



Dairy in Western Victoria

Regional Profile from
Dairy 2009: Situation and Outlook

Key facts: farms in 2009

- The average farm in Western Victoria milks around 297 cows, producing 1.7 million litres, which is a decrease of 2% on last year
- Average dairy land area is 175 ha
- 94% of Western Victorian respondents have been affected by price step downs
- 70% of farmers in the region undertook some capital investment in 2008-09
- Average grain usage dropped from 1.4 tonnes per cow per year to 1.3 tonnes
- 9,000 hectares, or 84% of land set up for irrigation was actually irrigated in 2008-09
- 72% of respondents had some crossbred cows in their herd
- Sexed semen was used in 13% of respondent herds during 2008-09, but at the 'right price' the proportion of farms using this technology would increase to around 70% in the next 12 months
- 36% of farms in the region are staffed by the owner or ownership couple only
- 79% of respondents typically purchased grains and supplements as required, while 22% used forward contracts
- The most common production system in the region is seasonal calving on 62% of farms. Some 28% of farms use split or batch calving, while 9% produce milk all year round

Western Victoria Regional Map



Source: NDFS

The region's status

- Western Victoria is one of the largest milk producing regions in the national industry, processing milk sourced from outside the region, using its extensive manufacturing infrastructure
- Farmgate prices in the region are driven by export returns and have been affected by the volatility in international dairy commodity prices and sustained competition for milk
- With slow growth in total milk production, companies have been able to more flexibly manage capacity and product mix
- This region is regarded as having significant growth potential for low cost dairy production in the future with land suitable for conversion to dairying available

Dairy in the region

- Some 1,530 dairy farmers are expected to produce 2.1 billion litres of milk in 2008-09
- This represents some 23% of national milk output
- The dairy industry directly employs around 7,300 people in both farming and processing
- Dairy companies manufacturing product in the region include Murray Goulburn Cooperative, Fonterra, National Foods and Warrnambool Cheese & Butter
- The estimated value of farmgate production in the region in 2007/08 was \$850 million
- The value of dairy exports from the region is \$745 million



Regional opportunities and challenges

Advantages

- Inherent advantages of the region are based on the dryland pasture base and relatively reliable seasonal climate.
- Confidence is strongly positive in the region due to favourable seasonal conditions for fodder production
- There is significant manufacturing infrastructure located in the region
- There are few limitations on feed supply, with good access to fodder and grain supplies
- There is flexibility for farmers within the region to adapt cow feeding systems, depending on the season and the supply of feed
- There is potential for conversion of beef and sheep farms to dairy production

Challenges

- Land values have risen considerably in recent years due to dairy competition, and to a lesser extent to land use pressures from tree crops and other livestock industries, as well as investment from lifestyle investors
- Increasing values of land present a barrier to new entrants and farm expansion
- Limitations of current energy and transport infrastructure may limit future development
- Attracting and retaining suitable skilled staff



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 the region is expected to increase 1-2% to 2.1bn litres
- 45% of farmers in the region expected to increase their milk production in 2009-10, while 7% planned to reduce their production
- Average production per cow was expected to increase from an average of 6,038 litres to 6,342 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 303 cows producing 1.8 million litres, an increase of 7.5%
- By the end of 2009-10, 23% of respondent's herds will consist of heifer replacements
- The two main challenges facing the region are milk price (61%) and effect of climate (15%)

Attitudes affecting the outlook

- The proportion of respondents positive about the future of the industry was steady at 80%
- At the time of the survey, and given to reasonable seasonal conditions, 61% of farms expected to be producing more milk in 3 years time, while 35% of farmers expected production to remain at or about current levels
- While 70% of farmers made investments on their farms in the past year, only 28% planned to invest in 2009-10. The number of farmers making capital investment in water supply infrastructure expected to increase from 6% to 15% 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 2.2 to 2.3bn litres in 3 years' time





Contacts & further information

WestVic Dairy

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WestVic Dairy is the dairy industry development body for Western Victoria and aims to help advance the dairy industry in the region.

WestVic Dairy Inc. 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. When the service levy is invested WestVic Dairy creates partnerships with other agencies and attracts other funds to make these priorities happen faster. When the work is completed WestVic Dairy makes sure the findings are communicated to all dairy farmers to increase the profitability and sustainability of the region's dairy industry.

Dairy Australia

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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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Representation for Manufacturers

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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".

Down the track – Dairy 2020

In April 2009 the dairy industry in W Victoria and SE South Australia completed a regional strategic plan, called Down the Track – Dairy 2020. The plan was contributed to by over 1000 farmers and industry providers and ambitiously set a regional target for production of 3Bn litres by 2020; an increase of a third on current production.

The industry believed this could be met if the following 16 sub goals were achieved. An abbreviated and a full copy of Down the Track – Dairy 2020 can be found on the WestVic Dairy web site, www.westvicdairy.com.au

- competitive in attracting, building and sustaining skilled people
- leadership – advocating effectively
- sustainable land and water needs met by supply
- NRM footprint smaller than community expectation
- thrives in a changing climate
- farm, transport & processing, plant and infrastructure that improves productivity
- marketing & processing facilities
- national dairy functions located in the region
- power & communication services of at least an urban standard
- community assets that attract investors and settlers
- profitable farm, processing and service businesses, growing equity
- use and create the best available knowledge
- deliver products the dairy market demands and can afford
- deliver new products / services the market demands
- improving cattle; need met by supply
- cattle feed; need met by supply



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