

Agricultural Competitiveness White Paper Submission - IP571  
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The Hon Barnaby Joyce MP  
Agricultural Competitiveness Taskforce  
Department of the Prime Minister and Cabinet  
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17 April 2014

Dear Mr Joyce

### **Submission to the Agricultural Competitiveness Taskforce**

I am a retired private citizen with no formal affiliations but a passionate personal interest in agriculture particularly the dairy industry in NE NSW and SE QLD.

#### **Career Resume**

District Veterinary Officer, Tasmanian Department of Agriculture based at Ringarooma a predominantly dairying district. I experienced the change from cream production and can collection to bulk milk supply.

Private Veterinary Practitioner in Kyogle NSW during the 1970's during a major exodus from the dairy industry due to the British entry into the Common Market and concurrently the changeover to bulk milk supply.

Milk Supply Development Manager with Norco Cooperative Ltd for almost 20 years with the responsibility for improving dairy farm productivity in a supply area initially comprising 550 dairy farmers and extending from Beaudesert in SE Qld to Macksville and Dorrigo in NSW.

Private Rural Consultancy offering a learning approach to complex rural issues.

#### **Context**

The Government's overarching objective is to assist the farm sector become more competitive, profitable and sustainable. This will be achieved through maintaining and enhancing the natural resource base on which our rural industries rely; delivering scientific and economic research, programmes and services to help deal with the challenges faced by farmers.

Issues addressed in this submission include farmer decisions for improving farm gate returns particularly innovations and practices. Also tools, skills and advice farmers need to effectively adapt and respond to the risks they face. Also included are ideas for alternative actions by farmers that would result in improved financial performance at the farm gate.

The Northern Dairy Industry Outlook report of July 2013 conveys a message that dairy farmers in SE Qld and NE NSW are facing a difficult future as portrayed in the following excerpts:

“Confidence levels across the dairy farming community are very low, and this is putting at risk a return to the medium-term stability of production to meet regional domestic market needs. Confidence as measured by the NDFS in February and the QDFS in May was significantly lower in 2013 compared to 2012. The percentage of subtropical farmers describing themselves as being positive about the future fell from 45% to 31%. These are the lowest level of confidence recorded since the inception of the NDFS in 2004 – a year that followed a significant market downturn and widespread drought.”

“The QDFS has also measured a significant reduction in profitability and confidence of Queensland dairy farmers with 68% of respondents not being able to cover their monthly operational costs from their monthly milk cheque. Only 30 percent replied that they expected to be dairying in 5 years and 8% were unsure.”

“The Queensland Dairy Accounting System (QDAS) report for 2011/12 presented that milk returns averaged from 51 to 54.8 cpl, while the margin over feed costs ranged from 24.7 to 30 cpl. The Dairy Operating Profit for 2011/12 declined by 36% from 2009/10. QDAS data also presents that average net cash results for 2009/10 was 5.6 cpl then dropping to 2.1 cpl in 2010/11, then to (-0.6) cpl in 2011/12 and is now forecast to decline further to (-4.2) cpl for 2012/13.”

“ABARES Farm Survey estimates for 2012/13 indicate average farm cash incomes for Northern NSW and Queensland dairy farmers fell by 40% from the 2011/12 and that average farm business profit declined from \$14,100 to a loss of (\$39,000). The ABARES survey report also presented a drop in milk receipts of 3 cents per litre from 2011/12 to 2012/13 and fodder costs increased by over 13%.”

“Since the start of 2012 more than 80 dairy farmers have exited the Queensland industry. With the average farm constituting a \$3 million investment in fresh milk production, this equates to a loss of over \$240 million of investment in fresh milk production in Queensland over the last 28 months, as well as a loss of some 240 jobs in fresh milk production at farm level. Across the processing sector many more staff have been put off as processors seek to reduced costs and rationalise operations in the domestic fresh milk sector.”

“With poor farm gate returns for many farmers, there are threats to further investment in the capacity of farm structures and skill levels necessary to manage a wide range of risks including poor seasonal conditions, or to gain sufficient efficiency benefits from adoption of innovation. This risk will be amplified with the forecast adverse impacts of increased climate variability and other impacts on production costs.”

The Northern Dairy Industry Outlook report also identifies the future milk needs for Queensland.

“The region continues to demonstrate good population growth. The average annual population growth rate for Queensland over the past 5 years has been 2%. ABS projects that the population will grow by more than 2% per annum over the next 10 years, providing good scope for expanding demand as the economy provides consumers with greater confidence. At medium level population forecasts for Queensland the industry will need to produce another 110 million litres of milk per annum by the year 2022 to meet market demand.”

The report also highlights a number of factors that need to be met in order that farmers take advantage of this opportunity.

“The ability of the regions industry to meet this forecast market demand opportunity will hinge on a number of major factors, including but not limited to:

- Farm gate prices increasing to provide positive returns for dairy farmers,
- Ongoing high grain and fodder costs leading to lower use and less milk production,
- A deterioration in climatic conditions leading to reduced pasture feed and further increases in fodder costs,
- A further loss of confidence in the adequacy of returns leading to more farm exits, investment deferral and or contraction in farm intensity.

### **The Family Dairy Farm**

For the family dairy farm to continue as a viable farming enterprise into the future radical change needs to take place in the attitudes and mindsets of Government policy makers, research institutes, advisory service providers, dairy farm suppliers, milk processors and dairy farmers.

There is a need to reconceptualise the whole dairy farming system from the current situation of intensification, high cost, increased production goals and the continual degrading of environments to a focus on protecting and enhancing the natural ecosystems that support all life, providing rewarding lifestyles for the farming family and real farm business profits.

### **My submission to the Agricultural Competitiveness Taskforce**

“The concept of natural capital when it is intelligently linked to the concepts of human and manufactured capital, provides the critical nexus between the satisfaction of human needs and the restoration of our living natural systems.” – Paul Hawken.

The current mindset on dairy farming in the sub-tropical region of NE NSW is embodied with the belief that innovation and technology will provide solutions to the problems the industry in this region is facing. Governments, researchers and advisers dream of productivity increases through intensification but what they usually overlook is fertile soil, clean air, biological diversity, and pure water, all of which we are rapidly losing and none of which can be substantively created by any man made technology. In our desire to dominate and manipulate our natural ecosystems we have disregarded the basic principles of how life is created and maintained on our planet, the one we call home.

We need to re-shape the family dairy farm to fit ecological realities. One option to achieve this is to embrace the concept of Holistic Farm management which has its primary goals of enabling farmers to improve profitability, enhance landscape health and productivity while lowering operating costs; and providing a frame work for farm families to improve their quality of life.

Sincerely

Dennis Lambourne

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