

Australian Dairy Plan National Workshop – summary of workshop outputs



30 – 31 July 2019

A ten-point summary agreed at the Australian Dairy Plan National Workshop

1. Transformational change to reform industry structures and strengthen advocacy to be more effective, united and efficient.
2. New measures to increase transparency and help manage market risk including the establishment of a functioning milk price market and new risk measures backed by government legislation.
3. A significant increase in marketing and promotion to build community trust and recognition of dairy products, the dairy industry and dairy farmers.
4. Increased effort and new initiatives to attract and support more new people to the industry, particularly the next generation of farmers.
5. A heightened focus to address rising costs, risks and volatility on farm, including building farmer capability, adopting new innovations, and accessing new risk management tools.
6. A concerted effort to change the culture of the industry to position dairy as an agri-business leader with a clear and positive focus on excellence.
7. Build on world-leading practice through the Sustainability Framework to stay at the forefront with innovative new practices that meet and exceed consumer expectations.
8. Better understand how climate change will affect our industry across Australia (particularly when it comes to water) and more investment in the technological solutions that will help us adapt to a changing climate.
9. Practical initiatives to work with the Federal Government and maximise support available from the \$100bn agriculture target and associated \$4.9bn drought fund.
10. A clear and ambitious vision for the future of the Australian dairy industry such as '*A united, profitable and growing dairy industry built on high standards of environmental sustainability and animal welfare, producing high quality and nutritious dairy products to the Australian and international markets.*'

1. Our journey to the Australian Dairy Plan National Workshop

Dairy Australia (DA), Australian Dairy Farmers (ADF), Australian Dairy Products Federation (ADPF) and the Gardiner Dairy Foundation (GDF) (collectively the Partners) have committed to develop the Australian Dairy Plan (ADP) – a plan which will set the dairy industry's priorities for the next five years and beyond, delivering fundamental change to create a profitable, confident and united Australian dairy industry.

The Hon. John Brumby is supporting the Partners as the Independent Chair of the ADP, and Nous Group (Nous), an independent consultancy, is supporting the Partners as a facilitator of the ADP.

To inform the ADP, the Partners, the Independent Chair and Nous have engaged in a conversation across Australia with those with 'skin in the game' in the dairy industry through regional workshops (attended by more than 1,000 people), interviews, roundtables, surveys and an online discussion board. This has been a grass-roots, independent and transparent engagement process in which we have sought to ensure that everyone has had an opportunity to have their say on the future of the dairy industry.

Despite the diversity of the dairy industry, stakeholders across the nation were broadly united in their views about what specifically needs to change to get the industry to a 'better place'. The key areas of focus that emerged were:

- Reform industry structures and advocacy arrangements so the industry has a strong, united voice on the issues that matter to us.
- Focus more effort and resources on marketing and promotion of both dairy products and the dairy industry.
- Address concerns in market power and dynamics along the supply chain between farmers, processors and retailers.
- Increase our efforts to attract and support young people to join the dairy industry.
- Continue to focus on improving farmer capability and on-farm performance including a focus on managing costs, risks and volatility.

The Australian Dairy Plan National Workshop (Workshop) was the capstone of the engagements where over 130 delegates representing all Australian states, and all parts of the supply chain in the dairy industry, came together in Melbourne over 30 – 31 July 2019.

The key objectives of the Workshop were to make substantial progress on the development of the ADP by:

- Understanding the opportunities for the dairy industry.
- Responding to the 'key challenges' for the dairy industry (i.e. the five key 'areas of focus' identified above).
- Clarifying the 'breadth' of the ADP (including identifying any significant gaps).
- Testing propositions for addressing concerns regarding market power and supply chain dynamics.
- Testing propositions for how best to structure the industry to deliver the ADP.
- Confirm the next steps for completing the ADP.

The purpose of this document is to provide a summary of the Workshop proceedings including the key decisions and outcomes. The remainder of the document broadly follows the structure of the Workshop.

2. The set up: The Independent chair and guest speakers summarised some of the key opportunities and challenges for the industry

2.1 Workshop opening by the Independent Chair

The Independent Chair of the ADP, John Brumby, opened the Workshop by outlining the importance of the dairy industry, the key challenges the industry is facing, his reflections from stakeholder engagements, and the aspirations and objectives for the Workshop.

The Australian dairy industry is an important contributor to the economy, regional communities, and the national consciousness. Key statistics highlight this: dairy is a major rural industry with a farmgate value of \$4.3 billion (in 2017-18); 42,600 people are employed directly by dairy farms and dairy companies; farmers contribute approximately \$3.4 billion to local communities, and approximately 75 percent of Australians see the industry as vital to the Australian economy. Significantly, the dairy industry is one of Australia's few key manufacturing industries.

However, the dairy industry faces key challenges as highlighted by major trends such as declining milk production and declining exports (with Australia's share of global trade falling from 16 percent in 2000 to 6 percent last year). These trends can be contrasted against rising dairy imports (from 8 percent in 2004-05 to 22 percent in 2017-18), rising input costs (costs have increased faster than on-farm income over the past 20 years), and increasing competition from non-dairy alternatives. These trends have contributed to declining profitability.

In reflecting on what was heard across stakeholder engagements, Mr. Brumby noted:

- The human cost of the challenges facing the industry and the extreme pressure facing many farmers is plain to see in local communities and through stories in the media.
- There is a real appetite and hunger for change, as evidenced by the level of engagement with the ADP – over 1,000 people attended the 25 regional workshops and hundreds more contributed online.
- There are significant 'positives' that the industry can build on: dairy consumption in Australia remains amongst the strongest in the world; Australian dairy products are well regarded; and many farmers in many regions are still profitable (while recognising that the challenge is to lift the profitability of the industry as a whole).

Finally, a key emerging opportunity for the ADP is to help position the dairy industry to be a big part of the Prime Minister's new farm production target of \$100 billion by 2030.

