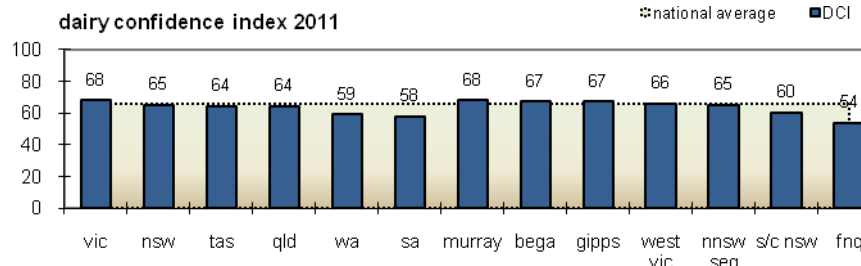


National Summary

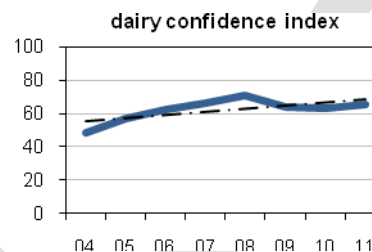
The key findings

Dairy Confidence Index

index	2004	2005	2006	2007	2008	2009	2010	2011
Dairy confidence index	48	57	62	66	71	64	63	66
Production index	67	66	68	71	71	73	71	70
Investment index	26	42	52	51	64	51	53	58
Attitude index	53	63	68	76	77	67	66	69

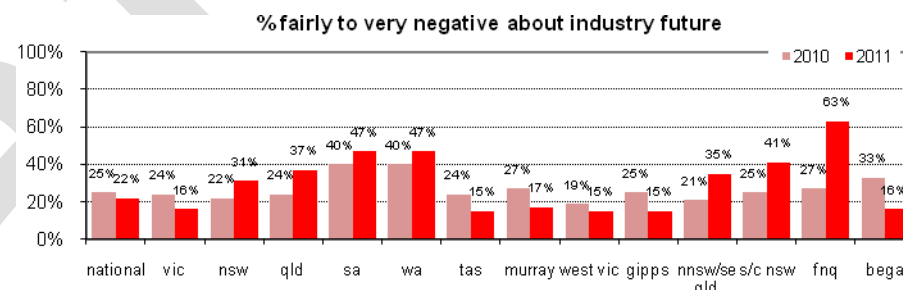
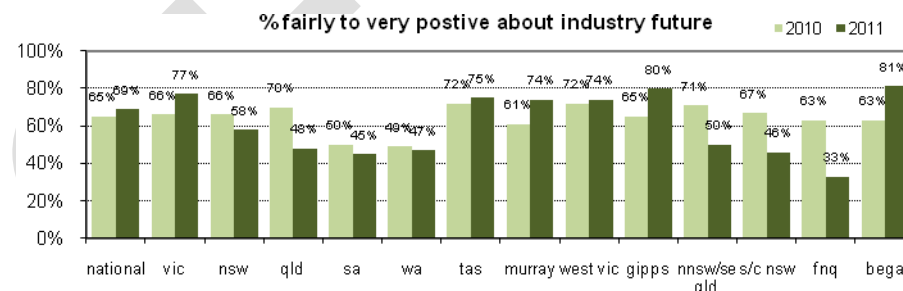
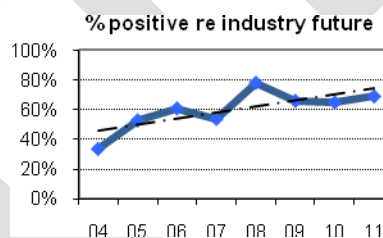


- The Dairy Confidence Index has risen 3 points to 66 after easing for the past two years. It is now in line with the 2007 result and substantially higher than at the survey inception in 2004 when it was 48.
- While the Production component eased again slightly, increases are evident in both the Attitude and Investment components.
- By State and region, confidence is highest in the south east of the country and lowest in SA, WA and FNQ.



