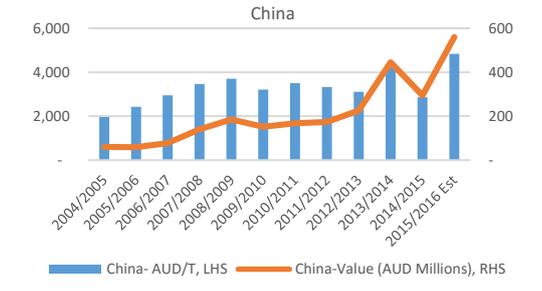
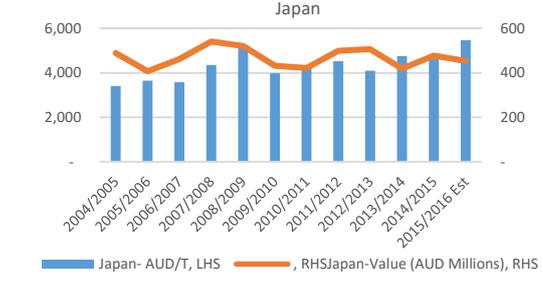
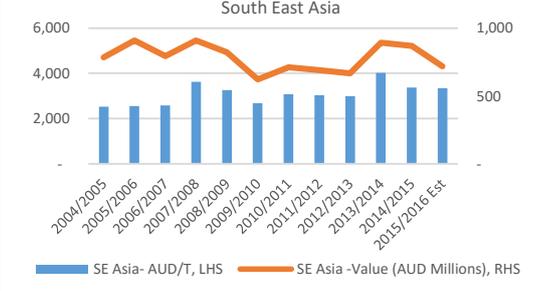
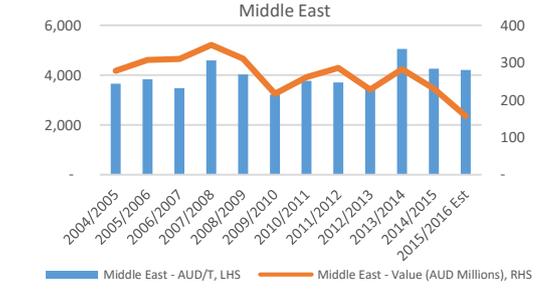


