

Birchip Cropping Group

Chris Hunter
Dairy Farmer

Birchip Cropping Group A Dairy Perspective

Daryl Poole
Farm Business Management
Consultant

Purpose

Provide some insight into the Dairy Industry - a better understanding of your customer:

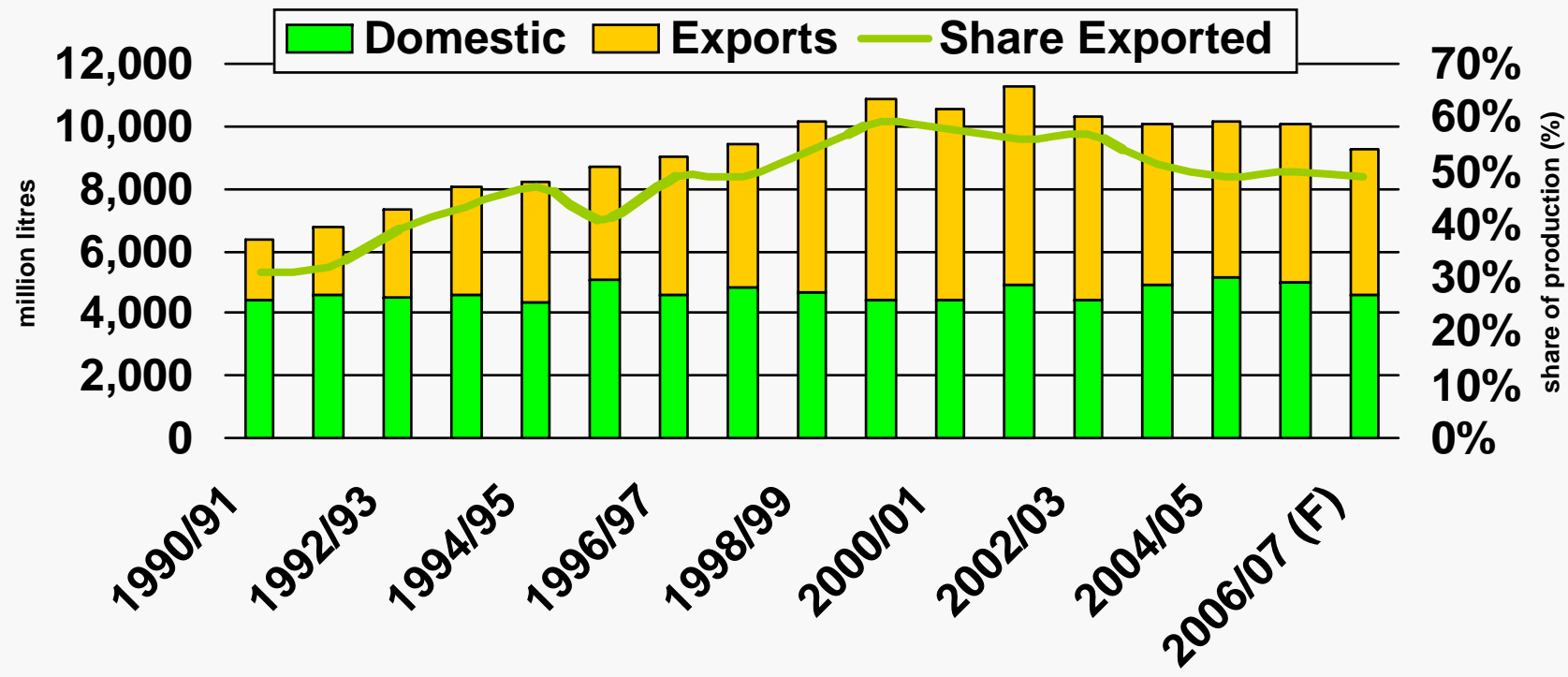
- Operating environment - A Northern Victoria focus.
- The Needs of a Dairy Farmer.

