

ANNUAL REPORT

2020/21

Delivering
for *Dairy*





THE AUSTRALIAN DAIRY INDUSTRY



32%
of milk production
is exported



MAJOR EXPORT MARKETS tonnes

318,507 t Greater China	70,717 t Singapore
69,188 t Japan	67,979 t Malaysia
	52,323 t Indonesia

ANNUAL PRODUCTION OF MAIN COMMODITIES

366,201 t
Cheese

206,199 t
Milk powders

81,704 t
Butter



AVERAGE ANNUAL MILK PRODUCTION PER COW

6,380
litres

8,858
million litres



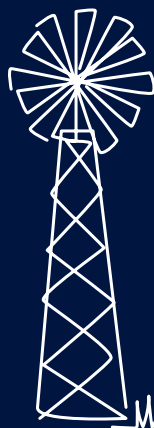
VALUE OF FARMGATE PRODUCTION

\$4.7
billion



AUSTRALIAN MILK UTILISATION

39% Cheese	4% Whole milk powder
29% Drinking milk	6% Other
22% Skim milk powder or butter	



4,618
Dairy farms

3rd
Dairy is Australia's
third-largest
rural industry

AVERAGE HERD SIZE



300
cows



AUSTRALIAN DAIRY HERD

1.38 million
cows

ANNUAL PER CAPITA CONSUMPTION

94.4 litres
milk

13.4 kg
cheese



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A photograph of a wooden table with a cup of coffee, a bottle of beer, and a bowl of granola with fruit. The text 'OVERVIEW | 01' is overlaid on the image.

OVERVIEW | 01

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CHAIR AND MANAGING DIRECTOR'S REPORT

2020/21 was in some ways, the year the dairy industry had been waiting for.

The preceding droughts had broken across much of the country and normal or wetter years were welcomed. Trading conditions have been favourable, industry confidence is bouncing back and according to the 2021 National Dairy Farmer Survey, 64% of farmers are feeling positive about the future of the industry. This is linked to higher levels of farm business profits, with 88% of farmers expecting to make a profit.

All of this was against a backdrop of a full trading year under the influence of the COVID pandemic. Working with Australian Dairy Farmers and Australian Dairy Products Federation, Dairy Australia played an active role in coordinating the COVID industry response, collaborating with a range of government and interest groups across states and nationally to try to minimise disruption as much as possible.

2020/21 was our first year of operating under Dairy Australia's Strategic Plan 2020–2025. The plan describes our priorities and the outcomes we will deliver, with six priorities that contribute to delivering improved profitability for farmers and a more sustainable dairy industry, and a seventh priority that focuses on our organisational performance. These priorities align with the key commitments of the Australian Dairy Plan and guide our delivery of this vital work on behalf of the industry.

The strategic plan is now embedded in the way Dairy Australia operates and we are reporting against the priorities on a quarterly basis. Our first year of performance has been set out in an accompanying report to this annual report – Dairy Australia's 2020/2021 Performance Report. We encourage you to read the report to learn more about what Dairy Australia delivers for dairy farmers and industry.

In January, an Independent Performance Review of Dairy Australia's operations and governance was published, which captured feedback from farmers and industry stakeholders. The Board was greatly encouraged by the independent recognition of the many things that Dairy Australia is doing well and acknowledges the opportunities to do things better.

Generally, the review recognises Dairy Australia's approach over the past five years and our future direction. It is particularly satisfying that our eight regions (Regional Development Programs) are described as the best example of their kind among all Rural Research and Development Corporations (RDCs). Our successful shift in marketing in recent years, from driving consumption to building community trust is also acknowledged, as is Dairy Australia's strong culture and service commitment.

There are recommendations too, which we are committed to addressing through specific actions that we will report on each year.

The Dairy Australia Climate Change Strategy 2020–2025 recognises that responding to climate change is one of our highest priorities. Farmers are experiencing impacts of climate now and experts are saying these challenges will only increase. The strategy provides a clear vision and pathway towards realising our climate goals and includes success measures for farmers to gauge how they are tracking. Dairy Australia's role is critical in supporting the dairy industry to respond to the challenges and opportunities of climate change. We're focused on helping farm businesses become more resilient and thrive in a changing environment.

Dairy Australia's largest investments are in innovation, particularly with a focus on technology and data to help farmers make informed decisions about their herd, pasture and irrigation.

June 2020 saw the end of the first phase of DairyBio, and the animal and forage programs were successfully completed. We encourage you to read the DairyBio annual report. We have now committed to a further five years investment in DairyBio with the Victorian Government and Gardiner Foundation

We are working on commercialising the outcomes of the DairyBio program to meet industry needs. We have reached a licence agreement with Barenburg for the commercialisation of the F1 hybrid forage technology with a targeted launch date of 2024.

We hear consistently from farmers that one of the greatest challenges they face is getting labour on-farm. Our Trade and Strategy team continues to work with government departments to find ways to support the dairy industry with access to labour and housing in regional areas. Longer term, we continue to focus on preparing dairy employees for their next career move. Through the Dairy Farm Managers programs, work-ready graduates are now gaining employment on dairy farms. New partnerships with Charles Sturt University and University of New England were established this year, and we continued the Marcus Oldham College scholarship programs.

In terms of supporting farm businesses to be more profitable and more sustainable, we've been making things simpler and easier with the new Farm Fitness Checklist as a pathway into Our Farm, Our Plan initiative. This online self-assessment tool works from anywhere and on any device providing greater flexibility to access and use.

Building on community trust and support is essential to the long-term future of dairy. Support for the Australian dairy industry is at 82% and importantly, 98% of households continue to purchase dairy products. We need to work at maintaining and building on Australian's love of dairy. In the past year we have dialled up our marketing campaigns with the Dairy Matters Buy, Support, Enjoy Aussie Dairy campaign featuring dairy ambassador, Jonathan Brown. The campaign leveraged partnerships with four key processors and the Dairy Destinations partnership with Airbnb further amplified the campaign.

The Australian Dairy Industry Sustainability Framework underpins our promise as an industry to create rewarding livelihoods for our people, nourish consumers with nutritious food, provide best-care for all our animals and leave the environment in better shape for the future. This year saw over 130 key opinion leaders come together to discuss the role of dairy in a nutritious and sustainable diet. Dairy Australia is focused on reinforcing dairy's role in a nutritious diet, further complemented by significant investment in international research on the importance of dairy in fracture prevention and the role dairy plays in preventing malnutrition in older adults. We look forward to utilising this work in the coming year.

Dairy Australia's recognition as a trusted and credible source of market and policy information and insights underpins our strong positioning with industry and government in the policy development process. Our role working with the dairy representative groups and government to deliver a commitment from the UK to provide duty free access for all Australian dairy products through the UK Australia Free Trade Agreement is a demonstration of how this positioning can help to deliver great outcomes for dairy.

Dairy Australia's value is in delivering for farmers and the industry, now and into the future. In March 2022, dairy farmers will have the chance to vote on the level of the dairy levy for the next five years. The value that Dairy Australia brings is to take on the collective risks, particularly in areas of research and development, in marketing, and in trade relations: areas where the whole is greater than the sum of the parts. We're all aligned in wanting to leave behind a sustainable, profitable industry, a legacy for our kids and for generations to come.

We would like to acknowledge and thank Dairy Australia Board members, Graeme Nicoll and David Lord, who will retire from the Board at the AGM in November. We thank them for their service to the Dairy Australia Board and the dairy industry.



A handwritten signature in black ink that reads "David Nation".

David Nation Managing Director



A handwritten signature in black ink that reads "James D. Mann".

James Mann Chair

2020/21 KEY ACHIEVEMENTS



Farm business management

Delivered **Our Farm, Our Plan** across Australia with more than 250 participants in 2020/21. Partner funding of \$1,785,000 secured to support further activities.



Farm performance

Developed the **Farm Business Snapshot** digital tool providing an analysis of the historical performance of a dairy farm business to assist farmers better understand production costs and overall profitability.



Extension activities

Offered more than 855 extension activities across Australia with **8,250 people** attending online and face-to-face.



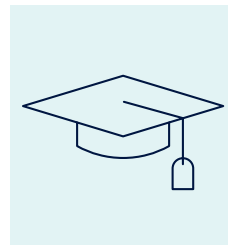
Employment

Supported on-farm employment needs with **more than 2,000 farms** registered to use resources from the **People in Dairy** platform.



On-farm labour

A **Pathway for People in Dairy** connected 5,583 people to pre-employment learning resources, raising awareness of working on a dairy farm and getting a job.



Learning and development

Made available **Dairy Farm Manager** learning experiences to more than 75 University of Sydney undergraduate students.



Summer forages

Held the **C4Milk field day** (in Gatton, Queensland) for service providers and farmers, providing insights into the latest research findings on summer forages.



Climate

Launched the **Climate Change Strategy**, prioritising our research, development and extension efforts to adapt to a changing climate.



Forage decisions

Published the **Forage Value Index** for annual and Italian ryegrass species, providing information for more regions and enabling farmers to make informed seed purchasing decisions.



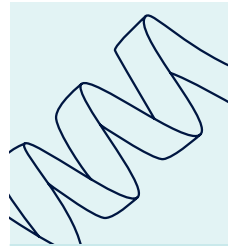
Forage improvement

Completed breeding of both **F1 Hybrid perennial ryegrass varieties** and genomic-selection of improved varieties.



DairyBio

Completed first five years of DairyBio, with **genomic selection** for more traits and more breeds.



Genetic improvement

Reduced turnaround time for **commercial genomic testing** from 25 to nine days. Increased the number of females tested from 17,600 to 58,000. Released first Red Breed genomics.



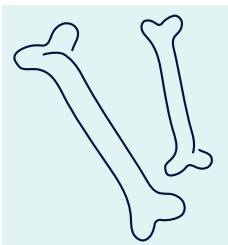
Calf pathways

Initiated work with the beef sector to develop **viable alternatives** to early-life calf slaughter that are socially acceptable and economically sustainable.



Milk quality

Improved milk quality with an increase in farms with Bulk Milk Cell Count of <250,000 from 79% (2016) to 86.1% (2020).



Fractures trial research

Delivered results of the **world-leading research** on links between dairy intake, malnutrition and fracture rates. Increasing dairy intakes from 2 to 3.5 serves has significant impacts on falls and fracture reduction in the elderly.



Health professionals

Engaged **dietitians and general practitioners** on the benefits of dairy with 90% of those surveyed feeling confident to recommend milk, cheese and yoghurt as part of a balanced diet.



Industry marketing

Highlighted the positive impact **buying Aussie dairy** has on Australian communities through the Dairy Matters 'Buy, Support, Enjoy Aussie Dairy' marketing campaign, with TV reaching over 7 million adults and radio over 7.8 million.



Farmer ambassadors

Launched the **Farmer Ambassador** program with 30 farmers who supported more than 30 marketing campaigns, programs and initiatives.



Education in schools

Reached more than 340,000 students and education providers through **Discover Dairy**, a platform for educating and engaging our consumers of tomorrow.



Sustainability

Engaged more than 130 key opinion leaders in a workshop discussing the role of dairy in a nutritious and sustainable diet as part of the Australian Dairy **Sustainability Framework**.

2020/21 KEY ACHIEVEMENTS



Recycling silage plastics

Commenced development of a national product stewardship scheme for **dairy silage plastics** using a \$965,400 grant from the Federal Government. The scheme aims to develop a sustainable system for collecting and recycling silage wrap.



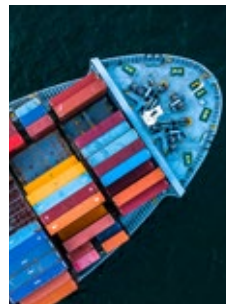
Policy support

Policy support across industry to areas including the Murray Darling Basin Plan, environmental protection, workforce, regional development and climate change.



Dairy export assurance

Commenced the **dairy export assurance program**, an \$8.3 million partnership with the Australian Government aiming to make it easier for processors to export and remove regulatory burden, which can be a barrier to accessing high value overseas markets.



Tariff removal

Supported industry and Australian Government to secure a commitment to **remove all export tariffs** for dairy exports to the United Kingdom.



COVID-19 response

Developed and managed **COVID-19 response** to help the dairy industry keep its people safe and prepare for, and respond to, the restrictions imposed across the country.



New website

Launched the new **dairyaustralia.com.au** website delivering relevant information and resources to farmers and the broader industry.

A comprehensive overview of project highlights, outcomes, details and key metrics is provided in our 2020/21 Performance Report.



Dairy Australia

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DAIRY AUSTRALIA

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ABOUT DAIRY AUSTRALIA



Dairy Australia provides services that benefit and advance dairy farm businesses and work towards shaping a profitable, sustainable dairy industry.

Our services span broad areas that Dairy Australia delivers on behalf of the industry including research and innovation, supporting farm business management, responding to events such as drought, bushfires, flood or COVID-19, developing tools to adapt to the environment and address climate, supporting on farm employment needs, marketing of dairy products and commitment to sustainability, policy research, industry insights, and delivering international market programs.

Dairy Australia comprises a head office in Melbourne with eight regional locations in dairy regions across the country. These include Murray Dairy, GippsDairy, WestVic Dairy, DairyTas, Dairy SA, Dairy NSW, Western Dairy and Subtropical Dairy.

We are funded by levies paid by dairy farmers and matching payments received from the Commonwealth Government for eligible research and development activities. We work closely with our levy payers and other important stakeholders to advance the interests of the dairy industry.

To maximise the value of the dairy levy and advance the interests of dairy farmers, we also partner with industry, government, and research organisations – Australian Dairy Farmers (ADF), state dairy farmer organisations, Australian Dairy Products Federation (ADPF), the Gardiner Dairy Foundation, state and Federal governments, universities and research organisations, and other Rural R&D Corporations (RDCs).

STRATEGIC PRIORITIES

To achieve our core business objectives and guide investment activities, we develop and review our strategic priorities on an annual basis. 2020/21 was the first year of operating with the new Dairy Australia 2020–2025 Strategic Plan.

Our strategy describes our priorities and the outcomes we will deliver over the five years with six priorities that contribute to delivering improved profitability for farmers and a more sustainable dairy industry, and a seventh priority that focuses on our organisational performance. This approach is designed to drive the future success of the industry, motivate our talented people around areas of industry importance, lead to positive change in the provision of research and development, and provide value-added services to dairy farmers.

Progress against strategic outcomes is measured and reported in the companion publication, Dairy Australia's 2020/21 Performance Report.

A complete list of our 2020/21 projects can be found in **Section 6** – Appendices.

<p>1</p> <p>MORE RESILIENT FARM BUSINESSES</p> <p>Farm businesses that are more profitable, resilient and innovative in managing price and cost volatility</p> 	<p>2</p> <p>ATTRACT AND DEVELOP GREAT PEOPLE FOR DAIRY</p> <p>Attract great people to the dairy industry, build their capability and careers, and foster a safe work culture</p> 	<p>3</p> <p>STRONG COMMUNITY SUPPORT FOR DAIRY</p> <p>Enhanced trust and value in the Australian dairy industry, its farmers and products</p> 	<p>4</p> <p>THRIVE IN A CHANGING ENVIRONMENT</p> <p>Profitable farm businesses that adapt to the changing natural environment and provide good stewardship of resources</p> 
<p>5</p> <p>SUCCESS IN DOMESTIC AND OVERSEAS MARKETS</p> <p>Improved access to high-value dairy markets, backed by trusted market insights and a favourable regulatory and policy environment</p> 	<p>6</p> <p>TECHNOLOGY AND DATA-ENABLED DAIRY FARMS</p> <p>Inspire more agile and responsive dairy businesses through greater integration of technology and data</p> 	<p>7</p> <p>INNOVATIVE AND RESPONSIVE ORGANISATION</p> <p>An organisation that is farmer-focused, with talented people who embrace innovative thinking and decisive action</p> 	





INVESTMENT ACTIVITY

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2020/21 REVENUE

Our revenue is primarily based on a levy collected from every dairy farmer and matched with a contribution from the Commonwealth Government for investment in research, development and extension (RD&E) activities.

