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## Dairy Industry

The dairy industry in Tasmania has seen a steady increase in property values in recent years and is now seen as an attractive market due to its excellent rainfall and virtually drought proof conditions.

A greater emphasis is now being placed on irrigation water due to the severe drought conditions that large sections of Australia have been experiencing in the 2006/2007 period.

An Australian Dairy Conference held in Launceston, Tasmania in February 2008 has reinforced the strength of the dairying industry to the Australian economy.

The Australian dairy industry is the third most important rural industry at farm gate, valued at \$3.2 billion in 2006/2007 and usually ranked third behind the beef and wheat industries.

The dairy industry outlook is currently very positive with both local and international markets showing great strength and world prices reaching record levels. Commodity prices continue to rise however these commodity prices are also being affected by the general drought conditions.

Despite the recent drought experienced throughout Australia approximately 60% of dairy farmers made on-farm capital investments in the last twelve months. Machinery purchases remained the main area of investment however there were small increases in expenditure on irrigation, land and feed systems. The world demand for dairying produce is currently at historic high levels.

The Australian dairy market is a mature one showing solid growth. Australians drink approximately 2 billion litres of milk, just over 20% of the annual milk production. Approximately 30% of milk production is consumed domestically in products such as cheese, dairy spreads and yoghurt.

Supermarket chains account for approximately 55% of the Australian dairy market. Approximately 50% of the milk production is exported with the export demand increasing faster than the domestic production. Whilst Australia accounts for an estimated 2% of the worlds milk production it is an important player in the international market.

Australia ranks third in terms of world dairy trade with a 12% share behind New Zealand and the European Union. The Asian and Eurasian market is a continuing growth area for the export market, as incomes rise within these regions and diets become more westernised. Japan is the most important export market for Australia accounting for 19% of the exports by value. Australia's top export markets by volume in 2006/2007 were Japan followed by Singapore, Malaysia, Indonesia and Philippines.

The Australian Dairy conference recently held in Launceston included a number of interesting speakers from New Zealand, mainland Australia and Tasmania. These speakers clearly showed the expertise in the dairying industry noting the following information.

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The number of the cows milked on dairy farms has increased from an average herd of 85 cows in 1980 to 225 in 2006/2007. In Australia there are approximately 8,000 dairy farms with approximately 475 in Tasmania. In Tasmania the average dairy farm milks around 320 cows producing 1.47 million litres or 110,000 kilograms of milk solids annually. The average size of a dairy farm is approximately 167ha. In 2007 the average dairy land sales were in the vicinity of \$14,300 per hectare. There are a number of future challenges for the dairying industry, especially with regard to the drought which has been evident in the last twelve month period. This has put the emphasis back on irrigation water and the cost to import grain.

Various speakers (at the Australian Dairy conference) acknowledge that Australian dairy farmers still need to improve their efficiencies in all areas to increase production.

Mr Basil Doonan, from Davey & Maynard - Agricultural Consultants, acknowledges that the main areas that dairy farmers need to improve to increase their farm profits are feed management, business strategies, animal nutrition and herd management. These criterias are critical in improving the profitability for dairying farmers.

A further challenge for the Australian dairying industry is to encourage young farmers into the dairying business. In New Zealand, a large marketing campaign since 2003 has seen a steady increase in young dairy farmers entering the industry.

The Tasmanian climatic conditions appear very favourable for further expansion of the dairying industry, given the reliable rainfall, with a number of areas having the potential to increase irrigation thus enhancing the continuing reliability for dairy farms.

It would appear evident that the world market is seeing Tasmania as an attractive dairying location and this has seen the steady increase in property values for dairying properties within our State.