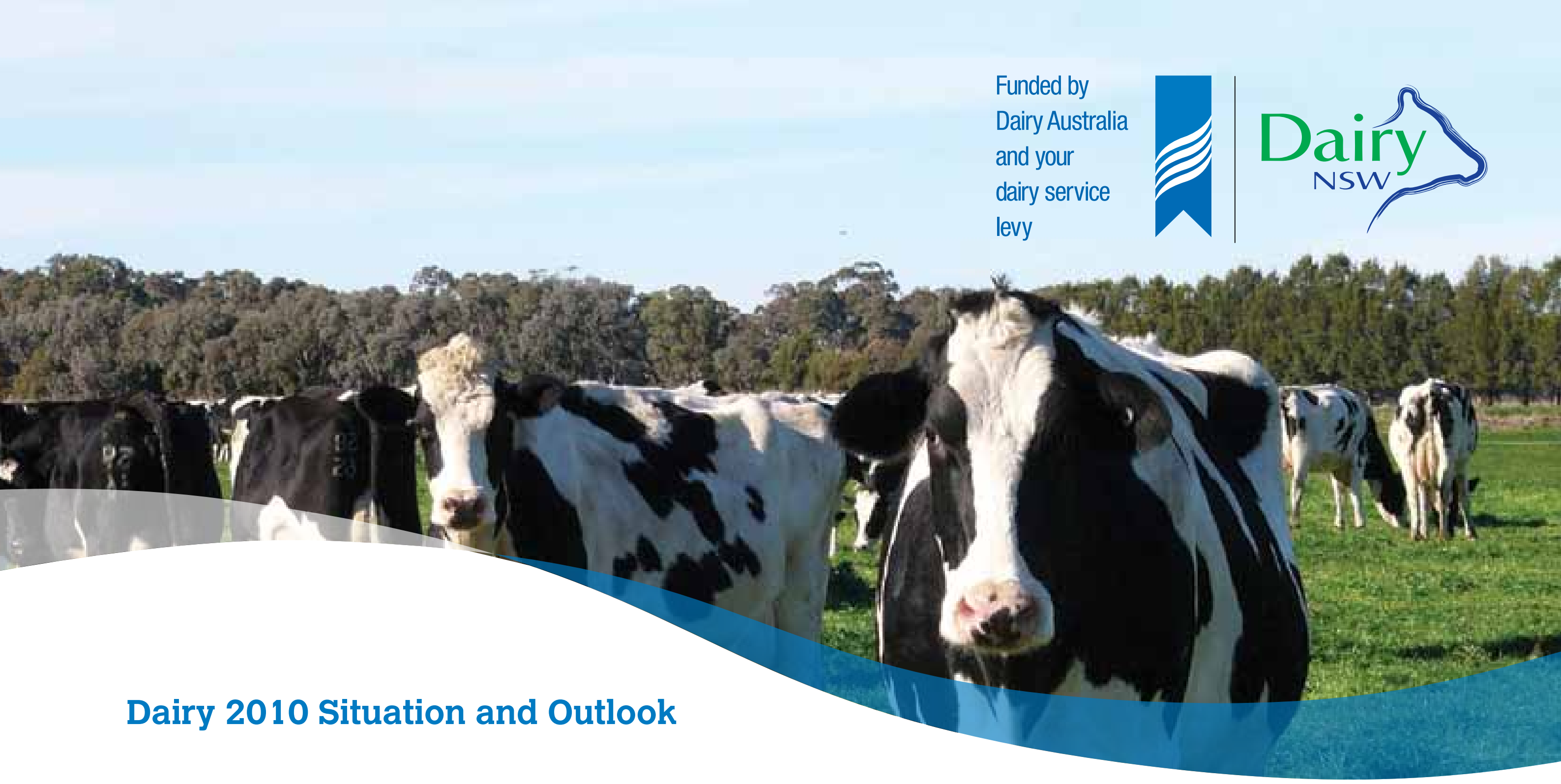


Dairy 2010 Situation and Outlook

Fact Sheet:

A snapshot of the Southern, Central and Coastal NSW dairy industry

Each year, Dairy Australia surveys a proportion of dairy farmers from southern, central and coastal New South Wales as part of Situation and Outlook. This factsheet outlines the results of the 2010 survey.

The region's status

- The southern, central and coastal NSW dairy region is a large and diverse milk production region, servicing important regional fresh milk and product markets.
- The value of milk is determined by the market influences arising from:
  - Whether the final market destination is domestic or export.
  - Farmgate and marketplace competition within the region.
  - The sustainable cost of year-round fresh milk production.
- Processors retain a preference for local, reliably-produced milk to maximise shelf-life for fresh products, and minimise logistics and handling costs.

