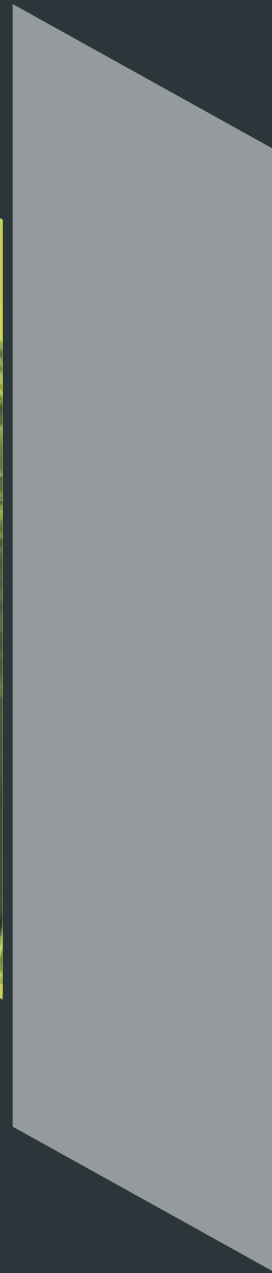
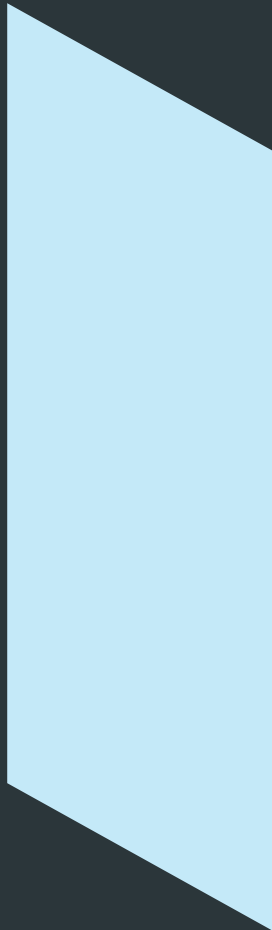


# NSW dairy industry

strategic action plan



January 2016

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*This action plan has emerged from a strong collective sense of the need to grow the NSW dairy industry.*

# Context for the plan

This action plan has emerged from a strong collective sense amongst industry stakeholders within NSW that:

- a) there is a need to grow the NSW dairy industry for the benefit of industry participants and the citizens of NSW, and;
- b) there is a need for collective effort to drive the change required.

A Collective Industry Action Group (CIAG) was formed in February 2015 to drive the development and implementation of the plan. This represents a pivotal shift within the industry toward a collective approach to enhance the impact of interventions designed to drive growth in the industry.

These key industry stakeholders acknowledge that there is currently a broad suite of activity in the industry, guided by a range of existing strategies. The aim of this plan is to not replicate activity, rather fast-track the delivery of these through collective action in shared areas of priority and benefit.

## The aim of the group is to:

1. **Promote existing work which is addressing the imperatives identified in existing strategies**
2. **Collectively advocate for the enhancement of investment in areas identified for strategic action**
3. **Drive new investment in strategic action areas where gaps exist.**

### The CIAG identified the following key reasons for 'working together':

- Avoid duplication and competition in service delivery
- Enhance investment in key areas of need
- Non-political industry advocacy for existing programs and resources
- Collective approach to industry scale interventions
- Efficient use of industry and government resources
- Maintain a shared focus and intent
- Drive a positive narrative for the NSW dairy industry
- Drive an industry agenda not just parochial interests
- Work together on complex challenges
- Drive a better return on investment in industry development within the state of NSW.

### Along with regional dairy farmer representatives, key organisations represented in the group are:

- Bega Cheese
- Dairy Australia
- Dairy Connect
- Dairy NSW
- Lion
- Murray Dairy
- Murray Goulburn
- Norco
- NSW DPI
- NSW Farmers
- Parmalat
- Scibus
- Sub-Tropical Dairy Programme
- The Dairy Research Foundation
- University of Sydney.

