



# Annual Report 2017–18





**“Long-term investment in  
innovation is key to keeping  
our industry sustainable.”**

**Jeff Odgers**  
Chair, Dairy Australia

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# The Australian Dairy Industry FY18

## Major export markets

**Greater China** 230,364 tonnes  
**Japan** 107,271 tonnes  
**Singapore** 77,443 tonnes  
**Malaysia** 60,113 tonnes  
**Indonesia** 56,400 tonnes



Value of farmgate production  
**\$4.27 billion**



Average annual  
milk production  
per cow  
**6,070**  
litres

**9,289**  
million litres  
Total annual milk  
production

**36%**  
of milk  
production  
is exported

Annual per capita  
consumption  
**Drinking milk**  
102.9 litres  
**Cheese**  
13.6 kg



Dairy industry  
workforce  
**42,600**



**5,699**  
Dairy farms

**Australian milk utilisation**  
**Cheese** 36%  
**Drinking milk** 27%  
**Skim milk powder or butter** 23%  
**Whole milk powder** 6%  
**Other** 8%

Australian  
dairy herd  
**1.56** million  
cows

## Annual production of main commodities

**Cheese** 377,727 tonnes  
**Milk powders** 273,425 tonnes  
**Butter** 92,698 tonnes

Average herd size  
**273** cows



Dairy is Australia's  
**3rd**  
largest rural  
industry

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## Glossary

<b>ADF</b>	Australian Dairy Farmers
<b>ADIC</b>	Australian Dairy Industry Council
<b>ADPF</b>	Australian Dairy Products Federation
<b>AGM</b>	Annual General Meeting
<b>AOP</b>	Annual Operating Plan
<b>CPTPP</b>	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
<b>R&amp;D</b>	Research and Development
<b>RD&amp;E</b>	Research, Development and Extension
<b>RDC</b>	Rural Research and Development Corporation
<b>RDP</b>	Regional Development Program
<b>SFA</b>	Statutory Funding Agreement
<b>SP</b>	Strategic Plan



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# Dairy Australia

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## Who we are

Dairy Australia is the national services body for the Australian dairy industry. We are an independent, not-for-profit organisation that is funded by a levy paid by dairy farmers, which is matched with payments from the Australian Government for eligible research and development (R&D) activities. The organisation acts as the ‘investment arm’ of the industry, investing in projects that cannot be undertaken efficiently by individual farmers or companies.

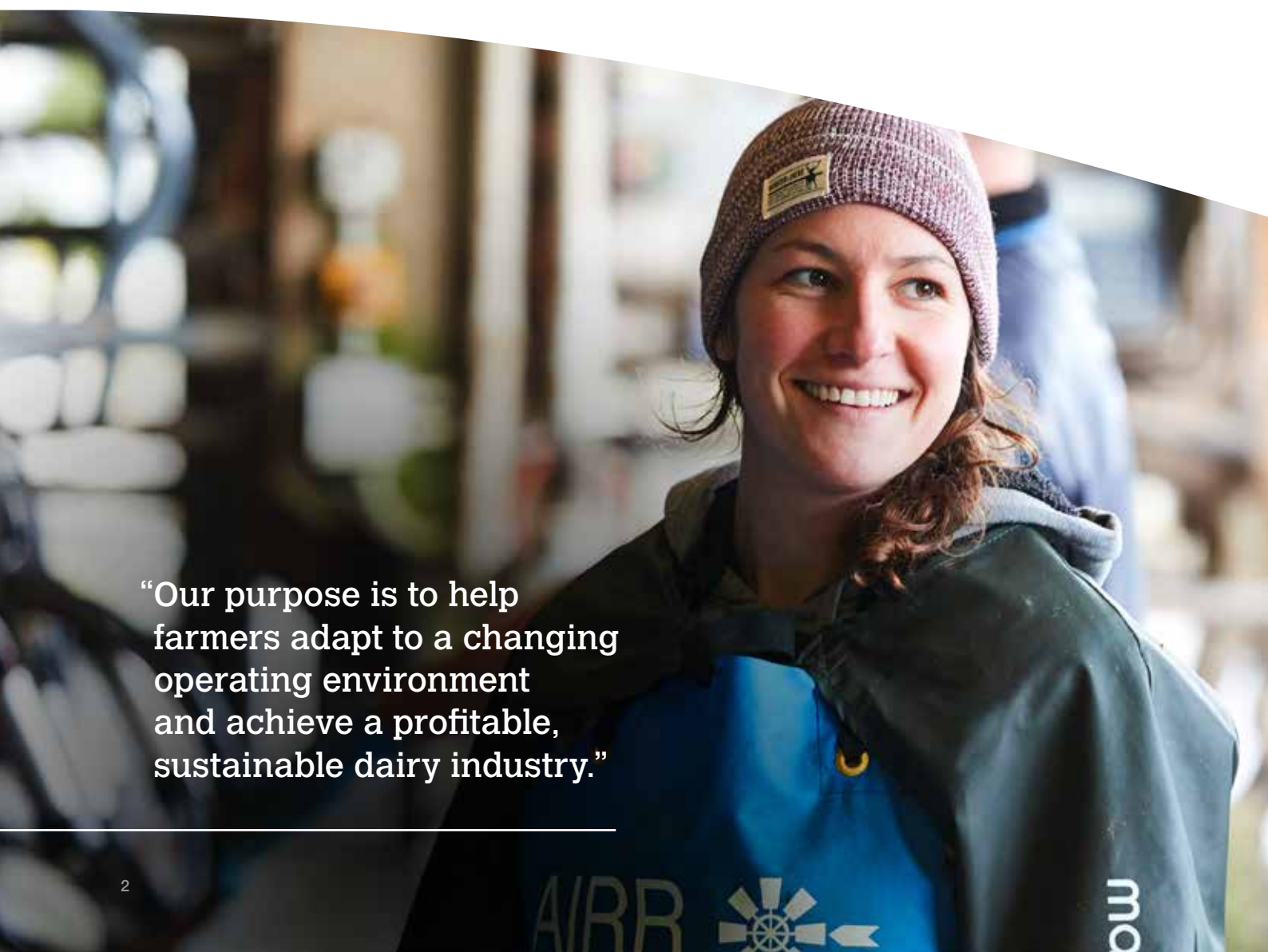
Our purpose is to help farmers adapt to a changing operating environment and achieve a profitable, sustainable dairy industry.

This is realised through investment in pre and post farmgate R&D, transfer of knowledge to farmers and advisers, and a range of industry services including trade policy, issues management and promotion of industry practices and products.

Our structure supports farmer engagement, extension delivery and R&D adoption at a local level. This structure is characterised by a central head office based in Melbourne and regional offices in the form of the Regional Development Programs (RDPs), which consist of eight organisations, each located in a dairy region.

Dairy Australia works closely with the RDPs to facilitate technology transfer and operational improvements for the advancement of the sector.

Dairy Australia is one of a number of organisations that support the dairy industry. The industry’s vision cannot be achieved in isolation and Dairy Australia is committed to working closely with organisations such as Australian Dairy Farmers (ADF), state dairy farmer organisations, Australian Dairy Products Federation (ADPF), the Gardiner Dairy Foundation, state and federal governments, and other Rural R&D Corporations (RDCs).



“Our purpose is to help farmers adapt to a changing operating environment and achieve a profitable, sustainable dairy industry.”



# Our strategic priorities FY17 to FY19

To achieve our core business objectives, Dairy Australia develops and reviews a set of strategic priorities, which guides our investment activities. A complete list of Dairy Australia's projects in FY18 can be found in Section 6 - Appendices.

Strategic Priority - Focus/Scope	Strategic Programs
 	<h2 data-bbox="464 528 815 562">1 Profitable Dairy Farms</h2> <ul style="list-style-type: none"> <li data-bbox="464 589 997 801">› <b>Pre-farmgate</b> activities that contribute directly towards improving farm profitability by balancing cost of production, risk and total return on investment. The majority of this activity is productivity improvement-oriented R&amp;D, 'best practice' identification and subsequent program development.</li> <li data-bbox="464 864 943 1010">› <b>Post-farmgate</b> activities that are focused on improving farmgate sustainability and opportunities through supply chain cost reductions or improved conditions in key international markets.</li> </ul> <ul style="list-style-type: none"> <li data-bbox="1062 589 1374 618">› Animal Health and Fertility</li> <li data-bbox="1062 622 1294 680">› Genetics and Herd Improvement</li> <li data-bbox="1062 685 1406 714">› Farm Business Management</li> <li data-bbox="1062 719 1326 777">› Feedbase and Animal Nutrition</li> <li data-bbox="1062 781 1358 810">› Land, Water and Carbon</li> <li data-bbox="1062 815 1342 844">› AgTech and Innovation</li> <li data-bbox="1062 860 1401 889">› International Market Support</li> <li data-bbox="1062 896 1326 954">› Manufacturing Margin Improvement</li> </ul>
	<h2 data-bbox="464 1055 711 1088">2 Capable People</h2> <ul style="list-style-type: none"> <li data-bbox="464 1115 981 1261">› Programs that enhance the capability of industry participants, including extension services (the sharing of Strategic Priority 1 knowledge with farmers and advisers) and/or more general education and training activity.</li> <li data-bbox="464 1279 967 1361">› This includes attracting people to the sector, the availability of appropriate training and assistance in career transitions.</li> </ul> <ul style="list-style-type: none"> <li data-bbox="1062 1115 1310 1173">› Regional Operations and Extension</li> <li data-bbox="1062 1178 1326 1207">› People and Capability</li> </ul>
	<h2 data-bbox="464 1420 818 1453">3 Trusted Dairy Industry</h2> <p data-bbox="464 1476 999 1559">Activities that have a strong focus on maintaining the industry's long-term 'social licence to operate', such as:</p> <ul style="list-style-type: none"> <li data-bbox="464 1576 906 1659">› marketing and communications to build consumer trust and confidence in dairy products and the industry</li> <li data-bbox="464 1671 879 1729">› informing policy with industry insights and research</li> <li data-bbox="464 1740 943 1823">› collecting, analysing and distributing sector statistics and information for the benefit of industry stakeholders</li> <li data-bbox="464 1834 951 1917">› maintaining the sector's Sustainability Framework which sets and measures goals around sustainability credentials.</li> </ul> <ul style="list-style-type: none"> <li data-bbox="1062 1476 1358 1534">› Industry and Community Marketing</li> <li data-bbox="1062 1538 1278 1597">› Industry Risk and Reputation Management</li> <li data-bbox="1062 1608 1350 1637">› Knowledge and Insights</li> </ul>

# Chair's report

**Long-term investment in innovation is key to keeping our industry sustainable. While farmers are faced with challenges from the impact of tough seasons, climatic variability and labour shortages, I believe the strength of our investments will make a real difference in navigating these challenges.**

In my first year as Chair of Dairy Australia, we have made another major step forward in our industry's commitment to innovation with the establishment of DairyFeedbase – a program that brings together large-scale research and cutting-edge agricultural technologies to improve pasture performance, animal nutrition and cost-competitiveness of feedbase.

DairyFeedbase, along with DairyBio, are investments co-funded by Dairy Australia, the Victorian Government, the Gardiner Dairy Foundation and commercial partners. In a significant return on investment, farmer levies have been leveraged on a 5:1 basis, including Dairy Australia funding for DataGene. A total combined investment of about \$125 million over six years will help improve farm profitability and the competitiveness of our industry.

The Australian dairy industry also continues to have a strong reputation with trading partners, driven by our leadership in innovation, superior product and practices. Australia's milk production was up across the FY18 season by approximately 3 per cent, compared to the FY17 total, with much of this product destined for premium products in international markets, including China and Japan.

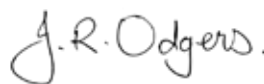
To maintain our place in the global market, Dairy Australia provided technical input to see the removal of trade barriers to markets like Peru through the Peru–Australia Free Trade Agreement, as well as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, a trade agreement between 11 countries in the Pacific. This will put us in good stead amongst our competitors in a rapidly changing global market.

Dairy Australia is also focused on ensuring long-term sustainability through responding to the pace of change and consumer expectations about the industry and its products. There is a need to be proactive in the promotion of dairy's relevancy in the diet, while demonstrating transparency in the way we operate our farms. All of which is underpinned by our world-leading industry Sustainability Framework.

The Board of Dairy Australia has experienced a degree of renewal, as farmers Graeme Nicoll and Tania Luckin were appointed to fill two milk producer vacancies at the company's 2017 Annual General Meeting. In April 2018, Managing Director Ian Halliday also announced his departure.

Ian's contribution over his almost nine years at the helm of Dairy Australia has been significant. His leadership has brought us closer to farmers and put the organisation in a stronger position. The research and extension initiatives he has championed will convey benefit to the industry for many years. On behalf of the entire dairy industry, I thank Ian and wish him every success in his new role as Australia's Consul-General, Dubai and General Manager Trade and Investment, Middle East and Africa.

Taking on the position of Managing Director is Dr David Nation, who has extensive experience across the dairy sector, including leading roles in a number of key dairy innovation pipeline projects. I look forward to David's leadership as we continue to foster Dairy Australia's commitment to delivering for farmers today, while investing for the future.



**Jeff Odgers**



Chair

# Managing Director's report

During my nearly nine years as Managing Director of Dairy Australia, innovation has been a driving force behind the programs we have invested in and the projects we have delivered. This past year was no exception. Dairy Australia invested \$56.7 million in the industry in FY18, as we continued to provide support and relevant services to farmers, while ensuring the long-term sustainability of the industry.

Efforts in genetic gain and herd improvement will have lasting benefits for farmers. Analysis undertaken in FY18 by DataGene, a significant Dairy Australia and industry investment, revealed the rate of genetic gain in the Australian dairy herd almost doubled in the past decade; the current rate is more than \$20 per cow per year, compared to \$10 for the period 2005 to 2009. Advances in genomics led to DataGene releasing the world's first Heat Tolerance Australian Breeding Value in late 2017, which enables dairy farmers to breed for greater heat tolerance in their herds. This reduces the impact of hot and humid weather on production.

DairyBio activities in the forage area included the Perennial Ryegrass Hybrid Breeding Program – a co-investment between Agriculture Victoria, Dairy Australia, DairyNZ and Heritage Seeds. The project uses a combination of the latest technologies to fast-track progress. This includes hybrid breeding, the use of new sensors to identify elite plants and the use of genomic selection to make DNA-based decisions. This type of innovation will deliver game-changing increases in pasture yield, persistence and quality.

Providing on-farm support and relevant value to farmers today continues to be our focus. In response to the milk price downturn, the organisation initiated Taking Stock through the Tactics for Tight Times program, a partnership with the Australian Government and the Gardiner Dairy Foundation. Between July 2016 and June 2018, over 1,000 farmers participated in Taking Stock, which enabled them to receive one-on-one support from a farm consultant to review their farm business arrangements. As a result, 35 per cent of these farmers made changes that increased their profits by an average of \$16,000.

Keeping farmers, their families and farm visitors safe is one of the industry's highest priorities. To meet this challenge, Dairy Australia developed the Farm Safety Starter Kit, which encourages farmers to conduct a quick safety check of their farm. A total of 2,600 Starter Kits were provided to farmers in FY18. We also extended our existing *Farm Safety Manual* and delivered farm safety workshops in collaboration with our Regional Development Programs, processing companies and WorkSafe authorities.

Beyond the farmgate, maintaining the industry's social licence to operate is critical in contributing to long-term industry sustainability. Across Dairy Australia, there are a number of areas playing a role in building a trusted dairy industry. The industry-wide Sustainability Framework has recently endorsed a *Dairy Industry Promise – providing nutritious food for a healthier world*. This is underpinned by four commitments relating to farmer livelihoods, human health and nutrition, animal welfare and adapting to climate change. This will guide the evolution of the Sustainability Framework goals and targets from 2020 to 2030, in line with the United Nations' Sustainable Development Goals.

Jeff Odgers was appointed Chair of Dairy Australia at the company's Annual General Meeting in 2017. Jeff has shown a commitment to supporting cross-sector collaboration initiatives to drive industry innovation. He has been greatly supportive as my time at Dairy Australia comes to an end and I hand over to our incoming Managing Director, Dr David Nation.

It's with a heavy heart that I conclude my time at Dairy Australia. I have had the privilege of working alongside inspiring and resilient people across the entire industry, some of whom are the best in their fields. I wish David all the best as he takes on the role of Managing Director. He will bring a fresh perspective and a strong understanding of the challenges and opportunities that the industry presents. I feel confident that I am leaving the organisation and the industry in good hands.



Ian Halliday



Managing Director to 27 July 2018

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# FY18 achievement highlights



**1** Strategic Priority Profitable Dairy Farms

Secured \$54 million for **DairyFeedbase** over six years\* to improve pasture performance, animal nutrition and the cost-competitiveness of feedbase

\* Co-investment between Dairy Australia, the Victorian Government and the Gardiner Dairy Foundation

Generated 400 downloads of the **Mastitis Focus Report** which supports the effective tracking and management of udder health

DataGene released the world's first **Heat Tolerance Australian Breeding Value** enabling dairy farmers to breed for greater heat tolerance in their herds

Provided technical input into the **Comprehensive and Progressive Agreement for Trans-Pacific Partnership** and the **Peru-Australia Free Trade Agreement**, removing trade barriers into key dairy markets

Launched the **'Dairy Hygiene Helper'** app to support milk quality testing and analysis

Completed the **Smarter Irrigation for Profit** research project\* which revealed a 20–50% increase in productivity can be achieved through a greater focus on optimising irrigation

\* Co-funded through the Rural R&D for Profit program

Delivered one-on-one farm business support to 1,132 dairy farmers through the **Taking Stock** program\*

\* Between July 2016 and June 2018



Registered an additional 269 dairy farmers on the farm business performance tool **DairyBase**, taking the total number of registrations to 1,567

Expanded the **Dairy Manufacturing Sustainability Council Network**

Sequenced **whole genomes** of over 2,700 cattle in a DairyBio project aimed at accelerating breeding for desired traits and improving animal health and welfare

Launched two **Farm Business Management** programs – 120 people attended Dairy Business Analysis and over 140 attended Farm Business Fundamentals

Established a new **cross-industry partnership** with Meat & Livestock Australia, Horticulture Innovation Australia and Wine Australia, in co-operation with Austrade, to grow agricultural trade with China



Supported the exploration of a **'virtual microgrid'** for the Latrobe Valley region which has the potential for dairy farmers to sell their power locally and optimise income

**2** Strategic Priority Capable People

Provided 2,600 **Farm Safety Starter Kits** to farmers



Delivered **Farm Safety Workshops** with 715 farmers attending

Transitioned to the **DairyLearn** model for dairy education, increasing the breath and reach of industry learning opportunities

**3** Strategic Priority Trusted Dairy Industry

Delivered the school-focused **Healthy Bones Action Week** campaign with an audience reach of almost one million

Collected data from 11,700 residents in aged care facilities for the **Dairy Fractures Trial**

Delivered the 2018 **Australian Grand Dairy Awards** with a combined total media reach of 44 million people

Developed a new **consumer and influencer marketing strategy** to maintain the Australian dairy industry's social licence to operate

Received renewed accreditation by Unilever for all Australian milk production as meeting its **Sustainable Agriculture Code**, reducing the need for on-farm sustainability audits

Delivered the **Support Aussie Cheese** campaign which achieved a combined total media reach of 10.7 million people



# Investment activity

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## Our FY18 revenue

The dairy service levy is collected to fund the activities of Dairy Australia.