Attitudes towards the future

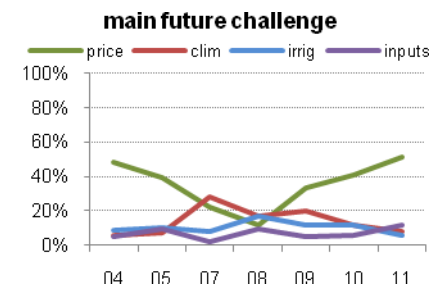
- Survey results reveal 69% of dairy farmers are fairly to very positive about the future of the national industry – a 4 point rise since last year.
- This result masks significant variations by State and region however. While positive attitudes have become more widespread in Victorian regions (particularly Murray Dairy and Gippsland), Tasmania and the Bega Valley, there has been a significant decline in positive attitudes throughout Queensland and most of NSW. The recent trend of decreasing positivity in SA and WA has continued again this year.



- Positive attitudes towards the industry's future are again linked to belief there will be ongoing demand for dairy products (19% of all respondents mentioning), with 12% specifically naming improving export demand and the resultant increase in farm gate price.
- Where dairy farmers are less positive about the future, concerns over recent supermarket milk pricing strategies (16% of all respondents mentioning) and perceived low farm gate prices (15%) are key influencing factors.

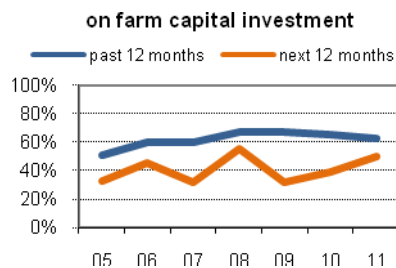
Future challenges

- Across all dairy regions, milk price is nominated the greatest challenge likely to be faced in future (51% nationally saying this is their **main** future challenge), particularly with rising input costs.
- The level of concern over farm gate prices is higher than just post deregulation when the first survey was conducted in 2004.



On farm capital investment

- The proportion of dairy farmers making capital purchases for the farm has remained relatively consistent over the past few years and is 63% this year (65% last year).
- Compared to 2010 survey results, a significantly higher proportion of respondents predict they will invest on farm over the coming 12 months, but historical data suggests the proportion will remain fairly static.
- While consistent results are evident in most regions, WA results are notable due to the significant 20 point fall in the proportion of respondents making capital purchases last year (from 80% to 60%).
- The main area of investment continues to be machinery (23% of all respondents mentioning), but a significantly higher proportion of dairy farmers invested in tracks and laneways last year (16% - up 5 points).



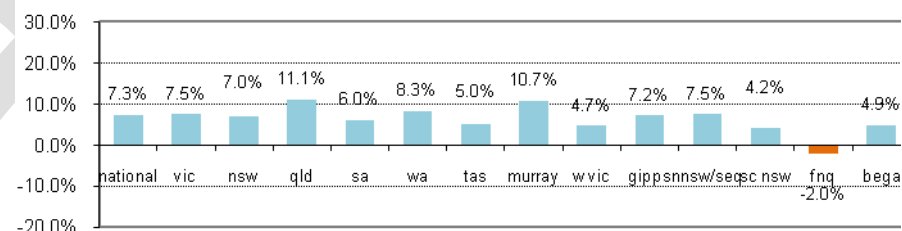
Herd size and composition

- During the past 12 months, 46% of dairy farmers grew their milking herds while 23% dropped cow numbers. This has resulted in an overall increase in respondents' milker numbers, from an average of 263 cows to 275. The median milking herd size has also risen, from 200 to 220 cows.
- Further increases in herd size are anticipated on 38% of dairy farms over the coming year compared to 25% planning to decrease numbers. By the end of the 2011-12 year, average milking herd size is likely to be 282 but the median will remain similar (220 cows).
- Herd turnover rates have remained relatively consistent over the past few years and 17% of the national herd was again sold as milking cows or choppers during 2010-11.
- Over the next 12 months, approximately one quarter of the national herd will consist of heifer introductions, with 44% of these heifers entering during this coming autumn/winter period. These results are similar to those recorded in the 2010 survey.
- The proportion of heifers sold in the past year has also remained relatively consistent with previous years (5%). This result is reflected in almost all regions except for WA, where a significantly higher proportion of heifers has been sold this year compared to last year (29% - up 21 points). The vast majority of these heifers were sold for export.

