

Dairy Authority of South Australia

Annual Report
2014 - 2015





**DAIRY AUTHORITY
OF
SOUTH AUSTRALIA**

ANNUAL REPORT

2014-2015

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LETTER TO MINISTER THE HON. LEON BIGNELL

The Hon. Leon Bignell
Minister for Agriculture, Food and Fisheries
GPO Box 1671
ADELAIDE SA 5001

Dear Minister

In accordance with the *Primary Produce (Food Safety Schemes) Act 2004 and Regulation 14 of the Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005*, the Dairy Authority of South Australia presents its twenty second annual report and Statement of Accounts for the year ended 30 June 2015.

During the year the Authority saw the closing of the processing facilities of Murray Bridge and Jervois, then the announcement of their pending re-opening. The Midfield announcement of processing at Penola has now meant that the industry has the opportunity to develop a larger processing sector. This is complemented by the first increase in on farm production since the peak of 1999.

Separately, the specialist, tourism-aligned milk and cheese sector continues to be a driver of high value production in the industry.

Acknowledgements

As Minister for Agriculture, Food and Fisheries, The Dairy Authority of South Australia would like to thank you and your team for your on-going support throughout the 2014-15 year.

The Authority would also like to formally acknowledge the support of the Primary Industries and Regions South Australia (PIRSA) and the Department of Health. It also acknowledges the on-going co-operation from associated industry organisations and their representatives.

On behalf of The Dairy Authority of South Australia, I'd also like to thank all employees for their dedication and professionalism throughout the year.

For and on behalf of the Dairy Authority of South Australia



Roseanne Healy

Chair
Dairy Authority of South Australia

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Twenty Second Report

of the

DAIRY AUTHORITY OF SOUTH AUSTRALIA

for the

Twelve months ended 30 June 2015

**PRIMARY PRODUCE
(FOOD SAFETY SCHEMES) ACT 2004
SOUTH AUSTRALIA**

1 .0 OVERVIEW

1.1 Introduction

The Dairy Authority of South Australia is an independent statutory authority fully financed by the dairy industry. The Authority was established on 1 July 1993. The Authority consists of three Members appointed by the Governor, one of whom is appointed as Chairperson.

The Dairy Authority of South Australia provides significant input to both Primary Industries and Regions South Australia (PIRSA) and the Department of State Development (formerly Department of Manufacturing, Innovation, Trade, Resources and Energy – DMITRE) on the opportunity to significantly increase the size of the industry, particularly in the South East of the state as well as providing insight into the South Australian Dairy industry.

The following document includes information relevant to the Dairy Authority of South Australia Annual Report – as outlined in the legislative requirements, as well as key deliverables and some industry observations.

1.2 Mission Statement

To work in a successful partnership with and to assist the South Australian and Australian dairy industry to produce and distribute high quality, safe dairy products.

1.3 Key Objectives¹

- To implement and administer a Dairy Food Safety Scheme under the Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005.
- To work at State and National levels to assist the development of a viable dairy industry producing safe dairy products, operating, where possible, in a uniform national regulatory framework.
- To ensure authorised persons and approved auditors under the Act are appropriately trained.
- To provide efficient and accountable management of the Authority's financial affairs.

1.4 Key Functions of the Dairy Authority of South Australia

The functions of the Dairy Authority of South Australia are defined in Regulation 12 of the *Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005* as follows:

- (1) The Authority is the accreditation body for the classes of activities to which the dairy industry food safety scheme applies.
- (2) The Authority has the following functions:
 - (a) To administer the dairy industry food safety scheme;
 - (b) To monitor the extent of compliance by accredited producers with Standard 4.2.4 of the Food Standards Code and to enforce the Standard.
 - (c) To approve food safety arrangements to be adopted by accredited producers and monitor the implementation of such arrangements;
 - (d) To advise the Minister on matters relating to the administration of the dairy industry food safety scheme;
 - (e) To carry out other functions assigned to the Authority by these regulations or the Minister.

¹ As outlined in the Strategic Plan

1.5 Strategic Plan

The Dairy Authority of South Australia has an updated Strategic Plan for the period 2013-2016.

The initiatives outlined in the Strategic Plan reflect the functions as defined by the Act, as well as key strategies set by the Authority.

The objectives outlined in Section 1.3 also reflect those in the Authority's strategic plan. The Authority's strategies are predominantly determined by the legislation. The Authority works with all dairy production businesses to ensure they are accredited, and to implement food safety programs and contribute to producing safe dairy products for domestic and export sale.

2.0 PERFORMANCE: 2014-2015

Throughout the 2014-15 financial year, The Dairy Authority of South Australia (The Authority) continued its focus on effective operations and delivery of services under the *Primary Produce (Food Safety Schemes) Act 2004* and the *Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005*.

2014-15 Focus:

- The introduction of new standards for the production of raw milk cheeses
- The introduction of time temperature variations² for the collection of milk from farms. This system provides more flexibility than the earlier requirement for milk to be at less than five degrees at the time of collection, without reducing the quality of the milk.
- The continuation of action to stop sales of raw milk that pose a significant health risk. These sales do not comply with the current regulatory requirements for milk to be pasteurised.
- A website was developed and implemented during the 2014-15 year to better engage with the Authority's stakeholders and ensure information about The Dairy Authority of South Australia was transparent and easily accessible by Industry and consumers alike. www.daosa.net.au

2.1 Production Summary

- The overall trends show a levelling off in milk production following a steady decline since 1999 when the peak production was 714 million litres.
- Milk production per cow continues to increase with an average increase of 4.27% over the last year and a 113% increase to that of 40 years ago.
- The final price to farmers of approximately \$5.80/kg of milk solids was down on last year's near record result of approximately \$6.20/kg.
- The number of accredited dairy processors increased from 47 at 30 June 2014 to 49 at 30 June 2015.
- The demand for goat and sheep milk continues to increase with the numbers of farms now comprising of five goat milking dairies, two sheep milking dairies (an increase of 1), one buffalo dairy with another sheep dairy in prospect, during 2014-15.
- There have been six new processors approved over the past two years with four ceasing to trade.

2.2 Changes with impact on the Industry

- The likely reopening of the Murray Bridge and Jervois dairy processing plants by Beston Global Foods Pty Ltd and the new investment at Penola by the Midfield group in 2015/16 will lead to renewed interest in increasing milk production. This means that there is sufficient processing capacity to increase milk production from 550 million litres to 850 million litres in order to fully utilise the available processing capacity.
- As a result of the expansion in processing capacity, the Authority's focus will be two fold (i) ensuring that the new processing capacity is fully implemented and accredited and (ii) assisting the dairy farming sector increase production to meet this demand.
- An increased interest in export opportunities has seen two more processors being approved for export, bringing the total to 16.
- Raw milk cheeses were introduced as a new cheese category that meets production requirements without pasteurisation of the milk in a stringent process that is safe for consumption.
- Three processors were accredited for the production of 'raw milk cheeses', having met the requirements of Standard 4.2.4 as specified in the Food Standards Code prior to February 2015. This method involved pre-heating the milk to a specific temperature during the processing.

Standard 4.2.4 was amended in February 2015 to increase the food safety of raw milk cheeses. The amended Standard requires specifications for each processing step from milking through to the completed product. The Authority has not accredited any additional processors for raw milk cheeses since the Standard was amended.