# NSW dairy snapshot

**NSW is unique in the Australian dairy industry given its diverse geographical spread and associated environmental conditions. The following outlines some of the industry's key characteristics:**

- NSW is the second largest dairy producing state with a current annual production of 1.16 billion litres in 2014/15 – around 100 million litres more than the previous year.
- Production is from around 700 farms, spread across 10 Local Land Services (LLS) regions.
- More than 50% of NSW milk is produced in the South East and Murray LLS regions.
- A large proportion of milk from the southern regions is used for manufacturing whilst the northern regions are more focused on the supply of fresh milk markets.
- Overall, the proportion of NSW supply going into drinking milk is 68% with around 12% being exported in 2012/13, a reduction of 25% from 2009 levels.
- The processing sector in NSW is made up of seven different companies, all with varied business models.
- The changing nature of these business models, in particular the introduction (and subsequent removal) of tier 2 milk and the awarding of a 10 year fresh milk contract by Coles to Murray Goulburn and Norco, have led to significant challenges and opportunities in the industry.
- Population growth and trend line demand increases for fresh milk will lead to an exacerbation of existing supply shortfalls throughout the year of around 20%. This shortfall is increasingly being managed by shifting milk between the eastern states.

**The recent 'Growing the NSW dairy industry' report to the NSW government (Bills, 2014), highlighted the following competitive advantages for the NSW dairy industry:**

- Cost-competitive year-round production
- Regions with scope to expand efficiently
- Scope for development of large-scale farming operations
- Proximity to grain-growing regions and feed supplies
- Well-developed milk processing capacity
- A strategic region for eastern seaboard milk supply management
- Proximity to the largest metropolitan domestic market in Sydney and coastal growth corridors connecting Newcastle and southern Queensland.

**The report also identified some key threats to the industry:**

- Competition from Victorian producers
- Growth of industries that will compete for grain
- Uncertainty of water access and competition from other industries (ie: mining)
- Urban competition for land and water, particularly in coastal regions
- Heifer exports reducing herd capacity
- Increasing community concern about production systems
- Increased infiltration of ESL/UHT milk to replace local fresh
- Climate variability impacting at the extremes of flood (north coast) and drought.
- Under funding of RD&E capacity and infrastructure to support investment in technology and knowledge transfer necessary to underpin growth.

## Strategic imperatives for NSW dairy

This work has drawn on the deep pool of existing strategy and activity in the industry. Rather than replicate these, this plan will target areas where industry can gain a better result through working together to achieve strategic objectives. Through reviewing a range of industry documentation, four key strategic imperatives were identified which reside within all relevant dairy industry strategies.

### Strategies reviewed include:

- The national RD&E strategy - *Dairy Moving Forward*
- NSW Regional Development Program strategies
- Australian Dairy Farmers strategy
- *Growing the NSW dairy industry report to the NSW government*
- NSW government rural and regional strategies.

### The four strategic imperatives common across these documents and central to guiding this action plan are:

#### 1. Post farm gate development and enhancement

A central theme within all strategies is to grow and develop the value of markets for NSW milk. Within this there is a need to build the understanding amongst key industry actors of how the NSW supply chain operates, its strengths, weaknesses and opportunities. There is a key requirement for industry to ensure trade agreements are put to work and that any collective effort is occurring in the pre-competitive space.

#### 2. Build confidence to grow

Central to industry growth is farm growth, either through expansion or improved efficiency. Key to this is developing an improved understanding amongst the farming population of the opportunities of investing in dairy and removing some of the barriers to growth – be they regulatory or attitudinal.

#### 3. Industry sustainability

Maintaining and promoting sustainable farming practices is critical to ensuring the dairy industry's social licence to operate. This relates to the way in which our land, water and livestock are managed to optimise health and efficiency. Another key aspect of sustainability pertains to sustainability of the human resources within dairy – namely farmers. Supporting business continuity, transition and ongoing investment is critical to the future of the industry.

#### 4. Improving productivity

Farm productivity improvement has long been central to industry development strategies. The core areas of feeding, labour and home grown forage management are consistent within all strategies. Also important are building an understanding of risk and linking within season farm efficiency to long term growth strategies. Enhancing the skills of both farmers and advisors are seen as central to enabling this.

***The key issue driving this action plan is a shared sense that whilst we have identified and agree upon these strategic needs, there is a frustration that we are not acting effectively in progressing them.***





*The CIAG has set a growth target for NSW of 1.5 billion litres by 2022. This represents a 50% increase from current levels and a compound growth rate of 5% per year for 7 years.*

## Setting a goal for NSW dairy

The CIAG members were in agreement that the industry needs to grow. Whilst many targets for growth have been set for state and regional industries over the years, the benefit of a target for NSW is embedding the focus on growth into the minds of key industry stakeholders. It was agreed that a growth of at least 3% per year is required to address the current gap between supply and demand which is being driven by a growing domestic consumption, linked with population growth.

