

Dairy Industry South Australia Action Plan 2018 - 2023



SOUTH
AUSTRALIA

South Australian Dairy Industry Action Plan 2018-2023

Produced by the South Australian Dairy Farmers Association with the support of Primary Industries
and Regions South Australia 2017



What is an Action Plan and why have one?

This plan is about galvanising the mindset of all who are in the dairy chain.

The chain is the producer, the processor, the wholesaler and the retailer each of which have a part to play in the process of getting milk from grass to glass or from paddock to plate.

Historically it has been too easy to segregate the dairy supply chain into its component parts with each component taking an insular position.

In difficult times that has meant that the relationship between producers and processors for example, has been eroded at the expense of the supply product overall.

An Action Plan is a vehicle by which all parts of the chain have a mind and a care about what they can do to improve the image and the performance of the dairy product in the journey from the paddock to the plate.

Businesses that galvanise their focus on the end result are businesses that thrive over time.



For those reasons this is plan is the product of wide consultation and input from all sectors in the supply chain.

This is a document that needs to be owned by the industry it serves and will be a touch stone for representative organisations that seek to advocate for the industry to legislators, ministers, governments, decision makers and others who have influence in the industry.

If consistent messages are coming from industry to those who can have an effect on industry then positive outcomes will be there for all to benefit.

In short and industry that owns shared goals is an industry with a shared future.

The taste for dairy grows globally

The dairy product is becoming increasingly popular in the international market place. As global wealth increases so does the demand for products derived from milk production.

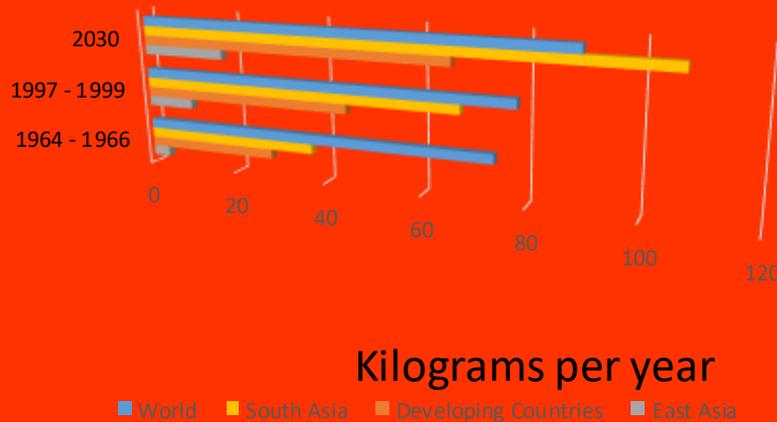
This places South Australia in the box seat when it comes to getting dairy products out to the world as we enjoy some of the cleanest and greenest dairy products on the face of the planet.

The growth is projected to continue into the foreseeable future and with countries such as Indonesia, India and other parts of South East Asia on our doorstep the opportunities abound into the future.

Nevertheless, we still have to say ahead of the game with our premium reputation as it doesn't guarantee success, it just gives us an edge.

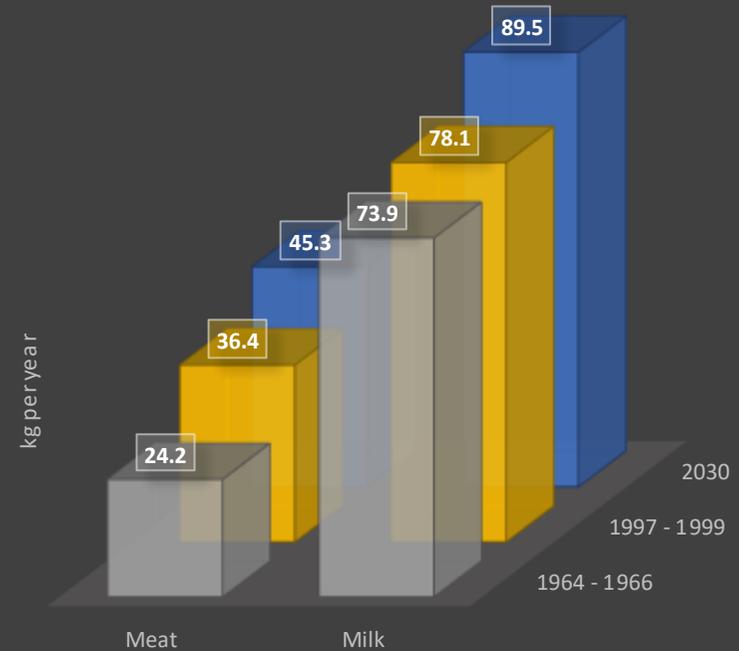
Per Capita Consumption of Milk 1964 - 2030