In FY18, the rate of milk levies was 2.87 c/kg milk fat and 6.99 c/kg protein. Based on national average milk composition, these combined levies were equivalent to approximately 0.352 c/kg milk solids. The levy is deducted from the payments which milk processing companies make to farmers which are then remitted to the Australian Government. Some eligible R&D spending is matched by Australian Government payments. These proceeds are then remitted to Dairy Australia under its Statutory Funding Agreement.

Revenue	2018 (\$'000)	2018 (%)
Dairy service levy	33,373	55
Government matching payments	20,528	34
External contributions	4,834	8
Interest revenue	499	1
Distributions from investments	164	1
Royalties	125	1
Other income	884	1
<b>Total revenue</b>	<b>60,407</b>	<b>100</b>

## Industry context

Australia's milk production was up across the FY18 season by approximately 3 per cent compared to the FY17 total, reflecting a more favourable spring in most regions and incrementally higher milk prices.

This production growth was driven by southern, export-focused regions. Robust demand for premium products from key importers (particularly China and Japan) and dampened milk production in key dairy exporting countries have supported prices. It is likely to take some time before global milk supply once again builds sufficiently to fundamentally disrupt global dairy markets.

The Australian market remains stable, with volume growth in most major dairy categories. Sales value growth remains robust, with the exception of cheese, where price pressure and increasing private label penetration have resulted in a lower average unit value. Conversely, ongoing innovation and new product launches have returned the yoghurt and dairy desserts category to growth, with a weighting towards premium offerings that has boosted average prices and total value.

Key developments in the corporate sector include the sale of Murray Goulburn's assets to Saputo and the sale of Western Australia-based Brownes to a consortium of Chinese investors led by Shanghai Ground Food Tech.

Numerous facility investment announcements were made through the year. For example, Fonterra Australia unveiled a \$165 million capital expenditure program intended to boost its processing capacity across its Australian operations. Australian Consolidated Milk is building a new plant on a greenfield site at Girgarre in northern Victoria, whilst former partner Freedom Foods is expanding its milk processing plant at Shepparton. Meanwhile, Brownes is

planning to re-start its cheese plant at Brunswick, Western Australia, with a \$10 million investment to add a whey drying capability.

Several plans to invest in the organic dairy sector have been announced recently. Infant formula group Wattle Health and the Organic Dairy Farmers of Australia cooperative are forming a joint venture to build and operate a \$55 million spray drying facility near Geelong in Victoria, and ASX-listed dairy farming company Australian Dairy Farms announced that it will convert all six of its dairy farms to achieve organic certification. The company says it also has plans to build numerous associated processing assets to take advantage of its organic milk stream, including a UHT plant, wet blending and dryer powder facility, and canning and labelling line.

Investments such as these are encouraging signs for industry confidence. Key to ongoing success will be the ability of processors to support and grow a profitable milk supply base to capture the full potential that these facilities offer. More immediate challenges for FY19, such as the drought conditions across many regions resulting in feed shortages, will continue to complicate this task.

Other longer-term trends influencing the sector include:

- › the opportunities for improved on-farm productivity and profitability presented by innovation and new technology
- › changing farm scale with the number of smaller farms decreasing and larger operations increasing, improving on-farm productivity while making farm management more complex
- › climate challenges and associated input costs
- › building community pressure in the social licence to operate areas of animal welfare, environmental and labour management practices, influencing the supply chain and on-farm practices.



# Our funding allocation

## Project expenditure

### Strategic Priority 1

#### Pre-farmgate activities

Funding allocation \$'000	24,706
Funding allocation %	44

#### Post-farmgate activities

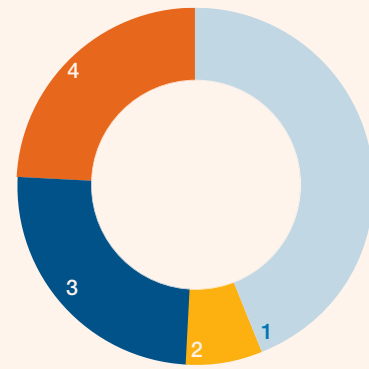
Funding allocation \$'000	4,167
Funding allocation %	7

### Strategic Priority 2

Funding allocation \$'000	13,964
Funding allocation %	25

### Strategic Priority 3

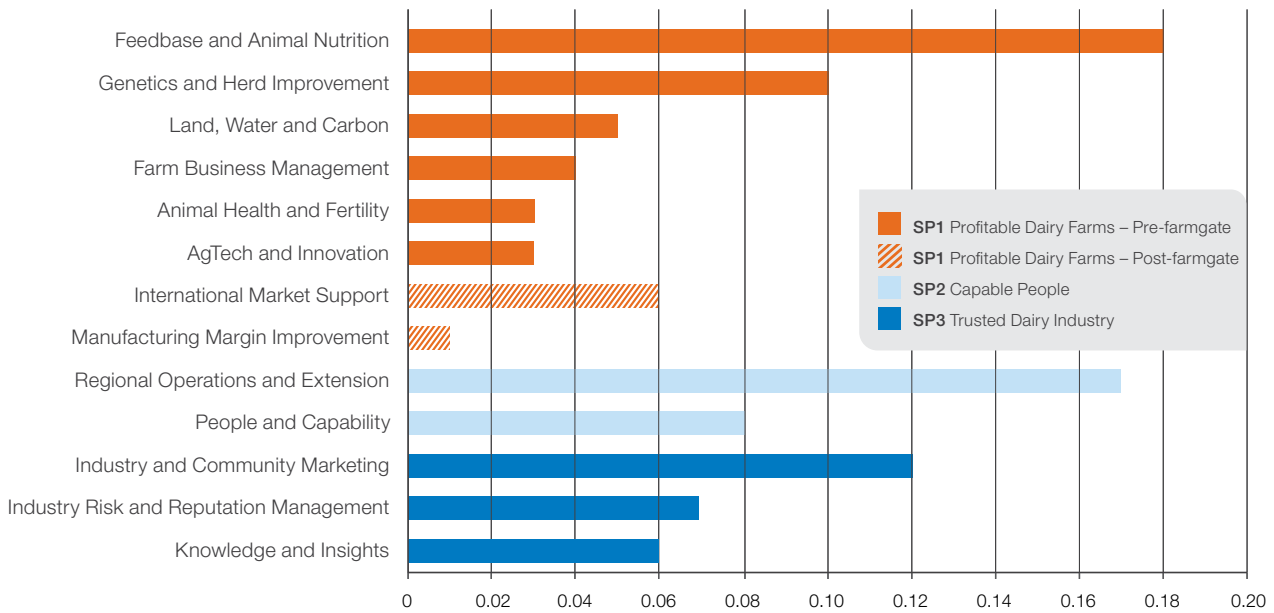
Funding allocation \$'000	13,844
Funding allocation %	24



- 1 SP1 Pre-farmgate | 44%
- 2 SP1 Post-farmgate | 7%
- 3 SP2 | 25%
- 4 SP3 | 24%

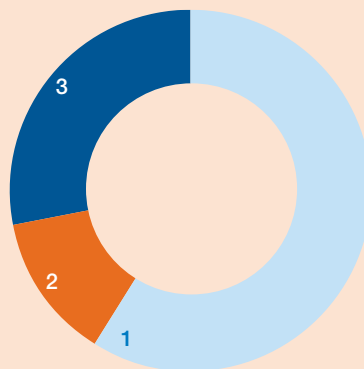
# Program investment

## How \$1.00 of funding is allocated across Dairy Australia's strategic programs



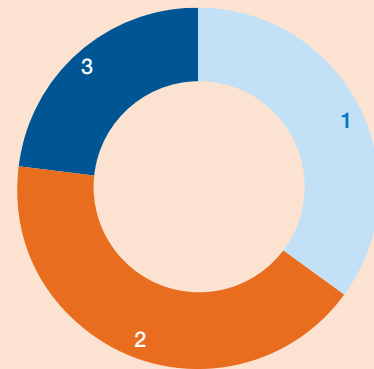
# Investment focus

## Triple bottom line allocation



- 1 Economic | 59%
- 2 Environmental | 13%
- 3 Social | 28%

## Time horizon to achieve project benefits



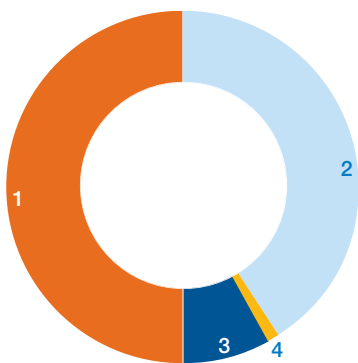
- 1 Achieved within two years | 35%
- 2 Achieved from two to five years | 42%
- 3 Achieved after more than five years | 23%

# Australian Government Research, Development and Extension Framework

Dairy Australia's investments support the achievement of the Australian Government's Science and Research Priorities and Rural Research, Development and Extension (RD&E) Priorities.

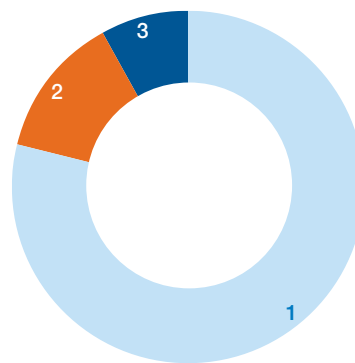
Approximately 66 per cent of Dairy Australia's expenditure for FY18 was directed towards activity that qualified as RD&E under government matching funding criteria. Across the national Rural RD&E Priorities, Dairy Australia's focus is outlined below.

## Rural RD&E Priorities FY18



- 1 Adoption of R&D | 50%**  
Delivery of extension services that meet dairy farmers' needs, directly and in partnership with private service providers.
- 2 Advanced Technology | 41%**  
Enhance innovation through technologies such as genetics, precision agriculture, robotics, digitisation and big data.
- 3 Soil, Water and Managing Natural Resources | 8%**  
Improve resilience to climate events and impacts, improve water use efficiency, sustainably manage production systems and manage soil health.
- 4 Biosecurity | 1%**  
Minimise biosecurity threats, improve management of pests and diseases, and maintain or improve market access.

## Science and Research Priorities FY18



- 1 Food | 79%**  
Maintain Australia's reputation for clean, safe and quality-controlled dairy production.
- 2 Soil and Water | 13%**  
Build capacity for improved accuracy and precision in predicting change to inform better decision-making.
- 3 Environmental Change | 8%**  
Build capacity to respond to environmental change and integrate research outcomes from biological, physical, social and economic systems.

'Recommended conditions of matched Australian Government funding' are listed in Section 6 - Appendices.

## Collaborative investment

Dairy Australia collaborates extensively with a range of Australian and international partners, such as universities, state and federal governments, RD&E organisations, agricultural industry agencies, non-government organisations and Cooperative Research Centres to deliver innovation and value to Australian dairy farmers. 'Our collaboration partners' can be found in Section 6 - Appendices.

Dairy Australia collaborated with all 14 RDCs during FY18 through Rural R&D for Profit projects, via other bilateral cooperative project activities and through participation in the Council of Rural R&D Corporations.

During FY18, Dairy Australia entered into a new research partnership with the Victorian Government and the Gardiner Dairy Foundation. This initiative, known as DairyFeedbase, is aimed at helping farmers improve pasture production, utilisation and herd nutrition. Dairy Australia also signed a collaborative agreement with Michigan State University to support joint research and capability building in animal nutrition. A Memorandum of Understanding was entered into with Teagasc (the Irish Agriculture and Food Development Authority) to support feedbase R&D and joint activity in the workforce and people areas.

In FY18, Dairy Australia financially contributed \$915,023 (not including in-kind contributions) to cross-sectoral collaboration with other RDCs (see Section 6 - Appendices for details).



**“Dairy Australia collaborated with all 14 RDCs during FY18 through Rural R&D for Profit projects.”**





# Performance

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# Program goals FY17 to FY19

These goals reflect those outlined in Dairy Australia's Strategic Plan covering the period FY17 to FY19. The pages following, highlight achievements and offer a summary of the key activities and performance outcomes delivered in FY18, under each of our strategic priorities.

## Profitable Dairy Farms (by end FY19)

Feedbase and animal nutrition

Other pasture species as well as perennial ryegrass included in Forage Value Index

Perennial ryegrass hybrids with increased yield delivered to seed company partner for trialling

Increased proportion of farms where feed cost is less than **40%** of total costs

Genetics and herd improvement

Profit increase of **\$13** per cow per year through use of improved selection

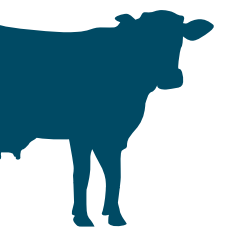
Increased reliabilities of breeding values and indices in the April 2019 Australian Breeding Value release

Provisional breeding values for heat tolerance released

Animal health and fertility

More than **99%** of farms have bulk milk cell count under 400,000 cells per millilitre

Program introduced to halve milk quality downgrades due to microbial counts



Increasing in-calf rate; median six-week in-calf more than **55%**

Land, water, carbon

Good nutrient practice **65%** of farmers adopting Fert\$mart principles



Farm business management

More than **2,000** DairyBase users



Farm business extension and education programs are widely delivered

## Capable People

Regional Operations and Extension

More than **30%** of farmers regularly participate in discussion groups

More than **7/10** farmers satisfied with RDP services

Maintain the national network of Focus Farms

Industry education and leadership



Maintain industry registered training organisation (RTO) partner/s in each dairy region



Attract, develop and retain dairy people (by 2020)

Farmer participation in development activities: **40%**

% of on-farm workforce retained: **90%** (i.e. no more than 10% staff turnover)

% of farms undertaking business planning: **50%**

Safe workplace (by 2020)

Lost Time Injury Frequency Rate = 3.6 (6.4 in 2015)

On-farm fatalities: **0** (three in 2015)

## Trusted Dairy Industry (by 2020)

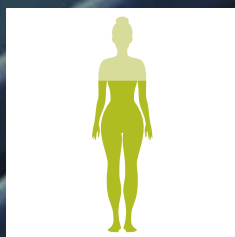
On-farm

**0** tail docking by the end of FY19



**100%** of farmers using industry recommended animal husbandry practices

Industry and community marketing



More than **70%** of mums agree that dairy foods are essential for good health and wellbeing

More than **75%** of consumers consider that dairy is an essential part of the community

More than **75%** of consumers consider that farmers do a good job caring for their animals

# 1 Strategic Priority

Secured \$54 million for **DairyFeedbase** over six years\* to improve pasture performance, animal nutrition and the cost-competitiveness of feedbase

\* Co-investment between Dairy Australia, the Victorian Government and the Gardiner Dairy Foundation



DataGene released the world's first **Heat Tolerance Australian Breeding Value** enabling dairy farmers to breed for greater heat tolerance in their herds

Provided technical input into the **Comprehensive and Progressive Agreement for Trans-Pacific Partnership** and the **Peru-Australia Free Trade Agreement**, removing trade barriers into key dairy markets

Launched the '**Dairy Hygiene Helper**' app to support milk quality testing and analysis

Completed the **Smarter Irrigation for Profit** research project\* which revealed a 20–50% increase in productivity can be achieved through a greater focus on optimising irrigation

\* Co-funded through the Rural R&D for Profit program

Delivered one-on-one farm business support to 1,132 dairy farmers through the **Taking Stock** program\*

\* Between July 2016 and June 2018



Registered an additional 269 dairy farmers on the farm business performance tool **DairyBase**, taking the total number of registrations to 1,567

Generated 400 downloads of the **Mastitis Focus Report** which supports the effective tracking and management of udder health

Sequenced **whole genomes** of over 2,700 cattle in a DairyBio project aimed at accelerating breeding for desired traits and improving animal health and welfare

Launched two **Farm Business Management** programs – 120 people attended Dairy Business Analysis and over 140 attended Farm Business Fundamentals

Established a new **cross-industry partnership** with Meat & Livestock Australia, Horticulture Innovation Australia and Wine Australia, in co-operation with Austrade, to grow agricultural trade with China

Expanded the **Dairy Manufacturing Sustainability Council Network**

Supported the exploration of a '**virtual microgrid**' for the Latrobe Valley region which has the potential for dairy farmers to sell their power locally and optimise income





# Profitable Dairy Farms

Strategic Priority 1 comprises two streams:

- 1 **Pre-farmgate** activities that contribute directly towards improving farm profitability by balancing cost of production, risk and total return on investment. The majority of this activity is productivity improvement-oriented R&D, 'best practice' identification and subsequent program development.
- 2 **Post-farmgate** activities that are focused on improving farmgate sustainability and opportunities through supply chain cost reductions or improved conditions in key international markets.

## Pre-farmgate

### Achievements

- › Completed the planning and funding agreement between the Victorian Government, Dairy Australia and the Gardiner Dairy Foundation for the \$54 million, six-year DairyFeedbase initiative and commenced the 'start up' year for the project. DairyFeedbase will use cutting-edge technologies to improve pasture performance, animal nutrition and the cost-competitiveness of feedbase. DairyFeedbase, along with DairyBio, are investments co-funded by Dairy Australia, the Victorian Government, the Gardiner Dairy Foundation and commercial partners. In a significant return on investment, farmer levies have been leveraged on a 5:1 basis, including Dairy Australia funding for DataGene. A total combined investment of about \$125 million over six years will help improve farm profitability and the competitiveness of the industry.
- › Advanced DairyBio activities in the forage program which included field trial demonstrations of new hybrid cultivar performance, implemented genomic selection into a commercial plant breeding program and developed new capability in genome editing ryegrass and endophytes.
- › Published the second release of the Forage Value Index to help dairy farmers and advisers make more informed decisions when selecting perennial ryegrass cultivars.
- › Advanced DairyBio activities in the animal program which included the sixth iteration of the 1,000 Bull Genomes project that now contains whole genome sequences of over 2,700 animals.
- › Signed a collaboration agreement with Michigan State University for animal nutrition-related research.
- › DataGene released the world's first Heat Tolerance Australian Breeding Value, which enables dairy farmers to breed for greater heat tolerance in their herds.
- › Concluded the three year ImProving Herds project, which analysed herd and financial records from 27 dairy farms and provided concrete evidence that cows with a high Balanced Performance Index perform better under Australian conditions.
- › Launched two high-priority Farm Business Management programs: Farm Business Fundamentals and Dairy Business Analysis.
- › Generated an additional 269 dairy farmer registrations on DairyBase – a web tool for dairy farmers to measure and compare their farm business performance over time, taking the total number of registered dairy farmers to 1,567.
- › Re-developed and upgraded the *Mastitis Focus Report* and *Fertility Focus Report* to make them easier to use. Generated over 400 downloads of the *Mastitis Focus Report* which enables effective tracking of udder health in herds, assessment of key mastitis management areas and detection of emerging problems.
- › Launched the 'Dairy Hygiene Helper' app to assist service providers to identify and resolve on-farm milk quality issues.
- › Commenced development of a biosecurity planning tool with Agriculture Victoria, which is scheduled to launch in 2019.
- › Initiated an Automatic Milking Systems extension project (Milking Edge) following the finalisation of the Future Dairy R&D project.
- › Instigated an entrepreneurial innovation approach with two technology partners for streamlining animal health and welfare monitoring.
- › Completed the Smarter Irrigation for Profit on-farm research and demonstration project on 12 dairy irrigation sites across Australia. The project, co-funded through the Rural R&D for Profit program, quantified that a 20–50 per cent increase in productivity is achievable through a greater focus on optimising irrigation efficiency.
- › Completed the Tactics for Tight Times project which included provision of Taking Stock – one-on-one support for farm businesses. Between July 2016 and June 2018, Taking Stock was delivered to 1,132 dairy farmers in Victoria, Tasmania, South Australia and southern New South Wales, and 128 extension events were delivered to 1,569 dairy farmers and 917 service providers.