The benefits of further growth in addition to this include capturing high value export markets, enhancing efficiencies within existing manufacturing plants, and expanding investment in manufacturing to capture more value within NSW. All of this should lead to better farm gate prices, driven by increased demand for NSW milk.

## Objectives to direct collective action

The CIAG has worked to develop a shared sense of where the problems and opportunities exist in these key strategic imperatives. The aim was to ensure existing activity was promoted and any gaps in service delivery and investment identified. Through two industry workshops the CIAG explored the reasons industry is not making adequate progress for each imperative and what adequate progress would look like.

Strategic imperatives	Problems/Opportunities	What progress looks like
Post farm gate	<p>Previous power imbalances between retailers, processors and famers.</p> <p>The lack of manufacturing capacity to deal with surplus milk.</p> <p>The logistics of managing supply/demand imbalances. The challenge of developing a foothold into emerging markets.</p>	<p>A NSW dairy export plan which articulates how extra milk production will be marketed and sold, the value to farmers and NSW, and the way in which these new markets will be identified and developed.</p>
Confidence to grow	<p>A lack of confidence to grow at the farm level.</p> <p>The challenge of low profitability in some geographic areas.</p> <p>Critical mass of farmers in some dairy regions.</p> <p>Disconnect between farmers and processors – a lack of trust in some areas.</p> <p>Lack of knowledge around growing a business in many cases.</p> <p>Limited planning for business continuity and asset retention in dairying.</p>	<p>Clear and coherent leadership in the industry which promotes confidence.</p> <p>Clear pathways of career and business development.</p> <p>Farmers motivated to remain in the industry and grow their businesses.</p> <p>Range of field services working together on the 'growth' agenda.</p>
Sustainability	<p>Succession planning on farms.</p> <p>Social license to operate (comprising all issues) .</p> <p>Appropriate training and tailored information.</p> <p>Urban encroachment.</p>	<p>Farmers operate with social license (animal welfare, environment, urban interface).</p> <p>Seamless transitions within farm businesses.</p> <p>Increasing milk volume.</p> <p>Accessible training.</p> <p>Efficient and resilient farms.</p>
Productivity	<p>Lack of measuring and planning skills and as such goal setting on farm.</p> <p>Limited business planning and business management skills.</p> <p>Increased complexity of farm businesses increases the management capacity required.</p> <p>No clear benchmarks set for success.</p> <p>Stubbornly high cost of production.</p> <p>Critical mass of skilled advisors.</p>	<p>Farmers and advisors have the skills to drive efficiency into NSW dairy businesses.</p> <p>Farmers have a proper business approach and business plans/ planning.</p>



From this, four interconnected high order objectives were developed to guide this action plan:

1. Grow markets for NSW milk
2. Build industry confidence to grow
3. Support strategic farm business transition
4. Improve farm productivity.

The logic behind these objectives is based upon some core re-enforcing elements:

- ✓ Demand for NSW milk from high value markets will drive up farm gate prices.
- ✓ Improved farm gate price provides a basis for confidence, improves farmer sentiment and intentions to invest in dairy.
- ✓ Benefits of positive trading conditions can only be realised by businesses which are positioned to take advantage of these across the medium to long term.
- ✓ Efficient use of resources will ensure farmers capture the benefits of expanding markets and improved farm gate prices, thus driving capacity to continually re-invest in dairy and thus grow the industry.

## Action plan summary

The action plan is summarised in the diagram below. More detail on the action areas and associated targets for the plan are included in the following sections.

**Goal:** Grow the NSW dairy Industry to 1.5 billion litres by 2022

**Objectives:**



**Action Areas:**

Communicate a credible growth narrative

Nurture and develop industry leaders

Retain and grow human and financial capital in NSW dairy

Develop the skills of dairy farm managers and employees to drive productivity

Develop investment 'readiness' post farm gate

## Key action areas

The action plan has been built upon five key action areas for which a number of strategies have been identified which will:

- add value to the existing suite of services and interventions in each action area
- help to fast track progress toward the industry growth target of 5% per year
- focus collective action on the best bets for the NSW dairy industry

## Key resources to underpin delivery

NSW is fortunate to have a number of world class organisations and a network of professionals with the skills and capability to drive this action plan. These include:

- Dairy Australia Regional Development Programs - Murray Dairy, Dairy NSW and Sub-Tropical Dairy
- Local Dairy Farmer Groups in each sub region
- Universities with a strong dairy interest - Sydney and Charles Sturt
- Key divisions within the Department of Primary Industries - Agriculture and Biosecurity
- Associated research capacity within these organisations
- Local Land Services

A key aim of this action plan is to support collaborative delivery of activities targeting each of the strategic action areas. The CIAG are conscious of the need to build a sustainable platform for innovation in the dairy industry to enable the growth target to be met. Such a platform will require long term thinking around the nature and scope of R&D in NSW. It will also require a commitment to forging cross organisational partnerships to both fund and foster innovation across the supply chain.



