



Australian Dairy Farmers

Submission to the Dairy Australia
Dairy Levy Poll Process Review

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Introduction

Australian Dairy Farmers (ADF) welcomes the opportunity to present this submission in response to the invitation extended by the Dairy Australia (DA) Levy Poll Process Review Panel. The submission below responds to the questions posed in the documentation provided by the Review Panel. We have included all questions noting there is considerable overlap and our comments are often relevant to more than one question.

ADF is constituted from six state dairy farmer organisations. ADF also has individual business farmer members. Its primary purpose is to represent the interests of dairy farming families across Australia (their jobs and their communities) to governments and the wider community.

This submission responds to the Review in terms of both the interests of ADF as a national dairy representative organisation working with DA, and the collective interests of the levy paying dairy farmers.

Dairy farmers contributed more than \$33 million to DA in the 2013/14 year. DA also receives funding from the Government and other sources but dairy farmers contribute the majority of DA's funding.

Dairy farmers have endorsed the important role of DA to undertake research, development, extension and marketing projects for the benefit of the dairy industry as a whole. In achieving this, dairy farmers seek value for their investment in DA.

As the representative of the levy payers, ADF strongly considers that the recommendation and setting of the levy poll options and farmer consultation are a collaborative process between DA, the Minister for Agriculture and ADF. ADF has a lot to offer DA in input to the materials for the levy poll process, and communication with levy payers.

ADF believes that some amendment to the Levy Poll Process could assist in ensuring the review and decision on a change to the levy is carried out efficiently and in the best interests of the levy payers.

ADF has consulted with state farming organisations and discussed the ADF response to the Review at the November 2014 National Council meeting. The draft submission has been provided to both the National Council and the ADF Board for feedback and approval.

The overwhelming message in the input and discussion while preparing this submission, is that the current process is a sound base, but can be improved.

We are aware that our submission may not provide specific solutions for some issues, noting that we are not experts in all relevant matters, such as technology options. We would welcome the opportunity to discuss our submission with the Review Panel, including discussions as the next round of options and solutions are developed.

We look forward to the Review Panel's findings.

Key points

A summary of key points provided in the submission that follows is:

- The current process is a sound base, but can be improved.
- A review of the levy at regular intervals is supported. Five years is considered an appropriate interval.
- A poll is the best means of testing support for any change to the levy.
- There are opportunities to streamline the levy poll process to reduce cost and engage more levy payers.
- Engagement with levy payers and sharing information about the levy must occur throughout the five year period, not just at the time of the levy poll.
- New approaches should be considered for consultation which tailors consultation to suit the audience and makes use of technology.
- Industry communication channels and broader industry networks and influencers should be employed as part of the consultation approach.
- A case for change to the levy must be supported by an independent evidenced review; a full outline of the implications of the options including costs/benefits and risks; and analysis of the RD&E priorities, how the increase would be spent and the drivers for change.
- Representatives of the levy paying farmers (including ADF) have an important role in the engagement on and recommendation for the levy.
- Flexibility for alternative types of levy increases could be provided, such as use of indexes or progressive options, but these need to be a clear part of the option put to the levy poll.
- Votes should be allocated as per the status quo. The current approach to allocation of votes is fair and equitable.

Proposal for change to levy

1. *Who should have the ability to propose a change to the levy? Dairy Australia, the Federal Government, industry representative bodies?*

There must be a clearly defined process for when any review of (and possible change to) the levy can occur. It would be inappropriate for ad hoc requests for a change to the levy by any party. As part of the defined process, any of these parties could propose a change for consideration by the Levy Poll Advisory Committee. Responsibility for coordinating and managing the levy review process should rest with DA. As the representative body of levy payers, ADF has an important role in the consultation and recommendation process.

2. *Bearing in mind the costs of regulated levy polls are estimated to be between \$600,000 and \$1 million do you agree with having a levy poll at the intervals required by the Regulations, or only when an increase is proposed?*

A regular review, at intervals stated and understood by levy payers, is considered appropriate. We note later in this submission that 5 years is an appropriate interval. Based on the review, if the Advisory Committee recommends to increase the levy, a poll is the best means for levy payers to have a say. Regarding the costs of regulated polls, ADF is of the view that there are opportunities for a levy poll process to be more efficient and reduce the costs. This is discussed in relation to other questions later in this submission. For example, consultation can be streamlined by incorporating it into existing industry activities and events by Regional Development Programs (RDPs) and State Dairy Farmer Organisations (SDFOs) and ADF.

