



Annual Report
2016–17



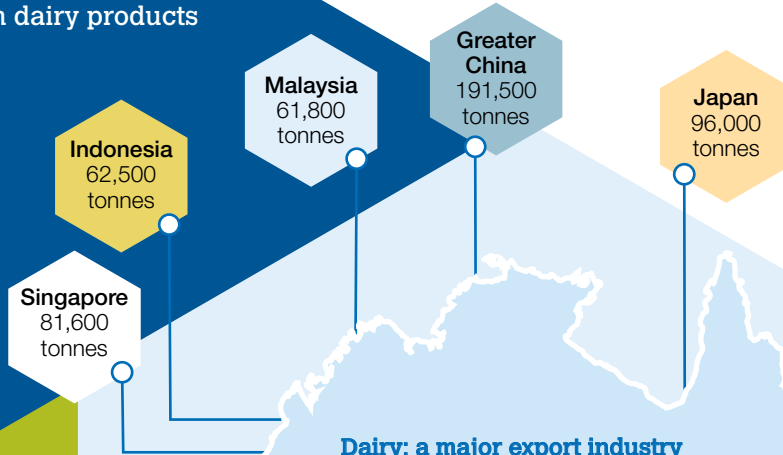


**“Our regional capability
is central to farmer
engagement, extension
delivery and R&D adoption.”**

Ian Halliday, Dairy Australia

The Australian dairy industry at a glance 2016-17

Major markets for Australian dairy products



Dairy: a major export industry

37% of Australian milk production was exported in 2016-17

\$3b of export revenue was generated in 2016-17

6% of the world dairy trade is contributed by Australia

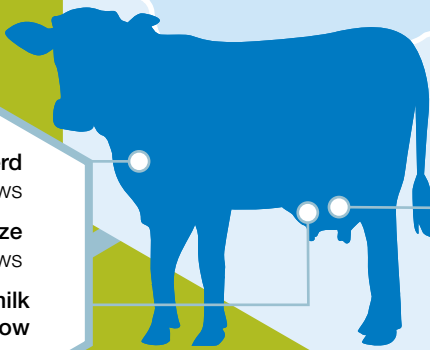
Dairy is Australia's 3rd largest rural industry

\$13.7b value of farmgate production

National dairy herd
1.51m cows

Average herd size
261 cows

Average annual milk production per cow
5,819 litres



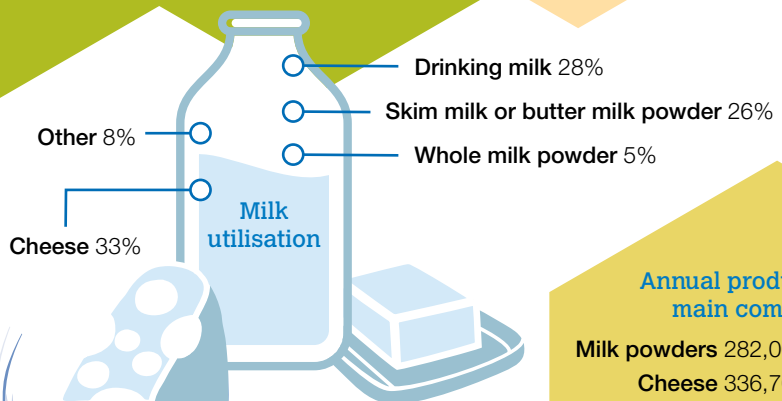
Milk production
9,015 m litres

Annual per capita consumption

Drinking milk
103 litres

Cheese
13.4 kg

Dairy industry workforce
Approximately 42,000 people are directly employed in the industry



Annual production of main commodities

Milk powders 282,000 tonnes

Cheese 336,700 tonnes

Butter 99,950 tonnes



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Dairy Australia

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Who we are

We are an industry-owned national services body, funded through the dairy service levy, paid by dairy farmers and matching payments from the Australian Government for research and development (R&D) activities.

Our purpose is to drive improved levy payer profitability and to promote and protect the Australian dairy industry.

This is achieved through investment in pre- and post-farmgate R&D, extension and a range of industry services including: trade policy, issues management and the promotion of the health benefits of dairy.

Our strategic priorities

To achieve our core business objectives, Dairy Australia annually develops and reviews a set of strategic priorities, which we use to guide investment in our current projects.

01

Strategic priority

Profitable dairy farms

Focuses on:

- › pre-farmgate activities that contribute directly towards improving farm profitability by optimising unit cost of production, and
- › post-farmgate programs are focused on improving the farmgate price through supply chain cost reductions or stronger demand from international markets.

02

Strategic priority

Capable people

Focuses on:

Activities that directly improve the capability and culture of industry participants, including extension services and general education and training activities.

03

Strategic priority

Trusted dairy industry

Focuses on:

- Investments that promote products and reputation and creating knowledge and insights into the industry, including:
- › industry and community marketing
 - › industry risk and reputation management
 - › knowledge and insights.



Our structure

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







02

Chair and Managing Director reports

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“I look forward to the continued advancement of this incredible industry.”

Chair’s report

As I reflect on my four years as Chair of Dairy Australia, I am reminded of the many challenges our industry has faced, as well as our many accomplishments.

Price volatility, retrospective cuts to milk payments, drought, floods, supermarket price wars and shifting consumer perceptions of our industry – are just some of the challenges that spring to mind.

Unfortunately, change and disruption are now the norm for people, companies and industries. Our effectiveness in anticipating, managing and leveraging change, will ultimately determine the strength and competitiveness of our industry.

Establishing the structures and programs to help us anticipate and adapt to change, has been a priority for the Dairy Australia Board.

Following are some of the notable examples:

DataGene

In 2013, Dairy Australia identified the opportunity to increase farmer profitability through improvements in herd genetics. This prompted the formation of the industry-wide Herd Improvement Industry Strategic Steering Group (HISSG) to explore the possibilities.

The steering group determined that the existing industry structure was insufficiently equipped to address the significant changes occurring within the herd improvement sector – including changes in farm data collection and application, the increasing use of genomics, an increasing focus on animal health traits and declining participation in herd testing. On the recommendation of the steering group, DataGene was established in 2016.

This collaborative herd improvement organisation, brings together the ‘precompetitive’ herd improvement functions of the Australian Dairy Herd Improvement Scheme (ADHIS), the MISTRO herd testing software and a new central database into a single, industry owned organisation, creating significant efficiencies and economies of scale.

DataGene facilitates the introduction of new tools and services to equip dairy farmers with information to make better decisions about breeding, feeding, health and herd management. It has the potential to boost the profitability of dairy farmers by \$25 million per annum through the development and utilisation of better herd improvement services.

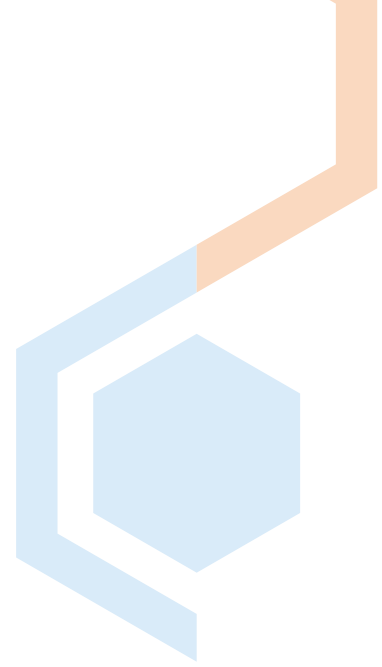
DairyBio

Acknowledgement of the significant value to farmers of productivity gains in feedbase and animal performance led the Dairy Australia Board to re-affirm our commitment to dairy bioscience. This commitment is encapsulated in a joint venture agreement with the Victorian State Government to establish DairyBio.

DairyBio has now succeeded the Dairy Futures CRC, allowing Dairy Australia to maintain R&D capability in the critical feedbase and animal performance areas. Innovation and productivity gains include:

- › a turnkey solution for hybrid breeding of perennial ryegrass
- › new applications of genome editing that improve feed quality and persistence of perennial pastures
- › new breeding tools for short term ryegrass and tall fescue that enable the use of hybrid breeding and other breeding methods
- › further progress in herd improvement through improved reliability and robustness of genomic selection
- › improvement of current cattle genetic evaluation services; and
- › Delivery of new traits related to health and resilience of cattle.

Most importantly, the work of DairyBio is expected to increase pasture productivity by \$800/ha/year and herd productivity by \$350/cow/year, in 2030.



Dairy Australia's 'Hub and Spoke' model

Progressive changes in state government funding of extension, have led Dairy Australia to assume greater responsibility for extension delivery. To support this, there has been a concerted effort to establish an organisational structure that best meets the needs of our industry. This structure is characterised by a central 'head office', (the 'Hub'), based in Melbourne, and regional offices (the 'Spokes') in the form of the Regional Development Programs (RDPs) which consist of eight organisations located in each of the dairy regions.

Our strong regional presence ensures direct farmer engagement, regional employment, better alignment between regional and national priorities and a strong focus on R&D adoption. Our metropolitan presence allows Dairy Australia to maintain strong connections to important stakeholders, such as Australian Dairy Farmers, the Australian Dairy Products Federation, the Victorian Government, and the head offices of many dairy companies. The proximity to key universities and research facilities such as DairyBio and the retention of skilled staff are additional benefits.

I am pleased to report that Dairy Australia now has a workforce of 73 people distributed across the eight dairy regions.

Sustainability Framework

Recognition of the growing domestic and international importance of sustainability credentials in food production,

prompted the industry to develop the Sustainability Framework.

The Sustainability Framework, led by the Australian Dairy Industry Council, sets and measures goals for economic prosperity, nutrition, animal welfare and natural resource management.

We are proud to have made progress on key economic, social and environmental targets.

To ensure that our targets remain relevant, there is a process of continuous assessment in place. In 2016, significant effort went into reviewing our material issues which include industry profitability (ethical investment), human health and nutrition, animal health and welfare, climate change (including water scarcity) and food waste. This year we will be updating the Sustainability Framework to reflect these issues and to guide our path beyond 2020.

An effective industry services body

As I prepare to hand over the role of Chair of Dairy Australia, I am confident that I leave an efficient and effective organisation. The latest Independent Review of Dairy Australia's performance and our renewed Statutory Funding Agreement 2017–2021, are testaments to this.

While the review report offers four recommendations for improvement, it concludes that Dairy Australia has met all of the obligations of the 2013–2017 Statutory Funding Agreement and has performed successfully in its role as the industry services body.

I am very proud to have been a part of Dairy Australia's development and and, as a dairy farmer, I look forward to the continued advancement of this incredible industry.

Thank you to all the individuals and business partners who have supported me over the past four years. Thank you to my board, our Managing Director, the executive team and staff of Dairy Australia. Thank you to the Federal Government for your ongoing support of our industry through the matching payments for dairy research and development initiatives. Thank you to the ADIC, ADF and the ADPF for their continued guidance and contribution to our investment decisions. Thank you to our all our funding partners. Most importantly, I'd like to convey my thanks to all my fellow dairy farmers who contribute to the future of our industry via the Dairy Service Levy.

Geoff Akers
Chair

“I am very proud of our work over the past year - delivering programs, tools and services to support farmers through an unprecedented period.”



Managing Director's report

The combination of seasonal and pricing pressures had a highly detrimental effect on farmer profitability and confidence during 2016–17.

The March 2017 National Dairy Farmer Survey revealed nationally, 53 % of respondents felt positive about the future of the dairy industry. This is a significant drop from the 2016 result of 67 %. Many of the hardest hit were farmers in southern export-focused regions, with significant declines experienced in Western Victoria, Gippsland, New South Wales and Tasmania.

Not surprisingly, milk production was severely impacted, falling 6.9% to 9.01 billion litres from 2015–16 to 2016–17.

This challenging operating environment demanded a strong focus from Dairy Australia and the RDP network, particularly on helping farmers understand their financial situation and developing action plans to support their farm enterprise.

Dairy Australia was also compelled to review our financial situation and make adjustments to our expenditure. In line with reduced levy income, we reduced our expenditure by 7.2% (\$4.8m) in 2016–17 and simultaneously adjusted our funding allocation to address changing industry needs – with \$40million or 65 % of our total levy funds directed at research, development and extension activities in 2016–17.

The following is an outline of some of the initiatives delivered to support profitable dairy farms, along with highlights across each of our other strategic priorities. Information on the broader mix of programs can be found in Section 5 of this report.

Strategic priority 1: Profitable dairy farms

Farm Business Management (FBM)

Following the milk price reductions in late April/May 2016 and the on-going challenges of seasonal conditions, the Tactics for Tight Times program was rolled out across Victoria, South Australia and Tasmania and New South Wales.

Tactics for Tight Times brought together regionally tailored initiatives, information and tools to assist farmers to manage the high degree of uncertainty they faced around markets, milk price and the season.

These included one-on-one support through the Taking Stock program, regional extension activities, farmer case studies, DairyBase training and Feedbase management programs. Participation levels from farmers

in program activities has been most encouraging:

- › 1,046 farmers took the opportunity to do a Taking Stock one-on-one consultation in 2016–17 with an experienced advisor. A Taking Stock consultation allows farmers to develop an action plan with the support of their advisor. Of these farmers, 279 had a follow-up review with their advisor to assist the implementation of their action plan.
- › Farmer group based activities provided under Tactics for Tight Times included the provision of seed funding for 65 discussion groups. There were a further 157 Tactics field days and workshops managed by the RDPs - attended by 919 farmers and 722 service providers.
- › DairyBase registrations increased throughout the year to 1,970 at 30 June 2017. Of these 1,298 were farmers, representing 22 % of all Australian dairy farms.

I'd like to acknowledge the significant effort of our RDP teams, the Gardiner Dairy Foundation, the state representative organisations, the various state governments and the DA team, in responding to and supporting farmers through a particularly challenging year.

Forage Improvement

Given the significant impact on farm margins, home-grown forage was a key priority for Dairy Australia. In February 2017, Dairy Australia launched the Forage Value Index or FVI. This tool communicates estimated economic

values of different perennial ryegrass cultivars to enable optimum decision making in terms of cultivar selection.

Farmers using this tool can expect:

- › access to reliable, analysed, validated content
- › easier and more timely decision making
- › a clearer understanding of the agronomic performance and potential economic value of pasture seed cultivars for their farm and
- › improved pasture performance that better matches their farm region and feed requirements.

The response and feedback from farmers on the FVI has been very positive – demonstrated by the 1,500 downloads of the FVI tables since February 2016.

Work on the FVI will be ongoing to include new pasture species and additional traits of interest.

Trade support

The lowering of technical barriers to trade and promotion of Australian dairy products in target export markets, particularly in Asia, remained a priority in 2016–17.

Some of the many trade initiatives included:

- › seminars in Shenzhen, Guangzhou, Hong Kong and Taipei to update over 300 customers on the situation and outlook for Australian dairy as well as seminars in South-East Asia attended by over 500 trade customers
- › workshops for liquid milk exporters to China, to support understanding of changes in Chinese regulatory requirements and develop an industry code of practice
- › the inaugural Taste of Australia event, hosted in China in partnership with Meat & Livestock Australia, Horticulture Innovation Australia, Wine Australia and Austrade. This event showcased the benefits of Australian food and wine, including dairy, to leading journalists and influencers.

Strategic priority 2: Capable people

With a continued emphasis on enhancing farmer capability, better on-farm human resources management and services around structural transition, two notable projects were delivered in 2016–17:

- › leadership of a Rural R&D-for-profit project to stimulate private sector extension in Australian agriculture and increase returns from R&D projects. This project spans six agricultural sectors and aims to deliver a stronger connection between private extension providers and advisors to the outcomes of agricultural R&D
- › a review of the National Centre of Dairy Education (NCDE), to identify opportunities to evolve the NCDE model. The new model for education engagement is now being finalised.

Strategic priority 3: Trusted dairy industry

In 2016 Dairy Australia undertook research to identify emerging risks to the dairy industry's licence to operate. This research highlighted the key areas that contribute to the public's perception of the dairy industry. These included human health and nutrition concerns, risk around the treatment of animals, use of environmental resources, and acceptance and understanding of innovation and new on-farm technologies.

Following this research, the focus of Strategic priority 3 has transitioned from driving consumption to maintaining public trust in relation to key social licence issues.

In line with our revised approach, some of the many initiatives delivered in 2016–17 included:

- › a consumer campaign that positioned cheese as a nutritious and versatile food, addressing barriers to consumption
- › a significant body of work, targeting health professionals and consumers, to tackle the issue of lactose intolerance and bloating driven by the 2016 social licence research

- › a multi-faceted health professional campaign that positioned dairy foods as a core component of the Australian Dietary Guidelines
- › dairy education to over 14,000 school children and an extended audience of 10,195,957 through the Discover Dairy and Picasso Cows initiatives
- › publication of a report on emerging trends in water affordability, availability and socio-economic impacts due to the Murray–Darling Basin Plan signed in November 2012. The plan affects farmers producing 26% of Australia's milk.
- › progression of the Fractures Trial (Study into Improved Health for Elderly through Increased Dairy Consumption) to near completion. This extensive trial seeks to conclusively demonstrate the benefits of increased dairy consumption by older people.

I am very proud of all our work during the past year, delivering programs, tools and services to support farmers and the broader industry through an unprecedented period. I'd like to thank the Dairy Australia board, staff and the many organisations and individuals who provided services and support – RDP Boards, the Federal Government, the Department of Agriculture and Water Resources in particular, national and regional dairy groups including ADIC, ADF, ADPF, state dairy farmer organisations, manufacturers, the Gardiner Dairy Foundation, state government agencies and our many other Australian and overseas partners.

Finally, a huge thank you to all dairy farmers for your ongoing support.



Ian Halliday
Managing Director





03

Revenue

Our revenue during 2016-17

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Our revenue during 2016–17

The dairy service levy is collected to fund the activities of Dairy Australia. In 2016–17 the rate of milk levies was 2.87 c/kg milk fat and 6.99 c/kg protein.

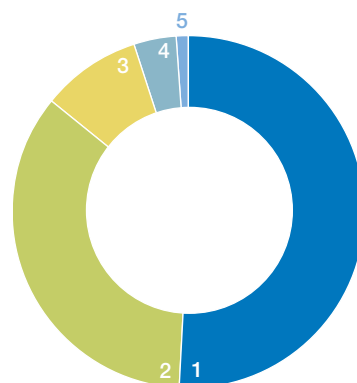
Based on national average milk composition, these combined levies were equivalent to approximately 0.352 c/ltr of milk. The levy is deducted from the payments manufacturers make to farmers and paid to the Australian Government. The proceeds are then paid to Dairy Australia under our Statutory Funding Agreement (SFA).



Revenue Sources

Dairy service levy	31,120
Government matching payments	21,618
External contributions	5,282
Interest revenue	187
Distributions from investments	2,101
Royalties	461
Other income	477
Total Revenue	61,246

Revenue source



- 1 Dairy service levy** | 51 %
- 2 Government matching payments** | 35 %
- 3 External contributions** | 9 %
- 4 Interest revenue and distributions from investments** | 4 %
- 5 Royalties and other income** | 1 %







04

Investment activity

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Industry context

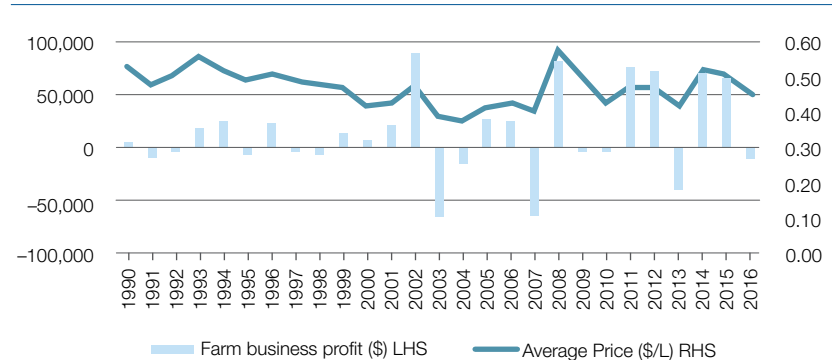
Australian dairy is an open market, subject to external factors such as international economic volatility and climate variability.

Since 2014, the combined impact of slowing Chinese demand, the Russian embargo on European Union supply, and the increasing global supply resulting from production in the European Union, after the 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 farmers were 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 dairy processors competing for supply.

However, the May 2016 step-down (reduction) in farmgate pricing brought Australian pricing back into line with global pricing at a time of relatively poor climatic conditions, in a number of dairy regions.

Average farm profit and milk price (ABARES)



The repercussions of the pricing step-down at the end of 2015–16 are still impacting farmers. The average 2016–17 national farmgate price has been below cost for many farmers and, the subsequent lack of confidence resulted in a significant contraction of production during 2016–17 (-6.9%). While production is contracting, local demand is expanding, leading to a lower proportion of supply going to export.

Fortunately, rising global commodity prices (with subsequent farmgate pricing step-ups) and improved climatic conditions during the latter half of 2016–17 have lifted farm profitability and provided hope. Nonetheless, dairy farming in Australia remains highly subject to global economic and climatic cycles and many farmers will take some time to improve their cash flow positions.

The key objective is to be able to maintain farmer profitability within this unstable environment.

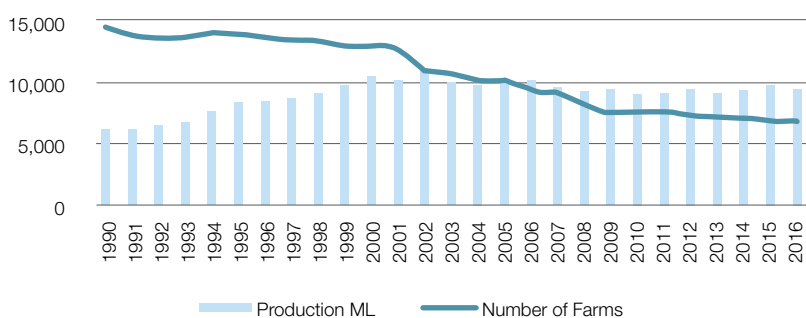
Reduced Australian milk production also results in lower future income to Dairy Australia from the levy and government matching payments. Prioritising Dairy Australia's expenditure while adequately supporting industry needs and maintaining reserves in accordance with Dairy Australia's Board policy, will be a challenge over the next few years.

“The key objective is to be able to maintain reasonable levels of profitability within this unstable environment.”

There are a range of longer term trends impacting our sector:

- › Consolidation at farm level continues with the number of smaller farms decreasing especially in regions with limited export exposure. Farm exits last year were 5.1 % nationally vs long term industry trend of 4.6 %. While economies of scale are improving on-farm productivity, increasing average farm size and exposure to market volatility is adding commercial risk and making farm management more complex. Increasing scale of farms is changing the nature of farm employment and labour availability remains an issue for some farms.

Milk production and number of farms (ABARES)



- › Community pressure continues to build in the licence to operate areas including animal welfare, environmental and labour management practices, influencing the supply chain and progressively impacting on-farm practices.
- › Increased climate variability and associated water availability/price appears to be having a more pronounced impact on many farming regions.
- › Innovation and new technologies provide opportunities for improved on-farm productivity and profitability, but for many farmers there can be significant profit gains just through adoption of known best practices.
- › Milk processors are progressively moving to the manufacture of 'value-added' products (e.g. cheese and nutritionals) in an attempt to gain some insulation from the volatility of commodity products.

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. Further sector investment will be predicated on actual or expected supply growth. A summary of the key challenges to both the industry and Dairy Australia is as follows:

Key challenges facing the sector

Supply growth/farm profitability

- › Exposure to global forces and prices/managing price volatility
- › Global cost competitiveness/rising input costs – e.g. energy

Industry structure

- › Larger farms/farm business management complexity
- › Changing HR requirements/transitions/labour availability
- › Emerging business models/intensification
- › Producer – processor relationships

Licence to operate/social licence

- › Licence to sell – human health and nutrition
- › Licence to produce – farm ethical practices
- › Environment – nitrogen management

Climate change/variability

- › Frequency of adverse conditions
- › Water price and availability/managing heat

Trade

- › Global shift towards protection/removing technical barriers to trade (TBTs) in a 'free-trade' environment

Key challenges for Dairy Australia

Funding

- › Maintaining core services with significantly lower income over the forecast period

Extension

- › Establishing the most cost-effective extension structure to improve levels of on-farm adoption of defined best practices

R&D

- › Optimising arrangements with State Governments to maintain funding availability
- › Focus and effectiveness of R&D infrastructure
- › Barriers to adoption of valuable intellectual property

Marketing and communications

- › Optimise investment to best support social licence objectives
- › Keeping farmers informed and aware of Dairy Australia programs
- › Ensuring stakeholders and government understand the value of Dairy Australia to the sector

Our investment strategy

Dairy Australia's investments are driven by industry priorities.

Dairy Australia invested \$61.6 million in the industry in 2016–17.

Approximately 65% of our funds were directed towards research, development and extension activities focused on on-farm improvement.

An emphasis during this past year has been the delivery of much needed shorter-term response initiatives to help farmers with immediate economic management of their farms, while maintaining our focus on longer term dairy research and services.

In the longer term, the industry challenge is to enable profitable growth at farm level so that the Australian dairy sector can take full advantage of global demand growth over the next decade.

On current projections, Dairy Australia funding levels are anticipated to be lower than those forecast in the current Three Year Plan (2016–17 to 2018–19), which will require further re-prioritisation of project expenditure during 2017–18 and a continued focus on internal cost efficiency gains.

Our investments were grouped under three **strategic priorities**.



01

Strategic priority

48%**02**

Strategic priority

24%**03**

Strategic priority

28%**Profitable dairy farms****Pre-farmgate activities**

\$25.2m | 41 %

Investment focus

Pre-farmgate 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.

2016–17 Programs

- › Animal health and fertility
- › Genetics and herd improvement
- › Farm business management
- › Feedbase and animal nutrition
- › Land, water and carbon
- › Advanced farm technologies

Post-farmgate programs

\$4.5m | 7 %

Investment focus

Post-farmgate programs are focused on improving the farmgate price through supply chain cost reductions or stronger demand from international markets.

2016–17 Programs

- › International market support
- › Manufacturing margin improvements

Capable people

\$15m | 24 %

Investment focus

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.

2016–17 Programs

- › Regional operations and extension
- › People and capability

Trusted dairy industry

\$16.9m | 28 %

Investment focus

A range of activities that help maintain the industry's long term 'Licence 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.

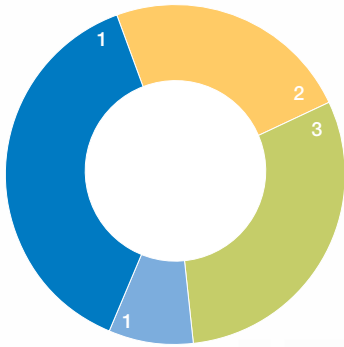
2016–17 Programs

- › Industry and community marketing
- › Risk and reputation management
- › Knowledge and insights

Key initiatives/outcomes delivered to the industry by these programs are detailed in Section 5.

Our funding allocation

Project expenditure*



01

Strategic priority

Profitable dairy farms

Pre-farmgate

41%

▲ Return* | 6.84

○ 2016-17 expenditure | \$25.2m

Post-farmgate

7%

▲ Return* | 3.49

○ 2016-17 expenditure | \$4.5m

02

Strategic priority

Capable people

24%

▲ Return | 4.16

○ 2016-17 expenditure | \$15m

03

Strategic priority

Trusted dairy industry

28%

▲ Return* | 1.80

○ 2016-17 expenditure | \$16.9m

“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.”

*Note: Dairy Australia evaluates all projects for planned economic benefit to the industry and levy payer prior to investment approval. 'Return' is defined as the average planned benefit-cost-ratio to the levy payer for approved project investment within that strategic priority investment area.