² Based on the University of Tasmania research

2.3 Outlook - Production and Farming

Production by farm, cow and region over time as shown, in Appendix 1, Table 2 highlights the structural change between 1974, 1984 and the last three years. In forty years the South Australian dairy industry has gone from 1,397 cow dairies to 252, whereas cow numbers are almost identical at 81,000. Of note, milk production has risen from 255 million litres to 550 million litres.

Widely linked to improved genetics and supplementary feeding, the figures show the Dairy industry has doubled milk production per cow over the period such that South Australia has the highest milk yield per cow of any state. Notably, the south east has the highest milk yield of any substantial region in Australia and one of the highest anywhere in the world, from a grass based system.³

South Australian dairy farms now produce 12 times more milk now than the average farm did in 1974. This change is a natural result of increased efficiency and the need for economies of scale to survive. It has been aided by the move in technology to rotary dairies and more recently the advent of robotic milking systems.

Other advances including bulk milk tankers, improved refrigeration - both on farm and at factories - have all contributed to this transition to bigger farms producing more milk. It has also led to better quality milk with less contamination.

In the processing sector, South Australia has the highest proportion of small, innovative and boutique processors. These operators complement the large processors and produce a high quality, unique experience for their customers.

The Dairy industry is set to continue its improvement in productivity and performance.

3.0 KEY STATISTICS ³

The South Australian Dairy Industry – 2014-15

○ Total milk production	550.4M litres	(includes goats and sheep)
○ Total cow milk production	549.6M litres	(2.01% increase on 2013-14)
○ Farms	260	
○ Cow farms	252	
○ Processors of SA milk	49	
○ Factories in SA	45	(+2 increase on 2013-14)

During 2014-15 the South Australian dairy industry produced 549.6 million litres of cow's milk from 252 dairy farms. At June 30th 2015, the number of farms had reduced by 8 from June 2014, as a result of being consolidated into existing farms. Milk production increased by 2.01%, which predominantly occurred in the second half of the year. The average production per cow in 2014-15 was 6,711 litres, an increase of 4.12% from the previous year. Cow numbers as at 30 June 2015 decreased 0.28% to 81,899 compared with the previous year.

The dairy industry in South Australia is spread across the State with farms located in the Adelaide Hills and Fleurieu Peninsula, Lower Murray Swamps and Lakes, South East and Mid North. A breakdown of regional dairy farm statistics as at 30 June 2015 is shown in Appendix 1, Table 1.

South Australian dairy farmers supply milk to 24 dairy processors. The balance is small dairy processors or processors who do not receive milk direct from farm but are supplied by another processor. As at 30 June 2015, a total of 27 processors do not get milk direct from farms.

A number of dairy farms are accredited to supply organic milk to B-d Farm Paris Creek Pty Ltd, which manufactures biodynamic products. One goat milk processor is accredited to supply raw goat's milk. And, one farmer milks buffalo. The Authority has received enquiries about camel milk but so far none have started milking.

There is increasing demand for goat and sheep milk products. For the period 2014-15 there were six processors of goat milk products and two processors of sheep milk products. There were five goat milk farmers, one buffalo farmer and two sheep milk farmers operating at the end of June 2015, an increase of one sheep milk farmer.

Throughout 2014-15, dairy processors in South Australia produced a range of products including market milk products, cream, flavoured milk, UHT milk, butter, cheese, cream cheese, yoghurt, dairy desserts, dips, ice cream, soft serve, gelati, milk concentrates, whey powder and pharmaceutical products from the milk of cows, buffalo, goats and sheep.

The Authority accredited 25 dairy transport businesses at 30 June 2015.

³ Dairy Australia (2014). *Investment and the Australian Dairy Industry; Australian Dairy Industry in Focus (2014)*. Melbourne. Dairy Australia Limited.

4.0 COMPLIANCE GOVERNANCE

The following section provides a summary of the compliance processes of The Dairy Authority of South Australia.

4.1 Recalls and Food Safety

- There were three dairy product recalls from South Australian processors during the year, one of which also required a recall from the retail sector. All were conducted with the full co-operation of the processors involved and SA Health.
- In 2014 a prosecution for the provision of raw milk to the public by Moo View Milk proprietors, the Tyler family, had been decided against the producer concerned. However an appeal has been lodged and is still in train.
- The Dairy Authority of South Australia has introduced a program of random microbiological testing of dairy products from South Australian retailers. This has been done as a service to industry and the public in order to test the performance of the whole supply chain.
- The Dairy Authority of South Australia operates under a Quality Assurance and Procedures Manual which is annually updated. Authority staff have worked with the Department of Health and Local Government Environmental Health Officers to respond to customer complaints concerning retail dairy products.
- The Authority works with interstate and national dairy regulators to ensure consistency of implementation of standards.

4.2 Regulatory Review

- The Dairy Authority of South Australia commenced a review of the regulations relating to dairy production and processing in South Australia. The *Primary Produce (Food Safety Schemes) Act 2004* and the *Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005* need to reflect the changing structure of the industry.
- We have continued to focus on the implementation of best practice systems and support. Training support has included a seminar for processors centred on correct labelling, micro testing changes and training for dairy processing staff.

4.3 Industry Coordination and Development

The Dairy Authority of South Australia continues to work closely with the dairy industry, industry organisations, interstate dairy authorities, local councils, Department of Health, The Commonwealth Department of Agriculture Food Division, Food Standards Australia and New Zealand (FSANZ) and Primary Industries and Regions SA (PIRSA), to ensure all matters under its control are dealt with efficiently.

The Authority also participates at a national level on quality and food safety matters to ensure uniformity between the states and the Commonwealth. The Authority has Memorandums of Understanding (MoU) in place for co-operation with PIRSA Biosecurity and the Department of Health in SA and with The Commonwealth Department of Agriculture Food Division, Dairy Food Safety Victoria and the Tasmanian Dairy Industry Authority.

The Dairy Authority of South Australia remains focused on delivering the requirements of the industry and of the Government's Premium Food Strategy as outlined in the Authority's strategic plan. The Authority will continue to leverage its expertise and standing in the South Australian Dairy Industry to support industry participants to meet the necessary hygienic and operational standards. It also continues to support the growth and development of the industry and its participants from a regulatory perspective.

As part of this work, The Authority has reviewed and provided insights to Government and industry regarding a shift in focus on the increase in milk production. Milk production is both a longer term growth opportunity and an immediate priority to support the new factory at Penola and the re-opening of the Murray Bridge and Jervois factories. The Authority has assessed the factors required to support this development and where the Government may assist industry with fast-tracking this initiative.

As the regulatory Authority, the Dairy Authority of South Australia remains focused on delivering a high quality, cost effective service. For example, the effective cost of delivery of its main auditing service is below the food industry average.

To continue to keep abreast of industry knowledge, issues and initiatives, Authority Members and staff attend dairy industry meetings in South Australia and interstate.

The Board reflects both consumer and industry representation.

4.4 Technical Review Seminar

On 26th May 2015 the Dairy Authority of South Australia conducted its second annual seminar, with industry stakeholders which included the Australian Competition and Consumer Commission (ACCC) and South Australian TAFE experts delivering parts of the program. Topics included labelling, training and the recently updated microbiological testing guidelines. Approximately forty people attended which represented the majority of South Australian processors. Feedback was very positive and the seminar was held at no cost to attendees.

