

**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Supplementary Budget Estimates October 2016

**Agriculture and Water Resources**

**Question:** 92

**Division/Agency:** Dairy Australia Limited

**Topic:** Research and Development

**Proof Hansard page:** 71

**Senator LAMBIE asked:**

**Senator LAMBIE:** The farmers subsidise the research and development? How much have the farmers put in over the last 13 years?

**Mr Akers:** The total for farmers? We will take that on notice. I do not have the exact figure. It varies every year, the amount of the levy that is paid, so I do not have a total of that is over the 13 years.

**Answer:**

Dairy Australia Research and Development is funded by farmer levies and matching Federal funding.

Farmer Levies since inception of Dairy Australia:

**Dairy Service Levy \$'000**

<b>2015-16</b>	35,018
<b>2014-15</b>	34,512
<b>2013-14</b>	33,103
<b>2012-13</b>	32,881
<b>2011-12</b>	31,190
<b>2010-11</b>	33,103
<b>2009-10</b>	28,143
<b>2008-09</b>	29,450
<b>2007-08</b>	29,008
<b>2006-07</b>	30,016
<b>2005-06</b>	31,693
<b>2004-05</b>	31,924
<b>2003-04</b>	31,460
<b>TOTAL</b>	411,501

**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Supplementary Budget Estimates October 2016

**Agriculture and Water Resources**

**Question:** 93

**Division/Agency:** Dairy Australia Limited

**Topic:** Governance

**Proof Hansard page:** 72

**Senator LAMBIE asked:**

**Senator LAMBIE:** Do you have people in Dairy Australia who are on other boards like Murray Goulburn or Fonterra, or who have a partner on those boards? Do you not think that is a conflict of interest?

**Mr Akers:** Yes. I do not know about a conflict, but—

**Senator LAMBIE:** Do you not find that is a conflict of interest?

**Mr Akers:** No. My wife is on the board of Murray Goulburn—that is a fact—but there are all sorts of conflicts that people come across in their roles and it is about how you deal with them. We have not seen a conflict in this instance here.

**Senator LAMBIE:** Would I be able to have a list of those names? If anyone at Dairy Australia has a partner who is on a board that is part of Dairy Australia, like Murray Goulburn, Fonterra or other milk companies out there, could I have their names, please?

**Mr Akers:** We could get you those names, yes, at some stage.

**Answer:**

Dairy Australia is the services body for the Dairy industry, funded by dairy farmer levies and matching funds provided by the Australian Government for research and development (R&D). In line with our statutory funding agreement and Constitution, Dairy Australia invests across the supply chain (both pre and post farm gate), and is required to obtain input from both the farmer representative body (Australian Dairy Farmers) and the dairy manufacturer representative body (Australian Dairy Products Federation) in the production of its Strategic Plan.

In line with Corporations Law, Dairy Australia has a Board Charter available at:

[http://www.dairyaustralia.com.au/~/\\_media/Documents/Industry%20overview/About%20Dairy%20Australia/Misc%20corporate%20governance%20docs/2015%20Board%20Charter%20%20Dairy%20Australia%20Limited%20-%20FINAL.pdf](http://www.dairyaustralia.com.au/~/_media/Documents/Industry%20overview/About%20Dairy%20Australia/Misc%20corporate%20governance%20docs/2015%20Board%20Charter%20%20Dairy%20Australia%20Limited%20-%20FINAL.pdf)

**Question:** 93 (continued)

In accordance with this Charter, at the time of appointment to the Board, all Dairy Australia directors are required (as part of the terms of their engagement), to agree to comply with Dairy Australia's Code of Conduct and the Board of Directors Conflict of Interest Protocol. The Code of Conduct sets out a director's obligations to provide notification of any actual or perceived conflict of interest and the protocol sets out the procedure for dealing with any conflict of interest.

In accordance with this Protocol and their terms of engagement, directors are required to disclose any conflicts of interest at the time of their appointment and on an on-going basis. Dairy Australia maintains a register of Director Interests and all Directors are obligated to disclose any conflicts to other Directors. The opportunity to disclose on an on-going basis is available at the commencement of each Dairy Australia Board meeting.

