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Executive summary

Background
This report presents the findings of an independent performance review of Dairy Australia (DA). The purpose of the review, in broad terms, was to assess how well DA has met its obligations to levy payers and other stakeholders, as set out in its statutory funding agreement (SFA) with government, over the five-year period July 2011 to June 2016.

The review involved an extensive review of documents (listed in Appendix 1) and consultation through face-to-face or telephone interviews with 44 stakeholders: dairy farmers, DA Board and management, government, processors, service providers and collaborators. Open meetings (or teleconferences in two instances) were also held in conjunction with each of the eight Regional Development Programs (RDPs), collectively including around 80 people, to gain regional input. All stakeholders were provided the opportunity to make a submission to the review. Details of the consultation are provided in Appendix 2.

Overview of Dairy Australia
DA was established in 2003 and is the industry services body for the purposes of the Dairy Produce Act 1986 (C’th). It is a company limited by guarantee and therefore also subject to the Corporations Act 2001 (C’th). DA has two categories of members: Group A members, who are levy payers (dairy farmers); and Group B members, which are peak bodies representing the interests of dairy industry participants.

DA is funded primarily by the Dairy Service Levy and matching government funding for eligible R&D activities. The amount of the Dairy Service Levy may be adjusted from time to time following consultation with levy payers through the Dairy Service Levy Poll. Recent changes to legislation mean that DA must convene a levy poll advisory committee to consider the levy rate every five years and to hold a levy poll if the committee recommends a variation to the levy.

The current four-year SFA was signed in June 2013. DA’s constitution has been modified three times during the review period, notably following a wide-reaching review in 2013 involving extensive industry consultation.

Operating environment
Dairy is Australia’s third-largest rural industry, with a farm, manufacturing and export industry value of $13.7 billion. It generates over $3 billion in export revenue, with 34% of production exported, and it directly employs about 38,000 people. Australia contributes 6% of the global world dairy trade.

The average annual farmgate price for milk solids fluctuated between $5.41 and $6.89 over the review period, while annual milk production varied between 9.3 and 9.7ML. Domestic consumption has steadily risen and the share of exports has been falling.

The report describes other trends and key events over the review period. The most significant were large price cuts in April/May 2016, which seriously dented farmer confidence and saw DA cut its overhead and project budget for the following year by 15%.
The Board and governance

DA has a highly competent, experienced, diligent and cohesive board, with a strong industry background, and widespread respect among stakeholders. Board meetings are conducted effectively and with a strong focus on managing conflicts of interest. The relationship between board and management is appropriate.

The expected governance documents are in place and meet accepted standards, including those expected by government. Risk management is a strong feature of DA’s governance. The risk management plan is reviewed at least annually through a structured process involving all parts of the business.

The Executive Leadership Team and indeed the management generally are highly competent and committed. The leadership has worked at gradually transforming the culture of DA from one with a technical focus to one with a farmer focus, implying greater accountability and a high degree of collaboration between individuals and teams. Significant progress has been made, although some elements continue to receive attention (see Recommendation 1).

Planning and reporting

DA’s three key planning and reporting documents are the strategic plan, annual operating plan and annual report. All are very comprehensive and detailed and have met the requirements of the SFA over the period. Importantly, there is a good ‘line of sight’ between the three documents, allowing the reader to see readily what was planned and what was actually delivered against those plans. The strategic plan now has a three-year rather than five-year outlook and this is a sensible change.

Over the five years, DA has progressively simplified its strategic priorities to three: ‘Increasing farm profitability and competitiveness’; ‘Protecting & promoting our industry’; and ‘Grow capability and skills’. There are numerous detailed performance targets under each of these. Recently, DA has developed a ‘dashboard’ of key (draft at this stage) objectives at the strategic priority level and incorporated these into a summary of the strategic plan. This is a positive development and will be even more valuable as the dashboard flows through to annual operating plans and annual reports.

One area of ongoing attention for DA is communication to its stakeholders about what it does and how well it does it, at a strategic priority level (see Recommendation 2).

RD&E management and delivery

The DA RD&E procurement process combines elements of both ‘commission’ and ‘submission’. DA has a wide range of strategic investment partnerships within Australia and overseas. The largest co-investment is with the Department of Economic Development, Jobs, Transport and Resources (DEDJTR, Victoria), which includes DairyBio, an unincorporated joint venture with a five-year $45m funding commitment from July 2016 to July 2021. DA also conducts an annual call for proposals and also accepts proposals at other times of year.

DA’s Project and KPI Management System (PKMS) was first rolled out in 2011. The system has greatly facilitated project management and reporting and has transformed accountability and transparency.
DA is well served by a comprehensive web of advisory structures, including RDPs, Australian Dairy Farmers (ADF) Policy Advisory Groups (PAGs), Dairy Moving Forward ‘communities’ and other groups. Intellectual property is appropriately managed.

DA has deliberately and progressively assumed greater control of its extension delivery over the review period as state governments have withdrawn resources. The RDPs play an important role in adoption and DA offers a broad ‘menu’ of flagship extension programs. In 2016, DA was instrumental in establishing DataGene, a collaborative, industry-owned, ‘pre-competitive’ herd improvement organisation. DA also has a very commendable approach to industry training through the National Centre for Dairy Education (NCDE).

There is a thorough and logical monitoring and evaluation (M&E) framework for the on-farm program. The recent rollout of the customer relationship management (CRM) system ‘Salesforce’ will facilitate M&E.

Liaison with stakeholders

The eight RDPs are an important and distinguishing feature of DA’s interaction with its levy payers. Following a 2014 review, a number of changes have been made to the RDP model, notably the provision of administrative and other support services to the RDPs by DA; the recasting of the role of the Executive Officer of each RDP to ‘Regional Manager’; and employment by DA of all RDP staff, with secondment back to their RDPs, where they report to the Regional Manager.

These changes deliver cost-efficiency gains, better coordination and less duplication of activity in service delivery to the regions. There is close interaction between the RDPs and DA which allows the each RDP to be a two-way conduit between its farmers and DA. At the same time, the RDPs continue to exist as separate entities, each with its own board or committee.

DA has an extensive general communications program. However, there is a general lack of understanding among levy payers of what DA does and does not do – in particular, the prohibition through both the SFA and the company constitution against DA undertaking any agripolitical activity. This problem is certainly not confined to DA among the rural research and development corporations (RDCs), and DA is taking a range of steps to address it (changes to the RDP model, ‘at a glance’ strategic plan and so on). The company must continue to strive for cut-through in its messaging to levy payers, with an emphasis on activities and deliverables that are seen to ‘support’ farmers and the industry.

DA uses a range of mechanisms to provide opportunities for all farmers to engage with the company. It has positive relationships with ADF and the Australian Dairy Products Federation (ADPF) and there is a memorandum of understanding between the three parties to ensure that DA consults with ADF and APDF in its planning. The relationship between DA and government is strong and constructive. DA is a highly collaborative member of the RDC community.

Delivery of benefits

In 2014, DA introduced a new and very robust methodology to measure the benefits and costs of its RD&E programs. This benefit-flows methodology is complemented by a rigorous ex-ante evaluation of the benefits and costs of many projects, used to guide investment decisions, as well as ex-post
assessments of selected projects to demonstrate the benefits from selected projects and to inform improvements to the ex-ante evaluation process.

Independent ex-post evaluations of three projects (Countdown Downunder, Flexible Feeding Systems and Flexible Future Forage Systems) estimated benefit/cost ratios of between 1.34 and 4.20. The analysis also showed that dairy farmers were the primary beneficiaries of DA activities, capturing around 68% of the benefits. The communication to levy-payers of the benefits that DA delivers in an easy-to-understand form is an area of ongoing focus (Recommendation 3).

Measuring the value of DA’s marketing and consumer education programs and activities is considerably more difficult – as it is for every similar marketing body. DA relies on indirect measures such as changes in consumer attitudes. DA has met targets to increase selected attitudinal measures and is continually endeavouring to improve its evaluation in this area (Recommendation 4).

Response to previous performance review

GHD made three recommendations in its 2006 review:

1. Develop a three-year rather than a rolling five-year strategic plan: this was implemented with the publication of the Strategic Plan 2013/14 to 2015/16.
2. Clarify and communicate stakeholder engagement purpose and intent (have a ‘planning engagement plan’): the intent of this recommendation has been implemented although not in a consolidated document.
3. Strengthen performance reporting and monitoring: this recommendation has been addressed and there has been significant improvement over the review period, but more can be (and is being) done.

Recommendations

The review has found that DA has met all of the obligations of its SFA. Corporate governance is strong, the Board and management are highly competent and the company’s processes are robust. Some features of the business, such as the RDPs and DA’s strategic RD&E collaborations, may serve as a model for other industries. There is evidence of the company creating value for dairy farmers, although the difficulty of communicating the benefits delivered by DA is recognised.

The review has identified some areas in which improvements might be made to the performance of the business, although the team notes that in each case, these concern issues of which the Board and management are aware and are taking steps to address. These are described throughout the report. Four recommendations are made:

1. DA should continue its focus on improving the organisational culture, consolidating and building upon recent restructuring of the organisation including the leadership team and adopting some additional measures as suggested in this review.
2. DA should continue its efforts to establish and report on a dashboard of key objective targets at strategic priority level to provide a clearer indication of overall organisational performance.
3. DA should continue to conduct *ex-post* evaluations of activities and communicate these results to levy payers using clear, simple messaging relevant to stakeholders, including the use of case studies or other approaches.

4. DA should report publicly the benchmarked measures of its marketing and promotion activities against the results from prior years, and continue to investigate how measures of marketing and promotion activities can be incorporated into the existing benefit/cost methodology for both *ex-ante* and *ex-post* assessment.
### Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>ADF</td>
<td>Australian Dairy Farmers</td>
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<tr>
<td>ADHIS</td>
<td>Australian Dairy Herd Improvement Scheme</td>
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<tr>
<td>ADPF</td>
<td>Australian Dairy Products Federation</td>
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<tr>
<td>AOP</td>
<td>Annual operating plan</td>
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<tr>
<td>ASX</td>
<td>Australian Stock Exchange</td>
</tr>
<tr>
<td>BCA</td>
<td>Benefit/cost analysis</td>
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<tr>
<td>BCR</td>
<td>Benefit/cost ratio</td>
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<tr>
<td>BHRC</td>
<td>Board Human Resources Committee</td>
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<tr>
<td>CRC</td>
<td>Cooperative Research Centre</td>
</tr>
<tr>
<td>CRM</td>
<td>Customer relationship management</td>
</tr>
<tr>
<td>CRRDC</td>
<td>Council of Rural Research &amp; Development Corporations</td>
</tr>
<tr>
<td>DA</td>
<td>Dairy Australia</td>
</tr>
<tr>
<td>DAST</td>
<td>Dairy Australia Stakeholder Tracking</td>
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<tr>
<td>DAWR</td>
<td>Department of Agriculture and Water Resources (C’t’h)</td>
</tr>
<tr>
<td>DEDJTR</td>
<td>Department of Economic Development, Jobs, Transport and Resources (Vic)</td>
</tr>
<tr>
<td>DFAT</td>
<td>Department of Foreign Affairs and Trade (C’t’h)</td>
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<tr>
<td>DMF</td>
<td>Dairy Moving Forward</td>
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<tr>
<td>FY</td>
<td>Financial year</td>
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<tr>
<td>GVP</td>
<td>Gross value of production</td>
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<td>IP</td>
<td>Intellectual property</td>
</tr>
<tr>
<td>KPI</td>
<td>Key performance indicator</td>
</tr>
<tr>
<td>LPAC</td>
<td>Levy Poll Advisory Committee</td>
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<tr>
<td>LRS</td>
<td>Levies Revenue Service (of DAWR)</td>
</tr>
<tr>
<td>MGC</td>
<td>Murray Goulburn Cooperative</td>
</tr>
<tr>
<td>MJA</td>
<td>Marsden Jacobs Associates</td>
</tr>
<tr>
<td>MOU</td>
<td>Memorandum of understanding</td>
</tr>
<tr>
<td>NCDE</td>
<td>National Centre for Dairy Education</td>
</tr>
<tr>
<td>NDFS</td>
<td>National Dairy Farmers Survey</td>
</tr>
<tr>
<td>PAG</td>
<td>Policy Advisory Group (of ADF)</td>
</tr>
<tr>
<td>PKMS</td>
<td>Project and KPI Management System</td>
</tr>
<tr>
<td>RD&amp;E</td>
<td>Research, development &amp; extension</td>
</tr>
<tr>
<td>RDP</td>
<td>Regional Development Program</td>
</tr>
<tr>
<td>(R)RDC</td>
<td>(Rural) research &amp; development corporation</td>
</tr>
<tr>
<td>SFA</td>
<td>Statutory funding agreement</td>
</tr>
<tr>
<td>TFGA</td>
<td>Tasmanian Farmers and Graziers Association</td>
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<tr>
<td>UDV</td>
<td>United Dairyfarmers of Victoria</td>
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1. Introduction

1.1 Purpose of the review

Dairy Australia (DA) is required, under its statutory funding agreement (SFA) with the Commonwealth Government, to commission periodic independent corporate performance reviews. This is one of several mechanisms, including annual reporting under the Corporations Act 2001 (C'th) and six-monthly meetings with the Commonwealth, by which the company’s performance is monitored.

The timing of the performance review is linked to the requirement for the Dairy Service Levy, DA’s principal source of funding, to be reviewed by an advisory committee (see Section 2). If the committee makes a recommendation to vary the levy then a poll of levy payers must be conducted. An independent performance review must be completed before the conduct of any Dairy Service Levy poll.

This review is the third of its type for DA. Previous reviews were published in October 2011 (GHD) and October 2006 (Hassall and Associates).

From the SFA, the specific terms of reference for the review were to:

1. Assess Dairy Australia’s performance as follows:
   a. the performance of Dairy Australia in meeting its obligations under its Statutory Funding Agreement 2013 – 2017 with the Commonwealth;
   b. Dairy Australia’s development and implementation of its Strategic Plan 2013 – 16 and Annual Operating Plan and of Dairy Australia’s effectiveness in meeting priorities, targets and budgets set out in these plans;
   c. performance in developing, implementing and maintaining a framework of good corporate practices, including in the areas of fraud control and risk management;
   d. performance in ensuring structures and operations of the company and the board are effective and appropriate;
   e. effectiveness in engaging, consulting and communicating with, and feedback to, stakeholders and the opportunities for, and ability of, levy payers and other contributors to influence the investment of levies; and
   f. efforts in cross RDC collaboration.

2. Assess the delivery of benefits to the Australian dairy industry including the achieved value for money and return on investment to the industry and the community in general, and the contribution to increasing farm-gate returns, as foreshadowed in Dairy Australia’s strategic and operating plans. This would include, but not be limited to, an assessment of Dairy Australia’s:
   a. investments at a portfolio level in research and development, and marketing;
   b. extension of research findings; and
   c. management of intellectual property.

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1 SFA clause 13.1.
3. **Assess Dairy Australia’s effectiveness in addressing and implementing the recommendations from the 2006/7 – 2010/11 performance review.**

4. **Make recommendations for the improvement to Dairy Australia’s performance in delivering against its strategic priorities.**

### 1.2 Review methodology

The following approach was taken to the review. Note that the desktop review, consultation and reporting stages were iterative.

