



# Dairy in Northern Victoria & the Riverina

Regional Profile from  
Dairy 2009: Situation and Outlook

# Key facts

## Farms in 2009

- ▶ Farms surveyed in the region in 2009 milked around 249 cows, producing 1.5 million litres.
- ▶ Average dairy land area is 144 ha.
- ▶ Step-downs in milk prices in 2008/09 appear to have had the greatest impact in this region, with 87% of Northern Victoria/Riverina farmers affected by price step downs.
- ▶ Step downs have affected the long term plans of 61% of farmers.
- ▶ 41% of farmers affected by step-downs intended to reduce herd size.
- ▶ 62% of farmers in the region undertook some capital investment in 2008/09.
- ▶ Average grain usage dropped from 1.9 tonnes per cow per year to 1.7.
- ▶ 76% of farmers in the region fed only purchased feed for an average of 6 months during 2008/09.



- ▶ Only 38% of land established for irrigation was actually irrigated in 2008/09. Last year Northern Victoria/Riverina farmers used an average of 275ML of water on farm representing on average 35% of their entitlement.
- ▶ The most common production system in the region was split or batch calving on 59% of farms. Around 30% of farms calved seasonally and 10% of farms produced milk all year round.

Source: National Dairy Farmer Survey, February 2009

# The region's status

- ▶ Northern Victoria and Southern New South Wales is one of the largest milk production regions in the national industry and has significant manufacturing capacity and infrastructure.
- ▶ Farm gate prices in the region are generally driven by export returns. However, more fresh milk processors buy a portion of their requirements in the region.
- ▶ Low rainfall and water allocations in the 2008/09 have increased the dependence on bought-in supplementary feeds.
- ▶ Cash flow pressures have forced many producers to make significant changes to their operations. Critical decision-points based on seasonal conditions, irrigation water availability and grain prices will continue to affect the outlook for most producers in the region.



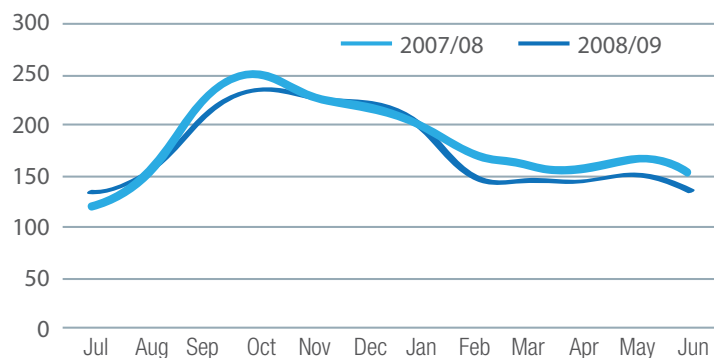
# Dairy in the region

- Some 1,940 dairy farmers are expected to produce 2.1 billion litres of milk in 2008/09, about 23% of national milk output. The estimated value of farm gate production in the region in 2007/08 was \$979 million.
- The dairy industry directly employs around 8,415 people in both farming and processing.
- There are 16 dairy factories in the region including milk processing, milk collection plants and dairy product manufacturing.
- More than 350,000 tonnes of dairy products are manufactured in the region including cheddar cheese, whole milk powder, cream cheese/ Neufchatel, pizza mozzarella and shredded cheese and yogurt.

## Milk companies operating in the region:

- Murray Goulburn
- Fonterra
- Tatura Milk Industries
- National Foods
- Parmalat
- United Dairy Power (UDP)
- Australian Consolidated Milk (ACM)
- Bega Coburg.

