



Strategic plan
2016/17 to 2018/19

Revised June 2017

Managing Directors Foreword



It is my pleasure to present the 2017/18 revision to Dairy Australia's Strategic Plan for the 3 year planning period 2016/17 to 2018/19. 2017/18 is year 2 of our three year plan, and the basic structure of the plan remains appropriate to meet industry needs. Dairy Australia remains committed to the support of the dairy sector by driving services and innovation for the ultimate benefit of levy payers.

Events at the end of 2015/16 have cast a long shadow over the sector, and the repercussions are yet to fully play out. Fortunately, improved seasonal conditions for the later part of 2016/17 has provided some relief from low farmgate pricing. For good reason, the majority of Dairy Australia's expenditure is focused on projects that impact farm productivity and profitability, and this will continue over coming years.

From a demand perspective, the forward outlook remains positive, driven by our Asian neighbours. The big industry challenge is to profitably grow farm production to fully take advantage of regional potential over the next decade.

To do so will require a concerted effort from all stakeholders and their supporting organisations. This plan builds on the key programs of work and directional change of the last 3 year plan. It has been constructed in consultation with farmers and representative bodies and provides a focus of effort and expenditure on those matters that the industry sees as important.

The plan retains its focus on building the foundations to support resilience and growth. Our core priorities are clear and concise: making farm businesses more profitable and competitive; growing people skills and capability; and protecting and promoting our industry.

I am very positive about the opportunities the future holds and have every confidence that we will achieve meaningful outcomes through ongoing collaboration across the industry and through the implementation of this Strategic Plan.

A handwritten signature in black ink, appearing to read "Ian Halliday". The signature is fluid and cursive, with a long, sweeping tail that loops back under the main name.

Ian Halliday
Managing Director

Executive Summary

This document is the 2017/18 (Year 2) revision to DA’s 3 year planning period 2016/17 to 2018/19.

Context / Objective: Significant contraction in supply during 2016/17 (-7.5% nationally), as a result of depressed farmgate pricing since the April 2016 price downgrades, is a major concern for the industry. The sector continues to deal with profitability, trust and confidence issues, though underlying confidence of farmers in their own business and its future remains robust. In an open market, global commodity price volatility is a key limitation on farm and processor investment, especially in the export oriented regions of SE Australia. Despite ongoing downside risk, the international market is more balanced than a year ago and domestic sales growth is strong – albeit with continued pressure on value.

Climate acts to mitigate or exacerbate the economic pressures, with climate change likely to reduce the availability of land that is economically ideal for dairy. “Licence to operate” pressures around animal welfare and environment are directing the industry to operate within a framework of ethical sustainability.

While there are a range of external pressures on the industry, the longer term outlook for demand is positive. Plant closure announcements late in 2016/17 underlines the industry dilemma of continuing strong local and external demand but an inability to consistently grow local supply. Within this context, the key objective will be to maintain sustainable levels of farm profitability to maintain and grow industry participation. DA has little or no influence over global commodity prices or the price of milk at the farm gate. DA’s remit is to bolster profitability by helping farmers use their assets/resources (animals, land/feedbase, people, water, etc.) as productively as possible.

DA Investment Planning: A greater than expected decline in production (a 7.5% reduction compared to budgeted 5% reduction), has forced a review of future volume and pricing assumptions. It now appears that DA will need to adapt to an income regime in the range of \$52-54 million from 2017/18 onwards (compared with \$58.7m for 2015/16). As a result, further reductions in project and overhead expenditure (as incorporated herein) may be required during the remaining years of the plan to maintain future reserves at acceptable levels.

Investment Structure: To best support the sector to achieve profitable growth while ensuring its longer term sustainability, DA will continue to make investments across the following three priority areas. Each priority is divided into a number of Strategic Programs, each of which focuses on key drivers or success factors for the sector and contains multiple projects (approximately 50 in total) that support program objectives.

Priority	Programs	Priority	Programs
SP1 Profitable Dairy farms 	On-farm <ul style="list-style-type: none"> Animal Health & Fertility Genetics & Herd Improvement Farm Business Management Feedbase & Animal Nutrition Land, Water & Carbon Advanced Management Technologies 	SP2 Capable People 	<ul style="list-style-type: none"> Regional Extension Service People & Capability
	Post-farmgate <ul style="list-style-type: none"> International Market Support Manufacturing Innovation & Sustainability 	SP3 Trusted Dairy Industry 	<ul style="list-style-type: none"> Consumer & Community Marketing Industry Risk & Reputation Management Knowledge & Insights

Investment Focus: Investment in SP1 Profitable Dairy Farms (On-farm programs) has increased to 50% of the 3 year project expenditure, a further 26% towards people development including extension activity. Investment proportionally reduces in the consumer marketing space (SP3) and for post-farmgate programs related to processing.



Direction & Focus: In 2017/18, DA will continue to address the immediate industry challenges while maintaining core longer-term strategic programs focused on profitable growth. Lower planned income levels resulted in a further re-prioritisation of project expenditure for the remaining years of the plan. In general, the largest cuts have occurred in projects with lower estimated economic returns to farmers. DA will continue to progress the important directional changes for the industry as described in the 3 Year Plan, with the addition of Dairy21 (which may be renamed during 2017/18), as described below:

- **R&D:** Finalisation of arrangements with Agriculture Victoria and other investors for *Dairy21*, the joint approach to high impact dairy R&D across forages and animal performance, sharing capability across regional research centres: AgriBio (Bundoora), Ellinbank and Hamilton.
- Genetic improvement of animals and feedbase will remain the key R&D focus looking forward. *DairyBio*, the newly established joint venture between DA and the Victorian State Government, supersedes the Dairy Futures CRC and provide core feedbase and animal R&D for the industry. This development underpins new innovation and blue-sky future opportunities for the industry.
- *DataGene*, implemented during 2016/17, consolidates the activities related to genomic improvement of dairy cattle, from base research and data collection through to farmer adoption and measurement.
- DA has been cautious in its investment in other “blue-sky” research areas (e.g. automation, energy, recycling, etc.) and will generally assist in the assessment of available new technology and provide advice to farmers.
- Expenditure into manufacturing R&D has declined as industry support for central R&D infrastructure has waned. This decline will continue and DA will move to a position of case-by-case investment into projects in the manufacturing space with a general focus on sustainability.
- **Extension:** DA has made a concerted attempt to enhance extension capability across the dairy regions, at a time when State Government is largely withdrawing from the space. This has included integration and expansion of regional organisations (RDPs) within DA and improvements in digital communications with stakeholders. Continued focus on the effectiveness of this area will remain a priority.
- **People Capability:** Continued emphasis on enhancing farmer capability, better on-farm human resource management, and services around structural transition (farm ownership entry, career paths) to assist in employment continuity and industry growth. Programs that encourage a stronger farm culture around safety will be implemented over 2017/18 and coming years.
- **Trade support:** Continued focus on the effective implementation of the free trade agreements, the reduction of technical barriers to trade, and promotion of Australian dairy products in target export markets.
- **Post farm-gate assistance:** At a milk processing level, post wind-up of Dairy Innovation Australia Ltd (DIAL), DA’s significantly reduced funding will focus on sustainability related projects on a case-by-case basis.
- **Policy support / Risk management:** DA will continue to provide information based support to regulators and ADF policy-related activity, especially in the risk management areas of human nutrition, water, animal health and welfare, intensification, and an increasing focus on energy. Consensus on the need for a co-ordinated industry approach to manage “Licence to Operate” issues may have consequences for DA activity during 2017/18 and later years, of which the Sustainability Framework will continue to be an important component.
- **Marketing & Communication:** 2017/18 will see the full conversion of the focus of consumer marketing and communication from demand enhancement to protection of “Social Licence”. Expenditure restrictions will again preclude television based promotion, but will allow continued digital and influencer-level communication activity. A revised DA website, with improved functionality and use-ability will be released during 2017/18.
- **Trusted source of data:** DA will continue to undertake regular surveys to better understand the sector and its market and the influence of DA programs thereon. Preparation and issue of economic reports to help farmers and others better understand industry performance and external pressures.



Any revisions to the plan overall are largely in response to the changing needs of the market and DA’s continued challenge to use its limited resources as effectively as possible. Internally, delivery and overhead costs will need to be managed to match the planned future reductions in project expenditure. Following the reductions implemented during 2016/17, the organisation’s structure and staffing levels are anticipated to remain constant through 2017/18 and following years. Improvement of DA’s performance as an investment and project manager will continue during 2017/18 via systems improvements (e.g. forecasting, risk management), the on-going integration of the CRM into projects and operations, and the integration of marketing resources at project and extension delivery levels.

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Glossary

ABARES	Australian Bureau of Agricultural and Resource Economics and Sciences	FTA	Free trade agreement
ABS	Australian Bureau of Statistics	GM	Gene-modified
ABV	Australian breeding values	H&N	Health and Nutrition
ADF	Australian Dairy Farmers Limited	HISSG	Herd Improvement Industry Strategy Steering Group
ADHIS	Australian Dairy Herd Improvement Scheme	HRM	Human resource management
ADIC	Australian Dairy Industry Council Inc.	LTO	Licence to Operate
ADPF	Australian Dairy Products Federation Inc.	MOU	Memorandum of understanding
AGDA	Australian Grand Dairy Awards	NCDE	National Centre for Dairy Education
AGM	Annual General Meeting	NDFS	National Dairy Farmer Survey
AH&W	Animal health & welfare	NFF	National Farmers' Federation
AMRA	Australian Milk Residue Analysis survey	NRM	Natural resource management
AOP	Annual Operating Plan	PAG	Policy Advisory Group, of ADF
ARC	Australian Research Council	QDAF	Department of Agriculture and Fisheries, Queensland
AWI	Australian Wool Innovation Limited (RDC)	R&D	Research and development
CRC	Cooperative Research Centre	R,D&E	Research, development and extension
CRRDC	Council of Rural Research and Development Corporations	RDC	Research and Development Corporation
DA	Dairy Australia	RDP	Regional Development Program
DAFWA	Department of Agriculture and Food, Western Australia	SFA	Statutory Funding Agreement
DEDJTR	Department of Economic Development, Jobs, Transport and Resources	SME	Small to medium enterprise
DIAL	Dairy Innovation Australia Limited	TAFE	Technical and further education
DIPDC	Dairy Industry People Development Council	TBT	Technical barrier to trade
DMF	Dairy Moving Forward	TPP	Trans Pacific partnership
DMSC	Dairy manufacturing and sustainability council	UDV	United Dairy Farmers of Victoria
DPI	Department of Primary Industries (various state governments)	VFF	Victorian Farmers' Federation
FBM	Farm business management	WHS	Workplace health & safety
FIRB	Foreign Investment Review Board		

1. Introduction

1.1 Purpose / Vision

This document is the 2017/18 revision to Dairy Australia’s (DA’s) strategic plan for the 3 year planning period (2016/17 to 2018/19). It covers the context and rationale for DA’s planned investment and describes activity to the strategic program level. Within its remit, DA’s strategy responds directly to a vision for the industry as defined by the Australian Dairy Industry Council (ADIC):

ADIC Vision:	<i>“Australian Dairy – Prosperous, Trusted, World Renowned Nutrition”</i>
DA Mission	<i>To develop and drive industry services and innovation for the ultimate benefit of levy payers</i>
DA Purpose	<i>To drive improved levy payer profitability and to promote and protect the Australian dairy industry</i>

1.2 Process and Consultation

DA is one of a number of organisations that support the dairy industry (see structure diagram below) and it is important that these organisations work in concert. The industry vision cannot be achieved in isolation and DA is committed to working closely with organisations such as the ADF, State Dairy Farmer Organisations (SDFOs), ADPF, the Gardiner Foundation, the RDPs, State Governments and other Research and Development Corporations (RDC).

The structure of Australian dairy industry organisations

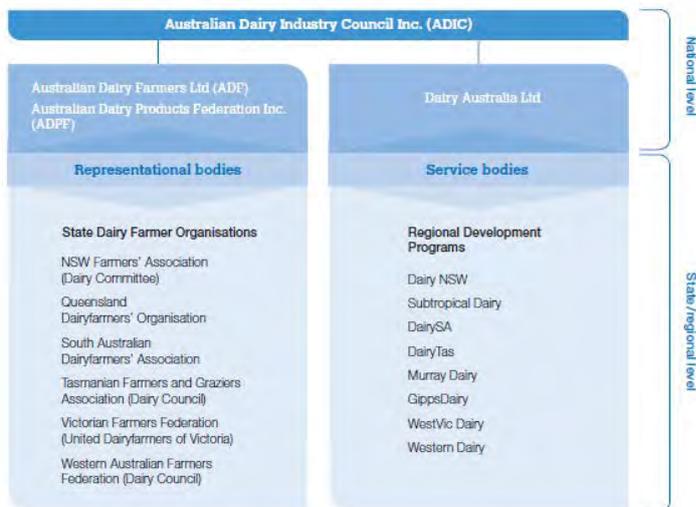


Figure 1: Industry support structure

This document is the culmination of the annual DA strategic planning process which includes consultation with the following internal groups and industry organisations:

- Australian Dairy Farmers Ltd (ADF)
- Australian Dairy Products Federation Inc. (ADPF)
- Regional Development Programs (RDPs)
- Policy Advisory Groups (PAGs)
- Victorian Government – DEDJTR
- Dairy Moving Forward (DMF) – Communities of Interest
- DA Board
- DA Senior Managers & Project Leaders

This plan addresses the key industry priorities identified during the consultation process that are within DA’s remit and budget capacity. See Section 4.7 for more detail regarding industry consultation.

1.3 DA Remit

DA is constituted under the *Dairy Industry Service Reform Act 2003*, and is the national services body for dairy farmers and the industry. The remit of the organisation is to fund and manage central pre-competitive (non-advocacy) activities that are important to the future of the industry but would not occur effectively or efficiently if the market was left to its own resources. This would typically be in the areas of RD&E, people capability, policy support, trade and regulatory support and pre-competitive promotion. In essence, DA's role is to help farmers adapt to a changing operating environment, and achieve a profitable, sustainable dairy industry. This includes:

- Supporting productivity initiatives and facilitating innovation on farm to improve profitability
- Gaining market intelligence to help farmers prepare and plan for the future
- Creating and maintaining access to preferred high value export markets
- Encouraging consumption of dairy products through protecting and promoting our industry and implementing health and nutrition programs
- Protecting the reputation of the industry and encouraging demand for its products

1.4 Reference Priorities & Strategies

Government priorities: National science and RD&E priorities were considerations in the development of this plan and there is good alignment with those priorities resulting from industry consultation – see Section 6.1

Industry strategic direction: The “Dairy Moving Forward” (DMF) strategy is the national research, development and extension framework for Australia’s dairy industry. Its purpose is to facilitate R&D priority setting for primary industries and encourage greater collaboration and promote continuous improvement in the investment of RD&E resources nationally.

DMF is dairy’s response to the national RD&E framework and is governed by a Steering Committee that is chaired by ADF/ADIC with senior representation from DA and from the following:

- Department of Economic Development, Jobs, Transport and Resources, Victoria
- Australia Dairy Products Federation Inc. (ADPF)
- Gardiner Foundation
- Victorian Farmers Federation
- Australian Government Department of Agriculture
- Regional Development Programs

The six focus areas of DMF (Animal Performance, Feedbase and Animal Nutrition, People, Farm Business Management, Precision Dairy and “Land, Water and Carbon”) are also strategic programs within DA’s investment structure. DMF was refreshed during 2014/15 and this strategy document reflects changes therein.



2. Strategic Context

2.1 Industry Overview

Dairy is Australia’s third largest agriculture sector (after wheat and red meat) with farm-gate production value of approximately \$4.7 billion in 2014/15. It is estimated that approximately 39,000 people are directly employed on dairy farms and by dairy companies within Australia. Related transport and distribution activities, and research and development projects, represent further employment associated with the industry. Dairy is also one of Australia’s leading rural industries in terms of adding value through further downstream processing. Much of this processing occurs close to farming areas, thereby generating significant economic activity and employment in rural and regional Australia.

Total Dairy Farms	6,128 as of June 2015	Milk Utilisation	Cheese	33%	WMP	9%
Dairy Industry Workforce	Direct employment of ~ 39,000		SMP/butter	28%	Other	3%
National Dairy Herd	1.74 million cows		Drinking milk	27%		
Average Herd Size	284 cows per farm	Production of Main Commodities (tonnes)	Milk Powders	333,000	Butter (CBE)	118,200
Milk Production	9.68 billion litres p.a. (2015/16)		Cheese	338,000		
Milk Production / Cow	5,731 litres p.a. (ABARES, average)	Key Export Markets (tonnes)	Greater China	129,000	Indonesia	43,000
Farm-gate Industry Value	\$4.7 billion p.a. (2015)		Japan	125,000	Malaysia	52,000
% of Milk Production Exported	~34% (2015)		Singapore	84,000		
Export Value	\$3.8 billion (2015), 7% of world dairy trade	Per Capita Consumption p.a.	Drinking milk	107 L	Cheese	13.5 kg

Figure 2: Summary Industry Statistics (ref. date June 2015)

Regional variation: Australian dairy is predominately pasture-based with an average 70-75% of cattle feed from grazing in normal seasonal conditions. This results in an overall efficient and cost competitive dairy industry but one that is highly impacted by climatic variability. Drier conditions result in increased cost of bought-in feed and/or water in irrigation-based areas. Most dairy production is located in coastal areas where pasture growth generally depends on natural rainfall. However, there are several inland regions where irrigation is extensively used – notably northern Victoria and Southern NSW.

Significant differences exist between the industry’s geographic regions from both a natural resource and economic perspective. The WA, Queensland and northern NSW regions are closely tied to the fresh drinking milk market with a requirement for more expensive year round supply systems on farms. In these regions, retailer strategies have direct impact on farmgate pricing, and pricing is more consistent. In other regions (Victoria, Tasmania, SA, Southern NSW) the majority of milk supply is processed into product (cheese, powders, butter) for local and export consumption and farmgate pricing is closely linked to the international commodity prices. In these regions production is more seasonal with production peaks around October each year.

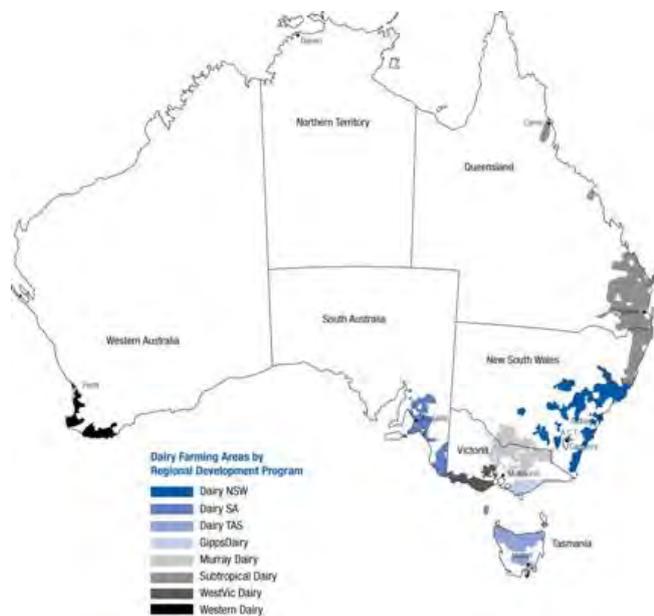


Figure 3: Australian Dairy Regions

There is also a diversity of farming systems across the regions. While dairy farms are most prevalent in high rainfall coastal zones, significant production comes from irrigation dependent inland farms located in the southern-New South Wales, northern-Victoria Murray-Darling Basin area. Unlike much of the USA and EU, where farms are intensive feed-lot arrangements, Australian dairy farms are pasture-based with varying levels of purchased feed or on-farm grown feed crops.

A competitive global player: Although Australia accounts for an estimated 2% of global milk production, it is a significant exporter of dairy products. Australia currently 4th in terms of world dairy trade (with ~6% share) behind New Zealand (38%), the European Union as a bloc (32%) and the USA (14%). Australian exports (\$2.88 billion in 2014/15) are concentrated in Asia, with China and Japan the major recipients. Australian producers and processors have benefited greatly from the rise of China as a global economic powerhouse. Over recent years Australia has exported closer to 30% of its milk production – the lowest proportion since the mid-1990s, with the combination of a declining milk production base, and a larger domestic market due to population growth resulting in less milk available for export.

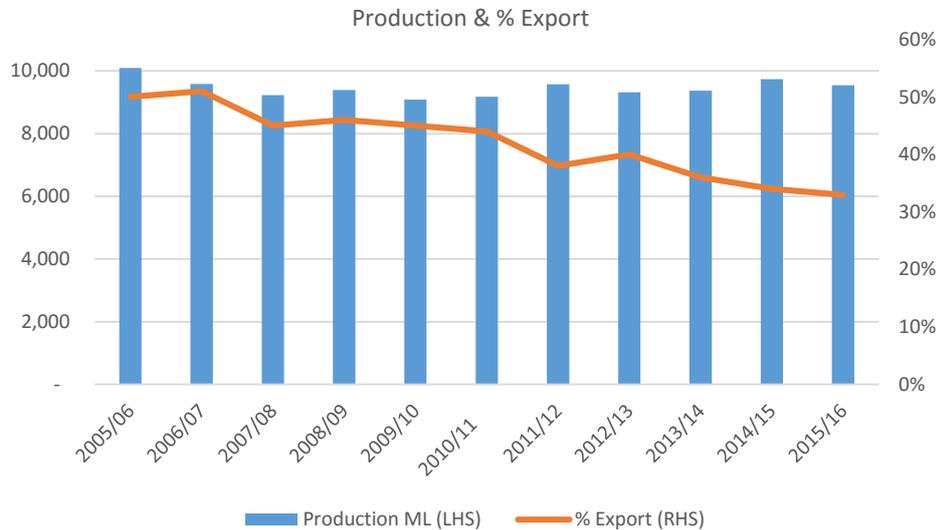


Figure 4: Export as a proportion of production

New Zealand dairy production has grown dramatically over the last two decades, also on the back of burgeoning Chinese demand. NZ is the dominant player in export markets and has advantages in scale over Australian production. While average unit cost of production and processing are generally considered to be somewhat lower in NZ, Australia remains cost competitive with other major exporters.

A deregulated and open market: Australia has embraced an open market approach, but not all countries have been as progressive in eliminating tariffs and reducing trade barriers, subsidies and support mechanisms for dairy. Tariffs on dairy products imported into Australia are low (0-4%) and free trade agreements (FTAs) with China and elsewhere are in now place with others are under negotiation. Hence, profitability at farm level is at least partially dependent upon external factors (international pricing, exchange rates) that are outside of the control of the farmer. Local farm input costs are largely dependent on supply/demand conditions (often driven by local climatic conditions) and inflationary pressures. When adverse climatic conditions coincide with low global commodity prices, the sector is most heavily at risk, resulting in low profitability, production declines and the exit of farmers from the industry.

This dual exposure impacts the relative risk associated with dairy farming with consequences for investment and industry growth. To mitigate these risks, farmers can adopt new practices or farming models that improve the inherent productivity of their farming resources. DA plays the role of facilitating innovation (via targeted R&D) and adoption (via extension and education services). DA also has a supporting role (to Government and industry) in enabling access to export markets and minimising the associated costs, the benefits of which flow back to the farmer.



3. Environmental Scan

Looking to the next decade, the “mega-trends” for agriculture¹ are generally positive for the dairy sector:

- **A hungrier world:** Population growth will drive global demand for food and fibre
- **A wealthier world:** A new middle class will increase food consumption, diversify diets and eat more protein (dairy being a convenient form of quality protein)
- **Continuing market volatility:** Globalisation, climate change and environment change will reshape the risk profile for agriculture
- **Transformative technologies:** Advances in digital technology, genetic science and synthetics will change the way food products are made and transported
- **Choosy customers:** Information empowered consumers of the future will have expectations for health, provenance, sustainability and ethics

In other words, global demand growth will offer opportunity, especially for the nutrient-rich product that is dairy, but commercial risk and social license pressures are likely to escalate. The dairy industry will need to continue to adapt to meet these emerging expectations.

Following consultation with stakeholders (see section 5.7), the following section summarises issues and trends that are or have the potential to impact the industry, and the implications for DA’s strategy. Detail of the Environmental Scan can be found in Attachment A.

3.1 Economic

Local market: Per-capita demand for dairy products in Australia has remained relatively constant and is high relative to many other western countries. To some extent this has been the result of the growth in the food service sector as Dairy is a key element of the “coffee boom” and convenience foods such as yogurt and other derivative products.

The major supermarkets control the majority of local supply and have developed their own private labels which compete directly with branded product. Drinking milk is used as market share tool, a \$1/L private label milk pricing tactic of the major supermarkets has been in play since 2011 – branded milk retailed at an average of more than \$2/L in 2014/15.

The domestic market has continued its steady volume growth, although some categories are experiencing slower value growth amidst ongoing unit price pressure.

Export market: Since 2014, the combined impact of slowing Chinese demand, the Russian embargo on EU supply, and increasing global supply (EU production expansion post quota removal) led to sustained lower international commodity pricing which was generally reflected in lower global farmgate milk prices. Up until April-May 2016, Australian dairy producers appeared somewhat sheltered from the full impact of lower global commodity prices through the stabilising influence of a larger local market, a lower Australian dollar, and the price impact of multiple processors competing for supply. However, the late season (May 2016) downgrades in farmgate pricing at that time brought Australian pricing back in line with global prices. On the back of relatively poor climatic conditions, the timing and scale of the downgrade was damaging and the sector is still dealing with the repercussions.

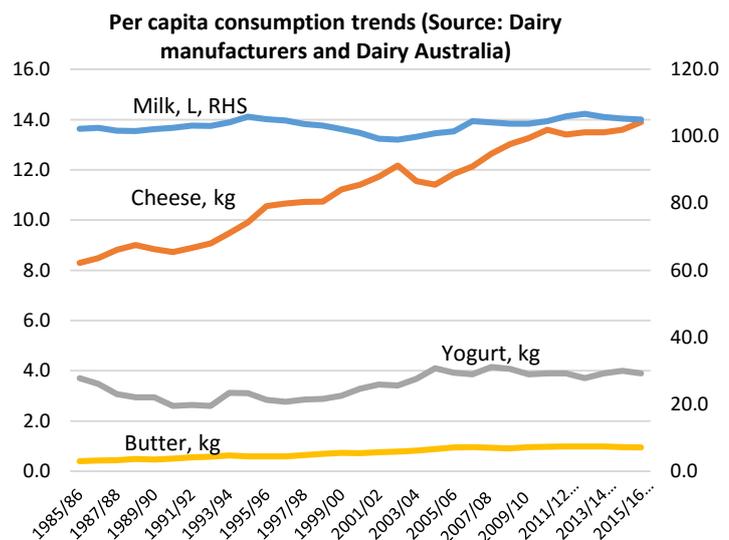


Figure 5: Australian dairy consumption trends

¹ “RURAL INDUSTRY FUTURES: Megatrends impacting Australian agriculture over the coming twenty years”, RIRDC/CSIRO, July 2015

Globally, dairy markets are in relatively neutral territory, with sufficient demand to absorb northern hemisphere spring production without major price disruption. Sentiment is far from bullish, and key exporting regions all stand ready to compete for any price upside, but the market is currently well balanced

Longer term projections demonstrate the opportunity for milk exporters: McKinsey's Global Dairy Supply & Demand model projects that by 2020, countries with a milk deficit will need to rely on imports or increase in domestic production for the equivalent of 119 million metric tonnes of milk, a 66 million increase from 2013 levels

Profitability: Since the end of 2015/16, prices have recovered somewhat from their historic lows, and climatic conditions during the latter half of 2016/17 have been more favourable in SE Australia. Nonetheless, 2016/17 national production is expected to be 7.5% down on 2015/16 at 8.8 billion litres. Many farmers across a number of regions continue to struggle financially and the wider industry is facing ongoing frustration and distrust in parts of the supply chain.

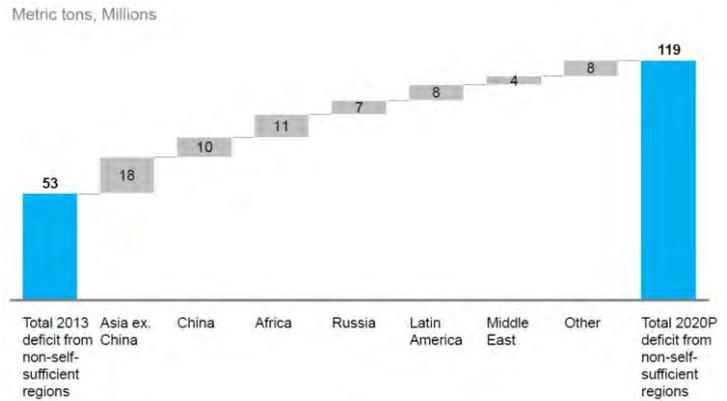
Data from the NDFS² indicates that the proportion of farmers making an operating profit has declined consecutively over the past three years. The position for larger farms (> 500 head) was somewhat better. Overall, only ~37% of farmers were planning capital investment on their farms for 2017 (down from 45% in 2016). Debt repayment arrangements associated with the late 2015/16 step-downs have largely been forgiven, but confidence levels are low and this does not bode well for greater on-farm investment / expansion in SE Australian dairy areas during 2017/18.

Volatility of pricing in international markets and the subsequent impact on farmgate pricing remains a critical limitation on farm investment and supply growth. The majority of DA programs are about helping farmers reduce unit costs, which provides fundamental protection against price volatility. Other solutions, such as creating a market mechanism for insurance or price hedging is of interest but beyond the remit of DA, but DA is assessing improved information based tools that can inform farmers and assist in the management of price related risk. Risk sharing with the processor via supply contract arrangements appears attractive – part of current ADF-Processor code-of-conduct discussions.

- Continued volatility / Improving commodity pricing
- Improved global supply / demand balance
- Asia remains a growth opportunity
- Increased resistance to free trade arrangements
- Continued solid local demand
- Retailer discounting moving into dairy products such as cheese
- Dairy maintaining position with regard to substitutes



- Pricing around average production costs but generally upward movement
- Reduced loyalty of producers to processors, changes to contractual arrangements
- Favourable conditions providing a buffer for low pricing
- Good water and feed prospects
- Energy costs increasing



1 Only countries with deficit are included. Countries with excess supply are not.
Source: McKinsey Global Supply & Demand model

Figure 6: Projected milk deficit for dairy importing markets

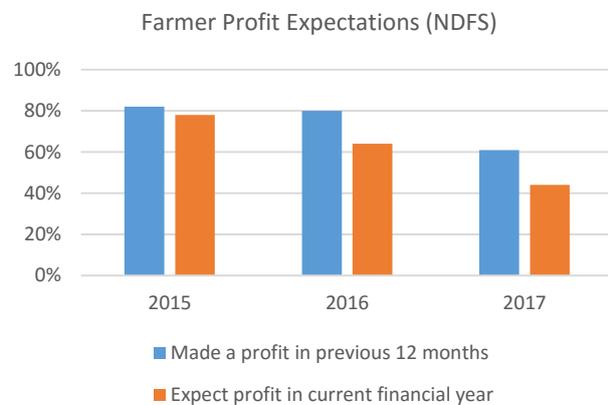
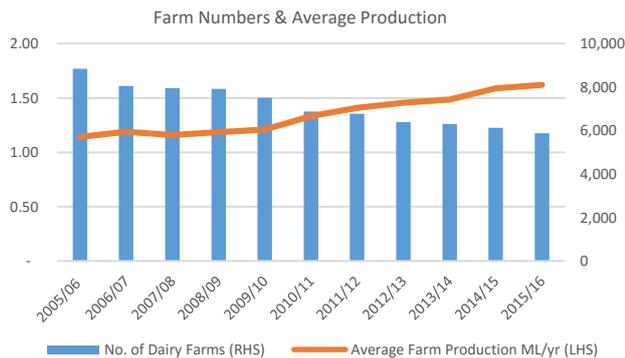


Figure 7: Profit Expectations form the NDFS

² The National Dairy Farmer Survey was conducted in February and March 2017 amongst 1,000 dairy farmers across eight dairying regions. Respondents are recruited randomly and are interviewed by telephone. Results presented are based on survey data which is weighted to represent the structure of the Australian dairy industry.

Industry consolidation is generally expected to continue. The proportion of large farms (> 1,000 head) is also expected to increase and farm ownership will change with more corporate ownership and lease back arrangements. There will be an increase in presence of intensive farms, most likely part of vertically integrated enterprises. Economies of scale will underpin improved profitability which should support production growth and expansion of exports into mostly Asian markets. This increase in scale will change the employment structure within the industry with more employees per farm and the “Farm Manager” role becoming more common.



3.2 Stakeholders

DA must maintain an awareness of the changing priorities of its key stakeholders:

Farmers: As of February 2017, National Dairy Farmer Survey (NDFS) data indicates that 53% of farmers felt positive about the future of the dairy industry following very challenging pricing and seasonal conditions experienced since May 2016. This represented a significant drop in sentiment from 2016 survey results where 67% of farmers were positive about the industry future. The decline in positivity was widespread but particularly apparent in WestVic Dairy, Gipps Dairy, Dairy NSW and Dairy Tas regions and in general, amongst small herd sizes (<150 cows).

Reduced confidence will directly impact on-farm investment and the level of exits from the industry. Government assistance announced in 2016 and the Tactics for Tight Times programme will help address immediate farmer cash flow issues, but it is anticipated that it will take a number of years for the industry to regain its positive view on the future.

Government: The sector attracted Government and consumer interest during 2016 and various inquiries are currently exploring competition and conduct aspects of the industry. DA will monitor the outcomes of these inquiries and react appropriately within its remit.

State Governments are progressively moving out of agriculture extension-related activities. DA has (and continues to) put effort into establishing effective extension structure (hub & spoke – RDPs), content and systems, recognising that adoption on farm of known/new best practices is still not optimal. This includes utilising existing channels such as vets and processor field officers, etc. DA is currently preparing a discussion paper which will cover some of the options for more cost-effective extension delivery.

Reductions in base levy income (see Section 4.4), highlights the need to maintain Federal Government matching funding for DA to maintain services to the sector. DA is aware that it must be able to demonstrate the value it creates for the sector and, hence, the Australian economy to maintain appropriate sources of funding.

Legislative changes around tax, privacy and food labelling have, or will have, some impact on the dairy sector, requiring monitoring and policy support attention from DA.

Advocacy Groups: Continued co-operation with ADF and ADPF from a planning and policy support perspective is important at all times but especially when the sector is under economic and political pressure.

National results at a glance as at February/March 2017



Figure 8: Farmer Confidence (NDFS)

3.3 Environment / Resources

Effective natural resource management (NRM) is an important issue for Australian dairy farmers both in terms of cost control and to meet community / regulatory expectations for environmental management.

Nitrogen: To improve land productivity, there has been a significant increase in the proportion of farms applying nitrogen-based fertilisers (urea and DAP). The over-use of nitrogen based fertilisers has potential impact on waterways (via run-off) and subsequently biodiversity. DA is investigating nutrient loss processes and the effectiveness of management practices. Through DA funded regional programs such as Fert\$mart, farmers are becoming aware of sustainable fertiliser application practices.

Climate: Over the next decade, it is likely that industry will have to adapt to the outcomes of climate change, with more extreme weather events and hotter/drier outcomes in some regions pushing the economic boundaries for dairy farming. There will be further regulation of scarce resources, with potential changes to the ownership structure of water which could have significant repercussions for existing dairy regions dependent upon irrigation.

Water: Dairy is the largest irrigation-based livestock industry in the Murray-Darling Basin, and the Murray Darling Basin Plan (MDBP) attempts to balance environmental and commercial interests. While the area of irrigated land remains static, the volume of irrigation water per farm continues to increase - 442 ML (2006) to 548 ML p.a. (2015). The Murray Darling Basin plan signed in 2012 has shrunk the total pool of water available for irrigation each year by more than 15%, due mainly to the Commonwealth buying back more than 1,000 billion litres of irrigators' water rights for the environment between 2008 and 2012.

Water availability and affordability are now the limiting factors on growth in this region (see chart). The Basin Plan has an option to recover another 450 billion litres from irrigators, but only if it causes no further socio-economic harm to regional communities. Political positions are polarised as to whether the additional 450 billion litres will be recovered. Water scarcity, reduced security and high prices affect surveyed dairy farmers' business and investment decisions, such as upgrading farm infrastructure, and ability to make a profit.

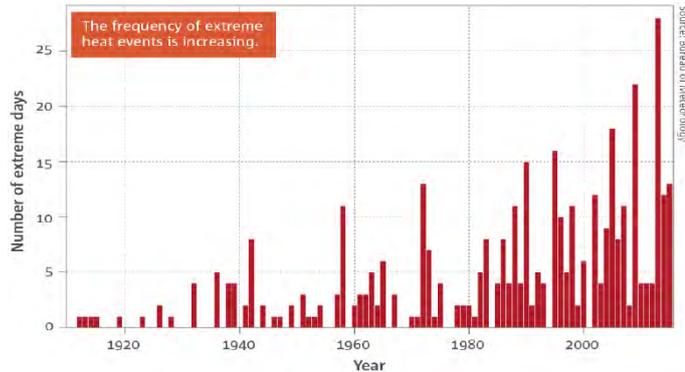


Figure 9: Extreme heat events, Source BoM, March 2017

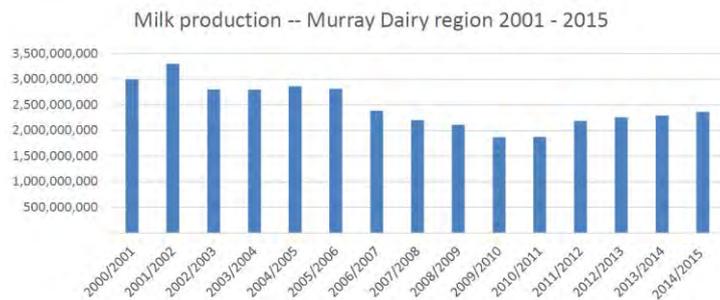
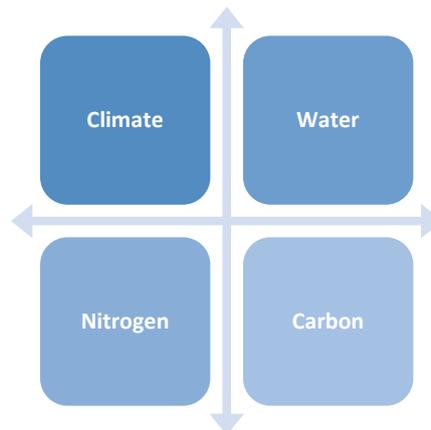


Figure 10: Production - Murray Dairy Region

- Increasing frequency of adverse weather events
- Heat stress / reduced yields for both plants and animals
- Nitrogen based fertiliser usage is increasing
- Concerns about run-off – waterway damage – sustainable practices required



- Water availability and price – Murray Darling Basin Plan
- Water use efficiency
- Salinity
- Emissions reduction
- Energy efficiency
- Carbon footprint

Rising energy costs (especially gas) is an issue facing all of agriculture (and other sectors) more generally, and a collaborative approach to Government policy positions is required. The rate of change around renewables (e.g. solar / batteries) is an area that may warrant further review in 2017/18.

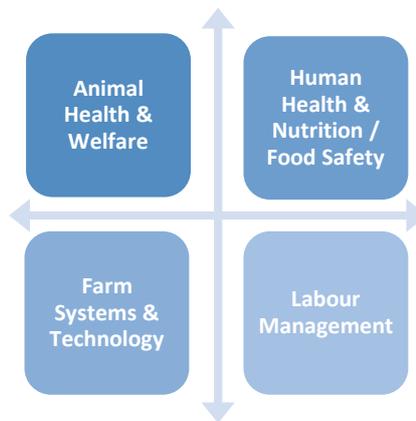
3.4 Licence to Operate / Social Licence

Societal and dietary trends are gradually diminishing the “essentiality” of dairy within the average diet. Yet other trends (convenience foods, etc.) have resulted in a net increase in consumption. A significant proportion of the DA marketing budget will continue to be focused on communicating the “health & nutrition” benefits of dairy consumption with the public and influencers of the public.

As evidenced by NSW Government intervention into the Greyhound racing industry, regulators are willing to act where ethical practices are not acceptable to society. In the absence of regulatory response, the supply chain (typically led by retailers) is imposing practice standards on suppliers to avoid a demand backlash from consumers in sectors (such as dairy) where industry practices do not match public ethical expectation.

Dairy’s “licence to operate and sell” is being rapidly shaped by rising community expectations – including animal welfare, environmental and social/societal concerns. Consumer trust in the dairy industry and its products has been declining over recent years. Consumer perceptions/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 struggling to keep ahead of rapidly changing social agendas.

- Ongoing public scrutiny of husbandry practices – induction, bobby calves, dehorning
- Commercial pressure to adopt best practice
- Community concerns about intensification, and technologies used in production
- Acceptability of GM feeds



- Dietary guidelines - Ongoing debate on obesity, processed foods, fats and added sugar
- Risk of food contamination – accidental or deliberate
- Food labelling issues
- Compliance with award requirements
- OH&S
- 457 Visa arrangements

DA is involved in practice change activity across each of the social licence areas

- SP1: Animal health and welfare practice / Water and fertilizer practices
- SP2: Labour management / safety
- SP3: Policy support / Social license marketing & communication

The **Sustainability Framework** provides evidence-based commentary on industry progress with regard to Licence to Operate. DA and the advocacy bodies will work towards the development of a more structured / systematic approach to desired/target farm practices, and a monitoring & reporting system where progress towards ethically justified goals can be tracked and communicated. This will be important to sector sustainability.

DA commissioned research (**Futureye, 2015/16**) revealed an awareness gap between the industry’s view of risk and issues and the attitudes and concerns of the public. In general, the public has a poor understanding of dairy farming practices and is uncertain about the nutritional benefits of dairy. Anti-dairy activists are creating a negative frame of reference for dairy using nutritional, animal welfare and environmental perspectives.

This understanding is driving changes in the way DA (and associated organisations e.g. ADF) address the social license issue. There will be benefits if DA can streamline issue identification, prioritisation, escalation and management. Chronic, slow burning issues demand more attention and there are opportunities to move from reactive to pre-emptive management of issues.

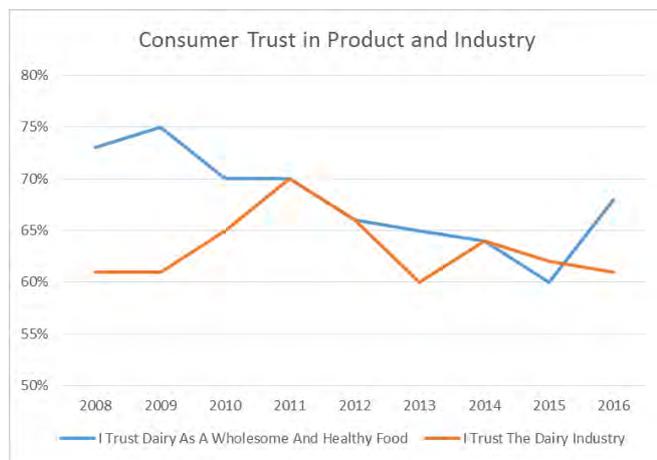


Figure 11: Consumer perception of the dairy sector (Source: DA surveys)

Intensification is an issue with social licence consequences over the next decade. It is important that there is differentiation between large herds and intensive farms (feedlot farming). The industry has agreed that the market should take its course and the role of central bodies is to identify and manage regulatory hurdles and social licence implications. Regulation should be based on facts, not perception. DA has a role in determining the “facts” that can be used in policy support.

3.5 Technology

New technology provides the opportunity to create more efficient and profitable dairy farms. DA has a role in monitoring and supporting technical advances that have potential for dairy, and providing farmers with useful information to help them decide about adoption:

- **Digital technology** and clever sensor devices is making farms increasingly data driven. Larger farms will optimise production outcomes and profitability based upon immediate data feedback. Connectivity will support better sharing of information across the sector and improved international collaboration in R&D.
- **Automation:** Robotics provides an opportunity to minimise farm labour costs but with significant capital outlay. The overlap of automation and intensification will be an industry challenge over the next decade.
- **Renewables:** Cost of solar has dropped significantly over the last 10 years. As electricity tariffs rise, and methods of storage improve, the solar alternative for low power applications becomes economically viable.

