

A glass pitcher of milk, a cloth strainer with curds, and a wheel of cheese on a wooden surface.

**South Australian Dairy Industry**

# **ACTION PLAN**

**2019-2024**





# President's Foreword

As the international market place becomes more competitive and pressure grows for an increasingly global world for all forms of dairy produce smaller jurisdictions have to assert themselves to get foothold in the industry.

South Australian dairy is uniquely poised to carve out a niche in the global market place by placing itself at the front of the premium market. There is little doubt that South Australia will not be able to occupy a commanding space in the commodity supply chain, primarily because of its size. While we can participate in the commodity markets there is an opportunity in South Australia to pursue something different and special.

The dairy farmer in South Australia produces their milk in a near pristine environment with farmers' properties presenting to the world a splendid visage of contented cows producing the best milk in the world on farms that belong on postcards. This is a simple image to convey because it is true.

This plan seeks to highlight this truth and present to the world a premium jurisdiction that produces a premium product.

As the President of the South Australian Dairyfarmers' Association I proudly attach my organisation's name to this plan as it is a document which can galvanise the dairy farming community into sharing a vision for the future that places South Australia in a position of being second to none.

**John Hunt**  
**President of SADA**





# Minister's Foreword

South Australia has a long and proud history of producing premium milk and dairy products.

Accounting for approximately five percent of Australia's milk and almost a billion dollars in generated revenue, the South Australian dairy industry is well positioned to target the premium end of the national and international marketplace.

With a growing middle class, particularly in Asia, the South Australian dairy industry is poised to reach a new wave of consumers with a value added and premium product.

Our dairy industry is well positioned to play a greater role in the worldwide market by satisfying the demand for safe and nutritious products.

One of the key aims of the South Australian Dairy Industry Action Plan is for the state to be globally recognised as one of the safest and greatest places to obtain world standard dairy product.

This Action Plan is a call to arms to all participants in the supply chain to work together towards a common goal and to grow the dairy industry from the 500 million litres of milk produced by our farmers (2016-17).

As Minister for Primary Industries and Regional Development, I am proud to endorse this plan and look forward to seeing South Australia's dairy producers and processors continue to boost the industry's reputation as the best in the premium market place.

**The Hon Tim Whetstone MP  
Minister for Primary Industries  
and Regional Development**

# 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 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 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 an industry that owns shared goals is an industry with a shared future.

# A Little History

Changes in the South Australian dairy industry have reflected national and international trends. In the late 1970's there were over a thousand small dairy farms in South Australia.

With the passage of time the number of farms have steadily decreased to 241 farms by 2017-18. The offset has been the increasing size of individual herds but those increased herds have only partially restrained the overall shrinkage of the industry in SA in more recent years.

Typically until the period after the second world war herds were generally about 70 cows. Today the average herd size exceeds 290 cows.

The overall state herd has also become smaller in recent years. At the turn of the century the South Australian herd was 120,000 cows. By 2018 the state herd was 70,000.

In the two years preceding 2018 dairy markets locally, nationally and internationally faced a number of confronting issues.

This was on top of a decline in the number of farms and cows and overall output in South Australia.

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

The years 2016 and 2017 were difficult years for producers in SA and this was also experienced by the industry nationally and internationally, however by late 2017 South Australian exports were starting to show initial improvements in their volumes.

By early 2018 prices were showing some return but the movement was still muted.

Historically there have been sharp ebbs and flows in overall milk production in South Australia. In 1980 annual production was about 300 million litres. By 2000 that had increased to 600 million litres.

But in more recent years that overall production has fallen. By 2017 the state's annual production fell back to 487 million litres but early data indicates that production is up another 5.8% on 2017/18, which indicates a positive trend.

Improvements in technology and animal husbandry has seen an increasing dislocation between herd numbers and productivity. Individual cows in the correct environment can now produce as much as 12,000 litres per year. This represents an output nearly twice the average for a cow in South Australia.

# South Australia's Dairy Strengths

Notwithstanding some of the historical challenges that face South Australia's dairy industry, there remains strong grounds for optimism.