## SP1 – Profitable Dairy Farms – Post-farm-gate programs

International Market Support			
Overview			
<b>Market Need / Context</b>	<p>The market need:</p> <ul style="list-style-type: none"> <li>Consolidate industry wide policy trade policy positions on behalf of, and in the interests of Australian dairy.</li> <li>Proactively respond to existing, current and potential technical issues</li> <li>Reinforce the “Why Australia?” message with global customers.</li> <li>Assist industry to understand the opportunities and challenges presented by an increasingly complex global marketplace</li> </ul> <p>Target audiences/stakeholders:</p> <ul style="list-style-type: none"> <li>Australian dairy manufacturers and exporters.</li> <li>Key customers in Japan, China, SE Asia and the Middle East.</li> <li>DFAT, Department of Agriculture and Water Resources,</li> </ul>		
<b>Industry Indicators</b>	 <div style="display: flex; flex-wrap: wrap;"> <div style="width: 50%;"> <p><b>China</b></p>  </div> <div style="width: 50%;"> <p><b>Japan</b></p>  </div> <div style="width: 50%;"> <p><b>South East Asia</b></p>  </div> <div style="width: 50%;"> <p><b>Middle East</b></p>  </div> </div>		
<b>Overall Objective/s</b>	<ul style="list-style-type: none"> <li>To secure a more favourable and profitable export market trading environment for all Australian dairy products through strategic trade policy reforms and agreements.</li> <li>To prevent the erosion of access opportunities and conditions in key markets through the implementation of inappropriate regulatory or policy changes.</li> <li>In key export markets, support higher exporter returns through active buyer awareness and preference for Australian products.</li> <li>To better understand the opportunities and challenges presented by an expanding and increasingly complex global marketplace</li> </ul>		
<b>General Approach / Strategy</b>	<ul style="list-style-type: none"> <li>Focus resources on existing large markets or large emerging opportunities in Japan, China and SE Asia. Reduced focus on ME.</li> <li>Trade Policy: Provide detailed technical support to industry and government negotiators (and where requested taking lead role in presenting industry positions).</li> <li>Maintain networks of like-minded industry groups both domestic and international who will pursue similar trade objectives /outcomes to in relevant trade forums.</li> <li>Market Development Programs: Co-ordinate market development initiatives in Australia and target countries. Review targets annually in consultation with export managers of Australian dairy companies and partner groups in target markets.</li> <li>Trade support: Help local exporters with management of technical barriers to trade and/or specific market requirements</li> <li>Analysis: Deliver strategic market insights and solutions through scanning for / understanding / communicating the effects of global policies and market developments that might impact on the Australian dairy industry.</li> </ul>		
<b>Collaboration &amp; Dependencies</b>	<ul style="list-style-type: none"> <li>Close partnership arrangement with the ADIC who has primary carriage of the industry trade policy agenda.</li> <li>Australian dairy manufacturers are vital to the delivery of the Australian component of the market development program.</li> <li>Collaboration with the China Dairy Industry Association for delivery of the China market development program.</li> <li>Partnership arrangement with the Victorian Government for delivery of the SE Asia scholarship program.</li> <li>Close working relationships with DFAT, DAWR and especially the Australian Agricultural Minister Counsellors in key markets.</li> </ul>		
Program Detail			
Project No. / Title	Project Level Objectives	3 Year Plan Focus	2017/18 Focus / Changes
P219 International Market Support – China	Improve market access for Australian dairy and maintain the positive trade perception of Australian product in China	<ul style="list-style-type: none"> <li>Continue to support the implementation of the China Australia free trade agreement to maximise benefits to industry, defend market access and counter the emergence of new technical barriers to trade.</li> <li>Focus market development activities on the realisation of benefits from the China Australia FTA</li> <li>Continue long term relationship development through the Greater China Scholarship program.</li> </ul>	<ul style="list-style-type: none"> <li>Focus on improving Australian industry understanding of market access issues for liquid milk, infant formula, general dairy, and dealing with changes to the Chinese regulatory environment.</li> <li>Design and execute market development activities in order to maximise realisation of dairy benefits under the China Australia Free Trade Agreement.</li> <li>Further develop and execute strategic level collaborative market program/s with MLA, Horticulture Innovation Australia, Wine Australia and other like-minded industry bodies.</li> </ul>

International Market Support			
P229 International Market Support – Japan	Maintain and improve Australia's position as the major supplier of dairy products into the Japanese market.	<ul style="list-style-type: none"> <li>Review focus and extent of market development activities to reflect strong long term relationships and a mature market</li> <li>Continue publication of chemical residual analysis (Japan Positive List analysis)</li> <li>Continue long term relationship development through the Japan Dairy Scholarship program.</li> </ul>	<ul style="list-style-type: none"> <li>Provide balanced information and reassurance to customers in market and on the DA scholarship program, regarding the sustainability of Australian dairy as a supplier to Japan.</li> <li>Publish the updated Japan Positive List analysis online.</li> <li>Withdraw from Cheese Festa involvement/ sponsorship.</li> </ul>
P230 International Market Support – SE Asia	Improve market access and trade position into key South East Asian markets including Singapore, Malaysia, Thailand, Vietnam, Indonesia and the Philippines.	<ul style="list-style-type: none"> <li>Technical market access support</li> <li>Market development effort to target growth opportunities: Singapore, Thailand, Malaysia, Indonesia, Philippines, Vietnam.</li> <li>Increase focus on food service, culinary and hospitality segments within the markets.</li> </ul>	<ul style="list-style-type: none"> <li>Further develop and deliver the South East Asia Dairy Scholarship program, and associated alumni engagement programs.</li> <li>Build additional engagement with a focus on Indonesia.</li> <li>Continue to deliver seminars and demonstrations on Australian dairy into food service, culinary and hospitality segments.</li> <li>Improve market access into Thailand under the TAFTA.</li> </ul>
P231 International Market Support – Middle East	To improve market access and its trade position into key Middle East markets including The UAE, Saudi Arabia, Bahrain, Kuwait and Oman.	<ul style="list-style-type: none"> <li>Technical market access support</li> <li>Market development work to target growth opportunities within the region: The UAE, Saudi Arabia, and Bahrain, Kuwait, Oman, Qatar.</li> </ul>	<ul style="list-style-type: none"> <li>Effort in these markets will continue at a lower level of investment during 2017/18.</li> <li>Seek to leverage lower market development investment levels through working with partner organisations (Austrade, Vic Government, VGBO, MLA, Hort IA).</li> </ul>
P232 International Market Support – Other Markets	Improved market access, maintaining and improving export volumes and values, higher international market prices and more flexible market outlets	<ul style="list-style-type: none"> <li>Key regional agreements include: other areas include: WTO-Doha, Geographic indicators, PACER, RCEP, GCC.</li> <li>Key bilateral agreements: India, Indonesia, EU, Taiwan.</li> <li>Capture already negotiated access improvements under TPP through alternative structures (TPP 11, RCEP, review of JAEPA)</li> </ul>	<ul style="list-style-type: none"> <li>Ensure favourable dairy outcomes are included in bilateral and regional trade agreements as they progress towards conclusion.</li> <li>Support Government efforts to initiate new negotiations where favourable dairy outcomes may be obtained – Taiwan and EU.</li> <li>Protect Australian dairy defensive positions on issues such as Geographic Indications (Vis EU FTA).</li> <li>Progress improved access outcomes related to Non-tariff Barriers to Trade (NTB's) for Australian dairy. Where appropriate collaborate across industries and with interested stakeholders.</li> <li>Support industry efforts to promote the value and benefits of 'free trade' to government and stakeholders here and internationally.</li> </ul>