3.6 Summary Challenges

The priority challenges for dairy farmers, the industry and more broadly are as follows:

Key issues facing the sector.....	Key challenges for DA.....
<p>Supply growth / Farm profitability</p> <ul style="list-style-type: none"> – Exposure to global forces & prices / global cost competitiveness: managing price volatility – Rising input costs – e.g. Energy <p>Industry structure</p> <ul style="list-style-type: none"> – Larger farms / FBM complexity – Changing HR requirements / transitions / labour availability – Emerging business models / Intensification – Producer – processor relationships <p>Licence to Operate / Social licence</p> <ul style="list-style-type: none"> – Licence to sell – Human health & nutrition – Licence to produce – Farm ethical practices – Environment – Nitrogen management <p>Climate change / variability</p> <ul style="list-style-type: none"> – Frequency of adverse conditions – Water price & availability / managing heat <p>Trade</p> <ul style="list-style-type: none"> – Global shift towards protection / removing technical barriers to trade (TBTs) in a “free-trade” environment 	<p>Funding</p> <ul style="list-style-type: none"> – Maintaining core services with significantly lower income over the forecast period <p>Extension</p> <ul style="list-style-type: none"> – Establishing the most cost-effective extension structure to improve levels of on-farm adoption of defined best practices <p>R&D</p> <ul style="list-style-type: none"> – Optimising arrangements with State Government to maintain funding availability – Focus and effectiveness of R&D infrastructure – Barriers to adoption of valuable IP <p>Marketing & communications</p> <ul style="list-style-type: none"> – Optimise investment to best support social licence objectives – Keeping farmers informed and aware of DA programs – Ensuring stakeholders and Government understand the value of DA to the sector

3.7 Industry SWOT

Australian dairy products have a largely untarnished international reputation but like most modern agricultural sectors, the Australian dairy industry is exposed to international market conditions (commodity prices and exchange rates) with minimal risk mitigation options at farm level. Locally, the industry is concerned about water availability and cost, labour availability / quality and a raft of issues around “social license to operate”. The following provides a summary view on the current strengths, weaknesses, opportunities and threats facing the dairy sector:

Strengths	Weaknesses
<ul style="list-style-type: none"> • Industry / Product lineage and reputation – clean & green, low contamination, disease free • International cost competitiveness <ul style="list-style-type: none"> ○ Pasture based farming – low cost ○ Low cost feed availability 	<ul style="list-style-type: none"> • Exposure to external influences (commodity prices, exchange rates) with minimal ability to mitigate • Climate dependency of pasture based farm model generally, and dependency on irrigation in specific regions • Labour cost & availability relative to some global competitors

<ul style="list-style-type: none"> • Developed export market / Proximity to Asia • Significant and growing local market • R&D capability • Increasing product diversification 	<ul style="list-style-type: none"> • Scale competitiveness at processor level / Absolute scale of processing when compared to NZ, EU, USA • On-farm best practice adoption levels • Domestic supply chain price leverage - Heavy dependency upon local markets in NSW and QLD • Average level of farm commercial management capability
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Opportunities	Threats
<ul style="list-style-type: none"> • Farm productivity improvement <ul style="list-style-type: none"> ○ Lower cost forages ○ Sustainable animal genetic improvement ○ Higher on-farm adoption of best practice ○ Automation / labour productivity ○ Technology for irrigation water use optimisation ○ Greater use of digital technology ○ Collaborative international R&D • Trade <ul style="list-style-type: none"> ○ Export based expansion especially Asia ○ Improved market access/lower trade costs through Free trade agreements ○ New investment in export oriented process infrastructure • Product <ul style="list-style-type: none"> ○ Product diversification / Expansion of value-added product volume • Structure: New business models assisting production growth: <ul style="list-style-type: none"> ○ Purchase and lease back arrangements ○ Corporate farms / Supply chain integration ○ Intensive farming methods ○ Organic farming 	<ul style="list-style-type: none"> • Adverse international market conditions <ul style="list-style-type: none"> ○ Slowing Asian growth / Sustained low international commodity price ○ Strengthening exchange rate undermines cost competitiveness ○ Expanding low cost or subsidised competitors ○ Technical barriers to trade or other trade related disadvantage compared to other exporting nations • Adverse local market conditions <ul style="list-style-type: none"> ○ Extended low farmgate pricing driven by May 2016 downgrades and associated loan arrangements ○ Labour availability / Quality / Aging workforce ○ Rising feed and other farm costs ○ Drought / Climate change / Water cost & availability ○ Energy cost and availability ○ Reduced local demand due to health / dietary concerns ○ Growth of substitute products – soy, almond milks ○ Capital availability / cost • License to operate issues <ul style="list-style-type: none"> ○ Animal welfare concerns ○ Human health & welfare ○ Food safety ○ Environmental – nutrient, effluent ○ Water regulatory control – especially MDB ○ Labour conditions ○ Biosecurity event • Investment / Funding <ul style="list-style-type: none"> ○ Reduced government funding of sector

Figure 12: Dairy sector SWOT analysis

3.8 Future View / Plan Assumptions

Revised Income Assumptions: A greater than expected decline in production (down 7.5% compared to budgeted -5%), has forced a review (as of end 2016/17) of future volume and pricing assumptions:

		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Original 3 Year Plan	Production growth	-1.9%	-5.0%	1.0%	1.8%	1.8%	1.8%
	Production (DA Forecast), ML	9,550	9,073	9,163	9,328	9,496	9,667
	Levy c/l (no change)	0.352	0.352	0.352	0.352	0.352	0.352
	National Average Farmgate milk price \$/kgMS	5.60	5.00	5.50	6.15	6.15	6.15
Revised for 2017/18 & onwards	Production growth	-1.9%	-7.5%	3.0%	1.5%	1.5%	1.5%
	Production (DA Forecast), ML	9,679	8,953	9,222	9,360	9,501	9,643
	Levy c/l (no change)	0.352	0.352	0.352	0.352	0.352	0.352
	National Average Farmgate milk price \$/kgMS	5.60	5.87*	5.90	5.85	5.85	5.85

Figure 13: Strategic Plan Assumptions

*Note: \$5.87 / kgMS is the published number from ABARES and is used by Government to calculate matching payments. The DA estimate during 2016/17 was considerably lower.

It is anticipated that production will recover by 3% in 2018/19 driven by better pricing (\$5.90 vs \$5.50) and reasonable growing conditions, then follow historical average growth thereafter (revised to 1.5% due to the 2016/17 outcome). Pricing will average \$5.20 nationally in 2016/17, improving to \$5.90 in 2017/18 in line with rising commodities. Global production is anticipated to peak in 2018/19 resulting lower average Australian pricing \$5.85 and assumed consistent thereafter. This compares with an average price over the last 5 years of \$6.00 / kgMS, and 10 year average of \$5.80 / kgMS. Of specific interest is the scale of the forecast rebound in 2017/18 - This will need to be monitored during 2017/18 and revisions to the plan may be required based upon actual outcomes.



4. Strategy

4.1 Objective / Remit

Consistent farm profitability will be the strongest driver for farm investment and growth and DA's purpose is to deliver services that drive improved levy payer profitability and support longer term sustainability.

Significant contraction in supply during 2016/17 (-7.5% nationally), as a result of depressed farmgate pricing since the April 2016 price downgrades, is a major concern for the industry. The sector continues to deal with profitability, trust and confidence issues, though underlying confidence of farmers in their own business and its future remains robust.

In an open market, global commodity price volatility is a key limitation on farm and processor investment, especially in the export oriented regions of SE Australia. Despite ongoing downside risk, the international market is more balanced than a year ago and domestic sales growth is strong – albeit with continued pressure on value.

Climate acts to mitigate or exacerbate the economic pressures, with climate change likely to reduce the availability of land that is economically ideal for dairy. “Licence to operate” pressures around animal welfare and environment are directing the industry to operate within a framework of ethical sustainability.

While there are a range of external pressures on the industry, the longer term outlook for demand is positive. Plant closure announcements late in 2016/17 underlines the industry dilemma of continuing strong local and external demand but an inability to consistently grow local supply. Within this context, the key objective will be to maintain sustainable levels of farm profitability to maintain and grow industry participation. DA has little or no influence over global commodity prices or the price of milk at the farm gate. DA's remit is to bolster profitability by helping farmers use their assets and resources (animals, land/feedbase, people, water, etc.) as productively as possible. It also has a role in helping to plan for the most efficient and profitable farming models within physical and regulatory constraints.

Profitability: The strategies to improve profitability and consistency of profitability are:

- Identification and/or development of best farm practices to minimise unit costs (\$/kgMS)
- Accelerate farmer adoption of best on-farm practices, and use of available productivity tools
- Understand business models to improve farm performance
- Measures to reduce exposure to climate variability

Sustainability: Longer-term, changing society expectations for animal welfare, labour and environmental practices are placing pressures on the sector. The role of DA is to help the industry to adapt to these evolving needs and, at the same time, retain sustainable profitability.

2016/17 required a tactical response from DA to meet immediate sector needs: **Tactics for Tight Times**, Taking Stock, and RDP support for Government relief packages. There is still a short-term objective to help regain stability and confidence.

While there are significant local and external pressures on the industry, the long-term outlook for demand is positive: Local dairy consumption appears stable and global demand for quality sources of protein (led by Asia) will continue to grow. ***The longer term industry challenge is to enable profitable growth at farm level so that the Australian dairy sector can fully take advantage of expected global demand growth over the next decade.***

4.2 Directional Change / Strategic Overview

In 2017/18, DA will continue to address the immediate challenge of assisting to stabilise the industry. In the longer term, the industry challenge is to enable profitable growth at farm level so that the Australian dairy sector can fully take advantage of global demand growth over the next decade. Projected DA funding levels are anticipated to be lower than those forecast in the original 3 Year Plan (see detail below), which will require further re-prioritisation of project expenditure during 2017/18 and a focus on internal cost efficiency gains.

DA will progress the important directional changes for the industry as described in the 3 Year Plan, with the addition of Dairy21, as described below:

- **R&D**
 - Finalisation of arrangements with Agriculture Victoria and other investors for **Dairy21**, the joint approach to high impact dairy R&D across forages and animal performance, sharing capability across regional research centres: AgriBio (Bundoora), Ellinbank and Hamilton.

- Genetic improvement of animals and feedbase will remain the key R&D focus looking forward. **DairyBio**, the newly established joint venture between DA and the Victorian State Government, will supersede the Dairy Futures CRC and provide core feedbase and animal R&D for the industry. This development underpins new innovation and blue-sky future opportunities for the industry.



- **DataGene**, implemented during 2016/17, consolidates the activities related to genomic improvement of dairy cattle, from base research and data collection through to farmer adoption and measurement.



- DA has been cautious in its investment in other “blue-sky” research areas (e.g. automation, energy, recycling, etc.) and will generally assist in the assessment of available new technology and provide advice to farmers.
- Expenditure into manufacturing R&D has declined as industry support for central R&D infrastructure has waned. This decline will continue and DA will move to a position of case-by-case investment into projects in the manufacturing space with a general focus on sustainability.
- **Extension:** DA has made a concerted attempt to enhance extension capability across the dairy regions, at a time when State Government is largely withdrawing from the space. This has included integration and expansion of regional organisations (RDPs) within DA and improvements in digital communications with stakeholders. Continued focus on the effectiveness of this area will remain a priority.
- **People Capability:** Continued emphasis on enhancing farmer capability, better on-farm human resource management, and services around structural transition (farm ownership entry, career paths) to assist in employment continuity and industry growth. Programs that encourage a stronger farm culture around safety will be implemented over 2017/18 and coming years.
- **Trade support:** Continued focus on the effective implementation of the free trade agreements, the reduction of technical barriers to trade, and promotion of Australian dairy products in target export markets.
- **Post farm-gate assistance:** At a milk processing level, post wind-up of DIAL, DA’s significantly reduced funding will focus on sustainability related projects on a case-by-case basis.
- **Policy support / Risk management:** DA will continue to provide information based support to regulators and ADF policy related activity, especially in the risk management areas of human nutrition, water, animal health and welfare, intensification, and an increasing focus on energy. Consensus on the need for a co-ordinated industry approach to manage “Licence to Operate” issues may have consequences for DA activity during 2017/18 and later years, of which the Sustainability Framework will continue to be an important component.
- **Marketing & Communication:** 2017/18 will see the full conversion of the focus of consumer marketing and communication from demand enhancement to protection of “Social Licence”. Expenditure restrictions will again preclude television based promotion, but will allow continued digital and influencer-level communication activity. A revised DA website, with improved functionality and use-ability will be released during 2017/18.
- **Trusted source of data:** DA will continue to undertake regular surveys to better understand the sector and its market and the influence of DA programs thereon. Preparation and issue of economic reports to help farmers and others better understand industry performance and external pressures.

These changes are largely in response to the changing needs of the market and DA’s continued challenge to use its limited resources as effectively as possible. Internally, delivery and overhead costs will need to be managed to match the planned future reductions in project expenditure. Following the reductions implemented during 2016/17, the organisation structure and staffing levels are anticipated to remain constant through 2017/18 and following years. Improvement of DA’s performance as an investment / project manager will continue during 2017/18 via systems improvements (e.g. forecasting, risk management), the on-going integration of the CRM into projects and operations, and the integration of marketing resources at project delivery / extension levels.

4.3 Priorities & Investment Structure

To best address sector needs, DA has grouped its investment under 3 key **Strategic Priorities** (described below):

- SP1. Profitable Dairy Farms
- SP2. Capable People
- SP3. Trusted dairy Industry

Each priority is divided into a number of **Strategic Programs**, each of which focuses on key drivers or success factors for the sector and contains multiple projects (approximately 50 in total) that support program objectives:

Strategic Priority		Focus / Scope	Strategic Programs
SP1 Profitable Dairy farms  	<ul style="list-style-type: none"> • Pre-farm-gate activities that contribute directly towards improving farm profitability by optimising unit cost of production • The majority of this activity is productivity improvement oriented R&D, best practice identification and subsequent program development 	<ul style="list-style-type: none"> • Animal Health & Fertility • Genetics & Herd Improvement • Farm Business Management • Pastures & Forages • Animal Nutrition & Feeding Systems • Land, Water & Carbon • Advanced Management Technologies 	
	<ul style="list-style-type: none"> • Post-farm-gate programs are focused on improving the farm-gate price through supply chain cost reductions or stronger demand from international markets 	<ul style="list-style-type: none"> • International Market Support • Manufacturing Margin Improvement 	
SP2 Capable People 	<ul style="list-style-type: none"> • Activities that directly improve the capability of industry participants including extension services (the transfer of SP1 knowledge to farmers and advisers) and/or more general education and training activity • This includes attracting people to the sector, the availability of appropriate training, and assistance in career transitions 	<ul style="list-style-type: none"> • Regional Extension Service • People & Capability* 	
SP3 Trusted Dairy Industry 	<ul style="list-style-type: none"> • A range of activities that help maintain the industry's long term "License to Operate" • Pre-competitive promotion and communication activity that addresses the reputation of the industry and its products in the minds of consumers, the community and the "influencers" of consumer attitudes and/or regulators • Activity that addresses longer term sustainability / risk management considerations – e.g. provision of factual information that supports the industry's policy position in regulatory and other matters • Collection, analysis and distribution of sector statistics and information for the benefit of stakeholders 	<ul style="list-style-type: none"> • Consumer & Community Marketing • Industry Risk & Reputation Management • Knowledge & Insights 	

Figure 14: 3 Year Strategic Priorities

Key investment structure changes from 2016/17 are as follows:

- SP1 strategic program: Feedbase & Animal Nutrition split into two programs to better align and focus program objectives:
 - Pastures & Forages
 - Animal Nutrition and Feeding Systems
- Farm Systems & Modelling renamed as Advanced Management Technologies
- *New SP2 strategic program **People & Capability** consolidates the following programs of work:
 - Workforce Strategy & Planning
 - Attracting, Transitioning & Retaining People
 - Industry Education
- SP3: Industry & Community Marketing projects have been consolidated:
 - Consumer activity – Consumer Marketing & Communication.
 - Schools activity – Primary Schools Engagement.

4.4 Income & Expenditure Overview

Income: Based upon the revised assumptions (see section 3.8), projected income over the three year planning period will be somewhat better than originally forecast but the out-years (2018/19 onwards) may be significantly worse. As matching funding is driven by the preceding three year average of pricing and production, **it appears that DA will need to adapt to an income regime in the range \$52-54 million from 2017/18 onwards**

		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Income	3 Year Plan	58,744	53,140	52,101	52,991	55,048	53,943
	Revised for 2017/18	58,744	54,738	53,583	53,627	52,944	53,620
	Variance		1,598	1,482	636	(2,104)	(323)

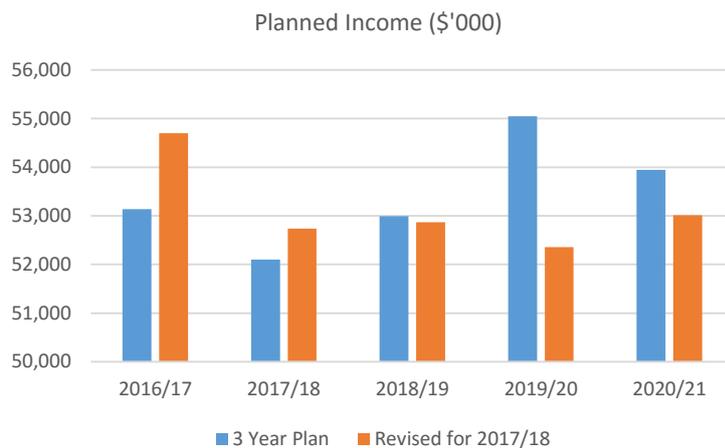


Figure 15: Revised Income Projections

Project Expenditure: 2016/17 total expenditure is expected to be \$2.1m lower than planned:

- Project underspend of \$1.98m, or 5.5%
- Delivery and overhead costs lower than plan by \$0.15m, or 0.7%

		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
3 Year Plan	Project Costs	37,618	36,079	34,036	33,424	33,000	33,000
	Delivery Costs	12,286	10,497	10,184	10,387	10,595	10,807
	Overheads	12,689	12,281	12,044	12,285	12,531	12,782
	Savings	-	-26	-539	-703	-717	-731
	Total	62,594	58,831	55,725	55,394	55,409	55,857
Revised 2017/18	Project Costs	37,618	34,101	33,658	32,459	31,199	31,000
	Delivery Costs	12,286	10,589	12,199	12,443	12,692	12,946
	Overheads	12,689	12,013	10,515	10,725	10,939	11,158
	Projects in Development		0	745	85	85	75
		62,594	56,703	57,117	55,711	54,915	55,179
Variance on 3 year plan		(2,128)	1,392	317	(494)	(678)	

Under the 3 Year Plan project expenditure was anticipated to drop by \$2m for 2017/18 and further \$1m for delivery and overheads, resulting in \$55.7m annual spend. For future years expenditure was maintained around \$55-56m to match up with income and maintain minimum reserves.

The impact of Dairy21 (unplanned, see later sections) will be to add a net \$1.5 million to on-farm programs during 2017/18 and thereafter. Cost management in other areas will result in a net \$3.4 million reduction in project expenditure when compared with the 3 Year Plan:

Variation to 3 Year Plan	2016/17	2017/18	2018/19	Total	
SP1: Profitable Dairy Farms - On-farm	194,476	1,125,084	1,287,547	2,607,107	Dairy21 adds ~\$3m, reductions in Animal Health & Fertility, and Advanced Farming Systems limit overall variation to \$2.6m
SP1: Profitable Dairy Farms - Post farmgate programs	(486,054)	(148,650)	(20,000)	(654,704)	Underspend in Manufacturing Innovation in 2016/17
SP2: Capable People	(719,997)	(917,701)	(1,321,521)	(2,959,219)	Efficiency oriented reductions in both RDPs and People & Capability
SP3: Trusted Dairy Industry	(996,245)	(436,952)	(911,603)	(2,364,801)	Deliberate reductions in funding allocated to consumer oriented marketing. A cap on spending in other marketing oriented areas
Total	(1,977,821)	(378,219)	(965,577)	(3,321,617)	

Delivery and Overhead costs: Internal staffing is anticipated to remain constant with a 2% average uplift in salaries. 2017/18 expenses are projected to be similar to those in 2016/17. See section 7.1 for details.

A summary of planned performance and reserves outcomes is as follows:

\$'000	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Opening Reserves	26,285	24,958	22,043	18,743	16,497	14,663
Income						
Levy	31,074	32,461	32,948	33,442	33,944	34,453
Government Matching Payments	21,618	20,119	17,828	17,573	17,657	17,811
Interest/Royalties/Other	1,648	876	844	813	850	889
Increase in CFS assets	1,036	746	792	841	893	949
Total Income	55,376	54,202	52,411	52,669	53,344	54,102
Expenditure						
Project Costs	34,101	33,658	32,459	31,199	31,000	31,000
Delivery Costs	10,589	12,199	12,443	12,692	12,946	13,204
Overheads	12,013	10,515	10,725	10,939	11,158	11,381
Projects in Development	-	745	85	85	75	75
Total Expenditure	56,703	57,117	55,711	54,915	55,179	55,661
Surplus/Deficit	(1,327)	(2,915)	(3,300)	(2,246)	(1,835)	(1,559)
Closing Reserves	24,958	22,043	18,743	16,497	14,663	13,104
Minimum Reserve Level	15,300	15,300	15,300	15,300	15,300	15,300
Reserve Surplus/ Shortfall	9,658	6,743	3,443	1,197	(637)	(2,196)
Overheads as % of Total Expenditure	21.2%	18.7%	19.3%	20.0%	20.2%	20.5%

As can be seen, the impact of the income and expenditure changes has been to maintain reserves above minimum levels until 2021. Sensitivity analysis on income indicates that even under a more optimistic product and price forecasts, minimum reserves will not be maintained from 2019/20 onwards.

However, the \$2.2m projected reserves shortfall in 2021/22 represents less than 1% of the planned total DA expenditure between 2017/18 and 2021/22, and DA has significant control over future spend and there are other extenuation factors:

- Less than 50% of project expenditure is contracted (or heavily committed) over the forecast period, and there is discretion over approximately 50% of overhead expenses.
- Traditionally, DA has an annual underspend of 3-4% which would more than compensate for the reserves shortfall but this may be better considered as a contingency that may be used for new projects that emerge during each year.
- There are also potential sources of additional project related income (Gardiner / DIAL) that may impact DA's required contributions to the planned projects.

As such, the 2021/22 reserves shortfall is well within the ability of DA to manage in future years, either by further cost efficiencies or sourcing additional income. At this time, removal of further expenditure from the 2017/18 budget, to allay the five year reserves forecast shortfall, would not appear prudent given the uncertainty about the future prediction and the level of flexibility in expenditure control open to DA.

The expectation is that budget revisions for the 2018/19 AOP will result in the alignment of expenditure and income by 2018/19 or 2019/20 and the maintenance of minimum reserves.

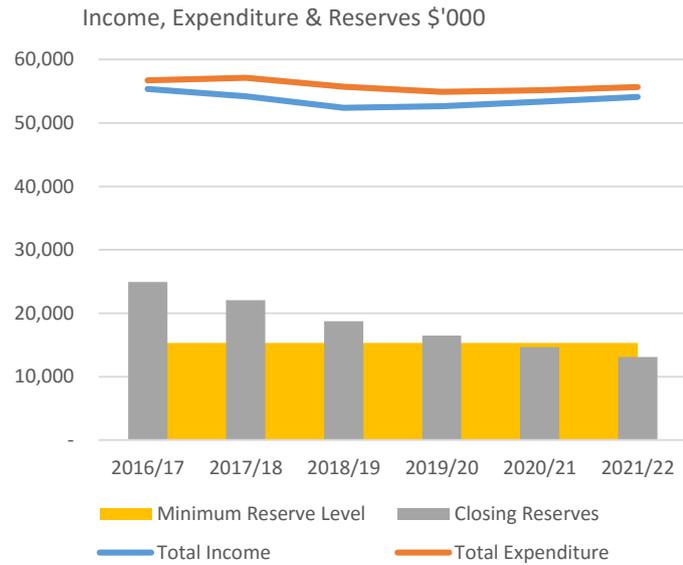


Figure 16: Reserves Projections



5. Project Investment

5.1 Overview

The following summarises major changes in focus and expenditure at a strategic priority level from 2015/16 to 2018/19. See Attachment C for full descriptions of programs and projects. On average, over the 3 years of the plan, external project expenditure is distributed as follows:

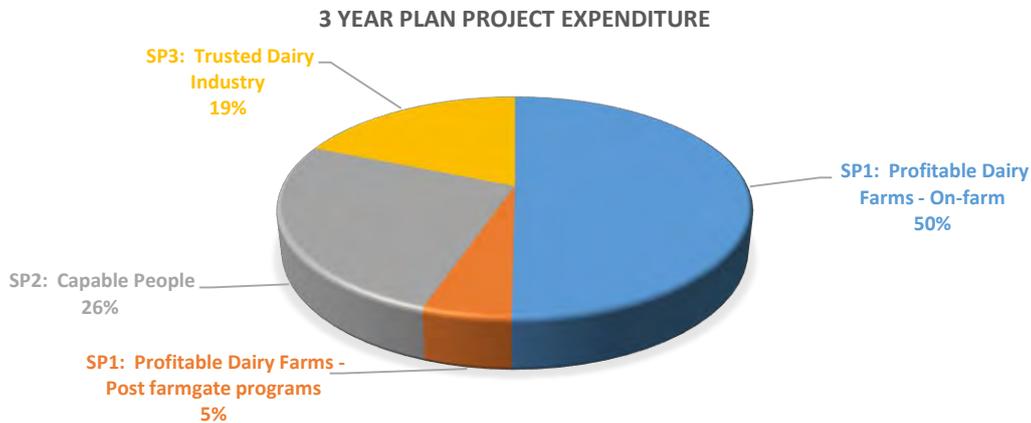


Figure 17: Project Expenditure allocation by Strategic Priority

Over the 3 years of the plan, ~50% of project expenditure will be focused on SP1 – Profitable Dairy Farms, with a further 26% on associated extension and people development (SP2). Given the funding base, it is appropriate that more than three-quarters of project expenditure is directed towards activity that will impact farmer and farm performance.

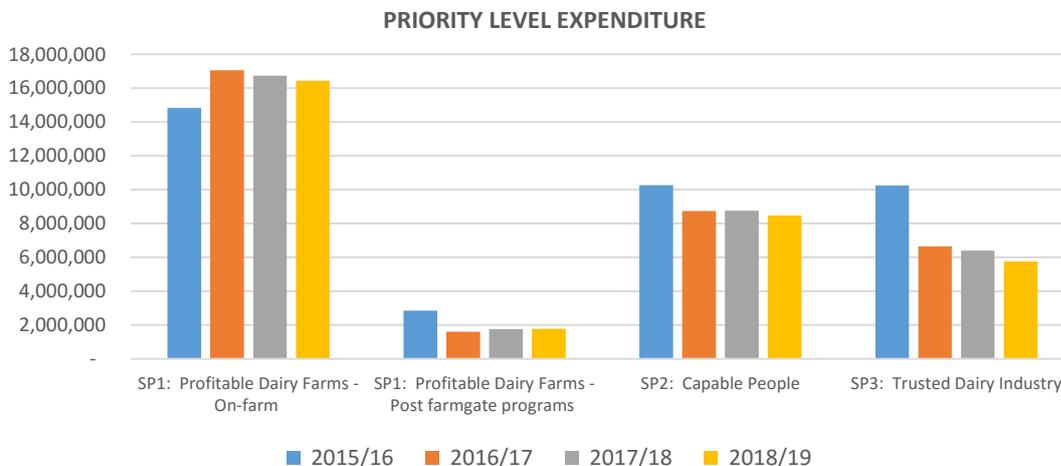


Figure 18: Historical expenditure by Strategic Program

In general, DA’s projected expenditure will decline in 2017/18 and following years as the organisation adapts to lower overall income levels. Consumer oriented marketing and communications, and post-farmgate supply chain support have been the 2 areas that have seen substantial reductions over the last 2 years. Spend has been preserved in the areas of on-farm profitability and extension / people development, as these are seen as core activities for DA.

Pre-farmgate SP1 programs expenditure increases from 2015/16 to 2016/17 are generally explained by the establishment costs related to DairyBio and DataGene, as described below. Approximately \$1.5million of the increase from 2015/16 to 2016/17 relates to differences in the funding model for DairyBio when compared to the Dairy Futures CRC – Federal Government will not be funding DairyBio and DA will be required to backfill this shortfall.

The following describes the rationale and direction of investment across the strategic priorities and programs. For a full listing of DA programs see Attachment B, and Attachment C for projects.

5.2 SP1. Profitable Dairy Farms - Pre-farm-gate programs

Maintaining a cost-competitive position relevant to other competing export nations remains the main driver for profitability and growth. In an open market, the industry must continue to seek and implement farm and post-farm practices that enhance the industry’s competitiveness. While industry consolidation is providing scale advantages, innovation and rapid adoption of best new practices has potential to improve farm level profitability. In accordance with Dairy Moving Forward, DA will focus investment into the areas of animal performance, feedbase & animal nutrition, farm business management and natural resources (denoted “Land, Water, Carbon”). To better focus activity, animal performance has been split into 2 programs:

- Animal health & fertility
- Genetics & Herd Improvement

A new program “Precision Dairy” has been created to evaluate emerging technologies and provide farmers with useful information to support adoption decision making.

The majority of expenditure (~79%) is in the areas of animal and feedbase, where productivity gains are likely to have the greatest impact on farm performance.

During 2016/17, discussions between DA and Agriculture Victoria have resulted in the draft **Dairy21 Strategy**. Dairy21 provides the opportunity for Agriculture Victoria and Dairy Australia, through a strategic partnership to co-develop, co-design and co-deliver an innovative research and development program with high impact/value. This will involve a ‘hub and spoke’ enhanced innovation system sharing capability across regional research centres of AgriBio (Bundoora), Ellinbank and Hamilton – and will be the focal point of dairy innovation for dairy feedbase and animal performance. Dairy 21 will be a strategic partnership between Agriculture Victoria and Dairy Australia with cascading agreements with a range of academia, agribusiness and route-to-impact partners.

Under the original 3 Year Plan budget (June 2016), 2017/18 on-farm project spend was forecast to reduce to \$15.6 million, a planned reduction of approximately \$1.2 million. However, there will now need to be additional spend to accommodate Dairy21, and there are additional commitments that have been ‘baked in’ to forward budgets within DairyBio, DataGene and a number of other project areas.

Expenditure will rise in the area of Feedbase and Animal Nutrition under the new Dairy21 strategy. Funding of Herd Improvement increased in 2016/17 via establishment costs associated with DataGene and will reduce thereafter. Thereafter, most programs will stabilise or reduce in expenditure as DA moderates spending to maintain minimum reserves requirements.

- **DairyBio:** The Dairy Futures CRC concluded in June 2016, and was succeeded by DairyBio, primarily a joint venture between the Victorian State Government and DA. It is anticipated that other dairy related organisations will also be financial contributors. DA will incur a further \$1.5 million in annual spend, replacing the funding that previously came from the Federal Government under the CRC program. Through DairyBio, DA will maintain the core R&D capability that is most likely to provide innovation and productivity gains in the area of feedbase and animal performance.

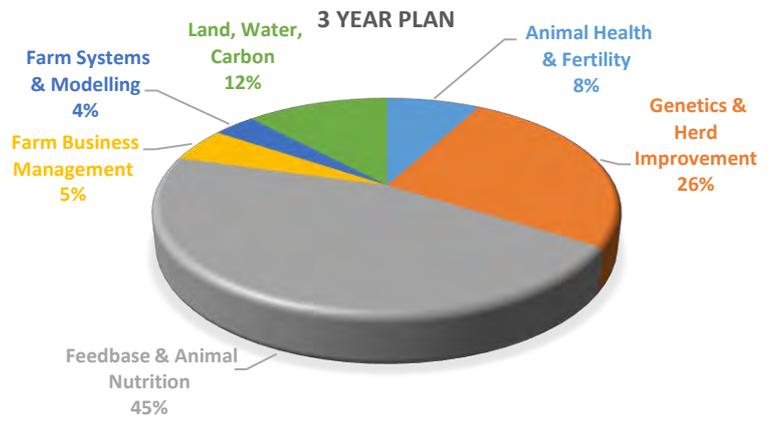


Figure 19: SP1 on-farm expenditure allocation

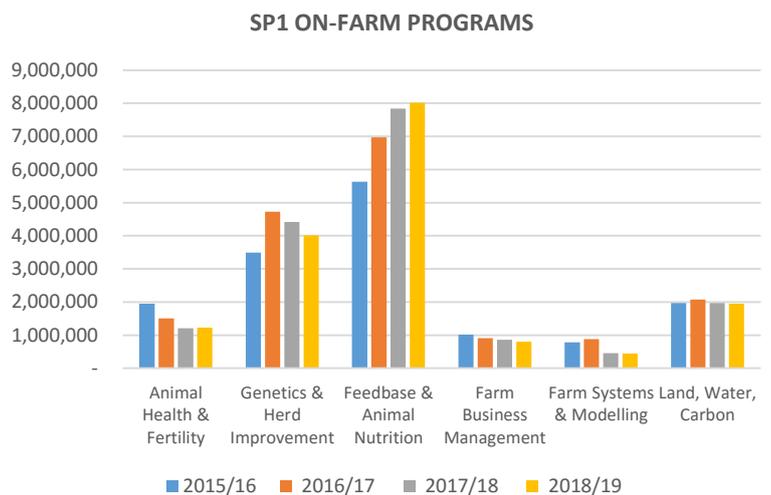


Figure 20: SP1 On-farm Planned Expenditure

- DataGene:** The establishment of DataGene during 2016 consolidated the activities related to genomic improvement of dairy cattle, from base research and data collection through to farmer adoption and measurement. This consolidation is expected to improve innovation and the effectiveness of farmer adoption of herd improvement. DA’s annual contribution will be \$1.8 million plus ‘one-off’ expenditure in 2016/17 related to the Centralised Data Repository, acquisition of MISTRO and completion of Genetic Evaluation System, equivalent to \$1m above 2015/16 expenditure.

The focus of activity in each of the strategic program is as follows:

Genetics and Herd Improvement

Objective: To use animal bioscience to increase farm productivity and profitability, and to improve the profitability of farms through herd improvement by increasing the rate of genetic gain and improving herd management decisions on farm.



Focus:

- Research investment is focused on continued improvement in the reliability and accuracy of genomic breeding values and much reduced test costs; enhancement of breeding values through incorporation of traits which are of particular importance to Australian producers; and application of genomic approaches to cow management. Areas of investment reflect Dairy Moving Forward priorities and incorporate cross-sector and international collaborations where viable.
- Development and implementation investment is focused on continuing to improve the ability of farmers to select for important traits, such as fertility, and develop new traits such as heat tolerance, lameness and heath. Work will also focus on creating new tools for farmers to use to make better decisions on farm, whether through genomic testing or improved use of data.
- The development of a central data repository will enable innovation by service providers and industry via access to data from many sources, also known as single-entry, multi-use data for farmers.
- Extension activities to facilitate practice change will focus on meeting stakeholder requests for technical information and demonstrating the profit impact of herd improvement. Where feasible herd improvement resources and modules will be integrated into other programs, particularly animal health.
- Research investment in herd improvement will continue to benefit from significant international collaboration (Teagasc, Scotland’s Rural College and others) and collaboration with organisations such as the National Herd Improvement Association and its member breed societies, bull companies, herd test centres and semen resellers. This collaboration is vital to deliver the intended benefits of herd improvement.

Animal Health & Fertility

Objective: To improve national herd fertility and on-farm reproductive performance, to protect and improve industry profitability through improved milk quality, and to promote best practices in animal husbandry on-farm.



Focus:

- The industry’s 10 year strategy to lift herd fertility developed by the DMF Reproduction Steering Group requires improvements across a raft of on-farm practices underpinned by better genetics for cow fertility. Adoption will be principally driven through the InCalf initiative and DataGene activities working with a range of collaborators.
- Success in the milk quality area requires daily application of best practices on-farm. The Countdown initiative already offers an excellent range of training, tools and resources for mastitis management. Closer partnerships with the milk processors will increase the reach and uptake of these industry assets and other milk quality management resources.
- Animal health and welfare priorities can be influenced by region, season, animal activism, regulatory and trade issues. A nimble and tailored approach to RDE&E will be required to effectively address these issues across the industry.

Pastures & Forages

Objective: To improve the profitability and resilience of Australian dairy farms through more efficient production and management of pastures and forages.



Focus:

Investment is focused on five main areas, all within a whole-farm systems context to drive profitability and resilience of the farm business. The Dairy Moving Forward (DMF) Feedbase and Animal Nutrition strategy focuses a comprehensive work program around five key themes:

- Getting the most out of perennial pastures (grazed and conserved)
- Merit-based purchases

- Improved performance through measurement and enhanced prediction of growth rates
- Feedbase and Animal Nutrition extension

Animal Nutrition & Feeding Systems

Objective: To improve the profitability and resilience of Australia's dairy farms and enhance the competitive advantage that is gained from a pasture-based diet and access to a wide range of complementary feeds that can be profitably utilised in the cows' diet.



Focus:

Investment is focused on two main research themes, all within a whole-farm systems context to drive profitability and resilience of the farm business:

Improving intake in early lactation to improve farm productivity and operating margins - In five years' time, activities from this theme will:

- 1) Improve the efficacy of supplementary feeding by driving up total feed intake (pasture + supplements), through
 - a) New knowledge gained from the past 6 years of supplementary feeding studies informed by cost benefit analysis; and
 - b) Further investigations that lead to better understanding of the metabolic factors which influence intake at different phases of lactation, dynamics of site of digestion and supply of energy and protein; and
 - c) Providing management approaches that are tailored to the type of feeding facilities and capabilities available (e.g. feed pads, auto drafting gates vs bail feeding) and the desired level of nutrition and production.
- 2) Deliver new insights and associated management strategies into how differing access to pasture and other feed sources creates groups of cows in the herd with different rate-limiting nutrients and suggest strategies to address these insights, through
 - a) Evaluating the merit (production, economic, and environmental) of herd segmentation through differential nutrition management strategies. Segmentation could include factors based on the capacity to respond to changed nutrition, such as days in milk, milk yield, body condition score, parity, genetic merit, history of performance, new technology that allows for cattle to be managed differently, and the quality of the rumen microbiome.
 - b) Evaluating the impact of the daily dynamics of cow movement and cow feeding (e.g. differences in time off feed, and access to different feed sources) and devising strategies to profitably minimise any negative effects.
 - c) Evaluate strategies that involve the gradual adjustment of rations in response to forward prediction of feed availability (i.e., be more deliberate in planning for changes in rations rather than being responsive to immediate challenges).
- 3) Investigate strategies for offsetting the lower fat composition of milk that can occur when feeding cattle to meet their requirements for early lactation and deliver decision support frameworks for managing low fat test.
- 4) Investigate opportunities to use fat supplements for metabolic signalling or as high-value fuel sources.

Managing nutrition in hot summer periods to minimise losses from reduced feed intake and milk production - In five years' time, activities from this theme will:

1. Provide advice on the major diet components of starch and fibre the possible use of supplementary fats, and how they can be managed to reduce the heat produced from rumen fermentation.
2. Establish clearer guidelines regarding mineral requirements to offset the loss of minerals that is exacerbated by hot weather.
3. Test feed additives and pasture additives that could reduce the heat produced from rumen fermentation.

Understand the interaction between heat-affected pastures / forages and ration formulation that might reduce the impact of a heat tolerant diet.

Land Water Carbon (was Natural Resource Management)

Objective: To build industry capability to manage land, water and energy resources to minimize environmental impact whilst enhancing profit, and improved industry capacity to mitigate climate risk.



Focus:

- Research investment is focused on building knowledge and understanding in the areas of nitrogen use efficiency, enteric methane technologies, nutrient loss risk in an Australian context, heat stress management strategies, seasonal forecasting reliability, climate resilient strategies; and cost effective irrigation bay design, scheduling and automation. Areas of investment reflect Dairy Moving Forward priorities and incorporate cross-sector and international collaboration where viable.
- Development and awareness raising investment is focused on developing Fert\$mart group delivery and professional development programs, sustainability framework reporting tools and data collation processes, and information, resources and tools in the areas of nutrient management for intensive systems, effluent odour, waste, precision technologies to enable resource use efficiency and monitoring, managing biodiversity (including trees for shade and shelter) and managing climate risk. Where feasible Land Water and Carbon resources and modules will be integrated into Feedbase programs.
- With the shift to regions being responsible for managing regional Land, Water and Carbon extension and provision of technical advice Dairy Australia Land Water and Carbon regional support will focus on building the capability of RDPs to meet regional stakeholder requests for technical information as well as encouraging them to form delivery partnerships with milk companies, NRM agencies and other relevant stakeholders to facilitate increased adoption of the industry Sustainability Framework environment targets.
- National extension activities to facilitate practice change will focus on:
 - Meeting stakeholder requests for technical information
 - Fert\$mart professional development and group delivery
 - Professional development for milk company sustainability officers and other relevant stakeholders
 - NCDE effluent design courses and Cool Cows.

Advanced Management Technologies (was Farm Systems & Modelling)

Objective: Support integration and effective use of new technologies on-farm



Investment Approach/Focus:

- Agriculture and dairying are entering a new phase of technological change, including developments in digital technologies and lower cost sensors, robotics and autonomous vehicles. Individual dairy farm businesses will generate increasing amounts of data and information each day. This next phase of technological change poses both challenges and opportunities for dairy farmers and their advisors.
- The objective of this new program is to provide impartial information and demonstration opportunities to enable dairy farmers and their service providers to assess and evaluate technologies, including defining the benefits and on-farm value of different technologies.
- A Dairy Moving Forward (DMF) Community of Interest for “Precision Dairy” developed a strategy in this area (RD&E Gaps and Investment Priorities) in May 2013. Arising from this process a list was compiled and prioritised for potential gaps in either research, development or extension. This strategy has been endorsed by the DMF Community of Interest and used to guide RD&E investments in this space. DA’s approach to investment in advanced management technologies reflects the current DMF priorities.
- There are significant external and cross-sector investments in ‘precision agriculture’ which provides an opportunity for DA to leverage off via small-scale strategic funding. Where possible, DA aims to partner with other organisations and industries to leverage the substantial government and commercial funding being spent in this area. There is strong commercial interest and activity in precision agriculture by major technology companies.
- The strategy for whole farm modelling is to move from DA fully funding specific dairy model (DairyMod) development and maintenance to an open source and distributed development approach, with appropriate version control and assessment of the scientific merit of model developments via APSIM. This will require promotion of the model and new user training to grow the user base and development of the model.

Farm Business Management (FBM)

Objectives:

- To continue to build farm business management capability for dairy farmers, advisers and the research sector.
- To ensure good quality FBM tools are used effectively and appropriately and to identify and develop new tools where appropriate, and to encourage more widespread use of the capability and tools available to improve decision making.



Investment Approach / Focus:

- Currently, there is significant variation in profitability and return on assets (ROA) across Australian dairy farms. Increasing production costs and income volatility has resulted in many dairy farmers taking a year-to-year perspective on farm financial performance, neglecting wealth creation over the longer term. Simultaneously, average debt per farm has increased over the past decade, increasing financial risk. DA will support farmers in addressing these issues by providing decision making support via:
 - FBM training: Availability of training at 3 levels of competency covering financial literacy and techniques for farm performance analysis
 - FBM tools: DairyBase, an on-line tool for farm financial performance benchmarking, Post launch (May 2015) marketing of the service to farmers and advisers to drive uptake, usage and improved decision making
- FBM initiatives will be delivered via a number of approaches including; regional expert reference groups, training and development of private providers, resource sharing and development (e.g. with DairyNZ), use of case study farms, information workshops and web based electronic information.



5.3 SP1. Profitable Dairy Farms - Post-farm-gate programs

Post-farm-gate, DA invests in initiatives that improve the sustainability and competitiveness of the supply chain and improve Australia’s access to export markets. Expenditure on international market support will reduce in 2016/17, with less effort being applied to the Middle East markets in favour of our Asian neighbours, and remain relatively stable thereafter. The focus will be on the implementation of the raft of free trade agreements signed over recent years and a concerted effort to minimise technical barriers to trade.

Expenditure focus on manufacturing / supply chain is projected to decline as the role of DA in this area changes. In the previous 3 year plan, DA’s expenditure in the manufacturing innovation space was channelled primarily via investment in Dairy Innovation Australia Limited (DIAL). Industry members of DIAL have concluded that there is less support for significant centrally coordinated collaborative investment in R&D. As such, DIAL is now working through a wind-down period where DA will have a role in the management/transfer of DIAL owned intellectual property. Overall expenditure will reduce significantly as DA will move to a position of case-by-case investment into projects in the manufacturing space with a general focus on sustainability.

