

ANNUAL REPORT 2005

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General Information

DIRECTORS

Ian Cobble Dick	<i>Chairperson</i>
Ann Gardiner	<i>Deputy Chairperson</i>
Daryl Hoey	<i>Industry Steering Group Chairman</i>
Robert Campbell	
Ken Jones	
Scott Rathbone	
Cameron Smith	

STAFF

Maurice Incerti, Chief Executive Officer
Fergus Crawford, Project Officer
Kaye Hildebrand, Regional Groups Co-ordinator
Angela Carling, Administrative Assistant
Susan Wearden, Administrative Assistant

REGISTERED OFFICE

Murray Dairy
120 Cooma Road
Kyabram, Victoria 3620
Tel: (03) 5852 0524
Fax: (03) 5852 0599

INCORPORATION

Murray Dairy Inc. is incorporated under the
Victorian Associations Incorporation (Amendment) Act 1997.
Registration No. A0034448U
ABN 84414519559

SOLICITOR

Edwin Kennon
Morrison & Sawers

AUDITORS

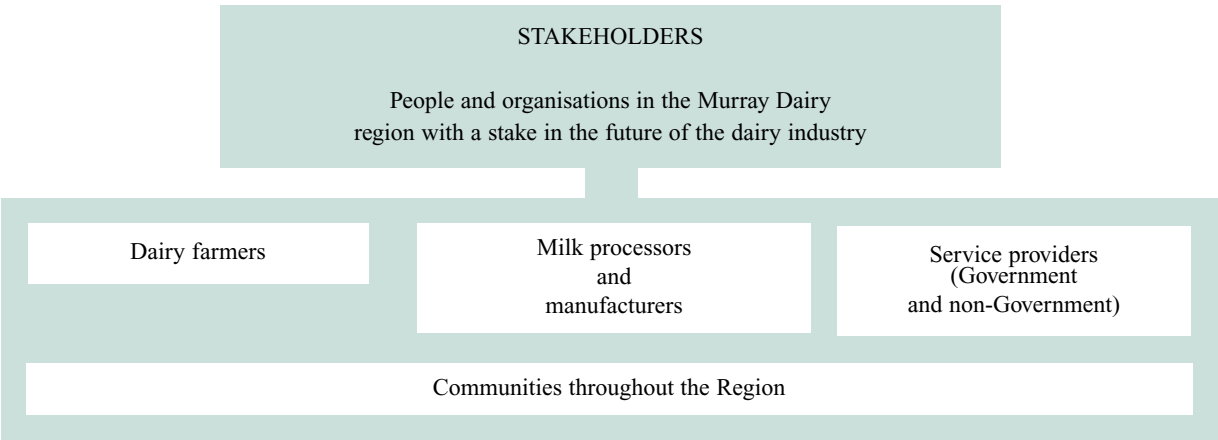
M&S Accounting Services

Murray Dairy Region and Stakeholders

The Murray Dairy region is the largest dairying region in Australia, producing 2.8 billion litres and accounting for around 28% of Australia's total milk production (2004/05). Approximately 90% of this milk is produced on farms located in the irrigation districts of northern Victoria and southern NSW (Southern Riverina), with the remaining 10% produced in north-east Victoria and the Upper Murray of NSW. This production represents a 2% increase on the 2003/04 season and continues the slow recovery from the 2002 drought.

The region is unique, with a diversity of production systems and significant topographical and climatic differences. It also has a large, modern and diverse manufacturing and processing sector, with more than \$1.5 billion (collectively) invested in capital infrastructure.

Dairying is the region's largest and most important industry. The farmgate value of the milk produced in the region is around \$900 million; with value adding from manufacturing and processing increasing the value of production to more than \$2.2b. As a result, there are significant flow-on effects to other sectors in the regional economy, with the industry contributing more than \$4b to the region's gross value of production.



**Making dairy farmer's levy
work locally**



Corporate Goals

VISION

A dairy industry in the Murray region that: is prosperous and fulfilling for all its stakeholders; is founded on responsible stewardship of the environment; recognises and innovatively embraces change; and is renowned for its unique qualities and resources.

MISSION

Murray Dairy will maximise the outcome of research and extension in its region by:

- * growing and diversifying the research and extension funding base;
- * working with partners to develop and encourage innovation; and
- * anticipating dairy industry issues from a regional perspective and developing appropriate and timely responses.

PRINCIPLES THAT UNDERPIN MURRAY DAIRY'S MISSION ARE:

- * knowing and understanding industry issues and priorities;
 - * working with partners;
 - * continuous improvement;
 - * encouraging innovation;
 - * integrity and accountability;
 - * responsiveness and timeliness; and

maximising investment in regional research and development (R&D) through strategic and collaborative funding partnerships.

MURRAY DAIRY'S COMPETITIVE ADVANTAGES INCLUDE:

a unique and independent perspective on the region's dairy industry;
a network that enables Murray Dairy to reach out to every dairy farmer in the region;

