

# Australian Dairy Plan

2020–2025

*A bold new industry led plan to deliver  
increased profitability, confidence  
and unity across the industry*





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## Foreword

The Australian Dairy Plan Committee



The Australian Dairy Plan was conceived in late 2018 in response to one of the most challenging periods experienced by this industry.

Milk price volatility and a succession of very dry seasons had impacted farm profitability across the country, causing a significant contraction in the number of dairy farmers and the size of the national milk pool.

All parts of the supply chain recognised that collective action was needed to reset the industry's direction, through a strategic plan designed to rebuild its profitability, confidence and unity.

The plan laid out in these pages is formed from one of the most extensive listening exercises in the history of dairy. Its core commitments and supporting initiatives are shaped by the views of over 1,500 people who took part in a nationwide consultation process and numerous meetings with other key industry stakeholders. It is a plan that has been built from the ground up.

What is at stake is the future of a great Australian success story, one built off the back of dairy farmers but also one of our last manufacturing industries of scale. With an annual farmgate value of A\$4.6 billion (FY20), dairy is the country's fourth largest rural industry and a major driver of regional economies, employing 43,500 people. Many communities across Australia rely on a thriving dairy sector.

In developing this Dairy Plan, no stone has been left unturned in identifying the change required. It is clear that farmers need access to better systems, knowledge and skills as well as an increased focus from government to help them manage increased market and climate volatility, as well as cost pressures. Processing companies and service providers have manufacturing infrastructure and businesses that are dependent on a sustainable supply chain. Policy settings need to deliver more consistent profitability and reward for hard work – not only to keep people in the dairy industry, but for it to be attractive to future generations. And new organisational structures are required to give the industry a stronger and more united voice.

Since the release of the Draft Dairy Plan in December last year, we've made a number of refinements throughout the entire document in response to industry feedback. This includes further work on our growth scenarios and profitability target as well as a stronger focus on cost reduction. We've also included more detail regarding the initiatives that will support the delivery of the Dairy Plan and how they will be accomplished.

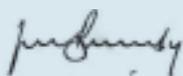
While the outlook for dairy has improved in recent months, it is vital that all parts of the industry remain focused on working together to address the core issues and ensure we lock in longer-term gains. This is about building sustained profitability, sustained confidence and sustained unity.

As with any new strategic plan, implementation is crucial. Our focus now is on delivery and aligning the operational activities of our respective organisations to support the implementation of the plan's priorities. We will be closely monitoring progress and providing regular industry updates.

Although there will always be challenges, this represents an exciting time for Australian dairy.

Meaningful and long-lasting industry change is within our grasp if we get behind the Dairy Plan and resolve to work together. The outstanding collaboration and goodwill through our supply chain in supporting dairy through bushfires and COVID-19 this year shows just what can be achieved when we work together.

#### The Australian Dairy Plan Committee, September 2020



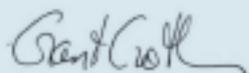
John Brumby AO,  
Independent Chair



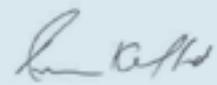
Terry Richardson, President  
of Australian Dairy Farmers



Jeff Odgers, former Chairman  
of Dairy Australia



Grant Crothers, President of  
Australian Dairy Products Federation



Bruce Kefford, Chairman of  
Gardiner Dairy Foundation

## Executive Summary

The Australian Dairy Plan has been formed from one of the most extensive listening exercises in dairy's history. It sets a clear industry direction for the next five years and beyond to deliver a better future for dairy. The Plan is industry led and designed to increase profitability, business confidence and unity across the industry.

The Dairy Plan is a joint initiative of Australian Dairy Farmers, Australian Dairy Products Federation, Dairy Australia and Gardiner Dairy Foundation (the partners) with its development led by Independent Chair, John Brumby AO.

It is fundamentally different to any of those that have preceded it, with a number of unique features:

- **A sustained commitment to collective action** – this is the first time in the industry's history that these four partner organisations have worked together to deliver a plan with a single set of national priorities for the dairy industry.
- **An industry-wide, national engagement** – the development of the Dairy Plan has been characterised by extensive industry-wide engagement, including one of the largest listening exercises in our industry's history, reaching over 1,500 people and confirming the key shared priorities for the industry.
- **A focus on the drivers of business success** – while previous plans have focused on growth targets, the Dairy Plan focuses on the drivers of business success – profitability, confidence, unity – recognising this is the way to long-term sustained growth by driving value and value creation across the supply chain.

At the core of the plan are five commitments – commitments to deliver on the priority issues that were clearly identified through industry engagement from across the supply chain, and from all dairy regions.

These commitments are backed by specific initiatives with clear action and implementation plans.

Specifically, the Dairy Plan is designed to deliver:

- 1 **Significant reforms to industry structures** to create a more cohesive dairy industry, with new arrangements that better align the industry's leadership, capabilities and resources to more effectively address major issues and opportunities.
- 2 **More people and fresh capital to the industry** by tackling the specific barriers to entry that can make it difficult for people to access the many rewarding opportunities to work and invest in dairy.
- 3 **Higher levels of trust and support for Australian dairy and the dairy industry** and ultimately more recognition of the inherent value and benefits of consuming dairy and the way it is responsibly produced, through more effective marketing and promotion.
- 4 **Significant increases in the proportion of farmers with effective farm business plans** enabling farmers to use physical and financial data to make better decisions on-farm to improve profitability and manage risk.
- 5 **Restored trust and transparency between farmers and processors** through the development of tools that increase the transparency and understanding of raw milk production costs and farmgate milk prices, so as to enhance productivity and profitability.

In addition to these five core commitments, the Dairy Plan will also achieve its goals through a sustained and focused effort in ongoing programs that support the industry. These include:

- **More targeted research and innovation** focused on better priority-setting to increase on-farm profitability, reduce production costs and help the industry adapt to market and climate volatility.
- **Stronger policy leadership and advocacy**, working collaboratively along the supply chain from farmers to retailers, government and the corporate and investment sectors, to achieve a more profitable and confident industry.
- **Constant attention to, and investment in, market development** creating more options by improving market access, reducing dairy tariffs and charges and managing technical market access barriers.
- **Empowered people** through enhancing the relevance, accessibility and levels of participation of learning and capability development programs for professional, business and personal growth.
- **A new approach to leadership development** where everyone has a role to play in creating the positive culture we need now, characterised by high levels of trust collaboration and confidence.
- **Continued leadership on sustainability issues** by updating and delivering the Australian Dairy Sustainability Framework targets, to maintain the support and trust of the community, consumers and markets.

The four partners together with all sides of industry are committed to working together to implement and deliver the commitments and initiatives set out in the Dairy Plan. Key success measures include:

- **Increased profitability across the dairy supply chain** – with greater than 50 per cent of farms achieving profit of at least \$1.50 EBIT/kgMS (average over five years).
- **Increased confidence of dairy businesses in the industry's future** – with more than 75 per cent of farmers and processors confident about the future.
- **Greater unity across the industry by working together to address key challenges** – with more than 75 per cent of farmers and processors positive about industry unity.

Implementing the Dairy Plan and achieving the success measures will also deliver broader benefits to the industry and regional Australia. Increased profitability and confidence will drive increased milk production, from 8.7 billion litres in 2019/20 to at least 9.6 billion litres in 2024/5. In turn, a larger industry will create around \$500m in additional value at the farm gate and several thousand new jobs, mostly in rural and regional areas. It also positions the industry to make a significant contribution to the national target of \$100 billion of farm gate value by 2030.

Each of the partners will refresh their organisational strategies to ensure alignment with the Dairy Plan. To ensure the highest levels of commitment and accountability, regular reporting to key stakeholders and Government will occur every six months. This progress and performance monitoring and reporting is to ensure the Dairy Plan does not 'sit on the shelf' and vital progress is made.

## About the Dairy Plan

The Dairy Plan is designed to make substantial, measurable impacts on **profit, business confidence** and industry **unity**.



The Dairy Plan sets the strategic direction and outlines the specific actions necessary to drive value and productive changes to achieve this objective over the next five years and beyond – engaging the whole of the supply chain.

It is fundamentally different to any of those that have preceded it, with a number of unique features that give it a greater chance of success.

### A sustained commitment to collective action

The Dairy Plan is an initiative of four key dairy industry organisations – Australian Dairy Farmers (ADF), the Australian Dairy Products Federation (ADPF), Dairy Australia, and the Gardiner Dairy Foundation (the partners).

Significantly, this is the first time in the industry's history that these organisations have decided to work together to deliver a single plan with a single set of national priorities for the dairy industry and reflect these priorities in their own organisational strategic plans. This level of unity creates a substantial critical mass of resources that can be deployed effectively to deliver on the Dairy Plan, now and into the future.

The commitment to collective action has now extended to work on how best to reform industry structures to create a more cohesive dairy industry. Until that work is completed the partners are committed to working together to coordinate the implementation of the Dairy Plan, reflecting its priorities in each of their individual strategic plans. However, it is important to note that the success of the plan relies on everyone in the dairy industry contributing to its success.

### An unprecedented level of engagement

The development of the Dairy Plan has been characterised by extensive industry-wide engagement. This began with one of the largest listening exercises in our industry's history, with over 1,500 people from all parts of the supply chain and in every dairy region, asked what specifically needs to change to build a stronger industry.

This phase culminated in the Dairy Plan Workshop where the key priorities for the industry were confirmed. Remarkably, despite the diversity of dairy regions, and regardless of where people sat along the supply chain, the same priorities found their way to the top. These shared priorities set the foundation to unite the industry in the implementation of this plan.

This commitment to engagement continues as the key initiatives take shape, recognising that success depends on collaboration and commitment across the whole industry to a profitable, confident and united dairy industry.

### A focus on the drivers of business success

This Dairy Plan is about what is required by the industry now to achieve profitable growth into the future. Specifically, the Dairy Plan aims to:

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

This distinguishes it from past industry plans which have focused on a growth target as a signal of success. This one focuses on the primary drivers of businesses in the dairy industry, recognising that the industry can and will grow once it becomes more profitable, confident and united. This approach to planning makes particular sense when COVID-19 is contributing to higher levels of uncertainty about the long-term outlook.

Ultimately though, success will ensure dairy remains a major contributor to the agriculture sector in Australia and will make a material contribution towards the national target of a \$100 billion agriculture sector by 2030.

## The challenge

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

## The dairy industry makes a crucial contribution to the Australian economy and our regions

It is a major rural industry, with a farmgate value of production of \$4.6 billion in 2018/19 converting to a total economic contribution of \$9.6 billion<sup>1</sup>. The sector is also one of the major manufacturing industries in Australia and is vital to regional employment.

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

Overall, the industry directly employs around 43,500 people across the country in dairy farming and manufacturing, with the majority of those specifically employed in regional and rural Australia. Associated transport, distribution, farm services and research and development activities represent further employment associated with the industry taking the total number employed to over 100,000 people.

The industry has established itself as a key component of the Australian agricultural sector over decades and has developed a highly sought-after position in a range of markets for its products.

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

Since the early 2000s, the increase in costs has been greater than the increase in milk prices, placing significant pressure on farm profit margins.

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

Rising input costs have further compounded the pressure on farm profit margins at a time when farm businesses are subject to greater volatility in the operating environment. The two forms of volatility dairy farmers have had to negotiate in recent years are:

- **Market volatility:** Dairy commodity prices are among the most volatile of all globally traded agricultural commodities and in recent years there have been several major price shocks. Market volatility is unlikely to decrease and may

well increase even further over time as a result of changing macroeconomic factors (e.g. currency fluctuations, increasing trade barriers, economic downturns, geopolitical conflict).

- **Climate volatility:** Australian agriculture experiences high levels of climate volatility. The number and severity of recent bushfires and droughts has increased the focus on this risk.

The impact of our increasingly variable climatic conditions has contributed to dramatic fluctuations in the price and availability of water for dairy farmers, particularly those located in the Murray Darling Basin. Decreasing water storage levels in combination with greater sharing of water with the environment and the intensified competition for water from industries such as horticulture and large-scale tree crops, have driven water prices well above the price where dairy businesses in irrigation regions are able to compete on the traded market.

Australia's dairy farmers are particularly susceptible to this volatility. They manage highly complex farming systems where investments in infrastructure, equipment and practices are difficult to shift in response to dramatic changes in the environment in which they operate.

On top of these rising input costs and unprecedented volatility, the confidence of the industry has been shaken by other major events including natural disasters, like the recent bushfires, the introduction

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

1 ADP Growth Scenarios Paper

2 Based on successive ABARES farm survey figures



of \$1/ litre milk by supermarkets in 2011 (that de-valued dairy products for many consumers and reflect the imbalance in market power across the supply chain), the milk-price step-downs in 2016 and, most recently, COVID-19.

The tough domestic trading environment, marked by 10 years of retail price deflation and low volume growth, is also hampering the industry. Australian processors have little capacity to pass through rising production costs, increased energy, labour and compliance costs in a deflationary retail environment. Consequently, given small and shrinking margins, any increase in input costs has a significant impact.

There has also been a downturn in capital investment, leading to a focus in taking costs out of a business to become more efficient rather than investment in future development. That is, cost cutting and a difficult retail environment have resulted in reduced confidence and ability to undertake significant growth-related investments, including investment in innovation. This is at a time when the Australian dairy industry should be taking advantage of the free trade agreements and rapidly expanding international markets to grow exports. Consumer preferences and changing demand patterns are impacting all aspects of the dairy manufacturing sector.

Health and wellness, convenience and personalisation are potentially driving growth while at the same time, product commoditisation and the demand for low-cost food and grocery products is directly impacting the financial viability of the domestic industry.

**Industry focus should be on a vision for a thriving and trusted industry, delivering jobs, economic growth and helping people live well.**

The implications for profitability have been dramatic in recent years. While the long-term impacts of the COVID-19 pandemic are uncertain, demand for dairy products generally remains strong, driven by consumers demand for health and wellness, convenience and personalisation. However, demand for premium priced dairy products is likely to slow as national and per-capita incomes decrease in many countries, which could put at risk recent growth in value-added product lines. At home, we face a looming economic recession, with the long-term outlook for the food services sector particularly unclear. On the other hand, an acceleration in new ways of purchasing online, and the return to more eating at home, may open up new marketing and product opportunities.

As our reference paper on profitability trends and targets shows, in 2018 the average dairy farmer had earnings before interest and taxes (EBIT) of \$0.66 per kilogram of milk solids (kgMS), well below the Dairy Plan target of \$1.50 EBIT/kgMS over a five-year average. While on-farm profit margins will vary widely between regions and seasons, nationally, less than 40 per cent of farms achieved this target in any of the five years to 2018/19.

**The impact of these trends has been substantial**

While reducing farm numbers has been a consistent trend for generations, lower profitability, and increasing market and climate volatility, has continued to put pressure on the rate of farm exits.

