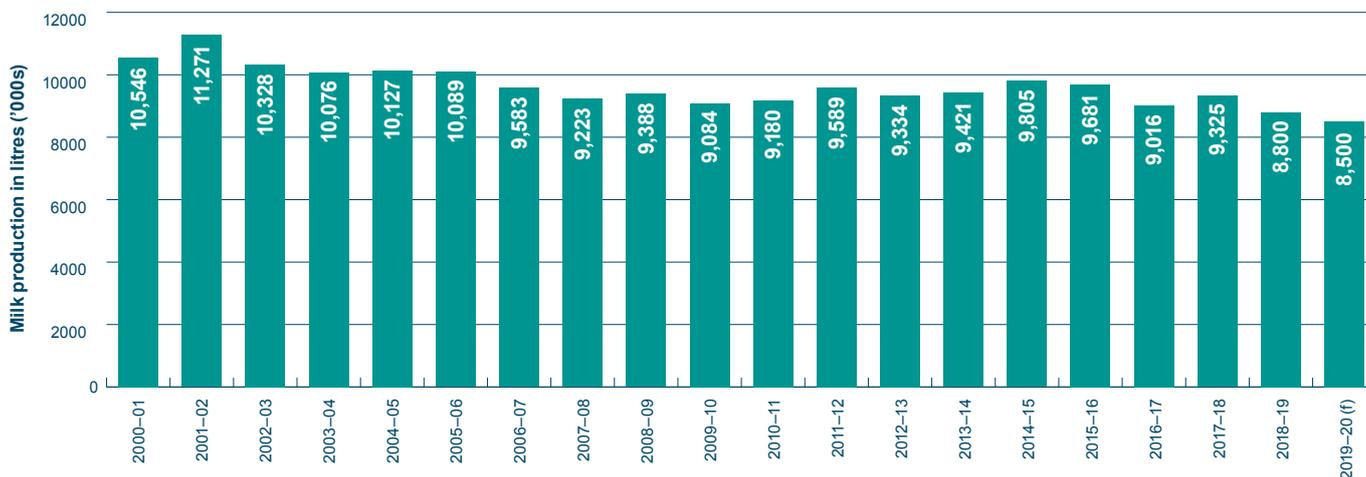
Since 2000, the number of farms has fallen by over half from 12,900 farms to 5,200 farms in 2018–19.³ Associated with this reduction in the number of farms has been a fall in milk production from a peak of 11 billion litres in the early 2000s to below 9 billion litres in 2018–19.⁴ This is illustrated in Figure 2 below.

For processors, the flow-on consequences of a shrinking milk pool are significant. Over the last five years, the processing sector has invested an estimated \$3 billion on acquisitions and upgrades in Australian dairy assets. However, lower milk volumes mean that many processors are now operating plants that are significantly underutilised and unable to achieve the production efficiencies that come with full plant utilisation. To meet the shortfalls in fresh milk states (New South Wales, Queensland and Western Australia) processors are now transporting milk from south-eastern states (Victoria, Tasmania and South Australia), buying milk from each other, or relying on imports.

3 Data provided by Dairy Australia

4 Data provided by Dairy Australia

Figure 2 Australian milk production



In responding to profitability pressures, processors have limited ability to influence the farmgate milk price which is closely aligned to the Dairy Commodity Index. Figure 3 below shows, for example, the relationship between the Victorian farmgate milk price and the index.

Processors can respond by innovating and providing justification to consumers for any domestic premiums attracted by their products. Overall, the impact on profitability has been significant with anecdotal evidence indicating that these margins are finely balanced.

A shrinking milk pool has also created opportunities for significant increases in dairy imports, enabled by an Australian dairy market that is open to supply from international competitors. The share of imports in our domestic market has almost tripled in a decade from 8 per cent in 2004–05 to 22 per cent of the market in 2017–18.⁵

There have also been significant impacts on our trade performance. With less milk available, processors have less product to service domestic demand while also exporting into international markets. As a result, our share of global trade has fallen from 16 per cent in 2000 to below 6 per cent in 2018.⁶ While this is partially offset by increasing demand for value-added products where Australia retains a competitive advantage (e.g. cheese), this has serious implications for Australia's global standing as a reliable supplier of dairy products.

It's time to turn this around

This trend of poor profitability and a shrinking milk pool cannot continue.

It is time to reverse this trend of 'drift and decline' and return the industry to profitable growth.

The good news is that this is not a demand problem, it is a supply problem. The demand for dairy products remains strong.

Domestic demand for dairy products continues to grow as a result of stable per capita milk consumption coupled with population growth. In fact, Australians are big consumers of dairy with an average consumption of 340 litres of milk per year (compared to 269 litres in the United States and 305 litres in Europe).⁷

The outlook for exports is also very positive. Strong growth in demand for dairy products is projected for many Asian markets and the Middle East and north African countries, as dairy becomes a more important part of a protein-rich diet in these regions. Australia has been able to trade on its strong reputation as a reliable supplier of technically advanced, high quality and safe products, and its success in establishing retail and food service sales channels for shorter shelf life products like yoghurt and milk.

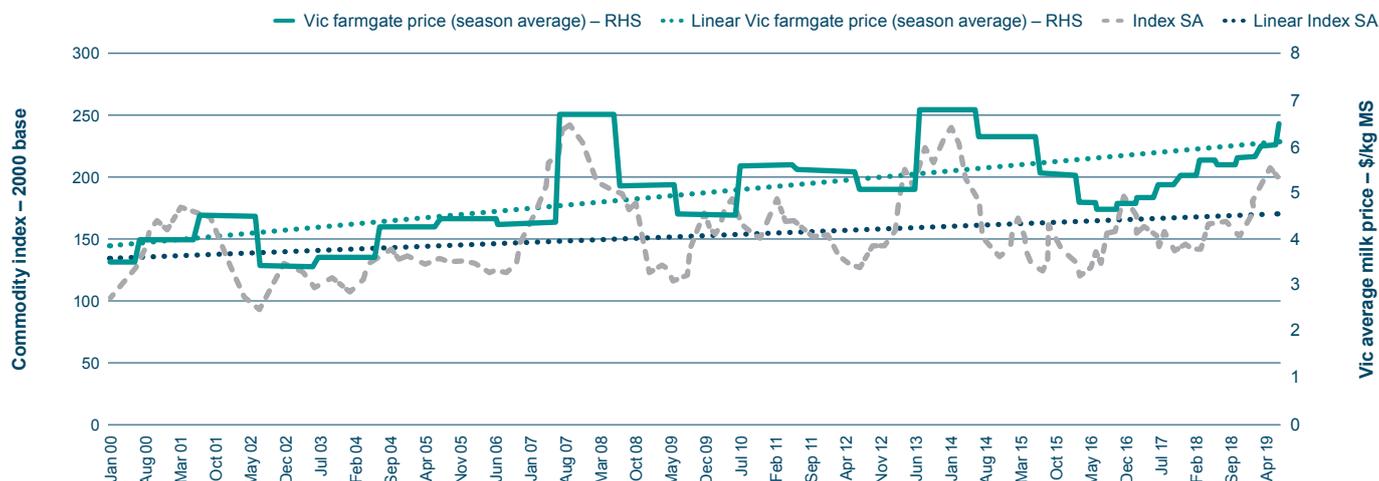
The investment climate is also encouraging with a growing pool of capital looking for opportunities in Australia and its agricultural sector, driven by record low interest rates, reduced barriers to entry, and the current appetite for diversification by global investors.

5 Australian Bureau of Statistics

6 International Dairy Federation World Dairy Situation, 2018, pp 7.

7 The US and EU statistics represent available data from IFCN from 2016.

Figure 3 Victorian FMP and the Dairy Commodity Index





2 A new plan for the dairy industry

In response to these challenges and growth opportunities, we need a coordinated, concerted effort and a single national plan. The Dairy Plan is about what is required by the industry now to achieve profitable growth into the future. Specifically, the Dairy Plan aims to:

- Lift profitability across the dairy supply chain
- Rebuild the confidence of dairy businesses in the industry's future
- Unite the industry by working together to address our key challenges.

To achieve this, the industry must:

- **Respond effectively to the key priorities** The development of the Dairy Plan was characterised by extensive industry-wide engagement. People along all parts of the supply chain, and in every dairy region, were asked what specifically needs to change to get the industry to a better place. Remarkably, despite the diversity of dairy regions, and regardless of where people sat along the supply chain, the same priorities found their way to the top. This provides for a great opportunity – it means that at the core of the Dairy Plan is a set of priorities that the industry as a whole can unite behind with an effective response.
- **Continue to do the fundamentals well** The Dairy Plan also recognises that there are some well-regarded fundamental activities that the industry needs to continue to do well to ensure sustainable long-term growth e.g. programs in trade development, innovation and initiatives to sustain dairy's community trust by improving animal welfare practices and reducing environmental impact. Typically, these rely on capabilities

that the industry has developed through decades of effort and investment. The Dairy Plan is about keeping a strong focus on these fundamental activities, as well as continuing to evolve them as needed.

