

**Bonlac**  
**Supply Company**



Farmers representing farmers

# ANNUAL REPORT **2017**





# Company Information

Bonlac Supply Company Pty Ltd  
ACN 095 271 266

## Directors

Anthony K Marwood (Chairman)  
Aubrey O Pellett (Deputy Chairman)  
Christiaan L Hofing\*  
Gregory J Bourke  
Leo M Delahunty  
Stuart J Griffin  
John G Dalton

\*retired effective June 2017

## Company Secretary

William G Kermode

## Registered Office

327 Ferntree Gully Road  
Mount Waverley, Victoria, Australia 3149  
Tel: 03 8541 1588  
Fax: 03 8541 1822

## Auditors

rdl.accountants



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# Chairman's Report



The key focus of the Bonlac Supply Company board over the past 12 months has been work on the development of a new Milk Supply Agreement with Fonterra. The core aspects of the new agreement will centre around a transparent milk price, an independent farmer voice and updated terms and conditions of milk supply. This agreement will be much different from what we have had in place previously but more importantly a stronger more relevant agreement for our farmers.

## **NEW AGREEMENT**

As you will all be aware the current BSC/Fonterra Milk Supply Agency Agreement expires in 2019. BSC strongly believes that now is the appropriate time to introduce a completely new agreement. All suppliers to Fonterra will have the opportunity to vote on the new agreement. By the time you receive this report we will have already began the consultation process with our farmers. At the BSC AGM in November we will present the timeline for voting and implementation of the new agreement.

The cornerstone of this agreement will provide a strong independent voice for our farmers, and a fair, transparent and competitive milk price. The terms and conditions of supplying milk to Fonterra will again be imbedded in the agreement. BSC will also formally take ownership of the Supplier Forum and it will be much more focused on regional representation and activities.

Under this new agreement BSC will be working differently with Fonterra. BSC will be part all aspects of setting milk price, opening, bimonthly review and closing. Also we will have input on the important decisions regarding the Fonterra business that are important for you.

## **NEW BENCHMARK**

The current milk price benchmark against the largest processor in Victoria that has been in place since 2005, is no longer relevant or appropriate in today's changing Australian dairy industry. There are risks attached to having a benchmark in place against a company we have no control over and therefore BSC strongly believes in the need to move to a model that provides a fair transparent milk price benchmark for us all to run and invest in our businesses.

The new benchmark on milk price will be based on Fonterra's product mix here in Australia, international and domestic prices, and foreign exchange rates. Going forward BSC will have an oversight of the actual numbers that make up the Fonterra milk price we receive. As farmers supplying Fonterra we will have the security that we will be paid a fair, transparent and competitive price for the milk we supply.

## **SEASON IN REVIEW**

The 2016/17 season was without doubt the most challenging of all for our dairy industry. The impacts the May 2016 milk price drop and the extremely wet winter/spring seasonal conditions and reduced on farm milk production combined made for very difficult trading terms for our farming businesses. The one positive from the wet conditions was a bumper grain and fodder harvest that put significant downward pressure on prices. Also water storages returned to their highest levels in a few years which led to the cheapest temporary water prices we have seen in a long time.

International commodity prices improved throughout the season to support a modest increase

to milk price, and show signs of continued improvement. Most importantly Fonterra's strategy on its product mix is coming to fruition with Stanhope cheese coming online and Darnum nutritional production now in full swing. The BSC board is very confident that Fonterra's product mix here in Australia will have positive impacts on milk price going forward.

## **BSC LEADERSHIP PROGRAM**

My congratulations to the 6 successful candidates who earlier this year completed the BSC Leadership Program that is based around Dairy Australia's Emerging Dairy Leaders Program. Thank you too to Dairy Australia for running such a comprehensive program.

## **ACKNOWLEDGEMENTS**

On behalf of the Board I would like thank you all for your support in what has been extremely challenging times for everyone.

I would also like to acknowledge the wonderful contributions of our two retiring directors in Chris Hofing and Mark Billing.