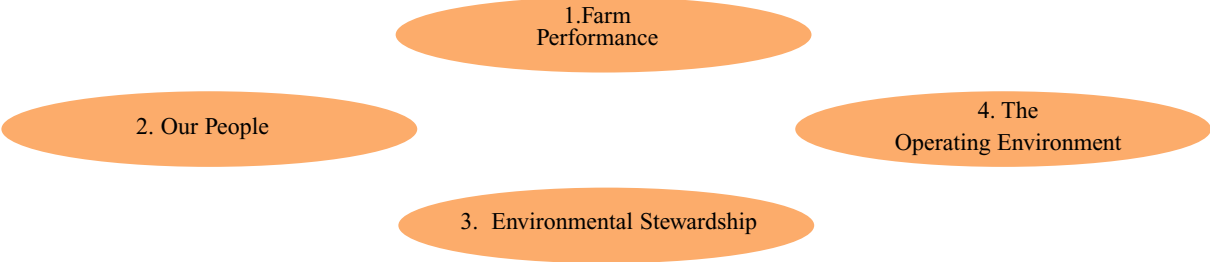


**Making dairy farmer's levy
work locally**



Murray Dairy Programs

Murray Dairy Programs



Program Goals

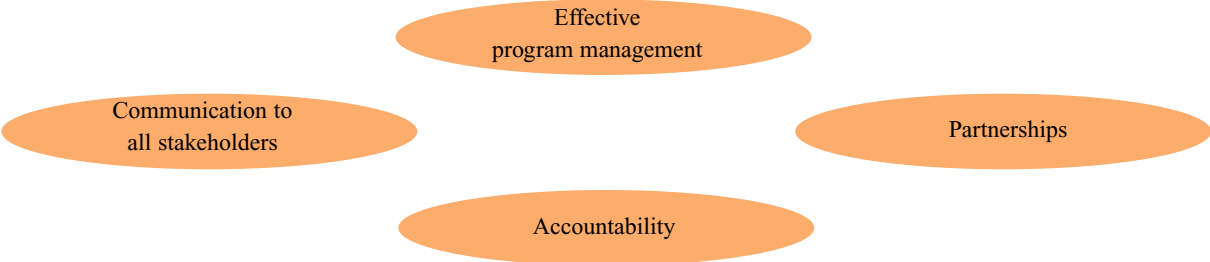
Program 1 Farm Performance
To improve farm productivity and profitability.

Program 2 Our People
To inspire our people to grow and develop their path in the industry.

Program 3 Environmental Stewardship
To promote responsible stewardship of the environment.

Program 4 The Operating Environment
To improve the off-farm operating environment that affects dairy farming.

ORGANISATIONAL MANAGEMENT’S GUIDING PRINCIPLES

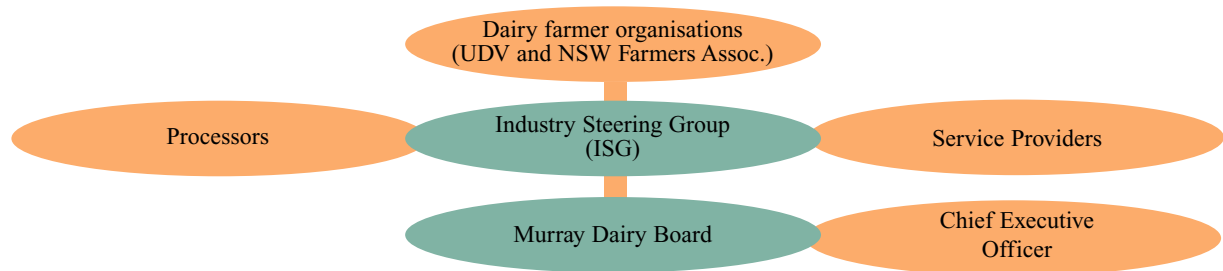


Organisational Structure

Murray Dairy is an independent organisation with a seven-member Board of Management.

A Chief Executive Officer is responsible to the Board for the operational management of the organisation.

The Board is accountable to the industry through an Industry Steering Group (ISG) made up of stakeholder representatives from across the Murray Dairy region.



THE ROLE OF THE BOARD IS TO:

- * develop policies and strategic directions for research and extension in the region;
 - * identify priorities for research and extension projects;
- * invest industry R&D funds allocated to the region by Dairy Australia to address priority issues;
- * maximise investment in regional R&D through strategic and collaborative funding partnerships;
 - * grow and diversify the research and extension funding base;
- * develop, monitor and review the implementation of the five-year Strategic Plan and Annual Operating Plan; and
- * ensure sound management and infrastructure to deliver Murray Dairy's programs across the region.

THE ROLE OF THE INDUSTRY STEERING GROUP IS TO:

- * select Board directors;
- * monitor the Board's performance;
- * identify and prioritise issues affecting the dairy industry;
- * provide industry representatives for project development and monitoring teams;
- * provide the communication link between Murray Dairy and the industry; and
 - * approve Murray Dairy's Annual Operating Plan.

To provide effective communication between Murray Dairy and the dairy farmers they represent, five Regional Networks have been established across the region:

- * three in the northern Victorian irrigation region – Western Group, Central Group and Eastern Group;
 - * the Riverina Group; and
 - * the North-East Victoria and NSW Upper Murray Group.

Regional Networks are made up of locally based ISG members and other interested dairy farmers and industry representatives.

THE ROLE OF THE REGIONAL GROUPS IS TO:

- * convene regional activities to inform the industry's stakeholders of industry programs and outcomes;
- * develop and co-ordinate the industry consultation process to identify industry needs within their region;
- * assist with the planning, promotion and implementation of industry programs within their region; and
 - * advise on the relevance of projects within their region.



Organisational Structure

ISG members and the organisations they represented in 2004/05

Daryl Hoey	Chairman
Judy Lister	UDV No. 1 District Council
Steve Henty	UDV No. 1 District Council
Judi Miles	UDV No. 1 District Council
Greg Ault	UDV No. 2 District Council
Graeme Oakes	UDV No. 2 District Council
George Petersen	UDV No. 2 District Council
Leigh Barr	UDV No. 3 District Council
Jon Cunningham	UDV No. 3 District Council
Brendan Ley	UDV No. 3 District Council
Andrew Boyd	UDV No. 4 District Council
Phillip Lord	UDV No. 4 District Council
Gordon Nicholas	UDV No. 4 District Council
Neville Kydd	NSW Farmers Association Dairy Committee
Andrew Tully	NSW Farmers Association Dairy Committee
Ken Frost	NSW Farmers Association Dairy Committee
Brian Crockart	Dairy Farmers Group
John Furphy	Murray Goulburn Co-operative
John Newlan	Fonterra
Chris Thomas	Bonlac Foods
Geoff Ruddle	Pauls Parmalat
Stuart Brown	Tatura Milk Industries
Peter Doyle	Department of Primary Industries, Victoria
Fiona Johnson	Department of Primary Industries, Victoria
Penny Shaw	Department of Primary Industries, Victoria
Geoff Drysdale	Department of Primary Industries, Victoria
Phillip Wren	Northern Herd Development
Rob Brooks	Consolidated Herd Improvement Services
Ian Moorhouse	Goulburn-Murray Water
Richard Dickins	University of Melbourne, Dookie
Alex Marshall	Murray Irrigation
Michael Myers	Target 10
Richard Meredith	National Foods

Murray Dairy acknowledges the contribution made by the ISG members and the organisations they represent.