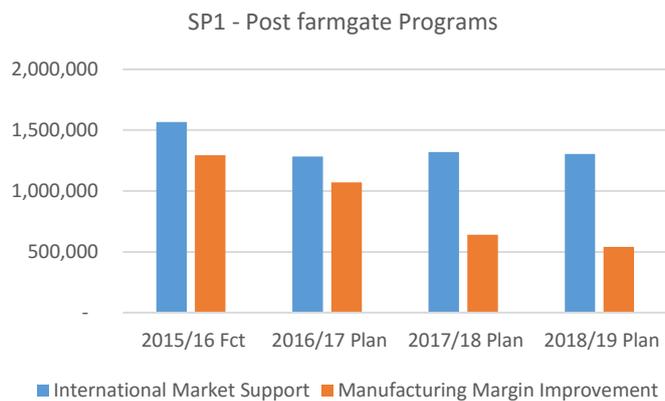


Figure 22: SP1 post-farmgate historical & planned expenditure

The focus of activity in each of the strategic program is as follows:

International market support:

Objectives:

- To secure a more favourable and profitable export market trading environment for all Australian dairy products through strategic trade policy reforms and agreements.
- To prevent the erosion of access opportunities and conditions in key markets through the implementation of inappropriate regulatory or policy changes.
- In key export markets, support higher exporter returns through active buyer awareness and preference for Australian dairy products.
- To better understand the opportunities and challenges presented by an expanding and increasingly complex global marketplace



Investment Approach / Focus: DA’s efforts focus on securing a more favourable and profitable export market environment for all Australian dairy products through strategic trade policy reforms and agreements, and to prevent the erosion of access

opportunities and conditions in key markets through the implementation of inappropriate regulatory or policy changes. This will include:

- **Trade support:** Help local exporters with management of technical barriers to trade and/or specific market requirements and taking full advantage of recently signed free trade agreements (FTAs), with a focus resources on existing large markets or large emerging opportunities
- **Trade Policy:** Providing detailed technical support to industry and government negotiators (and where requested taking lead role in presenting industry positions).

In key export markets, promotional activity in co-operation with exporters helps support higher exporter returns through active buyer awareness and preference for Australian dairy products.

- Prevention of access erosion in key markets, and promoting awareness and active buyer preference for Australian dairy products
- Maintains networks of like-minded industry groups both domestic and international who will pursue similar trade objectives /outcomes to in relevant trade forums.
- Review marketing targets annually in consultation with export managers of Australian dairy companies and partner groups in target markets.

The focus of effort will be on near neighbours as below:

- **China:** Support the implementation of free trade agreement and countering the emergence of new technical barriers to trade. Refocus Market development activities to the realisation of benefits from the FTA
- **Japan:** Review focus and extent of market development activities to reflect strong long term relationships and a mature market. Continue publication of chemical residual analysis.
- **SE Asia:** Market development effort to target growth opportunities: Singapore, Thailand, Malaysia, Indonesia, Philippines, Vietnam, Myanmar, Cambodia, Laos, and Brunei.

Manufacturing Innovation & Sustainability

Objective: To accelerate the implementation of innovative technologies and practices which reduce the costs of production and wholesale distribution of Australian dairy products as well as improve the manufacturer’s environmental performance and risk management thereby enhancing the prosperity and sustainability of the associated dairy regions.



Investment approach / focus: Support for the manufacturing sector is to be re-directed towards a whole-of-sector approach which is more inclusive of SME’s and vertically integrated producers. This support is to be focused on three main goals:

- Accelerating Technology Transfer
- Developing Capability Networks and Knowledge-sharing Platforms
- Sustainability of the Australian dairy manufacturing brand

DA will reduce the annual committed spend and provide discretionary support to sub-activities which are aligned with the three initiatives above. Investment preference will be given to sub-activities that:

- Decrease post-farmgate milk processing and product distribution costs.
- Reinforce the reputation of Australian dairy as being clean, green and safe.
- Link into the manufacturer’s Australian Dairy Industry Sustainability Framework targets (such as reducing intensity of water use, waste to landfill and GHG emissions).
- Reinforce food safety and product integrity all the way to point of purchase.
- Enhance export market access and reach.

Rather than primarily co-investing in early- to mid-stage technology and knowledge development (apropos DIAL), the revised strategic approach is for DA’s role to shift towards functioning more as a trusted and independent technology and capability filter and matchmaker – helping to achieve transfer of more commercially mature technologies and practices from the marketplace into the manufacturing sector. Technology transfer will be achieved as follows:

- DA Technology Transfer Fund: Provides techno-economic evaluation support of technologies identified by manufacturers as being of interest but outside of their normal point of operation) and the
- Transform Dairy Fund: Provides grant access support to allow manufacturers to evaluate or implement process improvement opportunities which would not normally meet a company’s internal capital approval hurdles

Development of capability networks and knowledge-sharing platforms which will connect the manufacturing industry with existing public and private sector R&D capability as well as new and emerging technology and knowledge of interest. DA will continue to assist Dairy Innovation Australia Ltd (DIAL) in its transition under the new industry investment model.

5.4 SP2. Capable People

Expenditure within this priority area encompasses people development and extension related activity. During 2016/17, three strategic programs (Workforce Strategy & Planning, Industry Education and Attract, Transition & Retain) have been combined to form the single program “People & Capability”.

This was a growing area of expenditure for DA up to 2015/16 as DA progressively assumed the extension activities previously undertaken by State Governments. Since then and for the remainder of the 3 Year Plan, extension related expenditure will be reduced in line with income reductions, but all attempts have been made to ensure all core services have been retained.

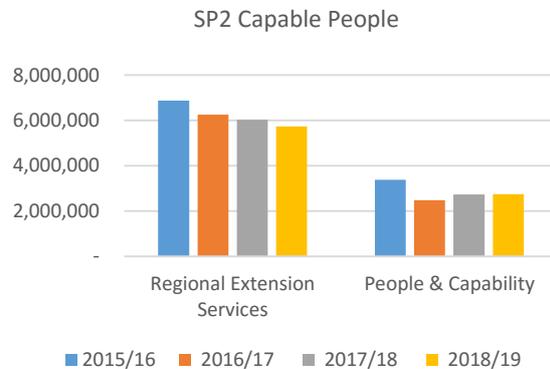


Figure 23: SP2 historical & planned expenditure and allocation by strategic program

5.4.1 Regional Extension Services

Effective transfer of knowledge to farmers is a critical component of the process of industry improvement. Adoption of best practice underpins on-going profitability of farms and industry competitiveness overall. There continues to be scope to improve farm profitability through the wider on-farm adoption of best practices in the areas of animal management, feedbase, resources (land, water, and carbon), business and people management.

DA employs a “hub-and-spoke” structure for extension. The Regional Development Programs (RDPs) are organisations in each of the Dairy regions that facilitate extension related activity to farmers. A key focus of the previous 3 year plan was the consolidation and improvement of the extension capability of DA, recognising the importance of effective extension to sector advancement. This resulted in the integration of the Regional Development Programs (RDPs) into DA. While each of the 8 RDPs has its own local Board providing strategic direction, RDP staffing are now employees of DA and DA provides central administration support. RDP activity planning, including the roll-out of DA developed programs, is a co-operative activity with DA, and the RDPs are the communications channel from DA to the regions. DA’s customer relationship management system (CRM) which establishes a direct link between DA and the farmer, including event management and feedback, is largely rolled out via the RDPs.

Objective: To improve farm profitability, competitiveness and sustainability by accelerating the extent and rate of adoption by farmers of industry standard farming practices, new ideas and technology, particularly those which are the result of DA’s investments in RD&E.

Investment Focus: DA will continue to enhance the effectiveness of the Regional Development Programs (RDPs) as the backbone of the extension structure. Better integration with commercial resources such as farm advisers and processor field officers will maximise reach and influence. Engagement will be encouraged via the funding of farmer discussion groups, focus farms and other extension activities. Through improved stakeholder segmentation DA will attempt to better understand needs and target appropriate services. Key focus areas:



Figure 24: Regional Development Programs

- Optimising extension funding arrangements with State Government - Working with the three Victorian RDPs in planning the transition of productivity-based extension from DEDJTR across to the RDPs including the addition of six new Regional Extension Officers in Victoria.
- Emphasis on improving Extension effectiveness:
 - Finalising the integration of the RDPs with DA
 - Continue working with the RDP Boards to improve governance/effectiveness/efficiency.
 - Channel improvement: Better utilisation of other elements of the extension structure for service provision – e.g. processor field personnel, discussion groups and demonstration farms
 - Alignment of DA and RDP strategies
- Large supplier engagement: Establish a dedicated database around the large supplier group and a critical needs analysis around this sector. Conduct events with large suppliers in each region to identify major issues e.g. workforce, markets, technical issue, etc.
- Fund and support the delivery of extension programs to meet regional priorities including Discussion Group and Focus Farm projects through RDPs
- Evaluate the impact of extension activity and create benchmarks for future assessment
- Build the capacity and capability of DA/RDP extension staff and providers
- Leverage levy investments through collaboration with partners including the NCDE, dairy processors and government agencies as appropriate

In response to market events at the end of 2015/16, DA facilitated the **Tactics for Tight Times** program to assist dairy farmers in Southern Australia to confidently manage the current market and seasonal conditions and enhance their capacity to confront the challenges of the future. DA's funding is supported through significant funding contributions from Murray Goulburn, the Gardiner Foundation, the Australian Government, the Tasmanian Government, Fonterra Australia and the South Australian Government, totalling \$3.1 million. DA will continue to co-ordinate this large-scale response via the RDPs

5.4.2 People & Capability

In an increasingly complicated operating environment, the ability of industry to move forward is largely dependent upon the capability of the key participants – farm owners and workers. Effective transfer of knowledge is required to enhance average farm performance, and farmers require the capability, confidence and motivation to effect change. DA will focus on activity that:



- Enhances on-farm human capability via availability of vocational training and access to programs that provide the farmer with information about farm best practices. Specifically, this include programs that improves the business management capability of the farmer.
- Helps the dairy industry to be seen as a desirable place to work such that employers (farm and manufacturing) have access to people interested in a dairy career. This will lead to employers adequately filling vacancies and farm staff turnover being minimised. This include promoting the attractiveness of the industry as a career option, assisting farmers to be better managers of labour, improving on-farm conditions (e.g. OH&S) and to support regulatory change that enables access to labour.
- Assists sector growth and transition by providing the farmer with information around business transition that will assist new entrants or provides a variety of models and strategies for farm owners to consider when they are reducing or ceasing their role in active dairy farming.
- Develop networks and build the capacity of younger people in the sector

Workforce Strategy & Planning: DA's objective is to ensure the dairy industry has the appropriate supply of skilled and capable people necessary to meet the current and future demands of the industry. The strategies and actions to achieve this must be responsive to workforce trends at a broad industry level, but must be able to be implemented at a regional and farm level. Successful long-term sustainability will be achieved through the recognition of clear and attractive career paths that provide long-term security for both individuals and enterprises.

To achieve this objective the focus will be on a centrally enabled strategy and support framework enabling a regionally delivered and implemented program. At the central level, the workforce planning and action strategy will be developed and supported through the Dairy Industry People Development Council (DIPDC). This body has responsibility for ensuring that the immediate and the long-term skills and capability requirements of the industry are well understood, and that appropriate strategies for addressing these needs are developed and implemented. The DIPDC will sponsor and support appropriate initiatives to implement the strategy.

The approach adopted will be to ensure the programs supported by the DIPDC are regionally enabled. This means that the main activity of each program is located within each dairy region and is supported and connected with the local RDP. Local data will be utilised to understand the real demand for jobs, skills and capability within the region and subsequent projects and actions will be directly targeted at identified gaps. Successful programs will be actively shared between regions. This collective and collaborative approach will ensure maximum benefit is derived from the initiatives.

Connection with existing initiatives such as the People in Dairy, NCDEA and Regional Innovation and Change Coordinators will be strengthened in order to optimise the outcomes from these investments.

- Develop a comprehensive workforce planning and action strategy, including key performance indicators, that addresses all sectors of the industry including farm, processing and the service sectors.
- Support the Dairy Industry People Development Council as the primary community of interest for the Dairy Moving Forward People space.
- Undertake research into key aspects of the workforce planning and action process in order to inform and guide future project investment
- Support working parties and pilot projects to develop and test interventions and tools to support ongoing activity in the people space

Industry Education & Leadership: DA contributes to the capability and “professionalisation” of the dairy sector by facilitating the provision of and participation in quality educational programs in all the dairy regions, and to ensure the industry and dairy communities have continuity and quality of leadership.



Figure 25: NCDE partners

DA provides strategic direction, quality assurance and the resources to run the National Centre for Dairy Education (NCDE) alliance nationally, including:

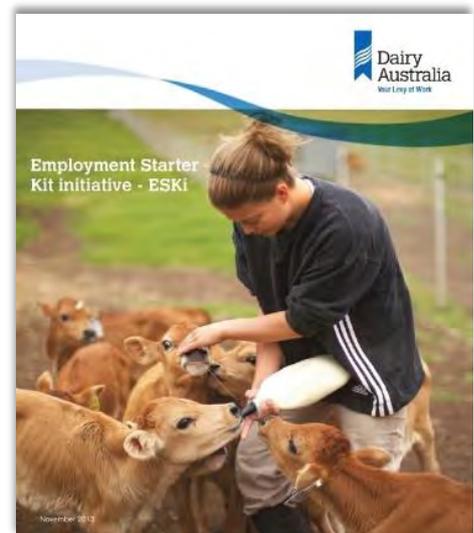
- Maintain support for the development and delivery of education programs that support the on-going availability of skilled personnel to the industry. This will predominantly be through the NCDE across the pre-farm gate Dairy Moving Forward areas, but will also include support for post-farm gate through the NCDE Diploma in Food Science and technology, post-graduate manufacturing scholarships and webinars
- Ensure the NCDE is effectively resourced and supported in all regions and there is a strong linkage with the RDP's and extension programs.
- Creating a broader remit for NCDE: to encompass schools (Cows Create Careers program), university (credit from vocational programs to degrees), farm adviser, and a revised leadership strategy

Attract, Transition & Retain: DA invests in activities with the following objectives:

- *Labour availability:* Assisting the industry to be seen as a desirable place to work such that employers (farm and manufacturing) have access to people interested in a dairy career. This will lead to employers adequately filling vacancies, farm staff turnover being minimised.
- *Transitions support:* Providing a variety of models and strategies for farm owners to consider when they are reducing or ceasing their role in active dairy farming.
- *Continuity:* Develop networks and build the capacity of our young people through local young dairy networks with the aim of enhancing skills and knowledge

The DA people development team has generated a number of new programs over the last year aimed at on-farm HR management and career transition. The focus will now be the implementation and consolidation of these programs. DA will continue to roll out the following:

- Employment Starter kits (ESKi),
- Sharefarmer and Leasing workshops,
- Employment made easy (eMe), web portal implementation
- Stepping Stones – targeted to a broad range including school leavers, farm employees at various stages in their career
- Stepping Up - targeted at experienced dairy employees who are keen to take the step into either Share Farming, Leasing or an Equity Partnership or Ownership, ,
- Stepping Back - targeted at farm owners who are planning to reduce their active role in dairy farming, retire, or sell the farm, and,
- Farm Safety programs: Improving the work health and safety of all people in the industry – programs will be rolled out during years 2 and 3 of the planning period



5.5 SP3. Trusted Dairy Industry

Previously entitled “Promote & Protect our Industry”, SP3 has been redefined as “Trusted Dairy Industry”, which better reflects the objectives of DA around marketing and sustainability – to protect the industry’s long term right to operate, with product demand enhancement as a secondary priority. As generally planned, SP3 expenditure in 2016/17 fell by 35% when compared to 2015/16. This was due to the planned reduction in promotional activity as described below.

Under this strategic priority, DA is attempting to maintain sector sustainability by managing longer term reputational risk through the following activities:



- Pre-competitive consumer promotion focused on maintaining positive consumer sentiment towards the sector, with demand enhancement/protection as a secondary objective
- Communication and engagement with key “influencers” to maintain their knowledge of the benefits of the industry and its products
- Communication and engagement with farmers and the farming communities to help maintain a positive stakeholder culture and proactively promote the industry
- Understanding and communicating the health benefits of dairy products
- Ensuring that the industry’s position with regard to policy matters is backed by factual information
- Maintaining the sector’s “Sustainability Framework” that monitors industry performance with a triple-bottom-line approach
- Acting as the central repository of sector data, analysis and distribution of reports that supports knowledge of the sector and the decision making of people within it.

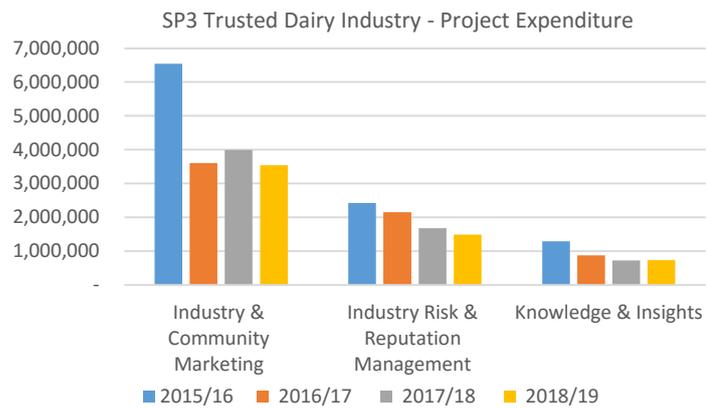


Figure 26: SP3 historical & planned expenditure

The focus of activity in each of the strategic program is as follows:

Industry & Community Marketing

As planned, the key change in 2016/17 was the reduction in traditional advertising when compared to previous years. This was in response to the focus on promotion related to enhancing DA’s social licence, and to accommodate necessary expenditure reductions. Promotion was focused on cost effective channels including digital, social, public relations and key partnerships.

During 2017/18, marketing and communication will aim to build trust and confidence in dairy and the industry focused on 2 key objectives:

1. Support the industry’s licence to operate through communication and promotion of the industry and its products
2. Improve stakeholder awareness of DA’s programs and services through more effective communication and engagement

The communications strategy for protecting social licence will target consumers, influencers (e.g. GPs and other parties that influence consumer and regulatory positions) and farmers, using the relevant channels to achieve objectives.

During 2017/18 DA will review the existing marketing and communications strategy. Redefining consumer and farmer segments, and organisational brand architecture will drive the development of this strategy. Programs and communications approach will be adjusted or established to align with this strategy. Communications needs will continue to focus on areas that impact DA’s social licence to operate. Other changes to be implemented during 2017/18:

- **Brand management:** Holistic oversight of branding across marketing and communication beyond Legendairy. Establishing a more specific approach to addressing the social licence to operate communications in line with the sustainability framework pillars.
- **Consumer marketing:** Investment rationalised to focus on programs, channels and messages that are cost effective in achieving objectives.
- **Schools engagement:** Digitise programs to reduce delivery costs and seek better alignment with the education calendar to continue to increase teacher participation.

- **Health professionals:** Review the health professional's audience, brand and channels to ensure program aligns to the new consumer segments. Focus on GPs and dentists as primary influencers and reduce focus on less cost effective influencers that are more difficult to reach, in particular dietitians.
- **Community marketing:** Focus community engagement on cost effective channels. Emphasis on engaging and connecting women in dairy and developing network. Additional focus on raising the awareness of dairy through key RDP event and agricultural sponsorships.

Industry Risk & Reputation Management

Objective: This strategic program consolidates a range of activities under a single objective: *To protect industry reputation and support sustainability by managing the short and long term risks facing the industry.* Activities are undertaken on both a planned and as-needed basis, supporting industry requirements for information, analysis and input to government policy review and reform processes:

- **Pre-emptive and rapid response:** Identifying and managing proactively as well as providing a managed response to emerging or escalating issues with the potential to negatively impact industry reputation
- **Awareness & Education:** Providing information to support a positive understanding of the dairy industry and its products among key societal and policy influencers and decision makers. Relationship management initiatives, including government/stakeholder forums, promotional events, public speaking, etc. Sponsoring organisations that have influence over target audience.
- **Performance benchmarking:** Developing, implementing, reviewing and reporting on the industry's sustainability credentials, including developing metrics that evidence progress towards the industry's targets for long term sustainability. Funding of central bodies that maintain quality standards and monitor industry performance.
- **Policy Support:** Supporting a positive policy and regulatory operating environment: Commissioning expert analysis to review existing and proposed policies, and identify innovative policy solutions. Preparing background briefings and other communication materials to support industry policy positions. Facilitating the adoption of industry policies, strategies and practices that are highly regarded by consumers, regulators and the community.
- **Health / Nutrition Research:** Ensuring that there is a solid foundation of scientific evidence behind our claims that the consumption of dairy products improves wellbeing and filling in 'evidence gaps' in order to enhance the effectiveness of our communications to policy makers and societal shapers, influencers and consumers

This program is closely aligned with "Consumer and Community Marketing" as there is significant cross-over in the area of social license and messaging / utilisation of the Legendairy promotional platform. It also works closely with SP1 and SP2 across common license to operate issues.

There will be strong reliance on and partnership from the ADF, ADPF and ADIC for program direction, focus and outcomes.

Investment Focus: The following summarises the key areas of focus over the coming 3 years:

Theme	3 Year Plan Focus
Environmental	<ul style="list-style-type: none"> • Water – Monitoring implementation of Murray Darling Basin Plan and Water Connections Program and informing advocacy for changes to minimise volume of water removed from irrigated • Nitrogen: Minimisation of fertiliser run-off into waterways • Effluent management • Soil and biodiversity – watching brief • Energy / Climate change – monitor and assess potential impact of the policies of both political parties in the lead-up to the next election
Profitability & Competiveness	<ul style="list-style-type: none"> • Labour – Technical support to inform industry advocacy on tools to access foreign workers and minimum engagement laws under the Pastoral Award. • Infrastructure – Assist with analysis of transport infrastructure priorities for the dairy industry. Cost benefit assessment needs to be specific by location. • Taxation – Collaborate with other RDC's to commission research to inform the agricultural sector position and needs in relation to taxation. The work will explore issues around risk management, succession planning and attracting investment.
Animal Health & Welfare	<ul style="list-style-type: none"> • Assisting farm compliance with national standards / Implementation and rollout of the Cattle Welfare Standards and Guidelines, including banning of tail docking • Management of the phase-out of routine calving Induction • Bobby Calf management and electronic vendor traceability to ensure calves are treated humanely all along the supply chain.
Food safety	<ul style="list-style-type: none"> • Address reputation risk issues that stem from changing processor models: more smaller / vertically integrated processors

Theme	3 Year Plan Focus
Biosecurity	<ul style="list-style-type: none"> Enhance on-farm biosecurity measures and industry preparedness for emergency animal diseases Technical advice to industry on biosecurity policy developments including those on BJD and FMD.
Human Nutrition	<ul style="list-style-type: none"> Develop the evidence for dairy's impact of bone health and muscle in the elderly through the "Fractures" dietary intervention trial Pursue new areas of research collaboration into dairy's positive effects on diabetes and chronic disease, effects on dairy consumption of diets such as the Mediterranean diets Identify and support dairy nutrition science in Australia
Industry Benchmarking	<ul style="list-style-type: none"> Australian Dairy industry Sustainability Framework – Continued support of the framework which tracks the performance of dairy farmers and manufacturers against economic, social and environmental targets. This framework sets out our industry's commitment to enhance livelihoods across the industry, improve the wellbeing of the community, and reduce our impact on the environment. The framework has been developed by industry in consultation with stakeholders and is owned by the industry. It builds on our existing activity and sets the direction for continual improvement and further action, providing guidance to farmers, manufacturers and industry bodies on our common priorities and commitments for enhancing livelihoods, improving wellbeing and reducing the impact from our activity.

Figure 27: Anticipated policy focus areas

Attracting Investment: Under this program, DA will be continuing activity that enhances external investment into the sector. The Australian dairy industry continues to work with industry and Governments to:

- facilitate capital for sustainable dairy industry growth and/or increased resilience
- facilitate on-farm investment from sustainable sources, and
- Position dairy is seen as an attractive and engaging sector for potential investors.

DA's role on the investment arena is to provide evidence based information (for farmers, regulators, policy makers, potential investors and investment facilitators) to support the flow of sustainable capital into the Australian dairy industry. In particular, DA sees its role to ensure that:

- Potential investors have a realistic perspective/expectations on investing in the Australian dairy industry.
- Farmers have the tools and skills to position themselves for sustainable capital to grow and/or enhance their resilience.
- Regulators and policy makers are well informed about the policy settings that influence sustainable capital inflows into the Australian dairy industry.

Objective	Planned Activities
Ensure a greater coordination/a collaborative approach between government agencies and industry for dairy investment	Facilitate increased dialogue between investment agencies Boost awareness of organizational activities Build an investment 'network'
Improve dairy farmers' investment readiness	DA to roll out workshops to help build farmer confidence in preparing for investment from external sources.
Engage/consult the investment community (e.g. self-managed super funds and investment consultants) to enhance their dairy related investment knowledge and support materials.	Build an understanding of investment community information needs and explore partnership opportunities to develop materials that elevate dairy in the investor mindset.
Existing DA programs/initiatives include an 'investor lens' – e.g. DairyBase, S&O, tax policy, Stepping Stones, in-market programs	Increase the focus on 'investment' within existing Dairy Australia programs and tools. Explore hosting investment seminars in New Zealand and China.

Figure 28: Initiatives for "Attracting Investment"

Knowledge & Insights

There continues to be a need for provision of timely, credible information to dairy industry participants and stakeholders as a basis for decision-making and investment. DA is uniquely placed to serve as a centralised collection point for key data on a confidential basis from key manufacturers and government sources. The majority of Australian dairy manufacturers provide commercially sensitive production, sales and price data to DA, which enables development of 'whole of market'

insights for Australian dairy industry stakeholders that would otherwise have required significant expense with third-party providers.

Objective: Central collection, analysis and distribution of information that:

- Assists stakeholders in their business decision-making
- Promotes general understanding of the Australian dairy industry
- Supports strategic planning and program delivery for DA

Investment Focus:

- During 2016/17 the domestic sales database was re-built and rollout commenced. Implementation of the Tableau Business Intelligence Tool and promotion of the new facility to dairy manufacturers is occurring. Expenditure in 2017/18 will decrease as the system rebuild is largely complete.
- Continued review of existing DA market publications to ensure value delivery while exploring the value of new tools and insights.
- Rollout of the Pathways to Profitable Growth collaborative framework, particularly in relation to underpinning State Growth Plans.
- Rollout and communication of the Economic Multipliers of the Australian dairy industry.
- Undertake analysis on the effectiveness of risk management tools being utilised by the Australian dairy industry.
- Refine the approach to the international market research program to acquire market insights for dairy exporters and to provide insights for the DA Trade / International Marketing programs.

A detailed description of focus areas for programs and projects can be found in Attachment C



6. Services Delivery Strategy

6.1 Approach / Overview

DA endeavours to use a limited pool of resources to maximise outcomes (near and longer term) to the levy payer. This requires co-ordination and collaboration with a large range of partners. In general, DA is an investment and project manager – it allocates funds towards collaboratively defined strategic outcomes and outsources the delivery activity to parties that have specific knowledge or capability. DA acts as a “hands-on” overall project manager; defining objectives, establishing contracts and monitoring outcomes. Where it is most cost effective to do so, DA will undertake the required activity to deliver a service internally.

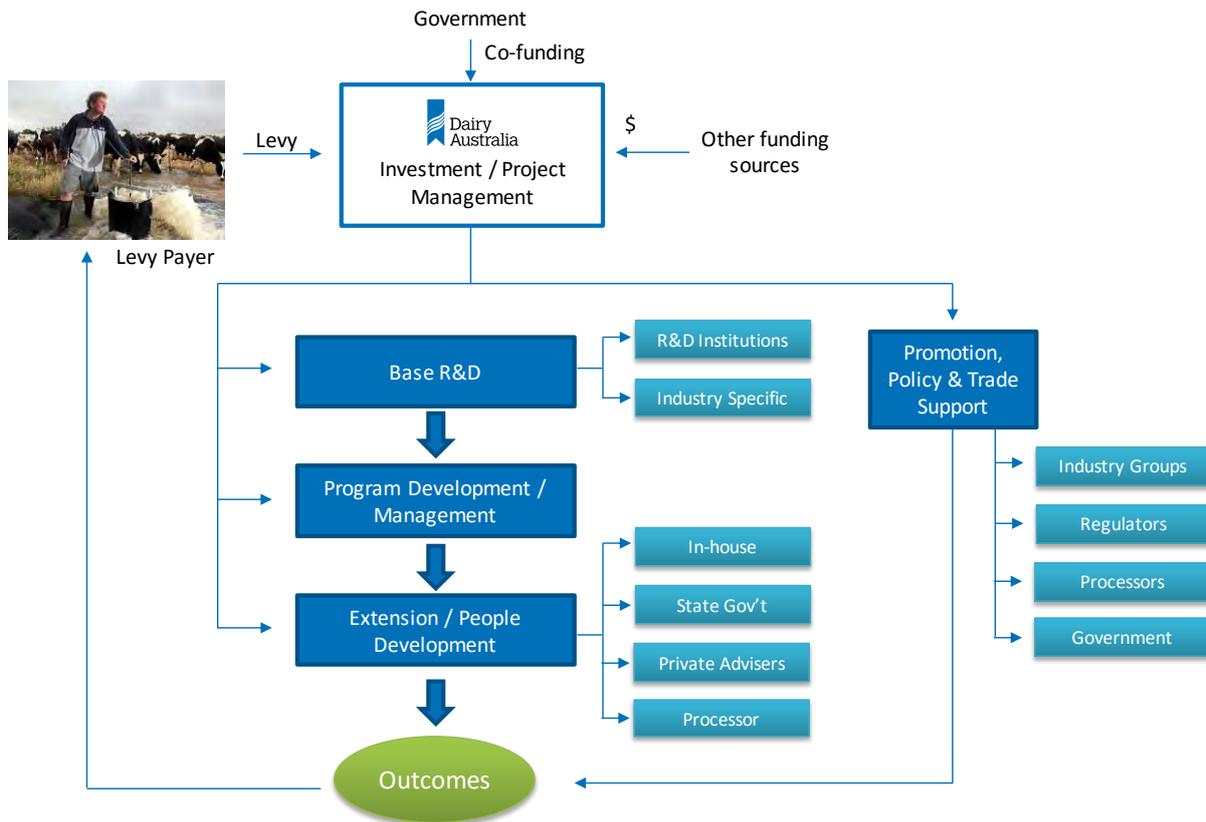


Figure 29: DA role as investment / project manager

6.2 Infrastructure

To enable effective delivery of services, key infrastructure elements have been established over time in collaboration with other industry stakeholders with which DA has close funding and staffing involvement. These include:

- **Regional Development Programs:** Independent organisations in each of the dairy farming regions which co-ordinate and deliver extension activities, and provide direct input from farmers towards DA strategic direction. Staffing of RDPs are DA employees and each organisation is overseen/directed by an independent Board representing farming interests in that region.
- **DairyBio:** A joint venture arrangement with the Victorian Government, located at the AgriBio facility at Bundoora to deliver core bioscience R&D related to productivity improvement for animal and feedbase.
- **Ellinbank / National Centre for Dairy Research and Development.** Victorian Government funded research farm consisting of 500 head herd and research facilities, located in West Gippsland
- **DataGene:** Once formed in 2016, DataGene will play a vital role in lifting productivity through herd improvement. DataGene will consolidate the activities related to genomic improvement of dairy cattle, from base research and data collection through to farmer adoption and measurement. This consolidation is expected to improve innovation and the effectiveness of farmer adoption of herd improvement.

- **Dairy Moving Forward Steering Committee:** An industry committee comprising all major sector stakeholders with oversight of industry investment and the preparation of the **Dairy Moving Forward Strategy** which describes mutually agreed Research, development and extension priorities for the Australian dairy industry.
- **National Centre for Dairy Education:** The NCDE operates with an alliance of partner Registered Training Organisations (RTOs) to deliver dairy farming related training nationally. These include a range of short courses and accredited programs from Certificate II through to Diploma level, some of which are delivered in collaboration with RDPs, milk processor or other levy-funded programs.
- **Dairy Industry People Development Council:** This body has responsibility for ensuring that the immediate and the long-term skills and capability requirements of the industry are well understood, and that appropriate strategies for addressing these needs are developed and implemented.

6.3 Information Management Strategy

An important value-add to the sector that DA provides is that of the central “trusted source” of data. As it has no commercial conflicts of interest, DA is well placed to collect industry data, consolidate, analyse and disperse information. This information can then be used by the industry and DA to support planning and decision making. For example, the benchmarking of industry performance (internally and with reference to other sectors, see “Sustainability Framework”, section 3.8) is an important element of industry forward planning.

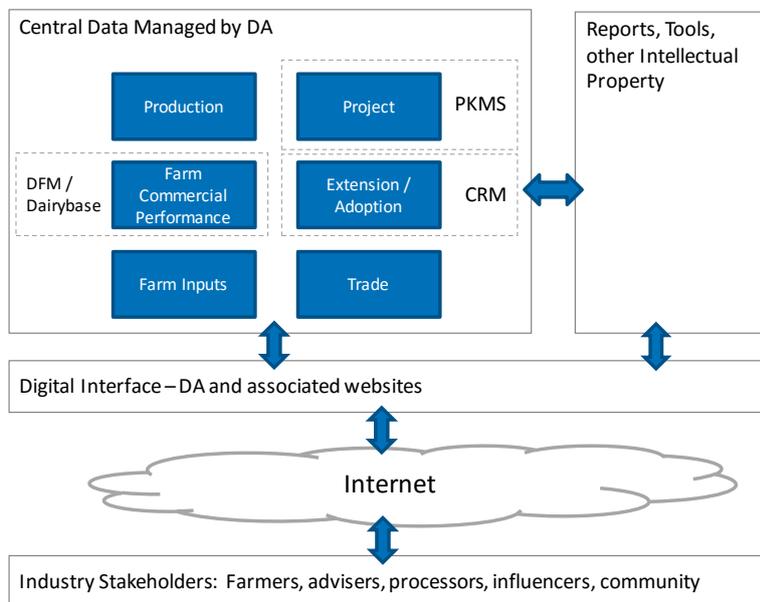


Figure 30: DA's digital environment

Furthermore, effective data management and dissemination is a core enabler for the services provided by DA, especially extension and education. Digital technology has opened up new and more effective mechanisms for data collection and communication, and DA is actively adopting technology where appropriate. The increasing technical demands of this digital environment, along with the parallel concerns about privacy, require DA to maintain sufficient internal capacity and competency in this area.

The outlook for core elements of DA's data management strategy are:

- **Milk Production data:** Continued secure collection and summary reporting of milk receipts as supplied by processors
- **Dairybase:** Further expansion of the an on-line tool for farm financial performance benchmarking
- **Farm inputs:** Continue to collect data and report on key farm input costs
- **CRM:** Industry implementation of the CRM to cover all relevant industry event and extension related activities to enable extension performance reporting
- **International trade data:** Import / Export and tariff data by country
- **Domestic sales data**
- **Industry register** – products by company
- **Levy register** – stakeholder details

- **Project and KPI management system:** Upgrade of the system that holds project related data that enables project and investment performance reporting

6.4 Corporate Communications

The scope of DA’s corporate communications efforts has expanded to incorporate formal communications with all key stakeholder groups including DAWR and State Departments of Primary Industries, given their significant contributions to a range of industry investments. The Corporate Communications team supports the work of all business units with emphasis on:

- The corporate brand (not the industry brand i.e. promotion initiatives around the dairy category or industry reputation - these are covered in SP3 investments).
- Key stakeholder audiences including internal stakeholders.
- Both DA’s corporate communication needs (dissemination of corporate messages around DA’s role, levy investments/associated benefits and progress tracking) and DA’s essential farmer knowledge needs (program communications to facilitate on farm practice change).

An important communication channel is the DA and associated websites which provide stakeholder access to the IP managed by DA. A recent review, that involved extensive consultation with stakeholders, has indicated a range of recommendations that will be incorporated in a major website redevelopment project during 2016/17:

- Improved navigation / ease of access to relevant IP
- Improved responsiveness / mobile device effectiveness
- Integration of CRM system / personalisation
- Alignment with regional presence
- Consolidation of micro-sites under consistent branding

6.5 Funding Leverage

Dairy Australia (DA) is primarily funded by the Dairy Services Levy that is paid by farmers based on milk production and amounts to \$31-34 million per year. In 2016/17, the levy represented approximately half of total funding available to DA. This contribution from farmers is a pre-requisite for further funding for the sector:

- The Australian Government supports the dairy industry by providing matching payments for eligible research and development (R&D) activities. Matching payments represent about \$19-22 million per year invested into qualifying R&D for the dairy industry.
- As the central service provider for the sector, DA also attracts funding from other dairy and agricultural bodies such as the Geoffrey Gardiner Foundation and the State Departments of primary industries (approximately \$11 million in 2015/16) to support new and ongoing R,D&E.

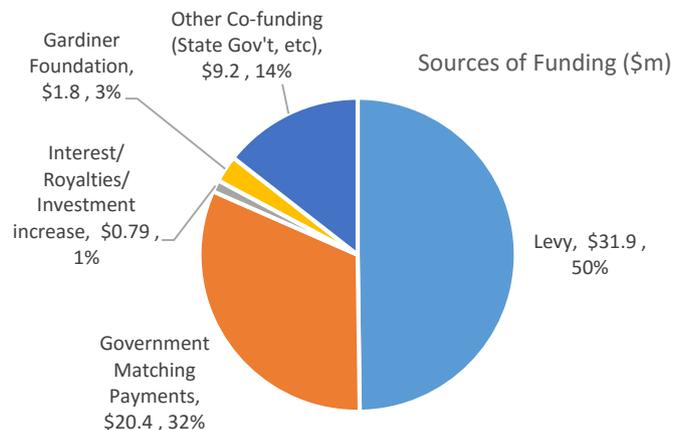


Figure 31: 2016/17 sources of funding

An excellent example of effective leveraging of levy funds is DairyBio. This core R&D project is co-sponsored by Victorian Government (\$5.5m annual commitment) and other participants. Through DairyBio, the sector has access to the world-class agricultural R&D facilities and expertise at LaTrobe University.

The levy, and the presence of a central services organisation, creates an environment where other parties can confidently invest. This co-investment enhances the “critical-mass” of investment for effective central services for the industry.

6.6 Collaborative Activity / Expenditure

DA has a strong record of collaborating with other RDCs and government agencies to address cross-sectoral challenges that impact the profitable growth and sustainability of the Australian dairy industry. This work also ensures that the broader policy and national RD&E objectives are achieved as efficiently as possible. Some examples are as follows:

- During 2015/16 DA co-invested with other RDCs to establish the “People in Agriculture” website which is an important central information resource to both employers and employees across agricultural sectors.
- DA is the lead RDC for the Water Use in Agriculture (WUIA) strategy with CSIRO the lead jurisdiction. DA supports the implementation of the strategy through coordination of activity and financial management. The original strategy was released in 2011 with a revised strategy launched by the Hon B Joyce MP in December 2015.
- WUIA works closely with the leaders of the Soils and Climate Change Research Strategy for Primary Industries (CCRSPI) strategies to identify common priorities. A joint executive meeting with the Soils RD&E strategy was held in September 2016 to discuss shared RD&E priorities including potential projects developed at the 2016 Water Use in Agriculture April partner’s forum. These projects may be submitted under the Rural Research and Development for Profit Round 3 funding call. The CCRSPI strategy is currently under review.
- An evaluation of the effectiveness of Water Use in Agriculture strategy conducted in 2016 reported a high level of satisfaction among partners. Common themes were; the strategy provides an opportunity for the development of collaborative projects, it supports a knowledge sharing network and it provides an opportunity for a wider range of organisations to be involved.

DA’s 2015/16 collaborative spend was as follows (Note: This will be updated during 2017/18). The amounts indicated are DA’s cash contribution to collaborative projects and do not include “in-kind” assistance which would be considerable.

Program Name	Collaboration partner	DA's 2015-16 contribution (\$)	Allocation by National Research Priorities		
			Food	Soil & Water	Environmental Change
Australian Pastures Genebank	Australian Wool Innovation Ltd Grains Research and Development Corporation Meat and Livestock Australia Ltd Rural Industries Research and Development Corporation	106,615	100%		
Can advances in mid-term weather forecasts reduce emissions from nitrogen fertiliser?	Grains Research and Development Corporation Sugar Research Australia	10,000		30%	70%
Climate Change Research Strategy for Primary Industries (CCRSPI)	Australian Egg Corporation Ltd Australian Meat Processor Corporation Ltd Australian Pork Ltd Australian Wool Innovation Ltd Cotton Research Development Corporation Fisheries Research Development Corporation Forest and Wood Products Australia Grains Research and Development Corporation Grape and Wine Research and Development Corporation Horticulture Australia Ltd Meat and Livestock Australia Ltd Rural Industries Research and Development Corporation	22,500		20%	80%
People in Agriculture	Meat & Livestock Australia Cotton RDC Australian Pork Limited AgriFood Skills Australia Grain RDC Australian Egg Corporation	37,626			
Improved skill for regional climate in the access base POAMA3 model	Grains Research and Development Corporation	102,300			100%
Smarter Irrigation for Profit Management	Cotton Research Development Corporation	62,000		100%	
Waste to revenue: novel fertilisers and feeds	Australian Pork Ltd Rural Industries Research and Development Corporation Sugar Research Australia Meat and Livestock Australia Ltd	31,172	50%	50%	
Smarter Irrigation: Optimised Dairy irrigation Farms	Cotton Research Development Corporation	114,486		100%	
Taxation in Agriculture	Rural Industries Research and Development Corporation	25,000			
Forage Value Index: experimental sites	Meat and Livestock Australia Ltd	145,610	100%		

Program Name	Collaboration partner	DA's 2015-16 contribution (\$)	Allocation by National Research Priorities		
			Food	Soil & Water	Environmental Change
Stimulating Private Sector Extension in Australian Agriculture to Increase Returns from R&D (RnD4Profit-14-01-011)	Meat & Livestock Australia Cotton RDC Australian Pork Limited Sugar Research Horticulture Innovation	44,694			
AgSoC (Water use in Agriculture Cross Sector Strategy)	Meat & Livestock Australia RIRDC Australian Grape & Wine Authority Grain RDC Sugar Research Cotton RDC	4,361		80%	20%
Secretariat Services to the Animal Welfare Communication Network Group	Australian Pork Limited Meat & Livestock Australia Australian Wool Innovation Australian Livestock Exports Council	5,502	100%		
Review of novel approaches to measure pain in animals	Australian Egg Corporation Australian Meat Processor Corporation	8,750			
	Total	720,616	38%	28%	18%

Figure 32: 2015/16 Collaborative expenditure

Other collaborative activity:

DA works with the other RDCs on eight cross-industry sectoral strategies under the Research, Development and Innovation Committee of the Agriculture Senior Officials Committee (AgSOC) to support the RD&E Framework. The eight strategies fall into the areas of animal biosecurity, animal welfare, biofuels, climate change, food and nutrition, plant biosecurity, soils and water use in agriculture.

Each strategy is led by a sponsoring AgSOC agency and sponsoring RDC, with support from the other RDCs. Sponsors coordinate work with other partners to determine the most appropriate governance and guide the direction of the strategy. DA is the RDC sponsor of the AgSOC Water Use in Agriculture strategy, with CSIRO serving as AgSOC agency sponsor.

Focus area	Australian collaboration	International collaboration
Animal and plant genomics	Dairy Futures Cooperative Research Centre Australian Dairy Herd Improvement Scheme	DairyNZ
Capability and skills	10 National Centre for Dairy Education Australia alliance partners Charles Sturt University Department of Environment and Primary Industries, Victoria (DEPI) The University of Melbourne	DairyNZ
Extension and farm systems	Department of Agriculture and Food, Western Australia (DAFWA) Department of Agriculture, Fisheries and Forestry, Queensland Department of Primary Industries, NSW (NSW DPI) - DEPI Tasmanian Institute of Agriculture	DairyNZ
Feedbase	DAFWA DEPI Department of Agriculture, Fisheries and Forestry, Queensland Tasmanian Institute of Agriculture The University of Queensland The University of Sydney	DairyNZ
Health and nutrition	Australian Institute of Sport Flinders University Geoffrey Gardiner Dairy Foundation The University of Melbourne	California Dairy Research Foundation Dairy Council of California Dairy Management Inc. (USA) Danish Dairy Research Foundation Dutch Dairy Association Global Dairy Platform
Market outlook and information	Geoffrey Gardiner Dairy Foundation	International Dairy Federation
Natural resource management	DEPI NSW DPI Environment Protection Authority Victoria Queensland University of Technology (QUT) Regional natural resource management bodies Regional water authorities Tasmanian Institute of Agriculture The University of Melbourne	International Dairy Federation
Precision technologies	The University of Sydney	DairyNZ DeLaval Pty Ltd NIZO Food Research
Processing innovation	Dairy Innovation Australia Ltd QUT	Dairy Management Inc. (USA) NIZO Food Research
Sustainability	Sustainable Agriculture Initiative Platform	Global Dairy Platform International Dairy Federation
Trade and market	Department of Agriculture	Australian Agricultural Trade

Figure 33: Other forms of collaboration

MLA and DA are joint sponsors of the National Food and Nutrition Research and Development and Technology Transfer Strategy. In addition to the eight cross-sector strategies, DA acts as a lead agency, core participant or joint project funder and developer in a number of other collaborative projects with other RDCs. All joint research findings are assessed through a dairy-focused lens to ensure results are applicable to and support dairy sustainability and profitability.