Expenditure and returns

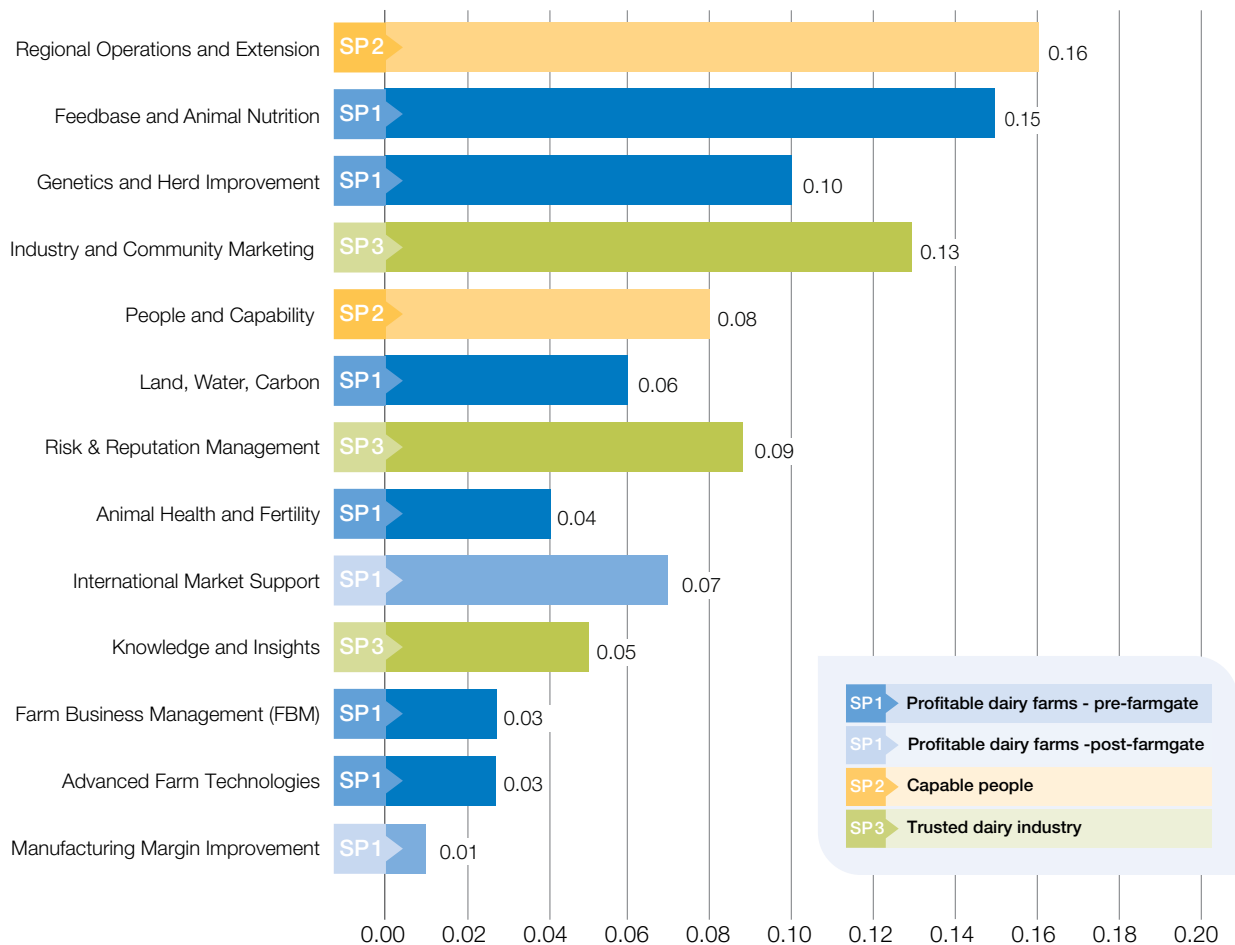
▲ Return* (Average planned BCR)

○ 2016-17 expenditure (\$million)



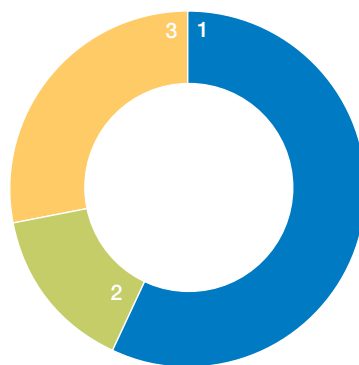
Dairy Australia programs: funding allocation

How \$1.00 of funding is allocated across DA strategic programs



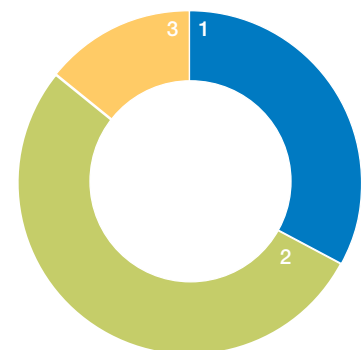
What is the focus of Dairy Australia investment?

Triple bottom line allocation



1 Economic | 57 %
2 Environmental | 15 %
3 Social | 28 %

Time horizon to achieve project benefits



1 Achieved within two years | 33 %
2 Achieved from two to five years | 53 %
3 Achieved after more than five years | 14 %

The Australian Government RD&E framework

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

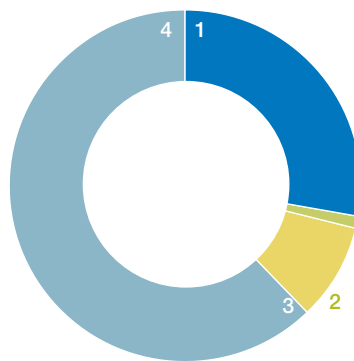
Approximately 65 % of Dairy Australia's expenditure for 2016–17 was directed towards activity that qualified as RD&E under government matching funding criteria. Analysis of this qualifying expenditure across national priorities indicates a strong alignment with government preferred direction.

While some portion of Dairy Australia's investment may be classified against each of the Australian Government's priorities, the clear focus of investment was lifting productivity, economic growth and adding value.

“We focus on flexible delivery of extension services that meet primary producers' needs and preserves the role for private service delivery.”

Across the national rural RD&E priorities for agriculture, DA's focus is:

Rural R&D priorities 2016–17



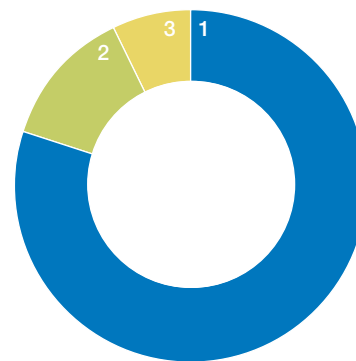
1 Advanced technology | 28 %
RD&E around those areas defined by the Dairy Moving Forward Strategy (herd and pasture productivity, animal welfare and milk quality, farm automation, natural resource management) including technologies such as robotics, digitisation, big data, genetics and precision agriculture.

2 Biosecurity | 1 %
Maintaining Australia's reputation for clean, safe and quality controlled food production. Our focus was to improve understanding and evidence of pest and disease pathways to help direct biosecurity resources to their best uses, minimising biosecurity threats and improving market access for primary producers.

3 Soil, water and managing natural resources | 9 %
To manage soil health, improve water use efficiency and certainty of supply, sustainably develop new production areas and improve resilience to climate events and impacts.

4 Adoption of R&D | 62 %
We expanded our extension capability via the RDP structure as state governments have withdrawn from such activities. We focus on flexible delivery of extension services that meet primary producers' needs and preserves the role for private service delivery.

Science and research priorities 2016–17



1 Food | 80 %
2 Soil and Water | 13 %
3 Environment Change | 7 %
Analysis across the national Science and Research Priorities indicates the focus of Dairy Australia's expenditure on food production (78 % - RD&E for on-farm animal and pasture productivity, and processing related productivity/sustainability), with a further 22 % of expenditure directed specifically towards soil, water and environmental change issues as would be expected for an industry that is heavily pasture and climate dependent.



Recommended conditions of matched Australian Government funding

Australian Government rural research and development policy statement.

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

Principle 1: Invest in an R&D portfolio that appropriately balances long-term and short-term, high-risk and low-risk, and strategic and adaptive research needs (see page 28).

Principle 2: Collaborate, as appropriate, with other RDCs and research organisations in cross-sectoral research (see page 24).

Principle 3: Have in place suitably resourced processes to facilitate timely adoption of research results (see page 52).

Principle 4: Use government funding solely for R&D and related extension purposes and not for any marketing, industry representation or agri-political activities (see page 22).

Principle 5: Effectively and transparently communicate with levy payers, industry stakeholders, researchers and the Australian government (see page 70).

Principle 6: Publish relevant information on the outcomes of completed research projects in a timely manner (see page 70).

Principle 7: Ensure that, over time, research programs include research that addresses the needs of levy payers in all regions (see page 52).

Principle 8: Pursue continuous improvements in administrative efficiency (see page 70).

Collaborative investment

Dairy Australia collaborates with other RDCs and many other organisations to optimise the use of funding available for agriculture focused RD&E.

“Dairy Australia 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 (CRCs) to deliver the best, most effective outcomes and benefits to dairy farmers.”

The National Primary Industries Research, Development and Extension Framework (NPIRDEF) focuses on areas of particular social, economic and environmental importance to Australia and addresses key challenges, such as agricultural productivity, sustainability, climate variability, global food security and trade, water availability, health and nutrition. The NPIRDEF has developed a framework that encourages greater collaboration and promotes continuous improvement in the investment of RD&E resources nationally.

Dairy Australia, under the Research and Innovation Committee of the Agriculture Senior Officials Committee (AgSOC), drives the national dairy RD&E strategy through the Dairy Moving Forward initiative (DMF). DMF brings together the efforts of a range of organisations to support the objectives of the national RD&E framework. DMF seeks to remove duplication from the RD&E planning process, to ensure maximum return on investment and, in turn, support the dairy industry's competitiveness and sustainability.

Working with other rural Research and Development Corporations (RDCs)

In addition to leading Dairy Moving Forward, Dairy Australia works with the other RDCs on seven cross-sectoral strategies to support the NPIRDEF. These are:

- › animal biosecurity
- › animal welfare
- › climate change
- › food and nutrition
- › plant biosecurity
- › soils
- › 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. Dairy Australia is the RDC sponsor of the AgSOC Water Use in Agriculture strategy, with the CSIRO serving as AgSOC agency sponsor.

In addition to the cross-sector strategies, Dairy Australia acts as a lead agency, core participant or joint project funder and developer in a number of collaborative projects with other RDCs, including a number of projects funded through the Rural R&D for Profit program.

All joint research findings are assessed through a dairy-focused lens to ensure results are applicable to and support the sustainability and profitability of the dairy industry.

Dairy Australia was successful as either applicant or partner in the following Rural R&D for Profit projects:

- › Enhancing the profitability and productivity of livestock farming through virtual herding technology;
- › Accelerating precision agriculture to decision agriculture;
- › Smarter use of nitrogen by Australian dairy farmers (within overarching program More profit from nitrogen: enhancing the nutrient use efficiency of intensive cropping and pasture systems led by CRDC);
- › Phosphorus Efficient Pastures: delivering high nitrogen and water use efficiency, and reducing costs of production across southern Australia; and
- › Lifting farmgate profit through high value modular agroforestry.

The following outlines Dairy Australia's 2016–17 financial contribution to RDC cross-sectoral collaboration. The values shown do not include in-kind contributions.

Project name	Collaborating RDCs	DA Contribution (\$)
Taste Australia tasting forum	MLA, HIA, AGWA	60,000
Initial study in support of a co-innovation R&D for profit proposal	MLA, AWI	13,000
Food and wine market redevelopment	MLA, HIA, AGWA	6,875
Phosphorus efficient pastures: delivering high nitrogen and water use efficiency, and reducing costs of production across Southern Australia	MLA, AWI	10,000
Feed grain partnership coordinator 2016–17	APL	10,257
More profit from nitrogen: enhancing the nutrient use efficiency of intensive cropping and pasture systems	CRDC, SRA, HIA	300,000
Lifting farmgate profit through high value modular agroforestry	FWPA, RIRDC	20,000
Accelerating precision agriculture to decision agriculture	CRDC, MLA, GRDC, SRA, RIRDC, AWI, HIA, APL, AGWA, AMPC, AEC, FWPA, FRDC, Livecorp	50,000
AgVet collaborative forum - plant industries - Phase three	RIRDC, HIA, GRDC, AGWA, SRA, CRDC	10,000
Enhancing the profitability and productivity of livestock farming through virtual herding technology	MLA, AWI, APL	98,038
Waste to revenue: novel fertilisers and feeds	APL, MLA, RIRDC, SRA	31,172
Smart automated irrigation: increasing farm profit through efficient use of irrigation for dairy farms	CRDC	62,000
Smarter irrigation: when and how much	CRDC	86,000
Improved skill for regional climate in the ACCESS-based POAMA3 model	GRDC	67,500
Forage value index: experimental sites	MLA	133,433
Australian pastures genebank	AWI, GRDC, MLA, RIRDC	106,615
Smarter irrigation: optimised dairy irrigation farms	CRDC	67,471
People in agriculture	APL, CRDC, GRDC, MLA	30,759
Stimulating private sector extension in Australian agriculture to increase returns from R&D	APL, CRDC, HIA, MLA, SRA	49,831
	Total	1,212,951

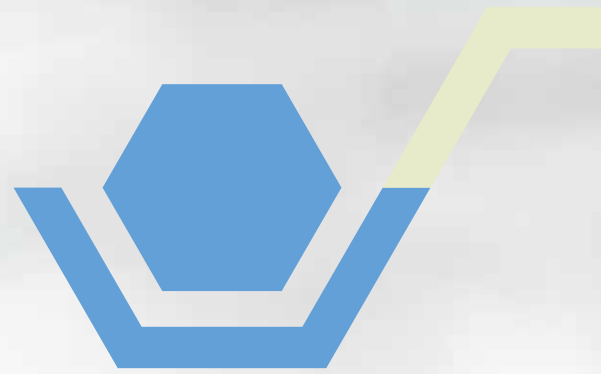
Supporting cross-agriculture committees

Dairy Australia contributes administrative support funding to the following committees:

- › Water Use in Agriculture cross-sector strategy
- › Animal Welfare Communication Network Group
- › Climate Change Research strategy for primary industries
- › Animal Welfare cross-sector strategy
- › Animal Biosecurity cross-sector strategy
- › Plant Biosecurity cross-sector strategy
- › Soils cross-sector strategy.



“Dairy Australia 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 (CRCs) to deliver the best, most effective outcomes and benefits to dairy farmers.”



Who we work with

It is vital that the work of Dairy Australia aligns with industry and community needs. Collaborating with our partners and stakeholders delivers more effective and valuable commercial and social outcomes than could be achieved if the same work were carried out by individuals.

Our industry and stakeholder engagement activities enable us to refine and adjust specific business strategies as market and environmental conditions change. These changes are reflected in our Annual Operating Plan and Strategic Plan.

Our collaboration partners are listed on page 134.

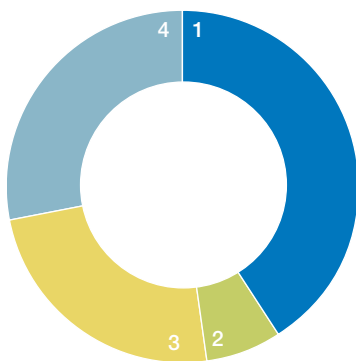
Dairy Australia's key partners



A balanced portfolio

Dairy Australia assesses its investment allocation across a range of measures to maintain a balanced, financially responsible approach to its investment of industry funds.

Strategic priorities 2016–17



- 1 Profitable dairy farms pre-farmgate programs** 41 % | SP1
- 2 Profitable dairy farms post-farmgate programs** 7 % | SP1
- 3 Capable people** 24 % | SP2
- 4 Trusted dairy industry** 28 % | SP3

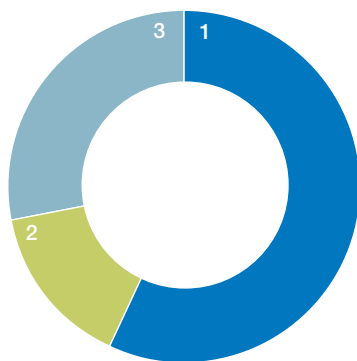
Strategic need

Three strategic priorities help focus investment on the critical needs of the industry. Around 48 % of Dairy Australia’s investment is focused on strategic priority one (SP1 Profitable dairy farms), as this is fundamental to immediate stakeholder needs and longer term industry sustainability.

A further 24 % (SP2 Capable people) is directed to programs that improve the skills of the industry workforce or provides farmers with the knowledge to improve farming practices (extension activities).

Approximately 28 % of investment is focused on maintaining the industry’s long-term ‘licence to operate’ (SP3 Trusted dairy Industry), due to emerging social licence concerns.

Triple bottom line 2016–17

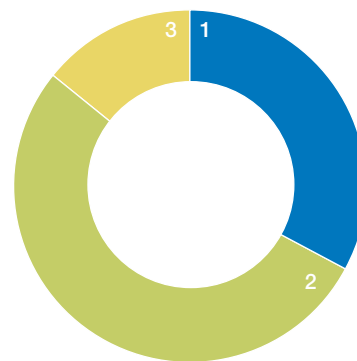


- 1 Economic** | 57 %
- 2 Environmental** | 15 %
- 3 Social** | 28 %

Triple bottom line

While the majority of our investment is focused on economic gain for the industry, significant investment is made in the areas of environmental management (land, water, carbon) and social concerns (people, education, industry practices, community programs and ethical concerns).

The horizon 2016–17

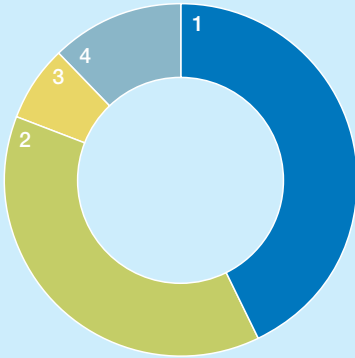


- 1 Industry benefit achieved within 2 years** 33 % | H1
- 2 Industry benefit achieved from 2 to 5 years** 53 % | H2
- 3 Industry benefit achieved after more than 5 years** 14 % | H3

Time horizon

As the central investment body, one of Dairy Australia’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 five years – would generally be in this category. 14 % of investment is in this category, and is exclusively agriculture R&D where timeframes can be in decades. The majority of investment is into projects with expected outcomes in the two to five year period (53%). A further 33 % is into on-going programs which have annual deliverables (H1 – outcome in less than two years).

Risk profile 2016–17



1 Low risk | 43 %

2 Med risk | 38 %

3 High risk | 7 %

4 Very high risk | 12 %

Risk profile

Dairy Australia's balanced risk profile reflects the importance of delivering value for farmers with reasonable certainty, while also investing in innovation programs that may support the industry's longer-term resilience and competitive advantage but inherently entails higher risk (technical and commercial).

At a project level, the average probability of success for all Dairy Australia investment is approximately 53 %. Dairy Australia has allocated 43 % of its investment to projects that are currently graded as low risk (probability of success 75–100%).

These are generally 'public good' projects, such as the collection and provision of information, capability building or stakeholder communication. 38 % of investment is allocated to medium risk projects (50–75 % probability of success), which includes extension activity. The remainder is classified as high or very high risk, typically R&D-heavy projects.





05

Performance

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Program goals 2016–17 to 2018–19

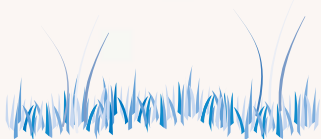
The following pages provide pictorial snapshots of our program goals for 2016–17 through to 2018–19, as well as some of the key achievements in the 2016–17 reporting period. These visual representations are followed by a summary of the key activities/performance outcomes delivered in 2016–17, under each of our strategic priorities.

Farm profitability (By end 2018–19)

Feedbase and animal nutrition

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

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



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

Farm business management

More than **2,000** DairyBase users

Genetics and herd improvement



per year through use of **improved selection**

Increased reliabilities

of breeding values and indices in the **April 2019 ABV release**

Provisional breeding values for heat tolerance released

Animal health and fertility

More than **99%** of farms have BMCC under 400,000 cells/ml

Increasing in-calf rate; median 6-week in-calf

More than **55%**



Program introduced

to halve milk quality downgrades due to microbial counts

Land, water, carbon
Good nutrient practice



of farmers adopting Fert\$mart principles



Capable people

Regional extension services

More than
7/10 Farmers satisfied
with RDP services

% of farmers who
regularly participate in
discussion groups:

More than
30%



Maintain the national
network of **Focus Farms**

Industry education and leadership



Maintain industry Registered
Training Organisation (RTO)
partner in each dairy region

Attract, develop and retain dairy people (by 2020)

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

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

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

Safe workplace (by 2020)

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

On-farm fatalities: Zero (3 in 2015)

Trusted industry (by 2020)

On-farm



Zero
tail docking
by the end
of 2018–19

100% of farmers using industry
recommended animal
husbandry practices.

Industry and community marketing



More than
70%

of mums agree
that **dairy** foods
are essential for
**good health
and well being**

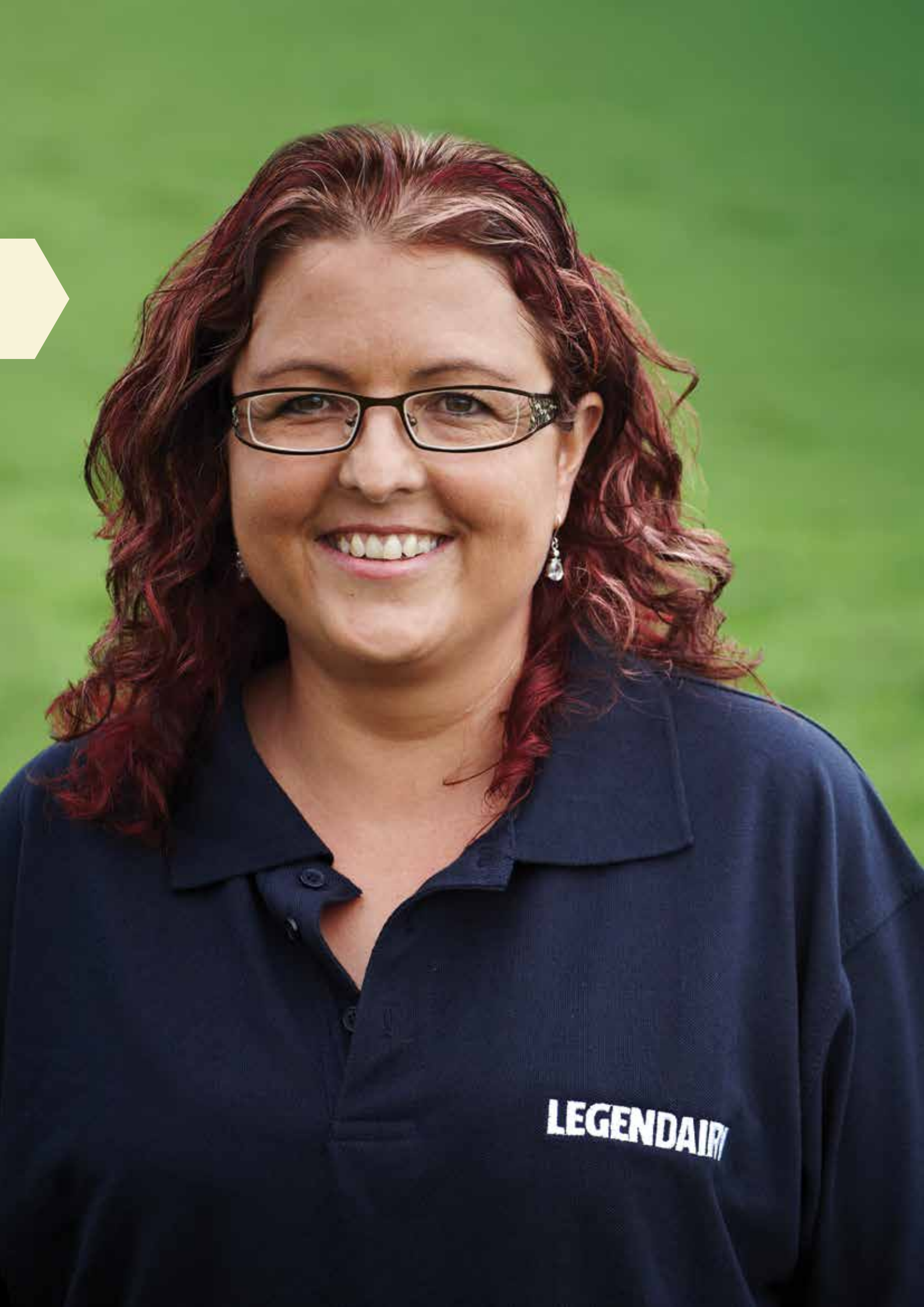


of consumers
consider that **farmers**
do a **good job** caring
for their animals



of consumers
consider that **dairy** is
an **essential** part of
the community





LEGENDAIRY

2016-17 achievement highlights



with total of
1,641
participants



distributed to farmers



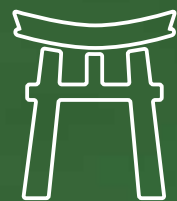
1,970
DairyBase
registrations
30 June 2017

over **500 trade
customers**
attended seminars
in key markets



South-East Asia


over **450**
customers
attended DA seminars
Kobe, Tokyo



43% of consumers
exposed to campaign
were more positive
about cheese



1,046
farmers
participated in
Taking Stock



106
Cups on Cups Off
(COCO) programs
with **68%** of participants
reporting decreased mastitis

Improving level of trust



for the industry

700
farmers
registered for
**Employment
Made Easy
(eMe)**

Profitable dairy farms

Strategic priority 1 comprises two streams:

- 1 Pre-farmgate activities that contribute directly towards improving farm profitability by optimising unit cost of production; and
- 2 Post-farmgate programs focused on improving the farmgate price through supply chain cost reductions and driving stronger demand from international markets.

Animal health and fertility	Pre-farmgate programs
<p>Animal health</p> <p>Delivered seven InCharge fertility workshops, which were attended by 70 farmers. These five day workshops identify farm objectives and causes of fertility issues, then each participant develops a practical herd fertility management plan, informed by their farm's data. Workshops are facilitated by an experienced Repro Right advisor and encourage peer-to-peer learning.</p> <p>Published the second edition of <i>The InCalf book</i> after an extensive review process to provide up-to-date guidance to farmers on all aspects of herd reproductive management.</p> <p>Developed and published seven InCalf farm case studies that demonstrate the role of good reproductive management in maintaining profitable and resilient dairy herds, regardless of the calving system or region.</p> <p>Achieved the best bulk milk cell count (BMCC) results since the Australian Milk Quality Awards were instigated in 2000. In the 2016 calendar year, 99.6% of farms supplied milk with an annual average BMCC below 400,000 cells per ml and 80% with BMCC less than 250,000 cells per ml, exceeding the 2020 industry targets of 97% and 70% of farms respectively.</p> <p>Launched the Countdown Milk Quality advisor course which replaced the Countdown Adviser Short Course for field officers, dairy vets and milking machine technicians. The blended delivery format has improved the learner experience and allows more time for consolidation and group-based learning.</p> <p>Developed the Dairy Hygiene Helper app to help dairy processor field officers, dairy chemical company staff and other advisers respond to on-farm microbial milk quality issues. It provides a structured approach to investigating risks and making recommendations based on industry-agreed best practices in the <i>Dairy Hygiene Handbook</i>.</p> <p>Completed the Healthy Hooves project development phase. New resources include a series of 15 high quality videos on how to prevent and treat lameness, an online lameness cost calculator, a prevention and treatment guide, a field guide and a lameness scoring poster.</p> <p>Published the second edition of <i>Rearing Healthy Calves</i> manual that includes advances in calf nutrition, colostrum management and health.</p> <p>Expanded the monitoring of facial eczema risk from Gippsland into the Bega region, providing regular spore counts from 28 sentinel farms.</p> <p>Offered Euthanasia of Livestock courses for the first time in Western Australia and Tasmania, following changes to firearm regulations in these states.</p> <p>Convened animal welfare workshops in five dairy regions, involving farmers in discussions around the dairy industry's social licence to operate, the requirements of the incoming Cattle Welfare Standards and Guidelines, and providing recent regional and national data from the Dairy Australia Animal Husbandry Survey.</p>	<p>Project objectives:</p> <ul style="list-style-type: none"> › Use genetic gain as a major productivity driver for animal performance. › Develop and integrate technologies that improve farmers' abilities to manage the dairy herd. › Improve national herd fertility and on-farm reproductive performance. › Protect and improve industry profitability through improved milk quality. › Ensure farmers adopt industry recommended animal husbandry practices and meet animal health and welfare responsibilities. <p>Investment in 2016–17: \$2.4m</p>



Jess Andony

Western Dairy's Jess Andony added another accolade to her already impressive list after she was awarded a Western Australian Young Achiever Award in May 2017.