Source: World Health Organization



WORLDWIDE PER CAPITA CONSUMPTION OF LIVESTOCK PRODUCTS 1965 - 2030

■ 1964 - 1966 ■ 1997 - 1999 ■ 2030



The Premium Club

The Australian product is amongst the best in the world. The taste for what South Australia does is gaining traction and with that comes demand.

South Australia is no exception to the rule and we can justifiably claim to be among the best of the best. Nevertheless, there are challenges in claiming that title and staying there.

Historical Challenges

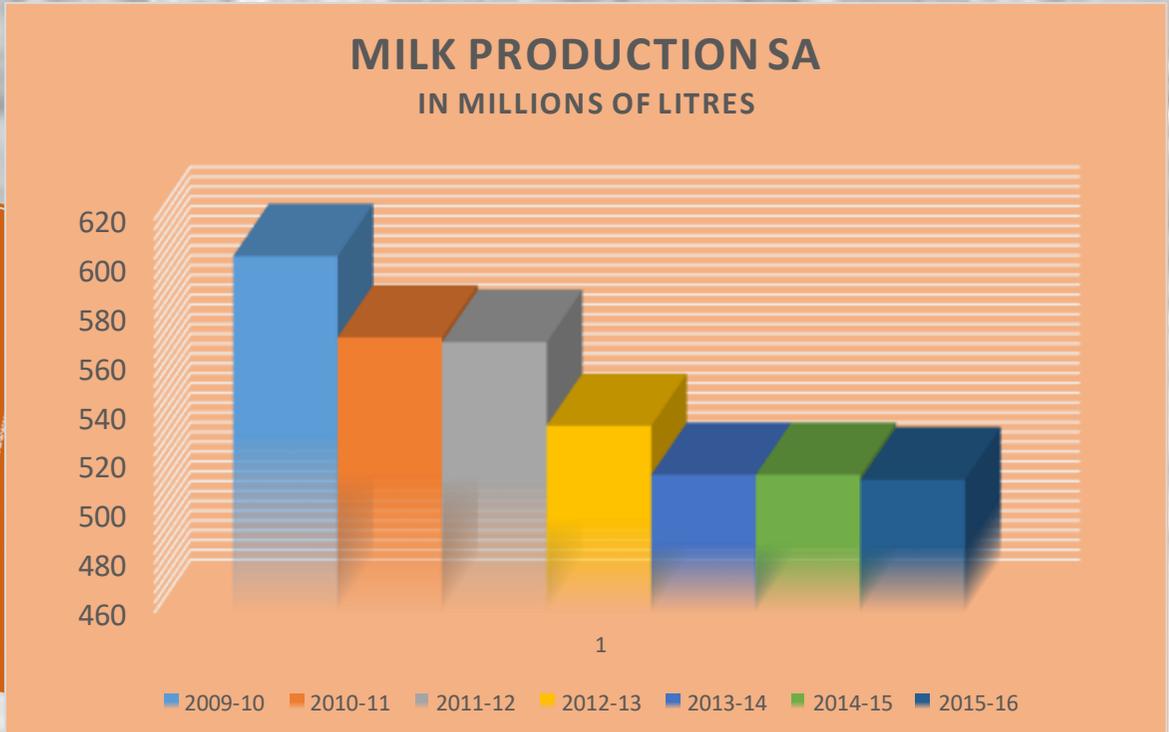
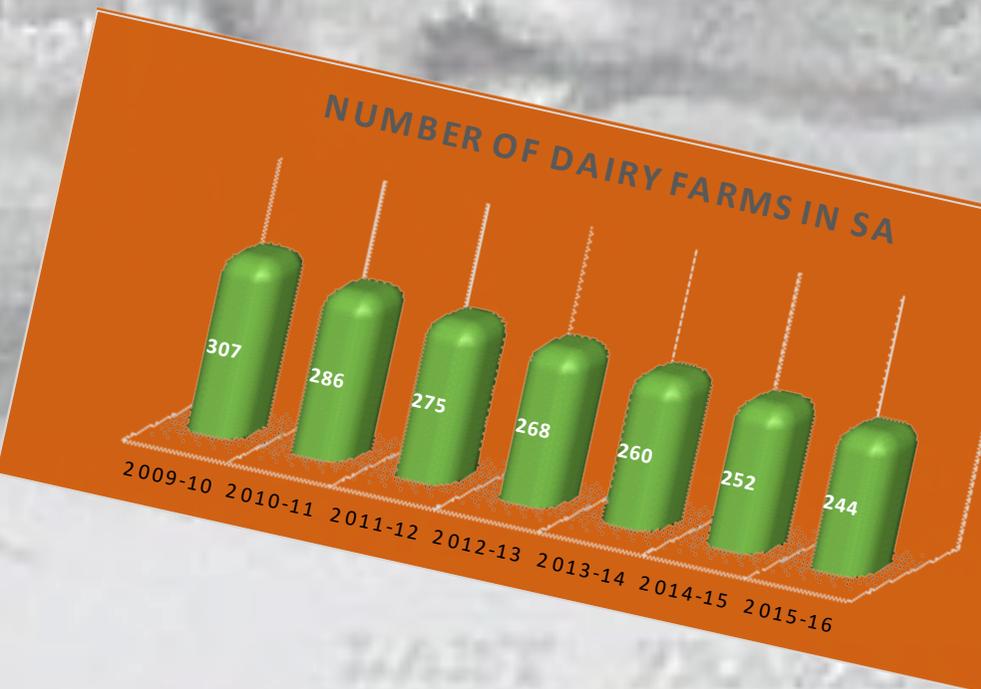
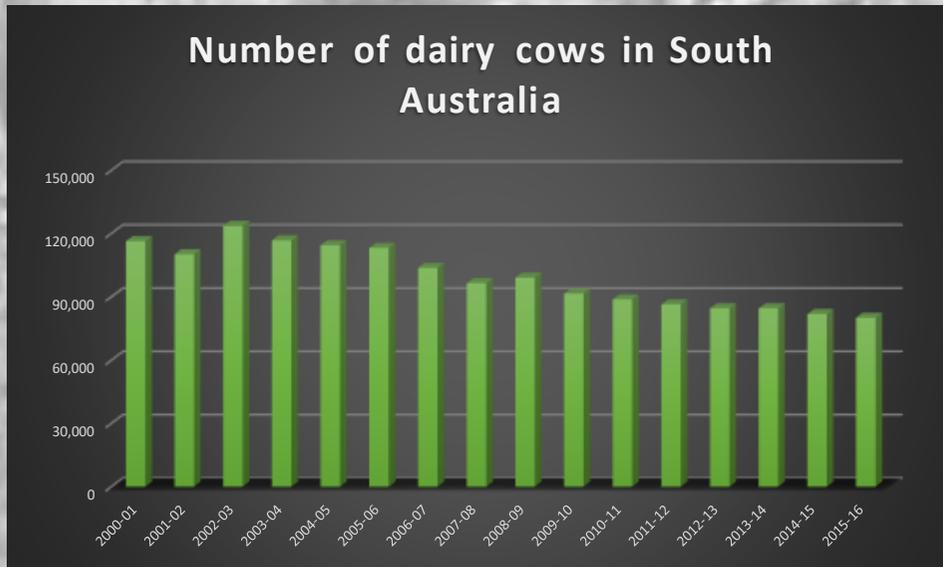
In the past two years there are no doubts that Dairy Markets locally, nationally and internationally have faced a number of confronting issues.

