



Adelaide Hills, Fleurieu & Kangaroo Island Sustainable Growth For Food & Wine



Regional
Development
Australia

ADELAIDE HILLS
FLEURIEU &
KANGAROO ISLAND

DAIRY

The Sustainable Food and Wine Project has four key objectives

1. Combined and Informed
2. Collaboration Initiatives
3. Cluster Development
3. Value Chain Implementation

Dairy

Meat

Horticulture

Wine

Seafood

Grain

Value Add

This presentation will focus on the dairy industry within the AH, F & KI RDA region

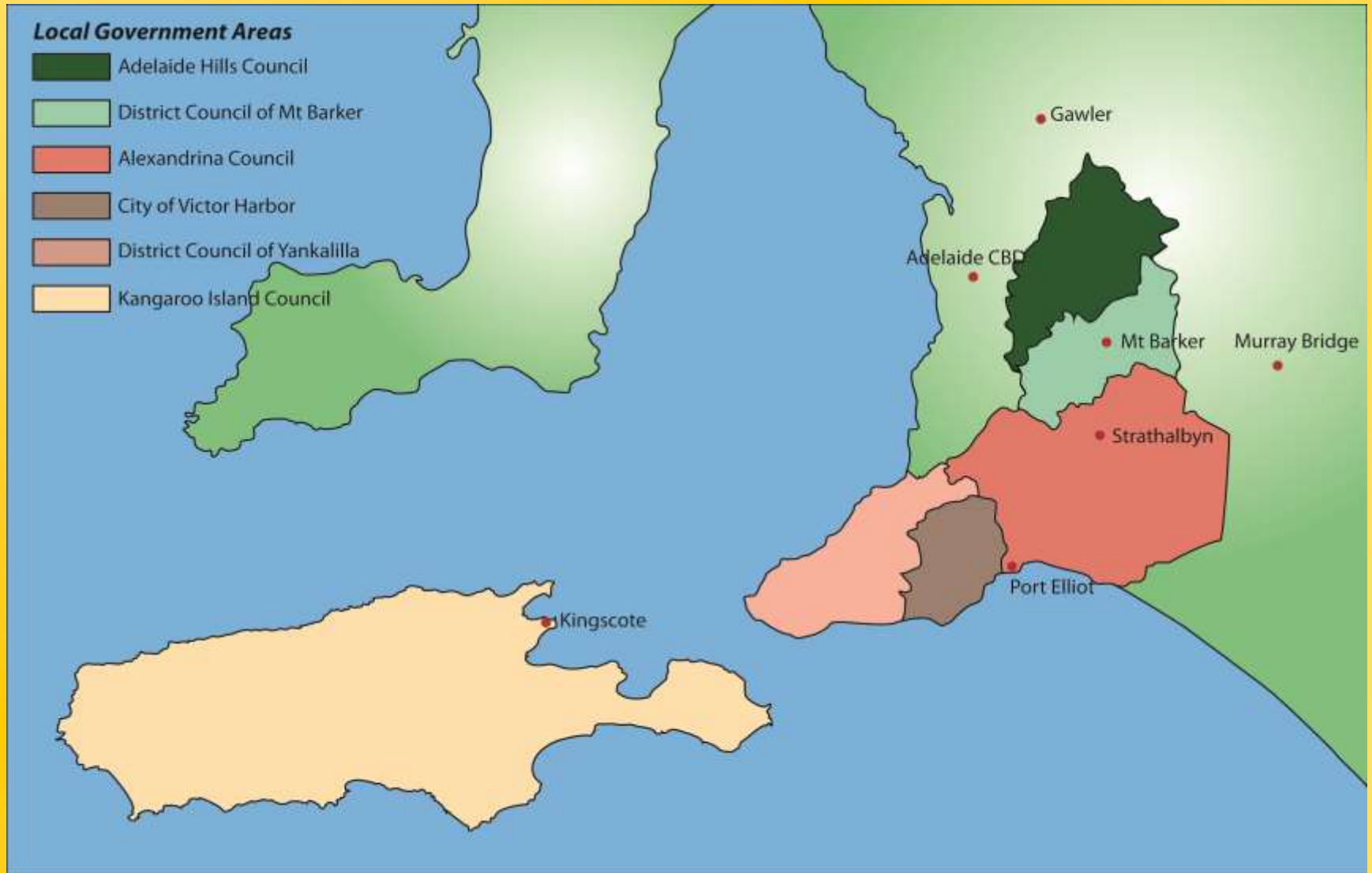
- identifying areas of opportunity and potential issues for discussion and
- invite the Dairy industry in the region to add further input