3. *At present the levy is a fixed amount per litre, based on the fat and protein content of the milk. Would a charge based on value be more appropriate – that is, a charge based on the amount paid by the processor to the dairy farmer for the milk?*

ADF considers an approach based on fat and protein is appropriate as it is equitable for all regardless of milk price or which company the levy payer is supplying. Basing the levy on a per litre amount may also raise equity issues. We would support the status quo. Any proposal to change the approach would need to be subject to a cost/benefit analysis to fully understand the implications.

4. *Should the levy be fixed for a specific period (for example, 3 years or 5 years) or should it be indexed to some objective measure (for example, to inflation or the Consumer Price Index) or should it be a pre-determined rate over a period of time (e.g. a rate increase over five years of 10% implemented at the rate of 2 percentage points per annum*

Flexibility to provide for all these options is supported as long as levy payers have a very clear understanding of what the levy rate will be for the five year period. The recommendation to change the levy can specify which option is proposed and make it clear how the increase or index would be applied. An increase per year over the five year period could be an advantage as it would not be such an imposition as a significant lump sum increase. Another option could be to apply the increase from a future date to provide additional warning for the levy payer.

5. *The current Regulations require that 3 – 5 rates of dairy service levy be proposed in a poll, including a rate of zero. What requirement should there be in the future? Do you think that there should be a requirement to include a “status quo” option?*

If a poll is to be conducted, it is appropriate that at least 3 options would be put to the poll including a rate of zero. A status quo need not be mandated for a poll but could be a specific consideration for the Advisory Committee in forming their recommendations. We note that status quo is hard to define and in fact a reduction if it does not account for CPI or inflation.

6. *Who should be required to provide support for a proposed change? For example, are there any circumstances in which the Government should be able to propose a change to the levy without being able to demonstrate levy payer support (in certain defined circumstances such as an industry emergency)?*

It is imperative that any proposed change to the levy must involve consultation and receive support from the majority of levy payers.

7. *What requirements should there be regarding how the support for the increase is evidenced?*

To provide evidence to the Minister that there is support for a proposed levy change, a levy poll should be undertaken of all levy payers.

8. *What requirements should there be regarding establishing the case for change?*

A case for change must be supported by:

- an independent evidenced review of the DA activities, performance and level of the levy revenue (including summary). As noted under question 24, ADF should be involved in commissioning and receiving feedback on the report to ensure its independence.
- information that fully outlines the implications of all the change options including the risks and costs / benefits of the options and how the increase will be spent (alongside existing spending).
- an analysis of the RD&E priorities, proposed programs DA wishes to undertake, and factors such as inflation or other drivers for a change.

9. *If an increase is proposed, what assumptions should be taken into account in estimating the additional amount which would be raised?*

Clarification must be provided on how any increase in the levy will be used to improve profitability for farming businesses. Budget priorities and assumptions need to be fully explained as part of the rationale to levy payers. For example, if the levy increase is needed to support committed priority programs or projects as a result of stated changes, or if it is needed to support an industry issue that has arisen, which needs new funding, etc. We have no additional comment on financial assumptions in estimating the amount that would be raised by an increase.

10. *What requirements should there be regarding how the initiator (for example, DA or the government) demonstrates how the increase will be spent?*

It should be a required part of the information memorandum to outline to levy payers why an increase is required, how it will be spent, and the cost/benefit of the additional spend in the context of the existing budget priorities.

11. *What requirements should there be regarding the demonstration of the benefits of the expenditure, particularly given the difficulty of demonstrating perceived future benefits?*

The anticipated benefits must be a part of the assessment of planned expenditure, even though this will be an estimate only. The risk factor should also be estimated. This has become part of DA annual planning in recent years and should be visible to levy payers across the various DA portfolios. While perceived future benefits may be difficult to demonstrate, this is part of any rigorous budgeting process and options should be developed to better communicate and engage with farmers about both actual and anticipated benefits of the levy.

