

# Implementing the plan

## What has been achieved?

A considerable number of industry achievements have occurred as a result of the existence of the 2002 SA Dairy Plan:

### Industry Investment

- Significant investments have been made to existing cheese processing plants.
- Attracted funding from Federal and State Governments and industry for the appointment of the Manager, Dairy Plan Implementation (MDPI) and associated resources for the industry development program.
- Attracted funds for an agronomy extension service to assist with managing change in the Murray River region.
- SA dairy industry's website being developed.

### Consistency of approach to dairy

- Dairy has the attention of SA Government Ministers.
- Industry has better relationships with state, regional and local agencies.
- Regional Development Boards are working together with a common view of dairy industry aims and requirements.
- Whole-of-Government approach to the alignment of the various SA Government agencies has been commenced, led by PIRSA.
- Extra focus on NRM issues including joint industry and EPA input to revised effluent management guidelines.
- New training opportunities for local cheese-makers.

### Farm development

- Industry has used the plan to articulate industry potential
- Investment attraction activities are underway
- Knowledge is being pooled on optimal dairy farm sites
- Industry training and R&D needs under review.

## How is this plan to be implemented?

The SA Dairy Industry Development Board remains the primary body responsible to the Government and industry for the plan objectives and initiatives, as well as monitoring and reviewing achievements.

PIRSA remains the lead agency with responsibility for implementing the plan, working through the Board, with industry stakeholders including farmer organisations, processors, service providers and other Government agencies. The Manager, Dairy Plan Implementation has prime day-to-day responsibility for implementing strategies developed as part of this plan.

A consistent Whole-of-Government approach to the implementation of the SA Dairy Plan remains crucial to its success.

### More information

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## What is yet to be done

The original plan's strategies remain relevant, but a number of new initiatives have been added as areas of priority:

### Industry Investment

- Attract further investment in processing through food manufacturing policy and infrastructure of Government and regions:
  - Support to protect and enhance the manufacturing investments that have been made
  - Promote the environment for further higher-value investments in innovation and product development
- Apply resources to maximise industry development opportunities
- Optimise use of the MDPI role in plan implementation

### Consistency of approach to dairy

- The "whole of government" cohesion needs to go much further to embrace the impact of:
  - Ongoing reform of water policy
  - The requirements of the EPA
  - Energy pricing and access
- Ensuring appropriate infrastructure through the supply chain to support the strategic plan (eg. Water, power, roads, transport, shipping)
- Ensuring ongoing investment in knowledge of South East aquifer

### Farm development

- Improve co-ordination of functions with stronger promotion of industry capacity
- Complete promotional package for use interstate and overseas
- Identify best practice case studies to identify regional potential

### Environment

- Increase emphasis on monitoring and managing the environmental impact of dairying

### Innovation

- Develop an innovation program for dairy that reflects R&D alignment with objectives and targets in the state dairy plan
- Facilitate training in skill areas associated with processing and manufacturing activities

# South Australian Dairy Industry Strategic Plan for 2010

Update

## The SA dairy industry plan

The South Australian Dairy Industry Development Board was established to provide strategic leadership and advice to Government on the SA dairy industry. It provides a forum for each of the major stakeholder groups in the SA dairy sector to develop initiatives which contribute to further industry development.

The Board believes that a State dairy plan is critical because:

- It communicates industry's role, value and future potential
- It quantifies the future targets that the State's industry is seeking to achieve
- It influences the development and implementation of Government policy affecting dairy farming, processing, marketing and service-providing enterprises
- It provides direction for participants, and current and future investors in the industry

Much has been achieved to date in the development of the SA dairy industry on the long-term path outlined in the original plan.

## Why update the plan?

The plan has been updated due to the significant change in circumstances facing the national and State dairy industries, following severe drought. The impact of drought has reduced the long-term outlook for milk production not only in SA but also for the national industry, and as a result has changed the likely future needs of processors and manufacturers engaged in the SA dairy industry.

It is necessary to re-state and extend the industry's outlook to 2013 in line with the new planning horizon for the State exports.

## Some fundamentals have changed

This update of the SA dairy industry plan recognises that some of the fundamentals have changed since the Dairy Industry Development Board completed work on the industry's plan in early 2002.

Those changes include:

- The effects of a severe drought across the national dairy industry, which had adverse impacts on the regions of the SA industry in terms of a reduction in available feed, and a significant increase in the cost of feed grains and fodder.
- A sharp downturn in the world dairy market in the 2001-2 season which saw a significant reduction in farmgate milk prices in the two following seasons 2002-3 and 2003-4.
- The implementation of policies affecting the rehabilitation of dairying areas along the Murray River, which will result in a fall in production from that region.
- Possible deferment of the timeline for potential expansion of manufacturing in the South-East of the State by major manufacturers.
- The investments made in the industry in the past two years in cheese manufacturing facilities and technology which have improved the security of market access for milk from the State's regions.

Changes have now been made to the original plan's targets to ensure they are realistically achievable, while still providing challenge and "stretch" to the State's industry.

## The South Australian industry's vision for 2013

The South Australian dairy industry has developed this plan to focus on sustainable expansion of the production and processing sectors of the dairy industry in the State's dairy regions.