South Australia has demonstrated an inclination toward innovation and increased per cow production. Compared to the national averages South Australia has outperformed all other states in its production including the fat and protein delivered.

South Australia's dairy industry consistently produces product which is demonstrably of a higher standard than the rest of the country.

The challenge now is to make that performance matter on the international stage.

Other industries, particularly wine, have already made their mark making wine one of the most lucrative exports for the state.

The Barossa Valley is now synonymous with Bordeaux and there is no reason why our dairy product should not obtain the same recognition at the same standard.

The South Australian Dairy Industry fund has already sponsored a boutique cheese manufacturer to travel to France to improve the quality and stature of his product.

This form of support is geared to help develop the reputation of South Australia as being a premium supplier.

The dairy industry in South Australia will continue to forge links with both state and federal government to advance the reputation of the dairy industry in this state.

South Australia can and will become the go to Australian jurisdiction for dairy and dairy products.

Region	Milk (litres)
Adelaide Hills	51,551,325
Fleurieu Peninsula	47,106,779
Mid North	7,738,603
Non Dairy Region	28,265,137
River & Lakes	77,971,267
South East (Mt Gambier)	291,663,431
<b>TOTALS</b>	<b>504,296,542</b>



# The taste for dairy grows globally

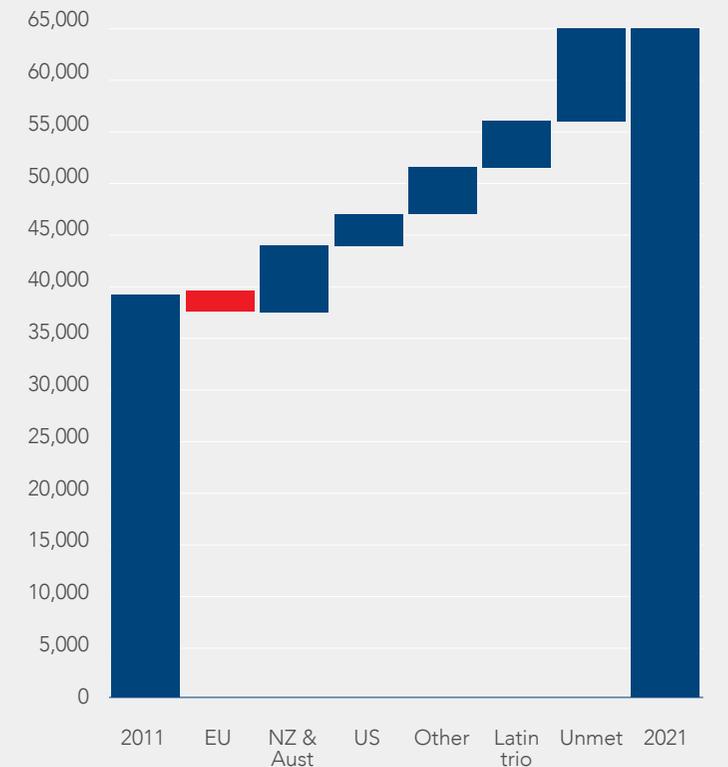
The dairy product is becoming increasingly popular in the international market place. As global wealth increases so does the demand for products derived from milk production.

This places South Australia in a strong position with its premium dairy products. Getting dairy products out to the world will be enhanced as South Australia has 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 and other parts of South East Asia on our doorstep the opportunities abound into the future.