Mr. Brumby pointed out that the key characteristic of all industries that successfully tackle challenges and opportunities like these is that they 'work together', and that this Workshop is an important step in enabling this. He concluded his opening address by encouraging attendees to focus on solutions (i.e. the practical steps and policies) for the ADP which the Partners can then incorporate in their own strategic plans for the next five years and beyond.

The full text of this speech can be found at: <https://www.dairyplan.com.au/media/australian-dairy-plan-national-workshop-welcome-address>.

2.2 Other perspectives on key opportunities

Guest speakers provided various perspectives on the dairy industry, including where some of the key opportunities may lie, to help set the tone for the Workshop. Three speakers spoke on different topics:

- Mark Bennett (Head of Agribusiness, ANZ) – global trends and implications for farm finance.
- Bruce Donnison (Director, ADF, MoonLake Investments and Compass Agribusiness) – the dairy industry supply chain.
- Lauren Finger (Dairy Farmer, Gippsland) – perspective from the farm.

The key points from each of the speakers are set out below.

Mark Bennett: 'Global trends and implications for farm finance'

Mark began by expressing his optimism and confidence in Australia's dairy industry and its ability to respond to changes occurring across the globe. In particular, we should celebrate the unusually high levels of collaboration in this industry. He provided an overview of some of the key opportunities for the dairy industry:

- The big opportunity continues to be the fact that China and India both have a rising middle class that is increasingly demanding the type of things we produce (e.g. 'clean and green' proteins like dairy). We'll need to increase our supply to meet the growing demand from these markets but also think strategically about producing higher value products (as opposed to commodities where we no longer have a comparative advantage).
- There is a growing pool of capital that is looking for somewhere to land – factors such as record low interest rates, global investors seeking geographic diversification, and reduced barriers to entry, have resulted in growing levels of different classes of capital seeking a return (with growing interest in the dairy industry).
- There are opportunities for gain along the supply chain through greater integrity and collaboration – we can do more to guarantee the integrity of the supply chain which has suffered from variable on-farm performance. To improve on-farm performance, we should focus on 'understanding the numbers', making more information-based decisions, and getting better at planning and risk mitigation to help withstand 'shocks' and commodity price cycles.

Bruce Donnison: 'The dairy industry supply chain'

Bruce spoke to where he saw the opportunities along the supply chain. His key points included:

- Adopting technology 'at pace' is fundamental and we need to do more here, getting inspiration from other industries, or those farms that are utilising new technologies effectively (e.g. new water re-use technologies that can help us negotiate the challenges of high water prices)
- There is a significant amount of money in the industry that is looking for investment – to attract this investment, the industry needs to show investors that they are actively managing volatility and smoothing out risk (e.g. by adopting technology) and demonstrating that the industry has strong structures and on-farm governance systems (i.e. that demonstrate we are treating dairy cows well). To this end, Bruce acknowledged that our Sustainability Framework is world-class.
- Our industry needs to be more agile and flexible in responding to consumer preferences – the supply chain is changing, with consumer power increasing significantly. In responding to consumer preferences, we can make much more of the 'provenance' of dairy products.

Lauren Finger: 'Perspectives from the farm'

Lauren began by emphasising that there is no more important job than 'working with nature to produce food for people'. She outlined her experience in the dairy industry, starting from the challenges of managing through the global financial crisis, and noted that while so many opportunities have come along in that time (to learn, to grow, to create wealth) it is hard to anticipate them in advance. Rather, it is more about being ready to seize them when they arise. Her key points were:

- Farmers need to think more like 'business leaders' i.e. I've realised that it is my job as a leader to learn (to educate myself on all sorts of topics through a range of strategies e.g. books, podcasts), to educate my people, and to ensure I have the skills to manage the 'business' (e.g. to manage finances and be able to tell 'the snake oil from the good oil').
- Being an advocate for, and promoting the industry, is important – this means demonstrating leadership in attracting, collaborating with, and harnessing the next generation of talent, and marketing the value of the industry to consumers (rather than talking the industry down).
- In short, her vision for the dairy industry in five years' time is that the industry is well represented (that the 'big picture' is being taken care of), that the industry 'feels good' about what we do, and that the industry has the skills to do what needs to be done.

3. The Workshop identified key outcomes that will help lift the industry to a ‘better place’

3.1 The four peak bodies confirmed their commitment to change

The Chairs/Presidents of the Partner organisations shared what they have heard in stakeholder engagements, acknowledged their commitment to change, and highlighted the opportunity presented by the Workshop to shape that change.

As the President of ADF, Terry Richardson opened the session, noting:

- A key theme that has come through in stakeholder engagements relates to problems with existing industry structures and advocacy arrangements - there is clearly demand for ‘transformative change’ in this space i.e. ‘tinkering around the edges’ will be insufficient.
- This transformative change in industry structures and advocacy is a bold step that ADF and the other Partners are prepared to take - we need an organisation with a strong voice and a common culture. However, the ADP is more than just about creating a new organisation – it is a plan for the whole industry for the next five years.
- Tackling this issue requires strategic direction, action and adaption – we must be clear around the purposes of different organisations and the services they will provide, and this must be supported by corresponding behavioural and cultural change. Without this, any reform to industry structures and advocacy arrangements will be a wasted effort.

As the Chair of DA, Jeff Odgers made the following key points:

- The work done on the ADP to date has been energising, and the levels of engagement at such an important time in the industry have been inspiring. This has started to help rebuild the trust and confidence in the industry that has been lost over the past few years.
- Importantly, he emphasised that everything was ‘on the table’ for discussion, in recognition of the fact that the change required in the industry must be ‘major’ enough to make a significant difference. Encouragingly, despite our differences, stakeholders mostly want similar things – that we are valued, we have a degree of control over our future, and an ability to influence the future.
- DA has done a lot of important work in each of the five key areas of focus that emerged from stakeholder consultations that we can build on e.g.
 - Spending approximately \$4 million annually on marketing and promotion (e.g. the Dairy Matters Campaign)
 - Improving on-farm performance through Regional Development Programs (e.g. through initiatives like Focus Farms)
 - Investing in a world-class R&D capability (e.g. in DataGene that has enabled Australia to be a global leader in herd genetic evaluation).