The revised vision for the future of the State's dairy industry is:

- To increase the State's proportion of Australia's total milk production towards 10% by 2013 (currently 7%)
- To achieve total annual milk production of close to 1.2 billion litres by 2013 (from 0.7 billion litres in 2004)
- To achieve a wholesale value of industry output which is based on a high percentage of conversion of milk into dairy products within the State, achieving relatively high added-value per litre in the context of the Australasian dairy region.

# The potential is there....

## The future growth of the SA Dairy Industry

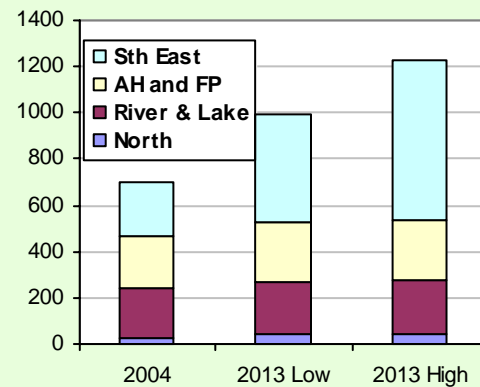
### Why plan for industry growth?

The terms of trade for most major agrifood sectors are projected to remain under pressure. The outlook for the Australian dairy industry is for steadily improving milk prices over the long-term in absolute terms; however this will provide limited price growth in real terms. The imperative for dairy farmers is to improve their wealth by ongoing improvements in productivity, provided return on investment is satisfactory.

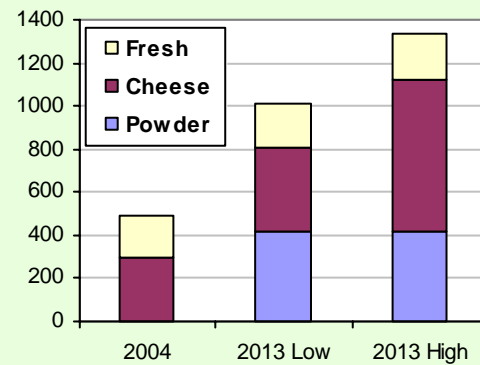
### The projected future outlook

There are two scenarios projected in the charts on the right hand side, compared with the current regional production and use of SA's milk in dairy products. Rather than prescribe one target for the SA dairy industry, this plan update shows some potential low and high growth cases, to illustrate the implications and value differences between those outcomes.

Milk production by region (millions of litres)



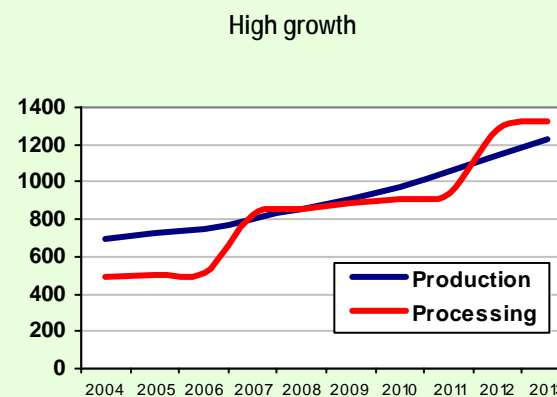
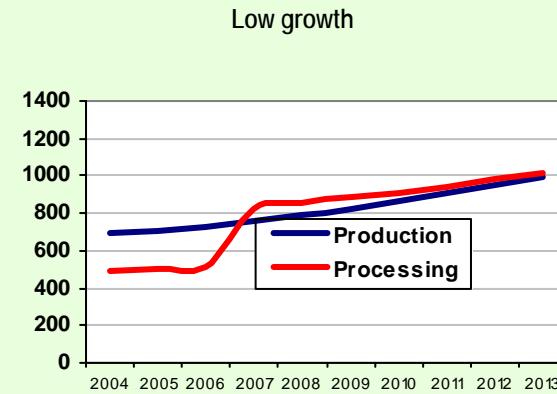
Products produced in SA dairy plants (millions of litres)



The projected product mix for SA's milk shows growth in cheese and ingredients – servicing increased export market demand in the global market – while fresh dairy products grow at steady levels in line with domestic market growth.

### Future scenarios for industry

Two scenarios are provided below showing the production and processing growth (in millions of litres) over the period 2004-2013:



These scenarios differ in their assumptions about overall regional production growth rates (existing and new farms), and accordingly the ability of SA to justify additional investment in processing and manufacturing facilities in the State.

The “step-ups” in processing volumes in these charts reflect the projected addition of manufacturing capacity within SA. At times when the milk production exceeds processing capacity, surplus bulk milk will be exported from SA to eastern states.

The assumptions underpinning these scenarios anticipate:

- Production from the River region will decline in 2005 and 2006 due to the impact of rehabilitation adjustments
- Production growth rates vary between the two cases – largely differing in the rate of production increases on existing dairy farms and the additional milk that mainly comes from new farm investment in the South-East of the State
- New manufacturing capacity in the South-East will be justified at volumes of more than 300 million litres of available milk flows from SA. Imports of raw milk from Western Victoria are available to “top up” local supplies
- In each case, new powder production capacity is added in 2007
- In the strong growth case, there is additional milk to warrant an investment in further cheese production capacity in 2012

# ....but there's work to do

## Challenges ahead for the SA Dairy Industry

South Australia must face new challenges as it attempts to develop a more significant dairy industry.