The twenty four year old was recognised for her contribution to research and development in the WA dairy industry, her commitment to coordinating disaster relief for dairy farmers in the wake of the 2016 Waroona/Harvey bushfires, volunteer work with young people in agriculture and her work in establishing the WA Young Dairy Farmer of the Year Awards.

Speaking about her award win, Jess said she was surprised and humbled at the recognition.

'It does feel good, I did get a lot of recognition through the fires and it's always nice to have that, although that's not what you do it for.'

Jess grew up on a dairy farm in Harvey and graduated with an honours degree in Animal Science from Murdoch University.

She commenced full time employment with Western Dairy, one of Dairy Australia's eight Regional Development Programs, in 2015.

In the aftermath of the 2016 Waroona/Harvey bushfires Jess organised the delivery of feed and supplies to affected dairy farmers and established a database to help coordinate the relief effort.

'I just started calling a whole bunch of people to find out who was affected. We'd lost half our farm, and so I was trying to help Mum and Dad but then there were so many other farms that needed help as well. We just jumped in and did it because it needed to be done.'

“Western Dairy's Jess Andony added another accolade to her already impressive list after she was awarded a Western Australian Young Achiever Award in May 2017.”



DataGene

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

Herd Test Dashboard

DataGene's Herd Test Dashboard is a new report for farmers who herd test. It provides a picture of what's happening at the herd level with overviews of a number of key metrics, both within herd health and herd composition.

- › The Herd Test Dashboard allows farmers to get more value out of the time and effort they invest in herd testing.
- › It helps them identify and minimise hidden costs in the herd associated with herd health issues.
- › It provides alerts on individual cows and at the herd level to enable the farmer to follow up with a vet and/or nutritionist

Gippsland dairy farmer Peta Barlow knows about herd testing – from both sides of the fence.

Petra works at Yarram Herd Services and also runs a 130-cow dairy herd at nearby Jack River which is herd tested 12 times a year.

'Being on both sides of the Herd Test System gives me a different perspective on the information available from herd test reports and the new DataGene Herd Test Dashboard report,' Petra said.

'It's a free service and gives you more value from the information collected during herd testing.'

'With the new Herd Test Dashboard I can now see a whole lot of information on the herd – and on individual cows which need monitoring or attention - in one report. It's a great management tool because it covers health indicators and performance indicators.'

The DataGene Herd Test Dashboard is a free service and can be delivered with herd test reports or whenever requested.

The DataGene Herd Test Dashboard was developed with the support of Dairy Australia and the Australian herd recording sector.

Improving Herds

DataGene's Improving Herds is a three-year project to demonstrate the contribution of herd data and higher genetic merit animals on dairy farm profitability. Led by Professor Ben Hayes, the project involves:

- › Seven focus farms: tracking the value of herd test data to making quick decisions to increase herd performance.
- › 25 dairy herds: analysing the impact on profit from focused bull selections and the genomic testing of females.
- › Developing a model to test scenarios on farms and across herds. Funded by the Gardiner Dairy Foundation, ImProving Herds is a collaboration involving the Victorian Government, Australian Dairy Herd Improvement Scheme, Dairy Australia, Holstein Australia and the National Herd Improvement Association of Australia.



Animal health and fertility (continued)

Fertility

Launched DataGene on July 1 2016. This independent and industry-owned organisation is responsible for herd improvement in the dairy industry, through research, development and delivery activities. Dairy Australia is a founding member of DataGene and provides the majority of its funding. DataGene's vision is to enable farmers and industry to maximise profit through data-driven decisions.

DataGene is now well-established having appointed a board, recruited 22 member organisations and held its inaugural AGM in December 2016. It has also formed standing committees which give stakeholders direct influence over DataGene's priorities and policies.

DataGene's key deliverables:

- › **Released the Australian Breeding Values.** The April ABV release was the first published by DataGene, having taken on the genetic evaluation roles previously performed by ADHIS over the past 30 years. There are now more than 25 young bulls with a BPI over 300 and an increase in the number of semen companies genotyping bulls in Australia, lifted the number screened to above 3,000. The Good Bulls Guide and app encourage dairy farmers to use bulls that will increase their herd's genetic merit for profitability, while improving traits of specific importance to the individual herd.
- › **Launched two new tools for dairy farmers. The HerdData app is a quick and easy way to enter or access herd records using a smartphone or other mobile device.** The Herd Test Dashboard report, available with herd test reports, allows easy monitoring of health and performance indicators at a herd level as well as providing alerts for high-risk animals.
- › **Led the cross sectoral project to investigate the potential for mid infra-red (MIR) technology to enhance the value of herd testing.** MIR technology involves shining a light beam through a milk sample to measure the quantity of various milk components. It has the potential to develop new tools to help dairy farmers manage and select their cows for improved production, feed efficiency, fertility, health and longevity. This project is part of the Australian Government's Rural Research and Development for Profit program.
- › **Collaborated with the Gardiner Dairy Foundation on the ImProving Herds project.** Initial findings from the project show that Australian Breeding Indices do exactly what they are meant to do: improve farmer profit. Thirty-three focus herds were chosen and herd improvement results were combined with detailed farm financial information.
- › **Hosted the successful Herd' 17 conference, which was attended by 200 delegates.** This event provided a forum to update herd improvement industry personnel – including field and technical staff, managers and dairy farmers, on the latest science and practical information.

Pre-farmgate programs

“DataGene's vision is to enable farmers and industry to maximise profit through data-driven decisions.”

Genetics and herd improvement

Commenced a new five-year initiative to deliver a \$350 per cow benefit to dairy farmers in 2030. Dairy Australia entered a joint venture agreement with Agriculture Victoria with an aim of delivering more reliable estimations of genetic merit, more diverse traits for selection, and technical support to ensure that Australian dairy farmers are offered a world-class genetic evaluation service.

Constructed a virtual DNA sequence of 110,000 cows. DairyBio has used its extensive knowledge of key ancestors of dairy breeds to create an entire DNA sequence for 110,000 cows. This takes a commercial test for DNA markers (typically 10,000 to 50,000 markers) and then pieces together the entire 3 billion base length of each cow's DNA sequence. This is a major asset to look for DNA profiles for superior performance, fertility and health.

Identified more predictive measurements of mastitis for genetic selection.

DairyBio has identified improved methods of comparing cows based on their resistance to mastitis and is on track to deliver a more effective tool for farmers to select healthier cows.

Pre-farmgate programs

Project objectives:

- › 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.

Investment in 2016–17:

\$6.2m



Forage Value Index

Australian dairy farmers can now accurately assess the merits of different perennial ryegrass cultivars.

The Forage Value Index (FVI) has been developed by Dairy Australia, in partnership with Agriculture Victoria, Meat & Livestock Australia and the Australian Seed Federation to provide independent analysis of agronomic performance of perennial ryegrass cultivars commercially available in Australia.

The FVI is an industry-endorsed economic index based on seasonal dry matter production and is aimed at providing farmers with another tool to help lift farm profitability.

Dairy Australia's Chris Murphy, said the FVI index could be a game-changer for Australian dairy farmers.

'The Forage Value Index gives you reliable and accurate information to make decisions on which cultivars have the best potential for delivering profitability on your farm,' he said.

'Dairy Australia and its partners in the FVI have plans to expand the pasture varieties included in the analysis as well as expanding traits beyond seasonal dry matter production to include persistence and nutritive value in future.'

It's a view shared by Victorian Department of Agriculture research scientist Matt Deighton, who believes that farmers can have confidence that the Forage Value Index will deliver on its promise.

'When data is aggregated across all the trials within the Forage Value Index, we can have a great level of confidence that the relevant ranking of ryegrasses is accurate and can be applicable to farms throughout southern Australia,' he said.

Dairy farmer Stuart Griffin sees pasture improvement as a key factor in the profitability of his family farm in Westbury in central Gippsland.

'Pasture innovation is really important to us as we are predominately a pasture based system,' he said.

'It is the most important feed input in our farming business, so we need to make sure we are selecting the cultivars that are most suited to our system because it is such a key driver of profitability for us.'

Stuart has always put time and effort into selecting the best ryegrass species for his farm, but the prospect of adding scientific data to his selection process could be as important as improved cow genetics for long term farm profitability.

'The FVI does make it easier for us to make decisions because rather than just looking at what is happening over the fence at the neighbours we know that there is some pretty rigorous testing and trial data behind the ratings that the cultivars get,' he said.

'Just like we select our cows, we are looking to select better pastures and the FVI allows us to do that. It does show us which pastures have improved performance and we can then utilise that information to select better cultivars from our system.'

“The Forage Value Index gives you reliable and accurate information to make decisions on which cultivars have the best potential for delivering profitability on your farm.”



Feedbase and animal nutrition

Supporting practice change

Refreshed the Feeding Pastures for Profit program. A refresh of the Feeding Pastures for Profit (FPFP) program was completed which included a series of videos that demonstrate the key principles from FPFP and will also serve as tools for those who haven't completed the program and are wanting to know more. Gardiner Dairy Foundation funding supported a training program for FPFP presenters that increased the delivery pool for FPFP from 3 to 10 within 3 months whilst maintaining a consistent delivery standard.

Supported feedbase management through the Tactics for Tight Times program.

The Gardiner Dairy Foundation-funded Feedbase Support Program's Spring focused grazing management field days were held in Gippsland, western Victoria and South Australia. Murray Dairy also ran a series of days focused on recovery from pugging as well as a series of workshops on cropping. Another series of Feedbase focused days was rolled out in November and December 2016 with a focus on summer feedbase management. These events were attended by over 700 participants, and 80% said they would change practices as a result.

Developed and piloted an Advanced Herd Nutrition course. Delivery of the Advanced Herd Nutrition course commenced piloting in the Murray Dairy and Subtropical Dairy regions. The evaluation of the pilot sessions will be used to finalise the course for further delivery in 2017–18. The course enables farmers and advisors to undertake more advanced training in dairy herd nutrition management by applying the latest processes and tools available.

Developed and distributed new Feedbase resources. Two new booklets were produced and distributed at RDP field days - Spring grazing management of perennial ryegrass, to visually demonstrate ideal post-grazing residuals and a range of other grazing conditions, and pasture and silage, reinforcing the five key steps to populate quality silage. Over 5,000 copies of the booklets were circulated to farmers and advisors.

The Hills Fleurieu Forage Network project improved pasture consumption and business profitability in the central dairy region of SA. The project interacted directly with 46 dairy farms businesses in South Australia either through farmer groups meetings or workshops, or face-to-face meetings on farm to progress farmers' own Forage Plans to network information from other farmers.

Forage improvement

Launched the Forage Value Index (FVI) in February 2017 at the Australian Dairy Conference. Feedback from farmers was positive and the number of downloads of FVI tables since launch indicates high levels of interest.

Commenced in-field work for the entomology survey and mapping across six main dairy regions of south-east Australia. In total 57 farms were visited and approximately 1,200 sets of samples collected. This project will improve our understanding of the type, distribution, frequency and, where possible, the economic cost of major insect pests of dairy pastures in southern Australia.

Concluded research on the irrigation strategies for perennial pastures. This project examined practical summer management strategies to improve the productivity and persistence of perennial ryegrass with reduced irrigation. Dissemination activities during the project included five field days and 24 presentations (including two conference presentations).

Concluded research on the productivity and genetic gain of perennial ryegrass. This project assessed performance of selected perennial ryegrass cultivars and endophyte (novel and existing) combinations under grazing for dry matter production, endophyte presence, alkaloid profiles and persistence in contrasting climatic environments. This work will enable clear advice on appropriate endophyte and/or endophyte–cultivar combinations to use.

Pre-farmgate programs

Project objectives:

- › To improve the profitability and resilience of dairy farms across the Australian production regions and feeding systems through more efficient management of the feedbase.

Investment in 2016–17:

\$9m



Feedbase and animal nutrition (continued)

Pre-farmgate programs

Subtropical and Mediterranean forage systems

Developed the C4 Milk project to help increase the profit margins of subtropical dairy farmers through the development of forage and nutrition management strategies that increased milk production from forage and reduced feed related costs. In total, 108 dairy businesses adopted a range of forage and nutritional management strategies that resulted in an average reduction in feed related costs of 1.9 cents/ltr. The C4 Milk project demonstrated high forage diets for subtropical dairy production.

The total number of individual participants at C4 Milk extension activities was 2,177 over the three years of the project. Walking the Seasons field days and open days based at University of Queensland Gatton campus attracted 421 participants whilst regional extension days had 771 participants attending various field days, workshops, and demonstrations over the course of the project. The project created nine videos based on R&D outcomes, which have currently had over 3,151 views online.

Improved feeding systems

Analysed the costs and benefits of different feed systems and strategies.

The 'managing the economics of feed supply on dairy farms' project aimed to take established production economic theory and apply principles about low cost and profit maximising feed supply to answer questions about the economics of short and medium-term feeding decisions for dairy production. During the course of the project, the project team conducted, or was involved in 20 events and presentations to 900 stakeholders. Publications from the project include five technical bulletins, six technical reports and four published journal papers.

Continued research on the most efficient ways to feed supplements to grazing dairy cows. Six scientific papers were published in peer-reviewed journals over the past 12 months contributing new knowledge about the most efficient ways to feed supplements to grazing dairy cows. Six fact sheets capturing key aspects of new feeding systems have been published, and two technical bulletins completed on research from the DEDJTR project 'optimising production by matching supplements fed in the dairy with nutrients from pasture'.

Supported early career scientists. Four early career candidates have been selected for the DA Dairy Science Travel Grants to attend one of the world's largest dairy science research conferences – American Dairy Science Association. This is part of DA's strategy to build greater collaboration with US R&D institutions and to expose early careers scientists and service providers to international R&D.

DairyBio - Forage Program

Commenced a new five-year initiative to deliver an \$800 per hectare benefit to dairy farmers in 2030. Dairy Australia entered a joint venture agreement with Agriculture Victoria with an aim of delivering a turn-key solution for plant breeders to incorporate hybrid breeding, intensive field selection of plants, genomic (DNA) selection of plants, and novel endophytes into commercial breeding programs.

Developed the world's largest ryegrass field trial in Hamilton, Victoria. DairyBio has created a 270,000 plant field trial that uses new equipment to measure pasture performance on a scale that has not been attempted before in any commercial or research environment. The benefits of operating at this scale are the ability to compare over 1,400 different breeding lines at the one time, that represent over 30 years of commercial pasture breeding. It also allows the project team to identify breeding lines that are likely to provide the highest level of performance as new hybrid varieties.

Commenced studies to edit the genes responsible for hayfever and low nutritive value. Ryegrass is the most common pasture type and two high value targets were selected based on existing knowledge of genes and capacity to deliver benefits to both farmers and the community. Studies have commenced to create ryegrass with altered pollen that is less allergenic (causes less hayfever) and has lower content of indigestible lignin (resulting in a more nutritious grass).

“Ryegrass is the most common pasture type and two high value targets were selected based on existing knowledge of genes and capacity to deliver benefits to both farmers and the community.”



Tactics for Tight Times

Tactics for Tight Times launched in May 2016 to address difficult seasonal conditions and milk price cuts in southern Australia.

Delivered through Dairy Australia's Regional Development Programs, the program helped support farmers through the difficult time, enhancing their capacity to confront future challenges.

It offered farmers clarity about settings and seasonal conditions to support business decision-making, with topics including agronomic and business information, technical extension advice and management strategies.

A stand out component of the program was the option of a free Taking Stock session and follow-up

Action Plan Review with one-on-one support from an independent consultant to help farmers identify issues and what the next important financial decisions were for them.

Tactics for Tight Times held 157 workshops and field days, reaching over 1,500 farmers and service providers. Of those, 1,046 farmers took advantage of the Taking Stock sessions and 279 Action Plan Reviews were completed in 2016–17.

For sharefarmers Danny O'Donnell and Janelle Fisher the experience got them working on the same page.

'To be able to block out four hours with a third person was good because there had been times when we tried to sit down but didn't really

achieve anything at the end of it. So to have that time locked away you could get in, get it done and you had a purpose,' Janelle said.

The couple now see annual analysis as vital as they work towards farm ownership.

South west dairy consultant Paul Groves had not seen farmers as stressed as he had in 2016. He said Taking Stock was an efficient use of time for farmers to have a look at their business to identify what they were doing and areas they could improve on.

'After doing Taking Stock, I think farmers were more confident, less stressed, they understood where the business was at and had a path forward.'

Farm business management

Continued to lead the development of a nationally consistent approach to dairy farm business management, including terminology and metrics, and worked to embed DairyBase as a key industry tool used for the measurement and analysis of farm business performance at a farm, region and national level.

DairyBase

- › **DairyBase registrations consistently increased throughout the year to 1,970 at 30 June 2017.** Of these 1,298 were farmers, representing 22 % of all Australian dairy farms.
- › **As at 30 June 2017 there were 7,213 total DairyBase datasets with 1,128 DFMP (Dairy Farm Monitor Project) datasets,** 1,874 QDAS (Queensland Dairy Accounting Scheme) datasets and 4,211 other datasets.
- › **The trend of general data set creation has been consistent with a peak in August 2016,** in line with expectations about the end of financial year and annual DairyBase data collection.
- › **Continued integration of DairyBase into all Dairy Australia related activities,** including focus farms, discussion groups, feedbase challenge groups, capability building programs and Tactics for Tight Times.
- › **Successfully imported data into DairyBase for farmer access.** All regions now have a minimum of three years and up to 10 years of historical data available for industry analysis and comparisons. Data collected from 2016–17 onwards will be used to produce a national annual farm business performance review, analysis and commentary.

Standard Chart of Accounts

- › **The Standard Chart of Accounts (SCOA) has been recognised as a positive initiative by farmers,** farm management consultants and accountants.
- › **It enables dairy farmers to manage the flow of financial information** through their business and can also be converted to management accounts with relative ease to enable farmers to make informed decisions about their businesses.
- › **The SCOA will give consistency in record keeping** and is a key part of the industry's drive to use consistent farm business management terminology.
- › **As well as providing farmers with data to make informed financial and farm management decisions,** the Chart of Accounts aligns with DairyBase which will allow farmers to track their own performance over time and effectively benchmark their business.

Farm business management education and extension

- › **Developed a Farm Business Management education and extension program.** This will provide a clear and well understood offering to farmers, and will leverage the delivery capability of RDPs, the NCDE and the private sector. Priority has been given to delivering education that provides the underpinning knowledge and skills needed by farmers to manage their businesses, and the use of DairyBase to analyse farm business performance. Flexible extension offerings have been delivered to groups of farmers, including discussion groups, covering a range of topics including DairyBase, the Standard Chart of Accounts and setting up your office.

International relationships

Partnered with:

- › **IFCN Dairy Research Centre based in Germany.** In return for providing indicative farm performance data from Australia, we are provided access to farm performance reports and analysis based on data from more than 30 countries.
- › **New Zealand's Farm Business Management Centre of Excellence,** a partnership between Lincoln and Massey University's faculties of farm business and economics.

Pre-farmgate programs

Project objectives:

Dairy Australia's Farm Business Management (FBM) program aims to have more dairy farmers consistently making decisions that increase profit, and confidently responding to challenges and opportunities.

The specific objectives of the program are to:

- › Build farm business management capability, knowledge and skills across the dairy industry
- › Increase the adoption of Dairy Australia's FBM tools and industry practices, particularly DairyBase and the Standard Chart of Accounts
- › Measure and analyse farm business performance at a national, regional and farm level.

Investment in 2016–17:

\$1.9m

“Dairy Australia's Farm Business Management (FBM) program aims to have more dairy farmers consistently making decisions that increase profit, and confidently responding to challenges and opportunities.”



Accelerating Change

Accelerating Change comprises three components that, together, provide information that supports the development of resilient and profitable farming systems in the Murray Dairy region:

- › A monitoring and measurement program which collects and analyses data from partner farms, measuring performance of different forage types, irrigation and water efficiency strategies and feedbase management and how these contribute to business performance.
- › An extension arm which develops and pilots activities to assist farmers to identify and implement changes to their feedbase. Accelerating Change works with participating farmers, the service sector, Dairy Australia, other RD&E organisations and the wider industry to identify regional requirements, focussing on forages, soils, irrigation, cropping, nutrition, future dairy systems and service provider capability.
- › Strategic analysis of opportunities and challenges facing the Murray region to inform policy, planning and program design, working with farmers and industry stakeholders.

Project Manager, Amy Fay, said Accelerating Change delivered a range of activities in 2016–17 to help farmers adjust their businesses and feedbases to deal with a changing operating context.

‘This involved everything from monitoring and measuring actual feedbase performance under different conditions, developing and piloting new extension programs to help farmers change their businesses and making sure our regional needs are well represented in research and policy development.’

‘We’ve created a lot of linkages between the dairy industry and the commercial sector, and have a new pool of technical talent that we work with to assist farmers get better feedbase performance. This technical support helps farmers adjust to the increasing complexity in operating environments in our region, and the evolution of feedbases to respond to this.’

Outcomes included:

- › Improved understanding of the cost-benefit of different forages under different seasonal conditions and irrigation strategies on partner farms.
- › Addressing limits to production in pasture and maize through the Understanding and Managing Soil Constraints program which upskilled 228 farmers and service providers.
- › Improved return on investment from high value crops and increasing water use efficiency through the development of a Successful Summer Cropping series which supported 89 farmers and service providers to improve practices.

- › Identification of options for change to assist farmers to reduce their exposure to a volatile water market using case studies, partnering with Murray Local Land Services in the Flexible Feeding Systems project.
- › Creation of an Agronomy Network bringing together agronomists and technical feedbase service professionals to discuss and work collaboratively to increase feedbase efficiencies in the region, engaging 67 agronomists through network meetings.
- › Support for farm businesses to develop skills and capability to identify and manage risk in response to increasing water and commodity market volatility through the development of the Plan2Dairy strategic planning and risk management pilot.
- › Increased focus on investment and support to meet regional challenges and opportunities through collaboration and coordination of investment through the development of a Regional Dairy Industry Strategy and a Regional Feedbase RD&E Strategy.





Allan Cameron

GippsDairy's regional manager Allan Cameron, loves his job, is proud of his team and has a deep respect for the dairy farmers of Gippsland.

Allan's passion for agriculture was developed growing up on a sheep and beef property on Phillip Island, which he and his family are fortunate to call home.

'I have always enjoyed living and working in regional Victoria and have gained the most satisfaction when working within the farming sector'.

Allan, with an agricultural science degree from Melbourne University as well as graduate diplomas in applied finance and investment and financial planning, has enjoyed a varied working career spanning sheep and beef farming, agribusiness banking, farm consultancy and financial advice.

'I was once told, if you do the thing that you love, you will never work another day in your life. That was hard to believe a long time ago coming out of uni, however the last 18 months as Regional Manager has confirmed it to be true for me'.

'I am fortunate to lead a team of highly capable and professional people who are genuinely motivated to help levy payers find the best ways to manage their businesses in a sustainable and profitable way.'

The diversity of Gippsland's farming systems, business ownership structures, soil types, rainfall and topography along with the range of productivity extension services offered by GippsDairy mean that

rarely are two days the same for Allan and his team.

'As a team, we are always thinking about the best way to provide information about a huge range of topics, be it farm business management principles, financial literacy, farm safety, feed production, milk quality, nutrition, soil fertility, natural resource management and human resources!'

The last couple of years have been hard going for many of Gippsland's dairy farmers and service providers. Dry seasonal conditions affected most non-irrigated farms in 2015–16 and the milk price downturn in 2016–17 affected everyone's farmgate returns.

'Despite the challenging times, I am continually impressed and inspired by the positive attitude displayed by the many farmers who remain focused on and committed to their long term plans.'

'GippsDairy is very fortunate to have so many dairy farmers and service providers who are willing to give up their time, the most precious commodity of all, to help and support the industry.'

Be it the directors of GippsDairy or all of the members of extension committees, steering committees, in Focus Farm support groups or discussion groups, Allan commends them all for their continued contribution.

"I have always enjoyed living and working in regional Victoria and have gained the most satisfaction when working within the farming sector."



Land, water and carbon	Pre-farmgate programs
<p>On farm nutrient management</p> <p>Supported more than 200 farmers and service providers to participate in Fert\$mart training and implementation. Fert\$mart continues to be well supported by natural resource management agencies.</p> <p>Established three commercial farm research sites under the cross-sector More Profit for Nitrogen project. Improved the capability of the industry farm systems modelling tool, DairyMod to model the movement of nitrogen through Australian dairy farming systems.</p> <p>Conducted one effluent designer's course and accredited 12 new dairy effluent system designers. Successfully obtained soil, nutrient and pathogen loss risk stocktake information to better inform the industry of the current status of water quality and nutrient loss in dairy catchments. Supported two farmer-led nitrogen use efficiency demonstration sites in the Bega and Manning regions of New South Wales.</p> <p>Contributed funding towards research into new effluent treatment technologies through collaboration in the APL-led project Waste to Revenue: Novel Fertilisers and Feeds.</p> <p>Emissions mitigation strategies</p> <p>Financially supported multi-national collaborative research into enteric methane by participating in the Canadian Government-led project Technologies for Reducing Greenhouse Gas Emissions and Providing Offset Options for the Beef and Dairy Industries. The outcomes from this research will assist the industry demonstrate reductions in greenhouse gas emissions intensity.</p> <p>Completed the Commonwealth co-funded Profitable Dairying in a Carbon Constrained Future project. This project delivered 190 activities involving over 3000 dairy farmers and their service providers. Activities included six resource efficiency focus farms, 411 one-on-one emissions support activities and an industry climate risk symposium. Legacy resources include fact sheets, YouTube clips and a dedicated website, the Dairy Climate Toolkit. The project also funded the incorporation of the Australian Dairy Carbon Calculator into DairyBase. Videos developed to support the key messages of this project have had over 16,500 views since their release in March 2016 and 2017.</p> <p>Industry natural resource management (NRM) and climate change support</p> <p>Provided funding to the Regional Development Programs to support delivery of regional NRM priorities. Completed the pilot of an industry Natural Capital Risk Assessment Tool. Developed a web-based Biodiversity Action Planning tool.</p> <p>Climate change adaption strategies</p> <p>Increased the number of subscribers to the Cool Cows heat forecasting online service by 20% and the number of forecast locations.</p> <p>Maintained investment in a cross-industry funded project to develop more accurate multi-week seasonal forecasts of rainfall and temperature in dairy regions of southern Australia. Contributed to cross sector research into sustainable pasture systems under climate extremes.</p> <p>Improving water use efficiency</p> <p>Smarter Irrigation for Profit project achievements:</p> <ul style="list-style-type: none"> › Maintained 10 demonstration sites across Australia: › Tasmania (5), South Australia (2), Tamworth (1), Queensland (1) and Gippsland (1). These sites are quantifying the expected water, energy and labour savings associated with adoption of innovative irrigation technologies › Commenced trialling an automated control prototype for dairy pressurised irrigation systems. › Trialled an automatic irrigation module based on the satellite/weather-based irrigation information system developed in Victoria › Commenced commercial farm trialling of new bay designs that allow more precise application of irrigation water in both the Murray Darling Basin (MBD) and Macalister Irrigation District irrigation regions of Victoria. This is part of the Improved Flow in Irrigation Bays research project. 	<p>Project objectives:</p> <ul style="list-style-type: none"> › Increase industry adoption of nutrient management good practice from 30% to 60% by 2018 through increased industry understanding about on-farm nutrient cycles and increased adoption of Fert\$mart. › Quantified, practical and profitable management options to mitigate climate risk across a range of farming systems and environments. › Reduction in water used per kg/ milk solids produced from home grown feed. <p>Investment in 2016–17:</p> <p>\$3.7m</p> <p>“We’ve created a lot of new linkages between the dairy industry and the commercial sector, and have a new pool of technical talent that we work with to assist farmers get better performance from their feedbase.”</p>

Advanced farm technologies

- › **Collaborated with Sydney University on Automatic Milking Systems (AMS)** to develop a work program.
- › **Established the Dairy Moving Forward Advanced Management Technologies community of interest.** This will review and refresh the 2013 RD&E gaps and investment priorities strategy and investment principles and incorporate this program information into the Dairy Moving Forward priorities
- › **Held planning workshops to discuss the feasibility** of a collaborative Farming Smarter CRC

Post-farmgate programs

Program objectives:

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

- › 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 difference technologies.
- › R&D to inform development of guidelines and resources that support integration and effective use of technology.
- › Key industry research questions and pre-experimental modelling and prioritisation addressed through the use of whole modelling.
- › Ongoing enhancement, validation and refinement of farm system modelling tools and a framework to incorporate new models.