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

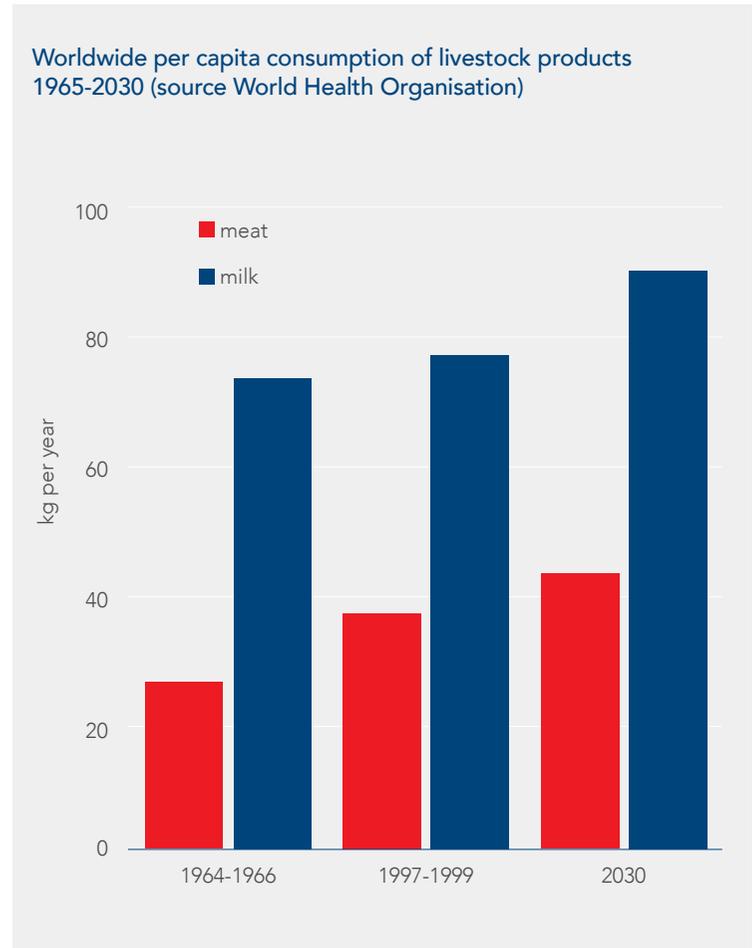
Meeting growth in market demand 2011 to 2021  
(million litres milk equivalent)



# The Premium Club

The Australian product is amongst the best in the world. South Australia is no exception to the rule and we can justifiably claim to be among the best of the best. The taste for what South Australia does is gaining traction and with that comes demand.

Nevertheless, there are challenges in claiming the title and staying there.



# Opportunities to be explored

As South Australian dairy moves 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 forms a familiar part of the technological environment in which industry operates. The genetic field remains an important area in which technological advances should be pursued. In more recent times the development of robot and artificial intelligence 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 focused forms of farming will lead to greater milk production per cow without diminishing animal comfort or compromising our constantly improving animal welfare standards.



In the period leading up to the preparation of this plan the average production per cow remained 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. Some farms are already producing such quantities. 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 approaches. South Australia has recently moved to amend regulations to enable the use of virtual fencing collars for research purposes. As time passes we expect to see this technology on farm.

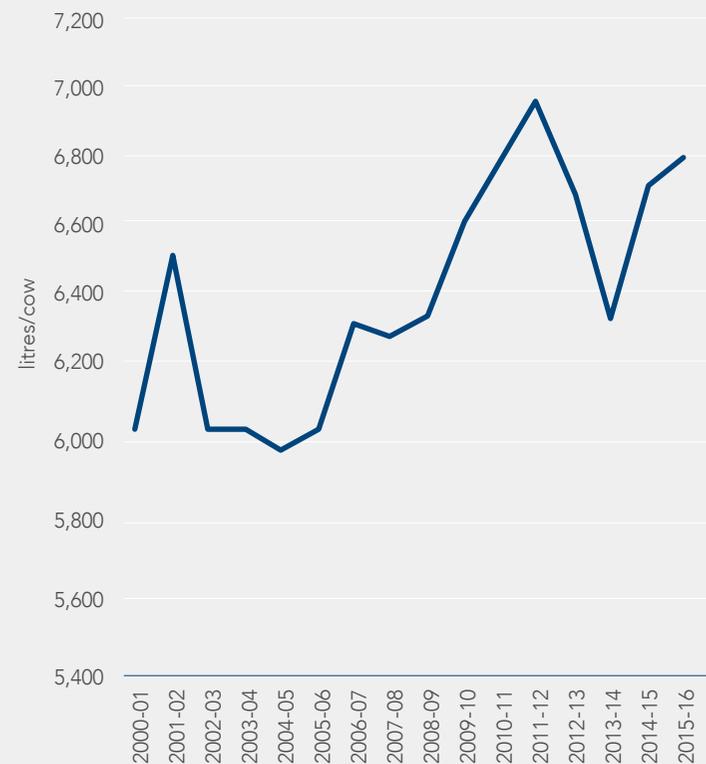
Technologies also engender the ethical issues surrounding the treatment of animals.