	Challenge	Response and plan strategies	Who is involved
Market and value chain development	<b>Enhance the scope for dairy product &amp; marketing innovation</b> <i>Processors and marketers have scope to enhance overall returns to the SA industry</i>	<b>Response:</b> Increased recognition has to be placed in future on the increased needs of SA's fresh product and cheese manufacturers <ul style="list-style-type: none"> <li>Enhance the understanding of SA's role in national and international contexts</li> <li>Improve recognition of critical investments made in SA which provide added security for market access for SA milk, and greater returns from processing</li> <li>Optimise scope for SA Government assistance in plant, product and logistics innovation to underpin processing sustainability</li> </ul>	PIRSA Companies LCRDB MRDB
	<b>Attract more processing investment in the South East</b> <i>Experience of drought has deferred plans for expansion by major export manufacturers</i>	<b>Response:</b> The investment priorities of major manufacturers have been changed by the impacts of lower production on capacity utilisation and capital availability. The region remains a significant exporter of raw milk <ul style="list-style-type: none"> <li>The core strategy of the plan remains the development of milk production in the South East region of the State to the extent that will attract increased investment in manufacturing capacity</li> <li>Maintain focus on reduction of barriers that will prevent expansion of the milk production field</li> </ul>	LCRDB PIRSA DTED DIDB Companies
	<b>Inconsistency of attitude from Government agencies</b> <i>Slow progress has been made to removing barriers that deter incentive &amp; add to cost</i>	<b>Response:</b> Progress has been achieved in cross-agency collaboration <ul style="list-style-type: none"> <li>Maintain efforts to achieve better alignment across policy areas of Government regarding factors that have an impact on:                             <ul style="list-style-type: none"> <li>the costs through the industry value chain</li> <li>the scope for growth in value and volume of industry revenue</li> </ul> </li> <li>Prime areas for attention are water, energy, transport, planning and environmental regulation</li> </ul>	PIRSA SADA EPA DWLBC OFID
Farm enterprise development	<b>Restructuring farm sector</b> <i>The changes provide a stronger platform for future growth</i>	<b>Response:</b> Attrition has been exacerbated by drought impacts and the implementation of the rehabilitation policy on Murray River. Ensure focus remains on total industry output and the ongoing mix of farm enterprises <ul style="list-style-type: none"> <li>Maintain SA dairy program support infrastructure to optimise the platform for future expansion in production from fewer, more efficient farms</li> </ul>	PIRSA DWLBC Companies SADA DIDB
	<b>Investment in new farms</b> <i>Limited numbers of new farm investments have been achieved in 2003-05 due to the drought and lower farm returns</i>	<b>Response:</b> Investment in new farms to respond to dairy market expansion has seen increased competition from other Australian dairy regions and rival uses of land & water <ul style="list-style-type: none"> <li>Develop and tailor farm conversion/expansion case studies to provide appropriate insights based on SA conditions and experience</li> <li>Increase the proactive focus of investment attraction activities</li> <li>Complete optimal dairy site analysis from existing soil &amp; water data</li> </ul>	LCRDB MRDB DIDB PIRSA DairySA
	<b>Reassessment of dairy industry risk</b> <i>Drought and market conditions have changed the industry risk profile</i>	<b>Response:</b> SA has the potential to benefit from the changed risk profiles of other Australian dairying regions <ul style="list-style-type: none"> <li>Improve/promote the knowledge of SA's relative advantages in climate reliability and feed base</li> <li>Improve access to and uptake of risk management tools</li> </ul>	LCRDB MRDB DIDB DairySA PIRSA
	<b>Improve the skills of dairy enterprise owners and managers</b>	<b>Response:</b> There is a need to assist with enhancing the focus of enterprise owners and managers on the controllable elements of dairy production <ul style="list-style-type: none"> <li>enhance access to tools and training to assist farm optimization and risk management</li> <li>ensure strong connection with National dairy programs</li> </ul>	DairySA Companies PIRSA SADA DFEEST

**Key:** DIDB = Dairy Industry Development Board; DTED = Dept of Trade and Economic Development; LCRDB = Limestone Coast Regional Development Board; MRDB = Murraylands Regional Development Board; PIRSA = Primary Industry & Resources SA; SADA = South Australian Dairyfarmers Association; EPA = Environment Protection Authority; DWLBC = Department of Water, Land & Biodiversity Conservation; OFID = Office for Infrastructure Development; DFEEST = Department of Further Education, Employment, Science & Technology

## The role and position of the SA industry

In the preparation of this plan update, a long-term view has been taken of the role that the regions of SA will play in the future of the Australian industry, based on consultation with dairy companies at a national and regional level. In particular, this recognises the value of SA milk to extend the major export production region of Western Victoria, as well as to domestic manufacturers of fresh products and cheese.