

## Driving a prosperous future for dairy

### Key points

- ✓ Sustainability framework offers whole-of-industry approach
- ✓ Vital to adopt improved practices
- ✓ Farmers play a key role

As a dairy farmer, what will you do today to meet consumers' demands and maintain the Australian dairy industry's access to high-value markets?

It's a question that sits at the heart of the Australian Dairy Industry Sustainability Framework, an industry guide to profitable dairy farming and a prosperous future for farmers and manufacturers.

Owned and led by the Australian Dairy Industry Council (ADIC) since 2012, along with key partners, including Australian Dairy Farmers (ADF), Australian Dairy Products Federation (ADPF) and Dairy Australia (DA), the framework offers a whole-of-industry approach to securing Australian dairy's long-term future.

"Sustainable production is creating a rewarding industry for our people, producing healthy food for consumers, providing best care for our animals and leaving the environment in better shape for the future," ADIC president Terry Richardson said.

"It has never been more important for dairy farmers to strengthen their commitment to sustainability by taking an everyday, hands-on approach as a response to increased consumer expectations."

Making a commitment to the framework means dairy farmers are:

- Creating a vibrant industry that rewards dairy workers and families, their related communities, business and investors.
- Providing nutritious, safe, quality dairy food.
- Striving for health, welfare and best care for all their animals throughout their lives.
- Meeting the challenge of climate change and providing good stewardship of natural resources.

The framework contains targets for increasing farm profitability, health and safety, skills training, animal care and environmental management, including



***'Farmers are continuing to show the community that we are doing the right thing by people, animals and the planet.'***

nutrient and waterway management, water and energy use.

"Due to the everyday actions of farmers and manufacturers the dairy industry continues to make progress towards the 2020 targets, yet as an industry we still need to do more," Mr Richardson said.

"By adopting those practices, which support progress and ongoing improvement, farmers are continuing to show the community that we are doing the right thing by people, animals and the planet."

These practices include:

#### **Improving wellbeing of people**

- Producing milk that meets all health and safety requirements.

#### **Providing best care for our animals**

- Complying with all animal welfare standards.
- Adopting industry-recommended practices for animal care i.e. don't dock tails on cows; have infrastructure to keep cows cool; reduce use of routine calving induction; disbud calves prior to two months of age; have a lameness strategy; feed bobby calves within six hours of transport,

#### **Enhancing economic viability and livelihoods**

- Adopting new technologies and prac-

tices that improve profits and deliver other benefits.

- Ensuring all farm workers have completed their Workplace Health and Safety training.
- Undertaking education and extension activities to develop and update the farm owners' and farm employees' skills, to help retain a skilled workforce.
- Having a well-developed business transition plan to provide certainty for the future.
- Supporting young people in the industry through the Young Dairy Network Australia (YDNA).
- Helping employees develop a structured career plan for their future.

#### **Reducing environmental impact**

- Reducing greenhouse gas (GHG) emissions through some or all the following strategies: feeding cows a high-quality diet to increase milk production and reduce GHG emissions; ensuring herds are in calf, on time, every time to increase profitability and reduce GHG intensity; monitoring electricity consumption and equipment performance.
- Excluding stock from waterways.
- Having nutrient management plans for farms.
- Having the right nitrogen fertiliser strategy — applying nitrogen at the right time, in the right place, with the right product and at the right rate.
- Adopting water-saving technologies and recycling where possible.
- Using Dairy SAT and similar programs as part of farm planning and management systems.

"Farmers play an important role in creating a sustainable Australian dairy industry and the Australian Dairy Industry Sustainability Framework enables us to get on the front foot and tell our story," Mr Richardson said.

"We will continue to push towards progress in these important areas."

The Australian dairy industry is honoured to play our part in the global movement towards greater sustainability as it aims to meet rising demand worldwide for industries to manage their environmental impact and contribute towards issues such as climate change, labour practices, animal welfare, including health and wellbeing. **D**

## A summary of our 2016 progress

The legend for understanding the 2016 performance tracked against baseline

| Key | Description                               |
|-----|-------------------------------------------|
| ●   | Progress towards target                   |
| ●   | Result maintained or marginal change      |
| ●   | Regression                                |
| ○   | Under review (baseline)                   |
| ○   | Under review (target)                     |
| ○   | Baseline not yet established              |
| ○   | Target not yet established                |
| -   | No data collected for target in this year |