DA also collaborates extensively with a range of other internal, domestic and international partners such as universities, RD&E organisations, international research agencies, non-government organisations and cooperative research centres to deliver the best, most effective outcomes and benefits to dairy farmers.

6.7 Industry and Stakeholder Consultation and Communication

DA will continue to communicate regularly with its key stakeholders throughout the three year plan period. This includes attendance and presentations at industry events and other activities:

- Farmer conferences, meetings and agricultural shows;
- RDP-led activities such as seminars,
- On-farm workshops and field days;
- On-farm visits by senior DA staff and board members;
- Reports to the Australian government;
- Media releases distributed to print,
- Electronic and broadcast media; and
- Contributing regular news articles and features to regional and rural print and online press.

Where appropriate, project outcomes are delivered to stakeholders through published factsheets and research reports in both print and online formats. Other communication mediums that will be maintained are:

- The DA website (www.dairyaustralia.com.au, an improved version of which is due for release during 2017/18) provides information on DA'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.
- The consumer facing website (www.legendairy.com.au), based upon the Legendairy marketing platform, provides generic health and nutrition and other information to consumers and sector influencers. DA also uses other social media channels such as Facebook, Twitter and YouTube more frequently in communications to various stakeholder groups.
- The quarterly Dairy Farmer Update electronic newsletter, which features Managing Director Ian Halliday and provides important information to levy payers on levy investment, seasonal issues and tools available to address these has a reach of approximately 5,600 subscribers with an open rate of 32 per cent.

DA will continue to meet 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), which work with DA 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' (PAGs) across industry interest areas, which include farmers, relevant industry personnel and representatives of relevant business groups within DA. ADF and ADPF also provided members for the Board Selection Committee.

In developing this plan, DA has consulted with Industry Bodies through formal and informal discussions. ADF (including the PAGs) and ADPF have been provided with the opportunity to comment on the Strategic Plan in the course of its development. Farmer input has been provided via regular consultation and RDP input.



7. Structure, Governance & Operations

7.1 Organisation Structure & Staffing

DA employs around 130 people across specialist areas (e.g. agricultural science, nutrition, training, trade, process engineering, marketing, etc.), project management, extension, general management and administration. A significant number have tertiary qualifications in a range of business and industry-related functions and post-graduate qualifications. Their expertise and commitment enables DA to offer a broad range of services across the whole dairy supply chain.

An internal review at the end of 2015/16 identified that there were opportunities to revise the organisations structure to both make the organisation more effective and deliver efficiencies in both delivery and overheads. The revised structure (below) was implemented within DA during 2016/17 as planned.



Figure 34: Revised organisation structure (end 2015/16)

In summary, the organisation consolidates into 3 key operational areas:

1. **Farm R,D,E & E:** All Dairy Moving Forward elements are now included in the single business group – forcing strong alignment between R&D, program development, extension and people development. This requires the consolidation of the current **Farm Profit Improvement** and the **Industry People and Capability** groups. Programs under this group have responsibility for:
 - RDPs
 - DairyBio
 - DataGene
2. **Trade & Industry Strategy:** This brings together a range of activities, the majority of which are focussed on policy support / license to operate issues and general support across the supply chain. This includes all the trade policy and international market development activities, and the central data management and analysis activity within DA.
3. **Marketing and Communications:** This involves the consolidation of the existing **Industry Promotions and Product Innovation** and **Corporate Communications** groups into a single group that controls the “outward face” of DA – marketing and communication channels – website, publications, CRM, etc. The final structure of this group will be determined during Q1 of 2016/17.

Management of the Sustainability Framework will remain as a direct report to the Managing Director.

The Overhead related groups will be:

- **People and Culture:** Managing the human resources needs of the organisation: payroll, training and recruitment

- **Business Performance & Planning:** The other core overhead functions required to manage and support the organisation

This new structure resulted in a range of role changes and redundancies or termination of contract arrangements of approximately 9 FTEs:

FTEs	2014/15	2015/16	3 Year Plan Estimates – Revised Structure			Commentary
			2016/17	2017/18	2018/19	
Business Operations	36.7	39.4*	25.9	26.9	26.9	<ul style="list-style-type: none"> • *Contractor usage replaced with employees
Program Delivery	62.9	64.9*	67.5	69.5	69.5	<ul style="list-style-type: none"> • *Addition of understudy roles in farm program areas
RDP & Extension	9.8	34.6	36.7	36.7	36.7	<ul style="list-style-type: none"> • 2015 transfer of RDP staff to DA • 2016 recruitment of DEDJTR extension staff
Total	109.4	138.9	130.1	133.1	133.1	

Figure 35: Projected staffing levels

When compared to EOFY 2014/15, DA staffing increased by an estimated 29 FTEs to 138.9 FTEs by end 2015/16. This increase was generally explained by the transfer of RDP staff to DA during 2015, and the transfer of Victorian Government field extension staff to DA during 2016. Post the 2016/17 re-structure, the organisation will employ 133 FTEs including 36.7 FTEs that are located in RDPs or as extension officers. For the purposes of planning, this structure is assumed to remain stable for the remainder of the 3 year plan.

7.2 Human Resource Planning

DA recognises the value of harmonious working conditions ensuring a safe and fair workplace, as well as choice and opportunity for all its employees. The Company’s practices support a diverse team, providing a flexible environment that aligns with the business. DA continues to attract and retain an adaptive and high-performing workforce that is able to meet current and future needs.

Core elements of DA’s HR Management Framework and Focus Areas are as follows:

HR Plank	Typical Elements	2017/18 Actions
Attract great people to our team	<ul style="list-style-type: none"> • New intranet • DA branding • Recruitment model and policy 	<ul style="list-style-type: none"> • Prepare revised DA Employer branding for recruitment and content/messaging for intranet • Centralise recruitment with greater use of social networking tools with links back to our intranet • Broader range of psychometric testing for recruitment • Effective induction and orientation programs
Grow and develop our talent	<ul style="list-style-type: none"> • Career development planning • 1:1 development of high potentials • RDP staff development • Secondments • Management development • Function development • Competency Assessment 	<ul style="list-style-type: none"> • Succession planning and HP recognition • HP career interviews • Complete organisation and talent review based on outcomes from PDR. Categorise all development plans from 2016/17 and resource against them • Critical competency assessment of RDP extension officers and training actions • Deploy on-line training via a Learning Management System • Modify and deliver the Management Development Program • Develop training curriculums for each role
Provide a safe, inclusive workplace	<ul style="list-style-type: none"> • WHS framework • Roles and accountabilities in WHS • Governance and resourcing model • Health and well-being programs 	<ul style="list-style-type: none"> • Prepare WHS management framework for DA • Review RDP risks and WHS profile and evaluate resources, changes to policies • Focus on Safety culture and Hazard identification
Agree our expectations and purpose	<ul style="list-style-type: none"> • DA values integration • Performance management • Position descriptions • Organisation and HR strategy 	<ul style="list-style-type: none"> • Train staff and run new Performance Development Review with DA Values • Introduce PDR to RDP’s and educate all staff on its use • Drive the values through the leadership team
Strengthen Organisation core skills and teams	<ul style="list-style-type: none"> • Essential business and function development • Team building exercises • New manager program 	<ul style="list-style-type: none"> • Develop Business Excellence program for Managers involved in Project management • Department strategy and team building days • Run Leadership (individual contributor) program (12)

HR Plank	Typical Elements	2017/18 Actions
	<ul style="list-style-type: none"> Communication/presentation skills 	<ul style="list-style-type: none"> Develop Function development strategies beginning with extension
Reward contribution, communicate results	<ul style="list-style-type: none"> People and culture/pulse surveys Rewards strategy Benefits strategy Internal communication platforms 	<ul style="list-style-type: none"> Provide regular information to employees through Team DA meetings Greater HR attendance at Dept. meetings and RDPs to improve communication Conduct review of benefits against marketplace

Figure 36: HR strategy

7.3 Organisation Costs

2016/17 Outcomes: The objective of the 2016/17 restructure was to reduce delivery and overhead expenses by a combined 9%, including transition costs (redundancies, outplacement, etc.) and the transfer of \$650k in staff costs to project related expenditure under RDPs. Overall, the planned year-on-year reductions were more than achieved (10% reduction) with a budget variance of \$295k (1%).

	2015/16 Actual	2016/17 Budget	2016/17 Forecast	Budget Var (Fav)/Unfav	Annual Variance	
Labour	17,139,339	15,201,147	14,850,141	(351,006)	(2,289,198)	-13%
Expenses	7,797,480	6,458,799	7,106,063	647,264	(691,417)	-9%
Restructure Costs	-	642,131	645,888	3,757	645,888	NA
Total	24,975,398	22,302,077	22,602,092	300,015	(2,373,306)	-10%

Summary outcomes:

- Labour cost reductions exceeded plan (-13%) but this was partly due to the late appointment of key staff.
- Restructure costs were generally as expected.
- While general expenses reduced by 10% year-on-year, this did not meet all planned savings expectations. Planned reductions in consultants, marketing and travel were not fully achieved.

Internally, DA's costs can be considered in the following terms:

- Delivery:** Labour and expenses associated with direct delivery of services or management of projects, and associated expenses, and,
- Overheads:** Labour costs of business operations personnel plus corporate expenses

Future Expectations: Post the 2016/17 restructure, staff numbers are forecast to remain relatively constant, with 2% annual increments in salaries. Otherwise, CPI increases will lead to small increases on overall delivery and overhead expenses. The following describes anticipated expenditure across the plan years:

\$'000	2015/16 Actual	2016/17 Forecast	2017/18 Forecast	2018/19 Forecast
Delivery Costs	12,286	10,597	12,189	12,433
Overheads	12,689	11,925	10,515	10,725
	24,975	22,522	22,704	23,158
Year-on-year Variation		-10%	1%	2%

Figure 37: Actual & Projected delivery and overhead costs

7.4 Governance Structure

As a public company limited by guarantee, DA operates within the legal framework of the Corporations Act 2001, other relevant laws and its Constitution. In addition, as the industry services body under the Dairy Produce Act 1986, DA is party to a funding contract (Statutory Funding Agreement) with the Parliament of the Commonwealth of Australia, managed by the Australian Government Department of Agriculture and water Resources.

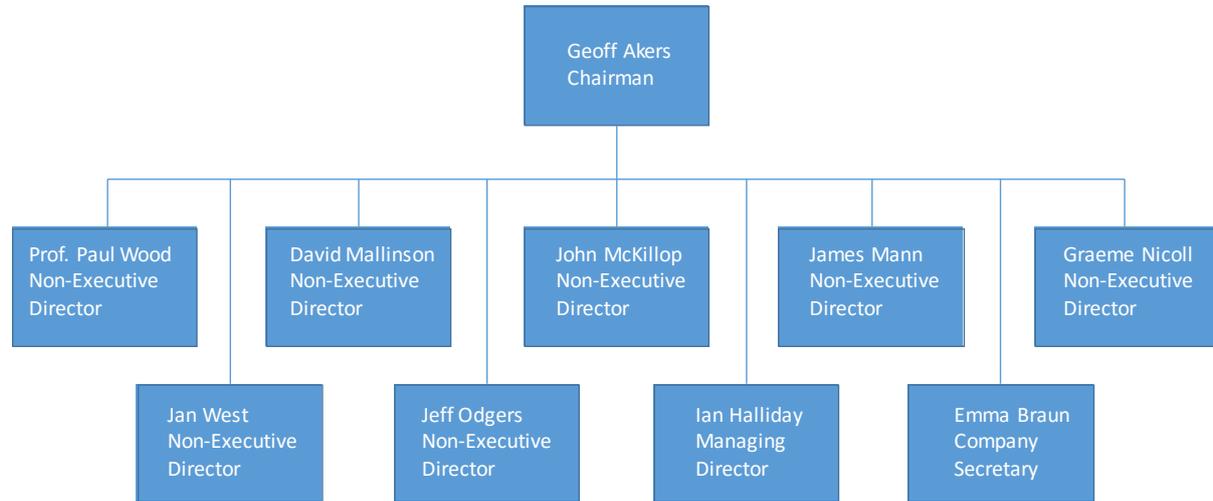


Figure 38: Board Structure (June 2017)

Currently, DA's Board comprises eight non-executive Directors (including the Chair) plus the Managing Director. Each year there are 11 Board Meetings and the AGM (during November). The frequency of meetings and the Board's size and composition enables it to make timely decisions with input from Directors who have dairy experience and a variety of skills and perspectives. The following Board changes occurred in 2016/17:

- Professor Paul Wood replaced Alan Grant (R&D oriented Director)
- Graeme Nicholl replaced Lisa Dwyer (Farmer Director)
- Emma Braun replaced Ross Joblin as Company Secretary

The Board has two standing Committees that assist it in discharging its responsibilities:

- **Audit and Risk Management Committee:** Assists the Board in fulfilling its responsibilities for the accuracy and completeness of DA's accounts and external reporting, and the assessment of the Company's risk management plan.
- **Human Resources Committee:** Responsible for providing a review and oversight function for the Board on remuneration policies, consistency with market practice, regulatory and accounting requirements for disclosure of remuneration, and HR policies to ensure good practice.

With legislation now in place that requires a levy poll only if an increase is sought or a general meeting votes in favour of change, the initial focus in 2016/17 will be convening the **Levy Poll Advisory Committee**. The committee will consist of an independent chair, two representatives of both DA and ADF, a representative of ADPF and up to nine levy payer appointed representatives. The committee will be in place by August 2016 and will determine the need, or otherwise, for a levy poll after submissions by DA and ADF. Planned expenditure and reserves management over the 3 years of the plan does not envisage an increase in the levy.

Within DA, the **Business Performance & Planning Group** provides corporate governance oversight within DA. Key elements of the governance framework for the organisation are:

- Delegated Authority Policy that requires all major investments to be approved at Board level. Sign-off of Board approved expenditure is delegated no lower than Business Group General Manager level, with higher amounts requiring the Managing Director's signature.
- The organisation has a set of standard funding contracts which are managed by in-house Legal Manager and provide appropriate levels of liability protection for the organisation.
- The accounting and project management system provides transparency of project performance and expenditure to middle and senior management.
- Standard employee agreements that manage confidentiality issues.
- Annual auditing of accounts, and Periodic audit of performance.

7.5 Risk / IP Management

DA recognises the importance of effective risk and intellectual property management. Identification of industry and organisational risks occurs in cooperation with the strategic planning process. These issues and mitigation strategies are covered by the following documents which are submitted separately to Government:

- Risk Management Plan
- Fraud Control Plan
- Intellectual Property Management Plan

The three areas of risk critical to DA's ability to deliver Strategic Objectives relate to performance, funding and governance and operations: The following table describes these risk areas and strategies for mitigation:

Critical Area/Purpose	Mitigation Strategy	Key Controls and Management Actions
Performance To ensure investment is made in appropriate areas to ensure value, that meets stakeholder needs, is delivered	DA will consult with key stakeholders for input to investment decisions and evaluate and monitor its investment/performance including the performance of strategic partnership entities and collaborators.	<ul style="list-style-type: none"> • Three year strategic plan with annual refinement developed in consultation with key stakeholder groups and dairy farmer representatives (e.g. Government, ADPF, ADF, PAGs, RDPs) • Annual Operating Plan and Annual Report • Ex-Ante and Ex-post evaluations • Work with specialist steering committees and groups e.g. Dairy Moving Forward, Trade Reference Group, Australian Milk Quality Steering Group, People Development Council. • Project and KPI Management System, risk management guidelines • Skills based Board • Stakeholder Communication and Engagement Strategy • Monitoring performance e.g. Dairy Monitor, Stakeholder Tracking, Power of People on Farms
Funding To ensure a degree of certainty regarding funding source and prudent management of funds.	DA must work with and understand core funding providers' priorities or requirements and ensure these priorities are aligned with the Dairy Industry and Dairy Levy payers' needs. DA must also prudently manage its reserves.	<ul style="list-style-type: none"> • Stakeholder Communication and Engagement Strategy • Reserves and investment policy with external advisor consultation • Three year forecasting • Consultation with DAWR to review DA's performance under the SFA • Collaboration with other RDCs • Co-funded entities where appropriate
Governance and Operations To ensure operational risks such as Fraud, Exposure to Liabilities, Knowledge Management, Work Health and Safety, Business Continuity and Human Resources are managed.	DA must have sound controls in place and recognise that the controls such as policies, processes, procedures and systems, assist DA manage risks and must be adhered to.	<ul style="list-style-type: none"> • Board and Board sub-committees: <ul style="list-style-type: none"> • Audit and Risk Management Committee • Board Human Resources Committee • Internal Audit Program • Plans to manage: Fraud, Risk, Intellectual Property • Policies to support Work Health and Safety, Human Resources Management, Procurement, Technology and Equipment use and Records Management and Branding • Procedures to support Project Management, Evaluation, Contractor engagement, Media and Communications • Staff training regarding key legislations and its impact on business

Over the course of the current 3 Year Plan, the risk framework will expand to encompass project level risk assessment, ensuring that project plans identify key risk areas and incorporate management / mitigation activities.

All corporate risks are now also categorised as Strategic or Operational risks to ensure the Board and management's focus on risk is at the appropriate level.

To help DA be assured that risks are comprehensive, at the right level and meaningfully defined, DA has commenced an exercise to identify risks with a fresh perspective. This refresh will be a focus early in 2017/18 and involve consultation with DA operations, management and the audit and risk management committee. Consolidating DA's cybersecurity risk management will also be a focus for 2017/18.

7.6 Performance Management and Evaluation

Performance management and evaluation is a central DA function which informs strategy, investment, implementation and review. It is also fundamental to demonstrating value to the Board, industry and Government.

Via its accounting and program management system, DA tracks milestone performance for each project/investment. Key performance indicators (KPIs relating to Strategic Objectives) are maintained for each Strategic Program (see Attachment C) and are reviewed annually. At a high level, the balance of the investment portfolio can be reviewed via risk-return or expenditure allocation charts available directly from the project management system.

DA has recently undertaken a review of all project ex-ante economic evaluations, the outcomes are included in Strategic Program Summaries (Attachment C). DA has also engaged economic consultants to undertake a number of ex-post evaluations which will be used by DA and RDCs more generally in conjunction with work undertaken by the Council of RDCs.

7.7 Business Operations

Key focus areas for each of the operational support divisions are as follows:

Department	Focus Area
Governance and Legal	<ul style="list-style-type: none"> • Funding: The Levy Poll Advisory Committee determined that the level of the levy should remain unchanged. On that basis, planned expenditure and reserves management for 2017/18 does not envisage any change in the levy. • Statutory Funding Agreement (SFA): A revised SFA is expected to be in operation from the beginning of 2017/18. Compliance obligations under new SFA will have an increased focus on stakeholder engagement. • RDP Governance: Support RDPs, particularly in areas of compliance, constitutional review and Board effectiveness. • Board: Ensure appropriate support and advice to enable the Board and its committees to operate effectively. Facilitate recruitment process to maintain balance of skills and representation. During 2017/18 there will be two Board positions up for re-election – both milk producer roles. • Legal Support: Establishment and support of new infrastructure initiatives – e.g. DataGene, DairyBio and Dairy21. Continued focus on compliance to the contract sign-off process adherence; legal compliance training; IP management and expectations around the commercial return from the IP portfolio; Support of RDPs.
Accounting, Finance and Organisation performance	Forecasting and Finance Infrastructure <ul style="list-style-type: none"> • Transition of forecasting capability to IFS. • Improve monthly reporting to LT and Board that adds insights. • Implementation of new procurement process. • Bring remaining RDP finance function across to DA. • Further improvement to RDP reporting packs. • Explore the possibility of Accounts Payable automation.
	Evaluation Framework <ul style="list-style-type: none"> • Continue refinement of ex-ante project evaluations, focusing on projects where “benefits” need improved definition, those where we had not been able to test assumptions, or where project objectives were unclear. • Participate and support in the development of project manager’s ability to identify appropriate evaluation measurements and data collection mechanism. • Participate and support in the development of systems for on-going collection of project data to support economic evaluation. • Undertake a number of ex-post evaluations, testing assumptions made in the ex-ante evaluations. • Participate in the CRRDC evaluation programme.
ITC / Business Systems	<ul style="list-style-type: none"> • IT Infrastructure and Services: Continuing workforce efficiency initiatives; enhancing the mobile workforce; Southbank and RDP support; process improvement; digital procurement and change. • Project Enablement: Support of DA projects/programs that require IT technology (e.g. DairyBase, CRM); assistance with key stakeholder communication and collaboration. • Remote Access: Continuing to develop a mobile workforce to better service customers in the field via mobile friendly software and hardware. • Stakeholder Management: Implement, consolidate and improve the servicing of our customers via tools like CRM.

Department	Focus Area
Government Engagement and Reporting (formerly Corporate Communications)	<ul style="list-style-type: none"> • Note: The Corporate Communications role for DA’s communication with industry stakeholders has been shifted to the Marketing & Communications Group. Business operations maintains the responsibility of Government related communication, which will include: <ul style="list-style-type: none"> ○ Develop and implement the Dairy Australia Government engagement and reporting framework ○ Participate in the development and implementation of the CRRDC communications and engagement strategy
Corporate Planning	<ul style="list-style-type: none"> • Strategic planning: Continued integration and collaboration of DA planning with key stakeholder groups: ADF and PAGs, ADPF, RDPs. Assistance to RDPs to improve quality and alignment of strategic plans and AOPs. • Investment / Portfolio Management: Use of the data from the improved evaluation framework to better manage the investment portfolio to maximise returns to stakeholders • Performance Reporting: Continued work on improving the quality and relevancy of performance reports, including the observed outcomes in the industry (dashboard of statistics) • Risk management: See below
Project Management	<ul style="list-style-type: none"> • Project Management: Improve project risk assessment and management, monitoring and evaluation planning; continuous improvement of project management processes, templates and support to improve project planning and management capability. • People - Continued change-management communications activities with emphasis on induction of new starters and providing skills training to staff as required. • Process – Reviewing and refining the internal process for project management and procurement in DA, including workflow & key documents • Systems - Reviewing and refining the use of key project management systems (PKMS, IFS and TRIM), including workflow & reporting

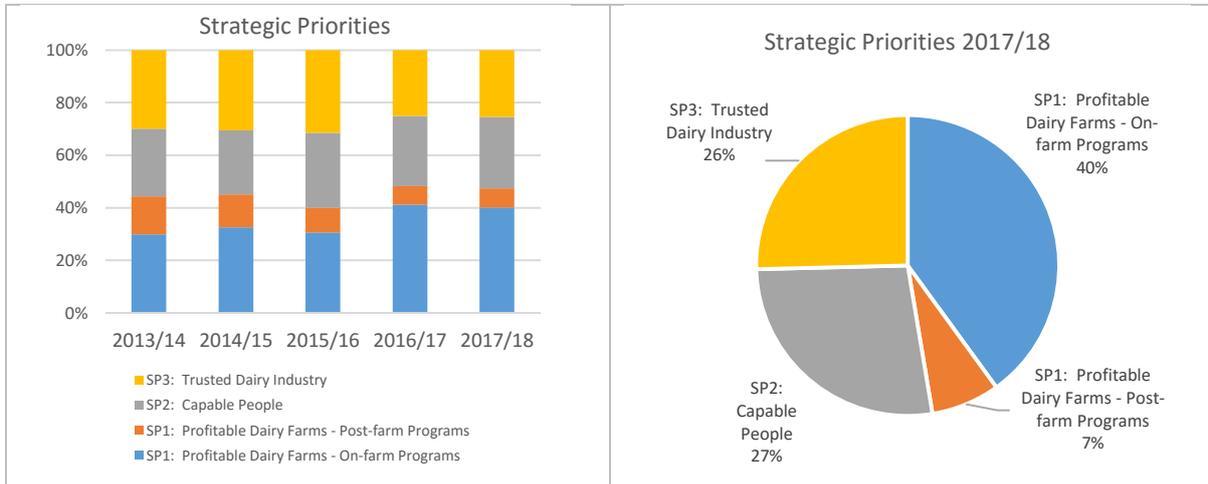
Figure 39: Focus of Business Operations



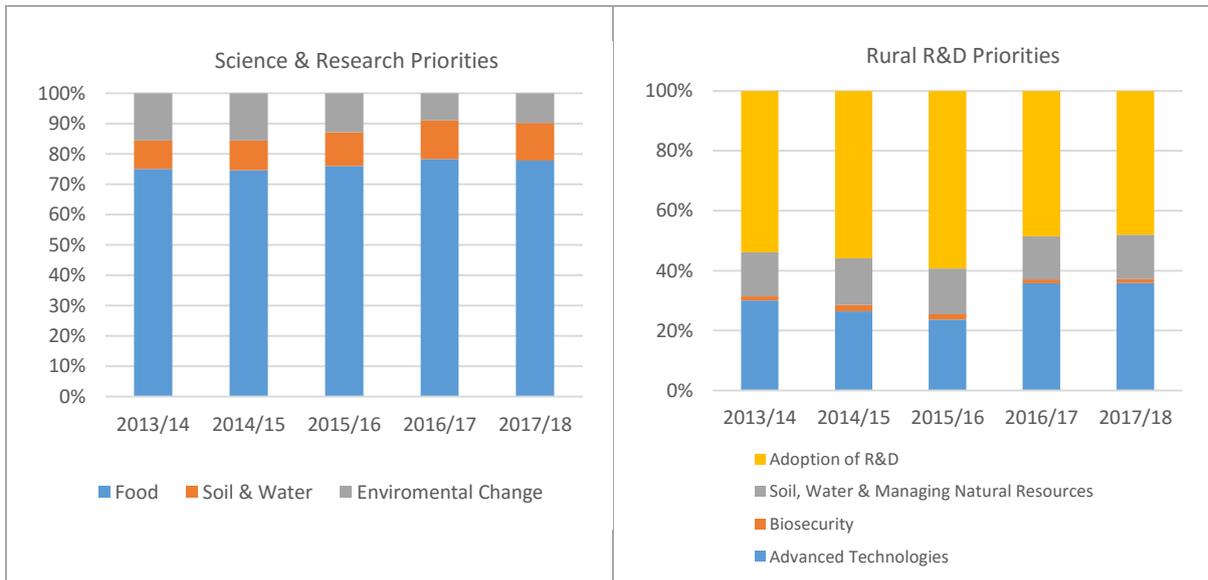
8. Investment Management

8.1 Investment Allocation

Strategic Priority: Overall allocation of expenditure by Strategic Priority for 2017/18 will be similar to 2016/17. During 2016/17, the planned reductions in marketing and post-farmgate R&D expenditure resulted in a larger proportion of spend related to on-farm programs. In 2017/18 the on-farm programs (SP1 and SP2) are planned to contribute a combined 67% of total expenditure (on a fully allocated basis).



National and Rural Research Priorities: Approximately 72% of DA’s expenditure for 2017/18 is directed towards activity that qualifies as RD&E under Government matching funding criteria. Analysis of this qualifying expenditure across national priorities is as follows:



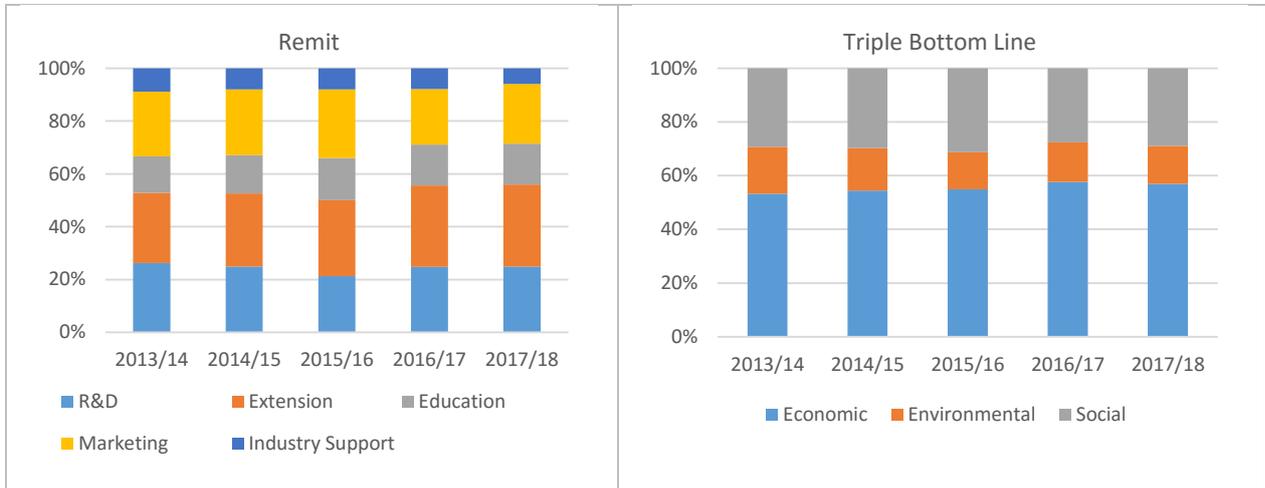
Analysis of this qualifying expenditure across the national **Science and Research Priorities** indicates the focus on food production and processing related RD&E, with a further 22% of spend directed specifically towards soil, water and environmental change issues as would be expected for an industry that is pasture and climate dependent.

Across the national **Rural RD&E Priorities** for agriculture, DA’s focus is heavily slanted towards:

- **Advanced Technology:** R&D around those areas defined by the Dairy Moving Forward Strategy (herd and pasture productivity, animal welfare and milk quality, farm automation, natural resource management), and,
- **Adoption of R&D:** DA has expanded its extension capability as State Governments have withdrawn from such activities

DA also funds projects in the natural resource management space with a focus on effective use of water and fertilisers. While expenditure on Biosecurity appears low, a significant level of expenditure in other areas (animal welfare, farm practices) has positive spin-offs for this priority, and is not accounted for in the chart above.

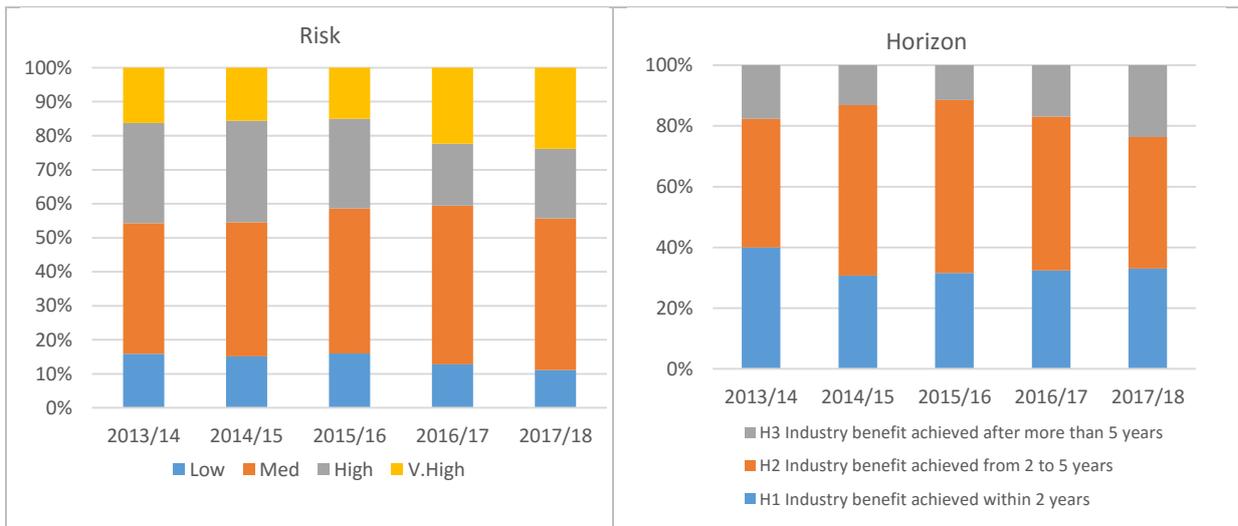
DA Remit: Over time the areas of R&D, extension and education are progressively becoming a larger proportion of overall expenditure (71% in 2017/18). Expenditure on marketing in 2016/17 has reduced through the removal of mass-media advertising, while spend on and other industry support activity (Policy support, knowledge & insights, technical trade support) remains relatively constant.



Triple Bottom Line: While the majority of DA expenditure is focused on economic gain for the industry, significant investment is made in the areas of environmental management (sustainability - land, water, carbon) and social concerns (education, farm practices, ethical concerns).

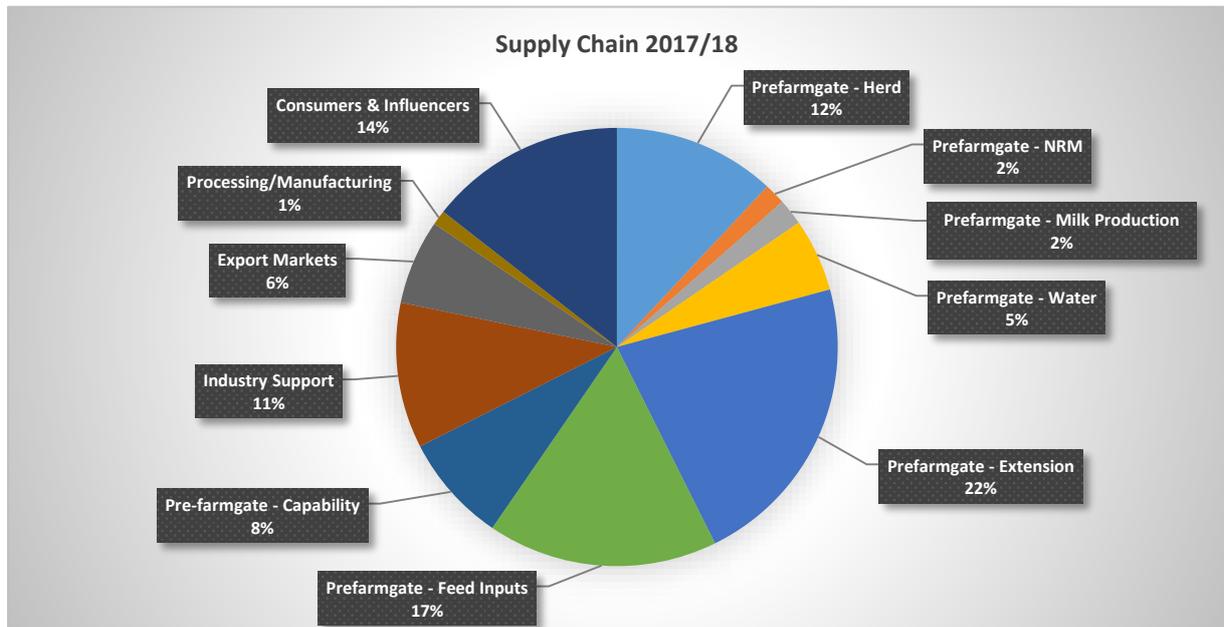
Risk Profile: DA’s balanced risk profile reflects the importance of delivering value for farmers with some certainty while also investing in innovation programs that will build the industry’s resilience and competitive advantages. Investing in innovation is necessary for a sustainably profitable industry, but will naturally require a higher degree of uncertainty. Increased spend into DairyBio and Dairy21 results in a larger proportion of projects with very high risk during 2016/17 and 2017/18.

In 2017/18 DA will allocate ~11% of investment to projects that currently are graded as low risk (probability of success > 75%). These are generally “public good” projects such as the collection and provision of information, capability building, or stakeholder communication. 45% of expenditure is allocated to medium risk projects (50-75% POS) which includes “Extension” activity, and the remainder is classified as high or very high risk – typically R&D heavy programs.

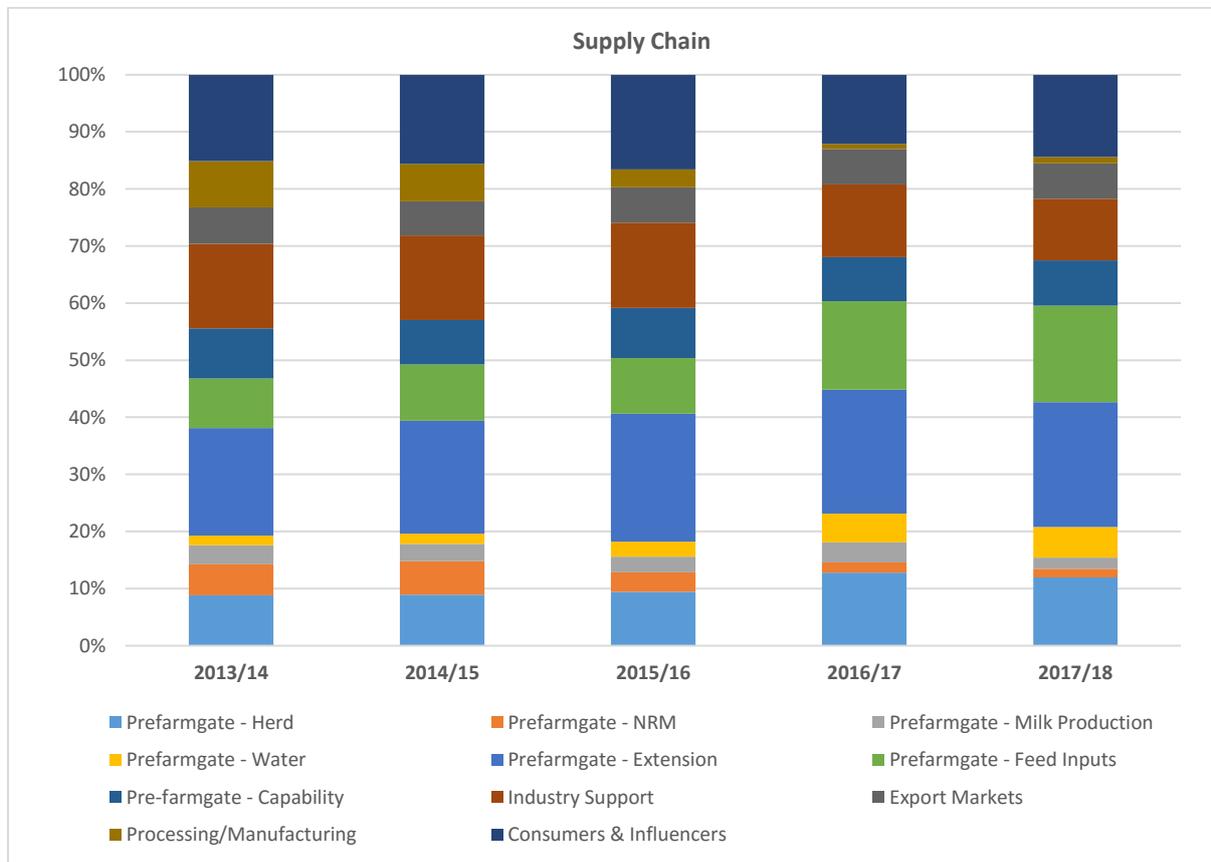


Time Horizon: As the central investment body, one of DA’s remits is to invest in projects that are important to the industry but would not fit within the risk appetite of industry participants. Horizon 3 (H3) projects (benefit to be achieved in more than 5 years) would generally be in this category. As can be seen, 24% of expenditure is in this category, and is generally agriculture R&D where timeframes can be in decades. This category has increased as DA has proportionally invested more

in R&D infrastructure such as DairyBio and DataGene, and less in marketing. The remainder is split relatively evenly between H1 (outcome in < 2 years) and H2 (outcome in 2 – 5 years).

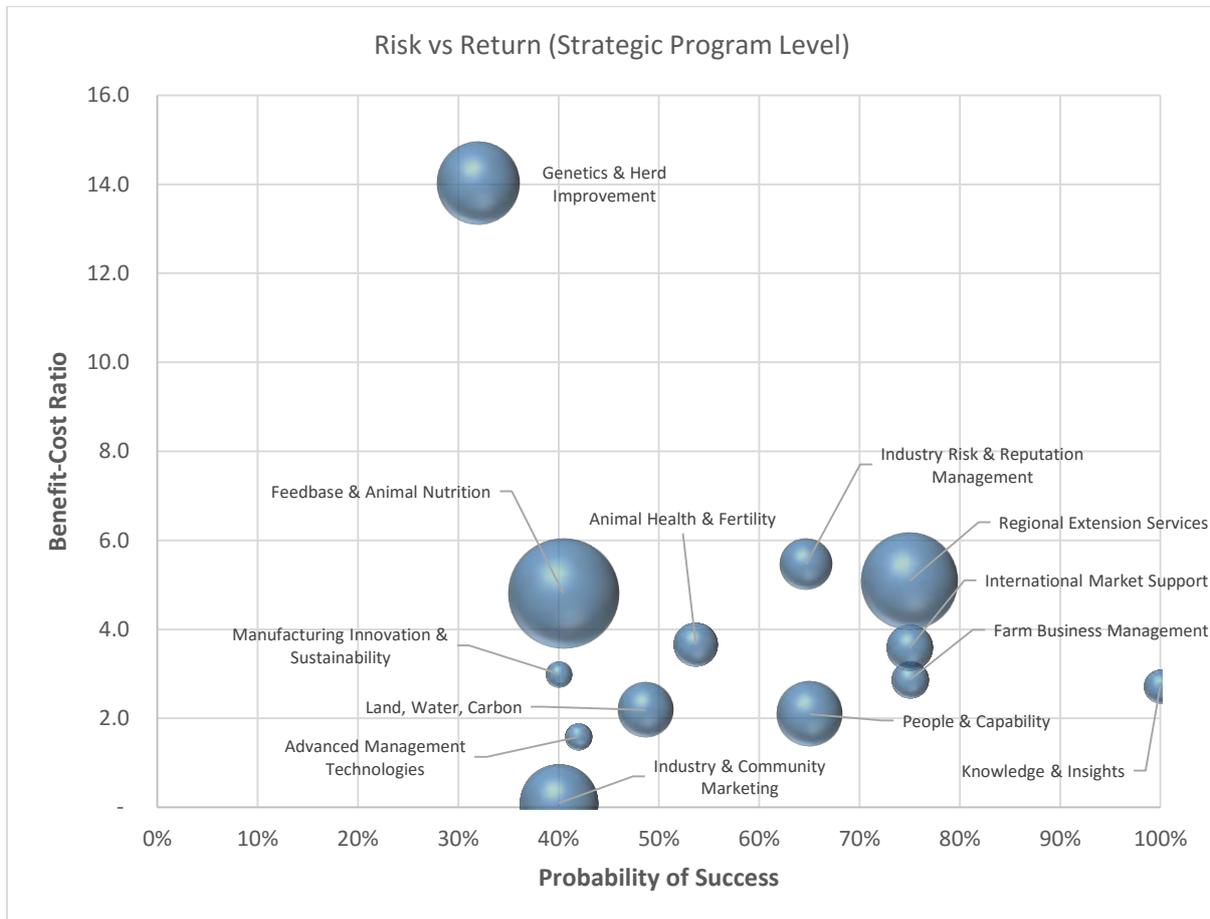


Supply Chain: DA recognises that industry success is dependent upon profitability within each level of the supply chain. However, the majority of expenditure (68% in 2017/18) will be directed to pre-farmgate activity. Post-farmgate R&D expenditure has reduced as a result of the wind-up of DIAL, and pre-farmgate feed oriented investment has increased (DairyBio, Dairy21).



8.2 Portfolio Balance

DA undertakes ex-ante economic evaluations at the project level prior to investment approval. Ex-post evaluations are undertaken from time-to-time. DA also rates projects for their “investment attractiveness” as determined by a weighted assessment of economic, strategic and stakeholder value.



The chart above describes the investment portfolio at strategic program level from a risk Vs return perspective, where Benefit-Cost-Ratio (BCR) represents economic “return” (to the farmer) and risk is defined by the average “probability of success” for the projects within that strategic program (i.e. risk decreases moving left to right). The area of each bubble is proportional to the planned 2017/18 expenditure for that program.

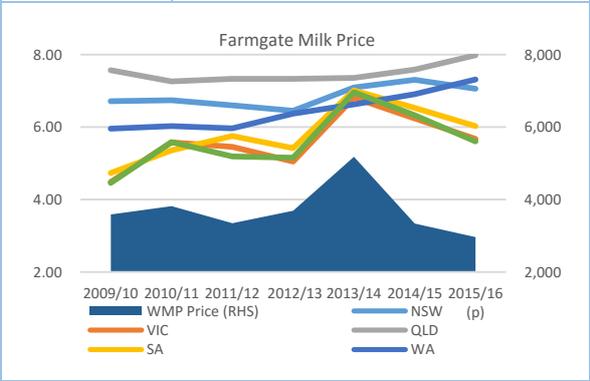
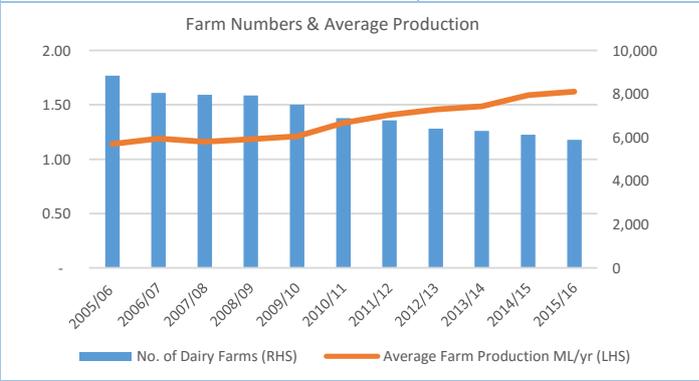
As would be expected, heavy R&D-centric programs, such as Genetics and Herd Improvement, show strong planned returns but involve significant technical and commercial risk. In general, programs have average BCRs in the range of 2 – 5 which would appear reasonable for a RDC investment portfolio, given that the objectives of DA are not purely economic. The key exception to this is “Industry and Community Marketing” which has a zero BCR from a “demand enhancement” perspective (as the industry is currently supply constrained), but where there are “strategic benefits” such as protection of Licence to operate benefits that have been yet to be estimated.