Murray Dairy

Chairman's Review

The past 12 months has seen the dairy industry in the Murray Dairy region continue to recover from drought and the industry downturn of 2002, even though areas within the region continue to be in drought and confidence remains low in a significant part of the industry.

Both the industry and region in recent years has faced a number of seasonal and economic challenges. While this has resulted in farmers leaving the industry at an accelerated rate, it has also shown how responsive and adaptive the industry has been in dealing with these challenges and how robust it is in competing for the region's resources.

A favourable outlook for 2005/06, combined with the changed operating environment brought about by the circumstances of 2002, has created significant opportunities for dairy farmers wanting to grow their business or enter the industry.

While confidence has not fully recovered and a number of farmers are still indicating that they intend to leave the industry, 65% of those surveyed in the industry's annual survey of farmers' current positions and future intentions, Dairy 2005: Situation and Outlook, indicated that they intended to grow their business, given favourable conditions. The Murray Dairy region is poised for growth.

It is, therefore, important for the future prosperity of the dairy industry in this region that we continue to build its capacity, so that dairy farmers can manage the continual economic and seasonal variations of the industry and region, and capture opportunities as they arise. Murray Dairy's role is to ensure that dairy farmers have access to tools and information that will give them the skills and knowledge to confidently make decisions in their businesses that will enable them to drive business profit, resource efficiency, productivity gains and wealth creation.

The dairy industry nationally has invested significantly to develop a seamless process of issues identification from the farmgate through to national project delivery. Australian Dairy Farmers, Dairy Australia, the State dairy farmer organisations and the Regional Development Programs are now a co-ordinated service sector. A challenge for Murray Dairy in the immediate future will be capturing the benefits and synergies of this co-ordinated approach, while continuing to identify, address and drive forward the unique regional needs and issues with local tactical and long-term strategic research, development and extension responses.

I would like to thank the staff of Murray Dairy, particularly Maurice Incerti, for their support. Maurice and the team continue to service the industry in an effective and professional manner. Finally, I need to thank my fellow Board directors for their support, contribution and collective passion to achieve Murray Dairy's objectives throughout the year.

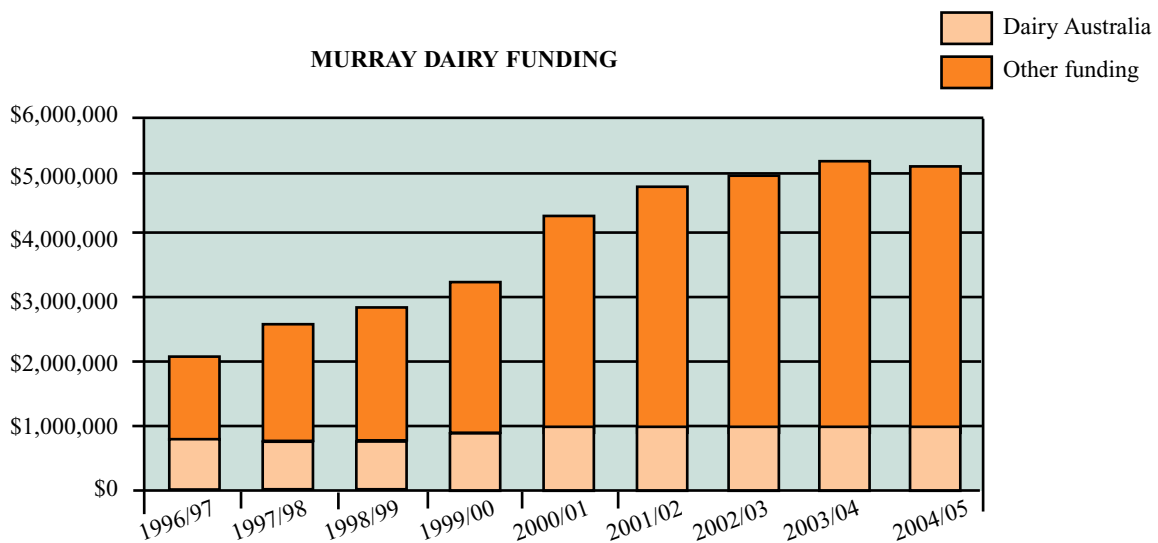
– Ian Cobbledick
Chairman

Chief Executive Officer's Report

I am pleased to present this report detailing the financial statements and operational review for 2004/05. The outcomes achieved demonstrate that Murray Dairy has again added significant value to the dairy industry's investment in regionally focused research, extension and development initiatives.

In 2004/05, Dairy Australia allocated \$954,752 to Murray Dairy. That represents no change from the 2004/05 budget, and all the funds were invested in new and on-going projects. This investment has enabled Murray Dairy to attract an additional \$4,152,677 (a 3.4% decrease on 2003/04) from a range of government, industry and private funding initiatives. The total investment of \$5,107,429 represents a \$145,659 (2.8%) decrease on 2003/04.

Murray Dairy has invested significantly in long-term strategic R&D for the region. At the same time, it has ensured that its extension and industry development programs focus on assisting dairy businesses to recover from the drought and industry downturn, and to manage an ever-changing and more complex operating environment.



On behalf of Murray Dairy, I would like to acknowledge the funding partners that have supported our research, extension and industry development initiatives. In particular, I would like to thank Dairy Australia for its continued funding, which underpins Murray Dairy's ability to service the region, and the technical support and assistance provided by its staff. The staff of Murray Dairy has again excelled in its commitment to service the industry and deliver quality outcomes. I thank them for their effort and support over the past year.

Finally, I would like to express my appreciation for the unqualified support that the Murray Dairy Board has given me over the past year. In particular, I would like to acknowledge our Chairman, Ian Cobble Dick, and the Industry Steering Group Chairman, Daryl Hoey, for their advice and encouragement.

Favourable milk prices and seasonal conditions will continue the industry's recovery from 2002, and then significant opportunities will emerge for new entrants and those wanting to grow their business. However, while growth is expected in most of the region, it will not be universal, as some areas still remain in drought and confidence continues to be low in a number of businesses. Murray Dairy intends to continue leading the industry forward by ensuring that its research, extension and industry development programs help dairy farms capture new opportunities, while continuing to support those that remain affected by drought or low confidence.