Since 2000, the number of farms has fallen by over half from 12,900 farms to 5,200 farms in 2018/19<sup>3</sup>. Over this period there has also been a fall in milk production from a peak of eleven

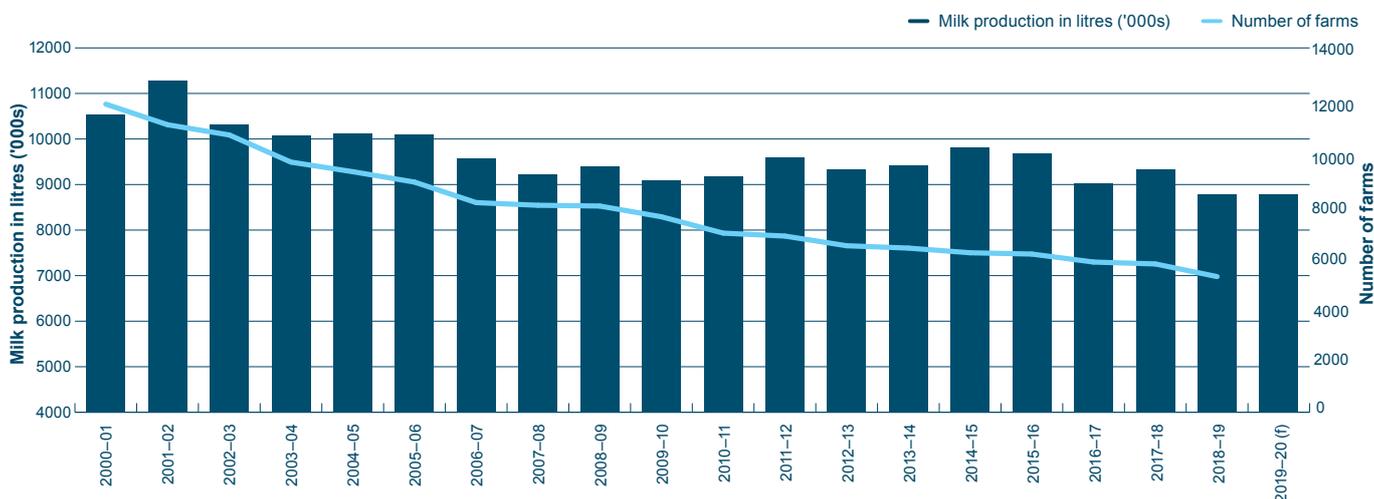
billion litres in the early 2000s to below nine billion litres in 2018/19. This is illustrated in Figure 1 below.

For processors, the consequences of a shrinking milk pool are significant. Some milk processing plants are significantly underutilised and unable to achieve the production efficiencies that come with full plant utilisation. This result is small and shrinking profit margins, especially when combined with rising production costs (e.g. associated with energy, labour and compliance), and about 10 years of retail price deflation.

Processors have limited ability to influence the farmgate milk price (FMP), which is closely aligned to the USD driven Dairy Commodity Index – see Figure 3. FMP has been increasing at a greater rate than dairy commodity returns over an extended period of time. Processors can respond by innovating and providing justification to consumers for any domestic premiums attracted by their products.

<sup>3</sup> Data provided by Dairy Australia

**Figure 1** Australian milk production



## It's time to turn this around, capitalising on recent positive news

The good news is that we are starting to see these trends turn.

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

Fortunately, our commitment to this goal has been given a boost by recent positive developments.

The turnaround in 2019/20 seasonal conditions is now well underway, with rain across much of eastern Australia breaking the drought in several regions. The seasons in the large milk producing regions are delivering larger volumes at lower cost combined with very favourable prices. The long-term weather cycle is also looking favourable going forward.

A series of good seasons will help enormously in terms of profitability, and confidence. With a strong autumn break and a buoyant outlook for grain and fodder production, the likelihood of lower input costs for 2020/21 is increasing. Favourable

global grain production forecasts will also help here to ease the pressure on grain prices. Meanwhile, the recently announced new season milk prices remain relatively strong in historical terms after record prices in 2019/20.

With more manageable input costs, lower financing costs, favourable seasonal conditions and relatively strong farmgate milk prices this season, overall industry confidence has improved. This has been accompanied by, significantly, some recovery in Australia's milk pool. In fact, a modest rebound in milk production is now forecast for 2020/21, up between one and three per cent.

Meanwhile, despite the uncertainty surrounding COVID-19, overall domestic demand for dairy products is holding up well. Here we are fortunate that Australia's per capita milk consumption is relatively high and stable by global standards. Our average consumption is 340 litres of milk per year compared to 269 litres in the United States and 305 litres in Europe<sup>4</sup>. The dairy industry may also benefit from a trend to 'buy Aussie'.

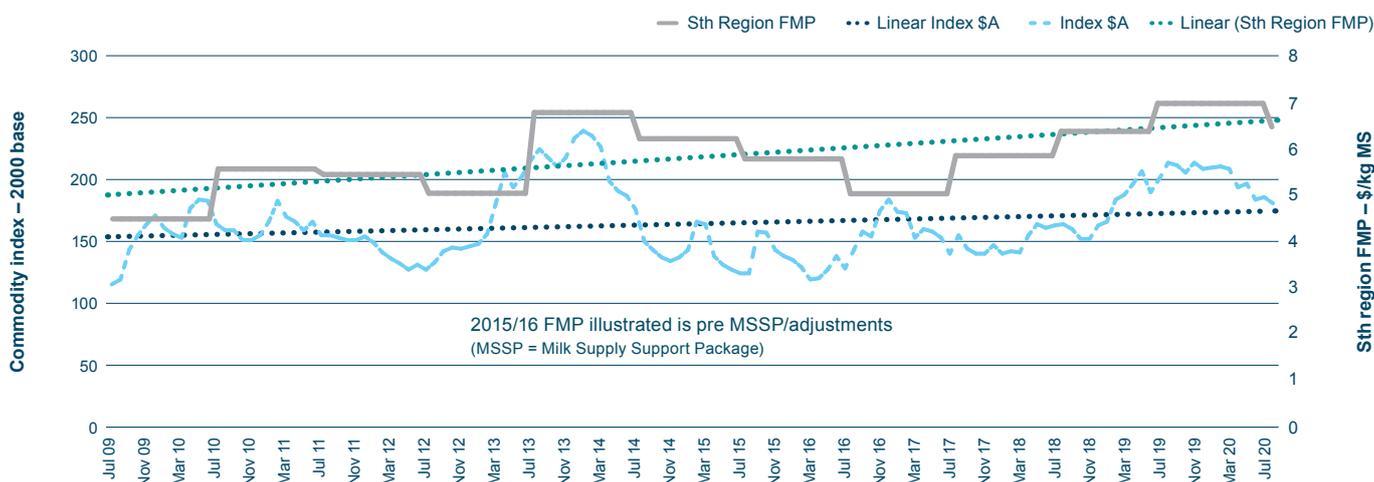
The outlook for exports is a little more uncertain – much will depend on how the global economy bounces back from the COVID-19 pandemic. However, we can take some confidence that we entered this crisis with strong and growing demand for dairy products in many Asian markets, in the Middle East and north African countries, as dairy has increasingly become a more important part of a protein-rich diet in these regions. Australia has been able to capitalise on these trends by trading on its strong reputation as a reliable supplier of technically advanced, high quality and safe products, and its success in establishing retail and food service sales channels for shorter shelf-life products like yoghurt and milk.

Off the back of these recent developments, now is the time for the industry to unite around the Dairy Plan to improve profitability and restore confidence.

The industry's focus should be on a vision for a thriving and trusted industry, delivering jobs, economic growth and helping people live well.

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

**Figure 2** AUD Dairy Commodity Index vs Southern Region Farmgate Milk Price FY10–21





## The way forward for dairy

**Delivering a bright future for dairy:  
a bold new industry led plan to deliver increased  
profitability, confidence and unity across the industry**

This section outlines how the Dairy Plan is designed to make substantial, measurable impacts on profit, business confidence, and industry unity. It also describes how these drivers will support growth and make a material contribution towards the national target of a \$100 billion agriculture sector by 2030.





## Lift profitability across the dairy supply chain – the most important driver of industry success

Industry success requires a heightened focus on profit to reverse the trends of the last five years. This depends on the ability to measure profit and set targets for success. A new analysis of profit of farm businesses has set a primary measure of achieving at least \$1.50 earnings before interest and tax (EBIT) for each kilogram of milk solids produced (\$1.50 EBIT/kgMS over a five-year average). This measure has a range of benefits for measuring profit:

- Success for most farms would achieve a return on total assets of at least five per cent
- Success will allow a farm business to pay finance and lease costs (in the current moderate/low interest rate environment), reinvest back into the dairy business, reduce debt, or pay a dividend
- It allows for variations between seasons which farmers have to navigate with volatility in both climate and markets
- It can be measured on an industry basis through the ongoing commitment to the Dairy Farm Monitor Project and the Queensland Dairy Accounting Scheme.

Profitability in the post-farmgate sectors will also be important for industry success. Reliable public

information is not available at this time to report on the achievement of profit targets. Instead, indirect indicators such as asset utilisation, capital investment and farmgate milk prices will be used to measure the health and prosperity of the processing sector.

The commitments in the Dairy Plan speak to the renewed focus on profit. This includes an industry restructure (page 22) that better allows for the issues that most affect profit to gain the most emphasis, be it in policy settings or investment in research and innovation. It also includes increased assistance to dairy farmers in a drive for improved farm businesses skills (page 38) to increase the use and value of business planning and regular review, as well as tools that support better price risk management across the supply chain (page 42).

Ongoing programs will be critical for delivering gains in profit and the associated increases in industry efficiency and ability to generate value in a competitive international market. Policy leadership is important to address rising costs and regulation, especially with energy, water and taxes/charges (page 53). New innovations will be focused on reduced costs of production

### Current situation

**22 per cent<sup>5</sup> of monitored farms** achieved profit of at least \$1.50 EBIT/kgMS over the last five years



### Plan target

**>50 per cent of farms** achieve profit of at least \$1.50 EBIT/kgMS over a five-year average

<sup>5</sup> This has been weighted based on regional milk production. The five years included in the current calculation are up to and including 2018/19.

and improved value of milk (page 50). Development of markets will increase access to higher-value opportunities for trade (page 56). Learning and capability development will expand the skills and experiences of the dairy workforce, improving both fundamental skills and more strategic capabilities (page 58). Expanding and revising our approach to leadership development across the industry (page 60) will lead to a more collaborative and engaged industry that supports a positive culture attractive to new entrants and investors.

The relative impacts of planned commitments and ongoing programs to increase profit are set out in Figure 3 below.

## Rebuild the confidence of dairy businesses in the industry's future – critical to sustain the industry

Industry confidence has been affected by the challenges of the past decade and its turnaround requires deliberate industry actions. Confidence has been tracked for many years in an annual survey of farmers, asking 'how do you feel about the future of the national dairy industry overall?'. This same question has now been asked of dairy processors and highlights the differences in confidence in the supply chain. Increased confidence from dairy farmers and processors will positively impact the industry by:

- Encouraging new sources of capital into the industry

- Stimulating existing businesses to grow and invest
- Empowering people across the industry to feel confident they can speak more positively about the industry
- Motivating the workforce, with reduced turnover of people and attraction of new and talented people
- Building and sustaining a positive culture that promotes the industry's interests and invites collaboration and engagement of all stakeholders.

Increased confidence is a driver for all five commitments and for a broad range of ongoing programs. Two main categories of priority activities will drive greater confidence.

**Figure 3** Relative assessment

Figure 3 is an indicative impact assessment by the partners of the relative contribution that will be made by each of the commitments and ongoing programs to increasing industry profitability, confidence and unity.

		Profitable	Confident	United
Commitments	1. Reform of industry structures			
	2. Attract and support new people and investment			
	3. Increase effort in marketing and promotion			
	4. Intensify focus on farm business skills			
	5. Increase trust and transparency in supply chain			
Ongoing Programs	Research and Innovation			
	Policy leadership			
	Market development			
	Learning and capability development			
	Leadership and culture			
	Sustainability			

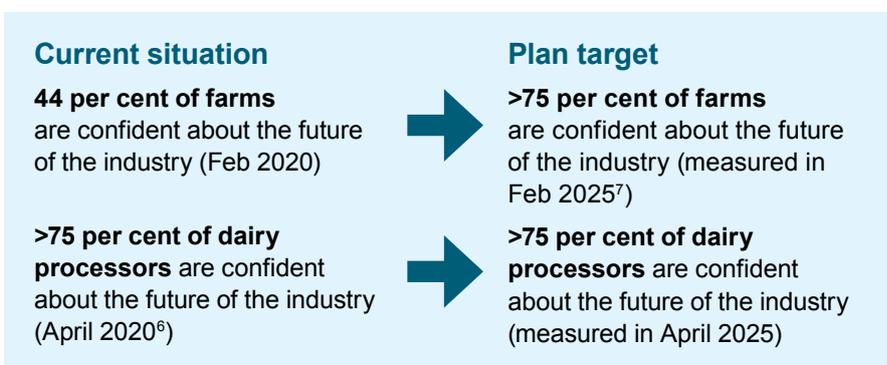
The first category is better organisation of the industry, through reform of industry structures (page 22), policy leadership (page 53), improved commitment to leadership and culture (page 60) and achieving sustainability targets (page 62).

The second category is improved confidence about market signals and market opportunities, through increased trust and transparency in the supply chain (page 42), increased effort in marketing and promotion (page 32), and market development activities (page 56).

The relative impacts of planned commitments and ongoing programs to increase confidence are set out in Figure 3.

### Unite the industry by working together to address our key challenges – an absolute requirement to achieve positive change

A lack of unity denies the industry an ability to contribute to necessary changes to improve industry outcomes. This is felt clearly by decision-makers (such as Members of Parliament) and by individual dairy businesses (farmers and processors). A measure of unity as an industry sentiment has not been sought previously. Baseline measures have been generated for the dairy plan by testing the level of agreement with the statement: 'For the issues that matter to me, the dairy industry acts in a unified manner'. This will now be included in the annual National Dairy Farmer Survey and a survey of dairy processors.



6 The small sample size reflects that this survey was conducted during extraordinary circumstances (the beginning of COVID-19). It provides a baseline number only with a larger survey planned for future years to confirm levels of confidence.

7 Industry confidence has been recorded at this level in 2008, 2014, and 2015 (records commenced in 2004).



8 The small size of the survey is a baseline number only with a larger survey planned for future years to confirm levels of unity.

The requirement for increased unity is a major driver of the reform of industry structures (page 22), with a desire to improve policy leadership in an evidence-based manner that encourages diverse thinking and brings industry groups together (page 53), and elevate the role of leadership and culture to inspire

greater levels of engagement, collaboration and alignment across the industry (page 60).

The relative impacts of planned commitments and ongoing programs to increase unity are set out in Figure 3.

## A path to growth

Profit that fuels the ability to grow and add value is the ultimate success of the Dairy Plan. Detailed modelling of the capacity to grow, contrasted with the counterfactual situation of industry drift and decline, is set out in detail in Appendix A and illustrated in Figure 4.

Success in achieving the desired targets for profit, confidence and unity are pre-conditions for all growth scenarios. This success would lead to an increase in milk production from 8.7 billion litres in 2019/20 to 9.6 billion litres in 2024/25, compared with the drift and decline scenario which would reduce milk production to 8.5 billion litres. This corresponds with creating almost \$500 million additional value at the farmgate and several thousand new jobs, mostly in rural and regional areas. This increased volume can decrease the marginal cost of production for the sector.

## Growing the agriculture sector – a \$100 billion target

The National Farmers' Federation and the Australian Government have set an ambitious target for the whole agriculture sector – to achieve \$100 billion in farmgate value by 2030.

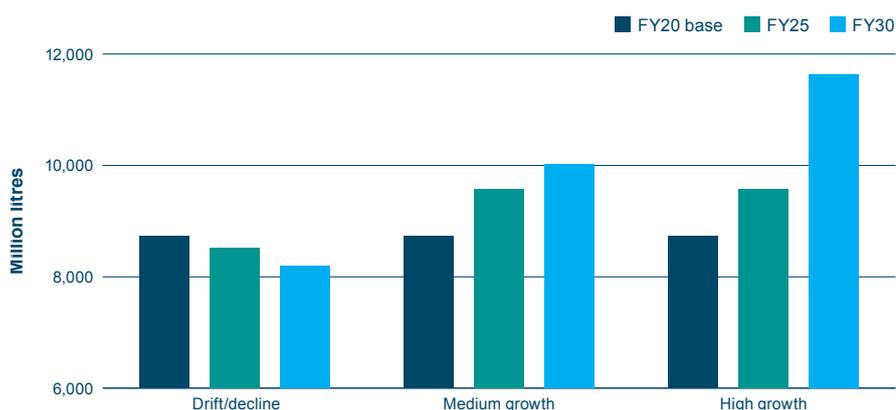
A continuation of the growth trajectory in Appendix A is required to increase dairy's contribution to the sector target. Two scenarios are set out that contrast the ability to continue growth based on current industry capacity to grow (the medium-growth scenario), with a greater ability to grow as a consequence of concerted efforts to reduce and remove regional constraints (including physical, social and political constraints which is the high-growth scenario).

