Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2017

Department of Agriculture and Water Resources

Question Number: 65

Division/Agency: Dairy Australia Limited

Topic: Dairy Farmers – financial hardship

Proof Hansard Page: 90 (24.05.2017)

Senator STERLE asked:

Senator STERLE: Does Dairy Australia have information about how many dairy farmers are facing financial hardship or have not made a profit in the last financial year? Do you keep those figures?

Mr Halliday: Yes, and we have just recently completed—every 12 months we do a national dairy farmers survey. We ask 1,000 farmers across all regions around Australia. We have just got that feedback back. It is quite a detailed document that we are about to release through an initiative we call Situation Outlook in a couple of weeks time. But the headlines would be that in 2015-16, of these thousand farmers we asked, about 62 per cent made a profit. And 45 per cent anticipate making a profit in this current financial year, 2016-17.

Senator STERLE: Is that state specific? Is there a trend there?

Mr Halliday: We would have the details, and we can certainly take it on notice to provide that information to you.

Senator STERLE: Yes, if you could, that would be great.

Answer:

The National Dairy Farmer Survey has been conducted annually since 2004. The survey aims to provide Dairy Australia and the broader dairy industry with comprehensive insight into the behaviour and attitudes of Australian dairy farmers. Every year 1,000 dairy farmers are randomly selected from Dairy Australia's levy register and are interviewed by telephone during February and March. Quotas are set by region then data is weighted to represent national distributions on a region and herd size basis.

The research is conducted by Down to Earth Research.

Question Number: 65 (continued)

Please see attached the table (Attachment 1) illustrating the results from the National Dairy Farmer Survey Report March 2017, on the topic of farm profitability. The table shows the responses to questions 18 – 19 in the survey:

- *Did you make an operating profit in the 2015-16 financial year?*
- *At this stage, do you expect to make an operating profit for the 2016-17 year?*

The following references in the columns refer to the regional areas covered by Dairy Australia's Regional Development Programs, namely Murray Dairy, WestVic Dairy, GippsDairy, DairyNSW, SubTropical Dairy, DairySA, Western Dairy and DairyTas. Each of these areas is shown on the map that is attached (see Attachment 2).

In addition, please find attached a Farm Data Output Report generated by DairyBase (Attachment 3). DairyBase is a web based analysis tool for dairy farmers that can be used individually or with a service provider to measure and compare their farm business performance over time.

QoN 65 Attachment 1

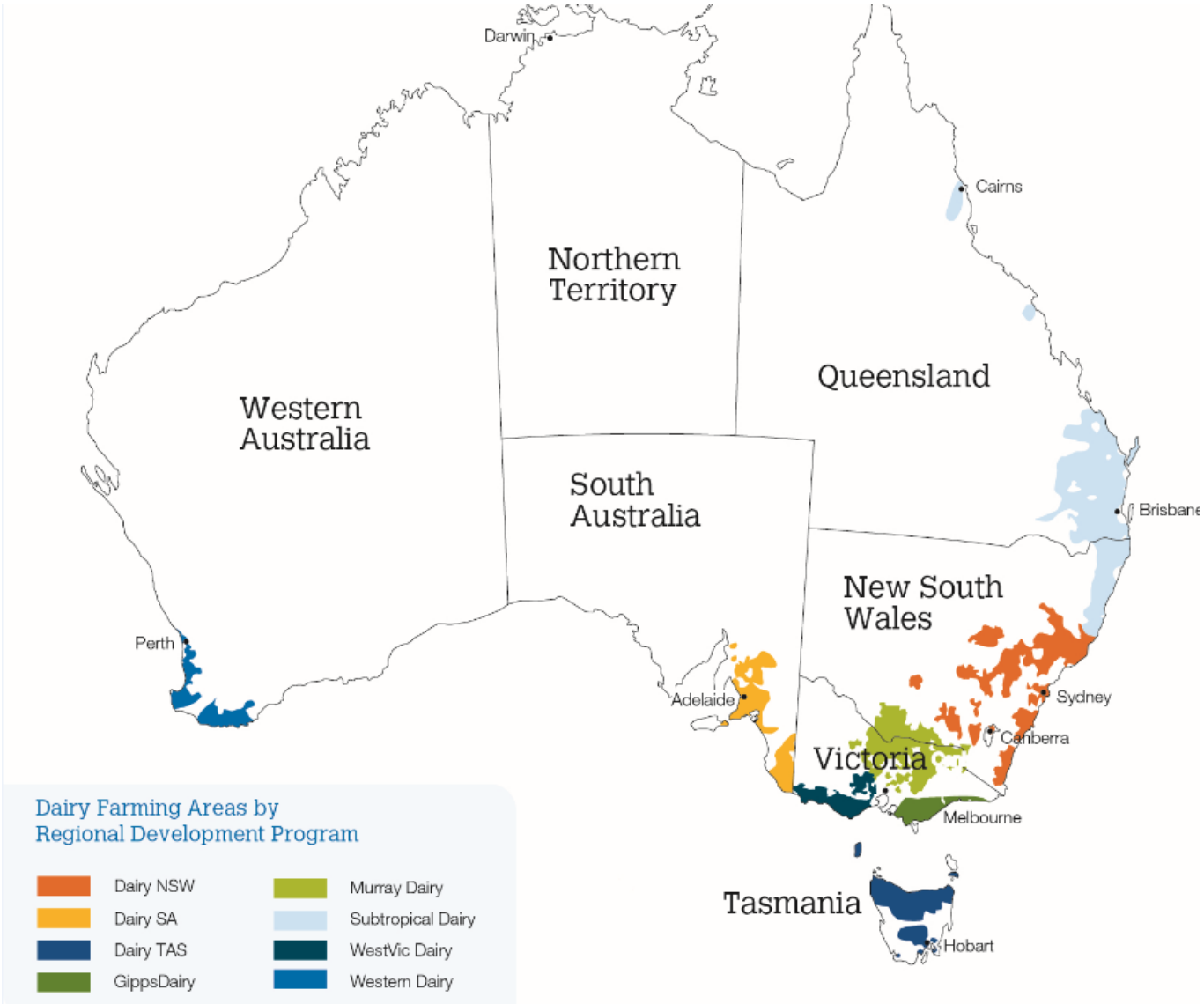
National Dairy Farmer Survey Report March 2017 - Extract