1. **Inception meeting:** an inception meeting was held with the Chair, Managing Director, Company Secretary and Manager – Corporate Secretariat of DA shortly after the project start. The meeting addressed the scope of the project, DA input requirements (including access to documentation, personnel, stakeholders to be interviewed), output and reporting requirements and finalisation of timeframes.

2. **Establishment of communication channels:** a simple dedicated website for the review was established with the domain name [www.dairyaustreview.com](http://www.dairyaustreview.com). The site comprised a single page explaining the background to the review and detailing the terms of reference. The site also provided an email address ([submissions@dairyaustreview.com](mailto:submissions@dairyaustreview.com)) by which any stakeholders could provide a submission to the review or seek further information. The purpose of the site was to provide a communication channel with stakeholders that was clearly independent of DA.

The website and the review itself were publicised via a range of mechanisms including those promoting regional meetings through Regional Development Programs (RDPs – see stage 4).

3. **Desktop review:** a large number of relevant documents were made available to the consultants via a secure portal and were progressively reviewed. During the document review, DA’s fulfilment of its various SFA obligations was checked and points of interest noted for discussion during the consultation stage.

A list of the documents reviewed is provided in Appendix 1.

4. **Consultation:** a list of interviewees for the review was drawn up in consultation with DA. The list included individuals from among the DA Executive Leadership Team and other senior managers, the Board, dairy farmers, processors, officers of the Department of Agriculture and Water Resources (DAWR) and Department of Foreign Affairs and Trade (DFAT), the Council of Rural R&D Corporations and service providers to DA (research agencies, consultants and others). Forty-four interviews were conducted.

The majority of the DA and DAWR and some of the other interviews were conducted face-to-face following a semi-structured questionnaire. Meetings were also held in conjunction with each of the eight RDPs around Australia to ensure region-specific perspectives were captured. These meetings involved approximately 80 people.

A list of the people consulted during this review, and details of the regional meetings, are provided in Appendix 2.
5. **Executive Team workshop**: the interim findings from the review were presented to a meeting of the Executive Leadership Team, in order to test the findings for accuracy and completeness.

6. **Draft report**: a draft report was submitted to the DA Board, and at the same time to government, as required by the SFA. Feedback on the draft was considered by the review team and changes made where required to correct factual errors.

7. **Final report**: this final report was submitted to the DA Board.

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2. **Overview of Dairy Australia**

2.1 **Legal framework**

DA was established in 2003, replacing the Dairy Research & Development Corporation, a statutory RDC, and the Australian Dairy Corporation, the industry’s marketing body. DA is the industry services body for the purposes of the *Dairy Produce Act 1986* (C’th). It is a company limited by guarantee and therefore also subject to the *Corporations Act 2001* (C’th).

DA has two categories of members:

- Group A members, who are levy payers (dairy farmers); and
- Group B members, which are peak bodies representing the interests of dairy industry participants. There are two Group B members: Australian Dairy Farmers (ADF), the peak body for dairy producers; and the Australian Dairy Products Federation (ADPF), the peak body for commercial / non-farmer members of the dairy industry.

DA is funded primarily by the Dairy Service Levy established under the *Primary Industries (Excise) Levies Act 1999* (C’th) and matching government funding for eligible R&D activities (see Section 2.2). The amount of the Dairy Service Levy may be adjusted from time to time following consultation with levy payers through the Dairy Service Levy Poll.

For most of the review period, the levy poll process was governed by the *Dairy Produce Act 1986* and the *Dairy Produce (Dairy Service Levy Poll) Regulations 2006*. These obliged DA to hold a Dairy Service Levy Poll every five years. In March 2016, the Act was amended to remove the requirement for a five-yearly poll, and in December 2016, a subordinate legislative instrument (the *Dairy Produce (Dairy Service Levy Poll) Instrument 2016*) was signed by the Minister. The instrument requires DA to convene a levy poll advisory committee to consider the levy rate every five years and to hold a levy poll if the committee recommends a variation to the levy. The amendment also establishes a mechanism for dairy farmer members of DA to request a poll if they disagree with a recommendation by the advisory committee not to vary the levy.

DA has a statutory funding agreement (SFA) with the Commonwealth that sets out DA’s rights and responsibilities as the prescribed dairy industry services body. The company’s first SFA was signed in July 2003. A new deed, which strengthened some accountability provisions, was entered into in April 2007. In September 2009, the original expiry date of the 2007 deed was varied to six months after the publication of the following Dairy Service Levy Poll or December 2012 at latest. A second variation signed in
September 2012 extended the term of the deed to June 2013. The current four-year SFA was signed in June 2013.

DA’s constitution has been modified three times during the review period. Changes relating to the voting arrangements of the Board Selection Committee and calculation of a quorum for an annual or other general meeting were made in 2012. In 2013, the Board commissioned a review of the constitution involving widespread industry consultation. The recommendations of the review report led ultimately to approval at the 2013 AGM of a significant number of amendments to the constitution in the areas of board structure and operation, membership engagement and Group B membership.

In 2014, the constitution was again modified at the suggestion of the Minister to remove the requirement for Ministerial approval of future constitutional changes. This change brought DA into line with other RDCs.

### 2.2 Funding

DA is funded by:

- **The Dairy Industry Service Levy.** The levy quantum is currently 2.8684/kg milkfat and 6.9914/kg protein, which equates to 0.352c/L based on the national average composition of milk. The levy was last changed in 2012 when a Dairy Service Levy Poll demonstrated levy-payer approval to increase the levy by 10%. The increased rate came into effect on 1 July 2012.

  The levy is deducted from payments to farmers by manufacturers and remitted to the government. Because the quantum of the levy is fixed, revenue from it is affected by fluctuations in milk supply volume but not by variations in prices paid by the manufacturers to suppliers.

- **Commonwealth matching funds.** Expenditure on eligible RD&E activities (defined in the SFA) attracts equal funding from government to a maximum of 0.5% of the industry’s gross value of production (GVP) of whole milk as determined by the Minister, based on a three-year average. Government matching payments are claimed each month based on the previous month’s RD&E expenditure.

- **External co-investors** such as Commonwealth and State Government departments (for example, in climate change projects).

- **Interest revenue, dividend revenue, royalties and other income.**

Table 1 shows DA’s revenue and expenditure over the review period.
**Table 1. DA summary revenue and expenditure 2011/12 to 2015/16 (source: annual reports)**

<table>
<thead>
<tr>
<th></th>
<th>FY 2012*</th>
<th>FY 2013**</th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>FY 2016</th>
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<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
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<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Dairy Service Levy</td>
<td>31,190</td>
<td>32,881</td>
<td>33,103</td>
<td>34,512</td>
<td>35,018</td>
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<td>Government matching payments</td>
<td>18,636</td>
<td>19,280</td>
<td>20,398</td>
<td>20,952</td>
<td>22,654</td>
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<td>External contributions</td>
<td>2,199</td>
<td>1,842</td>
<td>2,058</td>
<td>2,498</td>
<td>3,480</td>
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<td>Interest revenue</td>
<td>1,432</td>
<td>970</td>
<td>730</td>
<td>510</td>
<td>373</td>
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<td>Distributions from investments</td>
<td>858</td>
<td>642</td>
<td>981</td>
<td>1,938</td>
<td>1,102</td>
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<tr>
<td>Royalties</td>
<td>101</td>
<td>112</td>
<td>128</td>
<td>107</td>
<td>150</td>
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<td>Other income</td>
<td>3,471</td>
<td>427</td>
<td>387</td>
<td>566</td>
<td>592</td>
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<td><strong>Total revenue</strong></td>
<td>57,887</td>
<td>56,154</td>
<td>57,785</td>
<td>61,083</td>
<td>63,369</td>
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<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
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<td>Farm Profit and Innovation</td>
<td>22,938</td>
<td>24,574</td>
<td>26,174</td>
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<td>Industry Promotions and Product Innovation</td>
<td>11,988</td>
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<td>Business Operations</td>
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<td>13,509</td>
<td>14,141</td>
<td>15,002</td>
<td></td>
</tr>
<tr>
<td>Impairment</td>
<td>23</td>
<td>13</td>
<td>29</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>52,948</td>
<td>58,238</td>
<td>61,822</td>
<td>61,767</td>
<td>66,422</td>
</tr>
<tr>
<td><strong>SURPLUS/DEFICIT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(4,037)</td>
<td>(2,084)</td>
<td>(4,037)</td>
<td>(684)</td>
<td>(3,053)</td>
</tr>
</tbody>
</table>

* Expenses were classified under different headings in 2011/12

** Expenses figures shown for 2012/13 are from the annual report for 2013/14 rather than the 2012/13 report. The figures were revised for the 2013/14 report to allow comparison with reclassified figures from 2013/14 onwards.

As Table 1 shows, expenditure has exceeded revenue in every year of the review period (by an average of 4.6% over the last three years\(^2\)). This has resulted in a reduction in reserves from $31m at June 2011 to $26m at June 2016.

### 3. Operating environment

As noted in Section 1.1 of this report, this performance review is concerned with the period 1 July 2011 to 30 June 2016. As is the case in all performance reviews such as this, a brief review of the organisation’s operating environment over the period is useful as this can have some impact on the perceptions of the company’s performance, even when the company may have little or no influence over particular issues (e.g. milk price). As further described in Section 7.2, the SFA’s prohibition over DA’s participation in any agripolitical activity does not entirely insulate DA from attribution for the general state of the industry by

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stakeholders. Because the company’s precise role is not always well understood, many stakeholders appear to expect that DA will respond to all industry issues regardless of their remit.

3.1 Industry profile

Dairy is a significant industry within Australia. According to DA’s most recent annual report\(^3\), the dairy industry:

- Contributes 6% of the global world dairy trade;
- Is Australia’s third-largest rural industry;
- Has a farm, manufacturing and export industry value of $13.7 billion;
- Generates over $3 billion in export revenue, with 34% of production exported; and
- Directly employs about 38,000 people.

Australian dairy farms (and manufacturing) are located in all Australian states as illustrated in Figure 1.

![Map of Australian dairy production areas](image)

**Figure 1. Australian dairy production areas (source: DA)**

\(^3\) Annual Report 2015/16.
3.2 Trends in prices, production, exports

Farm gate prices and production have fluctuated quite considerably over the period, as shown in Figure 2 and Figure 3.

![Figure 2. Farmgate milk prices over the past five years ($/kg milk solids) (source: DA)](image1)

![Figure 3. Australian milk production over the last five years (source: DA)](image2)

Over the last two decades, the proportion of Australian dairy production exported has progressively reduced, in part due to a steady rise in domestic consumption (Figure 4).
Greater China (including China, Hong Kong and Macau) is now Australia’s largest market, accounting for 22% of exports by volume followed by Japan, Indonesia, Singapore and Malaysia.

3.3 Industry issues and developments

The following provides a summary of important external events affecting DA over the course of the review period, as well as significant internal company developments, as noted in DA’s annual reports and its ‘Dairy Situation and Outlook’ reports.

2011/12

- With the benefit of good seasonal conditions, national milk production increased by 4.2% on 2010/11 levels, from 9.1 to 9.5 billion litres, which was the highest annual growth rate in a decade. Prices increased slightly from the previous season.
- For farmers in south-eastern Australia, slightly lower farmgate prices were offset by lower feed costs as a result of good seasonal conditions and plenty of irrigation water supplies.
- In the ‘drinking milk’ regions of Queensland, New South Wales, Western Australia and parts of South Australia, intense retail competition, changes to some supply contracts and processor rationalisation was impacting farmer confidence.
- Dairy farmers participated in the Dairy Service Levy Poll in early 2012 with the majority of farmers supporting a 10% increase in the levy.

2012/13

- Farm gate milk prices decreased. Production also fell, on the back of difficult seasonal conditions.

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‘Horizon 2020’ was released, a twelve-month research study jointly funded by the Gardiner Dairy Foundation and DA, into the factors likely to affect the future role, position and structure of the Australian dairy industry.

The industry endorsed the national dairy industry Sustainability Strategic Framework, which set out Australian dairy’s commitment to proactively addressing sustainable practice across the entire supply chain.

‘Legendairy’, the industry’s new reputation strategy, marketing and communications platform, was launched by DA.

An independent review of the DA constitution was commenced.

Negotiations for a new four-year statutory funding agreement (SFA) were successfully concluded.

2013/14

Most dairy regions saw improvements in the farmgate milk price, underscored by strong overseas demand, a drop in the Australian dollar (although less than expected) and more favourable seasonal conditions.

As a result, Australian milk production continued to recover.

Improved margins enabled most farmers to reduce short term debts and begin to make investments in their production systems.

The major risk to an otherwise positive outlook was the potential emergence of an El Niño.

In November, members voted to adopt a number of reforms to the company’s constitution following an independent review. An independent review of the levy poll process was also announced.

2014/15

Australian milk production continued to increase as favourable seasonal conditions and consecutive years of relative stability in margins supported farmer confidence.

While the weaker Australian dollar was welcomed, international dairy markets remained depressed, with abundant global supply and lacklustre demand continuing to weigh on pricing.

The signing of the free trade agreement with China was a highlight.

A Dairy Farm Investment Forum was held in September 2014, following recommendations from the Australian Dairy Industry Summit.

With the Dairy Futures Cooperative Research Centre (CRC) due to close in 2016, Dairy Australia approved funding for a new entity called DairyBio.

The partnerships between Dairy Australia and each of the eight RDPs were further strengthened, providing greater financial support for and placing extension coordinators in all regions.

DairyBase, a web-based tool for comparative production and financial analysis of dairy farms, was launched to assist farmers to improve their business decision-making.

Later in the season, the Bureau of Meteorology lifted the ENSO indicator to ‘El Niño’ status and there was speculation that hay stocks may come under pressure as the year progressed and temporary water prices would remain high.
2015/16

- Very challenging seasonal conditions saw production reduce quite considerably. For irrigators, low allocations and high demand drove up temporary water prices.
- The season became even more difficult during April and May, as late-season farm-gate price cuts were announced for most farmers in the southern, export-focused regions.
- Lower than expected opening prices also dented confidence (see Section 3.4 below) with flow-on effects expected for on-farm investment and likely future growth.
- DA, with some financial support from the Gardiner Dairy Foundation, some processors and some state governments (Vic, Tas, SA) responded by rolling out a range of programs including the Tactics for Tight Times program, which comprised initiatives such as Taking Stock, DairyBase and feedbase management programs.
- Internally, DA reduced its expenditure by approximately 15%, including a range of headcount reductions and other cost-saving measures. It also made changes to its investment mix, to focus strongly on farm profitability, farmer capability and core social licence issues facing the industry.
- Agreement was reached with the Department of Economic Development, Jobs, Transport and Resources (DEDJTR) in Victoria for DA to take the lead on productivity-based dairy extension across the state from 1 July 2016.
- The Dairy Futures CRC closed and was succeeded by DairyBio, an unincorporated joint venture between DEDJTR and DA.
- DataGene, a collaborative herd improvement organisation driven by DA, was established. DataGene brought together and realised the synergies from the ‘pre-competitive’ herd improvement functions of the Australian Dairy Herd Improvement Scheme (ADHIS), MISTRO herd testing software (both pre-existing) and a new central database.