This has been on top of a decline in the number of farms and cows and overall output

The decline has been arrested by output per cow and in recent years the decline in overall output has flattened.

Last year a difficult year was also experienced by the industry nationally and internationally, however the South Australian output is expected to have been not too badly effected by the difficulties.

Prices have started to rebound and this is where opportunity is expected to be knocking.



Opportunities to be explored

As we move into the future there are reasons to re-evaluate the systems and technologies that are new in all industries going forward. Technology is changing at an astonishing rate and it is increasingly inserting itself into the dairy industry.

Genetic technology has been improving over the past decades and now form a familiar part of the technological environment in which industry operates. Nevertheless the genetic field remains an important area in which technological advances can be pursued.

In more recent times the development of robot technologies have seen entry in the dairy industry around the world.

This technology is improving around and are now operational in dairies in the United States, Europe and here in Australia. More focussed forms of farming will lead to greater milk production per cow.

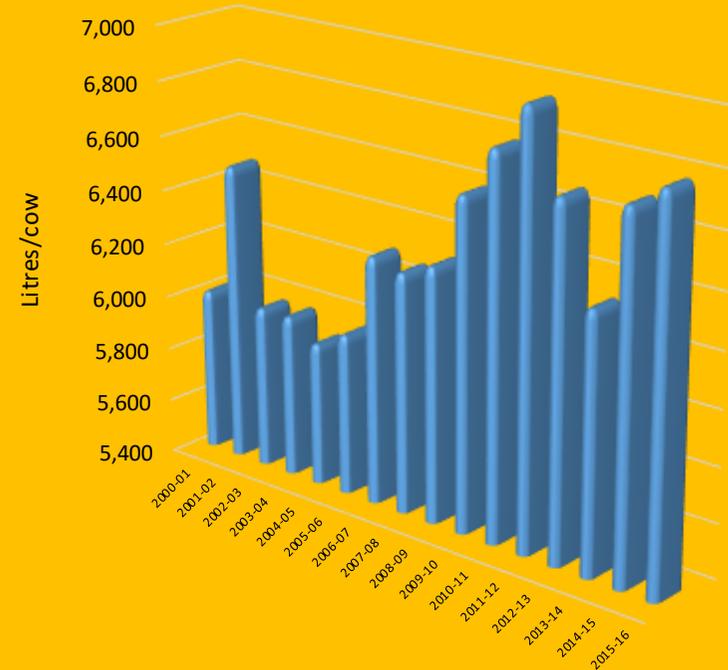
Currently average production per animal is under 7,000 litres per year. With changes to technologies production rates will increase and amounts of 10,000 to 12,000 litres per animal per year are attainable.

Fewer cows doesn't mean less production.

To remain competitive the South Australian industry will need to examine technologies and systems that will place the industry on a stronger productive footing.

Other emerging technologies include virtual fencing. This technology is cheaper, safer and less environmentally intrusive than other existing technologies. South Australia has recently moved to amend regulations to enable the use of such collars for research. As time passes we aim to see this technology on farm.

Average Yield Per Cow in SA



Technologies also engender the ethical issues surround the treatment of Animals.

The South Australian Dairy Industry commits to animal husbandry that is ethical and focusses on humane treatment. The elimination of practices such as induction over the next five years is a priority.

Further the introduction of pain relief for various practices such as de-horning will become the industry standard.

The reputation of our industry as a humane industry is at the core of our commercial success.

Driving Profit and Driving Productivity

Since deregulation prices have grown but they have been masked by increased price volatility and price shocks.

Dairy's our productivity must drive toward market-driven products. South Australia will never be the lowest cost commodity supplier. In the first third of the Asian century we will be competing in an environment of lower overheads and wages that many of our competitors enjoy.