Dairying in the region

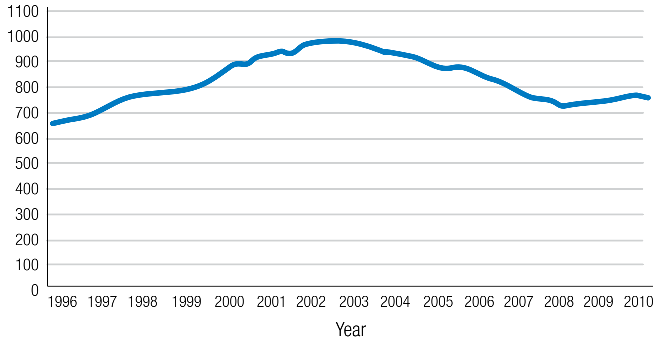
- Some 560 dairy farmers are expected to produce around 741 million litres of milk in southern, central and coastal NSW in 2009/10. This represents around 8 per cent of national milk output.
- The dairy industry in the region directly employs some 1,060 people on farms. A further 1,480 are employed in the processing sector.
- The estimated value of farm milk production in the region in 2009/10 was $385 million.
- Major companies operating in the region include National Foods, Bega Cheese, Fonterra, Murray Goulburn Co-operative and Hastings Co-op.
- The region supplies fresh product requirements for a large metropolitan region that covers more than five million people.
- Processors maintain a preference for locally-produced milk to maximise shelf-life and minimise handling costs.
- Milk prices in the region vary depending on the exposure of individual companies to international dairy commodity prices (including cheese).
- The region has good access to large grain and fodder growing areas.
- There is a diversity of production regions.
- Dairy production in the Murray-Darling catchment suffers uncertainty regarding future entitlement and levels of irrigation, whilst water policy is still evolving.
- In many coastal areas, lifestyle and hobby farming is encroaching into traditional dairying regions.
- Rising land value can create a barrier to new entrants and on-farm expansion.

Survey results

- The average herd size for surveyed southern and central NSW farms was 214 cows, producing 741 million litres, or 55,465 kg of milk solids (fat and protein).
- Average herd production in the region rose 6 per cent, while per cow production fell from an average 6,287 to 6,203 litres.

- Average dairy land area per holding is 128 hectares.
- The proportion of dairy farmers in the region undertaking some on-farm capital investment over the past year was 79 per cent, up from 70 per cent in the previous year.
- Average grain usage has fallen from 2.0 to 1.89 tonnes per cow, per year.
- Prior to purchasing grain feed, 70 per cent of dairy farmers obtained an analysis report ‘at least some of the time’, and 38 per cent ‘always’ obtained a report.
- 82 per cent of farmers typically purchased grains and supplements as required.
- Over the past year, 35 per cent of herds did not graze pasture for a period of time, down from 48 per cent in 2008/09.
- The proportion of respondents ‘fairly to very positive’ about the future of the national industry has eased from 70 per cent to 66 per cent.
- Over half, (56 per cent) of respondents have confidence in the future of the **local** industry.
- Nearly two-thirds (64 per cent) of respondents are ‘fairly to very positive’ about the future of their own business.
- Milk price was nominated as the main challenge currently faced by 45 per cent of respondents, which is a significant increase from 30 per cent in 2008/09.
- Milk price was nominated by 51 per cent of respondents as the greatest challenge they expect to face in future.
- The main area of investment has again been machinery, with 55 per cent of respondents mentioning this in the survey.
- On average, 63 per cent of the farm land set up for irrigation was actually irrigated in 2009/10.
- The percentage of dairy cows culled last year was at 16 per cent of the total, and 4 per cent were sold.
- By the end of 2010/11, 25 per cent of respondents’ herds will consist of heifer replacements.
- The number of farms that produce milk all year round is at 81 per cent, whilst 13 per cent of farms use split or batch calving and 6 per cent calve seasonally.
- 28 per cent of farms were only staffed by the owner or an ownership couple.

Southern/Inland Central NSW milk production - Moving Average Total (MAT) - millions of litres



Survey results, Bega region

- Approximately 100 dairy farmers in the Bega region are expected to produce around 144 million litres of milk in 2009/10, which represents 1.2 per cent of national milk production.
- Average herd production in the region rose 4 per cent, while per cow production increased from an average 6,418 to 6,770 litres.
- Dairy farmers surveyed in the Bega region were milking approximately 260 cows, producing 144 million litres, or 10,780 kg of milk solids (fat and protein).
- The proportion of Bega respondents ‘fairly to very positive’ about the future of the national industry has fallen from 73 per cent, to 63 per cent.
- 67 per cent of respondents currently have confidence in the future of the local industry.
- 47 per cent of respondents nominate climate as the main challenge currently faced in the region, following the recent heavy rainfall.
- Milk price and climate are expected to be the greatest challenge faced by equal proportions of respondents (27 per cent).
- Bega dairy farmers are the least likely of all national respondents to anticipate making a margin over input costs in the first half of 2010, (27 per cent compared with a national average of 50 per cent), and 47 per cent expect to break even, while 27 per cent anticipate making a loss.

- Nearly three-quarters, (73 per cent) of farms in the region produce milk all year round. 23 per cent of farms use split or batch calving, while 3 per cent of farms calve seasonally.
- Production for 2010/11 is expected to remain at current levels.

Milk production outlook, 2010/11

- Production in southern, central and coastal NSW is expected to increase by 0.1% to just over 742 million litres.
- Just under half (45 per cent) of farmers expect to increase their milk production, while 13 per cent plan to reduce their production.
- Surveyed farmers expect to milk 4.7 per cent fewer cows.
- Average production per cow is expected to increase from an average of 6,203 litres to 6,930 litres.
- 34 per cent of farms expect to be producing more milk in three years time, whereas 50 per cent of farmers will have production at or about current levels.
- 6 per cent of farmers do not expect to be in business in three years time.

DairyNSW and Dairy Australia:

– aim to build a sustainable and internationally competitive dairy industry for the benefit of farmers.

– deliver the best possible dairy research, development, extention and industry services across the supply chain.

– are funded by a combination of farmer levy, Government and leveraged funds.

DairyNSW is just one of many examples of Your Levy at Work. For information on your levy investments, visit **www.dairyaustralia.com.au** or **www.dairynsw.com.au**, or telephone 02 6373 1435.

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