Australian Dairy Industry

- Worth about \$13 billion
- Employs 43,000
- 100,000 employed in related industries
- 6700 dairy farmers producing 9.5 billion litres of milk per year
- Dairy Industry contributes 19% (\$849 million) towards SA's Total Gross Food Revenue (GFR)

Source: DairySA

AH, F & KI Region



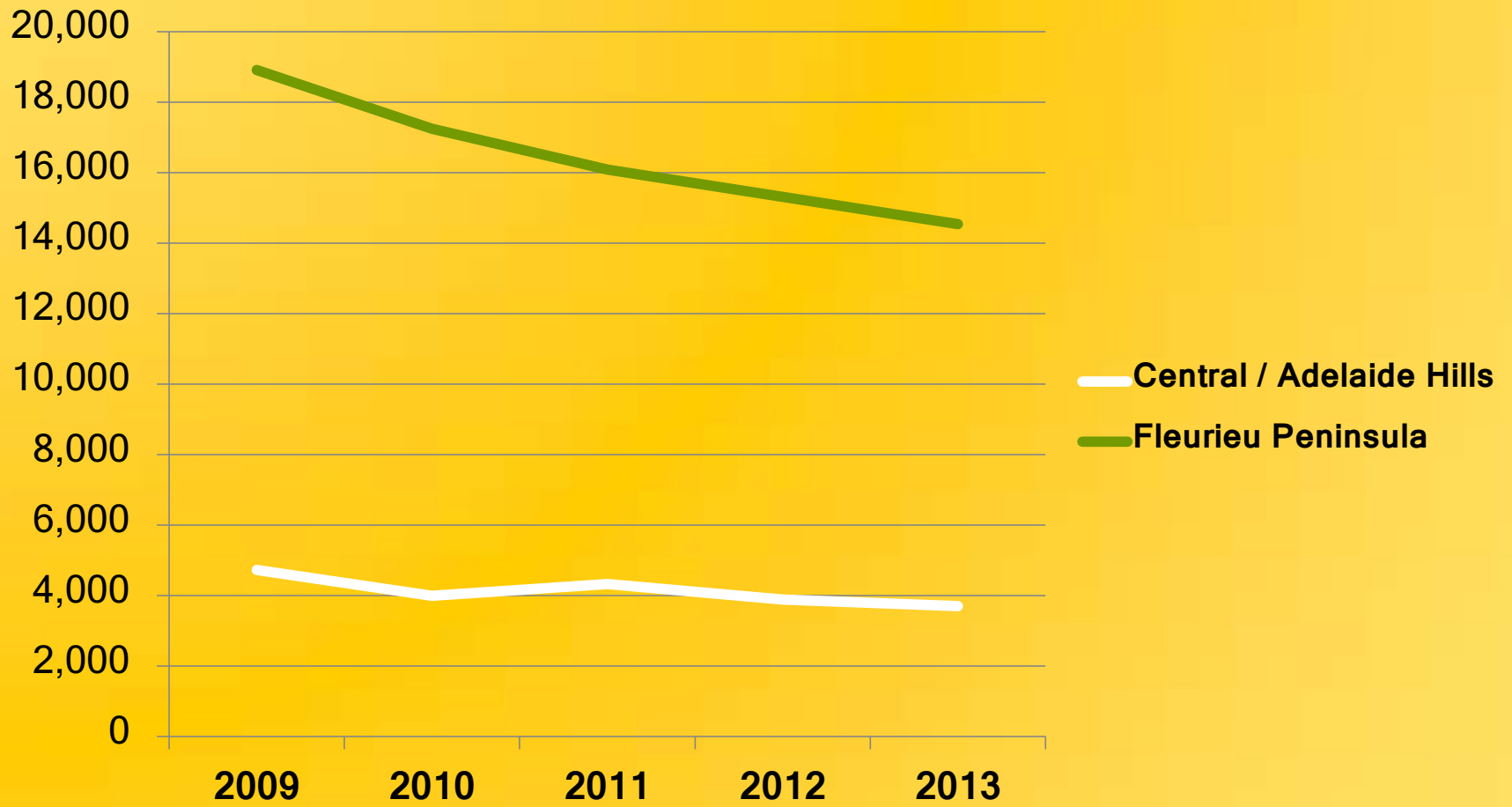
Cow Numbers

- AH & F combined held about 21% of Dairy cows in SA for 2013
- 2nd behind the Lower South East region
- Cow numbers have decreased from 2012
 - Fleurieu by -5.1%
 - Central and Adelaide Hills by - 4.9%