**Tony Marwood**  
Chairman

# Directors

The Bonlac Supply Company Directors and details of their qualifications, expertise and experience are as follows:



## **ANTHONY K MARWOOD**

Echuca, Victoria  
Chairman  
Non-executive Farmer  
Director  
Age 57

Tony Marwood was elected to the Bonlac Supply Company (BSC) Board in 2006. He is a dairy farmer in Echuca, northern Victoria. Tony was a Bonlac Supplier Representative for seven years and in 2009 was elected the BSC Chairman. In 2004, Tony completed Dairy Australia's 'Advance in Dairy Leadership' program. More recently, Tony has completed the Fonterra Corporate Governance course in New Zealand. Tony is also a member of the GMW Strategic Advisory Committee and the ADIC Water Taskforce.



## **CHRIS L HOFING**

North West Coast, Tasmania  
Non-executive Farmer  
Director  
Age 55  
retired 30 June 2017

Chris Hofing was elected to the board of the Bonlac Supply Company (BSC) in 2011. He is a dairy farmer from the North West Coast of Tasmania. Chris completed Dairy Australia's 'Advance in Dairy Leadership' program as part of the BSC Leadership Development program in 2007. Chris is also involved in the National Centre of Dairy Education, and is a member of the committee which recruits and retains persons in the dairy industry. Chris is also a delegate on the Fonterra Australia Supplier Forum.



## **AUBREY O PELLETT**

Hill End, Victoria  
Deputy Chairman  
Non-executive Farmer  
Director  
Age 44

Aubrey Pellett was appointed to the Bonlac Supply Company (BSC) Board in May 2013. Aubrey runs a dairy farm in Hill End, Victoria. Aubrey has held the position of Director GippsDairy since 2010 and Director Rural Financial Counselling Service – Victoria, Gippsland since 2011. He holds a Diploma of Company Directors from AICD (GAICD), is a Nuffield Scholar, and he also completed the Fonterra Governance Development Course in 2015. Aubrey is a delegate on the BSC/ Fonterra Australia Supplier Forum.



## **LEO M DELAHUNTY**

Murtoa, Victoria  
Non-executive Director  
Age 65

Leo was appointed to the Bonlac Supply Company Board in May 2013. He is a partner in a family grain farming business located near Murtoa in the Wimmera, growing cereal, canola and pulse crops. Leo's past experience includes being a director of GWM Water and was chair of its Audit, Governance and Risk committee. He was deputy chairman of GrainCorp and a director of Grain Growers Association, a director of PIVOT and Incitec Pivot and an independent director of Wimmera Racing Ltd. He was a co-founder of DIRT Management that established and managed the Warakirri Agricultural trusts for ten years, operating grain farms through eastern Australia. Leo is a fellow of the Australian Institute of Company Directors and a graduate of the AICD Advanced Program.



## **GREGORY J BOURKE**

Melbourne, Victoria  
Non-executive Director  
Age 59

Greg is the former CEO and Managing Director of Patties Foods Ltd and has over 20 years directorship experience. Greg has held Senior Executive roles at George Weston Foods Ltd in Australia and New Zealand. He has served on the Board of the Australia Food and Grocery Council and has a strong background in finance. Greg is currently a consultant and non-executive director for a number of food manufacturing companies.



## **JOHN G DALTON**

Naringal, Victoria  
Non-executive Farmer Director  
Age 58

John was appointed to the Bonlac Supply Company Board in September 2016. Prior to taking up the role with the BSC Board, John had been on the BSC Supplier forum. John is also an independent board member of The Vet Group, and an active CFA member. John has previously chaired WestVic Dairy, The Regional Education Committee, and Workplace Planning & Action which was a Dairy Australia pilot program. John has an Associate Diploma in Applied Science (Ambulance Officer), an Advanced Dip. in Agriculture and is a member of Australian Institute of Company Directors.