For example, in a medium-growth scenario, the nominal farmgate value of dairy would increase

from \$4.6 billion to \$5.9 billion and generate over \$12 billion in total economic contribution by 2030, based on current economic multipliers. In addition to its financial dividends, the industry could employ as many as 50,000 people (up from 43,500), in jobs largely located in rural and regional areas.

**This plan will retain dairy's role as the fourth largest industry in the agriculture sector, continue a strong economic presence in rural and regional Australia, and earn additional export income.**

**Figure 4** Milk production (national) scenarios





## The commitments

In light of the challenges, delivering substantial, measurable impacts on profit, business confidence and industry unity requires a considered, focused and sustained collective response.

Extensive industry engagement associated with the development of this Dairy Plan produced a consistent set of key priorities from across the industry supply chain and all dairy regions. These have been distilled into a set of commitments to change, each with supporting initiatives and will help deliver a collective response.

#### COMMITMENT 1

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We will reform industry structures to create a more cohesive dairy industry and strengthen our influence with key stakeholders.

#### COMMITMENT 2

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We will attract and support new people and investment to build our industry.

#### COMMITMENT 3

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

#### COMMITMENT 4

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

#### COMMITMENT 5

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

## COMMITMENT 1

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We will reform industry structures to create a more cohesive dairy industry and strengthen our influence with key stakeholders.



## Summary

Reform of industry structures will deliver greater leadership of the industry with wide-ranging and positive impacts including: a stronger ability to advocate for the dairy industry; improved and more transparent priority-setting for research, development, extension and industry services; and more efficient investment in initiatives that advance the industry.

Reform will focus on how industry structures are organised, funded and governed in a way that ensures strong accountability and presence in each dairy region, as well as developing greater strength and capability to address major industry issues and opportunities.

This commitment was identified as a priority early in the development of the Dairy Plan, and recommendations for reform of industry structures were published in January 2020. These recommendations will be further shaped and refined through consultation with a new industry structure to be put to a vote of industry stakeholders.

### The opportunity

The implementation of a contemporary industry structure will deliver much-needed synergies and efficiencies to underpin vastly improved performance for the benefit of the dairy supply chain.

Reform of industry structures will deliver greater leadership of the industry, with wide-ranging and positive impacts including a stronger ability to advocate for the dairy industry, improved and more transparent priority-setting for research, development, extension and industry services, and more efficient investment in initiatives that advance the industry. However, achieving meaningful reform is challenging, depending crucially on broad-based community support.

Strong support for reform has emerged loud and clear through the engagement process for the Dairy Plan. There is widespread recognition that change is required to recover effectively from difficult operating conditions while managing significant external pressures. Further, stressed representative funding models and the fragmentation of advocacy make this the right time to consider reform options. There is significant scope for improvement as outlined in Table 1 on the following page.

This will be challenging – agriculture globally has long grappled with the

quest to deliver efficient and effective representative and service delivery models. Australia's significant size further complicates this, given its considerable geographic, climatic and social diversity. Working out how best to connect local, regional, state and national priorities in an environment of falling farm numbers is a perpetual conversation in Australian agriculture.

In response to the need for reform, ADF, ADPF and Dairy Australia are now leading the work to reform industry structures.

To get this right, a Joint Transition Team (JTT) was established to consider and recommend structural reform options. Following four months of analysis and review, the JTT published its recommendations in January 2020. Most significantly, the JTT recommended all existing industry organisations be merged into one new national organisation to provide leadership and services for the Australian dairy industry. This recommendation was to form the basis for further refinement, particularly in the areas of governance, advocacy and funding.

The reform work is now focused on how industry structures are organised, funded and governed in a way that ensures strong accountability and presence in each dairy region, and develops greater strength and capability to address major industry issues and

opportunities. A new dairy industry structure must also deliver an operating model that is sustainable and delivers value through the dairy supply chain.

The key elements of this operating model are:

- A **governance** structure that is contemporary and fit-for-purpose, ensuring appropriate skills are identified and sought when appointing boards
- A sustainable **funding** model that delivers fairness and equity, ensuring key participants in the supply chain who derive benefit are contributing to the operations of both service delivery and advocacy
- An **advocacy** model that delivers robust and well-funded policy development followed by clear, concise and well-considered engagement with relevant governments and agencies
- An **RD&E** capacity that prioritises investment needs, attracts significant third-party investment, and leads to impact through innovations that are readily commercialised and adopted by dairy businesses
- A **marketing** approach that increases efforts in marketing and promotion to build support for Australian dairy and enhances trust and acceptance of dairy products and the dairy industry.

**Table 1** Key elements of the operating model

Item	Current	Future
<b>Farmer membership of the national body</b>	Low and declining numbers and production involved	High and increasing business involvement by number/value
<b>Brand</b>	Many organisational brands across regions, states and nationally	One brand
<b>Collaboration</b>	Fragmented with splinter groups	Unified: across the supply chain, within and between regions
<b>Funding</b>	Uncertain. Statutory Dairy Service Levy for farmers plus multiple memberships by businesses	Sustainable, with processors contributing
<b>Culture</b>	Divisive, problem-oriented	Collaborative, solution-oriented
<b>Accountability</b>	Unclear, blame shifting	Clear and direct
<b>Value for money</b>	Variable or uncertain	Measured and growing
<b>Services</b>	Split between many organisations	Integrated
<b>Supply chain relationship</b>	Distrust, supply-oriented	Trusted, customer-oriented
<b>Governance</b>	Mix of representative and skills-based	To be more skills-based
<b>Decisions</b>	Slow (weeks, months, years); based on views and opinions of a minority of dairy businesses	Rapid (hours, days, weeks) and based on evidence from the majority of dairy businesses
<b>Dairy business involvement</b>	Tribes – farmers and processors	Dairy business community
<b>Geographic frame</b>	Primarily state-based	Strong, direct influence of businesses and state and regionally-based
<b>Communication</b>	Many competing voices	An authoritative voice, recognises diverse views and seeks a strong and consistent industry position
<b>Regions</b>	Numerous industry boards, committees, subcommittees and advisory groups	Technology used to engage directly with people in regions. Inclusive communication, minimal bureaucracy

## How this commitment supports a profitable, confident and united dairy industry

Unity is enabled by an industry structure and supporting processes that enhance the dairy industry's ability to act collectively, creating value in areas where many individual service and representative bodies working alone could not succeed, for example providing a more effective approach to policy, informed by stronger capabilities in evidence-based policy development and execution. Combined with the efficiencies that come from reduced duplication in roles and responsibilities, the new industry structure will have a material impact on industry performance and profitability, building confidence in the long-term future of the industry.

**Figure 5** Relative impact assessment of Commitment 1 on industry profitability, confidence and unity



## Implementation and next steps

This commitment differs from others in this plan in that it doesn't make sense to lift our sights beyond the task at hand, that is, shaping and refining the JTT's recommendations for a new industry structure through stakeholder consultation, then putting it to a vote by industry stakeholders.

The key steps involved are outlined below.

### 1 Build an operating model for a new industry organisation

The immediate work is to build on the report from the JTT by engaging key industry organisations, commissioning expert advice, and designing an operating model for further consideration. An Organisational Reform Steering Committee, comprising two Directors each from ADF, ADPF and Dairy Australia, will oversee the development of reform options and ensure strong industry engagement in the development of an operating model. This Steering Committee is supported by an Engagement and Design Team.

### 2 Put the new structure to an industry vote

Any transition from the current arrangements to a new industry structure will require a vote of all industry signatories and stakeholders. The Australian Government, before considering any request to adopt a new organisational structure, requires an industry to clearly demonstrate there has been satisfactory awareness, participation and support for the proposed changes.<sup>9</sup> The experience of other

agricultural industries, such as the red meat industry, has underlined the importance of engaging the full range of stakeholders, including industry signatories, service providers and customers, to be informed about the changes proposed. A comprehensive communication strategy will ensure all parties are informed of any proposed new arrangements.

### 3 Implement the new industry organisation

Despite travel and engagement restrictions associated with COVID-19, the Steering Committee is working towards implementing structural reforms during 2021 and 2022. With an industry-wide vote planned for the first quarter of 2021, emphasis in the early to middle years of the plan will shift toward the outcome of the industry's directive to deliver agreed changes to the institutional and funding arrangements of the dairy industry. Implementation will require continued close engagement with the Australian Government and all affected industry organisations, as key legal, financial and governance considerations are worked through.

The table below outlines the expected timeline for these phases:

#	Organisational Reform Phases	Date
1	Exploring reform (work of the Joint Transition Team)	2019
2	Establishing the pathway to reform	
3	Industry and government engagement on reform challenges	2020
4	Design of reform operating model options	
5	Industry consultation on reform model options	
6	Industry vote on reform model and final outcome determined	2021

#### Measures of success:

- By the end of H1 2021, there will be industry support for a new industry structure secured through a vote.
- By the end of 2022, there will be a new industry organisation operating effectively.
- By 2025, there will be high levels of satisfaction with substantial, measurable improvements in the performance of the new industry organisation.

<sup>9</sup> The Commonwealth Department of Agriculture Water and the Environment's (DAWE) *Levy Principles and Guidelines* states that changes to statutory levies collected by government on behalf of an industry cannot occur without demonstrated levy payer support. The document stipulates that "industry must show that there is a majority support from actual and/or potential levy payers" for a proposal to be considered by government. A majority is defined as "50 per cent plus one of the voting allocations of those producers who choose to vote in a levy ballot" or 50 per cent plus one of producers, if the vote is conducted on a one-vote-per-producer basis.

## COMMITMENT 2

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We will attract and support new people and investment to build our industry



## Summary

A steady pipeline of new people and investment is required to increase the capacity of the dairy industry and improve its ability to supply domestic and global markets.

While there are many rewarding opportunities to work and invest in the dairy industry, a number of specific barriers to entry can make it difficult for people outside the industry to gain access. These include: a low awareness of the range of career pathways throughout the dairy supply chain, the difficulty of getting a start in a dairy business given high capital requirements, and a poor appreciation of what makes dairy an attractive investment proposition.

The partners commit to a much stronger focus on attracting and supporting people and investment to build industry capability. Specific initiatives will:

- Promote clear career pathways into the dairy industry
- Create new avenues to dairy farm asset ownership
- Increase industry investment by targeting and engaging with the different investor groups.

## The opportunity

To better develop a steady pipeline of new people and investment by improving access to the many rewarding opportunities to work and invest in the dairy industry, helping to increase the capacity of the industry, and its ability to supply domestic and global markets.

While the long-term impacts of the COVID-19 pandemic are uncertain, overall domestic demand for dairy products is holding up well, while a weaker Australian dollar has provided some insulation from international market pressures. The more significant challenge for the dairy industry in recent years has been to meet demand for dairy products with a proportionate increase in the industry's capacity to supply. Specifically, this means attracting, developing and retaining a steady pipeline of new people and investment. Recent positive trends in prices, and the turnaround in seasonal conditions will help, while under some COVID-19 scenarios the industry may also benefit from more

people looking for alternative career and investment options. However, it is difficult to estimate the impacts of COVID-19 on attracting talent due to other labour market changes such as a slower rate of migration and restrictions on obtaining skilled visas.

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

However, there are a number of specific barriers to entry that require attention if we are to broaden the pipeline of new people and investment.

First, there are those people looking to carve out a career in the supply chain in dairy farming, milk processing or the supporting services sector. The dairy services sector includes advisory roles in commercial organisations providing

feed and agronomy services, on-farm consulting (e.g. veterinarian services) as well as work in industry organisations. For the industry to flourish, ready access to quality service professionals is paramount.

There is a well-documented shortage of access to skilled labour at all levels in the dairy supply chain from entry level roles to managers on farms and in processing plants. Specific challenges include an ageing workforce, high levels of attrition, and the fact that competition for dairy skills (particularly middle and managerial skills) is international and comes from other sectors and industries (e.g. banking and finance, as well as other agricultural industries).

A key barrier to overcoming this shortage is the lack of widespread recognition of the range of career pathways throughout the supply chain.



More can be done to professionalise careers in the dairy industry and support career progression.

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

The key barrier to entry for this group is access to capital. Dairy farms are expensive to buy into and while there are some established pathways into the industry (e.g. share-farming provides opportunities for farmers to gain experience and build capital over time), many new people struggle to access the necessary finance, exacerbated by a banking sector that is tightening its appetite for risk. In short, it is difficult

to get a start in dairy farming, for people without a farming background and young people looking to take over family farms.

There are several ways to manage this:

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

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

Thirdly, there are corporate investors including private companies, institutional investors (including superannuation funds) and high net worth individuals. These types of investors seek out good returns and look to manage risk by ensuring dairy businesses have high levels of management skills and good governance structures.

The industry will be more successful in attracting this type of investment by helping dairy businesses to be investor ready (that is, structured in a way to meet the required standards for attracting commercial investment). As an industry, greater insight into potential investor needs is required. The current risks that investors are interested in managing relate to labour, farm size and scale, reputation, climate change and price transparency.

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

## Key initiatives

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While there has been historical attention and investment for some of these areas, a stronger focus is required to attract and support new entrants and capital investment in dairy.

### 1 Promote clear career pathways into the dairy industry

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

This framework will be used to identify gaps where public and private training providers can create learning experiences to fill those



gaps. Key gaps in on-farm career pathways will be targeted (e.g. new approaches for industry training placements and internships to attract school leavers and post-secondary graduates) so that public and private training providers can create learning experiences to fill those gaps.

It will be important to push beyond the entry level pathway of apprenticeships/trainees and provide increased aspirations about working in dairy (e.g. additional training/development beyond the apprenticeship framework, mentoring/coaching etc).

The role and variety of post-farmgate careers will be better recognised. This includes roles in the processing and supporting services sector (e.g. dairy processing workers, advisory roles in commercial organisations, on-farm consulting as well as work in advocacy organisations). Career pathways will be defined for post-farmgate roles to better articulate the opportunity for career progression and to highlight the skills required and courses available to support this.

## 2 Create new avenues to dairy farm asset ownership

The industry will seek out opportunities to work more effectively with the finance sector and government to identify:

- New approaches for accessing finance and new mechanisms for the appraisal of investment risk
- How best to reduce the regulatory costs of doing business
- Ways of exploring and promoting new business structures such as equity partnerships.

An initial focus will be to explore how to set up access to capital from a third-party institution at commercial rates, but with lower equity thresholds and ratios than major institutions

currently use for agricultural lending. This could be underwritten/insured by industry or government funds.

**Selection criteria, such as training and skill thresholds, would apply to give the applicant the best chance of running a successful, profitable operation.**

We will also develop clear and transparent asset transfer partnerships between current farm-owners and potential owners. These again could be supported by a third-party institution at commercial rates. The timelines and proportion of ownership change for the herd and the physical assets will be set out and clear at any point over, for example, a 10 year buy-out agreement.