The South Australian dairy industry commits to animal husbandry that is ethical and focuses 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 dehorning will become the industry standard.

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

Average yield per South Australian Cow



# Positioning the South Australian Product

South Australia's dairy industry cannot compete in the world commodity market.

South Australia does not have the volumes of product or the cost essentials in place to make such an approach viable.

What South Australia does offer is an ability to offer premium produce to the world. The South Australian Government and a number of South Australian exporters have already positioned themselves via their planning to take up the mantle of being premium producers.

The strong advantage for the dairy industry is its presentation to the world. South Australia is blessed with cobalt blue skies and fields of emerald green. South Australian cows can be presented, because they are, among the most content and well tended to in the world.

This capacity to present the South Australian product as clean and green builds on the premium standard that is being set.

The South Australian dairy industry believes this is the correct approach and as such should be supported and endorsed by Governments, federal, state and local as well as other participants and decision makers who have influence and impact on the industry.

South Australian farmers should be prepared to look overseas and adopt the notion that for certain types of particular premium products such as cheeses there need to be specific breeds of cow to cater to the needs of the processor. The French, for example have done this and in the process carved out a valuable niche which is now established and trusted.



# South Australia Dairy's Position on International Arrangements

An exclusive product does not mean an exclusive attitude.

As the South Australian dairy industry positions itself in the international market place there are clear indications from businesses in other nations that there is a desire to secure milk supply.

There are already several examples in the South Australian dairy sector by foreign nations including China.

As part of the global economy South Australian dairy welcomes the investment by other countries in the local industry. It is acknowledged that the dairy industry is not only immune from the challenges of the international market place but more over is intrinsically bound to it suffering the slings and arrows of that industry along with the rest of the world.

Investment by foreign businesses in the premium product that the South Australian dairy industry offers is an expression of faith as well as a certain mechanism to participate in those market places in other countries.



Expecting entrée should be considered and approached as though it is a two way street. A positive acceptance of foreign investment that reflects the ambitions and ethos of this plan and the South Australian dairy industry as a whole, will be embraced by the industry and expected of any such investor.

Partnerships that reflect our ambitions will have the effect of increasing the value and presence of the South Australian dairy industry throughout the world.

# Driving Profit and Driving Productivity

Since deregulation median prices have grown consistent with historical trends, however prices have been masked by increased price volatility and price shocks.

Productivity must drive toward market-driven outputs. 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. China's cost of production is now only 4% lower than the US. People in these nations demand a higher standard of living. Nevertheless, there will be a delay as these costs rise across the Asian world.

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.

Productivity growth will remain an important component as the industry seeks to retain an edge against the long-term downward price directions that affect products. 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 dairy will be 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 at 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.

