



The last nine months in a nutshell

In the last nine months YDDP membership has grown to just over 1200, a 10% increase over that period. During this time 33 events have been run throughout Gippsland and the south west.

The events have included 23 technical events, mainly with an emphasis on building management knowledge & skills, two "4 Teats – Churn Milk into Money" seminars in Gippsland focusing on building great working relationships on farm and succession planning, a major "Milk it 4 More" expo in the south west and seven networking events.

An average of 38 people attended the YDDP events throughout the regions and indicated an overall average satisfaction rating of 4.3, where 4 indicates a "very good" event and 5 an "excellent" event. Congratulations must go to the regional coordinators and local advisory committees for these excellent results.

Thanks must also go to all of our sponsors for without them we simply would not exist. Check our website www.yddp.org.au for the full list of those organisations who are backing the future of dairy. If your milk company is not on the list we would be only too happy to speak with them.

Cattle Underpass Scheme now accepting applications

Following on from the announcement in October of an additional \$2 million funding for the Cattle Underpass Scheme (CUPS), the VFF are pleased to announce that the program is now approving applications.

The previous stock crossing program which had been running for 11 years had been highly successful with a total of \$11.5 million being made available through Regional Development Victoria (RDV).

The CUPS program, again funded through RDV's Regional Growth Fund, will provide grants of 33% of the cost of constructing underpasses up to \$50,000 to farmers to separate stock from road traffic. The safety of farmers and the motoring public on roads where farmers cross stock on a regular basis is paramount and the funding of this program will improve safety of rural roads for motorists, farming families and their employees.

The Cattle Underpass Scheme has four core objectives:

- Improving road safety;
- Advancing workplace safety for farmers and their employees;
- Developing farm efficiency and productivity; and
- Removing impediments to the expansion of dairy farms and industry growth.

An evaluation of the program undertaken by RDV last year showed that the majority of farmers found the installation of a cattle underpass to have improved safety for them and their employees, allowed greater peace of mind, increased effective farm management and kept stock off roads.

In order to better evaluate the program's effectiveness, applicants must fill in an application form with additional questions on current farm practices and agree to a phone interview a year after the underpass is installed. This information will be used to assess the impacts of the underpass compared to before the installation and will allow the VFF to determine the success of the program and will assist for future funding applications.

Due to the overwhelming number of applications for the CUPS program, new applicants will again be placed on a waiting list. Applications will be assessed based on the four core objectives noted above and date of application.

A copy of the new application form and guidelines can be downloaded from the VFF website www.vff.org.au

For more information please contact the VFF on 1300 882 833.



Waterpool is established to provide transparent and ethical water trading for all water users.

Waterpool is a company governed by a co-operative constitution whose membership base are the shareholders of the company.

Waterpool operates under established co-operative principles and provides a pooled exchange trading model that:

- Supports a fair and ethical trading environment,
- Conducts trades in an open and transparent manner,
- Provides a published current price reference point for market participants,
- Ensures confidentiality of trade and trader information.
- Publishes and adheres to developed pooled exchange trading rules.
- Ensures the weekly trading process is independently audited.

For further information regarding Waterpool please contact the Waterpool Office at:

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PO Box 274, KYABRAM VIC 3620
Phone: 03 5853 2333
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HOTLINE

Newsletter of the United Dairyfarmers of Victoria

It's a long game that we play *by Kerry Callow*

In challenging times it is often difficult to be positive about the future without seeming to be dismissive of the realities in which we find ourselves. The past twelve months has seen the terms of trade for farmers decline resulting in severe financial pressure. The UDV acknowledged this pressure at the time of the opening prices and responded by initiating an industry discussion around milk price structures and milk payment systems.

The UDV took this direction because we questioned whether what we were doing within the industry was contributing to a higher pre farm gate cost of production. We sought an industry solution, focussing on an area that was within our control.

In recent times we have been criticised for not seeking government intervention in the form of cash assistance. As farmers we can rightly point to precedents where government has acted to bail out sectors of various industries. The question is do these interventions make those industries more viable and does it solve their problems? As an industry do we really want to rely on government handouts?

The Victorian Dairy industry operates in a free market. Our farming businesses are no different to any other small to medium business. In a free market we are responsible for our own decisions and destiny.

Like any other business to remain viable we must be competitive in the market place. In Victoria our competitor is not the farmer next door. It isn't the opposition milk companies. In Victoria our nearest competitor is NZ. When I started in this industry there was a well-known rule of thumb; Victorian's benchmark cost of production was NZ cost of production plus freight. In other words to remain competitive

we needed to be able to produce milk at a price less than the cost to import it from NZ.

This rule of thumb may not be as relevant now as it was but the principle remains true; to be competitive our cost of production cannot be higher than what we can extract from the market.

As with any downturn there has been a revisiting of an old theme; that farmers should be able to set the price for their product. The theory sounds great but it totally ignores the reality. The market sets the price and in Victoria that is the export market.

Proponents of this solution call for re-regulation of the industry. A call that conveniently forgets that in early seventies the industry which was fully regulated was in a dire situation. It was under this environment that the UDV was born. We also conveniently forget that the NZ dairy industry is fully deregulated and yet it has doubled production over the last two decades and now accounts for a third of the global trade.