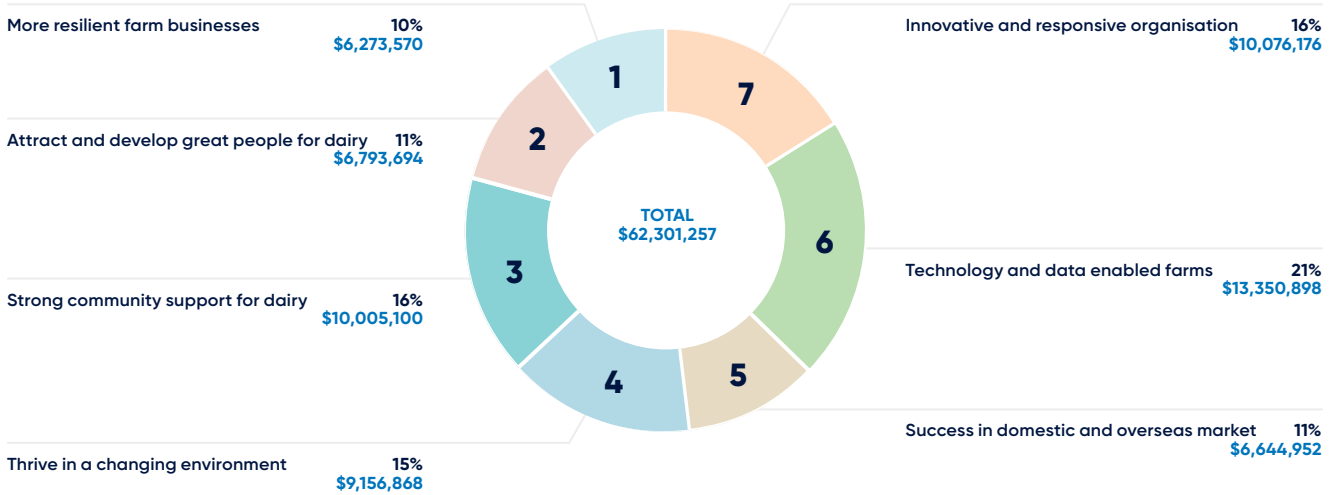
The dairy service levy is deducted from payments made by milk processing companies to farmers which are remitted to the Commonwealth Government. In 2020/21, the rate of milk levies was 2.8683 c/kg milk fat and 6.9914 c/kg protein. Based on national average milk composition, these combined levies were equivalent to approximately 4.7221 c/kg milk solids.

Rural research and development corporations, such as Dairy Australia, are the mechanism by which dairy farmers and the Commonwealth Government co-invest in research and development for the benefit of the industry and communities. Under the terms of a Statutory Funding Contract (SFC) between Dairy Australia and the Commonwealth Government, the industry levy is matched by the Commonwealth to a maximum of 50% of the gross annual milk production by the Australia dairy industry for eligible RD&E activities. This important contribution of funds reflects the value of the agriculture industry, including dairy, to the Australian public and national economy.

Revenue	2021 (\$'000)	2021 (%)
Dairy service levy	31,931	50.2
Government matching payments	22,633	35.6
External contributions	7,673	12.1
Interest revenue	134	0.2
Distributions from investments	1,152	1.8
Royalties	8	0.0
Other income	86	0.1
Total revenue	63,617	

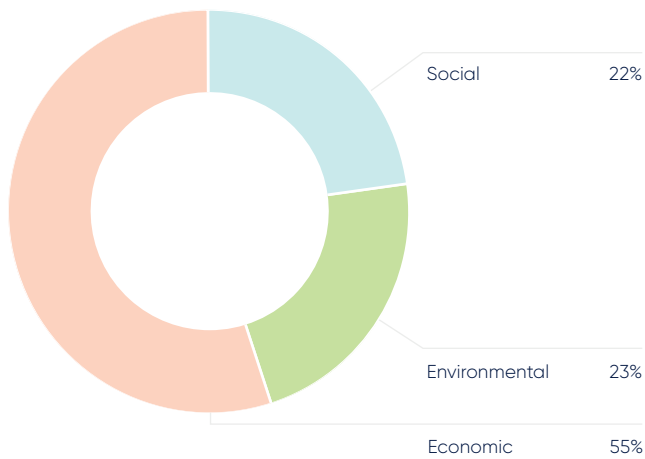
OUR FUNDING ALLOCATION

Priority expenditure

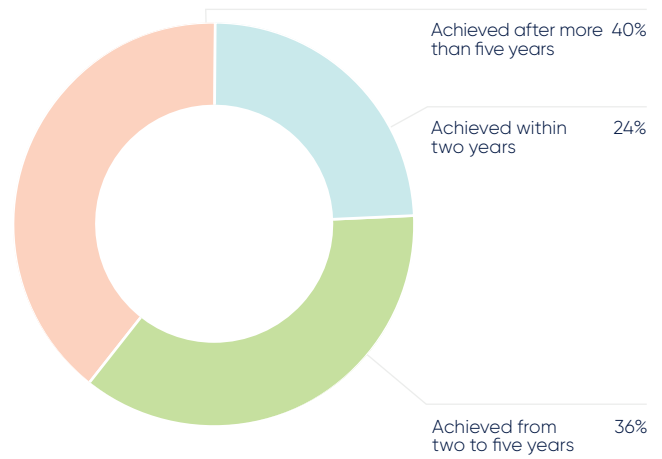


INVESTMENT FOCUS

Triple bottom line allocation



Time horizon to achieve project benefits



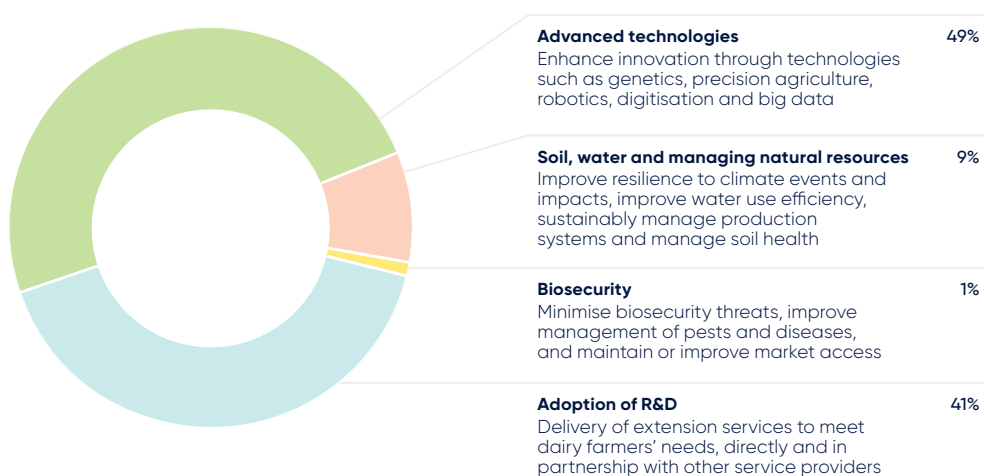


AUSTRALIAN GOVERNMENT RESEARCH, DEVELOPMENT AND EXTENSION FRAMEWORK

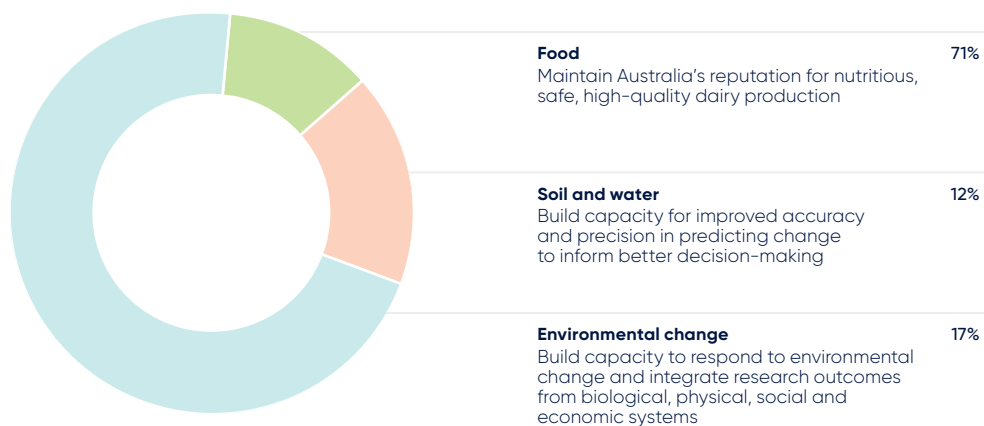
Our investments support the achievement of the Australian Government’s Science and Research Priorities and Rural Research, Development and Extension Priorities.

In 2020/21, approximately 73% of our expenditure was directed towards activity that qualified as RD&E under government matching funding criteria.

Rural RD&E priorities



Science and research priorities



COLLABORATIVE INVESTMENT

We collaborate with a range of Australian and international partners to deliver innovation and value to Australian dairy farmers.

Our partners include universities, the Federal and state governments, RD&E organisations, agricultural industry agencies, commercial agricultural companies, non-government organisations and Cooperative Research Centres. (See **Section 6** – Appendices for further detail.)

2020/21 highlights:

Continued our collaborative investment with the Victorian Government, the Gardiner Dairy Foundation and a range of commercial partners in DairyBio and DairyFeedbase.

Collaborated with grains, rice and sugar RDCs through the key project Smarter Irrigation for Profit. Dairy Australia has active cross-industry participation through the Council of Rural R&D Corporations and through the Research and Innovation committee.

Other collaborative investments continued with the Tasmanian Institute of Agriculture, the Queensland Department of Primary Industries, Grains Research and Development Corporation, Meat & Livestock Australia, Australian Wool Innovation and AgriFutures Australia on a range of feedbase and animal nutrition projects including the National Pasture Genebank.

The Milking Edge collaboration continued with NSW Department of Primary Industries and DeLaval focused on extension modules around optimising automatic milking systems.

Continued our partnership with the University of Melbourne in delivering the Dairy Vet Residency Program; a new relationship was also developed with Marcus Oldham College to support the next generation of Dairy Farm Managers.

Entered into a multi-project, partner and year dairy program, led through the Dairy Research Foundation (University of Sydney), with significant grant assistance from Department of Regional NSW, the single largest investment in dairy RD&E in NSW for a generation.

Commenced an exciting partnership with the Australian Government and state regulatory agencies to enhance our dairy export regulatory processes. Known as the Dairy Export Assurance Program, the collaboration aims to make it easier for dairy processors to export and remove some of the regulatory burden that can be a barrier to accessing high value overseas markets.

The Fractures Trial global research collaboration is a world-first research initiative for the global dairy industry led by Dairy Australia. This large, well-designed trial specifically investigates dairy intake, malnutrition and fracture rates. The research aims to fill an important evidence gap on dairy and fracture prevention and highlight the significance of dairy consumption in prevention of malnutrition in older adults. Since 2013, \$3.9 million has been invested across eight international dairy organisations to the trial. The Fractures Trial research is now poised to make an impact with the major findings from the study accepted for publication.

The global Dairy Sustainability Framework (DSF) provides a global framework for Sustainability and collects data on progress against 11 identified elements. The Australian Dairy Industry Sustainability Framework aligns with the global framework. Dairy Australia is a member of the DSF and reports on progress on behalf of the dairy industry. Dairy Australia's Managing Director is also a governor of the DSF.

The Global Dairy Platform's membership of dairy companies, associations, scientific bodies, and other partners collaborate pre-competitively to lead and build evidence on dairy's role in the diet and show the sector's commitment to responsible food production. As a member of the GDP we collaborate on nutrition work and promote the value of dairy nutrition.

Sustainable Agriculture Initiatives – Dairy Working Group (SAI DWG) is a non-profit network of over 130 members worldwide. Working in collaboration with members, it aims to advance sustainable agricultural practices through pre-competitive collaboration. The Dairy Working Group focuses on dairy initiatives and sustainable practices.

Cross-sectoral collaboration also represents an opportunity to leverage common projects across agriculture.

Agriculture Innovation Australia

Agricultural Innovation Australia (AIA), a new company targeting transformational innovation across agriculture, was formed in October 2020. All 15 Rural Research and Development Corporations (RDCs), including Dairy Australia, were founding members.

AIA was established to catalyse public and private sector investment and enhanced collaboration, in solving the biggest cross-sectoral challenges in Australian agriculture. As a single point of contact for cross-industry strategies, AIA will make it easier for investors from around the world to navigate and partner with the Australian agricultural system.

RDCs contribute subscription fees and will benefit from enhanced collaboration and more effective leveraging of funding, knowledge and resources.

The scope of AIA's strategies will cover the agriculture, fisheries and forestry value chains.

More information: aginnovationaustralia.com.au.

growAG

growAG is the gateway to Australia's agri-food innovation system. It formalises a shared vision to showcase world leading agricultural research, unique technologies and commercialisation opportunities online in one, easy to use location.

growAG is a collaboration between the Department of Agriculture, Water and Environment and Australia's 15 Research and Development Corporations, including Dairy Australia.

Dairy Australia has 63 projects listed on growAG to showcase dairy innovation to entrepreneurs and potential commercial partners.







CORPORATE GOVERNANCE

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OUR PEOPLE

We provide a positive work environment for our people underpinned by our values: Farmer First, One Team, Innovative Thinking and Decisive Action. Our values connect our people and stakeholders across the industry, ensuring we maintain focus on delivering the right things at the right time for our farmers.

Achievements

With the impacts of the COVID-19 pandemic dominating the year, our people have risen to the challenge. We adapted to new ways of working, adjusted to our farmer's needs and expectations, and have been agile in our service offerings. While the uncertainty of the pandemic remains, our people continue to show great resilience in support of the dairy industry.

Our focus is always on keeping our people safe, engaged and supported. Across the year, we invested in wellbeing and resilience campaigns for our people, developed a new compliance training suite to ensure a consistent set of expectations for all employees, commenced a safety-first culture overhaul, and made some headway in support of a hybrid way of working. This included the launch of desk-booking software which provides greater flexibility to manage our office environment more strategically and in line with current COVIDSafe guidelines.

In September 2020, we achieved an improvement in our employee engagement scores from 61% to 66%. This was a great outcome given the unique circumstances presented by COVID-19. Significant wins were recognised in key areas such as: communication of our strategy

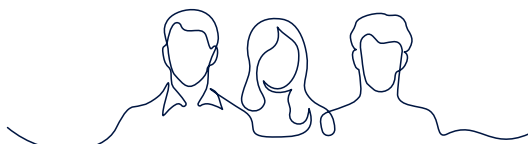
(91% favourable) and connecting it to our work (94% favourable), as well as taking action from the 2019 survey (15% higher than the Australian benchmark for 2020).