Consultation Requirements

Past Levy Polls

12. *What do you think of the ways the consultation process has been conducted during the two previous levy polls in 2007 and 2012 respectively, keeping in mind that it should be tailored to meet the regional and demographic distribution of the industry members?*

Previous consultation has been open and thorough but there is room for improvement and streamlining (as outlined in the answers in the remainder of this section). We fully endorse the need to tailor consultation to

industry members. This is an area where there is a need for improvement including more flexibility in the consultation approach. For example, a formal 'stand and deliver' presentation is inappropriate to an audience of two or three people, but a small group discussion around a kitchen table would have worked well.

13. *What do you think about the channels that have been used to promote and consult the industry regarding the proposed levy increase – that is, do you think that the channels used (newsletters, advertising in the print media) have been sufficient and appropriate? If sufficient, why? If not what alternatives may be appropriate?*

Newsletters are an effective way for each member to be able to understand details of the consultation process. Newsletter should continue to be used.

Additional channels should also be employed, in particular using existing industry communication channels and online and social media opportunities. A minimum of one month notice of the date, time and location of farmer meetings to discuss the levy poll/proposal should occur. These meetings should be promoted in relevant local websites and if possible in the information memorandum provided at the beginning of the process.

Time pressures on levy payers has resulted in a substantial decrease in the time available to read literature and emails. Quick and effective automated services like mobile phone texting, and social media services like twitter and face book are now a well used gateway for communications. These communication channels should be developed in addition to the more conventional publications. Further comments are provided below at 14.

Future Levy Polls

14. *What do you think is the ideal consultation mechanism?*

An ideal mechanism is one in which all levy payers engage. Since there is no one mechanism that can achieve this, a range of mechanisms and activities will always be required. A range of mechanisms must be used to reach as many levy payers as possible in the most efficient way. This should include both written and digital material, face-to-face meeting opportunities, and use of technology for sharing information and Q&A. Technology is discussed further in questions 21 and 23 below.

We recommend a full assessment be carried out of the most effective consultation mechanisms taking into account the different requirements for different regions, age groups, demographics etc. The consultation approach will alter for each levy poll in order to tailor it to the needs at that time.

Face to face meetings are an important part of a consultation process, but must not be the only mechanism. A dedicated roadshow targeted specifically on the levy poll is expensive for the uptake that has been demonstrated in 2012. If regional meetings incorporate a key agenda item about the levy investment and levy poll over a 3-6 month period as part of the existing extension activities or farmer meetings in each of the eight regions, uptake will be higher and costs reduced. At least two face to face meetings in each region should be offered, or more when warranted by the size of the region. Flexibility to suit circumstances will be important. It is important to ensure that meetings (and other options) do not just attract the levy payers already engaged in DA processes, but reach as many levy payers as possible. A reduced number of face to face meetings can be replaced by alternative options. For example, DA have recently run a webinar series where groups got together and participated at the local pub, with great success.

Existing written publications should be used including RDP, state farming organisations, DA, ADF and dairy companies. Greater use of existing local networks will be efficient and also serve to emphasise the importance of the collaborative approach. We strongly encourage using, and building on, broader industry networks as a means of increasing understanding and information about levy investment and the levy poll.

For example dairy farm consultants (who run both individual consultancies and discussion groups) and the dairy companies have an important communication role and must be engaged to help ensure farmers understand the value they get from levies paid. Dairy companies have significant resources in their field

services teams, and a significant interest in working with farmers to achieve milk growth. We consider there is an opportunity to develop skills and at the same time create more advocates for the levy investments with people who are listened to by farmers every single day. Consideration should be given to capacity building in these broader industry networks.

15. Should there be requirements regarding the information provided to levy payers regarding the proposed levy's purpose and intended benefit?

Providing information and education to farmers about what DA does and why should be part of DA's core ongoing activities. There must be comprehensive information on any proposed levy change as well as a summary form including:

- what any increase in the levy will be used for
- cost / benefit / risk
- implications of the proposed levy options
- alternative options considered
- full implications of a zero levy.