Murray Dairy's achievements over the past year and the continued support from the industry gives me great confidence that it will meet the challenges set down in our 2005/06 Annual Operating Plan.

– Maurice Incerti,
Chief Executive Officer

Program 1 - Farm Performance

The highlight of this program was again the outcomes delivered by the project, Future dairy farming systems for irrigated dairying.

This project has identified the profit drivers of different types of dairy farming systems and the options available for farm businesses to remain profitable under the cost price squeeze and changing operating environments. Examples of changing operating conditions include the drought, where the impacts and recovery time under various strategies were analysed for different farm types, and an analysis of the impact of changing irrigation water price and availability on different dairy farm businesses.

Outputs from this work have been used to inform the dairy industry, farmers, service providers and government policy groups on the impacts of changes at the farm level. Communication of the project's outcomes through the various activities, including the successful Let's talk profit seminars and farm walks, have contributed to on-going learning about the complexities of dairy farm systems and the importance of robust analysis of development options to manage risk.

In 2004/05, the dairy industry commenced the 30:30 Project to improve the return on assets through a 30% increase in the consumption of home-grown forage in the rain-fed regions of Victoria. In order to ensure that the north-east region had access to the project's research outcomes, Murray Dairy invested in extension activities and established a research companion farm in the region.

The Murray Dairy co-funded project, Review of opportunities to improve water use efficiency of irrigated forages for the dairy industry in northern Victoria, was completed in 2003. This project highlighted several potential research and development needs. One of these areas, on-farm measurement of the water use efficiency of maize, was co-funded by Murray Dairy in 2004/05. Another area of research highlighted in the review, the assessment of the water use efficiency of a range of perennial and annual forages, is currently in progress and is funded by a Victorian Government initiative.

In 2005, the project, Nutritional management of the transition cow – interactions between body condition and nutrition, was completed. The project's research and extension activities have contributed significantly to the industry by producing:

a greater understanding of body condition loss after calving and the impact on reproductive performance and milk production;

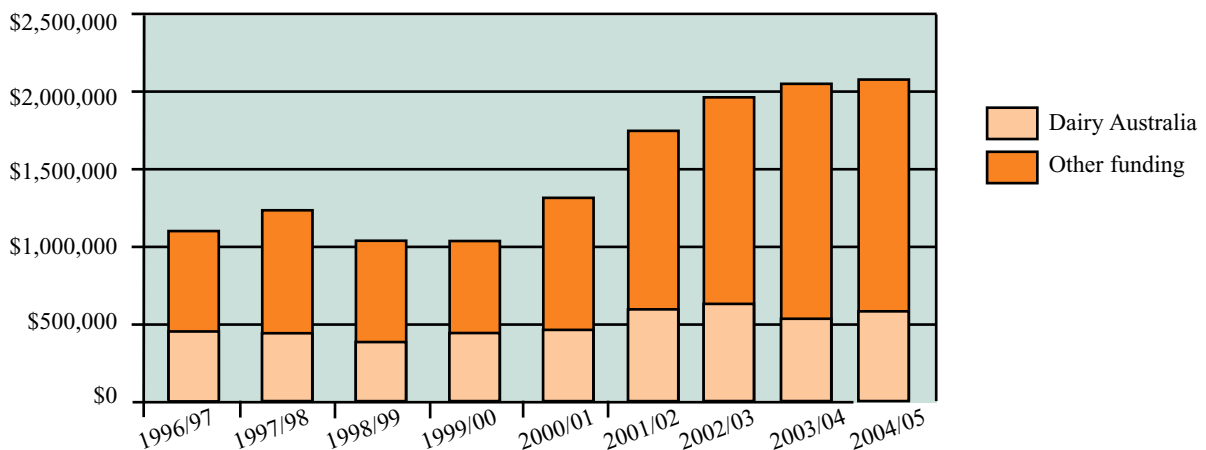
the Condition Magician;

guidelines for best practice when feeding and managing the 'transition cow'; and

a better understanding of the current situation of lead feeding on dairy farms and the incidence of milk fever in herds that differ in their feeding system.

In 2004/05, Murray Dairy co-ordinated the regional delivery of Dairy Australia's Countdown Downunder, InCalf, TopFodder and CowTime, to ensure that dairy farmers in the region had access to these national learning programs.

Funding for the Farm Performance program increased by \$66,374 (3.2%) on the previous year. In 2004/05, \$2,086,200 (42.1% of the total funds invested) was committed to this program, with 71.6% of these funds coming from funding sources other than Dairy Australia.



Our People

This program aims to provide dairy farmers across the region with the skills and training to inspire them to grow and develop their own path in the industry.

The major focus of this program in 2004/05 was ensuring that dairy farmers had access to accurate and timely information and support services that helped them with technical or business planning. As a result, Murray Dairy, through its network of Regional Groups, delivered some 43 events across the region and around 1300 people participated. These activities ranged from small, locally based initiatives that attracted 10-15 people, through to large events that drew more than 100 people.

In 2004/05, Murray Dairy, in partnership with the Departments of Primary Industries in Victoria and NSW, brought together a number of existing extension committees and groups to establish a new Regional Extension Committee to co-ordinate all the region's extension activities. A single committee, working with the network of Regional Groups, will lead to better target and more effective extension delivery across the region.

Murray Dairy maintained its focus on supporting young farmers in the region by assisting in the management and co-ordination of the Off the Farm into the Future program. Ten young people from across Victoria participated in the six-month program, four of those being from northern Victoria. Participants were asked to select an issue or topic that they wanted to learn more about, using both research material and a mentor who was knowledgeable on that issue or topic. Participants presented a report about the topic or issue they selected to a group of representatives from industry bodies. The program provided participants with the opportunity to develop their skills and form new networks throughout the industry.