As the President of ADPF, Grant Crothers noted:

- ‘We are at the starting line’ and there is still a long way to go, especially in the areas of advocacy (which is full of ‘landmines’) and industry structure. Despite these challenges the processors want to be a part of the conversation because processors are inextricably linked to farmgate.
- There is an imbalance in market power along the supply chain, but the difficulty is identifying where the power in the market is located – dairy farmers believe that processors have the power, while processors know they do not!
- The Workshop is an opportunity to determine where the industry is heading, and how we will get there.

As the Chair of GDF, Bruce Kefford concluded the Partner’s opening remarks with the following key points:

- There has never been a more concerted and cooperative effort to build an industry plan and this must continue through cooperation, innovative problem solving, and compromise in certain instances. We must ‘honour the aspiration for substantial change’ while ‘recognising the reality of our situation’.
- While GDF is committed to achieving meaningful turnaround as soon as possible, GDF’s constitution places some constraints on how it can use its substantial capital fund around which we will need to operate e.g. while GDF cannot play a direct role in advocacy, it can conduct policy work to inform the advocacy function. GDF will take the priorities of the ADP seriously, and the ADP has the potential to re-shape GDF’s investments in both scale and scope.

- The industry can rely on GDF to play its part in implementing the ADP but leadership will be critical. To this extent, everyone is a leader and effective leaders do what is right for the people they serve. This is a difficult, thankless and sometimes unpopular task, but it is important, especially for the dairy industry.

3.2 There was strong endorsement for tackling the key challenges identified in the consultation phase, with key areas of focus identified

The Workshop followed extensive engagements with farmers, processors and other industry stakeholders right across the country. Through those engagements five key areas of focus have consistently emerged:

- Reform industry structures and advocacy arrangements so the industry has a strong, united voice on the issues that matter to us.
- Focus more effort and resources on marketing and promotion of both dairy products and the dairy industry.
- Address concerns in market power and dynamics along the supply chain between farmers, processors and retailers.
- Increase our efforts to attract and support young people to join the dairy industry.
- Continue to focus on improving farmer capability and on-farm performance including a focus on managing costs, risks and volatility.

In the Workshop, we worked in small groups to identify special, tangible solutions in these areas of focus to help shape the ADP. The summary of these discussions are outlined in Table 1 below.

Table 1 | 'Key challenges' for the dairy industry

Key challenge statement	What we heard in previous engagements	Workshop response
How should we reform industry structures and advocacy arrangements, so the industry has a strong, united voice on the issues that matter to us?	<ul style="list-style-type: none"> • Stakeholders generally agree that there are a number of issues critical for our success where there is a belief that we have not been able to successfully advocate for favourable policy settings. • Stakeholders broadly agree that the fragmentation of our industry bodies is holding back our advocacy efforts. • Stakeholders have called for reforms to how we fund advocacy to ensure it is well-resourced, aligned to farmers' interests and delivers value for money. 	<p>Participants agreed that the reform of industry structures and advocacy arrangements is a design problem and the right place to start is in developing design criteria against which any future model of industry structures could be evaluated.</p> <p>Participants developed draft design criteria specifying that the new arrangements must:</p> <ul style="list-style-type: none"> • Deal with 'the lot' – R&D, advocacy, policy, promotion • Be efficient and avoid duplication • Be well funded and resourced with the right people and capabilities. <p>The full list of design criteria were refined and prioritised later in the Workshop (see below).</p>
What more can we do to better market and promote both dairy products and the dairy industry?	<ul style="list-style-type: none"> • Stakeholders uniformly agree dairy is a valuable, healthy product and that we need to do more to remind consumers that this is the case. • Many farmers feel like their business is under attack and argue that we need to remind consumers of the dairy industry's high standards and important contribution to society. • For many stakeholders, marketing and promotion is also about improving confidence within the industry itself. 	<p>Participants agreed that the focus must be on consumers, and on promoting the value of Australian dairy over alternatives (non-dairy or imported products).</p> <p>Participants acknowledged that the Dairy Matters campaign provides some of what is needed in this space and called for more investment. Participants cited Aussie Lamb as the sort of campaign we need to emulate.</p> <p>Specific ideas included:</p> <ul style="list-style-type: none"> • Accessing more resources by seeking contributions from across the dairy supply chain

- Targeting school children including through school milk
- Enlisting champions/spokespeople
- Supporting farmers to be advocates for the industry themselves.

How do we generate more value in the dairy cabinet?

- Many farmers believe the market is not functioning properly, but this is contested by some farmers and others in the industry.

Participants agreed that this theme is not about regulating price or supply. Rather this is about building greater transparency through the supply chain in ways that help restore trust.

How do we build trust and confidence in the supply chain?

- Some farmers have called for regulation of prices or supply, but others point out problems with this approach.
- Stakeholders agree however, that there are actions we can take to address the concerns about market issues in the industry.

A number of participants acknowledged the damage caused by low cost home brand milk. They noted that we have recently seen the end of \$1 milk and called for industry bodies to continue to advocate for the value of dairy.

Participants also called for:

- The establishment of an industry led quality mark or brand (modelled on the RSPCA) that it can licence to products or brands that are sustainably produced and deliver a fair return to farmers.
- Establishment of a dairy futures market to support long term planning and risk management for farmers (see below).

What can we do to attract and support more new people to join the dairy industry?

- Many farmers, particularly young farmers believe that we need to speak more positively about the dairy industry so that people want to join it.
- Many farmers note that there are barriers to becoming a dairy farmer and that efforts must be made to break these down.
- Many farmers noted we must also look to invest in developing people in the industry.

Participants agreed that there is work to do to promote the success of the industry to those who might be interested in joining it. Many participants highlighted the power of stories of success in changing perceptions.