Other achievements across the year included a redesign of our induction program with a focus on consistency, team connections and collaboration; and embedding a new performance review cycle, with more frequent but less onerous check-ins, ensuring our people remain on track and motivated.

The coming 12 months will see a priority placed on embedding our values which will enhance our organisational culture and enrich our employee experience, as well as creating more avenues and structures to develop and retain our talent.

Key workforce data

Our eight regional offices are supported by a central team and together they provide services to farmers across the country. Many of our team members live and work in regional areas and are part of local farming communities.



190

people

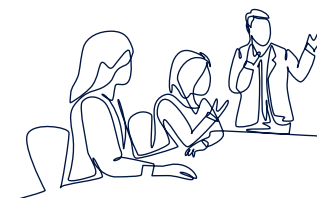
173.7

full-time equivalent



67%

women in Dairy Australia



50%

women at executive level



Craig Bromley
Digital Experience Manager

Simplifying and improving the experience that farmers and other dairy industry participants have with Dairy Australia is Craig Bromley's passion. His role as Digital Experience Manager involves collaboration with people across a range of specialist areas to identify and achieve outcomes that will ultimately create the greatest value for dairy farmers. This involves drawing on the deep technical knowledge of our experts and blending it with what our farmers have told us about their expectations and needs.

Working across the organisation, and with other industry participants, Craig's key focus is on ensuring the services delivered by our team of experts are complemented with online practical resources that can be easily and quickly accessed at any time.

A key area is managing and optimising our websites and digital tools that offer valuable information and resources across the dairy industry – from farmers through to consumers, teachers, students and health professionals.

"I look to help our teams identify ways to give our farmers and industry stakeholders timely and meaningful interactions with Dairy Australia, along with relevant and innovative digital solutions. This is critical to our important role in supporting high performing dairy farms, as well as a profitable and sustainable dairy industry."

With a background in product management and marketing, and more recently in customer experience, Craig has always been centred on one principle: offering useful and usable solutions that match the goals, behaviours and preferences of customers.

"There's nothing more rewarding than winning the hearts and minds of your customers," he says.

What he loves most about his job is spending time with farmers and learning from passionate, talented people that want to make a real difference to the dairy industry.

"Having always worked in large global corporates before joining Dairy Australia, it's really enjoyable to have the diversity of joining regional teams to address the specific needs of their local farming communities. It comes with the bonus of being part of a smaller and purpose-led environment that fosters close working relationships across all parts of the dairy industry."



Carly Potts
Regional Extension Officer, Dairy NSW

Since July 2020, Carly Potts has been helping to build connections with farmers in NSW. As one of our Regional Extension Officers, Carly's role is to listen to farmers, understand their needs and provide support through education, connection and training.

"Having a presence on the ground in the regions is really important. We share experiences, good on-farm practices and connect the right people to each other to share what they know between themselves. That connectedness leads to longevity in dairying and attracts more people into the industry."

Her passion is people, having been in leadership roles since she finished school. She ran her own business for many years, worked in banking and finance, and over the past four years, in natural disaster response and recovery roles for the NSW Government.

This background and experience enabled Carly to shine during the NSW floods in March 2021, as she was able to quickly pull together a working group of stakeholders and set a course of action. This action included a pre-emptive focus on collecting requisite data for grant funding. With the noted "strongest and fastest uptake of financial impact reporting from the dairy industry", they were able to gain access to the grant funding along with a range of other support measures.

Carly's focus has been on building strong connections with the farmers and key stakeholders, including the Department of Primary Industries, local land services and local vets.

It's about being the 'voice' of the region, including bringing project knowledge from across Dairy Australia to the ground, or feeding a regional perspective back into the R&D so that each farmer can benefit.

What she loves most about her job is the project management aspect of it. "I enjoy it because it's nice to follow things through and positively influence projects," she says.

"There's diversity in my day and I'm constantly learning. So, although I don't come from a dairying background, I can still make a positive contribution."

LEADERSHIP TEAM

Our leadership team is responsible for managing day-to-day operations and providing strategic direction on our investments, priorities and goals as set out in our strategic and operational plans. They work collaboratively across the organisation and are focused on our measures of success and outcomes linked to our strategy.



David leads Dairy Australia and is Managing Director. In a career in dairy spanning 25 years, David brings extensive experience across the sector, including leading roles in a number of key dairy innovation pipeline projects. He has a background in agricultural science and has fulfilled various commercial and technical roles in the animal breeding and herd fertility service industries. Prior to joining Dairy Australia in 2018, David was Co-Director of DairyBio and DairyFeedbase, and Chief Executive Officer of the Dairy Futures Cooperative Research Centre.

Dr David Nation Managing Director

BScAgr PhD, Grad. Cert Bus Mgmt, GAICD



Kendra leads the Marketing and Communications Group which includes consumer marketing, corporate and farmer communications, digital and design. Kendra has 20 years of experience in marketing, corporate communications and public relations. Previously, she was at Coles Express as Marketing Manager and held senior management roles at Bakers Delight Holdings, including General Manager Marketing, Group Marketing Manager and Group Corporate Communications Manager. Kendra has been responsible for entire portfolios spanning brand management, advertising, marketing, product development, public relations, media relations, stakeholder communications and engagement, issues and crisis management, and internal/external communications.

Kendra Campbell General Manager – Marketing and Communications

BBus (Marketing)



Helen leads the Sustainability team at Dairy Australia including Food Safety and Integrity. She has a long history in the dairy industry having worked previously for CSIRO, the Australian Dairy Industry Council and the Australian Dairy Products Federation on research, development and extension strategies, issues management, supply chain, regulatory standards, policy frameworks, export facilitation, sustainability and international work including the development of International Dairy Federation/Food and Agriculture Organisation guides. As part of her role, Helen works with the Global Dairy Sustainability Framework and the Sustainable Agriculture Initiative.

Helen Dornom General Manager – Sustainability including Food Safety and Integrity

BAgrSc, GAICD



Verity leads the newly formed Regional Services Group representing our regional teams and RDP Boards. She has worked in roles in government, industry and the corporate sector providing a breadth experiences and networks from these roles. With experience in private company and industry Boards as a Director and executive, she combines strategy and action to deliver results. From a farming background she brings expertise in farming businesses and rural communities. Verity's career in the agriculture, agri-business and regional development sectors, she brings a wealth of experience in leadership, consultancy, extension, project management, Boards and rural business management.

Verity Ingham General Manager – Regional Services

BAppSci (Ag) GradDip (Ed)



Greg leads the Farm Profit and Capability Group, which invests in research, development, extension and education activities to support the profitability, sustainability and competitiveness of Australian dairy farmers. Greg has more than 20 years' experience in corporate agriculture with a strong track record across various general management roles in Costa Group, Nutrano Produce Group and Hancock Natural Resource Group. He has significant experience in operations, innovation, growth, finance, people and capability development. Greg has previously spent time in Asia developing vertically integrated production systems from greenfield sites and managing joint venture relationships. He has also led horticultural industry development as Chairman of Raspberry and Blackberries Australia where he oversaw the initial development of a combined berry peak industry body.

Greg Jarman General Manager – Farm Profit and Capability

Commenced January 2021

BAppSci (Hort) MBA



Until December 2020, Peter led the Farm Profit and Capability Group. He was previously the Program Leader of the Feedbase and Nutrition portfolio. Peter has a broad range of Agribusiness experience, coming to Dairy Australia from the pasture seed industry where he was the National Sales and Marketing Manager of a large seed company and led a strong period of growth combined with a number of business acquisitions and integrations. Peter has worked for Rabobank, was an Agricultural Advisor in the Falkland Islands and worked in extension for NSW Agriculture delivering courses including Top Fodder and ProGraze.

Peter Johnson General Manager – Farm Profit and Capability Resigned October 2020 BScAgr MBA



Imogen leads the Human Resources team bringing over 12 years' general HR experience to the role. She has previously worked in a variety of industries including engineering, consulting, media/technology and property development. Imogen also brings specialist experience in employee relations, HR technology and HR analytics and a keen interest in talent management. Prior to joining Dairy Australia, Imogen led the HR function at Caydon Property Group. For the first half of 2020/21, Imogen was on parental leave after welcoming her second child.

Imogen McBain General Manager – Human Resources MCom (HR) BAppSc (Psychology)



Melissa managed the human resources function as a parental leave replacement and was responsible for activating the employee lifecycle across culture, talent acquisition, workforce planning, learning and performance development, engagement and workplace health and safety. With over 15 years of leading HR teams in sectors including professional services, education, childcare and not-for-profit, Melissa's experience includes start-ups, mergers and acquisitions, global workforce redesign and leading portfolios of talent advisory partners and centres of excellence.

Melissa Kuti Manager – Human Resources MBA, Grad Dip Mgmt, BA Comms



Charlie leads the Trade and Industry Strategy team at Dairy Australia and is responsible for facilitating profitable international trade of Australian dairy products and providing information, analysis and market intelligence to the Australian dairy industry. Charlie has a long history of working within the agriculture and food sector in areas related to policy, advocacy and informing decisions related to the market dynamics. Charlie came to Dairy Australia from the National Farmers Federation (NFF), where he was the General Manager of Policy.

Charlie McElhone General Manager – Trade and Industry Strategy BAgEc, GDip (International Business), MBA, GAICD



Elizabeth leads the Business and Organisational Performance Group which includes Strategy and Corporate Planning, Portfolio Management Office, Finance, Information Technology, Company Secretariat, Legal and Risk Management. Elizabeth has over 25 years' experience in senior management and corporate advisory roles in KPMG and Lander & Rogers. She has a strong record of achievement in roles including as a corporate finance director and chief operating officer. Elizabeth has broad board experience and has served as a director on multiple boards and as the chair of audit and risk committees.

Elizabeth Parkin General Manager – Business and Organisational Performance BBus, FFin, CAANZ, FINSIA

CORPORATE GOVERNANCE

To transparently demonstrate our performance and accountability to members, levy payers, government and other stakeholders, we are committed to an effective system of corporate governance.

Dairy Australia is an unlisted public company limited by guarantee. As the industry services body under the *Dairy Produce Act 1986* (Cth), we operate within a corporate governance framework consisting of:

- Dairy Australia's Constitution
- Australian Charities and *Not-For-Profits Commission Act 2012* (Cth)
- Statutory Funding Contract with the Commonwealth of Australia
- Other relevant laws such as the *Corporations Act 2001* (Cth)

Constitution

Dairy Australia's Constitution includes:

- The objects (purpose) of the company
- Membership eligibility criteria and voting rights
- Consultation processes with members
- Powers of the board
- Composition and selection of board members and committees.

Membership

Under the Constitution, there are two classes of members:

- Group A members: dairy farmers who pay the dairy services levy and elect to become members. Group A members have voting rights on resolutions and director appointments.
- Group B members: bodies that represent the Australian dairy industry and currently consists of the Australian Dairy Farmers and Australian Dairy Products Federation. Group B members do not have voting rights but can move resolutions at general meetings.

Statutory Funding Contract (SFC)

On 22 June 2021, Dairy Australia entered into a SFC with the Department of Agriculture, Water and Environment for a term of 10 years. Under this agreement, the Commonwealth agrees to pay dairy service levy funds from dairy farmers to Dairy Australia, together with government matched payments. The SFC outlines performance principles that Dairy Australia must meet. These include:

- Stakeholder engagement to identify RD&E priorities and activities that provide benefits to the dairy industry.
- RD&E activities are strategic, collaborative and targeted to improve profitability productivity, competitiveness and preparedness for future opportunities and challenges through a balanced portfolio.
- Undertake strategic and sustained cross-industry and cross-sectoral collaboration.
- Governance arrangements and practices to fulfil legislative requirements and align with contemporary best practice for open, transparent and proper use and management of funds.
- Demonstrate positive outcomes and delivery of RD&E and marketing benefits to levy payers and the community in general and show continuous improvement in governance and administrative efficiency.

The **Constitution** and **Statutory Funding Contract** are available on the dairyaustralia.com.au website.

Before entering into a new funding agreement with the Commonwealth, an independent review of Dairy Australia's performance was required. The independent review was completed in January 2021 and the report noted that "the overall finding of this independent review is very positive. Dairy Australia is an effective, outcomes focused organisation with a strong service culture to the Australian dairy industry. It is managed by professional people who seem to care about what they do. There is strong and appropriate governance and a healthy focus on continuous improvement of structures, systems and processes."

The full report can be found on the dairyaustralia.com.au website.

Independent Performance Review key improvement actions

Item/theme	Recommendation	Dairy Australia response	Status as at June 2021
1. Business Systems and Processes Striking the Right Balance	The leadership team continue to monitor the development and implementation of company systems and processes with an eye to optimising the value-add that they provide through the right balance of rigour and responsiveness.	Dairy Australia accepts this recommendation. This need for balance is embraced in our organisation values and will be elevated as a priority issue for the Leadership Team. Staff will be actively encouraged to challenge processes that are too rigorous. The right balance will be monitored by: <ul style="list-style-type: none"> • Internal audit • Staff survey questions • Quarterly Leadership Team meetings. Reporting on the status of this action item will be included in the Annual Report.	Regular discussion of business systems and processes was held by the Leadership Team. Refinements have occurred in finance processes. Internal audit reviewed Data Management and Privacy, the Project Management office, and Delegations of Authority related processes and recognised what was working well and areas for refinement. These actions are reported at the quarterly Audit and Risk Committee meetings. An employee engagement survey is conducted in Sept/October each year and includes statements to assess Dairy Australia's systems such as: "Most of the systems and processes here support us in getting our work done effectively" (measured at 66% last survey).
2. Business Systems and Processes Board Reading Material	The Board continue to work with management to reduce the amount of compulsory reading within the board meeting papers to ensure that the Board's time is used to the greatest value to the organisation.	Dairy Australia supports this recommendation. A range of options are being explored to reducing compulsory reading material including: <ul style="list-style-type: none"> • Greater use of management summaries • Distribution of non-compulsory reading material outside of board meetings • Review of Constitution and charters • Training for staff writing Board papers The effectiveness of these initiatives will be assessed in the external board review to be completed by March 2022.	With increased focus, the Board has acknowledged an improvement in management summaries and the quality of Board papers.
3. Australian Dairy Plan (ADP) Focus on the Mandate	The Dairy Australia Board and Managing Director monitor Dairy Australia's continued engagement in the ADP to ensure it doesn't create too great a distraction away from core business or is not creating excessive workloads for key personnel. Corraling the impact of the ADP on the organisation through specific responsibilities for it within the company structure would seem appropriate. Having a plan to manage the extra workload, potentially bringing in outside contractors to help with key tasks, may also be valuable.	Dairy Australia supports this recommendation and acknowledges the significant amount of Board and management resource effort to date to support the Australian Dairy Plan and in particular, industry reform. This area continues to receive priority attention of the Board and Leadership Team. Outside contractor(s) will be engaged to support the oversight and reporting requirements of the Australian Dairy Plan. Success will be measured by survey of the Leadership Team twice per year (status reported in the Annual Report).	The Managing Director monitored ongoing commitments to the Australian Dairy Plan. Actions include appointment of a contractor to manage the workload for reporting progress and also regular assessment of involvement to ensure there is no distraction from core business. Dairy Australia has significantly reduced workload since April.