Australian Dairy Industry at a glance

National Dairy Herd	1.985 million cows
Average herd size	224
Australia's 3rd largest Rural industry	\$3.3 Billion farmgate
Major value-added food Industry	\$9.5 Billion wholesale value

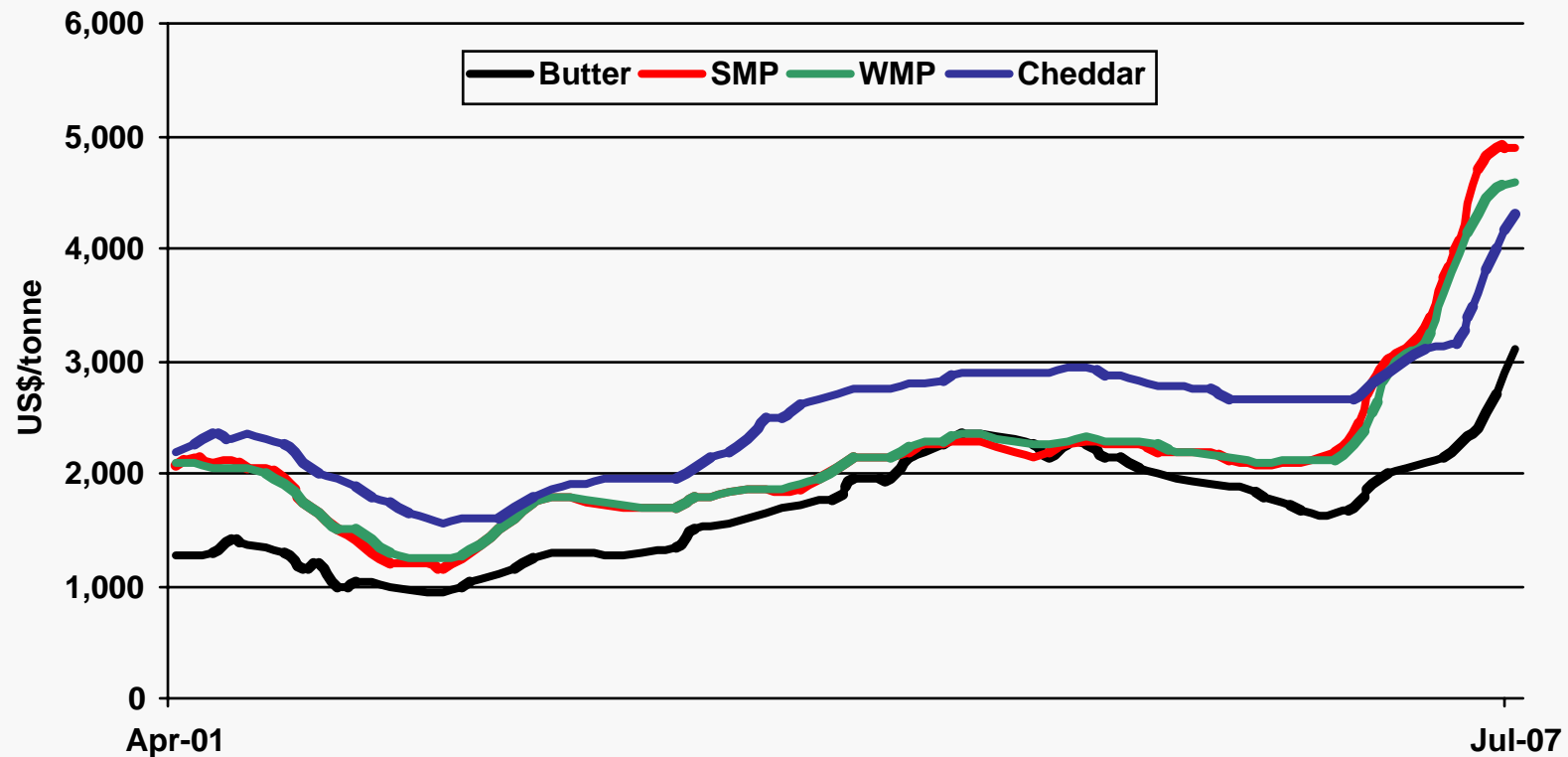
Source: Dairy Australia

Australian Dairy Production

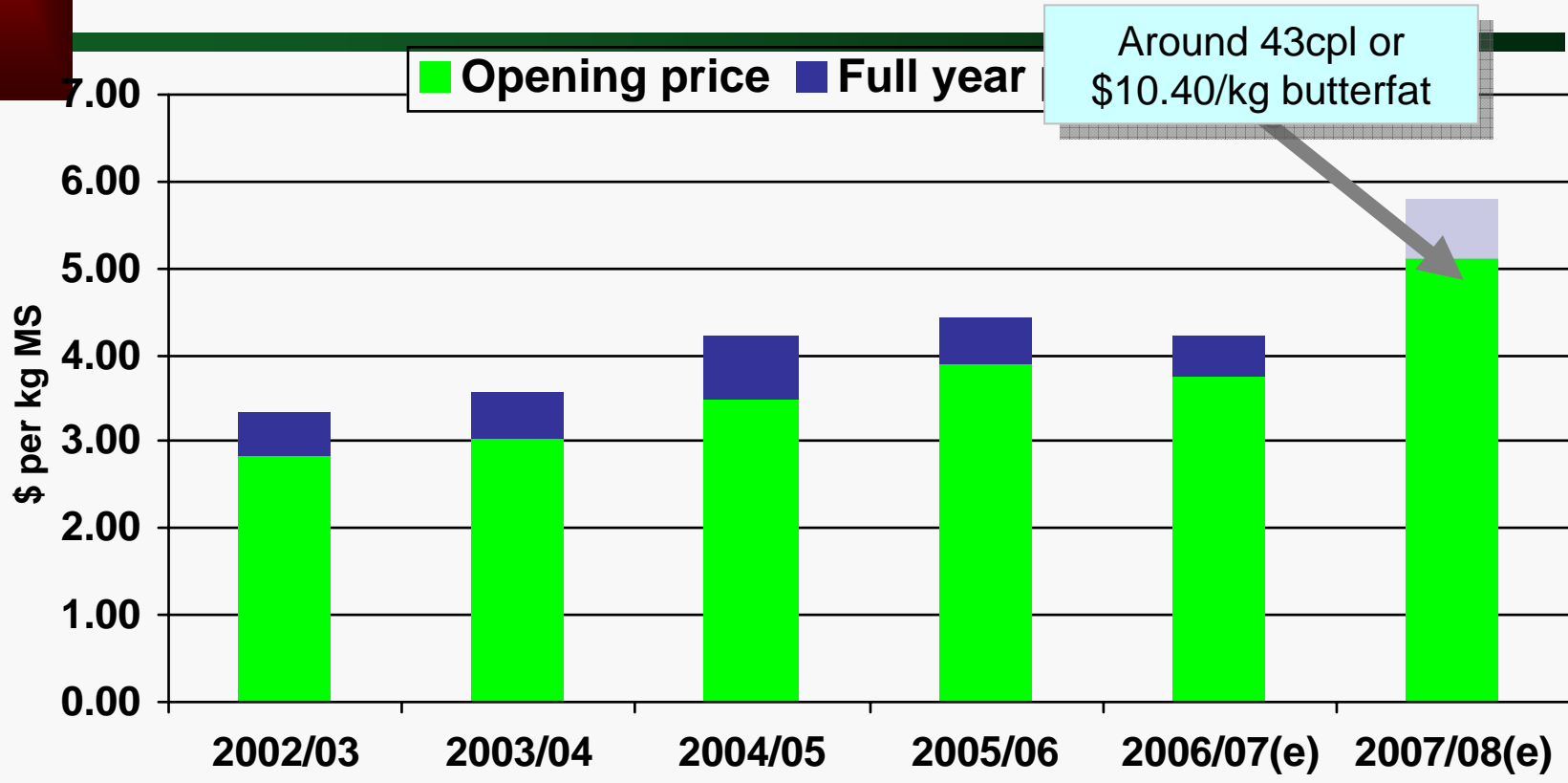


Commodity price trends

Surveyed spot prices (Australian exporters)

