

Dairy 2010 Situation and Outlook

Fact Sheet:

A snapshot of the Western Australia dairy industry

Each year, Dairy Australia surveys a proportion of Western Australia's dairy farmers as part of Situation and Outlook. From the 170 dairy farmers based in Western Australia, 60 were interviewed. This factsheet outlines the results from the 2010 survey.

The region's status

- The Western Australia (WA) dairy region enjoys a reliable climate and good water supply and has the capacity to process large volumes of milk.
- The region has good access to grain and fodder supplies from the WA grain belt.
- The region is responding to the increased domestic demand for milk, and export opportunities for value-added products to South-East Asia.
- The majority of milk from the region is processed into fresh dairy products. Previously, a significant portion was manufactured into commodity products, and the sector is moving toward manufacture of value-added ingredients for export.
- Milk prices in the region, paid by two major companies (National Foods and Fonterra) are driven by a combination of factors. These include the value/price achieved by Challenge Dairy from manufacturing, domestic retail market competition for milk and fresh dairy, and the price necessary to achieve a secure flow of milk for fresh product requirements.
- There is aggressive competition in the WA domestic retail market for milk and fresh dairy products, involving discounting in both white milk and UHT sectors.
- The increasing cost of production has dampened dairy 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.
- Although land values have stabilised following competition from other livestock industries and lifestyle investors, prices have not declined.
- Following the weakening of the mining boom, labour shortages have eased.

Dairy in the region

- Approximately 170 dairy farmers are expected to produce around 338 million litres of milk in 2009/10, which represents around 3.8 per cent of national milk production.
- There are eight dairy factories in the region including milk processing, dairy product manufacturing and milk collection plants.
- The dairy industry directly employs around 2,000 people in WA, in both farming and processing.
- The estimated value of farm milk production in 2009/10 was \$135 million.

Survey results

- Dairy farms surveyed in WA milked about 330 cows, producing (an average) 338 million litres, or 25,300 kg of milk solids (fat and protein).
- Average herd production in the region rose 5 per cent, while per cow production increased from an average 6,950 to 6,958 litres.
- Average dairy land area per holding is 256 hectares.
- One in ten farms in the region is staffed by an ownership couple only, while 80 per cent of dairy farms have paid employees.



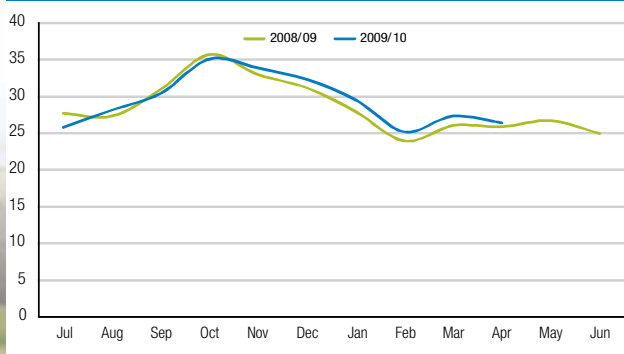
- WA dairy farmers are the most likely to have made on-farm capital investments in 2008/09 (80 per cent), mainly in machinery purchases, (58 per cent).
- Average grain usage has risen slightly from 1.6 to 1.68 tonnes per cow, per year.
- Over three-quarters of respondents (76 per cent) typically purchase grains and supplements as required.
- Over the past year, 47 per cent of herds did not graze pasture—or were totally reliant on supplements and/or conserved feed—for a period of time, down from 58 per cent in 2008/09.
- During 2009/10, 97 per cent of land set up for irrigation was actually watered.
- Just 43 per cent of farms in the region produce milk all year round, and 47 per cent of farms use split or batch calving. 10 per cent of farms calve seasonally.
- During the past year, respondents sold 5 per cent, or culled an average 18 per cent of their milking herd. This cull rate is the second highest recorded in this year's survey.
- Across the state, heifer replacements will represent 29 per cent of respondent herds by the end of next year.
- The proportion of WA respondents 'fairly to very positive' about the future of the national industry has fallen a significant 20 points to 48 per cent, the lowest proportion of all states.
- Negativity about the future of the industry is widespread, with 40 per cent of dairy farmers now 'fairly to very negative'.
- Over a quarter, (28 per cent) are negative about the future due to current milk pricing levels.

- Just 37 per cent of dairy farmers in the region currently have confidence in the future of the local industry, which is 27 points lower than the national average.
- Despite this, 63 per cent of dairy farmers in the region are 'fairly to very positive' about the future of their own business.
- Across WA, 63 per cent of respondents nominate milk price as the main challenge currently faced in the region, and 45 per cent expect it to be their greatest future challenge.
- The number of respondents that nominate the cost of other inputs as a main challenge in the future is at 13 per cent, an increase from 5 per cent in 2008/09.
- While 58 per cent of WA dairy farmers anticipate making a margin over input costs in the first half of 2010, 23 per cent expect to break even, and 17 per cent anticipate making a loss.
- 8 per cent of current dairy farmers, representing 4 per cent of current milk production, believe they will no longer be in the industry in three years time.

Milk production outlook, 2010/11

- Production in the region is expected to increase by 1 per cent to 342 million litres.
- Half the respondents (50 per cent) expect to increase their milk production, while 7 per cent plan to reduce their production.
- Average production per cow is expected to increase from an average of 6,958 litres to 7,103 litres.

WA milk production—million litres— 2008/09 vs 2009/10



Western Dairy 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.

Western Dairy is just one of many examples of Your Levy at Work. For information on your levy investments, visit www.dairyaustralia.com.au, www.westerndairy.com.au or telephone 08 9525 9222.

