

DAIRY AUSTRALIA

Dairy Australia is the dairy industry's services company, owned by industry and whose members are farmers and industry bodies. All Dairy Service Levy payers can become members.

Limited by guarantee, the Company is governed by a Board of nine Directors chosen by its members. Its nationwide and international activities are directed from its Melbourne office. Since 1 July 2003, the Company has invested on average \$31.3 million a year of dairy farmer levy payments and \$15.3 million a year of taxpayer funds in projects and services for the benefit of the Australian dairy industry.

Dairy Australia is committed to helping the dairy industry to be collaborative, innovative, sustainable and competitive against both international dairy industries and substitute products. The Company undertakes industry-level activities where a collective approach delivers more effective and valuable commercial outcomes than action taken by individual members. The collective approach also generates synergies for savings through cost economies and the effective capture and sharing of knowledge.

Dairy Australia's operations ensure that the industry can anticipate and respond quickly to changing market circumstances. It delivers services that support the industry's capacity as a major exporter and mainstay of regional communities in many parts of Australia. Dairy Australia works closely with members to align its activities with their business needs, and acts as an extension of their individual business practices.

WHAT WE DO

Dairy Australia's specialist staff drive and deliver programs in research and development (R&D) and on-farm extension; information collection, analysis and dissemination; issues management; national marketing; and international trade development by:

- Facilitating R&D activities to identify more profitable/sustainable growth opportunities for the farm and manufacturing sectors;
- Assisting rapid transfer/take-up of research into profitable farm and manufacturing practices;
- Developing holistic approaches to farm business systems to improve industry return;
- Sourcing and providing industry information and market analysis;
- Co-ordinating industry responses to meet consumer and regulatory expectations and concerns in areas of food safety and the environment;
- Promoting the health and nutritional benefits of dairy products;
- Providing trade policy analysis and support to industry and government; and
- Enhancing end user awareness and understanding of Australia's capacity to produce safe, high quality dairy products.

The value derived from Dairy Australia's investment in R&D, and the provision of industry services, is for the ultimate benefit of Dairy Service Levy payers.

The Company is divided into operational and internal service business groups. The operational business groups are:

- Farm Productivity & Delivery
- Technical Issues
- Value Chain Innovation
- National Marketing
- Trade & Strategy.

Dairy Australia's internal service business groups are:

- Corporate Services
- Corporate Affairs
- Human Resources.

WHO WE CONSULTED

Dairy Australia places a high priority on close and ongoing consultation with industry at all levels of its operation. Consultation took place at the strategic planning level with Group B members i.e. Australian Dairy Farmers Limited and the Australian Dairy Products Federation.

Regular meetings were held with state and regional dairy farming organisations and companies as well as government agencies. Dairy Australia also used its industry reference group structures to refine and adjust specific business strategies as market and environmental conditions altered during the course of the year. These changes are reflected in the Company's five-year Strategic Plan 2008-12 and its Annual Operating Plan 2007/08.

Regular consultation ensures Dairy Australia's work supports the dairy industry's objectives. It also ensures that Dairy Australia and the dairy industry remain closely aligned to the Australian Government's National Research Priorities and Rural Research and Development Priorities.