Mr Geoff Akers is the only Dairy Australia person with a partner serving on a dairy manufacturer Board, namely, Murray Goulburn.

The Dairy Australia Board is comprised of directors whose skills reflect the Board Skills Matrix, which reflects the skills required of the Board as a whole. It should be noted that the Board Skills Matrix specifically requires both dairy farmer skills, (4 farmer directors in total) and dairy manufacturing skills.

The current member of the Dairy Australia Board with dairy manufacturing skills is David Mallinson – Interim CEO of Murray Goulburn. Dairy farmer, Mr Jeff Odgers is the only other Dairy Australia director with an association with dairy manufacturing. He is currently a Director of Bega Cheese.

Dairy Australia's Conflict of Interest Protocol is available at **Attachment A**. This Protocol specifies how the Board conflicts will be managed.

## **DAIRY AUSTRALIA BOARD OF DIRECTORS**

### **CONFLICT OF INTEREST PROTOCOL**

#### **A. Overarching Philosophy**

1. The overriding general obligation applicable to all Directors is the obligation to act in the best interests of Dairy Australia.
2. The key principle arising from this obligation is that a DA Director must not, in any matter falling within the scope of his or her service as a director, have a personal material interest or an inconsistent engagement or arrangement with a third party, except with the fully informed consent of the DA Board.

#### **B. Two Key Mechanisms**

1. Directors must obtain the Chairman's permission to serve in any capacity in another organisation if there is a possibility of an actual or perceived conflict of interest.
2. Where a specific conflict of interest arises in relation to a matter to be considered by the Board, a Director must declare that interest to the Board at the earliest possible opportunity.

#### **C. Procedure for Specific Conflict of Interest**

1. The Director is to raise the matter with the Chairman (or the Board Secretary) as soon as the Director becomes aware of a conflict of interest.
2. The Director gives (or requests the Board Secretary to give) formal notice of the interest to all other Directors as soon as practicable.
3. The formal notice should be sufficiently detailed for the Board as a whole to be able to form an understanding of the nature and extent and materiality of the conflict of interest.
4. Once aware of the conflict of interest, the Director immediately declines to review any Board papers or other material relating to the relevant matter or to participate in any discussion relating to the relevant matter until such time as the circumstances are considered by the Board as a whole.
5. At the next available Board meeting, the Director either declares his or her intention to exclude himself from any further involvement in consideration of the matter or requests the Board to consider whether he/she should be permitted to participate in which case the procedure referred to in paragraph 6 applies.
6. The Chairman asks the other Directors to consider whether it is appropriate for the disclosing Director to be present at any discussion of the relevant item

## **Attachment A**

and affords Directors the opportunity to ask the disclosing Director questions about the nature and extent of the interest.

The outcome of that deliberation is recorded in the Minutes.

### **D. The Test**

1. The overriding test is whether the circumstance or the relationship could affect or appear to affect the disclosing Directors' judgment.
2. In making that judgment consideration should be given to:
  - a. Whether the Director or any of his or her affiliated organisations stand to be advantaged or disadvantaged from the matter or matters to be discussed by the Board?
  - b. Is the advantage or disadvantage material or could it be perceived to be material?
  - c. Is the impact a singular one or only of a generic nature?
  - d. If generic, is the advantage so material that disqualification from discussion is warranted?

### **E. Register of Interests**

1. The Company Secretary will establish a Central Register of Interests.
2. The Register will be maintained by the Secretary and will record all of the interests notified by Directors and be available to any Director to review at any time
3. Each Director should at the time of the Director's appointment, make a standing disclosure which discloses all interests which are or may potentially be in conflict with his duties as a DA Director. Each Director should review their standing disclosure annually.

**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Supplementary Budget Estimates October 2016

**Agriculture and Water Resources**

**Question:** 94

**Division/Agency:** Dairy Australia Limited

**Topic:** Dairy Production

**Proof Hansard page:** 74-78

**Senator LAMBIE asked:**

**Senator LAMBIE:** I wonder whether you can explain to me how come over the last 13 years you have obviously been given, as we have established, close to \$700 million in funding yet our production has dropped and New Zealand's has doubled? Can you explain why that is?