## 3 Increase industry investment through targeting and engaging with different investor groups

We commit to more roadshows and investment forums to speak directly with potential investors. These are best run on a state-by-state basis, featuring case studies and 'how-to' guides on investment and regulatory requirements for each area.

Complementing this initiative will be the creation of tools and resources to enable the dairy industry, and businesses within it, to be 'investor ready'. We will develop dedicated programs to assist dairy businesses looking to attract investment, prepare and present their business for such an investment. This will be tailored for a spectrum of business sizes and complexity.

A more specific campaign will be focused on attracting 'career changers' into dairy farming, that is, people who are mid-career bringing

some equity, skills and experiences from other businesses. This campaign will be based on a deep understanding of what it is that attracts these types of people to the industry.

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

## How this commitment supports a profitable, confident and united dairy industry

Profitability will be enhanced through a new steady pipeline of people entering the industry with enthusiasm and ideas that propel the industry forward, and inflows of capital that make investment in productivity-saving technologies possible. Confidence will be enhanced by seeing new people enter the industry, bringing enthusiasm and diverse experiences, and from the progression of those already in the industry. Confidence will also come from better access to capital to invest in dairy businesses.

## Implementation and next steps

Promoting the many career opportunities in the dairy industry is required as it provides potential paths forward for new entrants to the industry. Gardiner Dairy Foundation will promote and attract graduates to career opportunities across the dairy value chain and in dairy communities in partnerships with the farm, processing and university sectors. Gardiner will support scholarships



and experiential learning opportunities that overcome awareness and opportunity barriers, both for young people located in dairy regions and those from metropolitan areas.

The ADPF will map current and future career opportunities within dairy processing, the associated best-practice skills and competency requirements and current education and training providers that support those, to both enable promotion of these career paths and identify capability gaps that need to be addressed to ensure future readiness and industry leadership.

Promoting career development pathways within the industry gives new entrants confidence for a long-term career. Dairy Australia and ADF will develop a capability framework in the first 12 months, that sets out the required skills, competencies and mindsets for farm-based roles.

New programs will be delivered in the 2021 to 2023 period, including roadshows and investment forums, developing investor-ready tools and resources, attracting 'career-changers' to dairy, and building forums for young people to have a stronger voice in the industry.

**Measures of success:**

- By 2025, all sections of the industry will have access to the people they require to meet their operating needs and who are trained in the skills required for their roles
- By 2025, there will be clear pathways to farm ownership, supported by innovative capital access models tailored for the dairy industry
- By 2023, dairy will be understood and seen as a competitive asset class by a range of investors in regard to profitability and risk.

**Figure 6** Relative impact assessment of Commitment 2 on industry profitability, confidence and unity



## COMMITMENT 3

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



## Summary

Australian dairy enjoys some of the strongest levels of support and consumption in the developed world and despite the uncertainty surrounding COVID-19, overall domestic demand for dairy products is holding up well. However, with growing competition from alternatives, it is important to reinforce the reasons people choose to consume Australian dairy to sustain and increase this strong support. In particular, it is important to remind people how consuming dairy every day plays an essential role in good health and nutrition.

The dairy industry is responding to the rising expectations of a growing number of socially conscious consumers engaged with the way the industry reduces environmental impacts, responds to climate change pressures, and manages animal welfare. Proactive industry marketing plays a key role in helping to stay ahead of community expectations, building trust and ensuring ongoing acceptance of the industry.

The partners commit to growing value and highlighting reasons to consume dairy, ensuring ongoing trust and acceptance of the industry through a united, whole of supply chain commitment to support marketing and promotion characterised by a combination of new and proven activities.

Specific initiatives will:

- Build support for Australian dairy, promoting its inherent value and reason to consume every day
- Drive trust and acceptance in Australian dairy products and industry
- Secure whole of supply chain support and investment for industry marketing.

## The opportunity

To reinforce the value of Australian dairy, the benefits of consuming, and ensuring ongoing trust and acceptance of the industry through a united, whole of supply chain commitment to support marketing and promotion.

Australian dairy enjoys some of the strongest levels of support and consumption in the developed world with the majority of Australians proactive in consuming dairy because of its taste, convenience, provenance and health benefits. Dairy farmers and processors are rightly proud of what they produce.

Despite the uncertainty surrounding COVID-19, overall domestic demand for dairy products is holding up well to date, and indeed dairy may benefit from increased consumer interest in supporting local produce. However, to sustain and increase the strong support for dairy products and the industry, it is important to continue to reinforce the reasons people choose

to consume Australian dairy. With the rise of alternatives and more consumer choice, dairy needs to remain relevant.

While consumption is strong, almost a quarter of Australians either limit or avoid dairy foods completely. The key reasons are related to health and nutrition, including perceptions that dairy is bad for weight management, concerns with fat and sugar content and digestive discomfort issues e.g. lactose intolerance. Milk alternatives are taking advantage of these concerns.

In the face of growing competition, it is important to remind Australians dairy is an excellent natural source of protein and many other essential nutrients, and consuming dairy every day plays an essential role in good health and nutrition.

In addition to addressing health concerns, the dairy industry (and agriculture more broadly) are increasingly responding to the rising expectations of the growing number of socially conscious

consumers engaged with the way the industry reduces environmental impacts, responds to climate change pressures, and manages animal welfare. Some consumers point to these as reasons for limiting or avoiding dairy foods.<sup>10</sup>

Proactive industry marketing plays a key role in helping to stay ahead of community expectations, building trust and ensuring ongoing acceptance the industry. This involves demonstrating alignment in values and being transparent about the industry's commitment to health and wellbeing, the safety of food production and care for the environment and animals.

Ultimately, industry marketing is about ensuring the value of Australian dairy is recognised by continuing to promote and proudly state what makes Australian dairy products great. This, of course, is complemented by the important role that branded marketing has to play in promoting the value of dairy. A positive, valued dairy

industry will attract new investment and people, contributing to longer-term sustainability and viability. Recognising the value of dairy includes showcasing the important contribution the industry makes to the economy – particularly in rural and regional communities – through capital expenditure, employment, industry innovation, supply chain integrity and community investment.

To deliver these positive messages in ways that have the greatest impact, a whole of supply chain commitment is required to investment in, and alignment of, marketing and promotion. Individual farmers and processors have a key role to play here as ambassadors, promoting the industry's commitment to providing fresh, nutritious, quality Australian dairy.

## Key initiatives

The partners commit to a united, whole of supply chain approach to marketing and promotion, characterised by a combination of new and proven value-driven activities.

### 1 Build support for Australian dairy, promoting its inherent value and reason to consume every day

Marketing needs to capitalise on the support of Australian dairy products and the industry. In the face of growing competition, we need to better promote dairy as wholesome and healthy, and emphasise its safety, quality, versatility and taste. Through high-impact promotion we will remind consumers why Australian dairy is important. This new campaign will drive value and support for Australian dairy products and the ways they are produced, and will be amplified through measures such as television, outdoor media, digital advertising, public relations, partnerships with sporting

communities, and engagement with influencers to spread the positive message around Australian dairy.

### Key to the effectiveness of this effort are strong ambassadors from across the farmer and processing sectors, actively promoting dairy products and the industry more generally.

The industry will also explore options to more effectively promote the value of local Australian dairy products and the way they are produced. Initiatives such as a logo to distinguish Australian dairy in retail outlets will be assessed.

### 2 Drive trust and acceptance in Australian dairy products and industry

Marketing efforts will engage the more socially conscious Australian who has increasing expectations of dairy products and the industry.

The health and nutrition credentials of dairy and the industry's commitment to environment will be promoted through campaigns spanning television, digital advertising, podcasts, content partnerships and public relations. The current Dairy Matters platform which has credibility and proven effectiveness in communicating these messages, will be leveraged. This communication will be supported by reporting on the progress of the dairy industry's sustainability targets (as outlined in Section 4 – industry's Sustainability Framework) and proactive action from industry.

Other activities to enhance trust include engaging and communicating with credible influencers such as health professionals and non-

government organisations. It is important these audiences have the right information to communicate with their stakeholders and the broader consuming public.

Education in schools will also be a key focus, through targeted marketing initiatives to educate primary school children on the important role dairy plays in their diets, where dairy foods come from, and how they are made.

The socially conscious consumer is also proactively seeking out more transparent information on the industry's commitment to health and nutrition, the environment, animal care and farmer welfare. The industry's commitment to transparency will be supported by a web platform that enables the community to ask questions around (for example) dairy products, the way we farm and the way we care for our animals. The existing Dairy Matters You Ask We Answer website functionality could provide a mechanism to deliver this.

There is also an opportunity to showcase the contribution of the dairy industry to local communities, jobs and economic growth. The dairy sector is also the lifeline of many regional and rural communities with most large manufacturing businesses operating sites in Australia's regional communities.

### 3 Secure whole of supply chain support and investment for industry marketing

Industry marketing (non-branded promotion) aims to promote the importance and value of dairy and the industry to Australians – young and old, farmers and processors, consumers, health professionals, to key influencers and opinion leaders.





This is achieved by promoting the health and nutrition benefits of dairy foods, education about the value of Australian dairy and what the industry stands for, and the promotion of the industry’s sustainability credentials and contribution to economic livelihoods. This category marketing provides benefit to the whole of supply chain and needs to be supported through collaboration, valued brand partnerships and investment to ensure relevancy and impact.

A dairy brand then leverages Australians’ understanding of the generic category benefits and acceptance of the industry and promotes product or brand attributes, driving consumption and rounding out the purchasing funnel.

Support and investment by the whole of supply chain is a key imperative

for the industry. Our goal is to increase our efforts in marketing and promotion to build greater levels of trust with consumers and improve the value of dairy products.

### How this commitment supports a profitable, confident and united dairy industry

Confidence will grow as the industry talks more positively about itself, that is, being ‘loud and proud’ about what Australian dairy stands for, and sees this reflected in greater support for the industry and the value of its products. Profitability is enhanced by securing and growing the reasons to consume dairy and through initiatives that contribute to securing the trust required for long-term industry sustainability.

### Implementation and next steps

This commitment will be achieved through the partners working collaboratively and drawing on the expertise throughout the dairy supply chain, noting the credentials of the existing Dairy Australia Dairy Matters campaign.

It will rely on collaboration and alignment of farmers and processors to drive the importance and value of dairy and the dairy industry throughout the supply chain.

The first priority will be the formation of a cross-functional working group with Dairy Australia, ADPF and ADF representatives to define a

Figure 7 Relative impact assessment of Commitment 3 on industry profitability, confidence and unity



value-driven work program against the three initiatives, with phase 1 identified by April 2021. This working group will contribute to enhance initiatives to proactively address issues around the health of producers, consumers, animals and the environment as well as through education in schools and continuing to deliver against the Australian Dairy Sustainability Framework.

It will also include activities that drive greater support for dairy including the promotion of Australian dairy as wholesome and nutritious, further reinforcement of the role of dairy in an everyday healthy and balanced diet, and educating and influencing key opinion leaders and policy makers particularly with the review of the Australian Dietary Guidelines.

Finally, it is about ensuring farmers and processors are proud of the industry they work in, and we continue to attract new investment and people by telling the story of the economic contribution dairy manufacturing and production provides, along with the large regional and rural investment.

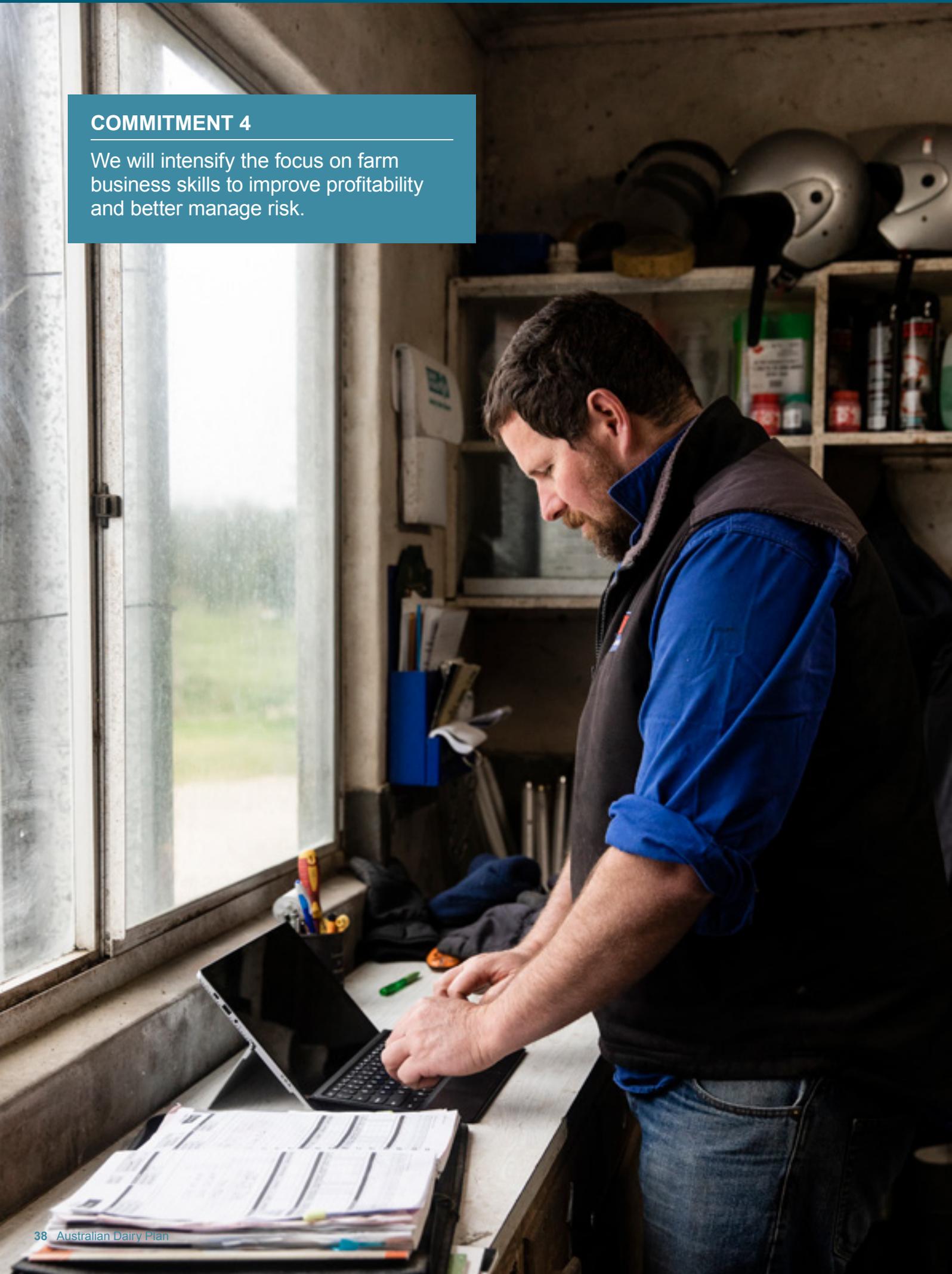
#### Measures of success:

- By 2025, there will be greater recognition of the value of dairy in terms of quality and health and nutrition benefits
- By 2025, there will be stronger support for Australian dairy and a preference to consume Australian
- By 2025, there will be stronger trust and acceptance in the health credentials of dairy, the way dairy is produced and the industry's commitment to the environment and animal care.



## COMMITMENT 4

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



## Summary

Dairy farmers operate multi-part, decision-intensive operations in an environment characterised by very high and increasing levels of volatility. This significantly increases the degree of difficulty associated with running a successful farm business.

However, there are examples of dairy farmers in every region, and operating every type of production system, who are able to assess and respond effectively to industry volatility and remain profitable. The common characteristic of these more profitable farming practices is the application of excellent business skills to manage risk and lower costs of production. The clear opportunity is to lift the business and decision-making skills of all farmers to improve their profitability and that of the wider industry.

