

7 August 2006

Hon Peter McGauran MP
Minister for Agriculture Fisheries and Forestry
Parliament House
CANBERRA ACT 2600

Dear Minister

Wind-up of ADFF Trust Fund

The purpose of this letter is to obtain your approval to Dairy Australia winding up the ADFF Trust Fund and transferring the Trust's assets to Australian Dairy Farmers Limited (ADF).

The background to the establishment of the ADFF Trust Fund is as follows.

- (a) By letter dated 3 November 1977, the Minister for Primary Industry, approved in accordance with Section 11 of the *Dairying Industry Act* 1962, the transfer of \$1.5 million from the Dairy Industry Stabilisation Fund to ADF for the purpose of financing the activities of ADF, on the condition that ADF provided secretarial and research facilities for the Australian Dairy Industry Conference (ADIC) (the Approved Purpose).

The Minister's approval was conditional upon:

- the responsibility for the application of the moneys residing with the Australian Dairy Corporation (now Dairy Australia);
- the monies to be held in trust and the terms and conditions of their investment to be agreed between Dairy Australia and ADF;
- the Trust Fund reverting to Dairy Australia in the event of ADF being dissolved or unable to adequately represent the interests of Australian dairy farmers; and
- the interest from the Trust Fund to be applied only for the Approved Purpose.

- (b) In 1978 the ADFF Trust Fund was established by Deed. The Deed incorporated the matters set out in paragraph (a). Apart from the replacement of individual trustees with a corporate trustee in 1982, the terms of the Deed have not been substantially altered since 1978. The Deed requires the Trustee to hold and

stand possessed of the \$1.5 million, to invest the Trust Fund in a prescribed manner and to make the interest available to ADF for the Approved Purpose.

It has been almost 30 years since the establishment of the ADFF Trust Fund. During that time the structure of the Australian dairy industry has evolved and with it funding arrangements for ADF and ADIC. Since 1993 ADF has been incorporated as a public company limited by guarantee, and ADIC now has considerable assets and is adequately resourced.

In these circumstances, the trust arrangement no longer serves a useful purpose and its management is an unnecessary financial and administrative burden on Dairy Australia and ADF.

Accordingly, it is proposed that the ADFF Trust Fund be wound up and the trust monies transferred to ADF.

In considering this proposal, it should be noted that the ADF Memorandum of Association provides that, if ADF is wound up or dissolved, the company's surplus assets may not be distributed to a member or constituent organisation. Under the Memorandum, the surplus assets must be distributed to an organisation with similar objects to ADF.

I look forward to receiving your consent to the above proposal. Please do not hesitate to contact either myself or Mr John McQueen, CEO of ADF should you require further information.

Yours sincerely

Mike Ginnivan
Managing Director