Evaluation & Budget							
Project	Evaluation		Expenditure Planning				
	Planned BCR	Investment Attractiveness	2015/ 16 Actual	2016/17 Forecast	2017/18 Plan	2018/19 Plan	2019/20 Plan
P219 China	3.23	6.0	357,107	460,027	355,100	355,100	355,100
P229 Japan	5.44	7.2	301,919	247,710	274,200	274,200	274,200
P230 SE Asia	3.99	6.4	219,823	193,482	191,500	191,500	191,500
P231 Middle East	3.28	6.0	206,749	44,248	45,000	45,000	45,000
P232 Other Markets	2.99	5.6	480,606	332,687	475,550	448,600	448,600
	<b>3.59</b>	<b>6.2</b>	<b>1,566,204</b>	<b>1,278,153</b>	<b>1,341,350</b>	<b>1,314,400</b>	<b>1,314,400</b>

Key Milestones			
Project	Milestone Description	Planned Completion	Status
P219	2017 China Scholarship program successfully delivered	July 2017	
	Dairy Australia participates and presents at China Dairy Industry Association (CDIA) conference	August 2017	
P229	2016 Japan Cheese Scholarship program successfully delivered	Sep 2017	
	2016 Annual Kangaroo Kai seminar successfully delivered in Japan with representation from Japanese and Australian dairy industries	Nov 2017	
	Dairy Australia participates in Japan Australia Dairy Talks – held in Australia	Sept 2017	
	Updated version of the Japan Positive list analysis document, published and available on DA website	July 2017	
P230	2017 South East Asia Scholarship program successfully delivered with support and collaboration from Victoria State Government	March 2018	

Key Performance Indicators (KPIs)			
Target Outcome	Measure	Source of data	2017/18 Target
Build engagement in priority markets through Dairy Australia scholarship and alumni programs.	Continued participation levels in the Dairy Australia Japan, China and South East Asia scholarship programs, with participants surveyed on satisfaction and increased understanding of Australian dairy.	CRM and entry/exit surveys.	50 new scholarship students participate in the 3 scholarship programs. Satisfaction measured at 7/10 or higher.
Industry support for Dairy Australia trade programs	Trade Reference Group (TRG) including manufacturers, ADF, ADPF and ADIC approve and support trade program objectives and programs.	TRG	Achieved/Not Achieved
Technical Barriers to Trade	Initial list of 5 priority plans reviewed and updated. Where new TBT issues are identified and prioritised, new action plans are developed and implemented.	Report	Achieved/Not Achieved

## Manufacturing Margin Improvement

### Overview

**Market Need / Context**

- The value that dairy farmers receive for their milk at the farm gate is dependent upon the profitability of the processing community which they supply.
- For the Australian dairy industry to achieve sustainable profitability and improved resilience in the face of climate variability and market volatility, it is critical that the entire supply chain remains innovative and internationally competitive.
- Dairy Australia has a role to play in supporting the competitiveness of the industry’s post-farm gate activities in areas where there is obvious market failure and where the resulting IP can improve the processing sector’s positioning and structure to meet future challenges.
- Through targeted initiatives which support manufacturing innovation and sustainability Dairy Australia can help farmers manage downstream risk while also supporting the industry to take advantage of domestic value growth and the huge export opportunities developing in Asia.