Attachment A: Environmental Scan Detail

A.2 Economic

Issue / Trend	Industry Impact	Planning Implications
<p>Global supply & demand / Commodity pricing</p>	<p>Chinese demand has been reinstated but the Russian embargo remains. Milk production is now falling across three of the world's four largest exporting regions, plus South America. Large stockpiles and the potential for resurgent growth pose some risks, but overall the market is finally seeing supply settings conducive to higher commodity prices.</p>	<p>Better balance in global dairy markets is generating positive signs for the Australian industry. International dairy commodity prices for most products are back above five year average levels Longer term perspective is that continued growth of Asia will support stronger prices on average.</p>
<p style="text-align: center;">WMP Pricing, USD/t</p>		
<p>Pricing Volatility</p>	<p>International pricing volatility is expected to continue</p>	<p>Volatility typically undermines confidence and leads to lower investment – i.e. and impediment to growth</p>
<p>FX, Interest rates and Inflation</p>	<p>US inflation and interest rate hikes Anticipated depreciation of the AUD vs USD OECD flagging interest rate hikes Local inflationary pressures are low, future interest rate increases likely to be small</p>	<p>Generally positive conditions. A weaker AUD will improve competitive position.</p>
<p>Farmgate milk pricing / Farm margins</p>	<p>Repercussions of the 2015/16 late season pricing downgrades are still being felt across the industry. Milk price step-ups have helped improve farm cash flow situation for many southern farmers, but production margins remain tight or negative, and many face a significant task rebuilding their equity position after the past 12 months.</p>	<p>Relationships between processors and producers impacted – reduced loyalty of producer to Co-op processor. Industry level activity to improve equitable structure of processor-producer contracts. Government inquiries may impact future contract arrangements</p>
<div style="display: flex; justify-content: space-around;"> <div data-bbox="193 1464 778 1832"> <p style="text-align: center;">Dairy Farm Financial Performance</p> </div> <div data-bbox="783 1464 1485 1832"> <p style="text-align: center;">Production & milk price</p> </div> </div>		
<p>Production</p>	<p>Flow-on impact of lower farmgate pricing is exit and scale-back at farm level – production fall of 6-8% on the 2015/16 total of 9.5 billion litres to 8.8bl in 2016/17 Elevated culling rates have persisted in 2016/17 as cull cow numbers track 40% above the five year average.</p>	<p>Impacts to relationships in key importing markets given drop on milk production (e.g. MG in Japan). Contracting supply and price changes impacts the amount of levy for DA investments.</p>
<p>Scale back DA investment to match reduced income projections within the constraints of minimum acceptable reserves.</p>		

	Issue / Trend	Industry Impact	Planning Implications
		Lower utilisation of processor capacity will damage processor profitability.	
Local Market consumption	<p>Total supermarket milk sales volumes grew by 3.5% to 1,389 million litres over the 12 months to April 2017, while the category's sales value grew 6.7% to almost \$2,200 million. Cheese grew by 2.9% over the 2016 calendar year</p> <p>The Australian domestic market remains characteristically steady, though there have been some notable changes within key categories. (see Societal change section)</p>	Consideration of how trends such as "organic product" could have upon the industry – generally considered to be in the "competitive" space.	No change
Substitutes	The non-dairy milk market has expanded over the past decade, with a growing number of plant-based (soy and almond) products offered.	<p>Non-dairy milk sales made up 6 per cent of all milks sold in supermarkets, up half-a-per cent in the last three years. Per capita consumption of cow's milk is still 20 times more than soy.</p> <p>Minimal economic impact on the industry as all excess milk is sold into the export market</p>	Not considered to be a significant risk to the traditional dairy industry in Australia at present.
Retail	<p>Significant demand shift away from home brand to branded product during 2016 as the dairy crisis was in the headlines. Gradual movement back to the (cheaper) home brands since then</p> <p>Price discounting for cheese (to as low as \$0.60/kg) is occurring within the major supermarkets.</p>	<p>Whilst \$1/litre supermarket home brand milk is entrenched, there is a push for retailers to abandon discounted milk – ACCC enquiry outcomes may also provide some impetus in this area.</p> <p>Dairy Australia's Food Service Index shows continued growth in the food service sector, with turnover growing by 4.3% in the 12 months to February 2017.</p>	Support ADF in policy related efforts in this area
Industry structural change	<p>As has been the case in most agricultural sectors, farm numbers have fallen and average farm size has increased as external factors have forced farmers to seek sustained profitability through economies of scale.</p> <p>Over the last 30 years, farm numbers have fallen by two thirds from 19,000 in 1985 to 6,128 in mid-2015. Over the same period average farm herd size has increased from 93 to 284.</p>	<p>Recent pricing downgrades are expected to exacerbate this trend.</p> <p>DA's role is not to interfere in economically driven industry change, but to help optimise outcomes for industry and stakeholders.</p> <p>Increasing farm scale is requiring changes to on-farm skills and workforce. Capability and culture needs to adapt to suit new commercial demands. Many more farms now employ people other than family and staff turnover is reported to be relatively high, creating an overhead burden.</p> <p>Some dairy businesses report difficulty in attracting and retaining skilled people which is a constraint to business growth and wealth creation.</p>	<p>Investing in programs and activities that help attract, retain and train people in the dairy industry is an on-going priority for DA.</p> <p>To improve the efficiency of structural change, existing farmers and potential new entrants need to understand their commercial options (e.g. share-farming, leasing, exit, etc.) and DA has a role in the provision of useful information in this regard.</p>
 <p>Farmgate Milk Price</p> <p>2009/10 2010/11 2011/12 2012/13 2013/14 2014/15 2015/16</p> <p>WMP Price (RHS) NSW (p) VIC SA QLD WA</p>		 <p>Farm Numbers & Average Production</p> <p>2005/06 2006/07 2007/08 2008/09 2009/10 2010/11 2011/12 2012/13 2013/14 2014/15 2015/16</p> <p>No. of Dairy Farms (RHS) Average Farm Production ML/yr (LHS)</p>	
Corporatisation	There are increasing number of corporate farms, farms owned or co-owned by foreign investors and some farm business have their own processing capabilities.	Corporatisation brings with it a standardisation of practices across the owned farms. This represents an opportunity for practice change.	Ensure effective communication between DA and corporate ownership structures.
Intensification	The proportion of very large farms (> 1,000 head) is low but growing and expected to	While yet to have significant penetration, intensive farming looms as pivotal change	DA / ADF will monitor this trend closely and will

Issue / Trend	Industry Impact	Planning Implications
	represent more than 10% of the national herd by 2020.	with a range of consequences for industry performance and reputation management. consider how its services should be modified to best meet stakeholder needs.
Foreign investment	In 2016 Van Diemen's land sold to Chinese buyers. 79% of Burra Foods sold to Chinese Consortium. ATO's Foreign owned agricultural land register reveals that only a small proportion of the 13.6% of Australian land owned by foreign investors are Chinese.	Foreign owned operating decisions relating to market/customer structure, vertical integration, labour arrangements and consistency with Australian practices and standards may have economic, societal and environmental impacts for the dairy industry. Foreign owned dairies may also change the dynamics and needs/demands of Levy Payers Monitor market led change
Market Access / Changes in the Global Trade landscape	Brexit – UK vote to leave the EU. Australia about to enter renegotiations with the EU.	Brexit may provide the opportunity to negotiate separately with the UK.
	Free trade agreements / USA withdrawal from Trans Pacific Partnership (TPP)	ChAFTA implementation / finalisation of free trade agreements (FTAs) with Japan and Korea If the TPP is abandoned, other agreements such as bilateral agreement with Japan can be renegotiated or RCEP can fill the gap.
	General Anti-trade movement has grown globally and in Australia over the last 5 years. More difficult to obtain domestic ratification of trade agreements	Public sentiment may broadly influence Australian government's trade positions and policies.
	Technical barriers to trade continue to be a mechanism used by countries importing dairy	TBTs continue to impact the costs of trading with the respective countries.
Farm Inputs	Animal: Continued high beef prices exacerbates the trend to downsize or exit under low farmgate pricing conditions.	Alternately, the options for mixed farming practices – dairy + cattle may be enhanced. No change – focus on projects that enhance animal productivity (e.g. genomics)
	Feed: Favourable climatic conditions from the start of 2016/17 have provided good conditions for on-farm fodder production and strong future grain harvests. This should support lower feed costs over 2017-2018.	For some farms, the lower feed costs will mitigate the lower milk price and maintain industry participation. No change
	Water: the short-term outlook regarding the cost of water is a positive for dairy farmers. Water levels in Murray Darling basin are at their highest in almost two years	Allocations will be higher and temporary water prices will be lower than recent seasons Maintain watching brief on MDBP and investigate won-farm water efficiency alternatives
	Labour: Availability is influenced by labour movement (away from the regions), Urban encroachment, back packer tax, changes in employment preferences/needs (e.g. Part time).	Competition for labour continues to be an ongoing consideration for industry as Labour demand and supply, both on dairy farms and in the industry in general Continue to support programs that improve regional labour availability
	Energy: Gas and electricity prices are rising and becoming an increasing large proportion of farm costs. Greater availability (and lower cost of renewable energy alternatives and energy storage technologies.	Significant impact for the whole of agriculture, not just the dairy sector Review of past energy related projects, support of ADF advocacy around energy pricing and availability
	Fertiliser: Prices follow the price of oil which has been consistently low	Issues around fertiliser are more about efficient usage and environmental impact. Continued programs around efficiency and environmental impact (see environment / resources)
Digital Technology	Wider application of digital and sensor technology has the potential to provide more data to assist on-farm decision making.	Larger farms will optimise production outcomes and profitability based upon immediate data feedback. Connectivity will support better sharing of information across the sector and improved international collaboration in R&D. Assist the industry in the evaluation and uptake of beneficial new technology

A.2 Stakeholders

	Issue / Trend	Industry Impact	Planning Implications
Farmer Confidence	As of February 2017, National Dairy Farmer Survey (NDFS) data indicates that 53% of farmers felt positive about the future of the dairy industry following very challenging pricing and seasonal conditions experienced since May 2016. This represented a significant drop in sentiment from 2016 survey results where 67% of farmers were positive about the industry future. The decline in positivity was widespread but particularly apparent in WestVic Dairy, Gipps Dairy, Dairy NSW and Dairy Tas regions and in general, amongst small herd sizes (<150 cows).	Reduced confidence will directly impact on-farm investment and the level of exits from the industry. Government assistance announced in 2016 and the DA Tactics for Tight Times programme will help address immediate farmer cash flow issues, but it is anticipated that it will take a number of years for the industry to regain its positive view on the future.	Recognise and respect farmer sentiment. Extension structures to provide direct support where possible – TFFT, tacking stock, access to Government support
Dairy Industry Inquiries and Investigations	<p>Following the milk price downgrade in April 2016, the dairy industry is going through a number of inquiries and investigations including:</p> <p>ACCC inquiry into the competitiveness of prices, trading practices and the supply chain in the Australian dairy industry. Issues addressed: The level of competition between processors and the acquisition of milk; concerns about unfair contract terms; transparency, price signals and how farm gate milk prices are set and communicated to producers; domestic retail markets (including impact of \$1 per litre private label milk by major supermarkets); options and barriers selling into export markets and key factors influencing the profitability of dairy farms</p> <p>ACCC investigating whether Murray Goulburn and Fonterra are guilty of unconscionable conduct.</p> <p>A Senate Economics References Committee inquiry is investigating the cuts to farm gate milk price and contractual fairness. The report is due at the end of February 2017.</p> <p>Australian Securities Investment (ASIC) is conducting an investigation in to dairy processor conduct. In particular whether MG breached ASX continuous disclosure rules.</p> <p>Tasmanian dairy industry inquiry to be covered by Tasmania upper house members to look at better ways of marketing Tasmania milk under the Tasmania banner.</p>		In the short term, preparation and submission of an appropriate response to each the inquiries. Thereafter, monitor outcomes and adjust investment where relevant
Levy poll process	Levy poll advisory panel have announced a “no-change” recommendation.	At least 15% of levy payers must request a levy poll within 75 days from the announcement.	No requested changes received within the notice period, hence the levy will remain unchanged for the forecast period
Rural R&D funding	The selection process for Round 3 of the Rural R&D for Profit Program is in progress. Rounds 1 and 2 are in progress. There has been criticism from the Australian National Audit Office (ANAO) regarding the design (basis for fund allocation and performance monitoring and reporting framework.	Government are continually look at research funding options with key research organisations. There is ongoing uncertainty regarding the amount and selection criteria for Federal government’s rural research funding.	The extent DA (and other RDCs) can demonstrate its performance is likely to impact Government’s perception of the merits of the RDC model.
Relocation of Canberra based RDCs	As part of the Federal Government’s initiative for Rural Development Corporations (RDCs) to relocate, to be closer and better linked to the farmers and researchers	<p>APVMA moving to Armidale.</p> <p>Other RDCs that either have or are expecting to move include:</p> <ul style="list-style-type: none"> • Grains (GRDC) to Dubbo, Toowoomba, Adelaide and Perth (with intent on moving to Northam) • RIRDC to Wagga Wagga • Fisheries (FRDC) to Adelaide 	DA has a hub-and-spoke structure. It is located centrally to the sector and has regional presence in key dairying regions via the RDPs.
Privacy Amendment (Notifiable Data Breaches) Bill 2016	Introduced to Australian Parliament in October 2016. The outlines what an entity that is holding personal information must do, as soon as practicable, upon being aware that there are reasonable grounds to believe that there has been an “eligible data breach” of the entity.	<p>From a practical perspective, the 2016 Bill has a higher threshold for what constitutes an eligible data breach, so should be easier to comply with than the 2015 Bill.</p> <p>Dairy farmers or processors providing information to DA can expect DA to adhere to the current legislation regarding the Privacy Act and associated amendments.</p>	Maintain policy and risk mitigation activity within DA to maintain confidentiality and protect sensitive data
Data Security	Increasing prevalence of cyber-attacks: Cybercrime is the 2nd most reported economic crime affecting 32% of organisations	DA systems – protection of confidential data	

Issue / Trend		Industry Impact	Planning Implications
Industry disputes	A2 in court with Lion regarding claims about the proportion of A2 protein in Lion's products. A2 lodge health claim on the FSANZ website and have lodge negative claim on other dairy products. Internal notes:	Issues may create perception of a fragmented industry and potentially generate more confusion for consumers.	Watching brief
Back packer tax	The tax rates for working holiday makers have changes from 1 January 2017. The changes intend to make Australia more attractive amongst working backpackers.	May be an opportunity for dairy farmers seeking casual labour.	Ensure farmers are aware of implications of tax changes
Vocational Education and Training (VET) reforms	New Australian Skills Quality Authority (ASQA) Chief Commissioner, VET Student Loans replaces VET FEE-HELP scheme. General tightening of Registered Training Organisation (RTO) regulations. State government funding decisions regarding TAFE continually reviewed.	The RTO's delivering formal dairy education and training will need to be aware of reforms and ensure compliance.	Maintain alliance arrangements with well-respected RTOs
Country of origin labelling	On 1 July 2016, the Australian Government introduced new food labelling requirements that indicate where the food is grown, produced, made or packed. The labels also indicate what percentage of the ingredients come from Australia. To use the label "Product of Australia" all "significant" ingredients must be from Australia. There is a two-year transition period, so food labelled from 1 July 2018 must follow the new rules.	There may be confusion amongst Consumers about why certain products are not 100% Australian, for example where imported cultures or vitamins are included. The interpretation of what is deemed "significant" may differ between processors or with regulators which could influence Consumer perception of the industry and impact industry reputation.	On-going policy support activity
Recombinant Bovine Somatotropin (RBST)	An injected hormone that increases milk production. Currently banned in EU, Canada and India. Its use in Australia is currently in consultation with Australian Pesticides and Veterinary Medicines Authority. Elanco are looking to license a product with RBST in Australia.	ADF position is that it supports Technology that helps productivity/ profitability. ADPF's position is influenced by retailers, currently unlikely to allow its use.	Watching brief
Increasing access and use of electronic channels	Though some areas still have limited coverage (NBN aims to have built all the infrastructure that enables all homes, businesses and communities across Australia to access high speed broadband by 2020). Some electronic platforms may be restricted in various markets.	Stakeholder tracking indicate increased offering and utilisation – e.g. Reading Email, Visiting DA website, Receiving SMS alerts from DA, Reading information available from Social Media. This also includes increase collection of personal information.	DA's electronic activities includes increased collection of personal information (DairyBase, Salesforce, Competitions and Social Media and App "sign-up"). The Increased ability to track electronic offering is made easier with the use of DA's CRM and its notes function.
Use of social media	Use of social media continues to increase: The speed and scale of reach makes it a very attractive channel for communication.	Dairy farmers and the broader community may find that many services may increasingly use social media to communicate and provide offerings.	There is a potential that communication recipient may be overwhelmed with the breadth of data/ information they receive via social media across all their interest areas and things they may or may not have subscribed to.

A.3 Environment / Resources

External Operating Context		Industry Impact	Planning Implications
Climate Variability	Managing climate variability is, and always has been, part of managing a dairy farm. The frequency and duration of heatwaves does appear to be trending upwards.	Extended periods of high temperatures have a significant impact on the dairy sector, heat stress results in lower yields in plants and animals. The potential risks associated with climate change are significant and need to be managed where practical.	DA will continue to work in conjunction with Government climate related programs to assist the dairy sector.

	External Operating Context	Industry Impact	Planning Implications
	<p>The frequency of extreme heat events is increasing.</p> <p>Source: Bureau of Meteorology</p>		<p>Source BoM, March 2017</p>
<p>Climate change / carbon emissions policy</p>	<p>The demise of the carbon tax and implementation of the Emissions Reduction Fund (via which Australian companies are incentivised rather than compelled to reduce carbon emissions) is changing the focus of investment in this area.</p> <p>The Prime Minister announced a review of Coalition climate change policy on 5 December 2016, with all options on the table including an emissions trading scheme (ETS). The review will be completed by December 2017.</p> <p>The Paris Climate Change Agreement which Australia signed with 195 other countries, commits Australia to reduce Carbon emissions and limit global warming by 2030. The agreement came into effect in November 2016.</p>	<p>Milk producers/processors, as intensive energy users, should monitor the proposed and implemented mechanisms for managing carbon emissions (including fertiliser management) to ensure practices are feasible/compliant. Larger companies should also be aware of Climate change and carbon risk disclosure requirements.</p> <p>Enteric methane mitigation technologies offer opportunity to reduce on-farm emissions.</p>	<p>Continued policy support requirements</p>
<p>Water availability / MDBP</p>	<p>Dairy is the largest irrigation-based livestock industry in the Murray-Darling Basin, and the Murray Darling Basin Plan (MDBP) attempts to balance environmental and commercial interests.</p> <p>While the area of irrigated land remains static, the volume of irrigation water per farm continues to increase - 442 ML (2006) to 548 ML p.a. (2015).</p> <p>The Murray Darling Basin plan signed in 2012 has shrunk the total pool of water available for irrigation each year by more than 15%, due mainly to the Commonwealth buying back more than 1,000 billion litres of irrigators' water rights for the environment between 2008 and 2012.</p>	<p>Water availability and affordability are now the limiting factors on growth this region (see chart).</p> <p>The Basin Plan has an option to recover another 450 billion litres from irrigators, but only if it causes no further socio-economic harm to regional communities. Political positions are polarised as to whether the additional 450 billion litres will be recovered</p> <p>Water scarcity, reduced security and high prices affect surveyed dairy farmers' business and investment decisions, such as upgrading farm infrastructure, and ability to make a profit. Some dairy farmers have already indicated they will walk away if more water is removed.</p>	<p>DA provides supports to industry advocacy efforts to ensure equitable outcomes of MDBP implementation for local dairy farmers.</p>
<p>Water efficiency</p>	<p>New technology for water usage optimisation are available but yet to be widely used.</p>	<p>DA has a role in understanding the benefits of available technology and encouraging take-up where appropriate.</p>	<p>DA is assisting farms to be more water efficient and adaptive to more volatile water availability.</p>
<p>Nutrient load contributed by dairy in high</p>	<p>To improve land productivity, there has been a significant increase in the proportion of farms applying fertilisers (urea and DAP), and this</p>	<p>Locations of high value waterways currently impacted include: Geographe Bay, Corner inlet, Duck River Estuary,</p>	<p>Continue to encourage adoption of best practice</p>

External Operating Context		Industry Impact	Planning Implications
value waterways	trend is expected to continue. The over-use of nitrogen based fertilisers has potential impact on waterways (via run-off) and subsequently biodiversity. DA is investigating nutrient loss processes and the effectiveness of management practices. Through DA funded regional NRM advisors and programs such as Fert\$mart, farmers are becoming aware of sustainable fertiliser application practices.	Gippsland Lakes, North Coast NSW, North West Tasmania. If the industry continues to grow in these catchments, future growth and/or fertiliser application may be regulated.	
Unconventional gas mining and fracking	The Victorian Government has passed legislation banning fracking in Victoria. In Gloucester, NSW, where fracking trials were occurring on a dairy farm, falling global gas prices led to AGL deciding not to develop the gas field after all.	Fracking and unconventional gas mining are unlikely to be issues for the dairy industry, for the foreseeable future.	

A.4 Licence to Operate / Social Licence

External Operating Context		Industry Impact	Planning Implications
Human health & nutrition	<p>While consumer demand remains relatively strong, a range of demographic trends (social and dietary) are gradually diluting the consumer's image of dairy as a food staple, which may have future consequences for consumption and general consumer respect for the sector.</p> <p>Consumer uncertainty about whether dairy products are an essential part of the diet, or if they are even healthy, the ongoing perception that dairy products are fattening, and confusion about added sugar, lactose and fat levels.</p> <p>The naturalness of dairy products: People are uncertain whether Australian dairy products are natural, and low level of acceptance of Australian dairy cows eating GM rye grass.</p> <p>Consumer understanding or perception regarding branded milk, A2 protein, provenance, lactose intolerance varies between demographics and changes over time.</p>	<p>Uncertainty about whether Australian dairy products contain antibiotics.</p> <p>Social trends such as veganism are orienting larger parts of society away from animal based agriculture</p> <p>Perceived or real lactose intolerance is driving some consumers to reduce and/or reject dairy.</p> <p>Building trust with communities, customers and consumers will be more important in the future. This will require the general community having a greater connectedness with the industry and product, backed by credible evidence.</p> <p>Consumers can be overwhelmed and confused regarding dairy products' attributes compared to those of their substitutes.</p> <p>Consumers are increasingly shifting to more natural foods, and brands that are perceived to be more supportive of farmers.</p>	<p>In collaboration with other dairying nations, DA will continue to research the human health benefits of dairy product and the subsequently provide information based marketing to consumers.</p> <p>DA's role is to maintain a dialogue with consumers, those that influence consumers (e.g. medical and dietary experts), the industry and the regulatory bodies. The LEGENDAIRY promotional branding has provided a generic platform for communication to all relevant parties.</p> <p>Marketing to focus on maintaining public respect for the sector, which includes generic health message about dairy consumption</p>
Animal welfare	<p>While there is a long held and fundamental public appreciation of the dairy sector, animal practices in dairy and agriculture more generally are coming under increasing public scrutiny.</p> <p>National standards relating to animal management (e.g. Animal Welfare Standards and Guidelines for Cattle) are changing</p> <p>Increasing public concern about animal practices (bobby calves, cow-calf separation, induction, disbudding, lameness, etc.) and concern that cow' lives are not natural</p> <p>Activist groups, especially animal welfare related, have an increasing "voice" in society.</p>	<p>Where regulations are not in place, the supply chain (processors and retailers) are applying commercial pressure to producers to adopt ethically acceptable animal management practices.</p> <p>These pressures are likely to increase over the coming decade and compliance with best practice may become a prerequisite for international trade.</p> <p>This has consequences for on-farm practices and costs: Bobby calf management, de-budding, and the phase out of induction will continue to require co-ordinated centralised effort over coming years.</p>	<p>DA has a role in participating in the development of national standards for animal management and assisting farms to implement complying practices.</p> <p>Regional extension activity is required to provide farmers with information and training they need to implement best practices.</p> <p>DA has developed a large number of quality resources relating to animal health, welfare and fertility issues over recent years, and it is important that key stakeholders in dairy regions are aware of these resources and know how to readily access them.</p>
Farming systems & technology	<p>Average farm scale is increasing and large herds and corporate farm ownership will increasingly become a significant component of the industry. Feed-lot / intensive farms may become more common, especially if vertically</p>	<p>The dairy sector must also be seen to be a responsible employer. Sourcing labour under visa arrangements, part-time working conditions, and on-farm OH&S requirements are all relevant issues impacting farm costs and social license</p>	<p>The intensiveness of farming has potential negative perceptions in the public eye and DA will need to monitor and understand this space.</p>

	External Operating Context	Industry Impact	Planning Implications
	integrated supply arrangements (farms-processor-distributor) are established.	where DA will have a role in supporting central representation.	
GM Pasture	DA sponsored R&D has demonstrated the potential for gene-modified (GM) grasses to improve farm pasture productivity.	Supply chain resistance (retailers, export customers and hence processors) fearful of consumer reaction that has impeded commercialisation.	Facilitate the commercialisation process for developed grass strains that have high potential for Australian dairy
Labour / Farm Safety	Labour and environmental practices are increasingly subject to external scrutiny 2016 saw six dairy farm related deaths – three times the industry’s average of 2 per year. Worksafe indicates that Agriculture continues to be a high priority area.	On farm deaths and injuries can have significant physical, emotional, mental, financial and legal costs. The industry’s culture and practice regarding safety must improve.	Farm safety programs are a key focus in 2017/18
Health Benefits and Star rating	Foods can voluntarily put star rating to convey its health benefits. The rating is currently under review as the algorithm is not up to date with evidence and may not be consistent with “actual” health benefits. E.g. Potato chips (vegetables and vegetable oils) scores better than dairy (saturated fat). Outcome of review expected in 2019. There is ongoing debate as to whether or not (or the extent in which) the saturated fat in dairy (e.g. butter) is bad.	Star rating is currently unfavourable to dairy. Even though it’s not compulsory, consumer tracking suggests, more consumers are becoming aware of the star rating. Home brand, Coles and Woolworths have ratings on their packaging. No change in direction from Government expected until the review is completed.	Continuing policy support activities

A.5 Link to DA Projects

The environmental scan indicated the following areas of concern which are wholly or partially addressed by the listed project:

Area / Issue	Concern / Need	DA Projects*
Farming Systems & Herd Improvement		
Automation / New tech / Access to innovation	<ul style="list-style-type: none"> Better understand the benefits of robot diaries Search for break-through technology for farm productivity Explore opportunities for partnerships with tech providers 	P110
Feedbase	<ul style="list-style-type: none"> Support implementation of higher yield GM and hybrid ryegrass – overcome regulatory and supply chain barriers to implementation 	P217, P218
Soil Improvement	<ul style="list-style-type: none"> Optimise the use of fertilisers and chemicals 	P128
Feeding systems	<ul style="list-style-type: none"> Provide information that helps the farmer select the most cost effective feeding practice for that farm 	P254
Herd improvement	<ul style="list-style-type: none"> Review international data management of industry good data models Communicate the “business case” for uptake of herd improvement technology Develop value proposition for farmers and service providers to recognise value in sharing data 	P108, P109
Intensification	<ul style="list-style-type: none"> Emerging issue – negative public perception of farm as a factory Potential growth limited by Council approval – need to educate councils on dairy environmental standards 	P235, P259
Sustainable growth	<ul style="list-style-type: none"> Communicate the benefit of the dairy sector to local communities 	P225
Animal Health & Welfare		
Biosecurity	<ul style="list-style-type: none"> Impact of new BioSecurity legislation Reduction in Government spending on BioSecurity puts greater pressure on the industry Managing BJD in particular States 	P213

Area / Issue	Concern / Need	DA Projects*
	<ul style="list-style-type: none"> • Technical support for farmers – biosecurity farm plan 	
Bobby Calves	<ul style="list-style-type: none"> • Emerging issue: Public perception of farm & supply chain practices • Need for industry agreed code of practice • Education of farmer about the industry benefits of compliance • Education of the public about the need for certain practices / how farmers care for animals 	P233
Disbudding / Dehorning	<ul style="list-style-type: none"> • As above + need to establish an acceptable pain relief management standard practice 	P233
Induction / Tail Docking	<ul style="list-style-type: none"> • As above, with the need to agree an achievable end date for end of practice 	P213, P233
Cow / Calf separation	<ul style="list-style-type: none"> • As above, but a practice that is central to milk production – need to develop an appropriate message 	P233
Heat Stress	<ul style="list-style-type: none"> • As above, need to reinforce the need to provide shade 	P130
Large Herds	<ul style="list-style-type: none"> • Greater potential for animal health issues (e.g. lameness) within large herds – need for improved staff training 	P213
Live Export	<ul style="list-style-type: none"> • A continuing focus area for activist groups – need to demonstrate that conditions for animals are generally very good 	
Fertility	<ul style="list-style-type: none"> • Reverse negative trends in animal fertility 	P107, P109
Additives / Supplements	<ul style="list-style-type: none"> • Need to understand the real benefits associated with available supplements 	P254
AH&W Legislation	<ul style="list-style-type: none"> • Advocacy required to ensure balanced view • Each State is drafting legislation. Need for nationally consistent legislation 	P233
Markets, Trade & Value Chain		
Residues	<ul style="list-style-type: none"> • Residues in milk from use of antibiotics and other AgVet chemicals. Need for prudent usage and associated practices. 	P177, P261
Collective Bargaining	<ul style="list-style-type: none"> • Reduced benefit of collective bargaining to the farmer 	
Commodity Prices	<ul style="list-style-type: none"> • Continuing low commodity pricing impact on farmgate price • Processors need to move away from commodities and to “value-add” 	
Competition Policy / Retail	<ul style="list-style-type: none"> • Inclusion of an “Effects Test” into s46 of the Competition & Consumer Act – does an action reduce competition • Monitor progress of Voluntary Grocery Code of Conduct – make mandatory 	P259
Regulatory / Dietary Guidelines	<ul style="list-style-type: none"> • Counter policy and regulatory proposals that will have a negative impact on dairy product consumption, high value dairy ingredient use, and trade. • Submit/ respond to key health and nutrition policy and regulatory developments, providing evidence and insight that may not otherwise be considered 	P227, P243, P256
Public Perception	<ul style="list-style-type: none"> • Need to promote the current dietary recommendations • Dairy maintains its position as a nutritious core food, through increased acceptance of the latest scientific evidence (particularly around dairy fat and added sugar for the general population, and cow’s milk protein for infants and young children) supporting the promotion of dairy food consumption 	P220, P258, P226
Food labelling	<ul style="list-style-type: none"> • Country of Origin labelling – does it benefit Australian agriculture? 	P259
GM	<ul style="list-style-type: none"> • Manage processor resistance to GM implementation 	P218
Infrastructure	<ul style="list-style-type: none"> • Transport hotspots – road infrastructure investment required 	P235
Market Access / TBTs	<ul style="list-style-type: none"> • Ensure exporters take full advantage of implemented FTAs • Maintain participation of dairy in future FTA discussions • Understand potential new markets • Identify and resolve TBTs 	P219, 229, 230, 231,232
Tax	<ul style="list-style-type: none"> • Support NFF tax review 	P259

Area / Issue	Concern / Need	DA Projects*
Asia demand growth	<ul style="list-style-type: none"> How to best take advantage of this growing market? 	P219, 230
Natural Resources		
General	<ul style="list-style-type: none"> NRM code of practice / framework Capture relevant data on industry performance Communication regarding farm performance 	P128, P153
Biodiversity	<ul style="list-style-type: none"> Awareness of native vegetation legislation 	
Carbon / Energy	<ul style="list-style-type: none"> Carbon trading /ETS issues & benefits for dairy farms Whole of farm systems methodology for emissions management Alternate energy options / business case for investment 	P125, P126
Climate	<ul style="list-style-type: none"> Consolidated view on impact of climate change Innovative solutions for drought preparedness / management 	P130
Coal Seam Gas	<ul style="list-style-type: none"> Dairy's position? / State regulations (moratoriums) 	P259
Effluent management	<ul style="list-style-type: none"> Code of practice for effluent management 	P128
Nitrogen	<ul style="list-style-type: none"> Promotion of good tools and practices 	P128
Riparian Zones	<ul style="list-style-type: none"> Code of practice 	
Salinity	<ul style="list-style-type: none"> Development of salt tolerant feed 	P217
Urban Encroachment	<ul style="list-style-type: none"> Communication to avoid conflict 	
Water	<ul style="list-style-type: none"> MDBP reset – campaign for change to recover water rights (450GL / 650GL / SDL adjustment mechanism). Communication to educate relevant stakeholders Water planning for Gippsland – extend MDBP to whole of Victoria Water efficiency initiatives 	P132, P259
People & Human Capability		
Labour availability	<ul style="list-style-type: none"> Identify pools of potential labour and remove barriers to access Seasonal worker programs Upskilling workers from declining sectors Promote dairy as a career option 	P207
Mental health	<ul style="list-style-type: none"> Greater support in regional communities 	
OH&S	<ul style="list-style-type: none"> Education & compliance 	P207
Employment Regulations	<ul style="list-style-type: none"> 3 hour minimum Backpacker tax requirements / “Specified work” requirements for visa Recognition of skilled farm labour in employment codes / Access to skilled farm labour from overseas Double time on Sundays 	P235
Capability / Skills	<ul style="list-style-type: none"> Depth and availability of educational programs for farmers & workers Supply contract negotiation capability 	P154
	<ul style="list-style-type: none"> Farm business management capability 	P240, P241
Succession / Transition / Investment	<ul style="list-style-type: none"> Support for farmers seeking retirement / those intending to “step-up” Access to capital / Bank lending criteria on cows Investment guidelines – e.g. Transition from family-owned to corporate farms 	P242

*Projects that at least partially address this issue, excludes Extension projects which range across many issues

Attachment B: List of DA Programs

Focus Area		Program / Publication
Animal Health & Welfare	Fertility	InCalf book / webinar / workshop
		Heat detection resources
		Heifers on target
		Low stress calving
		Transition Cow Management
	Calf management	Rearing Healthy Calves
		Disbudding resources
		Caring for Bobby Calves
	Lameness	Health Hooves
		Lameness workshops
	Other	Animal Welfare Standards and Guidelines for Cattle
		Healthy Farms
		Euthanase Livestock course
		Downer cow farmer workshop
		Facial Eczema booklet / factsheet
		BJD assessment factsheet
	Milk quality / mastitis	Countdown 2020
Cups On Cups Off (COCO)		
Milk Quality Awards		
Animal Performance	Herd improvement	Good Bulls Guide
		ABVs & Genetic Improvement
		Breeding indices for target gains
		Tracking genetic progress
		Feeding the genes
Feedbase & Animal Nutrition	Forage management	Forage Value Index
		DairyBio – GM Ryegrass / Hybrid breeding / Endophytes
		Resources for Chicory, brassica, millet, sorghum, perennial legumes, winter cereals, tall fescue
	Grazing management	Feeding pastures for profit
		Ryegrass grazing manual
	Silage management	TopFodder - silage management
		Quality pasture silage booklet
		Silage and paddock management in wet weather
	Animal nutrition & feeding systems	Feed planning & budgeting
		Cow Nutrition manual
		Grains 2 Milk
		Feed quality resources
		Purchasing grain resources
		Feed 2 Milk
Feed additives resources		
Flexible feeding systems		
Pasture productivity	Perennial ryegrass management	
Farm Systems		Precision Dairy
		Precision farming / AMS
Land, water, carbon	Soils	Soil fertility resources
		Soil carbon sequestration
Land, Water, Carbon, cont.		Importance of drainage
	Fertiliser & nutrient loss	Fert\$mart - efficient fertilizer management
		Nitrogen management
		Off-farm movements of nutrients
	Water	Efficient water use
		Precision tools for water delivery
		Energy efficient irrigation
	Effluent	Effluent & manure management

Focus Area		Program / Publication	
		Application rates	
		Regional guidelines / codes of practice	
	Composting	Composting resources	
		Minimising greenhouse gas	
	Biodiversity & waterways	Understanding biodiversity	
		Actions to improve biodiverse plantings	
	Climate change	Dairy Climate Toolkit	
		Climate change in Australian dairy regions	
		Reducing greenhouse gasses	
		Dairy Greenhouse Gas Abatement Strategy (DGAS)	
		Preparing for Extremes	
		Cool Cows - Managing heat stress	
		Understanding emissions factsheets	
	Energy	Understanding energy use on farm	
		Saving energy on dairy farms	
		Anaerobic digesters	
		Feasibility of renewable systems	
Sustainability / Environmental Reporting	Dairy Self-Assessment Tool (DairySAT)		
	Australian Sustainability Framework		
Farm Business Management		DairyBase	
		Standard Chart of Accounts	
		Dairy Farm Monitor	
		Dairy Farm Business Analysis factsheet	
		FBM training	
		Taking Stock	
		Tactics for Tight Times	
		Dairy Cash Manager Tool	
		Guide to Collective Bargaining	
		Dairy Farm Management Scholarship	
		Share farming tool	
Leasing tool			
Extension		Regional Development Programs (RDPs)	
		Discussion Groups - Dairy Farmer Discussion Group Resources Kit	
		Demonstration / Focus farms	
People Development	HRM support	Employment Starter Kit (ESKi)	
		Farm Safety Starter Kit	
		People in Dairy Website	
	Career pathways	Stepping Stones	
		Stepping Up	
		Stepping Back	
	Education & Careers		National Centre for Dairy Education (NCDE)
			Young Dairy Network
			Picasso Cows (Primary School)
			Discover Dairy (Primary School)
Cows Create Careers (Secondary)			
Webinars			
Planning	Dairy Industry People Development Council (DIPDC)		
Insights & Analysis	Market Information	Hay & Grain Report	
		Situation & Outlook	
		Production inputs monitor	
		In Focus	
		Caring for our cows	
Marketing & Communication		Legendairy Communication Platform	
		Legendairy Capital	
		Foods that do good	
		Australian Grand Dairy Awards	

Focus Area	Program / Publication	
Risk & Reputation Management	Industry reporting	Australian Dairy Industry Sustainability Framework
	Food safety	AMRA Survey
	Issues management	Risk Register & industry's Issues Management Framework (IMF).
	Nutrition	Fractures Trial
Trade Support	Scholarships	China Scholarship Program
		Japan Cheese Scholarship
		SE Asia Scholarship Program
	Promotion	Kangaroo Kai Seminar (Japan)
Trade Support	Trade Reference Group	
Manufacturing	RD&E	Dairy Innovation Australia Ltd (DIAL) – wound-up end 2016/17
		DA Technology Transfer Scheme
		Transform Dairy Fund
	Industry Support	Small Dairy Network (SDN)
	Sustainability	Dairy Manufacturer's Sustainability Council (DMSC)

Attachment C

Strategic program summaries



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Purpose

This attachment to the Dairy Australia 3 Year Plan (2016/17 to 2018/19), describes all Strategic Programs and associated projects:

- Need and objectives
- Observed industry indicators relevant to the program
- Approach / Strategy / Focus areas
- Budget expenditure
- Key milestones at program level for 2017/18
- Key performance indicators at program level for 2017/18

Structure

Programs are grouped under the relevant strategic priority (SP1, 2 & 3):

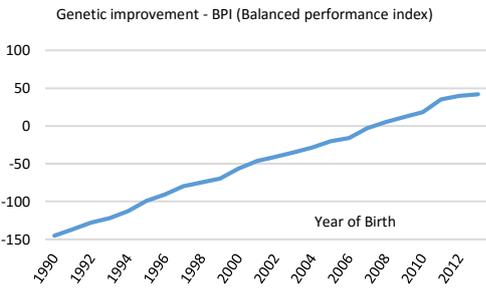
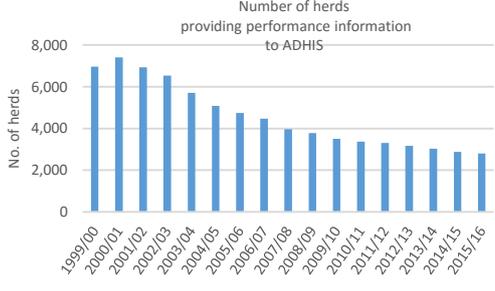
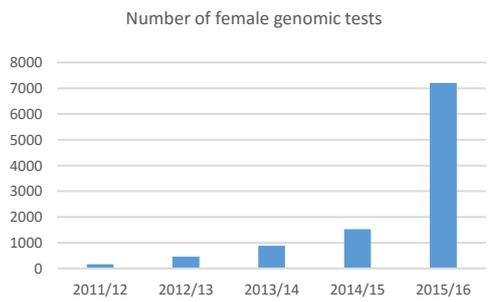
Strategic Priority	Strategic Program	Coordinator	
SP1 Profitable Dairy Farms			
	Pre-farmgate programs	Animal Health & Fertility	Kathryn Davis
		Farm Business Management	Neil Lane
		Farm Systems & Modelling	Chris Murphy
		Pastures & Forages	Chris Murphy
		Animal Nutrition & Feeding Systems	Chris Murphy
		Genetics & Herd Improvement	Matthew Shaffer
	Post farmgate programs	International Market Support	Peter Myers
		Manufacturing Innovation and Sustainability	Ian Olmstead
SP2 Capable People			
	Extension	Regional Extension Services	Ross Bawden
	People development	People & Capability	Shane Hellwege
SP3 Trusted Dairy Industry			
	Marketing & Communications	Industry Marketing & Promotion	Glenys Zucco
	Issues management & policy support	Industry Risk & Reputation Management	Charles McElhone
	Central data	Knowledge & Insights	Norman Repacholi

Project Expenditure Summary (\$)

Strategic Program	Project Number	Project name	BCR	IA	2015/16	2016/17	2017/18	2018/19	2019/20
SP1: Profitable Dairy Farms - On-farm									
Animal Health & Fertility	P106	Managing Milk Quality	3.29	6.2	542,194	571,418	335,000	393,000	265,000
	P107	Improving Reproductive Performance	3.95	6.3	748,593	470,002	450,000	420,000	420,000
	P213	Animal Health & Welfare - On-farm Change Management	4.53	7.4	655,256	467,687	419,500	409,500	409,500
			3.66	6.6	1,946,043	1,509,107	1,204,500	1,222,500	1,094,500
Genetics & Herd Improvement	P108	Dairy Bioscience - Animal Improvement	23.71	8.8	1,041,662	1,115,708	1,440,000	1,480,000	1,400,000
	P109	Herd Improvement	5.28	6.5	2,453,209	3,611,099	2,977,004	2,531,000	2,100,000
			14.02	7.7	3,494,871	4,726,807	4,417,004	4,011,000	3,500,000
Pastures & Forages	P218	GM Path to Market	5.32	8.8	58,959	99,077	29,000	-	-
	P252	Supporting Practice Change	5.32	6.8	-	682,113	1,438,531	1,400,000	1,450,000
	P255	Forage Improvement	5.32	7.4	-	1,558,422	1,558,267	1,776,135	1,548,615
	P217	Dairy Bioscience - Forages	5.32	8.8	1,295,604	2,272,252	2,425,000	2,465,000	2,365,000
			5.32	8.0	5,631,254	4,611,864	5,450,798	5,641,135	5,363,615
Animal Nutrition & Feeding Systems	P253	Integrated Feedbase R,D&E	11.67	8.8	-	1,337,873			
	P254	Animal Nutrition & Feed Systems	5.32	7.1	-	1,020,000	2,385,000	2,375,000	2,250,000
			5.32	7.8	-	2,357,873	2,385,000	2,375,000	2,250,000
Farm Business Management	P240	Farm Business Information	2.90	5.9	544,896	576,940	460,000	400,000	400,000
	P241	Farm Business Management Capability	2.83	5.2	469,759	327,941	400,000	400,000	400,000
			2.86	5.5	1,014,655	904,881	860,000	800,000	800,000
Advanced Management Technologies	P110	Advanced Management Technologies	1.59	4.1	782,778	877,504	458,854	446,606	426,232
			1.59	4.1	782,778	877,504	458,854	446,606	426,232
Land, Water, Carbon	P128	On Farm Soils & Nutrient Management	3.04	5.9	365,327	765,440	686,109	610,000	650,000
	P130	Climate Change Support	5.45	7.4	368,529	613,236	790,000	840,000	850,000
	P132	Improving Water Use Efficiency	2.05	5.4	506,250	690,233	496,679	500,000	500,000
			2.19	6.2	1,965,895	2,079,970	1,972,788	1,950,000	2,000,000
SP1: Profitable Dairy Farms - On-farm					14,835,496	17,068,007	16,748,944	16,446,241	15,434,347
SP1: Profitable Dairy Farms - Post farmgate programs									
International Market Support	P219	China	3.23	6.0	357,107	460,027	355,100	355,100	355,100
	P229	Japan	5.44	7.2	301,919	247,710	274,200	274,200	274,200
	P230	SE Asia	3.99	6.4	219,823	193,482	191,500	191,500	191,500
	P231	Middle East	3.28	6.0	206,749	44,248	45,000	45,000	45,000
	P232	Other Markets	2.99	5.6	480,606	332,687	475,550	448,600	448,600
			3.59	6.2	1,566,204	1,278,153	1,341,350	1,314,400	1,314,400
Manufacturing Innovation & Sustainability	P249	Supporting Manufacturing Innovation and Sustainability	3.00	4.9	1,293,321	335,192	415,000	455,000	455,000
SP1: Profitable Dairy Farms - Post farmgate programs					2,859,525	1,613,346	1,756,350	1,769,400	1,769,400
SP2: Capable People									
Regional Extension Services	P103	Regional Development Programs		7.7	3,645,756	5,486,453	5,131,500	5,131,500	5,131,500
	P257	Tactics for Tight Times		7.2	-	121,419	300,000	-	-
	P200	Large Supplier Engagement		6.8	79,434	80,676	100,000	100,000	100,000
	P251	Extension Operations and Delivery		7.7	-	563,624	500,000	500,000	500,000
			5.09	7.4	6,882,241	6,252,171	6,031,500	5,731,500	5,731,500