3.4 Farmer confidence

Not surprisingly, farmer confidence is closely related to milk price. Figure 5 shows the relationship between these two parameters as monitored over the last 12 years by Dairy Australia’s National Dairy Farmer Survey (NDFS).
In its Dairy Situation and Outlook of June 2016, DA reported that the NDFS was conducted during February and March 2016 before the late-season farm-gate price cuts were announced. At the time of the survey, 67% of respondents felt positive about the future of the dairy industry, a significant drop in sentiment from the 2015 survey results where 74% of respondents were positive. However, subsequent announcements of reductions in farmgate milk prices had a further impact on farmer sentiment and DA reported ‘early indications from a subsequent survey showing at least a 20% drop in confidence since March’.

In undertaking this review of DA in the period August to November 2016, it has been important to take account of the very low level of positive farmer sentiment and the potential impact of this on farmer views on the performance of DA during the review period.

4. The Board and governance

4.1 Structure of the Board

The Board comprises nine directors: eight non-executive (including the Chair) and the Managing Director. This is the maximum number of directors allowed under the constitution. Directors (with the exception of the MD) are appointed for a three-year term and one-third of directors must retire at each AGM.

The Board has two permanent committees:

- Audit and Risk Management; and
Human Resources.

The Board Human Resources Committee (BHRC) has responsibilities spanning the company’s HR plan, reward strategy, remuneration, HR management and compliance, and board skills, succession planning and performance evaluation.

A Selection Committee is also appointed every 12 months on a standing basis by the Board. The Selection Committee comprises four nominees of the Group B members and a Chair appointed by the Board. The Selection Committee works with the BHRC to identify and nominate candidates for the Board with a suitable balance of skills and experience. This includes ensuring there are at least four directors with milk producer skills, a requirement of the constitution since its review and modification in 2013.

There are charters for the Board and each of the committees and each charter provides for a review in specific terms. There is evidence that these reviews are being undertaken in accordance with the charters.

4.2 Board practice

DA has a highly competent, experienced, diligent and cohesive board, with a strong industry background, and widespread respect among stakeholders. A number of the directors sit on other boards including several of direct relevance to DA including Bega Cheese and Murray Goulburn Cooperative (MGC). This provides DA with an invaluable industry pipeline perspective. The review gained the strong impression that the Board provides clarity of direction and clear expectations for the organisation.

The relationship between DA and other industry organisations, especially in respect to conflict of interest, is discussed further in Section 7.3.

The Board meets 10 times per year. Interviewees for this review indicated that board meetings are well planned and efficient. Management of conflict of interest at board level is a strength and there is an item dedicated to conflict of interest on all board agendas. There is good discussion of all topics and directors are provided with every opportunity to participate. The Board maintains a strong focus on strategy.

Board members and senior management commented positively about the relationship between them. Middle managers are also provided good exposure to the Board. There is no evidence of individual directors straying into management’s sphere of responsibility.

Board papers are very detailed, complex and voluminous by normal standards. DA directors and management are very aware of this and there is ongoing dialogue about managing the reading burden on directors. Incremental improvements have also been made. For example, DA is starting to make use of a ‘traffic-light’ system for reporting on progress against the annual operating plan and of projects in particular. The review team have seen excellent examples of such systems in use by other RDCs. At the project level, links could then be provided to further information for those directors wishing to see

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6 Some stakeholders are critical that the relationship between DA and MGC is too ‘cosy’, compromising DA’s ability to defend farmers’ interests against MGC where appropriate. This review acknowledges this concern but believes DA has little choice but to engage closely and constructively with MGC and other processing companies. The review also notes that DA is not, in any case, an agripolitical body – so it does not have a role in holding MGC or any other player ‘to account’.
additional detail. This would be more consistent with the ongoing shift from output- to outcome-focused reporting that is already underway.

Ultimately, though, the size of the board pack is a matter for agreement between the Board and management. Some (but not all) of the directors are comfortable with the level of detail provided in the board pack because they wish to follow individual projects. It will be important to continue to monitor the matter of board paper volume and to adapt accordingly, especially as board membership evolves.

Financial reporting is clear, easily understood and of high quality. The monthly financial irregularities report is good practice.

A three-yearly board performance review process, which includes peer review and the provision of feedback to individual directors, has been delivered by an experienced consultancy firm and is methodologically consistent with contemporary practice. A board and director development program is also in place and is valued by directors.

4.3 Documentation

The expected governance documents are in place and provide the framework for the overall governance system, including:

- Board and committee charters;
- Workplace health and safety charter;
- Code of conduct (a single code for both directors and staff);
- Fraud control plan;
- Risk management plan; and
- Intellectual property management plan.

These are scheduled for review annually or biennially (depending on the specific document). The versions sighted by the review team had been reviewed within the specified period. The fraud control, risk management and intellectual property management plans are required under the SFA and DAWR has acknowledged that these meet the government's requirements.

4.4 Risk management and compliance

Risk management is a strong feature of DA's governance, driven in part by the very strong background of the chair of the Board Audit and Risk Management Committee in this area. Risk management is entrenched as management practice. Regular monitoring of the controls and management actions helps ensure efficient operations, governance and decision making.

The approach to risk management complies with the SFA requirements. The risk management plan includes a risk appetite statement developed with input from the Executive Leadership Team, the Audit and Risk Management Committee and the Board. A formal risk review involving personnel from across the business, meeting for two key workshops and a series of focussed working sessions, is undertaken at least once per year. The plan has been reviewed and revised eight times during the review period, including an
update in February 2013 to bring the plan into line with the ISO 31000:2009 standard for risk management. Each new version has been approved by the Board and provided to the Commonwealth.

Complementing these activities is a thorough internal audit program. This has been conducted for DA by KPMG throughout the review period.

4.5 Management team and organisational structure

The Executive Leadership Team impressed as being unified, open and committed to operating within the governance framework to meeting the expectations of stakeholders and being accountable for achieving the objectives and outcomes expected.

The organisational structure has evolved over time to reflect organisational needs. It is inevitably a matrix, with areas of work such as animal health and welfare spanning more than one strategic priority. The most recent reorganisation saw the consolidation of Farm Profit Improvement and Industry People and Capability into one key operational area. This makes sense.

There is one notable idiosyncrasy in the alignment between the organisational structure and the strategic plan with the position of Sustainability Framework Manager reporting directly to the MD. This has been attributed by DA to the Sustainability Framework being ‘owned’ by the industry rather than DA so that its oversight occupies a unique position within the organisation. It is also considered desirable that the Sustainability Framework Manager is a senior position to facilitate inter-organisational negotiations.

One particular organisational risk is that of succession in senior management. The Company Secretary / Group Manager Business Operations signalled some time ago his intention to depart DA during 2017. The Chair will reach the end of his permitted tenure as a director at the AGM in November 2017. The MD has held his position since January 2010 and may not seek contract renewal beyond the next two years or so. These departures potentially represent a significant upcoming loss in corporate knowledge.

The Board and MD are well aware of this risk and are taking steps to ensure an orderly transition. During the review period, a new Company Secretary was being prepared to assume the role. The new appointee also gained valuable experience through her management of the constitutional review of 2013. Meanwhile, a number of the functions of the Group Manager position have been reallocated – for example, with the elevation of the human resources management position to report directly to the MD7. In respect to the Chair role, there are farmer directors with significant experience on the Board who will be suitable candidates when a new Chair is elected in late 2017.

These changes in key personnel should be embedded comfortably ahead of currently foreseeable departure dates for the MD.

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7 Although outside the review period, it is noted that the new Company Secretary was formally appointed just prior to the completion of this review (February 2017). A new Group Manager for corporate functions (finance, planning, legal, IT) had also just been appointed. The former Group Manager/Company Secretary remains at DA to assist the transition to the new leadership team, for example as Chair of DataGene and delivering board effectiveness training to RDP directors.
The review team was comfortable that the challenges of succession for DA are being managed appropriately, and do not present a material threat to DA's operations beyond those normally encountered by a knowledge management organisation.

### 4.6 Corporate culture

The leadership has worked at gradually transforming the culture of DA, since before the review period, from one with a technical to one with a farmer focus. This implies greater accountability and a high degree of collaboration between individuals and teams. RDCs always present challenges in this respect.

Progress has undoubtedly been made and leadership should take credit for this. The Project and KPI Management System (PKMS), progressively rolled out from 2011, has clearly had a large impact on transparency of project procurement and oversight. Staffing changes have also been made. As part of transforming the culture, management implemented a process involving staff in the development of a set of corporate values, namely Motivation, Integrity, Leadership and Knowledge – ‘MILK’. Staff members interviewed for the review could all recite the company values (the mnemonic undoubtedly assists in this respect). The culture within DA is generally described as open and encouraging.

However, some aspects of corporate culture may be described as a work in progress. An internal people and culture survey conducted between February and May in 2016 saw employees rate ‘professional development and the performance management system’ and ‘work environment and business structure’ quite poorly (3/5 and 3.4/5, 27% and 20% dissatisfied, respectively). Concerns over instances of inconsistency in the management of performance and some ongoing ‘silo’ behaviour were also raised.

The survey response rate was 66%. This should be higher – the survey was not one of a large population of stakeholders with varying degrees of interest but rather of a relatively small and presumably dedicated internal group. The measured ratings of employee experience could be biased to the negative because dissatisfied people were more likely to respond. The professional development rating, too, might be partially explained by the inevitably limited career pathways within a flat structure like DA’s. It is noted, though, that similar sentiments to those of the staff survey were expressed to the review team.

DA underwent a substantial restructuring of the organisation, including the leadership team, after the survey and just prior to the present review. Once consolidated, the restructure should help to resolve the issues described above. An action plan has been developed to address the less-satisfactory survey findings. DA will also be moving to new premises that will be more conducive to teamwork.

Three other actions might also be considered. First, there is reference in the code of conduct to one of the company values (‘integrity’). DA might consider including all four of the ‘MILK’ values in the code, with explanations of the related behaviours. This would reinforce their importance. Codes of conduct are, primarily, concerned with ethical principles such as integrity and honesty. However, they can be and sometimes are broadened to encompass business values such as customer orientation and innovativeness.

DA might also consider adopting ‘360-degree’ or similar subordinate/superior feedback methodology to provide feedback to individual managers on their leadership performance. The review team understands that such an approach has been used in the past.
Finally, an employee engagement index could be used as a measure for tracking organisational culture change over time.

**Recommendation 1:**

*DA should continue its focus on improving the organisational culture, consolidating and building upon recent restructuring of the organisation including the leadership team and adopting some additional measures as suggested in this review.*

5. Planning and reporting

5.1 Overview

DA has three key planning and reporting documents: its strategic plan, annual operating plan and annual report. Sitting alongside and in support of these key corporate documents is ‘Dairy Moving Forward’ which provides the ‘research, development and extension priorities for the Australian dairy industry’, along with the ‘Sustainability Framework’ which tracks the performance of dairy farmers and manufacturers towards achieving 11 economic, social and environmental targets. Both these supporting documents, which DA coordinates, are excellent in coverage and detail.

5.2 Strategic plans

Overview and observations

From its inception in 2003, Dairy Australia produced a rolling five-year strategic plan. The concept of rolling strategic plans is supported, especially given the volatile and dynamic nature of many Australian agricultural sectors.

The strategic plan for the period 2011-15 was the sixth update of the original plan. In it, DA reduced the previous plan’s six strategic priorities to five. These were:

1. Enhance the adaptive capability of the supply chain to improve margins and growth opportunities;
2. Proactively promote and protect dairy’s value and integrity;
3. Co-ordinate an integrated supply chain response to climate change and natural resource management;
4. Promote and protect the health and nutritional benefits of dairy products and ingredients; and
5. Enhance skills and capability.

The next iteration of the strategic plan, for 2012-16, further rationalised the previous five strategic priorities to four, with the removal of the fourth priority from the previous plan (health and nutritional benefits).

The Strategic Plan 2013/14 to 2015/16 marked the move to a three-year strategic plan as recommended by GHD in its 2011 performance review. This plan was far more comprehensive in its context, scope and
detail. It provided an excellent ‘Situational analysis’. It also reduced and simplified the strategic priorities even further to three, viz:

1. Increasing farm profitability and competitiveness;
2. Protecting & promoting our industry; and
3. Grow capability and skills.

The consolidation to three strategic priorities has simplified DA’s communication with stakeholders. The retention of people-centred activities – SP3 – which could otherwise be rolled into SP1 is notable, and emphasises the importance DA and dairy farmers place on this side of the dairy business.

In addition to reducing the number of strategic priorities, the 2013/14-15/16 plan also noted that DA had sought to further simplify the investment model by reducing the number of strategic programs and reducing the number of projects.

Perhaps the most important development within the 2013/14-15/16 plan was the structure adopted by DA to summarise the seven strategic objectives of the three strategic priorities, which followed the template:

<table>
<thead>
<tr>
<th>Strategic program</th>
<th>$ and % of DA investment</th>
<th>Strategic direction (activities)</th>
<th>Targets</th>
</tr>
</thead>
</table>

It is the targets, which are specific and measurable, such as ‘Increase pasture consumption to 1t DM/100ml rainfall or irrigation on 50% of dairy farms’ that are the most important development, as previous plans were somewhat lacking in that regard. More recent plans have excellent targets and systems identified for measuring performance at an ‘activity’ (but not at a strategic priority) level such as the following example for Animal Health in the 2016/17-2018/19 plan:
The more recent plans in particular are very comprehensive and highly detailed, perhaps even to the extent of deterring all but the most dedicated reader. However, for the 2013/14-2015/16 plan a web version, and six-page summary, were produced in addition to the full plan. The summary is a valuable document and is to be commended.

During the conduct of this review, DA released its Strategic Plan 2016/17-2018/19. This most recent plan follows a similar structure to the 2013/14-2015/16 plan and a summary document has again been produced. While the 2016/17-2018/19 plan is outside the scope of this review, it is noted that DA is preparing a summary of the plan which includes a ‘dashboard’ of the key (draft at this stage) objectives at the strategic priority level. This is a considerable step forward and is highly commended. Objectives at the strategic priority level provide greater clarity of the key outcomes sought by DA as an organisation, and should further assist levy payers and industry to make more informed assessments of DA’s performance in achieving its overall aims.

In summary, DA’s strategic plans have notably improved over time. More recent ones in particular are very comprehensive and detailed but summary documents are now being provided and these are strongly encouraged. Each successive plan has responded to changes in the operating environment but, while changes to structure and detail have been made, the plans are consistent in format across years which assists with continuity. The plans clearly delineate anticipated investment levels and they provide a good summary of previous activities in priority areas.

The recent move to provide a dashboard of objective metrics against strategic priorities has been a significant positive development.

