



3 July 2020

Senator Glenn Sterle
Chair
Senate Standing Committee on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Chair,

Dairy Australia has prepared this correspondence to offer information about the investments and governance of Dairy Australia. This detail clarifies key points raised at the recent hearings to the Rural and Regional Affairs and Transport Committee (the Committee) on 19 June 2020 and supplements our original submission to the Inquiry into the performance of the Australian Dairy Industry (the Inquiry). This additional information will be of value to the Committee in the preparation of its final report.

Research, Development & Extension (RD&E) investment

Each year Dairy Australia invests approximately \$23 million of levy funds in projects with direct relevance to dairy farms or with a 'pre farmgate' focus. The vast majority of Dairy Australia's investments in research and development are designed to deliver value for all Australian dairy farmers regardless of geography or farming system. For example, projects in the areas of: managing people and human resources on farm, farm business management and analysis, animal performance and health, milk harvesting, genetics, soils and fertiliser management, climate change adaptation, transition cow management, and cow nutrition.

Dairy Australia's scope is not limited to RD&E delivering a range of other services that deliver value to all dairy farmers in the areas of sustainability, consumer marketing and communications, market information and insights, and support for international trade.

Consultation with farmers underpins our plans and our allocation of R&D funding. This includes regional consultation with local Boards of our eight Regional Development Programs (RDPs), national industry bodies (such as Australian Dairy Farmers) and State Dairy Farming Organisations (SDFOs) as well as technical communities of interest. Farmers are also directly involved in coordinating activity under Dairy Moving Forward, our commitment to Commonwealth and state governments about RD&E priorities.

Extension funding is provided to support activities which translate research and development outcomes into practice for farmers through such things as workshops, training materials, written resources. Allocation of extension funding between regions is weighted based on the relative size of each region with adjustment for smaller and geographically dispersed dairy regions. A full portfolio of extension services is available through RDPs, and is underpinned by annual

extension plans. RDPs also leverage levy funds to attract co-investment from external funding sources used for high priority regional projects.

These extension activities are closely monitored to ensure they are meeting the needs of local farmers and achieving high levels of engagement. For example, in 2018-19 Subtropical Dairy (RDP servicing Queensland and northern NSW) delivered a total of 131 workshops and events to industry. Attendance across these events totalled 1,636 farmers and staff, and a further 430 service providers to industry. These events covered farm business management, feedbase and nutrition, animal health and performance and regular discussion groups. Participants consistently ranked the quality of workshops 8.9 out of 10 on average in terms of value to their business.

A number of witnesses to the Committee questioned the investment in development of tropical grasses relevant to northern dairy farmers. The Queensland and northern NSW dairy industry is diversifying to encompass pasture-based systems which continue to rely on the quality of tropical grasses (140 farms in the Subtropical region), as well as more intensive systems which utilise home grown feed sources and other feed inputs but rely less on pasture quality (197 farms in Subtropical region). This diversification means investment decisions in northern dairying areas need to support research and development which improves the quality and efficiency of all feed types.

However, there remain a significant number of pasture-based farms and as such, there has been an acceleration of activity in this area in recent years. For example, plot trials of a variety of commercially available tropical grass varieties are underway within the C4 Milk project at Gatton. DairyBio is a global leader in dairy forage genomics and have recruited two PhD student specifically working to develop genetically improved tropical grasses with higher feed quality.

Dairy Australia has three marquee investments in RD&E projects specific to the Queensland and NSW dairy regions outlined below.

C4 Milk Project

The C4 Milk project which is co-funded with the Queensland Department of Agriculture and Fisheries with a total direct investment of \$1.55 million per annum. This is augmented by additional investment in the delivery of relevant extension courses by Subtropical Dairy for farmers (approximately \$550k per annum), and presentations and workshops for industry (approximately \$300k per annum).