16. What are your views regarding the requirements for widespread promotion and consultation?

It is important that promotion and consultation on any change is widespread to engage as many levy payers as possible. How this is done should be reconsidered and streamlined using technology and different consultation techniques as per question 14. It is our view that widespread promotion and consultation about the levy investment and its benefits should occur on an ongoing basis as part of DA core business, not just in relation to the levy poll. As noted above (refer question 14), this is not just with levy payers, but with broader industry communicators such as consultants and dairy companies.

17. Do you think that the consultation period of three to six months is appropriate or do you think that it should be changed? If you think it should be changed, do you think it is too long or too short and if so why?

A reasonable timeframe will be required for full consultation. Assuming there is good engagement and sharing of information about levy investment and benefits during the five year period, then up to six months is adequate for consultation about the levy poll more specifically. A period of four months may be workable. Additional time may be needed for notice of regional meetings which should be sent out as early as possible and regularly promulgated.

18. Do you agree that the industry body or levy initiator should be responsible for conducting the industry consultation or do you have an alternative view?

It is considered appropriate that DA manage and administer the levy review process including the consultation. ADF as the body representing farmers (levy payers) nationally and as a Group B member of DA should be integrally involved in the design of the consultation process and the consultation should be led by an industry advisory group headed by the ADF President (farmer).

19. What opportunities should levy payers be given to express their views regarding the levy proposal? What evidence should industry bodies be required to provide to Government for it to be satisfied that the levy proposal has consulted widely?

Levy payers must have access to comprehensive information about costs/benefits of proposed levy options and about DA performance. They must have the ability to receive information and to ask questions (and receive answers) by a range of mechanisms including electronically and face to face.

The consultation process and rationale must be clearly outlined in advance of the poll, available for levy payers and discussed with Government to ensure it will meet their requirements.

Guidelines from Government should be available to DA, ADF and ADPF to assist in the design of a consultation process that will satisfy the Government (for all RDCs), noting that each RDC will have some different requirements. The result of a poll is important evidence for any change proposed to a levy.

20. *To what extent should the costs of such consultation be taken into account?*

The costs are relevant and options must be considered to reduce costs. It is important that the process is as cost effective as possible. In particular, use of technology and effective use of existing opportunities to meet with farmers and communicate with farmers, and working with broader industry engagement networks, rather than an independent round of meetings focussed just on the levy review. More effective consultation throughout the five year period should ensure that lesser consultation is required specific to the levy poll.

Broader industry networks (such as farm consultants and dairy companies) and use of industry engagement mechanisms (such as RDPs and SDFOs) must occur throughout the levy period, not just at Poll time.

21. *Do you have any suggestions on how the consultation requirements might be fulfilled?*

Meetings with farmers are an important part of the consultation but this could be better managed. For example, less formal meetings, less presenters, more time for Q&A, less overall number of meetings. As noted above, there can be more use of existing meeting opportunities where discussion on the levy review is one part of a broader agenda. ADF should continue to chair the levy poll consultation meetings on behalf of the Advisory Group. Two to four meetings per region may be appropriate (depending on size of region). Flexibility in approach to suit the circumstances of different audiences needs to be employed. Refer to question 14 for additional comment.

New opportunities though technology should be explored for sharing information and providing opportunities for Q&A and voting, particularly supported by the RDPs.

22. *What role do you think that industry representatives should play in inputting to the process to determine the levy rates to include in the voting paper?*

Representatives of the levy paying farmers (ADF) have an important role in providing input to the process. ADF works closely with DA and has relevant knowledge and understanding of both DA performance and the levy system to provide input to levy rates.

The information and analysis must not just come from DA, who will always be seen as the recipient of the levy. Industry representatives can provide valuable input in advance of the consultation with levy payers to assist with both a smooth and effective consultation process and a good engagement in the process by levy payers.

Input by industry representatives and contribution to joint consultation processes is part of an ongoing role and partnership with industry representatives – not just at the time of the levy poll.

23. *Do you have any suggestions regarding how technology might be better utilised to disseminate information to a greater number of farmers in a more cost effective way?*

Consider use of videos, webinar, and social media. Live online Q&A or discussion groups could be used for a way to ask questions and be heard. Online voting could be made available. Use of email or social media to alert people about meetings rather than just relying on newspaper advertisements.

