Supply chain evolution – what’s the future hold?

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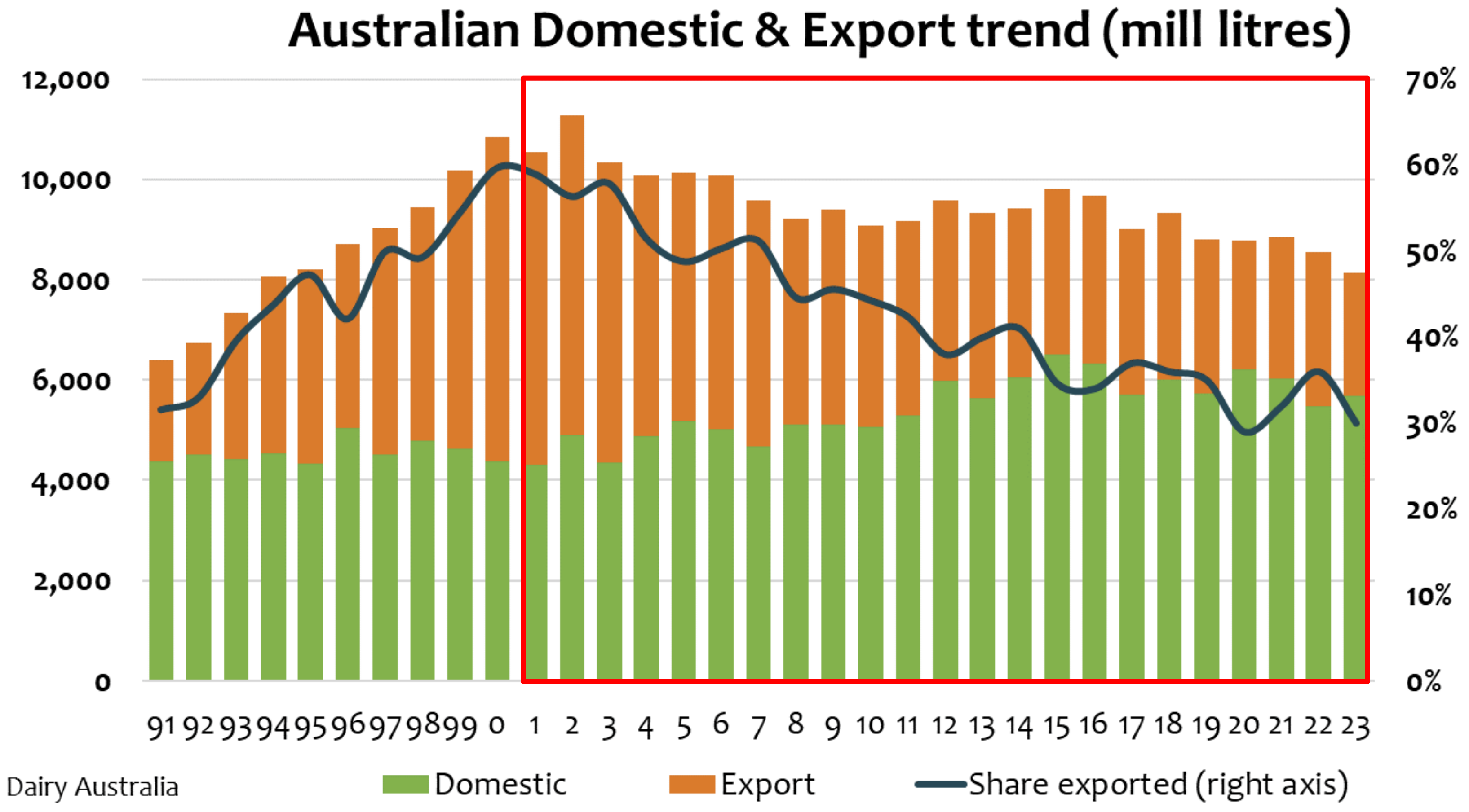
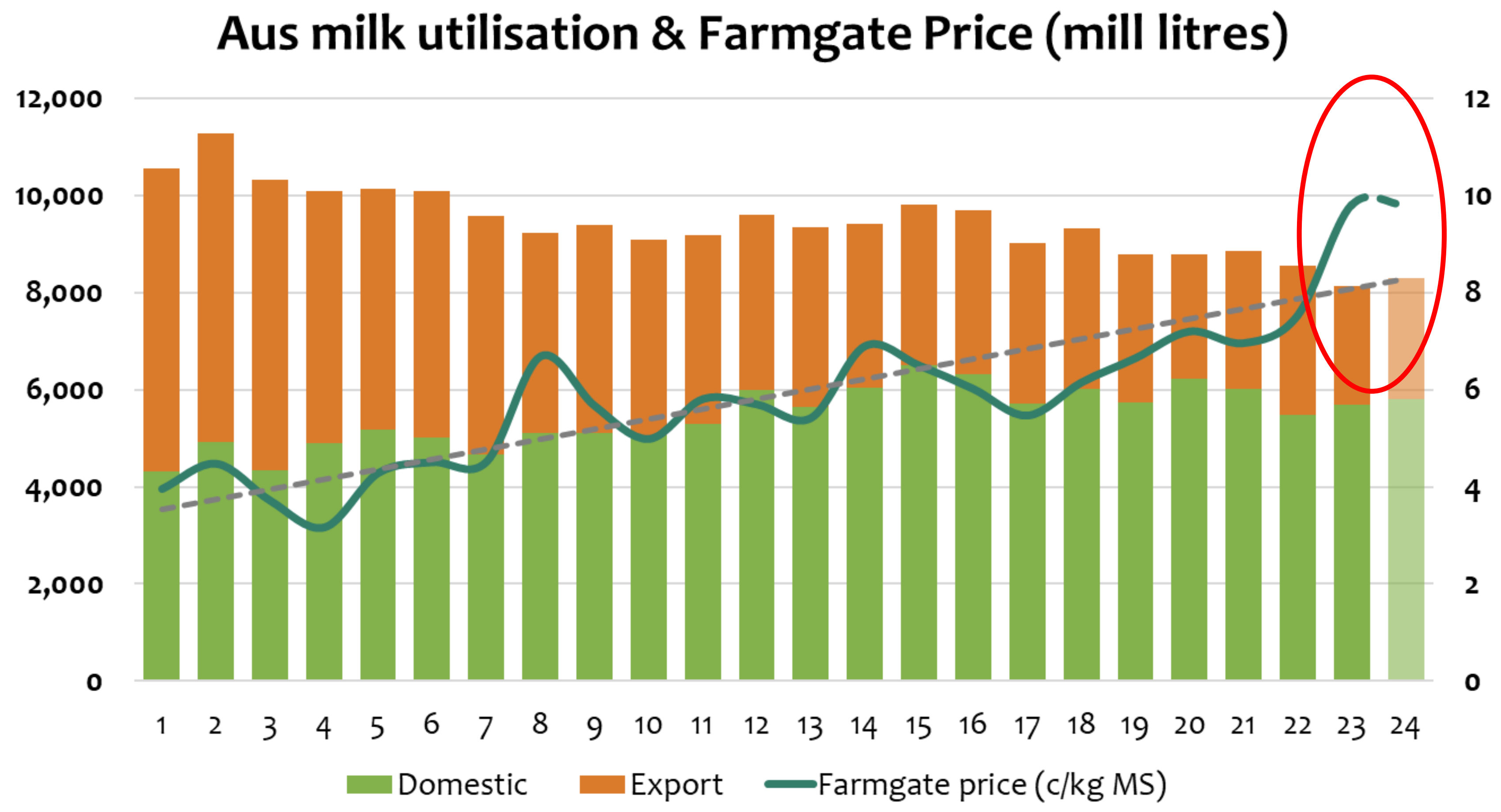
Where we've been