## **STUART J GRIFFIN**

Westbury, Victoria  
Non-executive Farmer Director  
Age 34

Stuart was appointed to the Bonlac Supply Company Board in September 2016. Stuart and his wife are share farmers in Westbury, Victoria. Prior to taking up the role with the BSC Board, Stuart had been an active member of the BSC Supplier Forum since 2012. Stuart is also the chair of the Australian Milk Quality Steering Committee (since 2013), a member of the GippsDairy Workforce Steering Committee (since 2014) and is a Brigade Lieutenant in the Westbury CFA. Prior to dairy farming, Stuart (who is a registered veterinarian) operated as a vet in Northern Victoria (Tatura region). Stuart completed his Bachelor of Veterinary Science at Melbourne University, and has also completed the BSC Leadership Program.



# Directors

## NORTHERN REGION – TONY MARWOOD

It was an incredibly challenging year for dairy businesses in the North. An extreme wet winter/spring period made for many challenging months managing pastures, animal health and large drops in production. The North had the biggest drop in milk production across Australia at 18% mainly attributed to the wet conditions. There were some positives though, inflows into irrigation storages were excellent with 100% allocations and the lowest temporary water trading prices in many years, as low \$25 per megaliter. Grain and fodder yield were excellent which fuelled much lower prices and helped farms manage input costs to help offset the drop in production.

The great news for our farmers and the region was the construction of the Stanhope cheese factory. This is a first class facility that we can all be proud of, having our milk processed into great quality cheese to supply world and domestic markets. The Stanhope site will have a significant impact on the milk price for all suppliers to Fonterra.



The effects from, and the future of, the Murray Darling Basin Plan continues to be the largest concern for the region, not just for dairy but all irrigated agriculture and the flow on effects for regional towns and communities. I've continued an active role on the ADIC Water Task Force representing the Dairy Industry concerns to the Federal, State Governments and the Murray Darling Basin Authority. The Dairy Industry is recognised as playing a pivotal role in representing dairy and the entire region.

## SOUTH / TASMANIA – CHRIS HOFING



Last season 2016/17 started with the lag on affect from the previous season but with favourable grain prices, good growing conditions and a lot more fodder available the seasonal conditions improved. These conditions helped supplies increase production. The cash flow continues to still be tight for most of the regions.

Catching up with our suppliers about current situations enables us to receive feedback when we meet or speak at field days, supplier meetings, discussions groups and community events. This gives us as board or forum members something to take back to Fonterra management. Forum members Leigh Schuurin, Joe Timperon and Joe Hammond have also given good feedback on current situations throughout the year.

Suppliers are looking for ongoing support from BSC directors as they move into a new agreement with Fonterra. On a personal note, I wish to thank BSC directors, forum members and suppliers all the best for the future as I have retired from dairy farming industry to pursue other interests and a new career path.

Cheers to all

## EASTERN REGION – AUBREY PELLETT

Gippsland continues to be a region of many sub regions. Farms and farmers have responded in many different ways to the ever changing business challenges driven by seasonal conditions, input costs and milk prices. During the year I have represented these various situations and provided the farmer voice to Fonterra as they make milk supply decisions.

As the Dairy processor landscape changes there has been a significant increase in the volume and number of Gippsland suppliers. I'd like to welcome these new and sometimes returning suppliers.

I look forward to hearing your views and BSC in conjunction with local Forum members (Pete Collins, Tim Kooloos, Anthony Hill) plans to organise several local low key gatherings in the year ahead.

Over the last year BSC has invested time in looking to the future of the relationship with Fonterra. These changes as they develop are designed to provide a stronger farmer voice. I encourage you to make use of

BSC and the Forum delegates so we all have a powerful farmer voice that can inform Fonterra for the best collective outcome.



## WESTERN REGION – JOHN DALTON

Looking back over the 16/17 season we have faced some significant challenges, but in the West mother nature started to smile down on us. Most of the region had a good spring with a large fodder harvest, then we got a good autumn break. The winter has been relatively dry with most having good winter growth. Let's hope this continues.

I recognise that some of us are still finding it tough going, so as a farming community I urge that you keep an eye out for those around you that may need some help. The support crew, the forum members and myself are also there to assist.

Thanks to the Forum members Dave, Bruce and Daniel for their workover the past year. We look forward to you having a greater presence across our region in the next year. Thankyou also to Mark Billing for his great contribution to both BSC and the Forum. Mark gives tirelessly to the community at large in a number of roles. Thanks Mark from the farmers of the West.