Wages and costs will increase in South East Asia and India as they have in China and South Korea to almost western levels. (More in the case of South Korea). This will be a direct result of the expectations driven by people who demand a higher standard of living. Nevertheless, there will be a delay of several decades as these costs rise.

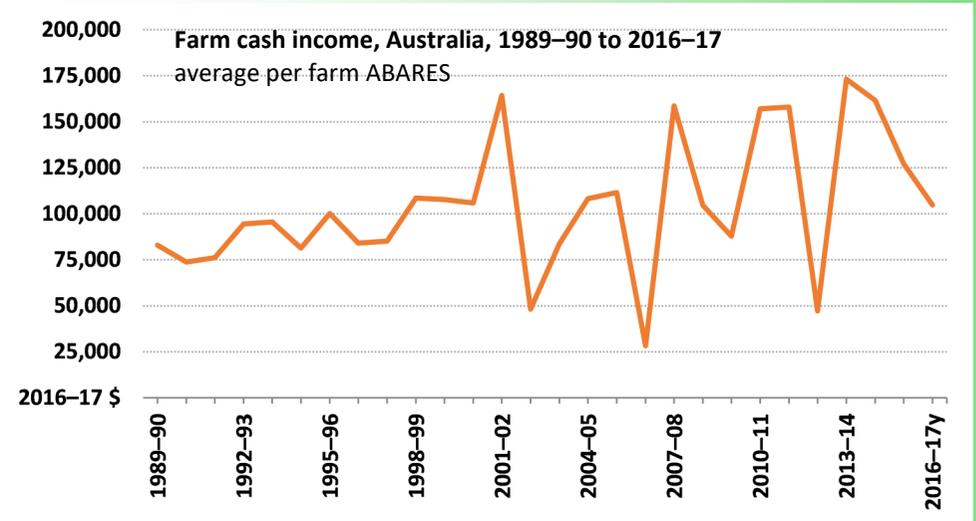
As a jurisdiction we must be able to fold efficiencies into profits – this will provide for business performance and a stronger defence against rising problems and challenges. Dairy industry profitability is a fundamental driver in attracting new skills as well as retaining existing talent and expertise.

We must increase productivity growth. Productivity growth will be a fundamental means by which the industry retains an edge against the long-term downward price directions that effect commodities. Moreover, an increase in productivity growth which is better than those who we compete against transitions from being a shield of protection to a more assertive sword of competitive advantage.

As a sector we are obliged to offer information in a way that easily transmits the commercial advantages of adaption. This means transferring supply chain information to other parts of the chain to enhance accurate and robust decision making across all sectors, with a particular focus on the production component of the sector.

This process demands a whole of business focus. Priority will need to be given to a system that rewards participation by sectors in the supply chain process.

Industry therefore will have to review stock performance, labour capacity, transport challenges and market penetration as part of this process, all the while, maintaining an attitude of partnership as all points in the supply chain.



Time to Diversify

Diversification needs to occur in several areas and should reflect the required diversification that this plan expects in terms of modes of thinking.

As free trade agreements such as CHAFTA are rolled out over the next five years industry can expect a response from other countries to place other barriers in place. Recent examples are China's CNCA banning certain processors from supplying dairy and other products into the Chinese market place.

Diversification is about delivering products that are different as well as diversifying approaches to self management that anticipate the expectations of the export market place and the country of import.

Working hand in hand with a marketing approach to create market demand, diversification of thinking and product will position the South Australian Dairy supply chain at its optimum position to expand and penetrate the competitive markets by creating leading products that are desired by the consumer.