Item/theme	Recommendation	Dairy Australia response	Status as at June 2021
4. Australian Dairy Plan Expectations about Industry Structures	The expectations about the future of industry representation need to be proactively managed. A sustained, consistent communication campaign around Dairy Reform is important for transparency to industry and to manage expectations and needs to be delivered with strong spokespeople from relevant industry bodies. It needs to be clear to levy payers that this is an industry initiative and not one of Dairy Australia alone.	Dairy Australia supports this recommendation. Communication with farmers about industry representation is the responsibility of the President of Australian Dairy Farmers. Dairy Australia will consistently communicate that the reform of industry structures is an industry initiative, where Dairy Australia is working with Australian Dairy Farmers and Australian Dairy Products Federation and is not acting alone. Success will be measured by the majority of press articles accurately reporting Dairy Australia's role in Industry Reform. (Status reported in the Annual Report as required).	Progress of Industry Reform is reported in line with the Australian Dairy Plan progress updates. The President of Australian Dairy Farmers continues to be the key spokesperson on reform.
5. Dairy Farmer Communications Seeking Continuous Improvement	Dairy Australia continues to maintain a high level of attention and effort toward communicating effectively with dairy farmer levy payers. This includes understanding individual needs and motivations. Communication should not only satisfy those who support the work of Dairy Australia but should also seek to share information with those who are less engaged or who have expressed criticism.	Dairy Australia supports this recommendation and will: <ul style="list-style-type: none"> Continue to increase regional visits to increase farmer engagement opportunities (with COVID restrictions easing). Reshape Dairy Australia's regional service model to continually improve delivery on individual needs and preferences, through targeted engagement with levy payers. Evolve our efforts in testing and validating initiatives with farmers to ensure we are meeting farmer needs. Continue to be proactive and transparent in outlining Dairy Australia's position on topics that matter/are of interest to dairy farmers i.e. through media, direct engagement with Dairy Australia stakeholders. The effectiveness of these efforts will be measured by Dairy Australia's Annual Performance Tracker Survey. (Status reported in the Annual Report).	<ul style="list-style-type: none"> Regional visits have been significantly hindered by COVID-19 border closures and restrictions on travel. Where possible, regional visits have been undertaken. Work is underway to reshape Dairy Australia's regional services model – Farmer Account Management model phase 1 is complete and findings have been presented to the Board. Phase 2, which is the development of the implementation, resourcing requirements and piloting is due to commence. Evaluation of extension delivery continues. More focused communications approach targeting farmers, with a strong message 'Delivering for Dairy' – a commitment that is associated with the work Dairy Australia delivers. This approach will provide a point of differentiation to the communications farmers receive and will assist in awareness around Dairy Australia's role and value.
6. Dairy Farmer Communications Communicating Benefits of RD&E Partners	Dairy Australia to specifically target farmer communication to demonstrate the benefits of its major RD&E (research development and extension) investments in the context of specific regions and production systems. This needs to include an explanation by Dairy Australia about how regional RD&E priorities are being addressed.	Dairy Australia supports this recommendation and will: <ul style="list-style-type: none"> Continue to increase collaboration between project and regional teams to develop communications and engagement plans for major investments e.g. DairyBio, DataGene and Dairy Feedbase. Demonstrate how regional RD&E priorities are addressed including relevance to regions, production systems, short term and longer-term gains. The effectiveness of these efforts will be measured by Dairy Australia's Annual Performance Tracker Survey. (Status will be reported in the Annual Report).	<ul style="list-style-type: none"> Focused communications around key priority areas, including a focus on major R&D projects (primarily DairyBio and Dairy Feedbase), currently planned for Q4 (Apr–Jun 2022). This communications approach will focus on the value of these investments to all dairy farmers. Work is underway to develop an industry wide mechanism and more robust process that allows input from across regions into priority setting for RD&E investment and delivery.

Item/theme	Recommendation	Dairy Australia response	Status as at June 2021
7. Key Performance Indicator (KPI) Discipline Annual Targets and Baselines	Dairy Australia consider how targets/ measures in the Annual Operating Plan (AOP) can be used to create stronger linkages between performance year on year with the five-year outcomes of the 2020 Strategic Plan.	Dairy Australia supports this recommendation and will: <ul style="list-style-type: none"> • Establish a Quarterly Portfolio Review process in 2020/21 to enable review of progress made on strategic outcomes and associated success indicators. • Publish targets along with success indicators as part of our AOP from 2021/22. The effectiveness of these efforts will be measured by progress on the Dairy Australia Strategic Plan and inclusion of targets and measures in each Annual Report.	Complete
	Dairy Australia ensure all KPI baselines under the 2020 Evaluation Framework are confirmed and published prior to the end of 2020/21.	Dairy Australia supports this recommendation and will measure baselines for our strategic success indicators through a refreshed annual survey. These indicators will be available in June 2021.	Dairy Australia has pivoted its annual performance survey to now align with the new strategic plan. This survey enables us to measure our progress against the strategy on an annual basis. In May 2021, this survey was completed and the baselines for our strategic success indicators have been obtained. These will be incorporated in a revised Strategic Plan to be published in October 2021. They will also be reported on annually as part of our Annual Performance Report.
8. Regional Development Programs (RDPs) Realising the Opportunity	RDPs be enabled to take on a more formalised role in two-way communication between Dairy Australia and RDPs about regional RDE priorities and Dairy Australia RDE priorities.	Dairy Australia supports this recommendation and will: <ul style="list-style-type: none"> • Continue to embed RDP consultation in priority setting (AOP and strategic plans). • Foster alignment between Dairy Australia's Strategic Plan and regional strategic plans. • Increase direct engagement between Dairy Australia Directors/Leadership Team and RDP Boards • Hold regional Board meetings and increase regional visits by Board and Leadership Team with COVID restrictions easing. Learnings and priorities from these visits to be tabled at monthly Board meetings. The effectiveness of these efforts will be measured by a survey of RDP Boards and the Dairy Australia Board on a half yearly basis. (Status will be reported in the Annual Report)	A survey will be implemented in 2021/22 to measure the effectiveness of these efforts and will be reported in next year's Annual Report.
	A more direct relationship between the Dairy Australia RDP Manager and the Dairy Australia Managing Director should be adopted to strengthen RDP communication with the Dairy Australia executive.	Dairy Australia accepts this recommendation. The RDP Manager role has been evaluated and expanded to reflect the importance of regional services. The re-titled General Manager Regional Services role now reports directly to the Managing Director.	Complete

Item/theme	Recommendation	Dairy Australia response	Status as at June 2021
9. RD&E Partnerships Confirm Alignment and Value Proposition	In the context of the new Strategic Plan 2020, Dairy Australia should ensure its RD&E portfolio is appropriately balanced between its long-term RD&E partnerships and stand-alone funding to ensure there is sufficient investment flexibility for the goals of the plan to be achieved.	Dairy Australia supports this recommendation. There will be sufficient investment flexibility for all strategic priorities to include long-term RD&E partnerships as well as stand-alone funding. This will be considered as part of the quarterly review of strategic priorities and new projects coming through the Investment Review Panel. The effectiveness of these efforts will be measured by progress on Dairy Australia Strategic Plan and reported in the Annual Performance Report. (Status will be reported in the Annual Report).	Our first year of the new strategic plan is now complete. As part of our Annual Report and Annual Performance Report we will be reporting on the progress made against the strategy. This includes publishing data on the balance of our investments – long/medium/short-term across our RD&E portfolio.

Approach to Corporate Governance

To meet Dairy Australia's commitment to effective corporate governance and the performance principles expected by the Commonwealth Government, Dairy Australia has corporate governance arrangements that meet legislative requirements and align with contemporary best practice.

The **independent performance review** included an assessment of Dairy Australia's current practices relative to the following corporate governance best practice benchmarks:

- AICD Not For Profit Governance Principles; and
- ASX Corporate Governance Principles and Recommendations ('Principles') 4th edition.

To demonstrate transparency in our corporate governance practices, further information on how Dairy Australia meets these Principles for this financial year is included on the following pages.



PRINCIPLE 1

Lay solid foundations for management and oversight

Our Board of Directors (the Board) acts in the interests of our major stakeholders – Group A and B members, non-member levy payers and the Australian Government – in accordance with the Constitution.

The roles and responsibilities of the Board are set out in detail in the **Board Charter** which is available on our website. More specifically, the Board's responsibilities include:

- Open and transparent accountability to all stakeholders, particularly Group A and Group B members, non-member levy payers and the Australian Government
- Reviewing, approving and monitoring progress against the strategic direction and financial objectives of Dairy Australia
- Overseeing investment of the levy, government matching payments and other funds in essential activities across the dairy supply chain including research, development, extension and industry services aimed at enhancing the sustainability and profitability of the dairy industry
- Approving the operating budgets, major capital expenditure and monitoring capital management ensuring a corporate governance framework is in place and effective monitoring of compliance and performance to ensure high standards of corporate governance
- Considering the social, ethical and environmental impact of Dairy Australia's activities
- Ensuring risks are assessed and strategies in place to manage them
- Encouraging dairy levy payers to join as Group A members
- Ensuring there are adequate resources to meet Dairy Australia's objectives
- Appointing the Managing Director, monitoring and reviewing his/her performance and overseeing succession planning.

Dairy Australia has a Delegated Authorities document which sets out financial delegations to management. At relevant Board meetings, the Board:

- monitors progress on decisions delegated to management
- makes decisions on any matters above the authority of management.

The Board has established three standing committees that assist in discharging its responsibilities:

- Audit and Risk Management Committee
- Human Resources Committee
- Board Selection Committee.

Each committee has a Charter setting out its roles and responsibilities which are available on our website. More details about committee membership and meetings is outlined in **Section 5**.

Dairy Australia is committed to a culture of continuous improvement which includes regular reviews of our performance. This includes assessment of:

- reference and background checks before nominating directors for election or the appointment of senior executives
- each board member's performance including a peer assessment annually
- the performance of each Board committee on an annual basis
- the performance of internal audit, external audit and investment advisers annually
- the Managing Director's performance against key performance indicators which are agreed at the start of the financial year and undertaken by the Human Resources Committee before discussion at the Board
- Board, director and committee performance through a more extensive review which is undertaken every three years and is facilitated by an external specialist. The next review will be undertaken in late 2021.

The independent performance review confirmed progress on a number of the findings raised in the last external Board performance review undertaken in 2018 including:

- earlier engagement on strategic planning facilitated by focus on the industry-wide Australian Dairy Plan
- improvements to the quality of performance monitoring and reporting.

Dairy Australia has a thorough process for nominating director candidates to the Board as outlined in Principle 2. To assist members make informed decisions about which directors to elect or re-elect, members have access to a range of information about the candidates. This includes the:

- information from the Board Selection Committee
- biographies and candidate statements of directors in the Notice of Meeting for the Annual General Meeting
- speeches provided by candidates at the Annual General Meeting.

The key terms and conditions applicable to the appointment of new directors are contained in a letter of appointment.

Dairy Australia values diversity and inclusiveness as reflected in the Dairy Australia Diversity Policy and Dairy Australia Board Diversity Policy. Dairy Australia recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. When determining the optimum composition of the Board, the Board Selection Committee considers diversity characteristics including:

- Regional and geographic background
- Industry experience
- Research and development experience
- Farming systems
- Farm size
- Race, gender and other distinctions between directors.

Refer to 'Our People' **page** for gender diversity.

PRINCIPLE 2

Structure the Board to be effective and add value

An effective Board is crucial to achieving company and industry objectives. Our Board is structured to ensure it:

- Has the skills and experience necessary to deal with current and emerging dairy industry issues
- Can conduct effective and independent reviews of management performance and decisions.

As at 30 June 2021, the Board comprised eight non-executive directors (including the Chair) plus the Managing Director.

The Board skills matrix is used as a basis for identifying the skills and experience required of the Board as a whole and is reviewed annually. This includes skills reflective of:

- All aspects of the dairy supply chain
- The requirement in the Dairy Australia Constitution to have four milk producer directors
- The skills-based board requirements outlined in the Statutory Funding Contract (SFC) with the Commonwealth:
 - governance, risk and compliance
 - finance, accounting and audit
 - R&D, innovation, technology and technology transfer, commercialisation and adoption of R&D
 - product promotion and marketing (including communications)
 - exports and export market development
 - dairy industry knowledge, including practical production and/or processing experience
 - public policy and administration.

The **Board skills matrix** is available on our website.

On an annual basis, each director completes a self-assessment against the skills matrix. The results of this exercise are used to assist in:

- Identifying actions and training requirements for individual directors
- Developing the specifications for any director vacancies arising that year on the Board (through retirement or rotation as outlined below).

The Board Selection Committee:

- Assesses the skill requirements needed for the Board to adequately fulfil its responsibilities taking into account the vacancies arising from retirement or rotation
- Advertises Board position vacancies and engages an executive recruitment firm to assist in identifying relevant candidates
- Identifies and establishes pre-selection committee of dairy farmers as relevant to assist in short-listing candidates for milk producer vacancies

- Assesses the director candidates for each of the advertised vacancies and recommends a candidate for each vacant position.

The Board Selection Committee comprises two representatives from each of the Group B members and one representative from the Board. This is a standing committee appointed by the Board approximately every 12 months. The Board Selection Committee for 2020 comprised:

- Paul Wood (Chair and Dairy Australia director)
- Victoria Taylor (Australian Dairy Farmers)
- John Verstedden (Australian Dairy Farmers)
- Corrie Goodwin (Australian Dairy Products Federation)
- Steve Oldridge (Australian Dairy Products Federation)

The Constitution provides for three-year terms for non-executive directors, capped at a maximum of three terms (nine years). After completion of a three-year term, existing directors who wish to re-nominate for a Board position need to re-apply and be considered through the Board selection process outlined above.

At each Annual General Meeting, Dairy Australia's Group A members elect directors to fill Board vacancies created when directors retire by rotation.

The Board recognises that the relevant skills and experience requirements for directors might, at times, lead to a potential conflict of interest for a director. Each director is required to disclose all interests, positions and relationships that may bear on his or her independence prior to being appointed to the Board. This disclosure is updated and shared with other directors at the start of each Board meeting.

Dairy Australia's Policy on the Independence of Directors details a process for dealing with conflicts of interest, the assessment and disclosure of director independence. On an annual basis, the independence of each director is assessed in line with the policy.

For 2020/21, all non-executive directors including the Chair have been assessed as independent. The independent performance report also confirms this assessment.

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

The skills, experience, tenure, independence and expertise of each director are set out in more detail in the Directors' report (**Section 5** – Financial report).

PRINCIPLE 3

Instil a culture of acting lawfully, ethically and responsibly

We aim to maintain a high standard of ethical business behaviour at all times. Our Dairy Australia Code of Conduct establishes the ethical standards by which directors, executives and employees are expected to abide. This includes:

- Complying with all laws and requirements that apply to the organisation
- Acting ethically, responsibly, honestly and with high standards of personal integrity
- Ensuring confidentiality and not using information gained in the course of a person's employment or position with Dairy Australia for one's advantage
- Declaring, or avoiding where appropriate, all conflicts of interest and otherwise refraining from acting or giving the appearance of acting contrary to the interests of Dairy Australia
- Dealing with gifts and hospitality to safeguard against unethical payments or inducements
- Reporting any breaches of the Code to maintain an appropriate culture of ethical behaviour.

No breaches of the Code were reported during 2020/21.