Northern Victoria & Riverina – Milk production – M.Litres



# Regional opportunities and challenges

## Advantages

- This region is one of Australia's most productive dairy regions, with significant manufacturing capacity and irrigation infrastructure.
- This region is close to major fodder and grain growing regions.
- Highly digestible home-grown fodder sources can be produced.
- Lower agricultural land values due to less land use competition.
- Modernisation of Irrigation Infrastructure and ability to access \$300 million for on-farm irrigation upgrades.
- Irrigation on heavier soils combined with a reuse system have demonstrated water use efficiencies as high as 85 per cent matching that of sprinkler irrigation. In addition surface irrigation relies on gravity, rather than pumping under sprinkler irrigation which makes surface irrigation a less carbon-intensive irrigation technology.
- The region has a well established and extensive service sector.

## Challenges

- Producers face the challenge of adapting and sustaining their production systems to cope with lower water availability, and feed costs.
- Developing greater flexibility in on-farm irrigation efficiencies is a potential solution to managing changes in climate and water availability.
- Dairy farm systems must be flexible and resilient enough to cope with greater milk price and input cost volatility.



# Milk production outlook

## Outlook for 2009/10

- At the time of the National Dairy Farmer Survey in February 2009, 63% of farmers expected to increase their milk production in 2009/10, while 7% planned to reduce their production.
- Average production per cow was expected to increase in 2009/10 from an average of 6,237 litres to 6,650 litres.
- Milk prices, based on commodity prices and currency movements, will be around 10–15% less than final 2008/09 levels.

## Factors affecting the production outlook

Future production growth has been hampered by the effects of lower milk prices and drought; If seasonal conditions and prices were reasonable, surveyed farmers expected to be milking 6% more cows on average in 2009/10.

- By the end of 2009/10, 21% of respondent's herds will consist of heifer replacements.
- Given the lack of water available for irrigation, efficiencies derived from productivity improvements and water purchasing are essential to future growth.
- Over the next 12 months, 42% of farmers planned to buy additional water entitlement, 28% intended to change their irrigation system and 12% planned to increase the area of land irrigated.



## Attitudes affecting the outlook

- In response to the step down in milk price, 17% of respondents in February 2009 were considering exiting the industry within 12 months. However, with a return to reasonable conditions, just 3% were planning to leave the industry in 3 years time.
- At the time of the survey, and in the event of a return to reasonable seasonal conditions and milk prices, 72% of farms expected to be producing more milk in 3 years time compared with the 2008/09 season, while 19% of farmers expected production to remain at or about current levels.

## On-Farm performance

Farm performance data indicates that rates of return on assets from the highest performing dairy businesses during the past three years are comparable to or better than those achieved in other Victorian dairy regions.<sup>1</sup>

Table 1. Return on Assets—Victorian Dairy Farms 2006/07–2008/09

	North		South West		Gippsland	
	Average	Top 25%	Average	Top 25%	Average	Top 25%
2008–09	3%	10%	4%	8%	4%	7%
2007–08	8%	12%	11%	15%	10%	16%
2006–07	-2%	6%	1%	6%	1%	4%

1. Dairy Industry Farm Monitor Project: Summary of Results 2006/07–2008/09

# The Role of Murray Dairy

Murray Dairy is the Murray region's service delivery arm of Dairy Australia. It is one of eight Regional Development Programs (RDP's) across Australia that exists specifically for the benefit of dairy farmers in Northern Victorian and Southern New South Wales.

Murray Dairy collects the priorities of the region's dairy farmers and allocates part of their service levy (collected by Dairy Australia) to those research and development priorities.

On top of the service levy, Murray Dairy also creates partnerships with other agencies to secure additional funding. Murray Dairy comprises a seven-member board that is responsible for allocating the way in which research and development funds are spent in the Murray Dairy region.

## Murray Dairy's Goals

### VISION

A dairy industry in the Murray Region that is prosperous and fulfilling to its stakeholders, is founded on responsible stewardship of the environment, recognises and innovatively embraces change and is renowned for its competitive advantages.