Farm Numbers

- AH & F combined held about 33% of the Dairy farms in SA for 2013 (irrespective of size)
- 2nd behind the Lower South East region
- Farm numbers have decreased from 2012
 - Fleurieu by - 5.9%
 - Central and Adelaide Hills by - 3.8%

Cow Numbers cont.



Farm Numbers Cont.



The Food and Beverage Workforce Study (2013)

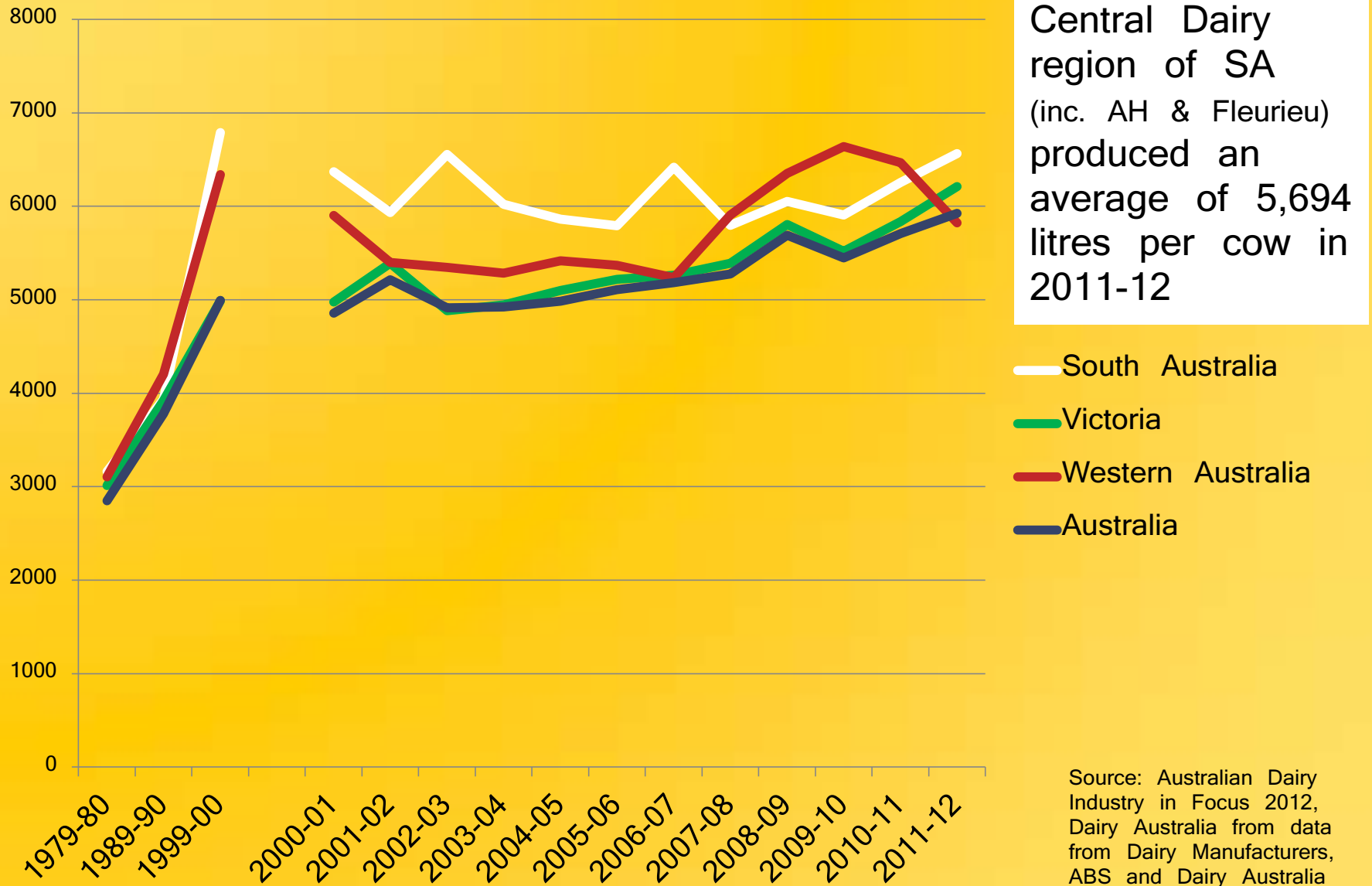
Australian Workforce and Productivity Agency