Exports for Growth

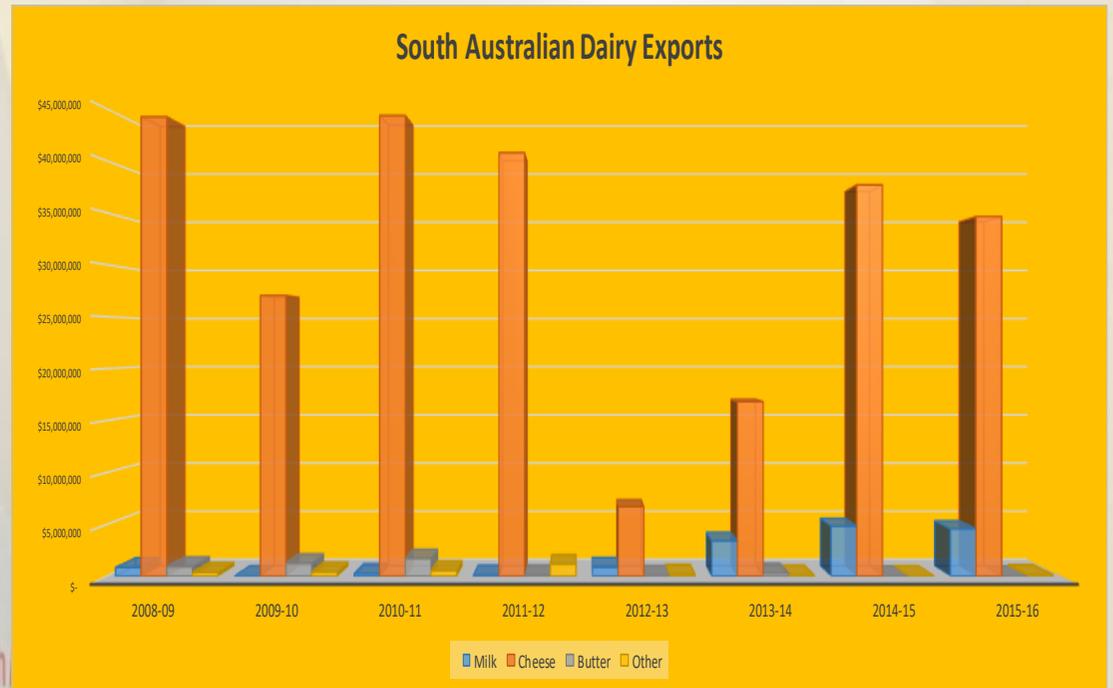
While the demand for domestically supplied milk stays strong in South Australia it is a commodity that that is well established and has been entrenched in the consumer psyche in South Australia. Room for expansion of this market place is unlikely unless some new use for dairy products is discovered.

There is an increasing middle class in Asia and South East Asia including countries like India. While more protected than China the Indian market place will become increasingly amenable to imported premium product.

Other countries such as Malaysia, Vietnam, Indonesia and Thailand are also seeing a greater level of disposable income.

It isn't anticipated that South Australian or even Australian product can compete with local markets in these countries either based on demand as a competing commodity or alternatively on cost.

What South Australia possesses as well as the other states in Australia is a reputation for being clean and that our products are untainted by the pollution of Asia or for that matter Europe.



This clean green impression of our product enables us to overcome some of the cost differentials that exist with Australian Products and our competitors in countries like China. For this reason it is important to keep an eye on where the middle classes are beginning to grow because it is that group of consumers that will be able to afford the more expensive South Australian Product.

Therefore it is important to position South Australia as being a producer of premier product.

A number of Dairy suppliers from South Australia are already in the Chinese market and they are performing well.

For the industry to grow in South Australia then there must be a focus on the development of foreign markets.

Deregulation has positioned the industry to compete in global markets and South Australia has product that can, will and has successfully competed on the international stage.

This plan commits the Dairy Industry to exploring and developing markets around the world but with one eye firmly fixed on our near neighbours.

Middle Class in India

Per Million Households



Supply chain enhancement

South Australian dairy producers and processors will benefit from an enhanced supply chain mechanism. Currently, the milk flow is stilted by the arrangements across the supply chain. A number of facets can be addressed in the supply chain which cast a wider net than just the producer and the processor. Protecting the supply chain's integrity means lowering the risk profile. Innovation should be incentivised by lower risk profiles leading to higher profits.

Part of the process will mean better and more open communications across the whole supply chain. The challenge is finding mechanisms that have integrity that each player trust to share information improving supply chain outcomes. This means transparent access to relevant parties to improve systems and streamline outcomes.