To embed ethical and responsible behaviour, Dairy Australia also has the following:

- Whistleblower Policy which provides details on how to confidentially and anonymously report concerns
- Anti-Bribery Fraud and Corruption policy.

Any breaches of these policies are reported to the Audit and Risk Management Committee and then to the Board as appropriate.

Dairy Australia has provided updated training on the Code, Anti-Bribery and Corruption and Whistleblower policies in this financial year.

PRINCIPLE 4

Safeguard the integrity of corporate reports

Our Audit and Risk Management Committee assists the Board in fulfilling its responsibilities in relation to:

- Financial reporting and policies to ensure the balance, transparency and integrity of published financial information
- Ensuring the effectiveness of 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, including appointment and assessing the performance of internal and external auditors
- Management of investments by reviewing investment strategy and monitoring performance.

Members of the Audit and Risk Management Committee are appointed by the Board and are selected on the basis of their skills and experience and staggering membership to maintain continuity of experience.

In 2020/21, the Audit and Risk Management Committee comprised four non-executive directors plus the Board Chair who attended meetings in an ex-officio capacity. The chair and the committee members are independent. 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. Dairy Australia's external auditor Deloitte attends the Annual General Meeting and are available to answer questions.

PRINCIPLE 5

Make timely and balanced disclosure

As an unlisted public company, Dairy Australia is not subject to the disclosure requirements of the Australian Stock Exchange. Regular updates are provided to levy payers and key stakeholders in addition to annual reporting on financial results and operations.

To find out more about Dairy Australia's performance, please refer to the:

- **Independent review** of Dairy Australia's performance
- Annual Performance Report.

PRINCIPLE 6

Respect the rights of security holders

As an unlisted public company, Dairy Australia does not have security holders however we maintain an extensive and active engagement program with dairy farmers, members and other key stakeholders.

We are committed to open, accountable and responsive decision-making, informed by effective communication and consultation between Dairy Australia, dairy farmers, the Government and industry stakeholders. To keep stakeholders informed, we offer a variety of mechanisms for questions to be asked and responded to.

A range of information about Dairy Australia and its governance can be found on the Dairy Australia website. This includes our annual report, key policies, Constitution, Board and Committee Charters, Statutory Funding Contract and the independent performance review.

Throughout 2020/21 we undertook a wide range of stakeholder communication and engagement initiatives ensuring levy payers had a strong voice in decision-making and understood our levy-funded programs.

Through COVID-19 we have seen increased participation by dairy farmers using virtual meeting technology. Dairy Australia is currently exploring initiatives to continue to enhance member engagement and participation at meetings of members. This includes relevant Constitution changes. We recognise that some dairy farmers prefer to receive and respond to communications in different formats such as via email or post. For this reason, we offer a range of different communication approaches to suit farmer needs.

PRINCIPLE 7

Recognise and manage risk

Dairy Australia has an Audit and Risk Management Committee to provide assistance to the Board in fulfilling its responsibilities including the integrity of financial reporting and the effectiveness of risk management, internal controls and compliance. These responsibilities are outlined in our **charter**.

Our Risk Management Plan outlines Dairy Australia's approach to the framework for managing risk including how we identify, assess and manage risk. The plan also includes Dairy Australia's risk appetite statement which 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 approved by the Board.

We review the Risk Management Plan and update our risk profile regularly. Mitigation strategies or management actions are also monitored regularly by the Leadership Team, the Audit and Risk Management Committee and the Board. We also maintain an insurance program that provides cover for identified, insurable risks.

Dairy Australia engages RSM Australia to provide internal audit services. 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. RSM Australia is appointed by and reports to the Audit and Risk Management Committee. Internal auditors ensure we have a systematic, disciplined approach to evaluating and continually improving the effectiveness of risk management and internal control processes. Wherever feasible, recommendations made by our internal auditor are adopted by the organisation. An internal audit of our Risk Management Framework in 2018 considered it 'sustainable' and appropriate for an organisation of Dairy Australia's size.

PRINCIPLE 8

Remunerate fairly and responsibly

As outlined in the **charter**, the role of our Human Resources Committee is to provide assistance to the Board in fulfilling its responsibilities to deliver our strategic direction and culture. The Committee provides oversight and direction on people and remuneration policies and practices by enabling Dairy Australia to:

- Attract and retain directors, executives and employees who will create sustainable value for farmers
- Fairly and responsibly reward executives having regard to the performance of Dairy Australia
- Comply with all relevant legislation and policies and reporting requirements
- Commit to the achievement of a diverse and inclusive workforce
- Facilitate identification and development of successors to executives and other business critical roles resulting in a robust succession plan
- Maximise the effectiveness of Dairy Australia's people management activities including delivering on agreed organisational culture outcomes.

In 2020/21, the Human Resources Committee comprised an independent Chair and three other independent non-executive directors. The Board Chair also attended meetings in an ex-officio capacity.

Remuneration for directors, key management and staff is externally benchmarked against market data with remuneration paid in line with the market data against which it is benchmarked.

Further information can be found in **Section 5** regarding:

- membership and meetings of the human resources committee
- the total remuneration paid to directors and senior executives (Leadership Team).

INTELLECTUAL PROPERTY MAINTENANCE AND PROTECTION

Dairy Australia has a portfolio of intellectual property. This is predominantly copyright existing in reports derived from research and development (R&D) projects, other materials or works prepared by subject matter experts engaged by Dairy Australia, and to a lesser extent, patents, trademarks, domain names and interests in plant breeders' rights.

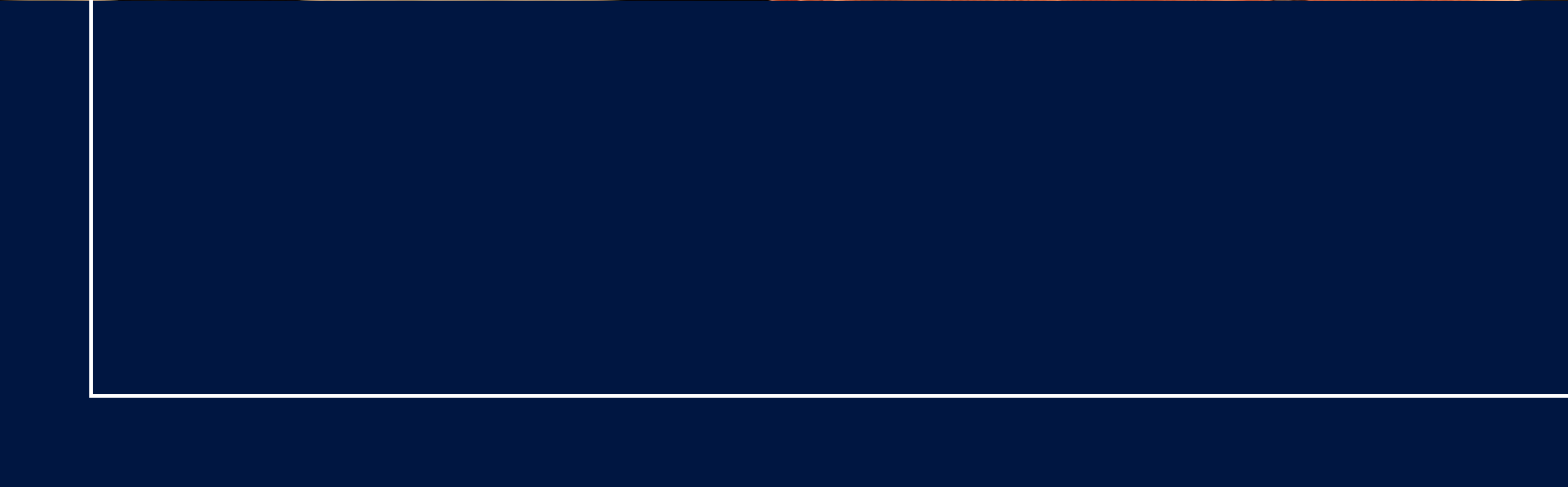
The core objectives of Dairy Australia's Intellectual Property Management are to:

- Ensure the intellectual property provisions contained in its contracts with third party educational institutions, research organisations and consultants commissioned to perform R&D or provide services requiring specialist knowledge and technical expertise allow Dairy Australia to own or use all outputs for dissemination to the dairy industry (allowing for discretion for commercialisation where necessary). This discretion is to allow for patent, trademark and plant breeders rights applications and for commercial licensing of project outputs that will benefit Australian dairy farmers.
- Maximise the benefit of R&D expenditure by ensuring relevant Project Intellectual Property is disseminated to Industry without charge or other encumbrances, in a timely manner and in a form or format that is easily digestible and user-friendly.
- Ensure Project Intellectual Property stemming from its R&D expenditure is competently examined and assessed at the time of its creation to ensure that opportunities to secure statutory protection or commercialise the Intellectual Property are not overlooked.
- Ensure Project Intellectual Property stemming from Dairy Australia's R&D expenditure is competently examined and assessed so that any likely benefits in pursuing further R&D in the relevant area are identified and, where commercially viable, pursued.
- Maintain procedures to effectively manage ongoing costs of protection of registered intellectual property.

The commissioning or funding of R&D initiatives by Dairy Australia is not driven by the prospect of generating a portfolio of intellectual property capable of returning a revenue stream through commercialisation. Rather, our investment goal is to return a real and direct benefit to industry by generating relevant and valuable outputs and delivering these to levy-paying farmers (and, where relevant, other industry stakeholders) efficiently and free-of-charge.

Where appropriate, Dairy Australia protects Intellectual Property created through the commissioning or funding of R&D initiatives by way of registration.





FINANCIAL REPORT

| 05

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DIRECTORS' REPORT

The Directors of Dairy Australia submit their report for the year ended 30 June 2021. 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.



James Mann Chair

Appointed November 2015, appointed Chair July 2020

Previous member – Audit and Risk Management Committee (December 2017 – June 2020)

Ex-officio member – Audit and Risk Management Committee and Board Human Resources Committee (from July 2020)

James is the owner of Donovan's Dairying Pty Ltd at Wye, South Australia, one of the nation's leading dairy businesses milking 2,000 cows. James has been involved in the Australian dairy industry for over 30 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. James was the Chair of the DairySA Regional Development Program from 2002–2015 and has also performed other dairy industry leadership roles.



Jeff Odgers

Appointed November 2013, resigned April 2021

Appointed Chair November 2017, resigned July 2020

Ex-officio member – Audit and Risk Management Committee and Board Human Resources Committee (December 2017 – March 2020)

Member – Audit and Risk Management Committee (July 2020 – April 2021)

Jeff owns a dairy farming business on properties near Shepparton, Victoria. He has over 30 years' experience managing large scale farm enterprises in northern Victoria and Tasmania. He has a strong understanding of Australian dairy systems and their evolution and intensification, particularly over the past decade. He served as Director of Murray Dairy Inc. Regional Development Program (2006–12) and as Chair (2008–12). Jeff became a Director of Dairy Australia in 2013 and has led the organisation as Chair since 2017. Jeff served as a Director of Bega Cheese Ltd from 2011 until June 30, 2020. His formal qualifications include a Bachelor of Business (Agricultural Management) and an Associate Diploma in Farm Management.



Dr David Nation Managing Director

Appointed July 2018

David leads Dairy Australia and is Managing Director. In a career in dairy spanning 25 years, David brings extensive experience across the sector, including leading roles in a number of key dairy innovation pipeline projects. He has a background in agricultural science and has fulfilled various commercial and technical roles in the animal breeding and herd fertility service industries. Prior to joining Dairy Australia in 2018, David was Co-Director of DairyBio and DairyFeedbase, and Chief Executive Officer of the Dairy Futures Cooperative Research Centre.



Tania Luckin

Appointed November 2017

Member – Board Human Resources Committee, Audit and Risk Management Committee (from March 2021)

Tania owns and operates a dairy farming business in south-west Victoria. She has more than 20 years' experience in the successful operation of small, medium and large-scale dairy farms. She has been involved in various industry organisations at regional and national levels and held a range of governance roles including Director of the WestVic Dairy Board, Director of the Bonlac Supply Company and Chair of the Warrnambool CBD Committee and has a vast network across the industry. Tania holds an Advanced Diploma of Agriculture and is a graduate of the Australian Institute of Company Directors.



Graeme Nicoll

Appointed January 2017, resigned November 2020

Appointed to casual Board vacancy in April 2021 for a period of eight months, following Mr Odgers resignation

Member – Audit and Risk Management Committee (resigned November 2020, re-appointed April 2021)

Graeme is a dairy farmer from South Gippsland, Victoria. He owns and operates a perennial pasture based dairy business, milking a crossbred herd, at Fish Creek in South Gippsland. Graeme holds qualifications in Horticultural and Dairy Science and Land Rehabilitation. He 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 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.



Paul Roderick

Appointed November 2020

Member – Board Human Resources Committee

Paul Roderick has operated his family dairy farm at Harrisville, south-east Queensland for the last 27 years. Paul has been involved in all facets of dairy off-farm with roles in advocacy, research, development and extension. He was previously Chair of Subtropical Dairy, Dairy Australia's Regional Development Program, and had a role in setting up the Young Dairy Network (YDN) Queensland as the young farmer delegate on the Inaugural Strategic Steering Committee. He was a Director on Premium Milk Ltd (negotiating group with Lactalis) for 11 years and is a member of the Australian Dairy Conference Board. He is an active member of both the local and dairy communities which include roles in the Fassifern Rugby League Football Club for over 25 years (current President), Hayes Oval Inc President, the local ANZAC Committee, and a current Queensland Dairyfarmers' Organisation District Councillor.



Professor Paul Wood AO

Appointed November 2016

Member – Board Human Resources Committee
Chair – Board Selection Committee

Paul has over 30 years' experience in agricultural R&D. Paul has been successful as both a research scientist and as an R&D leader. He is internationally recognised for his research in veterinary immunology, tuberculosis and vaccine development and in 2019, received the International Distinguished Veterinary Immunologist award. 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, the Clunies Ross award and was made an Officer in the Order of Australia in 2018. He has served on several boards with both R&D and commercial entities and currently is an Adjunct Professor at Monash University. Paul is also the Chair of the Global Alliance for Livestock Veterinary Medicines and a Fellow of the Australian Academy of Technological Sciences and Engineering.



Roseanne Healy

Appointed November 2018

Member – Audit and Risk Management Committee

Roseanne is an experienced non-executive director who has served on the boards of not-for-profit and ASX listed companies, as well as statutory corporations in the corporate finance, agribusiness and innovation sectors. Roseanne is currently Deputy Chair of the Board of the Grains Research and Development Corporation (GRDC), Chair of Dairysafe, Member of the National Water Grid Advisory Body and Director of Cashflow Manager, and was a former Director of the Rural Industries Research and Development Corporation (RIRDC). She holds a BA (Economics), Master of Business Administration, Master of Business Research (Commerce) and is a GAICD (International).



David Lord

Appointed November 2018

Chair – Board Human Resources Committee

David is an experienced dairy industry leader with extensive capabilities in strategic planning and implementation, leadership and corporate governance. David has served as CEO and Managing Director of Parmalat Australia Ltd, Warrnambool Cheese & Butter Factory Company Ltd, and most recently as President and Chief Operating Officer at Saputo Dairy Australia. David holds an MBA (Executive) and a Graduate Diploma of Business (Management) and is a member of the Australian Institute of Company Directors.



