



Will 20 years of promise finally deliver?

For the past 20 years we've been hearing that everyone wants more milk – the market can absorb every last drop we can squeeze out, and then some... It's a game of margins and the margins are tight right across the supply chain.

This is not a story of milk price alone, although a higher price helps. As the 2013-14 season closes, we will finish with a strong \$6/kg MS, some claiming they'll still get to \$7. Fonterra and Murray Goulburn have opened 2014-15 with \$5.80 and \$6.00 respectively. Both are forecasting a low to mid \$6/kg MS finish which will probably represent a drop of between 10 to 15 per cent. As always, these figures are indicative only and everyone should get an income estimate from their factory to accurately assess what this means on your farm on a monthly basis for the coming season.

The growth agenda...

- Last month we included a graph depicting China's insatiable growth in demand for dairy products and that a meaningful Free Trade Agreement is crucial to Australian dairy farmers reaping the benefit of this growth.
- Last year Murray Goulburn's MD suggested the industry should be growing and could achieve a target of 15 billion litres.
- The State Government has a target of doubling agricultural production by 2030.

- In March the UDV launched a draft paper looking at farm profitability targets and production targets in an attempt to start a discussion about what we want our industry to look like, and to challenge our key service providers to think about how we might get there.

We are seeing a lot of incentives and enticements from the factories as they try to increase their milk supply. While this will serve to intensify the competition at farm gate, it will achieve little if it does not inspire an increase in total milk production, but only serves to speed up the merry-go-round as farmers shift between factories pursuing incentives.

The game is changing permanently for Australia's largest food manufacturing sector...

Our \$13 billion dollar dairy food sector is getting a facelift. For the first time in perhaps 30 years we are seeing substantial investment in plant and technology to drive down the cost of manufacturing. Across the companies, new and old, it is estimated we have at least \$1 billion worth of investment underway. Why is this a change? Because new companies are building new plants instead of re-commissioning old inefficient ones and the industry stalwarts are investing substantial amounts in new plants and upgrades.

- There are at least two new plants being developed in Western Victoria: MCG Group in Camperdown and Midfield Group in Warrnambool.

- Saputo has purchased WCB with the stated intent to further develop the business.
- Murray Goulburn has an investment strategy worth \$500 million with the stated intent of reducing the underlying cost of manufacturing by \$1/kg MS. The ultimate ambition is that by passing this on to their member producers they will achieve a milk production growth rate of 3% per annum.
- Bega is targeting 20% growth within its existing supplier base via incentives tied to three-year contracts.
- Bega, Burra Foods and others are investing heavily in new specialised plants targeting specific export consumer markets.

This is a monumental change. For the past 20 years, the industry has been promised the pot of gold at the end of the Asian population boom. It may well finally be on the horizon.

By UDV President, Tyran Jones

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UDV members Lindsay and Ann Jarvis caught up with VFF Livestock members Bill and Lois Hotson at the VFF Conference President's Drinks on Thursday, June 12.

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Getting the next generation into ag

The United Dairyfarmers of Victoria (UDV) are committed to making it easier for young farmers to enter agriculture.

The UDV is supporting a proposed farmer finance scheme based on UDV Policy Councillor Damian Murphy's Nuffield Scholarship paper.

An explanation of the suggested scheme formed a large part of the Victorian Farmers Federation (VFF) submission to the Agricultural Competitiveness White Paper.

The UDV are now consulting with banks and industry to develop ways of implementing the scheme.

Damian has suggested a new model, based on farmer financing schemes from across the world, to help new entrants, not just young farmers, get their start in the industry.

He suggests that a co-financing model, named 'Future Farmers Fund (FFF)' should be established to help would-be farmers buy their first property, a move to help Australian agriculture regenerate.

The money in the FFF would be available for farmers to borrow at concessional interest rates, and with a smaller deposit than would otherwise be required.

The fund could be financed by two ways.

An ideal source of funds is to tap into the money being held in Farm Management Deposits (FMD). When depositing money into the FMD, farmers could nominate a percentage of that money to be directed back into the industry. At the end of 2013, more than \$3 billion was held in the deposits. If only 1 per cent of this was directed at the fund, it would release \$32 million.

The establishment of an Agricultural Industry Superannuation Fund could also be considered to create the funds. Established or retiring farmers could contribute part of their earnings to it in the knowledge that they were helping farmers starting out.



The UDV is supporting Policy Councillor Damian Murphy's new farmer finance scheme.

The proposed fund has already gained significant media coverage since the submission was lodged, having been picked up by The Age, ABC radio and others.