Getting produce on farm

There are a number of farming practices that require the transport of feed on farm. This raises challenges in relation to movement of product such as substantial amounts of food to cattle on farm. Commitment to making certain that the costs of fodder production are limited is essential under emerging farming models.

Milk Supply

A flatter milk supply as a state or even regions within a state will require greater levels of communication and collaboration between farmers and processors to enable these outcomes. Consistency of supply is a central goal for the supply chain. Supply that is both reliable and predictable for processors means a better capacity for planning and growth of dairy products going forward.

Transport of Milk

Changes in vehicular technology means a revisit of transport issues. B double vehicles now have an array of configurations that mean it is possible to reduce the number of visits by milk trucks to farms. Work will need to be done to address bottle necks along transport corridors that prevent the use of larger vehicles which will have the effect of reducing the number of road movements. Effective rostering between processors, producers and markets means new efficiencies can be found across the supply chain.

Processor Advancement

With dairy consumption effectively stabilised in Australia the ability for processors to get product into the growing international market place is the next important step. As part of this plan which deals with the need to enhance export volume there must be pathways created with the sole aim of reducing red tape. Not only challenges and barriers created by Australia but particularly challenges and barriers that exist in other countries.

Retail Involvement

The future of the supply chain involves a constant communication with the retailer in terms of the way various dairy products are presented on the shelves. Reconsideration of product packaging and labelling to improve the retailer's capacity to present the dairy product to the consumer. Feedback will be sought from retailers on how product moves to their organisations. Reviews of systems such as 'just on time' delivery and packaging shapes, sizes and messaging will be explored.

Consumer input

Market research must become a critical component of the future of dairy. What matters to consumers will resonate up the supply chain all the way back to the primary producers. Market research will include polling, focus groups and reviews of hot button issues that impact on consumer behaviour.

Driving Innovation

Getting each player in the supply chain to step back and look what they do must be incentivised. It is not uncommon for participants in the supply chain to look at other areas of the chain and think that there could be improvements made.

Getting people in the chain to take the risk of communicating with others in the chain in full and frank ways will lead to better understanding and more open discussions. Agreements between players across the chain which contain protection for participants must become an essential part of the communication process.

Creating a Workforce

The South Australian Government’s strategic plan nominates as its target a Food Industry worth \$20 billion by 2020. This target is ambitious but with growth in sectors such as wine and poultry there are strides being made in that direction.

Dairy has a part to play.

There is little doubt that the last few years have thrown up challenges to many farmers and that has had the effect of making the industry less appealing to newcomers.

The average age of a Dairy Farmer in South Australia is 56 years of age.

The dairy industry will over the next 5 years commit to restoring dairying as an occupation which is desirable and affords a lifestyle that is rewarding.

For every 100 cows there are two jobs to be created, one on farm and the other off farm. Recent increases in the presence of processors represents an encouraging indication for the future.

Nevertheless, the industry will focus on the recruitment and retention of people in the dairy field.