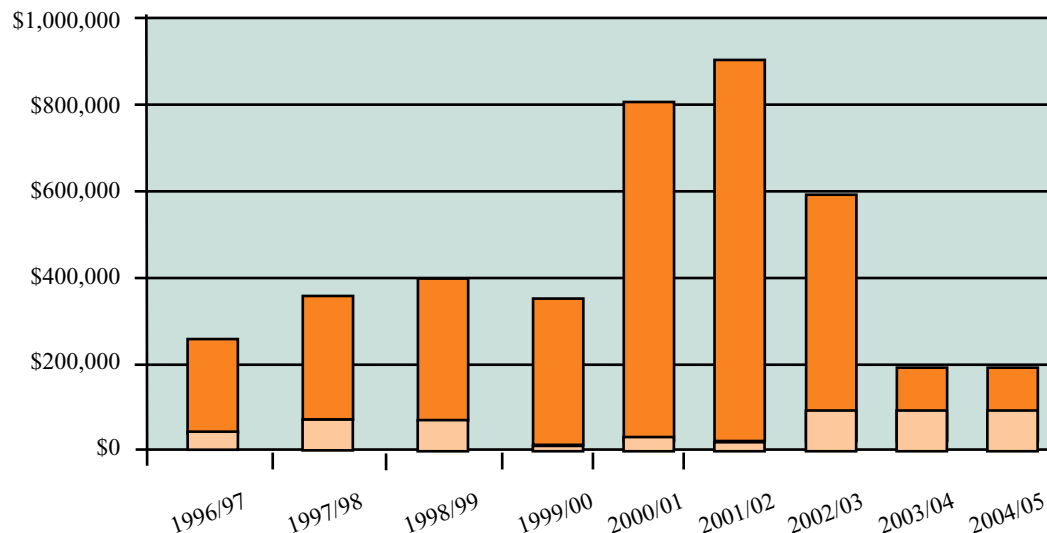
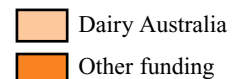
Over the past 12 months, Murray Dairy, the United Dairyfarmers of Victoria, GippsDairy, WestVic Dairy and all the major milk companies have been working together to develop a whole-of-industry approach to providing a supportive learning environment that helps build the capacity of young people in the dairy industry. A project with this in mind has now been developed and funding is being sought.

Since October 2004, Murray Dairy has been managing the co-ordination of Dairy Moving Forward in the region. This has involved reporting and communicating the objectives, updates and outcomes of the initiative to stakeholders, dairy farmers and service providers in the region. Murray Dairy was also a focal point for the project in the region and, as such, provided the mechanism for stakeholders to seek information or support and to co-ordinate regional input and feedback to the project team. Almost 20% of dairy farmers in the region have done the Taking Stock component of Dairy Moving Forward and the results of the survey they completed indicated that they saw value in the process and had made changes on-farm. This feedback has been encouraging and reinforces the importance of this initiative as a way of building the capacity of farmers and encouraging them to continually measure and monitor performance on a yearly basis.

To help dairy farmers better understand and manage water reforms brought about by the Victorian Government's White Paper, Our Water, Our Future, Murray Dairy, with the support of the Department of Primary industries and Department of Sustainability and Environment, has implemented the program, Helping Dairy Farmers Secure Their Water Future. It communicates the proposed changes and provides information and support to help dairy farmers manage them by:

- identifying improvements to their existing irrigation system;
- assessing when changing an irrigation/plant/farming system is a sound business decision for their farm;
- identifying when and how to secure more water; and
- assessing development options and risks.

The total funding for this program in 2004/05 increased by \$261,686 (134.8%), compared with the previous year, primarily due to the money received for the Helping Dairy Farmers Secure Their Water Future program. In 2004/05, \$194,119 (8.9% of the total funds invested) was committed to this program, with 89.1% of that amount coming from funding sources other than Dairy Australia.



In 2004/05, the dairy industry in the Murray Dairy region maintained its long and successful involvement in natural resource management programs through the implementation of the Regional Action Plan developed as part of industry's national project, Dairying for Tomorrow – Sustaining Our Natural Resources.

This included:

Natural resource communication strategy

This strategy aims to ensure active and co-ordinated industry participation in natural resource management programs and effective communication across all sectors of the industry.

It has become clear that, within this context, the ability of the dairy industry to develop a co-ordinated and unified response will have a greater role than ever in achieving a united, profitable and sustainable dairy industry. As such, a key focus for Murray Dairy is ensuring that the industry is prepared and informed to respond to natural resource management issues.

In 2004/05, Murray Dairy supported several regional, state and national initiatives focused on natural resource management by co-ordinating or linking dairy industry input. These initiatives include:

- the Murray Darling Basin Commission's Watermark program; the development and implementation of the region's land and water management plans co-ordinated by the Catchment Management Authorities;
- State Government natural resource management responses or programs; and
- industry-led programs, such as the DairyGAIN\$ effluent management program.

Research and development focusing on connecting on-farm practices with sustainability

A major focus of projects in this strategy is ensuring that dairy farmers have access to sound technical knowledge that helps them improve water-use efficiency and manage changes in future allocations (volume and reliability). Specifically, the focus has been to help dairy farmers to:

- identify where improvements to their existing irrigation system can be made;
- assess when changing an irrigation/plant/farming system is a sound business decision for their farm;
- identify when and how to secure more water; and
- assess development options and risks.

While there is a need for on-farm technical information, it is recognised that most of the easy gains in water use efficiency have been made and that the voluntary adoption of 'best management' practices is unlikely to deliver the efficiencies sought by the industry to help dairy farmers drive productivity gains or manage with less water.

As such, Murray Dairy, in partnership with the Victorian Department of Primary Industries, continues to undertake research exploring new irrigation technology, such as sub-surface irrigation and appropriate market mechanisms and policy instruments that can profitably deliver improvements in water use efficiency.

Dairy stewardship

Over the past three years, Murray Dairy, in partnership with the Murray Darling Basin Commission, has co-ordinated the dairy industry's involvement in a project investigating the potential benefits of a quality assurance approach to monitoring and evaluating environmental performance in irrigated agriculture.

The project, which was completed in 2004/05:

- quantified the environmental benefits that could be achieved from such an approach and the costs or impediments faced by dairy farmers; and
- developed a framework that the dairy industry could use to produce self-assessment and auditing tools that link to the region's land and water management plans.

The outcomes from this research will provide input into the development of future industry responses regarding environmental quality assurance requirements or environmental management systems.

Total funding for this program in 2004/05 increased by \$261,686 (134.8%), compared with the previous year, primarily due to the funding for the Helping Dairy Farmers Secure Their Water Future project.