Meet the Peterson Brothers

The Peterson Farm Brothers are three brothers from central Kansas, USA who make YouTube videos to promote agriculture. Greg is a 2013 graduate from Kansas State University where he majored in Agricultural Communications and Journalism, Nathan will soon be a junior at Kansas State majoring in Agriculture Technology Management and Kendal will soon be a freshman at Kansas State majoring in Agribusiness.

The Peterson brothers grew up on a family farm near Assaria, Kansas with their parents and sister. They have always enjoyed working on the farm and being advocates for agriculture. In June of 2012, they released a video on YouTube entitled, "I'm Farming and I Grow It." It quickly went viral, receiving over 8 million views. Since then they have released many more videos and are now up to 30 million total views on YouTube. The videos have given them many opportunities around the country to talk about agriculture and they are passionate about the future of the industry.

Chore (Roar Parody) <http://www.youtube.com/watch?v=toyN81wZzLw>

Meet the brothers at two YDDP events coming up. But be quick, the demand will be huge and there is a set limit on numbers. **The image of agriculture is on the move!**



DATE: Friday 8 August

VENUE: City Memorial Bowls Club
50-58 Cramer St, Warrnambool

TIME: 7pm – 7.30pm Meal

DRESS: Neat casual

COST: \$45 includes 2 course meal and opportunity to interact with the Peterson Farm Brothers

TICKETS: Contact WestVic Dairy 5557 1000 by Thursday 7th August, 2014 with payment.

DATE: Saturday 9 August

VENUE: Premiere Function Centre
29 Grey St, Traralgon

TIME: 7pm – 7.30pm Meal

DRESS: Neat casual

COST: \$45 includes 2 course meal and opportunity to interact with the Peterson Farm Brothers.

TICKETS: Contact GippsDairy 5624 3900 by Thursday 7th August, 2014 with payment.

UDV sets state election priorities

The UDV has recently finalised the election priorities for the upcoming state election. These priorities have been determined as the key areas where the state government can assist the industry to increase production and profitability by 2025. The headline items are supported by a detailed document which will soon be taken to all the key dairy electorates to highlight the importance of dairy across the state.

United Dairyfarmers of Victoria: Policy Platform

9 billion litre national industry employing 43,000 people on farms and in factories

6.2 billion litre Victorian industry worth \$2.4 billion in direct export returns

The Vision

A profitable, growing, export-focused industry

The Targets

National milk production growth:

12 billion litres by 2020; 15 billion by 2025

Victorian milk production growth:

8 billion litres by 2020; 10 billion by 2025

Victorian dairy export value:

\$3.5 billion by 2020; \$4.6 billion by 2025

Increased Return on Assets (RoA):

7%-10% in the top quartile

How we are going to get there

- A. Increased profitability
- B. Cost-effective, efficient infrastructure and logistics
- C. Attracting and retaining new entrants and skilled workers
- D. Continuous improvement in environmental sustainability

What national and State governments need to do to clear the way

A. Increased profitability

1. Programs to modernise farm business management culture and skills.
2. Continuation of a commitment to \$4 million matched R&D funding.
3. Ongoing commitment of \$6 million per year for 3 years for AgriBio Centre at La Trobe University.
4. Ongoing commitment of \$2.2 million per year invested in extension programs coordinated by the dairy industry to accelerate uptake of new technologies, farming systems and advanced business management skills.
5. The active promotion and support of Free Trade Agreements that boost dairy export returns and opportunities.

B. Cost-effective and efficient infrastructure and logistics

6. Increased truck mass limits on major regional road transport routes.
7. South Gippsland Highway upgrade prioritised under the Victorian Freight and Logistics Plan.
8. Develop a Victorian energy strategy in consultation with the industry, including an upgrade of regional power supply infrastructure, to ensure security of supply for processing and on-farm.

9. Fast-tracked planning and environmental approvals for new processing plants and plant upgrades.

C. Attracting and retaining new entrants and skilled workers

10. Pilot program for a proposed Future Farmers Fund, to better finance the establishment, consolidation and expansion of new and existing farming enterprises.
11. Increase funding for university and TAFE agricultural courses, to attract more students and fill the chronic skills gap holding back the industry.