The partners commit to providing every dairy business with the support and tools they need to manage risk and volatility to improve profitability. Specifically, new initiatives will:

- Increase significantly the proportion of farmers with effective farm business plans
- Increase the use of both physical and financial data to make better decisions on-farm
- Expand the development of tools that help farmers manage risk through a range of public and private initiatives.

## The opportunity

To lift the business and decision-making capacity of all farmers to manage risks, lower the costs of production and ultimately improve their profitability and that of the wider industry.

Dairy farmers operate multi-part, decision-intensive operations in an environment characterised by very high and increasing levels of volatility. In fact:

- Dairy commodity prices are among the most volatile of all globally traded commodities, with several major price shocks in recent years, and more possible, given the uncertainty of COVID-19 impacts. Australia's rising level of climate volatility is contributing to levels of instability in feed and water costs that were unimaginable 20 years ago, requiring new adaptation strategies.
- Dairy production and processing are particularly vulnerable as the perishability of the product, and the complexity of production systems, make it more difficult to adjust supply to manage risk.

These factors significantly increase the degree of difficulty associated with running a successful farm business, putting pressure on the ability of dairy farmers to generate profits. Adding to this, in some domestic markets, is the demand for year-round or 'flat' milk supply contracts. In many cases, prices offered do not cover the costs of production for supplying milk year-round. Out of season production requires farmers to make an extremely complex series of calculations to be able to make an informed judgment on the effects on margin for this year-round versus seasonal system.

**In these conditions of increased volatility, having the business skills and tools to manage business risk is important.**

In short, today's dairy farmers have to be more prepared, more agile and more proactive than ever. Using contemporary business management skills and tools to assist in managing risks and informing decision-making

is essential in delivering more profit consistently and ultimately, achieving long-term business and personal goals.

This is confirmed by the examples of dairy farmers who manage business risks well. Typically, there are farmers in every region, and with every type of production system, who can assess and respond to new challenges effectively and remain profitable. A common characteristic of these more profitable farmers is the application of excellent business management skills to manage risk and lower costs of production.

Governments too appreciate the importance of business management skills in managing risk and building resilience. For example, the proposed new Australian Government Future Drought Fund acknowledges that agriculture and regional communities are facing more than the cyclical nature of drought; Australia is now dealing with an ongoing trend towards much more frequent and severe droughts.

In response, the Future Drought Fund proposes an annual investment of \$100 million to increase the resilience

of Australian farm businesses and communities. A key part of this is helping farmers manage the commercial risks associated with agriculture through good business management planning and sound decision-making. This includes initiatives that enhance strategic management capacity and the use of data and information to improve on-farm decision-making and risk management. State governments are championing similar initiatives.

Of course, a proportion of the industry has been, and is currently, active in up-skilling and putting into practice these higher standards of business management skills. However, to achieve the Dairy Plan's industry profitability goals, it is crucial to extend this to all farm businesses. Achieving a higher level of engagement will be challenging – different approaches will be required to get the breakthroughs in take-up that conventional programs have not been able to achieve to date.

The dairy industry has a number of programs and initiatives (some in the pilot stage) that can be scaled up and more effectively coordinated to realise the improvements from farmers who are more informed, confident and able to manage challenges and grasp opportunities as they arise. Success will depend on securing whole of industry support for this focus on business skills. It will also be important to link in those people who work with farmers on their business decisions and have some influence (such as advisers, accountants, bank managers, nutritionists and agronomists). These programs need to span the spectrum of current knowledge and lead from the simple to the complex, while building a culture of financial and business literacy.

There is also a role for government in supporting on-farm infrastructure to help manage risk and volatility. We know, for example, that farmers with on-farm fodder inventory and supporting infrastructure are not as exposed to price increases and tend to do a lot better in managing volatility. However, in the current climate many who would benefit from this type of infrastructure are not able to access the necessary finance.

## Key initiatives

Farm business management or farm performance has been a backbone of extension programs, discussion groups and service provider offerings for decades. The fundamentals of these haven't changed. What needs to change is the use and application of business fundamentals. With volatility increasing and margins being squeezed, knowing and understanding business performance is essential for a profitable, sustainable industry.

### 1 Increase significantly the proportion of farmers with effective farm business plans

We commit to delivering a rapid expansion of a range of tailored services to increase farm business planning skills. These will be designed to help manage volatility and risk and deliver a consistent improvement in profit margins. This will be at a scale that can drive real, industry-wide change and leads to continuous improvement in business skills and risk management over the long term.

A service model based on the newly developed Our Farm, Our Plan will be implemented. These plans will result in farmers being in a better position with their business, based on a clear view of their long-term

business and personal goals. These plans will be reviewed at least annually. Benefits include a planning process that enables the involvement of all decision-makers in a farm business and a result that is widely owned and understood within the business, and farmers able to share their plans with those who can assist their business, such as advisors and finance providers.

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

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

Using this data effectively will involve:

- Expanding the approaches and options for farmers to access training in business analysis and risk management, by scaling up the Dairy Farm Business Analysis program through multiple channels
- Equipping farmers to get more value from accounting software
- Linking this information to a range of other on-farm data to enable actions like better feed planning, an understanding of home-grown feed production risks, and the management of feed purchasing risk.

### 3 Expand the availability of tools that help farmers manage risk through a range of both public and private initiatives

Risk management tools are a priority for Australian agriculture to help manage the inherent volatility in markets and climate. Governments and farm leaders are identifying solutions for our Australian environment and there are already overseas success stories that could be applied to improve the support of the dairy industry. We will work in a connected way across Australian agriculture to pursue and expand the range of opportunities for farmers.

#### How this commitment supports a profitable, confident and united dairy industry

Profitability is not a given – it takes focus and skills to optimise the circumstances presented and utilise the natural, people and capital assets of a business in the right proportions to realise a profit. Sound business planning and financial literacy is crucial though, to help set goals, understand costs, identify opportunities and refine the farm operating system. Giving every dairy farmer the opportunity to build these skills and refine their focus on business performance will build confidence.

### Implementation and next steps

The immediate priority is to expand the delivery of the Our Farm, Our Plan program as a joint investment of Dairy Australia and the Gardiner Foundation in association with other industry and government organisations. Implementation will include face-to-face and online options to maximise reach, flexibility and personal learning preferences. We have already seen an acceleration in the adoption of digitally-delivered training due to the transition to remote working during COVID-19.

A second priority for the first year of the plan is to hold a forum to discuss profit drivers on-farm as a joint initiative of Dairy Australia and ADF. The aim is to better understand the current pressures on profit, especially pressures on the cost of production, and build an effective work program to increase industry focus on the profit objective and prioritise policy issues that improve profitability.

Future year actions from Dairy Australia include more effective collection of physical and financial data through improvements to DairyBase, and innovations that make it easier to collect physical data. This will ensure key profit measures can be calculated consistently and allows for

comparisons between farms and for comprehensive industry benchmarking of performance.

Dairy Australia, Gardiner Foundation and ADF will also work with government and major agricultural organisations (such as the National Farmers' Federation) to improve access to risk management tools and create an operating environment that is more conducive to innovations in risk management tools.

#### Measures of success:

- By 2025, dairy farmers will report they are more confident in their businesses skills and are making more effective, data-driven decisions to improve farm performance and manage risk and volatility than they were previously (target: 80 per cent)
- By 2025, all dairy farm businesses will have a documented long-term plan and review their progress, at least annually
- By 2025, at least 75 per cent of dairy farms will be utilising financial risk management tools and products.

Figure 8 Relative impact assessment of Commitment 4 on industry profitability, confidence and unity



## COMMITMENT 5

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



## Summary

The combination of long planning cycles and high levels of competition mean that success in milk production and processing depends on continuity of supply. This, in turn, depends on investment in long-term relationships between farmers and processors built on confidence and trust.

The dairy industry recognises that key events have changed the industry, contributing to a significant loss of trust and co-operation across the dairy supply chain. These events have included the farmgate milk price step downs, the demise of farmer-owned cooperatives, the perceived devaluing of dairy by \$1/litre milk initiative, and world commodity price volatility.

An important step in rebuilding trust and transparency is the development of transparency and risk management tools that help farmers better understand the value of milk, manage market volatility, so as to enhance productivity and profitability. Specifically, new initiatives will:

- Establish the Milk Value Portal to provide greater transparency on farmgate milk price (FMP) and the value of milk by region and key supply metrics
- Develop Margin Scenario Calculators to improve farmer understanding of the costs of production
- Lay the groundwork for additional milk trading options.

## The opportunity

Restored trust and transparency between farmers and processors, through the development of transparency and risk management tools that help farmers better understand and manage market volatility.

The combination of long (typically five to 10-year) planning cycles and high levels of competition mean that success in milk production and processing depends on continuity of supply. This, in turn, depends on investment in long-term relationships between farmers and processors built on confidence and trust.

The dairy industry recognises that key events have changed the industry, contributing to a significant loss of trust and co-operation across the dairy supply chain.

These events have included the farmgate milk price (FMP) step downs of May 2016, the demise of farmer-owned co-operatives (Murray Goulburn was the last farmer-owned co-operative with critical mass),

the perceived 'devaluing' of dairy milk by the 2011 \$1/litre 'white' milk initiative and continued forms of pricing on generic-branded dairy products that don't reflect the value of the category relative to other foods, along with depressed world commodity prices.

The Dairy Plan is an opportunity to turn this around – to lead by learning the lessons of past experiences and creating opportunities across the dairy supply chain that enable a better future, founded on greater trust and higher levels of transparency.

The industry can take some encouragement from the fact that currently prices are very favourable. In fact, the 2019/20 year delivered a record FMP.

The dairy industry recognises that consistent high prices are ideal for promoting profitability and production growth, but also understands this industry typically experiences very high levels of price volatility. It is hard to see this changing anytime soon given the global instability caused by COVID-19.

All this suggests that an important step in rebuilding trust is much greater transparency across the whole dairy supply chain, beginning with the development of transparency and risk management tools that help farmers better understand the value of milk, manage market volatility, so as to enhance productivity and profitability.

It is important to note here that while the Australian market is functioning well on a buy/sell basis, it lags its global peers in the standardised disclosure of milk prices, and lacks 'hedging' opportunities for the buyer and the seller (that is, financial instruments that aim to reduce the risk of adverse price volatility).

In contrast, other major dairy producing countries provide more opportunities to hedge using tradeable products (such as futures markets) that allow farmers, processors and brokers to manage milk price risk.

For example, the United States has a functioning dairy futures market (via the Chicago Mercantile



Exchange) and a risk management mentality across all agricultural commodities. New Zealand has the New Zealand Exchange (NZX). The Global Dairy Trade (GDT), an online dairy trading hub for buying and selling dairy, provides spot prices for key commodities and is ultimately the settlement mechanism for NZX contracts and options.

Due to the dominant influence of dairy commodities on FMP in New Zealand, GDT is also a key indicator of the New Zealand milk price.

Of course, many of these markets are enabled by government legislation that provides a level of trust to trade, either by regulating the trading and price of milk, or by requiring public mandatory reporting of market price information. Australia does not have any regulation of this type. However, we can take some leadership from these overseas

examples for providing higher levels of price transparency and the ability to manage price risk.

We have already taken the first steps toward increased transparency with the Dairy Code of Conduct (Dairy Code). It provides structure around new season FMP and the foundations for standard form contracts between farmers and processors for the buying and selling of raw milk. It is important to continue to build awareness of the Dairy Code and reinforce how it can work to build confidence in the way farmers and processors enter into agreements.

However, much more can be done.

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

There is also a key role for more education on risk and market dynamics to help farmers understand FMP and the drivers of price volatility relevant to their farm systems.

For example, many in the industry agree more disclosure around FMP and its drivers may contribute to better business decisions. Or to understand that the farmgate value of the majority of Australia's milk is strongly correlated to USD-driven Dairy Commodity Index, despite proportionally less milk being destined for the global market. It is also important to appreciate our linkages with the global market come through Australia's exposure to dairy imports, which have escalated in recent years.

Processors can also help farmers better understand the drivers of pricing decisions by being more transparent on some elements of their operations. This includes more information on the risk-reward trade-offs that processors make (for example, a decision to direct milk into infant formula products can earn processors a higher return but comes with much greater supply chain risks and higher demand volatility). Likewise, there is scope for processors to enhance insights into other input costs such as energy, transport and labour.

There is also an opportunity to help farmers better understand their production costs and revenue associated with running a business, relative to FMP. This would support better decision-making by farmers about the farm systems that are the most profitable and appropriate for their resource base, as well as ensuring their business needs factor significantly in their contract negotiations.

Finally, while Australian dairy farmers and processors have not previously had access to forward price risk management tools for milk, it is important to begin taking steps in this direction to provide more opportunities to reduce FMP volatility. Ultimately, we want a milk market that delivers transparency across

the supply chain and increases confidence and investment in the Australian dairy industry.

All these measures are designed to complement improvements in price transparency and ultimately provide confidence in the efficiency of the supply chain.

### Key initiatives

The partners commit to building on recent work to restore trust and transparency across the dairy supply chain, by providing dairy farmers and processors with key tools that can help better understand the value of milk, manage market volatility, so as to enhance productivity and profitability.

We will:

#### 1 Establish the Milk Value Portal (MVP) to provide greater transparency on farmgate milk prices and the value of milk

ADPF and its members will take a lead on providing a deeper understanding of, and disclosure on, FMP, and the supporting measures through launching the Milk Value Portal (MVP).

The portal will operate as a central source of primary information on Australian FMPs by providing users with greater transparency around the value (or average FMP) of milk at different times of the year.

This begins by collecting and integrating milk prices data from buyers of raw milk across Australia, considering a range of parameters such as region, farm size, time of year and milk components. This is about understanding the milk price to enable a greater understanding of the impact of its relative movement. This would, for example, facilitate a greater understanding of the implications of flat versus seasonal supply to the year-average FMP and the FMP if located in Burnie (Tasmania) versus Beaudesert (Queensland).

This information will be made available through a simple, interactive, mobile-friendly website. While farmers will be the primary target audience, the media, analysts and government will also benefit.

As part of a commitment to improved transparency and strengthening the understanding of farmers of other key influences on FMP and the value of milk, the MVP will also feature:

- An explanation of the global benchmarks and market insights that influence milk prices
- An awareness of other key input costs for processors, such as energy, transport, labour, and environmental and regulatory compliance costs.

**Figure 9** Relative impact assessment of Commitment 5 on industry profitability, confidence and unity



To assure the accuracy and reliability of the milk price information in the MVP, an independent body will be engaged to undertake a review of its performance within the first 12–18 months of operation.

## 2 Develop Margin Scenario Calculators to improve farmer understanding of the costs of production

Dairy Australia will lead a program to help farmers understand their production costs and revenue associated with running a business relative to FMP, through the development of two cost-of-production calculators (one simple and one more comprehensive) called the Margin Scenario Calculators.

These calculators are built on Dairy Base data. Different farm variables can be entered generating comprehensive insights on production costs relative to FMP. For example, users will be able to compare potential margin outcomes against different revenue and production scenarios. This information will support better decision-making for farmers around the most profitable and appropriate farm systems for their resource base, as well as supporting their contract negotiations relevant to their business needs. Both calculators will be available in early 2021.

## 3 Exploring a functioning futures market for raw milk and laying the groundwork for additional milk trading options

In partnership with the Federal Government, the industry – led by ADF – will explore the design, development and market testing for a new milk price and trading platform

which could provide potentially greater selling options through the supply chain.

This new milk market aims to enable better risk management for the industry as a whole, through better price transparency and risk management. This will increase confidence and investment in the Australian dairy industry and aims to deliver spot and forward prices for the Australian market.