.....

**Senator LAMBIE:** Mr McElhone, obviously this is going to be a really long reply, so if you like you can put that on notice, and then I can go away and cross-check that with what has gone on in New Zealand in the last 13 years.

**Mr McElhone:** Sure

**Answer:**

On a per-cow basis, Australian milk production has increased from 4,925 litres per cow per year in 2003-04, to 5,669 litres per cow per year in 2015-16 (a 15percent increase). This compares with an increase for New Zealand from 3,737 litres per cow per year in 2003-04, to 4,185 litres per cow per year in 2015-16 (a 12percent increase).

In aggregate, New Zealand production has grown from 14.599 billion litres in 2003-2004 to 21.495 billion litres in 2015-16. Australian production has decreased over the same period (10.075 billion litres in 2003-04 to 9.540 billion litres in 2015-16), having been impacted by the following factors:

1. Millennium Drought – dry conditions across the country for significant parts of the decade had the biggest impact on dairy production. Particularly in the Murray Darling Basin, where dairy farmers in northern Victoria and southern NSW produce 25 per cent of the national output.

Before the drought, these farmers could readily access 130 per cent of their water rights to support milk production. During the drought, this fell to 100 per cent of their water right, and then below 100 per cent for three years running including one year (2008-09), when allocations were only 33 – 35 per cent in northern Victoria and 0 per cent in NSW Murray. Water prices on the temporary market peaked at more than \$1000/ML during

**Question: 94 (continued)**

this period. Milk production fell 33 per cent during this period, and dairy farmers' debt ballooned as they tried to keep herds going with bought in feed and other survival strategies.

Milk production has recovered somewhat but is still 25 per cent lower than before the Millennium drought due in large part to the Murray Darling Basin Plan. While dairy farmers have improved their water efficiency through farm modernisation, profitable milk production is still linked closely to water use, which in turn depends more now on availability and price on the temporary water market.

Many dairy farmers sold water rights entitlement to the Commonwealth Government for the environment. At the time, it provided much needed cash flow to feed cows and keep their businesses going during the Millennium drought, but it means some dairy farmers now need to source 60 per cent of their water from the temporary market where they are competing with other commodities across the southern Basin.

At the same time, buybacks for the environment have reduced the total pool of water available by 15 per cent a year. In short: less water to go around, so more intensive competition which drives up prices, particularly in dry years such as 2015/16 when prices peaked at more than \$300/ML. Water prices above \$200/ML are not commercially viable for most dairy farmers. The Basin Plan in effect is a large government market intervention with significant and lasting effects on milk production in a vital dairy region producing a quarter of the nation's milk.

2. Transition following deregulation – Following deregulation, many farmers took the Dairy Structural Adjustment Program (DSAP) payments to leave the industry and processors adjusted their processing mix, reducing their non-fresh milk related processing capacity in states like Qld and WA.
3. Strong AUD – On the back of the mining boom, the Australian economy was relatively strong throughout the decade (and was one of only two countries not to experience recession following the GFC). This meant that the AUD was very strong (above parity with the \$US) damaging the competitiveness of Australian exports and making imports more competitive. Over the period from 2004-05 to 2015-16, the Australian dollar appreciated by an average of 31 per cent against the USD, relative to the decade prior. This compares with a 30 per cent appreciation of the New Zealand dollar over the same period. When you compare these percentage changes in absolute terms, over the period from 2004-05 to 2015-16, to purchase one Australian dollar required an additional 20 US cents, compared to an additional 17 US cents for one New Zealand dollar.
4. The mining boom also added to the cost of inputs such as labour for the dairy industry (through direct competition for labour, inflated wage expectations, and a higher cost of living in the broader economy) which also had an impact on our competitiveness.

South Island of NZ – In the last 15 years it is estimated that over half the growth in the NZ dairy industry has been generated by land use change in the South Island (away from broadacre livestock (sheep) production). This land was relatively under developed, creating significant opportunity for growth into dairying. It should also be noted that due to the additional depth of investment options within the Australian economy

**Question:** 94 (continued)

compared to NZ, dairying did not have the same competition for investment as that experienced in Australia.