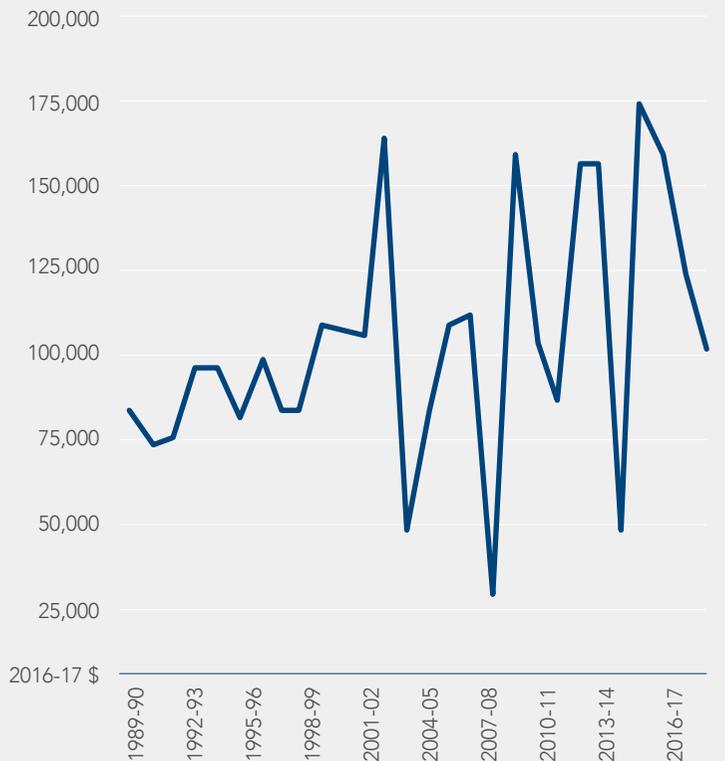
As arrangements such as the China Australia Free Trade Agreement are rolled out over the next five years industry can expect a response from other countries to place other barriers in place. Examples are China's Certification and Accreditation Administration banning certain processors from supplying 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.

A greater presence in international markets will work to diminish the peaks and troughs of a smaller local market.

Farm cash income, Australia, 1989-90 to 2016-17  
average per farm (ABARES)



# Exports for Growth

While the demand for domestically supplied milk stays strong in South Australia it is a commodity 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. While India's trade walls remain challenging regarding fresh milk the size of the Indian market place means that it must remain a market of interest should those rules change into the future.

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 is a reputation for being clean and that our products are untainted by the pollution of Asia or for that matter Europe.

The clean green impression of the South Australian 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

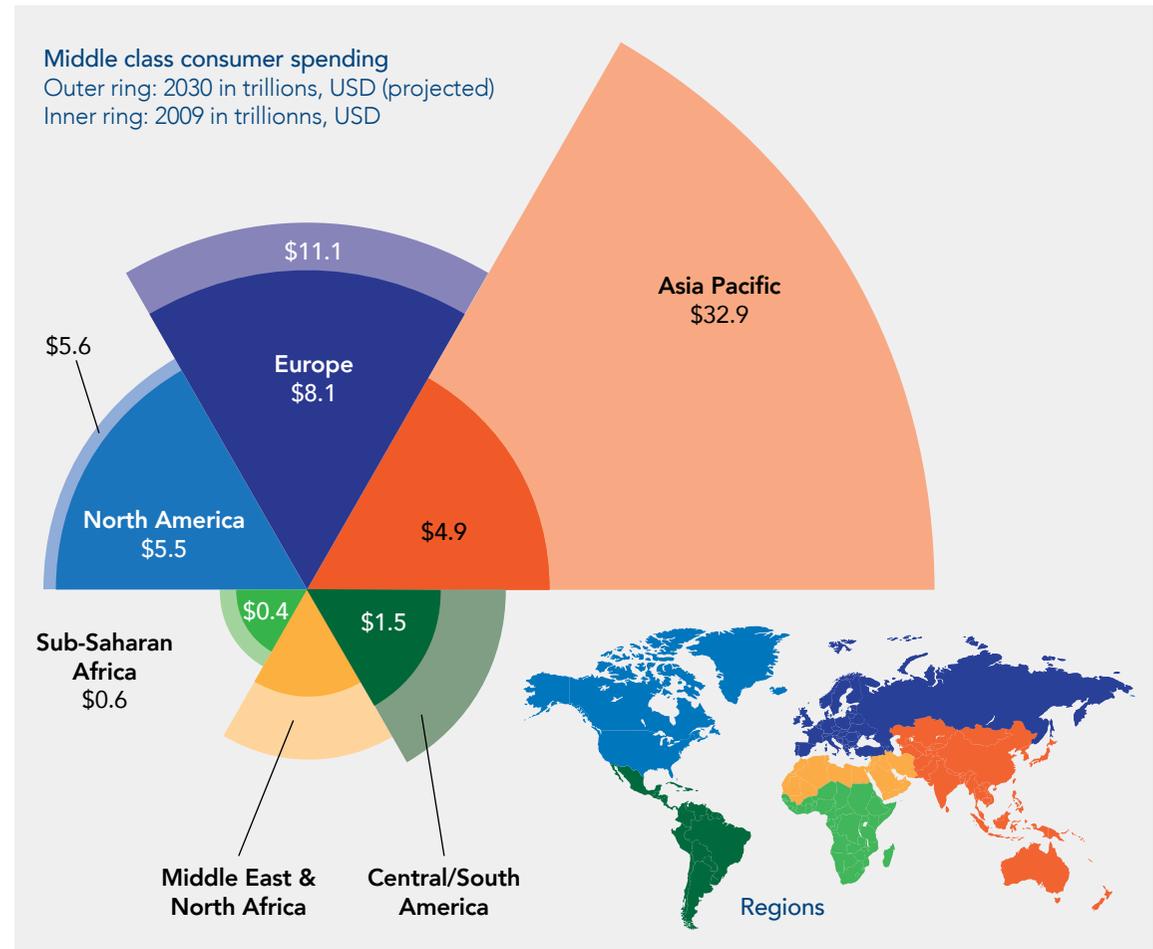
classes are beginning to grow because it is that group of consumers that will be able to afford the more expensive South Australian product.