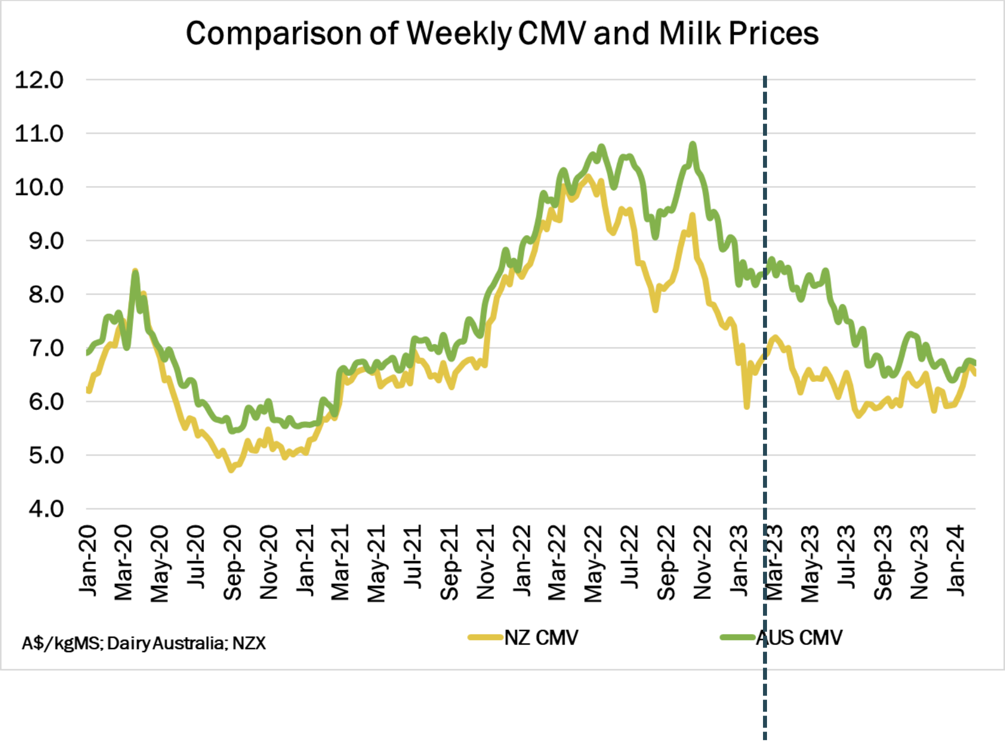
Production & product mix



Farmgate price trend is positive

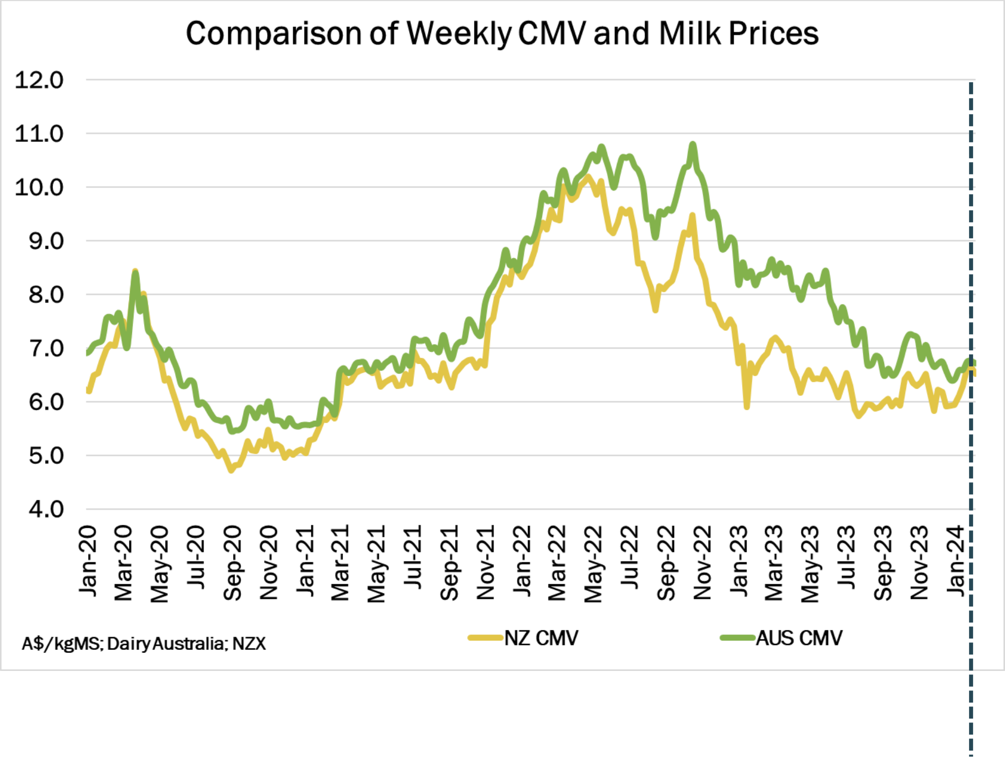


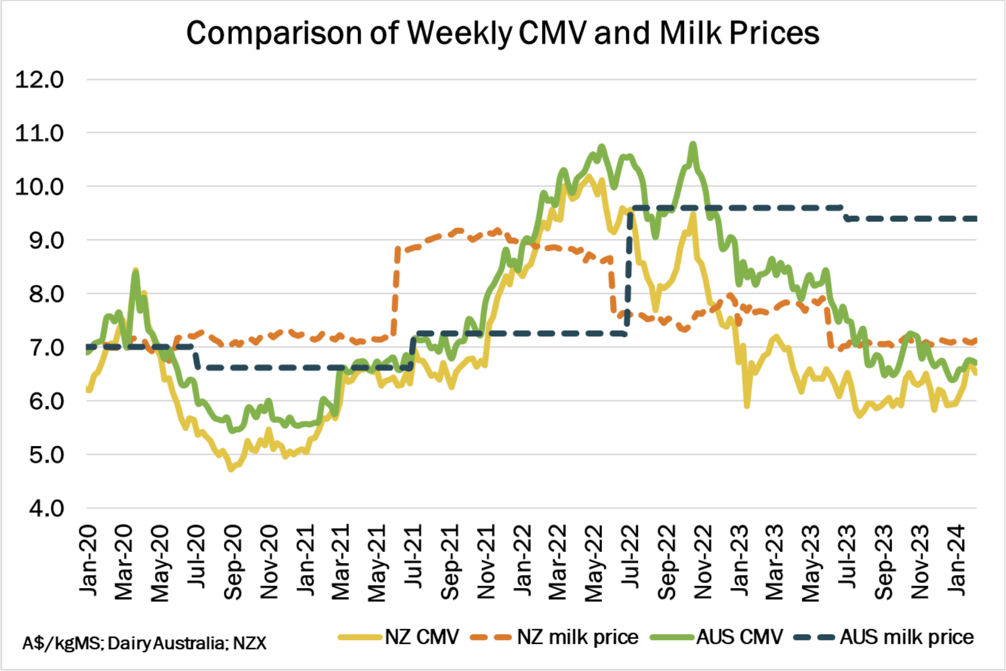
How has this season panned out?



