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Dairy in Western Australia

Regional Profile from
Dairy 2009: Situation and Outlook

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Key facts: farms in 2009

- The average dairy farm in the region is milking about 306 cows, producing over 2.1 million litres, which is an increase of 12% on last year
- The average size of farms is 235 ha
- 83% of West Australian respondents indicated that they have been affected by price step downs
- While 64% of respondents nominate milk price as the main challenge currently faced in the region, only 30% expect it to be their greatest challenge in future
- 72% of farmers in the region undertook some capital investment in 2008-09
- Average grain usage has eased from 1.8 tonnes per cow per year to 1.6 tonnes
- Respondents sold or culled an average 25% of their milking herd
- By the end of 2009-10, 33% of respondent's herds will consist of heifer replacements
- A low 8% of milking cows in Western Australia are crossbreds
- Sexed semen was more widely used in WA than in any other region in 2008-09, in 45% of respondent herds, but at the 'right price' the proportion of farms using this technology would increase to around 67% in the next 12 months
- 95% of farmers in the region soil test when making decisions about fertiliser types and application rates
- 10% of farms in the region are staffed by an ownership couple only, while 80% of dairy farms have paid employees
- 66% of WA respondents typically purchase grains and supplements as required and 24% forward contract
- 52% of farms in the region produce milk all year round. 40% of farms use split or batch calving, while 8% of farms calve seasonally

Western Australia Regional Map



Source: NDFS

The region's status

- The majority of milk from the region is processed into fresh dairy products. A significant portion has been manufactured into commodity products in the past, although this sector is moving toward manufacture of value added ingredients for export
- Milk prices in the region paid by the two major companies (NatFoods and Fonterra) are driven by a combination of factors which include the value/price that is achieved by Challenge Dairy from manufacturing; domestic retail market competition for milk and fresh dairy products in the WA market; and the price necessary to achieve a secure flow of milk for fresh product requirements
- The WA dairy industry is responding to the increased domestic demand for milk, and export opportunities for value-added products to South-East Asia

Dairy in the region

- Around 170 dairy farmers are expected to produce around 340 million litres of milk in 2008-09, which represents around 3.7% of national milk production
- There are five dairy factories and approximately 10 boutique processors in the region
- The dairy industry directly employs around 2,100 people in Western Australia in both farming and processing
- The estimated value of farm milk production in the region in 2007/08 was \$109 million
- The value of dairy products exported from the region is \$49 million
- Major companies operating in the region include National Foods, Fonterra, Harvey Fresh and Challenge Dairy



Regional opportunities and challenges

Advantages

- This region enjoys a reliable climate and good water supply and has the capacity to process larger volumes of milk
- This region has good access to grain and fodder supplies from the WA grain belt
- Following the weakening of the mining boom, labour shortages have eased

Challenges

- Balance of milk has now shifted to a surplus, for the first time in many years
- Aggressive competition in the WA domestic retail market for milk and fresh dairy products, featuring discounting in both white milk and UHT sectors
- Although land values have stabilised following competition from other livestock industries and lifestyle investors, prices have not declined
- The increasing cost of production has dampened farmers' enthusiasm with declines in milk prices
- A lack of farmer confidence in negotiating a reasonable price for milk is a major inhibitor in the region
- Potential loss of water resources to city demands over the coming years will put a cap on additional licenses and provide significant stimulus to water use efficiency practices



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 Western Australia region is expected to increase by 6% to 340 million litres in 2009/10
- 35% of farmers (the lowest result recorded in the survey) in the region expect to increase their milk production in 2009-10, while 5% plan to reduce their production
- Average production per cow is expected to increase from an average of 6,995 litres to 7,542 litres
- Milk prices, based on commodity prices and currency movements, will be around 10-15% lower than final 2008/09 levels

Factors affecting the production outlook

- Surveyed farmers expected on average to be milking 293 cows producing over 2.2 million litres, an increase of 4%
- By the end of 2009-10, 33% of respondent's herds will consist of heifer replacements
- Potential loss of water resources to city demands over coming years will put a cap on additional licences
- Milk price is both the main current and future challenge facing the region, mentioned by 55% and 30% of respondents respectively

Attitudes affecting the outlook

- The proportion of respondents positive about the future of the industry had risen from 67% to 68%
- At the time of the survey, and in the event of a return to reasonable seasonal conditions and milk prices, 43% of farms (the lowest result for all regions) expected to be producing more milk in 3 years time compared with the 2008-09 season, while 47% of farmers expected production to remain at or about current levels
- While 72% of farmers made investments on their farms in the past year, just 45% planned to invest in 2009-10, with the number of farmers making capital investment in machinery expected to decrease from 40% to 29% 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 350 to 360 million litres in 3 years' time

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.

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Industry Association of Australia (DIAA)

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Dairy Manufacturers

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