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



# Supply chain enhancement

South Australian dairy producers and processors will benefit from an enhanced supply chain mechanism.

Currently, the milk flow is stilted by 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 trusts 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 from the state or even regions within a state will require greater levels of communication and collaboration between farmers and processors. 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. This must address 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. This includes 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 along 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 has a clear intention to continue growing the economy of South Australia. In the past decade more than \$18 billion has been added to the Gross State Product. This has been achieved through the growth of a number of industries.

Dairy has a part to play. There is little doubt that the 2016 and 2017 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 which is reflective of a long term truth. Part of the reason for this is that the succession systems in place tend to reflect that within families on the land parents tend to remain active farmers for longer thus distorting the average age profile.

The dairy industry will over the 2019-2024 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 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. Part of this process requires a repositioning of the message relating to working on dairy farms. The dairy industry is a rewarding industry in which to work.

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 products.

The industry will attend to its reputation as a 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. This work is generally well remunerated and conditions of work are generally very good.

Primary production currently accounts for one in five jobs in South Australia 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 focused industry restoring its reputation as a good place to work, live and thrive.

# 2024: The challenges ahead

## Biosecurity

In a world of increasing movement biosecurity incidents will become an 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 biosecurity threats are minimised. This includes having an effective response to diseases like Bovine Johne's Disease and other recognised 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 changes 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 continue to be a community priority. 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 and seek to develop an increasing presence in the government sphere to enable positive relationships to develop with a view to legislative and policy structures that will suit industry.

## Foreign investment

The South Australian dairy industry will move to develop better relationships with investors 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. The more investment there is in the South Australian dairy industry the more wealth will be 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 the print and electronic media 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.

## Competing with Imports

The South Australian dairy industry remains particularly attuned to the challenges to its domestic market as well. As global markets become increasingly competitive imported products also pose a challenge to local manufacturers of dairy products. For this reason the focus on premium will be used to offset against challenges from other jurisdictions.

# Focus and Objectives for 2019—2024

The development of the South Australian product as a premium product.

A strong focus on the export market dovetailing on Australia's excellent reputation as the best clean green natural supplier of dairy products, while positioning South Australia as being recognised as the best of that best.

Demonstrating that South Australia has the highest animal welfare standards.

Improved communication across the supply chain.

Working with the strategic direction of South Australia as a jurisdiction.

The dairy industry takes a more aggressive posture in dairy related issues.

Development of training models and succession plans for the future of the industry.

Promoting the industry as an industry with prospects.

# South Australian Dairy Industry ACTION PLAN 2019-2024

With thanks to our partners