Strategic Program	Project Number	Project name	BCR	IA	2015/16	2016/17	2017/18	2018/19	2019/20	
People & Capability	P207	Attracting & Retaining People	2.04	5.1	933,410	813,654	1,309,860	1,309,860	1,309,860	
	P242	Transitioning People in Dairy Farm Businesses	2.04	5.1	582,045	440,682	-	-	-	
	P203	Workforce Strategy, Planning & Action	2.04	6.1	560,434	399,122	120,000	120,000	120,000	
	P154	Industry Education	2.10	5.7	1,307,715	827,699	950,000	950,000	950,000	
	P260	Farm Safety				-	350,055	366,520	390,920	
				2.04	5.5	3,383,604	2,481,158	2,729,915	2,746,380	2,770,780
SP2: Capable People					10,265,845	8,733,329	8,761,415	8,477,880	8,502,280	
SP3: Trusted Dairy Industry										
Industry & Community Marketing	P220	Marketing and Communications to Mums and Kids	0.00	3.4	3,270,707	1,473,911	-	-	-	
	P258	Marketing and Communications to Women (18-50+)		2.7	-	403,001	-	-	-	
	P221	Marketing to Young Singles and Couples	0.00	3.4	547,570	-	-	-	-	
	P222	Marketing and Communication to Adults 50+	0.00	3.4	300,000	-	-	-	-	
	P228	Industry Marketing Support	0.00	3.4	353,801	-	-	-	-	
	P263	Consumer Marketing & Communications				-	1,760,000	1,780,000	1,710,000	
	P247	Legendairy Platform Management	0.00	4.2	665,003	218,591	335,000	50,000	50,000	
	P262	Primary Schools Engagement				-	533,500	400,000	400,000	
	P223	Food Marketing and Communications	0.00	4.2	514,292	397,583	247,000	247,000	247,000	
	P225	Farmer and Farming Communities Industry Marketing and Communications	0.00	3.9	438,933	500,955	495,000	495,000	495,000	
	P226	Human Health and Wellness Partnerships & Engagement	1.60	3.4	449,442	225,608	250,000	250,000	250,000	
	P256	Health Professionals	0.00	4.0	-	440,144	370,000	320,000	320,000	
			0.10	3.6	6,539,748	3,659,793	3,990,500	3,542,000	3,472,000	
Industry Risk & Reputation Management	P153	Dairy Industry's Sustainability Framework / Strategy	3.66	7.0	479,175	394,556	400,000	300,000	300,000	
	P172	Industry Issues Management		7.4	199,909	56,290	-	-	-	
	P177	Managing Supply Chain, Food Safety and Integrity Issues	2.04	5.1	747,375	716,777	250,000	250,000	250,000	
	P227	Human Nutrition Research & Science	15.83	7.9	363,778	430,374	495,340	349,900	200,000	
	P233	Policy Support for Improving Animal Health & Welfare	2.03	5.7	379,229	358,166	184,000	264,000	264,000	
	P259	Technical Policy Support		5.1	-	148,282	230,000	220,000	210,000	
	P235	Policy Support for Improving the Profitability & Competiveness of the Dairy Industry	2.40	5.4	107,822					
	P243	Societal Shapers	1.93	4.2	65,429	26,974	55,000	55,000	55,000	
	P261	Access to Agvet Chemicals				15,000	60,000	50,000	-	
			5.46	8.2	2,421,975	2,146,418	1,674,340	1,488,900	1,279,000	
Knowledge & Insights	P237	Market Information and Insights	2.73	4.9	1,295,402	879,850	726,667	734,167	741,892	
SP3: Trusted Dairy Industry					10,257,125	6,686,061	6,391,507	5,765,067	5,492,892	
Total					5.47	38,217,991	34,100,743	33,658,216	32,458,588	31,198,919

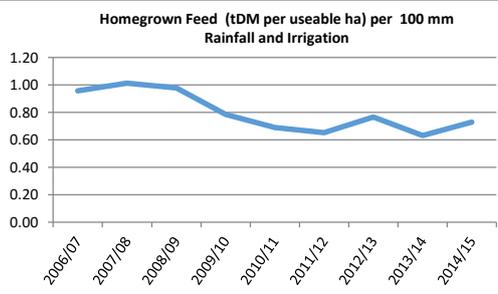
SP1 – Profitable Dairy Farms – Pre-farm-gate programs

Genetic Herd Improvement			
Overview			
Market Need / Context	<ul style="list-style-type: none"> The Australian dairy industry has an opportunity to realize substantial increases in dairy farm profitability by taking full advantage of the benefits of herd improvement. The potential benefits of addressing issues of market failure in herd improvement could be worth approximately \$25 million in gross farm margin per annum due to genetic gain, a figure which may well rise with continuing innovation in genomic technologies. The Herd Improvement Industry Strategic Steering Group (HISSG) was convened by Dairy Australia in January 2014 in recognition that a whole of industry strategy was required to address the issues in the industry that had been impairing progress for the past decade or more. The Herd Improvement Strategy was completed in August 2014 and implementation commenced at that time. The target audience is farmers, farm advisors, herd improvement industry service providers, milk processors and financial organisations. 		
			
Industry Indicators	<div style="display: flex; justify-content: space-around;"> <div style="width: 45%;"> <p>Genetic improvement - BPI (Balanced performance index)</p>  </div> <div style="width: 45%;"> <p>Number of herds providing performance information to ADHIS</p>  </div> </div>		
	<div style="display: flex; justify-content: space-around;"> <div style="width: 45%;"> <p>Annual improvement in profit of the national herd</p>  </div> <div style="width: 45%;"> <p>Number of female genomic tests</p>  </div> </div> <p style="text-align: center;">Source: ADHIS</p>		
Overall Objective/s	<ul style="list-style-type: none"> To use animal bioscience to increase farm productivity and profitability. To improve the profitability of farms through herd improvement by increasing the rate of genetic gain and improving herd management decisions on farm. 		
General Approach / Strategy	<ul style="list-style-type: none"> Research investment is focused on: continued improvement in the reliability and accuracy of genomic breeding values and much reduced test costs; enhancement of breeding values through incorporation of traits which are of particular importance to Australian producers; and application of genomic approaches to cow herd management. Areas of investment reflect Dairy Moving Forward priorities and incorporate cross-sector and international collaboration where viable. Development and implementation investment is focused on continuing to improve the ability of farmers to select for important traits, such as fertility, and develop new traits such as heat tolerance, lameness and health. Work will also focus on creating new tools for farmers to use to make better decisions on farm, whether through genomic testing or improved use of data. The development of a central data repository will enable innovation by service providers and industry through allowing access to data from many sources, also known as single-entry, multi-use data for farmers. Extension activities to facilitate practice change will focus on meeting stakeholder requests for technical information and demonstrating the profit impact of herd improvement. Where feasible herd improvement resources and modules will be integrated into other programs, particularly animal health. 		
Collaboration & Dependencies	<ul style="list-style-type: none"> Research investment in herd improvement will continue to benefit from significant collaboration internationally, such as with Teagaesc, Scotch Rural College and others, as well as industry collaboration for common goals. This includes collaboration with organisations such as the National Herd Improvement Association and its member breed societies, bull companies, herd test centres and semen resellers. This collaboration is vital to deliver the intended benefits of herd improvement. Similarly, development and extension of herd improvement tools and messages are reliant on collaboration with industry service providers as well as with other industry bodies, such as the Regional Development Projects and the animal health program, for delivery. 		
Program Detail			
Project No. / Title	Project Level Objectives	Focus	2017/18 Changes
P108 Dairy bioscience for forage and animal improvement	Deliver animal improvement innovations that will improve the genetic merit of dairy cattle by \$350 per cow per lactation in 2032, which is the cumulative	<ul style="list-style-type: none"> Improve reliability of traits measured using genomic methods/selection Development of new herd management tools that use genomic information; building products and services that meet farmers' needs for rapid analysis and reduced costs 	<ul style="list-style-type: none"> No change

Genetic Herd Improvement							
	value delivered by both the Dairy Futures CRC and DairyBio	<ul style="list-style-type: none"> Enhancement of breeding values through incorporation of traits which are of particular importance to Australian producers (e.g. mastitis, lameness, overall health) could read: Development of new breeding values for traits which are of particular importance to Australian producers (e.g. mastitis, lameness, overall health) Improve bioscience R&D through activities in development, implementation and maintenance. 					
P109 Herd Improvement Strategy 2020	Dairy farmers maximise their profit through a vibrant herd improvement industry offering effective and highly valued services.	<ul style="list-style-type: none"> Provide genetic evaluation and support genetic improvement extension. Rewrite and upgrade the system which calculates breeding values. Implement an extension, engagement and marketing plan; redesign herd test and genetics reports. Create a Central Data Repository. Redesign of genetic improvement governance structures through the creation of a new entity. Work program including demonstration herds, desk top analysis and other activities. Implement improved herd test functions; improve breed society efficiency; small projects to improve service delivery. Develop project for ongoing collection of phenotypic data Develop industry training program for herd improvement personnel; training and support in conjunction with NCDE. 	No change	No change	No change	Completed. Continue development of DataGene. Moving into extension and communication phase of Improving Herds	Continued collection of phenotypic data
Evaluation & Budget							
Project	Evaluation		Expenditure Planning				
	Planned BCR	Investment Attractive-ness	2015/ 16 Actual	2016/17 Forecast	2017/18 Plan	2018/19 Plan	2019/20 Plan
P108 Dairy bioscience – forage & animal improvement	23.71	8.8	1,041,662	1,115,708	1,440,000	1,480,000	1,400,000
P109 Herd Improvement	5.28	6.5	2,453,209	3,611,099	2,977,004	2,531,000	2,100,000
	14.02	7.7	3,494,871	4,726,807	4,417,004	4,011,000	3,500,000
Notes							
Key Milestones							
Project	Milestone Description					Planned Completion	Status
P108	Improve reliability of traits measured using genomic methods/selection.					June 2021	Start July 2016
	Development of new herd management tools that use genomic information; building products and services that meet farmers' needs for rapid analysis and reduced costs.					June 2021	Start July 2016
	Enhancement of breeding values through incorporation of traits which are of particular importance to Australian producers (e.g. mastitis, lameness, overall health)					June 2021	Start July 2016
	Improve bioscience R&D through activities in development, implementation and maintenance.					June 2021	Start July 2016
P109	Provide genetic evaluation and support genetic improvement extension.					June 2019	Commenced
	Rewrite and upgrade the system which calculates breeding values. Parallel run					Aug 2017	Commenced
	Implement an extension, engagement and marketing plan; redesign herd test and genetics reports.					June 2019	Commenced
	Create a Central Data Repository					Aug 2017	Start July 2016
	Redesign of genetic improvement governance structures. Completed. DataGene established.					Dec 2016	Commenced
	Implement improved herd test functions; improve breed society efficiency; small projects to improve service delivery.					June 2019	Commenced
	Develop project for ongoing collection of phenotypic data, Ginfo Plus					June 2019	Start July 2016
	Develop industry training program for herd improvement personnel; training / support in conjunction with NCDE.					June 2019	Start July 2017
	Work program including demonstration herds, desk top analysis and other activities.					June 2019	Commenced
Key Performance Indicators (KPIs)							
Target Outcome	Measure	Source of data	2015/16 Outcome	2016/17 Outcome	2017/18 Target		
Increase the rate of genetic gain	The % of farmers using Australian profit metrics	DA research	75%	80%	83		
	The \$ increase in the main index per year	DataGene	\$8.55	\$8.87	\$10		
Farmers use herd analyses to manage their herds	The % of farmers who participate in herd test or use in-line meters	DA research*	56%	71%^	70%		
Farmers have easy access to data across multiple systems	The % of farmers who have access to single-entry, multi-use data	DA research	0%	50%	50%		
Accurately measure genetic merit	The number of herds contributing information to genetic evaluation	DA research. Actual farms	3,100 herds	2,764 herds	3,100		
Use genetic gain as a major productivity driver	The number of females receiving genomic tests	DA research	2,000	7,000	10,000		

*Dairy Australia Herd Genetics and Animal Husbandry Survey Oct 2016.

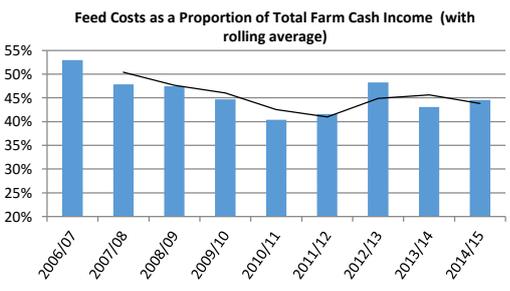
^Believe survey data over-inflated

Pastures & Forages	
Overview	
Market Need / Context	<p>A cost effective, flexible and adaptive pasture and forage feedbase is fundamental to enhancing Australia’s competitive advantage in dairy production.</p> <p>Perennial pastures are the most desirable feedbase in the less variable climatic zones as they require less disruption through land cultivation and re-establishment of new pastures. Implicit in this disruption is the cost of establishment, the risk of failure of new pastures/forages and environmental costs associated with more frequent pasture renovation.</p> <p>There are regional variations in how to create an effective perennial forage base, from a traditional focus on perennial ryegrass, to regions with diverse perennial forages (e.g. mixtures of grasses, clover, lucerne and perennial forbs) through regions with a perennial forage base that is effectively cropped and conserved/fed out to cattle.</p> <p>The south-east dairy industry has traditionally relied on a perennial ryegrass-based diet, but there is a growing recognition that a deliberate decision on each perennial pasture type is required that takes into account the land features (e.g. soil type and fertility, aspect and topography), climate variability, water availability and cost, and risks to perenniality (such as high insect pest populations). The Murray Dairy region now has a diverse forage base that includes a range of grasses such as tall fescue, kikuyu, cocksfoot, phalaris and perennial ryegrass as well as areas growing lucerne and forbs. The Subtropical region has always had significant diversity in its forage base due to its large geographic spread, and there is an ongoing challenge to improve the quality of forages through management and breeding.</p> <p>One aspect that all regions have in common is the management of complementary forage species, particularly short-lived species. There are significant challenges in both growing and utilising a mixed forage base as well as incorporating this diversity into an effective cattle diet.</p> <p>New varieties are based on large and long term ongoing investments in genetic improvement. However, sales of cultivars is not proportionate to yield potential, and there is often a long lag period between the release of a new cultivar and market confidence (as observed through a delayed timeframe to peak sales). Genetic improvement is set to accelerate, particularly for ryegrasses and tall fescue. The core value of this theme, based on making better purchase decisions, is to help farmers’ make confident decisions about selecting a perennial species and cultivar (with an expected life of at least 5 years) and providing feedback for breeding programs.</p> <p>Pasture typically provides over half of a cows’ diet, but pasture intake at individual animal level is not known in a commercial farm environment. This affects both the ability to consistently offer the same allowance each day and manage supplement amount and type. It is expected that there will be accurate sensors to measure pasture nutrient availability produced commercially within a five year period.</p> <p>In addition, there are no current tools (other than historic data) for forward predicting pasture growth over a 4 to 6 week period. Thus there are no lead indicators for making decisions related to farm management or the purchase and use of supplementary feeds. Early investment in Tasmania suggests that prediction of pasture availability is possible.</p> <p>There are two genetic improvement work programs; DairyBio and Pastoral Genomics. DairyBio is a based on a joint investment between Agriculture Victoria and Dairy Australia and targets innovations in hybrid breeding, phenomics, genomic selection, genome editing, and endophytes. Perennial ryegrass is the primary target species, with further work in short term ryegrass and tall fescue. Pastoral Genomics is a significant NZ investment in genetic improvement, and includes innovations in genomic selection. White clover is a distinct part of the Pastoral Genomics investment that has no equivalent investment in Australia.</p>
Industry Indicators	<div style="display: flex; align-items: center;">  <div style="margin-left: 20px;"> <p style="text-align: center;">Homegrown Feed (tDM per useable ha) per 100 mm Rainfall and Irrigation</p>  <p style="text-align: center;">Source: DairyBase</p> </div> </div>
Overall Objective/s	To improve the profitability and resilience of Australian dairy farms through more efficient production and management of pastures and forages.
General Approach / Strategy	<p>Investment is focused on five main areas, all within a whole-farm systems context to drive profitability and resilience of the farm business. The Dairy Moving Forward (DMF) Feedbase and Animal Nutrition strategy focuses a comprehensive work program around five key themes:</p> <ul style="list-style-type: none"> • Getting the most out of perennial pastures (grazed and conserved) • Merit-based purchases • Improved performance through measurement and enhanced prediction of growth rates • Feedbase and Animal Nutrition extension • Genetic Improvement
Collaboration & Dependencies	<ul style="list-style-type: none"> • The Forage Value Index (FVI) relies on a collaboration with Meat and Livestock Australia (MLA) in the Pasture Trial Network (PTN). The PTN will become the primary body conducting cultivar trials across Australia. Collaboration with Dairy NZ is also important in delivery and ongoing development of the FVI. • Collaboration with the Land Water Carbon program to develop extension components around nutrient and irrigation best practice that will be part of a larger pasture/forage management program, • Where possible we will use DairyBase in the review of feedbase activities and also for collection of Pasture Consumption data from farms. • Overall the program relies heavily on research agencies for conduct of key research programs. The key agencies contracted to complete current work are: DEDJTR, TIA, and DAF Q. Though collaborations the University of Melbourne and University of Sydney are also involved in specific projects.

Pastures & Forages							
Program Detail							
Project No. / Title	Project Level Objectives	Focus			2017/18 Changes		
P217 Pasture & Forage Improvement	To provide genetic innovations in forages and improved selection processes that underpin future productivity gains	<ul style="list-style-type: none"> Projects commenced to deliver new hybrid breeding systems where >80% of plants in new perennial ryegrass varieties are high-performance hybrids. Projects commenced to increased pasture persistence (three year extension of productive life) and performance through the improved use of endophyte technology 					
P252 Improved Pasture & Forage Management	Sustained practice change and best practice management of pasture and forages leading to more profitable and resilient dairy farms	<ul style="list-style-type: none"> Deliver a coordinated series of education programs and tools to support Feedbase & Animal Nutrition education and extension across Australia to develop farmer and adviser capability Define and study new perennial traits that confer greater persistence and medium term performance of cultivars Demonstrate management impacts on persistence and loss including summer survival management (e.g. over-grazing) and under-grazing damage in spring. Identify grazing management and agronomy changes that may be required with improved varieties Comprehensive management guide for using individual pasture intake data to manage HGF decisions such as pasture allocation Pasture growth measured in a manner relevant for all regions (and land types) to allow for immediate benchmarking of performance Pasture growth forecasts established for all regions (and land types) to allow forward planning of forage management Develop new tools for pasture allocation to develop management strategies that best match forage availability and animal requirements. 			<ul style="list-style-type: none"> Implementation of National Feedbase education & extension program Delivery of refreshed of current feedbase management programs – Feeding Pastures for Profit and Top Fodder Development of on line resources to support self-directed learning in base skill areas Roll out of the Participatory Action research model with TIA's new project – focus on improving home grown feed utilisation Strategies for lowering feed costs in sub-tropical farming systems 		
P255 Pasture & Forage Evaluation	Support farmers to make confident decisions about selecting a perennial species and providing feedback for breeding programs	<ul style="list-style-type: none"> Strengthen the FVI initiative through additional trial sites and breadth of perennial ryegrass cultivars tested. Expand the range of species tested in the FVI initiative to include all major species. Set out a trait-expansion strategy based on the economic impact of new traits. Focus on the points of key differentiation of performance of perennial species and design innovative tests to differentiate performance. 			<ul style="list-style-type: none"> Lead a prioritisation approach for pasture species – prioritise both selection of species and key traits for each species. Set an appropriate frequency to repeat this prioritisation exercise. 		
Evaluation & Budget							
Project	Evaluation		Expenditure Planning				
	Planned BCR	Investment Attractiveness	2015/ 16 Actual	2016/17 Forecast	2017/18 Plan	2018/19 Plan	2019/20 Plan
P218 GM Path to Market	5.32	8.8	58,959	99,077	29,000	-	-
P252 Supporting Practice Change	5.32	6.8	-	682,113	1,438,531	1,400,000	1,450,000
P255 Forage Improvement	5.32	7.4	-	1,558,422	1,558,267	1,776,135	1,548,615
P217 Dairy Bioscience - Forages	5.32	8.8	1,295,604	2,272,252	2,425,000	2,465,000	2,365,000
	5.32	8.0	5,631,254	4,611,864	5,450,798	5,641,135	5,363,615
Notes							
Key Milestones							
Milestone Description						Planned Completion	Status
Deliver 1 st generation F1 hybrid parental pools to seed company partner						Dec 2018	
Generate 2 nd generation F1 hybrid parental pools to seed company partner						Jun 2020	
Deliver (up to 3) novel elite endophytes to seed company partner						Jun 2020	
Prioritisation of both selection of species and key traits for each species for FVI improvement						Jun 2018	
Pastures on PAR delivers an increase in portion of Tasmanian dairy farms achieving 1t/ha/100mm of HGF consumption						Sept 2018	
Feedbase extension and education program rolled out to all regions						July 2018	
New genetic innovations in forages handed over from DairyBio to commercial partners						Jun 2021	
Key Performance Indicators (KPIs)							
Target Outcome	Measure			Source of data	2017/18 Target		
Increase the consumption of home grown feed	3 year rolling average of consumption of dry matter (DM) per hectare per 100mm of rainfall or irrigation			Dairy Farm Monitor	Increase on 2016/17		
Improved profitability through better feedbase and animal nutrition management	Increased proportion of farms with total feed costs less than 40% of total farm income(measured by 5 year rolling average)			Dairy Farm Monitor	Increased proportion		

Animal Nutrition & Feeding Systems

Overview

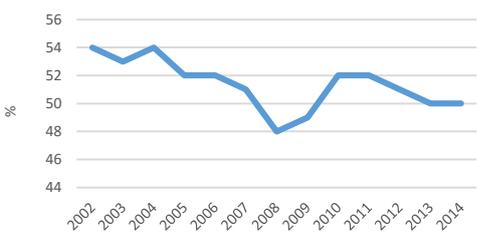
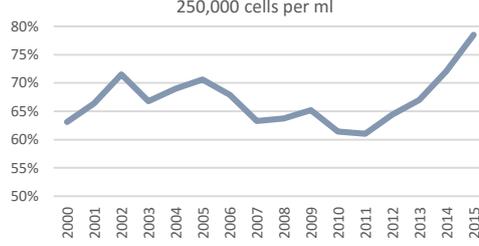
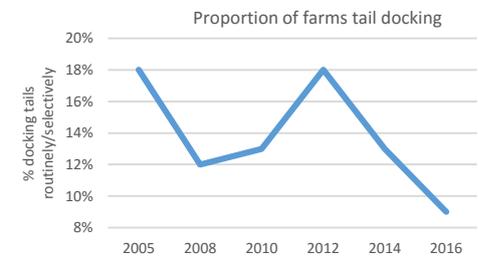
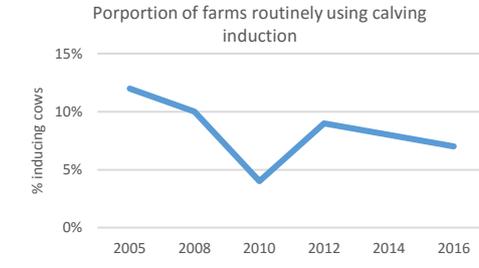
Market Need / Context	<p>Theme 1: More effective nutrition and improved intake in the first 100 days of lactation</p> <p>The early phase of lactation sets the trajectory for the entire lactation of each cow. Recent research, international breakthroughs and planned studies will be aggregated into management practices that improves farm operating margins by \$1 per cow per day (IOFC). Management practices will avoid the current situation where restrictions in intake during the early phase of lactation penalise the herd for the remainder of the lactation through reductions in intake, production and in-calf rates. Improved nutrition in the first 100 days of lactation has the potential to increase intake and milk production by 10% over the lactation (600L/year). If 10% of industry adopts this new technology, it will deliver \$36M/annum.</p> <p>This work builds on current industry knowledge about pre-calving transition cow management, managing cows to calve at an appropriate body condition score and best-practice grazing and pasture management. Over time, the work will also incorporate the latest in pasture species and varieties (e.g. from DairyBio) as the basis for all future studies. These are regarded as pre-requisites for any management advice provided in this theme.</p> <p>All of the planned work will have a spring focus as this is the most complex season to manage the early phase of lactation and is also the major season for calving. However, this work will be extended to provide advice related to cattle calving in autumn and winter.</p> <p>Theme 2: Feeding strategies during periods of hot weather</p> <p>This theme provides new advice on ration formulation that would be used during hot months/seasons, and sets out to provide diets that enable cows to be more tolerant of heat events and decrease the impact of hot weather on feed intake, milk production, and cow fertility, health and welfare.</p> <p>Heat events each year in temperate Australia lead to significant negative impacts on intake and milk production. A 4-day heat event, for example has the potential to reduce milk production by 40%, or 8 L/cow per day. If milk loss is reduced by 2 L/cow per day and maintained for the remainder of the lactation (180 days), this is worth \$43,000 to each farm. Over the industry, if 10% of farms adopt the technology, this will deliver \$21 million per year.</p> <p>This work builds on current industry knowledge about cow management in hot weather, and expands the nutrition component of cow management with new and/or more specific advice. It is also important to note that DataGene is expected to launch a new breeding value for heat tolerance in 2018, which will allow farmers to select more heat tolerant cattle. It is important to retain the overall context of managing hot weather – which involves three-concurrent approaches: apply best management practices (as described in the Cool Cows project), apply improved nutrition strategies, and breed more heat-tolerant cattle.</p>																				
Industry Indicators	<div style="display: flex; justify-content: space-between;"> <div style="width: 60%;"> <p style="text-align: center;">Feed Costs as a Proportion of Total Farm Cash Income (with rolling average)</p>  <table border="1" style="margin-top: 10px; font-size: small;"> <caption>Feed Costs as a Proportion of Total Farm Cash Income (with rolling average)</caption> <thead> <tr> <th>Year</th> <th>Proportion (%)</th> </tr> </thead> <tbody> <tr><td>2006/07</td><td>52</td></tr> <tr><td>2007/08</td><td>48</td></tr> <tr><td>2008/09</td><td>46</td></tr> <tr><td>2009/10</td><td>44</td></tr> <tr><td>2010/11</td><td>40</td></tr> <tr><td>2011/12</td><td>41</td></tr> <tr><td>2012/13</td><td>48</td></tr> <tr><td>2013/14</td><td>43</td></tr> <tr><td>2014/15</td><td>44</td></tr> </tbody> </table> <p style="text-align: center; font-size: x-small;">Source: DairyBase</p> </div> <div style="width: 35%; text-align: center;">  </div> </div>	Year	Proportion (%)	2006/07	52	2007/08	48	2008/09	46	2009/10	44	2010/11	40	2011/12	41	2012/13	48	2013/14	43	2014/15	44
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Overall Objective/s	<p>To improve the profitability and resilience of Australia’s dairy farms and enhance the competitive advantage that is gained from a pasture-based diet and access to a wide range of complementary feeds that can be profitably utilised in the cows’ diet.</p>																				
General Approach / Strategy	<p>Investment is focused on two main research themes, all within a whole-farm systems context to drive profitability and resilience of the farm business:</p> <p>Improving intake in early lactation to improve farm productivity and operating margins - In five years’ time, activities from this theme will:</p> <ol style="list-style-type: none"> 1) Improve the efficacy of supplementary feeding by driving up total feed intake (pasture + supplements), through <ol style="list-style-type: none"> a) New knowledge gained from the past 6 years of supplementary feeding studies informed by cost benefit analysis; and b) Further investigations that lead to better understanding of the metabolic factors which influence intake at different phases of lactation, dynamics of site of digestion and supply of energy and protein; and c) Providing management approaches that are tailored to the type of feeding facilities and capabilities available (e.g. feed pads, auto drafting gates vs bail feeding) and the desired level of nutrition and production. 2) Deliver new insights and associated management strategies into how differing access to pasture and other feed sources creates groups of cows in the herd with different rate-limiting nutrients and suggest strategies to address these insights, through <ol style="list-style-type: none"> a) Evaluating the merit (production, economic, and environmental) of herd segmentation through differential nutrition management strategies. Segmentation could include factors based on the capacity to respond to changed nutrition, such as days in milk, milk yield, body condition score, parity, genetic merit, history of performance, new technology that allows for cattle to be managed differently, and the quality of the rumen microbiome. b) Evaluating the impact of the daily dynamics of cow movement and cow feeding (e.g. differences in time off feed, and access to different feed sources) and devising strategies to profitably minimise any negative effects. c) Evaluate strategies that involve the gradual adjustment of rations in response to forward prediction of feed availability (i.e., be more deliberate in planning for changes in rations rather than being responsive to immediate challenges). 																				

Animal Nutrition & Feeding Systems							
	3)	Investigate strategies for offsetting the lower fat composition of milk that can occur when feeding cattle to meet their requirements for early lactation and deliver decision support frameworks for managing low fat test.					
	4)	Investigate opportunities to use fat supplements for metabolic signalling or as high-value fuel sources.					
		Managing nutrition in hot summer periods to minimise losses from reduced feed intake and milk production - In five years' time, activities from this theme will:					
	1.	Provide advice on the major diet components of starch and fibre the possible use of supplementary fats, and how they can be managed to reduce the heat produced from rumen fermentation.					
	2.	Establish clearer guidelines regarding mineral requirements to offset the loss of minerals that is exacerbated by hot weather.					
	3.	Test feed additives and pasture additives that could reduce the heat produced from rumen fermentation.					
	4.	Understand the interaction between heat-affected pastures / forages and ration formulation that might reduce the impact of a heat tolerant diet.					
Collaboration & Dependencies		<ul style="list-style-type: none"> Overall the program relies heavily on research agencies for conduct of key research programs. The key agencies contracted to complete current work are Agriculture Victoria with collaborations with the University of Melbourne and University of Sydney involved in specific projects. Dairy Australia is developing collaborative agreements with appropriate R&D institutions in the US on future research projects. 					
Program Detail							
Project No. / Title	Project Level Objectives	Focus					2017/18 Changes
P254 Animal Nutrition & Feed Systems	Provide farmers with the know how to improve the integration and strategic use of supplements in farm systems	<ul style="list-style-type: none"> More effective nutrition and improved intake in the first 100 days of lactation Improve the efficacy of supplementary feeding by driving up total feed intake Deliver new insights and associated management strategies into how differing access to pasture and other feed sources creates groups of cows in the herd with different rate-limiting nutrients Evaluate strategies that involve the gradual adjustment of rations in response to forward prediction of feed availability Investigate strategies for offsetting the lower fat composition of milk Investigate opportunities to use fat-based additives for metabolic signalling or as high-value fuel sources Provide new advice on ration formulation that could be used during hot months/seasons, and define diets that enable cows to be more heat tolerant of heat events and profitably decrease the impact of hot weather on feed intake and milk production 					Planned investment in the draft Dairy21 strategy. Dairy21 provides the opportunity for Agriculture Victoria and Dairy Australia, through a strategic partnership to co-develop, co-design and co-deliver an innovative research and development program with high impact and value.
Evaluation & Budget							
Project	Evaluation		Expenditure Planning				
	Planned BCR	Investment Attractiveness	2015/ 16 Actual	2016/17 Forecast	2017/18 Plan	2018/19 Plan	2019/20 Plan
P253 Integrated Feedbase R,D&E	11.67	8.8	-	1,337,873			
P254 Animal Nutrition & Feed Systems	5.32	7.1	-	1,020,000	2,385,000	2,375,000	2,250,000
	5.32	7.8	-	2,357,873	2,385,000	2,375,000	2,250,000
Notes	Increase in 2017/18 and beyond reflects planned investment in the draft Dairy21 strategy. Dairy21 provides the opportunity for Agriculture Victoria and Dairy Australia, through a strategic partnership to co-develop, co-design and co-deliver an innovative research and development program with high impact and value.						
Key Milestones							
Milestone Description						Planned Completion	Status
Synthesise knowledge gained from the past 6 years of supplementary feeding studies informed by cost benefit analysis to improve the efficacy of supplementary feeding						Dec 2018	
Commence investigations that lead to better understanding of the dynamics of site of digestion and supply of energy and protein						Jun 2018	
Evaluate the merit (production and economic) of herd segmentation through differential nutrition management strategies						Jun 2019	
Define strategies for offsetting the lower fat composition of milk						Jun 2019	
Provide preliminary advice on the major diet components of starch and fibre and how they can be managed to reduce the heat produced from rumen fermentation						Jun 2019	
Deliver a coordinated series of education programs and tools to support Animal Nutrition education and extension						Jun 2018	
Key Performance Indicators (KPIs)							
Target Outcome	Measure			Source of data	2017/18 Target		
Improved profitability through better feedbase and animal nutrition management	Increased proportion of farms with total feed costs less than 40% of total farm income(measured by 5 year rolling average)			Dairy Farm Monitor	Increased proportion		
Farmers achieving improved nutritional management	Increased proportion of farms achieving 1 kg milk solids production per kg live weight			Dairy Farm Monitor	Increase on 2016/17		

Animal Health & Fertility

Overview

Market Need / Context	<ul style="list-style-type: none"> Reproductive performance of the Australian dairy herd is limiting farm profitability and business resilience. Meeting market requirements for raw milk quality requires continual improvement in on-farm practices. Animal husbandry practices are under growing scrutiny from consumers and customers. Target audiences include dairy farm owners, managers and workers, and service providers such as milk company field officers, dairy veterinarians, animal genetics and herd improvement organisation employees, livestock agents and transporters 	
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Industry Indicators	<p style="text-align: center;">Median 6-week in-calf rate</p> 	<p style="text-align: center;">Milk quality % of farms with an average BMCC* below 250,000 cells per ml</p> 
	<p style="text-align: center;">Proportion of farms tail docking</p> 	<p style="text-align: center;">Porportion of farms routinely using calving induction</p> 
Sources: NatSCAN report (ADHIS 2014); Australian Milk Quality Awards (2015); Animal Husbandry Survey (Dairy Australia 2014)		

Overall Objective/s	<ul style="list-style-type: none"> To improve national herd fertility and on-farm reproductive performance. To protect and improve industry profitability through improved milk quality. To promote best practices in on-farm animal husbandry and biosecurity.
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General Approach / Strategy	<ul style="list-style-type: none"> The industry's 10 year strategy to lift herd fertility developed by the DMF Reproduction Steering Group requires improvements across a raft of on-farm practices underpinned by better genetics for cow fertility. Adoption will be principally driven through the InCalf initiative and ADHIS activities working with a range of collaborators (below). Success in the milk quality area requires daily application of best practices on-farm. The Countdown initiative already offers an excellent range of training, tools and resources. Closer partnerships with the milk processors will increase the reach and uptake of these industry assets. Animal health and welfare priorities can be influenced by region, season, animal activism, regulatory and trade issues. A nimble and tailored approach to RDE&E is required to effectively address these issues across the industry.
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Collaboration & Dependencies	<ul style="list-style-type: none"> Fertility training and extension will involve other DA programs such as NCDE, ADHIS, Communications and the RDPs, NHIA, DA trained Repro Right advisers, private veterinarians and other animal breeding service providers. Milk quality extension will be principally delivered through the Countdown initiative working with the NCDE, milk processors, DA Communications and the RDPs, veterinarians and other service providers. Activities to improve dairy animal health and husbandry will be developed in consultation with the ADF Animal Health & Welfare Policy Advisory Group, with oversight from the DMF Animal Husbandry Steering Group. Delivery will occur via RDP extension, accredited training offered by the NCDE and indirectly through private and government veterinarians and other service providers.
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Program Detail

Project No. / Title	Project Level Objectives	Focus	2017/18 Changes
P106 Managing milk quality	To protect and improve industry profitability through improved milk quality	<ul style="list-style-type: none"> Maintenance of Countdown (Milk quality) delivery – MQ adviser training, dry off consultation, Cups On Cups Off farmer courses Milk microbial quality ('Better Hygiene Better Milk) initiative 	<ul style="list-style-type: none"> Lower Countdown budget due to reduction in development activities Dairy Hygiene Helper online tool will be launched to address microbial quality issues in raw milk
P107 Improving Reproductive Performance	To improve national herd fertility and on-farm reproductive performance.	<ul style="list-style-type: none"> InCalf (Fertility) – promotion of 2nd edition of InCalf Book Adviser training & support (Repro Right 5) Extension support for phase out of calving induction 	<ul style="list-style-type: none"> Ongoing support and engagement of Repro Right trained advisers Redesign of the InCharge farmer workshops to include year round calving herds

Animal Health & Fertility							
		<ul style="list-style-type: none"> Improve usage of the Fertility Focus Report 	<ul style="list-style-type: none"> Integration of Fertility Focus report with DataGene dashboard 				
P213 Animal Health & Welfare On-farm Change Management	To promote best practices in animal husbandry on-farm.	<ul style="list-style-type: none"> Awareness of new Cattle Standards and Guidelines Adoption of on-farm Biosecurity plans Promotion of 2nd edition of Rearing Healthy Calves manual Continued support for post graduate dairy veterinary residencies A seasonal risk monitoring service for Facial Eczema 	<ul style="list-style-type: none"> Ensure on-farm practices are aligned with the new Cattle Standards Research on digital dermatitis Support extension capability in dairy beef production Support new industry bobby calf issues management approach Biosecurity planning tool development transferred over from P233 				
Evaluation & Budget							
Project	Evaluation		Expenditure Planning				
	Planned BCR	Investment Attractiveness	2015/16 Actual	2016/17 Forecast	2017/18 Plan	2018/19 Plan	2019/20 Plan
P106 Managing Milk Quality	3.29	6.2	542,194	571,418	335,000	393,000	265,000
P107 Improving Reproductive Performance	3.95	6.3	748,593	470,002	450,000	420,000	420,000
P213 Animal Health & Welfare - On-farm Change Management	4.53	7.4	655,256	467,687	419,500	409,500	409,500
	3.66	6.6	1,946,043	1,509,107	1,204,500	1,222,500	1,094,500
Notes							
Key Milestones							
Project	Milestone Description				Planned Completion	Status	
P107	Distribution of 1000 copies of 2 nd edition of InCalf book for farmers				30 June 2018		
	InCalf reproduction symposium				31 October 2017		
P106	Completion of Australian Milk Quality awards				30 June 2018		
	Delivery of first Countdown MQ Course				30 November 2017		
P213	Distribution of 1000 copies of 2 nd edition of Rearing Healthy Calves manual				30 September 2017		
Key Performance Indicators (KPIs)							
Target Outcome	Measure	Source of data	Target 2017/18	Target 2019/20			
P107 Improve median 6-week in-calf rate	National herd reproductive performance (as measured in previous calendar year)	ADHIS NATSCAN dataset	>50%	>55%			
P106 Annual average BMCC	% Herds below 400,000 cells/ml	Dairy Australia AMQA dataset	>97%	>99%			
	% Herds below 250,000 cells/ml	Dairy Australia AMQA dataset	>75%	>80%			
	Milk pick ups downgraded due to high Bactoscan or thermoduric counts	Dairy processor QA data		50% reduction compared with 2016/17			
P213 Timely advice on Facial Eczema risk provided to farmers	Fortnightly spore counts received from sentinel farms across Gippsland	GippsDairy monitoring program	26 sentinel farms	26 sentinel farms			
P213 Farmer implement good on-farm biosecurity practices	% Dairy farmers with a written on-farm biosecurity plan	Dairy Australia online biosecurity tool usage	>20%	>50%			

Farm Business Management

Overview

Market Need / Context
 Australian dairy farms face many challenges to profit though better performing dairy farms and to generate long-term wealth creation. To improve profitability and manage risk farmers require a range of farm business management skills and ability to monitor farm business performance. The Farm Business Management program will build capability and drive the adoption and use of DairyBase to assist farm business decision making, leading to increased profit while managing risk. The target audience is farmers and service providers with a focus on profitability.

Industry Indicators

Source: ABARES, DA research

Overall Objective/s

- To continue to build farm business management capability for dairy farmers, advisers and the research sector.
- To increase the adoption and use of Dairy Australia’s FBM tools, particularly DairyBase, and industry standard farm business management practices.
- To measure and analyse farm business performance at a national, regional and farm level

General Approach / Strategy

- Dairy Australia will continue to lead the development of a nationally consistent approach to dairy farm business management, including terminology and metrics, and will embed DairyBase as a key industry tool used for the measurement and analysis of farm business performance at a farm, region and national level.
- The completion of an industry owned FBM education and extension program will provide a clear and well understood offering to farmers, and will leverage the delivery capability of RDPs, the NCDE and the private sector. Implementation of the strategy will involve the segmentation of target audiences and provision of targeted messages, information and opportunities for dairy farmers and their advisers.
- Achievement of the outcomes identified will build a more positive farm business management culture in the Australian dairy industry and Dairy Australia will play a significant role in working with farmers and the wider industry to shape the beliefs and assumptions held about dairy FBM.

Collaboration & Dependencies

- Dairy Australia will collaborate with a number of partners and organisations including, RDPs, NCDE partners, AgVic (research and DFMP), private providers, DPI NSW, QDAF, DairyNZ.
- There is dependency on RDPs, NCDE partners and the private sector for the delivery of FBM education and extension programs.