4.5 Ministerial Direction

The Dairy Authority of South Australia did not receive any Ministerial Directives during the 2014-15 financial year.

5.0 ACCREDITATION & AUDITS

5.1 Accreditation of Dairy Farmers

The Authority has continued to work with dairy processors to ensure dairy farms comply with their Food Safety Schemes and FSANZ Standard 4.2.4. The Authority receives and utilises monthly reports from the dairy processors detailing farmer compliance with the standards and quality test results. Farmers must comply with company quality standards for total plate count, antimicrobials and somatic cell count. Farmers supplying processors who are exporting to Europe must also comply with the European somatic cell count requirements. All dairy farms must pass an annual audit.

The Dairy Authority of South Australia plays a critical role in the auditing of accredited dairy farmers. Staff audit the on-farm Hazard Analysis Critical Control Point (HACCP) based food safety programs for all farmers except Murray Goulburn.

Dairy farmers supplying Murray Goulburn Co-operative Co. Ltd must comply with their company-specific HACCP based programs. The Authority accompanies company auditors on selected audits to monitor competency in their auditing practices and as part of the National Dairy Verification Program.

For those farmers not supplying major processors (including goat, buffalo and sheep milk dairy farmers) Authority staff work with individual dairy farmers to implement and audit the Authority's program *Quality Dairy* on their farms.

Dairy farmers encountering food safety problems such as cooling system failures, pesticide and antibiotic contamination of milk, are required to provide an incident report to company/authority staff which is dealt with immediately, in line with the agreed processes, to ensure that the problem is rectified as quickly as possible.

There have been some issues during the year involving antibiotic residues in milk at farm and dairy transport businesses level. Authority staff have worked with industry to strengthen requirements through the audit process to ensure the residue risk is minimised. Any milk confirmed as containing antibiotic is discarded.

5.2 Accreditation of Dairy Transport Businesses

The Dairy Authority of South Australia continues to work with the milk tanker collection companies to audit their HACCP-based food safety programs. More attention has been turned to transport operators to ensure that their drivers have a good understanding of the importance of hygiene and temperature control, and to ensure that no non-milk products are able to contaminate milk during transport.

Where a small dairy processor collects milk from its own dairy farm or from other accredited dairy farmers, a *food safety program* is required for their accreditation as a dairy transport business. This aspect of their business is audited at the same time as their dairy processor or dairy farm audit.

5.3 Accreditation of Dairy Processors

Dairy processors in South Australia are required to comply with Standard 4.2.4 of the Food Standards Code. Export registered premises are required to comply with the Export Control (Milk and Milk Products) Orders 2005.

The Dairy Authority of South Australia audits all export dairy processing premises in South Australia on behalf of The Commonwealth Department of Agriculture, Food Division, under an exchange of letters between the Authority and The Department. Authority staff have been trained by The Commonwealth Department of Agriculture, Food Division staff, and approved as Food Division Authorised Officers. Under the Export Control (Milk and Milk Products) Orders 2005 a dairy processor is required to implement an approved arrangement.

Authority staff audit South Australian dairy processors twice a year to assess their food safety program/approved arrangement for compliance against the Standard 4.2.4 of the Food Standard Code, and the Export Control Orders if they are export registered.

The Dairy Authority of South Australia monitors test results on liquid milk, cream, cheese, cheese dips, yoghurt and ice cream sampled from processors.

Any results outside the agreed specification must be acted upon immediately following detection, with the Authority working directly with the organisation concerned. The Authority works with processors to ensure no sub-standard product reaches the market and that corrective action is implemented following any poor test results or detection of pathogens in the environment or the product. Pathogens are those bacteria or other organisms which can produce illness or death when ingested in sufficient numbers by people.

All new dairy processors must have approved premises and implement HACCP-based food safety programs. Existing processors must maintain their HACCP-based programs and appropriate records. New dairy processors are issued a probationary accreditation for up to six months. They receive full accreditation once their HACCP-based program has been implemented, satisfactorily audited and the end product test results are satisfactory.

5.4 Legislative Accreditation

All businesses accredited by the Dairy Authority of South Australia receive an annual accreditation certificate after receipt of their completed annual return and must satisfactorily complete an annual or bi-annual audit.

On 3 August 2005 the Minister delegated powers under the *Primary Produce (Food Safety Schemes) Act 2004* to the Authority for the appointment of authorised persons and approved auditors under the *Primary Produce (Food Safety Schemes) Act 2004*. The Authority has set conditions for these appointments and during 2014-15 has continued to approve dairy farm auditors for Murray Goulburn Co-operative Co Ltd. The Authority conducts farm audits for all other companies.

Accreditation and audit fees for dairy farmers supplying large scale dairy processors (defined by the Authority as receiving 1,000,000 litres of milk or more per annum) and for large scale dairy processors receiving milk direct from dairy farmers, increased for the 2014-15 period. These are summarised as follows:

- **Dairy farmers**
 - Accreditation fee of 0.0316 cents per litre (previously 0.0290 cents per litre)
 - Audit fee (where Dairy Authority of South Australia conducts the annual farm audit) of 0.0224 cents per litre. (previously 0.0207 cents per litre)
- **Large scale dairy processors**
 - Accreditation fee of 0.0316 cents per litre (previously 0.0290 cents per litre)
 - Audit fee (premises based in South Australia) of 0.0199 cents per litre (previously 0.0184 cents per litre)

Accreditation fees for small scale dairy processors (defined by the Authority as processors receiving less than 1,000,000 litres of milk per annum, or receiving milk from other than a dairy farmer) increased from \$575 to \$600 per annum for 2014-15. Accreditation fees for dairy farmers supplying small scale dairy processors increased from \$400 to \$440 per annum for 2014-15.

The accreditation fees for dairy transport businesses in 2014-15 increased from \$100 to \$110 for 1-2 tankers and \$50 for each additional tanker. The audit fee was set at \$350 per business.

5.5 Auditing

In order maintain its own standards and to be able to conduct audits on behalf of the Commonwealth, the Dairy Authority of South Australia is audited by The Commonwealth Department of Agriculture, Food Division each year in order to act for them in export dairy establishments in South Australia. All businesses accredited by the Dairy Authority of South Australia have been audited by the Dairy Authority with any non-conformances or product failures corrected in line with the agreed processes.

5.6 Financial Management

Audited financial statements and notes to the accounts are attached in accordance with relevant Treasurer's Instructions issued under section 41 of the Public Finance and Audit Act 1987. As requested by Treasurer's Instruction TI 11, details of account payment performance are shown in Appendix 1, Table 4.

6.0 CORPORATE GOVERNANCE

6.1 Board Membership

- The previous board of Catherine Cooper (Chair), Trevor Keele and Joan Russell completed their term on June 30th 2015. The Dairy Authority of South Australia thanks them for their contributions during their respective terms in office.
- As of July 2015, the new board is comprised of Roseanne Healy (Chair), Kay Matthias and Gina Dal Santo.

6.2 Governance Practices

- Documentation of financial practices and procedures is in place in accordance with the Financial Management Framework and the policy document "Role of the Chief Executive Officer and the Authority in Financial Management, Risk Management and Personnel Management".
- The Authority has in place its own Records Disposal Schedule.
- The Authority has a Freedom of Information Policy and Whistle-blowers Policy.
- The Authority met on seven occasions during the year.
- Conflicts of interest are declared, minuted and managed as standing items and in relation to individual agenda items.
- The Authority notes there have been no related party transactions in this reporting period.
- The Authority has operated in an efficient, relevant and cost effective manner and met its objectives.