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**Key performance indicators (KPIs)**

<table>
<thead>
<tr>
<th>Target outcome</th>
<th>Measure</th>
<th>Source of data</th>
<th>Outcome 2015/16</th>
<th>2016/17</th>
<th>2017/18</th>
<th>Targets 2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fertility</td>
<td>Median 6-week in-calf rate</td>
<td>NatSCAN ADHIS data</td>
<td>51%</td>
<td>&gt;53%</td>
<td>&gt;54%</td>
<td>&gt;55%</td>
</tr>
<tr>
<td>Milk quality</td>
<td>Proportion of farms supplying milk with average annual bulk cell count (BMCC) below 400,000</td>
<td>Processor supplied data</td>
<td>97%</td>
<td>98%</td>
<td>99%</td>
<td>&gt;99%</td>
</tr>
<tr>
<td></td>
<td>Proportion of farms supplying milk with average annual bulk cell count (BMCC) below 250,000</td>
<td>72%</td>
<td>73%</td>
<td>74%</td>
<td>&gt;75%</td>
<td></td>
</tr>
<tr>
<td>Animal welfare</td>
<td>Proportion of farms routinely using calving induction</td>
<td>DA Animal Husbandry Survey</td>
<td>19%</td>
<td>≤ 15%</td>
<td>≤ 12%</td>
<td>≤ 10%</td>
</tr>
<tr>
<td></td>
<td>Proportion of farms tail docking (except under veterinary advice)</td>
<td>15%</td>
<td>≤ 10%</td>
<td>≤ 5%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>P213</td>
<td>Timely advice on Facial Eczema risk provided to farmers: Fortnightly spore counts received from sentinel farms across Gippsland</td>
<td>GippsDairy monitoring program</td>
<td>20 sentinel farms</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P213</td>
<td>Farmer implement good on-farm biosecurity practices: % Dairy farmers checking health status of purchased stock</td>
<td>DA Animal Husbandry Survey September 2016</td>
<td>&gt;60%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Recommendation 2:

DA should continue its efforts to establish and report on a dashboard of key objective targets at strategic priority level to provide a clearer indication of overall organisational performance.

SFA and constitutional requirements

Requirements in relation to strategic and operational plans are covered by sections 11.1 to 11.7 of DA’s SFA with the Commonwealth (and rules 18.1, 18.2 and 18.7 of the constitution). Section 11.1 (and 11.2) deals with the timeframe, review process and Minister’s endorsement of the plan, while Section 11.3 describes the coverage of the plan. Section 11.4 outlines the consultation required in the development of the plan.

This review has confirmed that all requirements under the SFA in relation to strategic plans have been met. The plans also provide clear linkage to Australian Government priorities.

Recommendations from previous review of performance

The 2011 performance review by GHD made three recommendations. All three are relevant to the strategic plan so DA’s response to them is discussed here (see also Section 9).

GHD Recommendation 1 – Develop a 3-year rather than a rolling 5-year strategic plan

The strategic plan should be developed every three years and reviewed annually. The strategic planning process should focus on objectives, priorities and potential outcomes, with alternative approaches to achieving them. This will focus the strategic plan on clarifying DA’s role in the industry and how this will be strategically achieved. The change will also improve the differentiation between the Strategic Plan and yearly AOPs which can focus on implementation.

This recommendation has clearly been implemented, with the Strategic Plan of 2013/14-2015/16 (and the latest 2016/17-2018/19 version) being three-year plans.

GHD Recommendation 2 – Clarify and communicate stakeholder engagement purpose and intent

DA should develop, communicate and implement a “planning engagement plan” which clearly outlines board, executive, staff and external stakeholders’ involvement in the strategic and annual operating planning cycles. The planning engagement plan should clearly define when and how stakeholder engagement is focused on:

- Scoping – consideration of strategic and annual operating plans’ scope and options
- Review – seeking input on proposed strategic and annual operating plans
- Intent – briefings on the approved strategic and annual operating plans
- Implementation – reporting progress and discussing adaptations to strategic and annual operating plans

This improvement will increase the transparency of engagement in the planning process, clearly signalling and providing both internal and external stakeholders the opportunity to become involved, and also provide recognition of stakeholder input being considered in DA’s various plans.
Recommendation 2 relates to clause 11.4 of the SFA, which requires DA, in developing the strategic plan, to develop a consultation plan that includes details of proposed consultations with the Commonwealth, levy payers, industry representative bodies, other RDCs and other stakeholders. In respect to this recommendation:

- DA staff advised that the recent strategic plan involved considerable consultation with stakeholders, and a comprehensive schedule for planning consultation with ADF and ADPF, including the various Policy Advisory Groups (PAGs – see Section 6.3) was viewed by the review team.

- The memorandum of understanding between DA, ADF and ADPF (item 2.2 and Attachment A) signed in 2015 contains a template for the planning engagement plan, including timeframe and responsibilities (see also Section 7.3). This was reportedly followed.

- It is clear that DA undertakes extensive and ongoing consultation with stakeholders through multiple forums and other engagement mechanisms (Section 7).

The intent of the GHD recommendation has been addressed by the above actions and the review team has no doubt that consultation for the last strategic plan review was thorough. A series of documents, each setting out consultation plans for particular stakeholder groups, was provided to the review. However, there was no consolidated document setting out the full range of consultations over all stakeholders as recommended for development by the GHD review.

Such a document would be useful for demonstrating the full breadth of DA’s consultative activity. The review team is aware of a very good example of a brief but comprehensive consultation plan for a strategic planning process, developed by Sugar Research Australia. DA may wish to view that document as an example of a consolidated consultation plan.

**GHD Recommendation 3 – Strengthen performance monitoring and reporting**

DA should seek to simplify and align its performance reporting system to better assist planning, review and demonstration of value to industry and government. This should be an augmentation to the new PMS which has already improved transparency throughout the company. Particular emphasis needs to be placed on:

- Fewer measurable performance measures linked to DA’s strategic plan, AOP and planning hierarchy elements (objectives - priorities - risk - horizon - investment - programs/projects)

- A suite of user tested and targeted information products which report performance internally and externally

- Repeatable and cost-effective business systems to generate the required performance information products in a timely, on-going and adaptable manner.

As noted above in Section 5.2, DA’s performance reporting system has steadily improved over the review period. Having levy payers understand the value delivered by DA remains a challenge (see Section 7.2). Recent changes, such as the development of targets at strategic priority level, the publication of a succinct, dashboard-style summary of the strategic plan (and the ‘Farm profit and innovation report’ – see below) as well as the increased presence of DA staff in the regions should improve communication. This is an area for continuous improvement.
5.3 Annual operating plans

The company’s requirements in relation to annual operating plans (AOPs) are covered by sections 11.6 and 11.7 of the SFA. Section 11.6 stipulates that DA must provide the Commonwealth with an AOP prior to 1 July each year and must also ensure there is in an AOP in force at all times. Section 11.7 deals with the content of the AOPs and requires DA to submit all plans and any variations to the Commonwealth within 30 days of their being adopted.

Section 18.7 of the constitution requires DA to provide Group B members with a reasonable opportunity to consider and consult the Board in relation to the plan or a variation of it.

This review, including discussions with DA management and representatives of DAWR, has confirmed that all requirements of the SFA in relation to AOPs have been met.

From a review of relevant documentation and discussions with DA staff the following points are noteworthy:

- DA produced AOPs for the five financial years from 2011/12 until 2015/16 (the 2016/17 plan was also released recently).
- The AOPs closely followed the direction of the strategic plans – there has always been a clear ‘line of sight’ between the two.
- From 2012/13, the AOPs became more detailed and provided commentary on ‘planned achievements’ rather than just ‘activities’. This was a positive development. Enhanced portfolio analysis (time, risk and triple bottom line) and alignment to Government priorities were also added.
- The 2013/14 AOP aligned clearly with the (now) three strategic priorities. This plan also introduced the portfolio evaluation in which strategic programs (within each of the three strategic priorities) was evaluated ex-ante for return on investment. This has become a strong feature of DA’s portfolio management. Targeted outcomes also feature in this plan.
- The recent development of a dashboard of key objectives at the strategic priority level in the strategic plan, as noted above, will likely lead to equivalent objectives flowing through into AOPs, which would again be a positive development.
- The 2014/15 and 2015/16 AOPs further built on the gains on the 2013/14 version. Notably, DA’s ongoing role in policy support, both domestic and export to government and ADF/ADPF, was further clarified.
- The implementation of the AOPs, the results of which are reported in the annual reports, has been rigorous and comprehensive.

5.4 Annual reports

The company’s requirements in relation to annual reports are covered by sections 12.6 to 12.12 of the SFA. The organisation must prepare annual reports compliant with the Corporations Act and the SFA, and submit them to Minister as soon as practicable after the AGM. Section 12.12 provides a detailed listing of what each annual report should include.

This review has confirmed that all criteria listed within the SFA in relation to annual reports have been met.
DA’s annual reports are extremely comprehensive in their coverage. This is to be commended. There is meticulous attention to detail on expenditure, activities and outputs and this provides for a high degree of transparency. The review team have not experienced more detailed annual reports than those provided by DA. A further feature is the clear line of sight between strategic plans, AOPs and annual reports.

It is noted that the annual reports have had a heavy focus on reporting ‘what was done’ which by definition will tend to focus on inputs and outputs, rather than outcomes and benefits. Currently the annual reports are very wordy and qualitative and would benefit from more quantitative information, a focus that DA is following.

Also, the move by DA to develop a dashboard of key objectives at a strategic priority level will no doubt flow through AOPs and into annual reports, making it easier for stakeholders to more easily understand the value that DA is delivering.

In addition to its annual report, DA uses other vehicles to report back to stakeholders. Of note is the ‘Farm profit and innovation: 2014/15 adoption and innovation report’ which provides a summary of pre-farmgate RD&E investments and outcomes. This is a useful document and warrants wide distribution.

6. RD&E management and delivery

6.1 RD&E procurement

The DA RD&E procurement process combines elements of both ‘commission’ and ‘submission’.

DA has a strategic partnership with the Department of Economic Development, Jobs, Transport and Resources (DEDJTR, Victoria), the lead agency for Dairy Moving Forward (DMF). In 2013, the two parties signed an agreement to invest up to $4 million each, per annum over five years, in agreed on-farm R&D projects. In 2015, DA and DEDJTR agreed that DA would take the lead in the delivery of dairy productivity extension services in Victoria from DEDJTR.

DairyBio is a separate, unincorporated joint venture between the Victorian Government and DA, with a five-year $45m funding commitment from July 2016 to July 2021. DairyBio was created to build upon the activities of the Dairy Futures CRC, which ceased in 2016. Its foreshadowed ‘headline’ outcomes include the development of advanced pasture species and acceleration in herd improvement using enhanced genomic selection.

DA also has collaborative funding agreements with:

- The Tasmanian Institute of Agricultural Research through the University of Tasmania;
- Queensland Department of Agriculture and Fisheries; and
- The Department of Agriculture and Fisheries Western Australia (further discussed in Section 7.1).

DA also has a range of co-investment partnerships with other funding bodies such as DairyNZ and Teagasc, DA’s equivalents in New Zealand and Ireland. Notably, DA has been successful in attracting co-investment in DairyBio’s ryegrass breeding program by DairyNZ.

8 www.dairybio.com.au
In addition to the commissioned RD&E, DA conducts an annual call for proposals and also accepts proposals at other times of year. Respondents complete a preliminary application form for RD&E funding and then, if invited to do so, a full application. Both levels of submission are reviewed internally and by external referees and/or DMF communities of interest (see Section 6.3) if additional expertise is needed. Projects with a budget exceeding $750,000 or three years' duration require Board approval, otherwise approval from the MD. The MD may also refer a project within his delegation to the Board in cases where the project has particular significance.

DA’s approach to procuring RD&E services through a mix of strategic partnerships, other commissions and submitted proposals is a sensible one. Longer-term relationship building with key providers is important for providing industries with security of RD&E assets in an era of shrinking commitment to agricultural RD&E (especially by state governments). At the same time, projects put forward by strategic partners are subject to the same scrutiny as any other projects, reducing the risk of the provider becoming complacent or driving the research agenda. The mechanism to allow submitted proposals also encourages competitiveness among providers and the capacity for DA to access new thinking.

6.2 Program and project management

In 2011, DA rolled out its Project and KPI Management System (PKMS) throughout the company. The PKMS is clearly central to the working lives of DA managers, who repeatedly referred to the transformative effect the system has had on the company, particularly in respect to accountability and transparency. The system requires users to complete certain fields, such as ex-ante benefit/cost analyses, before projects can be put forward for approval. The system also greatly facilitates reporting, for example by allowing project update summaries to be produced for given programs or by other filters.

The DA program management style is described as quite ‘hands-on’. Program managers have expertise in their disciplines and bring that to bear on their program and project management. Each program manager has end-to-end responsibility for the continuum from research to delivery and back, ensuring the ‘E’ informs the ‘R’.

The Board likewise takes a close interest in the RD&E programs. It receives monthly project updates and individual program managers usually present to the Board three to four times per year.

6.3 Advisory structures

The dairy industry is well served by RD&E and policy advisory structures, although most of these are not ‘owned’ by DA but rather by the broader industry, which is a positive feature. These structures provide a variety of mechanisms to engage with farmers of various sizes, locations and enterprise types as well as other industry players.

The Regional Development Programs (RDPs) play an important role in informing DA’s RD&E priorities (see Section 7.1).

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9 As noted above, board packs are large by normal standards, and the project updates are one reason for this. Farmer directors in particular have an (understandable) preference to know the detail of the RD&E.
Each of the Dairy Moving Forward (DMF – see Section 5) programs has one or more ‘program champions’. The program champions are generally the relevant DA program managers. They are supported by one or more ‘communities of interest’, each comprising a range of stakeholders with RD&E expertise in the relevant portfolio, or larger ‘communities of practice’. In the Animal Performance program, for example, there are communities of interest in herd improvement, reproduction, milk quality and animal husbandry.

The DMF communities meet at least twice per year. They provide advice to DA on gaps in the RD&E portfolio and may also review specific project proposals.

In addition, ADF has a series of five Policy Advisory Groups (PAGs), covering the following:

- Farming Systems and Herd Improvement;
- Natural Resources;
- Animal Health & Welfare;
- Markets, Value Chain and Trade; and
- People and Human Capacity.

The PAGs are appointed by the ADF board. They recommend policy settings to the National Council but also have a role in advising DA (and other bodies such as ADPF). PAGs usually comprise six members and meet up to three times per year. They are funded by ADF, although DA meets sitting fees and expenses of PAG members where a meeting is specifically for the purpose of providing input to DA.

DA managers attend each of the PAG meetings to contribute to a mutual exchange of information and advice. There is also specific provision in the memorandum of understanding (MOU) between DA, ADF and ADPF (see Section 7.3) that DA will consult with the PAGs during the development or review of strategic and annual operating plans. Separately, the Sustainability Framework is governed by a structure involving the Australian Dairy Industry Council (ADIC – see Section 7.3), a steering committee, a consultative forum and a number of working groups, with DA providing secretariat support.

The comprehensive web of RDPs, ADF PAGs, DMF communities and other groups all contribute to DA’s prioritisation and evaluation of effectiveness of RD&E and other activities. In addition, external experts are retained as needed to review milestone reports or provide other specific advice.

### 6.4 Intellectual property management

DA has an intellectual property (IP) management plan. The plan recognises (sensibly) that ‘The commissioning or funding of R&D initiatives by Dairy Australia is not driven by the prospect of generating a portfolio of intellectual property capable of returning a revenue stream through commercialisation. Rather, the goal of its investment is to return a real and direct benefit to Industry by generating relevant and valuable outputs and delivering these to levy-paying farmers (and, where relevant, other Industry stakeholders) efficiently and free-of-charge’. The five objectives of the plan (paraphrased) are to ensure that:

1. IP provisions in contracts with service providers allow DA to own or control all outputs;
2. Generated IP is disseminated to industry without charge, quickly and in useful form;
3. IP is appropriately protected and/or commercialised;
4. Likely benefits of further R&D in the relevant area are identified and pursued if appropriate; and
5. Costs of IP protection are efficiently managed.

These objectives are entirely appropriate and IP appears to be managed according to the plan.