This time last year! A tipping point?

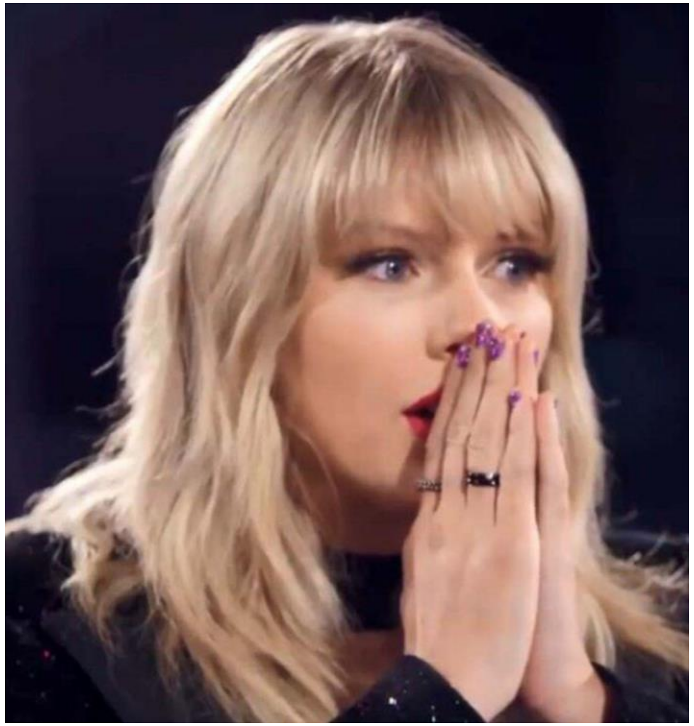
How has this season panned out?





Yeah. Nah. The gap has closed!

How has this season panned out?

Farmers	Dairy companies	Supermarkets
		

Where might we be going?