“the trend is away from family-owned farms towards consolidation and corporatisation”

Between 1982-83 and 2002-03:

- number of farms ↓
about 25%
- average farm size ↑
about 22%

Average Annual Milk Production per Cow (litres)



Discussion Points 1 - 3

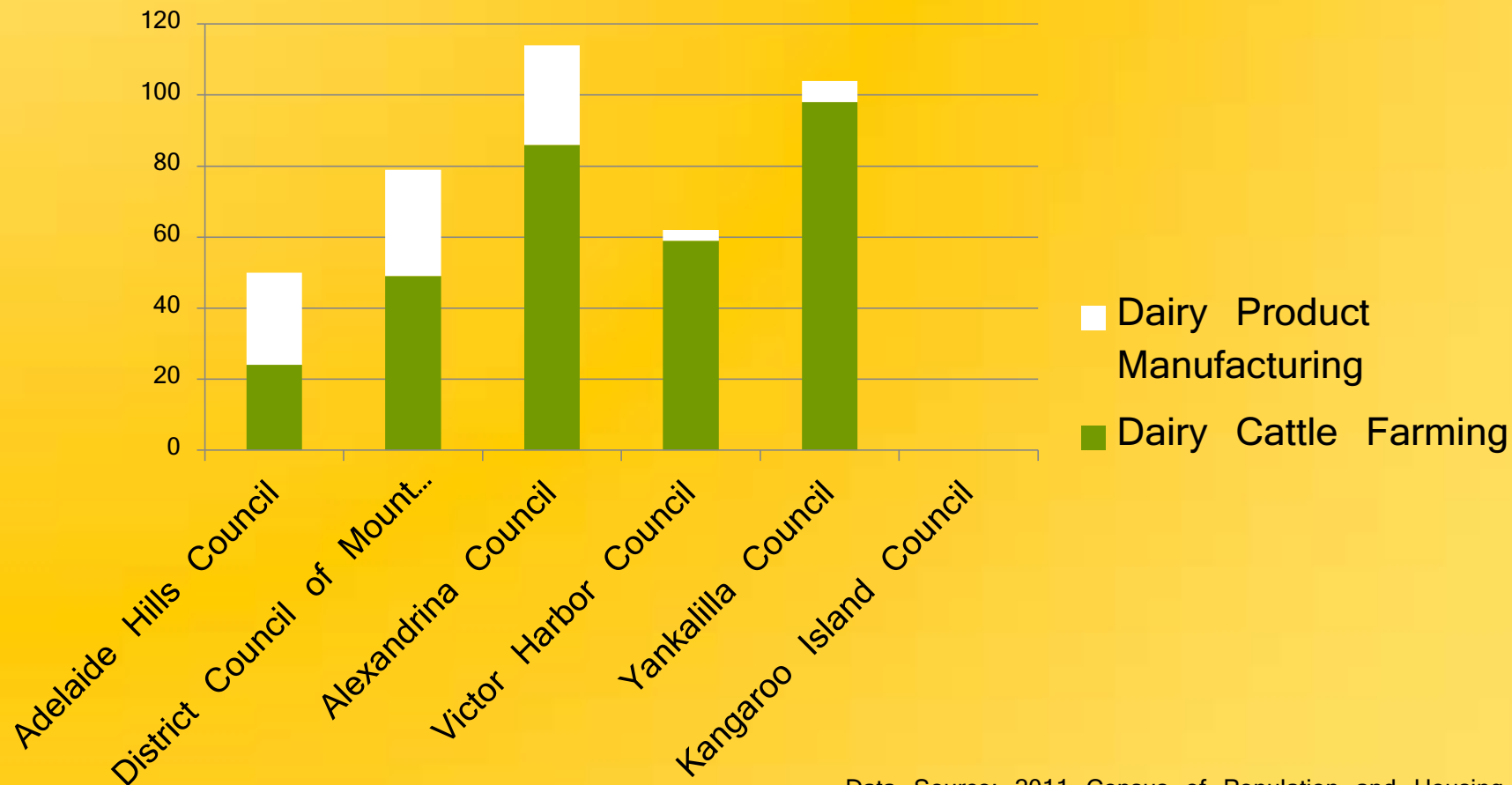
1. Has the decline in Dairy farms and cow numbers been compensated for with sufficient increase in milk production?
2. Does the region need to support our dairy farmers to remain viable?
3. Would closer connections such as a regional cooperative / industry cluster be valuable?