6.3 Human Resource Management and Sustainability

Details relating to employment statistics are shown in Appendix 1, Table 5 as required by the Department of the Premier and Cabinet Circular PC013 - Annual Reporting Requirements 2011.

A total of \$7,893 was spent on staff training to improve the team's professional capabilities.

There were no staff changes during the year.

The Dairy Authority of South Australia operates under the Public Sector Act 2009 and an Administrative Arrangement between the Dairy Authority of South Australia and the Commissioner for Public Employment.

The Authority has in place Work, Health and Safety (WH&S) Policies and Standard Operating Procedures. The following issues were addressed during the year:

- Servicing of fire equipment.
- Inspection by pest Control Company.
- Compliance with legislation relating to asbestos, hazardous substances, electrical safety and fire safety.
- The Authority has in place ongoing policies relating to asbestos and procedures are in place to manage asbestos in the Authority's building.
- There were no Work Health and Safety (WHS) incidents reported. And, there were no Work Cover claims.

The Authority is an equal opportunity employer. No equity complaints were received during the year.

The Dairy Authority of South Australia is committed to operating in an energy efficient manner. The Authority's office premises have a solar hot water system, all air conditioners have split system inverter units and efficient window furnishings.

6.4 External Consultants

There was one external consultant engaged during the year to cover farm auditing while a staff member was on long service leave.

6.5 Freedom of Information Statement

The Dairy Authority of South Australia has an information policy prepared under the *Freedom of Information Act 1991*, and the Freedom of Information (General) Regulations 2002. The Authority's Freedom of Information Statement, is included as Appendix 1 to this report.

There were no recorded Freedom of Information requests received during the year.

7.0 THE DAIRY AUTHORITY OF SOUTH AUSTRALIA MEMBERS

DAIRY AUTHORITY MEMBERS (F2015)

Chair	Catherine Cooper
Member	Trevor Keele
Member	Joan Russell

STAFF

General Manager	JR Crosby
Accountant	R Galluccio
Food Safety Officer Dairy	F J Little
Food Safety Officer Dairy	J Ganczarczyk

DAIRY AUTHORITY OF SOUTH AUSTRALIA

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Adelaide SA 5000

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www.pir.sa.gov.au/biosecuritysa/foodsafety/dairy
ABN: 36 767 901 242

8.0 FINANCIAL STATEMENTS

Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Dairy Authority of South Australia (the Authority):

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant *Australian Accounting Standards*;
- are in accordance with the accounts and records of the Authority;
and
- present a true and fair view of the financial position of the Authority as at 30 June 2015 and the results of its operation and cash flows for the financial year.

We certify the internal controls employed by the Dairy Authority of South Australia for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Roseanne Healy
Chair



John Crosby
General Manager



Rocco Galluccio
Chief Financial Officer

Dated 28 September 2015

STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 30 June 2015

	Note No.	2015 \$'000	2014 \$'000
Income			
Fees and charges	5	502	454
Interest	6	9	10
Other income	7	72	65
Net gain from the disposal of non-current assets	8	-	7
Total income		583	536
Expenses			
Employee benefits	9	431	419
Property expenses	11	30	23
Supplies and services	12	29	39
Depreciation and amortisation expense	13	23	22
Travelling expenses		24	25
Other expenses	14	43	27
Total expenses		580	555
Net Result		3	(19)
Other Comprehensive Income			
Change in property asset revaluation surplus		290	-
Total Comprehensive Result		293	(19)

The net result and total comprehensive result are attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying notes

STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Note No.	2015 \$'000	2014 \$'000
Current assets			
Cash and cash equivalents	21	301	267
Receivables		1	4
Total current assets		302	271
Non-current assets			
Property, intangible assets, plant and equipment	17	1921	1636
Total non-current assets		1921	1636
Total assets		2223	1907
Current liabilities			
Payables	18	28	23
Employee benefits	19	57	43
Other liabilities	20	24	14
Total current liabilities		109	80
Non-current liabilities			
Payables	18	1	2
Employee benefits	19	48	53
Total non-current liabilities		49	55
Total liabilities		158	135
Net Assets		2065	1772
Equity			
Retained earnings		239	236
Asset revaluation surplus		1826	1536
Total equity		2065	1772

The total equity is attributable to the SA Government as owner.

Unrecognised contractual commitments

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The above statement should be read in conjunction with the accompanying notes

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2015

	Asset Revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2013	1536	255	1791
Net result for 2013-14	-	(19)	(19)
Total comprehensive result for 2013-14	-	(19)	(19)
Balance at 30 June 2014	1536	236	1772
Net result for 2014-15	-	3	3
Gain on revaluation of land during 2014-15	290	-	290
Total comprehensive result 2014-15	290	3	293
Balance at 30 June 2015	1826	239	2065

All changes in equity are attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying notes

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2015

	Note No.	2015 \$'000	2014 \$'000
Cash Flows from Operating Activities			
Cash inflows			
Fees and charges		512	447
Interest received		9	10
GST recovered from the ATO		-	3
Other receipts		76	71
Cash generated from operations		597	531
Cash outflows			
Employee benefits		(421)	(412)
GST paid to the ATO		(5)	-
Supplies and services		(120)	(122)
Cash (used in) operations		(546)	(534)
Net cash provided (used in) operating activities	21	51	(3)
Cash flows from investing activities			
Cash inflows			
Proceeds from sale of plant and equipment		-	26
Cash outflows			
Purchase of property, plant and equipment		(17)	(71)
Net cash (used in) investing activities		(17)	(45)
Net increase (decrease) in cash and cash equivalents		34	(48)
Cash and cash equivalents at 1 July		267	315
Cash and cash equivalents at 30 June	21	301	267

The above statement should be read in conjunction with accompanying notes

Note 1 Objectives of the Dairy Authority of South Australia

The Dairy Authority of South Australia (the Authority) is fully funded by the dairy industry and works within the *Primary Produce (Food Safety Schemes) Act 2004* and the *Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005* to ensure the safety of South Australian dairy products.

The functions of the Authority as defined in *Regulation 12* are:

- 1 To administer the dairy industry food safety scheme.
- 2 To monitor the extent of compliance by accredited producers within Standard 4.2.4 of the *Food Standards Code* and to enforce the Standard.
- 3 To approve food safety arrangements to be adopted by accredited producers and monitor the implementation of such arrangements.
- 4 To advise the Minister on matters relating to the administration of the dairy industry food safety scheme.
- 5 To carry out other functions assigned to the Authority by these regulations or the Minister.

Note 2 Summary of significant accounting policies

a) Statement of compliance

The financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Authority has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Authority is a not-for-profit entity.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Authority for the reporting period 30 June 2015. (Refer to Note 3).

b) Basis of preparation

The preparation of the financial statements requires:

- The use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concept of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported

- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in this financial report:
 - a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items applies
 - b) expenses incurred as a result of engaging consultants
 - c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees
 - d) board member and remuneration information where a board member is entitled to receive income from membership other than a direct out-of-pocket reimbursement

The Authority's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month period and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30th June 2015 and the comparative information presented.

c) Reporting entity

The financial statements cover the Dairy Authority of South Australia as an individual reporting entity. The Dairy Authority is a Statutory Authority of the State of South Australia, established pursuant to the *Primary Produce (Food Safety Schemes) Act 2004 and the Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005*.

d) Segment Reporting

The Authority's operations are conducted in the one business and geographical segment.

e) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

The restated comparative amounts do not replace the original financial statements for the preceding period.

f) Rounding

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

g) Taxation

The Authority is not subject to income tax. The Authority is liable for payroll tax, fringe benefits tax, goods and services tax (GST), emergency services levy and local government equivalents.