# Pre-farmgate (continued)

## Key program activities and outcomes



### DataGene

DataGene is an independent and industry-owned organisation responsible for driving genetic gain and herd improvement in the Australian dairy industry and is an initiative of Dairy Australia and the wider dairy industry.

Analysis undertaken by DataGene in FY18 revealed that the rate of genetic gain in the Australian dairy herd had almost doubled in the past decade. The evaluation looked at the rate of genetic gain for Balanced Performance Index (BPI) in Australian Holsteins in five-year time blocks, based on the BPI of the sires of cows. The average rate of genetic gain since 2005 has been about \$15.80 per cow per year, while the current rate is more than \$20 per cow per year, which is double that for the period 2005 to 2009. This acceleration in genetic gain is likely due to a number of initiatives including the introduction of the Good Bulls Strategy (2010), the use of genomics as a genetic improvement tool (2011) and the dairy industry's three new breeding indices (2015) – Balanced Performance Index, Health Weighted Index and Type Weighted Index.

### Smarter Irrigation for Profit

The Smarter Irrigation for Profit project, led by Cotton R&D Corporation and involving Dairy Australia and 15 other partners across multiple agricultural industries, focused on promoting awareness and knowledge of the principles and practices optimising irrigation efficiency.

It was found that attending Smarter Irrigation for Profit events increased respondents' confidence to make practice changes. More dairy farmers reported that they were focusing on irrigation scheduling and soil moisture monitoring and, as a result, are expecting cost savings, improved water efficiency and pasture growth. Improvements in water productivity, efficiency and farmer profitability were evident in the evaluation, including one dairy farmer case study where the farmer increased pasture production by 200 tonnes over 117 hectares with variable rate irrigation under centre pivots. This was achieved through better irrigation scheduling to keep moisture in the root zone for optimal growth using less water.



## Farm Business Management

In FY18, Dairy Australia launched two high-priority Farm Business Management programs: Farm Business Fundamentals and Dairy Business Analysis.

During the initial months of rollout of these programs, over 140 people attended Farm Business Fundamentals and over 120 attended Dairy Business Analysis.

Feedback on the programs has been extremely positive with participants in Farm Business Fundamentals rating it an average of 9.3 out of 10 in terms of value to them and their business, and an average of 9.0 out of 10 for the quality of the content.

Farm Business Fundamentals is a two-day course which focuses on farm financial management and getting the business side of dairy farms organised. The course covers budgeting, compliance, farm financial systems and introduces the Dairy Standard Chart of Accounts and the Dairy Cash

Management Planner. Dairy Business Analysis is a three-day course that assists farmers and their advisers to better understand and analyse farm business performance. It covers the importance of getting annual farm physical and financial numbers right, how to interpret farm performance and to understand cash, profit and wealth for a dairy farm business using DairyBase reports.

The courses, delivered through WestVic Dairy RDP, assisted southwest Victorian dairy farmer Craig Howard to better manage his business.

“I had touched on a lot of these areas before, but I wanted a bit more experience and knowledge around cashflow budgets and to learn more about analysing our business.”

“We are now in a better place for using DairyBase, which we have signed up to and will be using to the full extent in the next financial year so we can compare our performance with others in our region,” he said.



## Tactics for Tight Times

Dairy Australia initiated the Tactics for Tight Times project in FY17 in partnership with the Australian Government and the Gardiner Dairy Foundation.

The project was delivered in FY17 and FY18, as dairy farmers dealt with the impacts of a mid-season drop in milk price, uncertainty around climatic conditions and water availability, and challenging international market conditions.

Between July 2016 and June 2018, through the Tactics for Tight Times project, 1,132 farm businesses participated in the Taking Stock program, which enabled them to receive one-on-one support from a farm consultant to review their farm business arrangements. Of this group, 403 farm businesses took the opportunity to have a second-round consultation through the Taking Stock Action Plan Review Process. As a result, 35 per cent of farmers made changes that increased profit on average by \$16,000 for that year. Even where farmers said the program did not alter how they did things on their farm, most of them valued the insights they gained from participation. The average benefit per farm for the year that the program was delivered was

estimated at \$5,455 in present value terms. Taking Stock also had a positive impact on farmer wellbeing with 55 per cent of participants reporting to be less stressed, 60 per cent were clearer about their goals, and 45 per cent were better able to communicate with others in the business. The program delivered an extra \$5.9 million in farm profit from farmers making changes identified in the one-on-one visits. Tasmanian farmer James Langley participated in the Taking Stock program in FY18.

“Any assistance in this environment, especially from an experienced consultant, is worthwhile. We focused hard on cash flow; running any business, you need to have a good handle on this,” he said.

Mr Langley said the advantage of being able to utilise experienced consultant Penny Williams for Taking Stock, was that she had seen a lot of farms as part of the process and could give feedback on what strategies other farmers were implementing.

“It was great to have that second opinion on the operations of your business,” he said.

# Post-farmgate

## Achievements

- › Provided technical input into the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the Peru–Australia Free Trade Agreement, removing trade barriers into key dairy markets.
- › Enhanced promotion of dairy in China through an expanded joint commodity promotion program with Meat & Livestock Australia, Horticulture Innovation Australia, Wine Australia and Austrade.
- › Continued work on assisting exporters to overcome technical barriers to trade. Key outcomes included improvement in Special Agricultural Safeguard trigger levels for dairy under the Thai–Australia Free Trade Agreement, and the acceptance of E-Cert documentation for Australian dairy exports to Japan.
- › Expanded the Dairy Manufacturing Sustainability Council network to support industry-wide post-farmgate environmental benchmarking, target setting and performance monitoring as well as implementation of sustainability-based innovations by dairy manufacturers.
- › Evaluated new technologies and supported investments by dairy processors in areas such as wastewater treatment, energy use and sodium management.
- › Supported the Australian Renewable Energy Agency-funded study exploring the benefits of LO3 Energy’s ‘virtual microgrid’ technology in the Latrobe Valley region. The technology promises the opportunity for dairy farmers to sell their power locally and optimise income from their own energy resources.



## Key program activities and outcomes

### The Comprehensive and Progressive Agreement for Trans-Pacific Partnership

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), finalised in March 2018, is a multi-country Free Trade Agreement (FTA) involving 11 negotiating parties: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

Four of these countries are among the Australian dairy industry's top 10 trading partners.

The Australian dairy industry produces more milk than is required domestically and a significant proportion is destined for export. In this context, international markets, such as those involved in the CPTPP, are vital to the ongoing profitability and sustainability of the Australian dairy industry.

The CPTPP reduces the cost of doing business in those markets and, in doing so, helps to secure the positioning of Australian dairy exports. This is positive for Australian dairy farmers whose futures ultimately rely on having open markets for their premium products.



The outcome of the CPTPP, as it relates to cheese exports to Japan, is a key example of how the agreement benefits the Australian dairy industry. Australia is the major cheese supplier into the key dairy market of Japan. The CPTPP will phase out tariffs on Australian cheeses, including natural cheese for the production of processed cheese, cheese for shredding and fresh cheese. This will improve and maintain the competitiveness of Australian cheese in Japan.

### CASE STUDY



### Premium Australian Food and Wine Collaboration

The Premium Australian Food and Wine Collaboration is a new cross-industry partnership comprising Dairy Australia, Meat & Livestock Australia, Horticulture Innovation Australia and Wine Australia, in co-operation with Austrade.

The alliance is focussed on growing agricultural trade with Australia's major food export partner, China, and positioning Australia's meat, wine, dairy and horticulture industries as a premium food source for high-end Chinese consumers.

A Premium Australian Food and Wine Seminar was held in Shanghai in June 2018 which showcased the best produce from Australian farms to leading figures from across China's food industry.

The nation's produce also starred at a VIP dinner, hosted by the collaboration partners. Australian Ambassador to China Jan Adams was the guest of honour.

Dairy Australia's Trade and Industry Strategy Group Manager Charlie McElhone said Dairy Australia's involvement in the mission was part of a long-term strategy to develop markets in China.

"When it comes to telling the story of Australian agriculture to our international markets, it's crucial we work together with our partners across the food sector to solidify our reputation among overseas consumers."

"Australian dairy, in particular, is well established as a premium product in China but we need to continue to drive home the message that Australian dairy is second to none," he said.

## 2 Strategic Priority

Provided 2,600  
**Farm Safety  
Starter Kits**  
to farmers



Delivered **Farm  
Safety Workshops**  
with 715 farmers  
attending



Transitioned to the **DairyLearn model** for dairy education, increasing the breath and reach of industry learning opportunities

## Capable People

Strategic Priority 2 encompasses:

- › programs that enhance the capability of industry participants such as extension services (the sharing of Strategic Priority 1 knowledge with farmers and advisers) and/or more general education and training activity. This includes:
  - › attracting people to the sector
  - › the availability of appropriate training
  - › assistance in career transitions.



## Achievements

- › Released a series of programs designed to help farmers improve safety on their farm including:
  - › a Farm Safety Starter Kit to help start the safety journey
  - › a more extensive *Farm Safety Manual* and supporting extension activities
  - › a farm safety program for primary school children.
- › Transitioned to the DairyLearn model for dairy education and engaged with more registered training organisations. This provides greater choice in training providers and opportunity to engage with many more dairy students across Australia.
- › Delivered Business Governance and Investment workshops covering topics such as corporate governance, strategy, policy, organisational structure, risk management, the role of advisory boards in farm business management, investment principles, and what it means to be in business with an investor.

## Key program activities and outcomes

### Farm Safety Program

The Australian Dairy Industry Council (ADIC) and Dairy Australia have recognised that keeping farmers, their families and farm visitors safe is one of the highest priorities for the industry.

To meet this challenge, Dairy Australia developed the Farm Safety Starter Kit, which identifies the most common safety issues on-farm and provides clear, simple checks that can be conducted to determine how the farm is performing. A total of 2,600 Starter Kits were provided to farmers in FY18. Dairy Australia's existing *Farm Safety Manual* was also extended to provide more information on the 14 safety areas, as well as providing sample templates for policies and procedures that farmers can use with their staff.

Dairy Australia worked collaboratively with the RDPs, processing companies and WorkSafe authorities to deliver workshops across the country to introduce farmers to the Starter Kit and *Farm Safety Manual* and



assist them to implement these on their farm. A total of 715 farmers attended the workshops, and 100 per cent of those who attended indicated they would implement changes on their farm as a result. Following the sessions, participants have reported that one of the most important outcomes on their farms has been the engagement with their staff, driving team culture while also improving safety.

A program called Farm Safety Adventure was trialled with 15 primary schools. This program introduces the children to some of the common hazards on a farm and identifies ways to stay safe. This is important not only for those living on a farm but also for those children who may visit.

# 3 Strategic Priority

Delivered the school-focused **Healthy Bones Action Week** campaign with an audience reach of almost one million

Collected data from 11,700 residents in aged care facilities for the **Dairy Fractures Trial**

Delivered the 2018 **Australian Grand Dairy Awards** with a combined total media reach of 44 million people

Developed a new **consumer and influencer marketing strategy** to maintain the Australian dairy industry's social licence to operate



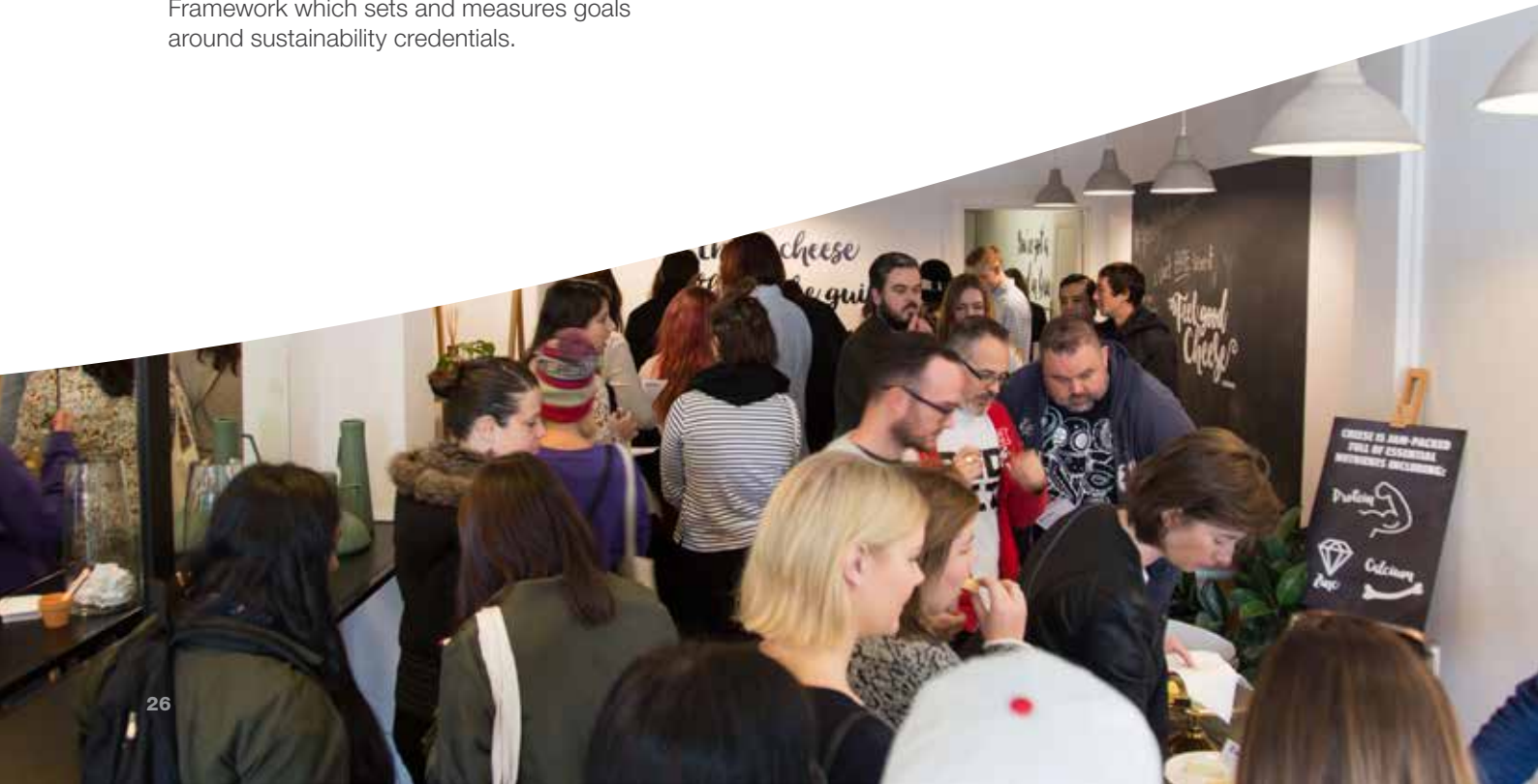
Delivered the **Support Aussie Cheese** campaign which achieved a combined total media reach of 10.7 million people

Received renewed accreditation by Unilever for all Australian milk production as meeting its **Sustainable Agriculture Code**, reducing the need for on-farm sustainability audits

## Trusted Dairy Industry

Strategic Priority 3 activities have a strong focus on maintaining the industry's long-term social licence to operate, such as:

- › marketing and communications to build consumer trust and confidence in dairy products and the industry
- › informing policy with industry insights and research
- › collecting, analysing and distributing sector statistics and information for the benefit of industry stakeholders
- › maintaining the sector's Sustainability Framework which sets and measures goals around sustainability credentials.





## Sustainability Framework achievements

The Australian dairy industry's Sustainability Framework provides evidence-based commentary on industry progress with regard to social licence to operate.

Dairy Australia maintains the Framework which sets out the industry's commitment to livelihoods across the industry, human health and nutrition, animal welfare and reducing environmental impact.

The Framework has been developed by industry in consultation with stakeholders and is owned by the industry under ADIC. It builds on existing activity and sets the direction for continual improvement and further action, providing guidance to farmers, manufacturers and industry bodies on shared priorities and commitments.

The Framework is integrated into all Dairy Australia projects and helps to set targets for areas of work. Key achievements relating to the Sustainability Framework in FY18 included:

- › Industry agreed to endorse a *Dairy Industry Promise – providing nutritious food for a healthier world*, underpinned by four commitments:
  - › creating a vibrant industry that rewards dairy people, communities and investors
  - › providing nutritious, safe, quality dairy food
  - › striving for best care for all our animals
- › meeting the challenge of climate change and providing good environmental stewardship.
- › Released the *2016 Sustainability Report* in August 2017, showing progress against the industry goals and targets.
- › The *2016 Sustainability Report* was shortlisted in the independent, international Corporate Register Reporting Awards and voted second in the Innovation in Reporting category and third in the Openness and Honesty category. For key markets and consumers, this is verification of the Australian dairy industry's commitment to sustainable production and practice change.
- › All Australian milk production was again accredited by Unilever as meeting its Sustainable Agriculture Code, reducing the need for on-farm sustainability audits. A contributing factor to this achievement has been the industry's public reporting of sustainability progress against goals and targets.
- › Commenced the process to evolve the Sustainability Framework goals and targets from 2020 to 2030 in line with relevant United Nations' Sustainable Development Goals.