Employment & Skills

(Employment by Place of Usual Residence)

AH, F & KI workforce -

0.8% were employed in either Dairy Cattle Farming or Dairy Product Manufacturing compared to the State average of 0.2%.



Employment & Skills cont.

- 65% of businesses are one-person / family owner operated with no employees
- 32% are small businesses employing less than 20 people
- 3% employ 20 persons or more
- Sole operators identified three main areas of continuing learning need
 - business planning,
 - marketing and
 - Knowledge of and access to funds for investment

Discussion Points 4 & 5

4. What strategies can be used to assist dairy farmers and producers access capital for business growth?
5. Is there sufficient recognition and provision of training in the region in business and other skills for the sector?

Farm Gate Milk Prices - SA



Milk Prices - heavily influenced by international market conditions as well as milk fat and protein solids content

Overview of milk prices and production costs world wide (2013)

IFCN Dairy Research Centre

2012

- the increase of the cost of milk production continued in most dairy farms in the world following a rise in price of major input items (feed, labour and land
- higher input costs were not counteracted by higher milk price (unlike previous years) - the milk prices stayed stable or decreased in many countries leading to worsening farm economics

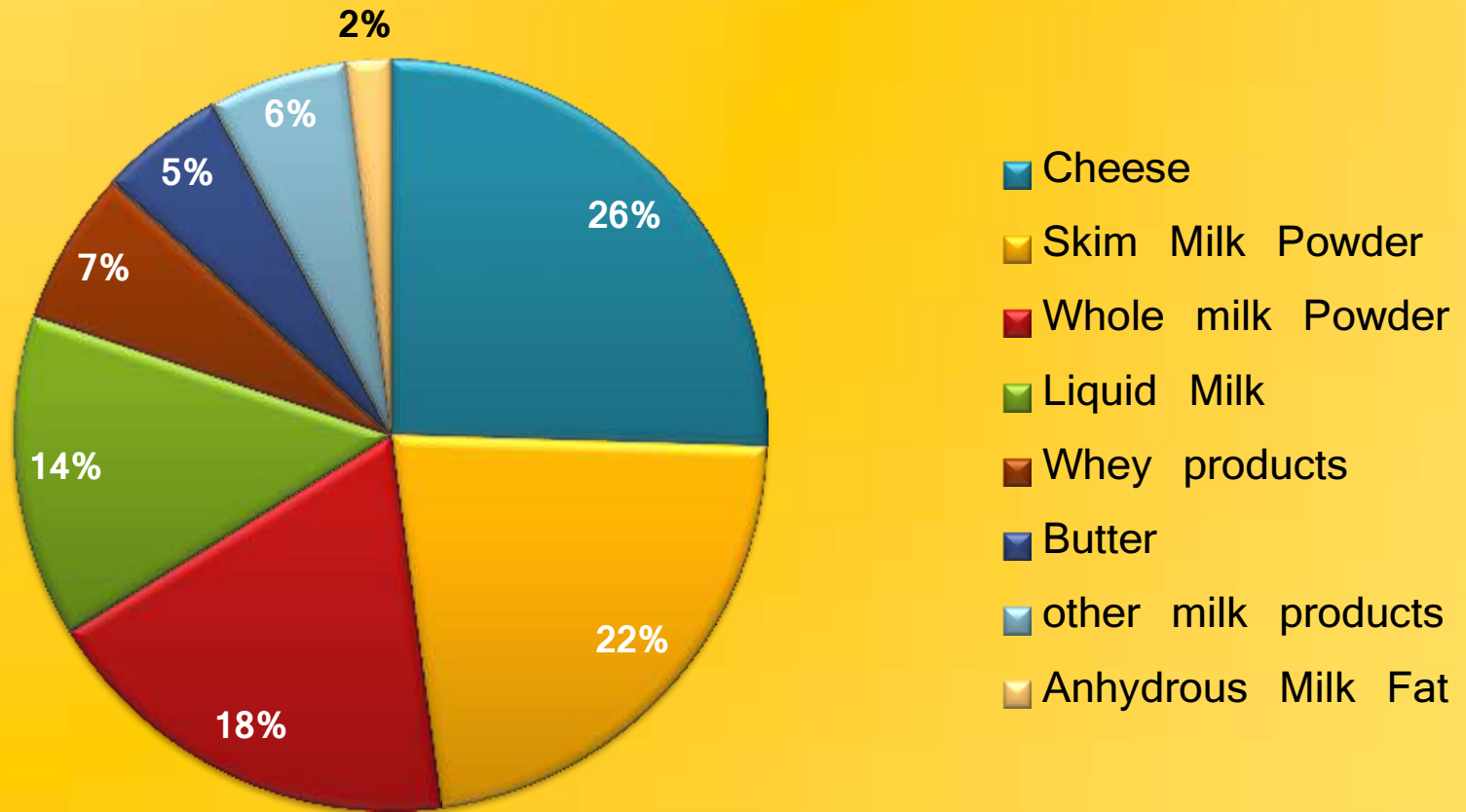
Looking Forward

- Indicators show that dairy farm economics are reaching a similar level as seen in 2007 (based on a moderate intensive dairy farming system)

Dairy and Exporting

- Dairy is 4th in Australia for Agricultural exports with a value of \$2.76 billion in 2012
- About 60% of manufactured dairy product is exported
- 3% of drinking milk (97% is consumed in Australia)
- Export data for 2011-12 show a reduction in the amounts of dairy exports from levels in 2006-07 with a slight increase in imports

Australian Exports of Dairy Products



Source: Australian Dairy Industry in Focus 2012, Dairy Australia from data from Dairy Manufacturers, ABS and Dairy Australia