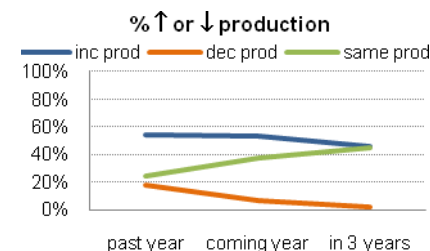
Herd production

- Increased herd size as well as improved per cow production has resulted in higher production levels on half of all dairy farms. Nationally, respondents have increased production by an average 5% during the past year from approximately 1,632,350 litres to 1,718,680⁽¹⁾.
- It has often been claimed that 20% of dairy farmers produce 80% of milk supplied to factories, but survey results reveal this claim is not factual. In actuality, the top producing farms represent 35% of the industry and this group produced 65% of the national volume over the past year.
- Production intentions are generally positive for the coming year, with 53% of farms planning greater production levels. In three years time, 46% of respondents believe their herd will be producing more than over the past year.
- Overall, national production is predicted to be 7.3% higher in 2011-12 compared to 2010-11. Overall increases are expected in all regions apart from FNQ.

% change in production predicted 2010-11 to 2011-12



- Of note, survey data reveals an increasing tendency for maintaining production at current levels and this may impact future volumes.
- Average per cow production rose 1.5% to 6,057 litres during the past year and is expected to rise a substantial 7.7% to 6,522 litres over the coming year.



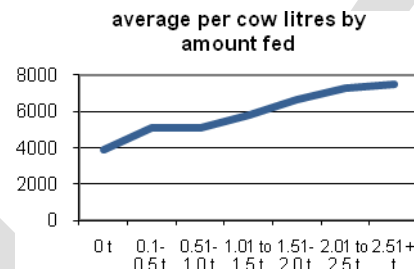
⁽¹⁾ Extrapolated data may be overinflated due to weighting figures not taking recent industry exits into account (see footnote Section 9.1 for more detail).

Impact of floods/cyclone/drought

- Recent weather events have resulted in production losses in all regions affected.
- The most extensive impact has been in northern NSW/SEQ where flooding resulted in 50% of respondents losing production. Additionally, 15% predict further losses next year.
- In FNQ, 33% of respondent herds lost production due to cyclones and 10% predict ongoing losses.
- Twenty percent (20%) of Murray Dairy respondents lost production due to floods and 9% expect additional losses next year.
- Drought has resulted in lost production on 30% of WA farms, with 8% believing losses will continue into next year.

Supplementary feeding

- The proportion of dairy farms feeding grain, grain mixes or concentrates remains very high at 95%.
- The average tonnage fed out has increased slightly over the past year, from 1.6 tonnes to 1.7 tonnes. There is again evidence in survey data that per cow production rises substantially with the amount of grain fed.
- The incidence of cows being fed entirely on supplementary feed (31%) and not grazing pasture has reduced further this year in all regions except for Murray Dairy (62%) and SA (52%). The length of time cows did not graze pasture is also generally lower (4.0 months compared to 4.6 months previously).
- Both grain and hay/silage are still typically purchased as required (85% and 78% respectively of those purchasing).
- The growing trend for dairy farmers to purchase grain from mills has continued (up a significant 5 points this year to 50%). In comparison, there is a trend away from purchasing through merchants (down 5 points to 31%) and directly from growers without the assistance of an agent (down 2 points to 21%).
- The trend to purchase hay and silage directly from growers without an agent has continued and is up a significant 6 points to 78%.
- Feeding moderate to high feed in the bale is again the preferred system for 54% of dairy farmers. Eighteen percent (18%) feed a PMR, TMR or hybrid system – no real change from 2010 survey results.



- Approximately two thirds of dairy farms have implemented a strategy of transition or lead feeding cows prior to calving. The most common system used is based on a mixture of pasture, hay and a commercial transition supplement (52% of respondents who lead feed).
- In most cases, this diet is also fed to springing heifers for between 1 and 3 weeks.

Animal welfare

- In hot weather, cows on most dairy farms can access shade in the paddock (85% of farms). Additionally, shade or cooling is available at the dairy on 44% of farms and clearly there is scope for improvement in this area.
- Approximately half the calves born on dairy farms are transported in their first couple of weeks. Survey results provide substantial evidence the vast majority of these calves will be sent at the appropriate age due to reliable systems being in place to identify sale calves' date of birth. Ninety-seven percent (97%) of farms selling young calves would be able to provide evidence (if required) of these calves being fed within 6 hours of being transported.
- The 3 Step Calf Plan is being fully implemented on 79% of dairy farms, although not all these farms are aware of the program's brand.