So what are they doing differently? They have transitioned their thinking from regulation to free market. For our industry to go forward we need to come to terms with the fact that we are de-regulated. The current wish list mentality is a distraction and there is some urgency to re-focus on what we can control.

For thirty years we have been focused on production growth and productivity. As an industry we have been successful in that area. But as productivity gains have slowed we have grown production with little regard to business profit. We have taken our eye off our cost of production and now we risk being uncompetitive in the market place. It is important that growth is built on profitability.

A priority area for representative bodies in the coming months will be the 2013 Federal election and the 2014 State election which will provide the Industry and agriculture an opportunity seek bold reforms to our industries.

The coming year will be challenging. We have a choice on how we meet those challenges. We can focus on the uncontrollable and fail. Or we can focus on what we can control and influence and give ourselves some chance of success.

Kerry Callow is President of the UDV and a dairy farmer from Macarthur.

Conference Registration Prize

The winner of the One Night Accommodation voucher at Rydges Melbourne to be used in March 2013 is Basil Ryan of Grassmere.

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Cooling tower systems on dairy farms in Victoria

In 2012 the Department of Health, in consultation with Dairy Food Safety Victoria, finalised an optional variation for cooling tower systems located on dairy farms in Victoria. This variation is consistent with the exemption made under the previous legislation and reduces the requirements of the legislation for on-farm cooling tower systems.

Dairy farmers who exercise this variation will no longer be required to have an annual audit of their risk management plan (RMP) and are exempted from certain cooling tower system maintenance and testing requirements.

However, it is important to note that the following requirements remain in place:

- The cooling tower system is registered with the Department of Health.
- A risk management plan is developed for the cooling tower system and its implementation reviewed annually.
- You must notify the Department of Health if the system changes or is decommissioned.

- The cooling tower system is cleaned every 6 months or after a shut down of more than a month

This exemption also removes the need for dairy company QA programs to reference the Department's requirements for dairy farm cooling towers and to confirm the registration of eligible systems at audit.

The Department previously sent a guide to dairy farms who currently have a registered cooling tower system. This guide explains the variation, including the types of cooling tower systems that it applies to, and contains a RMP template to help you update your RMP as well as a summary of the requirements that do apply to cooling tower systems on dairy farms.

The guide also contains a letter that you can use to notify the Department if you intend to implement the variation. The full requirements of the Public Health and Wellbeing Act 2008 and Public Health and Wellbeing Regulations 2009 apply until the Department is advised of the owner's intention to implement this variation.

For further information about the optional variation, completing the risk management plan or if you're worried that you haven't received the guide please contact the Department on 1800 248 898 or email legionella@health.vic.gov.au

Calf Residue Leads to Magistrates Court

A stock agent and a calf rearer have been hit with fines after selling a calf with high readings of an anti-bacterial medication to an abattoir.

They pleaded guilty to failing to comply with a contaminated stock order and selling a product without notifying of a withholding period not expired.

The Department of Primary Industries (DPI) was called in after the calf was sold and found to have high medication levels.

The calf recorded an anti-bacterial drug residue 300 times the permitted level only two days after being treated with a chemical requiring a 14-day withholding period.

The calves were treated for scours after being transferred to the calf rearer.

Vendor declarations stated the calves never left the original dairy farmer's property, but the calves were at the calf rearer's property for six weeks and the necessary paperwork was not completed.

The stock agent failed to check the proper process had been taken with identification of the calf before the transaction, while calf rearer admitted she did not attempt to identify the treated calves or record details of those treatments.

Magistrate Jonathan Klestadt said the claim of overmedicating the calf for its

The UDV Policy Council for 2013/2014

In accordance with the Victorian Farmers Federation election policy, nominations for the elected office bearer position of UDV Vice President closed at 5pm on Thursday January 24th 2013.

At that time there was a single nomination for the position. As such there will be no election called and the nominee will be deemed to be elected unopposed and assume their office bearer function as at close of the meeting held March 6th 2013.

The position has been filled as follows:

Vice President: Tyran Jones

The role of Regional Representative in UDV Regions 1,3,5,7 and 9 were also declared vacant with nominations closing at 5pm on Thursday January 24th 2013.

Following the call for these positions the UDV advise that the UDV Policy Council for 2013/2014 is as listed.

President Kerry Callow
Vice President Tyran Jones

Policy Council

DC1	John Keely
DC2	Tim Leahy
DC3	Daryl Hoey
DC4	Gordon Nicolas
DC5	Paul Mumford
DC6	Max Jelbart
DC7	Ron Paynter
DC8	Position vacant
DC9	Adam Jenkins
DC10	Roma Britnell

Deregulation summary

In the early 1980s the drinking milk sector was regulated primarily by the State Dairy Authorities, who controlled milk prices from farmgate through to retailers. However, the introduction of a free trade agreement with New Zealand in the mid 1980s permitting New Zealand dairy products into the Australian market led the way for successive industry arrangements to de-regulate the industry, encouraging efficiency and competitiveness with gradually phasing down of the support.