| Goals                                     | Target                                                                                           | Baseline                                                                                             | 2014                                                 | 2015         | 2016       | 2020 Target | Progress towards target against baseline |                     |   |
|-------------------------------------------|--------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|------------------------------------------------------|--------------|------------|-------------|------------------------------------------|---------------------|---|
| Enhancing livelihoods                     | <b>1 Increase the future competitiveness and profitability of the Australian dairy industry</b>  | 1.1 % Profitable farms (rolling 3-year average)                                                      | 55%                                                  | 51%          | 47%        | 50%         | Under review                             | ●                   |   |
|                                           |                                                                                                  | 1.4 % of farmers planning capital investment                                                         | 40%                                                  | 51%          | 52%        | 49%         | Under review                             | ●                   |   |
|                                           | <b>2 Increase the resilience and prosperity of dairy communities</b>                             | 2.3 Community recognition                                                                            | Dairy industry is an essential part of the community | 71%          | 70%        | 68%         | 67%                                      | 78%                 | ● |
|                                           |                                                                                                  |                                                                                                      | People appreciate dairy farmers in our community     | 76%          | 76%        | 79%         | 78%                                      | 87%                 | ● |
|                                           | <b>3 Provide a safe work environment for all dairy workers</b>                                   | 3.1 OHS training                                                                                     | Dairy farming                                        | 46%          | 46%        | -           | -                                        | 100%                | ● |
|                                           |                                                                                                  |                                                                                                      | Dairy manufacturing                                  | 100%         | 100%       | 100%        | 100%                                     | 100%                | ● |
|                                           |                                                                                                  | 3.2 Lost Time Injury Frequency Rate (LTIFR)                                                          | Dairy farming                                        | 5.8          | 8.9        | 6.7         | 14.3                                     | 3.6                 | ● |
|                                           |                                                                                                  |                                                                                                      | Dairy manufacturing                                  | 8.2          | 8.6        | 13          | 12.1                                     | 6.1                 | ● |
|                                           |                                                                                                  | 3.3 Fatalities                                                                                       | Dairy farming                                        | 2            | 1          | 3           | 6                                        | 0                   | ● |
|                                           |                                                                                                  |                                                                                                      | Dairy manufacturing                                  | 0            | 0          | 0           | 0                                        | 0                   | ● |
| Improving wellbeing                       | <b>4 Attract, develop and retain a skilled and motivated dairy workforce</b>                     | 4.2 Participation in development activities                                                          | Extension                                            | 20%          | 39%        | -           | -                                        | 40%                 | ● |
|                                           |                                                                                                  | 4.3 Retain workforce                                                                                 |                                                      | 75%          | 75%        | -           | -                                        | 90%                 | ● |
|                                           |                                                                                                  | 4.4 Farmers have a well developed business transition plan                                           |                                                      | 8%           | 8%         | -           | -                                        | 50% — under review  | - |
|                                           | <b>5 All dairy products and ingredients sold are safe</b>                                        | 5.1 Chemical residues non-compliance                                                                 |                                                      | 0            | 0          | 0           | 0                                        | 0                   | ● |
|                                           |                                                                                                  | 5.2 Product recalls                                                                                  |                                                      | 7            | 8          | 9           | 7                                        | 0                   | ● |
|                                           |                                                                                                  | 5.3 Consumer sentiment                                                                               | Dairy products are safe                              | 67%          | 69%        | 67%         | 68%                                      | 77%                 | ● |
|                                           |                                                                                                  |                                                                                                      | Dairy makes high-quality products                    | 77%          | 74%        | 75%         | 74%                                      | 88%                 | ● |
|                                           | <b>6 Dairy contributes to improved health outcomes for Australian communities</b>                | 6.1a Healthy diet                                                                                    | Dairy is essential for good health                   | 72%          | 68%        | 69%         | 71%                                      | 85%                 | ● |
|                                           |                                                                                                  |                                                                                                      | Dairy food increases my weight                       | 32%          | 30%        | 31%         | 32%                                      | 20%                 | ● |
|                                           |                                                                                                  | 6.1b Maintain recognition as five food group foods in ADG                                            |                                                      | Recognised   | Recognised | Recognised  | Recognised                               | Ongoing recognition | ● |
| Reducing environmental impact             | <b>7 Provide best care for all animals</b>                                                       | 7.1 All industry complying with legislated Animal Welfare Standards                                  |                                                      |              |            |             |                                          | 100%                | ● |
|                                           |                                                                                                  |                                                                                                      | Awareness of new Animal Welfare Standards            | 56%          | 56%        | -           | 47%                                      | 100%                | ● |
|                                           |                                                                                                  | 7.2 All of industry adopting relevant recommended industry practices:                                |                                                      |              |            |             |                                          | 100%                | ● |
|                                           |                                                                                                  |                                                                                                      | Reduce use of routine calving induction              | 80%          | 80%        | 88%         | 90%                                      |                     | ● |
|                                           |                                                                                                  |                                                                                                      | Don't dock tails                                     | 80%          | 85%        | -           | 91%                                      |                     | ● |
|                                           |                                                                                                  |                                                                                                      | Disbud prior to 2 months of age                      | 57%          | 63%        | -           | 63%                                      |                     | ● |
|                                           |                                                                                                  |                                                                                                      | Have a lameness strategy                             | 87%          | 95%        | -           | 95%                                      |                     | ● |
|                                           |                                                                                                  |                                                                                                      | Have cool infrastructure                             | 94%          | 98%        | -           | 92%                                      |                     | ● |
|                                           |                                                                                                  |                                                                                                      | Bobby calves fed within 6 hours prior to transport   | 97%          | 97%        | -           | 96%                                      |                     | ● |
|                                           |                                                                                                  | 7.3 Public recognition of caring for animals                                                         |                                                      | 60%          | 62%        | 59%         | 58%                                      | 75%                 | ● |
|                                           | <b>8 Improve nutrient, land and water management</b>                                             | 8.1 Exclusion of stock from waterways                                                                |                                                      | 73%          | -          | 76%         | -                                        | 90%                 | ● |
|                                           |                                                                                                  | 8.2 Nutrient management plans                                                                        |                                                      | 30%          | -          | 58%         | -                                        | 80%                 | ● |
|                                           |                                                                                                  | 8.3 Irrigation automation                                                                            |                                                      | 47%          | -          | 54%         | -                                        | 80%                 | ● |
|                                           |                                                                                                  | 8.4 Managing land for conservation and biodiversity                                                  |                                                      | 47%          | -          | 45%         | -                                        | 80%                 | ● |
|                                           |                                                                                                  | 8.5 All dairy farmers actively managing noxious weeds where relevant                                 | Noxious weeds identified as major land issue         | 37%          | -          | 29%         | -                                        | Under review        | ● |
|                                           |                                                                                                  |                                                                                                      | Actively managing noxious weeds where a problem      | 28%          | -          | 28%         | -                                        | 100%                | ● |
|                                           |                                                                                                  | 8.6 Recycle water on farm                                                                            |                                                      | 50%          | -          | 75%         | -                                        | 100%                | ● |
|                                           | <b>9 Reduce the consumptive water intensity of dairy manufacturers by 20%</b>                    | 9.1 Consumptive water intensity of dairy manufacturers (litres per litre of milk processed)          |                                                      | 1.75         | 1.56       | 1.58        | 1.62                                     | 1.40                | ● |
|                                           | <b>10 Reduce greenhouse gas emissions intensity by 30%</b>                                       | 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               | ● |
|                                           |                                                                                                  | 10.2 Farm Emissions abatement actions                                                                |                                                      | Under review | -          | -           | -                                        | Under review        | - |
| <b>11 Reduce waste to landfill by 40%</b> | 11.1a Waste to landfill intensity of dairy manufacturers (tonnes of waste per ML milk processed) |                                                                                                      | 2.69                                                 | 1.63         | 1.45       | 1.39        | 1.61                                     | ●                   |   |
|                                           | 11.1b Manufacturers: signatories to Australian Packaging Covenant (APC)                          |                                                                                                      | 9                                                    | 9            | 8          | 8           | All manufacturers                        | ●                   |   |
|                                           | 11.2 Farm level waste reduction                                                                  |                                                                                                      | Under review                                         | -            | -          | -           | Under review                             | -                   |   |