Josephine Rozman

Appointed November 2019

Chair – Audit and Risk Management Committee

Josephine is an experienced non-executive director with strong finance, risk management and accounting skills, in addition to extensive marketing, sales, business development and CEO experience across a diverse range of industries globally including working in the USA and Asia. She has a thorough understanding of trade, compliance and regulatory issues in global markets and a robust appreciation of supply chain management issues, in particular pertaining to food, beverage and agricultural products. Josephine has served on the Boards of Elders Limited, Wine Australia Corporation and is currently a Director of AustOn Corporation which manages the Australian agricultural investments of the Ontario Teachers' Pension Plan. She holds a Bachelor of Economics (Advanced Economics, Accounting and Law), is a Chartered Accountant and a Fellow of the Australian Institute of Company Directors.

Company Secretary



Sheridan Verwey

Appointed August 2019, maternity leave February 2020 – September 2020, re-appointed November 2020

Sheridan was appointed Company Secretary and Risk Manager in July 2019. She holds a Master of Business Administration (MBA) from Monash University after completing her undergraduate studies in Commerce. She is a Fellow of the Governance Institute of Australia and a Certified Practising Accountant (CPA). She has held executive risk, governance, change management roles both locally and internationally including in regional Australia.



Elizabeth Parkin

Resigned August 2019, re-appointed February 2020

Elizabeth has over 25 years' experience in senior management and corporate advisory roles in multiple organisations such as 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 as the chair of audit and risk committees. Elizabeth holds a Bachelor of Business and a Graduate Diploma of Finance and is a member of Chartered Accountants Australia and New Zealand and a member of Financial Services Institute of Australasia.

Meeting of Directors

Directors	Directors' meetings		Committee meetings			
	A	B	Audit and Risk Management Committee		Board Human Resources Committee	
			A	B	A	B
Mr J Mann	15	15 ⁱ	5	5 ⁱⁱ	4	4 ⁱⁱ
Mr J Odgers	12	12	4	4	–	–
Dr D Nation	15	15	5	5	4	4
Ms R Healy	15	15	5	5	–	–
Mr D Lord	15	15	–	–	4 ⁱ	4
Ms T Luckin	15	15	2	2	4	4
Mr G Nicoll	9	9	4	4	–	–
Professor P Wood	15	15	–	–	4	4
Ms J Rozman	15	14	5 ⁱ	5	–	–
Mr P Roderick	10	10	–	–	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

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 2021 is \$11,570 (2020: \$13,456).

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 amongst its members.

Statement of Corporate Governance

A statement of corporate governance is set out on pages 30–41.

Registered office

Level 3, HWT Tower
40 City Road
Southbank Victoria 3006

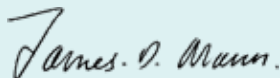
Rounding

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

Auditor independence

The Auditor's Independence Declaration in relation to the audit for the year ended 30 June 2021 has been received by the Company. A copy follows the financial statements.

Signed in accordance with a resolution of the Directors.



James Mann
Director

30 September 2021



David Nation
Director

30 September 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Note	2021	2020
		\$'000	\$'000
Revenue	2		
Dairy service levy		31,931	31,643
Government matching payments		22,633	21,857
External contributions		7,673	2,096
Interest revenue		134	261
Distributions from investments		1,152	231
Royalties		8	9
Other income		86	283
Total revenue		63,617	56,380
Expenses	3		
Projects		38,165	32,978
Activities and services		14,523	12,654
Overheads		9,613	10,353
Total expenses		62,301	55,985
Surplus/(Deficit)		1,316	395
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Net fair value gains/(losses) on available-for-sale financial investments	6.3	412	(425)
Other comprehensive income/(loss) for the period		412	(425)
Total comprehensive income/(loss)		1,728	(30)

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

STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2021

	Note	2021	2020
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	5.1	11,373	14,214
Trade and other receivables	6.1	14,668	10,502
Other financial assets	6.2	560	560
Total current assets		26,601	25,276
Non-current assets			
Available-for-sale financial investments	6.3	16,775	15,114
Plant and equipment	4.1	1,924	1,879
Right-of-use assets	6.4	637	1,284
Intangible assets	4.2	189	210
Total non-current assets		19,525	18,487
Total assets		46,126	43,763
Liabilities			
Current liabilities			
Trade and other payables	6.5	13,196	12,849
Provisions	3.2.2	3,286	2,592
Lease liabilities	6.4	666	687
Total current liabilities		17,148	16,128
Non-current liabilities			
Lease liabilities	6.4	43	709
Provisions	3.2.2	885	604
Total non-current liabilities		928	1,313
Total liabilities		18,076	17,441
Net assets		28,050	26,322
Reserves			
Retained surplus		27,531	26,215
Available-for-sale reserve	6.3	519	107
Total reserves		28,050	26,322

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 2021

	Retained surplus	Available-for-sale reserve	Total
	\$'000	\$'000	\$'000
At 1 July 2019	25,934	532	26,466
Surplus/(deficit) for the year	1,073	–	1,073
Effect of change in accounting policy for initial application of IFRS16	(114)	–	(114)
Effect of change in accounting policy for SaaS costs	(678)	–	(678)
Other comprehensive loss	–	(425)	(425)
Total comprehensive loss for the period	281	(425)	(144)
At 30 June 2020	26,215	107	26,322
Surplus/(deficit) for the year	1,316	–	1,316
Other comprehensive income/(loss)	–	412	412
Total comprehensive income for the period	1,316	412	1,728
At 30 June 2021	27,531	519	28,050

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 2021

	Note	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Levy and government matching payment receipts		50,264	53,435
Receipts from customers and other contributors		7,526	1,784
Interest received		134	261
Distributions received	2.6	1,152	231
Payments to suppliers and employees		(59,288)	(50,866)
Net cash flows provided by/(used in) operating activities	5.2	(212)	4,845
Cash flows from investing activities			
Net proceeds from other financial assets		–	77
Net proceeds from/(purchases of) available-for-sale financial investments		(1,249)	2,107
Proceeds from disposal of plant and equipment		43	203
Purchase of plant and equipment		(633)	(557)
Purchase(disposal) of intangible assets		(93)	14
Net cash flows provided by/(used in) investing activities		(1,932)	1,844
Cash flows from financing activities			
Repayment of the Principal portion of the lease liability		(686)	(649)
Interest charged on the lease liability		(11)	(17)
Net cash flows provided by/(used in) financing activities		(697)	(666)
Net increase in cash and cash equivalents		(2,841)	6,023
Add: Opening cash and cash equivalents at beginning of year		14,214	8,191
Cash and cash equivalents at end of year	5.2	11,373	14,214

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

1 About this report

1.1 Date authorised for issue

The financial report of Dairy Australia Limited for the year end 30 June 2021 was authorised for issue in accordance with a resolution of the Directors on 30 September 2021.

1.2 Corporate information

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

1.3 Basis of preparation

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

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

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

1.4 Economic dependency

Dairy Australia Limited is dependent upon receipt of the dairy service levy and Government matching payments.

2 Funding the delivery of services

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

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2020.

Structure

2.1 Summary of revenue that funds the delivery of services

2.2 Dairy service levy

2.3 Government matching payments

2.4 External contributions

2.5 Interest revenue

2.6 Distributions from investments

2.7 Other income

NOTES TO THE FINANCIAL STATEMENTS *continued*

For the year ended 30 June 2021

2.1 Summary of revenue that funds the delivery of services

	Note	2021	2020
		\$'000	\$'000
Revenue			
Dairy service levy	2.2	31,931	31,643
Government matching payments	2.3	22,633	21,857
External contributions	2.4	7,673	2,096
Interest revenue	2.5	134	261
Distributions from investments	2.6	1,152	231
Royalties	2.7	8	9
Other income	2.8	86	283
Total revenue		63,617	56,380

The new Statutory Funding Contract has been signed on 22nd June 2021 for a period of 10 years. There is no material change to the prior contract, which ran for five years.

2.2 Dairy service levy

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

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

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

2.3 Government matching payments

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

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

2.4 External contributions

	2021	2020
	\$'000	\$'000
Geoffrey Gardiner Dairy Foundation Ltd	2,893	281
Department of Agriculture, Water and the Environment	1,026	664
Agriculture Victoria	1,001	–
Department of Jobs, Precincts and Regions	802	158
DairyNZ Incorporated	525	–
Cotton Research & Development Corporation	380	174
University of Sydney	270	–
Lactalis Australia	154	–
Department of Industry, Science, Energy and Resources	143	–
Meat & Livestock Australia Ltd	27	20
Australian Dairy Farmers Limited	8	271
Department of Primary Industries and Regional Development	–	100
Others	444	428
Total external contributions	7,673	2,096

External contributions are joint projects between Dairy Australia and other external parties to deliver services and support the dairy industry. The Company receives external contributions from other dairy and agricultural bodies such as the Geoffrey Gardiner Foundation, Department of Agriculture, Water and the Environment, and Agriculture Victoria.

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

2.5 Interest revenue

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

2.6 Distributions from investments

The Company receives distributions from the externally managed funds invested with First Sentier Investors. For more information, please refer to notes 6.3 and 7.1.

2.7 Royalties

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

2.8 Other income

	2021	2020
	\$'000	\$'000
Sundry income	86	283
Total revenue	86	283

Sundry income includes profit on sale of assets \$41,818 (2020: \$135,955).

NOTES TO THE FINANCIAL STATEMENTS *continued*

For the year ended 30 June 2021

3 Costs of delivering services

The Company's main activities are 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
- carrying out other activities for the benefit of the Australian dairy industry.

These activities are aimed at developing and driving industry services and innovation for the ultimate benefit of dairy levy payers and they are implemented through a series of programs delivered under the following strategic priorities (SP):

- SP1 – More resilient farm businesses
- SP2 – Attract and develop great people for dairy
- SP3 – Strong community support for dairy
- SP4 – Thrive in a changing environment
- SP5 – Success in domestic and overseas markets
- SP6 – Technology and data enabled farms
- SP7 – Innovative and responsive organisation

To better reflect business operations and be more meaningful to users of the financial statements, the Company has amended its expense reporting structure to align with the nature of the expense, rather than the business group of where the cost is incurred. The categories are as follows:

- Project – Expenditure that is directly attributable to a project.
- Activities and services – Transactions that are focused on delivery of services to farmers and managing external stakeholders.
- Overheads – Core activities to run the business to satisfy regulatory and compliance requirements and provide infrastructure and tools to enable people to perform their job.

Structure

3.1 Lease expenses

3.2 Employee benefits

3.3 Commitments for expenses

3.1 Lease expenses

Office rent and car park leases relate to the lease of the Company's office at Southbank and office car park spaces. The office lease for the Company's office premises at Southbank commenced in June 2017 and runs for five years, with an option to renew for a further five years. Options for the office lease renewal are currently under review.

The Company has presented both interest expense on the lease liability and the depreciation charge for the right-of-use asset within overheads on the statement of profit or loss. The interest expense on the lease liability is presented separately within the statement of cash flows.

	2021	2020
	\$'000	\$'000
Impact on profit/(loss) for the year		
Increase in depreciation of right-of-use asset	(647)	(647)
Increase in finance cost	(11)	(17)
Decrease in other expenses	698	812
Increase/(decrease) in profit for the year	40	148

3.2 Employee benefits

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

	2021	2020
	\$'000	\$'000
Salaries and allowances	15,635	13,866
Superannuation	1,384	1,246
Long service leave	588	579
Termination benefits	146	222
Workers compensation costs	111	103
Total employee benefits expenses	17,864	16,016

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

Superannuation includes superannuation contributions made by the Company of up to 9.5% of employees' wages and salaries, as legally enforceable in Australia. This rate will increase to 10% as of 1 July 2021, in-line with Australian legislation

Termination benefits are payable when an employee accepts an offer of benefits in exchange for the termination of employment. These benefits can include payment of accrued long service leave entitlement.

NOTES TO THE FINANCIAL STATEMENTS *continued*

For the year ended 30 June 2021

3.2.2 Employee benefits in the statement of financial position

	2021	2020
	\$'000	\$'000
Current		
Employee benefits in respect of:		
Long service leave	1,470	1,184
Performance-based remuneration	48	56
Annual leave (expected to be settled within 12 months)	1,126	940
Annual leave (expected to be settled after 12 months)	642	412
Total provision for employee benefits – current	3,286	2,592
Non-current		
Employee benefits in respect of:		
Long service leave	885	604
Total provision for employee benefits – non-current	885	604

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

The Managing Director's performance-based remuneration is based on a percentage of his remuneration package provided under the contract of employment. A provision is recognised and is measured as the aggregate of the amounts accrued under the terms of the contract to reporting date.

3.3 Commitments for expenses

3.3.1 Research and development expenditure commitments

	2021	2020
	\$'000	\$'000
Commitments contracted at reporting date but not recognised as liabilities are as follows:		
Not later than one year	16,202	15,867
Later than one year but not later than five years	32,678	15,581
Total research and development expenditure commitments	48,880	31,448

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 performs a small proportion of research and development activities internally. Contracts are generally for periods up to a maximum of three years and include clauses which enable the Company to withhold or cease further funding in the event of factors arising which are outside the Company's control.

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

4 Assets available to support the provision of services

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

Structure

4.1 Plant and equipment

4.2 Intangible assets

4.3 Depreciation and amortisation

4.1 Plant and equipment

	2021	2020
	\$'000	\$'000
Furniture and equipment at cost	1,427	1,120
Accumulated depreciation	(799)	(589)
Total furniture and equipment	628	531
Leasehold improvements at cost	1,365	1,365
Accumulated depreciation	(520)	(383)
Total leasehold improvements	845	982
Motor vehicles at cost	1,119	920
Accumulated depreciation	(668)	(554)
Total motor vehicles	451	366
Total plant and equipment	1,924	1,879

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

	Furniture and equipment	Leasehold improvements	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2020				
Opening balance at 1 July 2019	648	1,084	230	1,962
Additions	186	32	339	557
Disposals	(145)	–	–	(145)
Depreciation charge for the year	(157)	(135)	(203)	(495)
Closing balance at 30 June 2020	531	982	366	1,879
Year ended 30 June 2021				
Opening balance at 1 July 2020	531	982	366	1,879
Additions	307	–	326	633
Disposals	–	–	–	–
Depreciation charge for the year	(210)	(137)	(240)	(587)
Closing balance at 30 June 2021	628	845	451	1,924

NOTES TO THE FINANCIAL STATEMENTS *continued*

For the year ended 30 June 2021

Initial recognition

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

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's estimated incremental borrowing rate.

Subsequent measurement

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

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

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

Impairment

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

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

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

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

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

Derecognition and disposal

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

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

4.2 Intangible assets

	2021	2020
	\$'000	\$'000
Computer software at cost	671	579
Accumulated amortisation	(482)	(369)
Total computer software	189	210
Opening balance at 1 July	210	367
Additions	93	–
Disposals	–	(14)
Amortisation charge for the year	(114)	(143)
Closing balance at 30 June	189	210

Initial recognition

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

Subsequent measurement

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

- Computer software, where applicable: 3 years

Derecognition and disposal

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

Change in accounting policy

During the period, the Company revised its accounting policy in relation to upfront configuration costs incurred in implementing third-party Software-as-a-Service (SaaS) arrangements, through which the Company gains access to the underlying software over a contract period but does not obtain permission of the underlying software.