The C4Milk project aims to develop and implement efficient feeding systems that increase the efficiency of milk production from feed inputs (milk over feed costs) relevant to northern dairy farmers. It has three components:

- Improve the quality of forage consumed to improve feed conversion efficiency.
- Increased proportion of forage in the diet from low cost home grown and purchased forages whilst maintaining or increasing milk production.
- Testing of low-cost feeding systems – developing and testing forage and feeding systems that are low cost, easy to manage and resilient in northern farming conditions.

The implementation of C4 Milk responds to a transition in farming systems in Queensland and northern NSW. There has been a reduction in the proportion of farms in high rainfall coastal regions driven primarily by higher land prices, less irrigation, drought and a greater need to manage cow comfort from high heat loads in intensive systems.

The C4 Milk project is now in its second stage since commencement in 2014. There was extensive consultation during the development phase by the Queensland Department of Agriculture and Fisheries. Today it is governed by an Advisory Committee consisting of

senior service providers and leading farmers to ensure the voice of local farmers is directly represented in project governance.

C4 Milk has delivered important returns on investment over the last three years. Its project target is to reduce feed costs by 2 cents per litre of milk produced for 15% of the region's farms, and project reports indicate that this target has now been exceeded. C4 Milk has developed into a national dairy RD&E flagship with its outcomes being extended throughout Queensland, NSW, northern Victoria and Western Australia.

Smarter Irrigation for Profit phase II

This project is a collaborative project with other Research and Development Corporations (RDCs) and the Commonwealth Government through the Rural Research and Development for Profit (RR&D4P) initiative. This project builds on the previous project Smarter Irrigation for Profit phase 1. The total three-year investment (2019-2022) from DA is \$565k per annum.

Adapting Farm Systems

This three-year project (2019-2022) builds resources and decision-making tools for farms considering altering their feedbase to include alternate forages in response to decreasing water availability and pasture persistence. This project further equips farmers to consider, design and implement approaches to building feeding infrastructure (such as a permanent feedpads) with the potential for cattle housing. The Community of Interest which provides input to this project includes representation from NSW Farmers.

One of the resources being currently built in this project is a world leading set of guidelines to designing, constructing and integrating a cattle housing system where such a system is seen as optimal, and is of greatest value to dairy farmers across northern NSW, Queensland and some parts of northern Victoria.

Dairy Australia governance and strategic planning

It is vital that the Australia dairy industry has confidence in the ability of Dairy Australia to make decisions informed by industry on the appropriate expenditure and prioritisation of research and development funds generated by farmer levies. To meet this objective and navigate the degree of change and challenges facing Australian dairy farmers, Dairy Australia together with the Gardiner Dairy Foundation and industry representative bodies representing farmers (Australian Dairy Farmers) and processors (Australian Dairy Products Federation) have dedicated considerable time and resources to the development of a national Australian Dairy Plan. The plan aims to define and deliver the transformational change that is required to achieve a profitable, confident and Australian dairy industry for the future.

The Australian Dairy Plan has recommended significant structural reforms to national and regional industry organisations currently being operationalised. The plan has been developed in consultation with over 1,500 stakeholders across the dairy industry including face-to-face and virtual engagement in every dairy region. We encourage the Committee to see further detail on the progress of the Plan at www.dairyplan.com.au.

In describing specific research and development projects above, we have identified some of the mechanisms employed to achieve extensive and ongoing consultation with members regarding Dairy Australia's investment and expenditure decisions within our regions.

We operate a skills-based Board to ensure that our organisation has the requisite range and depth of expertise to oversee the delivery of relevant R&D and extension services, to support the productivity and profitability of our levy paying farmers. Half of Dairy Australia Board positions are filled by milk producer Directors, helping to ensure that our investments and services are

developed to deliver maximum value on farm. We sought advice from Group B member ADF on how to ensure farmer representative organisations have direct input into Board selection, and at their recommendation, have formed a pre-selection committee that includes representation from ADF and two SDFO Presidents to advise on Board nominations.