## Industry Risk and Reputation Management achievements

- › Continued to support industry in the debate surrounding the Murray-Darling Basin Plan.
- › Assisted industry to navigate through the energy policy debate and to develop its energy policy.
- › Finalised the data collection for the Dairy Fractures Trial – more than 11,700 residents in aged-care facilities have been studied in order to gauge the impact of dairy under-consumption on fractures in the elderly.
- › Undertook sampling to secure Enzootic Bovine Leukosis freedom status for FY18 in order to enable market access for Australian dairy heifers.
- › Developed a scoping paper on industry use of antibiotics and proposed a strategy to mitigate growing government and consumer concerns about antibiotic resistance in the food chain.
- › Worked with ADF to demonstrate the dairy industry's credentials in being eligible for enhanced access to skilled labour visas.
- › Collaborated with ADIC to support the phasing out of routine calving induction across the industry.
- › Assisted the dairy industry in responding to government reviews into Australia's regulatory framework for gene technologies, providing evidence-based arguments to support some of the emerging technologies. If the industry position is successful, this will greatly assist the path to market for new, more productive plant varieties, helping Australian dairy farmers to improve their on-farm performance.
- › Led the development of industry positions on the Health Star Ratings scheme and flavoured milk.

## Industry and Community Marketing achievements

- › Developed a new communications strategy for protecting the dairy industry’s social licence to operate which will target consumers, influencers (e.g. GPs and others that influence consumer and regulatory positions) and farmers, using the relevant channels to achieve objectives – for launch in FY19. Programs and communications approach will be adjusted or established to align with this strategy.
- › Delivered the 2018 Australian Grand Dairy Awards which generated 271 media clips across radio, TV, metro and regional print, online and blogs and 272 social media posts, achieving a combined total media reach of 44 million people. The People’s Choice Awards attracted 9,377 unique votes and over 15,000 website pageviews.
- › Awarded Australia’s Legendairy Capital 2017 to Ringarooma located in Tasmania’s north-east. The program received 26 town nominations from across the country. Positive farmer and regional dairy community stories achieved 693 media pieces with a combined total reach across all media pieces of over 16.8 million people.
- › Delivered the Support Aussie Cheese campaign to encourage women to eat more Australian cheese for their health and to support farmers, which achieved a combined total media reach of 10.7 million people.
- › Delivered the schools-focused Healthy Bones Action Week campaign, achieving 43 media stories with a total audience reach of almost one million, and 240 requests for the campaign school kit from teachers.

## Key program activities and outcomes

### Maintaining Public Trust Marketing Strategy

Dairy’s social licence to operate and sell is being rapidly shaped by rising community expectations – including questions around the healthiness of dairy and animal welfare, as well as environmental and social concerns.

Consumer trust in the dairy industry and its products has been in slow decline. Consumer beliefs in product nutrition, safety and quality are key drivers for continuing consumption. Trust in farmer and dairy manufacturer’s practices and environmental stewardship are core components of continued social licence to operate. Industry leadership in agricultural sectors worldwide is working to keep ahead of rapidly changing social agendas.

Maintaining the industry’s social licence to operate is key in contributing to long-term industry sustainability, and requires a proactive approach to addressing public concerns and expectations.

Dairy Australia undertook a market research segmentation study, identifying a highly engaged and influential group within the general public. This group represents approximately 46 per cent of the population, and presents the biggest opportunity for Dairy Australia to influence perceptions around the industry through



targeted promotions. This group is seeking objective information from the industry, delivered transparently, to help validate their opinion in relation to the health and nutrition of dairy, animal and farmer welfare, and sustainability.

The market research segmentation study informed a two-year marketing strategy to proactively influence perceptions and maintain trust in the industry. The strategy spans consumers, key influencers and school teachers, and is due to launch in FY19.

This strategy seeks to align with work in policy, farm practice change initiatives, risk and reputation management (page 27), and goal setting and measurement (Sustainability Framework – page 27).

## Knowledge and Insights achievements

- › Delivered market research, information and analysis to assist Australian dairy industry stakeholders improve strategic and tactical decision making. This included:
  - › delivering the industry *Situation and Outlook* and *Dairy Industry In Focus* reports and associated industry market analysis and commentary to assist decision-making by the industry
  - › managing the dairy industry market research function, including the annual National Dairy Farmer Survey of 800 dairy farmers to gauge farmer sentiment and priorities
  - › managing the collection, storage and dissemination of aggregated market data
  - › assisting the Australian Competition and Consumer Commission and government with their data and information requirements as part of the dairy industry inquiry.





# Corporate operations

# 4



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# Our people

The collaborative and committed efforts of skilled, motivated people enables us to meet the needs of our farmers, stakeholders and broader industry.

## Human Resources achievements

- › Developed an online induction module enabling greater access to initial on-boarding for all employees across Australia through our Learning Management System (LMS). Not only does it provide a detailed overview of the organisation – its people and structures, the Dairy Australia Board and the RDP structure – it also ensures all staff are aware of and understand the important policies with which they must comply.
- › Delivered online e-learning modules through the LMS, particularly on the compulsory compliance topics, to all staff, anywhere in Australia.
- › Undertook a Staff Engagement Survey, as per the organisation’s commitment to conduct them every two years, with smaller ‘pulse’ surveys undertaken to check the climate on specific issues. The FY18 survey attracted a 90 per cent completion rate and the organisation achieved an overall satisfaction rating by staff of 3.8 out of 5, which was higher than the last survey and comparable to both national and international benchmarks.
- › Executed a Leadership Development Program providing managers with the skills and tools to improve their role of managing and leading staff. It has also enabled key managers from each of the RDPs to spend time and build greater collaboration with each other and with the managers of each group from Dairy Australia Southbank.

## Key workforce data

Dairy Australia’s decentralised model provides service, support and investment in relevant regional communities, while ensuring the maximum effectiveness of the organisation in the best interests of farmers.

The regional jobs created by this structure make up well over a third of Dairy Australia’s full-time equivalent (FTE) employees. In comparison to the 99 (92 FTE) staff based at Dairy Australia’s Southbank office, there are currently 69 (48 FTE) staff employed in the RDPs. This represents an 84 per cent increase in regional staff since 2015.

Location	Workforce no.	Workforce FTE equivalent
Southbank	99	91.8
Murray Dairy	14	9.9
WestVic Dairy	13	10.1
Dairy NSW	10	5.2
GippsDairy	9	8.4
DairySA	8	4.5
Subtropical Dairy	5	3.3
DairyTas	6	3.6
Western Dairy	4	3.2
<b>Total</b>	<b>168</b>	<b>140</b>

168

People

41%

of these people are based in regional areas

66%

Women in Dairy Australia

50%

Women at Executive level

22%

Women at Board level

Above statistics as at 30 June 2018.



## Verity Ingham

**The RDPs are fundamental to the success of Dairy Australia, providing direct support and contact with farmers in dairy regions, which ensures our pre-farmgate programs are relevant, timely and accessible.**

Verity Ingham has worked for DairySA RDP for 14 years based from a home office on a beef and sheep farm near Lucindale in South Australia, managing a remote team of around eight people to deliver extension services to the South Australian dairy community.

“I love that in my job I have the ability to make a difference to the growth of the people in my team, the broader Dairy Australia family and ultimately deliver value back to the farm.”

“Whilst our focus is on delivering regionally relevant services, we collaborate strongly with the Dairy Australia Southbank team to ensure that we are maximising the levy investment by using industry developed tools, resources and programs,” she said.

In 2017, Verity participated in Dairy Australia’s Leadership Development Program.

“This program was instrumental in developing collaborative relationships across business units in the organisation as well as building my personal leadership and management skills.”

“I am driven to make a difference in agriculture and to bring talent from regional areas onto the national platform. I grew up as a fifth generation farmer but I knew my talents lay beyond the farmgate. Working for DairySA and Dairy Australia has enabled me to still live on the farm and work in agriculture and both organisations have been supportive in allowing me to develop my career while being in a regionally based satellite office,” she said.



## Helen Dornom

**The Sustainability Framework is the Australian dairy industry’s roadmap to a sustainable future — a demonstrable commitment to enhancing livelihoods, improving the wellbeing of people and animals, and focuses on reducing industry environmental impact.**

Dairy Australia acts as the secretariat for this industry initiative, and Helen Dornom, Manager of Sustainability including Food Safety and Integrity at Dairy Australia, takes a leadership role in driving the realisation of this commitment.

“Dairy Australia has challenged me to seek opportunities to identify and highlight value in addressing those key issues that the community care about and that contribute to a sustainable industry,” she said.

On a six-monthly basis, Dairy Australia hosts a Sustainability Consultative Forum – a cross-sectorial opportunity to put the dairy industry’s Sustainability

Framework and the commitments that support it, under the microscope, reflecting on past performance and defining the path into the future.

“This year marked the occasion of the 10th forum – a real milestone. The industry is engaged in the needs and wants of investors and the public, and is committed to evolving to ensure dairy stays relevant for consumers. It’s also really pleasing to see how external groups are now dairy advocates,” she said.

Helen is a member of Dairy Australia’s Leadership Team which oversees the organisation’s activities and is responsible for ensuring it delivers against its goals.

“Dairy Australia’s Leadership Team has rallied behind the Sustainability Framework to ensure it’s integrated in everything we do. This puts the organisation in the best position to provide an innovative and solid platform that underpins the industry, so it can continue to be a responsible producer of nutritious food into the future,” she said.

# Leadership Team

The Leadership Team is responsible for the day-to-day activities of Dairy Australia. It is also responsible for ensuring Dairy Australia delivers against the performance targets set out in our strategic and operational plans.



Ian was appointed Managing Director of Dairy Australia in January 2010, bringing to the position the experience of a career which has spanned across the supply chain. His expertise includes an extensive range of management roles with SPC, Goodman Fielder, Kraft Foods, KR Castlemaine and Vesco Foods.

**Ian Halliday** Managing Director to 27 July 2018

BAppSc (Food Technology)



Charlie has spent his career working within policy and analyst roles in the agricultural sector. An agricultural economist by training, Charlie's work history prior to Dairy Australia included roles at the National Farmers' Federation, Australian Pork Limited and the Australian Meat Council.

**Charlie McElhone** Group Manager – Trade and Industry Strategy

BAgrEc, GDip (International Business),  
MBA, GAICD



Chris has led the Farm Profit and Capability group since 2011 after two years with DairyNZ implementing their extension strategy. Originally from a dairy farm, he worked in dairy company field services and in rural retailing. Chris previously spent six years at Dairy Australia in farm business management and with the RDPs.

**Chris Murphy** Group Manager – Farm Profit and Capability

BAgrSc, MBA, GAICD



Elizabeth has worked in senior executive roles and as a non-executive director in multiple industry sectors including professional services, infrastructure (water and ports), retail, legal, stockbroking and private wealth management. Her background includes managing complex stakeholder networks and facilitating, developing and implementing strategic plans to achieve sustainable business outcomes.

**Elizabeth Parkin** Group Manager – Business and Organisational Performance

BBus, FFin, CAANZ, FINSIA



Kendra was Marketing Manager for Coles Express which followed 10 years at Bakers Delight where she held senior management roles including General Manager Marketing, Group Marketing Manager and Group Corporate Communications Manager. Kendra has been responsible for entire portfolios spanning marketing, brand, advertising, public relations and internal and external communications.

**Kendra Campbell** Group Manager – Marketing and Communications

BBus (Marketing)



Ross has held administration, sales and management roles at Carlton and United Breweries before Group Human Resources roles at Austrim Nylex and Air Liquide. He was the Human Resources Manager for both the industrial gas business and then healthcare with Air Liquide including five years in the Paris head office.

**Ross McKenry** Group Manager – Human Resources

BBus (Bus. Administration),  
PGDip (HR and Industrial Relations)



Helen has a long history in the dairy industry, working for organisations including CSIRO, ADIC and ADPF. The work included RD&E, issues management, supply chain, regulatory standards, policy frameworks, export facilitation, sustainability and international work including the International Dairy Federation/Food and Agriculture Organization of the United Nations guides: *Good Dairy Farm Practices; Prudent Use of Antimicrobial Agents*.

**Helen Dornom** Manager – Sustainability including Food Safety and Integrity

BAgrSc (Hons), GAICD



Faint text on a whiteboard in the background, including words like "LIC" and "LIVESTOCK IMPROVEMENT".



## Corporate governance and compliance

Dairy Australia operates within the legal framework of the *Australian Charities and Not-for-profits Commission Act 2012* (Cth), other relevant laws such as the *Corporations Act 2001* (Cth) and its Constitution. As the industry services body under the *Dairy Produce Act 1986* (Cth), Dairy Australia is party to a Statutory Funding Agreement (SFA) with the Commonwealth of Australia.

Dairy Australia entered into its current SFA in FY16, which came into effect on 26 June 2017. The SFA has a term of four years and will expire in June 2021. The SFA is the agreement under which the Commonwealth agrees to pay dairy service levy funds paid by dairy farmers to Dairy Australia, together with government-matched payments. It also sets out how those payments may be used as well as Dairy Australia's reporting and governance obligations. This includes strict requirements preventing Dairy Australia from engaging in agri-political activity, which includes engaging in or financing any form of external political campaigning.

Dairy Australia's Constitution sets out rules dealing with matters such as Dairy Australia's objectives and purposes, the membership structure and members' rights, the composition of the Board and the process by which Directors are nominated and elected to the Board.

The Constitution and SFA are available on Dairy Australia's website.

The SFA provides that Dairy Australia should draw on best practice guidelines such as the ASX Corporate Governance Principles and Recommendations (Principles and Recommendations) in implementing a corporate governance framework. Dairy Australia is not a listed company but uses the third edition of the Principles and Recommendations as a reference point. The pages following, set out Dairy Australia's report against the Principles and Recommendations for FY18.



## Lay solid foundations for management and oversight

**The Board is responsible for guiding and monitoring Dairy Australia on behalf of its members, to whom the Board is accountable.**

The Board is responsible for achieving the objectives of Dairy Australia as set out in the Constitution, at all times in line with the Directors' duties set out in the *Corporations Act 2001* (Cth). The roles and responsibilities of the Board are set out in detail in the Board Charter, which is available on Dairy Australia's website. More specifically, the Board's responsibilities include:

- › open and transparent accountability to all stakeholders, particularly Group A and Group B members, non-member levy payers and the Australian Government
- › reviewing, approving and monitoring progress against the strategic direction and financial objectives of Dairy Australia
- › facilitating RD&E to improve industry sustainability and profitability
- › ensuring a corporate governance framework is in place with effective monitoring of compliance and performance to ensure high standards of compliance, corporate behaviour and social responsibility
- › ensuring risks are assessed and that strategies are in place to manage them
- › encouraging dairy levy payers to join as Group A members
- › ensuring there are adequate resources to meet Dairy Australia's objectives
- › appointing the Managing Director, monitoring and reviewing his/her performance and overseeing succession planning.

In accordance with the Board Charter, each Board member participates in an annual review process which is based on the results of a peer assessment. A more extensive Board performance review is undertaken every three years and is facilitated by an external specialist. The next review will be undertaken in 2018.

The Board has established three standing committees that assist it in discharging its responsibilities: the Audit and Risk Management Committee, the Human Resources Committee, and the Board Selection Committee. Each committee has a Charter setting out its roles and responsibilities. These are available on the Dairy Australia website.

Members of the Audit and Risk Management Committee and the Human Resources Committee are appointed at the first Board meeting of each calendar year and are selected on the basis of their skills and experience they bring to the committees.

The Board met 12 times while the Human Resources and Audit and Risk Management Committees each had four meetings during FY18. Details of the meetings are set out in Section 5 - Financial report on page 48. The Board Selection Committee had four meetings, completing its activities for the 2018 Annual General Meeting (AGM) in July.

The management and control of the business and affairs of Dairy Australia are vested in the Board. The Board's responsibilities include:

- › reviewing and approving the strategic direction and financial objectives of Dairy Australia
- › oversight of financial, operational and capital management
- › oversight of management (including delegating authority to the Managing Director and Leadership Team to manage and administer the day-to-day activities of Dairy Australia).

Dairy Australia has a formal document in place called *Delegated Authorities*, which sets out financial delegations to management.

While these matters have been delegated to management, the Board receives comprehensive reports from management at each Board meeting with respect to their implementation.

In accordance with its obligations under the SFA, Dairy Australia is required to develop and implement a Strategic Plan (SP). Dairy Australia's current SP was developed in October 2016 and covers the period FY17 to FY19, and is available on Dairy Australia's website. An Annual Operating Plan (AOP) is developed for each year of the SP, which provides more detail for planned activity during that financial year.

As is the case for the SP, the AOP is constructed in consultation with dairy levy payers and representative bodies and provides a focus of effort and expenditure on those matters that the industry sees as important. As such, the AOP includes spending on a range of immediate issues facing the industry and also reflects investment into long-term research, development and extension programs that will continue to benefit the industry. This is the final year of the existing SP. In the last quarter of 2018, Dairy Australia will begin the process to develop a new SP, which will commence in FY20.

Dairy Australia is committed to open, accountable and responsive decision making, informed by effective communication and consultation between Dairy Australia, its levy payers, the government and industry stakeholders. In developing the AOP, Dairy Australia engaged stakeholders across the industry, government, key industry organisations, staff and Board members within Dairy Australia, affiliated organisations (including RDPs) and levy payers that represent the full diversity of those who have a stake in, or will be affected by, Dairy Australia's current and future portfolio of research, development and extension activities.

## Structure the Board to add value

Dairy Australia recognises that an effective Board is crucial to achieving company and industry objectives. The organisation has structured its Board to ensure that it has the skills and experience necessary to deal with current and emerging dairy industry issues, and is able to effectively and independently review management performance and decisions.

As at 30 June 2018, the Board comprised eight non-executive Directors (including the Chair) plus the Managing Director. The skills, experience and expertise of each Director are set out in more detail in the Directors' report (Section 5 - Financial report).

The Board Skills Matrix is used as a basis for identifying the skills and experience required of the Board as a whole and is reviewed annually. Every year, each Director completes a self-assessment against the skills matrix. The results of this exercise are then used to assist in the development of the specifications for the Director vacancies arising that year on the Board. Those specifications are developed by the Human Resources Committee, endorsed by the Board and provided to the Board Selection Committee. The Board Skills Matrix and the Board Diversity Policy are available on the Dairy Australia website.

The Constitution provides for three-year terms for non-executive Directors, capped at a maximum of three terms (nine years). At each AGM, Dairy Australia's Group A members elect Directors to fill Board vacancies created when Directors retire by rotation. Candidates for election are nominated by the Board Selection Committee, which is comprised of two representatives from each of the Group B members (ADF and ADPF) and one representative from the Board.

The Board Selection Committee is a standing committee appointed every twelve months. The Board Selection Committee for 2018 comprised the following members:

- › Jeff Odgers (Chair and Dairy Australia representative)
- › Simone Jolliffe (ADF nominee)
- › Victoria Taylor (ADF nominee)
- › Peter Stahle (ADPF nominee)
- › Steve Oldridge (ADPF nominee).

There will be three Board vacancies at the 2018 AGM: a Director with milk producer skills, a Director with dairy processing/manufacturing skills, and a Director with agribusiness, innovation and adoption skills.

Details of the nomination and selection process for these vacancies were sent to levy payers on 9 May 2018. The vacancies were also advertised publicly. An executive recruitment firm, Rimfire Resources, supported the Board Selection Committee in the recruitment process.