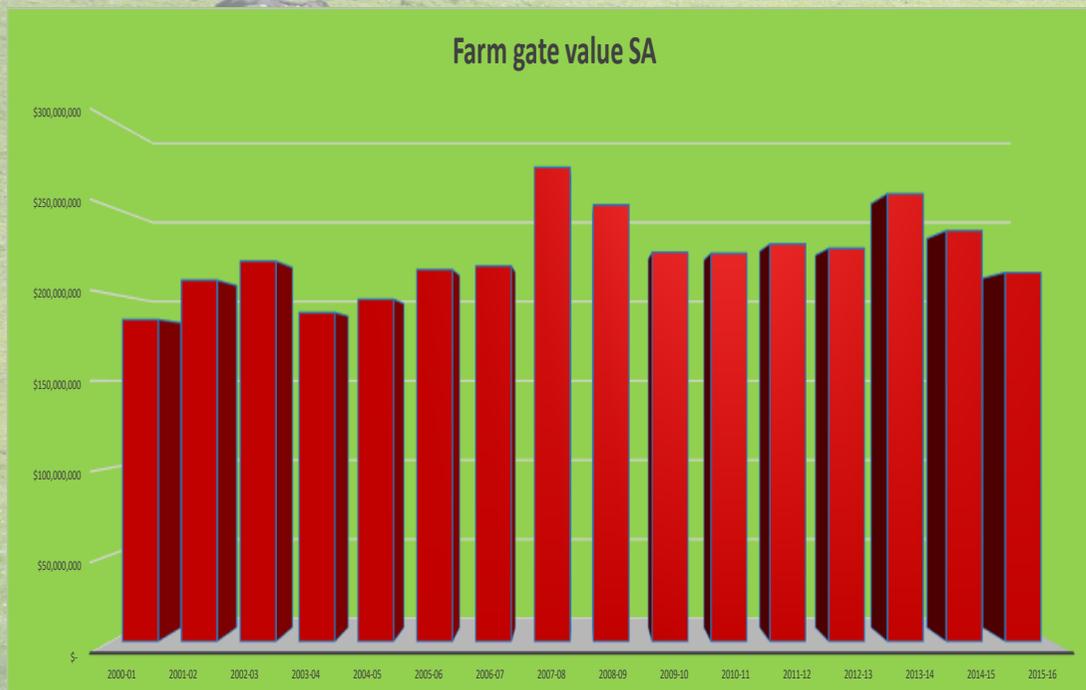
The industry commits to working with training providers to make sure there are suitably qualified people in the field as well as in the service processing industries that are associated with the production of the Dairy product.

Over the period going forward the industry will attend to its reputation as place to build a future for a worker and their family.

Currently there are about 850 people directly employed in the industry in South Australia with a similar number in related work.

Primary production currently accounts for one in five jobs in this jurisdiction and it is the intent of the Dairy industry to contribute to the employment numbers through the execution of this action plan.

Using the means available to the industry including levies and representative organisations dairy jobs in South Australia will be supported with a focussed industry restoring its reputation as a good place to work, live and thrive.



2023: The challenges ahead

Biosecurity

In a world of increasing movement biosecurity incidents will become and increased risk over time. The dairy industry in South Australia commits to its role in being outbreak ready in the case of a disease and also commits to making certain that other bio-security threats are minimised. This includes having an effective response to diseases like Bovine Johne's Disease and other similar established maladies in dairy cattle. Where necessary the industry will throw its weight behind research that makes our industry more insulated from biological threats.

Changing Approaches

In an everchanging world the dairy industry acknowledges change and where useful will embrace it. The technologies of the future will see radical systemic changed in the near decades. This plan is about laying the groundwork for that change when it comes.

Animal Welfare

The ethical treatment of animals will be a priority for the next five years. The industry acknowledges that there is an increasing expectation that animals will be treated respectfully and carefully into the future. This means commitments to abandoning redundant practices and the use of humane systems of management including pain relief where required.

Planning issues

With increasing demands on land and different expectations on land, title, use and planning issues will be an essential component of the development of the industry. This means working with Government and competing title holders, such as native title holders, to make them an important part of the planning for the industry moving forward.

Government Relationships

No industry works in splendid isolation from the influences of Government be it local, state or federal. The industry will increase its political positioning moving forward seeking to develop an increasing presence in the government sphere to enable positive relationships to develop with a view to legislative structures that will suit industry.

Foreign investment

The South Australian Dairy industry will move to welcome better relationships with investment from other countries. With our increasing presence in the market place the industry will commit itself to embracing partnerships with those nations we trade with. More investment in the South Australian dairy industry the more wealth generated for all South Australians.

Reputational Management

In the world of a hungry media an industry's reputation can turn on a single media broadcast. Over the next five years industry will create better relationships with broadcasters as well as managing its own reputation through the use of social media outlets. Holding media at bay increases the notion of secrecy. As the industry improves its systems it should use the opportunity to improve perception through the effective presentation of what the industry does and its outcomes for all consumers.