Export Markets

World's largest dairy
exporter - New Zealand

World's largest dairy
importer - China

In 2012, China imported 650,000
tonnes of dairy products from New
Zealand - ten times the volume that
came from Australia

October 2008 - China & New Zealand
Free Trade Agreement came into force

Export Markets cont

- China and Australia to finalise a Free Trade Agreement before the end of the year. Potential \$20 billion boost to our economy
- agreement with South Korea and ongoing discussions with Japan
- China is Australia's fastest growing dairy market despite New Zealand's commercial advantage
- market potential for dairy products from Australia is on an upward trajectory

Strengths

- Location
- Clean and green
- Educated labour force
- Quality
- Export

Opportunities

- New markets
- Tourism
- Regional Branding
- Investment Funding

Weaknesses

- Regulatory factors
- Skill shortages
- Access to some key infrastructure
- Small producers struggle meeting demand
- Business Skills

Threats

- Exchange rates
- Climate change
- Competition especially New Zealand Dairy Industry
- Imports
- Urban Development
- Volatile Milk Prices

Discussion Points 6 - 8

6. Are we geared up for the opportunities associated with the opening of the Chinese and other markets for commodity dairy products?
7. Regional recognition and branding play a vital role in the Wine industry in product value and sales. Is this the same for the Dairy industry?
8. Do we have the skilled workforce to meet the needs of the technological changes the industry is experiencing?

Key Points

- Are we positioned to take advantage of new markets
 - Decline in farm and cow numbers across the region
 - Access to capital for business growth
 - Skills of business owners and trained workforce
- Potential of regional branding and marketing



Adelaide Hills, Fleurieu & Kangaroo Island
Sustainable Growth For Food & Wine

Johanna Milbank
Project Manager
Mobile: 0423 134 725



**Regional
Development**
Australia

ADELAIDE HILLS
FLEURIEU &
KANGAROO ISLAND