- **Build and sustain a positive industry culture and narrative** A key enabler for transforming the Australian dairy industry and ensuring the effective delivery of the Dairy Plan is to build and sustain an attractive and positive dairy industry culture. While the dairy industry has historically prided itself on its constructive and collaborative culture, this is less prevalent today. We need to undertake a cross-industry effort to meaningfully shift how the industry thinks and talks about itself, how it treats people and how it does business. The Dairy Plan outlines how we will be seeking to make this essential change.
- **Outline how we will grow as an industry** If we deliver on all the priorities that have been identified, continue to do the fundamentals well, and transform our culture, then we will be strongly positioned for a return to profitable growth.

So, what makes this plan different and why will it work?

Many of the issues faced by the industry are long-standing and very familiar. The unique features of this plan that give it a greater chance of success are:

- **Collaborating and committed industry organisations** This is the first time that the key dairy organisations have worked together to develop and implement a single plan that contains one set of national priorities. This level of unity creates a substantial critical mass of resources that can be deployed effectively to deliver on the Dairy Plan, now and into the future.

In order to execute on the initiatives, the Dairy Plan will be used to guide the strategic plans of the four industry partner organisations. The Partner organisations will collaboratively decide on how the Dairy Plan can best be achieved and drive their individual plans and activities accordingly.

- **Continuing industry-wide engagement** Collaboration and commitment needs to go beyond the organisations if we are to maximise the chances of success. An unprecedented level of engagement in the development of the Dairy Plan, and the shared priorities that came from it, sets a foundation to unite the industry in a response phase.
- **A focus on a strong and positive culture** The importance of a strong and positive culture is also fundamental in helping to shape the future of the industry as it affects every aspect of the Dairy Plan. We will engage in activities that rebuild the way the industry thinks, presents itself and does business so that the reputation of the industry is strong and positive.

Meaningful industry transformation is possible if we all choose to work together and use the Dairy Plan to set a new and positive direction for the industry that is supported and delivered by all.

The Dairy Plan outlines realistic growth scenarios that encourage us to be optimistic about the future of the industry: a united, profitable, confident and growing dairy industry built on high standards of environmental sustainability and animal welfare, producing high quality and nutritious dairy products for the Australian and international markets.

3 The commitments: transforming the industry together

Delivering on this ambitious goal requires a considered, focused and sustained collective response to make the necessary changes identified through the industry engagement phase. The consultations have consistently found a set of key priorities from across the industry supply chain and from all dairy regions. These have been distilled into a set of commitments to change, each with supporting initiatives.

COMMITMENT 1

We will reform our dairy industry structures and how we work together to create a more cohesive dairy industry and a more influential advocacy voice

COMMITMENT 2

We will attract and support new entrants and investment to build industry capacity

COMMITMENT 3

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

COMMITMENT 4

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

COMMITMENT 5

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

COMMITMENT 1 We will reform our dairy industry structures and how we work together to create a more cohesive dairy industry and a more influential advocacy voice

Why is this important?

An industry's structure and processes, its bodies, and its ability to act collectively can have a material impact on industry performance through its ability to expand markets, reduce costs and strengthen the reputation of the industry and its products. Successful agricultural industries utilise advocacy and service delivery to create value in areas where individual organisations could not easily succeed by working alone.

The dairy industry has a wide range of organisations that operate at a national, state and regional level. The national engagement process highlighted that there is significant opportunity to improve existing industry structures and the way organisations work together.

Specifically, the industry has signalled:

- **Our advocacy efforts are fragmented and lack unity**

There are many industry bodies in various jurisdictions that are advocating to achieve different objectives. National advocacy is led by the Australian Dairy Industry Council (ADIC), ADF and ADPF, while state-based advocacy is led by State Dairy Farming Organisations (SDFOs). Additionally, there are other smaller organisations that have formed but that remain independent of the national and state-based structures. The number of organisations combined with the fragmented industry structure has worked against unified advocacy and made it difficult to deliver a 'one industry, one voice' outcome. In turn, this has often resulted in government receiving mixed signals on the issues that really matter for the industry.

- **Our funding model is not appropriate**

There have been calls for reforms in funding to ensure that advocacy is well resourced, and that the use of funds is aligned to promoting stakeholder interests. There is general agreement that there are not enough resources to go towards advocacy efforts given its importance. Many also have a view that there should be clear lines of accountability to membership, and all resources used should be generated by the members.

- **The value proposition being delivered by industry bodies is unclear**

Farmers are required to pay a levy to DA. However, some farmers have expressed frustration that the levy collected by DA does not go towards advocacy. Advocacy organisations are funded by membership fees at state level, by SDFO members.

As a result we have made less progress with government on key issues such as water, energy and trade policy, labelling laws and retail issues.

In this context, there is a rare opportunity to reform the dairy industry's structures to enable a unified response to new and existing challenges, as well as more effective advocacy on behalf of the dairy industry. We can take encouragement from the experiences of other industries where reforms to industry structures have helped turn around the fortunes of those industries.

The JTT has been established to examine existing dairy industry organisational arrangements and recommend options to reform industry structures and improve advocacy arrangements.

The JTT will provide its report to the ADP Committee by late December 2019. The JTT's report will be released in January 2020 for industry feedback, facilitated by the ADP Committee. Practical changes to industry structure and industry organisations will require agreement under the existing governance processes and timeframes of the organisations that are affected. Refer to Section 7 – Finalising the Plan for more detail.

Why is this important?

The demand for dairy products both domestically and in export markets remains strong, and the outlook promising.

A significant challenge for the dairy industry is to meet this growth in demand for dairy products through a proportionate increase in the industry's capacity to supply – specifically, this means attracting, developing and retaining a steady pipeline of new people and investment.

Improving profitability, tackling the high levels of risk and volatility, and promoting reasons to be confident in the industry's future will all help make the dairy industry more attractive to new entrants and investors, as will initiatives designed to improve the culture of the industry. These are addressed with in other parts of the Dairy Plan.

However, there are a number of specific challenges that require attention if we are to keep the pipeline of new people and investment open.

There are a few parts to this pipeline.

First, there are young people looking to enter the industry (often through some form of succession plan) as well as career changers – people who are typically mid-career and looking to bring equity and skills from another business. These people are often entrepreneurs, attracted to the opportunity of running a successful business.

The key barrier to entry for this group is access to capital. Dairy farms are expensive to buy into and while there are some established pathways into the industry (e.g. share-farming provides opportunities for farmers to gain experience and build capital over time), many new entrants struggle to access the necessary finance,

exacerbated by a banking sector that is tightening its appetite for risk.

In short, it is difficult to get a start in dairy farming, both for people without a farming background, and young people looking to take over family farms.

There are several ways to manage this:

- Working with the finance sector to identify ways of reducing the costs of accessing finance (e.g. by reducing the risk rating for those who demonstrate a certain standard of business skills or educational attainment).
- Securing Government support for reducing some of the regulatory costs of doing business (e.g. stamp duty; approval processes) and/or by offering low interest loans to young farmers (e.g. HECS style).
- Promoting new forms of low-level equity partnership arrangements (e.g. encouraging structures for investing in dairy herd ownership as a successful business, without the expense of land ownership).

Investment structures like equity partnership arrangements, share-farming and leasing are particularly important because they create investment options for existing dairy farmers who are considering a step-back or exit. In the right circumstances, these dairy farmers may consider leaving their investment in dairy farming and earning a commercial return instead of investing in more conventional alternatives.

Secondly, there are corporate investors including private companies, institutional investors and high net worth individuals. These types of investors seek out good returns and look to manage risk through ensuring dairy businesses

have high levels of management skills and good governance structures.

The industry may be more successful in attracting this type of investment by helping dairy businesses to be investor ready (i.e. structured in a way to meet the required standards for attracting commercial investment).

There is also a role for better marketing of investment opportunities. Often people outside the industry have little appreciation of what makes dairy an attractive investment proposition (e.g. high quality, safe products for which demand is growing, produced by a qualified and safe workforce).

Thirdly, there are those people looking to carve out a career in the supply chain in dairy farming, milk processing or the supporting services sector. The dairy services sector includes advisory roles in commercial organisations providing feed and agronomy services, on-farm consulting (e.g. veterinarian services) as well as work in advocacy organisations.

There is a well-documented shortage of access to skilled labour at all levels in the dairy supply chain from entry level roles to managers on farms and in processing plants. Specific challenges include an ageing workforce, high levels of attrition, and the fact that competition for dairy skills (particularly middle and managerial skills) is international and also comes from other sectors and industries (e.g. banking and finance). A key barrier is the lack of widespread recognition of the range of career pathways throughout the supply chain. More can be done to professionalise careers in the dairy industry and support career progression.