Total funding for this program in 2004/05 declined for the first time by \$449,259 (18.5%). In 2004/05, \$1,985,067 (38.9% of the total funds invested) was committed to this program, with 97.5% of these funds coming from funding sources other than Dairy Australia.



While there is a need for on-farm technical information, it is recognised that most of the easy gains in water use efficiency have been made and that voluntary adoption of 'best management' practices is unlikely to deliver the efficiencies sought by the industry or other stakeholders. As such, Murray Dairy, in partnership with Department of Primary Industries, Victoria, continues to undertake research exploring appropriate market mechanisms and policy instruments that can be implemented by the industry and Government.

** Dairy stewardship*

Murray Dairy, in partnership with the Murray Darling Basin Commission, has co-ordinated the dairy industry's involvement in a project investigating the potential benefits of a quality assurance approach to monitoring and evaluating environmental performance in irrigated agriculture.

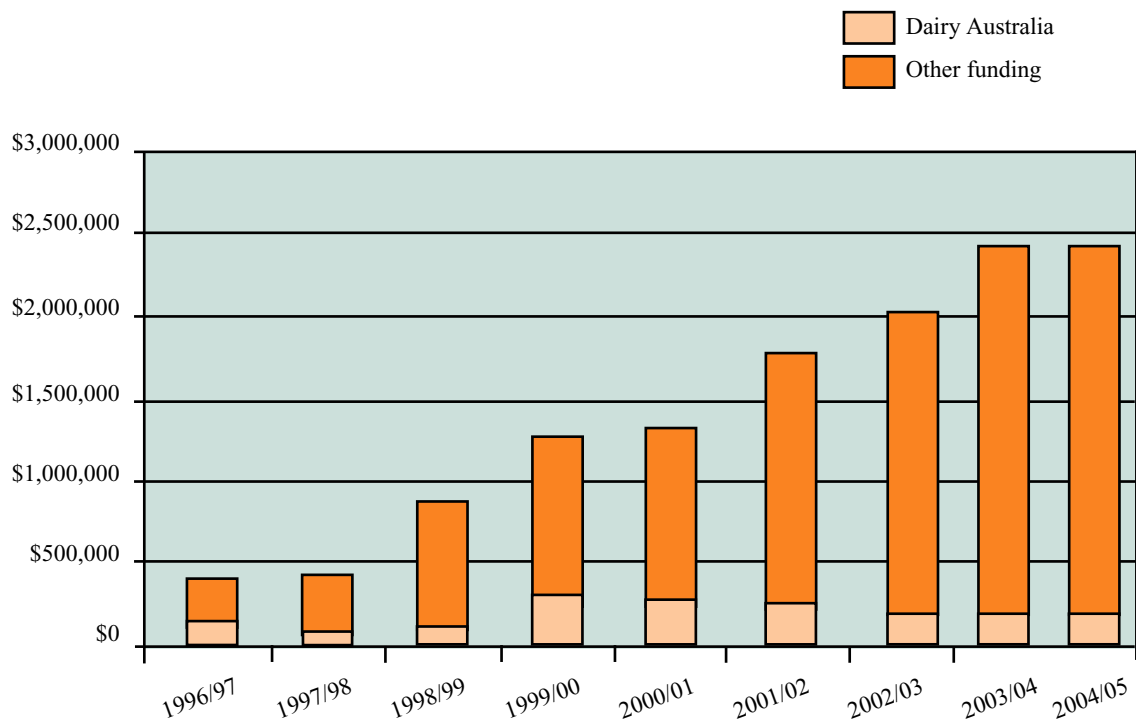
The objective of this research project is to:

- * quantify the environmental benefits that can be achieved from such an approach and the costs or impediments faced by dairy farmers; and

- * develop a framework that the dairy industry can use to produce self-assessment and auditing tools that link to the region's land and water management plans.

The outcomes from this research will provide input into the development of future industry responses regarding environmental quality assurance requirements or environmental management systems.

Total funding in the *Environmental Stewardship* program has continued to grow significantly. In 2003/04, \$2,434,326 (46.3% of the total funds invested) was committed to this program, with 93.6% of these funds coming from funding sources other than Dairy Australia.



The Operating Environment

This program aims to improve the off-farm operating environment that affects dairy farming.

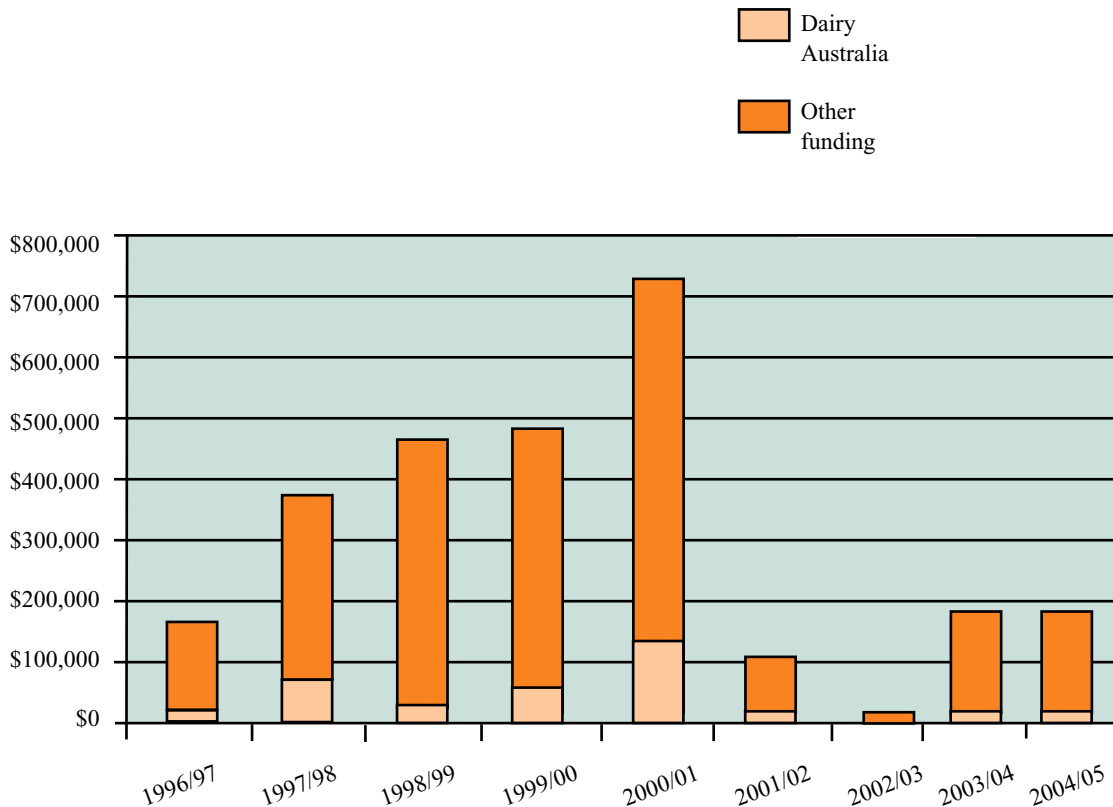
A priority for this program has been increasing the supply of labour to the industry and helping dairy farmers overcome the barriers to employing labour. Over the past few years, Murray Dairy, in partnership with the GippsDairy and WestVic Dairy Regional Development Programs and the CWCC Group, has undertaken a range of initiatives on issues related to employment, including:

- identifying skill gaps and new skills needed on-farm;
- developing ways to better connect young people to farm businesses;
- establishing a network of dairy farm businesses (Dairy Business Networks) to work in a co-ordinated way in regions to improve their employment practices and ability to source new employees to work on-farm; and
- testing a sustainable employment model for dairy farm businesses.

In 2004/05, activity focused on bringing together the outcomes and knowledge from this work and developing an implementation strategy that could be integrated into industry initiatives such as Taking Stock and provide dairy farmers with:

- employment checklists, tools and current information to monitor employment performance and identify where their business is potentially at risk;
- training programs to improve employment management skills; and
- access to an industry-led employment model.

A key objective of this program is ensuring that industry and government (Local, State and Federal) decision makers and service providers have access to relevant and timely information about the industry at the farm and regional levels. In 2004/05, Murray Dairy co-ordinated the delivery of initiatives that ensured service providers and industry leaders, as key deliverers of information to dairy farmers, had access to information about the industry's situation as it recovered from the drought, along with the outlook for the 2005/06 season. In 2004/05, \$154,059 (3.6% of the total funds invested) was committed to this program, with 36.3% of these funds coming from funding sources other than Dairy Australia.



FINANCIAL REPORT

BALANCE SHEET (As of June 30 2005)

	Jun 30'05
Assets	
Current Assets	
Total Current Savings - Cash at Bank	\$201,111.60
Accounts Receivable	\$9,026.60
Petty Cash	\$57.30
Undeposited Funds	\$5,500.00
TOTAL ASSETS	\$215,695.50
LIABILITIES	
Accounts Payable	\$6,690.26
Payroll Liabilities	\$8,223.00
Superannuation Liability	\$3,266.20
Tax Payable	-\$2,787.84
TOTAL LIABILITIES	\$15,391.62
EQUITY	
Opening Balance Equity	\$270,872.58
Retained Earnings	-\$37,878.67
Net Income	-\$39,529.25
TOTAL EQUITY	\$193,464.66
Total Liabilities and Equity	\$208,856.28



FINANCIAL REPORT

PROFIT AND LOSS (As of June 30 2005)

	Jun 30'05
Income	
Grants	\$358,425.94
Interest Income	\$7,330.21
Other Income	\$33,385.14
Total Income	<u>\$399,141.29</u>
Gross Profit	<u>\$399,141.29</u>
Expense	
Accounting and Legal Fees	\$1,638.20
Advertising	\$3,484.79
Bank Charges	\$557.45
Catering and Venue Hire	\$31,877.73
Consultant's Fees	\$42,354.58
Contract Wages	\$73,820.67
Equipment Hire	\$1,908.18
Fringe Benefits Tax	\$7,578.94
Insurance - General	\$7,946.55
Interest paid	\$33.36
Mobile Phone	\$2,653.22
Office Accommodation	\$29,181.80
Personal Expenses	\$841.36
Phone allowance	\$130.00
Printing, Stationery, Postage	\$1260.33
Prior Year Adjustment	-\$388.22
Program Contribution	\$12,590.00
Publicity and Promotion	\$417.35
Sitting Fees	\$21,305.93
Sundry Expenses	\$6,681.82
Superannuation	\$11,685.37
Training and Conferences	\$1,914.19
Travel Costs	\$23,015.68
Vehicle Expenses	\$20,327.05
Wages	\$134,836.14
Workcover Insurance	\$1,018.07
Total Expense	<u>\$438,670.54</u>
Net Income	<u>-\$ (39,529.25)</u>



FINANCIAL REPORT

PROJECT BALANCES (As at June 30, 2005)

Project	Description	Balance
MDP010	Dairy Extension support	\$71,691.58
MDP034	Stanhope/Tallangatta Field Days	\$820.86
MDP068	Drought/UDV DC2 Support Program	\$34,545.45
MDP082/ MRP12050	Dairy Moving Forward	\$704.79
MRP020	Murray Dairy Board, ISG, Management	\$465.57
MRP11702	ADF DA Project	\$5,689.19
Reserves		\$69,708.96
SRG001	Central ISG Sub-regional Group	\$190.58
SRG002	Western ISG Sub-regional Group	\$842.95
SRG003	Eastern ISG Sub-regional Group	\$168.28
SRG004	Riverina ISG Sub-regional Group	\$184.80
SRG005	North East ISG Sub-regional Group	\$584.31
Vehicle		\$7,880.37
TOTAL		\$193,477.69





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Tony M Hansen

ASSOCIATES
Peter J Limbrick
Gino L D'Augello
Peter A George

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FINANCIAL PLANNING
SUPERANNUATION
INSURANCE

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FPA
PRINCIPAL MEMBER



AUDITOR'S REPORT

I, Travis John Hocking of M & S Accounting Services Pty Ltd have examined the books and records of Murray Dairy Inc and in my opinion the financial report as at June 30th, 2005 is a true and fair record of the transactions for the year then ended.

I have also reviewed compliance with and payment of the following for the 2004/05 financial year:

- PAYG Tax
- GST and BAS returns
- FBT and returns
- Employer Super Guarantee
- Workcover.