**Industry Indicators**

A number of manufacturing-based targets have been developed under the Australian Dairy Industry Sustainability Framework which provide good indication as to progress being made by the sector.

Target	Baseline	2014	2015	2016	2020 Target
9.1 Consumptive water intensity of dairy manufacturers (litres per litre of milk processed)	1.75	1.56	1.58	1.90	1.40
Target	Baseline	2014	2015	2016	2020 Target
10.1 Emissions from dairy manufacturers (tonnes of CO <sub>2</sub> equivalent per ML milk processed)	178.7	153.6	152.5	140	125.8
Target	Baseline	2014	2015	2016	2020 Target
11.1a Waste to landfill intensity of dairy manufacturers (tonnes of waste per ML milk processed)	2.69	1.63	1.45	1.18	1.61
11.1b Manufacturers: signatories to Australian Packaging Covenant (APC)	9	9	8	8	All manufacturers

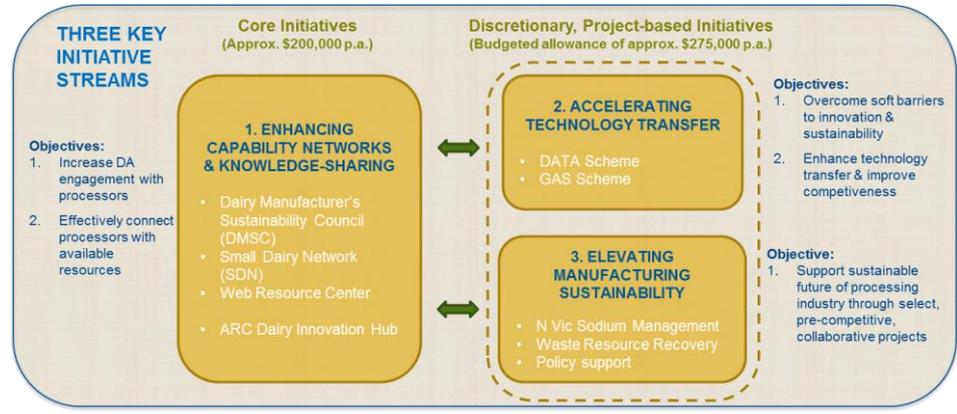
Source: Australian Dairy Industry Sustainability Framework Progress Report 2016

**Overall Objective/s**

To support the sustainability and international competitiveness of the Australian dairy processing community for the benefit of Australian dairy farmers by; a) Connecting processors with best-practice resources; b) Supporting collaborative initiatives and transfer of technology with strong industry-wide potential, and; c) Assisting manufacturer progress towards Sustainability Framework targets.

**General Approach / Strategy**

- DA has reduced funding from \$3m+ in 2013/14 (50% funding of DIAL) to approximately \$350,000 in 2016/17. The wind-up of DIAL during 2016/17 has forced a re-think about the best use of DA funds within this space. DA’s investment should be in areas of market failure and where the outcomes of investment benefits the industry generally, not companies specifically. Investing in developing networks and tools which effectively connect processors with existing resources as well as collaborative projects that address sustainability issues (water, energy, waste and effluent management, etc.) and can be translated more broadly across the sector appear to be the most appropriate use of DA funds.
- Focus for 2017/18 will be to improve the reach and performance of the Dairy Manufacturers Sustainability Council (DMSC) as well as achieve strong engagement with smaller dairy processors within the Small Dairy Network (SDN). A further goal will also be increase the number and quality of projects funded under the Dairy Australia Technology Assessment (DATA) and Grant Access Support (GAS) Schemes to achieve profitable technology transfer and improved environmental performance. Successful delivery of collaborative projects relating to sustainable sodium management and improved organic waste utilisation scheduled for completion during 2017/18 will also be a key focus.