People in Dairy

- The number of people working on dairy farms has risen to approximately 31,000 and the proportion of farms run by an owner operator only or the owner and a partner continues to fall (now 29%).
- Survey results again reveal the importance of providing ongoing support to dairy farmers to retain staff due to a high proportion of people new to the industry being recruited over the past year to work on farms and who clearly will require additional training.
- Work related injuries have occurred on 14% of dairy farms over the past 12 months, with approximately 26,000 working days in total being lost as a result.

Industry exits

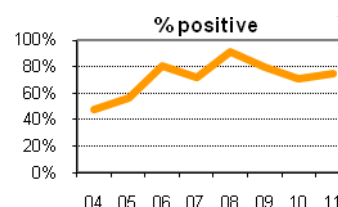
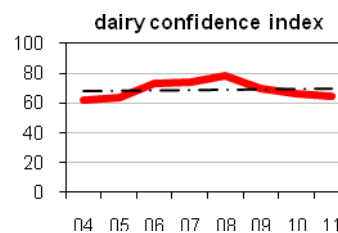
- Over the next three years, 5% of current dairy farmers believe they will no longer be in the industry.
- Contacts made as part of this year's interviewing process suggest that 15% of all levy payers still on Dairy Australia's database are no longer operating as dairy farms – some of whom will have left over the past year.

Dairy Tas summary

index	2004	2005	2006	2007	2008	2009	2010	2011
Dairy confidence index	62	64	73	74	78	70	67	64
Production index	73	68	73	72	74	73	70	70
Investment index	50	56	67	67	75	62	54	53
Attitude index	64	68	80	82	85	75	75	71

- The past year has seen The Dairy Confidence Index for Tasmania decrease a further 3 points to 64, lower than both Victoria (67) and NSW (65).

While the Production component of the Index has remained steady, there has been a 4 point fall in the Attitude component and a 1 point easing in the Investment component.



- There has been a slight increase in the proportion of Tasmanian dairy farmers fairly to very positive about the future of the national industry (from 71% last year to 75%). This proportion remains slightly higher than the national average of 69%.
- Milk price is nominated by 54% of Tasmanian farmers as the **main** challenge they expect to face in future, While the variation from last year (44%) is not significantly different, it is a 10 point increase.
- Similar to 2010 survey results, 62% of Tasmanian respondents made a capital purchase over the previous year. Purchases mainly included irrigation equipment (mentioned by 16% of all respondents), tracks and laneways (16%) and machinery (15%).
Forty percent (40%) of respondents believe they will make capital purchases next year, expecting to spend mainly on tracks and laneways (12% of all respondents mentioning) and water supply (dams/bores/troughs/etc. 10%).
- Over the past year, 59% of Tasmanian respondents increased their milking herd size compared to 17% reducing cow numbers. The average respondent milking herd size increased by 6.02% from 349 to 370 cows (median 260).
- Thirty-one percent (31%) of respondents expect to increase milking cow numbers over the coming 12 months compared to 20% anticipating a decrease. The average number of milking cows is likely to be 1.08% higher than this year (374 cows; median 280).
- Throughout Tasmania, 14% of dairy cows were sold or culled in the past