### MISSION

Murray Dairy seeks to achieve its vision by contributing to grow and secure the dairy industry's capacity to farm in Northern Victoria and Southern NSW through:

- ▶ Maximising the outcomes from collective industry investment in research, extension and industry development.
- ▶ Growing and diversifying the funding base for research, extension and industry development.
- ▶ Working with partners to develop and encourage innovation.
- ▶ Anticipating dairy industry issues from a unique regional perspective and developing appropriate and timely responses.

# Murray Dairy Projects

Murray Dairy has a portfolio of some 20 projects. Main projects operating in the region include:

### DAIRY BUSINESS NETWORKS

Dairy Business Networks are groups of 8–12 dairy farm business that meet 8 times a year with a suitably qualified consultant to:

- ▶ Improve farm business management skills.
- ▶ Review the performance of their business.
- ▶ Analyse future management changes or capital investments.
- ▶ Identify and evaluate opportunities for their businesses.

Murray Dairy currently has 11 DBN groups in place across Northern Victoria and the Southern Riverina.

### MODELLING IRRIGATED DAIRY FARMING SYSTEMS

This research project analyses the impact of potential changes on the profitability of irrigated dairy farm systems. The objectives of the project are to:

- ▶ Analyse the potential consequences of climate/seasonal variability on feed supply for different irrigated dairy farm types.
- ▶ Analyses the effect on farm business performance, risk and energy considerations of productivity changes through such things as irrigation technologies, once a day milking, robotic milking and automated recording.
- ▶ Create strong links with relevant extension projects across the Murray Dairy region.



## FLEXIBLE FORAGE SYSTEMS FOR VIABLE WATER SUPPLIES

This research project aims to:

- ▶ Develop guidelines that assist irrigation farmers to make informed forage selection decision within the constraint of water availability.
- ▶ Develop practical, physiologically-based grazing criteria for adaptive forages to optimize production.
- ▶ Determine the production, water use and persistence of Lucerne under a range of irrigation strategies.
- ▶ Contribute to increased adoption of better adapted forages within irrigated dairy systems through the development of extension information.

## FEASIBILITY AND SUSTAINABILITY OF SUBSURFACE DRIP IRRIGATION IN PASTURE PRODUCTION

This project is investigating the potential benefits of subsurface drip (SSD) irrigation and identifying situations where its adoption should be encouraged. The experiment is occurring on two dairy farms to see how SSD performs on a medium soil at Byrneside (2 hectares) and a light soil at Bunbartha (1 hectare). The three objectives of the project are to:

- ▶ Assess the practical and economic feasibility of subsurface drip irrigation on dairy farms.
- ▶ Evaluate the economic, environmental and social consequences of subsurface drip irrigation on dairy farms and catchment scales.
- ▶ Develop material about subsurface drip irrigation on dairy farms for irrigators, irrigation service providers and irrigation extension and policy programs.



## ACCELERATING THE UPTAKE OF STRATEGIES TO MANAGE HEAT STRESS IN DAIRY CATTLE

With the trend towards higher temperatures and more frequent heat waves associated with climate change, dairy farms in Northern Victoria are significantly impacted and heat stress in dairy cattle is emerging as a key issue for dairy herd managers in the region.

The first activity of the project will be to commission a study to quantify the physical and economic impacts of heat stress likely under climate change probabilities. The next stage will be the development of a Cost Benefit Analysis Tool which farmers and their advisers can use to support investment decisions regarding various adaptation's on their own farm to better manage heat stress. This project will run over two years and conclude March 2012.

## YOUNG DAIRY DEVELOPMENT PROGRAM (YDDP)

The YDDP Program aims to:

- ▶ Develop young dairy farmers and service providers by building their knowledge, skills and leadership opportunities.
- ▶ Develop the dairy industry by improving the information flow and understanding of the industry by young people, in terms of issues and leadership roles within industry.
- ▶ Develop dairy communities by building social networks and increasing the participation of young people in their communities.
  - A YDDP Coordinator manages four local advisory committees that plan and organize activities for young people.





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