Production impacts product mix

- **At 6bn litres** ingredients limited
- Similar shares for **fresh products & cheese**
    - >40% of milk by 2030
- **Peak milk management** challenge
    - How will **Spring** milk be **used**
    - How will it be **valued**?
- *"Fresh milk near the market, commodities near the milk"*

Must make (other than export UHT): 1–3

Order of vulnerability: 4–7

Hierarchy for milk use	
1	Fresh milk (including UHT)
2	Fresh cream
3	Dairy foods
4	Fresh cheese
5	Cheese • Branded retail • Private label retail • Foodservice
6	Discretionary cheese
7	Ingredients (milk powders + fats)

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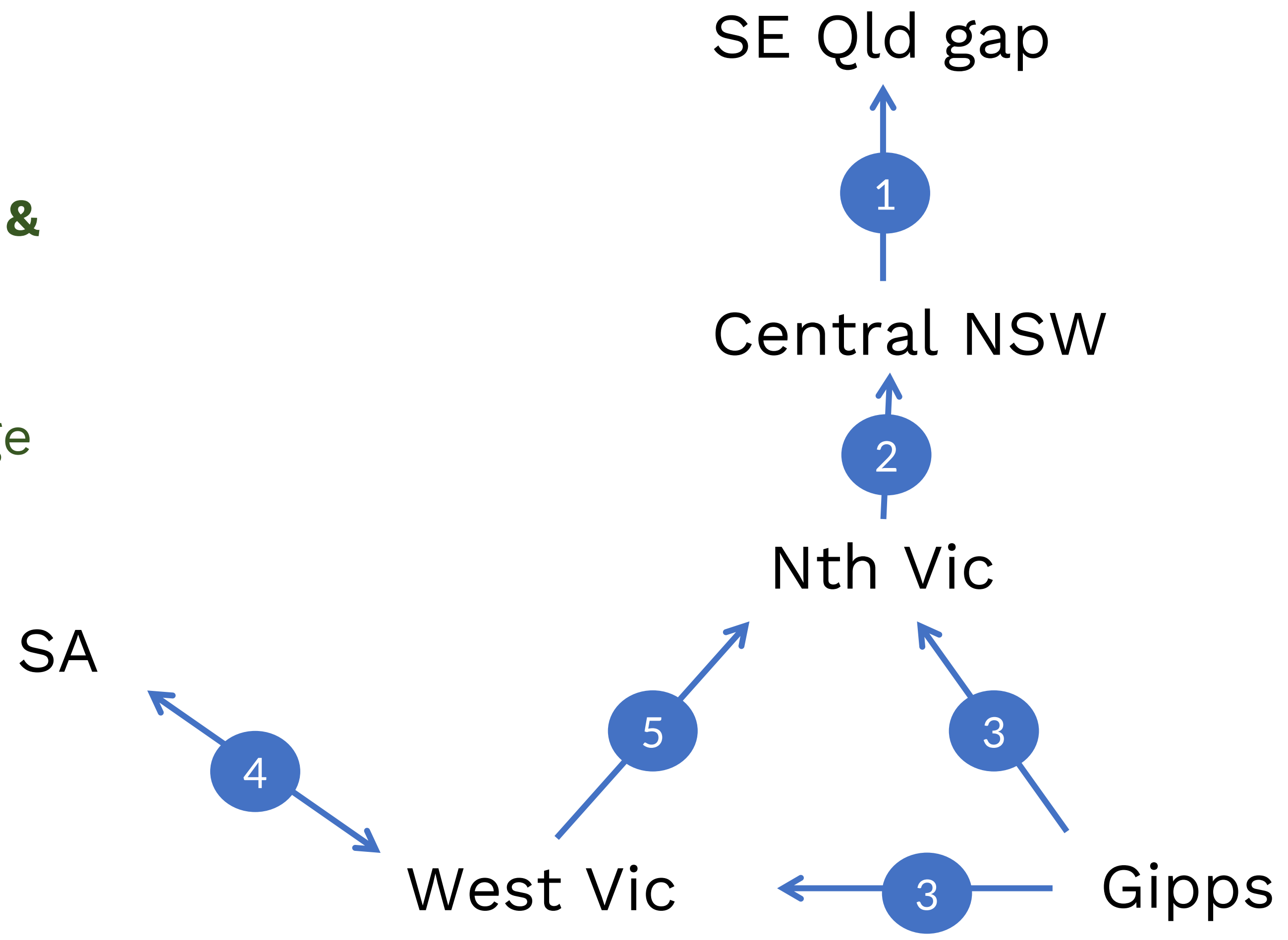
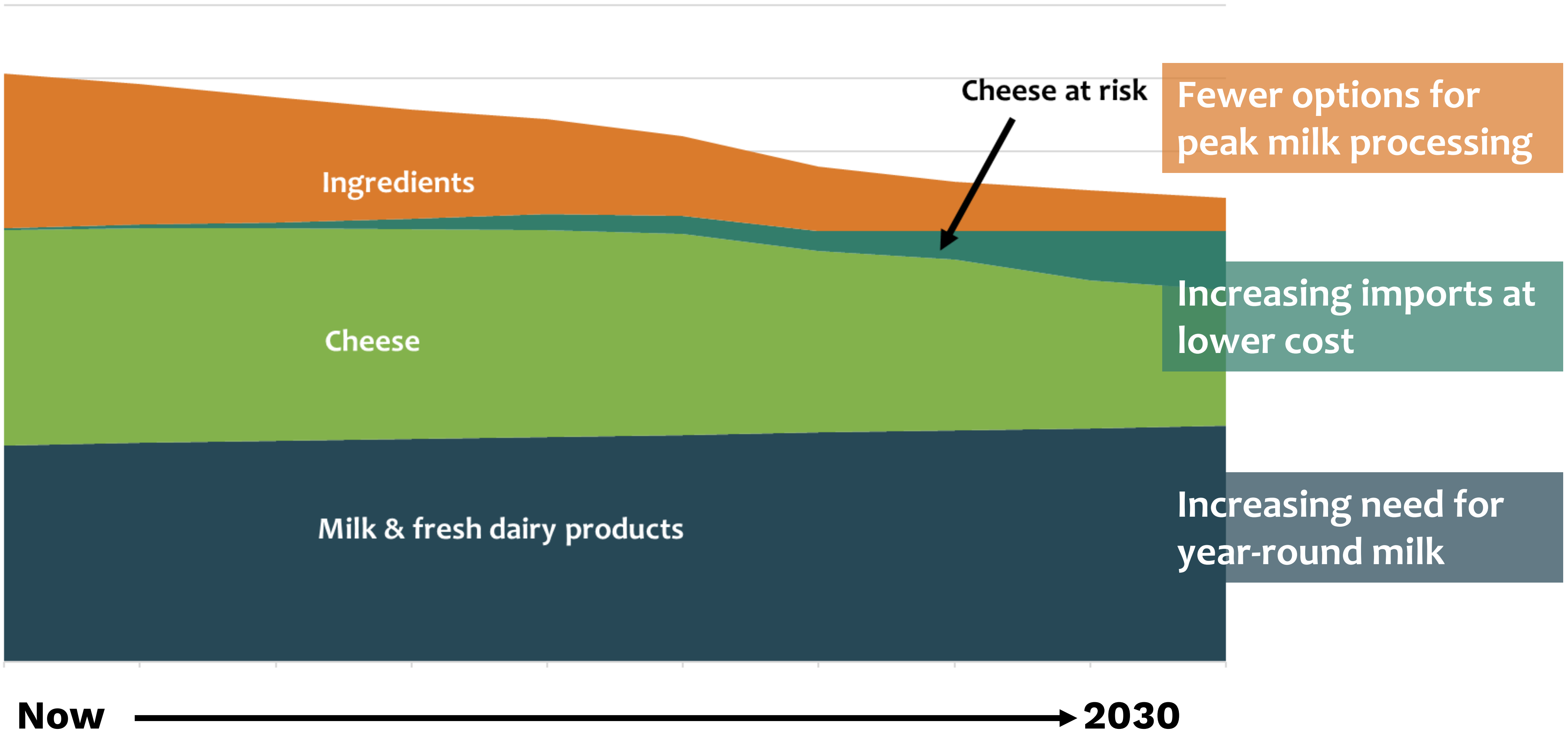


Product mix scenario toward 6bn litres



Supply chain scenarios

Smaller ⟷ **Larger**

Smaller

- **Uncertain** capacity commitment
- **Fewer buyers** for milk
- Milk value at risk (competition & demand)
- More attractive **import market**
- **Less incentive** for innovation & investment
- Higher **conversion & logistics** costs
- Fewer **specialised support services**
- Less community & policy influence
- Smaller GHG emissions!
- More **pressure to consolidate**
- **Retailers** seeking supply **security**

Larger

- High **exposure to commodities**
- More buyers for milk
- **Milk value at world market**
- Greater scope to **diversify**
- More **investment**
- Greater **supply chain collaboration** for competitiveness
- Greater policy & community influence

Is there a sweet spot?

Everyone's winning

- **Where Ausdairy can compete and win?**
- **Deliver to the customers we want?**
- **Manage growth with demand**
- **Invest AND consolidate?**

- **What models will work?**