Income, expenses and assets are recognized net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable.
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Australian Taxation Office is classified as part of operating cash flows.

h) Events after the reporting period

Adjustments are made to the amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provides information about conditions that existed at 30 June.

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

i) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to the Authority will occur and can be reliably measured.

Income has been aggregated according to its nature and has not been offset unless required or permitted by a specific accounting standard or where offsetting reflects the substance of the transaction or other event.

The following are specific recognition criteria:

Fees and charges

Revenues from fees and charges are derived from the provision of services to participants in the South Australian dairy industry. This revenue is recognised upon delivery of the service.

Rental income

Rental income is accounted for on a straight line basis over the lease term.

Interest income

Interest income includes interest received on bank accounts. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

Gain from disposal of non-current assets

Income from the disposal of non-current assets is recognised when the control of the asset has passed to the buyer and has been determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

Gains on disposal of Dairy Authority assets are recognised at the date control of the asset is passed to the buyer and are determined after deducting the cost of the assets from the proceeds at the time.

j) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Authority will occur and can be reliably measured.

Expenses have been aggregated according to their nature and have not been offset unless required or permitted by a specific accounting standard or where offsetting reflects the substance of the transaction or the event.

The following are specific recognition criteria:

Employee benefits expenses

Employee benefits include all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Authority to the superannuation plan in respect of current services of current Dairy Authority staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole-of- government financial statements.

Depreciation and amortisation

All non-current assets, having a limited useful life, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential.

Amortisation is used in relation to intangible assets such as software, while depreciation is applied to tangible assets such as property, plant and equipment.

Assets' residual values, useful lives and amortization methods are re reviewed and adjusted if appropriate, on an annual basis.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate, which is a change in accounting estimate.

Land is not depreciated.

Depreciation/Amortisation is calculated on a straight line basis over the estimated useful life of the following class of asset as follows:

Class of assets

Plant and equipment	3-15 years
Intangibles	5 years

k) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature.

Assets and liabilities that are to be sold, consumed or realized as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

l) Assets

Assets have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The following are specific recognition criteria:

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash at bank and cash on hand.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal values.

Receivables

Receivables include amounts receivable from goods and services, GST input tax credits recoverable, prepayments and other accruals.

Receivables are generally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Collectivity of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Authority will not be able to collect the debt. Bad debts are written off when identified.

Non-current assets

Acquisition and recognition

Non-current assets are initially recorded at cost or at the fair value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value after allowing for accumulated depreciation.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position.

All non-current tangible assets with a value equal to or in excess of \$2 000 are capitalised.

Revaluation of non-current assets

The Authority revalues its land and buildings via a Certified Practising Valuer.

A valuation appraisal by a Certified Practising Valuer is performed at least every six years. The most recent valuation was undertaken at 30 June 2015. Refer to Note 17 for details. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any revaluation increment is credited to the asset revaluation surplus account, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the revaluation surplus to the extent of the credit balance existing in the revaluations surplus for that class of asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Upon disposal or derecognition, any revaluation surplus relating to that asset is transferred to retained earnings.

Impairment

All non-current tangible assets are tested for indication of impairment at each reporting date.

Where there is an indication of impairment, the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement costs.

An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

For revalued assets, an impairment loss is offset against the respective asset revaluation surplus.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

The Authority only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

The Authority is not involved with the internal development of software.

Fair Value Measurement

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants, in the principal or most advantageous market, at the measurement date.

The Dairy Authority classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurement, based on the data and assumptions used in the most recent revaluation:-

- Level 1 – traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 – not traded in an active market and are derived from inputs (inputs other than quoted prices included in Level 1) that are observable for the assets, either directly or indirectly.
- Level 3 – not traded in an active market are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed by the Chief Financial Officer and Board at each reporting date.

m) Liabilities

Liabilities have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Payables

Payables include creditors, accrued expenses, GST payable and employment on-costs.

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of the Authority.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

All payables are measured at their nominal amount, are unsecured and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

Employee benefits on-costs include Return to WorkSA levies and superannuation contributions in respect of outstanding liabilities for salaries and wages, long service leave, annual leave and skills and experience retention leave.

The Authority makes contributions to State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes.

Employee Benefits

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. Long term employee benefits are measured at present value and short term employee benefits are measured at nominal amounts.

Salaries, annual leave, SERL, and sick leave

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability and the skills and experience retention leave liability is expected to be payable within 12 months and are measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement of sick leave.

Long Service Leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and period of service. These assumptions are based on employee data over (SA Government entities).

Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

The unconditional portion of long service leave is classified as current as the Dairy Authority does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after 10 years of service.

n) Insurance

The Authority has arranged, through SA Government Captive Insurance Corporation (SAICORP), to insure all major risks of the Authority. The excess payable under this arrangement varies depending on each class of insurance held.

o) Other liabilities

The Authority receives from time to time accreditation fees in advance. These fees are classed as other liabilities.

Note 3 New and revised accounting standards and policies

The Authority did not voluntarily change any of its accounting policies during 2014-15.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Authority for the period ending 30 June 2015. The Authority has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Authority.

Note 4 Financial instruments/Financial risk management

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial assets, financial liability and equity instruments are disclosed in Note 2.

	Note	2015 \$'000	2014 \$'000
Financial Assets			
Cash and cash equivalents			
Cash and cash equivalents	21	301	267
Loans and receivables			
Receivables (1)		-	-
Total financial assets		301	267
Financial Liabilities			
Financial liabilities at cost			
Payables (1)	18	4	2
Total financial liabilities		4	2

- (1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, commonwealth tax etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

Credit Risk

Credit risk arises when there is the possibility of the Authority's debtors defaulting on their contractual obligations resulting in financial loss to the Authority. The Authority measures credit risk on a fair value basis and monitors risk on a regular basis.

The Authority has no concentration of credit risk. The Authority has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Authority does not engage in high risk hedging for its financial assets.

Maturity Analysis of Financial Assets and Liabilities

All the financial assets and liabilities are due within one year.

Liquidity Risk

Liquidity risk arises from the possibility that the Authority is unable to meet its financial obligations as they fall due.

The Authority is funded principally from accreditation fees received from dairy processors, dairy farmers and dairy transport businesses. Major fluctuations in accreditation fees can only be affected by significant variances in state milk production.

The Authority in its budgeting process takes a prudent approach when forward estimating milk production.

Market Risk

Market risk for the Authority is primarily through interest rate fluctuations on interest bearing accounts. The Authority sees minimal exposure in this area due to the quantum of surplus funds invested in this manner.

Sensitivity Disclosure Analysis

A sensitivity analysis has not been undertaken for interest rate risk of the Authority as it has been determined that the possible impact on the net result or total equity from fluctuations in interest rates is minimal.