In all the areas discussed, we see a strong alignment between initiatives to broaden and increase new investment and entrants into dairy farming with the NFF's vision for \$100 billion in farmgate output by 2030. Additional investment, new people and new skills will help drive profitability and increased output, thereby making a significant contribution to this growth target.

What needs to change?

Reduce the cost of entry and create new avenues to dairy farm asset ownership

This involves working with the finance sector to identify new approaches of accessing finance and working with government to reduce some of the regulatory costs of doing business (e.g. stamp duty, and exploring and promoting new business structures such as equity partnerships).

More detail will be included in the final Dairy Plan, but one option under consideration is the development of new asset classes such as dairy cows, to open up new entrant and career opportunities – herd ownership, or building a herd can be a legitimate business goal.

Increase industry investment through targeting and engaging with the different investor groups

We commit to more roadshows and investment forums to speak directly with potential investors. These are best run on a state-by-state basis, featuring case studies and 'how-to' guides on investment and regulatory requirements for each area. Complementing this initiative will be the creation of tools and resources to enable dairy businesses to be 'investor ready'.

A more specific campaign will be focused on attracting 'career changers' into dairy farming i.e. people who are mid-career bringing some equity, skills and experiences from other businesses. This campaign will be based on a deep understanding of what it is that attracts these types of people to the industry.

In marketing industry opportunities, much more can be done to give young people a stronger voice though programs like the Young Dairy Network (YDN). Members of this program – which connects with 2,000–3,000 highly engaged young people – can be effective ambassadors for the future opportunities in the industry.

Promote clear career pathways into the dairy industry

To attract more people and investment, we will clarify and promote the career pathways into the many different roles that exist across all sectors of the dairy industry. This will be supported by a 'capability framework' that identifies the required skills, competencies, and mindsets for these roles as well as ongoing skills needed.

Key gaps in on-farm career pathways will be targeted (e.g. new approaches for industry training placements and internships to attract school leavers and post-secondary graduates). It will be important to push beyond the entry level pathway of apprenticeships/trainees and provide increased aspirations about working in dairy (e.g. additional training/development beyond the apprenticeship framework, mentoring/coaching etc).

The role and variety of off-farm professional careers will be better recognised. This includes roles in the milk processing or the supporting services sector (e.g. advisory roles in commercial organisations, on-farm consulting as well as work in advocacy organisations).

If we get this right, we will see:

- More people joining the industry, positive about the opportunities for a rewarding career
- Significantly more investment in the industry from a wide range of sources
- Increasing dairy production, driving industry profitability and growth, with positive outcomes for regional communities in the form of jobs and investment.

COMMITMENT 3 We will increase our effort in marketing and promotion to build greater levels of trust with consumers and to improve the value of dairy products

Why is this important?

Across the board, consumer expectations are rising. Consumers are generally more socially conscious. They are actively seeking information on both product attributes and the way products are produced, using this information to guide their purchasing behaviour. When it comes to the dairy industry, many consumers want more transparent information on topics such as health and nutrition, animal welfare, farmer welfare, environmental impacts and responses to climate change pressures.

The dairy industry is responding to these rising expectations. The industry regularly reports to the public on its progress against commitments as part of the *Australian Dairy Sustainability Framework*. This is complemented by industry's investment in generic marketing and promotion that addresses consumer concerns around the industry. For example, DA currently invests \$4 million in the form of targeted marketing initiatives, separate to the generic and branded marketing activities of companies.

However, the current scale and breadth of marketing campaigns is not enough. If we are to significantly lift positivity and confidence in the industry and its products, then generic marketing and promotion has a bigger role to play.

It was only a few years ago that headlines used to talk about the 'white gold' produced by a growing and viable dairy industry. Now these positive stories have been replaced with a narrative of farmers struggling with poor seasonal conditions, feed shortages, the impact of \$1/litre milk, dairy alternatives, and the treatment of animals. There is a tendency for the dairy industry to feel it is under attack from reported misinformation and consequent impacts on markets, profitability and wider industry morale.

More effort is required to protect and enhance the reputation of the dairy industry and its products.

There are several important ways marketing and promotion can help restore confidence. First, there is more that can be done to promote the inherent value of dairy products:

- Consumers increasingly question the food they consume and the way it is produced.¹ This is influencing trust and expectations of dairy. The more socially conscious consumer is seeking more transparent information in order to inform their opinion about dairy. It is our chance to continue to respond to that need and build trust in relation to the industry's commitment to health, environment and animal welfare.
- Dairy farmers and processors are rightly proud of what they produce, with milk, yoghurt and cheese key to a healthy diet. It is important to remind consumers that dairy is an excellent natural source of protein and many other essential nutrients.

- It may also be a way to combat what many see as the 'de-valuing' of dairy through the heavy retail discounting of 'home brand' dairy products. Consumers seeking value are attracted to lower cost 'home brand' milk and cheese but many in the industry argue that retail discounting (and particularly the introduction of \$1/litre milk) has worked to erode the perceived value of all dairy products. Some believe that if consumers are convinced of the true value of dairy products, they may be prepared to pay more.

More fundamentally, our collective efforts here need to put more emphasis on building confidence in the industry – consumers, investors and participants need to hear the good news. This is an opportunity to not only address requirements for more transparency in relation to industry product and practices, but also the chance to celebrate the benefits of dairy and Australia's love of dairy products, and our farmers. It is important to demonstrate that this is a good industry in which to work and invest.

In short, to enhance trust, confidence and belief in dairy products and the industry, we need to increase the scale and effectiveness of our marketing and promotion. This must be a whole of industry commitment and investment, to provide a united approach with sufficient scale to generate impact. This more than ever is the time to use our collective voice and energy to support Australian dairy.

¹ The International Food Information Council 2018 Food and Health Survey recorded that 6 in 10 consumers now say it is important to them that the food they purchase or consume is produced in a sustainable way, an increase from 50% who said the same in 2017.



What needs to change?

Secure whole of supply chain support for a major new national marketing and promotion campaign that will significantly increase the size of marketing activities

This is a key imperative for the industry. Our goal is to double the size and scope of the marketing effort. This increased marketing effort will be backed by a business plan that sets out the value proposition for all parts of the supply chain, including new investment models and greater coordination of generic marketing and promotion activities.

Focus the campaign to drive support for dairy products and rally support for the industry.

This campaign will continue to engage the more socially conscious consumers who are seeking more transparent information on the industry's commitments to health, the environment and animal welfare (i.e. we need to continue to build trust with this cohort.)

However, there is another segment of the Australian community to which marketing and promotion will be extended. These are the consumers – nearly two-thirds of the population – who are generally supportive of dairy and open to messages around its value and its role in their diets. These people are supporters of dairy and our industry but should be reminded why i.e. through messaging that promotes the contribution of dairy to a healthy lifestyle, the quality of Australian dairy products, and the vital contribution our dairy farmers make to our economy. Additionally, there is opportunity to increase this segment of supporters with impactful promotion.

Execute through multiple channels and effective partnerships

While DA has historically provided the majority of generic marketing and promotion, a significantly larger campaign requires contribution from across the supply chain. Partnerships with processors, retailers and farmers will be important to generate reach and the impact required, while 'ambassadors' from across the supply chain will be engaged

to rally the entire supply chain and to reinforce and amplify positive messages about dairy within and outside the industry.

If we get this right, we will see:

- The entire dairy value chain supporting a step change improvement in the dairy industry's image and credentials through a unified marketing and promotion campaign
- Increased consumer recognition of the value of Australian dairy products, from production to the inherent nutrient profile, driving greater consumption
- A more profitable, confident dairy industry, positive about the future of the industry.

COMMITMENT 4 We will intensify the focus on farm business skills to improve profitability and better manage risk

Why is this important?

Australian dairy farmers manage highly complex, decision-intensive animal production systems.

Our farmers operate these systems in an environment characterised by very high, and increasing, levels of volatility where:

- Dairy commodity prices are commonly perceived as one of the most volatile of all global traded commodities, with several major price shocks in recent years, and more that are possible given an increasingly uncertain trading environment
- Australia's rising levels of climate volatility is contributing to levels of volatility in feed and water costs that were unimaginable twenty years ago
- Dairy production and processing are particularly vulnerable as the perishability of the product, and the complexity of production systems, make it more difficult to adjust supply to manage risk.

All these factors combine to put pressure on the ability of farm businesses to generate profits and the need for a heightened level of skill and practice for all farmers.

In these conditions of increased volatility, having the business skills and tools to manage business risk is more important than ever. In short, today's dairy farmers have to be more prepared, more agile and more proactive than ever. Using contemporary business management skills and tools to assist in managing risks and informing decision-making is essential in delivering more profit consistently and ultimately, achieving long-term business and personal goals.

Governments too appreciate that they have an important role to play in this challenge. For example, the proposed

new Australian Government Future Drought Fund acknowledges that agriculture and regional communities are facing more than just the cyclical nature of drought – Australia is now dealing with an ongoing trend towards much more frequent and severe droughts.