Investment in 2016–17:

\$2 m



Amy Fay

Agriculture is more than just a job for Murray Dairy's Amy Fay. It's a passion that extends well beyond her working week to encompass a range of volunteer positions as well as an in-progress Masters degree in Agricultural Science.

Originally from a mixed broadacre farm in western Victoria, Amy cut her teeth helping out on the family farm, together with her four siblings, and working in the local grain silos during the summer holidays for extra pocket money.

After gaining her Bachelor of Agricultural Science degree from Melbourne University, she moved to the nation's capital to take up a position with the Grains Research and Development Corporation.

'My role at Murray Dairy is where you really get to see what actually makes an impact on farmers, and just how complex our dairy

businesses are. Having experience on both sides allows me to make sure that we've got really strong connections between industry, farmers and government and we understand each other's needs.

Accelerating Change is delivering a whole range of activities to help farmers adjust their businesses and feedbases to deal with a changing operating context. A critical issue in the Murray region, where farmers are looking at how they can develop businesses in a water limited future.

While the project is challenging it is also extremely satisfying for Amy, allowing her to combine her professional strengths and skills with her personal love for agriculture and agronomy. It's a big project and proving to be a satisfying one for Amy.

'I'm really passionate about agronomy and growing things, looking after the environment and animals and I love helping people and businesses get better at what they are already good at. I really enjoy working with people who are committed and dedicated to what they do, like to take on new ideas and think critically to finding answers to challenges and there are lots of opportunities to do this in agriculture and at Murray Dairy.'



International market support

Dairy Australia collaborated with the Department of Agriculture and Water Resources to develop and host two workshops for exporters. During 2016–17 Chinese regulatory authorities signaled an increased regulatory focus on infant formula and liquid milk imports, in particular fresh pasteurised and extended shelf life (ESL) milk.

- › **The first workshop was designed to help liquid milk exporters** better understand and respond to specific requirements for information by Chinese regulatory authorities.
- › **The second workshop was targeted at fresh milk exporters and cold chain logistics managers**, with the objective of developing an industry code of practice for adoption by existing and future fresh milk exporters.

Collaborated with Meat & Livestock Australia, Horticulture Innovation Australia and Wine Australia to host more than 120 media journalists, key opinion leaders and industry guests at the inaugural Taste of Australia event held in Shanghai, China. Attendees were introduced to the benefits of Australian food and wine - including dairy.

Delivered international scholarship programs for key markets - South-East Asia, Greater China and the Japan, providing over 50 participants with an understanding of the Australian dairy Industry, including our quality assurance and food safety systems.

Hosted alumni events in key markets for more than 200 past DA scholarship attendees. These events were held in Japan, China, Taiwan, Singapore, Malaysia, Thailand, Indonesia, Vietnam and the Philippines.

Hosted a number of dairy seminars including:

- › **The annual Kangaroo Kai seminar in Tokyo attended by over 200** representatives of the Japanese dairy industry.
- › **Seminars in Kobe and Tokyo with over 200 customers** in attendance in total.
- › **Visited four Middle East markets (Iran, Saudi Arabia, UAE and Kuwait) as part of an industry program organised by Austrade.** Dairy Australia held industry seminars in Dubai and Riyadh, with the program also being supported by the Victorian Government.
- › **Held seminars in the South East Asian region in key markets** including Singapore, Malaysia, Thailand, Indonesia, Vietnam and the Philippines. Over 500 dairy trade customers attended seminars in the region.

Dairy Australia also undertook or contributed to a range of trade policy activities during 2016-17, including:

- › **Submissions to the European Commission** on applications made by EU member countries (such as Cyprus) to register cheese varieties (such as Halloumi) as protected Geographic Indications.
- › **Industry submissions on bilateral and regional trade agreements**, including the Indonesia Australia Comprehensive Economic Partnership Agreement, the Regional Comprehensive Economic Partnership, trade relationships with the United Kingdom, and Peru – in light of respective Trade Ministers' announcement of a bilateral free trade agreement.
- › **Co-ordinated a range of responses to regulatory issues at the state**, national and international levels on behalf of Dairy Australia and industry peak bodies.
- › **Working with key organisations (including the Australian Food and Grocery Council, the National Farmers Federation)** to establish common ground on non-tariff barriers affecting the agricultural supply chain, such as market requirements for factory and product registration.

Produced and distributed The Dairy Australian quarterly electronic newsletter in four languages to more than 2,000 international market customers and stakeholders.

Post-farmgate programs

Project objectives:

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

Investment in 2016–17:

\$4.1 m

Manufacturing margin improvement

Completed the closure of DIAL and commenced transition. DIAL's Werribee research facility officially closed in September 2016. Hard assets were sold and the future of DIAL as a legal entity remains under consideration by the Board of Directors. During this closure process DA entered into two agreements with DIAL. The first was a Custodianship Agreement which sees DA become the ongoing custodian of the research and patented IP outputs from DIAL's research programs (and those of its predecessor organisations). The second was an Assignment Agreement which allowed DA to take on ownership of select web applications and process models that were developed by DIAL and DA for the benefit of the Australian industry.

Coordinated the Dairy Manufacturers Sustainability Council (DMSC). In October, 2016 the DMSC was restructured and the role of coordinating the DMSC was absorbed by Dairy Australia. Across 2016-17 three themed environmental forums were held at DA and two technology/funding screening reports - targeting energy and waste cost reduction - were developed. Eight DMSC Company Members continued to participate (representing over 90% of Australia's milk processing capability between them) while three new Associate Members joined – bringing the total to five. The industry continued to make good progress towards setting and achieving manufacturing-based targets under the Sustainability Framework. Since 2010-11 the industry has achieved a 21.7% reduction in GHG emissions intensity, a 48.4% decrease in waste-to-landfill intensity and a 7% decrease in water consumption intensity. In the last three years, avoided emissions (relative to 2010-11 levels) equate to approximately 751,135 tonnes of CO₂-e.

Developed a saline wastewater management plan for northern Victoria. As a result of securing co-funding from project partners and a successful bid for additional government grant support, a project was commenced in May 2017 to develop a sustainable sodium management plan for northern Victoria. RMCG will carry out the study – supported by the project partners: Bega Cheese, Fonterra Australia, Murray Goulburn, Goulburn Valley Water and Coliban Water. DA will administer/manage the project which is due for completion in February 2018.

Collaborated with Meat & Livestock Australia on improving organic waste utilization. Dairy Australia was part of a successful Meat & Livestock Australia-led bid for Round Three Rural Research and Development for Profit funding. The \$14 million project involves researching and developing technologies and business models to capture and convert wastes from the red meat, dairy, pork and municipal industries into valuable products.

Launched schemes to accelerate technology transfer. The DA Technology Assessment (DATA) and Grant Access Support (GAS) Schemes were launched in February 2017. The support schemes are designed to accelerate technology transfer and project implementation by enabling detailed commercial assessment of technologies of interest through the DATA scheme and disproportionate manufacturer access to larger funding programs via the GAS scheme.

Facilitated manufacturer testing of technology designed to optimise wastewater treatment processes – reducing energy, labor and chemical use while improving system performance. Following a successful trial, the technology has been adopted at one site, slated for adoption at another site and being considered by other dairy manufacturers after the trial results were presented to the DMSC membership. A study report entitled, 'Anaerobic Digestion as a Treatment and Energy Recovery Technology for Dairy Processing Waste Streams' was also commissioned for the benefit of the broader industry and presented to the DMSC members.

Finalised IP licence agreement with true origins company under a licence agreement executed in September 2016. DA has successfully commercialized IP relating to a process for producing whey-derived ingredient which has been shown to promote an anti-allergenic immune response and enhanced gut-barrier function.

Facilitated the development of solar projects to enhance the uptake of renewables. Dairy Australia has facilitated the imminent development of two (potentially three) large scale solar projects at dairy processing sites, through connections made with technology providers and supporting connection with DMSC members.

Post-farmgate programs

Project objectives:

Support the sustainability of the Australian dairy processing community for the benefit of Australian dairy farmers by improving industry cohesion and accelerating the implementation of innovative technologies and practices which reduce processing and distribution costs of Australian dairy products as well as improve and promote the manufacturers' environmental performance thereby adding value and enhancing international competitiveness.

Investment in 2016–17:

\$0.4m



Capable people

Strategic priority 2 encompasses activities that directly improve the capability of Industry participants including extension services. This includes attracting people to the sector, the availability of appropriate training, and assistance in career transitions.

Regional operations and extension

Consolidated the industry-led extension model driven by the RDPs, ensuring a strong focus on farmer engagement and regional priorities.

Fortified regional resourcing to support RDP leadership and management of extension.

Continued to work with RDPs to implement the Tactics for Tight Times program following the announcement of milk price drops in May 2015.

Delivered Taking Stock as part of the Tactics for Tight Times program 1,046 farmers took the opportunity to do a Taking Stock one-on-one consultation using an experienced advisor. Of these farmers, 279 had a follow-up review with their advisor to support the implementation of their action plan.

Hosted 157 tactics field days and workshops, attended by a total of 919 farmers and 722 service providers.

Implemented a customer relationship management system allowing Dairy Australia to engage more effectively with farmers.

Led the Rural R&D-for-profit project to stimulate private sector extension in Australian agriculture and increase returns from R&D projects. In partnership with Meat & Livestock Australia, Cotton RDC, Australian Pork Ltd, Sugar Research Australia, Horticulture Innovation Australia, the University of Melbourne, New South Wales Department of Primary Industries and the Victorian Government, this project works across six agricultural sectors and will deliver benefits to farmers through a better connection between private extension providers and advisors to the outcomes of agricultural R&D.

Project objectives:

- › Maintain and support a regional structure through Dairy Australia's Regional Development Programs (RDPs) that leads, facilitates, coordinates and delivers extension-related activities.
- › Improve farm profitability by accelerating the rate of adoption by farmers of best practices, technology and decision support tools, many of which are the result of DA's investments in RD&E.

Investment in 2016–17:

\$10.2m

Workforce strategy and action

Supported the operations of the Dairy Industry People Development Council through the continued development and monitoring of the People Strategy, targets and KPIs.

Developed and trialed a Farm Safety Manual that provides a whole-of-farm safety system.

Produced the farm safety for kids program - emphasising the importance of keeping kids safe on farm. This program will be trialed in primary schools during 2017–18.

Developed and launched online support resources for employers and employees in agriculture, in conjunction with four other Rural R&D Corporations.

Developed a cross industry Tanker Operator program to support improved milk quality and food safety. The program was supported by all major processors and will be available for delivery in 2017–18.

Project objectives:

- › Develop a comprehensive workforce planning and action strategy that addresses all sectors of the industry including farm, processing and the service sectors.
- › Establish process measures and key performance indicators that give a true reflection of the effectiveness of workforce development initiatives.
- › Apply the learning from pilot projects more widely to ensure workforce planning and action are approached and executed in a systemic and effective manner and reflected in the annual planning processes.

Investment in 2016–17:

\$1.2m

Industry education and leadership

Delivered 106 Cups On Cups Off (COCO) sessions, addressing mastitis management. 68 % of participants reported decreased mastitis levels after attending the course.

Delivered the accredited Euthanase Livestock Training Program via 58 workshops to over 600 people.

Hosted 30 webinars with an average participant satisfaction rating of 90 %. Webinar topics included food safety and quality, regulations, research findings and best practice methodology of dairy product manufacture. The network of presenting global experts has grown significantly, broadening the depth and variety of expertise available from USA, Europe, Australia and New Zealand.

Strengthened the commitment to the industry's three-tier leadership strategy. The first tier program - Emerging Dairy Leaders, was run for the first time with fourteen participants. The well-regarded mentoring program, Dairy Sage, was run in two regions.

Partnered with the Federal Department of Agriculture and Water Resources for the 2017 Dairy Australia Science Innovation Award. The winner this year is Dr Alison Carey, a Research Fellow at the Queensland University of Technology.

Supported the Diploma of Human Resource Management program. Nineteen participants completed the program included farmers, processor field staff, RDP staff and industry consultants.

Project objectives:

- › Ensure the provision of, and participation in, quality educational programs in all the dairy regions that will contribute to the capability and professionalism of the dairy industry and ensure that industry priorities are met.
- › Ensure the industry and dairy communities have the leadership they need to advocate for their needs.
- › Ensure the industry leadership and education opportunities are well understood and patronised.

Investment in 2016–17:

\$1.3 m

Attracting, transitioning and retaining people

Updated the Employment Starter Kit (ESKi). This resource assists dairy farmers who employ people to assist with improved people management practice and compliance. Over 2,300 dairy farmers now have an ESKi folder and 88 % of users stated the resource has helped improve their employment practices.

Delivered the Dairy Australia Cows Create Careers farm module to 230 schools and 12,000 students across 23 regions in Australia.

Engaged with 2000 young people through 85 Young Dairy Network Australia (YDNA) events. YDNA continues to support many young farmers to attend national events including the Australian Dairy Conference, the Dairy Research Foundation Symposium, Herd 17 and international tours.

Produced the *Stepping Stones: Stepping Up/Back* program. The program outlines the planning required to grow in the dairy industry or exit the dairy industry.

Promoted the Employment Made Easy (eMe) site - 180 dairy farmers registered on eMe, an online employment hub for dairy farmers to advertise job opportunities, bringing the total farmers registered to over 700. The site averaged 430 logins and 15 job opportunities advertised monthly during the year.

Supported Regional Workforce Coordinators to provide local support for farmers in employment, HR programs and development regionally via Regional Development Programs.

Provided regular updates on employment-related topics via the People Matters e-newsletter. There were 2,285 subscribers to the e-newsletter as at 30 June 2017.

Project objectives:

- › Attract the best people to the industry by assisting farmers to offer a quality workplace environment, to support and promote rewarding career opportunities and to ensure farm businesses are well prepared for the succession and transition of their businesses.
- › Provide 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 our young people through local young dairy networks with the aim of enhancing skills and knowledge.

Investment in 2016–17:

\$2.3 m

Trusted dairy industry

Strategic priority 3 encompasses a range of activities that help maintain the industry's long term Licence to Operate including:

- › Marketing, communications and engagement that aims to influence perception of the dairy industry and contribute to long-term sustainability.
- › 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; and
- › Collection, analysis and distribution of sector statistics and information for the benefit of stakeholders.

Industry and community marketing

- › **Developed and implemented a 12 month consumer campaign strategy to position cheese as a healthy, nutritious and versatile food**, targeting mums of primary school aged children. The campaign addressed consumer barriers to drive conscious consumption of cheese. Consumer tracking post-campaign revealed that 43 % of those exposed to campaign messages were more positive about cheese, with 16 % committed to increased future consumption.
- › **Attracted a record number of entries to the Australian Grand Dairy Awards**, now in its 18th year, with a highly skilled line up on industry professionals, chefs and cheese retailers judging 470 products, up from 317 in 2016.
- › **Exceeded most campaign objectives for the media relations campaign surrounding the Australian Grand Dairy Awards.** In 2017, the potential reach was 46 million, which was a 134 % increase on 2016. Results from the participating manufacturer survey showed that 85 % of respondents agreed or strongly agreed that 'Winning an AGDA is the highest accolade for a dairy producer in Australia'.
- › **Across the 2016 school year, Dairy Australia's Schools Engagement Initiative** increased awareness of the Discover Dairy resources and programs, including PenPal, Picasso Cows and Healthy Games, by 9 %. Dairy education was delivered to over 14,000 school children, key messages extended to an approximate audience of 10,195,957 and Discover Dairy website page views increased by 86 %.
- › **Targeted teachers through an innovative Discover Dairy webinar series.** The first session, 'Discover Dairy in the 21st Century Classroom,' showed teachers how they can embrace digital technology and integrate the Discover Dairy resources. The second education webinar titled Science meets Sport, featuring Michael Klim and bone expert, Dr Sandra Luliano was particularly well received with a 42 % participation rate, compared with the industry standard of 39 %.
- › **Used the topicality of Healthy Bones Action Week and the Olympics to stage the Healthy Games educational program in 51 schools.** Support public relations activity around the games and bone health messages achieved 42 print and online articles reaching a potential audience of 1,095,806 people. Angaston Primary School students in South Australia, celebrated their gold winning performance in the Discover Dairy Healthy Games with a visit from Michael Klim.
- › **Rolled out the popular Picasso Cows program, now in its 8th year, to 82 primary schools across the country.** Approximately 13,450 children are estimated to have been actively involved in this interactive education program across this financial year.
- › **Undertook a multi-faceted health professional campaign** using Dairy Australia's Foods That Do Good website, electronic newsletters and health media to position dairy foods as a core plank in the Australian Dietary Guidelines, targeting doctors, dentists and dieticians.
- › **Collaborated with the Australian Dental Association (ADA)** to produce stickers for primary school aged children on great snacks for teeth including milk, cheese, fruit and vegetables. 15,500 Dentists throughout Australia received these stickers directly through the ADA. From tracking we know that dentists give nutrition advice and want more resources they can use with patients to help them deliver nutrition advice – an insight that highlights the value of Dairy Australia's relationship with the ADA.

Project objectives:

- › Maintaining the proportion of consumers who agree 'I trust the dairy industry' at 61 %
- › Maintaining the proportion of consumers who agree 'I trust dairy as a wholesome and healthy food' at 68 %
- › Maintaining the proportion of consumers who make an effort to consume enough dairy at 44 %
- › Increasing the understanding within the community of the essentiality of dairy to rural communities from 67 % developing a positive operating environment for the Australian dairy industry

Investment in 2016–17:

\$8m

“Developed and implemented a 12 month consumer campaign strategy to position cheese as a healthy, nutritious and versatile food, targeting mums of primary school aged children.”



Industry and community marketing (continued)

- › **Embarked on a significant body of work, targeting health professionals and consumers**, to tackle the issue of lactose intolerance and bloating driven by the 2016 Futureye social licence research. This identified lactose intolerance as a growing barrier to dairy consumption. A series of gut discomfort focus groups were conducted this year to determine an industry narrative and messaging framework around dairy and bloating and to inform activities in development for 2017–18.
- › **Delivered an educational webinar to 30 Sports Dieticians Australia members**, focusing specifically on milk alternatives and the lack of evidence to support their role in human health or sports nutrition. Sports dietitians' clients are more likely than the general population to use milk alternatives and many SDA members have an extensive profile in traditional or on social media.
- › **Launched and further evolved the Australia's Legendairy Women's Network (ALWN)** to provide dairy women with a networking and educational hub. An active ALWN community has been built on Facebook, with membership now at 449.
- › **Celebrated Australia's dairy farming communities through the second Legendairy Capital program.** From 25 nominations received across all eight dairy regions, the towns of Poowong (GippsDairy), Cohuna (Murray Dairy), Simpson (south-west Victoria), Beaudesert (Subtropical), Hannam Vale (New South Wales), Ringarooma (Tasmania), Mount Schank (South Australia) and Cowarumup (Western Australia), were announced as finalists in June 2017. These towns are now in the running to be named Australia's Legendairy Capital in September 2017. Extensive media coverage and community support has been recorded in all regions, highlighting the community connectedness, pride and resilience that exist with Australia's dairy communities.
- › **Achieved positive consumer tracking which indicated improving trust for the industry**, with 64 % of those surveyed believing dairy farmers do a good job of caring for their animals (up from 58 % in 2016) and 77 % agreeing that the dairy industry is a vital part of their community (up from 67 % in 2016).

Independent 'Dairy Monitor' tracking research, conducted at the end of the 2016–17 financial year, highlighted shifts around consumer attitudes, influences and behaviour towards the dairy industry and dairy consumption.

The findings showed that the following Key Performance Indicators for the Industry and Community Marketing program, which -were identified as overall project objectives for the year, were met.

	April 16	June 17
Overarching objective	(% agree)	
I trust the dairy industry	61 %	63 %
I trust dairy as a wholesome and healthy food	68 %	68 %
I make an effort to consume enough dairy	44 %	45 %
The dairy industry is a vital part of my community	67 %	77 %

Risk and reputation management

Managing supply chain, food safety and integrity issues

Identified the need to embed an enhanced food safety culture into the supply chain as an area needing further attention.

Delivered a series of food safety, traceability and business continuity workshops in conjunction with State Food Authority Regulators and Food Standards Australia New Zealand (FSANZ). Aimed at small and medium enterprise dairy businesses the workshops highlighted the responsibilities for food safety across the supply chain, to ensure greater transparency, traceability and accountability and to have good business continuity plans and food recall systems in place.

No residue issues were raised in this year's Australian Milk Residue Analysis (AMRA) survey. AMRA is a program that monitors the dairy food safety system to ensure it effectively manages potential contamination issues for milk.

Continued to support approval process mechanisms for the handling and transport of milk in the event of a foot-and-mouth disease outbreak.

Regulations were implemented under the new *Biosecurity Act 2015 (Cth.)* to provide a more flexible risk-based approach to managed biosecurity risks. Queensland and New South Wales also introduced new state biosecurity legislation imposing new responsibilities for producers to manage biosecurity risks.

Contributed to the recast national strategy to manage Johne's disease in cattle and supported ADF's revision of the Dairy BJD Assurance Score.

Coordinated the annual survey of dairy farms, which confirmed the Enzootic Bovine Leucosis-free status of the Australian dairy herd.

Supported ADF and dairy companies in the promotion of the revised *Animal Welfare Standards and Guidelines for Cattle*.

Developed technology and systems to monitor the bobby calf supply chain were adopted in trials to establish an electronic national vendor declaration for bobby calves.

Supported the implementation of the ADF's policy to phase out the routine use of calving induction using improved herd management practices, tools and technology. This involved working with cattle vets to introduce structured fertility programs and measure progress.

Human health and wellness partnerships and engagement

Extended the reach of Professor Dennis Savaiano's Nutrition Society of Australia (NSA), plenary lecture by, engaging key opinion leaders, doctors and dietitians and encouraging consumers to rethink the omission of dairy from the diet if lactose intolerance is suspected, or diagnosed. Activities included:

- › **A plenary lecture at the NSA meeting**, 'Lactose intolerance: science, perceptions and realities';
- › **A webinar to 200 dietitians, translating the science** around lactose intolerance into practice;
- › **A roundtable meeting held in conjunction with The Gut Foundation** and a multidisciplinary panel of health professionals and academics to discuss the issue of bloating and gut discomfort, leading to the avoidance of dairy foods; and
- › **Development of factsheets for Foods That Do Good**, with evidence-based strategies to help keep dairy in the diet if intake is being limited due to gut discomfort or lactose intolerance.

Project objectives:

- › Provide current and relevant information to support consumers and key influencers in their understanding of dairy production and practices.
- › Facilitate the development of appropriate strategic policy positions and actively seek to positively impact the views of key influencers. This aims to strengthen the operating environment of the dairy industry, increase dairy food consumption and improve health for Australians.

Investment in 2016–17:

\$5.6m



Risk and reputation management (continued)

Human nutrition research and science

Progressed the Fractures Trial to near completion. Australia, like many OECD countries, has an ageing population. The *Study into Improved Health for Elderly through Increased Dairy Consumption (Fractures Trial for short)* is a large randomised-controlled trial seeking to fill a key evidence gap by conclusively demonstrating the benefits of increased dairy consumption by older people.

In the Fractures Trial, 30 aged-care facilities have been randomised to serve their residents with two additional daily servings of dairy foods for two years, and 30 aged-care facilities have been randomised to serve their usual diet.

- › **Additional funding has been sourced from two new dairy** organisations and one existing funder has increased its contribution;
- › **The study database contains data from over 10,000 residents;**
- › **Over 90 % of the months of data** collection have now been completed;
- › **The study is due to finish in all facilities by April 2018;**
- › **The lead researcher, Dr Iuliano gave a one hour plenary lecture at the First Australian and New Zealand Conference** on sarcopenia and frailty in November, highlighting the importance of food, particularly high quality protein foods such as dairy foods in helping to prevent sarcopenia in older people; and
- › **A research paper ‘Dairy food supplementation may reduce malnutrition risk in institutionalised elderly’** was published in a leading scientific journal in January.

Published five papers in scientific journals that challenged the view that dairy foods containing fat, such as cheese and whole milk, should be restricted. Publication of one of these papers resulted in extensive media coverage both in Australia and around the world.

Produced a comprehensive review of the science on cheese consumption and health. This was disseminated to over 400 key opinion leaders and formed the basis for a presentation to the Federal Assistant Health Minister, Dr David Gillespie in March.

Natural Resource Management Policy

Published a report featuring monitoring and analysis of emerging trends in water affordability and availability, and socio-economic impacts due to the *Murray–Darling Basin Plan* signed in November 2012. The plan affects farmers producing 26 % of Australia’s milk.

Shared the analysis with farmers, dairy representative bodies, the Murray Darling Basin Authority, state and federal agencies, and other relevant entities.

The analysis informed the dairy industry’s strategy in the lead-up to a critical ministerial review of the Murray–Darling Basin Plan in June 2017. Strategy objectives included ministerial recognition of the need for a more robust socio-economic ‘neutrality’ test before recovering more water for the environment; and, achieving 650GL in environmental offsets to reduce the volume of water ultimately removed from irrigation.

The above objectives were achieved with the Basin Ministerial Council at its April 2017 meeting commissioning an independent socio-economic impact analysis going beyond the legislated minimum required in the Basin Plan and submitting proposals equating to 650GL in offsets at the June 2017 meeting.

Commissioned a report on supply and demand drivers affecting water prices in the southern Basin water market. The July 2016 report found that buybacks for the environment has made water more expensive than it would otherwise be on the water market, particularly in dry years.

Risk and reputation management (continued)

Natural Resource Management Policy (continued)

Collaborated on the Regional Irrigation Land and Water Use Mapping in the Goulburn Murray Irrigation District Project with GBCMA, DELWP, DEDJTR, GMW, GMW Connections, NCCMA. The April 2017 dairy evaluation report from this research identified land, water and practice change trends in the GMID dairy industry over the last 15 years. This provides vital insight into industry transition research and planning to adapt to the new operating environment created by state and federal water policy and market interventions including the Basin Plan, and changing seasonal and climate conditions.

Co-funded 'The Basin Plan: GMID socio-economic impact assessment' report by RMCG for the GMID water leadership forum. The September 2016 report provided insights into future water availability for the GMID dairy industry under different climate scenarios with and without the Basin Plan, and associated socio-economic impacts. The report helped to inform the industry's approach to the basin ministerial council requesting impacts assessments beyond the legislated minimum when considering whether to recover an additional 450GL from irrigators for the environment.

Co-ordinated meetings between northern Victorian dairy representatives and GMW on the reset of the \$1 billion Connections project, and with the new GMW CEO to establish a close industry relationship.

Land use planning

Completed an analysis of the adequacy and appropriateness of regulatory frameworks to accommodate diverse dairy production systems. The key issues were in environment, planning and construction regulatory requirements, and the difficulty of determining the actual requirements.

Sustainability framework

Reviewed the material issues of the Sustainability Framework with a view to updating goals and targets in 2017, to reflect these issues and to guide our path beyond 2020.

- › **The material issues identified were industry profitability (including ethical investment),** human health and nutrition, animal health and welfare, climate change (including water scarcity) with food waste an emerging issue for dairy.
- › **In refreshing the Sustainability Framework, we have identified where dairy can contribute to the UN sustainable development goals,** while locally, we have focused on measuring our contribution to the communities in which we work and live. In 2017, we will transition to the updated framework with revised goals, targets and indicators. This will be outlined in the 2017 Sustainability Report, to be released December 2017.
- › **We are also moving towards reporting in line with the Global Reporting Initiative (GRI) Sustainability Reporting Standards.**

“DA research paper ‘Dairy food supplementation may reduce malnutrition risk in institutionalised elderly’ was published in a leading scientific journal in January.”



Knowledge and insights

Effectively continued data collection activities, with participation from companies representing a combined 96.5% of the milk collected in Australia. This data was used in Dairy Australia's comprehensive range of market insights and industry publications.

Produced Situation and Outlook reports in October 2016, February 2017 and June 2017, the findings of which were supported by number of presentations to stakeholders in all major dairy regions around Australia. These reports ensure farmers and the wider industry have access to expert, independent analysis and market insights to inform business decision making and strategic directions.