It would also have regard for the contracting practices seen in other Australian agricultural industries such as grains and sugar.

## How this commitment supports a profitable, confident and united dairy industry

Confidence and unity are enhanced by initiatives that help rebuild trust and resilience through increased transparency and a deeper understanding of FMP across the supply chain. Productivity and profitability are improved when farmers and others have access to new insights and knowledge that makes for better decisions that impact dairy farm revenues.

## Implementation and next steps

The initial focus will be on the development of the Milk Value Portal (MVP), launching with an interactive website and education program in late 2020, led by ADPF and its members, with the support of Dairy Australia and ADF.

**The backing of farmers, business analysts, advisors and the media will be integral to its success.**

The second priority, led by Dairy Australia, is the development of the Margin Scenario Calculators and accompanying case studies to help dairy farmers better understand their production costs as they relate to milk prices. Both calculators will be available early in 2021.

The third area of focus is laying the foundation for establishing a futures market for the Australian dairy industry. This work will be led by ADF, firstly identifying the need, concept, deliverables and measured outcomes. This project is expected to receive regulatory approval by mid-2021.

Future initiatives will be driven by their ability to generate greater trust, transparency and confidence in business processes and decisions across the dairy supply chain, to drive profitability and value.

### Measures of success:

- By the end of 2021, the MVP will be a central and credible reference point on FMP, 75 per cent of users agreeing MVP has increased their understanding of FMP and value of milk
- By the end of 2022, the first 300 users will download and/or use the business calculators and 75 per cent of users will agree the calculator improved their understanding of, and supported, business decision making
- By 2025, there will be a 100 per cent increase in the understanding and level of confidence of the market dynamics across the whole value chain, including the key drivers of FMP and the impact of their relative movement (baseline measure to be determined at end of 2020).



## Achieving industry goals through ongoing programs

Achieving the industry's goals and targets for profitability, confidence and unity will require coordinated and sustained action from a diverse range of people and organisations.





In addition to the five commitments, the Dairy Plan recognises the crucial contribution of key ongoing programs the industry needs to continue to do well to ensure sustainable long-term growth. Typically, these rely on capabilities, underlying structures and partnerships the industry has developed through decades of effort and investment, often with the support of federal and state governments.

The Dairy Plan will maintain a strong focus on these programs, leveraging them more effectively to achieve its goals. This section sets out the ongoing importance of work in research and innovation, policy leadership, market development, capability development, leadership and culture, and sustainability for delivering greater profitability, confidence, and unity.

### **Lifting *profitability* requires a more consistent ability to achieve strong operating margins. Focus areas include:**

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- Research and innovation to reduce costs of production and improve the value of milk
- Policy leadership to achieve a more favourable operating environment
- Market development to ensure competitiveness and fair access to important markets in Australia and overseas
- Learning and capability development to expand the skilled workforce and support new entrants
- Industry leadership and a positive culture that provides the skills and behaviours to manage the increasingly complex and shifting business environment.

### **Rebuilding *confidence* requires emphasis on:**

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- Research and innovation to reduce the risks to production, profitability and market access
- Policy leadership to deliver a more confident outlook through a track record of influence, collaborative engagement and positive change
- Market development to generate confidence through credible market insights
- Sustainability actions and measures that demonstrate the industry can meet and exceed (or lead) market expectations
- Leadership and culture to build confidence in how the industry thinks and talks about itself, engages and supports people and does business.

### **Greater industry *unity* will be exemplified through:**

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- Sustainability measures and targets agreed through industry consultation
- Policy leadership that is evidence-based and encourages diverse thinking and brings industry groups together
- Leadership and culture that inspires greater levels of engagement, collaboration and alignment across the industry.

## Shaping future success through research and innovation

The crucial role of research and innovation in underpinning the success of the dairy industry is widely recognised. Understanding the science of what makes a dairy farm work is fundamentally important in filling key knowledge gaps, and using existing information in different ways to contain cost increases, manage risks, increase milk production and sustain our natural resources. Post farmgate research and innovation improves our understanding of product quality, helps realise opportunities for more sustainable milk processing, and creates products that drive innovation in milk processing and marketing. The challenge now is to ensure the processes for setting research and innovation priorities effectively support industry goals in an environment where there is unlikely to be 'new' money.

**Governments and universities are important partners in research and innovation. There is a strong imperative to link research with industry needs.**

The dairy industry has strong links with research in many states (such as Victoria, Tasmania and Queensland) and will need to continue to co-design and co-develop research and innovation initiatives.

### The opportunity

Australia has a range of important capabilities in research and innovation that are critical to increasing on-farm profit and reducing the cost of production.

- *DairyBio* delivers more advanced plant and animal genetics with greater yield, feed quality and persistence of pastures and increases in animal performance for production, fertility and health. Genetics also plays a key role in adapting to a changing natural environment with improvement of heat-tolerant pasture species and breeding of heat tolerance for cattle
- *DairyFeedbase* delivers better management of agronomy and nutrition, with greater pasture yields and utilisation, improved allocation of feed for dairy herds, and improved nutrition with a focus on the transition period and early lactation. A greater ability to manage feed is critical in a changing natural environment, with the need to be more flexible in feeding systems
- *DataGene* delivers more advanced genetic improvement and data services with improved management decisions for each cow through their lifetimes. Timelier and more effective decisions are critical for farm profitability.

Other important research and innovation capabilities are focused on particular regional challenges:

- *Smarter Irrigation for Profit 2* delivers improved irrigation decision-making on the timing, quantity and application of water. Increased efficiency of water use has become critically important in irrigation zones.
- The *C4 Milk* collaboration in Queensland delivers alternate feedbase options for ensiled summer cropping options. Feed quality will continue to be the focus of improving nutrition in warmer climates.
- *DairyHIGH* in Tasmania brings a new level of focus to high grass consumption herd management and sustainable management of high stocking rate enterprises.

These research and innovation capabilities draw on a range of innovation models to deliver on industry goals, including:

- Large-scale industry programs directed at productivity growth
- Global alliances that enable Australian farmers to benefit from the best ideas and innovation in the field
- Targeted innovation to address a specific industry need or opportunity
- Joint investments with other agriculture sectors in Australia and New Zealand to target transformational innovation
- Novel innovation approaches in AgTech, based on entrepreneurial business models.

Dairy investments to date have mainly focused on the first three models, with a strong track record of achievement. A broader innovation base is required using all five models.

## Our future focus

Research and innovation will be focused on pre-farmgate activities in the next five years to achieve greater levels of profit. Processors will also invest in innovation but at a smaller scale to pre-farmgate activities, and predominantly as competitive activity by individual firms.

Successful pre-farmgate research and innovation requires:

- Clear strategic intent
- Effective coordination of efforts of investors and research providers
- Agility in pursuing the most promising leads.

To drive the required improvements in the way we identify, prioritise and coordinate investment, we will build on an established framework, Dairy Moving Forward. The main areas of focus for improved investment in research and innovation are:

- A transparent approach to the allocation of investment to a) demonstrate the link between investment and delivering on the goal of improved profit, b) identify the value that can be created by successful innovation and c) take appropriate risks to achieve this value. More active management is required to ramp up and ramp down projects.
- Increase uptake of new technologies and management approaches by farmers (a joint priority with the learning and capability development program)
- Balancing the portfolio of investments for both region-specific development needs and national research and innovation programs
- Proactive building of capability where it is limited on both a regional and national basis (a joint priority with the learning and capability development program).



## Implementation and next steps

A revision of the Dairy Moving Forward priority-setting process will commence immediately and be completed by June 2021 with a clear focus on increasing on-farm profit.

Specifically, the Dairy Moving Forward investment framework will need to prioritise research and innovations that:

- Deliver results against the clear and easily understood drivers of dairy farm profitability and productivity
- Deliver a greater ability to adapt to changes in the environment
- Generate more flexible and agile dairy production systems
- Create high-value use of technology on dairy farms and improve connectedness of multiple data sources to aid in decision-making
- Accelerate breeding of an improved feedbase and improved animals.

The priority-setting process will accommodate the requirement to both coordinate priority actions across technical disciplines, as well as the need for continuous improvement within technical disciplines.

Existing advisory groups for technical disciplines will have an important ongoing role. For example, the milk quality advisory group will review industry progress in achieving excellent milk quality and assess the capability required to undertake all key functions to improve milk quality from researchers and teachers through to private service providers.

New advisory groups will also be formed to identify and progress initiatives that increase engagement of all dairy disciplines areas with other agriculture sectors and with the AgTech sector.

Dairy Australia and Gardiner Foundation will continue to lead industry investment in research and innovation in partnership with state governments who have an important ongoing role through the provision of investment, capability and infrastructure. The commitment of all dairy industry parties to Dairy Moving Forward will be critical to expanding the range of innovation models, focusing efforts to improve investment, and undertaking priority actions.



## Industry success through strengthened policy leadership

The dairy industry has had a number of important successes in recent years in shaping and influencing policy. The challenge now is to ensure we have the right policy frameworks, including appropriate government support and the easing of unnecessary restrictions, to support the initiatives in the Dairy Plan.

We are committed to working collaboratively along the supply chain, from farmers to retailers, government and the corporate and investment sectors, while ensuring a strong farmer and processor voice when needed, on a number of important policy priorities. This work will be enabled by the new industry structures currently under development which are critical for delivering more effective policy leadership and advocacy for a more profitable and confident dairy industry.

### The opportunity

The Australian dairy industry is a vital part of the nation's future. It is essential for the economic and social development of Australia, particularly regional and rural communities. The magnitude, significance and contribution of the dairy sector needs to be recognised and acknowledged in government economic, industrial and trade policies.

Through various legislative and fiscal instruments, governments influence almost every aspect of dairy production, manufacturing and trade – from regulations that govern operations through to programs that deal with hardship, and support jobs and growth.

For dairy businesses to maximise the benefits from these initiatives they have to be represented by an agency or group of agencies that can develop unified evidence-based policy and then advocate

positions effectively to government and industry stakeholders. This policy influence and leadership role is crucial for ensuring the dairy industry remains an essential agricultural commodity.

In recent years, the dairy industry has had a number of important successes in shaping and influencing policy. These include:

- Free Trade Agreements with Indonesia, Peru, Hong Kong and Trans-Pacific nations to improve competitiveness and certainty for Australian dairy in those markets
- The increase in the price of generic milk brands from \$1 to \$1.10 per litre to increase revenues for farmers
- A legislated dairy industry code of conduct that improves the transparency of transactions between dairy farmers and processors
- \$22 million of election commitments (announced at the 2019 Federal Election) including initiatives for emerging technologies and energy efficiency incentives
- Labour market changes including government funding for an induction and training package to increase access to skilled workers for dairy farm businesses.

The opportunity now is to demonstrate to policymakers the important role dairy will play in helping achieve the Government-supported goal for Australian agriculture of \$100 billion in farmgate output by 2030, and ensuring a thriving and trusted industry, delivering jobs, economic growth and helping people to live well.

The initiatives in this Dairy Plan are designed to drive the industry's value and profitable growth aspirations. However, the right policy frameworks, including appropriate

government support, and the easing of unnecessary restrictions, will play a key part in its success.

### Our future focus

The dairy industry is committed to working collaboratively along the supply chain, from farmers to retailers, government and the corporate and investment sectors, in realising good policy outcomes that address barriers to growth and are underpinned by solid evidence.

Policy development priorities for the dairy industry include:

#### Supporting decentralisation through local manufacturing and regional development

Dairy processing is one of the few successful manufacturing sectors that has continued to invest in its long-term future. It effectively showcases 'onshoring' in food manufacturing and value-added processing at a time when COVID-19 impacts are creating more interest in local manufacturing and production. We will continue to promote to government the opportunities, particularly for regions, of investment and growth in the sector (including meaningful jobs associated with vertical integration, product expansion, technical innovation, and value-adding) and the key role governments can play in terms of incentives and investment in supporting infrastructure.

#### Resolving dairy's workforce shortages

There is a well-documented shortage of access to skilled labour at all levels in the dairy supply chain, from entry-level roles to managers on farms and in processing plants. More can be done to ensure access to labour as well as to professionalise careers in the dairy industry, promote clear career pathways and support



career progression. Our policy and advocacy efforts will support other initiatives in the Dairy Plan by working with the Australian Government on the development of the Agriculture Workforce Strategy. We will work to ensure this strategy becomes the centrepiece upon which programs are established and leveraged for industry.

### **Competitiveness and profitability of dairy in domestic and export markets**

In domestic markets, retailers continue to sell generic-branded fresh milk, yoghurt and cheese under national pricing policies that do not reflect the value of the category relative to other food categories. This reflects the inequity in market power across the supply chain and continues to have a negative impact on dairy. This has put significant downward pressure on prices that flow throughout the supply chain, and in turn the financial viability and sustainability of the domestic industry. We will continue to work with governments and retailers to increase the value of dairy across the retail environment. Meanwhile, overseas dairy industries receive US\$18 billion per year in government assistance, putting them at a significant advantage on global markets and

increasing world dairy supplies in a way that depresses prices. We will strive for a comprehensive, concerted effort to deliver more equitable free trade agreements, and to continue to prosecute against trade barriers and trade-distorting domestic support.

### **Restoring truth in labelling**

We will continue to advocate for improved Health Star Ratings on packaging for 'five food group' dairy foods, with a particular focus on cheeses. The review of the Australian Dietary Guidelines will help to demonstrate the importance and value of dairy foods – milk, cheeses and yoghurt – in the Australian diet and we will work to protect the position of dairy foods. The long-standing use of the term 'milk' by plant-based products to leverage dairy's brand and nutritional benefits also needs attention. We will encourage the Australian Government to review its food standards and enforce regulation that prohibits misleading or deceptive terms, in line with other dairy nations.

### **Recognising dairy's sustainability credentials**

The dairy industry's Sustainability Framework is the key mechanism through which we respond to

community expectations on issues like animal welfare, protecting the natural environment and reducing carbon emissions. It enables us to demonstrate our commitment to implementing best-practice standards to achieve measurable goals. We will actively use the Framework to ensure government policymakers recognise and, where appropriate, support industry efforts to deliver a more sustainable industry. This will help avoid unnecessary regulation that ignores the trajectory the industry is already taking towards sustainability.

### **Recovering responsibly from drought and bushfires**

In recent years, the dairy industry has been hard hit by drought as well as bushfires. These disasters have had a significant financial and emotional impact on farmers and processors in the industry. State and federal governments have announced various initiatives to assist with rebuilding infrastructure and businesses and deal with adverse physical and mental health issues. These initiatives require analysis and guidance to ensure the recovery not only re-establishes production and markets but mitigates the impact of these events when they inevitably re-occur in the future.



### The Murray Darling Basin Plan

The impact of the Murray Darling Basin Plan on dairying has been dramatic. Dairy farmers who sold permanent entitlements to the Australian Government are now exposed to the vagaries of water markets. Reduced water availability associated with the drought has pushed water prices to unforeseen highs that threaten dairy farm viability. Climate change and increased competition from other agricultural commodities will exacerbate this situation. To deliver greater certainty and increase confidence in the region, we will push government to act on the many reviews (such as the Productivity Commission's Five-Year Review) and ensure any new water recovery does not come at the cost of agricultural production and have a negative socio-economic impact on dairy farmers and their communities.

### More reliable and affordable energy supply

Increases in the cost of electricity and gas over the past 10 years have contributed to higher on-farm and processor costs, eroding the competitiveness of the industry. Energy costs comprise one of the

largest operating expenses for dairy farmers and processors. There is opportunity to reduce energy costs and increase operating margins by securing affordable, reliable and sustainable energy across the supply chain through more effective policy leadership and tapping into new technologies.