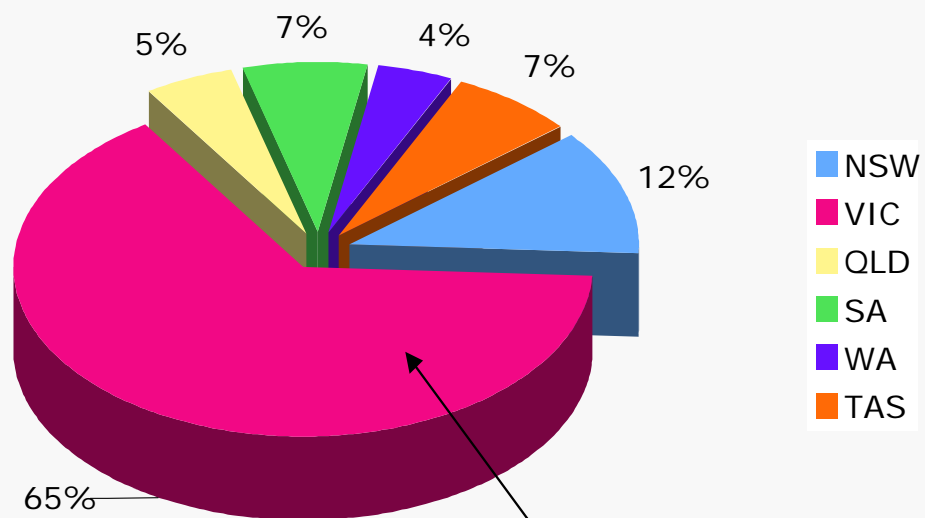


Victorian Farmgate Prices



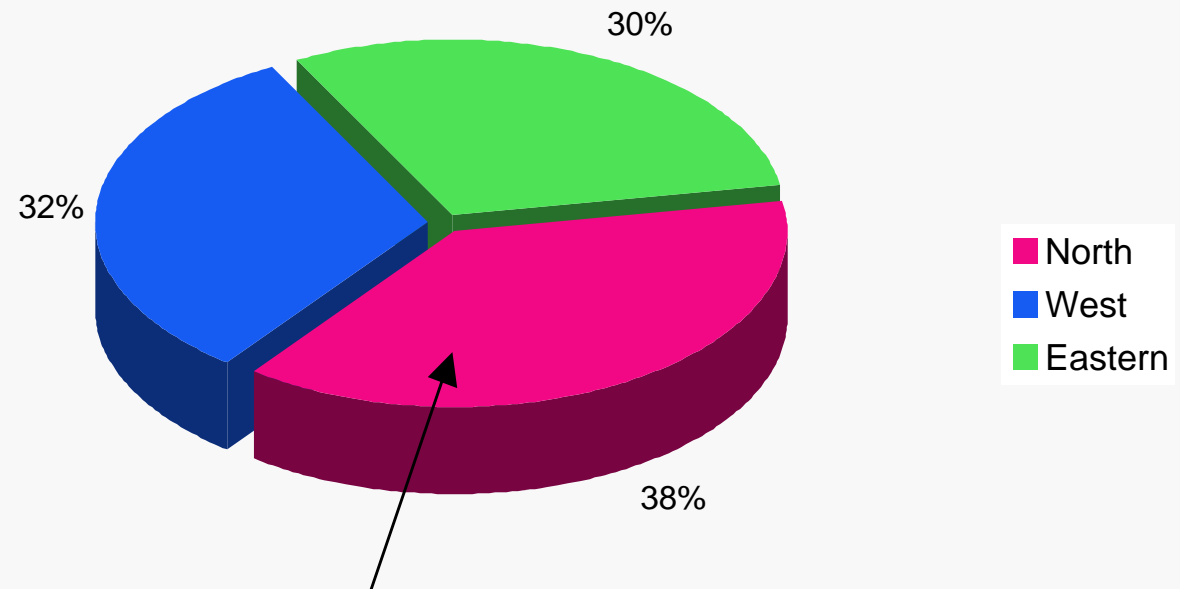
Fantastic But.....

Where does all the milk come from ?