The change resulted from the agenda decision issued by the IFRS Interpretation Committee (IFRIC) in April 2021 that clarified its interpretation of how current accounting standards apply to these types of arrangements. As a result of the change in accounting policy, certain costs that would previously have been capitalised and depreciated over their expected useful lives will now be expensed as the service is received.

In accordance with the requirements of AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, the accounting policy change is required to be applied retrospectively and, therefore, historical financial information has been restated to account for the impact of the change in accounting policy as follows:

Impact on Statement of Comprehensive Income

	Year ended 30 June 2021			Year ended 30 June 2020		
	As presented \$'000	Change \$'000	Restated \$'000	As presented \$'000	Change \$'000	Restated \$'000
Amortisation	(114)	186	72	(144)	48	(96)
Expenses	(61,850)	(451)	(62,301)	(55,307)	(678)	(55,985)
Profit for the year	1,767	(451)	1,316	1,073	(678)	395

NOTES TO THE FINANCIAL STATEMENTS *continued*

For the year ended 30 June 2021

Impact on Statement of Financial Position

	Year ended 30 June 2021			Year ended 30 June 2020		
	As presented \$'000	Change \$'000	Restated \$'000	As presented \$'000	Change \$'000	Restated \$'000
Statement of financial position						
Non-current assets						
Intangible assets	640	(451)	189	888	(678)	210
Impact on net assets	640	(451)	189	888	(678)	210
Reserves						
Retained surplus	27,982	(451)	27,531	26,893	(678)	26,215
Impact on total equity	27,982	(451)	27,531	26,893	(678)	26,215

4.3 Depreciation and amortisation

	2021	2020
	\$'000	\$'000
Motor vehicles	240	203
Furniture and equipment	210	157
Intangible assets	114	143
Leasehold improvements	137	135
Total depreciation and amortisation of non-current assets	701	638

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

5 Cash flow information and balances

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

Structure

5.1 Cash and cash equivalents

5.2 Reconciliation of operating surplus/(deficit) to net cash flows from operating activities

5.1 Cash and cash equivalents

	2021	2020
	\$'000	\$'000
Cash at bank and in hand	11,373	14,214

Cash at bank earns interest at floating rates based on daily bank deposit rates.

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

	2021	2020
	\$'000	\$'000
Operating surplus/(deficit)	1,316	395
Non-cash flows in operating surplus/(deficit)		
Depreciation	587	495
Amortisation	114	144
Gain on disposal – fixed assets	(42)	144
Changes in assets and liabilities		
Trade and other receivables (increase)/decrease	(4,498)	(780)
Trade and other payables increase/(decrease)	1,337	3,519
Provisions increase	975	928
Net cash flows provided by operating activities	(212)	4,845

6 Other assets and liabilities

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

Structure

- 6.1 Trade and other receivables
- 6.2 Other financial assets
- 6.3 Available-for-sale financial investments
- 6.4 Right-of-use assets and lease liabilities
- 6.5 Trade and other payables
- 6.6 Contingent assets and liabilities

6.1 Trade and other receivables

	2021	2020
	\$'000	\$'000
Levy receivables	7,715	7,134
Trade Receivables	1,716	1,473
GST receivable	–	–
Sundry receivables and prepayments	5,237	1,895
Total trade and other receivables	14,668	10,502

Levies receivables 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 four months before milk production figures are known, levies receivable is estimated based on expected production for the last four 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 2021

Trade and other receivables disclosed above include amounts that are past due at the end of June 2021 for which the Company has not recognised a loss allowance because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company always measures the loss allowance for trade receivables at an amount equal to lifetime Expected Credit Loss. Trade and other receivables are non-interest bearing and are generally 30-day terms. Due to their short-term nature, the carrying value is assumed to approximate their fair value. It is expected that these balances will be received when due. Bad debts are written off when identified.

6.1.1 Ageing analysis of receivables

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

	2021	2020
	\$'000	\$'000
0-30 days	8,672	4,534
31-60 days	2,400	2,520
61-90+ days	3,596	3,448
Total	14,668	10,502

The lifetime Expected Credit Loss is \$nil (2020: \$nil) because there has not been a significant change in credit quality and the amounts are still considered recoverable.

As of 30 June 2021, the nature of the receivables are such that they are considered recoverable. In particular, the balance within 61-90 days was subsequently received after the year end.

6.2 Other financial assets

	2021	2020
	\$'000	\$'000
Short-term deposits	560	560

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

6.3 Available for sale financial investments

	2021	2020
	\$'000	\$'000
Externally managed funds, at fair value	16,775	15,114

These funds are invested with First Sentier Investors as a means to prudently manage the return on longer term cash reserves.

The portfolio is invested in one fund – Multi-Asset Real Return. The Fund objective is to protect against inflation and provide growth by achieving a positive return of 4.5% in excess of Australian CPI (trimmed mean) over a rolling five-year period. Asset allocation is to be dynamic to take advantage of market opportunities when they arise across the full spectrum of equities, bonds, currencies and commodities. 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.

The fair value of the available-for-sale financial investments increased by \$1,660,781 (2020: -\$2,948,985) during the year. This comprised income of \$1,249,000 (2020: \$425,000) and the unrealised gains on available-for-sale reserve of \$411,946, resulting in the available-for-sale reserve of \$519,061 (2020: \$107,115).

Impairment

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

Refer to **Note 7.4** Financial Instruments – Impairment, for further detail.

6.4 Right-of-use assets and lease liabilities

	2021	2020
	\$'000	\$'000
Buildings	568	1,187
Equipment	69	97
Net carrying amount of right-of-use asset	637	1,284

Reconciliations of the carrying amounts of each class of right-of-use asset at the beginning and end of the current and previous financial years are set out below.

	Buildings	Equipment	Total
	\$'000	\$'000	\$'000
Opening balance at 1 July	1,187	97	1,284
Additions	–	–	–
Disposals	(619)	(28)	(647)
Closing balance at 30 June	568	69	637

Depreciation is calculated on a straight-line basis over the estimated useful life of the right-of-use assets as follows:

- Buildings: 5 years
- Equipment: 5 years

Reconciliations of lease liabilities by classification for the current and previous financial years are set out below.

	2021	2020
	\$'000	\$'000
Current	666	687
Non-current	43	709
Total lease liabilities	709	1,397

6.5 Trade and other payables

	2021	2020
	\$'000	\$'000
Deferred revenue	4,906	2,414
Trade payables	4,877	6,345
Accrued research and development expenditure	2,046	2,160
Other payables	1,436	2,109
GST payables	(69)	(179)
Total trade and other payables	13,196	12,849

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

NOTES TO THE FINANCIAL STATEMENTS *continued*

For the year ended 30 June 2021

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

Accrued research and development expenditure relates to work completed at 30 June 2021 where invoices have not been received.

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

6.6 Contingent assets and liabilities

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

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

Contingent liabilities are:

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

6.6.1 Contingent assets

The Company has no material contingent assets.

6.6.2 Contingent liabilities

The Company has no material contingent liabilities.

7 Financial instruments

Classes and categories of financial instruments and their fair values

The following section combines information about:

- classes of financial instruments based on their nature and characteristics
- the carrying amounts of financial instruments
- fair values of financial instruments (except financial instruments when carrying amount approximates their fair value) and
- fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

Structure

7.1 Categories of financial instruments

7.2 Financial instruments specific disclosures

7.3 Fair value determination

7.4 Impairment

7.1 Categories of financial instruments

	2021	2020
	\$'000	\$'000
Financial assets		
Available-for-sale financial assets:		
Available-for-sale financial investments	16,775	15,114
Cash and cash equivalents	11,373	14,214
Loan and receivables:		
Trade and other receivables	14,668	10,502
Held-to-maturity investments:		
Short-term deposits	560	560
Total financial assets	43,376	40,390
Financial liabilities		
Trade and other payables	13,196	12,849
Total financial liabilities	13,196	12,849

The carrying value of financial assets and liabilities approximates their fair value.

7.2 Financial instruments specific disclosures

Investments and financial assets in the scope of *AASB 9 Financial Instruments* are classified as either financial assets at amortised cost or investments in equity instruments designated at Fair Value Through the Statement of Other Comprehensive Income (FVTOCI), 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 other comprehensive income.

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

(i) Amortised cost and effective interest method

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the financial asset, or, where appropriate, a shorter period, to the gross carrying amount of the financial asset on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the financial asset on initial recognition.

For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS *continued*

For the year ended 30 June 2021

(ii) Equity instruments designated at FVTOCI

Available-for-sale financial investments are non-derivative financial assets that are designated at fair value through other comprehensive income.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with AASB 9 unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'Distributions from investments' line item in profit or loss.

The Company has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of AASB 9.

7.3 Fair value determination

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company considers 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.

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

7.4 Impairment

Impairment of financial assets

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

For the purposes of impairment assessment, the available-for-sale assets are considered to have low credit risk. Lifetime Expected Credit Loss has been considered for these assets upon initial application of AASB 9 until these financial assets are derecognised as it was determined on initial application of AASB 9 that it would require undue cost and effort to determine whether their credit risk has increased significantly since initial recognition to the date of initial application of AASB 9.

For the purposes of impairment assessment, trade and other receivables are considered low risk on the basis of historical trends and the company having never written off any debts as bad in the current and past years. Lifetime Expected Credit Loss has been applied for trade and other receivables.

In determining the expected credit losses for these assets, the directors of the Company have taken into account the historical default experience, the financial position of the counterparties, as well as the future prospects of the industries in which the issuers operate, obtained from economic expert reports, financial analyst reports and considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

8 Director and executive disclosures

Structure

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

8.1 Details of key management personnel

Directors		
Mr J Mann	Chair (non-executive)	Appointed Board Chair July 2020
Dr D Nation	Managing Director	
Mr J Odgers	Director (non-executive)	Resigned as Board Chair July 2020, resigned as Director April 2021
Ms R Healy	Director (non-executive)	
Mr D Lord	Director (non-executive)	
Ms T Luckin	Director (non-executive)	
Mr G Nicoll	Director (non-executive)	Resigned November 2020, appointed April 2021
Mr P Roderick	Director (non-executive)	Appointed November 2020
Ms J Rozman	Director (non-executive)	Appointed November 2019
Prof P Wood AO	Director (non-executive)	

Executives	
Mrs K Campbell	GM Marketing and Communications
Mrs H Dornom	GM Sustainability
Mr P Johnson	GM Farm Profit and Capability (resigned October 2020)
Mr G Jarman	GM Farm Profit and Capability (appointed January 2021)
Ms M Kuti	GM Human Resources (maternity cover – resigned June 2021)
Ms I McBain	GM Human Resources
Ms V Ingham	GM Regional Services (appointed January 2021)
Mr C McElhone	GM Trade and Industry Strategy
Ms E Parkin	GM Business and Organisational Performance

NOTES TO THE FINANCIAL STATEMENTS *continued*

For the year ended 30 June 2021

8.2 Compensation of key management personnel

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

	2021	2020
	\$	\$
Directors		
Short-term employee benefits	835,231	841,885
Post-employment benefits	58,339	57,131
Other long-term benefits	24,455	9,186
Total	918,025	908,202
Executives		
Short-term employee benefits	1,730,705	1,593,726
Post-employment benefits	141,203	122,350
Other long-term benefits	90,920	86,951
Total	1,962,828	1,803,027
Total key management personnel compensation	2,880,853	2,711,229

Short-term employee benefits include salary and fees, bonus, and other short-term benefits. Post-employment benefit refers to superannuation. Other long-term benefits include long service leave and long-term incentives.

Fees to directors of the Board comprise fixed remuneration only (base salary plus superannuation) and these fees have remained the same as the last financial year. Remuneration for all directors is in line with the market and is based on advice received from independent external remuneration consultants.

- Directors other than the Managing Director and Chair are remunerated at \$41,963 per annum (2020: \$41,963).
- Members of the Board sub-committees receive a further \$3,045 per annum (2020: \$3,045)
- Chairs of the Board sub-committees receive \$6,090 per annum (2020: \$6,090)
- The Chair of the Board receives \$87,871 per annum (2020: \$87,871) and is an ex-officio member of the Audit and Risk Management Committee and Board Human Resources Committee and receives \$6,090 per annum (2020: \$6,090) for this role.
- The Managing Director's remuneration package comprises a short-term performance-based component plus superannuation. The performance-based component is subject to satisfying performance measures approved by the Board.

The Board undertakes an annual review of its performance and the performance of the Board subcommittees and the Managing Director.

Board directors' fees are recommended by the Board Human Resources Committee and approved by the Board.

In respect to the prior year, the Managing Director's short-term incentive was included in the provision for employee entitlements and was subsequently paid in August 2020.

Executives

Executives are eligible to receive fixed remuneration only.

8.3 Related party transactions

Transactions with key management personnel related entities are detailed below. 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 2021, \$nil (2020: \$16,562) was paid or payable to the following key management personnel-related entities under normal commercial terms and conditions.

Dairy Australia key management personnel		2021	2020
		\$	\$
Entity			
Australia Post	Mrs J West	–	16,562
Total		–	16,562

Income earned from key management personnel-related entities

During 2021, \$5,036 (2020: \$40,021) was received or receivable from the following key management personnel related entities under normal commercial terms and conditions.

Dairy Australia key management personnel		2021	2020
		\$	\$
Entity			
Bega Cheese Ltd	Mr J Odgers	4,000	10,623
Grains Research and Development Corporation	Ms R Healy	1,036	29,398
Total		5,036	40,021

9 Other disclosures

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

Structure

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

NOTES TO THE FINANCIAL STATEMENTS *continued*

For the year ended 30 June 2021

9.1 Events after balance sheet date

As the Dairy industry is considered an essential service in Australia, government restrictions have sought to minimise COVID-19 related business impacts on agriculture and food production. Despite heightened need for health and safety practices, detailed continuity and response planning, restrictions on staffing levels in some cases, and highly restrictive interstate border controls, the industry has largely been able to navigate constraints and maintain all critical production and processing activities. COVID-19 restrictions have had a significant impact on the operations of the Company, including on staff and extension activities in particular, but all have been managed in such a way as to maintain the output of the organisation.

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

9.2 Income tax

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

9.3 Other taxes

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

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

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

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

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

9.4 Auditor's remuneration

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

	2021	2020
	\$	\$
Audit of the financial report of the Company including Statutory Funding Agreement compliance	88,500	103,300
Other services		
• returning officer (AGM)	5,000	5,000
Total auditor's remuneration	93,500	108,300

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

9.5 Members' fund

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

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

	2021	2020
	number	number
Group A members		
Nominated	3,126	3,585
Joint	2,657	3,141
Total	5,783	6,726
Group B members		
Total	2	2
Total Group A and Group B members	5,785	6,728

9.6 Significant accounting judgements, estimates and assumptions

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

Significant accounting judgements

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

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

9.7 New accounting standards and interpretations

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended Australian Accounting Standards and AASB Interpretations that are relevant to its operations as of 1 July 2020:

- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

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

NOTES TO THE FINANCIAL STATEMENTS *continued*

For the year ended 30 June 2021

New and revised Australian Accounting Standards on issue but not yet effective

At the date of authorisation of the financial statements, the Company has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

- AASB 17 Insurance Contracts
- AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities
- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current
- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments
- AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts
- AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2
- AASB 2020-9 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2 and Other Amendments
- AASB 2021-1 Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities
- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

The Company is currently assessing the expected impact on its financial statements arising from the new and revised Australian Accounting Standards.