\* The Safe Work Australia website shows 0 reportable incidents for 2014/15 (latest figures). Monitoring of media reports for farm related fatalities in 2016 shows 6 fatalities.

† In 2016, the scope of consumptive water was adjusted and has impacted the measure.

To see the full 2016 Dairy Sustainability Report, visit: [www.sustainabilitydairy.oz.com.au](http://www.sustainabilitydairy.oz.com.au)

# What rising energy costs mean for dairy

## Key points

- ✓ Increasing energy costs major concern for dairy industry
- ✓ Dairy high user of power, both on farm and in manufacturing
- ✓ Need policy reform and infrastructure investment

**D**AIRY farmers and manufacturers are constantly under pressure from rising energy costs.

Compared with other primary producers, dairy is disproportionately vulnerable to high energy costs due to the industry's high power needs in processing and on farm. For dairy manufacturers, high power is necessary to maintain strict health and safety standards.

This, in turn, impacts dairy farmers' energy costs. Dairy farmers already incur increasing electricity tariffs and need electricity for milking machinery, milk cooling and storage, and milk processing procedures on farm.

ADF natural resources policy group chair Daryl Hoey said with several coal-fired power stations either closed or set to be decommissioned in the next few years, the complexity of Australia's energy network and the challenges of incorporating renewable technology meant there were no quick solutions.

"At the moment, I'm not sure many people understand what the real issues are because it's just getting clouded in political point scoring," Mr Hoey said. "Renewables is definitely where we are headed, but the gap between where we need to get to and when renewables will be more reliable with adequate storage capacity, is still a while away."

The issue is made more complex by the variety of energy policies and systems across states and territories; and the absence of a national, long-term policy at the federal government level. The anticipated shortage of supply in both electricity and gas is driving increases in energy prices at a rate that is difficult to adjust to.

