



Dairy in Tasmania Regional Profile

DairyTas 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.

DairyTas is just one of many examples of Your Levy at Work.

For information on your levy investments, visit www.dairytas.com.au or www.dairyaustralia.com.au

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The Australian Dairy Industry

- > Around 1.6 million dairy cows on about 7500 farms produce 9.1 billion litres of milk annually.
- > The Australian dairy industry is largely pasture-based, and the average cow produces just over 5,500 litres of milk each year.
- > This makes dairy Australia's third largest rural industry, with a farmgate value of \$3.9 billion.
- > Dairy is one of the largest value added rural industries, with most milk processed in regional areas. The industry generates \$9.3 billion in ex-factory sales each year.
- > The industry directly employs some 40,000 people, on farms and in processing.
- > Australia is a significant dairy exporter – accounting for around 12% of world dairy trade. It is ranked third behind New Zealand and the European Union.
- > Just under half of the industry's production is exported in the form of dairy products such as milk powders, cheese and butter, to over 120 countries with \$2.8 billion generated.

Fast Facts: Dairy in Tasmania

- > This past year around 450 Tasmanian dairy farmers produced over 720 million litres.
- > The dairy industry directly employed over 1900 people on farms and a further 800 in the processing sector.
- > The estimated value of farm milk production in 2010/11 from the region was around \$310 million.
- > Dairy exports from Tasmania are valued at over \$200 million.
- > Average herd size is 330 approx. Average cow production was 5,300 litres.
- > Average dairy farm land area is 182 ha.
- > 62% of farms undertook some capital investment in 2010/11.
- > Around 21% of farms in the region are staffed by the owner, or ownership couple only. Farms employing paid staff comprise 70% of farms.
- > The most common production system in the region is seasonal calving on 64% of farms. Split or batch calving is used on 30% of farms and 6% of farms produce milk all year.
- > Heifers on hand in 2010/11 numbered 46% of the milking herd.

(*Data obtained from Dairy Australia Situation and Outlook Report 2011. Figures are estimates only and may vary by region and by season)

Regional Opportunities & Challenges

Advantages

- > Inherent advantages of the region are based on the dryland pasture base and relatively reliable seasonal climate. There is a reasonable reliance on irrigation to maximise pasture performance.
- > Increasing farmer confidence in the future of the industry and the reliability of the region is sustaining optimism for the region's future production prospects .
- > Land values still represent good opportunity for expansion, particularly in the north west, north east, Upper Derwent and Meander Valley.
- > The main milk processors are looking to invest further in manufacturing infrastructure and will be looking at more milk production.
- > The industry in the region has a good infrastructure, with good cooperation and coordination between industry players.

Challenges

- > Land values have risen in recent years due to land use competition from timber plantations and investment from lifestyle rural investors.
- > There are some limitations on feed supply, and despite good access to fodder, there are logistical challenges with grain supplies, resulting in relatively low use on farm. Supplementary feed comes at a higher cost due to logistics and lack of critical mass of regional infrastructure.
- > 47% of farmers plan to increase milk output in the next 3 years.
- > 75% of farmers feel positive about the future of the dairy industry.
- > 40% of farmers plan investment in the coming year.
- > Heifers entering the herd (measured as a percentage of the milking herd) are expected to increase by about 22% over the coming year.

- > 5% of all heifers on hand in the region were sold this year, 4% for export and 2% domestically.

- > In Tasmania, 81% of dairy cows are fed grain or grain mixes or concentrates at an average rate of 1.15 tonnes per cow per year (up from 1.01 tonnes in 2010).
- > Average per cow production increased 1.9% over the past 12 months, from 5,184 litres to 5,282 litres.
- > Just under half (46%) of the region's dairy farmers anticipate having higher herd production by 2013-14 than the past year, compared to 1% expecting lower production levels. A further 2% believe they will no longer be in the industry by this time.
- > Over the past year, 9% of herds did not graze pasture for an average period of 1.6 months.
- > Calving patterns in the region consisted of:
 - Split and/or batch calving (30%)
 - Seasonal calving (64%)
 - All year round (6%)
- > Throughout Tasmania, 14% of dairy cows were sold or culled in the past year. Choppers accounted for 13%, milkers for 2%.
- > Hay and silage was purchased by 51% of farmers last year. Among those purchasing, 93% bought from a farmer without an agent involved.
- > Compared to 12 months ago, a slightly higher proportion of Tasmanian dairy farmers are confident in the future of the national industry (75% compared to 71%).
- > For Tasmanian farmers, milk price is expected to be the main challenge for their enterprise in future, nominated by 54% which is up from 44% in 2010.
- > 31% of respondents expect to milk more cows over the next year. The average milking herd size is predicted to be around 1% higher than this year.



Tasmanian Dairy: The future

- > 2010/11 has seen a record year for Tasmanian milk production with 722 million litres produced on farm, which is around 8% of the national production. This reflects a very good season for milking cows with regular rains and mild temperatures through much of the growing season.
- > Fonterra's final average milk price of \$5.70/kgMS was also a better than expected outcome. Milk price outlooks for 2011/12 are indicating a similar price should be achievable. Global economic conditions will be important in whether this is achieved.
- > Announcements by National Foods, Fonterra and the new Tasmanian Dairy Products venture of investment in dairy processing capacity is further evidence of confidence up the value chain in the Tasmanian industry.
- > The Tasmanian dairy industry is export focused, with a strong comparative advantage (driven by favourable climate and pasture base) and strong growth potential driven by the private sector (the milk processors) who are leaders in investing in new technology and innovation.
- > Over the last 10 years Tasmanian milk production has increased by over 20%, reaching a record 722 million litres in 2010/11 (see table below). Dairy is now the largest sector of the agricultural industries in Tasmania.
- > We are also seeing investment into the country's first automated rotary milking operation. The Tasmania Irrigation water schemes are on track to secure water for existing farmers in areas like the Northeast and to potentially open up new opportunities in the Midlands.

Changes in the Tasmanian Dairy Industry 2002 – 2010

Measure of Performance	2002	2010	% Change
Cows per labour unit	81	94	16%
Area irrigated	19%	38%	Doubled
Stocking Rates, cows/ha	2.3	2.8	22%
Pasture utilisation	7.5 tonne dm/ha	10.1 tonne dm/ha	35%
Grain use			Up 40%
Nitrogen use			Doubled
Production per ha and per cow up			Around 20%
EBIT \$/ha	\$1,232	\$1,039	Fluctuating
Finance Costs	\$0.30 kg MS	\$0.75 kg MS	Doubled

The table above shows some examples of changes in the past decade with some key indicators around the Tasmanian dairy industry. Some of these measures highlight clear productivity improvements while others indicate an increased input rate without always seeing a real contribution to the bottom line. It could be argued that these significant productivity improvements have managed to keep dairy farmers competitive as they have been faced with rising production costs and increased debt levels.

One of the major challenges for the future is working with farmers to improve their business management and financial management skills to ensure that productivity improvements and innovation translate into a profitable bottom line and that we have the management resources to support the growth and development of the industry.

For a full situation and outlook report, or for the latest industry statistics, visit www.dairyaustralia.com.au

Tasmanian milk production (ML) and milk price (\$/kg milk solids) 1993-94 to 2010-11