In response, the Future Drought Fund proposes an annual investment of \$100 million to increase the resilience of Australian farm businesses and communities. A key part of this is helping farmers manage the commercial risks associated with agriculture through good business management planning and sound decision-making (see Case Study for further detail). This includes initiatives that improve the strategic management capacity, and the use of data and information to improve on-farm decision-making and risk management. State governments have also actively engaged with important initiatives locally.

The dairy industry has a number of programs and initiatives (some in the pilot stage) that can be scaled up and more effectively coordinated in order to realise the dramatic improvements that come from farmers who are more informed, more confident and more able to manage challenges and grasp opportunities as they arise. Success here will depend on securing whole of industry support for this focus on business skills. It will also be important to link in those people who work with farmers on their business decisions and have some influence here (e.g. their advisers, accountants, bank managers, nutritionists and agronomists).

There is also a role for government in supporting on-farm infrastructure that helps manage risk and volatility. We know, for example, that farmers with on-farm fodder inventory and supporting infrastructure are not

as exposed to price increases and tend to do a lot better in managing volatility. However, in the current climate many who would benefit from this type of infrastructure are not able to access the necessary finance.

There are some precedents for this type of government support. For example, the Tasmanian Government is co-investing in community water schemes that aim to increase investment in water infrastructure and 'drought proof' the state. Meanwhile, the Victorian Government is making grants available on a small scale to eligible farm businesses to implement on-farm infrastructure that improve drought management and preparedness. There are opportunities to work with government to extend these initiatives.

On-farm grants can also be tied to improvements in farm business skills (e.g. by making grant eligibility contingent on having an approved farm business plan, and on participation in programs designed to collect on-farm financial and performance data to better understand the drivers of profitability).

In championing these initiatives for managing risk and volatility, we can get inspiration from the fact that despite the wide variation in the profitability of farmers, there are farmers making money in every region and operating every form of production system.

The common characteristic of these more profitable farming practices is the application of excellent business skills to manage risk and lower costs of production.

The clear objective is to lift the business skills of all farmers to improve their profitability and that of the wider industry. Case studies of profitable dairy businesses across a range of farm systems and dairy regions will help.

What needs to change?

Increase significantly the proportion of farmers with effective farm business plans

We commit to delivering a rapid expansion of a range of tailored services, to increase farm business planning skills and the management of volatility and risk, designed to deliver a consistent improvement of profit margins. This needs to be paired with greater access to finance to farmers for building on-farm infrastructure as a risk management strategy (see initiative 3 below). We will work with Federal and State Governments to help the dairy industry to take full advantage of these opportunities. It will be important that this is at a scale that can drive real, industry-wide change and leads to continuous improvement in business skills and risk management over the long term.

The whole of industry approach will coordinate and focus the efforts of all service providers, including DA, Regional Development Programs, Gardiner, milk processors, accountants, banks and those parts of the private agribusiness sector that influence farm business decisions.

A new service model based on the newly developed *Our Farm, Our Plan* will be implemented with the goal of 100 per cent of farm businesses who intend to continue dairying to identify their strategic long-term goals and having a documented plan by 2025. These plans will result in farmers being in a better position with their business, based on a clear view of their long-term business and personal goals.

Benefits include: a planning process that involves all the decision-makers in a farm business, a result that is widely owned within the business and farmers able to share their plans with others, within and outside their business.

Increase the use of both physical and financial data to make better decisions on-farm

Improving business skills and making better decisions depends on farmers using physical and financial data more effectively to measure, track and compare their business performance over time. To better enable benchmarking, we need to first increase the number of farms capturing and entering farm physical and financial data into *DairyBase* and using the *Dairy Standard Chart of Accounts*. This will need to be facilitated by making it simpler and easier to capture and retrieve data through the development of a tool that captures physical data year-round.

Using this data effectively will involve:

- Offering farmers training in business analysis and risk management (e.g. by scaling up the Dairy Farm Business Analysis program through multiple channels)
- Equipping farmers to get more value from accounting software
- Linking this information to better feed planning, an understanding of home-grown feed production risks, and the management of feed purchasing risk.

Work with governments to source on-farm grants to help farmers manage risk

We will work with governments to source grants to stimulate farmers to invest in infrastructure that increases their capacity to deliver, store and handle feed and water on-farm. This will prepare them to manage dry seasons, reduce the risk of their exposure to volatile feed and water markets, and reduce the cost of feed wastage (up to 30 per cent wastage can occur).

If we get this right, we will see:

- More positive attitudes, behaviours and practices re farm business performance
- More effective, data-driven decision-making to improve farm performance and manage risk and volatility
- More dairy farmers confident in their businesses and making more profit, more consistently.

Case Study Successful business planning outcomes – Evidence from the Western Australian Drought Pilot

In May 2010, in response to the national review of drought policy, the Australian and Western Australian Governments announced a one-year pilot of drought reform measures in parts of Western Australia. The pilot had a budget of \$23 million (\$18 million contributed by the Australian Government and \$5 million by the Western Australian Government).

The Pilot – Farm Planning Program

There were seven programs included in the pilot: farm planning, building farm businesses, farm family support, farm social support, stronger rural communities, farm exit support and beyond farming.

This case study focuses on the outcomes of the Farm Planning program. The Farm Planning program aimed to enhance farmers' skills in business, natural resource management and personal planning and increase the number of farm businesses with comprehensive written strategic farm plans. The program also aimed to increase the perceived value of business planning by farmers.

A total of 374 farm businesses completed the Farm Planning program. The program involved a professionally facilitated course, comprising of five modules run over 5–8 weeks, where farm businesses developed or updated a written strategic plan for their business. An opportunity as part of the program was the independent assessment of strategic plans. Written strategic plans were also a compulsory requirement to allow farm businesses to apply for Building Farm Business Grants (another program under the pilot). A total of 119 strategic plans were submitted to the independent advisory panel for assessment.

While prior to taking the course 97 per cent of participants indicated that strategic planning was useful to their farm business, only 40 per cent reported as actually having a strategic plan. Commonly cited reasons for not having a plan included “that it was in their head, that they hadn't got around to, or that their bank manager, accountant or consultant did it for them.”

Findings from the Independent Review – Farm Planning Program

In February 2011, the Australian and Western Australian Governments arranged for an independent review of the drought pilot, meeting with communities across the pilot region, program delivery partners, industry organisations, banks, Australian and state government agencies and other interested parties. The review found that almost 400 farm businesses developed or updated strategic farm plans as part of the Farm Planning program and over 120 farm businesses received Building Farm Businesses grants of up to \$60,000. Feedback on the program included:

“[Farm Planning has] been a great strategic lift for the business and identified lots of things we can tackle and improve.”

“We've seen that we can turn our business around. Putting it down on paper has helped us heaps.”

“The best module by far was the financial management [module]”

Key findings included:

- 63 per cent of program participants did not have a strategic plan before undertaking the program
- 19 per cent of those who did never referred to their plan

On completion of the program:

- 98 per cent of participants intended to refer to their strategic plan at least annually
- The number of participants who said they were either confident or very confident in implementing a strategic plan for their business increased from 52 per cent to 89 per cent
- The proportion of participants reporting they were confident to very confident in the future viability of their business increased from 64 per cent to 84 per cent
- Participants indicated that follow up courses to embed learning would be beneficial:

“A 12-month review with a facilitator would be beneficial as follow up”

“Follow up workshops around 12 months after the initial process could be a great way to keep the momentum going.”

Recommendations from the Independent Review – Farm Planning Program

The panel concluded that continuing opportunities to engage in and implement strategic farm business planning would represent [part of] a robust future policy platform. It developed and delivered eight specific recommendations in relation to strategic farm business planning.

Source: <https://www.agriculture.gov.au/sites/default/files/sitecollectiondocuments/ag-food/drought/wa-droughtpilot-review.pdf>

COMMITMENT 5 We will restore trust and transparency between farmers, processors and retailers to strengthen industry confidence

Why is this important?

The industry recognises that a number of recent events have contributed to a significant loss of trust across the dairy supply chain.

In particular, the introduction of private label \$1/litre milk and discounted dairy products have diminished the value of dairy in the eyes of consumers, and eroded profitability in the supply chain, while the 2016 farm milk price (FMP) step-down damaged the relationship between many farmers and the processing sector.

These events have taken place against the backdrop of significant changes in the structure of the dairy industry. In just a few years, the share of milk processed by farmer-owned cooperatives has gone from 'major' to 'minor'. Only one of the eight major processing firms does not operate as a foreign owned multinational (and with an expanded business focus beyond dairy) and this is no longer a cooperative. The factory operations of the other seven firms have either been rationalised, closed or incorporated into the businesses of major global players such as Fonterra, Lactalis, Saputo and Lion Dairy and Drinks (and, in some cases, Bega).

In this changing environment it is more important than ever to re-build co-dependant relationships and to find opportunities for farmers, processors and retailers to work together to generate more value in the supply chain. This is crucial because dairy production and processing does not run on short planning cycles – success depends on the continuity of supply that comes from investment in long-term relationships built on confidence and trust.