Participants provided guidance about the types of messages that they wanted to see promoted:

- Dairy allows families to work together and this is rewarding
- Dairy offers diverse career pathways (that go beyond farming)
- Dairy should be promoted to anyone who might be interested, not just young people but all forms of diversity.

Participants also highlighted the importance of being employers of choice. This included training farmers in people management.

What can we do to support farmers to further improve their capability and on-farm performance (including managing costs, risks and volatility)?

- Processors and some farmers agree there are still gains to be made on farm to capture improved profit margins, but this is contested by some farmers who argue they are already as efficient as they can be.
- Clearly, there is much more volatility in the system and stakeholders agree that farmers need more business management skills and tools to manage this.
- Stakeholders also generally agree that new production systems have made farming a more complex business requiring more sophisticated farm management.

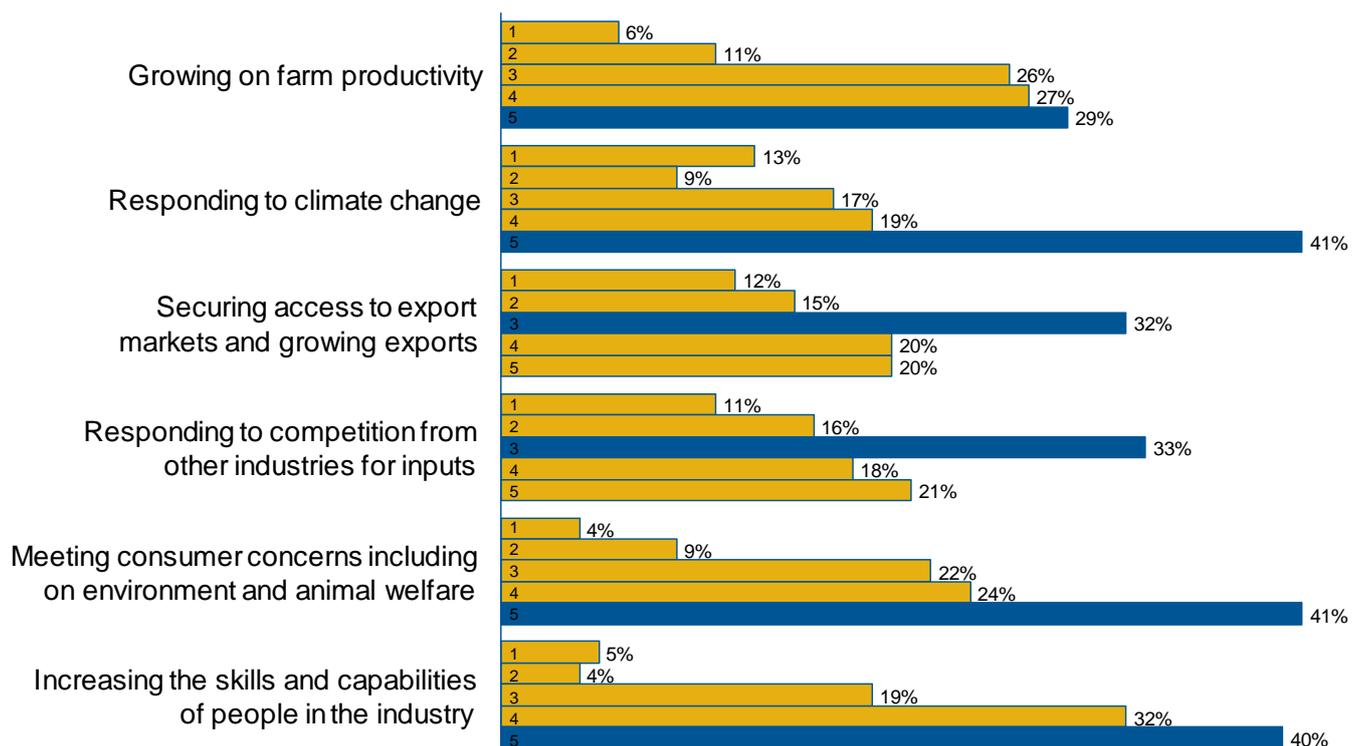
Participants agreed that the main focus here must be on the culture of the industry. Participants agreed it is about building a business culture and a culture of excellence and continuous improvement. An idea offered was to bring together farmers with their processor and their bank manager to jointly develop farm budgets. Another idea was to use podcasts to share best practice from farmers who are doing well.

3.3 Other areas of focus were identified for building out a comprehensive industry strategic plan

Without losing any focus on the five key areas of focus identified during our engagements, we asked participants to consider several other areas that would typically be expected to be addressed in a plan such as the ADP. While these did not come through as strongly during our engagement, that may simply be because the industry is comfortable with its current level of attention on these issues. The purpose of this session was to test this assumption.

Participants were asked to rate the industry’s performance out of five on each of the areas by answering the question ‘to realise our vision for the dairy industry, how much more do we still need to do over the next five years?’ (where 1 is very little and 5 is a great deal). The results of the voting are set out in Figure 1 below.

Figure 1 | Participant responses to the question ‘to realise our vision for the dairy industry, how much more do we still need to do over the next five years (out of 5)’



The results show that there are other areas of focus that a comprehensive ADP will need to deal with effectively, including more work helping the industry to respond effectively to climate change, to meet consumer concerns including on environment and animal welfare, and to increase the skills and capabilities of people in the industry. Participants worked in small groups on the issues identified above to capture what works well and what isn’t being addressed, and to surface any ambitious ideas for addressing the gaps.

Examples of specific opportunities for those issues where the most work is required include:

Responding to climate change:

- Doing more work on understanding what crops and pastures will support us to respond to climate change (e.g. modelling which crops and pastures will be appropriate for which region in the future).
- Mapping the carbon footprint of dairy products, and clearly communicating this to consumers through packaging/labelling that helps consumers make better choices.
- Using genetics to develop heat tolerant cattle, feed and grasses.