Published The Australian Dairy In Focus 2016, which ensures the industry has an annual compendium of key statistics to contextualise the dairy landscape, both domestic and global.

Conducted the National Dairy Farmer Survey. Approximately 1,000 respondents participated in the full NDFS 2017 in February/March 2017. The NDFS provides insight into the behaviours and attitudes of farmers. This includes their confidence levels, production trends, intentions, perceived challenges and an understanding of the key factors influencing sentiment.

Hosted the 2017 ANZ Dairy Cooperative Leaders Forum in May 2017, which was attended by cooperative directors from Australia and New Zealand.

Project objectives:

- › Collect, analyse and make available information that is useful to stakeholders in their business decision-making.
- › Provide information and develop insights that improve strategic planning and program delivery for Dairy Australia.

Investment in 2016–17:

\$3.3m







06

Corporate operations

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Governance framework

As a public company limited by guarantee, Dairy Australia Ltd (Dairy Australia) operates within the legal framework of the Corporations Act 2001 (Cth.), other relevant laws and its constitution. As Dairy Australia is registered with the Australian Charities and Not-for-profits Commission, it has obligations pursuant to the Australian Charities and Not-for-profits Commission Act 2012 (Cth.). In addition, as the industry services body under the Dairy Produce Act 1986 (Cth.), Dairy Australia is party to a Statutory Funding Agreement (SFA) with the Commonwealth of Australia. The Constitution of Dairy Australia Ltd (the Constitution) and SFA are available on Dairy Australia's website.

Constitution

The Constitution sets out rules dealing with matters such as Dairy Australia's objects and purposes, the criteria for eligibility for membership, members' voting entitlements and the composition of the Dairy Australia Board (the board) including the election and rotation of Directors.

Statutory Funding Agreement


Since its inception in 2003, Dairy Australia has operated in accordance with the terms of an SFA with the Commonwealth. The SFA was renewed, following negotiations with the Commonwealth, with effect from 26 June 2017, with a term of four years, expiring in 2021. Under the SFA the Commonwealth agrees to pay the dairy service levy funds paid by dairy farmers to Dairy Australia, together with government matching payments. The document also sets out how those payments may be used, as well as Dairy Australia's reporting and accountability obligations to the Commonwealth. The SFA proscribes Dairy Australia from engaging in 'agri-political activity', which includes engaging in or financing any form of external or internal political campaigning.

ASX Corporate Governance Principles and Recommendations

The SFA provides that Dairy Australia 'must implement a framework of good corporate governance practice in managing and investing the Funds, which should draw on best practice guides, including the ASX Corporate Governance Council's

Corporate Governance Principles and Recommendations (the Principles and Recommendations) with 2010 Amendments, Second Edition, June 2010, as appropriate.' (clause 4.1). The Principles and Recommendations '...set out recommended corporate governance practices for entities listed on the ASX that, in the Council's view, are likely to achieve good governance outcomes and meet the reasonable expectations of most investors in most situations. The Council recognises, however, that different entities may legitimately adopt different governance practices, based on a range of factors, including their size, complexity, history and corporate culture. For that reason, the Principles and Recommendations are not mandatory and do not seek to prescribe the corporate governance practices that a listed entity must adopt.' (page 3 of the Principles and Recommendations). As outlined in the SFA, Dairy Australia uses the Principles and Recommendations as a reference point, and aspires to meet the corporate governance framework outlined in a manner that is appropriate to Dairy Australia's status as an unlisted company that is a Rural RDC. The third edition of the Principles and Recommendations was released in March 2014; Dairy Australia is now using that updated edition as a reference point.

Further information regarding Dairy Australia's compliance with the Principles and Recommendations is set out on page 127–132.



“Dairy Australia must implement a framework of good corporate governance practice in managing and investing the funds.”

Membership

Under Dairy Australia's Constitution, all Australian dairy farmers who paid the dairy service levy (or who have levy payments deducted from the proceeds of their milk sales) in the 2016–17 financial year are eligible to become Group A members of Dairy Australia and to participate in general meetings of Dairy Australia and in the election of Directors. In addition, bodies that are the peak representative bodies

for a significant sector of the Australian dairy industry are eligible to become Group B members of Dairy Australia. Dairy Australia's Constitution provides for formal consultation with Group B members in relation to the development of Dairy Australia's strategic and operating plans. Group B members also nominate representatives for the Selection Committee, which nominates candidates for Board vacancies.

At 30 June 2017 Dairy Australia had 4,123 Group A members and an additional 3,598 joint Group A members. The 4,123 Group A members represented 63% of active dairy enterprises. Dairy Australia also had two Group B members: ADF and the ADPF.



Corporate governance

Dairy Australia is committed to achieving the highest standards in corporate governance for the best interests of Dairy Australia, its members and its other stakeholders. Dairy Australia has several corporate governance mechanisms in place: Internal policies, a Corporate Governance Statement, a Code of Conduct, and Board and Board Committee Charters.

The Board

Role and responsibility

The Board is responsible for guiding and monitoring Dairy Australia on behalf of its members, to whom the Board is accountable. The Board is responsible for achieving the objectives of Dairy Australia as set out in the Constitution. The roles and responsibilities of the Board are set out in detail in the Board Charter. More specifically, the Board's responsibilities include:

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

Dairy Australia recognises that an effective Board is crucial to achieving company and industry objectives.

Accordingly, Dairy Australia has structured its Board to ensure that it has the skills and experience necessary to deal with current and emerging dairy industry issues, and is able to effectively and independently review management performance and decisions.

Composition of the Board

At 30 June 2017, the Board comprised eight non-executive Directors (including the Chair) plus the Managing Director. The Board's size and composition enables it to make timely decisions with input from Directors who have a variety of skills and perspectives. The skills, experience and expertise of each Director in office at the date of this report are set out in more detail in the Directors' report (page 84).

The Board recognises that the relevant skills and experience requirements for Directors might, at times, lead to a potential conflict of interest for a Director. At the time of their appointment, each Director provides a declaration of interests, providing information regarding their business and other interests. Directors are also required to provide notice when a new office or interest is acquired. These requirements are in accordance with Dairy Australia's policy for dealing with Directors' conflicts of interest.

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

Board Skills Matrix

The *Board Skills Matrix*, which is developed by the Human Resources Committee and by the Board, is used as a basis for identifying the skills and experience required of the Board as a whole.

Every year, each Director completes a self-assessment against all 37 sub skills. This self-assessment is then reviewed against the Skills Matrix, taking into account the impending retirement of Directors at the next AGM, and the requirement that there be four Directors with milk producer skills on the Board. The Skills Matrix is then used to develop formal Director specifications for the vacancies on the Board which are developed by the Human Resources committee, endorsed by the Board and provided to the Board Selection Committee. Further information regarding this process is set out on page 129.

Rotation of Directors

The Constitution provides for three-year terms for non-executive Directors. At each AGM, Dairy Australia's Group A members elect Directors to fill Board vacancies created when Directors retire by rotation. This allows the Board's composition to be reviewed annually to ensure that it continues to have the skills and experience necessary to meet the challenges facing Dairy Australia and industry.

Candidates for election are nominated by the Board Selection Committee, comprising four representatives from the two Group B members (two from each Group B member) and one representative from the Board. The Board Selection Committee may be assisted by a pre-selection committee, which identifies candidates with milk producer skills. The pre-selection committee comprises three industry representatives. In addition, Group A members with the necessary skills and level of Group A member support are able to lodge nominations for Board positions.

Newly elected Directors undergo an induction program relevant to their experience and are given a full briefing to familiarise them with Dairy Australia's operations, strategies and issues. The induction program includes meetings with the Managing Director, Leadership Team (LT) and other members of management.

Director independence

Dairy Australia considers that all of its non-executive Directors are independent. The ASX Corporate Governance Principles and Recommendations provide that "...To describe a director as 'independent', carries with it a particular connotation that the director is not allied with the interests of management, a substantial security holder or other relevant stakeholder and can and will bring an independent judgement to bear on issues before the board." In its capacity as an industry services body, Dairy Australia does not have security holders; its Group B members are representative organisations (ADF and ADPF) and its Group A members dairy levy payers. Dairy Australia's *Board Skills Matrix* provides that the Board as a whole is required to possess skills reflective of all aspects of the dairy supply chain, and the Dairy Australia Constitution requires that the Board must have four milk producer directors. All Directors are required to disclose all interests, positions and relationships that may bear on his or her independence prior to being appointed to the Board. This disclosure is updated on a monthly basis and shared with other Directors prior to each Board meeting. Dairy Australia's Policy on the Independence of Directors details a process for dealing with conflicts of interest once declared.

Board meetings

The Board met 12 times and each of the Board Committees (the HRC and the ARMC) had four meetings during 2016–17. Meeting agendas

are formulated prior to each meeting and Dairy Australia's management provides Directors with comprehensive papers and reports regarding matters under consideration to facilitate sound decision making. In addition, members of Dairy Australia's Leadership Team (LT) and other members of management give presentations to the Board, as required. Matters considered by the Board include reviews of Dairy Australia's financial position, updates regarding current conditions in the dairy industry, industry outlook and forecasts, progress of projects implemented to achieve Dairy Australia's strategic priorities and assessment of newly proposed projects.

Board performance

Under the Board Charter, the Board conducts an annual review to evaluate its performance and identify areas for improvement, with each third review being facilitated by an expert external consultant.

In 2017 the Directors undertook an internal peer review process, with the results being shared with the Board Chair.

Board's delegation to management

The Board delegates to Dairy Australia's management responsibility for:

- › development and implementation of strategy as approved by the Board from time to time;
- › financial performance; and
- › operational activities.

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

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

Code of Conduct

Dairy Australia has a *Code of Conduct* (the code) in place. The purpose of the code is to establish the ethical standards by which Directors, executives and employees of Dairy Australia are expected to abide. Standards outlined in the code are:

- › compliance with relevant requirements, including laws, rules, regulations and contractual obligations applicable to Dairy Australia;
- › acting with honesty and integrity in relation to activities conducted on behalf of Dairy Australia;
- › maintaining obligations regarding confidentiality and privacy of information;
- › acting appropriately in relation to use of position at Dairy Australia and use of corporate resources and assets in a responsible manner;
- › in accordance with the Constitution and with Dairy Australia's obligations under the SFA, not engaging in any agri-political activities;
- › dealing with potential and actual conflicts of interest appropriately, including fully disclosing such conflicts of interest to Dairy Australia;
- › acting appropriately in relation to giving or receiving business-related gifts and entertainment; and
- › reporting any deviation from these standards in accordance with the outlined procedures.

All Directors, executives and employees of Dairy Australia are required to sign an undertaking to Dairy Australia, acknowledging that they have received the code, that they are aware of the responsibilities and duties outlined in the code and that they agree to abide by the conditions outlined in the code.

No breaches of the code were reported during 2016–17.

Board committees

The Board has established three standing committees that assist it in discharging its responsibilities: the Audit and Risk Management Committee and the Human Resources Committee, both of which comprise Dairy Australia Directors; and the Board Selection Committee, of which four of its five members are appointed by industry, specifically, Dairy Australia's Group B members: ADF and ADPF. Each committee has a charter setting out its roles and responsibilities.

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

The Chair of these two committees provides a verbal report of committee meetings at the next Board meeting and the committee minutes are tabled at the same meeting.

Audit and Risk Management Committee

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

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

The committee's terms of reference include oversight of:

- › appropriate systems and financial policies to ensure a high standard of financial reporting;
- › adequate and effective internal controls;
- › an adequate company *Risk Management Plan* and compliance with applicable legal and other requirements; and
- › review of audit plans and audit reports for both the external and internal audits.

In 2016–17 the Audit and Risk Management Committee comprised three non-executive Directors plus the Board Chair who attended meetings in an *ex-officio* capacity. The Charter for the Audit and Risk Management Committee requires that all members of the Committee be financially skilled, with at least one member having advanced accounting and financial expertise, and at least one member having a strong understanding of the dairy industry.

The Audit and Risk Management Committee met four times during 2016–17, including meetings with Dairy Australia's external and internal auditors. The Managing Director, Group Manager for Business and Organisational Performance and the Financial Controller attend Committee meetings, except when, consistent with best practice, the committee meets with the auditors in the absence of management.

The major items considered during 2016–17 were:

- › oversight of the development of an updated strategic plan in line with Dairy Australia's reduced revenues;
- › finalisation of the 2016–17 financial statements for Dairy Australia;
- › review of internal audit reports, externally managed investments and financial and investment policies;
- › review of Dairy Australia's reserves policy; and
- › review of the *Risk Management Plan* and *Fraud Control Plan*.

Human Resources Committee

The role of the Human Resources (HR) Committee is to provide assistance to the Board in fulfilling their responsibilities, which include:

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

Additionally, the HR Committee worked with the Dairy Australia HR team and provided a review of the 2016–17 *Human Resource Plan*, including initiatives in line with the organisational development strategies. The Human Resources Committee monitored their progress and provided input. These initiatives included:

- › implementing and embedding the Dairy Australia values and desired behaviours into our people, systems and processes, including the performance development review and talent review process. Organisation values have a major influence on how people approach work, make decisions, and demonstrate commitment to delivering positive outcomes for Dairy Australia. We will continue our efforts to build an engaged, culturally aligned and high performing workforce;

- › aligning with Dairy Australia's strategy of people capability. The HR team developed and implemented targeted development opportunities, including the Dairy Australia Leadership Program for our emerging leaders and offered career coaching workshops for all employees;
- › managing the ongoing transfer and integration of RDP teams into Dairy Australia and the recruitment and retention of talented individuals who will contribute to the delivery of Dairy Australia's vision; and
- › thoroughly reviewing Dairy Australia's WHS policies to ensure legal compliance and good corporate governance practice, particularly in view of the increase in farm-based extension activity and the associated risk profile for Dairy Australia. In partnership with the Regional Leadership team, a WHS framework was developed with implementation of initiatives and actions to address and mitigate risks to the health and safety of our people.

The Human Resources Committee comprised four non-executive Directors in 2016–17 plus the Board Chair who attended meetings in an *ex-officio* capacity.

The Committee met four times during 2016–17. Dairy Australia's remuneration for Directors, key management and staff was externally benchmarked against general market data.

2016–17 Board Selection Committee

The Board Selection Committee (BSC) is a standing committee appointed every 12 months.

The Board Selection Committee for 2017 comprised the following members:

- › Geoff Akers (Chair and Dairy Australia Board representative)
- › Simone Jolliffe (ADF nominee)
- › Terry Richardson (ADF nominee)
- › John Williams (ADPF nominee)
- › Nicola Richardson (ADPF nominee - 2016)
- › Peter Stahle (ADPF nominee - 2017)

In 2016, a Board vacancy was created by the resignation of Lisa Dwyer. Due to the timing of her resignation, the vacancy was treated as a casual vacancy under the Constitution. Details of the nomination process for this vacancy were sent to levy payers by letter dated 9 November 2016. Mr Graeme Nicoll was nominated by the BSC and was appointed to the Board in January 2017, with the term of this casual vacancy ending at the 2017 AGM.

In 2017, there are two vacancies, both for Directors with milk production skills. Details of the nomination and selection process for these vacancies were sent to levy payers by letter dated 7 June 2017. The vacancies were also advertised publicly. An executive recruitment firm, Rimfire Resources, supported the BSC in the recruitment process.



Reporting, accountability and other statutory activities

Industry and stakeholder consultation and communication

Dairy Australia undertook a wide range of stakeholder communication and engagement initiatives throughout the year, ensuring that levy payers had a strong voice in decision-making and understood Dairy Australia's levy-funded programs. Initiatives included attendance and presentations at industry events such as the Australian Dairy Conference, the United Dairy Farmers of Victoria and the Queensland Dairy Farmers Organisation annual conferences.

- › RDP-led activities such as seminars, on-farm workshops, field days and priority-setting sessions. On-farm workshops included Tactics for Tight Times and other seasonal response activities including those providing social support and productivity-based extension activities.
- › regular farm visits by senior Dairy Australia staff and Board members
- › media releases distributed to print, electronic and broadcast media
- › regular news articles and features to regional and rural print and online press
- › fact sheets and research reports in both print and online formats
- › the quarterly electronic newsletter to farmers and service providers
- › monthly electronic and hard copy RDP newsletters to farmers and regional stakeholders
- › Dairy Australia and RDP Facebook pages
- › Dairy Australia's YouTube channel, featuring a broad range of farmer-facing content and topical Tactics for Tight Times information to support farmer decision making
- › numerous electronic direct mail pieces ranging from Tactics for Tight Times checklists, research updates, market updates, commodity updates through to event notifications

- › continuous updates to the Dairy Australia and RDP websites providing the latest information on Dairy Australia's strategic direction, programs, on-farm tools and resources, domestic and international marketing activities, market information, research reports, upcoming industry events and links to key industry contacts
- › webinars providing current and timely information to farmers and service providers, particularly in relation to farm business management and animal health programs.

In addition to the above activities, Dairy Australia met regularly with the ADIC, ADF, ADPF, their executive teams, others representing industry and the various state dairy farmer organisations. The ADF and ADPF provide representatives to industry reference groups (such as special purpose committees), who work with Dairy Australia staff in the areas of farm productivity and delivery, dairy food safety, nutrition, workforce development and trade to maximise the alignment of industry investments.

The ADF facilitates policy advisory groups across industry interest areas that include representatives of relevant business groups within Dairy Australia. ADF and ADPF also provided members for the Board Selection Committee.

Formal ongoing reporting sessions with the Federal Government were also undertaken in accordance with our statutory obligations.

Strategic Plan and Annual Operating Plan

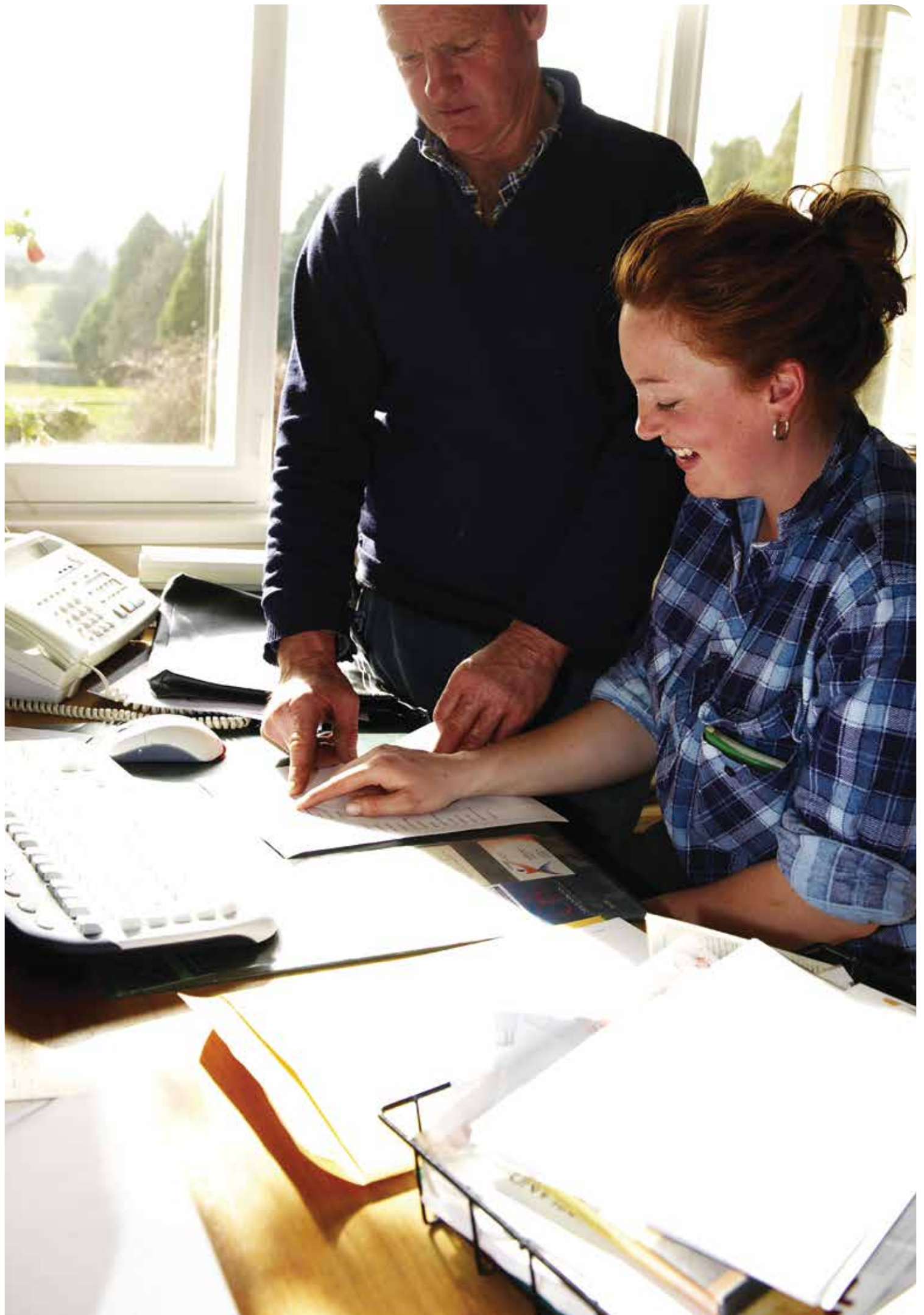
A new three-year *Strategic Plan 2016–17 to 2018–19* was published in October 2016.

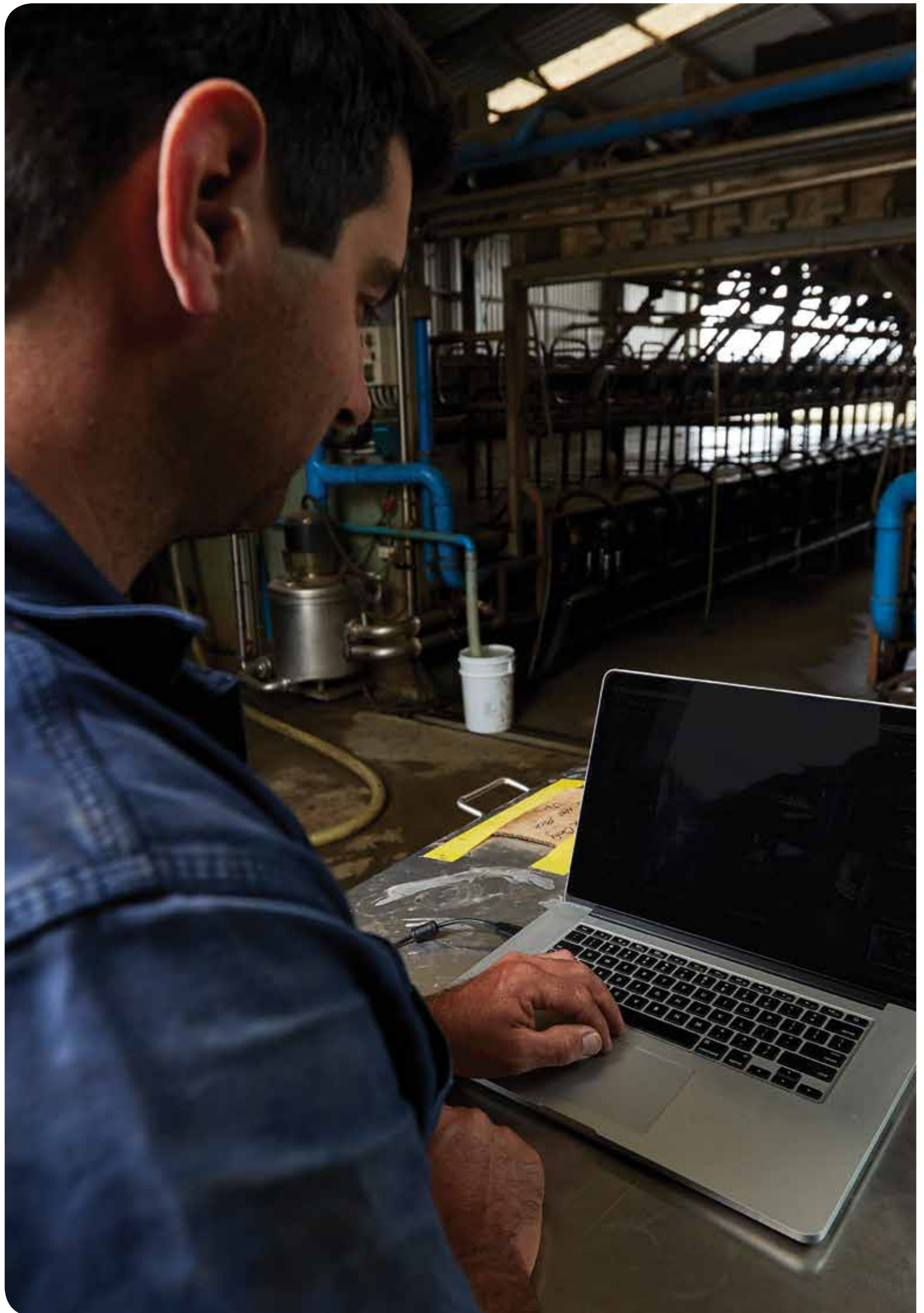
Dairy Australia has a Memorandum of Understanding with ADF and ADPF that describes how the parties collaborate in the development of Dairy Australia's strategic and annual operating plans.

Each year, Dairy Australia undertakes an environmental scan to inform the planning process. This includes internal reviews and consultation with key stakeholders and representative bodies such as ADF, ADPF, RDPs, DIAL and others. It also draws on key industry strategic initiatives and studies, including DMF and the Dairy Industry Sustainability Strategic Framework. In 2016–17, this also included participation in ADF industry planning meetings.

From this work, Dairy Australia updates its industry issues analysis and makes relevant changes to the investment priorities contained in the *Strategic Plan and Annual Operating Plan*. Those documents are presented to the ADF and ADPF before final submission to the Australian Government.

The outcomes of industry events towards the end of 2015/16 (farmgate price downgrades) had significant consequences for the sector and Dairy Australia. It became evident that lower production and pricing would lead to significantly lower income for Dairy Australia in the following years. As a result, the new three year plan describes a reprioritisation of investment with proportionally greater funding directed towards immediate and longer-term on-farm profitability oriented activity. Operationally, the business was restructured with the objective in making significant reductions in delivery and overhead costs.





Annual Report

Dairy Australia sent its 2015–16 Annual Report to the Australian Government on 25 October 2016 in compliance with the SFA and lodged the document with the Australian Charities and Not-for-profits Commission on 24 January 2017. The report was also sent to four members in October 2016 and 3,998 members were advised in the 2016 Notice of Meeting that the report was available on the Dairy Australia website.

Annual General Meeting

Dairy Australia's 2016 AGM was held on Friday 25 November 2016 at Flemington Racecourse, 448 Epsom Road, Flemington, Victoria. 171 people attended the 2016 AGM in person, including 41 Group A members and representatives of the two Group B members. 161 members voted by proxy.

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

The 2017 AGM will be held on Friday 24 November 2017 at Flemington Racecourse.

Risk management

The assumption of risk by Dairy Australia is a necessary part of the activities undertaken to achieve company and industry objectives. The Board is committed to identifying, assessing and managing these risks. The Board's Committee structure forms an important part of the risk management process.

The Board receives regular reports from the Audit and Risk Management Committee on matters that it has considered.

Risk Management Plan

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

Insurance

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

During the year, Dairy Australia paid a premium in respect of an insurance contract insuring its Directors and Senior Officers against liability of this nature. In accordance with normal commercial practice and under the terms of the insurance contracts, the nature of the liabilities insured against and the amount of premiums paid remained confidential.

Internal audit function

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

“Dairy Australia undertook a wide range of stakeholder communication and engagement initiatives throughout the year, ensuring that levy payers had a strong voice in decision-making and understood Dairy Australia's levy-funded programs.”



Dairy Levy Poll Review Cycle

In 2017, the new process for reviewing the level of the dairy service levy was enacted for the first time following changes to the legislative framework, specifically, changes to amend the *Dairy Produce Act 1986* (Cth.) (the Act) which were passed in early 2016, and the signing by the Minister for Agriculture and Water Resources, the Hon. Barnaby Joyce, of the *Dairy Produce (Dairy Service Levy Poll) Instrument 2016* (the Instrument). The Instrument replaced the *Dairy Produce (Dairy Service Levy Poll) Regulations 2006* and sets out the process for establishment of the Levy Poll Advisory Committee and the process that it must follow for review of the level of the dairy service levy. The report of the Levy Poll Advisory Committee which was sent to all dairy levy payers in late January 2017, is annexed to this Annual Report (page 124). This report provides further background regarding the changes and the deliberations of the Committee.