A key part of rebuilding trust is helping farmers more effectively manage the risks associated with the high

levels of price volatility in the dairy industry. Processors and farmers have or are currently working on several encouraging initiatives here, including simplified payment systems, standard form contracts, and longer-term contracts designed to improve price transparency and certainty for farmers.

The new mandatory Dairy Code of Conduct (the Code) will also play an important role in providing the foundations for standard form contracts between farmers and processors for the buying and selling of raw milk, aiming to increase fairness and transparency. There is now broad acceptance of the Code, with a number of processors already adopting practices contained in the Code. The Code will likely be implemented before the Dairy Plan commences in July 2020.

Once finalised, it will be important to continue to reinforce the role of the Code and how it can work to build confidence in the way farmers and processors enter into agreements.

The next step in improving trust and transparency is the promotion of more transparent pricing. The Australian market is functioning well on a buy/sell basis but lacks hedging (financial instruments that aim to reduce the risk of adverse price volatility) opportunities for the buyer and the seller.

Other major dairy producing countries provide more opportunities to hedge using tradeable products such as futures markets that allow farmers, processors and brokers to manage milk price risk. While there is no one perfect model, overseas examples do provide a level of price transparency and an ability to manage price risk that does not exist in Australia. Importantly, these markets also have government legislation and regulation that back these tradeable products that enable the market to operate with a level of trust.

For example, the US has a functioning dairy futures market (via the Chicago Mercantile Exchange) and a risk management mentality across all agricultural commodities. In Ireland, there is the European Energy Exchange and have price insurance for farmers, and New Zealand has the New Zealand Exchange (NZX). The Global Dairy Trade (GDT), an online dairy trading hub for buying and selling dairy, provides spot prices for key commodities and is ultimately the settlement mechanism for NZX contracts/options. Due to the dominant influence of dairy commodities on FMP in New Zealand, GDT is also a key indicator of the NZ milk price. It provides farmers with a transparent view of what the market is willing to price milk at a particular time in the future.

In partnership with the Federal Government, the industry will explore the design, development and market testing for a new milk price and trading platform which could provide potentially greater selling options through the supply chain.

While each market is different, the common thread is that each country has a milk market backed by government legislation that acts as a critical enabler for price risk management along the supply chain. Note that in each of these cases, government backing is critical for ensuring that high quality information is provided and that the market functions effectively.

In contrast, Australia is some years away from having a functioning futures market for raw milk, not least because Australian dairy farmers typically have very little experience with the risk management tools that other industries take for granted. However, it is important to begin taking steps towards providing dairy farmers with FMP risk tools.

In partnership with the Australian Government, the industry will explore the design, development and market testing for a new milk pricing and trading platform which could provide potentially greater selling options through the supply chain.

In the short-term, many in the industry agree that effective and transparent price disclosure would go a long way to satisfying industry demands for increased information on pricing.

There is also a role for more education about risk and market dynamics to help farmers understand the drivers of price volatility. For example, milk prices tend to lag behind, but are highly correlated with, changes to the Commodity Price Index (reflecting the influence of the commodity prices and the \$AU on milk price).

Similarly, processors can help farmers better understand the drivers of pricing decisions by being more transparent on some elements of their operations. An example is more information on the risk-reward trade-offs that processors make (e.g. a decision to supply infant formula to China can earn processors a higher price but also comes with much greater supply chain risks than supplying to the domestic market). Likewise, there is scope for processors to share more cost conversion information post-farm gate (e.g. their manufacturing and energy costs). Measures like these will complement improvements in price transparency and ultimately grow confidence.

What needs to change?

The Partners commit to building on recent work to restore trust and transparency, with a stronger focus on price disclosure and supporting measures to help manage price volatility. We will:

Establish the 'Milk Price Monitor' to provide greater transparency on Farm Milk Price

Milk Price Monitor will operate as the single source of verified information for FMP, collecting and integrating data from all processors and providing FMP across a range of parameters including by region, by farm size, and across seasons.

This initiative will be led by processors through the ADPF, but its value and integrity will be enhanced through the involvement of other industry partners such as DA and ADF. Milk Price Monitor will be available through a range of channels, including a website and possibly an app.

To assure the industry of the accuracy and reliability of the FMP information on Milk Price Monitor, an independent body will be engaged to undertake a review of its performance within the first three years of its operation.

Improve industry understanding of the drivers of Farm Milk Price

As part of a commitment to improved transparency, processors will publish other information to help increase the transparency of some of the drivers that inform FMP. This will include:

- Enhancing the understanding of market dynamics (e.g. by outlining trends in international markets and other key signals that influence the FMP)

- Provide insight into risk and reward decisions faced by processors
- Improving the understanding of the business costs of processors by outlining typical conversion and supply chain costs post farm gate (e.g. manufacturing and post farm supply chain costs).

Lays the groundwork for transitioning over time to a functioning futures market for raw milk

The Milk Price Monitor is the first step in moving towards a functioning milk price market backed by government legislation (as operates in other major dairy producing countries). To this end, it will be developed in a way that ensures it can support the future development of tradeable products for managing price risk (e.g. revenue insurance). While a functioning futures market for raw milk will take a number of years to develop, the Partners commit to laying the groundwork now by developing the case for a milk price market and the transition plan to arrive there. This will be informed by the current ADF project that is looking to design, develop and market test new concepts related to milk pricing and trading.

If we get this right, we will see:

- A better understanding of market dynamics across the whole value chain including the key drivers of FMP and the impact of their relative movement
- Stronger processor-farmer relationships characterised by higher levels of trust and transparency and ultimately confidence
- A price discovery model that lays the foundation to establish a functioning futures market.

4 Focusing on the fundamentals

The dairy industry has established a range of critically important activities and partnerships that are of fundamental importance to the dairy industry. It is increasingly important to leverage these assets to improve our positioning with the community, lead policy debates that are critical to the future of the industry (such as water and trade), realise the potential of innovations to improve operating margins on farm and in factory, and continually tend to important markets for dairy in Australia and overseas.

The built capacity of the industry to address these fundamental issues and opportunities has involved years of investment and development of people capability and infrastructure, often with the support of Federal and State Governments.

This section sets out the ongoing importance of work in sustainability, policy leadership, research, development and extension, and market development. Emphasis is placed on activities that drive the success of the plan, through greater confidence, profit and unity.



Sustainability

Food industries like dairy are at the centre of many of the sustainability challenges facing the world today, with issues like land degradation, biodiversity loss, food security, climate change, population growth, water scarcity, animal welfare, public health, human rights and technological disruption challenging the way food is made.

It is critical that the Australian dairy industry is working to meet these challenges to sustain the trust and support of the community and consumers.

The *Australian Dairy Sustainability Framework* (the Sustainability Framework) is the key enabler of this. The Sustainability Framework provides direction – in the form of 2030 goals and measurable targets (outlined in Table 1) – that sets us on the path towards, for example, achieving zero farm fatalities; trending towards carbon neutrality; reusing, recycling or composting 100 per cent of packaging; halving food waste; creating more rewarding careers for better skilled workers; earning income from environmental stewardship; improving animal welfare practices and food safety; reducing antibiotic use; strengthening integrity systems; and producing nutritious food that the world cannot live without.

The Sustainability Framework also measures and publicly reports on progress against these goals

and targets annually (see www.sustainabledairyoz.com.au).

The Australian dairy industry has achieved worldwide recognition for this framework – the first of its kind – and its ability to demonstrate the industry's credentials. More importantly, it has won the support of investors, customers, retailers, special interest groups, financial institutions, government, primary industry and the wider community, including consumers.

One of the goals of the Dairy Plan is to restore confidence in the industry. The Sustainability Framework will play a key role in this by continually focusing on what the industry needs to do to maintain and enhance community trust. It is also a key mechanism to substantiate a number of the aspirations of the Dairy Plan, such as to more effectively promote the health and nutrition benefits of dairy.

Of course, the environment in which we operate is dynamic, and community and consumers expectations are continually rising.

The Sustainability Framework manages this with a number of mechanisms that constantly monitor what matters to the community, consumers, multinational customers and retailers as well as our key stakeholders. For example, the Sustainability Consultative Forum comprises over 50 representatives of these different groups and has met twice yearly for the past seven years to provide feedback on our goals, targets and progress – as well as

identifying any emerging issues that we need to address.

This feedback enables us to continually review our goals and targets and adjust as necessary.

In 2018, we identified antimicrobial stewardship, human rights and food waste as significant (material) issues for the Australian dairy industry and now have them included as targets in the Sustainability Framework. We also reset our goals and targets from 2020 to 2030, aligning dairy with the United Nations Sustainable Development Goals (UN SDGs).

Similarly, the growing concerns about climate risk are also continuously under consideration. At this stage the industry has committed to a 30 per cent reduction of emissions across the industry on 2015 levels – but will continue to review this and consider if a carbon neutral target is appropriate.