The Board Selection Committee undertakes background checks on Board nominees as an element of the Board selection process and provides written reports to the Dairy Australia Board regarding the Board selection process, providing biographical details for the nominees. This report is incorporated into the Notice of Meeting for the AGM.

Once elected to the Board, all Directors participate in an induction program tailored to their specific learning needs. The Board's continuing education program is reviewed and updated on a periodic basis and is overseen by the Board Human Resources Committee.

Dairy Australia considers that all of its non-executive Directors are independent. The Principles and Recommendations provide that "... *To describe a director as 'independent' carries with it a particular connotation that the director is not allied with the interests of management, a substantial security holder or other relevant stakeholder and can and will bring an independent judgement to bear on issues before the board.*"

In its capacity as an industry services body, Dairy Australia does not have security holders; its Group B members are representative organisations (ADF and ADPF) and its Group A members are dairy levy payers. Dairy Australia's Board Skills Matrix provides that the Board as a whole is required to possess skills reflective of all aspects of the dairy supply chain, and the Dairy Australia Constitution requires that the Board must have four milk producer Directors.

The Board recognises that the relevant skills and experience requirements for Directors might, at times, lead to a potential conflict of interest for a Director. Each Director is required to disclose all interests, positions and relationships that may bear on his or her independence prior to being appointed to the Board. This disclosure is updated on a monthly basis and shared with other Directors prior to each Board meeting. Dairy Australia's Policy on the Independence of Directors details a process for dealing with conflicts of interest once declared. The Policy on the Independence of Directors is available on the Dairy Australia website.

## Act ethically and responsibly

Dairy Australia is committed to its MILK values. These values are essential for us to deliver our vision and guide how we work with each other and our key stakeholders. These values are as follows:

- › **Motivated** – we serve our customers and colleagues with passion and enthusiasm. We live this value by understanding our stakeholder needs, holding ourselves accountable, having a flexible mindset and being focused on outcomes for farmer levy payers.
- › **Integrity** – we are committed to accountable, professional and respectful behaviour. We live this value by building sustainable, positive relationships, delivering in a dynamic industry whilst ensuring compliance with Dairy Australia's standards.
- › **Leadership** – we are empowered to work together for success. We live this value by delivering on promises we make, through collaboration, to achieve best outcomes, having a proactive approach, being resilient, authentic role models and understanding the impact of our behaviours on others.
- › **Knowledge** – we use our expertise and insight to seek, develop and deliver knowledge. We live this value by having a 'learner' mindset, seeking opportunities for continuous improvement, sharing knowledge, analysing and seeking diversity of views for quality decision making.

These values are embedded into Dairy Australia's performance management system, ensuring that all members of management and staff enact these values on a daily basis as they go about their work.

Dairy Australia has a Code of Conduct in place, the purpose of which is to establish the ethical standards by which Directors, executives and employees of Dairy Australia are expected to abide. All are required to sign an undertaking to Dairy Australia, acknowledging that they are aware of the responsibilities and duties outlined in the Code of Conduct and that they agree to abide by them. The Code of Conduct is reviewed on a periodic basis and was reviewed and updated in FY18. No breaches of the code were reported during FY18.

## Safeguard integrity in corporate reporting

The role of the Audit and Risk Management Committee is to assist the Board in fulfilling its responsibilities in relation to:

- › the accuracy and completeness of Dairy Australia's accounts and external reporting
- › ensuring the effectiveness of both the internal control and risk management systems
- › processes for monitoring compliance with legislative requirements, internal policies and expectations of key stakeholders
- › internal and external audit functions
- › management of investments including review of investment strategy and monitoring performance.

In FY18, the Audit and Risk Management Committee comprised three non-executive Directors plus the Board Chair who attended meetings in an ex-officio capacity. The Charter for the Audit and Risk Management Committee requires that all members of the Committee be financially skilled, with at least one member having advanced accounting and financial expertise, and at least one member having a strong understanding of the dairy industry.

The Audit and Risk Management Committee met four times during FY18, including meetings with Dairy Australia's external and internal auditors. The Managing Director, Group Manager of Business and Organisational Performance and the Financial Controller attend committee meetings, except when, consistent with best practice, the committee meets with the auditors in the absence of management.

In order to provide a systematic, disciplined approach to evaluating and continually improving the effectiveness of its risk management and internal control processes, Dairy Australia utilises an internal audit function. This function is currently performed by an external firm which is appointed by, and reports to, the Audit and Risk Management Committee. The nature and scope of the work performed by the internal auditor is determined by the Audit and Risk Management Committee, in conjunction with management and the internal auditor.

During FY18, Dairy Australia issued an Invitation to Tender to seven firms for the provision of internal audit services. In June 2018, the Board awarded the internal audit services contract to RSM Australia, commencing 1 July 2018.

## Make timely and balanced disclosure

As Dairy Australia is an unlisted public company, it is not an ASX-disclosing entity but does report annually to members on its operations and financial results.

Each year, Dairy Australia undertakes an environmental scan to inform its planning processes. This includes internal reviews and consultation with key stakeholders and representative bodies. An output of this work is Dairy Australia's update of its industry issues analysis and changes to the investment priorities in the SP and AOP.

Dairy Australia provides information about itself and its governance framework on its website.

Dairy Australia consults with its stakeholders regularly, both on a formal and an informal basis. Dairy Australia has a stakeholder engagement plan that documents this consultation.

Dairy Australia's corporate documents are available on its website. Levy payers are provided with the opportunity to ask questions at the AGM. Dairy Australia's Managing Director, senior staff and Directors also frequently travel to the dairy regions and attend industry events, providing numerous opportunities for levy payers to ask questions or raise issues.

In FY18, Dairy Australia developed an evaluation framework to measure the efficiency and effectiveness of its performance and investments. This framework was approved by the Dairy Australia Board and Australian Government in December 2017. The framework will be used across the business in FY19 with reporting to take place at the end of FY19, including documentation in the *2018–19 Annual Report*.

## Respect the rights of shareholders

Under Dairy Australia's Constitution, all Australian dairy farmers who have levy payments deducted from the proceeds of their milk sales in a financial year are eligible to become Group A members of Dairy Australia.

Group A members are entitled to participate in general meetings of Dairy Australia and in the election of Directors. As at 30 June 2018, Dairy Australia had 3,847 Group A members and an additional 3,349 joint Group A members. The 3,847 Group A members represented 63 per cent of active dairy enterprises.

Bodies that are the peak representative bodies for a significant sector of the dairy industry are eligible to become Group B members of Dairy Australia. Dairy Australia's Constitution provides for formal consultation with Group B members in relation to the development of Dairy Australia's SP and AOP. Group B members also nominate representatives for the Board Selection Committee, which nominates candidates for Board vacancies. Dairy Australia currently has two Group B members: ADF and ADPF.

Dairy Australia undertook a wide range of stakeholder communication and engagement initiatives throughout FY18 ensuring that levy payers had a strong voice in decision-making and understood Dairy Australia's levy funded programs. Initiatives included:

- › attendance and presentations at industry events such as farmer conferences, meetings and agricultural shows. Notable examples included the Australian Dairy Conference, State Dairy Farmer Organisation annual conferences and policy committee meetings, the Melbourne Agricultural Show and the NSW Easter Show
- › RDP-led activities such as seminars, on-farm workshops, field days and priority-setting sessions. Examples included Tactics for Tight Times workshops (Farm Business Management); Advanced Nutrition in Action, Feeding Pastures for Profit and Top Fodder workshops and seminars (Feedbase and Animal Nutrition); Farm Safety workshops; and other seasonal response activities including those providing social support and productivity-based extension activities. In addition, the ImProving Herds National Muster, held on a Gippsland farm, attracted 300 people.

The Muster showcased findings from the ImProving Herds project as well as personal and business experiences of farmers involved in the project

- › regular on-farm visits by senior Dairy Australia staff and Board members
- › media releases distributed to print, electronic and broadcast media
- › regular news articles and features in regional and rural print and online press
- › fact sheets and research reports in both print and online formats
- › quarterly electronic newsletters to farmers and service providers
- › monthly electronic and hard copy RDP newsletters to farmers and regional stakeholders
- › Dairy Australia and RDP Facebook pages
- › Dairy Australia's YouTube channel, featuring a broad range of farmer-facing content and topical Tactics for Tight Times information to support farmer decision-making
- › numerous electronic direct mail pieces ranging from Tactics for Tight Times checklists, fact sheets and links to relevant information; research updates; market updates such as *Situation and Outlook*; commodity updates such as *Hay and Grain* reports; and event notifications
- › integration of the eight individual RDP websites within the Dairy Australia website environment, providing a coordinated and secure platform for serving users information on Dairy Australia's strategic direction, programs, on-farm tools and resources, domestic and international marketing activities, market information, research reports, upcoming industry events and links to key industry contacts
- › webinars providing current and timely information to farmers and service providers, particularly in relation to farm business management and animal health programs.

In addition to the above activities, Dairy Australia met regularly with the ADIC, ADF, ADPF, their executive teams, others representing industry and the various state dairy farmer organisations. The ADF and ADPF

provide representatives to industry reference groups (such as special purpose committees), who work with Dairy Australia staff in the areas of farm productivity and delivery, dairy food safety, nutrition, workforce development and trade to maximise the alignment of industry investments.

The ADF facilitates Policy Advisory Groups across industry interest areas that include representatives of relevant business groups within Dairy Australia. ADF and ADPF also nominated representatives to serve on the Board Selection Committee the Board Selection Committee.

Formal ongoing reporting sessions with the Australian Government were also undertaken in accordance with SFA obligations.

Dairy Australia reports to its members via the Annual Report and the Annual General Meeting (AGM). The *2016–17 Annual Report* was sent to the Australian Government on 24 November 2017 in compliance with the SFA, and was also lodged with the Australian Charities and Not-for-profits Commission on 29 January 2018 and 3,800 members were advised in the 2017 Notice of Meeting that the report was available on the Dairy Australia website.

Dairy Australia's 2017 AGM was held on 24 November 2017 at Flemington Racecourse, Flemington, Victoria. Approximately 200 people attended the 2017 AGM in person, including 47 Group A members and 120 visitors including representatives of the two Group B members. One hundred and forty members voted by proxy.

Dairy Australia's auditor attended the AGM and was available to answer questions on the conduct of the audit and the content of the audit report.

The 2018 AGM will be held on 30 November 2018 at Flemington Racecourse.

Dairy Australia provides levy payers with the option to receive some communications electronically (for example, the Annual Report). Dairy Australia does not currently enable levy payers to communicate with its registry regarding electronic voting, although Dairy Australia has provided levy payers with the opportunity to vote electronically in relation to levy poll processes.

## Recognise and manage risk

Dairy Australia's Risk Management Framework provides the architecture for the organisation's approach to risk.

Dairy Australia's Risk Management Framework is documented in Dairy Australia's Risk Management Plan, which outlines the processes by which risks are identified, assessed and managed. The plan also includes Dairy Australia's risk appetite statement that indicates the level of risk that is acceptable and guides the treatment of risk and development of controls or mitigation strategies. The Risk Management Plan is reviewed by the Audit and Risk Management Committee and endorsed by the Board. Dairy Australia reviews its Risk Management Plan and updates its risk profile at least annually. Mitigation strategies or management actions are also monitored regularly by the Leadership Team, the Audit and Risk Management Committee and the Board.

In FY18, Dairy Australia undertook a comprehensive review of risks with a fresh perspective to ensure that all risks were appropriately and clearly defined. This involved conducting risk identification workshops with the Board, Leadership Team and operational managers (who are collectively responsible for most of the corporate risks). The review resulted in defining the strength and effectiveness of controls put in place to address risks, to assist the organisation assess the effectiveness of those controls. This, in turn, provided information to enable Dairy Australia to update its risk appetite statement to better reflect Dairy Australia's objectives. The FY18 internal audit of Dairy Australia's Risk Management Framework found that Dairy Australia's Risk Management Framework is considered 'sustainable' and appropriate for an organisation of Dairy Australia's size.

Dairy Australia maintains an insurance program that provides cover for identified, insurable risks. As provided for in the Constitution, Dairy Australia indemnifies its Directors and Senior Officers for potential losses arising from a claim by reason of an act committed by them in their capacity as Director or Officer, unless the liability arises from conduct involving a lack of good faith.

During FY18, Dairy Australia paid for an insurance contract to insure its Directors and Senior Officers.

In accordance with normal commercial practice, and under the terms of the insurance contracts, the nature of the liabilities insured against and the amount of premiums paid remain confidential.

## Remunerate fairly and responsibly

The role of the Human Resources Committee is to provide assistance to the Board in fulfilling its responsibilities, which include:

- › providing a review and oversight function for the Board on remuneration policies and information
- › assisting the Board to ensure that Dairy Australia complies with all regulatory and accounting requirements for disclosure of remuneration
- › independently reviewing Human Resource management policies and related information to ensure that corporate governance accords with contemporary good practice
- › overseeing the workplace health and safety policy, management and reporting
- › supporting Board evaluation, recruitment, education and succession against the Board's skills matrix.

The Human Resources Committee comprised four non-executive Directors in FY18 plus the Board Chair who attended meetings in an ex-officio capacity.

Dairy Australia's remuneration for Directors, key management and staff was externally benchmarked against general market data. Remuneration is in line with the market data against which it is benchmarked, and further information regarding the total remuneration paid to Directors is set out at page 73 and regarding the total remuneration paid to members of the Leadership Team (senior executives) is set out at page 73.

The Human Resources Committee, in conjunction with the Board, undertakes an annual review of the Managing Director's performance against agreed Key Performance Indicators. The Managing Director assesses the performance of members of the Leadership Team.







# Financial report

# 5



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## Directors' report

The Directors of Dairy Australia submit their report for the year ended 30 June 2018. The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.



Jeff owns a dairy farming business near Shepparton, Victoria, milking 700 cows. He has broad experience in managing large scale farm enterprises in northern Victoria and Tasmania. Jeff is a Director of Bega Cheese Ltd. His formal qualifications include a Bachelor of Business (Agricultural Management) and an Associate Diploma in Farm Management. He served as a Director and Chair of the Murray Dairy Inc. Regional Development Program.

**Jeff Odgers** Chair

**Appointed November 2013; appointed Chair November 2017**  
**Ex-officio member – Audit and Risk Management Committee and Human Resources Committee (from December 2017)**



Geoff is a dairy farmer from Tallygaroopna in northern Victoria with extensive experience in dairy research, development and extension. He served as a Director and Chair of the Murray Dairy Inc. Regional Development Program and has served as a Director on the Board of the National Dairy Alliance, Australian Dairy Farmers and is a former Chair of the Victorian Farmers Federation Water Council.

**Geoff Akers** Chair

**Retired November 2017**  
**Ex-officio member – Audit and Risk Management Committee and Human Resources Committee (up to November 2017)**



Ian was appointed Managing Director of Dairy Australia in January 2010, bringing to the position the experience of a career which has spanned the supply chain. His expertise includes an extensive range of management roles with SPC, Goodman Fielder, Kraft Foods, KR Castlemaine and Vesco Foods.

**Ian Halliday** Managing Director

**Resigned 27 July 2018**



David was appointed Managing Director of Dairy Australia in July 2018. Prior to his appointment, David was a co-Director for both DairyBio and DairyFeedbase, and Director of Dairy Strategy and Investment Planning (Agriculture Victoria/Dairy Australia). David has experience in managing large-scale science initiatives, including as Chief Executive Officer of the Dairy Futures Cooperative Research Centre.

**Dr David Nation** Managing Director

**Appointed 30 July 2018**



For the past 20 years, Tania has been successful in the operation of small, medium and large scale dairy farms and a range of governance roles including Director of the WestVic Dairy Board, Director of the Bonlac Supply Company and Chair of the Warrnambool CBD Committee. Tania holds an Advanced Diploma of Agriculture and is currently undertaking a Bachelor of Agribusiness Management.

**Tania Luckin**

**Appointed November 2017**  
**Member – Human Resources Management Committee (from February 2018)**



David has had a range of senior executive roles across Murray Goulburn Co-operative Co Ltd (MGC) and other processors and has extensive operational line experience including business transformation and operations. Additionally, he brings finance and senior managerial skills, along with his full P&L responsibility in his previous roles as Chief Financial Officer, Interim CEO and Executive General Manager Business Operations at MGC, which sells products in Australia, South East Asia, China, Japan, USA and the Middle East. He has previously been a Non-Executive Director on the Board of Snapsil Corporation. David is a Fellow of the Australian Society of Certified Practising Accountants and a graduate of the Australian Institute of Company Directors.

**David Mallinson**

**Appointed November 2015**  
**Member – Audit and Risk Management Committee**



James is the owner of Donovan's Dairying Pty Ltd at Wye, South Australia, which supplies over 20 million litres per annum and milks 2,000 cows. He has been involved in the Australian dairy industry for over 25 years, with experience in farm systems used in dairy farming and agriculture more broadly, across Australia, New Zealand and the United Kingdom. James was the Chair of the DairySA Regional Development Program from 2002 to 2015.

**James Mann**

**Appointed November 2015**

**Member – Audit and Risk Management Committee (from December 2017)**

**Member – Human Resources Committee (up to November 2017)**



John has extensive agribusiness experience with national and international corporations. He is currently a Director of Marcus Oldham College, Primary Industries Education Foundation and is the CEO of Hassad Australia. John holds a Diploma of Farm Management, a Bachelor of Business (Charles Stuart University), an MBA, and is a graduate of the Australian Institute of Company Directors.

**John McKillop**

**Appointed November 2012**

**Chair – Human Resources Committee**



Graeme is a dairy farmer from South Gippsland. He owns and operates a perennial pasture-based dairy business, milking a crossbred herd, at Fish Creek in South Gippsland. Graeme holds qualifications in Science, Land Rehabilitation and Horticulture and was awarded a Nuffield Scholarship in 2010. His industry roles have included Deputy Chair and Chair of the GippsDairy Regional Development Program.

**Graeme Nicoll**

**Appointed January 2017**

**Member – Human Resources Management Committee**



Jan has more than 35 years' finance experience with Australian and internationally listed and private companies, government agencies and community organisations. She was an audit partner of Deloitte Touche Tohmatsu and retired from the practice in December 2011. Jan is a Fellow of Chartered Accountants Australia and New Zealand and a graduate of the Institute of Company Directors. Jan was awarded a Centenary Medal in 2001 and appointed a Member of the Order of Australia in 2007. Jan is a Non-Executive Director of Australia Post, the Australian Red Cross, Neurosciences Victoria Ltd and Melbourne Forum Ltd. She is also an independent member of the Audit and Risk Management Committee of the Victorian Department of Treasury and Finance.