Note 5 Revenues from Fees and charges

	2015 \$'000	2014 \$'000
Dairy Farmer - Accreditation fees	239	218
Dairy Processor - Accreditation fees	259	232
Dairy Transport Business - Accreditation fees	4	4
Total fees and charges	502	454

Note 6 Interest Revenues

	2015 \$'000	2014 \$'000
Interest from entities external to the SA Government	9	10
Total interest revenues	9	10

Note 7 Other income

	2015 \$'000	2014 \$'000
Income from entities external to the SA Government	72	65
Total other income	72	65

Note 8 Net gain from disposal of non-current assets

	2015 \$'000	2014 \$'000
Plant and Equipment		
Proceeds from disposal	-	26
Less net book value of assets disposed	-	19
Net gain from disposal of plant and equipment	-	7

Note 9 Employee benefits

	2015 \$'000	2014 \$'000
Salaries and wages	286	265
Long service leave	6	11
Annual leave	17	29
Skills and experience retention leave	2	1
Superannuation	89	92
Board fees	31	21
Total employee benefits	431	419

Remuneration of employees

	2015 Number of Employees	2014 Number of Employees
The number of employees whose remuneration received or receivable falls within the following bands:		
\$138 000 to \$141 499	-	1
\$141 500 to \$151 499	1	-
Total	1	1

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration reflects all cost of employment including salaries and wages, payment in lieu of leave, superannuation contributions, fringe benefits and any other salary sacrifice benefits. The total remuneration received by the employee for the year was \$143 000 (\$141 000).

Note 10 Remuneration of board members

Members during the 2014/15 financial year were:

Board Members

Ms C S Cooper

Mr T D Keele

Ms J Russell

The number of members whose remuneration received or receivable falls within the following bands:

	2015	2014
\$10 000 - \$19 999	2	2
\$20 000 - \$29 999	1	1
Total number of members	3	3

Remuneration of members reflects all costs of performing board member duties including sitting fee, superannuation contributions and salary sacrifice benefits. The total remuneration received or receivable by members was \$47 000 (\$47 000).

Note 11 Property Expenses

	2015 \$'000	2014 \$'000
Repairs and Maintenance	8	3
Rates and Taxes	9	8
Other	13	12
Total property expenses	30	23

Note 12 Supplies and services

	2015	2014
	\$'000	\$'000
Product Testing	5	7
Computing and Communications	11	11
External Audit Costs	4	-
Legal Fees	-	12
Printing and Stationery	2	3
Other	5	4
Subscriptions	2	2
Total supplies and services	29	39

Note 13 Depreciation and amortization expense

	2015	2014
	\$'000	\$'000
Depreciation	21	22
Amortisation		-
Total depreciation and amortisation	23	22

Note 14 Other expenses

	2015	2014
	\$'000	\$'000
Audit Fees (see note 15)	8	9
Insurance	5	4
Staff Training	7	3
Fringe Benefits Tax	15	6
Other	8	5
Total other expenses	43	27

Note 15 Auditor's remuneration

	2015	2014
	\$'000	\$'000
Audit fees paid / payable to the Auditor-General's Department relating to the audit of financial statements	8	9
Total audit fees	8	9

Other services

No other services were provided by the Auditor-General's Department.

Note 16 Receivables

	2015	2014
	\$'000	\$'000
Other Receivables	1	4
Total receivables	1	4

Note 17 Property, intangible assets, plant and equipment

The Dairy Authority classifies fair value measurement using Level 2 hierarchy for its property plant and equipment

Land and buildings

	2015	2014
	\$'000	\$'000
Land at Fair Value	1840	1550
Building at Fair Value	-	-
Total Land and Buildings	1840	1550

Plant and equipment

Plant and Equipment at cost (deemed fair value)	175	175
Accumulated Depreciation at end of the period	(110)	(89)
Total Plant and Equipment	65	86
Total Property Plant and Equipment	1905	1636

Intangible assets

Intangible assets at cost	29	12
Less accumulated amortisation	(13)	(12)
Total intangible Assets	16	-
Total property/intangible assets/plant and equipment	1921	1636

RECONCILIATION OF PROPERTY, INTANGIBLE ASSETS, PLANT AND EQUIPMENT

The following table shows the movement of Property, Intangible Assets, Plant and Equipment during:

2014-2015	Land and Buildings	Plant and Equipment	Intangible Assets	Total
Carrying Amount at 1 July	1550	86	-	1636
Additions	-	-	17	17
Disposals/Sales/write off	-	-	-	-
Asset Revaluation	290	-	-	290
Depreciation/amortisation	-	(21)	(1)	(22)
Carrying Amount at 30 June	1840	65	16	1921

2013-2014	\$'000	\$'000	\$'000	\$'000
Carrying Amount at 1 July	1550	57	-	1607
Additions	-	71	-	71
Disposals/Sales/write off	-	(19)	-	(19)
Depreciation	-	(23)	-	(23)
Carrying Amount at 30 June	1550	86	-	1636

Valuation of land and buildings

The valuation of land and buildings was performed by Ryan L Mills, AAPI Certified Practising Valuer, independent valuer with Colliers International as at 30 June 2015. The valuer arrived at fair value based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use. The valuer assessed fair value of building improvements at \$Nil.

Impairment

There were no indications of impairment of property, plant and equipment at 30 June 2015.

Note 18 Payables

	2015 \$'000	2014 \$'000
Current		
Creditors	13	9
Accrued expenses	9	9
Employment on-costs	6	5
Total current payables	28	23
Non Current		
Employment on-costs	1	2
Total non current payables	1	2
Total payables	29	25

Note 19 Employee benefits

	2015	2014
	\$'000	'000
Current		
Annual leave	30	27
Skills and experience retention leave	2	1
Long service leave	14	6
Accrued salaries and wages	11	9
Total current employee benefits	57	43
Non-current		
Long service leave	48	53
Total non-current employee benefits	48	53
Total employee benefits	105	96

AASB 119 contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a set level of liability for the measurement of long service leave. AASB 119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has decreased from 2014 (3.50%) to 2015 (3.00%).

The net financial effect of the changes in the current financial year is immaterial.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4 percent. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

Note 20 Other liabilities

	2015	2014
	\$'000	\$'000
Current:		
Accreditation Fees received in advance	20	14
Rent received in advance	4	-
Total other liabilities	24	14

Note 21 Cash flow reconciliation

	2015 \$'000	2014 \$'000
Reconciliation of cash and cash equivalents at the end of the reporting period		
Cash at bank	301	267
Total	301	267
Balance as per the Statement of Cash Flows	301	267
Reconciliation of net cash used in operating activities to net result.		
Net cash provided (used) in operating activities	51	(3)
Less non-cash items		
Depreciation and amortisation expenses	(23)	(22)
Gain on disposal of non-current assets	-	7
Movement in Assets / Liabilities		
Decrease in receivables	(3)	(2)
(Increase) Decrease in liabilities	(22)	1
Net result	3	(19)

Interest rate risk

Deposits at call earn a floating interest rate, based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

Note 22 Unrecognised contractual commitments

	2015 \$'000	2014 \$'000
Remuneration Commitments		
Commitments for the payment of salaries and other remuneration under the fixed term employment contract in existence at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	142	139
Later than one year but not longer than five years	83	224
Total remuneration commitments	225	363

Amounts disclosed include commitments arising from an executive contract.
The Authority does not offer fixed term remuneration contracts greater than five years.