"Although dairy farms have the potential to negotiate and manage their energy supply arrangements as high energy users, it has not resulted in reduced electricity costs," Mr Hoey said.

"Most dairy farmers and manufacturers have seen their overall energy bills rise substantially, even when their energy consumption has remained much the same."



Dairy farmers need electricity for milking machinery, milk cooling and storage, and milk processing procedures on farm.

Policy reform and investment in infrastructure upgrades are needed so that regional areas enjoy the same reliability and capacity of electricity supply as urban areas. Reliability standards should ensure the same standard of service in rural and regional areas as enjoyed in urban centres. This will require specific solutions in regional areas.

***'I'm not sure many people understand what the real issues are because it's just getting clouded in political point scoring.'***

Based on research recently undertaken by Dairy Australia, the figures show the current cost of energy (electricity and gas) for dairy processors is about \$170 million a year. Further analysis from processors indicates a 50-70 per cent rise in new energy contract prices, due to be renegotiated this year.

The price rises in 2017/18 will significantly erode the already slim margins of the processing companies — particularly those that are more exposed to the export commodity markets. This, in turn, puts downward pressure on milk price, which will place further

economic strain on thousands of dairy farmers.

Analysis from Dairy Australia anticipates that dairy farms will pay 20 per cent more on their own power bills from dairy shed operations, which means dairy farmers will effectively pay twice, once through lower farmgate milk prices and the second through higher power bills. This could add an average \$4840 to Australian dairy farmers' annual shed power bills.

The increases have been driven by several factors, including some States' investment in upgrading network infrastructure and the increase of associated tariff fees.

However, there is potential for improved energy efficiency as the next big step-change for dairy farms to address rising energy costs.

A solution is for the government to establish incentive schemes to encourage adoption of energy-efficient measures and renewable energy technologies in agricultural industries to offset the effects of rising electricity prices.

Dairy farming, like most agriculture sectors, is a price taker in domestic and international markets and is unable to pass any energy cost increases on to consumers.

"This is not just about the dairy farmers this about the whole industry being able to manage rising energy costs while still producing food for Australian consumers at an affordable price," Mr Hoey said. D

# Sustainably continues to be recognised



Unilever continues its work to drive sustainability initiatives with other suppliers around the world.

## Key points

- ✓ Unilever renews Australian sustainability certification
- ✓ First industry in world to achieve status
- ✓ Underpinned by Sustainability Framework

UNILEVER, one of the world's largest companies, announced on June 29 its certification of the sustainability credentials of Australia's milk production for another 12 months.

The certification means that all Australian-produced milk is now recognised as 100 per cent sustainably sourced.

Australian Dairy Industry Council's interim chair, Terry Richardson, said endorsement from a company such as Unilever was a great achievement and reflected the focus that Australian dairy farmers had on sustainable farming practices.

"The Australian dairy industry is committed to the implementation of actions to support ongoing targets and measures as part of the Australia Dairy Industry Sustainability Framework," Mr Richardson said.

"We want to ensure that the Australian dairy industry is recognised as sustainable in the eyes of customers around the world so that our farmers

and processors can be assured that the industry has a long-lasting future."

In 2013 the Australian dairy industry was the first in the world to be recognised as meeting Unilever's Sustainable Agriculture Code (SAC) as a 100 per cent sustainable supplier of milk.

***'We want to ensure that the Australian dairy industry is recognised as sustainable in the eyes of customers around the world.'***

The initial process took about 18 months to benchmark the Australian dairy industry's production standards against the Unilever Sustainable Agriculture Code standards. The industry was thrilled to learn that Australia's dairy industry was compliant with the Sustainable Agriculture Code.

The company's SAC measures 11 key indicators including soil health and fertility, soil loss, nutrients, pest management, biodiversity, energy, water, social and human capital, local economy and animal welfare.

Unilever also continues its work to

drive sustainability initiatives with other suppliers around the world. As part of its Sustainable Living Plan, it aims to source 100 per cent of all dairy products used sustainably by 2020. At the end of 2012, it had achieved 31 per cent of its goal, up from 10 per cent in 2011.

The Unilever certification was underpinned by the dairy industry's Sustainability Framework and reporting progress against similar targets.

Dairy Australia managing director Ian Halliday said Dairy Australia supported Australian processors in securing the Unilever certification for the entire industry's milk supply for another year.

"The benefits of industry collaboration were crucial in gaining the Unilever endorsement and illustrated the value of industry groups working together to achieve a common goal," Mr Halliday said.

As a next step, to drive even higher standards of sustainable production, the Australian Dairy Industry Council together with Dairy Australia and Australian Dairy Products Federation, will focus on setting new goals to further enhance the industry's commitment to livelihoods, improving wellbeing and reducing our environmental impact. **D**