**Jan West AM**

**Appointed November 2014**

**Chair – Audit and Risk Management Committee**



Paul has over 30 years' experience in agricultural R&D as both a research scientist and as an R&D leader. He is internationally recognised for his research in veterinary immunology, tuberculosis and vaccine development and is the inventor on a number of patents. He has received recognition for his work including the CSIRO medal and the Clunies Ross award. He has served on several boards with both R&D and commercial entities, currently serves as the Chair of the Agriculture and Foodtech Committee for AusBiotech, and is an Adjunct Professor at Monash University. Paul is also a Director of the Global Alliance for Livestock Veterinary Medicines and a Fellow of the Australian Academy of Technological Sciences and Engineering.

**Professor Paul Wood AO**

**Appointed November 2016**

**Member – Human Resources Management Committee**



Emma completed her undergraduate and postgraduate studies at The University of Melbourne. She has undertaken further postgraduate governance studies with the Governance Institute of Australia and is a Fellow of the Governance Institute of Australia and of the Institute of Chartered Secretaries and Administrators (UK) and is a graduate of the Australian Institute of Company Directors.

**Emma Braun** Company Secretary

**Appointed February 2017**

# Directors' report (continued)

## Meeting of Directors

Directors	Directors' meetings		Committee meetings			
	A	B	Audit and Risk Management Committee		Human Resources Committee	
	A	B	A	B	A	B
Mr J Odgers	12	12 <sup>(i)</sup>	4	4 <sup>(iv)</sup>	-	-
Mr G Akers	5	5 <sup>(ii)</sup>	2	2 <sup>(v)</sup>	2	2 <sup>(vi)</sup>
Mr I Halliday	12	12	4	4 <sup>(iv)</sup>	4	4 <sup>(vi)</sup>
Ms T Luckin	7	7	-	-	2	2
Mr D Mallinson	12	11	4	2	-	-
Mr J Mann	12	12	2	2	2	2
Mr J McKillop	12	11	-	-	4 <sup>(iii)</sup>	4
Mr G Nicoll	12	12	-	-	4	4
Mrs J West	12	11	4	4 <sup>(iii)</sup>	-	-
Professor P Wood	12	11	-	-	2	2

A Number of meetings held during the time the Director held office

B Number of meetings attended

(i) Indicates Chair from December 2017

(ii) Indicates Chair from July 2017 to November 2017

(iii) Indicates Chair

(iv) Indicates attendance as an ex-officio member from December 2017

(v) Indicates attendance as an ex-officio member from July 2017 to November 2017

(vi) Indicates attendance as an ex-officio member



## Our Strategic Priorities

During FY18 Dairy Australia focused on implementing the three strategic priorities identified in its Strategic Plan 2016–17 to 2018–19.

These short-term and long-term strategic priorities focus on:

- › Profitable Dairy Farms
- › Capable People
- › Trusted Dairy Industry

The following table shows how our principle activities were aligned to achieving our strategic priorities in FY18.

Dairy Australia Strategic Priorities	Strategic Programs	Major FY18 activities that contributed to the achievement of our strategic priorities
<b>Strategic Priority 1:</b> Profitable Dairy Farms	<ul style="list-style-type: none"> <li>› Animal Health and Fertility</li> <li>› Genetics and Herd Improvement</li> <li>› Farm Business Management</li> <li>› AgTech and Innovation</li> <li>› Feedbase and Animal Nutrition</li> <li>› Land, Water and Carbon</li> <li>› International Market Support</li> <li>› Manufacturing Margin Improvement</li> </ul>	<ul style="list-style-type: none"> <li>› DataGene Ltd</li> <li>› DairyBio</li> <li>› DairyBase</li> <li>› DairyFeedbase</li> <li>› Managing milk quality (Countdown 2020)</li> <li>› Improving reproductive performance (InCalf)</li> <li>› Emissions mitigation strategies</li> <li>› Trade policy reform</li> <li>› International marketing programs</li> </ul>
<b>Strategic Priority 2:</b> Capable People	<ul style="list-style-type: none"> <li>› Regional Operations and Extension</li> <li>› People and Capability</li> </ul>	<ul style="list-style-type: none"> <li>› Tactics for Tight Times</li> <li>› Regional extension coordinators</li> <li>› Regional Development Programs (RDPs)</li> <li>› Cows Create Careers</li> <li>› DairyLearn</li> <li>› The People in Dairy program</li> <li>› The Young Dairy Network</li> </ul>
<b>Strategic Priority 3:</b> Trusted Dairy Industry	<ul style="list-style-type: none"> <li>› Industry and Community Marketing</li> <li>› Industry Risk and Reputation Management</li> <li>› Knowledge and Insights</li> </ul>	<ul style="list-style-type: none"> <li>› Sustainability Framework</li> <li>› Policy and industry engagement</li> <li>› Chemical risk strategy</li> <li>› Industry issues management</li> <li>› Health and nutrition programs targeting consumers and health professionals</li> <li>› Australian Grand Dairy Awards</li> <li>› <i>Situation and Outlook</i> report</li> </ul>

Measurement of performance against strategic objectives can be found on pages 18–29.

## Directors' report (continued)

### Limited liability of members (guarantee)

The Constitution states that, if the Company is wound up, the liability of members is limited as follows:

- › Each member at the time the winding up starts, and
- › Each person who, at any time in the 12 months before the winding up started, was a member

undertakes to contribute to the assets of the Company up to an amount not exceeding \$2 for payment of the debts and liabilities of the Company, including the costs of the winding up. The total amount that members of the Company are liable to contribute if the Company is wound up for FY18 is \$14,396.

Any surplus members' funds on winding up must not be paid to members but must be paid or transferred to another corporation with similar objects to the Company and with a constitution which prohibits the distribution of its income and property among its members.

### Statement of Corporate Governance

A statement of corporate governance is set out on pages 36–42.

### Registered office

Level 3, HWT Tower  
40 City Road  
Southbank Victoria 3006

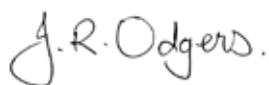
### Rounding

The amounts in the financial report have been rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Corporations Instrument 2016/191 (Instrument). The Company is an entity to which the Instrument applies.

### Auditor independence

The Auditor's Independence Declaration in relation to the audit for the year ended 30 June 2018 has been received by the Company. A copy follows the financial statements.

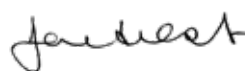
Signed in accordance with a resolution of the Directors.



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Jeff Odgers  
Director

27 September 2018



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Jan West  
Director

27 September 2018



# Statement of profit or loss and other comprehensive income

## For the year ended 30 June 2018

	Note	2018	2017
For the year ended 30 June 2018		\$'000	\$'000
<b>Revenue</b>	<b>2</b>		
Dairy service levy		33,373	31,120
Government matching payments		20,528	21,618
External contributions		4,834	5,282
Interest revenue		499	187
Distributions from investments		164	2,101
Royalties		125	461
Other income		884	477
<b>Total revenue</b>		<b>60,407</b>	<b>61,246</b>
<b>Expenses</b>	<b>3</b>		
Farm Profit and Capability		32,160	33,931
Marketing and Communications		6,083	5,543
Trade and Industry Strategy		6,683	7,689
Business and Organisational Performance		11,755	14,457
<b>Total expenses</b>		<b>56,681</b>	<b>61,620</b>
<b>Surplus/(Deficit)</b>		<b>3,726</b>	<b>(374)</b>
<b>Other comprehensive income/(loss)</b>			
Items that may be reclassified subsequently to profit or loss:			
Net fair value gains/(losses) on available-for-sale financial investments	6.3	88	(325)
<b>Other comprehensive income/(loss) for the period</b>		<b>88</b>	<b>(325)</b>
<b>Total comprehensive income/(loss)</b>		<b>3,814</b>	<b>(699)</b>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

# Statement of financial position

## For the year ended 30 June 2018

	Note	2018	2017
For the year ended 30 June 2018		\$'000	\$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5.1	12,592	8,519
Trade and other receivables	6.1	14,280	8,695
Other financial assets	6.2	560	3,000
<b>Total current assets</b>		<b>27,432</b>	<b>20,214</b>
<b>Non-current assets</b>			
Plant and equipment	4.1	2,077	1,939
Intangible assets	4.2	80	192
Available-for-sale financial investments	6.3	16,777	17,990
<b>Total non-current assets</b>		<b>18,934</b>	<b>20,121</b>
<b>Total Assets</b>		<b>46,366</b>	<b>40,335</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	6.4	13,861	11,310
Provisions	3.2.2	2,568	2,650
<b>Total current liabilities</b>		<b>16,429</b>	<b>13,960</b>
<b>Non-current liabilities</b>			
Provisions	3.2.2	538	790
<b>Total non-current liabilities</b>		<b>538</b>	<b>790</b>
<b>Total liabilities</b>		<b>16,967</b>	<b>14,750</b>
<b>Net assets</b>		<b>29,399</b>	<b>25,585</b>
<b>Reserves</b>			
Retained surplus		29,710	25,984
Available-for-sale reserve	6.3	(311)	(399)
<b>Total reserves</b>		<b>29,399</b>	<b>25,585</b>

The above statement of financial position should be read in conjunction with the accompanying notes.

# Statement of changes in equity

For the year ended 30 June 2018

	Retained surplus	Available-for-sale reserve	Total
For the year ended 30 June 2018	\$'000	\$'000	\$'000
<b>At 1 July 2016</b>	26,358	(74)	26,284
Deficit for the year	(374)	-	(374)
Other comprehensive loss	-	(325)	(325)
<b>Total comprehensive loss for the period</b>	<b>(374)</b>	<b>(325)</b>	<b>(699)</b>
<b>At 30 June 2017</b>	25,984	(399)	25,585
Surplus for the year	3,726	-	3,726
Other comprehensive income	-	88	88
<b>Total comprehensive income for the period</b>	<b>3,726</b>	<b>88</b>	<b>3,814</b>
<b>At 30 June 2018</b>	29,710	(311)	29,399

The above statement of changes in equity should be read in conjunction with the accompanying notes.

# Statement of cash flows

For the year ended 30 June 2018

	Note	2018	2017
For the year ended 30 June 2018		\$'000	\$'000
<b>Cash flows from operating activities</b>			
Levy and government matching payment receipts		48,781	52,735
Receipts from customers and other contributors		5,540	12,041
Interest received		483	453
Distributions received	2.6	164	1,890
Payments to suppliers and employees		(54,148)	(61,091)
<b>Net cash flows provided by/(used in) operating activities</b>	<b>5.2</b>	<b>820</b>	<b>6,028</b>
<b>Cash flows from investing activities</b>			
Net proceeds from other financial assets		2,717	3,003
Net proceeds from/(purchases of) available-for-sale financial investments		1,231	(1,945)
Proceeds from disposal of plant and equipment		18	62
Purchase of plant and equipment		(713)	(1,695)
Purchase of intangible assets		-	(80)
<b>Net cash flows provided by/(used in) investing activities</b>		<b>3,253</b>	<b>(655)</b>
<b>Cash flows from financing activities</b>			
<b>Net cash flows from financial activities</b>		<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>4,073</b>	<b>5,373</b>
Add: opening cash and cash equivalents at beginning of year		8,519	3,146
<b>Cash and cash equivalents at end of year</b>	<b>5.2</b>	<b>12,592</b>	<b>8,519</b>

The above statement of cash flows should be read in conjunction with the accompanying notes.

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# Notes to the financial statements

For the year ended 30 June 2018

## 1. About this report

### 1.1. Date authorised for issue

The financial report of Dairy Australia Ltd for the year end 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 27 September 2018.

### 1.2. Corporate information

Dairy Australia Ltd is a company limited by guarantee incorporated in Australia.

### 1.3. Basis of preparation

The financial report is presented in Australian dollars and has been prepared in accordance with the historical cost convention, except of available-for-sale financial investments, which have been measured at fair value.

For the purposes of preparing the financial statements the Company is a not-for-profit body.

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*, Australian Accounting Standards – Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board (AASB).

### 1.4. Economic dependency

Dairy Australia Ltd is dependent upon receipt of the dairy service levy and government matching payments.

## 2. Funding the delivery of services

The Company's main revenue streams are the dairy service levy, government matching payments and external contributions.

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Specific recognition criteria must also be met before revenue is recognised as outlined below.

### Structure

- › 2.1 Summary of revenue that funds the delivery of services
- › 2.2 Dairy service levy
- › 2.3 Government matching payments
- › 2.4 External contributions
- › 2.5 Interest revenue
- › 2.6 Distributions from investments
- › 2.7 Royalties
- › 2.8 Other income

# Notes to the financial statements (continued)

For the year ended 30 June 2018

## 2.1. Summary of revenue that funds the delivery of services

	Note	2018	2017
		\$'000	\$'000
Dairy service levy	2.2	33,373	31,120
Government matching payments	2.3	20,528	21,618
External contributions	2.4	4,834	5,282
Interest revenue	2.5	499	187
Distributions from investments	2.6	164	2,101
Royalties	2.7	125	461
Other income	2.8	884	477
<b>Total revenue</b>		<b>60,407</b>	<b>61,246</b>

## 2.2. Dairy service levy

The dairy service levy is paid by farmers based on milk production and is calculated per kilogram on milk fat or protein content. The rate of milk levies is 2.87c/kg milk fat and 6.99c/kg protein.

The levy is deducted from the payments manufacturers make to farmers and paid to the Commonwealth Government. The proceeds are then paid to the Company in accordance with the Statutory Funding Agreement.

Dairy service levy revenue is brought to account at the time the milk is harvested, when it is probable that the levy will be received by the Company and the value of the levy can be reliably measured.

## 2.3. Government matching payments

The Commonwealth Government supports the dairy industry by providing matching payments for eligible research and development activities. The maximum amount of government matching payments received each year is the lesser of 0.5% of the amount determined by the Minister for the Department of Agriculture and Water Resources to be the gross value of whole milk produced in Australia in the financial year, based on a three-year average, and 50% of the amount that is spent by the Company on qualifying research and development activities.

The revenue from government matching payments is recognised when qualifying research and development expenditure is incurred. That portion of government matching payments which is owed but not invoiced by nor remitted to the Company at reporting date is reported as government matching payments receivable.

## 2.4. External contributions

	2018	2017
	\$'000	\$'000
Department of Agriculture and Water Resources	2,640	2,640
Geoffrey Gardiner Dairy Foundation Ltd	440	954
Cotton Research & Development Corporation	237	-
California Dairy Research Foundation	209	217
Meat & Livestock Australia Ltd	194	179
Department of Agriculture and Food WA	192	198
Others	922	1,094
<b>Total external contributions</b>	<b>4,834</b>	<b>5,282</b>

The Company receives external contributions from other dairy and agricultural bodies such as the Department of Agriculture and Water Resources, the Geoffrey Gardiner Dairy Foundation and the State Departments of Primary Industries.

Revenue from external contributions is recognised in accordance with the terms specified in contracts with co-funding partners. Where revenue is received in advance of providing services, it is treated as unearned income and brought to account as the services are provided.

## 2.5. Interest revenue

Interest revenue includes interest received on bank deposits and from available-for-sale financial investments. Interest revenue is recognised on an accrual basis using the effective interest rate method which allocates interest over the relevant period.

## 2.6. Distributions from investments

The Company receives distributions from the externally managed funds invested with Colonial First State Global Asset Management. In October 2017, the Company withdrew from the Wholesale Australian Share Core and moved to a more diversified portfolio structure with less volatility and risk. As a result, the distributions from investments have reduced significantly. For more information, please refer to notes 6.3 and 7.1.

## 2.7 Royalties

Royalties are received from the commercialisation of intellectual property. Revenue from royalties is recognised on an accrual basis in accordance with the terms specified in contracts involving payment of royalties.

## 2.8. Other Income

	2018	2017
	\$'000	\$'000
Government grants	72	111
Sundry income	812	366
<b>Total other income</b>	<b>884</b>	<b>477</b>

# Notes to the financial statements (continued)

## For the year ended 30 June 2018

Government grants represent the reimbursement of eligible expenses the Company received under the Commonwealth Government's Export Market Development Grants scheme. The grants are recognised at their fair value where there is reasonable assurance that the grant will be received.

Sundry income includes a land tax refund of \$238,983 (2017: nil) and profit on sale of assets \$120,285 (2017: \$132,910).

During the financial year the Company applied for and received confirmation from the Victorian State Revenue Office that the Company qualified for exemption from Victorian Land Tax. In addition to being exempt, the Company is able to claim a refund of land tax paid via its landlord since 2012. As a result an amount of \$238,983 has been included in Sundry Income.

The Company also exercised its tag-along rights to sell its shareholding in TGR Biosciences Pty Ltd (TGR) to Sygnis AG during the financial year. The Company had in prior years written down the value of this investment to nil due to continuing losses. As a result of the sale, an amount of \$276,845 has been received and also has been included in Sundry Income.

Sundry income is recognised when an amount becomes receivable.

### 3. Costs of delivering services

The Company's main activities are contributing to the promotion and development of the Australia dairy industry and Australian dairy produce by:

- › funding research, development and extension activities for the benefit of the Australian dairy industry and the Australian community generally
- › carrying out activities to develop the Australian national market for, and international trade in, Australian dairy produce
- › providing information and other services, and
- › carrying out other activities for the benefit of the Australian dairy industry.

These activities are aimed at developing and driving industry services and innovation for the ultimate benefit of dairy levy payers and they are implemented through a series of programs managed by the following business groups:

- › Farm Profit & Capability
- › Marketing and Communications
- › Trade and Industry Strategy
- › Business and Organisational Performance

This section provides additional information on expenses of other nature incurred by the Company and the accounting policies that are relevant for an understanding of these expenses recognised in the financial statements.

#### Structure

- › 3.1 Lease and license payments
- › 3.2 Employee benefits
- › 3.3 Commitments for expenses

#### 3.1 Lease and license payments

	2018	2017
	\$'000	\$'000
Office rent and outgoings	628	917
Car park	70	92
Computer leases and licenses	358	200
Motor vehicles	22	327
<b>Total lease and license payments</b>	<b>1,078</b>	<b>1,536</b>



Office rent and car park leases relate to the lease of the Company's office at Southbank and car park spaces provided to key Southbank staff. The motor vehicles leases relate to running costs of motor vehicles which are now borne by the RDPs since FY18.

Computer leases and licenses relate to agreements in place for the rental of computer equipment and annual software licensing fees.

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Company only has operating leases, where the lessor retains substantially all the risks and benefits incidental to ownership of a leased item.

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

## 3.2. Employee benefits

### 3.2.1 Employee benefits in the statement of profit or loss and other comprehensive income

	2018	2017
	\$'000	\$'000
Salaries and allowances	12,736	12,685
Superannuation	1,129	1,142
Long service leave	(312)	338
Termination benefits	185	689
Workers compensation costs	50	50
<b>Total employee benefits expenses</b>	<b>13,788</b>	<b>14,904</b>

Employee benefits refers to all payments made to employees during the year. Payments include ordinary time, overtime, allowances, on-costs, Fringe Benefit Tax, redundancy costs and Workers compensation costs. Any employee benefits outstanding at year end are accrued.