Farm Profitability: Questions 18 - 19

Questions asked:

- Did you make an operating profit in the 2015-16 financial year?
- At this stage, do you expect to make an operating profit for the 2016-17 year?

enterprise profitability	% mentioning (base: all respondents)											
	national (n=1000)	Murray Dairy (n=190)	WestVic (n=180)	Gipps Dairy (n=190)	Dairy NSW (n=110)	Sub-tropical Dairy (n=130)	Dairy SA (n=60)	Western Dairy (n=60)	Dairy Tas (n=80)	VIC (n=531)	NSW (n=170)	QLD (n=99)
Made operating profit 2015-16	↓ 62%	↓ 56%	↓ 58%	↓ 65%	65%	68%	77%	93%	↓ 59%	↓ 60%	↓ 65%	68%
Expect to make operating profit 2016-17	↓ 45%	↓ 25%	52%	↓ 47%	↓55%	↓ 60%	55%	87%	↓44%	↓ 42%	↓ 49%	↓ 56%
Do not expect operating profit 2016-17	↑47%	↑67%	↑ 42%	↑45%	↑ 41%	↑ 30%	35%	12%	↑51%	↑51%	↑46%	↑ 33%
Unsure operating profit 2016-17	↑ 7%	8%	6%	8%	↑ 4%	↑ 10%	10%	2%	5%	8%	↑6%	↑11%


Darwin
Cairns
Northern Territory
Queensland
Western Australia
South Australia
Brisbane
New South Wales
Perth
Adelaide
Sydney
Canberra
Victoria
Melbourne
Tasmania
Hobart
Dairy Farming Areas by Regional Development Program
Dairy NSW
Dairy SA
Dairy TAS
GippsDairy
Murray Dairy
Subtropical Dairy
WestVic Dairy
Western Dairy

QoN 65 Attachment 3

DairyBase Farm Data Output Report

Farm DataSet Details

Name	All Data Gippsland	All Data Northern Victoria	All Data South West Victoria	All Data Victoria	All Data Tasmania	All Data New South Wales	All Data Western Australia	All Data South Australia	All Data Queensland
DairyBase Farm Id									
Financial Year	15/16 - 15/16	15/16 - 15/16	15/16 - 15/16	15/16 - 15/16	15/16 - 15/16	15/16 - 15/16	15/16 - 15/16	15/16 - 15/16	15/16 - 15/16
DataSet Type	25 Datasets	25 Datasets	25 Datasets	75 Datasets	29 Datasets	35 Datasets	28 Datasets	16 Datasets	56 Datasets

