



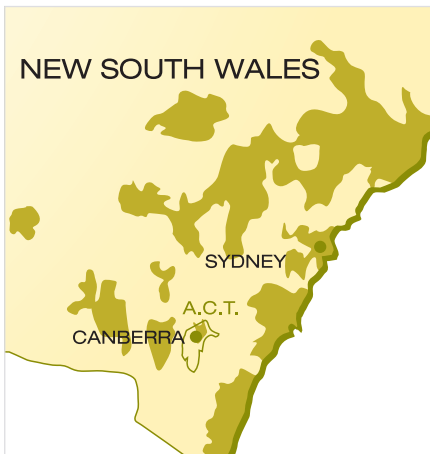
Dairy in Southern & Central NSW

Regional Profile from
Dairy 2009: Situation and Outlook

Key facts: farms in 2009

- The average southern and central NSW farm milks around 316 cows, producing 2.3 billion litres
- Average dairy land area is 140 ha
- Just 16% of southern and central NSW respondents have been affected by price step downs
- Milk price was nominated as the main challenge currently faced in the region
- 70% of farmers in the region undertook some capital investment in 2008-09
- Average grain usage has remained steady at 2.0 tonnes per cow per year
- 64% of land set up for irrigation was actually irrigated in 2008-09
- Respondents sold or culled an average 19% of their milking herd
- By the end of 2009-10, 27% of respondent's herds will consist of heifer replacements
- 10% of milking cows in southern and central areas were crossbreds
- Sexed semen was used in 26% of respondent herds during 2008-09, but at the 'right price' the proportion of farms using this technology would increase to around 71% in the next 12 months
- 23% of farms in the region were staffed by the owner or ownership couple only
- 77% typically purchased grains and supplements as required, while 32% used forward contracts
- 79% of farms in the region produced milk all year round, 16% of farms used split or batch calving, while 5% of farms calved seasonally

Southern & Central NSW Regional Map



Source: NDFS

The region's status

- The region is a large and diverse milk production region in the context of the national industry servicing important regional fresh milk and product markets
- Value of milk across the region is determined from a balancing of:
 - The next best alternative source of whole milk, concentrate or finished product, taking account of logistics and technology
 - Farmgate and marketplace competition within the region
 - The sustainable cost of year-round fresh milk production
- Processors retain a preference for reliably-produced locally-sourced milk to maximise shelf-life for fresh products and minimise logistics and handling costs

Dairy in the region

- Some 580 dairy farmers are expected to produce around 590-600 million litres of milk in 2008/09
- This represents around 6% of national milk output
- The dairy industry directly employs some 1,050 people on farms and a further 1,475 in the processing sector
- The estimated value of farm milk production in the region in 2007/08 was \$285 million
- The FOB value of dairy product exports from the region is estimated to be around \$167 million



Regional opportunities and challenges

Advantages

- The region supplies fresh product requirements for a large metropolitan region that covers more than 5 million people
- Processors maintain a preference for locally produced milk thereby maximising shelf-life for fresh products and minimising handling costs
- Improved milk prices in recent years – as total milk supply has an neared levels of local fresh processing demand – have enhanced opportunities for profitable milk production despite sustained high input costs
- The region has good access to large grain and fodder growing areas
- There is a diversity of production regions

Challenges

- The region has suffered unreliable weather conditions, with some sub-regions in central NSW recovering in 2008-09 after being drought-affected for several years
- Inland production regions in the Murray Darling catchment suffer uncertainty regarding the future entitlement and levels of irrigation water as water policy continued to evolve in the state
- Lifestyle and hobby farms encroaching on traditional dairying regions in many coastal regions
- The rising land values create a barrier to new entrants and farm expansion in the region
- The merger of National Foods and Dairy Farmers may limit the perceived options for producers in some regions to supply NSW markets, although increased competition is expected to evolve over time
- There are ongoing labour shortages in the region due to the number of alternative industries



Dairy 2009 Situation and Outlook

For the full Situation and Outlook report, or for the latest industry statistics, visit www.dairyaustralia.com.au

Milk production outlook

Outlook for 2009/10

- Production in central NSW (which excludes northern and Riverina regions which are included in other regional analyses) is expected to increase by about 1% to near 590 million litres
- 56% of farmers in the region expected to increase their milk production in 2009-10, while 9% planned to reduce their production
- Average production per cow is expected to increase from an average of 7,426 litres to 8,525 litres
- Milk prices, based on ongoing contracts between farmers and predominantly fresh milk processors, will be close to 2008/09 levels
- Milk prices in the region vary depending on the exposure of individual companies to dairy commodity prices (including cheese)

Factors affecting the production outlook

- Surveyed farmers expected to be milking 311 cows on average, producing 2.6 billion litres, an increase of 14%
- By the end of 2009-10, 27% of respondent's herds will consist of heifer replacements
- The two main future challenges mentioned by respondents were milk price (54%), and effect of climate (11%)

- Over the next 12 months, 24% of farmers intended to increase the amount of land irrigated, while 32% of respondents in the region intended to change or upgrade their irrigation systems

Attitudes affecting the outlook

- The proportion of respondents positive about the future of the industry had declined from 76% to 70% this year
- At the time of the survey, and given reasonable seasonal conditions and milk prices, 59% of farms expected to be producing more milk in 3 years time, compared with the 2008-09 season, while 36% of farmers expected production to remain at or about current levels
- While 70% of farmers made investments on their farms in the past year, 54% planned to invest in 2009-10. The number of farmers making capital investment in shedding expected to rise from 1% to 13% of farms
- Based on these expectations and demonstrated growth rates of farmers who intended at the time of the survey to grow their businesses in the future, production from the region could be expected to be in the range 630 to 650 million litres in 3 years' time, compared with an estimated 590 million litres in 2008-09

Contacts & further information



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Dairy Australia delivers the services needed by the Australian dairy industry for its ongoing and future development as a competitive, innovative and sustainable dairy industry that contributes to the overall prosperity of Australian and regional economies.

Advocacy for dairy farmers

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NSW Farmers' Association – Dairy Section

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Industry Association of Australia (DIAA)

www.diaa.asn.au

Dairy Manufacturers

You can find a listing of processors on Dairy Australia's website under "who makes what".



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