Superannuation is superannuation contributions by the Company of up to 9.5% of employees' wages and salaries, as legally enforceable in Australia.

Termination benefits are payable when an employee accepts an offer of benefits in exchange for the termination of employment.

The discount rate used to determine the present value of the estimated future cash outflows in relation to long service leave has changed which resulted in a favourable adjustment to the long service leave expense and provision.

# Notes to the financial statements (continued)

For the year ended 30 June 2018

## 3.2.2 Employee benefits in the statement of financial position

	2018	2017
	\$'000	\$'000
<b>Current</b>		
Employee benefits in respect of:		
Performance-based remuneration	312	67
Annual leave (expected to be settled within 12 months)	743	818
Annual leave (expected to be settled after 12 months)	306	306
Long service leave	1,207	1,459
<b>Total provision for employee benefits – current</b>	<b>2,568</b>	<b>2,650</b>
<b>Non-current</b>		
Employee benefits in respect of:		
Performance-based remuneration	-	168
Long service leave	538	622
<b>Total provision for employee benefits – non-current</b>	<b>538</b>	<b>790</b>

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service and performance-based remuneration when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

Performance-based remuneration is based on a percentage of the remuneration package provided under the contract of employment. A provision is recognised and is measured as the aggregate of the amounts accrued under the terms of the contracts to reporting date.

### 3.3. Commitments for expenses

#### 3.3.1 Research and development expenditure commitments

	2018	2017
	\$'000	\$'000
Commitments contracted at reporting date but not recognised as liabilities are as follows:		
Not later than one year	11,606	19,318
Later than one year but not later than five years	11,236	16,882
<b>Total research and development expenditure commitments</b>	<b>22,842</b>	<b>36,200</b>

The Company enters into contracts with research organisations in respect of research, development and extension for the benefit of the Australian dairy industry. The Company does not perform the research and development activities internally. Contracts are generally for periods up to a maximum of three years and include clauses which enable the Company to withhold or cease further funding in the event of factors arising which are outside the Company's control.

Research and development costs are expensed as incurred. Commitments for future expenditure are disclosed above at their nominal value exclusive of GST. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the statement of financial position.

#### 3.3.2 Operating lease commitments

	2018	2017
	\$'000	\$'000
Future minimum rentals payable under non-cancellable operating leases as at 30 June are:		
Not later than one year	1,262	1,271
Later than one year but not later than five years	3,180	5,132
<b>Total operating lease commitments</b>	<b>4,442</b>	<b>6,403</b>

Operating lease commitments relate to office and motor vehicles. These leases have an average life of three to five years. The office lease for the Company's office premises at Southbank commenced in August 2017 and runs for five years with an option to renew for a further five years. Motor vehicle leases are for three years initially, with an option to renew for a further three years. There are no restrictions placed upon the Company by entering into these leases. They are disclosed above at their nominal value exclusive of GST.

# Notes to the financial statements (continued)

For the year ended 30 June 2018

## 4. Assets available to support the provision of services

The Company controls plant and equipment and other assets that are utilised in fulfilling its objectives and conducting its activities. They represent the resources that are owned by the Company for use in the delivery of services.

### Structure

- › 4.1 Plant and equipment
- › 4.2 Intangible assets
- › 4.3 Depreciation and amortisation

### 4.1. Plant and equipment

	2018	2017
	\$'000	\$'000
Furniture and equipment at cost	1,029	684
Accumulated depreciation	(420)	(401)
<b>Total furniture and equipment</b>	<b>609</b>	<b>283</b>
Leasehold improvements at cost	1,333	1,441
Accumulated depreciation	(116)	(150)
<b>Total leasehold improvements</b>	<b>1,217</b>	<b>1,291</b>
Motor vehicles at cost	623	586
Accumulated depreciation	(372)	(221)
<b>Total motor vehicles</b>	<b>251</b>	<b>365</b>
<b>Total plant and equipment</b>	<b>2,077</b>	<b>1,939</b>

## 4.1. Plant and equipment (continued)

Reconciliations of the carrying amounts of each class of plant and equipment at the beginning and end of the current and previous financial years are set out below.

	Furniture and equipment	Leasehold improvements	Motor vehicles	Total
Year ended 30 June 2018	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2017	283	1,291	365	1,939
Additions	553	64	96	713
Disposals	(86)	(13)	(6)	(105)
Depreciation charge for the year	(141)	(125)	(204)	(470)
<b>Closing balance at 30 June 2018</b>	<b>609</b>	<b>1,217</b>	<b>251</b>	<b>2,077</b>

Year ended 30 June 2017	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2016	360	61	199	620
Additions	62	1,269	364	1,695
Disposals	(9)	-	(10)	(19)
Depreciation charge for the year	(130)	(39)	(188)	(357)
<b>Closing balance at 30 June 2017</b>	<b>283</b>	<b>1,291</b>	<b>365</b>	<b>1,939</b>

### Initial recognition

The cost method of accounting has been used for all acquisitions of assets during the year. Cost is determined as the fair value of the assets given up at the date of acquisition plus any costs directly attributable to the acquisition. Fair value at acquisition is equal to cost.

### Subsequent measurement

Plant and equipment is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. Repairs and maintenance costs are recognised in surplus or deficit as incurred. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

- › Furniture and equipment: 1.5 to 10 years
- › Leasehold improvements: 10 years
- › Motor vehicles: 3 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

### Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amounts being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

Many assets of the Company are not held primarily for their ability to generate net cash inflows, and are typically held for continuing use of their service capacity. Given that these assets are rarely sold, their cost of disposal is typically negligible. The recoverable amount of such assets is expected to be materially the same as fair value.

# Notes to the financial statements (continued)

## For the year ended 30 June 2018

The recoverable amount of plant and equipment that generates cash inflows is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value. Impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the profit or loss and allocated across functions.

### Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in surplus or deficit in the year the asset is derecognised.

## 4.2. Intangible assets

	2018	2017
	\$'000	\$'000
Computer software at cost	690	690
Accumulated amortisation	(610)	(498)
<b>Total computer software</b>	<b>80</b>	<b>192</b>

Reconciliations of the carrying amounts of intangible assets at the beginning and end of the current and previous financial years are set out below.

	2018	2017
	\$'000	\$'000
Opening balance at 1 July	192	261
Additions	-	80
Amortisation charge for the year	(112)	(149)
<b>Closing balance at 30 June</b>	<b>80</b>	<b>192</b>

### Initial recognition

The Company's intangible assets consist of purchased computer software and are initially measured at cost.

### Subsequent measurement

All intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing. The following useful lives are applied:

- › Computer software: 3 years

### Derecognition and disposal

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit.

### 4.3. Depreciation and amortisation

	2018	2017
	\$'000	\$'000
Leasehold improvements	125	39
Furniture and equipment	141	130
Motor vehicles	204	188
Intangible assets	112	149
<b>Total depreciation and amortisation of non-current assets</b>	<b>582</b>	<b>506</b>

All plant and equipment and intangible assets that have limited useful life are depreciated and amortised on a straight-line basis over the estimated useful life of the assets.

## 5. Cash flow information and balances

This section provides information on the Company's cash flow and balances.

### Structure

- › 5.1 Cash and cash equivalents
- › 5.2 Reconciliation of operating surplus/(deficit) to net cash flows from operating activities

### 5.1. Cash and cash equivalents

	2018	2017
	\$'000	\$'000
<b>Cash at bank and in hand</b>	<b>12,592</b>	<b>8,519</b>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits that are for periods of less than three months are considered as cash at bank. Due to their short-term nature, their carrying value is assumed to approximate their fair value.

In October 2017, the Company withdrew from the Wholesale Premium Cash and the funds are now being managed internally. These are included in the 2018 amount above. For more information, please refer to notes 6.3 and 7.1.

# Notes to the financial statements (continued)

For the year ended 30 June 2018

## 5.2. Reconciliation of operating surplus/deficit to net cash flows from operating activities

	2018	2017
	\$'000	\$'000
Operating surplus/(deficit)	3,726	(374)
<b>Non-cash flows in operating surplus/(deficit)</b>		
Depreciation	470	357
Amortisation	112	149
Gain on disposal - fixed assets	(120)	(133)
<b>Changes in assets and liabilities</b>		
Trade and other receivables (increase)/decrease	(5,585)	6,019
Trade and other payables increase/(decrease)	2,550	(262)
Provisions increase	(333)	272
<b>Net cash flows provided by operating activities</b>	<b>820</b>	<b>6,028</b>





## 6. Others assets and liabilities

This section sets out the other assets and liabilities that arose from the Company's operations.

### Structure

- › 6.1 Trade and other receivables
- › 6.2 Other financial assets
- › 6.3 Available-for-sale financial investments
- › 6.4 Trade and other payables

### 6.1. Trade and other receivables

	2018	2017
	\$'000	\$'000
Receivables	6,444	1,706
Levies receivable	6,820	5,893
Sundry receivables and prepayments	1,016	1,096
<b>Total trade and other receivables</b>	<b>14,280</b>	<b>8,695</b>

Trade and other receivables disclosed above include amounts that are past due at the end of June 2018 for which the Company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. These are non-interest bearing and are generally 30-day terms. Due to the short-term nature, their carrying value is assumed to approximate their fair value. It is expected that these balances will be received when due. Bad debts are written off when identified.

Levies receivable are determined by a formula which includes the actual and estimated volume of milk production. The Company receives dairy service levy income based on the fat and protein content of milk produced. Due to a delay of approximately three months before milk production figures are known, levies receivable are estimated based on expected production for the last three months of the financial year and the estimated levy rate based on historical fat and protein content.

#### 6.1.1 Ageing analysis of receivables

At 30 June, the ageing analysis of receivables is as follows:

	2018	2017
	\$'000	\$'000
0–30 days	14,006	8,129
31–60 days	100	190
61–90 days	174	376
<b>Total</b>	<b>14,280</b>	<b>8,695</b>

# Notes to the financial statements (continued)

For the year ended 30 June 2018

## 6.2. Other financial assets

	2018	2017
	\$'000	\$'000
Short-term deposits	560	3,000

Short-term deposits are for periods of three months or more and earn interest at the respective short-term deposit rates. Due to their short-term nature, their carrying value is assumed to approximate their fair value.

## 6.3. Available for sale financial investments

	2018	2017
	\$'000	\$'000
Externally managed funds, at fair value	16,777	17,990

These funds are invested with Colonial First State Global Asset Management as a means to prudentially manage the return on longer term cash reserves.

In October 2017, the Company moved to a more diversified portfolio structure with less volatility and risk. Previously the portfolio was made up of Wholesale Australian Share Core, Wholesale Global Credit Income and Wholesale Premium Cash with allocation more heavily weighted towards Wholesale Australian Share Core. The portfolio is now invested in two funds:

- › Multi-asset Real Return - objective based and offers a more diversified asset allocation, and
- › Wholesale Global Credit Income.

The fair value of funds is determined by reference to the unit price of the investment funds which are available each day based on closing values of the previous day.

Available-for-sale financial investments are measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the surplus or deficit.

The fair value of the available-for-sale financial investments decreased by \$1,212,780 (2017: \$1,709,296) during the year. This comprised of the withdrawal from the Premium Cash fund of \$1,699,073, income of \$398,578 (2017: \$2,034,215) and unrealised gains on available-for-sale reserve of \$87,715 (2017: \$324,919 unrealised losses). The unrealised gains were offset against the unrealised losses of previous years, resulting in the available-for-sale reserve of \$311,074 (2017: \$398,789).

## 6.4. Trade and other payables

	2018	2017
	\$'000	\$'000
Accrued research and development expenditure	2,687	2,401
Trade payables	2,455	2,931
Other payables	4,473	1,464
Deferred revenue	3,214	3,944
GST payable	1,032	570
<b>Total trade and other payables</b>	<b>13,861</b>	<b>11,310</b>

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. They are normally settled on 30-day terms and are unsecured.

Accrued research and development expenditure relates to work completed at 30 June 2018 where invoices have not been received.

Deferred revenue is the unutilised amounts of external contributions received on the condition that specified services are delivered or conditions are fulfilled.

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

## 6.5 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the statement of financial position but are disclosed and if quantifiable are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively where applicable.

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. These are classified as either quantifiable where the potential economic benefit is known or non-quantifiable.

Contingent liabilities are:

- › possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or
- › present obligations that arise from past events but are not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations, or the amount of the obligations cannot be measured with sufficient reliability.

### 6.5.1 Quantifiable contingent assets

In addition to the \$276,845 received from the sale of TGR shares, as disclosed in note 2.7, there may be additional consideration of up to \$130,185 to be received in the next two years, contingent upon the conditions stipulated in the sale/purchase agreement are met by TGR.

### 6.5.2 Non-quantifiable contingent liabilities

The Company has a legal claim pending. Due to the uncertainty inherent in litigation, an accurate assessment of any outcome is not possible. The Company is of the view that further disclosure of these disputes may prejudice the position of the Company.

# Notes to the financial statements (continued)

For the year ended 30 June 2018

## 7. Financial instruments

### Structure

- › 7.1 Categories of financial instruments
- › 7.2 Financial instruments specific disclosures
- › 7.3 Fair value determination
- › 7.4 Impairment

### 7.1. Categories of financial instruments

	2018	2017
	\$'000	\$'000
<b>Financial assets</b>		
Cash and cash equivalents	12,592	8,519
Held-to-maturity investments:		
Short-term deposits	560	3,000
Available-for-sale financial assets:		
Available-for-sale financial investments	16,777	17,990
Loan and receivables:		
Trade and other receivables	14,280	8,695
<b>Total Financial Assets</b>	<b>44,209</b>	<b>38,204</b>
<b>Financial liabilities</b>		
Trade and other payables	13,861	11,310
<b>Total Financial Liabilities</b>	<b>13,861</b>	<b>11,310</b>

### 7.2. Financial instruments specific disclosures

Investments and financial assets in the scope of *AASB 139 Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through surplus or deficit, directly attributable transactions costs. The Company determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year end.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired.

#### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. The Company's trade and other receivables fall into this category of financial instruments.

Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

## 7.2. Financial instruments specific disclosures (continued)

### (ii) Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets that are designated as available for sale.

After initial recognition, these are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in surplus or deficit, to the extent that fair value is less than cost.

## 7.3. Fair value determination

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 Inventories or value in use in AASB 136 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- › Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- › Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly, and
- › Level 3 inputs are unobservable inputs for the asset or liability

The fair value of the available-for-sale financial investments is determined by reference to unit price of the investment funds, which are available each day based on closing values of the previous day. This is considered level 1 in the fair value hierarchy. There are currently no financial instruments with fair value estimated based at level 2 or level 3 in the hierarchy.

## 7.4. Impairment

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

### (i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in surplus or deficit.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. Default payments or debts more than 120 days overdue, are considered objective evidence of impairment.

# Notes to the financial statements (continued)

For the year ended 30 June 2018

## 7.4. Impairment (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in surplus or deficit, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

### (ii) Available-for-sale financial investments

The Company follows the requirements of AASB 139 Financial Instruments: Recognition and Measurement in determining when an available-for-sale financial investment is impaired. For the year ended 30 June 2018, the Company has determined for each individual investment whether there has been a significant or prolonged decline in fair value. In making this judgement the Company assessed the duration and extent to which the fair value is less than cost. A 'significant decline' is viewed as a 20 per cent decrease in fair value below cost and a 'prolonged' decline is where there has been gradual decline in value over a six-month period or more.

If there is objective evidence that an available-for-sale financial investment is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in surplus or deficit, is transferred from equity to the profit or loss. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in surplus or deficit.

## 8. Director and executive disclosures

### Structure

- › 8.1 Details of key management personnel
- › 8.2 Compensation of key management personnel
- › 8.3 Other transactions and balances with key management personnel

### 8.1. Details of key management personnel

#### (i) Directors

Mr I Halliday	Managing Director	Resigned July 2018
Mr J Odgers	Chair (non-executive)	Appointed Chair November 2017
Mr G Akers	Chair (non-executive)	Retired November 2017
Ms T Luckin	Director (non-executive)	Appointed November 2017
Mr D Mallinson	Director (non-executive)	
Mr J Mann	Director (non-executive)	
Mr J McKillop	Director (non-executive)	
Mr G Nicoll	Director (non-executive)	
Mrs J West	Director (non-executive)	
Dr P Wood	Director (non-executive)	

#### (ii) Executives

Mrs K Campbell	GM Marketing and Communications
Mr C McElhone	GM Trade and Industry Strategy
Mr R McKenry	GM Human Resources
Mr C Murphy	GM Farm Profit and Capability
Ms E Parkin	GM Business and Organisational Performance

## 8.2. Compensation of key management personnel

Total consideration paid or payable to the key management personnel of Dairy Australia Ltd was:

	2018	2017
	\$'000	\$'000

Total consideration paid or payable to the key management personnel of Dairy Australia Ltd was:

### (i) Directors

Short-term employee benefits	966,667	837,302
Post-employment benefits	56,259	72,734
Other long-term benefits	2,348	81,633
<b>Total</b>	<b>1,025,274</b>	<b>991,669</b>

### (ii) Executives

Short-term employee benefits	1,267,222	1,156,425
Post-employment benefits	95,952	117,596
Other long-term benefits	16,526	38,723
Termination benefits	-	212,737
<b>Total</b>	<b>1,379,700</b>	<b>1,525,481</b>
<b>Total key management personnel compensation</b>	<b>2,404,974</b>	<b>2,517,150</b>

Directors, other than the former Managing Director and Chair, are remunerated at \$41,963 per annum (2017: \$40,741), comprising base salary plus the value of any benefits including superannuation, which is in line with the market and based on advice obtained from independent, external remuneration consultants. Members of Board sub-committees receive a further \$3,045 per annum (2017: \$2,956), while the Chairs of Board sub-committees receive \$6,090 per annum (2017: \$5,913). The Chair of the Board receives \$87,871 per annum (2017: \$85,311) and is an ex-officio member of the Audit and Risk Management Committee and the Human Resources Committee, and receives \$6,090 per annum (2017: \$5,913) for this role.

During the financial year, the former Managing Director's remuneration package (comprising base salary plus the value of any benefits including superannuation) was \$461,375 (2017: \$444,913) per annum and was based on advice obtained from independent, external remuneration consultants. In addition, the former Managing Director was eligible to receive performance payments based on achieving Board-approved key short-term incentive and long-term incentive performance indicators. His contract included a short-term incentive up to a maximum of 15% of his remuneration package per annum and a long-term incentive up to a maximum of 15% per annum. These were included in the amounts above and were subsequently paid in July 2018.

All Directors' fees and payments are reviewed annually by the Board taking into account the advice received from independent, external remuneration consultants. The Board undertakes an annual review of its performance and the performance of the Board sub-committees against goals set at the start of the year. The Board also separately reviews the performance of the Managing Director annually.

Other long-term benefits include provision for long service leave for the executives and the former Managing Director.