The Process for determining the levy rates included in the ballot paper

24. *Do you agree with the requirement that an independent review of Dairy Australia's operations be undertaken prior to a levy poll?(Note that this requirement is included in the Statutory Funding Agreement between the Commonwealth and Dairy Australia)*

Yes, but review the scope and focus to ensure it provides the context, performance information and key findings most relevant to levy payers consideration of the levy poll. Commissioning the report through ADF on behalf of levy payers or government on behalf of tax payers is recommended to provide additional independence.

25. *Did this review (which for the 2012 Levy Poll was conducted by GHD) provide you with useful information that assisted you in deciding which option to pick in the Levy Poll vote?*

The 2012 report provides extensive description of DA activity but the commentary and findings are relatively confined. It could be helpful if the description was more concise and the findings of the review were more comprehensive and provided more specific insights that can be related to the levy investment and levy poll options. It is important to ensure that the report includes information about the issues of most relevance to farmers in their relationship with DA. The format of both the report and the summary also needs to suit farmers.

A summary of the report should be available capturing key investments, benefits and funding considerations.

26. *Do you have any suggestions regarding the scope of the independent review?*

As outlined in comments on questions 24 and 25, the scope of the review needs to focus on the funding arrangements, KPIs, deliverables within the operational plans, achievement of strategic priorities, and importantly, the return on investment for levy businesses. As noted above, levy payers and government need to be assured of the independence of the review. One means of assuring this is that it be commissioned by government, or ADF on behalf of levy payers. We note however, that whoever commissions the report, it will be imperative that DA is cooperative in the review to ensure full and frank information and analysis.

27. *Do you have any suggestions for improving the process for determining the level of the levy (that is, in formulating whether or not there is a need for an increase in the levy)*

The independent report and/or the information memorandum needs to fully assess the costs / benefits / risks of levy options. The Advisory Committee can then consider the options and determine their recommendation about a need for an increase. The Committee must include a range of levy payer representatives including farmers not engaged directly in industry organisation governance.

28. *What form of justification should be provided for a change in the levy?*

See answers as per questions 15 and 27.

29. *Do you think that the existing governance arrangements, consultation and reporting frameworks (as they relate to the levy poll) are appropriate?*

The frameworks are appropriate but there is room for efficiencies and improvements in the consultation and reports provided as outlined above in comments on questions 8, 10, 11, 14-23.

30. *What information would you like to be provided with in order to make a decision regarding the level of the levy?*

As outlined earlier in this section, information on the return of investment to dairy businesses, how the levy will be spent (for different levels proposed), costs/benefits/risks of the levy options, and drivers for change. Income and expenditure statements for the options could assist. Discussion should cover the spending priorities and the outcomes for farmers of those investments.

31. *Do you believe that the financial cost of conducting a levy poll is a good investment of industry funds?*

Farmers need a fair opportunity to have a direct say about the levy. A poll is considered an important part of measuring levy payer support. This will involve some cost. The amount of investment can be reduced through changes to the approach used in 2012. The cost needs to be reflective of the number of farmers engaged in the process of consultation and the poll.

The cost of conducting the poll can be broken in to two parts:

1. The mechanics of running a poll which should have a minimal cost.
2. The consultation in advance of the poll.

If the DA engagement with farmers is a program throughout the five year period, then this should reduce the need for costly consultation in advance of the poll. Engagement with farmers about the value of the levy is a good investment of industry funds.

While we acknowledge it is difficult to define the best engagement and consultation approach, and that this will involve some cost, more effort must be put in to better engaging with farmers from day one of the levy, not just 6 months in advance of the poll.

Frequency of the Levy Poll vote

32. *Do you think that the current frequency of the levy poll vote (5 year cycle) is right?*

Yes, five years is an appropriate interval to balance value/cost of review. This could be streamlined if a poll is only conducted when a change is recommended (this would need careful consideration). Three years should be an absolute minimum.

33. *Keeping in mind that there are significant costs (between \$600,000 and \$1 million) involved in having a regulated levy poll vote, would this alter your view?*

It is considered there are a number of options to explore to achieve a more cost-effective process and better use of existing industry resources. Refer item 14-23, 31 and related comments on consultation.

34. *Do you think that a vote on the levy should be deferred if no change to the levy was recommended?*

A five yearly review is recommended. We would not be in favour of deferring levy polls except under exceptional circumstances. We note that changing the levy poll from a mandatory poll to only having a poll if a change is recommended, is a significant change.