Farm Business Summary

Physical Parameters		**Physical Farm Data**								
Usable Area	ha	201	234	320	252	302	287	575	447	291
Milking Area	ha	122	142	222	162	198	126	283	131	142
Cows Milked	Number	291	367	378	345	580	351	545	355	255
Annual Stocking Rate	Milking cows / Milking ha	2.4	2.6	1.7	2.1	2.9	2.8	1.9	2.7	1.8
Milk Production - Litres	Total Litres	1,798,436	2,644,281	2,735,110	2,392,609	3,218,000	2,475,272	4,142,225	2,901,653	1,557,860
Milk Production - Kg Milksolids	Total Milksolids	141,306	200,988	202,511	181,602	259,818	179,964	299,268	207,936	113,895
Homegrown Feed - Milking Area	t DM / Milking ha	7.5	7.8	5.1	6.5	10.8	9.0	5.7	7.8	6.5
Homegrown Feed - Usable Area	t DM / Usable ha	6.2	6.2	4.9	5.6	8.6	6.0	4.5	3.6	4.4
Cows per Labour Unit	Milking cows / FTE	114	111	104	109	139	78	88	85	77

Cash		**$/kgMS**								
Milk Income	$ / kg MS	5.28	5.46	5.47	5.4	5.55	7.34	7.22	6.16	8
Total Farm Cash Income	$ / kg MS	5.81	6.16	6.13	6.03	6.1	8.06	8.22	6.8	8.63
Total Farm Working Expenses	$ / kg MS	4.33	5.09	4.67	4.7	4.7	5.72	5.46	5.31	6.27
Farm Operating Cash Surplus	$ / kg MS	1.49	1.06	1.46	1.34	1.4	2.34	2.76	1.49	2.36
Finance Costs (Interest & Lease)	$ / kg MS	0.64	0.46	0.68	0.59	0.56	0.54	0.53	0.57	0.61
Profit										
Total Farm Gross Income	$ / kg MS	5.88	6.04	6.02	5.98	6.04	8.24	8.3	6.96	8.77
Total Variable Costs	$ / kg MS	3.34	4.16	3.66	3.72	3.22	3.98	3.96	3.56	4.51
Total Overhead Costs	$ / kg MS	2.29	1.94	2.26	2.16	1.93	3.25	2.37	2.66	3.29
Total Operating Costs	$ / kg MS	5.63	6.11	5.92	5.88	5.14	7.22	6.33	6.22	7.81
Cost of Production (includes inventory changes)	$ / kg MS	5.63	6.29	6.08	6	5.26	7.14	6.33	6.1	7.78
Earnings Before Interest and Tax (EBIT)	$ / kg MS	0.26	-0.07	0.11	0.1	0.9	1.01	1.97	0.74	0.96
Finance Costs (Interest & Lease)	$ / kg MS	0.64	0.46	0.68	0.59	0.56	0.54	0.53	0.57	0.61
Net Farm Income	$ / kg MS	-0.38	-0.53	-0.57	-0.49	0.34	0.47	1.44	0.16	0.35

Cash		**TOTAL $**								
Milk Income	$ / kg MS	748,451	1,128,273	1,138,346	1,005,024	1,448,674	1,302,211	2,191,104	1,260,640	920,301
Total Farm Cash Income	$ / kg MS	827,231	1,253,397	1,282,263	1,120,964	1,582,215	1,429,135	2,488,881	1,386,024	988,492
Total Farm Working Expenses	$ / kg MS	614,916	1,041,631	981,492	879,346	1,242,906	1,029,469	1,693,405	1,107,772	721,073
Farm Operating Cash Surplus	$ / kg MS	212,316	211,766	300,771	241,618	339,309	399,666	795,476	278,252	267,419
Finance Costs (Interest & Lease)	$ / kg MS	88,486	85,972	161,274	111,911	121,510	98,871	186,789	125,943	72,082
Profit										
Total Farm Gross Income	$ / kg MS	836,087	1,248,117	1,276,719	1,120,308	1,579,396	1,455,968	2,506,109	1,418,696	1,007,748
Total Variable Costs	$ / kg MS	477,132	842,000	770,512	696,548	854,318	721,246	1,197,146	753,619	513,810
Total Overhead Costs	$ / kg MS	296,603	371,405	425,595	364,534	484,452	499,276	702,914	509,407	343,639
Total Operating Costs	$ / kg MS	773,735	1,213,405	1,196,106	1,061,082	1,338,770	1,220,522	1,900,060	1,263,026	857,449
Earnings Before Interest and Tax (EBIT)	$ / kg MS	62,352	34,712	80,613	59,226	240,627	235,446	606,049	155,670	150,299
Finance Costs (Interest & Lease)	$ / kg MS	88,486	85,972	161,274	111,911	121,510	98,871	186,789	125,943	72,082
Net Farm Income	$ / kg MS	- 26,134	- 51,260	- 80,661	- 52,685	119,117	136,575	419,259	29,727	78,217
Wealth										
Return on Total Assets (ROTA)	%	1.0%	- 0.5%	0.3%	0.3%	3.8%	2.7%	6.4%	2.9%	2.8%
Equity as % of Owned Assets	%	66.0%	66.2%	64.8%	65.7%	70.1%	76.0%	75.6%	65.0%	76.1%
Return on Equity (ROE)	%	- 2.8%	- 5.0%	- 3.4%	- 3.8%	0.6%	1.7%	9.1%	0.0%	4.2%

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2017

Department of Agriculture and Water Resources

Question Number: 66

Division/Agency: Dairy Australia Limited

Topic: Programs to help farmers

Proof Hansard Page: 92 (24.05.2017)

Senator RICE asked:

Senator RICE: What sorts of programs are you looking at?