The implementation of the Dairy Plan will also drive changes in what the industry considers to be the priority issues. Over the next five years the Sustainability Framework will continue to be revised and enhanced to include additional areas where required. New goals and targets will be set, existing goals and targets refined, and action plans developed to support achieving the goals and targets in line with the Dairy Plan strategic priorities and what stakeholders expect. Key indicators will be determined, and we will publicly report against these with hard evidence to demonstrate our progress and show where we need to do more



Our Dairy Promise: To provide nutritious food for a healthier world

Table 1 Australian dairy industry sustainability goals and targets for 2030

Enhancing Economic viability and livelihoods	
Creating a vibrant industry that rewards dairy workers and families, their related communities, business and investors	
Goal 1 Increase the competitiveness and profitability of the Australian dairy industry	<ul style="list-style-type: none"> • Adopt finally agreed Profitability Target from Australian Dairy Plan • Increase the Australian dairy industry's share of global dairy trade to 10% by volume • Increase RD&E expenditure in the dairy sector by 2% per annum • Provide consumers with greater choice and access to a variety
Goal 2 Increase the resilience and prosperity of dairy communities	<ul style="list-style-type: none"> • Increase the contribution the dairy industry makes to supporting the economy of dairy regions • 10% increase on 2018 figures in the recognition of the benefit of the dairy industry to regional communities • Increase the contribution people in dairy make to social capital (community initiatives) in their community
Goal 3 Provide a safe work environment for all dairy workers	<ul style="list-style-type: none"> • Zero workplace fatalities • 100% of dairy workers implement good safety practices • 30% reduction in the Lost Time Injury Frequency Rate (LTIFR) from 2017 figures • More than 90% of dairy workers work less than 50 hours per week
Goal 4 Provide a productive and rewarding work environment for all dairy workers	<ul style="list-style-type: none"> • Less than 25% of dairy workers report low levels of life satisfaction • Rates of dairy remuneration are similar to or higher than other regional industries • 80% of dairy workers are retained within the industry year-on-year • Less than 20% of dairy employers report difficulty in sourcing suitable applicants • More than 70% of dairy farm owners have an agreed farm transition plan • Dairy industry has an industry-wide agreed human rights position
Improving wellbeing of people	
Providing nutritious, safe, quality dairy food	
Goal 5 All dairy products and ingredients sold are safe	<ul style="list-style-type: none"> • Zero non-compliant chemical residues found during the Australian Milk Residue Analysis (AMRA) Survey – yearly goal • Zero product recalls due to food contamination – yearly goal • 95% of consumers agree Australia produces safe and high-quality dairy products • Food Safety Culture embedded into the dairy food business
Goal 6 Dairy contributes to improved health outcomes for all Australians	<ul style="list-style-type: none"> • Improve consumers' perceptions of the health and nutrition benefits of dairy foods • The National Health and Medical Research Council (NHMRC) Australian Dietary Guidelines continue to recommend milk, cheese and yoghurt as part of a healthy diet • Australians meet recommended daily serves for dairy • All dairy companies adopt a stated position on responsible consumption by 2020 and publicly report on progress by 2030



Providing best care for all our animals

Striving for best care for all our animals throughout their lives

- Goal 7** Provide best care for all animals for whole of life
- 100% ongoing compliance with legislated animal welfare standards
 - All of industry adopting relevant recommended industry practices for animal care
 - No tail docking
 - No routine use of calving induction
 - All calves disbudded with pain relief prior to two months of age
 - All calves managed appropriately
 - All farmers implementing a lameness strategy
 - All farmers where relevant have cooling infrastructure
 - All farmers implementing a documented biosecurity plan
 - 90% of consumers believe dairy farmers do a good job caring for animals
 - All dairy farmers use antibiotics responsibly
 - All dairy farmers access antibiotics from a registered vet and use them responsibly under vet supervision
 - Antibiotics of high importance to human Antimicrobial Resistance (AMR) in Australia are only used to treat dairy livestock in exceptional circumstances when no other alternatives exist

Reducing environmental impact

Meeting the challenge of climate change and providing good stewardship of our natural resources

- Goal 8** Improve land management
- 100% of stock excluded from waterways and
 - 100% of riparian zones actively managed and maintained
 - 100% of farmers complete and implement a soil and nutrient management plan
 - 100% of farmers have and implement a documented biodiversity plan
 - Zero net deforestation by 2020
-
- Goal 9** Increase water use efficiency
- 30% reduction in the consumptive water intensity of dairy companies on 2010/11 levels)
 - Improve water use and water productivity on dairy farms to utilise 2.0 tonnes of dry matter per ML water used
 - 100% of farmers recycling water from dairy sheds
 - 100% of farmers monitoring water consumption
 - 100% of farmers have a water security risk management plan by 2020 and are implementing it – ongoing
-
- Goal 10** Reduce green house gas (GHG) emissions intensity
- 30% reduction in GHG emissions intensity across the whole industry (on 2015 levels)
-
- Goal 11** Reduce waste
- 100% diversion rate from landfill for dairy companies, and
 - 100% of silage wrap recycled for farm
 - All dairy companies participate in the Australian Packaging Covenant (APC) or equivalent scheme
 - 100% of Australian dairy packaging to be recyclable, compostable or reusable by 2025 or earlier
 - Halve food waste



Policy leadership

Effective policy advocacy plays a critical role in ensuring that policy settings on key issues support the profitability and sustainability of the dairy industry. This is underpinned by the development of well-informed policy positions on these issues to defend and promote the strengths of the dairy industry, improve its performance and reputation, and minimise the risk of adverse decisions that can work against the industry.

In recent years, the dairy industry's advocacy efforts have had some major successes. These include the negotiation of the China Free Trade Agreement, a new labour agreement, the \$22m dairy package announced in the last Federal election and, significantly, the end of \$1/litre milk.

Successful policy advocacy depends on a strong, credible and united dairy industry, able to command an audience with government and other decision-makers.

This unity, in particular, has been difficult to achieve in the current

rapidly shifting industry and political environment. The wide-ranging views of dairy-farmers, and between dairy farmers and processors, has meant it has been difficult to find common ground on critical policy issues, and to speak with one unified and authoritative voice. The result is that government and other decision-makers are often uncertain about which dairy voice they should listen to.

The Dairy Plan is working to address this challenge through Commitment 1 which focuses on reforming dairy industry structures and how we work together, to create a more cohesive dairy industry and a more influential advocacy voice.

It is vital that we get this right. There are a number of important issues looming that will have a direct bearing on the sustainability and profitability of the industry in areas as wide-ranging as trade, human health and nutrition, animal health and welfare, gene technology, competition law, labour, climate change, energy, waste and packaging, greenhouse gas abatement, soil health, nutrient management, biodiversity, and

water. Good policy outcomes will depend on our ability to take united and well-constructed policy positions to government where we align, or coordinated responses where we may differ. Often this will include working collaboratively with like-minded organisations to extend our influence.

More specifically, some key constraints to returning the dairy industry to profitable growth identified in this Dairy Plan depend on being able to work constructively with government. We recognise the success of the Dairy Plan over the next five years depends on us providing policy leadership to:

- drive changes in water, energy, waste and labour policies to contain increasing costs of production
- influence public health debates about food labelling, sugar and nutrition alternatives
- secure support for initiatives to manage risk and volatility e.g. associated with more frequent and severe droughts.

Research, development and extension

The crucial role of research, development and extension (RD&E) in industry success is widely recognised. Understanding the science of what makes a dairy farm work is fundamentally important to contain cost increases, manage risks, increase milk production and sustain our natural resources. Understanding product quality, realising opportunities to be more sustainable in milk processing, and creating innovative products is important for milk processing and marketing. Taking the results of innovative research, applying it to real-world situations and making it accessible for farmers is where development and extension play an essential part.

The dairy industry is rightly proud of how it has developed its RD&E activities. We have a national focus to our research and development activities that coordinates the activities of both investors and research providers (called the *Dairy Moving Forward* framework), and a regional extension network that is connected to the industry providing practical, regionally-specific extension. The impact of investments in these areas is magnified through strong, collaborative partnerships with State governments, Australian universities, overseas universities, and global partners like Dairy NZ.

This capability will continue to provide a steady stream of innovations in the short, medium and long term. In particular:

- Major opportunities for positive on-farm change will continue to be provided by the industry's world-class research initiatives like Dairy Feedbase, DairyBio and DataGene – resulting in more advanced animal and plant genetics, improved farming system models and practices, and new ways of accessing information to support farm decisions.
- Generating new knowledge and practices for animal health and welfare, soil, water and land management will ensure our industry sustainability practices meet consumer and societal expectations locally and internationally.
- Opportunities in processing and marketing will focus on addressing sustainability issues, including packaging materials, food waste, and reduced waste streams from milk processing.
- Increasing the rate and scale of adoption of these innovations and technologies will be achieved by being more responsive to different learning styles and preferences while delivering new skills and knowledge.