**Victoria is the engine room of
Australian Dairy Industry**

Split of Victorian Milk



North Victoria - Very important region

Northern Victoria

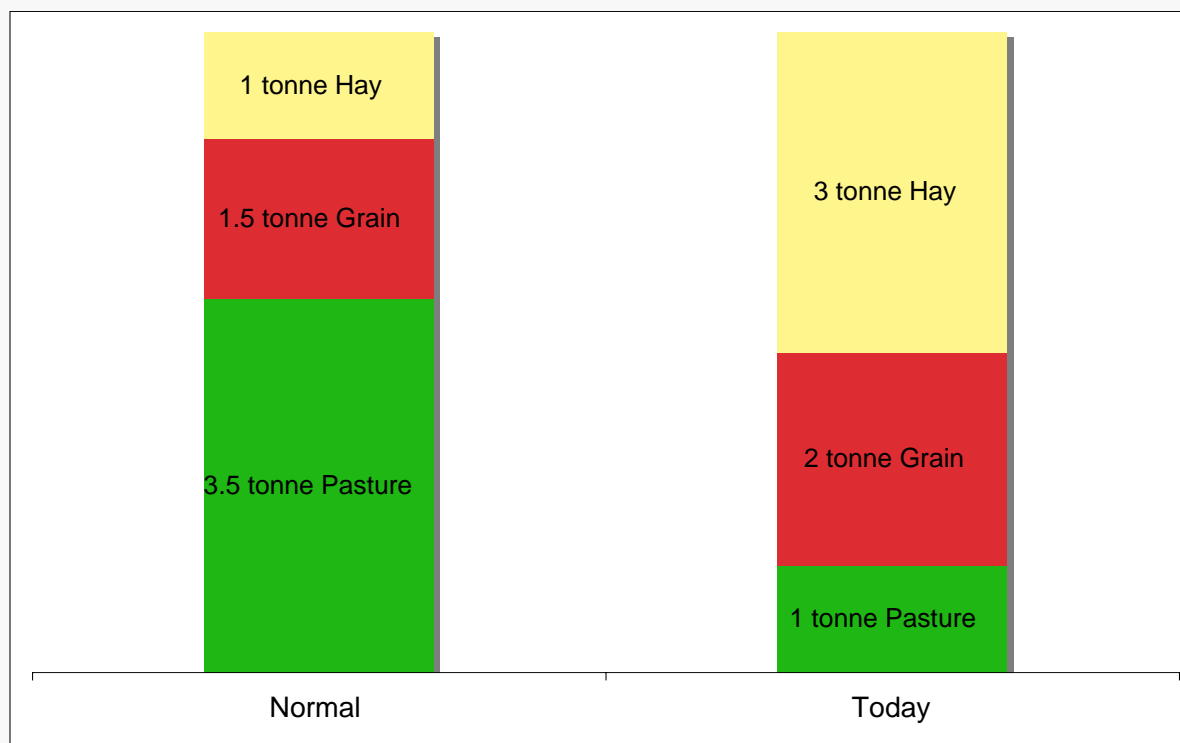
- 2440 Farms
- 2.56 Billion litres milk
- 25% of Nations milk production
- Irrigation the lifeblood

WATER RESOURCES

Two Major Irrigation Systems:

- Goulburn - Current Allocation 20%
- Murray - Current Allocation 10%
- Temporary Water Entitlement - \$1000/ML - Not an option for a dairy farmer.
 - Limited ability for home grown feed

What does this mean ?



375 tonnes grain
250 tonnes Hay

500 tonnes grain
750 tonnes hay

Key Questions - For the Dairy Farmer

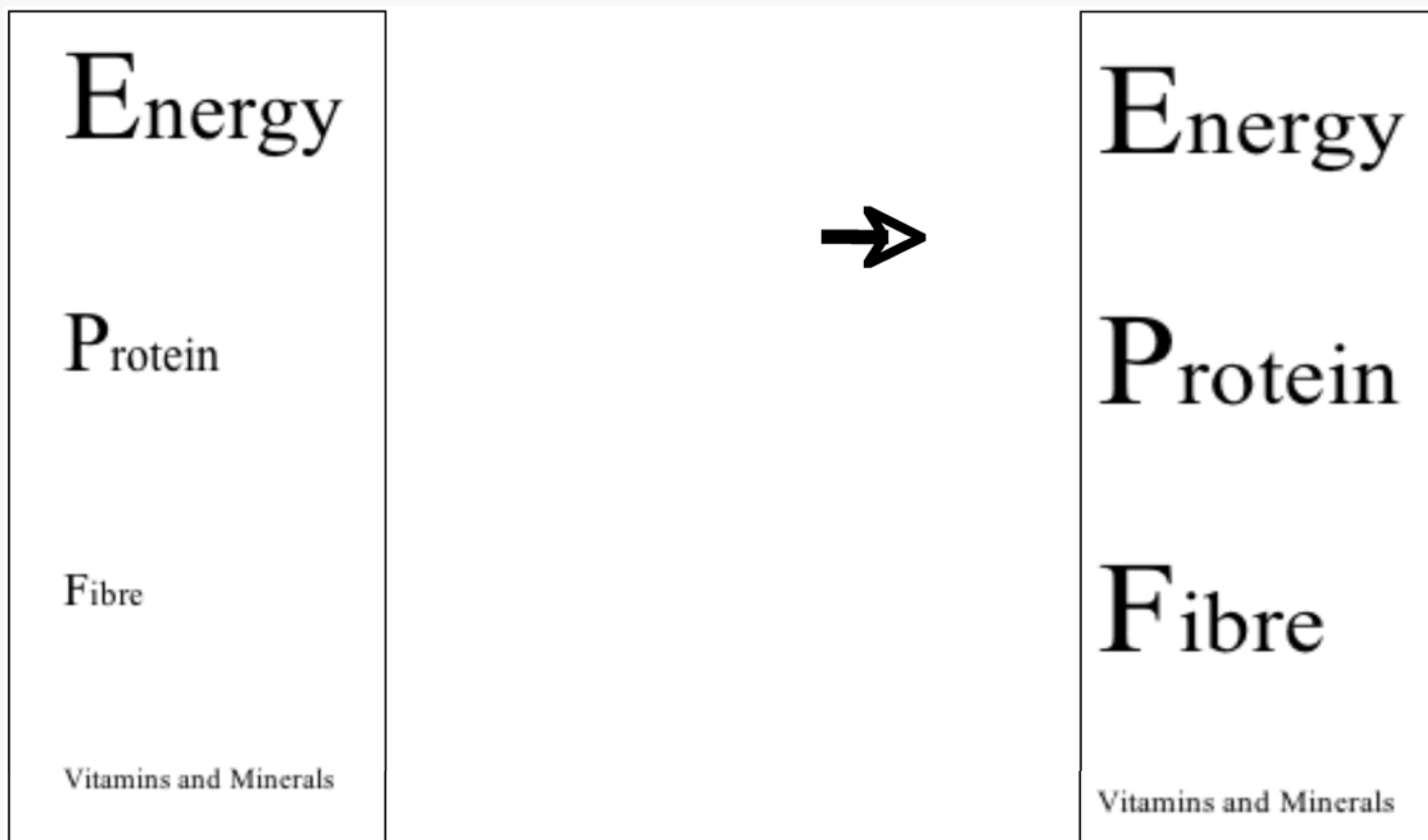
- What do I need ?
- Can I source it ?
- **Can I afford it ?**