Note 23 Events after the reporting period

There have been no significant events occurring after the reporting period.



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To the Chair Dairy Authority of South Australia

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the accompanying financial report of the Dairy Authority of South Australia for the financial year ended 30 June 2015. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2015
- a Statement of Financial Position as at 30 June 2015
- a Statement of Changes in Equity for the year ended 30 June 2015
- a Statement of Cash Flows for the year ended 30 June 2015
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chair, the General Manager and the Chief Financial Officer.

The Member's Responsibility for the Financial Report

The members of the Dairy Authority of South Australia are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the members of the Dairy Authority of South Australia determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

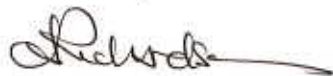
My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the members of the Dairy Authority of South Australia, as well as the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the Dairy Authority of South Australia as at 30 June 2015, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

A handwritten signature in dark ink, appearing to read 'Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson
Auditor-General
28 September 2015

9.0 APPENDICES

APPENDIX 1 - ADDITIONAL STATISTICS

TABLE 1: REGIONAL DAIRY FARM as at 30 June 2015

REGION	2014 FARMS	2015 FARMS	CHANGE (%)	2014 COWS	2015 COWS	CHANGE (%)
Central-Adelaide Hills	23	22	-4.55%	3,420	3369	-1.51%
Fleurieu Peninsula	62	59	-5.08%	14,285	13940	-2.47%
Upper South East	12	12	0.00%	5,040	5040	0.00%
Lower South East	94	93	-1.08%	39,599	39748	0.37%
Murray Swamps	31	30	-3.33%	7,845	7823	-0.28%
Meningie Lakes	16	16	0.00%	7,498	7458	-0.54%
Mid North	22	20	-10.00%	4,446	4521	1.66%
TOTALS	260	252	-3.08%	82,133	81,899	-0.29%

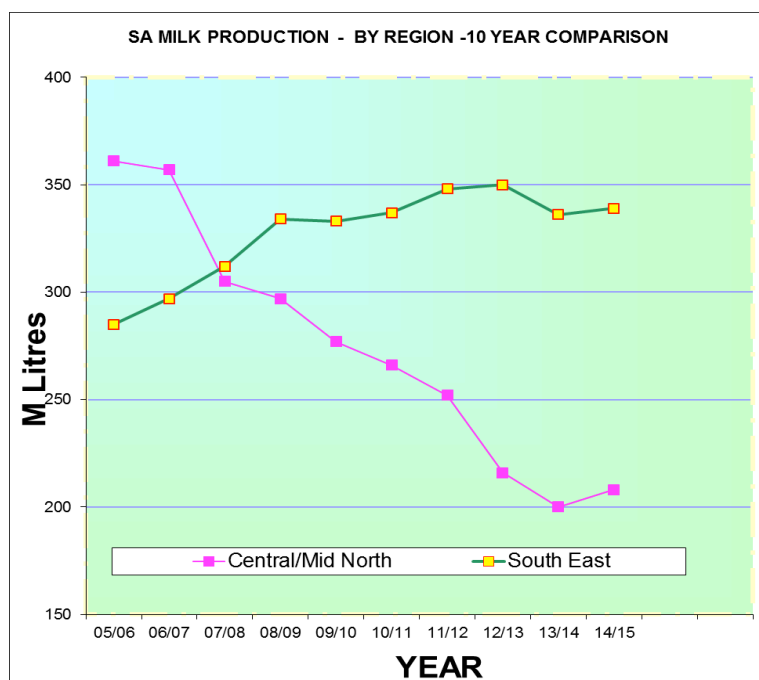
Production by region

A breakdown of production by type, region and number of farms is provided in the data above and below.

The South East region of South Australia produced 7,578 litres/cow against the central region 5,773 and the mid north 4,886. All areas except the Mid North increased production per farm and per cow, which is indicative of a return to better conditions and a higher price for part of the year. The South East continues to be significant in both milk production per farm and per cow.

Statistics in Table 2 show comparative data from 1974 to 2015. Note the production per cow has increased by 113% over this period. Production per farm has increased by eleven fold from just 0.183 million litres to 2.18 million litres over this time.

GRAPH 1: SA MILK PRODUCTION (10 YEAR COMPARISON)



The graph above shows the rapid change from an industry dominated by production within 200km of Adelaide to predominately now based in the South East.

TABLE 2: PRODUCTION BY FARM, COW AND REGION OVER TIME

(NB. Average of beginning and end of year statistics)

Region	Milk (litres)	Cows	Farms	litres/farm	cows/farm	litres/cow
Mid North	22,044,009	4,512	20	1,102,200	226	4,886
Central	188,183,316	32,599	127	1,481,758	257	5,773
South East	339,383,029	44,788	105	3,232,219	427	7,578
2015	549,610,354	81,899	252	2,180,993	325	6,711
2014	536,573,563	83,370	264	2,032,476	316	6,436
2013	565,488,352	84,606	268	2,110,031	316	6,684
2012	597,404,939	86,171	275	2,172,382	313	6,933
1984	273,176,320	74,720	962	283,967	78	3,656
1974	255,591,000	81,140	1,397	182,957	58	3,150

TABLE 3: STATISTICS

	2013-14	2014-5	Change (%)
ACCREDITATIONS CURRENT AS AT 30 JUNE:			
Total number of accredited cow dairy farms (2)	260.00	252.00	-3.08%
Total number of accredited buffalo, sheep and goat dairy farms	6.00	8.00	33.33%
Total number of accredited dairy processors	47.00	49.00	4.26%
Total number of accredited dairy transport businesses	20.00	21.00	5.00%
STOCK STATISTICS AS AT 30 JUNE: (cows)			
Total number of milk cows (excluding heifers)	82,133	81,899	-0.28%
Total number of heifers	36,168	35,787	-1.05%
Average number of milking cows per farm	316	325	2.88%
Average number of heifers per farm	139	142	2.09%
ANNUAL PRODUCTION STATISTICS – TOTALS: (cows)			
(NB. only milk delivered to large processors)			
Annual production of milk – litres	536,573,563	547,341,729	2.01%
Annual production of milk – kg butterfat	20,362,773	20,765,494	1.98%
Annual production of milk – kg protein	17,587,987	17,959,210	2.11%
ANNUAL PRODUCTION STATISTICS - PER FARM: (cows)			
Average no. of accredited dairy farms during the year	264	256	-3.03%
Average annual production per farm – litres	2,032,476	2,146,915	5.63%
Average annual production per farm – kg butterfat	77,132	81,115	5.16%
Average annual production per farm – kg protein	66,621	70,153	5.30%
ANNUAL PRODUCTION STATISTICS - PER COW: (2)(3)			
Average number of milk cows during the year	83,370	82,016	-1.62%
Average annual production per cow – litres	6,436	6,701	4.12%
Average annual production per cow – kg butterfat	244	253	3.66%
Average annual production per cow – kg protein	2,733	2,680	-1.93%
PRODUCTION STATISTICS – PER DAY: (2)			
Average production of milk per day – litres	1,470,065	1,505,782	2.43%
Average production of milk per day – kg butterfat	55,788	56,892	1.98%
Average production of milk per day – kg protein	48,186	49,203	2.11%
Average production of milk per farm per day – litres	5,568	5,882	5.63%
Average production of milk per cow – per day - 300 day lactation – litres	21.45	22.34	4.12%

- (1) *Statistics are based on figures returned by dairy farmers, and major dairy processors for cows milk only. 3,042,759 litres was delivered to small processors, about 800,000 was sheep or goat milk.*
- (2) *Dairy farmer and processor statistics represent suppliers of cows milk only.*
- (3) *Averages calculated by taking 30 June figures for 2014 and 2015, and dividing by 2.*

TABLE 4: ACCOUNT PAYMENT PERFORMANCE

The Table below reports the number and value of creditor's accounts paid, and the extent to which those accounts have been paid in accordance with the Treasurer's Instruction.

