

Dairy

Summary

Dairy farming is a major industry within the Alpine Valleys region and the 2nd largest, based on an annual GVP nearly \$70 million. The Towong, Indigo and Alpine Shires and Rural City of Wangaratta contain the largest dairy activity across the North East. The industry, whilst strong, is strongly affected by market and climatic conditions.

North East Region	1996 – 97 AG Census	2000 – 01 AG Census	2008 ABS
Gross value of production (\$) (milk)	\$57,708,741	\$69,204,106	\$64,649
Volume of Milk Produced (litres)	9,637,716	230,760,667	N/A
Current herd size (number of milk cows)	66,573	73,237	63,522
Contribution to Victorian GVP of commodity	3.8%	3.5%	3%
Contribution to Australian GVP of commodity	2.1%	2.3%	
Estimated number of farms	390	316	261

Source: ABS Agricultural Census 1997 and 2001, Agricultural Survey 2002

Dairy industry overview

Dairy Australia recently completed the Dairy 2004 Situation and Outlook report. The report made the following key findings for the whole of the dairy industry and are relevant to the AlpValleys region:

- The dairy industry has faced enormous challenges in recent years and many farmers are cautious about future prospects
- Cash flows and confidence have been significantly weakened, recovery may be slow
- There are signs of recovery and reasons for optimism
- The external fundamentals of the industry environment are sound
- Many farmers are “watching and waiting” for better seasonal or price conditions
- It is important for the industry to work together to address the key issues raised in the report

Detail	Comments
Product description	Products including milk, cheese, cream, yoghurt, ice cream, butter for local and export markets
Main season	Not considered seasonal, though April and May are viewed as slower periods.
Industry associations	Dairy Australia Limited, Australian Dairy Industry Council, Australian Dairy Products Federation United Dairyfarmers of Victoria, Murray Goulburn Co-op.
Domestic market information	Dairyfarmers in the region reported selling a litre of milk from anywhere between \$0.20 and \$1.30. Milk is transported from dairyfarmers to the Murray Goulburn Co-op where it is processed and distributed.
Export market information	Dairyfarmers reported that a large share of their milk is exported - between 60% and 90%; mainly to Asian countries like Japan.

Source: AAVAF Survey 2004

Location of the dairy industry within North East Victoria

2008 ABS	% of GVP		% of production volume		% of farms for commodity	
	North East Region	Victoria	North East Region	Victoria	North East Region	Victoria
Alpine Shire	15.2%	0.5%	14.3%	0.5%	18.0%	0.9%
Benalla (RC)	0.6%	0.0%	0.7%	0.0%	1.7%	0.1%
Indigo Shire	25.0%	0.9%	24.8%	0.9%	22.3%	1.1%
Towong Shire	37.8%	1.3%	37.1%	1.4%	36.8%	1.7%
Wangaratta (RC)	19.6%	0.7%	21.0%	0.8%	18.5%	0.9%
Wodonga (RC)	1.9%	0.1%	2.1%	0.1%	2.7%	0.1%

Source: ABS Agricultural Census – 2001

Projected dairy industry growth

Source	Indicator	Comments
(ABS) and survey data	Growth in production volume 1997 to 2001	Milk production has increased significantly during this period.
Surveys	Current profitability	Responses ranged from satisfactory to very low.
	5 year business plans	Some dairy farmers reported no change in plans while others were looking into switching to beef farming, or increasing their current beef herd. Some were also interested in increasing production.
	5 year business outlook	Ranged between satisfactory and poor.
	Business planning / budgeting	The majority of respondents stated they drafted formal business plans / budgets, mostly for 1 year ahead.
	Age of producers	Dairyfarmers surveyed were mainly in the age bracket of 50 to 59 years, with a couple either 40 to 49 years or 60 years plus.
	Capital expenditure 2002-03 financial year	Ranged from \$18,000 to \$184,000, and from between 9.7% to 16.8% of gross income.

Those who are the owned larger dairy herd numbers, or who are new entrants or younger generation dairy farmers held a more positive outlook, based on a combination of reliable seasonal conditions and stable milk pricing, at the time of survey.