Independent Review of Dairy Australia

In March 2017, the Independent Performance Review of Dairy Australia was finalised. The purpose of the review, in broad terms, was to assess how well DA had met its obligations to levy payers and other stakeholders, as set out in its statutory funding agreement (SFA) with government, over the five-year period July 2011 to June 2016, and was undertaken by a group of external consultants (Scott Williams, Russell Pattinson, John Harrison and Chris Wilcox).

The review involved an extensive review of documents and consultation through face-to-face or telephone interview with major stakeholders: dairy farmers, DA board and management, government, processors, service providers and collaborators. Open meetings (or teleconferences in two instances) were also held in conjunction with each of the eight Regional Development Programs (RDPs) to gain regional input. All stakeholders were provided the opportunity to make a submission to the review. Details of the consultation are provided in the report, which is available on the Dairy Australia website.

In summary, the review found that *“DA has met all of the obligations of its SFA. Corporate governance is strong, the board and management are highly competent and the company’s processes are robust. Some features of the business, such as the RDPs and DA’s strategic RD&E collaborations, may serve as a model for other industries. There is evidence of the company creating value for dairy farmers, although the difficulty of communicating the benefits delivered by DA is recognised”*.

The review identified some areas in which improvements might be made to the performance of the business, although it was noted that in each case, these concerned issues of which the board and management were already aware and were taking steps to address.

Dairy Industry Sustainability Framework

Recognition of the growing domestic and international importance of sustainability credentials in food production, prompted the industry to embark on the development of the Sustainability Framework in 2012.

The Sustainability Framework, led by our peak body - the Australian Dairy Industry Council, sets and measures goals for economic prosperity, nutrition, animal welfare and natural resource management.

In 2016, significant effort went into reviewing our material issues which include industry profitability (ethical investment), human health and nutrition, animal health and welfare, climate change (including water scarcity) and food waste. In 2017 we will be updating the Sustainability Framework goals and targets to reflect these issues and to guide our path beyond 2020. We are also moving towards reporting in line with the Global Reporting Initiative Sustainability Reporting Standards. Our changes will be outlined in the 2017 Sustainability Report, scheduled to be released in December 2017.

“The review identified some areas in which improvements might be made to the performance of the business, although it was noted that in each case, these concerned issues of which the board and management were already aware and were taking steps to address.”



Our people

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

We are proud of our 2016–17 performance results, where team members delivered as promised, or better, whilst demonstrating our corporate values; Motivated, Integrity, Leadership and Knowledge (MILK).

Our achievements in 2016–17

- › The ongoing transfer, recruitment and integration of Regional Development Programs
- › A strong focus on work health and safety policies and practices. This follows Dairy Australia’s increasing involvement in field services and integration of regional staff.
- › Improving performance of all staff through better education in the use of performance reviews and feedback that focus on our company values
- › The implementation of a targeted management development program aimed at providing our existing and new managers with the skills to lead and support their teams
- › A robust, centralised recruitment process aimed at employing the right people for the right positions

Developing our talent

The potential of our workforce is continually enhanced through programs and activities, such as individual development plans, recognising career aspirations and nurturing talent. Health and wellbeing initiatives are also offered to maintain a safe and healthy workforce and work environment.

These targeted activities are derived from our HR strategic pillars:



Key workforce data

People

173 42.2% based in regional areas

Women in Dairy Australia

65%

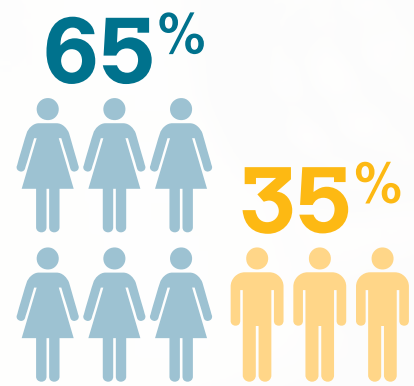
Women at executive level

33%

Women at board level

12.5%

Gender distribution – all staff



Regional based staff

Location	Workforce number	Workforce FTE equivalent
GippsDairy	9	8.00
Murray Dairy	16	11.64
DairyNSW	10	5.40
DairySA	7	3.90
Subtropical Dairy	6	2.80
Dairy TAS	8	4.29
WestVic Dairy	13	9.62
Western Dairy	4	2.70
TOTAL	73	48.35

Total Southbank based workforce: 100 (91.3 FTE)
Total regional based workforce: 73 (48.35 FTE)
As at 30 June 2017 including contractors.

Leadership team

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



Managing Director

Mr Ian Halliday

Ian was appointed Managing Director of Dairy Australia in January 2010, bringing to the position the experience of a career which has spanned the supply chain. His expertise includes an extensive range of management roles with SPC, Goodman Fielder, Kraft Foods, KR Castlemaine and Vesco Foods. He is currently a Non-Executive Director of The Pastoral Pork Company Pty Ltd.

*BAppSc (Food Technology)
Appointed 2010*

Former members of the leadership team

Ms Isabel MacNeill

(Industry Promotion and Product Innovation)

Retrenched July 2016

Ms Cassandra Trumble

(Human Resources)

Resigned November 2016

Mr Ross Joblin

(Business and Organisational Performance team)

Relinquished February 2017

Group Manager – Trade and Industry Strategy

Mr Charlie McElhone

Charlie leads the Trade and Industry Strategy team at Dairy Australia. This team is responsible for facilitating profitable international trade of Australian dairy products, post farmgate research/innovation in dairy processing and health and nutrition, and providing information, analysis and market intelligence to the Australian dairy industry. This includes ensuring the industry's interests are upheld in the vital area of international trade policy reform, as well as providing factual advice on potential impacts of domestic policies in areas such as water, carbon and chemicals regulation. Charlie came to DA from the National Farmers' Federation (NFF), where he was the General Manager of Policy. Apart from overseeing all policy activities of the NFF, he also took primary carriage of the organisation's advocacy in the Economics and Trade portfolios and lead NFF's efforts on carbon mitigation policy in relation to the carbon tax and the Carbon Farming Initiative.

*BAgrEc, GradDip International Business, MBA
Appointed 2012*

Group Manager – Farm Profit and Innovation

Mr Chris Murphy

Chris leads the Farm Profit and Innovation Group which invests in research, development, extension and education activities to support the profitability, sustainability and competitiveness of Australian dairy farmers. Chris has been involved in the dairy industry for his entire career largely focused on extension and on-farm change. Originally from a dairy farm in northern Victoria, Chris has worked in the field with two dairy companies and has been involved in rural retailing and wholesaling, including on-line information provision. Chris spent 6 years at Dairy Australia previously working in the farm business management area and with the Regional Development Programs. Chris rejoined Dairy Australia in 2011 after two years in New Zealand with DairyNZ implementing their extension strategy.

*B. Agr. Sci. MBA
Appointed 2011*



Group Manager – Business and Organisational Performance

Ms Elizabeth Parkin

Elizabeth leads the Business and Organisational Performance Group which includes Strategy and Corporate Planning, Finance, Information Technology, Company Secretariat and Corporate Affairs.

Elizabeth has over 25 years' experience in senior management and corporate advisory roles in multiple organisations such as Ernst & Young, KPMG and Lander & Rogers. She has a strong record of achievement in roles including as a corporate finance director and chief operating officer. Her strength lies in the strategic planning for the companies she has served along with implementing these strategies and business improvement.

Elizabeth has broad board experience and has served as a director on multiple boards and the chair of audit and risk committees.

*BBus, FFin, CA ANZ
Appointed 2017*

Group Manager – Marketing and Communications

Ms Kendra Campbell

Kendra leads the Marketing and Communications group, which focuses on protecting and promoting the dairy industry. Kendra has experience in corporate communications and PR, most recently as a Marketing Manager with Coles Express. Prior to that, she has held senior management roles at Baker's Delight, including General Manager Marketing, Group Marketing Manager and Group Corporate Communications Manager.

Kendra has been responsible for entire portfolios spanning brand advertising, marketing, product development, PR, media relations, franchise engagement, reputation management, and internal/external communications.

*BBus
Appointed 2016
Commenced 2017*

Group Manager – Human Resources

Mr Ross McKenry

Ross leads the Human Resources group, which is responsible for aligning the people and business strategies, attracting and building capability for Dairy Australia and supporting leaders to provide a healthy and safe workplace. Ross joined Dairy Australia after a long career in commercial HR in organisations such as Carlton and United Breweries, Austrim Nylex and Air Liquide. His early career experiences at CUB were managing the Customer Quality Service department before leading change management processes. He then moved into increasingly more senior HR generalist roles. Ross spent 14 years with Air Liquide, the world number one air gas company, as HR Manager including 5 years based in Paris where he played an integral role in the design and development of leadership, sales training and e-learning programs. Upon returning to Australia he managed the HR department of the Air Liquide Healthcare division.

*BBus, GradDip HRM&IR
Appointed 2017*



07

Financial report

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Directors' report

The Directors of Dairy Australia Ltd submit their report for the year ended 30 June 2017. The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.



Director

Mr Geoff Akers, Chair

Geoff is a dairy farmer from Tallygaroopna in Northern Victoria. He has extensive experience in dairy research, development and extension. He worked for Victoria's then Department of Agriculture (Target 10 and Operation Mid Lactation) and at the Kyabram Research Institute. He spent four of six years on the Murray Dairy Board as Chair and two years on the National Dairy Alliance Board. He has also served as a Director of Australian Dairy Farmers, a Central Councillor of the United Dairyfarmers of Victoria and is a former Chair of the Victorian Farmers Federation Water Council. He is also a former Director of the Northern Victorian Irrigation Renewal Project.

Appointed November 2005
Ex-officio member – Audit and Risk Management Committee and Human Resources Committee



Director

Mr Ian Halliday, Managing Director

Ian was appointed Managing Director of Dairy Australia in January 2010, bringing to the position the experience of a career which has spanned the supply chain. His expertise includes an extensive range of management roles with SPC, Goodman Fielder, Kraft Foods, KR Castlemaine and Vesco Foods. He is currently a Non-Executive Director of The Pastoral Pork Company Pty Ltd.

Appointed January 2010



Director

Lisa Dwyer

Lisa is a non-executive Director with the Australian Livestock Export Corporation Limited. Lisa's early career was in finance before joining Racing Victoria Limited, where she was appointed to progressively more senior roles covering sales and marketing and as a Region Services Manager. For the past 10 years she has been in partnership in the running of a successful 344-hectare dairy farm. She has been actively involved in a number of key committees and boards in the dairy and agribusiness sector including as Chair of WestVic Dairy Board, Chair of the National Milk Quality Steering Group and as a member of the Australian Dairy Industry Animal Husbandry Steering Group and the Victorian Animal Welfare Advisory Committee. She is a past Branch Secretary of the Macarthur Branch of UDV. Lisa has a Graduate Certificate in Agribusiness from the University of Melbourne and an Advanced Diploma in Agriculture. She has further developed her professional skills and director expertise both as a graduate of the Australian Institute of Company Directors and as a fellow of the Australian Rural Leadership Foundation.

Resigned November 2016
Member – Human Resources Committee (to November 2016)



Director

Dr Alan Grant

Dr Grant joined Dairy Australia after more than 30 years in R&D roles in the food industry. In various roles with Kraft Foods he has been responsible for leadership of the Research, Development and Quality function at business unit level or above in Australia, Canada, USA, Asia and Europe. He has broad experience in linking technology to business plans, with acquisitions, joint ventures, licensees and intellectual property management. In his last role as Senior Vice President, R&D for Kraft International in Chicago, he was responsible for R&D and quality activities in all product categories for businesses in the developing markets of Latin America, Central and Eastern Europe, the Middle East, Africa and Asia Pacific. He holds BSc (Hons) and PhD degrees from the University of Melbourne.

*Retired November 2016
Chair – Human Resources
Committee (to November 2016)*



Director

Mr David Mallinson

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

*Appointed November 2015
Member – Audit and Risk
Management Committee
(from December 2016)
Member – Human Resources
Committee (to November 2016)*



Director

Mr James Mann

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

*Appointed November 2015
Member – Human Resources
Committee*

Directors' report (continued)



Director

Mr John McKillop

John has extensive agribusiness experience with national and international corporations. He is currently a Director of Dairy Australia, Marcus Oldham College and is the CEO of Hassad Australia. He was previously the Managing Director of AgCAP, and has held senior leadership positions with Clyde Agriculture, Elders and Stanbroke Pastoral Company. Key responsibilities have included operations management, strategic planning, business development and marketing. John holds a Diploma of Farm Management, a Bachelor of Business (Charles Stuart University), an MBA, and is a graduate of the Australian Institute of Company Directors.

Appointed November 2012

Member - Audit and Risk Management Committee

(to November 2016)

Chair - Human Resources

Committee (from December 2016)

Former Company Secretary

Ross Joblin

Ross was Dairy Australia's Company Secretary and a member of the Company's Executive Leadership Team as Group Manager of Business and Organisational Performance

Relinquished February 2017



Director

Mr Graeme Nicoll

Graeme is a dairy farmer from South Gippsland. He owns and operates a perennial pasture based dairy business, milking a crossbred herd, at Fish Creek in South Gippsland. Graeme holds qualifications in science, land rehabilitation and horticulture and was awarded a Nuffield Scholarship in 2010, which provided him with the opportunity to study the global dairy industry. His industry roles have included Deputy Chair and subsequently Chair of the GippsDairy Regional Development Program. He is a member of United Dairyfarmers of Victoria (UDV) and has a strong national and international network of agricultural contacts. Graeme brings a deep passion for the dairy industry and extensive knowledge of dairy farming systems and technologies to the Dairy Australia Board.

Appointed January 2017

Member - Human Resources Management Committee



Director

Mr Jeff Odgers

Jeff owns a dairy farming business near Shepparton, Victoria milking 700 cows. He has broad experience in managing large scale farm enterprises in northern Victoria and Tasmania. Jeff is a director of Bega Cheese Limited and was also a Director of Tatura Milk Industries prior to the successful merger of the two companies. His formal qualifications include a Bachelor of Business (Agricultural Management) and an Associate Diploma in Farm Management. He served as a Director of the Murray Dairy Inc. Regional Development Program (2006–12) and led the organisation as Chair (2008–12).

Appointed November 2013

Member - Audit and Risk Management Committee



Director

Mrs Jan West AM

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

*Appointed November 2014
Chair - Audit and Risk
Management Committee*



Director

Professor Paul Wood

Professor Wood has over 30 years' experience in agricultural R&D. Professor Wood has been successful as both a research scientist and as an R&D leader. He is internationally recognized for his research in veterinary immunology, tuberculosis and vaccine development and is the inventor on a number of patents. He has led R&D teams from CSIRO, CSL and Pfizer Animal Health (now Zoetis). He has been responsible for bringing a number of innovative products to the market, receiving recognition for his work including the CSIRO medal and the Clunies Ross award. He has served on several boards with both R&D and commercial entities, currently serves as the Chair of the Agriculture and Foodtech Committee for AusBiotech, and is an Adjunct Professor at Monash University. Professor Wood is also a Director of the global Alliance for Livestock Veterinary Medicines and P&R Wood Partners. He is also a Fellow of the Australian Academy of Technological Sciences and Engineering.

*Appointed November 2016
Member – Human Resources
Management Committee*



Company Secretary

Ms Emma Braun

Emma is Dairy Australia's Company Secretary. With over 20 years' experience practising as a solicitor, primarily as in-house counsel, Emma offers significant depth and breadth of expertise in in-house legal services across multiple jurisdictions, in both developed and emerging markets, including countries in South-East Asia, South America and the United States. Her experience has included leading the legal function and providing company secretarial support to boards and board committees and working with senior management and boards to implement and maintain corporate governance and risk management frameworks.

Emma completed her undergraduate and postgraduate studies at the University of Melbourne (BA, LLB (Hons.), LLM). She has undertaken further postgraduate governance studies (GradDipACG) with the Governance Institute of Australia and is a Fellow of the Governance Institute of Australia and of the Institute of Chartered Secretaries and Administrators (UK) and is a Member of the Australian Institute of Company Directors.

Appointed February 2017

Directors' report (continued)

Meetings of Directors

Director	Directors' meetings		Committee meetings			
	A	B	Audit and Risk Management Committee		Human Resources Committee	
			A	B	A	B
Mr G Akers	12	12 ⁽ⁱ⁾	4	4 ⁽ⁱⁱ⁾	4	4 ⁽ⁱⁱ⁾
Mr I Halliday	12	12	4	3 ⁽ⁱⁱ⁾	4	4 ⁽ⁱⁱ⁾
Mrs L Dwyer ^(v)	5	3	–	–	2	2
Dr A Grant ^(vi)	5	5	–	–	2	2 ⁽ⁱⁱⁱ⁾
Mr D Mallinson	12	9	2	1	2	1
Mr J Mann	12	12	–	–	4	4
Mr J McKillop	12	12	2	2	2	2 ^(iv)
Mr G Nicoll ^(vii)	5	5	–	–	2	2
Mr J Odgers	12	12	4	4	–	–
Mrs J West	12	11	4	4 ⁽ⁱ⁾	–	–
Professor P Wood	7	6	–	–	2	2

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

B Number of meetings attended

- (i) Indicates Chair
- (ii) Indicates attendance as an *ex-officio* member
- (iii) Indicates Chair from July 2016 to November 2016
- (iv) Indicates Chair from December 2016
- (v) Resigned effective 2016 AGM
- (vi) Retired at 2016 AGM
- (vii) Appointed to casual vacancy effective 23 January 2017

Our strategic priorities

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

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

- › profitable dairy farms
- › capable people
- › trusted dairy industry.

The following table shows how our principal activities were aligned to achieving our strategic priorities in 2016–17.

Dairy Australia	Strategic programs	Major 2016–17 activities that contributed to the achievement of our strategic priorities
-----------------	--------------------	--

01

Strategic priority

Profitable dairy farms

- | | |
|--|--|
| <ul style="list-style-type: none"> › Animal health and fertility › Genetics and herd improvement › Farm business management › Feedbase and animal nutrition › Land, water and carbon › Advanced farm technologies › International market support › Manufacturing margin improvements | <ul style="list-style-type: none"> › DataGene Ltd › DairyBio › DairyBase › Forage Value Index › Managing milk quality (Countdown 2020) › Improving reproductive performance (InCalf) › Emissions mitigation strategies › Trade policy reform › International marketing programs |
|--|--|

02

Strategic priority

Capable people

- | | |
|--|---|
| <ul style="list-style-type: none"> › Industry Education and Leadership › Attracting, Transition and Retain › Workforce Strategy and Action › Regional Operations and Extension | <ul style="list-style-type: none"> › Tactics for Tight Times › Regional extension coordinators › Regional Development Programs (RDPs) › Cows Create Careers › National Centre for Dairy Education (NCDE) › The People in Dairy program › The Young Dairy Network |
|--|---|

03

Strategic priority

Trusted dairy industry

- | | |
|--|---|
| <ul style="list-style-type: none"> › Industry and Community Marketing › Risk and Reputation Management › Knowledge and Insights | <ul style="list-style-type: none"> › Sustainability Framework › Legendairy consumer campaign › Policy and industry engagement › Chemical risk strategy › Industry issues management › Health and nutrition programs targeting health professionals › Australian Grand Dairy Awards › Situation and Outlook report |
|--|---|

Measurement of performance against strategic objectives can be found on pages 35–60.

Directors' report (continued)

Limited liability of members (guarantee)

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

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

undertakes to contribute to the assets of the Company up to an amount not exceeding \$2 for payment of the debts and liabilities of the Company, including the costs of the winding up. The total amount that members of the Company are liable to contribute if the Company is wound up for 2016–17 is \$15,446.

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

Statement of Corporate Governance

A statement of corporate governance is set out on pages 66–69.

Registered office

Level 3, HWT Tower,
40 City Road
Southbank Victoria 3006

Rounding

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

Auditor independence

The Auditor's Independence Declaration in relation to the audit for the year ended 30 June 2017 has been received by the Company. A copy follows the financial statements.

Signed in accordance with a resolution of the Directors.



Geoff Akers
Director

31 August 2017



Ian Halliday
Director

31 August 2017

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2017

	Notes	2017	2016
		\$'000	\$'000
Revenue			
Dairy service levy		31,120	35,018
Government matching payments		21,618	22,654
External contributions	7	5,282	3,480
Interest revenue		187	373
Distributions from investments		2,101	1,102
Royalties		461	150
Other income	8	477	592
Total revenue		61,246	63,369
Expenses			
Farm Profit and Capability ¹		33,931	33,174
Marketing and Communications ²		5,543	10,572
Trade and Industry Strategy		7,689	7,674
Business and Organisational Performance ³		14,457	15,002
Total expenses	5,9	61,620	66,422
Deficit		(374)	(3,053)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Net fair value losses on available-for-sale financial investments	13	(325)	(795)
Other comprehensive loss for the period		(325)	(795)
Total comprehensive loss		(699)	(3,848)

¹ During the year, Farm Profit and Innovation merged with Industry People and Capability to form Farm Profit and Capability.

² During the year, Industry Promotion and Product Innovation merged with Corporate Marketing and Communications to form Marketing and Communications.

³ During the year, Business Operations Business Group changed its name to Business and Organisational Performance.

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

Statement of financial position

As at 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Assets			
Current assets			
Cash and cash equivalents	10	8,519	3,146
Trade and other receivables	11	8,695	14,715
Other financial assets	12	3,000	6,000
Total current assets		20,214	23,861
Non-current assets			
Plant and equipment	14	1,939	620
Intangible assets	15	192	261
Available-for-sale financial investments	13	17,990	16,280
Total non-current assets		20,121	17,161
Total Assets		40,335	41,022
Liabilities			
Current liabilities			
Trade and other payables	16	11,310	11,573
Provisions	17	2,650	2,411
Total current liabilities		13,960	13,984
Non-current liabilities			
Provisions	17	790	754
Total non-current liabilities		790	754
Total liabilities		14,750	14,738
Net assets		25,585	26,284
Reserves			
Retained surplus		25,984	26,358
Available-for-sale reserve	13	(399)	(74)
Total reserves		25,585	26,284

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

Statement of changes in equity

For the year ended 30 June 2017

	Retained surplus	Available-for-sale reserve	Total
	\$'000	\$'000	\$'000
At 1 July 2015	29,411	721	30,132
Deficit for the year	(3,053)	–	(3,053)
Other comprehensive loss	–	(795)	(795)
Total comprehensive loss for the period	(3,053)	(795)	(3,848)
At 30 June 2016	26,358	(74)	26,284
Deficit for the year	(374)	–	(374)
Other comprehensive loss	–	(325)	(325)
Total comprehensive loss for the period	(374)	(325)	(699)
At 30 June 2017	25,984	(399)	25,585

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



Statement of cash flows

For the year ended 30 June 2017

	Notes	2017	2016
		\$'000	\$'000
Cash flows from operating activities			
Levy and government matching payments		52,735	57,701
Receipts from customers and other contributors		12,041	5,221
Interest received		453	359
Distributions received		1,890	1,103
Payments to suppliers and employees		(61,091)	(64,750)
Net cash flows provided by/(used in) operating activities	10	6,028	(366)
Cash flows from investing activities			
Net proceeds from other financial assets		3,003	1,998
Purchase of available-for-sale financial investments		(1,945)	(933)
Proceeds from disposal of plant and equipment		62	17
Purchase of plant and equipment		(1,695)	(222)
Purchase of intangible assets		(80)	(161)
Net cash flows provided by/(used in) investing activities		(655)	699
Cash flows from financing activities			
Net cash flows from financial activities		-	-
Net increase in cash and cash equivalents		5,373	333
Add: Opening cash and cash equivalents at beginning of year		3,146	2,813
Cash and cash equivalents at end of year	10	8,519	3,146

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

Notes to the financial statements

For the year ended 30 June 2017

1. Date authorised for issue

The financial report of Dairy Australia Ltd for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors on 31 August 2017.

2. Corporate information

Dairy Australia Ltd is a company limited by guarantee incorporated in Australia. The principal activities of the Company during the year were:

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

These activities are aimed at developing and driving industry services and innovation for the ultimate benefit of dairy levy payers.

3. Summary of significant accounting policies

Basis of preparation

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

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

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

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

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

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

Notes to the financial statements (continued)

For the year ended 30 June 2017

3. Summary of significant accounting policies (continued)

(a) New Accounting Standards and Interpretations

(i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Company has adopted the following new and amended Australian Accounting Standards and AASB Interpretations that are relevant to its operations as of 1 July 2016:

- › AASB 1057 'Application of Australian Accounting Standards' and AASB 2015-9 'Amendments to Australian Accounting Standards – Scope and Application Paragraphs'
- › AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'
- › AASB 2014-4 'Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation'
- › AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'
- › AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'

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

(ii) Accounting Standards and Interpretations issued but not yet effective

At the date of authorisation of the financial statements, the Australian Accounting Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective date (beginning)	Expected application date
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017	30 June 2018
AASB 2016-4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities	1 January 2017	30 June 2018
AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities	1 January 2017	30 June 2018
AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014–2016 Cycle	1 January 2017	30 June 2018
AASB 9 Financial Instruments and the relevant amended standards	1 January 2018	30 June 2019
AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15, and AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 January 2018	30 June 2019
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128	1 January 2018	30 June 2019
AASB 16 Leases	1 January 2019	30 June 2020
AASB 1058 Income of Not-for-Profit Entities, AASB 1058 Income of Not-for-Profit Entities (Appendix D), AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities	1 January 2019	30 June 2020
AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2019	30 June 2020

Where the expected application date is 30 June 2018, the impact of adoption of these Standards on the Company will mainly affect the presentation of the Company's financial statements only and will not have a material impact on the measurement and recognition of amounts disclosed in the financial statement.

The Company is in the process of assessing the impact of adopting the remaining Standards and is not yet able to reasonably estimate the impact on its financial statements.

(b) Revenue recognition

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

(i) Dairy service levy

The Primary Industries (Excise) Levies Act 1999 provides the basis for the collection of dairy service levy. The Company is entitled to receive amounts equal to amounts received by the Commonwealth under the *Dairy Produce Act 1986*. Dairy service levy revenue is brought to account at the time the milk is harvested, when it is probable that the levy will be received by the Company and the value of the levy can be reliably measured.

(ii) Government matching payments

The estimated receipt from Government matching payments is accrued when expenditure is incurred, up to the lesser of:

- › 0.5% of the gross value of whole milk production for the year based on a three-year average, and
- › 50% of the amount that is spent by the Company on qualifying research and development expenditure.

That portion of Government matching payments which is owed but not remitted to the Company at reporting date is reported as Government matching payments receivable.

(iii) External contributions

Revenue from external contributions is recognised when an invoice is raised, in accordance with the terms specified in contracts with co-funding partners. Where income is received in advance of providing services, it is treated as unearned income and brought to account as the expenditure is incurred.

(iv) Interest revenue

Revenue is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(v) Royalties

Revenue from royalties is recognised when an invoice is raised or when an amount is received, in accordance with the terms specified in contracts involving payment of royalties.

(vi) Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

(vii) Other income

Other income is recognised when an invoice is raised or when an amount becomes receivable.

(c) Leases

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

Leases in which the lessor retains substantially all the risks and benefits incidental to ownership of a leased item are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

Notes to the financial statements (continued)

For the year ended 30 June 2017

3. Summary of significant accounting policies (continued)

(d) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand.

Short-term deposits are held for the purpose of investment. Therefore, they do not meet the definition of cash and cash equivalents.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(e) Trade and other receivables

Refer also to note 3 (b) above for information about receivables in respect of dairy service levy and Government matching payments.

Receivables, which generally have 30-day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

(f) Impairment of financial assets

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

(i) *Financial assets carried at amortised cost*

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

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

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

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

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

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

(g) Plant and equipment

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

- › Furniture and equipment – over 1.5 to 10 years
- › Leasehold improvements – over the lease term
- › Motor vehicles – over 3 years

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

(i) Impairment

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

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

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

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

(ii) Derecognition and disposal

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

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

(h) Investments and other financial assets

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

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

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. These are included in current assets, except for those with maturities greater than 12 months after reporting date, which are classified as non-current.