**Collaboration & Dependencies**

- The success of DA’s support for the manufacturing sector depends on engagement with and cooperation of the Australian dairy manufacturing industry itself. Ongoing feedback regarding successes/failures and the usefulness of the support provided is critical. Addressing sodium management in northern Victoria will require a regional response and, in

Manufacturing Margin Improvement							
addition to key dairy processors, currently has the written support of local councils, water authorities and Regional Development Victoria. Additional cross-RDC collaborative opportunities and mechanisms to leverage additional support are being explored.							
Program Detail							
Project No. / Title	Project Level Objectives	2016/17 Focus			2017/18 Focus / Changes		
P249 Supporting Manufacturing Innovation and Sustainability	To support the sustainability and international competitiveness of the Australian dairy processing community for the benefit of Australian dairy farmers by; <ol style="list-style-type: none"> <li>Connecting processors with best-practice resources;</li> <li>Supporting collaborative initiatives and transfer of technology with strong industry-wide potential, and;</li> <li>Assisting manufacturer progress towards Sustainability Framework targets.</li> </ol>	<ul style="list-style-type: none"> <li>Oversee DIAL transition and DA exit (including legacy projects such as the ARC Dairy Innovation Hub). Ensure best use of assets and IP for the Australian dairy industry</li> <li>Implement programs which support DA's revised support strategy for manufacturers such as the <i>DATT Scheme</i> and <i>Transform Dairy Fund</i>. Monitor success and adjust as required.</li> <li>Develop and maintain on-line resources to support manufacturers.</li> <li>Migrate management of <i>DMSC</i> and <i>SDN</i> from DIAL to DA.</li> <li>Explore collaborative opportunities and mechanisms to leverage additional support.</li> </ul>	<ul style="list-style-type: none"> <li>Improve reach/performance of the Dairy Manufacturers Sustainability Council (DMSC)</li> <li>Achieve strong engagement within Small Dairy Network (SDN)</li> <li>Increase the number and quality of projects funded under the DATA and GAS Schemes.</li> <li>Manage the successful delivery of a sustainable sodium management plan for northern Victoria.</li> <li>Reduction in forecast expenditure for 2016/17 is a result of a number of measures undertaken to reduce post-farm gate spending, including; achieving 85% co-funding from stakeholders for the sodium management project; rationalising the management of the DMSC and web resources within DA; and slower than anticipated delivery and uptake of the DATA and GAS Schemes.</li> </ul>				
Evaluation & Budget							
Project	Evaluation		Expenditure Planning				
	Planned BCR	Investment Attractiveness	2015/16 Actual	2016/17 Forecast	2017/18 Plan	2018/19 Plan	2019/20 Plan
P244 Manufacturing Innovation			1,421,042				
P249 Supporting Manufacturing Innovation & Sustainability	TBA	4.9		335,192	415,000	455,000	455,000
<b>Total</b>	<b>3.0</b>	<b>4.9</b>	<b>1,421,042</b>	<b>335,192</b>	<b>415,000</b>	<b>455,000</b>	<b>455,000</b>
<b>Notes</b>							
Key Milestones							
Project	Milestone Description				Planned Completion	Status	
P249 Supporting Manufacturing Innovation and Sustainability	Complete Sustainable Sodium Management Plan project				February 2018	May 31 2017 Kick-off	
	Deliver three environmental forums and develop three technology/funding screening reports for DMSC Company Members				June 30 <sup>th</sup> 2018	Ongoing	
	Deliver six regional workshops, thirty webinars, four quarterly E-newsletters and develop web resource centre for SDN Members				June 30 <sup>th</sup> 2018	Ongoing	
	Minimum of four high-quality projects identified for DATA Scheme support				June 30 <sup>th</sup> 2018	Ongoing	
	Minimum of four high-quality projects identified for GAS Scheme support				June 30 <sup>th</sup> 2018	Ongoing	
Key Performance Indicators (KPIs)							
Target Outcome	Measure				Source of data	2016/17	
Decrease processing costs/improved sustainability	Number of new technologies installed at Australian dairy manufacturing sites which decrease processing costs or improve environmental performance as a result of DA-supported activities				Annual manufacturer survey	3	
Decrease processing costs/improved sustainability	Ratio of grant funds awarded to Australian dairy manufacturers for projects delivering decreased processing costs or improved environmental performance relative to grant access support provided by DA					10:1	
Increase sustainability performance of industry	Measurable increase in environmental performance of a processing plant (i.e. water use reduction, GHG emission reduction, sodium emission reduction, wastewater BOD reduction, waste to landfill reduction) as a result of DA-supported activities.					Variable units/value	
High level of processor engagement with DA support programs	Number of dairy processing companies actively participating in DA's collaborative support programs such as the DMSC, the SDN and the ARC Dairy Innovation Hub				Membership database and register of workshop of attendees	40	