Meeting consumer concerns including on environment and animal welfare

- Staying relevant by developing a greater understanding of consumers and their demands/needs and adjusting practices in line with these.
- Developing a clear, industry-wide narrative on animal welfare, and building the evidence base that supports this (e.g. cow / calf separation) to inform communications with consumers about the great things we are doing.
- Working with farmers to produce more proactive animal welfare change outcomes and making sure these are met (we need the practices of all farmers to be able to pass the 'Facebook friendly' test).

Increasing the skills and capabilities of people in the industry

- Making flexible learning options available to farmers to increase access to education e.g. virtual classrooms, podcasts, providing childcare and/or flexible work arrangements.
- Developing a residency-style element in university student courses – students visit a farm during their course and undertake activities that benefit both parties.
- Developing a strategy to get greater traction and take-up across the dairy industry of world-class programs such as Taking Stock.

A full record of responses can be found in Appendix 1.

Note that throughout the discussions there was also a more general acknowledgement that there are some great programs in our industry to build on (i.e. don't throw the baby out with the bathwater) e.g.:

- **Research and development:** initiatives such as Dairy Moving Forward, DairyFeedbase and DairyBio are world-class.
- **Meeting consumer concerns:** we have a truly world-class Sustainability Framework.
- **People development:** there are great examples where we provide excellent industry skills development including the Taking Stock program and GDF's leadership programs.

3.4 The Workshop broadly supported further exploration of some form of milk price market, to complement other new initiatives to improve trust and transparency in the supply chain

Concerns regarding market power and supply chain dynamics were a major theme in stakeholder engagements. To address this in the Workshop, we framed the issue around two questions:

- How do we generate more value in the dairy cabinet?
- How do we build trust and confidence in the supply chain?

In this session, we dived a bit deeper into these questions.

Grant Crothers: Market power and dynamics along the supply chain (farmers, processors and retailers)

As the President of ADPF, Grant shared his insights on this challenge.

- Australia will remain an open, deregulated market - this delivers the private enterprise and entrepreneurship that we value, but also makes for a highly volatile industry.
- It is important to acknowledge where the industry is currently at and where it has come from (including the transition from cooperatives to corporates over the past 30 years). In this vein, we recognise that there has been poor behaviour from processors in the past. However, that is now in the past - it is now time to look forward.
- The focus of the industry needs to be on processors and farmers working together to put more value in the dairy cabinet. Processors are barracking for the industry, and as an industry we need to leverage our strengths, promote provenance and advocate for sustainable retail pricing.
- Importantly, in terms of building more trust and confidence in the supply chain, 'green shoots' are emerging:
 - The mandatory code will provide a base and a template for fairer, more transparent contracting.
 - Payment systems are being simplified despite the inherent complexity in milk pricing.

- Longer term contracts are being offered.
- Action is being taken to improve price transparency with funding provided by the Federal Government to ADF to explore the development of a milk futures market.

Tim Roache: Modernising milk pricing and price risk management for the Australian dairy industry

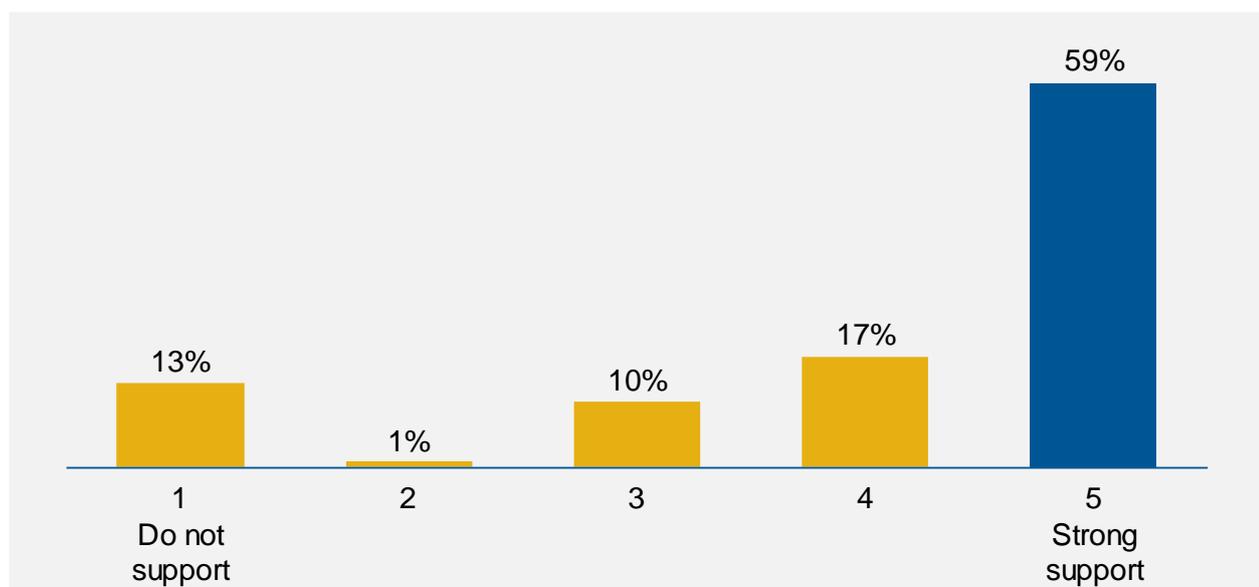
Tim recently completed a Churchill Fellowship looking at milk pricing and price risk management systems around the world. Drawing on this he presented options for modernising Australia’s approach to milk pricing and price risk management. Tim highlighted:

- A milk price market enables price discovery (increases transparency about milk price) and enables the creation of tradable products such as futures or revenue insurance that allow farmers, processors and brokers to manage milk price risk.
- All other major dairy producing countries have functioning milk price markets. For example, the US has a functioning dairy market (the Chicago Mercantile Exchange) and a risk management mentality across all agricultural commodities, the Irish have the European Energy Exchange and have price insurance for farmers, and New Zealand has the New Zealand’s Exchange and the Global Dairy Trade (an online dairy trading hub for buying and selling dairy).
- While each market is different, the common ‘thread’ is that each country has a milk market that is backed by government legislation and acts as a critical enabler for price risk management along the supply chain. Note government backing is critical for ensuring that high quality information is provided and the market functions effectively.
- In contrast, while Australia does some good things when it comes to pricing and risk management (e.g. offering minimum price guarantees and fixed term contracts) it is the only developed dairy market in the world that does not have a milk price market. There are no compelling reasons for this – it just seems that nobody has ever pushed for this change.