This season has seen unprecedented movement of supply for the reasons we all know. I would like to welcome our new suppliers and wish those who have moved all the best for the future.

The West welcomes the BSC AGM this year. It gives us the chance to showcase our region to others from the other regions.

I hope the favourable season continues for us through this year and that the markets deliver good returns to all of our farmers.



# Background on BSC Leadership Program

The BSC Leadership Program has now run for 12 years with 50 participants completing the various programs offered. The Program provides a learning opportunity for suppliers to grow and develop their skills to lead in their community and industry.

Graduates of the program not only improve their own leadership skills to use on farm, many also go on to give back to their communities as leaders, such as roles on local dairy industry bodies, school councils, leadership roles at sports clubs and even local councils. It is a great way to showcase the industry within local areas and help our suppliers make a difference in their community from a dairying perspective.

Congratulations to those who recently completed the program: Janelle Fisher, Shaun Beard, Nikki Atkins, Nick Bermingham, Rob Schloss and Simone Ross.

Well known previous participants of the BSC Leadership Program include: Tony Marwood – BSC Chairman; Adam Jenkins – UDV President; Stuart Griffin - BSC Director and Chair Gippsland Milk Quality Forum; Nigel Brock – previous ANZ Farm Business of the Year Tas. winner and Liza Fahey – finalist in Victorian Business Woman of the Year.

In 2016/17 our program underwent a number of changes in conjunction with newly expanded and enhanced programs offered by Dairy Australia (DA).

The BSC Leadership Program incorporated Dairy Australia's Emerging Dairy Leaders Program – which is the Australian dairy industry's tier one leadership program. The 12 month national program is conducted in 4 residential blocks with online and self-paced learning in between. The program explores themes of 'understanding self and others', 'community and industry' and 'the world'.

The participants visited 3 dairy regions and met leaders of all types while earning a Diploma of

Agribusiness Management from the National Centre for Dairy Education (NCDE/TAFESA).

BSC Leadership Program participants also receive further mentoring and networking opportunities – with both the BSC Supplier Forum and Fonterra management.

Unfortunately the planned DA program for 2017 did not run. However the latest update from DA is that in 2018, a DA sponsored program will recommence. For 2018, a program will be offered for those who already have leadership exposure and/or formal training – this program is the more advanced 'Developing Dairy Leaders Program'. The exact timing of the commencement of this 'next level' in the BSC Leadership program will be announced in the New Year.

For further information please contact your local BSC director, Fonterra Area Manager, or myself.

## **Will Kermode**

BSC Leadership Program Coordinator



L-R 1. Nikki Atkins, 2. Rob Schloss, 3. Nick Bermingham, 5. Shaun Beard, 6. Simone Ross, 10. Janelle Fisher.

## The EDLP (Emerging Dairy Leaders Program) and me

In late 2015 I was happily playing the role of wife, mother and 1st generation dairy farmer on our recently purchased 640 acre, ever developing and growing 300 cow farm in Katamatite.

I still remember the phone call asking me to consider joining the BSC Supplier Forum and soon after another call to encourage me to embark on further education to complete the Emerging Dairy Leaders Program. I had not studied for over 20 years. Wow, all it took was for that someone to have faith in me, my abilities and most importantly my opinions for me to turn my life (and my wonderful husband and children's lives) upside down.

Together with 14 other dairy farm enthusiasts from all over Australia, we met our inspirational fearless leader, Jo Kennedy, who soon became the gel that held us all together, our tutor, our mentor and soon also our confidante and sounding board.

Some two months from starting the course came the dairy disaster of 2016. We all had to make some life changing decisions and truth be told we got through

the dairy disaster as a group with Jo's arms firmly wrapped around us. It was definitely a challenging and rewarding 12 months of commitment. Together we travelled, studied, adapted, grew and developed into the confident people that we are today with a new appreciation for life, (ours and those around us), the dairy industry and the many people who spend their days and nights trying to make this industry robust for the future.

Today I have a new passion for learning, leading and encouraging others to start their own journey. Navigating life during the past 18 months has been a struggle at times, but as I reflect on the things I have learnt, the places I have been, the beautiful friendships I have made and the positive direction my life is pointed, the Emerging Dairy Leaders Program has been a gift I am forever thankful for.