What are they doing ?

Current

- Reducing the feed pressure by culling passengers
- Keeping a core herd that will allow the farm to recover WHEN (?) conditions improve

What does a dairy farmer need ?



Quality vs Quantity

Quality extremely important

Oils aren't Oils - Hays aren't Hays

Trying to replace green leafy pasture therefore green leafy crops

Dairy Farmers perspective - the earlier the better

Practical issues

They need to know what they are buying - Feedtest

They need to reduce transport costs:

- Large square bales
- Buy on weight not per bale
- Make hay not silage - too expensive to cart water
big distances

Can I afford it ?

All industries under significant pressure

The market will be what the market will be

When wearing Dairy Farmers bootsthen

The Sums

	Income/Expense Per Cow
Milk Production per Cow (Kg Milk Solids)	500
Milk Price (\$ / Kg Milk Solids)	5.8
Stock Income per cow	\$100
Total Income per cow	\$3,000
Herd Costs (\$ per cow)	\$100
Shed Costs (\$ per cow)	\$100
Home grown feed costs (\$ per cow) *	\$151
Labour Costs (\$ per cow)	\$400
Overhead Costs (\$ per cow)	\$200
Finance Costs (\$ per cow)	\$200
Total Cost before bought in feed costs (\$ per cow)	\$1,151
Margin available for bought in feed (\$ per cow)	\$1,849

The Sums

	Per Cow
Feed required per cow (t dm) including young stock Less	6.4
Home grown feed per cow (t dm)	1.0
Extra feed required (t dm)	5.4
Feed Ratio (Grain/Fodder)	1:2
Tonnes as fed grain/cow	2.0
Tonnes as fed fodder/cow	4.2
Cost of grain (\$/t) (delivered into the Goulburn Valley)	\$400
Cost grain per cow	\$800
Margin to buy fodder	\$1,049
Break Even Fodder cost (\$/t) (delivered into the Goulburn Valley)	\$250

Other factors

Everyone is different and price resistance will kick in at different levels

Significant equity drops 2002/03, 2006/07 and not sure what the future holds - making an autumn sowing decision now.

Alternative options - reduce feed pressure but less COWS.

Longer Term

More variability therefore increased need for feed risk strategies

Our hay shed used to be water in the storages

Stronger links to the grain industry

Opportunity to develop some longer term relationships

Take Home messages

There will be demand for hay

Quality is important - the earlier the better

Feedtest - Knowing what your getting/selling

Big square bales - reduce transport costs

Do your sums, assess your risk, talk to people you trust

Everyone has their limits