(ii) Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets that are designated as available for sale. After initial recognition, available-for-sale financial investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in surplus or deficit, to the extent that fair value is less than cost.

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

Notes to the financial statements (continued)

For the year ended 30 June 2017

3. Summary of significant accounting policies (continued)

(i) Intangible assets

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as finite. The Company's intangible assets consist of purchased computer software which have finite lives. They are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation is calculated on a straight-line basis over the estimated useful life of three years. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense of intangible assets with finite lives is recognised in surplus or deficit in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in surplus or deficit when the asset is derecognised.

(j) Research, development and extension costs

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

(k) Trade and other payables

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

(l) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects the time value of money and risks specific to the liability. An increase in a provision resulting from the passage of time is recognised in the profit or loss.

(m) Employee expenses benefits

(i) Short-term and long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

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

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

(ii) Superannuation

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

(n) Income tax

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

(o) Other taxes

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

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

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

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

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

4. Significant accounting judgements, estimates and assumptions

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

(i) Significant accounting judgements

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

Impairment of available-for-sale financial investments

The Company follows the requirements of AASB 139 Financial Instruments: Recognition and Measurement in determining when an available-for-sale financial investment is impaired. For the year ended 30 June 2017, the Company has determined for each individual investment whether there has been a significant or prolonged decline in fair value. In making this judgement the Company assessed the duration and extent to which the fair value is less than cost. A 'significant decline' is viewed as a 20% decrease in fair value below cost and a 'prolonged' decline is where there has been gradual decline in value over a six-month period or more.

(ii) Significant accounting estimates and assumptions

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

Classification of and valuation of investments

The Company has decided to classify investments in listed securities as 'available-for-sale' investments and movements in fair value are recognised directly in equity. The fair value of listed shares has been determined by reference to published price quotations in an active market.

Levies receivable

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

Notes to the financial statements (continued)

For the year ended 30 June 2017

5. Reclassification within statement of profit or loss and other comprehensive income

During the course of the 2016–17 financial year Dairy Australia restructured a number of business units. In order to enable the readers of the financial statements to compare expenditure in the 2016–17 financial year directly with that of the 2015–16 financial year, the relevant expenditure in the 2015–16 financial year has been reclassified in line with the 2016–17 financial year.

The following table shows the effect of the reclassification.

	2016–17	2015–16 after reclassification	Annual Report 2015–16
	\$'000	\$'000	\$'000
Expenses			
Farm Profit and Capability	33,931	33,174	28,596
Marketing and Communications	5,543	10,572	–
Industry Promotions and Product Innovation	–	–	11,444
Trade and Industry Strategy	7,689	7,674	6,802
Industry People and Capability	–	–	4,578
Business and Organisational Performance	14,457	15,002	15,002
Total expenses	61,620	66,422	66,422

6. Financial risk management objectives and policies

The Company's principal financial instruments comprise cash, short-term deposits and three externally managed funds that are invested in Australian equities, global fixed interest and cash. Cash (excluding cash held within the externally managed funds and short-term deposits) is held primarily to meet the cash flow requirements of the business. The main purpose of the externally managed investment funds and the short-term deposits is to prudently manage cash reserves.

The main financial risks arising from the Company's financial instruments are interest rate risk, market price risk, credit risk, liquidity risk, foreign exchange risk and the fair value associated with financial instruments. Management, with the Board and Audit and Risk Management Committee, reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's holdings of cash and cash equivalents, short-term deposits and investments in externally managed funds. The Company's policy is to manage its interest revenue using a mix of internally and externally managed funds and to invest conservatively, to ensure as far as possible that capital is maintained, while diversifying investments across various asset classes to increase returns above the cash rate. Management invested in term deposits of varying maturities during the current year to access the strongest interest rates available as well as conserve the capital base of those funds.

At reporting date, the Company had the following mix of financial assets and liabilities exposed to variable interest rate risk:

	2017	2016
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	8,519	3,146
Short-term deposits	3,000	6,000
Available-for-sale financial investments		
› Wholesale Premium Cash Fund	1,692	1,662
› Wholesale Global Credit Income Fund	3,525	3,293
Net exposure	16,736	14,101

At 30 June, if interest rates moved, as illustrated in the table below, with all variables held constant, the effect on the Company's net surplus would have been as follows:

Judgements of reasonably possible movements	Surplus Higher/(Lower)	
	2017	2016
	\$'000	\$'000
Increase by 0.50 % (50 basis points)	84	71
Increase by 0.25 % (25 basis points)	42	35
Decrease by 0.25 % (25 basis points)	(42)	(35)
Decrease by 0.50 % (50 basis points)	(84)	(71)

Notes to the financial statements (continued)

For the year ended 30 June 2017

6. Financial risk management objectives and policies (continued)

Credit risk

Credit risk arises from the financial assets of the Company, which comprise cash and cash equivalents, trade and other receivables, short-term deposits and available-for-sale financial investments. The Company's exposure to credit risk arises from potential default of counter parties, with a maximum exposure equal to the carrying amount of the financial assets.

In its internally managed investments, the Company deals only with recognised third parties, such as Authorised Deposit-taking Institutions (ADIs) regulated under the *Banking Act 1959* and which are subject to Australian Prudential Regulation Authority authorisation in its internally managed investments. As such, collateral is not requested. The majority of receivables are with the Commonwealth Government and therefore include minimal credit risk. Further details of the receivables are provided in Note 11.

There are no significant concentrations of credit risk within the Company. Cash and short-term deposits are spread amongst a number of financial institutions to minimise the risk of default of counterparties.

Payment terms are generally 30 days and receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

There is credit risk on the available-for-sale financial investments. Refer to the price risk section for commentary on management of this.

		0-30 days	31-60 days	61-90 days
	Total	\$'000	\$'000	\$'000
2017	8,695	8,129	190	376
2016	14,715	14,554	42	119

Price risk

The Company has outsourced the management of a portion of reserves that is expected to be held for the longer term. The external investment manager, Colonial First State Global Asset Management, in conjunction with the Company, has invested these funds in three investment funds structured to preserve the capital value of funds, while accessing higher income and growth opportunities over the long term. While the growth assets within the investment funds are subject to fluctuations in market prices, this risk is offset through diversification. The Company also has an investment in a fund which invests in interest bearing securities. There is price risk associated with these investments.

The overall performance of the investment funds is monitored and measured against relevant indices.

At reporting date, the Company had the following mix of financial assets exposed to price risk:

	2017	2016
	\$'000	\$'000
Financial assets		
Available-for-sale financial investments		
› Units in wholesale Australian Share Core Fund	12,773	11,325

Available-for-sale financial investments - sensitivity analysis

At 30 June, had the various indices moved as illustrated in the table below, with all other variables held constant, the surplus and equity would have been affected as follows:

Asset class	Price index	Judgements of reasonably possible movements	2017		2016	
			\$'000		\$'000	
			Surplus ² higher/(lower)	Equity ¹ higher/(lower)	Surplus ² higher/(lower)	Equity ¹ higher/(lower)
Units in Wholesale Australian Share Core	S&P/ASX 200 Index	+13.0% (2016: 20.0%)	-	1,660	-	2,265
		-13.0% (2016: -20.0%)	-	(1,660)	-	(2,265)
Net movement			-	-	-	-

¹ Representing the available-for-sale reserve.

² Representing the amount an impairment loss would be recognised in the statement of profit or loss and other comprehensive income during the period.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations as and when they fall due. Liquidity exposure is managed mainly by the Company maintaining significant reserves in the form of cash, short-term deposits and externally managed funds. The Board of Directors closely monitors the level of cash reserves to ensure they are sufficient to support the ongoing operations of the Company.

The Company uses published unit prices to estimate the fair value of the available-for-sale financial investments, which is considered level 1 in the fair value hierarchy. There are currently no financial instruments with fair value estimated based at level 2 or level 3 in the hierarchy.

Quoted market price represents the fair value determined based on quoted prices in active markets as at the reporting date without any deduction for transaction costs. The fair value of the available-for-sale financial investments are based on quoted market prices.

Notes to the financial statements (continued)

For the year ended 30 June 2017

6. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Maturity analysis of financial assets and liabilities¹

	0-30 days	1-3 mths	3-12 mths	>1 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2017					
Financial assets					
Cash, cash equivalents and other financial assets	8,519	3,015	–	–	11,534
Other receivables	2,237	565	–	–	2,802
Levies receivable	1,327	4,566	–	–	5,893
Available-for-sale financial investments	–	–	–	17,990	17,990
	12,083	8,146	–	17,990	38,219
Financial liabilities					
Trade and other payables	4,316	2,445	4,550	–	11,310
	4,316	2,445	4,550	–	11,310
Net maturity	7,767	5,701	(4,550)	17,990	26,909
30 June 2016					
Financial assets					
Cash, cash equivalents and other financial assets	6,159	3,012	–	–	9,171
Other receivables	7,650	161	–	–	7,811
Levies receivable	2,180	4,724	–	–	6,904
Available-for-sale financial investments	–	–	–	16,280	16,280
	15,989	7,897	–	16,280	40,166
Financial liabilities					
Trade and other payables	4,290	2,732	4,551	–	11,573
	4,290	2,732	4,551	–	11,573
Net maturity	11,699	5,164	(4,551)	16,280	28,593

¹ The maturity analysis for available-for-sale financial investments is based on management's expectations rather than contractual maturity. The maturity analysis for all other financial assets and financial liabilities is based on contractual cash flows.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in different currency from the Company's functional currency).

The Company is not significantly exposed to transactional foreign currency risk associated with receipts and payments that are required to be settled in foreign currencies. These transactions are minor in value and quantum with the exposure managed on an individual basis usually through the spot rate purchase of foreign currencies.

Any material and highly probable foreign currency transactions will be hedged by way of a permitted instrument with an appropriate counter party in accordance with the Company's foreign exchange policy.

	2017	2016
	\$'000	\$'000

7. External contributions

Department of Agriculture and Water Resources	2,640	1,918
California Dairy Research Foundation	217	337
Gardiner Dairy Foundation Ltd	954	268
Department of Agriculture and Food WA (formerly WA Agriculture Authority)	198	209
Department of Environment, Land, Water and Planning	-	91
Meat & Livestock Australia Ltd	179	119
Others	1,094	538
	5,282	3,480

8. Other income

Government grants	111	120
Sale of goods	-	3
Test kitchen services	-	34
Sundry income	366	435
	477	592

Notes to the financial statements (continued)

For the year ended 30 June 2017

	2017	2016
	\$'000	\$'000
9. Expenses		
a. Lease payments		
Office rent	917	831
Car park	92	89
Computer leases and licenses	200	364
Motor vehicles	327	176
	1,536	1,460
b. Depreciation and amortisation of non-current assets		
Leasehold improvements	39	40
Furniture and equipment	130	191
Motor vehicles	188	97
Intangible assets	149	156
	506	484
c. Employee benefits expenses		
Salaries and allowances	12,685	14,210
Workers compensation costs	50	42
Superannuation	1,142	1,293
Long service leave	338	271
Termination benefits	689	76
	14,904	15,892

	2017	2016
	\$'000	\$'000

10. Cash and cash equivalents

Cash at bank and in hand	8,519	3,146
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Cash at bank earns interest at floating rates based on daily bank deposit rates.

Reconciliation of operating deficit to net cash flows from operating activities

Operating deficit	(374)	(3,053)
Non-cash items		
Depreciation	357	328
Amortisation	149	156
Gain on disposal - fixed assets	(133)	(8)
Changes in assets and liabilities		
Trade and other receivables (increase)/decrease	6,019	(131)
Trade and other payables increase/(decrease)	(262)	1,893
Inventory (increase)/decrease	-	17
Provisions increase	272	432
Net cash flows provided by/(used in) operating activities	6,028	(366)

11. Trade and other receivables

Receivables ¹	1,706	6,813
Levies receivable	5,893	6,904
Sundry receivables and prepayments ²	1,096	998
	8,695	14,715

Trade and other receivables disclosed above include amounts that are past due at the end of June 2017 for which the Company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Notes to the financial statements (continued)

For the year ended 30 June 2017

	2017	2016
	\$'000	\$'000
11. Trade and other receivables (continued)		
Details regarding the ageing analysis, interest rate and credit risk of current receivables are disclosed in note 6.		
¹ Receivables are non-interest bearing and are generally 30-day terms. The current year receivables balance includes government matching fund receivable and invoiced at the end of June 2017.		
² Sundry receivables and prepayments are made up of the following items:		
Interest receivable	1	55
Prepayments	462	554
Imputation credits receivable	181	164
Intercompany loan - Regional Development Programs	452	217
Other	-	8
	1,096	998

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. Other balances within receivables do not contain impaired assets and are not past due. It is expected that these balances will be received when due.

12. Other financial assets

Current

Short-term deposits	3,000	6,000
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Short-term deposits are for periods of three to five months and earn interest at the respective short-term deposit rates. Due to their short-term nature, their carrying value is assumed to approximate their fair value.

13. Available-for-sale financial investments

Externally managed funds, at fair value	17,990	16,280
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The funds are invested with Colonial First State Global Asset Management in three funds: Australian equities, global fixed interest and cash, to achieve the desired asset allocation. The fair value of funds is determined by reference to the unit price of the investment funds which are available each day based on closing values of the previous day.

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

The fair value of the available-for-sale financial investments increased by \$1,709,296 (2016: \$135,645) during the year. This comprised of income of \$2,034,215 (2016: \$930,541) and unrealised losses on available-for-sale reserve of \$324,919 (2016: \$794,896). The unrealised losses were offset against the unrealised gains of previous years, resulting in the available-for-sale reserve of \$398,789 (2016: \$73,870).

	2017	2016
	\$'000	\$'000
14. Plant and equipment		
Furniture and equipment at cost	684	1,797
Accumulated depreciation	(401)	(1,437)
Net carrying amount	283	360
Leasehold improvements at cost	1,441	1,608
Accumulated depreciation	(150)	(1,547)
Net carrying amount	1,291	61
Motor vehicles at cost	586	354
Accumulated depreciation	(221)	(155)
Net carrying amount	365	199
	1,939	620

Reconciliation of the carrying amounts of each class of plant and equipment at the beginning and end of the current and previous financial period:

	Furniture and equipment	Leasehold improvements	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2017				
At 1 July 2016, net of accumulated depreciation	360	61	199	620
Additions	62	1,269	364	1,695
Disposals	(9)	–	(10)	(19)
Depreciation charge for the year	(130)	(39)	(188)	(357)
At 30 June 2017, net of accumulated depreciation	283	1,291	365	1,939
Year ended 30 June 2016				
At 1 July 2015, net of accumulated depreciation	493	101	142	736
Additions	58	–	163	221
Disposals	–	–	(9)	(9)
Depreciation charge for the year	(191)	(40)	(97)	(328)
At 30 June 2016, net of accumulated depreciation	360	61	199	620

Notes to the financial statements (continued)

For the year ended 30 June 2017

	2017	2016
	\$'000	\$'000
15. Intangible assets		
Computer software at cost	690	1,921
Accumulated amortisation	(498)	(1,660)
Net carrying amount	192	261

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current and previous financial year:

At 1 July, net of accumulated amortisation	261	256
Additions	80	161
Disposals	–	–
Amortisation charge for the year	(149)	(156)
At 30 June, net of accumulated amortisation	192	261

16. Trade and other payables

Accrued research and development expenditure	2,401	2,415
Trade payables	2,931	3,482
Other payables	5,408	5,185
GST payable	570	491
	11,310	11,573

Accrued research and development expenditure relates to work completed at 30 June 2017 where invoices have not been received.

Details regarding the interest rate and liquidity risk of current trade and other payables are set out in note 6.

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

	2017	2016
	\$'000	\$'000
17. Provisions		
Current		
Employee benefits in respect of:		
Annual leave (expected to be settled within 12 months)	818	920
Annual leave (expected to be settled after 12 months)	306	306
Long service leave	1,459	1,118
Performance-based remuneration	67	67
	2,650	2,411
Non-current		
Employee benefits in respect of:		
Long service leave	622	653
Performance-based remuneration	168	101
	790	754

18. Members' funds

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

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

	2017	2016
	number	number
Group A members		
Nominated	4,123	4,138
Joint	3,598	3,618
	7,721	7,756
Group B members	2	2
Total Group A and Group B members	7,723	7,758

Notes to the financial statements (continued)

For the year ended 30 June 2017

	2017	2016
	\$'000	\$'000
19. Commitments		
Research and development expenditure commitments (excluding GST)		
Commitments contracted at reporting date but not recognised as liabilities are as follows:		
Not later than one year	19,318	16,482
Later than one year but not later than five years	16,882	5,903
	36,200	22,385

The Company enters into contracts with research organisations. Research and development expenditure commitments relate to amounts expected to be paid in respect of research, development and extension, which are set out in these contracts. Contracts are generally for periods up to a maximum of three years and generally include clauses which enable the Company to withhold or cease further funding in the event of factors arising which are outside the Company's control.

Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases as at 30 June are:

Not later than one year	1,271	1,326
Later than one year but not later than five years	5,132	149
	6,403	1,475

Operating lease commitments relate to office accommodation, motor vehicles and computer equipment. These leases have an average life of three to five years. The office accommodation lease relates to the Company's new office premises at Southbank, which was signed in March 2017 to start in August 2017 and runs for five years. Motor vehicle leases are for three years initially, with an option to renew for a further three years. Computer equipment is leased mainly for three years. There are no restrictions placed upon the Company by entering into these leases.

20. Economic dependency

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

The Commonwealth Government collects the levy and pays it to the Company in accordance with the Statutory Funding Agreement.

The Company also claims an amount for government research and development matching payments each month. The maximum amount of government matching payments received each year is the lesser of 0.5% of the amount determined by the Minister to be the gross value of whole milk produced in Australia in the financial year, based on a three-year average, and 50% of the amount that is spent by the Company on qualifying research and development activities.

	2017	2016
	\$	\$

21. Auditor's remuneration

The auditor of Dairy Australia Ltd is Deloitte Touche Tohmatsu.

Amounts received or due and receivable by:

Deloitte Touche Tohmatsu for:

An audit of the financial report of the Company

Other services	86,810	84,050
› returning officer (AGM)	7,685	7,500
› returning officer (Review of Dairy Levy Poll Process)	–	4,500
	94,495	96,050

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

Notes to the financial statements (continued)

For the year ended 30 June 2017

22. Director and executive disclosures

(a) Details of key management personnel

(i) Directors

Mr I Halliday	Managing Director	
Mr G Akers	Chair (non-executive)	
Mrs L Dwyer	Director (non-executive)	resigned November 2016
Dr A Grant	Director (non-executive)	retired November 2016
Mr D Mallinson	Director (non-executive)	
Mr J Mann	Director (non-executive)	
Mr J McKillop	Director (non-executive)	
Mr G Nicoll	Director (non-executive)	appointed January 2017
Mr J Odgers	Director (non-executive)	
Mrs J West	Director (non-executive)	
Prof. P Wood	Director (non-executive)	appointed November 2016

(i) Executives

Ms K Campbell	GM Marketing and Communications	appointed January 2017
Mr R Joblin	GM Business and Organisational Performance	relinquished March 2017
Ms I MacNeill	GM Industry Promotion and Product Innovation	retrenched July 2016
Mr C McElhone	GM Trade and Industry Strategy	
Mr R McKenry	GM Human Resources	appointed January 2017
Mr C Murphy	GM Farm Profit and Capability	
Ms E Parkin	GM Business and Organisational Performance	appointed March 2017
Dr C Trumble	GM Human Resources	resigned November 2016

	2017	2016
	\$	\$
(b) Compensation of key management personnel		
Total consideration paid or payable to the key management personnel of Dairy Australia Ltd was:		
<i>(i) Directors</i>		
Short-term employee benefits	837,302	847,119
Post-employment benefits	72,734	68,925
Other long-term benefits	81,633	82,738
Total	991,669	998,782
<i>(ii) Executives</i>		
Short-term employee benefits	1,156,425	1,125,913
Post-employment benefits	117,596	119,133
Other long-term benefits	38,723	30,401
Termination benefits	212,737	–
Total	1,525,481	1,275,447
Total key management personnel compensation	2,517,150	2,274,229

Directors, other than the Managing Director and Chair, are remunerated at \$40,741 per annum (2016: \$40,741), comprising base salary plus the value of any benefits including superannuation, which is in line with the market and based on advice obtained from independent, external remuneration consultants. Members of Board sub-committees receive a further \$2,956 per annum (2016: \$2,956), while the Chairs of Board sub-committees receive \$5,913 per annum (2016: \$5,913). The Chair of the Board receives \$85,311 per annum (2016: \$85,311) and is an ex-officio member of the Audit and Risk Management Committee and the Human Resources Committee, and receives \$5,913 per annum (2016: \$5,913) for this role.

During the financial year, the Managing Director's remuneration package (comprising base salary plus the value of any benefits including superannuation) was \$444,913 (2016: \$444,913) per annum and was based on advice obtained from independent, external remuneration consultants. In addition, the Managing Director is eligible to receive performance payments based on achieving Board-approved key short-term incentive and long-term incentive performance indicators. His current contract includes a short-term incentive up to a maximum of 15% of his remuneration package per annum and a long-term incentive up to a maximum of 15% per annum, payable at the end of year four and based on his remuneration package as at the end of year four.

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

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

Notes to the financial statements (continued)

For the year ended 30 June 2017

23. Other transactions and balances with key management personnel

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

Payments made to key management personnel-related entities

During 2017, \$2,046,180 (2016: \$1,292,206) was paid to the following key management personnel-related entities under normal commercial terms and conditions.

Entity	Dairy Australia key management personnel	Amount (\$)
Australian Dairy Conference Ltd	Mr C Murphy ¹	31,576
Australia Post	Mrs J West	64,036
Australian Red Cross	Mrs J West	1,596
Dairy Innovation Australia Ltd	Mr R Joblin/Ms I MacNeill ²	25,000
DataGene Ltd	Mr R Joblin ³	1,912,704
Gillian Hayman	Mr G Nicoll ⁴	11,268

Income earned from key management personnel-related entities

During 2017, \$275,299 (2016: \$150,622) was received from the following key management personnel related entities under normal commercial terms and conditions.

Entity	Dairy Australia key management personnel	Amount (\$)
Bega Cheese Ltd	Mr J Odgers ⁵	21,000
DataGene Ltd	Mr R Joblin ³	231,199
Murray Goulburn Co-operative Co. Ltd	Mr G Akers ⁶ ; Mrs L Dwyer ⁷ ; Mr D Mallinson ⁸	23,100

¹ Mr C Murphy is on the Board of Directors of Australian Dairy Conference Ltd as Dairy Australia representative. Dairy Australia is one of the main funders of this organisation. Mr C Murphy did not receive remuneration from the organisation.

² Mr R Joblin replaced Ms I MacNeill as the Dairy Australia representative on the Board of Directors of Dairy Innovation Australia Ltd and remains so after he relinquished his role as Group Manager Business and Organisational Performance to assist with the wind up of the organisation. Neither Mr R Joblin nor Ms I MacNeill received remuneration from the organisation.

³ Mr R Joblin is the Dairy Australia representative on the Board of Directors of DataGene Ltd. He is also the Chair and remains so after he relinquished his role as Group Manager Business and Organisational Performance. Dairy Australia is one of the main funders of this organisation. Mr R Joblin did not receive remuneration from the organisation.

⁴ Mr G Nicoll's spouse, Ms G Hayman, provides consultancy services on a periodic basis to Dairy Australia.

⁵ Mr J Odgers is a Non-Executive Director of Bega Cheese Ltd.

⁶ Mr G Akers' spouse, Mrs N Akers, is a Non-Executive Director of Murray Goulburn Co-operative Co. Ltd.

⁷ Mrs L Dwyer was elected to the Board of Directors of Murray Goulburn Co-operative Co. Ltd in October 2016.

⁸ Mr D Mallinson is the Chief Financial Officer of Murray Goulburn Co-operative Co. Ltd. He was the interim Chief Executive Officer of Murray Goulburn Co-operative Co. Ltd until February 2017.

24. Events after balance sheet date

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

Directors' declaration

The Directors declare that in the Directors' opinion:

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

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

On behalf of the Board



Geoff Akers
Director

31 August 2017



Ian Halliday
Director

31 August 2017

Independent auditor's report



Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001
Australia

DX: 111
Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

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

Opinion

We have audited the financial report of Dairy Australia Limited (the "Entity") which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and declaration by the Directors.

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

- (i) giving a true and fair view of the Entity's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

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

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

Other Information

The Directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the Director's Report included in the annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Liability limited by a scheme approved under Professional Standards Legislation.



Responsibilities of Management the Directors for the Financial Report

Management of the Entity is responsible for the preparation of the financial report in accordance with Australian Accounting Standards and the *Australia Charities and Not-for-profits Commission Act 2012* and for such internal control as management determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

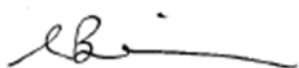
Independent auditor's report (continued)

Deloitte.

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



DELOITTE TOUCHE TOHMATSU



Chris Biermann
Partner
Chartered Accountants
Melbourne, 31 August 2017

Auditor's independence declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

The Board of Directors
Dairy Australia Limited
Level 3, HWT Tower
40 City Road
SOUTH MELBOURNE VIC 3205

31 August 2017

Dear Board Members

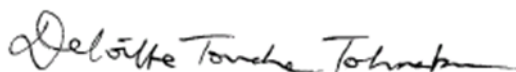
Dairy Australia Limited

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

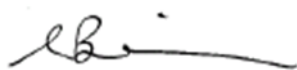
As lead audit partner for the audit of the financial statements of Dairy Australia Limited for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Chris Biermann
Partner
Chartered Accountants





08

Appendices

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Report from the Levy Poll Advisory Committee 2017

In 2014, in response to feedback received after the 2012 levy poll, an independent panel (the Dairy Levy Poll Process Review) was appointed to consult with dairy levy payers and industry on improving the dairy levy poll process, particularly having regard to the significant cost of running a levy poll.

In late 2015, levy payers were asked to vote in a poll on the key recommendations of the Dairy Levy Poll Process Review, undertaken earlier that year. Levy payers supported the removal of the compulsory requirement for Dairy Australia to convene a levy poll at least every five years. Instead, a Levy Poll Advisory Committee (LPAC) would be convened to determine if a change to the levy should be recommended and a levy poll held.

In early 2016, legislation passed the Federal Parliament to amend the *Dairy Produce Act 1986* (Cth.) (the Act) to effect this change, and on 15 December 2016, the Minister for Agriculture and Water Resources, the Hon. Barnaby Joyce, signed the *Dairy Produce (Dairy Produce (Dairy Service Levy Poll) Instrument 2016* (the Instrument). The Instrument replaces the *Dairy Produce (Dairy Service Levy Poll) Regulations 2006* and sets out the process for establishment of the Levy Poll Advisory Committee and the process that it must follow for review of the level of the dairy service levy.

The Instrument requires that Australian Dairy Farmers (ADF) (as industry representative body), and Dairy Australia (DA) (as industry services body), must jointly make a recommendation to the Levy Poll Advisory Committee in each levy review cycle about whether there should be a change in the levy rates, and if so, the nature of the change.

The Instrument sets out certain requirements regarding items that this joint recommendation must address, specifically:

- a. *How Dairy Australia spends payments made to it by the Commonwealth under the funding contract between Dairy Australia and the Commonwealth;*
- b. *Dairy Australia's plans for spending those payments in the future; and*
- c. *How those plans would be affected by any change that Dairy Australia and Australian Dairy Farmers may recommend in the levy rate.*

The recommendation may also take into account 'any other matters that the Levy Poll Advisory Committee considers relevant'.

The Instrument, having now been signed by the Minister, makes it possible to finalise LPAC's proceedings for this levy cycle by communicating the decision of LPAC to DA, the Minister for Agriculture and Water Resources and to all dairy levy payers.

The Levy Poll Advisory Committee

As provided for in the Instrument, the Committee was comprised of an independent Chair, members who were representatives of industry bodies, and members who were dairy levy payers selected from applications received in response to an invitation to participate that was sent to all dairy levy payers. Across the LPAC, 11 of the 15 members were dairy levy payer members provided broad representation of dairy farmers, with diversity of gender, dairy herd size, feed system and dairy farming region.