Program Detail

Project No. / Title	Project Level Objectives	Focus	2017/18 Focus / Changes
P240 Farm Business Information	<ul style="list-style-type: none"> To ensure the industry has the high quality farm performance data needed to provide national, regional and farm level analysis Using DairyBase increase farmers understanding of their own farm business performance 	<ul style="list-style-type: none"> Increase dairy farmer and adviser uptake and use of DairyBase Integration of DairyBase and Dairy Farm Monitor Project (DFMP) Enhanced analysis and reporting of farm performance data Embed standard FBM terminology across the dairy industry 	<ul style="list-style-type: none"> Maintain and enhance DairyBase; Provide support to DairyBase users; Drive efficiencies in the collection and reporting of high quality farm performance data; Build in house capability to validate and analyse farm data;

Farm Business Management							
			<ul style="list-style-type: none"> Measurement and analysis focuses on profitability and whole farm business performance 				<ul style="list-style-type: none"> Provide meaningful reports and commentary.
P241 Farm Business Management Capability	<ul style="list-style-type: none"> FBM capability is increased across the dairy industry More dairy farmers are able to confidently respond to opportunities and challenges and increase profitability through better informed decision making based on appropriate analysis and tools; To improve the advisory capability available to farmers to improve decision making 	<ul style="list-style-type: none"> Development and roll out of farm business management education and extension programs <ul style="list-style-type: none"> FBM Fundamentals Making Sense of Farm Business – Dairy Farm Business Analysis FBM extension offerings – flexible and responsive to regional demand Develop farmer and adviser capability 					<ul style="list-style-type: none"> Increased focus on delivery of FBM education and extension programs Increased participation by farmers and advisers in FBM programs Increased adoption and use of DairyBase Increased awareness and use the Standard Chart of Accounts Development of further training resources related to risk and planning
Evaluation & Budget							
Project	Evaluation		Expenditure Planning				
	Planned BCR	Investment Attractiveness	2015/16 Actual	2016/17 Forecast	2017/18 Plan	2018/19 Plan	2019/20 Plan
P240 Farm Business Information	4.8	6.7	544,896	576,940	460,000	400,000	400,000
P241 Farm Business Management Capability	5.4	6.4	469,759	327,941	400,000	400,000	400,000
	2.86	5.5	1,014,655	904,881	860,000	800,000	800,000
Notes	Decreased funding will require more efficient delivery of FBM program.						
Key Milestones							
Project	Milestone Description				Planned Completion	Status	
P241 Farm Business Management Capability	FBM Capability Program - completion of FBM Fundamentals modules and delivery in all regions.				June 2018	Currently piloted in four regions	
	FBM Capability Program –completion of Making Sense of Farm Business modules, to be delivered in all regions in 2018.				June 2018	Commenced July 2017	
	FBM professional development delivered to >100 advisers and service providers annually.				June 2018	Commenced	
P240 Farm Business Information	Completion of the Dairy Farm Monitor Project in Victoria, New South Wales, South Australia and Tasmania and Western Australia using the Dairy Farm Monitor data collection and analysis models.				Oct 2017	Start Jul 2017	
	Create a mapping process and import historical farm data into DairyBase from at least 5 farm business consultants.				June 2018	Start Jul 2017	
	Half of all Discussion Groups participating in DairyBase extension program.				Jul 2020	Commenced	
	Development of process to streamline capture of Dairy Farm Monitor Project data to drive efficiency.				Jul 2017	Commenced	
Key Performance Indicators (KPIs)							
Target Outcome	Measure	Source of data	2016/17	2017/18			
Dairy farmers increase profitability by improved decision making based on appropriate analysis and tools.	High quality and comprehensive core dataset available in DairyBase for industry averages.	DairyBase, Dairy in Farm Monitor	>250 DFMP datasets >250 consultant farm datasets using the DB tool	>250 DFMP datasets >250 consultant farm datasets using the DB tool			
Increased adoption of DairyBase	Number of farmers registered on DairyBase	Salesforce	>1500 DairyBase users (includes >1,000 farmers)	>1500 farmers registered on DairyBase (2020 target is 2,750)			
Increased participation in FBM education and extension	Number of participants, broken down by participants, repeat participation, region, farm size	Salesforce	550	>1,100			

Land, Water, Carbon

Overview

Market Need / Context	<ul style="list-style-type: none"> Consumer interest in the sustainability credentials of the food they purchase and investors’ concerns about the long term viability of their investment are driving milk processors and financial institutions to take a greater interest in the management practices their suppliers/clients. Both groups are increasingly requiring evidence that farmers are managing their natural capital and climate risk and this driver is impacting on the direction and focus of Land, Water and Carbon investment. The breadth of natural capital issues makes it difficult to address all and RD&E activities are focused on areas where there are both profit and environmental drivers. These are soil and nutrient management, water use efficiency and climate risk. The estimated impact of climate change on annual productivity of dairy farms in southern Australia between now and 2040 is 0.6%/year. Predominately public issues such as biodiversity will be addressed through resources, tools and e-learning. The target audience is farmers, farm advisors, milk processors, financial institutions, and government and NGO organisations with an interest in land, water and climate risk management. 	
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Industry Indicators	<p>Percentage of farms using a fertiliser management plan (Industry Sustainability Indicator Survey 2015)</p> <table border="1"> <caption>Percentage of farms using a fertiliser management plan</caption> <thead> <tr> <th>Region</th> <th>2006</th> <th>2012</th> <th>2015</th> </tr> </thead> <tbody> <tr> <td>murray</td> <td>27%</td> <td>16%</td> <td>43%</td> </tr> <tr> <td>westvic</td> <td>36%</td> <td>43%</td> <td>62%</td> </tr> <tr> <td>gipps</td> <td>31%</td> <td>35%</td> <td>52%</td> </tr> <tr> <td>dairy nsw</td> <td>28%</td> <td>35%</td> <td>44%</td> </tr> <tr> <td>sdp</td> <td>16%</td> <td>19%</td> <td>22%</td> </tr> <tr> <td>sa</td> <td>35%</td> <td>35%</td> <td>55%</td> </tr> <tr> <td>wa</td> <td>33%</td> <td>30%</td> <td>32%</td> </tr> <tr> <td>tas</td> <td>38%</td> <td>49%</td> <td>71%</td> </tr> </tbody> </table>		Region	2006	2012	2015	murray	27%	16%	43%	westvic	36%	43%	62%	gipps	31%	35%	52%	dairy nsw	28%	35%	44%	sdp	16%	19%	22%	sa	35%	35%	55%	wa	33%	30%	32%	tas	38%	49%	71%
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Overall Objective/s	<ul style="list-style-type: none"> To build industry capability to manage land, water and energy resources to minimize environmental impact whilst enhancing profit. Improved industry capacity to mitigate climate risk.
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General Approach / Strategy	<ul style="list-style-type: none"> Research investment is focused on building knowledge and understanding in the areas of nitrogen use efficiency, nutrient loss pathways, enteric methane technologies, heat stress management strategies, nutrient management for intensive systems, seasonal forecasting reliability, climate resilient strategies; and cost effective irrigation bay design, scheduling and automation. Areas of investment reflect Dairy Moving Forward priorities and incorporate cross-sector and international collaboration where practical. Development investment is focused on Fert\$mart Nitrogen, strategies to optimise irrigation (What is my yield gap?), sustainability framework reporting tools and data collation processes, precision technologies to enable resource use efficiency and monitoring, and managing climate risk. Where feasible Land Water and Carbon resources and extension modules will be integrated into Feedbase programs. Dairy Australia Land Water and Carbon regional support will focus on building the capability of RDPs to meet regional stakeholder requests for technical information as well as encouraging them to form delivery partnerships with milk companies, NRM agencies and other relevant stakeholders to facilitate increased adoption of the industry Sustainability Framework environment targets. National extension activities to facilitate practice change include Fert\$mart professional development and group delivery, irrigation efficiency, effluent management, Cool Cows, biodiversity and riparian management, professional development for milk company sustainability officers and other relevant stakeholders and responding to stakeholder requests for technical information.
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Collaboration & Dependencies	<ul style="list-style-type: none"> Research investment in the areas of irrigation delivery, scheduling and automation and nitrogen use efficiency relies on collaborative partnerships between the cotton, rice, horticulture and sugar industries. Investment in innovative effluent management technologies will be through partnerships with other intensive industries (pork, chicken meat and meat feedlots). Development and extension of nutrient and irrigation best practice will be in collaboration with Feedbase pasture/forage management programs. Industry data sets such as DairyBase will inform sustainability reporting where feasible, an example being the capacity for DairyBase data sets to be imported into the Australian Dairy Carbon Calculator allowing farmers to quickly measure their emissions intensity/kg milk solids. Partnerships with milk processors and other key stakeholders will be essential to achieving industry sustainability framework targets, particularly in areas with a high level public good such as riparian, effluent and biodiversity management.
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Program Detail

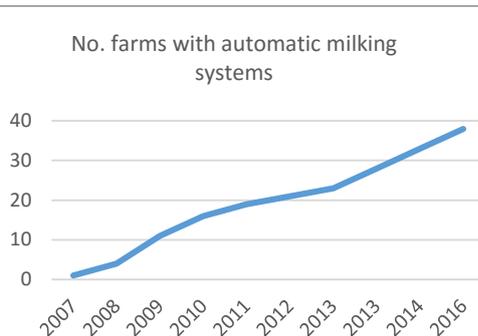
Project No. / Title	Project Level Objectives	Focus	2017/18 Focus
P128 Improving soil and nutrient management	80% of dairy farmers report using industry nutrient management good practice by 2020.	<ul style="list-style-type: none"> Fert\$mart maintenance and delivery, including Fert\$mart professional development. Nutrient loss hot spots and effective strategies to mitigate. Effective nitrogen management practices at a field & whole farm scale, development of Fert\$martN Improved nitrogen/carbon cycle modelling capacity of Australian dairy systems Tools and resources to better manage and utilise dairy effluent. Fertiliser, soils and water extension modules integrated into Feedbase programs 	<ul style="list-style-type: none"> Fert\$mart delivery / capability building RRD4P More Profit from Nitrogen project – dairy Effluent management capability building

Land, Water, Carbon			
P130 Natural Capital Risk and Climate Change	<p>90% of relevant financial institutions, multinational food and drink corporations, and milk processors use/accept industry sustainability assessment tools/guidelines (ongoing).</p> <p>Climate risk considerations incorporated into relevant FPI RD&E initiatives by 2018.</p> <p>RDPs facilitate delivery partnerships to deliver Land, Water and Carbon on farm change programs.</p>	<ul style="list-style-type: none"> Improved seasonal forecasting Maintaining and developing industry relevant Sustainability Framework monitoring and reporting tools Monitoring and addressing international dairy sustainability reporting trends/requirements. Technologies to reduce enteric methane Identification of strategies to mitigate heat stress, information tools and resources to manage heat stress including Cool Cows. Sustainable pasture systems under a more variable climate. Building the capacity of RDPs to address regional Land, Water and Carbon issues. Assessment of emerging sensor technologies and associated data management systems to assist efficiency of resource use. 	<ul style="list-style-type: none"> Building RDP capacity to address LW&C issues Updated Cool Cows resources Climate resilient strategies Maintaining and developing industry relevant Sustainability Framework monitoring and reporting tools
P132 Improving Water Use Efficiency	Reduction in water used per kg/milk solids produced from home grown feed.	<ul style="list-style-type: none"> Improved irrigation bay designs Practical, reliable irrigation scheduling technologies Low cost automated irrigation control systems Guidelines and extension modules for good practice water management. Development of an effective irrigation extension/demonstration program 	<ul style="list-style-type: none"> RRD4P Smarter Irrigation for Profit project – dairy

Evaluation & Budget							
Project	Evaluation		Expenditure Planning				
	Planned BCR	Investment Attractiveness	2015/16 Actual	2016/17 Forecast	2017/18 Plan	2018/19 Plan	2019/20 Plan
P128 On Farm Soils & Nutrient Management	3.04	5.9	365,327	765,440	686,109	610,000	650,000
P130 Climate Change Support	5.45	7.4	368,529	613,236	790,000	840,000	850,000
P132 Improving Water Use Efficiency	2.05	5.4	506,250	690,233	496,679	500,000	500,000
P125 On Farm Emissions Mitigation			174,463				
P126 On Farm Emissions Mitigation			548,951				
Total	2.19	6.20	1,963,520	2,079,970	1,972,788	1,950,000	2,000,000
Notes							

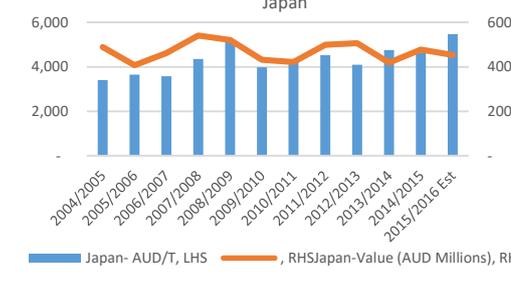
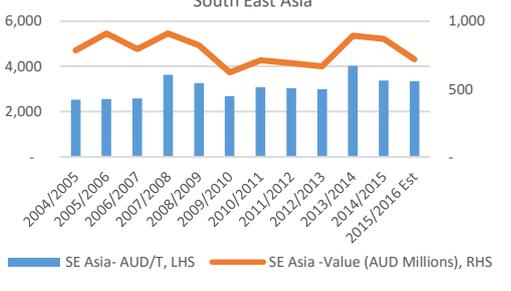
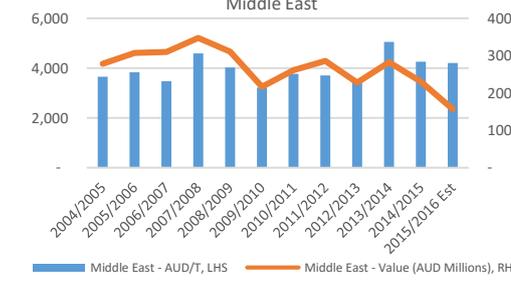
Key Milestones			
Project	Milestone Description	Planned Completion	Status
P128	Fert\$mart group delivery program developed and piloted	March 2017	Achieved
	RRD4P More profit from Nitrogen dairy project milestones accepted by the Australian Government	May 2017	
	Dairy Australia Effluent and Composting technical advisors appointed	August 2017	
	Unilever Pilot Progress report accepted	December 2017	
	Industry agreed reporting mechanisms in place for Sustainability Framework environment targets.	June 2018	
	RRD4P Smarter Irrigation for Profit dairy project milestones accepted by the Australian Government	May 2017	

Key Performance Indicators (KPIs)			
Target Outcome	Measure	Source of data	Target for 2017/18
80% of dairy farmers report using industry nutrient management good practice by 2020.	Fert\$mart delivery.	Relevant RDP LW&C reports Fert\$mart database	Six regions deliver Fert\$mart
80% of dairy farmers report using industry nutrient management good practice by 2020.	More profit from Nitrogen (RRD4P) commenced and demonstration sites established	Progress Reports	3 demonstration sites
Reduction in water used per kg/milk solids produced from home grown feed.	Smarter irrigation for profit dairy demonstration site field days/workshops	Progress reports	150 farmers & service providers
RDPs facilitate delivery partnerships to deliver Land, Water and Carbon on farm change programs.	Multi-stakeholder NRM delivery partnerships	RDP LW&C Progress reports	Six major partnerships
90% of relevant financial institutions, multinational food and drink corporations, and milk processors use/accept industry sustainability assessment tools/guidelines (ongoing).	Industry relevant LW&C sustainability reporting tools and resources	Fert\$mart, Cool Cows, and Climate Toolkit website statistics	Web site traffic increased 10% from 16/17 levels

Advanced Management Technologies																							
Overview																							
Market Need / Context	<ul style="list-style-type: none"> Agriculture and dairying are entering a new phase of technological change, including developments in digital technologies and lower cost sensors, robotics and autonomous vehicles. As a result, individual dairy farm businesses will generate increasing amounts of data and information each day. This next phase of technological change poses both challenges and opportunities for dairy farmers and their advisors. There is scope for DA to continue investments in advanced management technologies including partnering with other organisations and industries to leverage the substantial government and commercial funding being spent in this area. There is also scope to increase the utilisation of the tools and models available to address key industry research questions through the use of whole farm modelling. There is also a need to enhance the effectiveness with which the modelling framework operates, build capacity and future proof this capability, and expand the model user base by making models more accessible to consultants and farm advisers. Whole farm systems modelling has proven a highly valuable tool to assess the efficacy of management interventions on-farm. Over a series of projects, the dairy industry has built significant systems analysis capability, capacity and a suite of tools to conduct these analyses. A suite of tools and models are available, from complex biophysical, mechanistic models (e.g. DairyMod, UDDER) to more empirical farm management models (e.g., Farmax Dairy Pro, Dairy Predict etc.), economic and risk analysis (e.g. @Risk,) and industry calculators (e.g. DairyBase, Dairy Greenhouse Gas Abatement Strategies Calculator (DGAS)). 																						
Industry Indicators	<div style="display: flex; align-items: center;"> <div style="flex: 1;"> <p style="text-align: center;">No. farms with automatic milking systems</p>  <table border="1"> <caption>No. farms with automatic milking systems (2007-2016)</caption> <thead> <tr> <th>Year</th> <th>No. of Farms</th> </tr> </thead> <tbody> <tr><td>2007</td><td>2</td></tr> <tr><td>2008</td><td>5</td></tr> <tr><td>2009</td><td>10</td></tr> <tr><td>2010</td><td>15</td></tr> <tr><td>2011</td><td>18</td></tr> <tr><td>2012</td><td>20</td></tr> <tr><td>2013</td><td>22</td></tr> <tr><td>2014</td><td>28</td></tr> <tr><td>2015</td><td>32</td></tr> <tr><td>2016</td><td>38</td></tr> </tbody> </table> </div> <div style="flex: 1;">  </div> </div>	Year	No. of Farms	2007	2	2008	5	2009	10	2010	15	2011	18	2012	20	2013	22	2014	28	2015	32	2016	38
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Overall Objective/s	<p>Support integration and effective use of new technologies on-farm:</p> <ul style="list-style-type: none"> Provide impartial information and demonstration opportunities to enable dairy farmers and their service providers to assess and evaluate technologies, including defining the benefits and on-farm value of different technologies. R&D to inform development of guidelines and resources that support integration and effective use of technology Develop learning and training initiatives for farmers and service providers in technology management and integration. Key industry research questions and pre-experimental modelling and prioritisation addressed through the use of whole farm modelling. Ongoing enhancement, validation and refinement of farm system modelling tools and a framework to incorporate new models. 																						
General Approach / Strategy	<ul style="list-style-type: none"> There are significant external and cross-sector investments in ‘precision agriculture’ which provides an opportunity for DA to leverage off via small-scale strategic funding. Where possible, DA aims to partner with other organisations and industries to leverage the substantial government and commercial funding being spent in this area. There is strong commercial interest and activity in precision agriculture by major technology companies. Formalise “Precision Dairy” as a separate and specific theme within Dairy Moving Forward with a Community of Interest and revised strategy in this area. The previous strategy “RD&E Gaps and Investment Priorities” was finalised in May 2013 and potential gaps in either research, development or extension require review. The strategy is for whole farm modelling to move from DA fully funding specific dairy model (DairyMod) development and maintenance to an open source and distributed development approach, with appropriate version control and assessment of the scientific merit of model developments. This also enables considerable effort into promotion of the model and new user training to grow the user base and consequently the development of the model. 																						
Collaboration & Dependencies	<ul style="list-style-type: none"> Key collaborations in the advanced management technology area are cross-RDC collaboration focused on ‘transformative technologies’ under Rural R&D for Profit (Precision Agriculture to Decision Agriculture), the Data to Decisions CRC, the Food Agility CRC and the Research & Innovation Network for Precision Agriculture Systems (RINPAS). The Future Dairy collaboration (DA, University of Sydney & De Laval) will continue with DA taking a more active lead in the development of extension, education and training activities. DA will continue leading the cross-RDC collaboration focused on virtual herding technology. In the modelling area, a “community of practice” will drive collaboration comprising representatives from DA, DairyNZ CSIRO, TIA, University of Melbourne, University of Southern Queensland, AgResearch, DEDJTR, DAFQ, Teagasc, DAFWA and MLA. 																						

Advanced Management Technologies							
Program Detail							
Project No. / Title	Project Level Objectives			Focus			
P110 Advanced Management Technologies	<ul style="list-style-type: none"> Provide impartial information (e.g. defined benefits) and demonstration opportunities to enable dairy farmers and their service providers to assess and evaluate technologies Develop decision support tools and other resources that are not dependent on proprietary data or information R&D to inform development of guidelines and resources that support integration and effective use of technologies on-farm Develop learning and training initiatives for farmers and service providers in technology management and integration Mitigate constraints to adoption of automatic milking and improved route to market Develop new knowledge on performance and best management of farm systems, and enable faster adoption of R&D outputs to regional needs 			<ul style="list-style-type: none"> Continue to develop information resources and case studies, including economic assessments, for current and emerging technologies Contribute to research investigating use of virtual herding technology in pasture-based dairy systems Increase successful AMS adoption decision making through the implementation of a well-coordinated national extension and training strategy Develop a comprehensive, sound and realistic economic narrative on the key drivers of success of productivity, efficiency and profit on commercial AMS farms Investigating simpler robust systems to broaden the audience and enhance successful adoption of AMS Integration of models and tools (DairyMod, APSIM) and increased capacity in farm systems modelling 			
Evaluation & Budget							
Project	Evaluation		Expenditure Planning				
	Planned BCR	Investment Attractiveness	2015/16 Actual	2016/17 Forecast	2017/18 Plan	2018/19 Plan	2019/20 Plan
P110 Advanced Management Technologies	1.59	4.1	782,778	877,504	458,854	446,606	426,232
Notes	<ul style="list-style-type: none"> Future Dairy 4 ends in June 2017 and will shift in focus to more extension and adoption, but will retain some R&D component with reduced expenditure compared to previous years. 						
Key Milestones							
Project	Milestone Description			Planned Completion	Status		
P110 Advanced Management Technologies	Quantification and demonstration of how Virtual Fencing can be applied to increase pasture utilisation through regular stock movement and other tactics			30 June 2019			
	Development of an Interpretive Management Model (IMM): development of a modelling tool that will allow macro evaluation of new and simpler automatic milking systems			30 June 2019			
	Development of an industry-driven national extension and training program for automatic milking systems			30 June 2018			
	Publication of Australian data on productivity, efficiency and profitability of automatic milking systems			30 June 2019			
	Delivery of pasture growth forecasting services and tools			30 June 2018			
	Model forage and feeding systems that deal with climate extremes and limited water availability			30 June 2019			
	Pre-project whole farm systems modelling protocol embedded in feedbase related project submission development			30 June 2019			
Key Performance Indicators (KPIs)							
Target Outcome	Measure			Source of data	2017/18 Target		
Mitigate constraints to adoption of automatic milking and improved route to market	Proportion of farms (cows) with automatic milking technology			Future Dairy	>0.6%		
	Level of decommissioning of automatic milking system installations			Future Dairy	< 10%		
Guidelines and recommendations on how to apply VF technology in dairy farming systems	Proof of concept of virtual fencing application in on-farm studies			TIA	POC demonstrated		

SP1 – Profitable Dairy Farms – Post-farm-gate programs

International Market Support			
Overview			
Market Need / Context	<p>The market need:</p> <ul style="list-style-type: none"> Consolidate industry wide policy trade policy positions on behalf of, and in the interests of Australian dairy. Proactively respond to existing, current and potential technical issues Reinforce the “Why Australia?” message with global customers. Assist industry to understand the opportunities and challenges presented by an increasingly complex global marketplace <p>Target audiences/stakeholders:</p> <ul style="list-style-type: none"> Australian dairy manufacturers and exporters. Key customers in Japan, China, SE Asia and the Middle East. DFAT, Department of Agriculture and Water Resources, 		
Industry Indicators	 <div style="display: flex; flex-wrap: wrap;"> <div style="width: 50%;"> <p>China</p>  </div> <div style="width: 50%;"> <p>Japan</p>  </div> <div style="width: 50%;"> <p>South East Asia</p>  </div> <div style="width: 50%;"> <p>Middle East</p>  </div> </div>		
Overall Objective/s	<ul style="list-style-type: none"> To secure a more favourable and profitable export market trading environment for all Australian dairy products through strategic trade policy reforms and agreements. To prevent the erosion of access opportunities and conditions in key markets through the implementation of inappropriate regulatory or policy changes. In key export markets, support higher exporter returns through active buyer awareness and preference for Australian products. To better understand the opportunities and challenges presented by an expanding and increasingly complex global marketplace 		
General Approach / Strategy	<ul style="list-style-type: none"> Focus resources on existing large markets or large emerging opportunities in Japan, China and SE Asia. Reduced focus on ME. Trade Policy: Provide detailed technical support to industry and government negotiators (and where requested taking lead role in presenting industry positions). Maintain networks of like-minded industry groups both domestic and international who will pursue similar trade objectives /outcomes to in relevant trade forums. Market Development Programs: Co-ordinate market development initiatives in Australia and target countries. Review targets annually in consultation with export managers of Australian dairy companies and partner groups in target markets. Trade support: Help local exporters with management of technical barriers to trade and/or specific market requirements Analysis: Deliver strategic market insights and solutions through scanning for / understanding / communicating the effects of global policies and market developments that might impact on the Australian dairy industry. 		
Collaboration & Dependencies	<ul style="list-style-type: none"> Close partnership arrangement with the ADIC who has primary carriage of the industry trade policy agenda. Australian dairy manufacturers are vital to the delivery of the Australian component of the market development program. Collaboration with the China Dairy Industry Association for delivery of the China market development program. Partnership arrangement with the Victorian Government for delivery of the SE Asia scholarship program. Close working relationships with DFAT, DAWR and especially the Australian Agricultural Minister Counsellors in key markets. 		
Program Detail			
Project No. / Title	Project Level Objectives	3 Year Plan Focus	2017/18 Focus / Changes
P219 International Market Support – China	Improve market access for Australian dairy and maintain the positive trade perception of Australian product in China	<ul style="list-style-type: none"> Continue to support the implementation of the China Australia free trade agreement to maximise benefits to industry, defend market access and counter the emergence of new technical barriers to trade. Focus market development activities on the realisation of benefits from the China Australia FTA Continue long term relationship development through the Greater China Scholarship program. 	<ul style="list-style-type: none"> Focus on improving Australian industry understanding of market access issues for liquid milk, infant formula, general dairy, and dealing with changes to the Chinese regulatory environment. Design and execute market development activities in order to maximise realisation of dairy benefits under the China Australia Free Trade Agreement. Further develop and execute strategic level collaborative market program/s with MLA, Horticulture Innovation Australia, Wine Australia and other like-minded industry bodies.

International Market Support			
P229 International Market Support – Japan	Maintain and improve Australia's position as the major supplier of dairy products into the Japanese market.	<ul style="list-style-type: none"> Review focus and extent of market development activities to reflect strong long term relationships and a mature market Continue publication of chemical residual analysis (Japan Positive List analysis) Continue long term relationship development through the Japan Dairy Scholarship program. 	<ul style="list-style-type: none"> Provide balanced information and reassurance to customers in market and on the DA scholarship program, regarding the sustainability of Australian dairy as a supplier to Japan. Publish the updated Japan Positive List analysis online. Withdraw from Cheese Festa involvement/ sponsorship.
P230 International Market Support – SE Asia	Improve market access and trade position into key South East Asian markets including Singapore, Malaysia, Thailand, Vietnam, Indonesia and the Philippines.	<ul style="list-style-type: none"> Technical market access support Market development effort to target growth opportunities: Singapore, Thailand, Malaysia, Indonesia, Philippines, Vietnam. Increase focus on food service, culinary and hospitality segments within the markets. 	<ul style="list-style-type: none"> Further develop and deliver the South East Asia Dairy Scholarship program, and associated alumni engagement programs. Build additional engagement with a focus on Indonesia. Continue to deliver seminars and demonstrations on Australian dairy into food service, culinary and hospitality segments. Improve market access into Thailand under the TAFTA.
P231 International Market Support – Middle East	To improve market access and its trade position into key Middle East markets including The UAE, Saudi Arabia, Bahrain, Kuwait and Oman.	<ul style="list-style-type: none"> Technical market access support Market development work to target growth opportunities within the region: The UAE, Saudi Arabia, and Bahrain, Kuwait, Oman, Qatar. 	<ul style="list-style-type: none"> Effort in these markets will continue at a lower level of investment during 2017/18. Seek to leverage lower market development investment levels through working with partner organisations (Austrade, Vic Government, VGBO, MLA, Hort IA).
P232 International Market Support – Other Markets	Improved market access, maintaining and improving export volumes and values, higher international market prices and more flexible market outlets	<ul style="list-style-type: none"> Key regional agreements include: other areas include: WTO-Doha, Geographic indicators, PACER, RCEP, GCC. Key bilateral agreements: India, Indonesia, EU, Taiwan. Capture already negotiated access improvements under TPP through alternative structures (TPP 11, RCEP, review of JAEPA) 	<ul style="list-style-type: none"> Ensure favourable dairy outcomes are included in bilateral and regional trade agreements as they progress towards conclusion. Support Government efforts to initiate new negotiations where favourable dairy outcomes may be obtained – Taiwan and EU. Protect Australian dairy defensive positions on issues such as Geographic Indications (Vis EU FTA). Progress improved access outcomes related to Non-tariff Barriers to Trade (NTB's) for Australian dairy. Where appropriate collaborate across industries and with interested stakeholders. Support industry efforts to promote the value and benefits of 'free trade' to government and stakeholders here and internationally.

Evaluation & Budget							
Project	Evaluation		Expenditure Planning				
	Planned BCR	Investment Attractiveness	2015/ 16 Actual	2016/17 Forecast	2017/18 Plan	2018/19 Plan	2019/20 Plan
P219 China	3.23	6.0	357,107	460,027	355,100	355,100	355,100
P229 Japan	5.44	7.2	301,919	247,710	274,200	274,200	274,200
P230 SE Asia	3.99	6.4	219,823	193,482	191,500	191,500	191,500
P231 Middle East	3.28	6.0	206,749	44,248	45,000	45,000	45,000
P232 Other Markets	2.99	5.6	480,606	332,687	475,550	448,600	448,600
	3.59	6.2	1,566,204	1,278,153	1,341,350	1,314,400	1,314,400

Key Milestones			
Project	Milestone Description	Planned Completion	Status
P219	2017 China Scholarship program successfully delivered	July 2017	
	Dairy Australia participates and presents at China Dairy Industry Association (CDIA) conference	August 2017	
P229	2016 Japan Cheese Scholarship program successfully delivered	Sep 2017	
	2016 Annual Kangaroo Kai seminar successfully delivered in Japan with representation from Japanese and Australian dairy industries	Nov 2017	
	Dairy Australia participates in Japan Australia Dairy Talks – held in Australia	Sept 2017	
	Updated version of the Japan Positive list analysis document, published and available on DA website	July 2017	
P230	2017 South East Asia Scholarship program successfully delivered with support and collaboration from Victoria State Government	March 2018	

Key Performance Indicators (KPIs)			
Target Outcome	Measure	Source of data	2017/18 Target
Build engagement in priority markets through Dairy Australia scholarship and alumni programs.	Continued participation levels in the Dairy Australia Japan, China and South East Asia scholarship programs, with participants surveyed on satisfaction and increased understanding of Australian dairy.	CRM and entry/exit surveys.	50 new scholarship students participate in the 3 scholarship programs. Satisfaction measured at 7/10 or higher.
Industry support for Dairy Australia trade programs	Trade Reference Group (TRG) including manufacturers, ADF, ADPF and ADIC approve and support trade program objectives and programs.	TRG	Achieved/Not Achieved
Technical Barriers to Trade	Initial list of 5 priority plans reviewed and updated. Where new TBT issues are identified and prioritised, new action plans are developed and implemented.	Report	Achieved/Not Achieved

Manufacturing Margin Improvement

Overview

Market Need / Context

- The value that dairy farmers receive for their milk at the farm gate is dependent upon the profitability of the processing community which they supply.
- For the Australian dairy industry to achieve sustainable profitability and improved resilience in the face of climate variability and market volatility, it is critical that the entire supply chain remains innovative and internationally competitive.
- Dairy Australia has a role to play in supporting the competitiveness of the industry’s post-farm gate activities in areas where there is obvious market failure and where the resulting IP can improve the processing sector’s positioning and structure to meet future challenges.
- Through targeted initiatives which support manufacturing innovation and sustainability Dairy Australia can help farmers manage downstream risk while also supporting the industry to take advantage of domestic value growth and the huge export opportunities developing in Asia.



Industry Indicators

A number of manufacturing-based targets have been developed under the Australian Dairy Industry Sustainability Framework which provide good indication as to progress being made by the sector.

Target	Baseline	2014	2015	2016	2020 Target
9.1 Consumptive water intensity of dairy manufacturers (litres per litre of milk processed)	1.75	1.56	1.58	1.90	1.40
Target	Baseline	2014	2015	2016	2020 Target
10.1 Emissions from dairy manufacturers (tonnes of CO ₂ equivalent per ML milk processed)	178.7	153.6	152.5	140	125.8
Target	Baseline	2014	2015	2016	2020 Target
11.1a Waste to landfill intensity of dairy manufacturers (tonnes of waste per ML milk processed)	2.69	1.63	1.45	1.18	1.61
11.1b Manufacturers: signatories to Australian Packaging Covenant (APC)	9	9	8	8	All manufacturers

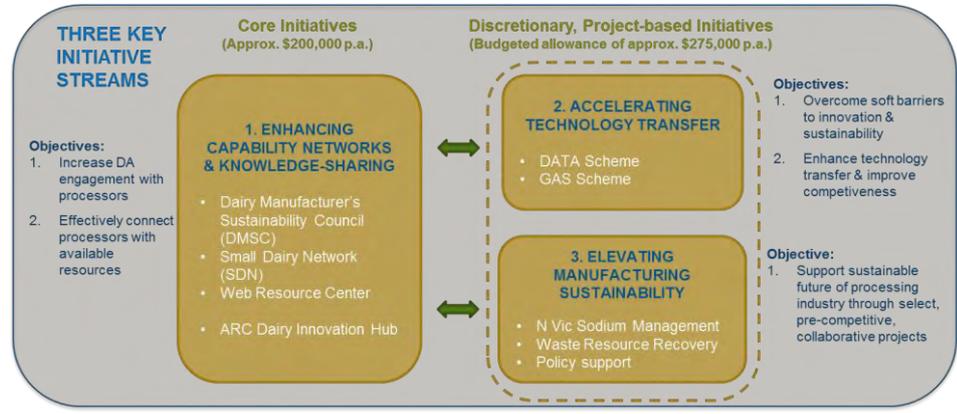
Source: Australian Dairy Industry Sustainability Framework Progress Report 2016

Overall Objective/s

To support the sustainability and international competitiveness of the Australian dairy processing community for the benefit of Australian dairy farmers by; a) Connecting processors with best-practice resources; b) Supporting collaborative initiatives and transfer of technology with strong industry-wide potential, and; c) Assisting manufacturer progress towards Sustainability Framework targets.

General Approach / Strategy

- DA has reduced funding from \$3m+ in 2013/14 (50% funding of DIAL) to approximately \$350,000 in 2016/17. The wind-up of DIAL during 2016/17 has forced a re-think about the best use of DA funds within this space. DA’s investment should be in areas of market failure and where the outcomes of investment benefits the industry generally, not companies specifically. Investing in developing networks and tools which effectively connect processors with existing resources as well as collaborative projects that address sustainability issues (water, energy, waste and effluent management, etc) and can be translated more broadly across the sector appear to be the most appropriate use of DA funds.
- Focus for 2017/18 will be to improve the reach and performance of the Dairy Manufacturers Sustainability Council (DMSC) as well as achieve strong engagement with smaller dairy processors within the Small Dairy Network (SDN). A further goal will also be increase the number and quality of projects funded under the Dairy Australia Technology Assessment (DATA) and Grant Access Support (GAS) Schemes to achieve profitable technology transfer and improved environmental performance. Successful delivery of collaborative projects relating to sustainable sodium management and improved organic waste utilisation scheduled for completion during 2017/18 will also be a key focus.

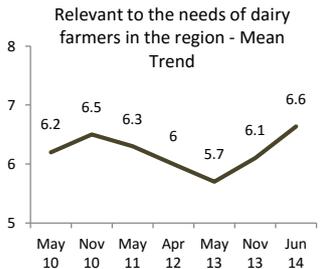
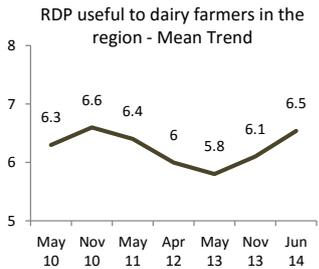
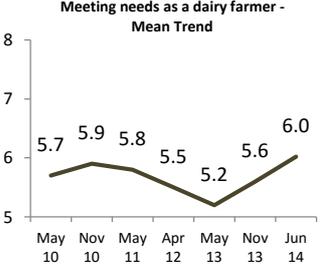


Collaboration & Dependencies

- The success of DA’s support for the manufacturing sector depends on engagement with and cooperation of the Australian dairy manufacturing industry itself. Ongoing feedback regarding successes/failures and the usefulness of the support provided is critical. Addressing sodium management in northern Victoria will require a regional response and, in

Manufacturing Margin Improvement							
addition to key dairy processors, currently has the written support of local councils, water authorities and Regional Development Victoria. Additional cross-RDC collaborative opportunities and mechanisms to leverage additional support are being explored.							
Program Detail							
Project No. / Title	Project Level Objectives	2016/17 Focus			2017/18 Focus / Changes		
P249 Supporting Manufacturing Innovation and Sustainability	To support the sustainability and international competitiveness of the Australian dairy processing community for the benefit of Australian dairy farmers by; <ol style="list-style-type: none"> Connecting processors with best-practice resources; Supporting collaborative initiatives and transfer of technology with strong industry-wide potential, and; Assisting manufacturer progress towards Sustainability Framework targets. 	<ul style="list-style-type: none"> Oversee DIAL transition and DA exit (including legacy projects such as the ARC Dairy Innovation Hub). Ensure best use of assets and IP for the Australian dairy industry Implement programs which support DA's revised support strategy for manufacturers such as the <i>DATT Scheme</i> and <i>Transform Dairy Fund</i>. Monitor success and adjust as required. Develop and maintain on-line resources to support manufacturers. Migrate management of <i>DMSC</i> and <i>SDN</i> from DIAL to DA. Explore collaborative opportunities and mechanisms to leverage additional support. 	<ul style="list-style-type: none"> Improve reach/performance of the Dairy Manufacturers Sustainability Council (DMSC) Achieve strong engagement within Small Dairy Network (SDN) Increase the number and quality of projects funded under the DATA and GAS Schemes. Manage the successful delivery of a sustainable sodium management plan for northern Victoria. Reduction in forecast expenditure for 2016/17 is a result of a number of measures undertaken to reduce post-farm gate spending, including; achieving 85% co-funding from stakeholders for the sodium management project; rationalising the management of the DMSC and web resources within DA; and slower than anticipated delivery and uptake of the DATA and GAS Schemes. 				
Evaluation & Budget							
Project	Evaluation		Expenditure Planning				
	Planned BCR	Investment Attractiveness	2015/16 Actual	2016/17 Forecast	2017/18 Plan	2018/19 Plan	2019/20 Plan
P244 Manufacturing Innovation			1,421,042				
P249 Supporting Manufacturing Innovation & Sustainability	TBA	4.92		335,192	415,000	455,000	455,000
Total	TBA	4.92	1,421,042	335,192	415,000	455,000	455,000
Notes							
Key Milestones							
Project	Milestone Description				Planned Completion	Status	
P249 Supporting Manufacturing Innovation and Sustainability	Complete Sustainable Sodium Management Plan project				February 2018	May 31 2017 Kick-off	
	Deliver three environmental forums and develop three technology/funding screening reports for DMSC Company Members				June 30 th 2018	Ongoing	
	Deliver six regional workshops, thirty webinars, four quarterly E-newsletters and develop web resource centre for SDN Members				June 30 th 2018	Ongoing	
	Minimum of four high-quality projects identified for DATA Scheme support				June 30 th 2018	Ongoing	
	Minimum of four high-quality projects identified for GAS Scheme support				June 30 th 2018	Ongoing	
Key Performance Indicators (KPIs)							
Target Outcome	Measure				Source of data	2016/17	
Decrease processing costs/improved sustainability	Number of new technologies installed at Australian dairy manufacturing sites which decrease processing costs or improve environmental performance as a result of DA-supported activities				Annual manufacturer survey	3	
Decrease processing costs/improved sustainability	Ratio of grant funds awarded to Australian dairy manufacturers for projects delivering decreased processing costs or improved environmental performance relative to grant access support provided by DA					10:1	
Increase sustainability performance of industry	Measurable increase in environmental performance of a processing plant (i.e. water use reduction, GHG emission reduction, sodium emission reduction, wastewater BOD reduction, waste to landfill reduction) as a result of DA-supported activities.					Variable units/value	
High level of processor engagement with DA support programs	Number of dairy processing companies actively participating in DA's collaborative support programs such as the DMSC, the SDN and the ARC Dairy Innovation Hub				Membership database and register of workshop of attendees	40	

SP2 – Capable People

Regional Operations and Extension																																			
Overview																																			
Market Need / Context	<ul style="list-style-type: none"> • There is a need to provide adequate capability for the planning, coordination, delivery and facilitation of effective services and extension to dairy farmers and service providers throughout the dairying regions of Australia. • As governments have reduced funding in this area, Dairy Australia and the Regional Development Programs (RDPs) are implementing a new model of industry led extension and reallocating resources into the RDPs and program delivery. • Dairy Australia and the RDPs need to promote and drive effective change in dairy farming and increase the rate and scale of change through adoption and innovation on-farm, and this adoption and innovation activities need to align to national and regional priorities, industry targets and measured outcomes • With the continued growth in the size of farms, DA needs to responsive to their specific and changing needs 																																		
Industry Indicators	<p>Relevant to the needs of dairy farmers in the region - Mean Trend</p>  <table border="1"> <caption>Relevant to the needs of dairy farmers in the region - Mean Trend</caption> <thead> <tr> <th>Month</th> <th>Value</th> </tr> </thead> <tbody> <tr><td>May 10</td><td>6.2</td></tr> <tr><td>Nov 10</td><td>6.5</td></tr> <tr><td>May 11</td><td>6.3</td></tr> <tr><td>Apr 12</td><td>6</td></tr> <tr><td>May 13</td><td>5.7</td></tr> <tr><td>Nov 13</td><td>6.1</td></tr> <tr><td>Jun 14</td><td>6.6</td></tr> </tbody> </table>	Month	Value	May 10	6.2	Nov 10	6.5	May 11	6.3	Apr 12	6	May 13	5.7	Nov 13	6.1	Jun 14	6.6	<p>RDP useful to dairy farmers in the region - Mean Trend</p>  <table border="1"> <caption>RDP useful to dairy farmers in the region - Mean Trend</caption> <thead> <tr> <th>Month</th> <th>Value</th> </tr> </thead> <tbody> <tr><td>May 10</td><td>6.3</td></tr> <tr><td>Nov 10</td><td>6.6</td></tr> <tr><td>May 11</td><td>6.4</td></tr> <tr><td>Apr 12</td><td>6</td></tr> <tr><td>May 13</td><td>5.8</td></tr> <tr><td>Nov 13</td><td>6.1</td></tr> <tr><td>Jun 14</td><td>6.5</td></tr> </tbody> </table>	Month	Value	May 10	6.3	Nov 10	6.6	May 11	6.4	Apr 12	6	May 13	5.8	Nov 13	6.1	Jun 14	6.5	
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	Source: DA Stakeholder tracking		Source: DA Stakeholder tracking																																
Overall Objective/s	<ul style="list-style-type: none"> • To improve farm profitability, competitiveness and sustainability by accelerating the extent and rate of adoption by farmers of industry standard farming practices, new ideas and technology, particularly those which are the result of DA's investments in RD&E 																																		
General Approach / Strategy	<ul style="list-style-type: none"> • Implement the industry led extension model to deliver relevant and quality extension activities that are strongly aligned to national and regional priorities. • Maintain and support a regionally based structure (the RDPs) that provides the platform needed for the delivery of programs and services, including the coordination and delivery of extension related activities. • Engage and collaborate with other service providers, including farm advisers, vets, commercial suppliers, the National Centre for Dairy Education. • Identify and build extension and education delivery capability to support quality program delivery. • Embed continuous improvement in the delivery of extension services through effective evaluation. • Build farm business management and farm systems capability for dairy farmers, advisers and the research sector • Seek opportunities for co-investment in projects which support adoption and innovation on farm. 																																		
Collaboration & Dependencies	<ul style="list-style-type: none"> • The Regional Development Programs are the primary network through which Dairy Australia delivers extension and regional services. • Dairy Australia continues to have collaborative co-funding arrangements with the state governments in Queensland, Tasmania and Western Australia for the delivery of research, development and extension through integrated programs. • The RDPs also work with governments, industry, the National Centre for Dairy Education, processors and private providers to deliver regional services. 																																		
Program Detail																																			
Project No. / Title	Project Level Objectives	Focus	2017/18 Focus / Changes																																
P103 Regional extension services	Understand regional needs and deliver required support and programs within each dairy region	<ul style="list-style-type: none"> • Continue to work with the RDPs to improve the delivery of extension services • Continue to create efficiencies through the provision of support services to the regions 	<ul style="list-style-type: none"> • Enhance capability of RDP teams to support extension services • Integrate Salesforce into the RDPs to increase effectiveness of extension 																																

Regional Operations and Extension			
P200 Large supplier engagement	Ensure DA services meet the needs of large producers.	<ul style="list-style-type: none"> Establish a dedicated database around the large supplier group and a critical needs analysis around this sector. Continue to engage with large suppliers in each region to identify major issues e.g. workforce, markets, technical issue, etc. Develop relationships with dairy service providers: e.g. Milk processors, banks 	<ul style="list-style-type: none"> Build on the governance and investment program piloted in 2016/17 Engage large suppliers in industry risk and reputation work
P251 Extension Operations & Delivery	The delivery of effective and quality extension services and programs that meet regional and industry priorities.	<ul style="list-style-type: none"> Fund and support the delivery of extension programs to meet regional priorities Continue Discussion Group and Focus Farm projects through RDPs Evaluate the impact of extension activity and create benchmarks for future assessment Use Salesforce to build the DA/RDP database about farmers and farm businesses to support segmentation and targeted service and extension offerings Build the capacity and capability of DA/RDP extension staff and providers Leverage levy investments through collaboration with partners including the NCDE, dairy processors and government agencies as appropriate 	<ul style="list-style-type: none"> Integrate Salesforce into all extension activities in all regions Increased focus on introducing farm business management within discussion groups
P257 Tactics for Tight Times	To assist dairy farmers in southern Australia to confidently manage the current market and seasonal conditions and enhance their capacity to confront the challenges of the future	<ul style="list-style-type: none"> Continue to support the delivery of Taking Stock and Taking Stock Action Plan Review Increase the capacity of service providers in business analysis and delivery of one-to-one services like Taking Stock; Deliver seasonal updates to assist farmers in their planning processes Connect with disengaged farmers and signpost to information and services Provide information on government and support services available to farmers Leverage participation in relevant Dairy Australia programs, including farm business management training (Financial Literacy), DairyBase and Feeding Pastures for Profit 	<ul style="list-style-type: none"> Increased emphasis on using the Tactics project to signpost to other DA/RDP programs such as the farm business management capability building program.

