

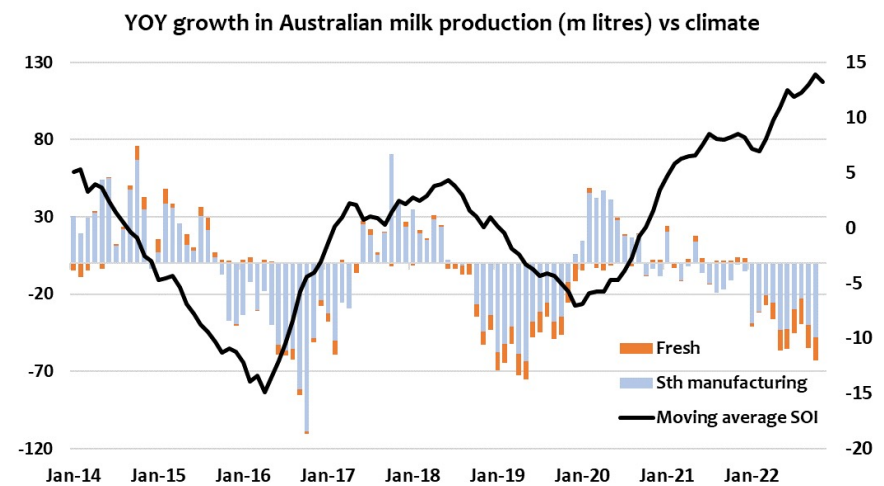


## ADC Research Report - Can the long-term decline in Australian milk production be reversed?

As an independent, respected and non-political body, the ADC also commissions research from time to time that to prompt industry discussions and debate on strategic issues on topics that are of significant interest and importance to the industry such as optimising returns from the farmgate and industry advocacy and leadership.

In August 2022, ADC facilitated an industry workshop involving selected farm consultants working at the coalface together with leading, profitable farmers from across Australia. The workshop was developed by the ADC Board in consultation with John Mulvaney and with support from Dairy Australia (DA). The workshop included representation from farmers and consultants from all Australian dairying regions and was attended by over 30 participants.

As well as offering background on industry conditions that prompted the workshop, this report seeks to draw out national themes as well as highlight regional nuances



drawn from discussions on the day, and the feedback from groups representing each dairying region.

### Why has Australian milk production fallen and can the trend be reversed?

There are many factors that have affected Australia's milk productions over the past two decades including market and climate volatility, competition for land and other resources from other agricultural and non-agricultural users as well as knocks to confidence due to processor claw-backs and \$1 per litre milk strategies from major supermarkets.

Now, with successive seasons featuring favourable weather

conditions and historically high prices, milk production continues to decline. The question is increasingly being asked, if the industry cannot grow under these conditions can this decline be reversed in the future?

The workshop participants agreed there is no "silver bullet" when it comes to reversing the decline in national milk output. At an individual farm level, decisions about whether to increase production are dependent on many factors, including:

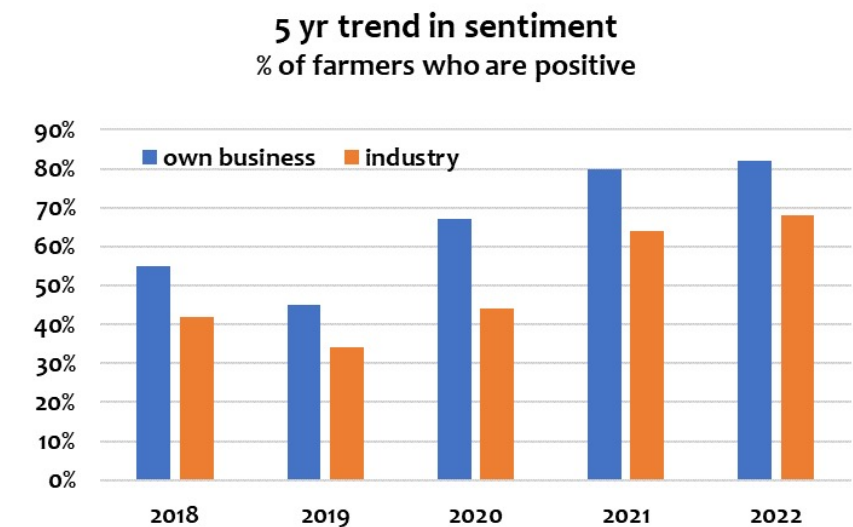
- Availability of labour and the likelihood of succession
- Attitude to risk and ability to mitigate risk

- Farm profitability and access to finance
- Lifestyle preferences
- Climate and water availability

While there were issues that could be region-specific these factors tended to feature across the country in dairy farming operations. These decisions are being made in a wider context of strong prices for other agricultural commodities such as beef, which are less labour-intensive and high land values that offer opportunities to exiting farm families.

One of the key issues identified by the workshop was the replacement of these exits, given the high capital hurdle and lack of a pathway faced by potential new entrants. New business models and a different type of corporate investor could play a part in the future development.

Skilled people are integral to the industry's future and there was recognition from the workshop participants that competition will remain intense. Investing in people, through education and training that addresses the needs of farm businesses, rewards employees and lifts the professionalism of the industry will be critical. As the complexity and climate



Source: Nat Dairy Farmer Survey, Dairy Australia

challenges of dairy farming increase in future, the ability to successfully adopt new technologies and manage risk will be vital.

Along with skilled labour, one of the common themes from the workshop related to attitude and industry "culture". It was recognised by the workshop that the ability to build wealth in the dairy industry is not discussed enough, and the tendency is to "talk the industry down". While hard to harness and quantify, it undoubtedly plays a part. Who determines the culture?

A strong message from the workshop discussion is that it is up to everyone in the industry, farm owners, service providers, institutions and organisations like the Australian Dairy Conference to foster a positive culture.

### What next?

The workshop discussions have heavily informed the "The growth conundrum" session at this year's Conference, while issues such as disruption and succession will be covered in other sessions.

The Australian Dairy Conference board acknowledges the contribution of Workshop participants – farmers, consultants and researchers - to this important industry conversation.

**A full report with the detailed regional workshop findings and recommendations for future work will be available on the Australian Dairy Conference website in March 2023.**