6.5 Adoption

The period of this review has seen DA deliberately and progressively assume greater control of its productivity-related extension delivery as states have withdrawn resources. The RDPs (see Section 7.1) are the primary conduits for regional delivery.

DA offers its levy payers a broad ‘menu’ of flagship extension programs, some of them very longstanding, including the following major examples:

- InCalf (reproduction);
- Countdown 2020 (mastitis);
- CowTime (low-stress handling);
- Feeding Pastures for Profit (pastures) and
- The People in Dairy (attracting and retaining workers).

These programs serve to integrate and package the outcomes of relevant R&D projects, plus other available knowledge and tools, as well as assisting to identify knowledge gaps for further R&D. In this respect, DA is ahead of some other RDCs whose delivery is more piecemeal and done on a project-by-project basis.

In 2016, DA was instrumental in establishing DataGene, a collaborative, industry-owned, pre-competitive herd improvement organisation. DataGene has subsumed the former Australian Dairy Herd Improvement Scheme (ADHIS), an independent genetic evaluation service for the dairy industry, and also incorporates MISTRO herd testing software and a new central database. DataGene is another example of an integrating delivery mechanism for dairy R&D outcomes (specifically in genetics).

In respect to formal training, the dairy industry has the National Centre for Dairy Education (NCDE)\(^{10}\), an alliance between DA and a network of Registered Training Organisations and other bodies. The existence of the NCDE has allowed the dairy industry to ensure that vocational and educational training is packaged to meet the specific needs of the industry. Over the course of the most recent strategic plan, DA has sought to expand the remit of the NCDE to include schools, universities, farm advisers and leadership courses.

DA probably places far greater emphasis on capacity building for its industry participants than most other RDCs, and this is very commendable.

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\(^{10}\) NCDE was formerly the National Centre for Dairy Education Australia (NCDEA). The name change was part of the transition to a broader remit for the organisation.
6.6 Monitoring and evaluation

DA has a monitoring and evaluation (M&E) framework for its on-farm program, developed in June 2013 with facilitation by Coutts J&R. An accompanying contracting and reporting guide was developed in 2014. The purpose of the latter is ‘to guide the investment, contracting and reporting of Dairy Australia on-farm activities to clearly demonstrate its place in contributing to the Strategic Priorities of the industry, learn from activities undertaken for continual improvement and identify needs and gaps for further investment’.

The guide defines performance areas, metrics, KPIs and practices for each of the programs and how data will be collected on these. It defines parameters such as demographics and ‘influence categories’ (e.g. better reach, faster change). Notably, a specific effort has been made to adopt a format and structure similar to that of Meat & Livestock Australia ‘with a view to encouraging a consistency in approach across RDCs’.

DA uses a number of means of collecting industry data. The National Dairy Farmers Survey (NDFS) has been conducted annually since 2004 by Down to Earth Research and collects information on (inter alia) farmer confidence; perceived challenges and opportunities; financial performance; on-farm investment; supplier relationships; and production and herd parameters. The 2016 survey comprised telephone interviews with 1000 farmers across Australia, using a stratified design weighted by state and by RDP.

The other major source of industry data is the Dairy Australia Stakeholder Tracking (DAST) program. The DAST has been running since 2005 and is conducted by Intuitive Solutions. The DAST is specifically concerned with farmers’ attitudes towards DA, its various programs and the RDPs. The DAST involves 600 telephone interviews, again stratified to allow analysis at the RDP level.

The continuity of both of these surveys over more than a decade, with the same providers at the helm, provides a very valuable data source for DA. The report from the annual DAST is presented to management and the Board, providing DA with solid evidence-based feedback of its perceived performance among stakeholders.

More tailored collection of data to support the M&E system has recently been facilitated by the rollout of the customer relationship management (CRM) system ‘Salesforce’. The system allows the names of levy payers who attend DA (RDP) events to be captured, facilitating (for example) the tracking of individuals’ specific interests and the collection of follow-up data on practice change.

The M&E framework and guide are admirably thorough and logical. Their content is built into the PKMS and feeds through annual operating plans, strategic plans, company annual reports and the Farm Profit and Innovation report. As noted in Section 5, though, the challenge for DA lies not so much in the detail of performance measurement but in moving to ‘simplicity beyond complexity’ and providing an overall picture of what it delivers for stakeholders.

7. Liaison with stakeholders

7.1 Regional Development Programs

The Regional Development Programs (RDPs) are an important and distinguishing feature of the DA model. There are eight RDPs:
Subtropical Dairy (Queensland and northern NSW);
Dairy NSW;
GippsDairy (Gippsland, Vic);
Murray Dairy (northern Vic and southern NSW);
WestVic Dairy;
DairyTas;
DairySA; and
Western Dairy (WA).

The RDPs have differing histories extending over almost 20 years and, until recently, adopted a range of governance and operational models. In 2014, DA commissioned a review of its regional services (including the RDPs) by Coutts J&R. This review was partly a response to the ongoing withdrawal of state government extension services to agricultural industries, resulting in a recognition that dairy would need to take responsibility for its own extension delivery.

Among the conclusions of the Coutts review were that DA should adopt a more consistent and coordinated approach to its regional service delivery and that there were opportunities to streamline the administrative functions of the RDPs to allow them to focus on their core purpose.

During 2014 and 2015, DA and the RDPs worked together to develop and implement a new RDP model across the eight organisations, the features of which are:

- The provision of administrative and other support services to the RDPs by DA, including accounting and finance, IT infrastructure, HR and payroll and communications;
- The recasting of the role of the Executive Officer (or CEO or other title) of each RDP to ‘Regional Manager’; and
- Employment by DA of all RDP staff, with secondment back to their RDPs, where they report to the Regional Manager.

There are a few legacy exceptions to the revised arrangements – for example, one regional manager retains the title ‘Executive Officer’, while another continues to be a contractor rather than employee. These minor departures aside, the RDPs now conform to a uniform model. The relationship between each RDP and DA is governed by a Regional Services Delivery and Support Services Accord which sets out the parties’ respective roles and responsibilities.

In 2015, DA also took over the delivery of dairy productivity extension services from DEDJTR, with extension personnel subsumed into the three Victorian RDPs. This did not result in increased cost to DA as it was funded by the diversion of resources previously invested in DEDJTR by DA in other R&D services.

In WA, Western Dairy forms part of a ‘Dairy Hub’ in which DA has invested $975,000 and the WA Government $600,000 over three years from June 2015. The hub consolidates WA’s dairy RD&E resources. There are already signs, though, that at the end of the three-year arrangement the WA Government will seek to reduce its investment.

The revised arrangements for the RDPs are undoubtedly positive and they are universally recognised as such. Reportedly, there have been cost-efficiency gains, better coordination and less duplication of
activity in service delivery to the regions. The RDPs act more as a regional DA ‘shopfront’ and two-way conduit between regional dairy farmers and centralised DA activities.

The RDPs continue to exist as separate entities with independent boards or committees. Some stakeholders advocate the dissolution of the RDPs and their replacement with regional offices of DA, in order to reduce the total administrative overhead (of running eight boards additional to DA’s) and to eliminate brand confusion among dairy farmers between the central and regional organisations. There might also be some risk of a governance failure by an RDP that reflects poorly on DA.

This review found very limited support for dissolving the RDPs. Those arguing against rationalisation to a single entity point out that any replacement structure in the regions – such as regional advisory committees – would also have a significant cost; that a board provides a greater degree of regional autonomy than a regional committee; that the RDP boards provide a training ground for industry leaders; and that the RDP brands have value in their own right.

There is undoubtedly a lack of clarity among levy payers as to the respective roles of and relationship between DA and the RDPs. Efforts have been made to reduce confusion through a co-branding strategy, in which the logos of DA and the respective RDP appear together with the tagline ‘Your levy at work’. The co-branding is a sensible strategy and should help to reduce the problem of attribution of regionally-delivered activities. The increased number of DA staff in the field will also assist in this respect.

Feedback from interviews for this review indicates that there are good opportunities for RDPs to interact with each other and with ‘head office’. The chair, deputy chair and regional manager of each RDP participate in two meetings at DA each year. The first is in March and includes a ‘speed dating’ format that allows each RDP to interact with each of the DA program managers (e.g. feed base, animal production). The second meeting is in November, in conjunction with the AGM, and allows a two-way exchange of information between the RDPs and DA at a strategic level. In addition to these scheduled events there is ongoing contact between the RDPs and DA including regular teleconferences.

Each RDP prepares and submits a draft annual operating plan in March and finalises the plan in June. RDPs and DA managers interviewed for the review appear comfortable that the process of negotiating the regional plans enables an adequate degree of regional prioritisation while maintaining alignment with national strategies.

The RDP model will undoubtedly evolve over time – for example, there is an aspiration to allow specialist extension resources located in one RDP (e.g. in animal health) to be deployed across several or all RDPs. Even in its current form, though, it is a standout among national RDC models for regional engagement and delivery.

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11 The Company Secretary has undertaken board effectiveness work with the RDP boards / associations, and has also provided training in directors’ duties for new RDP board members, partly in recognition of this risk.

12 In fact, support for the dissolution of the RDPs was expressed in only one region, albeit quite strongly by the people present.

13 A suggestion was made during the review that this tagline be replaced with one along the lines of ‘Research, support, education’, which would much better communicate what DA actually does. This seems a reasonable suggestion.
7.2 General levy-payer communication

DA has an annual corporate communications plan. The plan is very long and detailed, identifying target audiences, analysing the current situation (target audience perceptions, communications environment etc), articulating objectives for the year, describing strategic and tactical approaches to be adopted and outlining an approach to evaluation. Very detailed action plans are also included. A similarly thorough Trade and Strategy communications plan is appended to the corporate plan. DA also has a separate annual external communications media plan, detailed to the strategic priority level.

Some ‘non-core’ activities foreshadowed in the current year’s communications plans were shelved with the unprecedented industry developments of May 2016. A tactical response, ‘Tactics for Tough Times’, was developed. A communication plan for this program was also prepared and accorded high priority.

DA is increasingly adopting digital technology for its communications and in 2016 commissioned the development of a ‘Digital Success Strategy’. The four-year strategy includes, in the first phase, the redevelopment of the website and the adoption of the CRM system ‘Salesforce’ by DA and the RDPs. These are welcome developments, especially with respect to the website, which contains a wealth of information but is difficult to navigate. The annual stakeholder tracking survey conducted by Intuitive Solutions (see Section 8) shows (unsurprisingly) that utilisation of digital and electronic channels of communication is increasing among farmers, the result of both ‘push’ (increasing content) and ‘pull’ (changed consumption preferences).

The stakeholder tracking survey asks questions about the quality and quantity of DA’s (including the relevant RDP’s) communications activities. The report from the latest (2016)14 survey shows that satisfaction with how DA engages with farmers was rated at 6 out of 10, down 0.2 from the previous survey, although there was significant regional variation.

Interviews conducted for this review indicated that there is no shortage of communication to farmers from DA and/or their RDP (albeit that a small number of people claimed to ‘hear nothing’, but this is usual). However, the familiar refrain was heard that farmers receive huge amounts of information from multiple sources, and material from DA/RDP is not necessarily accorded reading priority. The 2016 stakeholder tracking survey shows that DA ranks fourth among farmers as a preferred source of information on the dairy industry or regarding on-farm or business matters, after: ‘others in my business/other farmers’; ‘milk companies’; and ‘consultants (i.e. nutritionist, agronomist, vets)’ (but above ‘ADF/State Farmer Organisation’).

In the experience of the review team, all RDCs face a considerable challenge in communicating to their levy payers what the organisation does (and perhaps more importantly does not do) for them. The problem may be even more marked for DA than for other RDCs in part because of the regular and constant visibility of the dairy levy on farmers’ ‘milk cheque’. It is certainly more applicable to DA’s less-visible functions such as supporting market access or influencing human nutritional debates. Clearly, many farmers expected more advocacy support from DA in the recent milk price crisis, and several interviewees referred to the widespread perception of DA as the industry’s ‘mothership’ (‘because that’s who we pay to do things’).

14 It should be noted that the 2016 survey was conducted in modified form because of the price crisis in May, leading eventually to a decision not to continue doing interviews. 399 of the planned 600 surveys were completed.
This lack of understanding among levy payers of what DA does and does not do is a concern for DA. The 2016 stakeholder tracking survey demonstrated, and this review heard, that farmer satisfaction with levy investment is considerably higher among those who have been exposed to or engaged in DA-supported activities\(^{15}\). DA must continue to strive for cut-through in its messaging to levy payers, with an emphasis on activities and deliverables that are seen to ‘support’ farmers and the industry – for example, economic or policy research that enables peak bodies to prosecute an argument with government.

Overall, there was a sense from the interviewees for this review that DA should produce fewer but more specific and targeted communications that refer back to strategic priority targets as suggested in Recommendation 2 of this review. However, the enormous difficulty of striking the right balance between saying too much and not saying enough – especially when a proportion of the levy payer base will not read anything from their RDC, regardless of quality or relevance – is acknowledged.

### 7.3 Specific relationship activities and structures

It is clear from interviews for this review that DA places great emphasis on its relationships with stakeholders. The MD is particularly admired for his relationship-building ability, his frequent visits to the regions to meet with farmers and his willingness to listen. This is well regarded by farmers. The Chair, other board members and senior managers also travel regularly to the regions and play a role in DA’s broader relationship management.

As noted in Section 6.3, DA uses a range of mechanisms to provide opportunities for all farmers to engage with the company. The RDPs, as described above, are an important means of engagement with all levy payers and also other industry stakeholders in the regions.

The MD, Board and staff meet regularly with their counterparts across the supply chain. As noted in Section 4.2, strong relationships with downstream players are critical to the effective operation of a company such as DA.

Two of DA’s key stakeholders are the industry national peak bodies, Australian Dairy Farmers (ADF) and the Australian Dairy Products Federation (ADPF) (which collectively constitute the Australian Dairy Industry Council (ADIC)). As described above, ADF and ADPF are Group B members of DA, and Rule 13 of the constitution stipulates that DA ‘may from time to time agree in writing with the Group B members, procedures for consultation with Group B members... (and) must give effect to any consultation procedures so agreed’.

There is a memorandum of understanding (MOU) for a strategic planning consultation process between the three organisations (see Section 5.2). The MOU reportedly took considerable time to finalise, although a previous agreement was in place throughout this period. ADF and ADPF both reported positive relationships with DA, with ADPF particularly acknowledging the technical support and issues management provided by the company.

\(^{15}\) This is an association and not necessarily a cause-and-effect relationship but, nonetheless, it seems evident that people adopt more positive views of DA as a result of exposure to DA activities.
7.4 Liaison with government

The Chair, MD, Company Secretary and/or other senior staff of DA meet with officers of DAWR every six months as required under the SFA. The discussions are strategic in nature and cover DA’s operations and governance, industry and government issues and other relevant matters.

DAWR officers interviewed for this review indicated that the relationship between the Department and DA is strong and constructive. The company was described as having a strategic and positive posture and being proactive in seeking the advice of government on emerging issues. DAWR was also complimentary about the willingness and capacity of a range of managers to engage with the Department as required, rather than DA controlling the relationship through only one or two points of contact, as is the case with most of the RDCs.

DFAT similarly reported a very good and valued relationship with DA. DA was described as being among the best industry organisations to work with during free trade negotiations, providing prompt and high-quality advice.