A key focus of the industry's RD&E efforts will be how we can respond to the challenges identified in this Dairy Plan i.e. to the growing complexity of farm operations, increasing cost and price volatility, and external pressures like changing climate and policy-driven impacts (such as water). New innovative research, rapid regional development and effective local extension will be required. A particular focus will be equipping farmers with the skills and knowledge required for this more complex operating environment.

The RD&E response to these challenges will be managed through the *Dairy Moving Forward* investment framework. Clear signals for prioritising investment will be developed that navigate the various priorities of different regions, different farming systems and different specific challenges associated with each of those systems. Improvements to coordination of investment through the *Dairy Moving Forward* framework will deliver a more consistent, transparent approach to the allocation of investment. Improved investment review processes will also direct more investment towards priority activities in research, development and extension.

The dairy industry will reflect the key directions and commitments of the Dairy Plan in its investment in research, development and extension, prioritising important activities that will increase industry confidence and profitability.

Market development

Constant investment in market development is required to sustain demand for dairy products.

We are quite well positioned given that global dairy demand is growing, and we have effective access to many lucrative export markets.

Australia also has one of the highest levels of per-capita consumption of dairy in the world.

We also have strong market development capabilities that have made important contributions in:

- overcoming market access issues and reducing non-tariff barriers
- continuing to reinforce the position that dairy is a healthy and desirable food
- supporting food trends that attract premium pricing
- providing market insights (based on an unrivalled ability to analyse the entire dairy supply chain).

However, markets are continually changing, creating new challenges.

The Dairy Plan aspires to reverse the trend of a shrinking milk pool and return the industry to profitable growth. As the dairy industry produces more milk than is required domestically, any future production growth is destined for the international market where Australia competes with the likes of New Zealand, the EU and the USA, as well as with smaller players such as Argentina, Ukraine and Uruguay.

As Australian production and export volumes have stagnated in recent years, we have lost ground in our percentage share of global dairy trade, diminishing our significance and relevance as a dairy supplier. Our balance of domestic and export sales has also been challenged by large increases in imported dairy products.

This means that our industry's long-term growth and profitability is linked closely to our ability to be a competitive producer that can develop and retain global market positions. Success depends on being flexible, adaptable and innovative so that we can create more value and investment opportunities for our customers.

The variety of processing companies, factory sizes and broad product range in Australia can be an advantage (compared to some competitors who are more aligned to a large-volume commodity business). These factors can allow our processors to supply more *value-added* dairy products that can better meet customer needs in terms of specifications, logistics, innovations and support.

To capitalise on these value-adding opportunities we need to take advantage of positive perceptions in international markets of 'Brand Australia' and of Australian dairy more specifically. These include Australia's positive reputation as a producer of high-quality and safe agricultural products, including dairy, and favourable attributes such as its natural beauty, lifestyle and the openness of its people. We must take every opportunity to reinforce these perceptions.

More specifically, maintaining and increasing favourable trading arrangements in international markets also requires a continuing focus on:

- Developing and advocating for unified industry positions in market access negotiations
- Providing technical support for government and industry negotiators in strategic trade negotiations and disputes
- Creating greater awareness of, and active buyer preference for, Australian dairy products in key markets
- Working collaboratively to promote the positive perceptions of Australian produce in international markets
- Providing market intelligence and information sharing to Australian exporters leveraging international networks.

In short, the dairy industry will reflect the key directions of the Dairy Plan through in continued focus on ensuring access to global markets for projected increases in supply.

5 A positive industry culture

A key enabler for transforming the Australian dairy industry is a positive industry culture and narrative.

The dairy industry has historically prided itself on its constructive and collaborative culture, however, many in the industry nowadays do not characterise it that way, pointing towards a negative narrative and culture that is having a pervasive and counter-productive influence across every area of the industry.

This means making an urgent, meaningful, industry-wide shift in how the industry thinks and talks about itself, how it treats people and how it does business. This is one of the most important actions in the Dairy Plan.

“Get more positivity coming through the industry.

Change the culture to be more vibrant, transparent and have more integrity”

—Workshop participant

The change levers that will successfully drive industry-wide culture change are leadership commitment, defining common values and behaviours, and identifying and supporting capability development:

- Leaders, at all levels, must commit to inspiring by consistently role modelling and driving the desired culture. Leaders will need to contextualise the change and the benefits and communicate a narrative that reflects the values and beliefs of the desired culture.
- A critical leadership role for both formal and informal leaders is to agree and communicate common values and behaviours. Leaders must therefore be identified and engaged at different levels to drive the desired values and behaviours that create a positive industry culture.



- Large scale culture change requires those leading the change to have the skills, confidence and access to information and resources needed to contribute positively. Leadership programs are an effective way to build the capability to lead cultural change.

The outcomes of shifting to a more positive mindset for the dairy industry will be the creation of an environment that promotes the industry’s interests, invites collaboration and engagement of all stakeholders, and demonstrates an agreed set of positive values and behaviours.

There are a large group of people across the dairy industry wishing to contribute to a more positive industry culture. **Together we commit to building and sustaining a strong, positive dairy industry culture.**

“Change the culture of dairy – more positive and unified”

—Workshop participant

Specifically, we will:

- Define an agreed, common set of values and behaviours that we as an industry can commit to. These values and behaviours will set the expectations of the desired tone for industry culture that we can use to shape conversations and stories about dairy. We invite the dairy industry’s Young Dairy Network (YDN), accompanied by young leaders from the post-farm gate sector to lead the identification of these values and behaviours with support from senior industry leaders. This network will be supported by the key industry organisations.
- Promote the values and behaviours across all industry organisations. This means that people at all levels of the industry will have the opportunity to shape, promote and drive positive cultural change.
- Invest in leadership and change programs across the industry to provide leaders with the capabilities to enable people to consistency role model the agreed values and behaviours to drive cultural change.



6 Our vision for success

The Australian Dairy Plan sets out a series of commitments aimed at rebuilding the confidence of dairy businesses in the industry's future, creating unity, and lifting profitability across the dairy supply chain. The *Growth Scenarios Paper (Appendix A)* was commissioned to inform and stimulate discussion about the scope for the Australian dairy industry to return to profitable growth. It is important to note that the ability for the dairy industry to grow is contingent upon both the successful implementation of the commitments outlined in the Dairy Plan, and enabling a shift towards a positive, attractive industry culture. Success in the form of a profitable, confident and united industry will only then arrest the recent trend of drift and decline and see a return to growth in milk production.

Returning to profitable growth

In 2017, the National Farmers Federation (NFF) announced a vision for the agriculture sector to exceed \$100 billion in farmgate output by 2030, subsequently endorsed by the Federal Government. Analysis by consultancy firm ACIL-Allen (*Agriculture – a \$100B sector by 2030?*) outlined a base case whole-of-agriculture scenario \$15.7 billion short of the \$100 billion vision by 2030. Reaching this base case level implies an average rate of growth in nominal farm value of about 1.7 per cent from 2016–17. To achieve \$100 billion in value by 2030 would require an average nominal growth rate of 3 per cent across the period.

From a market perspective, we know that demand for dairy continues to grow, with robust domestic consumption of dairy, and growing international demand for Australian dairy products.

To meet the NFF 2030 vision and satisfy local and global demand several quantitative milk volume outcomes were modelled at the regional level. Outcomes were predicted on:

- The current context
- Likely future opportunities in the event of a successful Dairy Plan implementation
- Additional longer-term growth potential should further progress be made on addressing identified constraints
- The trend in the event of no significant positive change to the current 10-year average trajectory.

Three growth scenarios have been modelled.

1 Drift and decline

Under the drift and decline scenario, current limitations to growth continue and as headwinds build. Farmer profitability remains patchy, processing investment stalls and confidence remains depressed.

2 Medium growth

Under the medium growth scenario, milk production grows at growth rates modelled for a 'Profitable, Confident and United' industry, but remains subject to other restraints such as land availability, water and feed pricing, and capital constraints. Those constraints act as an increasing limitation on growth, and consequently, from FY26 to FY30 growth slows to half the previous rates.

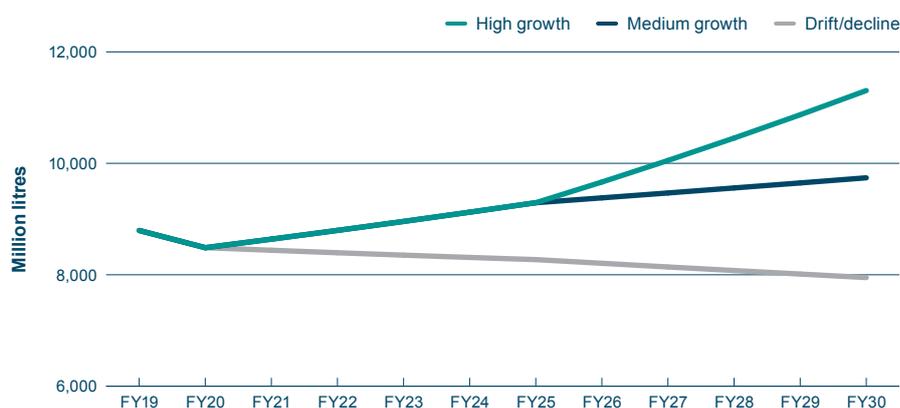
Assuming a successful Dairy Plan and under no further intervention, this is seen as the most realistic scenario.