Particulars	Number of Accounts Paid		Value in \$A of Accounts Paid	
	Number	%	Value	%
Paid by the due date *				
Paid 30 days or less from due date	174	100%	\$140,603	100%
Paid more than 30 days from due date		-	0	-

**Note: The due date is as defined in TI 11.2 of Treasurer's Instruction 11 Payment of Accounts. Unless there is a discount or a written agreement between the Authority and the creditor, payment should be within thirty days of the date of the invoice or claim.*

TABLE 5: EMPLOYMENT STATISTICS (JUNE 2015)

<u>Classification Level</u>	<u>Number of Employees</u>	<u>Gender</u>
ExA	0.80	M
ASO8	0.60	M
PO2	0.80	F
PO2	<u>1.00</u>	F
Total	3.20	

<u>Employment Status</u>	<u>Number of Employees</u>
Permanent part time employee	0.80
Permanent full time employee	1.00
Permanent part time employee	0.80
<u>Permanent part time employee</u>	<u>0.60</u>
Total	<u>3.20</u>

APPENDIX 2 - FREEDOM OF INFORMATION ACT

INFORMATION STATEMENT OF THE DAIRY AUTHORITY OF SOUTH AUSTRALIA

Introduction

This Statement is published in accordance with Section 9(2) of the Freedom of Information (FOI) Act 1991.

The Freedom of Information Act gives any member of the general public right of access to information held by the Dairy Authority of South Australia.

Agency's Structure and Function

The Dairy Authority of South Australia was established under the Dairy Industry Act 1992 on 1 July 1993. On 1 August 2005 the Dairy Industry Act 1992 was repealed and replaced by the Primary Produce (Food Safety Schemes) Act 2004 and Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005. The Dairy Authority of South Australia was continued as a body corporate under Schedule 1, Clause 5, of the Primary Produce (Food Safety Schemes) Act 2004.

The Authority consists of three members appointed by the Governor, one of whom is appointed to preside at meetings of the Authority.

Sections 7(2) (a) and (d) and 7(5) of the Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005 state:

“7(2) The Authority –

- (a) is a body corporate with perpetual succession and a common seal; and
- (d) has the functions and powers assigned or conferred by or under these Regulations”

“7(5) in the performance and exercise of its functions and powers, the Authority is subject to the direction of the Minister except in relation to the making of a recommendation or report to the Minister”

The functions of the Authority as defined in Section 12 of the Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005 are:-

“12 Functions of Authority

- (1) The Authority is the accreditation body for the classes of activities to which the dairy industry food safety scheme applies.
- (2) The Authority has the following functions:
 - (a) to administer the dairy industry food safety scheme;

- (b) to establish, maintain and improve, for incorporation in the Dairy Industry Food Safety Code
 - (i) food safety standards for dairy produce; and
 - (ii) food safety standards for the construction, maintenance and hygiene of dairy farms or dairy manufacturing premises and plant and equipment on dairy farms or dairy manufacturing premises; and
 - (iii) food safety standards for the construction, maintenance and hygiene of dairy transport vehicles and dairy distributor vehicles;
- (c) to monitor the extent of compliance by accredited producers with the Dairy Industry Food Safety Code and to review and enforce the Code;
- (d) to approve food safety arrangements to be adopted by accredited producers and monitor the implementation of such arrangements;
- (e) to advise the Minister on matters relating to the administration of the dairy industry food safety scheme;
- (f) To carry out other functions assigned to the Authority by these regulations or the Minister.”

Effect of the Agency’s Functions on Members of the Public

The Authority has a direct effect on the dairy industry and the public through:-

- a) Ensuring dairy food safety schemes are implemented by dairy farmers, dairy manufacturers, dairy distributors and dairy produce carriers;
- b) Ensuring businesses are accredited and that milk and dairy product food safety standards are maintained.

Arrangements for Public Participation in Policy Formulation

Policy formulation is influenced by Government Policy and meetings with representatives from the South Australian Dairy farmers Association, dairy company representatives, and representatives of the milk transport industry.

Description of the Kinds of Documents Held by the Agency

The following documents have been prepared by the Authority:-

- Annual Reports
- Occupational Health, Safety and Welfare Policy
- Corporate Plan
- Code of Practice for Dairy Food Safety
- Guidelines for Raw or Unpasteurised Goat Milk
- Freedom of Information Policy
- Sexual Harassment Policy
- Whistle-blowers Policy
- Guidelines for Food Safety – Dairy Farms
- Guidelines for the Development of a Food Safety Program for Dairy Food Transportation

The following files are held by the Authority:

a) Dairy Farmer Files

Specific files are held on all dairy farmers selling raw milk previously licensed and currently accredited by the Dairy Authority of South Australia, and any past dairy farmers who were licensed by the Authority to sell unpasteurised milk since 1 July 1993. These files include licence/accreditation applications, annual licence/accreditation renewals, reports of inspections, test results and correspondence.

Authority records include licence/accreditation applications from all dairy farmers, and copies of annual licence/accreditation renewals for all dairy farmers licensed by the Dairy Authority since 1 July 1993. Copies of any inspections, test results and correspondence from specific dairy farmers are kept on file.

b) Dairy Processor/Manufacturer Files

Specific files are held on all dairy processors/manufacturers currently licensed/accredited by the Dairy Authority of South Australia and any past dairy processor/manufacturers that were licensed/accredited by the Authority since 1 July 1993. Authority files include licence/accreditation applications, annual licence/accreditation renewals, and reports of inspections, test results and correspondence on all licensed/accredited dairy processors/manufacturers.

c) Dairy Produce Carriers

Information on dairy produce carrier's accreditation has been held by the Authority since 1 August 2005

d) Administration Files

These files contain all documents concerned with the day to day management of the Authority, including Authority minutes, financial information, correspondence, reports and policy documents.

All of these documents are located at the Authority's offices at 33 Hutt Street, Adelaide.

Access Arrangements, Procedures and Points of Contact

To access documents it is necessary to apply in writing under the Freedom of Information Act to:

The General Manager
Dairy Authority of South Australia
33 Hutt Street
Adelaide SA 5000

Telephone: (08) 8223 2277
Facsimile: (08) 8232 2463
Email: admin@daosa.net.au

Revised: 30th September 2015

A photograph of two cows in a grassy field under a bright blue sky with scattered white clouds. The cow on the left is white with large black patches, and the cow on the right is white with large brown patches. Both cows are looking towards the camera.

Contact

Dairy Authority of South Australia
33 Hutt Street, Adelaide SA 5000

Phone: (08) 8223 2277

Fax: (08) 8232 2463

Email: admin@daosa.net.au