7.5 Collaboration with other RDCs

Both DAWR and the Council of Rural Research & Development Corporations (CRRDC) indicated that DA is a highly collaborative member of the RDC community, not just through the CRRDC but also through the MD’s participation in the Research & Innovation Committee of the Agriculture Senior Officials Committee (part of the Council of Australian Governments framework) and as an active participant in the Rural R&D for Profit Program.

DA has been particularly supportive of the CRRDC’s activities in respect to evaluation. Between 2007 and 2011, it participated in the CRRDC’s evaluation program, commissioning project evaluations for CRRDC’s ‘heroes’ study and subsequent random sample aggregation reports. DA supported and contributed to a CRRDC review of evaluation methods and the development of principles and procedures for evaluation\(^\text{16}\), and was a driver of a further cross-RDC impact assessment in 2016\(^\text{17}\).

DA is also active across other facets of the CRRDC, notably communications, business management and extension.

8. Delivery of benefits

8.1 Introduction

In common with other RDCs, DA faces the challenge of demonstrating the benefits that its various activities deliver to levy payers and other stakeholders. Unlike for-profit companies, DA is not driven by bottom-line profit but rather by helping to support the profitability of its levy payers. The company itself does not have a profit measure (such as a dividend) available to demonstrate the company’s value to its stakeholders.


owners and stakeholders nor does it have a share price which tracks performance. DA must instead rely on other measures of its worth, both hard, quantitative economic measures and softer, qualitative measures.

Furthermore, unlike those RDCs which are solely focused on research and development (farm level and post-farmgate), DA has the added complication of measuring and reporting on the benefits from its marketing, trade and international market support, consumer education and workplace strategy activities. It is typically hard to measure the benefits from these activities in a rural industry and to demonstrate the contribution made by the organisation’s activities to positive (and negative) outcomes.

In these circumstances, it is easy to fall into the trap of reporting detailed inputs and outputs for each program and project, rather than focus on the outcomes (that is, the net benefits from the broader activities). It is important to report the former to monitor each project and help guide decision-making, but this is mainly useful for internal use. The outcomes (net benefits) are of more interest to external parties notably levy payers and stakeholders. DA currently uses a combination of these approaches. It might be accused of excessive focus on reporting inputs and outputs in detail but there is a positive and steady move towards greater emphasis on measuring outcomes.

It is worth noting here that the price paid to dairy farmers for raw milk is irrelevant to measuring the benefits from DA and its activities. The farmgate price paid for milk in Australia is largely determined by the world price, over which Australia has little to no influence as it is small supplier from a global perspective.

8.2 Measurement methodology

Since 2014 DA has, with the assistance of Marsden Jacobs Associates (MJA), applied a very robust methodology to measure the benefits and costs of its RD&E programs. This new methodology replaced the previous system of project-by-project BCAs prepared for DA by the BDA Group (examples are given in the BDA Group’s report of October 2011).

In addition to estimating the benefits and costs, this methodology also indicates the distribution (flows) of the net benefits of each RD&E project to the various products and stages within the industry, namely fresh milk, manufactured milk products, farmgate, processor or retail. The system also allows for identification of the net benefits by region within Australia. This methodology is based on an academically well-established economic approach.

This benefit-flows methodology is complemented by a rigorous ex-ante evaluation of the benefits and costs of many projects, as well as ex-post assessments of selected projects. The ex-ante assessments are used to guide investment decisions within DA. The ex-post assessments are used to demonstrate the benefits from selected projects and to inform improvements to the ex-ante evaluation process.

Quite correctly, these assessments (both ex-ante and ex-post) attempt to take into account what would otherwise have occurred if the R&D projects were not done. This acknowledges that the world does not stand still. Furthermore, the assessments also take into account all the costs involved in the project – both the project and ancillary costs incurred by DA and the costs incurred by dairy farmers and other stages in adopting the new technology.

This methodology can be used to assess the benefits and costs from marketing activities. This has been well established in the agricultural economics literature. While it could be used to assess DA’s marketing efforts.
activities, to do so might be problematic. There is a high probability that the net economic benefits may be zero or even negative (that is, the costs outweigh the gross benefits). The purpose of marketing programs is, from an economic viewpoint, to increase demand which lifts prices paid to farmers. However, Australia is a small supplier of dairy products on the global stage and so is essentially a price taker. It is highly unlikely that any marketing activity by DA will affect the world price.

The marketing programs conducted by DA have other, intangible benefits by reinforcing positive views about dairy products among Australian consumers, and countering existing and future negative opinions. Second, these programs create a positive view among Australian dairy farmers about their continued participation in the industry. In essence, these marketing programs help ensure the sustainability of the industry from both a consumer and producer perspective. The magnitude of these benefits is almost impossible to measure directly. One option is to measure consumer perceptions about dairy products and to measure producer sentiment about the industry, which DA does.

8.3 Demonstrated benefits

Since the inception of its new benefit/cost assessment, DA has conducted ex-ante evaluations and ex-post assessments of its projects.

In 2016, DA conducted ex-ante evaluations of over 40 separate projects as part of its project evaluation process. These projects covered many of DA’s activities, including on-farm production research, milk quality, animal health and welfare, farm business management, climate change, water use efficiency, industry sustainability, international market support, education and workforce retention, market information, policy support, supply chain and food safety.

In addition, there were 10 marketing projects for which there were no assessed benefits against the costs incurred.

The average assessed benefit/cost ratio (BCR) across these more than 50 projects was greater than 4.5, with a range of between 0.35 and 23.7. All projects other than the marketing projects and the library (which had a BCR of 0.35) had a BCR of greater than 1.

At the time of this review, DA had overseen ex-post evaluations of three projects which were independently prepared by MJA. The three projects were Countdown Downunder, Flexible Feeding Systems and Flexible Future Forage Systems. Table 2 summarises the results from these ex-post evaluations. A further three projects were to be assessed in 2016.

<table>
<thead>
<tr>
<th>Project</th>
<th>Incremental benefit ($mill)</th>
<th>Incremental costs ($mill)</th>
<th>Net benefits ($mill)</th>
<th>Benefit/cost ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Countdown Downunder*</td>
<td>$504.8 to $863.2</td>
<td>-$206.9</td>
<td>$297.9 to $656.3</td>
<td>2.4 to 4.2</td>
</tr>
<tr>
<td>Flexible Feeding Systems</td>
<td>$65.1</td>
<td>-$48.5</td>
<td>$16.6</td>
<td>1.34</td>
</tr>
<tr>
<td>Flexible Future Feeding Systems</td>
<td>$18.4</td>
<td>-$4.4</td>
<td>$14.0</td>
<td>4.16</td>
</tr>
</tbody>
</table>

* Two counterfactuals were considered for the Countdown Downunder program (assumptions about what would have occurred without the program), which meant there was a range of assessed benefits.
In its report to DA in April 2014, MJA concluded that ‘...dairy farmers are by far the primary beneficiaries of DA activities — capturing around 68 per cent of benefits’.

These results demonstrate that DA’s activities are delivering value to levy payers. This may not be evident to all levy payers, due in part to a lack of understanding about the benefit/cost methodology and in part to the variation in the share of benefits between regions.

**Recommendation 3:**

*DA should continue to conduct ex-post evaluations of activities and communicate these results to levy payers using clear, simple messaging relevant to stakeholders, including the use of case studies or other approaches.*

As noted above, measuring the value to levy payers of DA’s marketing and consumer education programs and activities is problematic. While the BCA methodology developed to assess the RD&E activities could be used to assess the marketing and consumer education programs, it is unlikely to reveal positive net economic benefits as prices paid in Australia are essentially set by world prices over which Australia has minimal, if any, influence. As well, these activities have intangible benefits which support the Australian dairy industry and its levy payers by helping ensure its long-term sustainability. One of these benefits is to counter existing and future negative perceptions of dairy products among consumers.

Therefore, one way of indirectly measuring the value of these programs to levy payers is to assess consumer attitudes. DA does this each year. For example, it surveys consumers about their confidence in and attitude to dairy products and in the industry. A summary of key results against targets from the 2015/16 survey is shown in Table 3 below.

**Table 3. Selected Industry Marketing and Communication KPIs 2015/16 (source: DA)**

<table>
<thead>
<tr>
<th>Topic</th>
<th>Target</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase the proportion of ‘Balanced Mums’ who agree that “dairy foods are essential for good health and wellbeing”</td>
<td>&gt;81%</td>
<td>73%</td>
</tr>
<tr>
<td>Increase the proportion of women 50+ who agree that “dairy foods are essential for good health and wellbeing”</td>
<td>&gt;79%</td>
<td>80%</td>
</tr>
<tr>
<td>Increase the proportion of young women who agree that “dairy foods are essential for good health and wellbeing”</td>
<td>&gt;54%</td>
<td>60%</td>
</tr>
<tr>
<td>Increase the proportion of consumers who make an effort to consume enough dairy</td>
<td>&gt;40%</td>
<td>44%</td>
</tr>
<tr>
<td>Increase the proportion of consumers who agree with “I trust dairy as a wholesome and healthy food.”</td>
<td>&gt;60%</td>
<td>68%</td>
</tr>
<tr>
<td>Increase the proportion of consumers who agree with “I trust the dairy industry”</td>
<td>69%</td>
<td>69%</td>
</tr>
</tbody>
</table>
Based on the results shown in Table 3, DA has achieved all but one of its targets. Given that the objectives are ‘to increase’ each measurable it would, however, be useful to report publicly the benchmarked results against previous years’ results. It would also be helpful to investigate how these measures may be used within the benefit/cost framework. On this point, the review team notes that DA intends in its next round of ex-ante assessments to re-evaluate the benefits from the marketing and promotion activities on the basis of a focus on the industry’s licence-to-operate. This is supported and could be extended to ex-post assessments.

**Recommendation 4:**

*DA should report publicly the benchmarked measures of its marketing and promotion activities against the results from prior years, and continue to investigate how measures of marketing and promotion activities can be incorporated into the existing benefit/cost methodology for both ex-ante and ex-post assessment.*

8.4 Levy-payer perceptions of value

An indication of dairy farmers’ perceptions of the value delivered by DA is provided by the Dairy Australia Stakeholder Tracking (DAST) program (referred to in Section 3.4 and described more fully in Section 6.6). Figure 6, from the most recent (2016) DAST, shows the trend in farmer satisfaction that the levy is being invested wisely, as measured since the commencement of the survey in 2005. The trend over the 12 years is a positive one, notwithstanding the most recent (2016) result, which was measured at the time of the milk price crisis.

![Figure 6. Dairy farmer satisfaction that levies are being invested wisely (0-10 scale) (source: DAST Management Summary, May 2016)]
In its analysis of the findings, Intuitive Solutions notes that the drop in farmer satisfaction observed in 2016 was primarily attributable to declines in sentiment in the WestVic Dairy and DairySA regions, and was characterised by a large number of ‘0’ ratings. The report also notes that ‘The results are also suggesting that in times of crisis many farmers will continue to rely on and expect Dairy Australia to be their industry advocate...The impact on their satisfaction with Dairy Australia in light of this expectation is not surprising’. 

9. Response to previous performance review

The previous independent performance review of DA was completed in October 2011 by GHD. The 2011 review made three recommendations. These recommendations, and DA’s response to them, are shown in Table 4. Greater detail is provided in Section 5.2, ‘Strategic plans’, as all of the recommendations apply directly or indirectly to DA’s strategic plan.

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Description</th>
<th>DA response</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Develop a 3-year rather than a rolling 5-year strategic plan</td>
<td>The strategic plan should be developed every three years and reviewed annually. The strategic planning process should focus on objectives, priorities and potential outcomes, with alternative approaches to achieving them. This will focus the strategic plan on clarifying DA’s role in the industry and how this will be strategically achieved. The change will also improve the differentiation between the Strategic Plan and yearly AOPs which can focus on implementation.</td>
<td>The recommendation has been implemented. The Strategic Plan 2013/14 to 2015/16 was the first three-year plan.</td>
</tr>
</tbody>
</table>
| 2. Clarify and communicate stakeholder engagement purpose and intent | DA should develop, communicate and implement a ‘planning engagement plan’ which clearly outlines board, executive, staff and external stakeholders’ involvement in the strategic and annual operating planning cycles. The planning engagement plan should clearly define when and how stakeholder engagement is focused on:  

- Scoping – consideration of strategic and annual operating plans’ scope and options  
- Review – seeking input on proposed strategic and annual operating plans  
- Intent – briefings on the approved strategic and annual operating plans  
- Implementation – reporting progress and discussing adaptations to strategic and annual operating plans  

This improvement will increase the transparency of engagement in the planning process, clearly signalling and providing both internal and external stakeholders the opportunity to become involved, and also provide recognition of stakeholder input being considered in DA’s various plans. | The intent of the GHD recommendation has been addressed. A consolidated document covering all planning engagements has not been developed. However, there are documents covering engagement with specific stakeholder groups, notably ADF, and there is evidence of comprehensive consultation in planning cycles. |
3. Strengthen performance monitoring and reporting

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Description</th>
<th>DA response</th>
</tr>
</thead>
<tbody>
<tr>
<td>DA should seek to simplify and align its performance reporting system to better assist planning, review and demonstration of value to industry and government. This should be an augmentation to the new PMS which has already improved transparency throughout the company. Particular emphasis needs to be placed on:</td>
<td>Fewer measurable performance measures linked to DA's strategic plan, AOP and planning hierarchy elements (objectives-priorities-risk-horizon-investment-programs-projects)</td>
<td>DA's performance measurement system has steadily improved over the review period, notably the development of a dashboard of targets at strategic priority level and the publication of a succinct summaries of plans and outcomes. The recommendation has been addressed but performance reporting remains an area for continuous improvement.</td>
</tr>
<tr>
<td></td>
<td>A suite of user tested and targeted information products which report performance internally and externally</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Repeatable and cost-effective business systems to generate the required performance information products in a timely, on-going and adaptable manner.</td>
<td></td>
</tr>
</tbody>
</table>

10. Conclusions and recommendations

This review has found that Dairy Australia has met all of the obligations of its statutory funding agreement with government. Corporate governance is strong, the Board and management are highly competent and the company's processes are robust. Some features of the business, such as the Regional Development Programs and DA's strategic RD&E collaborations, may serve as a model for other industries. There is evidence of the company creating value for dairy farmers, although the difficulty of communicating the benefits delivered by DA are recognised.

The difficulty of communicating the purpose of an industry services body such as DA, and the benefits it delivers to stakeholders, is by no means unique to DA. DA is very conscious of this challenge and is actively pursuing approaches to further improve in this area – essentially by finding 'simplicity on the other side of complexity'. This includes continually communicating what DA does and what it does not do or cannot influence.

The review has identified several areas in which improvements might be made to the performance of the business, although the team notes that in each case, these concern issues of which the Board and management are aware and are taking steps to address. These are described throughout the report. Four recommendations are made:

1. DA should continue its focus on improving the organisational culture, consolidating and building upon recent restructuring of the organisation including the leadership team and adopting some additional measures as suggested in this review.

2. DA should continue its efforts to establish and report on a dashboard of key objective targets at strategic priority level to provide a clearer indication of overall organisational performance.
3. DA should continue to conduct *ex-post* evaluations of activities and communicate these results to levy payers using clear, simple messaging relevant to stakeholders, including the use of case studies or other approaches.