Mr Halliday: I could come back with a question on notice in terms of exactly the programs. But we are looking at decision-making, particularly around farm systems and how they can deal with things like heat stress and how they can take costs out.

Answer:

Between 2012 and 2015 Dairy Australia conducted 1400 on farm energy assessments as part of the "Smarter Energy Use on Dairy Farms" project. The learnings from these assessments were used to inform the development of an extensive range of information resources. These resources included fact sheets on the renewable energy options, their cost effectiveness and emerging opportunities. Over the next few months, Dairy Australia will be updating the renewable energy information resources to account for the rapid changes in the cost of renewable technologies since 2015, including storage batteries. The timing of peak electricity demand on dairy farms is not suitable for most forms of renewable energy unless it is supported by battery storage.

The updated resources will be distributed through the Regional Development Program extension activities and the Dairy Climate Toolkit website.

Current Dairy Australia investment in climate change research, development and extension activities (RD&E) includes:

- Extension of the "Dairy Businesses for Future Climates" project to the Murray Dairy and Sub-tropical regions;
- Identification of climate extreme resilient pasture species and cultivars ("Sustainable pasture systems under climate extremes");
- Refinement and extension of the Heat Tolerance Australian Breeding Value (ABV) which allows farmers to identify animals with greater ability to tolerate hot, humid conditions with less impact on milk production;
- Updating of the Cool Cows resources, website and heat alert service; and

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- Research to assess technologies to reduce enteric methane greenhouse gas emissions.
- Further information regarding these projects and resources is available at the following websites:

  http://www.dairyclimatetoolkit.com.au/
  http://www.coolcows.com.au/
  http://www.dairyingfortomorrow.com.au/
  http://www.dairyingfortomorrow.com.au/tools-and-guidelines/dairy-greenhouse-gas-abatement-calculator/

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2017

Department of Agriculture and Water Resources

Question Number: 67

Division/Agency: Dairy Australia Limited

Topic: Impact of heat stress

Proof Hansard Page: 92 (24.05.2017)

Senator RICE asked:

Senator RICE: Have you done work that has articulated and quantified the impact of heat stress from the warming and drying that we have already experienced?

Mr Halliday: Yes, we have. I have not got the detail with me now. We could provide that. But we have certainly done quite a lot of work in that regard.

Senator RICE: If you could take that on notice, that would be good. Thank you, Chair.

Answer:

Dairy Australia has a long and productive history of investment in climate change mitigation and adaptation. In 2007, Dairy Australia funded the "Confidence to Grow" project (2007-2009) which used a combination of modelling, scenario analysis, and regional situational analysis to provide insights into how well the industry was positioned to manage climate change, including the extent to which farming systems were sufficiently resilient to handle increased climate variability. The findings from "Confidence to Grow" informed subsequent Dairy Australia research, development and extension activities (RD&E) including "Mitigation and Adaptation in the Australian Dairy Industry" (2010 -2012), "Dairy Businesses for Future Climates" (2013 - 2016) and "Profitable Dairying in a Carbon Constrained Future" (2013 -2017). All these projects have included an analysis of the impact of recent increases in climate variability and how they have impacted on industry productivity as well as identifying a range of mitigation and adaptation strategies to assist the industry adapt to a future of increased climate variability. The information resources produced through these projects including the Australian Dairy Carbon Calculator are available from the Dairy Climate Toolkit, a dedicated industry climate change website.

In addition to these projects, Dairy Australia was an investor in the Climate Change Research Program and Carbon Farming Initiative methane, manure and nitrous oxide cross sector research programs.

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Dairy Australia is currently investing in RD&E to mitigate the impact of heat stress on both animals and pasture. Examples include the Heat Tolerance Australian Breeding Value (ABV) which allows farmers to identify animals with greater ability to tolerate hot, humid conditions with less impact on milk production, the Cool Cows heat alert service and the cross sector "Sustainable pasture systems under climate extremes" project.

Further information regarding these projects and RD&E is available at the following websites:

http://www.dairyclimatetoolkit.com.au/
http://www.coolcows.com.au/
http://www.dairyingfortomorrow.com.au/
http://www.dairyingfortomorrow.com.au/tools-and-guidelines/dairy-greenhouse-gas-abatement-calculator/