Ultimately, the recommendation was that Australia should move towards a functioning milk price market backed by government legislation. While this is not a ‘silver bullet’ and does not guarantee higher (or lower) prices, it provides price transparency for all participants along the supply chain through independent and trusted price information, enables price discovery, and provides a platform for direct and indirect price risk mitigation.

This proposition was tested with the Workshop and there was broad support for progressing the idea as shown in Figure 2.

Figure 2 | Participant responses to the question 'to what extent do you support further exploration of establishing a well-functioning milk price market?'



3.5 A commitment was made to transformational change to industry structure, and a pathway forward agreed

Brian Ramsey: Insights on how best to reform industry structures

An important focus of the Workshop was to respond to calls for reforms to industry structures and advocacy arrangements, and obtain support to progress work in this area. The Workshop took some inspiration from Brian Ramsey (Innovact) who drew on his experience with other industries in this area.

These included:

- *Australia Pork Limited (APL)*. One national body was created incorporating strategic policy development, marketing and R&D with a strategic board (c.f. a representative board) designed to keep the organisation agile and responsive. Establishing it was challenging e.g. it couldn't access levy funds initially so needed to seek commercial finance. However, once established APL became an effective market-orientated company, obsessed with the consumer, helping to turn around the fortunes of the pork industry dramatically.
- *Citrus Australia*. A direct model i.e. with direct membership by farmers. During formation, the existing eight industry bodies were not dissolved. Rather, farmers were given the choice of where they wanted to invest their money. As the direct national representative body, Citrus Australia let the market work and farmers gravitated towards them.
- *Seafood Industry Australia* was launched approximately one year ago. The industry was without a peak body and had hundreds of commodity lines, and various regional, national and state organisations, including cross-commodity, agriculture and wild-catch organisations. A hybrid approach was taken, uniting organisations and businesses together in a tiered model. The model required a financial commitment from businesses to change the structure. The financial commitment was exceeded which was a strong signal from industry that the hybrid model was reflective of their needs.

The key insights from these experiences:

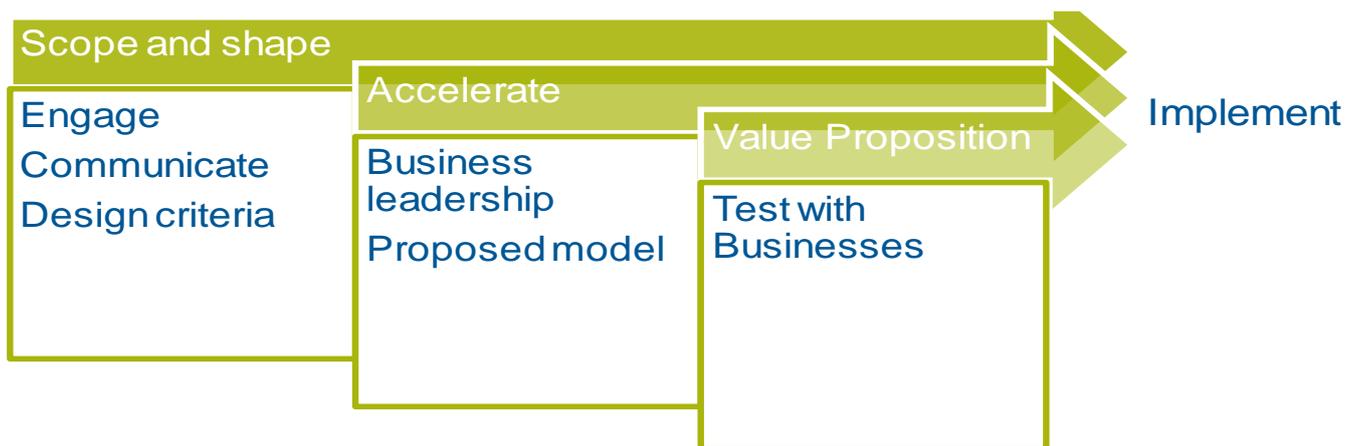
- Reform of industry structure can have a substantial impact on the performance of an industry e.g. within three years of establishing APL, the rate of growth in per capital consumption for pork was the highest amongst meat products, and pork had the fastest growing portion of the cold meat market.
- Don't let people tell you that something can't be done – there is almost always a way. For example, people said APL couldn't do advocacy work but under some intense questioning it turned out APL's key stakeholders were comfortable with APL being an advocate for positions developed through policy development (all that was ruled out were some narrow political activities e.g. campaigning for or against candidates at elections).
- Effective engagement is crucial – the first attempt to align organisations in the pork industry was not able to secure support from key industry stakeholders due to insufficient involvement in its design. In fact, we realised that the design is best done by businesses who have the most at stake in the performance of the industry structure.

It is important to be cognizant of current trends in industry structures:

- Membership models are evolving – there is a growing trend to a direct membership model. In the US, many membership models are moving towards hybrid models i.e. giving members more choice.
- The advocacy landscape is changing – it is increasingly important to demonstrate that you have broad community support to get any traction with government.
- Unity is important - fragmented industries are increasingly the target for activists, agitators and splinter groups.

There is no 'right' model for an industry structure – every industry will need to tailor the model that works for its particular circumstances – but there is a 'viable process' that has proven to work, outlined in Figure 3 below.

Figure 3 | A 'viable process' for reforming industry structures and advocacy arrangements



3.6 As the next step in the 'viable process' for reforming industry structures and advocacy arrangements, design criteria were agreed

The viable process (above) describes the first stage in reforming industry structures and advocacy arrangements as engaging, communicating and developing design criteria. The engagement and communication achieved through the regional workshops and other engagements is a very strong foundation to build on.