measure (note: base may be filtered – check main tabulations)	2011 region result	2011 national ave	2010 region result
Dairy Confidence Index	64	66	67
Positive about national industry future	75%	69%	71%
Negative about national industry future	15%	22%	24%
Milk price greatest future challenge	54%	51%	44%
Invested on farm past year	62%	63%	61%
Plan investment next year	40%	50%	44%
Ave herd size this year	370	275	322
% change since last year	6.02%	4.56%	2.36%
% change expected next year	1.08%	2.55%	-0.42%
Predict smaller herd due to floods	1%	1%	n/a
Heifer introductions next year	21%	24%	22%
% heifers sold for export	4%	4%	11%
Ave production this year	2,116,510	1,718,680	1,585,200
% change since last year	9.9%	5.3%	-4.3%
% change expected next year	5.0%	7.3%	14.1%
Predict lost production due to floods	2%	4%	n/a
Predict greater production in 3 yrs	47%	46%	54%
Average tonnes grain/supplements fed	1.15	1.66	1.01
Bought grain/supplements as required	82%	85%	80%
Bought grain from grower w/out agent	5%	21%	11%
Bought hay/silage	51%	53%	50%
Bought hay/silage from grower w/out agent	93%	78%	93%
Lead feed	62%	65%	n/a
Have shade/cooling in paddock	72%	85%	n/a
Have shade/cooling at dairy	15%	44%	n/a
% of calves not transported	44%	48%	n/a
Have permanent system to identify calf age	99%	94%	n/a
Can prove calves fed 6 hrs prior to transport	99%	97%	n/a
Run by owner operator or partnership only	21%	29%	26%
Farms with paid roles	70%	64%	69%
% paid employees new to industry last year	9%	17%	n/a
Offered inducement to retain staff	61%	62%	n/a
Farm worker(s) sustained injury	12%	14%	n/a
Farms recruiting people next year	20%	18%	23%
Contacted, said no longer dairying	18%	19%	10%
Potential exits over next 3 years	6%	5%	6%

year, Choppers accounted for 13%, milkers for 2%.

- Heifer replacements are likely to represent 21% of the State's herd by the end of the next 12 months, with 70% entering herds in spring/summer.
- Five percent (5%) of all heifers on hand were sold this year, 4% for export and 2% domestically. The proportion sold for export this year has been significantly lower than last year (11%).
- Compared to 2009-10, production was higher in 65% of respondent herds in 2010-11 while falling in 11%. Average production rose by 9.9%, from 1,926,070 litres to 2,116,510. The average per cow production increased 1.9% over this time, from 5,184 litres to 5,282 litres.
- Next year, 47% of respondents expect higher production levels from their herd, while 7% predict lower production. The average production is expected to be 5.0% higher on average for the State, reaching 2,223,000 litres for the year.
- Just under half (46%) of the State'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.
- It is often claimed that 20% of dairy farmers produce 80% of the milk, but survey results reveal that in Tasmania last year, 42% of farmers (those with more than 300 cows) produced 76% of milk.
- In Tasmania, 81% of dairy herds are fed grain, grain mixes or concentrates at an average rate of 1.15 tonnes per cow per year.
- Over the past year, 9% of herds did not graze pasture for an average period of 1.6 months.
- Grains, grain mixes and concentrates are typically bought as required (82%), mainly from a merchant (55%) or feed mill (37%).
- Hay and silage was purchased by 51% of farmers last year. Among those purchasing, 93% bought from a farmer without an agent involved.
- Sixty-two percent (62%) of respondents lead feed and of this group, 86% feed a transition diet to springing heifers.
- In hot weather, cows on 72% of farms have access to shade or cooling in the paddock and 15% of farms provide shade or cooling at the dairy.
- Fifty-four percent (54%) of calves born last year were transported in the first few weeks of life and to ensure their correct age is known, 99% of farms selling calves have a permanent identification system and/or keep them in separate pens.
- Should it be necessary, 99% of farms could prove calves are fed within 6 hours of transport.

Results highlighted in **blue** indicate significant difference in regional result and national average
Results highlighted in **yellow** indicate significant difference between 2011 and 2010 regional results

- Currently, 21% of dairy farms are run by the owner and a partner or by an owner operator only. Farms employing paid staff comprise 70% of all farms.
- Approximately 887 people have paid positions on dairy farms and 283 of these people recently joined the farm on which they are employed. Almost one third of the people joining farms last year (81) are new to the industry.
- Over the next year, 20% of respondents expect to recruit staff. Approximately 104 people are likely to be recruited while 49 will potentially be laid off.
- Ten percent (10%) of farms where more than one person works have trainees/apprentices and on 5% of farms these trainees/apprentices are in their first year.
- Inducements were offered to retain staff on 61% of farms with paid workers.
- Work related injuries occurred on 12% of farms resulting in approximately 1,200 days lost.
- Over the next three years, 6% of current dairy farmers believe they will no longer be in the industry.
- Contacts made as part of this year's interviewing process suggest that 18% of all levy payers still on Dairy Australia's database are no longer operating as dairy farms.

- The 3 Step Calf Plan is being implemented on 75% of Tasmanian dairy farms, but a much lower 41% are aware of the program's brand.

draft