Voting Process

35. *Are there any circumstances where an alternative model might be adopted which would not require a vote (for example, linking the levy to an agreed index that would automatically be adjusted such as CPI, or national wage indexation)?*

Alternative options for the formula of an increase should be considered. However, it is important that levy payers have the opportunity to have direct input on any levy change through a vote. The opportunity for adjustment related to a valid index within the five year period could be part of the recommendation that goes to the poll (and then its implementation is subject to Board approval as per question 36).

36. *Would you consider a model whereby the index by which the levy was adjusted was automatic, but that the decision to adjust the levy each year would be the responsibility of the Dairy Australia Board, and if the Board supported an adjustment, that decision would need to be voted on at the AGM (rather than convening a special voting process)? In the event that the vote at the AGM was negative, the levy rate would stay the same.*

This could be a reasonable option within the 5 year period. But this should not be automatic. The possibility of an indexed increase should be flagged as part of the recommended levy option put to the levy poll. It is still considered appropriate that a review be undertaken every 5 years. We note that it may be a difficult decision to apply an index adjustment during the 5 year period if producer income is not increasing at that time.

Voting Options

37. *Do you agree with the current requirement that three – five options be included in the levy poll?*

A poll must consider a fair range of options. Three options should be the minimum.

38. *Do you think that this should be changed (for example, do you think that 5 options is too many)?*

Five options may be too many but we prefer retaining the flexibility of having at least three and up to five. The committee then has flexibility to provide the number of options to reflect the findings of that specific review of the levy.

39. *Do you agree with the current requirement imposed by the Regulations regarding the levy poll for inclusion of a “zero levy” option?*

This needs to be a clear option for the Advisory Committee to assess, and then put forward in a levy poll. A zero levy option is a genuine alternative that levy payers must have included as an option. However, levy payers must be made more fully aware of all the implications of a zero vote and the commensurate loss of services and co-funding which leverages farmers’ investment. There is a real risk that levy payers vote for a zero option because they are not satisfied with how the levy is spent, rather than supporting no levy at all. Better education about the levy, how it works, its benefits, and how farmers can influence how it is spent will assist with the zero levy option being used appropriately.

40. *Do you think that there should be a requirement to include a “stay the same” option?*

Not automatically. This should be a specific option that the committee considers but may not be put forward to the poll. If there is no stay the same option, the committee will consider the politics of this to ensure levy payers have genuine voting options. We note that a stay the same option is really a reduction in the levy if it does not incorporate a CPI increase.

Manner of Voting

41. *Do you think that the ability to vote electronically should be made available?*

Yes, this is a means of increasing engagement and reducing costs.

42. *What modes of voting do you think should be made available?*

Online via link provided to individual levy payers, options to vote via a form that is mailed emailed or faxed. Voting could be linked to the AGM for administrative efficiency (however as not all levy payers are DA members there would also need to be alternative options).

Allocation of Votes

43. *Do you agree with the current method of allocation of votes?*

ADF supports the status quo in how votes are allocated. This allocation of votes is considered to be fair and equitable in terms of affordability and potential benefits levy payers receive from the levy spend.

Changing the allocation of votes for the levy poll could have a flow on implication for how votes are allocated for AGM business. We do not consider this needs to be changed at this time.

We note that there has been some concerns raised about the number of votes available to particularly large producers. However at this time, family farm operations form the significant majority of the total votes available. Should there be a significant shift in the size, nature and/or ownership of Australian dairy farms in the next 5-10 years, and should this create a real disparity between the voting power of small and large producers or a risk of distorting a vote by a very large bloc, then the allocation of votes should be reviewed.

44. *If not, do you have any suggestions regarding alternatives?*

The current arrangement is supported.

Alternative Models

45. *Do you have any suggestions regarding alternative models for the levy? For example:*

- a. *Taking up an increase in the levy over an extended period (such as 10% over 5 years - 2% progressively, or over a three year period – 4%, 3% and 3%) rather than in one hit;*

Flexibility for progressive options should be available. A graduated change is more palatable than a lump sum.