# Notes to the financial statements (continued)

For the year ended 30 June 2018

## 8.3. Related party transactions

Transactions with key management personnel related entities are detailed below. Note that individual key management personnel did not receive any personal benefit as a result of the transactions.

### Payments made to key management personnel-related entities

During 2018, \$175,701 (2017: \$2,046,180) was paid or payable to the following key management personnel-related entities under normal commercial terms and conditions.

		2018	2017
		\$'000	\$'000
<b>Entity</b>	<b>Dairy Australia key management personnel</b>		
Australian Dairy Conference Ltd	Mr C Murphy <sup>1</sup>	39,845	31,576
Australia Post	Mrs J West	45,830	64,036
Australian Red Cross	Mrs J West	2,401	1,596
Dairy Innovation Australia Ltd	Mr R Joblin/Ms I MacNeill <sup>4</sup>	-	25,000
DataGene Ltd	Mr R Joblin <sup>5</sup>	-	1,912,704
Gillian Hayman	Mr G Nicoll	-	11,268
Marcus Oldham College	Mr J McKillop	87,625	-
		<b>175,701</b>	<b>2,046,180</b>

### Income earned from key management personnel-related entities

During 2018, \$212,396 (2017: \$275,299) was received or receivable from the following key management personnel related entities under normal commercial terms and conditions.

		2018	2017
		\$'000	\$'000
<b>Entity</b>	<b>Dairy Australia key management personnel</b>		
Bega Cheese Ltd	Mr J Odgers	6,000	21,000
DataGene Ltd	Mr R Joblin <sup>5</sup>	-	231,199
Murray Goulburn Co-operative Co. Ltd	Mr G Akers <sup>2</sup> /Mr D Mallinson <sup>3</sup>	67,796	23,100
Pasture Trials Network Ltd	Mr C Murphy <sup>1</sup>	138,600	-
		<b>212,396</b>	<b>275,299</b>

<sup>1</sup>Mr C Murphy is on the Board of Directors of Australian Dairy Conference Ltd and Pasture Trials Network Ltd as Dairy Australia representative. Mr C Murphy did not receive remuneration from these organisations.

<sup>2</sup>Mr G Akers' spouse, Mrs N Akers, was a Non-Executive Director of Murray Goulburn Co-operative Co. Ltd until October 2017.

<sup>3</sup>Mr D Mallinson was the Chief Financial Officer of Murray Goulburn Co-operative Co. Ltd until April 2018.

<sup>4</sup>In August 2016, Mr R Joblin replaced Ms I MacNeill as the Dairy Australia representative on the Board of Directors of Dairy Innovation Australia Ltd and remained so after he relinquished his role as Group Manager Business and Organisational Performance to assist with the wind up of this organisation. Neither Mr R Joblin nor Ms I MacNeill received remuneration from the organisation.

<sup>5</sup>Mr R Joblin was the Dairy Australia representative on the Board of Directors of DataGene Ltd up until he relinquished his role as Group Manager Business and Organisational Performance in February 2017. He is no longer an employee of the Company, therefore, funding provided by the Company to DataGene Ltd is no longer considered a related party transaction.



## 9. Other disclosures

This section includes additional material disclosures required by accounting standards or otherwise for the understanding of this financial report.

### Structure

- › 9.1 Events after balance sheet date
- › 9.2 Income tax
- › 9.3 Other taxes
- › 9.4 Auditor's remuneration
- › 9.5 Members' funds
- › 9.6 Significant accounting judgements, estimates and assumptions
- › 9.7 New accounting standards and interpretations

### 9.1. Events after balance sheet date

There have been no significant events occurring after reporting date which may affect either the Company's operations or results of those operations or the Company's state of affairs.

### 9.2. Income tax

The Company is exempt from income tax pursuant to section 50-1 of the ITAA 1997.

### 9.3. Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- › when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and
- › receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

# Notes to the financial statements (continued)

For the year ended 30 June 2018

## 9.4. Auditor's remuneration

The auditor of Dairy Australia Ltd is Deloitte Touche Tohmatsu. Amounts received or due and receivable by Deloitte Touche Tohmatsu are as below:

	2018	2017
	\$'000	\$'000
Audit of the financial report of the Company including Statutory Funding Agreement compliance	87,000	86,810
Other services		
Returning officer (AGM)	7,900	7,685
<b>Total auditor's remuneration</b>	<b>94,900</b>	<b>94,495</b>

In the event that other services are provided by Deloitte Touche Tohmatsu, they are approved by the Audit and Risk Management Committee and do not compromise the independence of the auditor.

## 9.5. Members' fund

The Company is limited by guarantee. The Constitution states that, if the Company is wound up, each nominated member at the time the winding up starts and each person who was a nominated member at any time in the 12 months before the winding up started, is required to contribute a maximum of \$2 each towards payment of the debts and liabilities of the Company including the costs of winding up.

Any surplus members' funds on wind up must not be paid to members but must be paid or transferred to another corporation with similar objects to the Company and a constitution which prohibits the distribution of its income and property among its members.

	2018	2017
	\$'000	\$'000
<b>Group A members</b>		
Nominated	3,847	4,123
Joint	3,349	3,598
<b>Group A members</b>	<b>7,196</b>	<b>7,721</b>
<b>Group B members</b>	<b>2</b>	<b>2</b>
<b>Total Group A and Group B members</b>	<b>7,198</b>	<b>7,723</b>

## 9.6. Significant accounting judgements, estimates and assumptions

The Company is required to make judgements, estimates and assumptions, which affect the reported amounts in the financial statements.

### (i) Significant accounting judgements

Management has not made any other significant judgements which have a significant effect on the amounts recognised in the financial statements in the process of applying the Company's accounting policies, other than determining when an available-for-sale financial investment is impaired.

### (ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. At reporting date, other than dairy service levy receivable, there are no other significant estimates and assumptions that could have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period.

### (iii) Classification of and valuation of investments

The Company has decided to classify investments in listed securities as 'available-for-sale' investments and movements in fair value are recognised directly in equity. The fair value of funds has been determined by reference to the unit price of the investment funds which are available each day based on closing values of the previous day.

## 9.7. New accounting standards and interpretations

### Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended Australian Accounting Standards and AASB Interpretations that are relevant to its operations as of 1 July 2017:

- › AASB 2016–2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107
- › AASB 2016–4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities
- › AASB 2016–7 Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities
- › AASB 2017–2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014–2016 Cycle

The adoption has not had any material impact on the Company.

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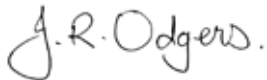
## Directors' Declaration

The Directors declare that in the Directors' opinion:

- (a) There are reasonable grounds to believe that the Company is able to pay its debts, as and when they become due and payable, and
- (b) The financial statements and notes satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*, including compliance with the Australian Accounting Standards – Reduced Disclosure Requirements and giving a true and fair view of the financial position and performance of the Company.

Signed in accordance with a resolution of the directors made pursuant to subsection 60.15(2) of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

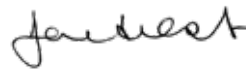
On behalf of the Board



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**Jeff Odgers**  
Director

*27 September 2018*



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**Jan West**  
Director

*27 September 2018*



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## Independent Auditor's Report to the Members of Dairy Australia Limited

### Report on the Audit of the Financial Report

#### *Opinion*

We have audited the financial report of Dairy Australia Limited (the "Entity") which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the declaration by the Directors.

In our opinion, the accompanying financial report of the Entity is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* (the "ACNC Act"), including:

- (i) giving a true and fair view of the Entity's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

#### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Entity in accordance with the auditor independence requirements of the ACNC Act and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other Information*

The Directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the Director's Report included in the Entity's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

## Independent auditor's report (continued)

# Deloitte.

### *Responsibilities of Management and Directors for the Financial Report*

Management of the Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the ACNC Act and for such internal control as management determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the ability of the Entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

The Directors are responsible for overseeing the Entity's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

# Deloitte.

We communicate with management and the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



DELOITTE TOUCHE TOHMATSU



Stephen Roche  
Partner  
Chartered Accountants  
Melbourne, 27 September 2018

# Auditor's independence declaration



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27 September 2018

The Board of Directors  
Dairy Australia Limited  
Level 3, HWT Tower  
40 City Road  
Southbank VIC 3006

Dear Board Members

## **Auditor's Independence Declaration to Dairy Australia Limited**

In accordance with Subdivision 60-C of the *Australian Charities and Not-for-profits Commission Act 2012*, I am pleased to provide the following declaration of independence to the directors of Dairy Australia Limited.

As lead audit partner for the audit of the financial statements of Dairy Australia Limited for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Stephen Roche  
Partner  
Chartered Accountants







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## Our FY18 projects

Strategic Program	Project number	Project name
<b>SP1: Profitable Dairy Farms – Pre-farmgate</b>		
<b>Animal Health and Fertility</b>	P106	Managing Milk Quality
	P107	Improving Reproductive Performance
	P213	Animal Health and Welfare - On-farm Change Management
<b>Genetics and Herd Improvement</b>	P108	Dairy Bioscience - Animal Improvement
	P109	Herd Improvement
	P218	GM Path to Market
<b>Feedbase and Animal Nutrition</b>	P252	Supporting Practice Change
	P255	Forage Improvement
	P217	Dairy Bioscience - Forages
	P253	Integrated Feedbase RD&E
	P254	Animal Nutrition and Feed Systems
	P264	Dairy Feedbase
	P240	Farm Business Information
<b>Farm Business Management</b>	P241	Farm Business Management Capability
	P110	AgTech and Innovation
<b>Land, Water and Carbon</b>	P128	On Farm Soils and Nutrient Management
	P130	Climate Change Support
	P132	Improving Water Use Efficiency
	P126	Regional Coordination of Natural Resource Management (NRM)
<b>SP1: Profitable Dairy Farms – Post-farmgate</b>		
<b>International Market Support</b>	P219	China
	P229	Japan
	P230	SE Asia
	P231	Middle East
	P232	Other Markets
<b>Manufacturing Margin Improvement</b>	P249	Supporting Manufacturing Innovation and Sustainability

Strategic Program	Project number	Project name	
<b>SP2: Capable People</b>			
<b>Regional Operations and Extension</b>	P103	Regional Development Programs	
	P257	Tactics for Tight Times	
	P200	Large Supplier Engagement	
	P251	Extension Operations and Delivery	
<b>People and Capability</b>	P207	Attracting and Retaining People	
	P242	Transitioning People in Dairy Farm Businesses	
	P203	Workforce Strategy, Planning and Action	
	P154	Industry Education	
	P260	Farm Safety	
<b>SP3: Trusted Dairy Industry</b>			
<b>Industry and Community Marketing</b>	P220	Marketing and Communications to Mums and Kids	
	P258	Marketing and Communications to Women (18–50+)	
	P263	Consumer Marketing and Communications	
	P247	Legendairy Platform Management	
	P262	Primary Schools Engagement	
	P223	Food Marketing and Communications	
	P225	Farmer and Farming Communities Industry Marketing and Communications	
	P226	Human Health and Wellness Partnerships and Engagement	
	P256	Health Professionals	
	P265	Effective Brand Management	
	P266	Maintaining Public Trust	
	P267	Influencer Engagement - Health	
	<b>Industry Risk and Reputation Management</b>	P153	Dairy Industry's Sustainability Framework / Strategy
		P172	Industry Issues Management
P177		Managing Supply Chain, Food Safety and Integrity Issues	
P227		Human Nutrition Research and Science	
P233		Policy Support for Improving Animal Health and Welfare	
P259		Technical Policy Support	
P243		Societal Shapers	
<b>Knowledge and Insights</b>	P261	Access to Agvet Chemicals	
	P237	Market Information and Insights	

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# Recommended conditions of matched Australian Government funding

## Australian Government Rural Research and Development Policy Statement

The Australian Government's Rural Research and Development Policy Statement (July 2012) was released in response to reviews of the rural RD&E system by the Productivity Commission and the Rural R&D Council. It sets out eight principles that outline what is expected of RDCs as a condition of receiving government funding.

- › **Principle 1:** Invest in an R&D portfolio that appropriately balances long-term and short-term, high-risk and low-risk, and strategic and adaptive research needs (see page 11).
- › **Principle 2:** Collaborate, as appropriate, with other RDCs and research organisations in cross-sectoral research (see page 13).
- › **Principle 3:** Have in place suitably resourced processes to facilitate timely adoption of research results (see page 24).
- › **Principle 4:** Use government funding solely for R&D and related extension purposes and not for any marketing, industry representation or agri-political activities (see page 12).
- › **Principle 5:** Effectively and transparently communicate with levy payers, industry stakeholders, researchers and the Australian Government (see page 40–41).
- › **Principle 6:** Publish relevant information on the outcomes of completed research projects in a timely manner (see page 40–41).
- › **Principle 7:** Ensure that, over time, research programs include research that addresses the needs of levy payers in all regions (see page 19).
- › **Principle 8:** Pursue continuous improvements in administrative efficiency (see page 40).

# Our collaboration partners

## RDCs

AgriFutures (formerly RIRDC)  
Australian Egg Corporation Limited (AECL)  
Australian Meat Processor Corporation (AMPC)  
Australian Pork Limited (APL)  
Australian Wool Innovation (AWI)  
Cotton Research and Development Corporation (CRDC)  
Fisheries Research and Development Corporation (FRDC)  
Forest and Wood Products Australia Limited (FWPA)  
Grains Research and Development Corporation (GRDC)  
Horticulture Innovation Australia Limited (Hort Innovation)  
Australian Livestock Export Corporation Ltd (LiveCorp)  
Meat & Livestock Australia (MLA)  
Sugar Research Australia Limited (SRA)  
Wine Australia (Australian Grape and Wine Authority (AGWA), trading as Wine Australia)

## Cross-agricultural committees

Animal Biosecurity Cross-Sector Strategy  
Animal Welfare Cross-Sector Strategy  
Climate Change Research Strategy for Primary Industries (CCRSPI)  
Council of Rural R&D Corporations (CRRDC)  
Plant Biosecurity Cross-Sector Strategy  
Research and Innovation Committee  
Soils Cross-Sector Strategy  
Water Use in Agriculture Cross-Sector Strategy

## Key investment partners

Agriculture Victoria  
Austrade  
CSIRO  
DairyNZ  
Department of Agriculture and Water Resources  
Latrobe University  
Gardiner Dairy Foundation  
NSW Department of Primary Industries  
Pastoral Genomics  
Pasture Trials Network  
Queensland Department of Agriculture and Fisheries  
South Australian Research and Development Institute  
Tasmanian Institute of Agriculture  
University of Melbourne  
University of New England  
University of Sydney  
WA Department of Primary Industries and Regional Development

## Financial contribution to cross-sectorial collaboration with other Research and Development Corporations

The following outlines Dairy Australia's FY18 financial contribution to RDC cross-sectorial collaboration. The values shown do not include in-kind contributions.

Project name	Collaborating RDCs	Dairy Australia Contribution \$
More profit from nitrogen: enhancing the nutrient use efficiency of intensive cropping and pasture systems	CRDC, HIAL, SRA	300,000
Smarter irrigation for profit	AgriFutures, CRDC, SRA	192,820
Australian Pastures Genebank	AgriFutures, AWI, GRDC, MLA	106,615
Enhancing the profitability and productivity of livestock farming through virtual herding technology	APL, AWI, MLA	105,967
Stimulating private sector extension in Australian agriculture to increase returns from R&D	APL, CRDC, HIAL, MLA, SRA	63,127
Forewarned is forearmed: equipping farmers and agricultural value chains to proactively manage the impacts of extreme climate events	AgriFutures, APL, CRDC, GRDC, MLA, SRA, Wine Australia	50,000
Waste to revenue: novel fertilisers and feeds	APL, SRA, Agrifutures, MLA	31,172
People in Agriculture	APL, CRDC, GRDC, MLA	23,444
Lifting farmgate profit through high value modular agroforestry	AgriFutures, FWPA	20,000
Phosphorus-efficient Pastures: delivering high nitrogen and water use efficiency, and reducing costs of production across Southern Australia	AWI, MLA	10,000
Animal Welfare Communication Group	AWI, MLA, APL	7,720
National Animal Welfare RD&E Strategy Steering Committee	APL	4,158
<b>Total</b>		<b>915,023</b>



# Annual reporting compliance checklist

The following checklist shows Dairy Australia's compliance with key annual reporting requirements for FY17, completed during FY18 in accordance with the Company's Constitution, the *Australian Charities and Not-for-profits Commission Act 2012*, the *Dairy Produce Act 1986* and the Statutory Funding Agreement 2017–2021.

Requirement	What Dairy Australia delivered
<b>Annual Report requirements — Dairy Australia Constitution (rules 22.4, 24.4)</b>	
<p>The Board must include in the Annual Report for each financial year:</p> <ul style="list-style-type: none"><li>› A report on the operations of the Audit and Risk Management Committee and the Human Resources Committee</li><li>› A report on the operations of the Code of Conduct during the year.</li></ul>	<p>The <i>Annual Report 2016–17</i> included a report on Committee operations and the Code of Conduct.</p>
<b>Lodging Annual Report with Australian Charities and Not-for-profits Commission</b>	
<p>A company must lodge the Annual Report with the Australian Charities and Not-for-profits Commission within six months after the end of the financial year.</p>	<p>The <i>Annual Report 2016–17</i> was lodged with the Australian Charities and Not-for-profits Commission on 29 January 2018.</p>
<b>Provision of Annual Report to the Minister — Dairy Produce Act 1986 (section 13)</b>	
<ul style="list-style-type: none"><li>› The industry services body must, within 14 days of lodging a financial report (the Annual Report), give the Minister a copy of the report.</li><li>› The report must comply with section 295 of the <i>Corporations Act 2001</i> and section 13 of the <i>Dairy Produce Act 1986</i>.</li></ul>	<p>The <i>Annual Report 2016–17</i> was provided to the Department of Agriculture on 24 November 2017.</p> <p>The Minister agreed to table the <i>Annual Report 2016–17</i> in Parliament; this occurred in both the House of Representatives and the Senate.</p>
<b>Provision of Annual Report to the Minister — Statutory Funding Agreement 2017–2021 (section 33 (33.1–33.6))</b>	
<p>Dairy Australia must prepare an Annual Report complying with the financial reporting and other reporting requirements of the <i>Corporations Act 2001</i> and the Statutory Funding Agreement 2017–2021 and provide it to the Minister for tabling in accordance with this.</p>	<p>The <i>Annual Report 2016–17</i> was provided to the Department of Agriculture on 24 November 2017 in accordance with the Statutory Funding Agreement 2017–2021.</p>



Published by Dairy Australia Limited.

Dairy Australia recommends that you make your own enquiries and, where necessary, obtain professional advice before relying on any information in this report, as this report has not been prepared with your specific circumstances in mind and may contain inadvertent errors or omissions. Statements regarding future matters such as the performance of the dairy industry or activities or initiatives of Dairy Australia are based on information available to Dairy Australia at the time of preparation of the report. To the extent permitted by law, Dairy Australia is not liable for any loss or damage arising from use of the information in this report.

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