In Australia the transition from sheep/wool production went towards grain and mixed cropping. Furthermore, significant areas of dairy land have been converted to urban/residential use, and horticultural production in regions such as Gippsland.

**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Supplementary Budget Estimates October 2016

**Agriculture and Water Resources**

**Question:** 95

**Division/Agency:** Dairy Australia Limited

**Topic:** Breakdown of staff and consideration of decentralising

**Proof Hansard page:** 80

**Senator RICE asked:**

**Senator RICE:** Could you take it on notice to give us the breakdown of where your staff are. Have you at any stage considered decentralising operations completely to a regional centre?

**Answer:**

Location	Staff Number	FTE Equivalent
Northern Victoria	11	9.43
Western Victoria	10	8.42
Gippsland	9	8.00
New South Wales	8	5.00
Tasmania	4	3.34
South Australia	3	1.80
Queensland	3	1.20
Melbourne	101	92.10

Yes. Dairy Australia has considered location options to ensure the best choice for the organisation and our stakeholders.

Numerous locations have been considered - both regional and metropolitan. Our key considerations for the selection of our office location are:

- A relatively central position with good access to all dairy farmers in all regions across Australia. Dairy Australia has a strong presence in all dairy regions through our Regional Development Program (RDP) network.
- A location that ensures the retention and recruitment of skilled R&D staff required to carry out the work of the organisation.

**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Supplementary Budget Estimates October 2016

**Agriculture and Water Resources**

**Question:** 96

**Division/Agency:** Dairy Australia Limited

**Topic:** Dairy crisis

**Proof Hansard page:** Written

**Senator STERLE asked:**

Has Dairy Australia been provided funding to assist dairy farmers affected by the Murray Goulburn claw back measure/dairy crisis?

**Answer:**

Dairy Australia has funding commitments from the Department of Agriculture and Water Resources (\$900 000), the Gardiner Foundation (\$900 000), the South Australian Government (\$60 000 to DairySA), the Tasmanian Government (\$100 000 to DairyTas) and Murray Goulburn (\$1 000 000) for the 'Tactics for Tight Times' (TFTT) program for 2016-17 and 2017-18. This program supports dairy farmers to more confidently manage the market and seasonal conditions and enhance their capacity to confront the challenges of the future. The opportunity to participate in TFTT program activities is available to all dairy farmers in Victoria, South Australia, Tasmania and Southern NSW.

**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Supplementary Budget Estimates October 2016

**Agriculture and Water Resources**

**Question:** 97

**Division/Agency:** Dairy Australia Limited

**Topic:** Dairy crisis

**Proof Hansard page:** Written

**Senator STERLE asked:**

What work has Dairy Australia undertaken to assist farmers?

**Answer:**

Dairy Australia and its Regional Development Programs (RDPs) worked diligently in the aftermath of the milk price step down to collaborate with the wider industry to deliver the 'Tactics for Tight Times' (TFTT) program; a coordinated and effective industry response to the high degree of uncertainty around seasonal conditions and milk price being experienced in most regions.

Between 1 July and 31 October 2016, Dairy Australia has delivered 61 specific 'Tactics for Tight Times' extension activities to 811 participating farmers across southern Australia. These activities include a series of seasonal update information sessions for dairy farmers and service providers. Sessions provided the highest quality and latest information on water situation and policies, weather outlook, feed price and availability forecasts, milk price and market, as well as farm business scenarios. Other extension activities have focused on seasonal management issues such as grazing management or cropping options.

Dairy Australia and its partners have delivered 582 Taking Stock sessions to individual dairy farm families. Taking Stock uses a tried and tested process to review how well the physical, financial and people aspects of the business are performing. The assessment guides the farm family to develop a series of preferred options to confidently manage on-farm performance. An additional 195 Taking Stock sessions are registered for delivery through November and December 2016.

Dairy Australia and RDPs have been in direct contact with farmers via extension activities and the "Checking In" program, which uses a mix of phone contact and farm visits, to engage farmers to ensure they are aware of the support services available to them, connect where there is social isolation and signpost individuals to relevant support agencies, organisations and information.