Dairy industry labour requirements

Detail	Comments
Estimate of labour employed directly:- (based on 46 survey responses)	
There seems to be a balance between the number of full time, part time and casual employees required for dairy farming - as a result of the year round work required. Dairy farmers employee between 1 and 4 full time staff, 1 - 2 part time staff and 1 -2 casual staff.	
Areas of indirect employment	Murray Goulburn Co-op, suppliers, transport providers, vet care.
Labour market issues	The majority of dairy farmers surveyed stated there was a lack of suitable labour within the region to meet their requirements.

Dairy industry marketing activities

Detail	Comments
Marketing undertaken	None was stated, and in fact some dairy farmers stated that none was required, as a result of the Murray Goulburn cooperative being responsible for selling and distribution of milk produced.
Value adding activities	A large percentage of Victorian milk goes to manufacturing and export..
Labels and brands	Murray Goulburn, Devondale, and Gundowring Fine Ice cream.

Taxes, rates and charges paid

Taxes, rate and charges
Australian Dairy Corporation (ADC) Levy, United Dairy Farmers levy, vet costs.

Dairy industry strategic advantages and opportunities

- The North East regions climatic conditions provide for a pasture-based dairy industry that keeps milk production costs relatively low. The industry in North East Victoria is located in regions that provide a suitable climate in terms of rainfall being generally predictable for 6 months of the year, providing necessary pasture growth for food supply and on farm storage water availability. Supplementary grain feed costs are also regionally accessible in market and transport terms, reducing costs associated with these as a farm input.
- Usually good climate conditions, good rainfall and rich soils. Central location to milk processors such as the Murray Goulburn Coop, and to saleyards.
- Good infrastructure, including sound road network.
- Many producers have direct control over production and manufacturing through their association with co-operatives. In effect, farmers have access to an efficient production system and processing infrastructure within the region, creating a close connectivity between farm gate and final product.
- Processing facilities located in the North East region provide a strategic advantage in gaining access to major metropolitan markets through a well-located and serviced transport infrastructure.

- Enhancing the skill base of the industry to help maximise farm and resource performance for individuals, and therefore more efficient dairy farms.
- More dairy farmers are opening up land for agistment to beef cattle as opposed to dairy cattle, creating a shift in herd numbers and on farm production as often this practice allows for less intensive land and farm management practices.

Dairy industries strategic disadvantages and impediments to growth

- Some concerns about low profitability of business due to lack of selling power and the low price received for milk, coupled with rising input costs such as capital infrastructure requirements, government fees and charges, and vet costs.
- Age of dairy farmers and lack of new generation dairy farmers coming into the industry.
- Overseas market prices and fluctuating exchange rates affecting certainty of prices domestically.
- Lack of suitable labour.
- Unfavourable weather conditions over the past few years leading to water shortages for a number of dairy farmers in the region.
- Increasing price and availability of water for irrigated pasture production.
- Land values are increasing through urban encroachment creating a demand for "rural lifestyle living", which in turn makes land acquisition more costly to the industry.
- The dairy industry is mostly comprised of farming operations that are traditionally structured and managed within the family unit, using little outside labour. This reduces opportunities for generational change and industry opportunity for younger persons to enter the industry, possibly restricting a "mindset" change toward industry and on farm practices.
- Increasing pressure and costs from the cost of farm business and market compliance, in such areas as government taxes, rates and charges, on farm dairy factory quality assurance requirements, animal welfare, animal health and biosecurity requirements. Many farmers are also experiencing greater pressure for environmental compliance.
- The dairy industry in the AlpValleys region is reasonably conservative, and properties tend to be held tightly.

Contacts

Sarah Crooke
Gundowring Homestead
Phone: 02 6027 5244

United Dairyfarmers of Victoria
Head Office
Level 8, 24-28 Collins St
Melbourne, 3000
Phone: 03 9207 5600
Fax: 03 9207 5611
Email: udv@vff.org.au

References

Dairy Australia. Dairy 2004: Situation and Outlook,