Details of the LPAC membership are on page 126.

Consideration of the DA and ADF recommendation

The Instrument prescribes that the first step in the process for reviewing the rate of the levy is that ADF and DA present a joint recommendation to the LPAC.

The joint submission to the LPAC from DA and ADF analysed various levy rate options. It noted that DA's income was estimated to fall by approximately \$28 million (15%) over the next 3 years following the milk price and production downgrades in mid-2016.

The committee further noted that to achieve the necessary expenditure reductions, DA had re-prioritised external spend and made internal savings including in the area of staff costs.

The joint recommendation was: *On balance, DA and ADF recommend that the current levy rate be maintained. With the current level of industry uncertainty the implications of a levy rate cut on DA's service capability may be significant and to the long term detriment of the sector.*

Should industry conditions change, ADF and DA note that there is no requirement to wait a particular period of time before convening LPAC again.

The LPAC met on several occasions, during which it received and considered the joint submission made by ADF and DA and other material and presentations from DA on its 3-year Strategic Plan (2016–17 to 2018–19), which was developed following consultation with the dairy industry, and the anticipated benefits from the projected research, development and extension (RD&E) investment during that period. It also reviewed DA's commentary regarding how DA prioritises its investment of available levy funds and benefit cost analyses from recent investments. The Committee was at pains to review the outcomes of analyses of recent

investments that had been subjected to review by independent economists. All information requested by the Committee was readily provided by DA.

The key points noted by the LPAC were that DA, from a delivery perspective:

- › Delivers a raft of programs that address the key needs of the industry in accordance with its remit, notably:
 - Farm profitability/productivity;
 - People development; and,
 - Protecting the sector's long term licence to operate.
- › Invests the great majority of levy funds into activity that provides the best planned economic return to the farmer;
- › Creates spin-off social benefits for rural Australia flowing from its investment, which should not be ignored; and
- › Leverages the effectiveness of the levy in generating further funds in excess of \$20 million from government and other sources.

In considering the material requested of DA the Committee noted that the periodic independent performance review of Dairy Australia for the period 2011–12 to 2015–16 was well underway however had not yet been completed. These reviews are undertaken every 5 years, the next review due in early 2017. The report has not yet been submitted to DA, however the Chair, Geoff Akers, at the 2016 DA AGM was able to share the following observations provided by Scott Williams and Associates, who are performing the review:

“The central question of the review is whether DA is meeting the provisions of its statutory funding agreement (SFA) with the Commonwealth Government – and in this respect, the consultants have concluded that Dairy Australia is compliant. The team has found that, overall, Dairy Australia is regarded as doing a very solid job as the industry services body.”

The LPAC also considered whether the current industry circumstances suggested that the current rate of the levy should be increased, namely:

- › State governments across Australia are either reducing, or withdrawing entirely, funding previously diverted to extension activities, with the responsibility now falling on DA to backfill that funding to maintain the existing level of services currently being provided;
- › With the federally funded Dairy Futures CRC coming to the end of its life, DA has filled the funding gap to support long term productivity oriented R&D through DairyBio, its joint venture with the Victorian State Government; and
- › To maintain existing programs and maintain extension services, a rise in Levy, and/or increase in co-funding would be required

In reviewing the recommendation from DA and ADF, and in making its decision, the LPAC has been very mindful of the current state of the dairy industry and the impact that prices are having on farm profitability.

Finally, LPAC also considered whether the rate of the levy should be decreased, taking into account the recent changes that had occurred in the industry, the resulting setbacks that had been experienced by many dairy levy payers.

In that regard, the Committee was cognisant of the impact falling farmgate prices and milk production will have on DA's future income – both the levy and the matching Federal Government funding. Prior to the May 2016 price adjustments, DA annual revenues were expected to average \$62 million over the Three Year Plan. Current farmgate milk prices have resulted in reduced milk production to the extent that DA's annual income is forecast to be in the \$52–53 million range, a drop of some 15%. DA has adjusted expenditure budgets to match this significant reduction in forecast income.

A key consideration for the Committee in arriving at a decision was a recognition of the need to ensure that an appropriate level of funding is available to DA to support the current and future long term research, development and extension strategy for the dairy industry which is critical to improving farm productivity.

Decision

The Committee's unanimous decision is that it agrees with the recommendation from DA and ADF that there be no change to the levy rate and that a levy poll is not required. The LPAC noted DA's intention to work within that budget, which is equivalent to a 10-15% reduction in the levy (when that income is compared to the last 3 years).

The Committee notes that there is an opportunity for levy payer members who disagree with this determination to request a levy poll by lodging a petition with DA. The petition must include a levy rate recommendation together with a rationale for the change. If the requirements for such a petition are met, DA will be required to convene an Extraordinary General Meeting and ask its Group A members to vote on a resolution that a levy poll should be held. If the resolution is carried, DA must notify the LPAC of that outcome and the LPAC will then reconvene to consider the options to be included on the ballot paper for the levy poll, which must include the rate included in the petition. The requirements for this process and time frames that must be adhered to are set out at section 16 of the Instrument¹.

January 2017

¹www.dairylevypolladvisorycommittee.com.au/Resources.aspx

Members of the Levy Poll Advisory Committee

John Lawrenson

Chair

appointed by Dairy Australia and Australian Dairy Farmers

Initial Members (nominated by their respective organisations)

David Basham

President, Australian Dairy Farmers

Dedee Woodside

Director, Australian Dairy Farmers

Jeff Odgers

Director, Dairy Australia

Ross Joblin

Company Secretary, Dairy Australia

Robert Poole

President Australian Dairy Products Federation

Levy Payer Representative

Members (selected by the Chair and Initial Members from applications received)

Dianne Bowles

Victoria (North)

Noel Campbell

Victoria (East)

Nick Cramp

Tasmania

Donna Edge

Victoria (West)

Peter Evans

Western Australia

Robert Miller

New South Wales

Michael Perich

New South Wales

Matthew Trace

Queensland

Susan Wearden

Victoria (North)



ASX corporate governance principles and recommendations

Principle/Recommendation	Description/Reference of disclosure/Compliance
Principle 1: Lay solid foundations for management and oversight (continued)	
Recommendation 1.1	
A listed entity should disclose:	Please refer to Dairy Australia's (DA's) Board Charter which is available on the DA website.
a. the respective roles and responsibilities of its board and management; and	
b. those matters expressly reserved to the board and those delegated to management.	
Recommendation 1.2	
A listed entity should:	The Board Selection Committee (BSC) undertakes background checks on Board nominees as an element of the Board selection process. Board vacancies are defined by reference to the skills and experience required of the Board as a whole, taking into consideration those directors whose positions are up for election. The BSC reports in writing to the DA Board regarding the board selection process and provides biographical details for the nominees. This report is incorporated in the Notice of Meeting, which separately includes biographical details of each nominee.
a. undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and	
b. provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	
Recommendation 1.3	
A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	DA has letters of appointment in place with all Directors and employment contracts in place with the Managing Director and members of the Leadership Team.
Recommendation 1.4	
The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	The Company Secretary is accountable to the Board through the Chair.
Recommendation 1.5	
A listed entity should:	Dairy Australia's Board Diversity policy is available on the DA website.
a. have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;	The proportion of women as at the date of this report is set out on pages 76–77.
b. disclose that policy or a summary of it; and	
c. disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:	
1. the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or	
2. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	
Recommendation 1.6	
A listed entity should:	Each Board member participates in an annual review process which is based on the results of a peer assessment. A more extensive Board performance review is undertaken every three years and is facilitated by an external specialist.
a. have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and	
b. disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	

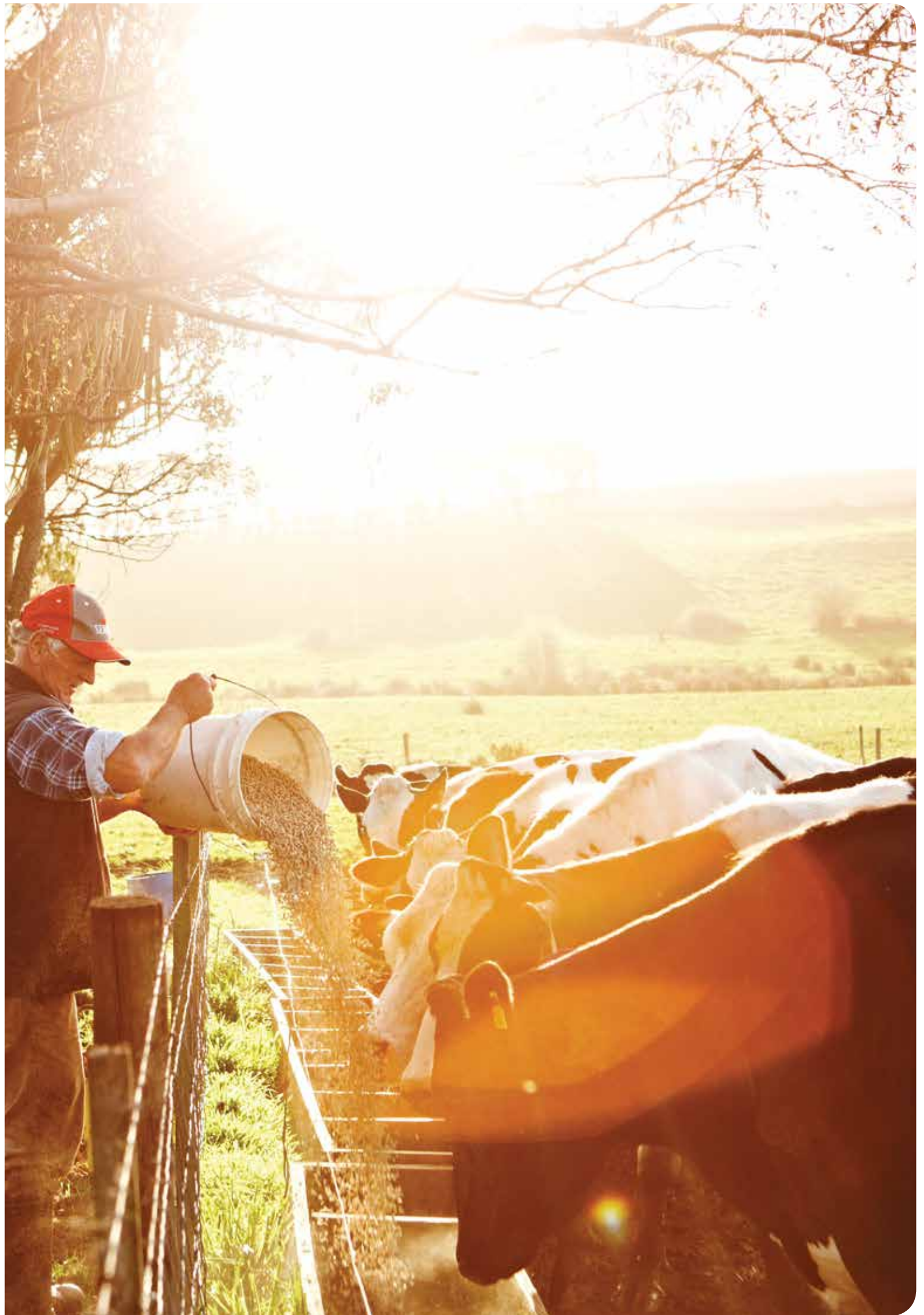
ASX corporate governance principles and recommendations (continued)

Principle/Recommendation	Description/Reference of disclosure/Compliance
Principle 1: Lay solid foundations for management and oversight (continued)	
Recommendation 1.7	
<p>A listed entity should:</p> <ol style="list-style-type: none"> have and disclose a process for periodically evaluating the performance of its senior executives; and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	<p>The Board HR Committee in conjunction with the Board, undertake an annual review of the Managing Director's performance against agreed KPIs. The performance of members of the Leadership Team is assessed by the Managing Director.</p>
Principle 2: Structure the board to add value	
Recommendation 2.1	
<p>The board of a listed entity should:</p> <ol style="list-style-type: none"> have a nomination committee which: <ol style="list-style-type: none"> has at least three members, a majority of whom are independent directors; and is chaired by an independent director, and disclose: the charter of the committee; the members of the committee; and as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. 	<ol style="list-style-type: none"> Dairy Australia's Constitution includes a requirement for a Board Selection Committee (BSC) composed of five members, four of whom are appointed by Dairy Australia's two Group B members, ADF and ADPF. The BSC is chaired by the Chair of the Board. The BSC Charter is available on the website. The members of the BSC are set out at on page 69. The BSC met six (6) times during the year. <p>The BSC reports in writing to the Board regarding the Board selection process each year; this report is included in the Notice of Meeting.</p>
Recommendation 2.2	
<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>Copies of both the DA Board skills matrix and the Board Diversity Policy are available on the website.</p>
Recommendation 2.3	
<p>A listed entity should disclose:</p> <ol style="list-style-type: none"> the names of the directors considered by the board to be independent directors; if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and the length of service of each director. 	<p>The Dairy Australia Board considers the independence of its directors on a periodic basis. With the exception of the Managing Director, all of Dairy Australia's directors are independent.</p> <p>Dairy Australia's Policy on the Independence of Directors is available on the website.</p> <p>The tenure of each director is included in the biographies of directors which are set out on page 83–85.</p>
Recommendation 2.4	
<p>A majority of the board of a listed entity should be independent directors.</p>	<p>All of the Directors are independent with the exception of the Managing Director. Please refer to page 67 for further information.</p>
Recommendation 2.5	
<p>The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	<p>The Chair is independent and the roles are not performed by the same person.</p>

Principle/Recommendation	Description/Reference of disclosure/Compliance
Principle 2: Structure the board to add value (continued)	
<p>Recommendation 2.6</p> <p>A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p>	<p>All Directors participate in an induction program which is tailored to their specific learning needs.</p> <p>The Board continuing education program is reviewed and updated on a periodic basis and is overseen by the Board HR Committee.</p>
Principle 3: Act ethically and responsibly	
<p>Recommendation 3.1</p> <p>A listed entity should:</p> <ol style="list-style-type: none"> have a code of conduct for its directors, senior executives and employees; and disclose that code or a summary of it 	<p>DA has a code of conduct with which all employees and Directors are expected to comply. The Code of Conduct is available on the website. DA is required to report on compliance with the code – please see page 68.</p>
Principle 4: Safeguard integrity in corporate reporting	
<p>Recommendation 4.1</p> <p>The board of a listed entity should:</p> <ol style="list-style-type: none"> have an audit committee which: <ol style="list-style-type: none"> has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and is chaired by an independent director, who is not the chair of the board, and disclose: the charter of the committee; the relevant qualifications and experience of the members of the committee; and in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner. 	<ol style="list-style-type: none"> Dairy Australia's Constitution includes a requirement for an Audit and Risk Management Committee (ARMC). The ARMC has three (3) members, all of whom are independent directors; The ARMC is chaired by an independent director; The ARMC Charter is available on the website. Biographical details regarding the members of the ARMC are set out on pages 82–85. Details of the meetings of the ARMC are set out on page 86.
<p>Recommendation 4.2</p> <p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>The wording of the declaration reflects the wording of the recommendation.</p>
<p>Recommendation 4.3</p> <p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	<p>A representative of Dairy Australia's external auditor attends each AGM and is available to answer questions from members.</p>

ASX corporate governance principles and recommendations (continued)

Principle/Recommendation	Description/Reference of disclosure/Compliance
Principle 5: Make timely and balanced disclosure	
Recommendation 5.1	
A listed entity should:	As Dairy Australia is an unlisted public company it is not an ASX disclosing entity but does report annually to members on its operations and financial results.
a. have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and	
b. disclose that policy or a summary of it.	
Principle 6: Respect the rights of security holders	
Recommendation 6.1	
A listed entity should provide information about itself and its governance to investors via its website.	Dairy Australia provides information about itself and its governance framework on its website.
Recommendation 6.2	
A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Dairy Australia consults with its stakeholders regularly, both on a formal and an informal basis.
Recommendation 6.3	
A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Dairy Australia's corporate documents are available on its website. Levy payers are provided with the opportunity to ask questions at the AGM.
Recommendation 6.4	
A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Dairy Australia provides levy payers with the option to receive some communications electronically (for example, the Annual Report). DA enables levy payers to communicate electronically with its registry.
Principle 7: Recognise and manage risk	
Recommendation 7.1	
The board of a listed entity should:	Dairy Australia's Constitution includes a requirement for a Board Audit and Risk Management Committee (ARMC). Please see information above regarding Recommendation 4.1.
a. have a committee or committees to oversee risk, each of which:	
1. has at least three members, a majority of whom are independent directors; and	
2. is chaired by an independent director, and disclose:	
3. the charter of the committee;	
4. the members of the committee; and	
5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	
b. if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	
Recommendation 7.2	
The board or a committee of the board should:	The ARMC has a standing agenda item to review the risk management framework on an annual basis. It also undertakes reviews of Dairy Australia's risk appetite on a periodic basis. Please refer to the section about risk management at page 73.
a. review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and	
b. disclose, in relation to each reporting period, whether such a review has taken place.	



ASX corporate governance principles and recommendations (continued)

Principle/Recommendation	Description/Reference of disclosure/Compliance
Principle 7: Recognise and manage risk (continued)	
<p>Recommendation 7.3</p> <p>A listed entity should disclose:</p> <ol style="list-style-type: none"> if it has an internal audit function, how the function is structured and what role it performs; or if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes. 	<p>DA does have an internal audit function, which is performed by KPMG. The ARMC is responsible for oversight of the internal audit function, and in conjunction with KPMG, determines the internal audit plan on an annual basis.</p> <p>Please refer to the section about the internal audit function on page 73.</p>
<p>Recommendation 7.4</p> <p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>Please see information above regarding Recommendation 7.2. Dairy Australia is a services body investing on behalf of the Dairy Industry. It is funded by levies from dairy producers, calculated based on volume and price. It also receives matching R&D funds from government capped at up to 0.5% of gross value of production. Therefore Dairy Australia's key economic risks relate to levy or matching fund uncertainties due to production or price variations. Controls and strategies in place to manage the consequence of this risk are the Reserves policy that is reviewed annually and the annual review of the reserves investment strategy and performance. DA also undertakes long range forecasting and review to identify early signals and adjusts its strategy and operations accordingly. DA has no direct exposure to material environmental and social sustainability risks. However, DA does factor risks in these areas when clarifying the industry needs and determining what projects to undertake to service the industry.</p>
Principle 8: Remunerate fairly and responsibly	
<p>Recommendation 8.1</p> <p>The board of a listed entity should:</p> <ol style="list-style-type: none"> have a remuneration committee which: <ol style="list-style-type: none"> has at least three members, a majority of whom are independent directors; and is chaired by an independent director, and disclose: the charter of the committee; the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive. 	<ol style="list-style-type: none"> Dairy Australia's Constitution includes a requirement for a Board Human Resources Committee (BHRC). The BHRC has three (3) members, all of whom are independent director; The BHRC is chaired by an independent director; The BHRC Charter is available on the website. Biographical details regarding the members of the BHRC are set out on pages 82–85. Details of the meetings of the BHRC are set out on page 86.
<p>Recommendation 8.2</p> <p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>Please refer to the section about remuneration at page 115.</p>
<p>Recommendation 8.3</p> <p>A listed entity which has an equity-based remuneration scheme should:</p> <ol style="list-style-type: none"> have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and disclose that policy or a summary of it. 	<p>Not applicable as DA does not have an equity based remuneration scheme.</p>

Annual reporting compliance checklist

The following checklist shows Dairy Australia's compliance with key annual reporting requirements for the prior 2015–16 financial year, completed during the 2016–17 financial year in accordance with the Company's Constitution, the Australian Charities and Not-for-profits Commission Act 2012, the Dairy Produce Act 1986 and the Statutory Funding Agreement 2013–2017.

	What Dairy Australia delivered
Annual Report requirements – Dairy Australia Constitution (rules 22.4, 24.4) <ul style="list-style-type: none">› The Board must include in the Annual Report for each financial year:› A report on the operations of the Audit and Risk Management Committee and the Human Resources Committee› A report on the operations of the code of conduct during the year.	<i>Annual Report 2015–16</i> included a report on Committee operations and the code of conduct.
Lodging Annual Report with Australian Charities and Not-for-profits Commission <p>A company must lodge the annual report with the Australian Charities and Not-for-profits Commission within six months after the end of the financial year.</p>	The <i>Annual Report 2015–16</i> was lodged with the ACNC on 24 January 2017
Provision of Annual Report to the Minister – Dairy Produce Act 1986 (section 13) <ul style="list-style-type: none">› The industry services body must, within 14 days of lodging a financial report (the annual report), give the Minister a copy of the report.› The report must comply with section 295 of the Corporations Act 2001 and section 13 of the Dairy Produce Act 1986.	<i>Annual Report 2015–16</i> was provided to the Department of Agriculture and Water Resources on 25 October 2016. The Minister for Agriculture and Water Resources agreed to table the <i>Annual Report 2015–16</i> in Parliament; this occurred in both the House of Representatives and the Senate.
Provision of Annual Report to the Minister – Statutory Funding Agreement 2013–2017 (section 12 (12.6-12.12)) <p>Dairy Australia must prepare an annual report complying with the financial reporting and other reporting requirements of the <i>Corporations Act 2001</i> and the <i>Statutory Funding Agreement 2013–2017</i> and provide it to the Minister for tabling in accordance with this.</p>	<i>Annual Report 2015–16</i> was provided to the Department of Agriculture and Water Resources on 25 October 2016 in accordance with the <i>Statutory Funding Agreement 2013–2017</i> .

Other strategic collaboration activities

Collaboration plays a vital role in the development and delivery of Dairy Australia's strategic plan and programs. Key collaboration partners in 2016–17 included:

Animal health and welfare

Australian collaboration

Australian Cattle Veterinarians
Animal Health Australia
Animal Welfare Science Centre
Department of Economic Development, Jobs, Transport and Resources, Victoria
Gardiner Dairy Foundation
La Trobe University
SAFEMEAT
Meat & Livestock Australia Ltd (MLA)
The University of Melbourne
The University of Sydney

International collaboration

Agriculture and Horticulture Development Board (AHDB) (formerly DairyCo)
DairyNZ/MBIE
University of Florida
University of Wisconsin-Madison
World Organisation for Animal Health (OIE)
International Dairy Federation (IDF)

Animal and plant genomics

Australian collaboration

Australian Dairy Herd Improvement Scheme (ADHIS)
Australian Pastures Genebank
Dairy Futures CRC
Gardiner Dairy Foundation
Herd Improvement Industry Steering Group
Holstein Australia
National Herd Improvement Association

International collaboration

DairyNZ
Pastoral Genomics consortium (AgResearch, Agriseeds, Beef + Lamb NZ, DairyNZ, DEEResearch, Grasslands Innovation. Ministry of Business, Innovation and Employment)
Scotland's Rural College
Teagasc (Irish Agriculture and Food Development Authority)
The University of Liege
Walloon Agricultural Research Centre

Capability and skills

Australian collaboration

Australian Centre for Agricultural Health and Safety
Australian Port Ltd (APL)
Charles Sturt University
Cotton Research Development Corporation (CRDC)
Grains Research and Development Corporation (GRDC)
MLA
Nine NCDE alliance partners
SafeWork SA
The University of Sydney
The University of Melbourne
WorkSafe Victoria

International collaboration

DairyNZ
Teagasc



Extension and farm systems

Australian collaboration

APL

CRDC

Department of Agriculture and Fisheries, Queensland

Department of Agriculture and Food, Western Australia

Department of Economic Development, Jobs, Transport and Resources, Victoria

Horticulture Innovation Australia (HIA)

MLA

NSW Department of Primary Industries (NSW DPI)

Sugar Research Australia Ltd (SRA)

Tasmanian Institute of Agriculture

The University of Melbourne

International collaboration

DairyNZ

Wageningen University

Farm business management

Australian collaboration

Department of Economic Development, Jobs, Transport and Resources, Victoria

NSW DPI

Department of Agriculture and Fisheries, Queensland

Tasmanian Institute of Agriculture

International collaboration

DairyNZ

Lincoln University

Massey University

Feedbase and animal nutrition

Australian collaboration

Australian Association of Ruminant Nutrition

Department of Agriculture and Food, Western Australia

Department of Economic Development, Jobs, Transport and Resources, Victoria

Department of Agriculture and Fisheries, Queensland

Gardiner Dairy Foundation

PastureWise Pty Ltd

Tasmanian Institute of Agriculture

The University of Sydney

The University of Queensland

International collaboration

AgResearch

DairyNZ

Teagasc



Food safety and Integrity

Australian collaboration

ADF

Australian Dairy Products Federation (ADPF)

Australian Pesticides and Veterinary Medicines Authority

Dairy companies

Department of Agriculture and Water Resources

Food Standards Australia and New Zealand

SAFEMEAT

State Regulatory Authorities

International collaboration

Codex

IDF

OIE

Health and nutrition

Australian collaboration

Australian Institute of Sport

Australian Dental Association

Fonterra Australia Pty Ltd

Jean Hailes for Women's Health

The University of Melbourne

University of South Australia

International collaboration

Boston University (USA)

California Dairy Research Foundation

Dairy Council of California

Dairy Management Inc. (USA)

Danish Dairy Research Foundation

Dutch Dairy Association

Global Dairy Platform

The University of East Anglia (UK)

University of Copenhagen (DK)

University of Washington (USA)

Land, water and carbon

Australian collaboration

CRDC

CSIRO

Department of Economic Development, Jobs, Transport and Resources, Victoria

Department of Industry, Innovation and Science, ACT

NSW DPI

Environment Protection Authority Victoria

Queensland University of Technology

Regional natural resource management bodies

Regional water authorities

SRA

Tasmanian Institute of Agriculture

The University of Melbourne

The University of Southern Queensland

International collaboration

International Dairy Federation

Market outlook and information

Australian collaboration

Australian dairy exporters and processors

International collaboration

IDF

Precision technologies

Australian collaboration

NSW DPI

Research and Innovation Network for Precision Agriculture Systems (RINPAS)

The University of Sydney

Tasmanian Institute of Agriculture

International collaboration

DairyNZ

DeLaval Pty Ltd

NIZO Food Research

Processing innovation

Australian collaboration

ARC Dairy Innovation Hub
University of Queensland
University of Melbourne

International collaboration

Dairy Management Inc. (USA)
NIZO Food Research

Sustainability

Australian collaboration

Cotton industry
CMAs
Dairy Manufacturers' Sustainability Council
Government departments
Investors
MLA
NGOs (e.g. WWF, RSPCA)
Retailers
Sustainable Agriculture Initiative Platform Australia

International collaboration

Sustainable Agriculture Initiatives Global Platform
Global Dairy Platform
International Dairy Federation
Global Dairy Agenda for Action – Dairy Sustainability Framework

Trade and market development

Australian collaboration

Department of Agriculture and Water Resources
Department of Foreign Affairs and Trade

MLA

National Farmers' Federation Trade Committee

International collaboration

Australian Agricultural Trade Counsellors
China Dairy Industry Association
Dairy Companies Association of New Zealand (DCANZ)
Wine Australia
Austrade

Cover image: Stuart Griffin as part of the Forage Value Index program and Jessica Andony the 2017 Western Australia Young Agricultural Achiever.

Published by Dairy Australia Limited.

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Recognition of the growing domestic and international importance of sustainability credentials in food production, prompted the industry to embark on the development of the Sustainability Framework in 2012.

The Sustainability Framework, led by our peak body - the Australian Dairy Industry Council, sets and measures goals for economic prosperity, nutrition, animal welfare and natural resource management.

In 2016, significant effort went into reviewing our material issues which include industry profitability (ethical investment), human health and nutrition, animal health and welfare, climate change (including water scarcity) and food waste. In 2017 we will be updating the Sustainability Framework goals and targets to reflect these issues and to guide our path beyond 2020. We are also moving towards reporting in line with the Global Reporting Initiative (GRI) Sustainability Reporting Standards. Our changes will be outlined in the 2017 Sustainability Report, scheduled to be released in December 2017.



Dairy Australia Limited ABN 60 105 227 987
Level 3, HWT Tower
40 City Road, Southbank VIC 3006 Australia
T + 61 3 9694 3777 F + 61 3 9694 3701
E enquiries@dairyaustralia.com.au
dairyaustralia.com.au

e-ISSN 1839-5708 | ISSN: 1449-860X