3 High growth

Under the high growth scenario, milk production grows at the same growth rates modelled for a 'Profitable, Confident and United' industry over the FY21 to FY25 period. However, a concerted effort to reduce and remove regional constraints enables the industry to continue to accelerate its growth in the FY26 to FY30 period, as farmer profitability remains strong.

Figure 4 shows the path national milk volume takes under each scenario over time.

Figure 4 National milk production scenarios



Economic impact

A comprehensive analysis of the economic contribution of the Australian dairy industry was conducted in FY15 by Econsearch.¹ This fundamental piece of work produced a set of multipliers that, under appropriate assumptions, can be used to project economic impacts of a given change in milk production and farmgate value. Although economic relationships (and thus multipliers) change over time, comparison of different scenarios under the same economic assumptions helps to illustrate the scale of the difference in ultimate outcomes. Applying these multipliers to both the most recent (FY19) season, and a future medium or high growth scenario where the Australian dairy industry is profitable, confident and united, produces the outcomes shown in Table 2 by FY25.

By 2030, the divergence between the medium and high growth scenarios produces a range in outcomes. As additional context, Table 2 depicts the equivalent outcomes as modelled by ACIL-Allen for their \$100 billion by 2030 analysis.

Under the medium growth scenario, milk production in 2024–25 (FY25) is forecast to be 9.3 billion litres, one billion litres higher than the projected levels of production on current settings.² This additional production will generate more than \$600 million annually in extra value at the farmgate and stimulate the growth of at least 1,000 direct new jobs, mostly in rural and regional areas.

Constraints and risks analysis

Assuming a successful development and implementation phase, numerous other constraints will weigh on milk production at the regional level. A national snapshot of these constraints is listed below. The degree of growth experiences depends upon the ability of the dairy industry to meet and overcome these challenges.

- Land availability: Increasing competition for land around primary dairy, coastline and population centres.
- Feed base and climate: Increased diversity and variability of climate, growing reliance on management ability.

- Water: Increasing connectivity, competition for and pricing of water.
- Cows: Some reliance on heifer sales for cash flow but good potential pool of replacements.
- Finance, capital and investments: Significant desire to invest in Australian industry because of quality and safety attributes. However, some challenges with sharefarmers or equity levels outside 'normal' criteria. Bank finance slower and more difficult to obtain post-Banking Royal Commission.
- Roads, transport and telecommunications infrastructure: Challenges with infrastructure bottlenecks. Increased volume lowers incremental cost.
- Labour and skills: Share farming and alternate models key to creating wealth and pathways in/out of industry.

Table 2 Indicative economic outcomes of a profitable, confident and united industry

Australia	Industry data FY19	FY25 range	FY30 range	ACIL-Allen FY30
Milk volume (billion litres)	8.8	9.3	9.7–11.3	12.0
Farmgate value (\$ billion)	4.4	5.5	6.7–7.7	6.3
Total economic contribution* (\$ billion)	9.2	11.5	13.9–16.2	13.3
Total employment*	46,200	47,200	57–66,000	54,340

*Assumes economic relationships equivalent to original multiplier analysis. All monetary values provided in nominal terms

¹ Appendix A: Growth Scenarios Paper

² This one billion litre increase in milk production is calculated as the difference between the FY25 (forecast) volume for the drift and decline scenario of 8.3 billion litres and the FY25 (forecast) volume for the medium growth scenario of 9.3 billion litres.

7 Finalising the plan



The Dairy Plan provides a focused set of commitments and priorities for the industry. If these are executed collaboratively and effectively, they will drive the development of a more profitable, confident and united Australian dairy industry. To progress this draft Dairy Plan to its final form and to move into the implementation phase, there are some important steps and considerations.

Industry feedback on the draft ADP

With the release of the Draft Plan, the ADP Committee will oversee an industry feedback phase where members of the industry and key stakeholders will be invited to provide feedback on the draft Dairy Plan's direction, priorities and initiatives. Details regarding the feedback process will be posted on the Australian Dairy Plan website (www.dairyplan.com.au). Feedback will be used by the ADP Committee to inform the final version of the Dairy Plan.

Release and implementation of the final Dairy Plan

After the completion of the feedback period and consultation with industry peak bodies, the final Dairy Plan will be released in March 2020. The final plan will include specific milestones and targets that will provide for accountability for the implementation of the plan and monitoring progress.

The implementation of the plan will commence by 1 July 2020.

One of the most significant achievements of the Dairy Plan to date is the way it has brought together and focused the key industry organisations and their leaders on one plan and one set of priorities for the future. It is intended for this leadership to continue during the delivery and implementation of the plan, acknowledging the broader support of the dairy industry is vital to its success.

Until such time that the industry agrees on and implements a new industry structure (in response to Commitment 1 and as described below) the responsibility for taking actions to implement the Dairy Plan lies with each existing industry organisation. Each of the Partners (DA, ADF, ADPF and Gardiner) is committed to using the final Dairy Plan to inform their organisational priorities and investments.

Additionally, under the existing industry structures, the Partners commit to retaining an ADP Committee to establish and oversee a governance framework for the delivery, monitoring and reporting to the industry on the progress of the Dairy Plan. The final Dairy Plan will contain more details of this framework.

When the industry agrees upon and implements a new industry structure, it is expected that the role of the ADP Committee will be taken over by the new structure.

Understanding Dairy Plan decision processes – and how they will influence implementation

There is a strong desire to drive change through the plan and it is important to understand how implementation decisions will need to be made under the existing industry structures and the challenges this may present.

The industry Partners (ADF, ADPF, DA and Gardiner), have come together with an independent chair to form the ADP Committee. Although the industry partner organisations are committed to the development and implementation of a single national dairy industry strategic plan, *there is currently no single governing body with the authority to make decisions for the Dairy Plan*. This includes the ADP Committee.

Each Partner has their own decision processes that are defined by the governance arrangements of their organisation. This includes the roles and responsibilities for the Members and Boards as defined in the Constitution. Each partner must use these processes in making decisions on investments and structural changes.

For example, structural changes to the industry organisations (such as options being developed by the JTT) will require agreement under the governance processes of the organisations involved. Equally, investments in any of the programs will require similar approvals.

In order to execute the initiatives, the Dairy Plan will be used to guide the Strategic Plans of the four industry partner organisations. The Partner organisations will collaboratively decide how the plan can be best achieved and drive their individual plans and activities accordingly.

Reforming our industry structures and the Joint Transition Team recommendations – a unique approach to industry consultation and implementation

Commitment 1 refers to *reforming our dairy industry structures and how we work together to create a more cohesive dairy industry and a more influential advocacy voice*.

Due to the scale of the task as well as the importance and implications of establishing a new industry structure, this commitment will require its own unique approach to industry feedback, decision and implementation. This is expected to require a longer timeframe than will be the case for the other commitments identified in the Dairy Plan.

At the time of release of the draft Dairy Plan, the JTT is continuing to refine their options for the industry's future structure. The JTT will provide its report to the ADP Committee by late December 2019. The JTT's report will be released in January 2020 for industry feedback, facilitated by the ADP Committee. As described above, the ADP Committee does not have the role or authority to decide on the most appropriate future industry structure. This decision will be made by existing industry organisations through their defined governance processes. The ADP Committee, instead, will facilitate industry organisations considering and refining the recommendations arising from the JTT and in seeking to reach agreement on a new structure.

Further detail on the approach to feedback and consultation is expected to be outlined with the public release of the JTT report.

Appendices

Please select the hyperlinks below to access the appendices, or visit the Australian Dairy Plan website (www.dairyplan.com.au).

Appendix A

Growth Scenarios Paper

Appendix B

Australian Dairy Situation Analysis

Appendix C

Dairy Plan National Engagement Themes

Appendix D

Dairy Plan National Workshop Report

Appendix E

Dairy Key Directions







Disclaimer

Whilst all reasonable efforts have been taken to ensure the accuracy of the Australian Dairy Plan, use of the information contained herein is at one's own risk. To the fullest extent permitted by Australian law, Dairy Australia, Australian Dairy Farmers, Gardiner Foundation, and Australian Dairy Products Federation disclaim all liability for any losses, costs, damages and the like sustained or incurred as a result of the use of or reliance upon the information contained herein, including, without limitation, liability stemming from reliance upon any part which may contain inadvertent errors, whether typographical or otherwise, or omissions of any kind.

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