Reviews in NSW, QLD and WA - the 'drinking milk states' who produced milk under quota arrangements, found public benefit in continuing to regulate drinking milk. The Victorian review conversely concluded drinking milk regulations should be removed. As the dominant dairy state, regulations were removed from 1 July 2000.

The other states, despite being reluctant to give up regulation, recognised their own arrangements would be unsustainable if Victorian milk could flow into their state at unregulated prices and all agreed to the reform process.

Compensation packages – Dairy Structural Adjustment Program (DSAP)

The DSAP scheme imposed an 11 cents per litre retail levy on Australian drinking milk sales aimed to offset the expected fall in farm gate milk prices. The levy provided

financial packages designed to position farmers for a deregulated environment, or offer a dignified exit for those wishing to leave industry. To be eligible, dairy producers must have had an interest in a dairy farm enterprise on 28 September 1999.

It was found the retail price of milk fell by six cent per litre in the first year after deregulation but since recovered to average three cents above the pre-deregulation level in 2000.

Deregulation Effects

For farmers in the 'drinking milk states' - NWS,QLD,WA, the reduced farmgate price meant many existing farm operations became unsustainable very quickly. The provision of adjustment packages resulted in many farmers exiting the industry and the industry saw a shift in manufacturing to Victoria and Tasmania where production costs were lower.

A national review conducted in 2004 concluded that though markedly different across regions gross farm income was about \$300 million better off compared to the year prior to deregulation.

Australian dairy farmers now operate in a completely deregulated industry environment, where international prices are the major factor in determining the price received by farmers for their milk.

Today around 40 percent of Australian milk production is exported - primarily as

manufactured products - at international market prices for a value of \$A2.76 billion in 2011/12.

Re-regulation discussion and issues

The regulated industry was regionally different. For example VIC, TAS, SA had pooling arrangements while NSW, QLD, WA operated under quotas. To re-regulate the industry these regional differences, as well as state barriers and state trading would need to be considered to ensure the system was equitable.

However, even if re-regulation was deemed as useful policy to adopt to aid struggling farmers the solution would require national state agreement and as well as require extensive administrative and logistical arrangements.

It is important to recognise the Australian dollar and export markets are the strongest determinants of Victorian farmgate prices. Only 9% of Victoria's milk ends up as drinking milk. Therefore it is we need to look at the further afield than just domestic solutions such as imposing another drinking milk levy.

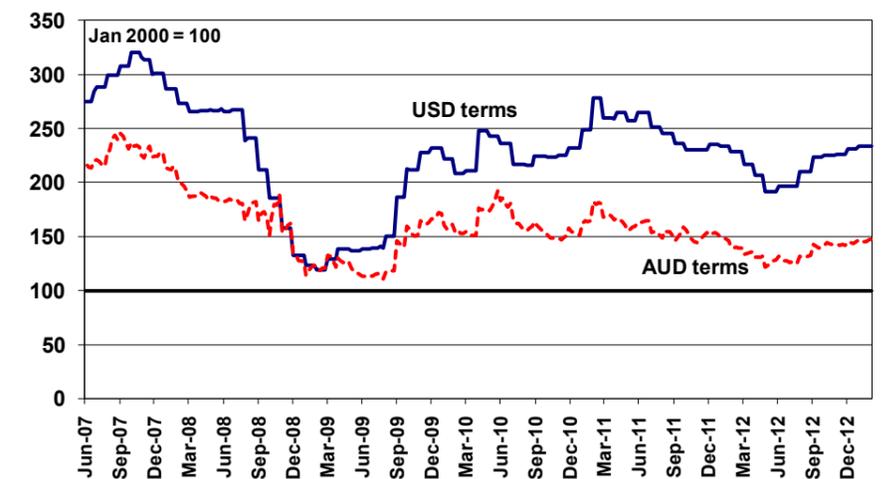
This article was written by the UDV with information regarding de-regulation effects and compensation packages made by available by Dairy Australia.

Impact of exchange rates on farmgate prices

There has been a great deal of media coverage about the impact of the high Australian dollar on exporting industries. With over half of Victoria's milk production exported on average, it is certainly having an impact on the returns to dairy manufacturers and farmers at the moment.

International dairy trade is carried out in US dollars – as is the case for many commodities. Therefore most of the discussion around exchange rates tends to focus on the rate of exchange between the US and Australian dollar. The Australian dollar has remained above parity with the US currency for most of the past two years - in other words, one Australian dollar buys more than one US dollar. This compares with the average for the Aussie dollar of 0.84 US dollars for the past decade.

Obviously the Australian dollar is very high in historical terms, so what does this mean for farmgate milk prices? Assuming commodity prices do not change, the difference between an exchange rate of 0.84 US dollar



Export index – price movements in the basket of Australian export commodities in both Australian and US dollars

and the current exchange rate of 1.04 US dollars translates to just under \$1.50 per kg MS or around 11 cents per litre.

Clearly, the high Australian dollar is an important factor in determining farmgate prices for Victoria's dairy farmers.