4. DA should report publicly the benchmarked measures of its marketing and promotion activities against the results from prior years, and continue to investigate how measures of marketing and promotion activities can be incorporated into the existing benefit/cost methodology for both *ex-ante* and *ex-post* assessment.
Appendix 1: Documents reviewed

Statutory
- Dairy Produce Act 1986
- Dairy Produce (Dairy Service Levy Poll) Regulations 2006
- Dairy Produce (Dairy Service Levy Poll) Instrument 2016
- Statutory Funding Agreement Deeds 2007, 2013
- Statutory Funding Agreement Deeds of Variation 2009, 2012
- Letter from C’th advising streamlined SFA reporting requirements, January 2014
- Various letters to C’th advising enclosing fraud plan, risk plan, strategic plan etc
- Compliance report to C’th September 2012
- Minutes of various six-monthly SFA meetings between DA and C’th
- Levy poll (2012): information memorandum, roadshow schedule, notice of AGM, results letter, letter to Minister
- Levy poll process review (2015): letter of invitation to apply for review panel membership, information memorandum, issues paper, voting paper, process review report, chart of revised process, letter of invitation to apply and FAQ for LPAC, media release on LPAC members, correspondence with the Minister
- Levy register business rules (2015), screenshots
- Independent performance review 2006/7-2010/11, final report and levy payer summary (GHD, 2011)

Board/governance
- Constitution (incorporating changes from 2013 and 2014 AGMs)
- Constitutional review (2013): explanatory notes, submission letters and templates, report, notice of AGM, Minister’s letter of approval
- Constitutional change (2014): Minister’s letter of approval
- Notices of AGMs
- Transcripts of MD and Chair AGM speeches
- Board charter (March 2015)
- Board skills matrix (2015) and director skills self-assessment form
- Policy on independence of directors (June 2015)
- Board of directors conflict of interest protocol
- Board Selection Committee charter (May 2014)
- Board Human Resources Committee charter (February 2015)
- Board Audit and Risk Management Committee charter (August 2016)
- Workplace Health and Safety Committee charter (February 2016)
Fraud control plan (August 2016)
Intellectual property management plan (November 2015)
Board information papers and quarterly reports

Risk
Risk management plan (April 2016)
Business continuity management framework (December 2015)
Business impact assessments (March 2014)
Business continuity plan (December 2015)
Information technology disaster recovery procedure (March 2014)

Staffing and resourcing
Board and Executive Leadership Team organisational charts
HR policy register (February 2016)
Code of conduct (February 2016)
Privacy complaint breach policy (November 2014) and handling procedure
People and culture survey presentation (September 2016)

Financial
Delegated authorities (February 2015)
Procurement policy (May 2013)
Reserves policy (February 2015)
KPMG internal audit of reserves policy (July 2016)

IT and records
Records management policy (2009)
Information security management framework (2016)
IT backup policy (November 2015)
IT security policy (October 2013)
IT non managed data – retention policy (October 2015)
IT email policy (December 2015)
Planning and reporting

- Strategic plans 2012-16, 2013/14-2015/16 (original and revised for 2015/16), 2016/17-2018/19 (final plus attachments awaiting DAWR approval and summary)
- ADF summit outcomes report (March 2014)
- ADIC dairy vision and priorities report (July 2014)
- DA-ADF planning consultation schedule 2015/16
- ADF PAG charter (2013) and example agendas (2016)
- Issues survey 2015/16
- Australian Dairy Industry in Focus 2016
- Yearly and half-yearly performance reports 2013/14, 2014/15, 2015/16
- Farm profit and innovation: 2014/15 adoption and innovation report
- Dairy Futures CRC Final Report of Achievement 2016
- DMF RD&E priorities 2015

RD&E management and delivery

- Collaborative agreements with DEDJTR, DAFWA, TIA, DairyNZ
- DMF collaborative R&D agreements
- Scoping document for international collaboration with DairyCo (UK), DairyNZ, Teagasc and Gardiner Dairy Foundation
- DairyBio business plan FY2017 to FY2021 (May 2016)
- PKMS flowchart, guidelines, templates and output reports
- Bioscience Advisory Panel report (January 2015)
- Regional extension services and delivery (Victoria) – initiative plan (August 2015)
- Various project plans

Adoption

- Regional services delivery and support services accord template (2015)
- Regional services review summary (presentation, Ross Bawden 2015)
- RDP KPI result summary (example, 2015)

People management

- Employment Starter Kit initiative (ESKi) user survey findings summary (undated)
Intuitive Solutions, ‘The power of people on Australian dairy farms’, report on research into people management (September 2014)

Monitoring and evaluation
- Monitoring and evaluation contracting and reporting guide (2014)
- DAST management summaries (November 2013 and May 2016), Board presentation (August 2014), questionnaire (April 2016)
- Dairy Monitor Wave reports (May 2015 and April 2016)

Trade and strategy
- Various submissions to parliamentary enquiries

Industry reputation and issues management
- Industry issues management project plan (2015)
- Rapid response process – background information paper (2015)
- Protecting the dairy industry reputation (presentation, Julie Iommi 2015)
- Social licence research (presentation, Julie Iommi 2016)
- Futureye report: activating the dairy industry’s social licence (2016)
- Human nutrition research and science (to support consumer communications and policy work) project plan (2016)

Sustainability Framework
- Terms of reference for Framework governance groups (August 2014)
- Progress report 2015 – summary and scorecard (March 2016)
- Framework review – discussion paper (August 2016)

Consumer marketing
- Legendairy consumer insights and marketing plan (August 2016)
- Marketing and promotion report 2015/16 (2016)

Communications
- Corporate communication plan (2016)
- Events calendar (2016)
- Board event and meeting calendar (2016)
- ADF and ADIC event and meeting calendar (2016)
External communications media plan (2016)

Symplicit digital success strategy, phase 1 executive summary – Board presentation (March 2016)

DA / ADHIS good bulls guide app communication and engagement plan (2016)

DA DairyBase communication and engagement plan (2015)

Tactics for tight times communication plan 2016/17 (June 2016)

Isentia media insights quarterly report (Q1 and Q2 2016 examples)

Porter Novelli RRDCs stakeholder engagement and communications strategy 2015/16 (2015)

Cross-RDC collaborations

CRRDC, ‘Strategic approach’ (August 2016)

AgTrans Research ‘Cross-RDC impact assessment and performance reporting update’ for CRRDC (October 2016)

CRRDC impact assessment guidelines and procedures (May 2014)

Rural R&D for Profit – Board papers (May 2015, July 2016)

Initiative plans for ‘Water use and efficiency’, ‘Stimulating private sector extension in Australian agriculture to increase returns from R&D’, ‘Integrating very large genomic and milk mid infrared data to improve profitability of dairy cows’ (May 2015)

Delivery of benefits

MJA presentations on estimating net benefits, various ex-ante analyses, project plan for ex-post evaluations (2014)

MJA benefit flows analysis of DA activities (April 2014)

MJA Dairy Model (Excel, March 2014)

Focus Farms evaluation – benefit cost framework report, GippsDairy (April 2013)

Various ex-ante and ex-post BCA and non-BCA evaluations

CIE report on impact of dairy innovation on the dairy industry over the last 30 years (November 2011)
### Appendix 2: People consulted

The following people were interviewed for the review[^18].

<table>
<thead>
<tr>
<th>Name</th>
<th>Position/Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geoff Akers</td>
<td>Chair, DA</td>
</tr>
<tr>
<td>David Basham</td>
<td>President, ADF</td>
</tr>
<tr>
<td>Ross Bawden</td>
<td>Regional Operations Manager, DA</td>
</tr>
<tr>
<td>Jeremy Bayard</td>
<td>CEO, ACE Farming Company</td>
</tr>
<tr>
<td>David Beca</td>
<td>CEO, Moon Lake Investments</td>
</tr>
<tr>
<td>Janet Bennett</td>
<td>Farmer, Tas</td>
</tr>
<tr>
<td>Emma Braun</td>
<td>Manager – Corporate Secretariat, DA</td>
</tr>
<tr>
<td>Alana Brennan</td>
<td>Farmer, Vic</td>
</tr>
<tr>
<td>Vin Delahunty</td>
<td>Manager, UDV</td>
</tr>
<tr>
<td>Helen Dornom</td>
<td>Manager Sustainability including Food Safety &amp; Integrity, DA</td>
</tr>
<tr>
<td>John Droppert</td>
<td>Senior Industry Analyst, DA</td>
</tr>
<tr>
<td>Lisa Dwyer</td>
<td>Director, DA</td>
</tr>
<tr>
<td>Fran Freeman</td>
<td>First Assistant Secretary, Agricultural Policy Division, DAWR</td>
</tr>
<tr>
<td>Jo Grainger</td>
<td>Assistant Secretary, Wool, Dairy, Wine, Small and Emerging Industries Branch, Agricultural Policy Division, DAWR</td>
</tr>
<tr>
<td>Alan Grant</td>
<td>Director, DA</td>
</tr>
<tr>
<td>Ian Halliday</td>
<td>Managing Director, DA</td>
</tr>
<tr>
<td>Gregory Harper</td>
<td>Executive Director Agriculture Research and Development, DEDJTR</td>
</tr>
<tr>
<td>Shane Hellwege</td>
<td>Program Leader – People &amp; Capability, DA</td>
</tr>
<tr>
<td>Julie Iommi</td>
<td>Issues Manager, DA</td>
</tr>
<tr>
<td>Ben James</td>
<td>CEO, Warakirri Dairy Trusts</td>
</tr>
<tr>
<td>Adam Jenkins</td>
<td>President, UDV</td>
</tr>
<tr>
<td>Murray Jenkins</td>
<td>Economist, DA</td>
</tr>
<tr>
<td>Ross Joblin</td>
<td>Company Secretary / Group Manager Business Operations &amp; Performance, DA</td>
</tr>
<tr>
<td>Andrew Lester</td>
<td>Chair, TFGA Dairy Council</td>
</tr>
<tr>
<td>Tim Lester</td>
<td>Operations Manager, CRRDC</td>
</tr>
<tr>
<td>Frances Lisson</td>
<td>First Assistant Secretary, Free Trade Agreement Division, DFAT</td>
</tr>
<tr>
<td>Charlie McElhone</td>
<td>Group Manager Trade &amp; Industry Strategy, DA</td>
</tr>
<tr>
<td>John McQueen</td>
<td>CEO, ADF</td>
</tr>
<tr>
<td>Stewart McRae</td>
<td>Chair, Herd Improvement Co-operative Australia</td>
</tr>
<tr>
<td>Quentin Moxey</td>
<td>General Manager, Moxey Farms</td>
</tr>
<tr>
<td>Chris Murphy</td>
<td>Group Manager Farm Profit &amp; Capability, DA</td>
</tr>
<tr>
<td>Lara Musgrave</td>
<td>Assistant Secretary, Rural Research and Innovation Branch, Agricultural Policy Division, DAWR</td>
</tr>
<tr>
<td>David Nation</td>
<td>Director – Dairy Strategy and Investment Planning, DA</td>
</tr>
<tr>
<td>Jeff Odgers</td>
<td>Director, DA</td>
</tr>
</tbody>
</table>

[^18]: Three of these made written submissions and were not further interviewed.
In addition to these one-on-one interviews, workshops were held at the following locations:

<table>
<thead>
<tr>
<th>Date</th>
<th>Venue</th>
<th>RDP</th>
<th>Attendees</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 Oct 2016</td>
<td>The Flying Horse, Warrnambool, Vic</td>
<td>WestVic Dairy</td>
<td>12 – farmers, processor, banker, service provider, journalist, council officer</td>
</tr>
<tr>
<td>18 Oct 2016</td>
<td>Community College Gippsland, Warragul, Vic</td>
<td>GippsDairy</td>
<td>5 – farmers, board members</td>
</tr>
<tr>
<td>20 Oct 2016</td>
<td>Teleconference (WA)</td>
<td>Western Dairy</td>
<td>9 – farmers, banker, board members, regional manager</td>
</tr>
<tr>
<td>25 Oct 2016</td>
<td>Camden Valley Inn and University of Sydney, Camden, NSW</td>
<td>Dairy NSW</td>
<td>16 – farmers, researchers, consultants, processors, board members, RDP staff</td>
</tr>
<tr>
<td>27 Oct 2016</td>
<td>The Haus, Hahndorf, SA</td>
<td>DairySA</td>
<td>8 – farmers, processor, banker, peak body CEO, board members, regional manager</td>
</tr>
<tr>
<td>2 Nov 2016</td>
<td>Teleconference (Qld)</td>
<td>Subtropical Dairy</td>
<td>10 – farmers, researcher, service provider, board members, regional manager</td>
</tr>
<tr>
<td>4 Nov 2016</td>
<td>Ballantyne Centre, Tatura, Vic</td>
<td>Murray Dairy</td>
<td>10 – farmers, board members, regional manager</td>
</tr>
<tr>
<td>16 Nov 2016</td>
<td>Wellers Inn, Burnie, Tas</td>
<td>DairyTas</td>
<td>12 – farmers, board members, RDP staff member</td>
</tr>
</tbody>
</table>
### Appendix 3: Summary of responses to the terms of reference

<table>
<thead>
<tr>
<th>Terms of Reference</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Assess Dairy Australia’s performance as follows:</td>
<td></td>
</tr>
<tr>
<td>a. the performance of Dairy Australia in meeting its obligations under its Statutory Funding Agreement 2013 – 2017 with the Commonwealth;</td>
<td>The obligations of the SFA have been fully met (see Appendix 4). There is a systematic approach to ensuring compliance with the terms of the SFA and there is evidence of a highly effective relationship between DA and the Commonwealth.</td>
</tr>
<tr>
<td>b. Dairy Australia’s development and implementation of its Strategic Plan 2013 – 16 and Annual Operating Plan and of Dairy Australia’s effectiveness in meeting priorities, targets and budgets set out in these plans;</td>
<td>Strategic plan and AOPs have been developed through extensive consultation and are very comprehensive. There is clear line-of-sight of priorities, targets and financials from strategic plan to AOPs and through to annual reports. DA has been effective in meeting targets.</td>
</tr>
<tr>
<td>c. performance in developing, implementing and maintaining a framework of good corporate practices, including in the areas of fraud control and risk management;</td>
<td>Corporate governance is strong. Risk management is a particular feature.</td>
</tr>
<tr>
<td>d. performance in ensuring structures and operations of the company and the board are effective and appropriate;</td>
<td>Structures and operations of the company and board are effective and appropriate.</td>
</tr>
<tr>
<td>e. effectiveness in engaging, consulting and communicating with, and feedback to, stakeholders and the opportunities for, and ability of, levy payers and other contributors to influence the investment of levies; and</td>
<td>DA is comprehensive in its engagement, consultation and communications, providing multiple opportunities for stakeholder input into investment decision-making. Despite this, there is a general lack of understanding among levy payers of what DA does and does not do, a common problem among RDCs.</td>
</tr>
<tr>
<td>f. efforts in cross RDC collaboration.</td>
<td>DA is a very active and engaged participant in the CRRDC and other cross-RDC activities such as the Rural R&amp;D for Profit Program.</td>
</tr>
</tbody>
</table>
2. **Assess the delivery of benefits to the Australian dairy industry including the achieved value for money and return on investment to the industry and the community in general, and the contribution to increasing farm-gate returns, as foreshadowed in Dairy Australia’s strategic and operating plans. This would include, but not be limited to, an assessment of Dairy Australia’s:**

   a. investments at a portfolio level in research and development, and marketing;

   DA applies a robust BCA methodology to its R&D investments and there is evidence of the delivery of positive benefits to levy payers and government. Indirect measures of success in marketing and consumer education programs also show positive results.

   b. extension of research findings; and

   Extension/adoption is a feature of DA’s operations. R&D outcomes are well packaged in flagship programs and the RDPs provide an excellent ‘route to market’.

   c. management of intellectual property.