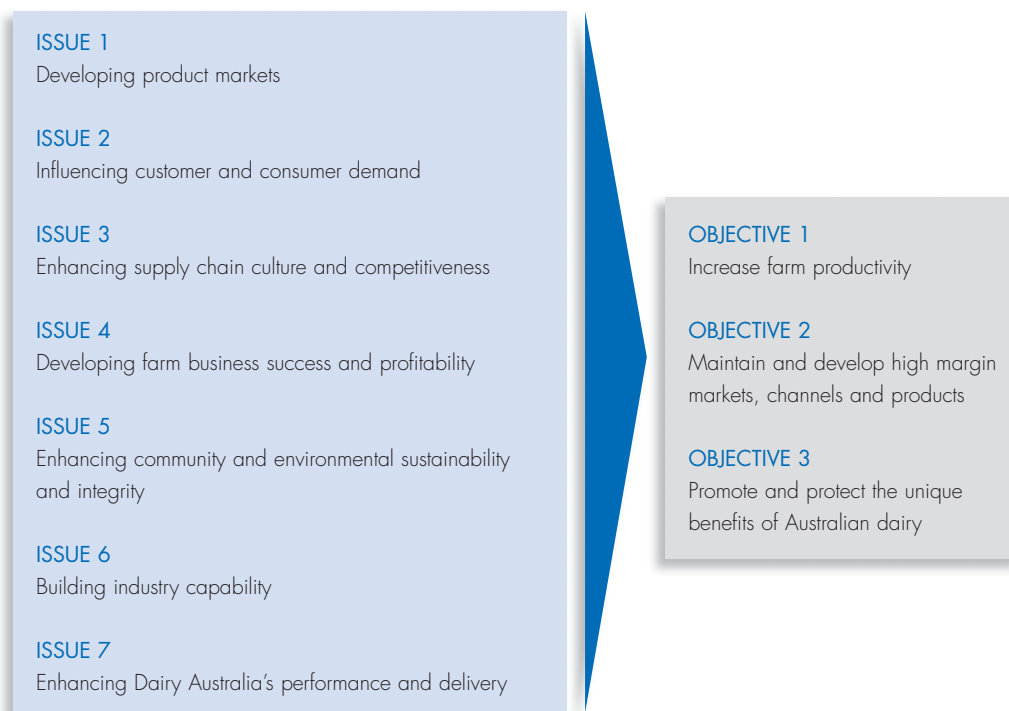
Dairy Australia also sought to actively partner with research providers, companies and other industry participants around Australia in the delivery of its programs. Additional funds were sourced for its activities and, more broadly, the Company influenced the total R&D expenditure directed for the benefit of Australia's dairy industry.

OUR FOCUS

For 2006/07, Dairy Australia refined its strategic direction from its original seven key issues to three business objectives to ensure a focus on delivering sustainable profitability to Dairy Service Levy payers. The Company's focus is to:

1. Increase farm productivity
2. Maintain and develop high margin markets, channels and products, and
3. Promote and protect the benefits of Australian dairy.

Chart 1: Transition from key issues to business objectives



By taking an holistic approach to delivering outcomes across the dairy supply chain, Dairy Australia expects to increase its value and effectiveness, and its flexibility to adjust its strategies to meet changing industry needs.

Table 1: Dairy Australia's business objectives

<p>OBJECTIVE 1 Increase farm productivity</p>	<p>Farmers have little individual ability to increase the prices they are paid. The best strategy for on-farm profitability is through increasing sustainable farm productivity (outputs divided by inputs) by reducing costs or increasing volumes for the same costs. Key areas of Dairy Australia focus include farm business management, feedbase development, natural resource management and vocational education and training.</p>
<p>OBJECTIVE 2 Maintain and develop high margin markets, channels and products</p>	<p>To sustain its future, the Australian dairy industry needs vibrant and growing markets for its products. Dairy Australia seeks to create value off-farm, but in ways that appropriately re-distribute value back to farmers. This includes maintaining existing and developing new markets, products and channels to provide options for processors to find the most profitable places to put Australian dairy products. Industry also needs the appropriate knowledge, information, technology and products to respond to the emerging threats and opportunities. Dairy Australia works with industry partners to promote higher margin channels, markets and products, and helps the processing sector to commercialise innovation and maintain competitive market access.</p>
<p>OBJECTIVE 3 Promote and protect the unique benefits of Australian dairy</p>	<p>Industry success depends on dairy continuing to be seen as a nutritious, healthy product and the industry as a responsible user of scarce resources. Dairy Australia's objective is to see that dairy products are appropriately differentiated and valued so that the demand for, and competitiveness of, dairy products over alternative fats, proteins and other constituents is maintained and expanded. Success also depends on maintaining a positive image of dairy products, farming and processes, and a positive regulatory environment. At the industry level, the right and ability of farmers and manufacturers to continue to operate in a preferred manner depends on commercial and community-wide awareness and buy-in to the sound business practices adopted by Australian dairy.</p>