The next step is to agree on the key design criteria that can be used to evaluate various structure options. The Workshop created a list of design criteria, and then voted to prioritise this list. The results are shown in Figure 4 below with the top five most important criteria (as voted by participants) highlighted in blue.

Figure 4 | Participant responses to the question 'what are the five most important design criteria to guide the design of new industry structures?'



3.7 The Partners committed to forming a Joint Transition Team to lead the work in identifying the right industry structures and advocacy arrangements for the dairy industry

The next step, after agreeing on design criteria, is to establish the team to design the structure. Workshop participants and the Chairs/Presidents of the Partner organisations agreed with the proposition by Brian Ramsay that the design of new arrangements should be led by business leaders. Consequently, the Independent Chair proposed the establishment of an independent Joint Transition Team (JTT) of about 6-7 industry leaders to do the work of identifying the right structure for taking the industry forward.

Options for appointing members to the JTT were considered:

1. The Chairs/Presidents of the Partners and the Independent Chair appoint the JTT.
2. Elections could be held to appoint the JTT.
3. Some form of a 'new democracy' model (e.g. a citizens jury) where people are appointed randomly.

There was broad support for Option 1, particularly given the appetite for moving quickly on this.

The Workshop agreed:

- The JTT should have an appropriate mix of skills, and aim for diversity in terms of region, gender and farm type.
- Participants should nominate themselves to the Independent Chair if they were interested in being part of the JTT.
- The JTT would need to report back quickly so that proposed new arrangements could be reflected in the ADP.

3.8 There was overwhelming sentiment that any reform of industry structures and advocacy arrangements needed to be for the benefit of the whole industry

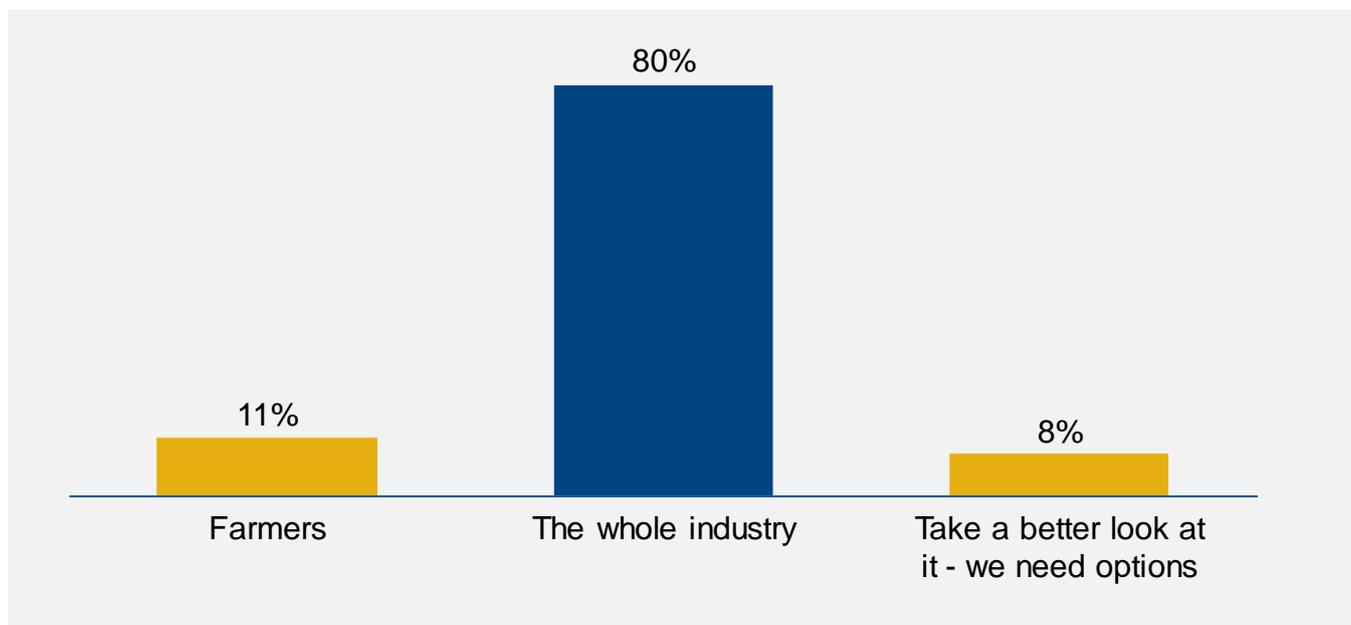
There was a discussion in the workshop about whether a new industry structure would be just for farmers or for the whole industry.

On the one hand, some argued that differences in the interests of farmers and processors meant that any new industry structure had to be designed purely for farmers.

Others argued that conflicts between farmers and processors had to be put in the past, and that on 95% of issues, the interests of farmers and processors were shared, and they would be much more effective if they worked together for the benefit of the entire industry (with independent arbitration processes for the other 5% of issues i.e. where their interests diverge).

We decided not to resolve this at this workshop, but to do a pulse-check on the 'mood' of the room on this issue. The results are shown in Figure 5.

Figure 5 | Participant responses to the question 'who are we designing this for?'



3.9 A draft vision for the dairy industry was developed and growth targets were discussed

Some participants expressed strong support for a vision statement for the industry. For some this was in the form of a growth target for the industry (especially given the Prime Minister's new target of \$100 billion of farm production by 2030). For some, a growth target of 11 billion litres for the Plan 'sounds about right', taking inspiration from the regional workshops where most participants believed that there is scope for modest growth in the industry over the next five years. For others, some more analysis is required before we could commit to a target that we can be confident in i.e. 'we need to take stock' of the drivers of growth in different regions (recognising some regions will grow while others may not). Others pointed out that while there were reasons to be optimistic (a change in seasonal conditions, and a more favourable trading environment could make a substantial difference) there may well be some more consolidation of the industry before it begins to turn around i.e. committing to a target prematurely might be disheartening. In short, there is more work to do to clarify what we can commit to in terms of a growth target.