D. Continuous improvement in environmental sustainability

12. Funding to complete on-farm upgrades in the Goulburn Murray Irrigation District Modernisation and \$29.4 million to complete Stage 1B of the Macalister Irrigation District 2030 project.
13. Education and promotion program to boost water trading in southern Victoria.
14. Incentives to improve energy efficiency on farm and in factories, to save costs and reduce the industry's greenhouse gas footprint through \$8.625 million allocated to farms through the Smarter Resources Smarter Business program.
15. \$150,000 for three pilot Fert\$mart programs, one in each dairy region, to train more farmers and farm advisers in better managing soils and fertilisers to keep waterways and lakes healthy.

Co-investment the key to succession

The future landscape of the dairy industry was discussed at the recent VFF annual conference.

Ben Allomes, DairyNZ Board member and former New Zealand Young Farmers president, discussed his experience in getting co-investors and building equity partnerships in his dairy farm.

Presenting 'Farmer Co-investing Kiwi Style', Mr Allomes said it was merely a practical approach to building the industry.

Mr Allomes said the structure worked for his family as they had a "vision, desire and motivation and to be in control of our destiny."

It is not just for young farmers getting in however; as Mr Allomes said co-investment can present many opportunities for the industry, including "assisting with inter-generational succession."

He stated that a sustainable co-investment model requires the following:

- Win : Win relationship essential
- Willing parties with clear goals for the direction of travel
- A sound business model with clearly defined KPI's and monitoring
- Well rounded skill set
- Clear reporting and accountability pathways



New Zealand dairy farmer Ben Allomes addressing the packed room at the VFF annual conference.

- Communication, communication, communication
- Relationships with key advisors and financiers

The Hellier's join the UDV

Since buying their first farm in Australia in March this year, Russell and Sherina Hellier have focused on becoming more involved in the industry.

The Hellier's and their three children, Kenneth (19), Nathan (18) and Danielle (15) moved to Victoria from New Zealand in early 2009.

A drive to provide more for their children was behind the move.

"There are better opportunities for our kids and ourselves in Australia" Sherina said, "we can get ahead here."

They first worked and managed farms in Camperdown before moving to Colac to buy a property which was closer to Melbourne and Geelong. They are now milking 210 cross-bred and Jersey cattle on their 119 hectare farm.

In New Zealand the family milked 500 cattle on a dairy farm on the West Coast, and then relocated to the Bay of Plenty to own avocado orchards.



New UDV members, Russell and Sherina Hellier, at the New Zealand Immigration Information Session held in May.

They made the switch back to dairy farming upon arriving in Victoria because they missed working with animals.

In April this year, Russell and Sherina joined the UDV after hearing about the work being done to assist New Zealand dairy farm owners' access permanent residency and eventually citizenship.

The Hellier's were keen to become involved with a representative body as soon as they bought their Colac farm as they were heavily involved with the Federated Farmers of New Zealand.

"I just wanted to keep up to date with what's happening in the industry to see what is going to be changing and what's going to be coming up in the future," Russell said.

"I think it's important to be involved just to keep things going, at the moment because the younger generations are a bit lacking... we need to have younger people there to keep the UDV going.

"I think more people should get involved in our industry as the more people that join the UDV and VFF, the more influence they have, especially with government," Russell said.

Resolutions put to VFF Conference

Three resolutions were put to the VFF Conference, held on 12th and 13th of June, by the West Goulburn branch. The outcomes are as follows:

Resolution 14

Western Goulburn
UDV/VFF Branch

M: David Glass (West Goulburn Branch)

S: Tim Leahy (West Goulburn Branch)

"That the VFF lobbies the Government so that any flows that come down the system, that are not counted against any water allocations, are to be made available to any irrigator on an unlimited off-quota basis at any given time."

AMENDED

MOVED AS AN AMENDMENT

M: Lindsay Jarvis

S: Meg Parkinson

"That the Conference asks Water Council to consider whether any flows that come down the system (MDB), that are not counted against any water allocations, can be made available to any irrigator on an unlimited off-quota basis at any given time."

AMENDMENT BECAME MOTION

MOTION CARRIED

Resolution 21

21 West Goulburn

UDV/VFF Branch

M: Alison Couston (West Goulburn Branch)

S: David Glass (West Goulburn Branch)

"That the VFF demands the current Victorian Government honour its commitment to grant the Independent

Broad-based Anti-corruption Commission (IBAC) the broad sweeping power it needs to investigate all matters brought before it, including misconduct in public office."

CARRIED

Resolution 22

West Goulburn

UDV/VFF Branch

M: Gemma Monk (West Goulburn Branch)

S: David Glass (West Goulburn Branch)

"That the VFF puts in place a protocol that ensures agendas and background notes for commodity or policy council & committee meetings are sent to those attending, at least one week prior to the meeting."

CARRIED

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