   A sound management plan for IP is in place and appears to be implemented appropriately.

3. **Assess Dairy Australia’s effectiveness in addressing and implementing the recommendations from the 2006/7 – 2010/11 performance review.**

   Recommendation 1 has been implemented. The intent of Recommendation 2 has been addressed with comprehensive consultation in planning cycles although a consolidated document covering all planning engagements has not been developed. Recommendation 3 has been addressed, notably through the development of a dashboard of targets at strategic priority level, but performance reporting remains an area for continuous improvement.

4. **Make recommendations for the improvement to Dairy Australia’s performance in delivering against its strategic priorities.**

   Four recommendations have been provided in the report.
Appendix 4: Obligations of DA under the SFA: summary table of performance

<table>
<thead>
<tr>
<th>Obligation</th>
<th>SFA clause</th>
<th>Constitution rule</th>
<th>DA performance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporate governance and board performance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comply with the Dairy Produce Act 1986 and the requirements of the Corporations Act 2001 (C’th)</td>
<td>3.1</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Implement framework of good corporate governance practice drawing on e.g. ASX Principles and Recommendations</td>
<td>4.1</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Report on steps consistent with 4.1 at 6-monthly meetings</td>
<td>4.2, 15.1(d)</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Establish and maintain a skills-based board / at least 4 directors with milk producer skills; Board or HR Committee to prepare skills matrix, provide to Selection Committee annually and make publicly available</td>
<td>4.3</td>
<td>26, 28.3</td>
<td>Achieved</td>
</tr>
<tr>
<td>Use reasonable endeavours to ensure that information on strategic plan, funding priorities, key activities and key funded RD&amp;E or industry service activities – certain types of information (e.g. commercial-in-confidence) to be not included</td>
<td>4.4, 4.5</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Consult with and advise C’th re changes to constitution</td>
<td>4.6</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Do all things necessary to ensure it remains an effective industry services body</td>
<td>4.7</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Establish suitable communications program to advise levy payers of entitlement and process to become members</td>
<td>4.8</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Provide determination to each Group A member of vote entitlement</td>
<td>11.2-11.6</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Maintain voting entitlements register</td>
<td>12.1</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Give effect to any consultation mechanisms agreed with Group B members</td>
<td>13</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Hold at least one annual general meeting per year, provide notice to members at least 28 days in advance of the name of each Board-nominated candidate for director, the name of each Group A member-nominated candidate and the Board-nominated candidate he or she is standing against and a copy of each candidate’s statement of skills and experience</td>
<td>14 (and Corps Act), 29.7</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Board to establish Audit and Risk Management, Human Resources and Selection Committees and establish charters for each, include report on operations of each in annual report</td>
<td>22.1, 22.2, 22.4</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Obligation</td>
<td>SFA clause</td>
<td>Constitution rule</td>
<td>DA performance</td>
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<tr>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>Board to formulate, implement and periodically review a code of conduct for director and senior officers, to include at least use and disclosure of information; receiving, reporting etc of gifts; conflicts of interest and duty; and ethical behaviour – and report on operations in annual report</td>
<td>24.1, 24.2, 24.4</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Board to have at least 7 but no more than 9 directors</td>
<td>25.1</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Selection Committee to be appointed on standing basis for a term of approximately 12 months, comprise a director or other person to chair and 4 other persons; Group B members to nominate members</td>
<td>28.2</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Board to appoint a Managing Director</td>
<td>30.1</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Indemnify officers of the company</td>
<td>37.1</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Not engage a person as auditor for a period that exceeds or for consecutive periods that together exceed 5 years</td>
<td>42</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td><strong>Payment of funds</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C’th to pay to DA Dairy Service and matching payments, provisions relating to timing and manner of payments</td>
<td>5.1, 5.2, 5.5-5.8</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>C’th may invoice for or deduct cost relating to levy collection etc, must give indicative estimate of these costs for the year</td>
<td>5.3, 5.4</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td><strong>Application of the funds</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spend the funds in accordance with Act, SFA; ensure operations are efficient, effective economically, ethically sound</td>
<td>6.1</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Only claim matching payments for eligible R&amp;D activities, not engage in or spend funds on agri-political activity</td>
<td>6.2-6.6</td>
<td>6</td>
<td>Achieved</td>
</tr>
<tr>
<td>Contribute to implementation of relevant RD&amp;E Framework strategies</td>
<td>6.7, 10.1</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Provide appropriate feedback to all persons who have applied for funding</td>
<td>6.8</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td><strong>Management of the funds</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establish appropriate accounting systems, procedures and controls and notify C’th of these on request</td>
<td>7.1-7.3</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Keep detailed accounts</td>
<td>7.4</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Implement any additional systems, processes and controls necessary for SFA compliance</td>
<td>7.5</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Conduct Dairy Service Levy Poll in accordance with Regulations</td>
<td>7.6</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Obligation</td>
<td>SFA clause</td>
<td>Constitution rule</td>
<td>DA performance</td>
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<tr>
<td>---------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>Develop plan for poll including business process rules, seek DAWR approval for plan</td>
<td>7.7, 7.8</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td><strong>Suspension or termination of agreement</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C'th may issue notice to terminate agreement or rectify breaches, DA must remedy latter, DA must prepare cessation plan if terminated</td>
<td>8.1-8.6</td>
<td></td>
<td>Not required</td>
</tr>
<tr>
<td><strong>Repayment of funds</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repay funds to the C'th if required e.g. due to inappropriate expenditure</td>
<td>9.1-9.4</td>
<td></td>
<td>Not required</td>
</tr>
<tr>
<td><strong>Extension and adoption of research</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Include in strategic plan how to address extension</td>
<td>10.2(a),</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td></td>
<td>11.3(f)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Demonstrate pathways to extension and adoption are incorporated into planning and approval processes</td>
<td>10.2(b)</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Report on extension activities</td>
<td>10.2(c),</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td></td>
<td>12.12(k)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Plans</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Strategic plan</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintain 3-5-year strategic plan, review every year and update if needed</td>
<td>11.1(a)</td>
<td>18.1</td>
<td>Achieved</td>
</tr>
<tr>
<td>Work with C'th to ensure strategic plan reflects Program Framework and Rural R&amp;D Policy Statement</td>
<td>11.1(b)</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Provide C'th with any amendments to or new strategic plan</td>
<td>11.1(c)</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Provide Minister with opportunity to endorse or comment on amended or new strategic plan, take comments into account, provide revised sections to Minister until endorsed</td>
<td>11.1(d), 11.2(a)-(c)</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Publish new or amended strategic plan on website and provide to C'th within 30 days of Board approval</td>
<td>11.1(e)</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Obligation</td>
<td>SFA clause</td>
<td>Constitution rule</td>
<td>DA performance</td>
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</tr>
<tr>
<td>Strategic plan to be prepared in accordance with good practice and cover vision/mission; assessment of operating environment including SWOT and future trends and implications; collaboration with other RDCs; consultation with industry and extent to which industry priorities are reflected in the plan; key investment priorities and outcomes; R&amp;D and industry services programs to be adopted; key deliverables; performance indicators; alignment between activities and Guidelines; research extension and adoption pathways; estimates of income and expenditure including R&amp;D and industry services separately; and explanatory statement of approach to ensuring balanced portfolio of R&amp;D</td>
<td>11.3</td>
<td>18.2 (subset)</td>
<td>Achieved</td>
</tr>
<tr>
<td>In developing strategic plan, develop a consultation plan that includes consultations with the C’th, levy payers, industry representative bodies, other RDCs and other stakeholders</td>
<td>11.4</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Provide Group B members with reasonable opportunity to consider and consult the Board in relation to the plan or a variation of it</td>
<td></td>
<td>18.7</td>
<td>Achieved</td>
</tr>
<tr>
<td><strong>Annual operational plan</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provide C’th with an AOP prior to 1 July each year / ensure there is in an AOP force at all times</td>
<td>11.6</td>
<td>18.1</td>
<td>Achieved</td>
</tr>
<tr>
<td>Include in AOP intended operations; key activities under industry services and R&amp;D programs; activities to be funded to give effect to the Guidelines; key deliverables; performance indicators, timetables and milestones; estimates of income and expenditure separating Dairy Service, matching payments and other income and industry services/R&amp;D activities; any other matters considered relevant by the directors; and a statement on intended steps to move towards a balanced portfolio appropriate to the industry for the next FY</td>
<td>11.6</td>
<td>18.3 (subset)</td>
<td>Achieved</td>
</tr>
<tr>
<td>Submit all plans and any variations to the C’th within 30 days of being adopted</td>
<td>11.7</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Provide Group B members with reasonable opportunity to consider and consult the Board in relation to the plan or a variation of it</td>
<td></td>
<td>18.7</td>
<td>Achieved</td>
</tr>
<tr>
<td><strong>Other plans</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Develop and implement a Risk Management Plan</td>
<td>11.9(a)</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Develop and implement a Fraud Control Plan</td>
<td>11.9(b)</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Develop and implement an Intellectual Property Management Plan</td>
<td>11.9(c)</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td><strong>Reports</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provide Compliance Audit Report to C’th prepared in accordance with Australian Auditing and Assurance Standards; including review of accounting systems, processes and controls; indicating any qualifications; and explaining any material incidence of non-compliance – need not include an opinion on whether the funds have been applied for the benefit of industry or in a manner that is efficient, effective, economical or ethical or for agri-political purposes</td>
<td>12.1, 12.2</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Obligation</td>
<td>SFA clause</td>
<td>Constitution rule</td>
<td>DA performance</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>Within 5 months of end of FY, Board to provide Certification Report to Minister, signed by Chair and MD, certifying that DA has complied with its material obligations under the Act and SFA during the FY; stating whether any non-compliances are material and explaining any that are; and acknowledging report will be relied upon by the C'th</td>
<td>12.3</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>If the C’th requests an audit report or opinion on compliance, comply with C’th request at own expense</td>
<td>12.4-12.5</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Prepare annual report compliant with Corporations Act and SFA, submit to Minister as soon as practicable after AGM, also sufficient copies to Department for tabling and four additional copies; follow Department instructions on tabling</td>
<td>12.6-12.10</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Include in the annual report reasonably comprehensive coverage of sources of income separately identified; full cost of industry service and R&amp;D programs, with costs being allocated according to the Cost Allocation Policy; progress in implementing plans and against performance indicators; key program deliverables and outcomes; progress in implementing the Rural R&amp;D Policy Statement; collaboration with industry and other research providers; directions given by the Minister under the Guidelines; consultation with levy payers and industry representative bodies on strategic plan and AOP and R&amp;D activities; details of senior executive and board remuneration; rational for mix of projects in balanced portfolio; report on extension activities; report on contribution to RD&amp;E Framework strategies; and other relevant matters notified by the C’th</td>
<td>12.12</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Report to the C’th any significant matters that may affect ability to achieve outcomes of strategic plan or to comply with SFA obligations within 30 days of becoming aware</td>
<td>12.13</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Give the C’th within reasonable timeframe stipulated by the C’th any other report or explanation relating to management and expenditure of funds as required, consult with the C’th on action required</td>
<td>12.14, 12.15, 14.2, 14.3</td>
<td></td>
<td>Achieved</td>
</tr>
</tbody>
</table>

**Review of performance**

<table>
<thead>
<tr>
<th>Obligation</th>
<th>SFA clause</th>
<th>Constitution rule</th>
<th>DA performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete a performance review before any Dairy Service Levy Poll by independent organisation</td>
<td>13.1(a), 13.2</td>
<td></td>
<td>Underway</td>
</tr>
<tr>
<td>Agree terms of reference of the review 6 months prior with the C’th</td>
<td>13.1(b)</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Provide the C’th with the draft review report at the same time as the Board receives a copy</td>
<td>13.1(c)</td>
<td></td>
<td>Not yet applicable</td>
</tr>
<tr>
<td>Provide the C’th with the final review report within 14 days of acceptance by the Board</td>
<td>13.1(d)</td>
<td></td>
<td>Not yet applicable</td>
</tr>
<tr>
<td>Obligation</td>
<td>SFA clause</td>
<td>Constitution rule</td>
<td>DA performance</td>
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<tr>
<td>---------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>Develop a response to final review report and proposed implementation plan</td>
<td>13.1(e)</td>
<td></td>
<td>Not yet applicable</td>
</tr>
<tr>
<td>for recommendations within 3 months of Board acceptance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provide response to the C’th within 30 days of Board’s acceptance of</td>
<td>13.1(f)</td>
<td></td>
<td>Not yet applicable</td>
</tr>
<tr>
<td>response</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Report to the C’th progress in implementing the review recommendations</td>
<td>13.1(g),</td>
<td>15.1(f)</td>
<td>Not yet applicable</td>
</tr>
<tr>
<td>Publish performance review report and response on website</td>
<td>13.1(h)</td>
<td></td>
<td>Not yet applicable</td>
</tr>
<tr>
<td>Terms of reference for review to take into account the performance of DA</td>
<td>13.3</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>in meeting its obligations; implementation of strategic, operational,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>risk management, fraud control and IP management plans and effectiveness</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in meeting priorities, targets and budgets set out in the plans; efficiency</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>with which plans were carried out; delivery of benefits to industry</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>foreshadowed in the plans; and any other matters reasonably required by</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>the Minister</td>
<td></td>
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</tbody>
</table>

**Consultation with the Department**

Chair or other director nominee to meet with the C’th at no more than 6-monthly intervals to brief the C’th on progress on implementing the strategic plan and AOP; progress on implementation of relevant RD&E Framework strategies; consultation with other RDCs and industry representative bodies; measures taken to enhance corporate governance; progress in developing and implementing the evaluation framework; progress on implementing the recommendations from the most recent performance review; development and implementation of additional systems, processes and controls to meet SFA (7.5)

Consultation with industry

Meet with industry representative bodies at not more than 6-monthly intervals to review industry priorities for R&D and industry services investments, including regional equity considerations; and report on performance against the strategic plan and AOP

Ministerial Directions and changes to the Guidelines

Directors to notify the Department if any proposed change to the Guidelines by the Minister would ‘require the directors to act, or omit to act, in a manner that may breach any duty owed by the directors to any party, or cause the contravention of any law’; work with the C’th to resolve any such issues
<table>
<thead>
<tr>
<th>Obligation</th>
<th>SFA clause</th>
<th>Constitution rule</th>
<th>DA performance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Access to records and use of information</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant access to premises or data, accounts etc if required by the C'th or Auditor-General</td>
<td>16.1-16.3</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Use any confidential information provided for proper purpose and not disclose</td>
<td>16.4-16.6</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td>Grant the C’th a licence to use the copyright in any document provided to the C’th for any C’th purpose</td>
<td>16.7</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td><strong>Conflict of interest</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notify the Minister of any conflict of interest arising</td>
<td>18.2</td>
<td></td>
<td>Achieved</td>
</tr>
<tr>
<td><strong>Acknowledgement of funding</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acknowledge provision of C’th matching payments where applicable</td>
<td>19.1</td>
<td></td>
<td>Achieved</td>
</tr>
</tbody>
</table>