In the meantime, the Independent Chair proposed an illustrative vision statement which achieved some level of support:

"A united, profitable and growing dairy industry built on high standards of environmental sustainability and animal welfare, producing high quality and nutritious dairy products to the Australian and international markets"

4. The next steps were confirmed

In closing, the Workshop agreed on the following key next steps:

- Provide a workshop communique to the media to provide a public statement of outcomes from the workshop.
- Deliver a workshop output report to participants (i.e. this document) which captures the key outcomes of the Workshop.
- Appoint the Joint Transition Taskforce (JTT) to examine existing dairy industry organisational arrangements and recommend transformational change options to reform industry structures.
- Provide regular updates to the Workshop participants on the progress of developing the ADP.
- Develop a draft of the ADP by October 2019, with the JTT finalising their work in time for incorporation into the draft of the ADP.

Appendix 1 Outputs of small group discussions on issues we cannot lose sight of

What do we currently do well that we should continue / celebrate?	What do we need to do that we are not doing now?	What is an audacious / ambitious idea that we might develop further that could really take us forward here?
Theme: Growing on farm productivity		
<ul style="list-style-type: none"> • Dairy Moving Forward (including Dairy Feedbase and other programs) • Responsiveness e.g. feed shortages • We do well in education and extension and want to deliver this even better • Farmers like learning from farmers e.g. discussion groups, Dairy Farm Monitor Groups 	<ul style="list-style-type: none"> • Share information e.g. what good farmers are currently doing • Encourage young and new entrants to the industry • Recognize and implement technology from other industries e.g. controlled inputs into cropping • Certainty around volume and pricing to give farmers choices on how much to produce • Not keeping pace with competitors e.g. grain industry • Better at growing crops and utilizing pasture • Do well at research but poor at development and getting people to adopt new ideas 	<ul style="list-style-type: none"> • Greater capability to know what to plant in different regions to maximize yield • Increase volume of milk / grass by more than 20 percent • Capture 100 percent of farms' herd recording and share • Mechanism to recover unplanned input costs • Form of 'compulsory' training linked to being recognised – banks, schemes, supplier arrangements • Government co-invests in productivity improvement (irrigation, people)
Theme: Responding to climate change		
<ul style="list-style-type: none"> • Water efficiency • Use of heat • Processing plants efficiency • Tree planting • Grow pastures well • Carbon capture done well • Understand implications of climate change variability 	<ul style="list-style-type: none"> • Carbon footprint map – what are my emissions? Energy audits • Share industry leading practice on farm, but also in the processing sector around efficiency • Understand the cost of mitigation options • R&D is matching predicted climate in 20-30 years 	<ul style="list-style-type: none"> • Nuclear power • Improved renewable systems • Access to government – look to historical water schemes (e.g. desalination plants to supply to regions) • Biogas plants (effluent capture) • Forecast where different crops can be grown in different regions by modelling effects of climate change in 20, 40 years' time • Map the carbon footprint of dairy products and clearly communicate this to consumers to enable choice • Use of genetics to develop heat tolerant cattle feed systems and grasses
Theme: Responding to competition from other industries for inputs		
<ul style="list-style-type: none"> • International recognition for R&D in genetics 	<p>N/A</p>	<ul style="list-style-type: none"> • Develop risk mitigation tools. Can we can tap into the federal drought fund or get a multilateral insurance scheme? • More flexible / innovative pricing signals e.g. 3-4 months vs. 3-4 years

Theme: Securing access to export markets and growing exports

- Our reputation – clean, green and safe
- World class quality assurance process
- Highlight where we are disadvantaged through free trade reform – push back on those not playing by the rules
- Better understand processor interests
- Reopen FTAs – do not lose relative advantage in markets where we already have deals in place
- Educate bureaucrats and advisers and obtain their buy-in to create better market access
- Lobby the Australian Government that we should not proceed with the EU FTA without dairy industry support
- R&D funding for new product / market development
- Responsible and sustainable live export trade

Theme: Meeting consumer concerns including on environment and animal welfare

- We have strong animal welfare standards and a sustainability framework, with a focus on continuous improvement – but this isn't known by consumers
- We know what good practice is, are transparent and can identify challenges
- Cows Create Careers – need to expand this in schools
- We listen to consumers and use insights to inform activities
- Bring all farmers up to above standards
- Balance ethics with economics
- Is it 'Facebook friendly' – are there activities that we do on-farm that we could improve?
- Better support / extra resources for those who are underperforming
- Involve processors in 'best practice'
- Take responsibility and call out bad behavior
- Stronger industry narrative of key animal welfare strategies
- Understand our target market – consumer needs
- Make sure we keep adjusting for consumer demands and needs and stay relevant
- A united voice when talking about animal welfare and clear narrative on animal welfare outcomes and build evidence base to support this
- Choose the best business model that works symbiotically with the environment
- Industry in consultation with farmers; proactively drive change to animal welfare and the environment

Theme: Increasing the skills and capabilities of people in the industry

- Set of resources to use on farm are good e.g. Dairy Feedbase, Taking Stock. The issue is how to get traction with this across dairy. Need to develop a strategy and understand farmer learning styles
- We have a mix of education offerings, which are low cost and geographically distributed for access
- We should celebrate the leadership program of the GDF
- The tools are there, they are just not being utilised. Need to improve engagement with more farmers
- More hands-on learning
- Learning styles – acknowledgement of soft skills and work towards engaging around those
- How to get people off farm for further skills development
- Create industry standards and accreditation
- Need a stronger link between TAFE and RDPs
- Develop strategy that recognises learning styles and encourage greater uptake of existing tools
- Create a list that employees can tick off to know they have all the base knowledge
- Offer flexible approaches to learning e.g. virtual classroom, take classes when it suits
- Develop a residency style element on farm in university courses
- Education of seasonal workers program induction
- Provision of health and wellbeing programs
- Mentoring programs