This can be achieved through identifying opportunities for the dairy industry to work collectively with government on investments that will drive down costs and carbon emissions, while helping to meet sustainability targets and the National Farmers' Federation aspirational economy-wide target of carbon neutrality by 2050. Other opportunities exist to work with energy providers on new and innovative emerging technologies such as coordinated use of batteries and solar energy.

### Implementation and next steps

Implementation will be collaborative and involve stakeholders from across the supply chain. This work will be enabled by new industry structures that aim to deliver a stronger and unified industry voice

representing regional and national interests, as well as an ability to represent diverse views along the supply chain as needed.

An immediate priority will be to establish a cross-functional working group with representatives from across the supply chain to develop an overarching policy workplan for year one.

Three areas require immediate focus:

- 1 Energy with a goal to improve reliability and reduce energy costs and emissions. The partners will establish of a roundtable of experts comprising farmers, processors, energy suppliers and government (state and federal) to develop an industry plan and set of outcomes
- 2 Australian Dietary Guidelines with an active contribution to the current review to ensure dairy is protected and promoted. A cross-industry working group will be formed alongside an external Advisory Panel of industry experts
- 3 Water with a cross-industry taskforce to influence water policy and drive fair access and costs.

## Creating opportunities through market development

The ability to supply high-value products into a range of domestic and international markets is vital for Australian dairy producers and processors. Improvements to market access, reductions in dairy tariffs and charges, and the management of technical market access barriers creates a greater diversity of market options. It also reduces the cost of exporting and contributes to higher returns through the supply chain. This ultimately ensures farmers are paid a fairer price for their milk. Constant investment in market development is also required to sustain demand for dairy products.

### The opportunity

The Dairy Plan aims to reverse the trend of a shrinking milk pool and return the industry to profitable growth. As the dairy industry produces more milk than is required domestically, any future production growth is destined for the international market where Australia competes with the likes of New Zealand, the European Union and the United States, as well as with smaller players such as Argentina, Ukraine and Uruguay. This means our industry's long-term growth and profitability is linked closely to our ability to be a competitive producer that can retain and develop our prominent global market positioning.

**Australia has strong market development capabilities that support the industry to compete effectively in global markets.**

This is achieved by strengthening the positioning of Australian dairy products, reducing dairy tariffs and charges, and helping industry to mitigate the impacts of technical market requirements. This benefits industry by creating a greater diversity of higher-value market options and a reduced cost of accessing markets.

Underpinning these market development capabilities are:

- Well-developed networks with customers, governments and regulators that enable industry to respond quickly to overcome market access issues and effectively identify and navigate non-tariff barriers
- Market experience and compelling dairy stories to reinforce the position that dairy is a healthy and desirable food. This includes effective industry marketing, regular publication of new research, and proactive engagement in public health discussions
- Provision of market insights that analyse the entire dairy supply chain. For example, milk production and sales statistics are regularly published along with major economic trends such as changes in input costs, retail sales, export and import volumes and macroeconomic influences on the dairy market.

However, markets are continually changing, creating new challenges, most notably the global economic impacts of the COVID-19 pandemic. The long-term impacts of COVID-19 are still uncertain, however there are clearly a number of risks for Australian dairy exports to manage. As national

and per-capita incomes decrease in many countries, demand for premium priced dairy products is likely to slow, putting at risk recent growth in value-added product lines. Moreover, the insecurity associated with COVID-19 could amplify the recent trend in international protectionism and undermine years of progress in achieving market access on fair terms.

Nevertheless, we can take some confidence that we entered the COVID-19 crisis with strong and growing demand for dairy products in many Asian markets, the Middle East and north African countries, and effective access to many of the more lucrative export markets. We are particularly fortunate to be located on the doorstep of the ASEAN region which has been experiencing very high-growth demand for dairy in recent times.

### Our future focus

Responding to the opportunities and challenges of changing markets requires constant investment in market development. This is especially important now given the level of global market uncertainty. Industry must continue to be supported to maintain and improve its position as a dairy supplier and exporter.

The key opportunity for the dairy industry is to drive success in high-value dairy markets<sup>11</sup> by leveraging our networks and the prominent positioning of Australia as a cost competitive supplier of dairy products of the highest quality. Success will be underpinned by ensuring Australian dairy is recognised and valued around the world for its premium products.

<sup>11</sup> Australian dairy, with just six per cent of the total global dairy trade, cannot expect to be successful on the back of being a large-scale supplier of low-cost dairy commodities.



This will involve a stronger focus on delivering value from flexible, adaptable and innovative supply chains. Individual companies will leverage new market opportunities of high-value products when they are quick to anticipate and respond to changing market needs, with a focus on customers prepared to pay a premium. The variety of processing companies and factory sizes, and broad product range in Australia can be an advantage (compared to some competitors who are more aligned to a large-volume commodity business). These factors can allow our processors to supply more value-added dairy products that better meet customer needs in terms of specifications, logistics, innovations and support.

We will also focus more on taking advantages of positive perceptions in domestic and international markets of 'Brand Australia' and of Australian dairy more specifically. These include Australia's positive reputation

as a producer of high-quality and safe agricultural products, including dairy, and favourable attributes such as its natural beauty, lifestyle and the openness of its people. We must take every opportunity to reinforce these perceptions. The underlying sustainability credentials of Australian dairy will also provide a critical underlying basis for our strong future prospects.

### **Implementation and next steps**

Maintaining and increasing favourable trading arrangements in international markets will require:

- Taking well informed, unified industry positions through to market access negotiations to support favourable outcomes for Australian dairy exporters
- Proactive facilitation to resolve technical and regulatory market access issues that impinge on our ability to profitably supply both domestic and international markets

- Initiatives that generate a greater awareness of, and active buyer preference for, Australian dairy products in key markets
- Working with other major Australian food industries to promote the positive perceptions of Australian produce in international markets (such as red meat, wine and horticulture)
- Generating market intelligence, supported by information sharing, for the advantage of Australian dairy industry supply chain participants
- Building and strengthening key stakeholder relationships across industry and government to support these outcomes.

ADF, ADPF and Dairy Australia will each continue to take a lead role in market development. ADF and ADPF will advocate collectively on behalf of farmers and processors with technical support and market development services from Dairy Australia.

## Empowering people through learning and capability development

In an age of rapid technology advances, innovation and continual change, learning and capability development will be critical to empowering people in Australian dairy with experiences for professional, business and personal growth.

### The opportunity

Dairy has a strong learning culture and provides a wide range of learning opportunities to all people employed across the industry.

Long standing industry partnerships between educators, extension specialists and subject experts has created a wealth of training content that is adapted to farming and processing in Australian conditions. For example, farmers have ready access to:

- Discussion groups who meet regularly on farm
- Focus farms undergoing business development
- Short courses custom designed for industry needs
- On-the-job training
- Competency-based training
- University education
- Targeted opportunities like conferences and mentoring.

Our opportunity is to leverage what has been developed, enhance its relevance and accessibility (including participation rates) and improve the capabilities of dairy people. This will be driven by an expectation that:

- People and businesses have to be more proactive in responding to situational change. This increases the emphasis on producing a flexible and adaptable workforce underpinned by a re-emphasis on sound management skills

- Businesses need to provide people with continual learning and capability development opportunities in order to attract and retain staff and be an employer of choice
- Competition for new entrants into the labour market will increase along with pressures on the retention of people within the industry
- Businesses will assess the effectiveness of learning and capability development outcomes and investment in their people.

**Value is seen through rich and enjoyable learning experiences, the people of the Australian dairy industry performing their jobs capably, a growing workforce that is actively retained, and the Australian dairy industry progressing in a sustainable and prosperous way.**

### Our future focus

Learning and capability development will span pre- and post-farmgate over the next five years to achieve greater levels of profit and confidence and build the pool of talented people, with a particular focus on farmers.

A new approach to learning and capability development will adopt six principles:

- 1 The Australian dairy industry workforce will continue to be internationally recognised for their capabilities and leadership, today and into the future
- 2 Learning and capability development is an important tool to attract and retain highly capable people

- 3 We value a diverse and connected range of learning experiences across extension, education and peer-to-peer learning
- 4 Opportunities will be accessible across all regions
- 5 A culture of evidence-informed decision-making will be fostered in all aspects of learning and capability development initiatives
- 6 All learning will be facilitated to be learner-centred, guided by industry, united as a suite of offerings, and enhanced through the use of technology.

### Implementation and next steps

The immediate focus is to expand the skilled workforce and support new entrants.

Priority actions include:

- **Targeted learning activities:** Learning and capability development offerings will be aligned to career goals and pathways with resources to strategically target learning needs
- **A dairy learning and capability development system (DairyLearn):** Australian dairy farmers, the people they employ and those preparing to enter the industry will access a connected suite of learning and capability development opportunities that are easily accessible, sustainable, and meet the workforce capability and development needs of individuals and industry
- **Accessible learning environment:** Leverage the existing range of extension opportunities to provide an environment where learners can succeed in self-development and improve their practice. Easy access to experiences that are centred around the way the learner approaches learning and develops

knowledge, skills and attributes central to achieving their personal or business goals

- *A focused approach on the individual:* There will be the opportunity for a personalised development journey. Individuals working in or new to the dairy industry will be given the opportunity to engage in a personalised journey which matches their current skills and capabilities against what they would like to achieve. This is mapped out as a pathway supported development through a potential combination of extension and learning experiences provided through industry and commercial partners.

Dairy Australia will take responsibility to deliver these priority actions through the current extension network and by working with other dairy industry organisations and education providers to expand access to learning activities, particularly post-farmgate.



## Transforming dairy through industry-wide leadership and a positive culture

A positive culture plays a crucial role in industry success. Sustaining a positive culture characterised by high levels of trust, collaboration and confidence has been difficult during recent challenging and volatile times. We need to turn this around. Building a more positive culture is fundamentally about leadership, but not in the way we've conventionally thought about it. To deliver positive cultural change in a more volatile world, we need a new leadership paradigm where leadership is everyone's responsibility, and that focuses more on the mindsets and behaviours we exercise every day, rather than skills acquisition. The partners commit to a new approach to leadership development, beginning with a new Dairy Industry Leadership Strategy that will guide our industry's investment in developing leadership capability, right across the dairy value chain.

### The opportunity

A positive culture plays a crucial role in industry success. It is fundamental to attracting and retaining people and investment, supporting the wellbeing and mental health of our people, and enabling more effective decision-making, collaboration, stakeholder engagement and issue resolution.

The dairy industry has historically prided itself on a constructive and collaborative culture across the supply chain. However, sustaining a positive culture characterised by high levels of trust, collaboration and confidence has been difficult during the challenging and volatile times of recent years. In fact, many in the industry now point to the division and negativity that has become pervasive, and its counter-productive impact on the industry's fortunes.

We need to turn this around. In fact this may be one of the most important tasks of the Dairy Plan – to make an urgent, meaningful, industry-wide shift in the way we behave and collaborate; how we think, talk about and promote the industry; how we engage and support our people – in short, to how we do business.

Building a more positive culture is fundamentally about leadership, but not in the way we've conventionally thought about it.

First, leadership is not simply skills and knowledge. Leadership is about the mindsets and behaviours we exercise every day. It is about how we constructively engage with diverse views, encourage the continual development of our people and prioritise their wellbeing, and how we align our people behind a shared vision of a more profitable, confident, united dairy industry. Ultimately it is about how we contribute positively to the culture of the entire industry, a culture which will draw people to the industry and its products.

Secondly and crucially, leadership is not about positions. To sustain a positive cultural change, we need everyone in the dairy industry consistently demonstrating leadership mindsets and behaviours. This means that building a more collaborative and positive industry culture starts in the spaces in which we work – on our farms and in our organisations – and extends right across the dairy value chain, from individual workers who lead themselves on farm, to business owners who lead their businesses and impact their communities, to those in formal industry leadership positions.

Third, we need to encourage more adaptive leadership mindsets and behaviours that build resilience and help us negotiate new challenges

and opportunities in an increasingly volatile and uncertain operating environment. Adapting to new circumstances and situations as they rise (such as the range of COVID-19 impacts) requires holistic and strategic thinking, active listening, collaboration and innovation.

In short, to deliver positive cultural change in a more volatile world, we need a new leadership paradigm where leadership is everyone's responsibility.

### Our future focus

This new approach to leadership development will focus on everyone in our industry, including young farmers, those new to farming, multigenerational farmers, people working in our processing industry, and those working to support the sector.

This means the structure and delivery of leadership development activities need to:

- Maximise reach and reduce barriers to participation
- Provide a range of learning modes and support life-long learning and development
- Be affordable and flexible with work and life demands.

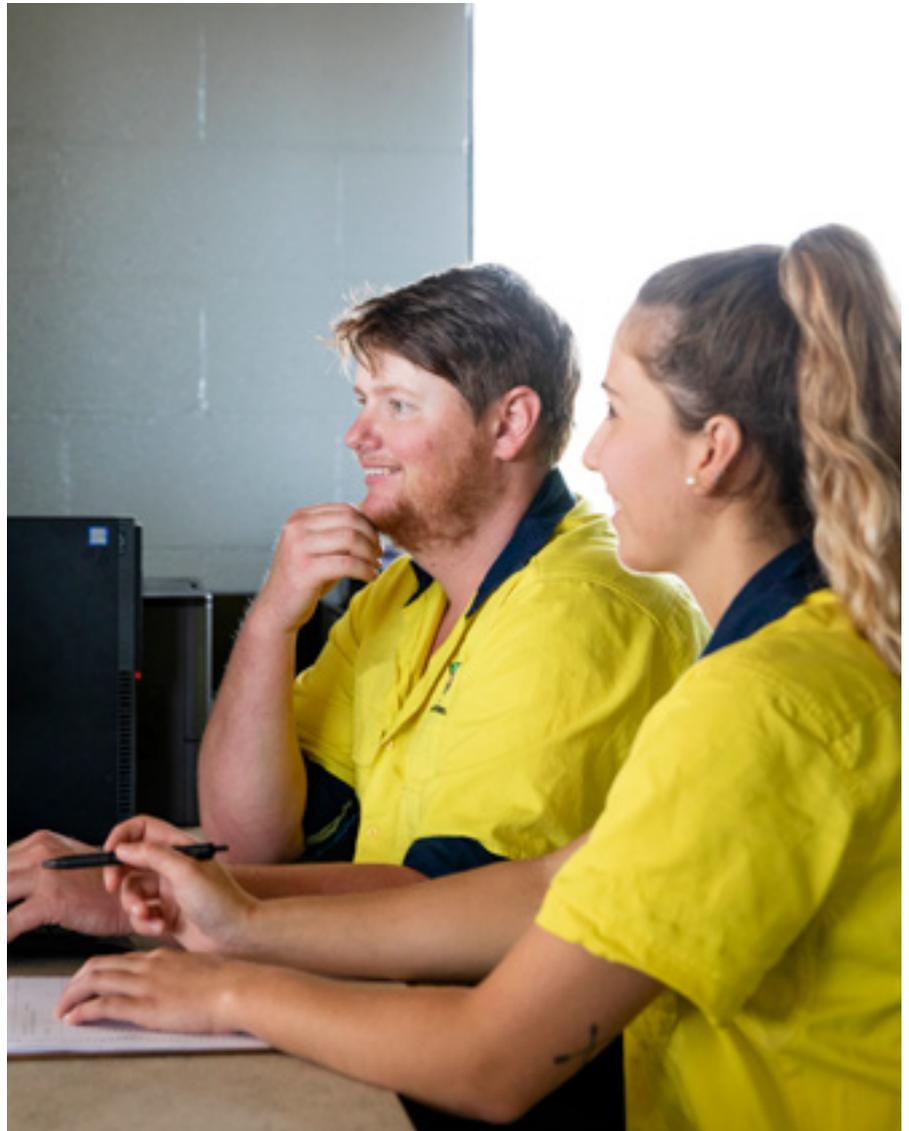
Our new approach will also take inspiration from contemporary leadership programs, that is, those that focus on behavioural change and emotional intelligence, rather than skills acquisition, and encompass a range of development opportunities including for leading self, leading others and leading in our industry and communities. Our aim will be to provide people with leadership capabilities that can be applied in all aspects of a dairy business and in their personal lives, not just in formal leadership roles.