For clarity, Dairy Australia delivers services for all Australian dairy farmers regardless of whether they are members or not. The majority of levy paying farmers are Group A members of Dairy Australia (63% of known active dairy enterprises). We note that Commonwealth legislation prevents Dairy Australia automatically entering all levy paying farm businesses as Group A members of Dairy Australia, with voting rights for director election to the Dairy Australia Board and changes to the Dairy Australia constitution.

The full process for nominating and electing members to the Dairy Australia Board is outlined in detail in our original submission, as is the quantum and method of collection for levy funds and structures for consultation of industry in levy expenditure. Our original submission also includes the evaluation and transparency measures in place to assess the value of past investments and perceptions of quality and relevance by industry.

We remain available to the Committee should you have questions or require further information.

Yours sincerely

James Mann
A/Chair
Dairy Australia

CC: Minister Littleproud
Andrew Metcalfe, Secretary Department of Agriculture, Water and the Environment

Attachment 1 - Australian Dairy Composition

Table 2 Number of registered dairy farms

	NSW	Vic	Qld	SA	WA	Tas	Aust
2005–06	1,024	5,892	802	383	245	498	8,844
2006–07	924	5,346	734	354	222	475	8,055
2007–08	886	5,422	664	332	186	463	7,953
2008–09	860	5,462	648	320	183	451	7,924
2009–10	820	5,159	621	306	165	440	7,511
2010–11	807	4,588	595	286	170	437	6,883
2011–12	778	4,556	555	275	162	444	6,770
2012–13	731	4,284	518	268	160	437	6,398
2013–14	710	4,268	475	264	156	435	6,308
2014–15	704	4,127	448	252	157	440	6,128
2015–16	690	4,141	421	246	151	430	6,079
2016–17	661	3,889	406	240	148	427	5,771
2017–18	626	3,881	393	228	159	412	5,699
2018–19 (p)	575	3,516	356	212	150	404	5,213

Source: State Milk Authorities

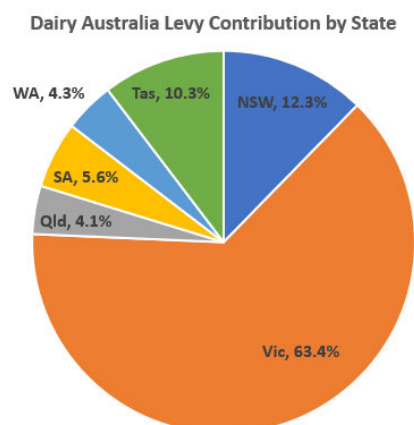
Table 14 Milk production by state (million litres)

	NSW	Vic	Qld	SA	WA	Tas	Aust
2005–06	1,197	6,651	597	646	377	622	10,089
2006–07	1,104	6,297	537	655	349	641	9,583
2007–08	1,048	6,102	486	606	319	661	9,223
2008–09	1,064	6,135	513	628	340	709	9,388
2009–10	1,099	5,813	530	605	359	677	9,084
2010–11	1,087	5,936	487	572	372	726	9,180
2011–12	1,136	6,246	491	575	349	792	9,589
2012–13	1,137	6,076	465	542	349	765	9,334
2013–14	1,124	6,174	446	525	342	810	9,421
2014–15	1,184	6,411	422	530	367	891	9,805
2015–16	1,198	6,249	421	538	392	883	9,681
2016–17	1,141	5,732	425	497	385	836	9,016
2017–18 (r)	1,144	5,979	399	505	385	913	9,325
2018–19 (p)	1,082	5,574	359	496	374	910	8,795

Source: Dairy manufacturers

Attachment 2 - Dairy Australia Revenue and Program Investment

Revenue	2019 (\$'000)	2019 (%)
Dairy service levy	30,936	56
Government matching payments	20,058	36
External contributions	2,820	5
Interest revenue	394	1
Distributions from investments	147	1
Royalties	138	-
Other income	520	1
Total revenue	55,013	100



PROGRAM INVESTMENT

How funding is allocated across Dairy Australia's strategic programs

