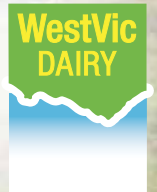


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Dairy 2010 Situation and Outlook

Fact Sheet:

A snapshot of the dairy industry in Western Victoria

Each year, Dairy Australia surveys 1,000 dairy farmers nationally, as part of Situation and Outlook. From this, 180 farmers from Western Victoria were interviewed. This factsheet outlines the results from the 2010 survey.

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 are driven by export returns. Prices have been affected by the volatility in international dairy commodity prices and sustained competition for milk.

Dairy in the region

- Some 1,500 dairy farmers in Western Victoria are expected to produce 2.0 billion litres of milk in 2009/10. This represents about 23 per cent of the national milk output.
- In 2009/10, the estimated value of farmgate production in the region is approximately \$687 million.
- The dairy industry directly employs around 7,400 people in both farming and processing. This represents about 15 per cent of the regional workforce.
- Dairy companies manufacturing product in the region include Murray Goulburn Co-operative, Fonterra, Warrnambool Cheese & Butter and National Foods.
- There is significant manufacturing infrastructure located in the region.
- Inherent advantages of the region include the dryland pasture base and relatively reliable seasonal climate.
- There are few limitations on feed supply, with good access to fodder and grain supplies.
- Within the region, there is flexibility for farmers to adapt cow feeding systems, depending on the season and the supply of feed.

Survey results

- Surveyed farms in Western Victoria in 2009/10 were milking an average 281 cows, producing an average 1.76 million litres, or 131,735 kg of milk solids (fat and protein).
- Between 2008/09 and 2009/10, production levels in respondent herds increased by 3 per cent.
- Average dairy land area per holding is 179 hectares.
- Over half the farmers in the region (58 per cent) undertook some capital investment in 2009/10, a lower proportion than the 70 per cent in the previous year.
- Average grain usage increased from 1.3 tonnes to 1.35 tonnes per cow, per year.
- Of the respondents surveyed, 86 per cent typically purchased grains and supplements as required.
- Of the land set-up for irrigation, 87 per cent was irrigated in 2009/10.
- Over the past year, 22 per cent of herds did not graze pasture for a period of time. This is a significantly lower proportion than the 35 per cent during 2008/2009.
- The most common production system in the region is seasonal calving (63 per cent) of farms. Some 31 per cent of farms use split or batch calving, whilst 6 per cent describe their herds as 'calving all year round'.
- The proportion of respondents in the region that were 'fairly to very' confident in the future of the national dairy industry has fallen from 80 per cent in 2008/09 to 72 per cent in this survey.
- 39 per cent of dairy farmers in Western Victoria anticipate making a margin over input costs during the period from January to June 2010.
- The two main current challenges are milk price, cited by 66 per cent of respondents, and lack of profit (11 per cent), an increase from 4 per cent the previous year.

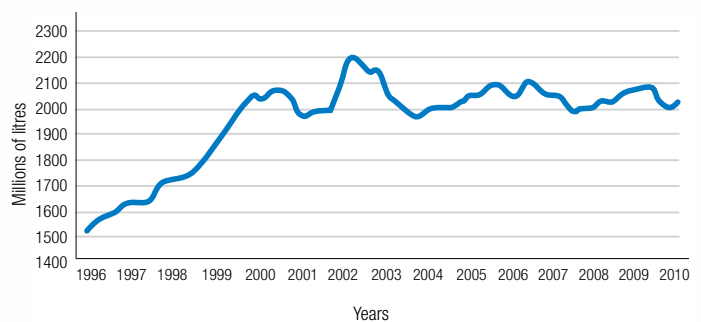


- The two main future challenges are milk price (44 per cent) and the effect of climate/drought/flood (13 per cent), a fall from 22 per cent the previous year.
- Dairy farmers in Western Victoria had significantly more confidence in their region (85 per cent, 'fairly to very' positive) than the national average (64 per cent), but were less confident in their own dairy businesses (75 per cent).

Milk production outlook, 2010/11

- Production in the region is expected to ease by 0.5 per cent.
- Almost half of respondents (46 per cent) are expected to increase their milk production, while 7 per cent plan to reduce their production.
- An average 23 per cent of the herds in Western Victoria will comprise heifer introductions, with 74 per cent of these heifers entering herds in autumn/winter 2010.
- Just over half (51 per cent) of farms expect to be producing more milk in three years time, whereas 39 per cent of farmers will have production at about current levels.
- 5 per cent of farmers do not expect to be in business in three years time.

**Western Victoria milk production – Moving Average
Total (MAT) 1996 to April 2010 – millions of litres**



WestVicDairy 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, extension and industry services across the supply chain.
- are funded by a combination of farmer levy, Government and leveraged funds.

WestVicDairy is just one of many examples of Your Levy at Work. For information on your levy investments, visit www.dairyaustralia.com.au or www.westvicdairy.com.au, or telephone 03 5592 2477.

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