Evaluation & Budget

Project	Evaluation		Expenditure Planning				
	Planned BCR	Investment Attractiveness	2015/16 Actual	2016/17 Forecast	2017/18 Plan	2018/19 Plan	2019/20 Plan
P103 Regional Development Programs		7.7	3,645,756	5,486,453	5,131,500	5,131,500	5,131,500
P257 Tactics for Tight Times		7.2	-	121,419	300,000	-	-
P200 Large Supplier Engagement		6.8	79,434	80,676	100,000	100,000	100,000
P251 Extension Operations and Delivery		7.7	-	563,624	500,000	500,000	500,000
Total	5.09	7.4	6,882,241	6,252,171	6,031,500	5,731,500	5,731,500
Notes							

Key Milestones

Project	Milestone Description	Planned Completion	Status
P245	Initiate new round of Focus Farms and maintain national Focus Farm network	30 June 2019	In progress
P245	Achieve 30% of farms participating in Discussion Groups nationally	30 June 2019	In progress
P245	Use DA standard evaluation processes to 80% of DA / RDP funded extension activities	30 June 2019	Ongoing
P103	All RDPs use Salesforce to support their farmer facing activities	30 June 2018	Ongoing
P200	Use Salesforce to establish a dedicated database around the large supplier group and a critical needs analysis around this sector	30 June 2018	Ongoing

Key Performance Indicators (KPIs)

Target Outcome	Measure	Source of data	2016/17	2017/18
To embed continuous improvement in the delivery of farm change and extension services through effective evaluation	Implement standard measurement and evaluation framework and apply it to Dairy Australia's investments in extension and farm change	Salesforce	80%	80%
To ensure Dairy Australia and the Regional Development Programs are responding to the needs of farmers.	The average of farmers response that RDP services are relevant, meeting the needs and useful.	Stakeholder tracking	>6.5	>6.5
To ensure that Dairy Australia and the RDPs are effectively engaging with all dairy farmers	Farmer satisfaction with Dairy Australia's engagement.	Stakeholder tracking	>6.5	>6.5
To ensure that Dairy Australia and the RDPs are effectively engaging with the largest 200 dairy farmers	Large supplier satisfaction with Dairy Australia's engagement.	Stakeholder tracking	>6.5	>6.5
To increase the rate of dairy industry change through greater farmer reach and participation	Rate of dairy industry change through greater farmer reach and participation	Salesforce	>45%	>45%

People & Capability																																																														
Overview																																																														
Market Need / Context	<ul style="list-style-type: none"> In an increasingly complicated operating environment, the ability of industry to move forward is largely dependent upon the capability of the key participants – farm owners and workers. Farmers require the capability, confidence and motivation to effect change. Without central assistance, the market is unlikely to establish the services and infrastructure to meet the educational needs of farmers. Labour availability is an on-going issue for farms. As farms get bigger, there will be an increasing need for potential employees from casuals to managers. The industry is experiencing consolidation and structural change, farmers need assistance with transitions (in and out of the industry) and with the adoption of more appropriate business models (share farming, joint ventures, etc.) 																																																													
Industry Indicators	<p style="text-align: center;">PARTICIPATION 2015</p> <table border="1" style="margin-top: 10px; width: 100%; text-align: center;"> <thead> <tr> <th>Program</th> <th>Participation</th> </tr> </thead> <tbody> <tr> <td>ADV DIP OF AG</td> <td>13</td> </tr> <tr> <td>DIP OF AG</td> <td>45</td> </tr> <tr> <td>CERT IV AG</td> <td>108</td> </tr> <tr> <td>CERT III AG</td> <td>277</td> </tr> <tr> <td>CERT II AG</td> <td>243</td> </tr> <tr> <td>CUPS ON, CUPS OFF</td> <td>545</td> </tr> <tr> <td>EUTHANASE LIVESTOCK</td> <td>234</td> </tr> </tbody> </table>	Program	Participation	ADV DIP OF AG	13	DIP OF AG	45	CERT IV AG	108	CERT III AG	277	CERT II AG	243	CUPS ON, CUPS OFF	545	EUTHANASE LIVESTOCK	234	<p style="text-align: center;">Farmers reporting improved efficiency/effectiveness as a result training</p> <table border="1" style="margin-top: 10px; width: 100%; text-align: center;"> <thead> <tr> <th>Year</th> <th>% Attended</th> <th>% experience positive impact</th> <th>% with documented training plans</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>40%</td> <td>75%</td> <td>10%</td> </tr> <tr> <td>2015</td> <td>0%</td> <td>0%</td> <td>0%</td> </tr> <tr> <td>2016</td> <td>0%</td> <td>0%</td> <td>0%</td> </tr> <tr> <td>2017</td> <td>0%</td> <td>0%</td> <td>0%</td> </tr> </tbody> </table>	Year	% Attended	% experience positive impact	% with documented training plans	2014	40%	75%	10%	2015	0%	0%	0%	2016	0%	0%	0%	2017	0%	0%	0%																								
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Source: The power of people on Australian Dairy Farms (September 2014)																																																														
Overall Objective/s	<p>Understand, plan and support the near and long term human resource needs of the sector</p> <ul style="list-style-type: none"> Attract labour to the dairy sector Improve capability of farmer and farm workers Improve farmer human resource management capability and on-farm culture Improve safety on farm Remove HR related hurdles to growth and profitability 																																																													
General Approach / Strategy	<ul style="list-style-type: none"> Monitor sector HR needs and develop/pilot programs to address problem areas. Develop a comprehensive workforce planning and action strategy that addresses all sectors of the industry including farm, processing and the service sectors. To ensure the provision of and participation in quality educational programs in all the dairy regions that will contribute to the capability and professionalization of the dairy industry and ensure the industry's priorities are met Help the dairy industry to be seen as a desirable place to work such that employers (farm and manufacturing) have access to people interested in a dairy career. This include promoting the attractiveness of the industry as a career option, assisting farmers to be better managers of labour, improving on-farm conditions (e.g. OH&S) and to support regulatory change that enables access to labour. Assists sector growth and structural transition by providing the farmer with information that will assist new entrants or provides strategies for farm owners to consider when they are reducing or ceasing their role in active dairy farming. Develop networks and build the capacity of our young people to provide continuity of knowledge To ensure the industry leadership and education opportunities are well understood and patronised. To create a culture of safety on-farm 																																																													
Collaboration & Dependencies	<ul style="list-style-type: none"> Regional Development programs (RDPs) National Centre for Dairy Education (NCDE) Alliance partners Key consultants Other industry organisations: ADF, ADPF, Gardiner The University Of Melbourne, Sydney University Federal and State Regulatory bodies associated with Food Safety, Education and Work Health and Safety 																																																													

People & Capability							
Program Detail							
Project No. / Title	Project Level Objectives	Focus					
P207 Attract, Retain and Transition People in the Dairy Industry	The outcome of this project is that farmers will be able to attract and retain the best people for their businesses by assisting them to offer a quality workplace environment and by supporting and promoting rewarding career opportunities. Farm businesses will also be well prepared for the succession and transition of their businesses.	<ul style="list-style-type: none"> Regional workforce support through maintenance and promotion of the People in Dairy (TPID) website and associated content Employment made Easy (eMe)web portal implementation continues and development of Employee Manager program Promotion of careers opportunities of the pre and post-farm gate sector to secondary students will continue (Cows Create Careers) Stepping Stones – Information pack and support on the pathways available for those looking to start a career on a dairy farm, or for experienced people who want to progress their dairy career Stepping Up – Tools and support for experienced dairy farm employees who are planning to move into Share Farming, Leasing or an Equity Partnership. Stepping Back – Tools and support for farmers who want to reduce or cease their role in active farming Utilising the Young Dairy Network as a platform to engage and support young people in the industry 					
P154 Industry Education	To ensure the dairy industry has the skills and capability it needs.	<ul style="list-style-type: none"> Creating a broader multi-sector remit for education to include Schools, Universities, Farm advisers and consultants Coordination of regional delivery capability to optimise resources and connection to education through the dairy Australia education programs Alignment and collaboration with other DA initiatives including <ul style="list-style-type: none"> Farm Business management suite including roll out of financial literacy A large herd manager program Priority programs such as Cups On Cups Off Industry leadership programs A feedbase and animal nutrition suite of programs 					
P203 Workforce Planning	The dairy industry has sufficient numbers of people with the right mix of skills to maintain and grow the industry	<p>Key focus areas:</p> <ul style="list-style-type: none"> People Strategy Development through the Dairy Industry People Development Council Research into people and capability related issues Collaboration with other RDCs on people related projects Development and maintenance of an effective monitoring and evaluation framework for the people and capability programs 					
P260 Farm Safety	The dairy industry treats safety as a priority and a safety culture is embraced.	<p>Key focus areas:</p> <ul style="list-style-type: none"> Roll out of Farm Safety Starter Kit and Farm Safety Manual Building service provider capacity Embedding safety into DA supported programs Development and roll out of the Farm safety for Kids program 					
Evaluation & Budget							
Project	Evaluation		Expenditure Planning				
	Planned BCR	Investment Attractiveness	2015/ 16 Actual	2016/17 Plan	2017/18 Plan	2018/19 Plan	2019/20 Plan
P207 Attracting & Retaining People	2.13	6.6	933,410	813,654	1,309,860	1,309,860	1,309,860
P242 Transitioning People in Dairy Farm Businesses	2.04	5.12	582,045	440,682	-	-	-
P154 Industry Education	2.10	5.72	1,307,715	827,699	950,000	950,000	950,000
P203 Workforce Strategy, Planning & Action	2.04	6.08	560,434	399,122	120,000	120,000	120,000
P260 Farm Safety				-	350,055	366,520	390,920
Total	2.04	5.12	3,383,604	2,481,158	2,729,915	2,746,380	2,770,780
Notes	P242 merged into P207 in 2017/18 Farm Safety was removed from P203 17/18 and a separate project, P260, established						
Key Milestones							
Project	Milestone Description			Planned Completion	Status		
P207	Roll out of Employment Starter Kits and workshops			2018	Commenced		
	Develop Employee Manager and build advisor capability			2018	Commenced		
	Deliver Cows Create Careers – Farm Module			2018	Commenced		
	Next stage of The People in Dairy website refresh			2018	Planned		
	Develop and roll out the Leasing Resource			2017	Commenced		
	Deliver Share Farmer/Leasing workshops nationally			2018	Commenced		
	Continue Support for Young Dairy Networks in each region			2018	Commenced		
P154	One EDLP or DDLP leadership program delivered each year			2018/19	Commenced		

People & Capability				
	Scholarship support for Undergraduates in place	2017/18	Commenced	
	Scholarship support for Nuffield and ARLP in place	2017/18	Commenced	
	New Learning Framework structure implemented	2017/18	Commenced	
P203	Dairy Moving Forward KPIs reviewed and updated	Dec 2016	Complete	
	Six Monthly Progress reports for DIPDC developed and distributed	2017/18	Ongoing	
	Progressive stakeholder presentations to DIPDC meetings	2018/19	Ongoing	
	Cross RDC project, People in Agriculture, implemented and maintained	2017/18	Ongoing	
P260	Farm Safety Starter Kit distributed through Stakeholder groups	2019	Commenced	
	Farm Safety manual workshop conducted	2019	Planned	
	Service provider capability in WHS developed	2018	Planned	
	WHS elements embedded into all Dairy Australia delivery programs	2019	Commenced	
	Farm safety for Kids program implemented into 100 primary schools	2019	Planned	
Key Performance Indicators (KPIs)				
Target Outcome	Measure	Source of data	Outcome 2016/17	Targets 2017/18
Attract People into the Dairy Industry	Cows Create Careers Farm Module delivered in all Dairy Regions / Regional Sponsorship secured	DA research	211 Schools schools/ 9,400 students	>200 Schools > 9000 students Engaged in the program
Retain People in the Dairy Industry	The People in Dairy Website updated	DA research	Stage one completed	Commence stage two
Attract People into the Dairy Industry	Employment Made Easy jobs board operational in all Victorian regions.	DA research	Four Regions completed	Seven regions implement the eMe project
Retain people in the Dairy Industry	Young Dairy Network Australia in all Dairy regions National Sponsorship secured National YDN Forum	DA research	Young Dairy Networks in all regions National Sponsorship	>2200 members in the YDNA Technical programs delivered utilising YDN as a preferred platform
Transitioning People in Dairy	Share Farmer Code of Practice and Leasing information and workshop developed	DA research	Workshops delivered	In response to regional demand, workshops delivered for: <ul style="list-style-type: none"> • Sharefarming • Leasing • Taking Steps >20 workshops delivered
Attract People into the Dairy Industry	Develop Employee Manager		Commence development	Pilot with 4 Farms
Support and develop employment capability of farmers	Provide Regional Workforce Support Coordinators			Seven regions employee Regional Workforce Coordinators to support the roll out of DA programs and provide HR support to farmers
To ensure that the dairy industry and communities have a pipeline of appropriately engaged and empowered leaders	Strong demand for Leadership programs	DA	30 People apply for places (2 programs)	Emerging Dairy Leaders Program completed and reviewed. Delivery of one Developing Dairy Leaders program Support one participant in the ARLP program
To maintain a national network so priority and other national programs can be delivered	The appropriate qualifications, short courses and industry priority programs (IPPs) delivered in each region every year	DA	Quals, short courses, IPPs in every region	Delivery network of Education providers is available for all dairy regions. Satisfaction with DA programs is >75%
Large farm Manager Program	Program established to meet demand for qualified and capable large herd managers	DA	NA	Large herd manager program established
Dairy Industry People Development Council is operational as the COI for the People theme for DMF	Number of DIPDC meetings held	DA research	5 meetings	5 meetings
Strategic Workforce Action activity occurring	Workplace Health and Safety pilot delivered (transitions to P 260 after 2016/17)	DA research	2 regions	All dairy regions engage in WHS programs
Regional delivery plans established following a Program Logic approach	Regional delivery plans in place	DA	1 Region	All regions adopt integrate Program Logic approach into their AOPs

SP3 – Trusted Dairy Industry

Industry & Community Marketing			
Overview			
Market Need / Context	<ul style="list-style-type: none"> The general public is slowly losing trust and confidence in the dairy industry. They have doubts or concerns about dairy foods being an essential part of a daily diet, and many are either reducing their consumption or have enough concern to consider doing so. There are also concerns about the transparency of the industry and the difficulty in coping with conflicting information to make informed choices. Furthermore, the industry’s social licence to operate is at risk on a number of fronts namely health and nutrition, animal welfare and to a lesser degree environment/sustainability and new technologies. The Industry and Community marketing program is required to address industry trust using a multi-faceted engagement and communications strategy in order to maintain the industry social licence and in-turn enhance industry sustainability. Industry promotion is unlikely to increase consumption, but proactive promotion of consistent industry messaging in conjunction with active issues management will contribute to maintaining a positive reputation and public perception over the long term. The connection between dairy farmers and consumers in today’s environment is considerably less than it was 20 years ago. The community has little understanding of farming practices and contribution to the community. Developing a grass roots dairy voice with a consistent message will help address this. Farmers continue to be overwhelmed with information from multiple sources leading to a lack of awareness and adoption of DA’s programs and services. Segmentation of farmers is required to enable development of relevant programs and targeted communications and engagement. 		
Industry Indicators	<div style="display: flex; justify-content: space-around;"> <div style="width: 45%;">  <p>Consumer Trust in Product and Industry</p> </div> <div style="width: 45%;">  <p>Health Professional Messages</p> </div> </div>		
Aim	Build trust and confidence in dairy and the industry		
Objectives	<ul style="list-style-type: none"> Support the industry’s licence to operate through communication and promotion of the product and industry. Improve stakeholder awareness of Dairy Australia’s programs and services through more effective communication and engagement. 		
General Approach / Strategy	<p>Consumer Marketing & Communications Approach</p> <ul style="list-style-type: none"> In recent years Dairy Australia has segmented consumer marketing projects by life stage with a focus on women, particularly Balanced mums (mothers of kids between 5-12 years who have a balanced view of food and nutrition) and their influencers (e.g. teachers, health professionals). We need to review and determine relevance in relation to building trust and determine relevant channels, messaging and influencers of each segment to inform a new communications strategy. In 2013 the Legendairy brand platform and subsequent marketing and promotional plan was put in place to tell the unique story of the Australian Dairy Industry to inspire confidence in dairy people, build trust with consumers, and win respect from those who influence the operating environment. In conjunction with the consumer audience assessment, DA will undertake a review of the Legendairy, Dairy Australia and sub brand architecture and guidelines, to ensure the brand platform and messages are relevant, effective, consistent and transparent. A consistent and overarching communications approach will be developed in line with the three pillars of the Sustainability Framework – Enhancing Livelihoods, Improving Well-being and Reducing Environmental Impact. The communications needs to address and invite engagement on contentious issues and areas of public concern including fat and sugar levels in milk and dairy foods, care of livestock on farms and use of additives and the perceived ‘naturalness’ of dairy products. Influencer partnerships will also be reviewed to enhance level of credibility The consumer, key influencers and farmers are not seen as independent, but highly interlinked. Where relevant, messages and activities will be coordinated and leveraged across the projects to ensure maximum impact. <p>Farmer Communications and Engagement</p> <ul style="list-style-type: none"> Dairy Australia will undertake stakeholder market segmentation with the aim to enhance the value and uptake of Dairy Australia’s programs and services, by better aligning farmer needs with program delivery and more targeted communications and engagement. The Dairy Australia brand, program logos and branding guidelines, will be reviewed to ensure our presence is maximised and attribution of our programs and services is clearly linked back to DA. 		
Program Detail			
Project No. / Title	Project Level Objectives	Focus	2017/18 Changes
P247 Brand Management*	Ensure communications and branding effectiveness and consistency across all programs	<ul style="list-style-type: none"> Establish a strategic communications framework that can be delivered via integrated projects targeting key consumer and influencer audiences Undertake a Consumer Segmentation Study to understand and develop clear and relevant segments based on industry and 	<ul style="list-style-type: none"> Holistic oversight of branding across M&C beyond Legendairy Establishing a more specific approach to addressing the social license to operate

Industry & Community Marketing			
		<p>product trust. This will inform development of a strategy to address or influence public trust efficiently.</p> <ul style="list-style-type: none"> Review DA corporate and consumer brand platforms and align to new communications strategy. Support integration of the above across M&C to drive consistency, efficiencies and effectiveness 	communications in line with the sustainability framework pillars
P263 Consumer Marketing & Communications (Plan due in October)	Maintain consumer trust and confidence in dairy products and the industry Positively shift consumer attitudes and perceptions around the dairy industry and product	<ul style="list-style-type: none"> A revised integrated marketing and communication strategy will be developed and delivered within this project. The strategy will address consumer concerns with transparency and positively shift attitudes towards product and industry using a phased campaign approach. Channels and messaging will be targeted to key audience segments based on their attitudes towards dairy products and the industry. Annual consumer tracking and campaign measurement will be undertaken. 	<ul style="list-style-type: none"> This new project consolidates P220 and P258, and requires scoping and strategy development for launch in February 2018.
P262 Primary Schools Engagement (New plan due October)	To increase the proportion of teachers that deliver positive dairy messages to students about the dairy industry and its products.	<ul style="list-style-type: none"> Review and refine existing direct schools engagement program tools - Picasso Cows, Student Pen Pal, Healthy Bones Action Week (HBAW). Move delivery of the direct schools engagement programs (Picasso Cows, Student Pen Pal, HBAW) online to maximise cost-efficiencies and extend the reach year-on-year to more Australian schools. Map annual teacher planning processes and identify key barriers on the education calendar to strategically plan schools engagement programs. Develop a partnership strategy to focus on two core program pillars - Farm to Plate and Health and Nutrition, each delivering different targeted messaging. Enhance digital marketing by leveraging targeted Facebook advertising, whilst maintaining the Google AdWords campaign Maintain a multi-channel approach, to connect with teachers across a variety of networks and touchpoints. 	<ul style="list-style-type: none"> Schools engagement will be to digitise the programs, reduce delivery costs and seek better alignment with the education calendar to continue to increase teacher participation.
P256 Health Professionals Communication and Engagement	To increase the proportion of dairy positive health messages heard by consumers from health professionals	<ul style="list-style-type: none"> Continue to build awareness of dairy's health benefits and address barriers to recommending dairy to key health and nutrition influencers of consumers (dentists, dietitians and GPs). Continue to build relationships with member organisations (Australian Dental Association, Dietitians Connection, RACGP) as key education channels. Deliver content themes (determined by barriers identified in tracking and opportunities identified with KOLs) via owned and paid channels: Foods That Do Good website, online and print advertising, and editorial. Establish collaborative partnerships with relevant organisations and health influencers to increase credibility as a trusted source of nutrition information for health professionals, generate media interest and build reciprocal networks. (e.g. Gut Foundation, Diabetes Victoria) 	<ul style="list-style-type: none"> Review health professional's audience, brand and channels to ensure program aligns to the new consumer segments.
P223 Food Marketing and Communications	To protect dairy's place in the Australian diet, by promoting the usability, versatility, enjoyment of a wide variety of Australian dairy products.	<ul style="list-style-type: none"> Deliver the 19th annual Australian Grand Dairy Awards with a continued focus on bringing the stories of our Australian producers and high quality product to consumers in a newsworthy and relevant forum. Leverage 2017 learnings to continue to build consumer engagement with the awards and award-winning produce. Review the role of owned channels (Cheese Please and The Dairy Kitchen) against revised segments and strategy. Develop manufacturer engagement strategy to ensure better alignment of marketing and communications across industry 	Increased focus on driving awareness of AGDA across the year
P225 Farmer and Farming Communities Industry Marketing and Communications	To ensure communities recognise the value of dairy farming in their region, in-turn enhancing farmer pride	<ul style="list-style-type: none"> Continue to connect dairy farmers with their regional communities Raise the profile of dairy farmers and their communities through story-telling Continue to raise awareness of a proud and resilient industry through Legendairy support and sponsorships Successfully coordinate and manage industry events across the business 	<ul style="list-style-type: none"> Emphasis on engaging and connecting women in dairy Increased focus on raising the awareness of dairy through key agricultural sponsorships Increased focus on regional sporting sponsorships to encompass all dairy regions Project now includes corporate sponsorships and events
* P247 change from Legendairy Platform Management to Brand Management			

Industry & Community Marketing							
Evaluation & Budget							
Project	Evaluation		Expenditure Planning				
	Planned BCR	Investment Attractive-ness	2015/ 16 Actual	2016/17 Plan	2017/18 Plan	2018/19 Plan	2019/20 Plan
P220 Marketing and Communications to Mums and Kids		3.4	3,270,707	1,473,911	-	-	-
P258 Marketing and Communications to Women (18-50+)		2.7	-	403,001	-	-	-
P228 Industry Marketing Support		3.4	353,801	-	-	-	-
P263 Consumer Marketing & Communications				-	1,760,000	1,780,000	1,710,000
P262 Primary Schools Engagement				218,591	335,000	50,000	50,000
P247 Legendairy Platform Management		4.2	665,003	-	533,500	400,000	400,000
P223 Food Marketing and Communications		4.2	514,292	397,583	247,000	247,000	247,000
P225 Farmer and Farming Communities Industry Marketing and Communications		3.9	438,933	500,955	495,000	495,000	495,000
P226 Human Health and Wellness Partnerships & Engagement		3.4	449,442	225,608	250,000	250,000	250,000
P256 Health Professionals		4.0	-	440,144	370,000	320,000	320,000
Total		3.6	6,539,748	3,659,793	3,990,500	3,542,000	3,472,000
Notes	<p>* Expenditure to cover school initiative for remainder of 2017 calendar year before project wound down and new consumer marketing and schools project written.</p> <p>** New projects to replace P220 & P256</p> <p>*** Increased due to inclusion of corporate sponsorship</p>						
Key Milestones - see note below*							
Project	Milestone Description			Planned Completion		Status	
P247	Agency appointed to undertake consumer segmentation research and branding review			1 June 2017			
P247	Delivery of segmentation and branding recommendations			31 August 2018			
P263	Revised Project and Initiative Plans (including marketing and comms plan) presented to the board.			October 2017			
P263	Creative and media agency/agencies briefed			Mid November			
P263	Agency agreements finalised and media schedule confirmed			January 2018			
P220	Execute a schools activation to drive participation in Healthy Bones Action Week			August 2017			
P220	Picasso Cows Lite Pilot Program complete			October 2017			
P262	Discover Dairy website upgrade live			April 2018			
P262	Revitalised Picasso Cows and Picasso Cows Makeover programs launched			April 2018			
P223	AGDA PR campaign briefed			August 2017			
P223	AGDA PR campaign delivered			March 2018			
P223	AGDA PR Campaign results reported and recommendations made			April 2018			
P225	(Building Skills and Capabilities) - Australia's LEGENDAIRY Women's Network (ALWN) website launched			September 2017			
P225	(Maintaining Awareness) - 'Meet the Farmer' pilot successfully launched at Royal Adelaide Show			October 2017			
P225	(Telling the Dairy Story) - National 2017 Legendairy Capital announced and community celebration held			December 2017			
P225	(Events & Sponsorships) – New online resource form built and utilized at a minimum of six major Ag events			March 2018			
P256	Deliver Content theme one (e.g. Bone theme)			September 2017			
P256	Deliver content theme two (e.g. Weight Management)			February 2018			
P256	Deliver content theme three			May 2018			
P256	Scope the audiences, branding and use of own versus existing digital channels			November 2017			

Industry & Community Marketing				
Key Performance Indicators (KPIs) - see note below*				
Target Outcome	Measure	Source of data	2017/18 Target	2018/19
P262 To increase the proportion of teachers that deliver positive dairy messages to students about the dairy industry and its products.	Increase usage and engagement with the Discover Dairy website and resources	Google Analytics	> 60,170 downloads >563,518 page views Maintain 3% bounce rate	
	Maintain teacher participation rates in Discover Dairy school programs		Student Pen Pal program – 110 Healthy Games – 130 Picasso Cows & Makeover – 150	
P263 To drive consumer trust in the industry and products <i>Specific drivers of trust and key perceptions will be identified and KPIs set accordingly.</i>	Maintain the proportion of consumers who agree “I trust the dairy industry”	Dairy Monitor Survey 2018	>61%	
	Maintain the proportion of consumers who agree “I trust dairy as a wholesome and healthy food”	Dairy Monitor Survey 2018	≥68%	
P225 To ensure communities recognise the value of dairy farming in their region, leading to improved farmer pride	Increase the number of people in regional communities who agree that “The dairy industry is an essential part of my community”	Dairy Monitor Survey 2018	From 51% to 60%	
	Increase the number of dairy farmers who agree that “People in my regional community appreciate the contribution I make in my community”	NDFS 2018	from 78% to 82%	
	Increase the number of dairy farmers who mostly talk positively to people both inside and outside the dairy industry	NDFS 2018	from 43% to 49%	
	Grow the number of ALWN memberships		Increase by 20% nationally	
P223 Increase trust in Australian dairy through promotion of the industry’s people, high quality product and usage.	Increase the percentage of consumers that “Prefer to buy Australian made or locally produced dairy products whether possible”	Dairy Monitor Survey	75%	
	Increase the percentage of consumers that believe “The Australian dairy industry produces healthy and nutritious products”	Dairy Monitor Survey	>69%	
P256 To increase the proportion of dairy positive health messages heard by consumers from health professionals through education and engagement.	To increase the proportion of dairy messages heard by consumers from health professionals	Dairy Monitor Survey	>14%	
	To increase the proportion of positive messages heard by consumers from health professionals	Dairy Monitor Survey	>75%	

Industry Risk & Reputation Management																																																																																																																																																				
Overview																																																																																																																																																				
Market Need / Context	<ul style="list-style-type: none"> A sustainable dairy industry is one that builds and maintains its reputation with consumers and the community. While consumption of dairy products is stable and demand from overseas markets strong, it is of continuing importance to maintain and strengthen how Australian dairy (product and the industry itself) is perceived. Public perceptions of the impact of dairy food consumption on human health and nutrition, and of animal welfare, food safety, environmental stewardship and treatment of labour resources are critical issues that need to be proactively managed to ensure the Australian dairy industry has an ongoing social license to operate. Those that influence the dairy industry’s operating environment, whether they be government, regulators, media, academics or NGOs, need to have confidence in, and be assured of, the industry’s practices and products. 																																																																																																																																																			
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Overall Objective/s	<ul style="list-style-type: none"> Protect industry reputation and support sustainability via proactive management of short and longer term industry risks 																																																																																																																																																			
General Approach / Strategy	<ul style="list-style-type: none"> Activities are undertaken on both a planned and as-needed basis, supporting industry requirements for information, analysis and input to government policy review and reform processes. <ul style="list-style-type: none"> Immediate response: Providing a managed response to emerging or escalating issues with the potential to negatively impact industry reputation Awareness & Education: Providing information to support a positive understanding of the dairy industry and its products among key societal and policy influencers and decision makers. Relationship management initiatives, including government/stakeholder forums, promotional events, public speaking, etc. Sponsoring organisations that have influence over target audience Performance benchmarking: Developing, implementing, reviewing and reporting on the industry’s sustainability credentials, including developing metrics that evidence progress towards the industry’s targets for long term sustainability. Funding of central bodies that maintain quality standards and monitor industry performance Policy Support: Supporting a positive policy and regulatory operating environment: Commissioning expert analysis to review existing and proposed policies, and identify innovative policy solutions. Preparing background briefings and other communication materials to support industry policy positions. Facilitating the adoption of industry policies, strategies and practices that are highly regarded by consumers, regulators and the community. Health / Nutrition Research: Ensuring that there is a solid foundation of scientific evidence behind our claims that the consumption of dairy products improves wellbeing and filling in ‘evidence gaps’ in order to enhance the effectiveness of our communications to policy makers and societal shapers, influencers and consumers Delivery channels include collaboration with relevant groups, support for industry forums, change practice workshops, information, advocacy groups, and widespread circulation of materials to relevant stakeholders 																																																																																																																																																			
Collaboration & Dependencies	<ul style="list-style-type: none"> This program is closely aligned with “Consumer and Community Marketing” as there is significant cross-over in the area of social license and messaging / utilisation of the Legendaairy promotional platform. It also works closely with SP1 and SP2 across common license to operate issues. Co-investment with other RDPs and research entities in reviewing the effects, costs and benefits of current and proposed policy levers 																																																																																																																																																			

Industry Risk & Reputation Management			
Program Detail			
Project No. / Title	Project Level Objectives	Focus	2017/18 Focus / Changes
P172 Industry Issues Management	Protect industry reputation via effective response to emerging or escalating industry issues	<ul style="list-style-type: none"> Maintain the Risk Register and industry's Issues Management Framework (IMF) Maintaining communications with a network of industry key contacts about the IMF and potential issues Continuous improvement of the framework/networks/skills required to enable an effective response to emerging issues Facilitating an industry response to an issue or crisis in a timely and effective manner 	<ul style="list-style-type: none">
P177 Managing Supply Chain, Food Safety and Integrity Issues	Protect industry reputation through management of food safety and quality issues	<ul style="list-style-type: none"> Assess and address reputation risk issues that stem from changing processor models: more smaller / vertically integrated processors Development of communication tools/materials for providing information about the risk management systems in the dairy supply chain Focus on enhancing milk safety and quality across the supply chain Continued funding of AMRA Survey to monitor the effectiveness of food safety and quality management programs 	<ul style="list-style-type: none"> Funding for the AMRA Survey will now be through the Dairy Export Cost Recovery model through DAWR. DA will continue to work with DAWR on the program The Federally funded Package Assisting Small Exporters (PASE) Dairy Project (Are you Trade Ready) will continue with funding ending 30th June 2018 – this project focuses on helping SME Dairy businesses to export
P153 Dairy Industry's Sustainability Framework / Strategy	To build an develop the Sustainability Framework as a tool to measure, report and improve the Australian dairy industry's sustainably credentials	<ul style="list-style-type: none"> Continued development and roll-out of the Sustainability Framework as the overt tool that measures progress of the industry from a "sustainability" perspective Ensure that priorities identified still meet stakeholder expectations and reflect changes changing community goals: Review the usefulness of current targets and performance measures / Review effectiveness of actions to achieve 2020 targets / Determine post-2020 targets Engage with farmers to support increased adoption of sustainable practices 	<ul style="list-style-type: none"> Will develop an AH&W Self-Assessment program and digital tool for monitoring and measuring implementation of recommended industry AH&W practices 2016/17 focus areas continue
P226 Human Health and Wellness Partnerships & Engagement	Develop and strengthen Dairy Australia's strategic partnerships and engagement, ensuring the industry has a coordinated approach to working towards improving societal trust and respect for the industry.	<ul style="list-style-type: none"> Refocus partnerships to deliver new key messages to consumer and health professional audiences Influencer & industry engagement – maintain presence at key conferences on the issue of lactose intolerance, and weight Increase policy makers and societal shapers awareness of relevant, evidenced based health and nutrition science Maintain a health and nutrition positive policy and regulatory environment for five food group dairy foods; all milk, cheese and yoghurt 	<ul style="list-style-type: none"> Emphasis will be placed on highlighting topics which are barriers for dairy consumption e.g. gut health and weight This project will continue to support the Australian Dietary Guidelines.
P227 Human Nutrition Research & Science	To protect industry reputation through credible research supporting the nutritional and health impact of dairy product consumption	<ul style="list-style-type: none"> Address key evidence gaps in dairy product nutrition science, to support key industry policy positions and provide the basis for substantiated communications to policy makers, health influencers and consumers. On-going research projects are focusing on the following: <ul style="list-style-type: none"> Bone health ("the Fractures study" – A study into improved health for elderly through increased dairy consumption) Supporting dairy recommendations in future dietary guidelines (in particular the role of dairy foods within a Mediterranean diet) The impact of dairy product consumption on risk of type 2 diabetes The association between intake of sodium and dairy-related nutrients and blood pressure 	<p>Add:</p> <ul style="list-style-type: none"> The impact of dairy product consumption on risk of type 2 diabetes <p>Remove:</p> <ul style="list-style-type: none"> Health aspects of full fat dairy product in cardiovascular health
P233 Policy Support for Improving Animal Health & Welfare	Protect industry reputation and sustainability by managing risks	<ul style="list-style-type: none"> Develop evidence-based policy positions that promote the industry's credibility for good Animal Welfare management and minimising adverse community reactions to reduce compliance and industry burden 	<ul style="list-style-type: none"> No change

Industry Risk & Reputation Management							
	associated with animal health, biosecurity and animal welfare	<ul style="list-style-type: none"> Enhance biosecurity measures on dairy farms and industry preparedness for emergency animal diseases Continued liaison with key stakeholder groups and opinion leaders to reinforce industry support activities in key policy areas Policy development and Regulatory support: Includes assisting the farms to have practices that comply with National Standards: <ul style="list-style-type: none"> Banning of tail docking, National Animal Welfare Standard for Cattle will legislate current Code of Practice Management of the phase-out of routine calving Induction Calf management and electronic vendor traceability to ensure calves are treated humanely all along the supply chain. 					
P259 Technical Policy Support	Protect industry reputation and sustainability by managing risks associated with water, energy, climate change, intensification and land use planning, biotechnology infrastructure, workforce access and market competition	<ul style="list-style-type: none"> Monitoring implementation of Murray Darling Basin Plan and informing advocacy for changes to minimise volume of water removed from irrigated agriculture. Soil and biodiversity – watching brief Energy / Climate change – monitor and assess potential impact of mitigation and adaptation policies at State and National level. Evaluate implications of energy market reforms, including potential for market mechanism to reduce GHG. Inform industry policy in transport, workforce, market access, market competition and other infrastructure areas Evaluate intensification and land use planning policies Ongoing gene technology policy and regulatory support and other infrastructure areas 	Remove <ul style="list-style-type: none"> Inform industry policy on tax reform in agriculture to promote investment in the industry Add <ul style="list-style-type: none"> Evaluate intensification and land use planning policies Ongoing gene technology policy and regulatory support 				
P243 Societal Shapers	To influence key industry stakeholders and opinion leaders (Societal Shapers) to view the dairy industry and its products in a positive manner.	<ul style="list-style-type: none"> Continued liaison with key decision makers, stakeholder groups and opinion leaders to promote a positive understanding of the dairy industry in key policy areas. Continued distribution of information booklet to promote the Australian Dairy Industry National and regional networking events to develop and maintain positive understanding of the dairy industry with federal and State MPs, local government, departments, agencies and business networks. 	<ul style="list-style-type: none"> No change 				
Evaluation & Budget							
Project	Evaluation		Expenditure Planning				
	Planned BCR	Investment Attractiveness	2015/16 Actual	2016/17 Forecast	2017/18 Plan	2018/19 Plan	2019/20 Plan
P153 Dairy Industry's Sustainability Framework / Strategy	3.66	7.0	479,175	394,556	400,000	300,000	300,000
P172 Industry Issues Management		7.4	199,909	56,290	-	-	-
P177 Managing Supply Chain, Food Safety and Integrity Issues	2.04	5.1	747,375	716,777	250,000	250,000	250,000
P227 Human Nutrition Research & Science	1.60	3.4	363,778	430,374	495,340	349,900	200,000
P233 Policy Support for Improving Animal Health & Welfare	15.83	7.9	379,229	358,166	184,000	264,000	264,000
P259 Technical Policy Support	2.03	5.7	-	148,282	230,000	220,000	210,000
P235 Policy Support for Improving the Profitability & Competitiveness of the Dairy Industry		5.1	107,822				
P243 Societal Shapers	1.93	4.2	65,429	26,974	55,000	55,000	55,000
P261 Access to Agvet Chemicals	TBA	TBA		15,000	60,000	50,000	-
Total	5.46	8.2	2,421,975	2,146,418	1,674,340	1,488,900	1,279,000
Notes	P234-Other Policy Support, and P235-Policy Support Competitiveness, have been combined to create P259-Technical Policy Support						

Industry Risk & Reputation Management				
Key Milestones				
Project	Milestone Description		Planned	Status
P153 Sustainability Framework	Release of Sustainability Progress Report each year		March each year	Ongoing
P227 Human Nutrition Research	Publication of research papers in peer-reviewed scientific journals		Ongoing	Ongoing
P233 Policy Support for Improving Animal Health & Welfare	Annual report on phase-out of routine calving induction		Dec each year	Ongoing
	Biennial Animal Husbandry Survey		July 2016	Biennial
P259 Technical Policy Support	Research and respond on an as-needs basis to policy and regulatory issues affecting dairy's operating environment and competitive edge. Issues may include water, energy and climate change, intensification and land use planning, gene technology, access to labour, infrastructure and tax		Ongoing	Ongoing
P243 Societal Shapers	Annual Legendairy breakfast in Parliament House, Canberra; two dairy regional events with RDPs.		By 30 June each year	Ongoing
Key Performance Indicators (KPIs)				
Target Outcome	Measure	Source of data		Targets 2017/18
Effective policy support	ADF / ADPF satisfaction with DA support	Survey		TBA
External recognition of Australian food quality	Acceptance of AMRA Sampling Plan by the EU	DA data collection		Accepted
Industry recognition of the sustainability framework	Participation in annual sustainability forum	DA data collection		Achieved
Improved industry sustainability credentials	Dairy's approach to sustainability used as a model for other industries	DA data collection		Targets / KPIs adopted by all sectors of the dairy industry
P226 Strengthen health and nutrition strategic partnerships, relationships and engagement to foster and facilitate societal trust and respect	Paid partners	Partnership Activity reports		4 articles, 2 social posts, 1 webinar
	Unpaid partners			3 third parties identified and deliver joint scientific dairy message – via updating their website, a joint media release or social media of latest science

Knowledge & Insights			
Overview			
Market Need / Context	<ul style="list-style-type: none"> • There is a need for provision of timely, credible information to dairy industry participants and stakeholders as a basis for decision-making and investment. • DA also needs access to this information for internal planning requirements in addition to being able to offer this information as a resource to stakeholders • DA is uniquely placed to serve as a centralised collection point for key data on a confidential basis from key manufacturers and government sources. 		
Overall Objective/s	<p>Central collection, analysis and distribution of information that:</p> <ul style="list-style-type: none"> • Assists stakeholders in their business decision-making • Informs and assists internal DA programs and projects, including strategic planning. • Promotes general understanding of the Australian dairy industry 		
General Approach / Strategy	<ul style="list-style-type: none"> • DA sources data cost-effectively for industry by maintaining a central database of domestic and international data series that can be accessed by stakeholders. The knowledge that is developed from these activities is then used to facilitate DA and industry-level business planning and prioritisation for the positioning of dairy in national and international debates on dairy's economic, social and environmental contribution. • This area also encompasses stakeholder surveys that allow DA to understand farmer demographics, sentiment, issues and intentions, evaluate issues addressed by programs and incorporate key challenges and issues into strategic planning. • DA undertakes extensive personal engagement with stakeholders to communicate and expand on the findings of DA market insight publications. • Leverage existing DA reputation in market to build and maintain reputation for being impartial, Australian and informed in international markets. 		
Collaboration & Dependencies	<ul style="list-style-type: none"> • The majority of Australian dairy manufacturers provide commercially sensitive production, sales and price data to DA, which enables development of 'whole of market' insights for Australian dairy industry stakeholders that would otherwise cost a significant amount of money to purchase from third-party providers. • RDP's assist the program with the identification of regional extension opportunities for the market insights. • Engagement with Australian dairy manufacturers to assist identify potentially valuable areas of investment. • Relationship and preference development in international markets is based on information from Market Insights and Information. Leveraging the existing branding as a trusted source of information provides opportunities to continually refine and update our understanding of the global dairy trade environment. This then preserves the organisation's reputation in market for future development. 		
Program Detail			
Project No. / Title	Project Level Objectives	Focus	2017/18 Focus / Changes
P237 Market Information and Insights	To support industry profitability through the provision of high quality data and analysis which supports short and long term planning.	<ul style="list-style-type: none"> • Complete the rebuild of the domestic sales database and commence rollout and utilisation. Implement the Tableau Business Intelligence Tool and promote the new facility to dairy manufacturers. • Continued review of existing DA market publications to ensure value delivery while exploring the value of new tools and insights. • Rollout of the Pathways to Profitable Growth collaborative framework, particularly in relation to underpinning State Growth Plans. • Rollout and communication of the Economic Multipliers of the Australian dairy industry. • Undertake analysis on the effectiveness of risk management tools being utilised by the Australian dairy industry. • Refine the approach to the international market research program to acquire market insights for dairy exporters and to provide insights for the DA Trade / International Marketing programs. • Provision of evidence based information (for farmers, regulators, policy makers, potential investors and investment facilitators) to support the flow of sustainable capital into the Australian dairy industry 	<ul style="list-style-type: none"> • Finalise rebuild and validation of the domestic sales database. Transition to modernised reporting infrastructure. • Ongoing review of existing DA market publications to ensure value delivery while exploring the value of new tools and insights. • Provision of evidence based information (for farmers, regulators, policy makers, potential investors and investment facilitators) to support the flow of sustainable capital into the Australian dairy industry • Consider ways of developing insights from international market development program to inform industry publications like InFocus and Situation and Outlook

Knowledge & Insights							
Evaluation & Budget							
Project	Evaluation		Expenditure Planning				
	Planned BCR	Investment Attractiveness	2015/16 Actual	2016/17 Forecast	2017/18 Plan	2018/19 Plan	2019/20 Plan
P237 Market Information and Insights	2.73	4.9	1,210,720	879,850	726,667	734,167	741,892
Notes	Overall increase should be less than 5% per annum. Some contracts need additional funds allocated to them because fees regularly increase (Supermarket sales data, some reporting services (Grain info) software subscriptions and the like).						
Key Milestones							
Project	Milestone Description					Planned Completion	Status
P237	Delivery of 3 Situation and Outlook reports over the year. Loosely timed around Feb, Jun, Sep but subject to variation based on industry feedback and data availability.					28/2/17, 30/06/17 30/09/17	Complete In Planning
	InFocus 2017 finalised prior to DA AGM in November.					30/11/17	
Key Performance Indicators (KPIs)							
Target Outcome	Measure	Source of data	2016/17 Targets	2017/18 Targets			
Situation and Outlook	Number of reports delivered over the year.	Multiple, analysis creation	3 - Loosely around Feb, Jun, Sep. Timing will vary based on industry feedback and data availability	same			
InFocus	InFocus 2016 finalised	Multiple	Prior to DA AGM in November	same			



**Dairy
Australia**

Your Levy at Work

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