In compiling the report I have had the full co-operation of the Murray Dairy staff and have access to all files that I have asked for.

Travis Hocking

**T.J. Hocking CPA
M&S Accounting Services Pty Ltd**



Murray Dairy

Acknowledgments

Murray Dairy gratefully acknowledges the support and financial assistance provided by Dairy Australia.



Murray Dairy also acknowledges the following organisations for their continued support and assistance:

Bonlac Foods
Consolidated Herd Improvement Services
Dairy Farmers Group
Department of Agriculture, Fisheries and Forestry
Department of Primary Industries, Victoria
Department of Sustainability and Environment
Department of Victorian Communities' Community and Regional Industry Skills Program
Gardiner Foundation
Goulburn-Murray Water
Morrison & Sawers
M&S Accounting Services
Murray Darling Basin Commission
Murray Goulburn Co-operative Co.
Murray Irrigation
Natural Heritage Trust
Nestlé Australia
Northern Herd Development
NSW Agriculture
NSW Farmers Association Dairy Committee
Pauls Parmalat
Tatura Milk Industries
United Dairyfarmers of Victoria (UDV)
UDV District Councils Nos 1, 2, 3 and 4
University of Melbourne

Appendix 1 - Project Details 2004/2005

Project Title	Project No.	Organisation	Contract Status	Contract Signed	Murray Dairy DA RDP Funding Project Submitted	Murray Dairy DA RDP Funding Project Development	Other \$	Total \$
<i>Farm Performance</i>								
Nutritional management of the transition cow project - interactions between body condition and nutrition	DAV 10678	Dairy Australia (DA) Regional Development Program (RDP) Department of Primary Industries Victoria (DPIV) Dairy Program	Signed (ends 6/04)	200,000			251,322	451,322
Future farming systems for irrigated dairying - Stage 2		DA RDP DPIV Dairy Program Melbourne University	Signed	188,027			206,245 40,000	434,272
Project 30:30 - An improvement in return on assets through a 30% increase in consumption of home-grown forage (north-east component)		DA RDP DA National Program DPIV Dairy Program	Signed	60,000			20,000 75,000	155,000
Plant systems for efficient water use to meet the production requirements of irrigated dairy farms - Component 1 On-farm water use of maize		DA RDP DA National Program DPIV Dairy Program	Signed	117,982			50,000 232,702	400,684
Plant systems for efficient water use to meet the production requirements of irrigated dairy farms - Component 3 Comparative water use efficiency of annual and perennial forages under grazing Dairy systems research and extension		DPIV Our Rural Landscape (ORL) Program Department of Primary Industries NSW (DPI NSW) DA RDP	Signed				370,000 296,577	370,000 296,577
Regional co-ordination of National Learning Packages (InCalf, CowTime, TopFodder, Countdown Downunder)			Signed	44,719				44,719
<i>Environmental Stewardship</i>								
Dairy Stewardship Trial		Murray Darling Basin Commission (MDBC) Gardiner Foundation DPI Water for Growth (WFG) Program Milk processors Other organisations	Signed				73,837 22,437 9,450 7,088 10,391	123,203
Dairy EMS project - Riverina Component (Agriculture Forestry and Fisheries Australia pilot)		Department of Agriculture, Fisheries and Forestry DPI NSW	Signed				80,000 56,664	136,664
Efficient irrigation technologies to match soil and dairy farming systems		DA RDP DA National Program DPIV Dairy Program Department of Sustainability and Environment (DSE) Catchment and Water (CAW) Program	Signed	50,000			106,000 184,000 250,000	590,000



Appendix 1 - Project Details								
Project Title	Project No.	Organisation	Contract Status			Murray Dairy DA RDP Funding	Other \$	Total \$
				Contract Signed	Project Submitted			
Integrating Irrigation and Plant Systems in Victoria's Dairy Industry - Stage 1 Project Development Market mechanisms to drive WUE improvement in the irrigated dairy industry of northern Victoria Enhancing community capacity and processes for managing agricultural landscapes Policy instruments to improve WUE - market mechanisms		DPIV	Signed				70,200	70,200
		DPIV WFG Program	Signed				255,000	255,000
		DPIV ORL Program					500,000	500,000
		DPIV WFG Program	Signed				310,000	310,000
<i>Our People</i>								
Murray Dairy demonstration and extension grants Implementation of Regional Group Action Plan initiatives	MRP 020	DA RDP	Signed (ends 06/07)	15,000			10,000	25,000
	MRP 020	DA RDP Regional Networks	Signed (ends 06/07)				34,805 20,000	10,000 64,805
Helping dairy farmers to secure their water future - northern irrigation region		DSE White paper implementation	Signed				294,000	294,000
Helping dairy farmers to secure their water future – north-east region Dairy Moving Forward (regional co-ordination)		DSE White paper implementation	Signed				27,000	27,000
Young farmers development program		DA Gardiner Foundation					40,000 5,000	40,000 5,000
<i>The Operating Environment</i>								
Growing the next generation – attracting skilled people to farm businesses and building regional capacity (Phase 1 - project initiation) Growing the next generation – attracting skilled people to farm businesses and building regional capacity (Phase 2 - project implementation)		DA RDP	Signed	15,000				15,000
		DA RDP	Signed (end 06/05)	83,059				
		Government training & employment subsidies DA National Program					16,000 40,000	139,059
<i>Murray Dairy</i>								
Administration	MRP 020	DA RDP Murray Dairy	Signed (ends 06/07)	43,728			38,654	82,382
Program leadership	MRP 020	DA RDP Murray Dairy	Signed (ends 06/07)	23,440			16,750	40,190
Program management	MRP 020	DA RDP Murray Dairy	Signed (ends 06/07)	72,492			50,860	123,352
Industry consultation and communication	MRP 020	DA RDP Murray Dairy	Signed (ends 06/07)	6,500			88,500	95,000
Project development	MRP 020	DA RDP Murray Dairy	Signed (ends 06/07)				10,000	10,000
Learning skills and development	MRP 020	DA RDP Murray Dairy	Signed (ends 06/07)				9,000	9,000
	Total			954,752	0	0	4,152,677	5,107,429





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