## Implementation and next steps

The partners commit to the development of a new Dairy Leadership Strategy to guide our industry's investment in developing leadership capability, right across the dairy value chain. This new Strategy will be completed by late 2020, ready for implementation and investment, and be available to people across the industry.

Specifically, the new Dairy Leadership Strategy will:

- Provide the detailed rationale for an industry leadership strategy outlining its purpose and overarching goals
- Set industry-wide objectives that:
  - Can be measured in the short, medium and long term
  - Cover practical experience, capability development outcomes, impact and return on investment.
- Identify the desired leadership skills, knowledge, mindsets and behaviours to take the whole of the dairy industry forward into the future
- Have regard for the different ways and styles that people learn
- Feature a range of sustainable, contemporary and relevant approaches to leadership development that:
  - Focus on building leadership capability for the future
  - Are embedded in everyday industry activities and dedicated training programs
  - Increase the emphasis on engaging young people from across the industry
- Focus on relevance to, and opportunities for, a diverse range of people across the dairy industry, both in the development and application of leadership capabilities.



Dairy Australia and the Gardiner Dairy Foundation will reinforce their significant investments in industry leadership development and align their investments with the approaches and priorities of the new Strategy. This will include partnerships with a broad range of industry service providers and best practice leadership organisations to provide accessible and tailored leadership development opportunities.

Meanwhile, the building of leadership capability and opportunities, together with the application of positive mindsets and behaviours, will be incorporated into a broad range of industry learning and development programs. Specific activities associated with the Dairy Leadership Strategy will have success measures to track the number and breadth of participants, and understand the impact of relevant training and experiences on their lives, their businesses, industry and the wider community.

## Sustaining the trust and support of the community and consumers (the Sustainability Framework)

Trust and support for the industry are critical elements of building confidence in the industry's outlook. The key mechanism for achieving this is the Australian Dairy Sustainability Framework (the Sustainability Framework). It sets and reports against goals and targets designed to help the dairy industry deliver on an agreed industry promise: to provide nutritious food for a healthier world. The Sustainability Framework has won widespread support for the way in which it: operates across and unites the whole dairy supply chain; helps profile industry achievements; and provides clarity where the industry needs to do more. It is regularly reviewed to ensure it aligns with changing expectations such as recent calls for more ambitious targets on reducing carbon emissions.

### The opportunity

Food industries that require land, water, animals and people to make food are at the centre of many of the sustainability challenges facing the world today. Issues like land degradation, biodiversity loss, food security, climate change, population growth, water scarcity, animal welfare, public health and nutrition, human rights and technological disruption are challenging the way food is made.

It is critical that the Australian dairy industry works to meet these challenges to sustain the trust and support of the community and consumers who expect food to be produced responsibly and sustainably.

The key mechanism for enabling the industry to meet this expectation is the Sustainability Framework. It is a tool the industry uses to speak to the community and consumers about how it is managing key sustainability challenges.

Through widespread consultation with stakeholders and the dairy supply chain, the Sustainability Framework provides direction – in the form of 2030 goals and measurable targets – that sets us on the path towards, for example:

- Achieving zero farm fatalities
- Trending towards carbon neutrality
- Reusing, recycling or composting 100 per cent of packaging
- Halving food waste
- Creating more rewarding careers for better skilled workers
- Earning income from environmental stewardship
- Improving animal welfare practices and food safety
- Using antibiotics responsibly
- Strengthening integrity systems, and
- Producing nutritious food the world cannot live without.

The Sustainability Framework also measures and publicly reports on progress against these goals and targets annually (see [www.sustainableairyoz.com.au](http://www.sustainableairyoz.com.au)). These goals and targets require monitoring and demonstrated improvement in environmental performance, animal welfare practices and food safety and integrity systems. Many of these systems are in place and will be expended to address the growing breadth of goals and targets in the Sustainability Framework.

The goals in the Sustainability Framework are aligned with the sustainability metrics in the National Farmers Federation's 2030 Roadmap – a plan to grow the value of Australian agricultural production to \$100 billion by 2030 – and the global Dairy Sustainability Framework that provides direction for sustainability in the dairy value chain worldwide.

The Australian dairy industry has achieved worldwide recognition for this framework – the first of its kind for agriculture – and its ability to demonstrate the industry's credentials. More importantly, it has won the support of investors, customers, retailers, special interest groups, financial institutions, government, primary industry and the wider community, including consumers. Indeed, consumer surveys demonstrate high levels of trust and support for the industry, while highlighting opportunities to deliver further improvements in environment and animal care.

### Our future focus

The two key priorities for the Sustainability Framework are to:

- Generate a more confident outlook for the industry by demonstrating an ability to proactively meet market expectations
- Support a greater degree of industry unity by demonstrating a capacity to work together to agree sustainability measures and targets and actively promote continuous improvement.

Success will require a greater profile of the role and achievements of the Sustainability Framework across the dairy industry. In particular, more farmers and processors will need to be aware of its impact and the support it generates among the community, consumers and investors.

Success will also require a commitment to regularly review measures and targets and report progress annually. Over time, new goals and targets will be set, existing goals and targets refined, and action plans developed to support achieving the goals. Aligning the Sustainability Framework to national and global initiatives will continue to be important.

All goals and targets are now reset to 2030, aligning dairy with the United Nations Sustainable Development Goals (UN SDGs). The 11 goals set out the basis on which the dairy industry will enhance economic viability and livelihoods, improve wellbeing of people, provide best care for our animals, and reduce environmental impact. They are designed to help deliver on an agreed industry promise: to deliver nutritious food to a healthier world.

### Implementation and next steps

The Sustainability Framework has a number of mechanisms that constantly monitor what matters to the community, consumers, multinational customers and retailers

as well as our key stakeholders. For example, the Dairy Sustainability Consultative Forum comprises more than 50 representatives and has met twice yearly for the past seven years to provide feedback on our goals, targets and progress and hear stories from farmers and manufacturers – as well as identifying any emerging issues we need to address.

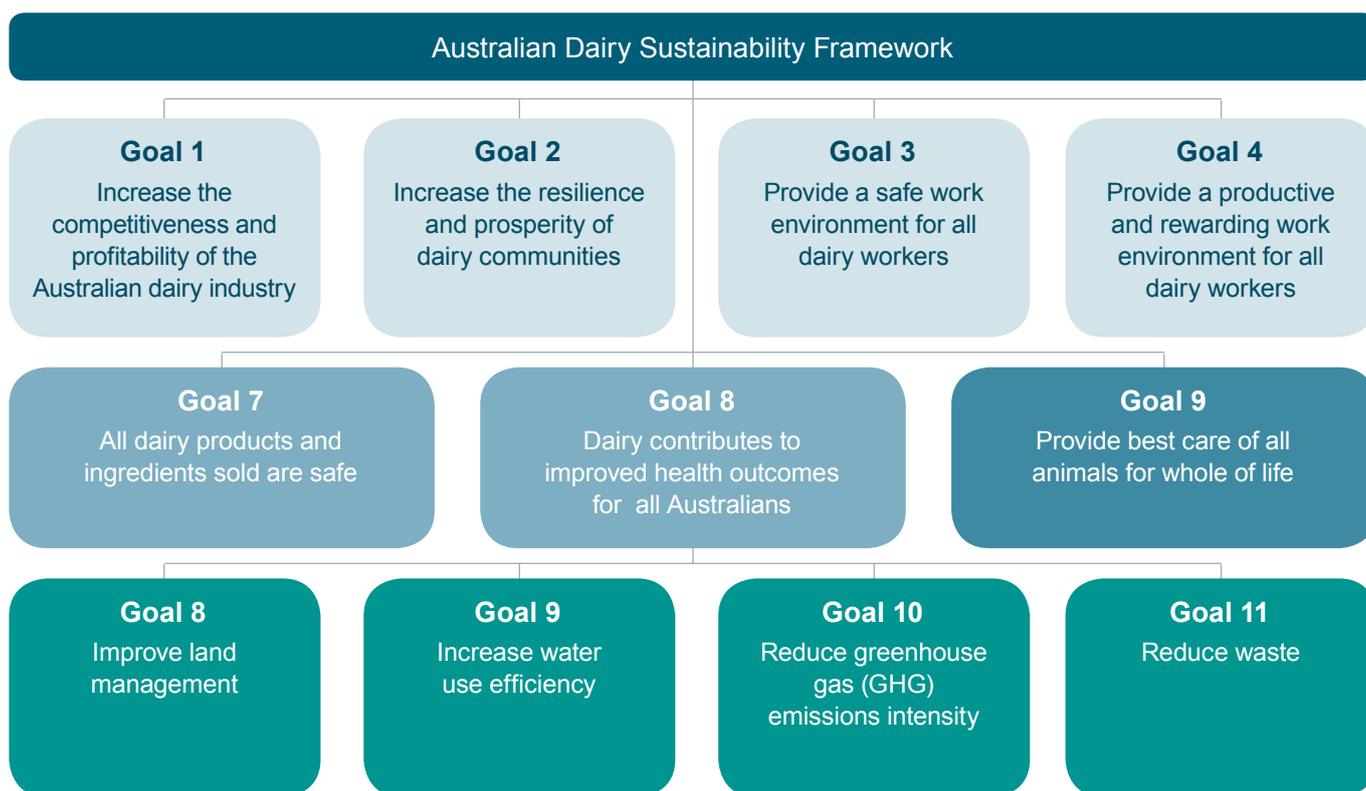
This feedback enables a regular review of goals and targets and adjustments to be made as necessary. A review in 2018 identified anti-microbial stewardship, human rights and food waste as significant (material) issues. Targets for these sustainability risks have now been agreed, included in the Sustainability Framework and reported publicly in the 2019 Sustainability Progress Report. A more comprehensive

review in 2019 confirmed the main issues identified by industry are still high priorities for stakeholders and the community.

One of the next steps is to consider revising the measures and targets for carbon emissions (Goal 10) in light of commitments from the National Farmers' Federation, major overseas dairy industries, who have set out more assertive goals, and investors who are seeking more ambitious targets to reduce GHG emissions.

ADF, ADPF and Dairy Australia will each continue to take a lead role in sustainability. ADF and ADPF work together to govern the sustainability framework and Dairy Australia manages the framework.

Figure 10 Australian Dairy Sustainability Framework Goals



## Accomplishing the Dairy Plan: ensuring accountability and monitoring progress

The Dairy Plan charts the way forward for the Australian dairy industry to be more profitable, confident and united over the next five years and beyond. The partner organisations that came together to support the development of the Plan – ADF, ADPF, Dairy Australia and the Gardiner Dairy Foundation – are committed to continuing their joint efforts to enable the attainment of the Dairy Plan's goals and success measures, noting however that success relies on all dairy stakeholders taking ownership.

Each of the partners will refresh their organisational strategies to ensure alignment with the commitments and initiatives of the Dairy Plan with the necessary resources, both individually and in collaboration with other organisations. Implementation of this Dairy Plan commences immediately from the date of external release, with partner organisations working with the broader industry to support the delivery of the commitments and ongoing programs.

Fundamental to the success of the Dairy Plan and in building confidence across the industry, the partner organisations recognise that progress against the Plan must be continually monitored, assessed and reported to the Australian dairy industry and broader industry stakeholders.

## Appendices

Please visit the Australian Dairy Plan website to access the appendices ([dairyplan.com.au](http://dairyplan.com.au)).

### Appendix A

Growth Scenarios paper (September 2020)

### Appendix B

Australian Dairy Situation Analysis (May 2019)

### Appendix C

Key themes from stakeholder engagements (July 2019)

### Appendix D

National Workshop – Summary of workshop outputs (July 2019)

### Appendix E

Key Directions statement (October 2019)

### Appendix F

Measurement of profitability on Australian dairy farms: Historical trends and future targets (September 2020)

### Appendix G

Summary of industry feedback on the draft Australian Dairy Plan (June 2020)

To this end, the Australian Dairy Plan Committee (ADPC), comprising the Chairs of each partner organisation, will provide regular oversight of the implementation, monitoring and reporting of the progress of the Dairy Plan (the composition and role of the ADPC may alter following the establishment of a new industry structure).

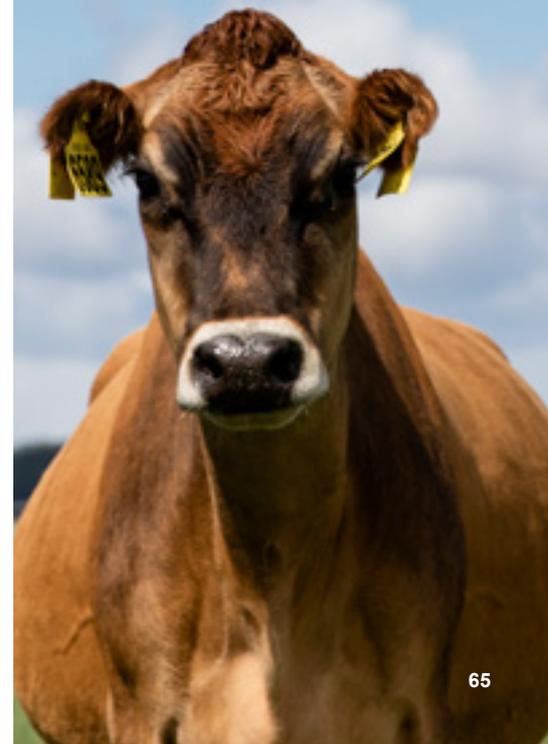
The ADPC has agreed the following set of principles defining how it will conduct its business:

- We respect the roles of all dairy industry organisations, their decision rights and their appointed leaders
- We respect all dairy industry stakeholders and will encourage their engagement and carefully consider their views
- We will foster and support collaboration between industry stakeholders in the implementation of the Dairy Plan
- We will keep dairy industry stakeholders informed of the progress with implementation
- To implement and monitor the Dairy Plan we will use decision-making processes that are evidence-based, timely and transparent to deliver the maximum benefit to the industry as a whole
- We will support the implementation of the decisions taken to deliver on the Dairy Plan
- We will hold ourselves accountable for delivery through regular reporting and industry-wide communications
- We will model and work to instil a positive culture in the industry that supports the goals of the Dairy Plan.

To ensure the highest levels of commitment and accountability, the ADPC will meet quarterly and provide a short summary progress report to key stakeholders every six months. In addition, ADPC will release a more detailed report annually including writing to Federal, State and Territory Agriculture Ministers, outlining progress against the Dairy Plan.

Each quarter, the partner organisations will inform the ADPC of their actions and progress in contributing to the Dairy Plan's priorities. In addition, the ADPC will utilise information from a range of additional sources, including stakeholder surveys and advice from industry committees responsible for ongoing major programs (such as Dairy Moving Forward), to monitor and assess progress of the Dairy Plan and its performance measures.

This progress and performance monitoring and reporting is to ensure the Dairy Plan does not 'sit on the shelf' and vital progress is made. The partners, together with the broader industry, are accountable for facilitating this progress towards a more profitable, confident and united Australian dairy industry.



For more information on the Australian Dairy Plan visit: [dairyplan.com.au](https://dairyplan.com.au)

#### Disclaimer

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