**Question: 97 (continued)**

The 'Tactics for Tight Times' activities are in addition to Dairy Australia and its Regional Development Programs 'business as usual' extension and education activities across feed base, animal nutrition, natural resource management, farm business management, animal health and welfare and people management.

**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Supplementary Budget Estimates October 2016

**Agriculture and Water Resources**

**Question:** 98

**Division/Agency:** Dairy Australia Limited

**Topic:** Dairy crisis

**Proof Hansard page:** Written

**Senator STERLE asked:**

How many farmers has Dairy Australia assisted?

**Answer:**

Between 1 July and 31 October 2016, Dairy Australia has delivered 61 specific 'Tactics for Tight Times' extension events to 811 participating farmers across Victoria, South Australia, Tasmania and Southern NSW.

During this time, an additional 23 Discussion Groups focused on 'Tactics for Tight Times' seasonal response messages were attended by 332 farmers.

Between 1 July and 31 October 2016, Dairy Australia and its partners have delivered 582 Taking Stock sessions to individual dairy farm families. An additional 195 Taking Stock sessions are registered for delivery through November and December 2016.

Dairy Australia and RDPs have been communicating seasonal tactical messages via regular e-mail newsletters to 4300 farmer and service provider recipients as part of the 'Tactics for Tight Times' program.

These 'Tactics for Tight Times' activities build on the 'Tactics for Dry Times' program which was delivered by Dairy Australia and its Regional Development Programs during 2015-16 across all eight Australian dairy regions. This program was made available in light of very dry seasonal conditions and consisted of over 100 events with participation by over 2 600 farmers and service providers during 2015-16.

**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Supplementary Budget Estimates October 2016

**Agriculture and Water Resources**

**Question:** 99

**Division/Agency:** Dairy Australia Limited

**Topic:** Dairy crisis

**Proof Hansard page:** Written

**Senator STERLE asked:**

What measures are in place to evaluate the effectiveness of Dairy Australia's assistance to farmers?

**Answer:**

Dairy Australia and its Regional Development Programs has a well-developed evaluation framework to monitor, evaluate and report on its extension activities.

Over 20 per cent of Taking Stock farmer participants are routinely surveyed to evaluate the quality and effectiveness of the program. Evaluation to date specifies that 98 per cent of participants would recommend the Taking Stock process to other farmers, 97 per cent of farmers stated that they knew more about their farm's performance as a result of Taking Stock, and 91 per cent felt able to independently implement the actions identified during the process.

'Tactics for Tight Times' extension events are evaluated via feedback from participants using a robust and standardised approach. Evaluation to date for 'Tactics for Tight Times' extension events indicates satisfaction ratings between 7.9 and 8.5 on a scale of 1-10.

**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Supplementary Budget Estimates October 2016

**Agriculture and Water Resources**

**Question:** 100

**Division/Agency:** Dairy Australia Limited

**Topic:** Dairy Farmer Discussion Resource Kit

**Proof Hansard page:** Written

**Senator STERLE asked:**

How does Dairy Australia measure the effectiveness of its “Dairy Farmer Discussion Resource Kit”?

**Answer:**

The Dairy Farmer Discussion Group Resources Kit was developed to assist farmers and advisors establish and run successful Discussion Groups. The kit is a simple guide offering insight into what makes group-based extension effective and successful in driving change on farm.

Dairy Australia and its Regional Development Programs supported 103 Discussion Group activities in 2015-16 with 1 721 participants. Through Dairy Australia’s support, 36 new Discussion Groups have been established over the past three years.

Dairy Australia’s Monitoring & Evaluation Framework shows high levels of satisfaction by farmers with Discussion Groups which can be evidenced by the recent growth in new groups. Discussion Groups have been nominated by farmers as one of the most useful activities to participate in.

Discussion Groups are a proven extension method that enable farmers to learn from their peers. An international study has found that farmers who are members of discussion groups are more likely than non-members to adopt new technologies, achieve higher physical performance in their farming enterprise and generate higher profit levels.