Please open your minds, embrace those around you and leap if you get the chance to be involved in this program in the years to come.

**Simone Ross**

# BSC/Fonterra Supplier Forum



The continuing strong support of the supplier forum from you as suppliers, from BSC and from Fonterra, shows the ongoing commitment of all parties to ensuring that there is a strong and formal communication channel from the farm to Fonterra management:

**The aim of the Supplier Forum is to:**

- Provide a structure the builds on existing organisations
- Facilitate the inclusion of suppliers across all regions
- Foster the level of understanding between all of our farmer suppliers and the company

**Forum objectives :**

- To provide two way consultation between Fonterra Australia /BSC and its milk suppliers
- To provide input into wider business and industry issues
- To provide leadership in contributing to an industry leading value proposition for farmers

**This to be carried out by:**

- Providing communication from grass roots operation to management
- Providing a shared knowledge of company direction
- Providing leadership in increasing the commitment of suppliers
- Improving the responsiveness and understanding of company management

The new delegates that started on the supplier forum in March were Jo Hammond form the South, Tim Kooloos and Anthony Hill from the East, Daniel Croft and Bruce Knowles from the West. We said goodbye

and thank you to Rachael Finch from the East, Symon Jones from the South and Jarrod O’Sullivan from the North. The impact these delegates have made has been significant and the supplier forum thanks you for your input.

There have been multiple sessions conducted between Fonterra and BSC Supplier Forum this year with the complexity of the turns the last twelve months have presented. During that time we have presented the views of the supplier base on many issues that have arisen through that period with Fonterra and the BSC as well as learning more about the business itself.

In that time we unfortunately had our Chair Mark Billing resign his position on the BSC board and therefore leave our chair position open which I have filled in the short term. I would like to personally thank Mark for his input to the forum over a long period of time and that the work he has done to maintain a supplier voice to decisions made will be continued by the new Chair. Also just recently Jono Price the co-ordinator of the Forum has moved to greener pastures I would like to thanks him for his efforts also.

Going forward we will continue to represent our suppliers through the Forum and filter information from grass roots through to management and we are always looking to add delegates to the regions to continue this process. So if there is anyone wanting to know more about the Supplier Forum or requiring some council feel free to contact myself or your regional delegates

**David Conheady - BSC Supplier Forum chair**



# Contacts

**FORUM CHAIR**

Dave Conheady **0418 379 039**

**SUPPLIER FORUM ADMINISTRATOR**

Malyce McFaul **03 8541 1476**

**BSC DIRECTOR REPRESENTATIVES**

Aubrey Pellet

Chris Hofing

**EAST**

Tim Kooloos **0428 688 142**

Anthony Hill **0427 871 176**

Peter Collins **0407 708 863**

**NORTH**

Robert Schloss **0409 548 453**

Simone Ross **0408 596 203**

**WEST**

Daniel Croft **0437 112 771**

Bruce Knowles **0438 295 442**

**SOUTH**

Joe Hammond **0400 645 878**

Joe Timperon **0428 528 155**

Leigh Schuurin **0429 356 367**



# 2016/17 Financials

The 2016/17 results show improved returns on the investments held by BSC, and careful cost management.

Our income streams are the Agency Fee income we received from Fonterra, and any returns we achieve (including capital gains/losses) from our investments. Several significant capital gains were realised in 2016/17 (following realised losses in 2015/16).

Our expenses are primarily our directors fees and other administrative costs, particularly travel, postage/printing and professional service (ie audit / tax / leagl) fees.

Income Statement	FY 2017 \$'000	FY 2016 \$'000	Change
Agency Fee income	687	678	1%
Investment income (including capital gains)	176	62	184%
Other Income	31	-	-100%
Total Income	894	740	21%
Director and staff costs	365	369	-1%
Corporate Support	312	346	-10%
Profit before Income tax	217	25	765%
Income tax Expense	55	21	162%
Total profit for the year after tax	162	4	3873%







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Bonlac Supply Company**