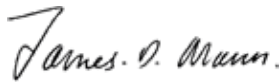
DIRECTOR'S DECLARATION

The Directors declare that in the Directors' opinion:

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

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

On behalf of the Board



James Mann
Director

30 September 2021



David Nation
Director

30 September 2021

INDEPENDENT AUDITOR'S REPORT



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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Dairy Australia Limited (the "Entity") which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the declaration by the directors.

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

- (i) giving a true and fair view of the Entity's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Entity in accordance with the auditor independence requirements of the ACNC Act and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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 comprises the information included in the Entity's annual report for the year ended 30 June 2021, 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 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, 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.

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Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are 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 the directors either intend to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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 the directors.
- Conclude on the appropriateness of the directors 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 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



DELOITTE TOUCHE TOHMATSU



Stephen Roche
Partner
Chartered Accountants
Melbourne, 30 September 2021

AUDITOR'S INDEPENDENCE DECLARATION

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30 September 2021

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

Dear Board Members

Auditor's Independence Declaration to Dairy Australia Limited

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

As lead audit partner for the audit of the financial statements of Dairy Australia Limited for the financial year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

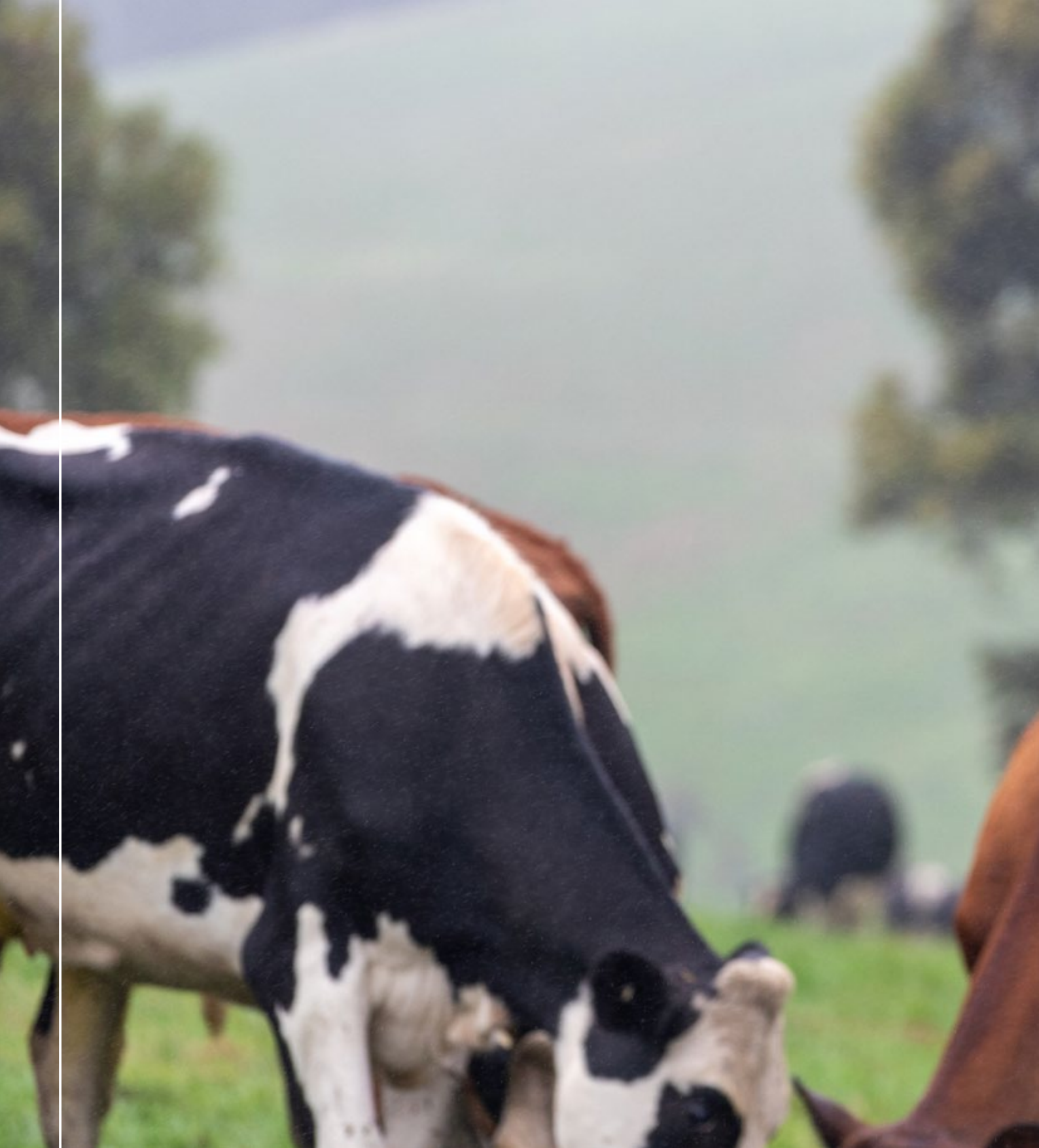


DELOITTE TOUCHE TOHMATSU



Stephen Roche
Partner
Chartered Accountants

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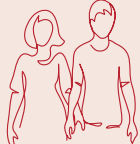


APPENDIX

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Financial contribution to cross-sectional collaboration with other research and development corporations	86

OUR 2020/21 PROJECTS

1	2	3	4
<p>MORE RESILIENT FARM BUSINESSES</p> 	<p>ATTRACT AND DEVELOP GREAT PEOPLE FOR DAIRY</p> 	<p>STRONG COMMUNITY SUPPORT FOR DAIRY</p> 	<p>THRIVE IN A CHANGING ENVIRONMENT</p> 
P306 Our Farm Our Plan	P303 People in Agriculture	P311 Health and Nutrition	P275 Adapting dairy farming systems
P318 Understanding drivers of productivity for better decision-making	P312 Pathways for People in Dairy (Agriculture Victoria)	P307 Consumer Marketing	P290 Forewarned is forearmed
A361 Dairy Farm Monitor	P260 Farm Safety	P319 Schools Engagement	P297 Sustainable Dairy Products (NLP Smart Farms)
A368 Farm Performance	P302 Cows Create Careers	P304 Non-replacement Calf Pathways	P276 Optimising Nitrogen Recovery
P278 Forage Value Index	P286 Dairy Farm Managers	A391 Industry Sustainability Framework	P314 Supporting Manufacturing Sustainability
P283 C4 Milk	A388 Regional Services		P273 DairyHIGH 2
A344 Large Supplier Program	A366 Extension		P332 DairyFeedbase – Cool Cows
P301 Milk Price Monitor			
A358 National Herd Reproductive Performance Report			

5

SUCCESS IN DOMESTIC AND OVERSEAS MARKETS



P309 International Trade Programs

P315 Industry Insights and Analysis

P310 Technical Policy Support

A357 National Bulk Milk Cell Count (BMCC) Statistics

A360 Veterinary Investigation Residue Management (VIRM)

6

TECHNOLOGY AND DATA-ENABLED DAIRY FARMS



P109 DataGene

P108 DairyBio – Animal Improvement

P334 DairyBio – Forage Improvement

P333 DairyFeedbase

P300 Supporting Industry to Invest and Operate AMS Successfully

P272 Smarter Irrigation for Profit 2

P279 Accelerating heifer genomics

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INNOVATIVE AND RESPONSIVE ORGANISATION



P322 Finalise and embed Finance 2020 across the organisation

P335 Roll out and instil the Values and cultural change across the organisation

P321 Develop a farmer-focused strategy and plan and commence foundational work from Jan 2021

P324 Develop a data management strategy and commence implementation from Jan 2021

P323 Embed the PMO and monitoring and evaluation of projects across the organisation

P355 External evaluations

P403 Salesforce Communities

P400 Salesforce Roadmap

P408 Policies, Procedures, Training – Refresh

A376 Digital Experience

A378 Tailoring our services

RECOMMENDED CONDITIONS OF MATCHED AUSTRALIAN GOVERNMENT FUNDING

Australian Government Rural Research and Development Policy Statement

The Australian Government's Companion to Rural Research and Development Corporations Funding Agreement sets out the conditions for receiving government funding as outlined in five principles.

RDC Performance Principles	Description	2020/21 status	Ref
Principle 1 Stakeholder engagement	Engage stakeholders to identify research, development and extension (RD&E) priorities and activities that provide benefits to portfolio industries.	<p>2020/21 was the first year of our new five-year strategy. There was extensive stakeholder consultation as part of developing our new five-year strategy and the 2020/21 Annual Operating Plan.</p> <p>Dairy Australia continues to consult with its regional offices and Regional Boards as part of the annual planning process to ensure regional priorities around RD&E and marketing are captured.</p> <p>Industry representative bodies such as Australian Dairy Farmers that represent levy payers and Australian Dairy Products Federation that represent the processors were consulted and provided an opportunity to guide our RD&E investments.</p> <p>There was also substantial collaboration and consultation with the Department of Agriculture, Water and the Environment.</p> <p>We also work with our partners which include universities, the Federal and state governments, RD&E organisations, agricultural industry agencies, commercial agricultural companies, non-government organisations and Cooperative Research Centres to identify RD&E activities.</p>	3.5
Principle 2 Research, Development and Extension (RD&E) activities	Ensure RD&E (and marketing) priorities and activities are strategic, collaborative and targeted to improve profitability, productivity, competitiveness and preparedness for future opportunities and challenges through a balanced portfolio.	<p>Our new strategic plan captures priorities which are intended to support farmers in improving their productivity, profitability, competitiveness and preparedness for the future. Our investments follow a balanced approach and align to these strategic priorities. These investments are planned to deliver short, medium and long-term outcomes for the industry.</p> <p>Further, our investments align with the Australian Government's Research, Development and Extension framework.</p>	3.2 3.3 3.4
Principle 3 Collaboration	Undertake strategic and sustained cross-industry and cross-sectoral collaboration that addresses shared challenges and draws on experience from other sectors.	<p>We continue to collaborate with a range of Australian and international partners to deliver innovation and value to Australian dairy farmers.</p> <p>Dairy Australia is also part of Agriculture Innovation Australia which aims to drive cross-sectoral strategic outcomes for the agriculture industry.</p>	3.5
Principle 4 Governance	Governance arrangements and practices to fulfil legislative requirements and align with contemporary Australian best practice for open, transparent, and proper use and management of funds.	To transparently demonstrate our performance and accountability to members, levy payers, Government and other stakeholders, we are committed to an effective system of corporate governance.	4.3
Principle 5 Monitoring and Evaluation	Demonstrate positive outcomes and delivery of RD&E (and marketing) benefits to Levy Payers and the Australian community in general, and continuous improvement in governance and administrative efficiency.	<p>Dairy Australia published a new evaluation framework alongside the new five-year strategy to enable monitoring and evaluation through the plan period.</p> <p>We conduct 3–4 independent ex-post (after completion) cost-benefit assessments each year. These enable us to demonstrate the impact delivered as well as provide learnings for continuous improvement.</p> <p>Each quarter, through systematic portfolio reviews, we track the progress made against our strategic objectives and these reports are made available to our key stakeholders – Australian Dairy Farmers, Australian Dairy Products Federation and Department of Agriculture, Water and the Environment.</p>	Annual Performance Report Dairy Australia's Evaluation Framework

OUR COLLABORATION PARTNERS

Group B members

Australian Dairy Farmers Ltd
Australian Dairy Products Federation Inc

RDCs

AgriFutures
Australian Egg Corporation Limited
Australian Meat Processor Corporation
Australian Pork Limited
Australian Wool Innovation
Cotton Research and Development Corporation
Fisheries Research and Development Corporation
Forest and Wood Products Australia Limited
Grains Research and Development Corporation
Horticulture Innovation Australia Limited
Australian Livestock Export Corporation Ltd
Meat & Livestock Australia
Sugar Research Australia Limited
Wine Australia

Regulatory groups

Dairy Export Industry Consultative Committee (DAWE)
Food Standards Australia New Zealand
CODEX Australia
State Food Regulatory Authorities
Environment Protection Authorities

Cross-agricultural committees

National Animal Biosecurity RD&E Strategy
National Animal Welfare RD&E Strategy
Animal Health Australia – Industry Forum
Animal Health Australia – Members Forum
Australian Pastures Genebank Steering Committee
Climate Change Research Strategy for Primary Industries
Managing Climate Variability Program
Council of Rural R&D Corporations
Plant Biosecurity Cross-Sector Strategy
Research and Innovation Committee
Soils Cross-Sector Strategy
Water Use in Agriculture Cross-Sector Strategy
Australian Food and Wine International
Trade Collaboration Group
Dairy Moving Forward strategy

Key investment partners

Agriculture Victoria
Austrade
Australian Fresh Milk Holdings
CSIRO
Dairy Connect
DairyNZ
Department of Agriculture and Water Resources
Latrobe University
Leppington Pastoral Co
Local Land Services (Hunter)
Gardiner Dairy Foundation
Norco
NSW Department of Primary Industries
Pastoral Genomics
Pasture Trials Network
Queensland Department of Agriculture and Fisheries
SE Local Land Services
Scibus
South Australian Research and Development Institute
Tasmanian Institute of Agriculture
University of Melbourne
University of New England
University of Sydney, Dairy Research Foundation
WA Department of Primary Industries
and Regional Development

Industry groups

Australian Dairy Farmers Policy Advisory Group
Australian Meat Advisory Council
Dairy Company Quality Assurance Managers
and Field Service Officers
Dairy Moving Forward Communities of Interest
Australian Food and Grocery Council
Infant Formula Nutrition Council
International Dairy Federation
Sustainable Agriculture Initiative
Dietitians Association of Australia
Sustainability Consultative Forum
Global Dairy Sustainability Framework
SAFEMEAT
State Dairy Farming Organisations
Global Dairy Platform

FINANCIAL CONTRIBUTION TO CROSS-SECTIONAL COLLABORATION WITH OTHER RESEARCH AND DEVELOPMENT CORPORATIONS

Project name	Collaborating RDCs	Dairy Australia contribution \$
Enhancing the profitability and productivity of livestock farming	AgriFuture, CRDC, GRDC, SRA	537,330
Dairy Farm Manager – Sponsorship of three Horizon Scholars in 2021–2022	AgriFuture	55,000
Forewarned is forearmed: equipping farmers and agricultural value chains to proactively manage the impacts of extreme climate events	AgriFutures, APL, CRDC, GRDC, MLA, SRA, Wine Australia	50,000
Dairy Beef Supply Chain	MLA	40,000
Black Soldier Fly	APL	20,000
Rural Safety and Health Alliance	AgriFuture	20,000
People in Dairy – RSHA: Improving mobile and fixed plant and vehicle safety	AgriFuture	11,111
Enhancing the profitability and productivity of livestock farming through virtual herding technology	APL, AWI, MLA	4,360
Animal Health Operational Spend	APL	2,200
Total revenue		740,001

Disclaimer

The content of this publication including any statements regarding future matters (such as the performance of the dairy industry or initiatives of Dairy Australia) is based on information available to Dairy Australia at the time of preparation. Dairy Australia does not guarantee that the content is free from errors or omissions and accepts no liability for your use of or reliance on this document. Furthermore, the information has not been prepared with your specific circumstances in mind and may not be current after the date of publication. Accordingly, you should always make your own enquiry and obtain professional advice before using or relying on the information provided in this publication.

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