- b. *Linking milk levies to milk price;*

This is not supported. The levy should be sought only on a needs-basis. Equity between farmers would be at risk under this model as would the ability for DA to manage long term projects. Consideration could be given to an option that the levy be increased by (for example) 5% over the 5 year period but this be reduced to (for example) 4% if milk price drops to x over years 2-3. However, a link to milk price is generally considered fraught.

- c. *Imposition of a cap (Milk producers would only pay up to an agreed volume)*

This is not supported. The same funding mechanism should apply to all farmers. Farmers receive benefits in proportion to the size of their businesses.

- d. *Tiering levies according to production volumes (Base rate up to an agreed volume and then reducing rates over and above this amount)*

This is not supported.

- e. *Moving to a fixed and variable fee (fixed component to cover delivery of core services and a variable fee (to reflect R&D needs).*

This is not supported. R&D is a core purpose of the levy. It would be preferable for levy payers to have certainty on the R&D programs and the levy amount over the 5 year period. It would also seem appropriate for DA to have stability on budget.

Existing Decision Making Structure

46. *Do you agree with the committee style decision making structure used in both the 2007 and 2012 levy polls to determine the options to be voted on (the committee being comprised of a mix of industry representatives)?*

Yes, a committee of industry representatives as per current practice is supported. This must include participation by “mainstream” farmers as well as Group B members of DA including the ADF President (Farmer) as the peak levy payer representative body.

Possible Alternative Decision Making Structures

47. *What are your views regarding what factor or event should trigger a review of the level of the levy? For example, as a levy poll is currently required to be held every 5 years, the “trigger” is the timing set out in the Regulations regarding the levy poll. If the process surrounding the levy poll was to change, what things do you think should trigger a review of the level of levy?*

It is considered appropriate that the levy be formally reviewed every five years and that this review period be regulated. This will provide certainty for levy payers.

48. *Who do you think should assume the responsibility for reviewing the level of levy, and then making a recommendation regarding whether it stays the same or not?*

Refer question 46, the current approach of an industry committee is supported.

49. *What are your views regarding how the decision should be made to recommend a different level of levy? That is, once a recommendation has been made, which industry stakeholder(s) should review that recommendation?*

Refer question 46, the current approach of an industry committee is supported.

50. *Once a view has been formed that a change to the levy rate is recommended, what should be the process for seeking approval for that recommendation?*

If a change is recommended, a poll of all levy payers is considered appropriate.

Extent and Nature of Evidence Justifying Recommendation to Seek a Levy Increase

51. *Thinking back to the 2012 levy poll, do you have any comments regarding the information that was sent to you justifying the recommendation for an increase to the rate of levy?*

See comments made above, in particular on questions 14-31.

52. *Do you have any suggestions regarding how this information might be provided to you?*

See comments made above, in particular on questions 14-31.

53. *Do you agree with the current requirement that all levy payers be provided with an Information Memorandum, which provides information regarding the levy options proposed, the financial impacts of each levy option, how the levy has been invested for the previous period and how Dairy Australia proposes spending the funds?*

Yes, refer questions 24-31 above. Levy payers need a summary of this key information along with access to fuller information. Care should be taken in how the summary information is presented to ensure it is clear and most relevant to the levy poll. It should be endorsed by the committee.

Consultation Process Regarding Levy Poll

54. *Thinking back to the 2012 levy poll, do you have any comments regarding the consultation process by which levy payers were informed of the proposed levy’s purpose and intended industry benefit? This consultation process was conducted primarily via face to face meetings (“roadshow” meetings).*

As outlined in previous questions (particularly 14-23), meetings are still an important option but could be rationalised and reduced. Alternative options for sharing information and Q&A should be provided. As outlined above, wider industry endorsement and support should be sought on an ongoing basis to assist in the task of informing levy payers of the benefits of the investment and leverage achieved.

55. Do you have any suggestions for alternative ways in which this information might be distributed and made available?

Please refer to previous questions (particularly 14-23). Summary information should be provided to all levy payers in hard copy. Technology should be used to share information about meetings, Q&A, and access to fuller reports and information. Wider industry networks can be used for engagement and information sharing.

56. How can Dairy Australia, leveraging technology, best provide opportunities for levy payers to seek and obtain information which responds to the obstacles encountered by levy payers?

Please refer to previous questions (particularly 14-23).