# Action area 1: Communicate a credible growth narrative

## Overview

Central to industry growth is farm level growth. Central to this is a confidence that investment in Dairy is prosperous and worthwhile. To build this confidence the industry needs:

- Clear and consistent messages about dairying in NSW which highlights the strengths and opportunities of farming in the state.
- To celebrate and value success so as to drive aspiration amongst those inside and outside the industry.
- To promote dairy throughout the broader community to develop good will and awareness about the benefits of dairy to the state.
- To account for regional differences in production and processing which will impact on the nature of growth in the future.

## Strategy

- Conduct research to explore key cultural and attitudinal barriers to growth and develop strategies to address these.
- Each Regional Development Program (RDP) to develop a regional growth plan relevant to regional conditions.
- Develop a communication and stakeholder engagement plan for NSW dairy which:
  - clearly articulates the key messages central to promoting a culture of growth in NSW dairy
  - identifies key individuals and groups to target this message to
  - outlines approaches and strategies to deliver targeted messages
  - identifies key indicators of progress in promoting the culture of growth.
- Work with existing industry communication and culture development programs to embed and adapt for NSW (ie: Legendary, Cows Create Careers, etc).

## Key partners

- Dairy Australia
- Government departments
- Regional Development Programs
- Farmer groups
- Processors.

### **Targets:**

*90% of dairy farmers in NSW are positive about the industry*

*All NSW RDPs have an aligned and consistent communications strategy*

*Each RDP has a regional growth plan by 2017*

## Action area 2: Nurture and develop industry leaders

### Overview

Leadership is the key to developing cultures and supporting communities in achieving success. NSW has for the past 10 years been a contracting industry and as such, the leadership pool has dwindled as current leaders retire from the industry or burn out. With new opportunities, a promising outlook and great possibilities for growth, there is the requirement for a new generation of leaders to carry the opportunities and challenges of the industry. Leadership must be taught and caught – it requires deliberate processes of education and mentoring to ensure the responsibility of leadership and culture development isn't just left to the usual few.

### Strategy

- Identify existing and future leaders and draft emerging leaders into existing development programs
- Provide skill development, coaching and mentoring for existing leaders
- Resource ongoing professional development in leadership across the supply chain
- Each RDP to develop a leadership succession plan and identify future leaders to nurture
- Establish a thought leadership program to identify young industry participants who will drive innovation and cultural change over the next 10 years across the supply chain.

### Key Partners

- Dairy Australia
- Farmer groups
- Regional Development Programs
- Processors.

### Targets:

*20% of dairy farm businesses have an identified thought leader by 2022*

*All NSW dairy regions have a farmer leadership development and succession plan by 2018*



## Action area 3: Retain and grow human and financial capital in NSW dairy

### Overview

Given the ageing of the farmer base, in order to capitalise on new markets and opportunities, dairy businesses need to have effective transition plans. Given family farms will continue to be at the heart of NSW dairying there is a need to support these businesses to plan for transition. There are very few structured transition plans in the industry and the evidence would suggest that well planned transitions will lead to positive outcomes for families, businesses and ensure continuity and growth for the industry long term.

Along with with this, the considerable interest in our dairy products post farm gate has also driven interest in investing in dairy pre-farm gate. Recent deals involving large scale dairy highlights the interest and scope for dairy in NSW, however these opportunities are being limited by a lack of 'investment readiness' pre farm gate. Required is increased awareness of what it means to be 'investment ready' and to have key relationships with sources of capital brokered within the industry.

### Strategies

- Support business transition planning at farm level through incentivising farmers to develop a farm business transition plan
- Develop regional plans to ensure considered and planned entry and exit to and from dairy
- Develop skills of the private sector to support business transition through a systems approach
- Create awareness of what pre-farm gate investment readiness is and develop skills of farmers and advisors to enable this.

### Key Partners

- Regional groups
- Financial services sector
- Dairy Australia
- RDPs

### Targets:

*55% of dairy farmers in NSW have intentions to invest capital in the industry by 2022*

*50% of dairy farmers have a business transition plan by 2022*

# Action area 4: Develop the skills of dairy farm managers and employees to drive productivity

## Overview

Recent skill audits in other dairy regions have highlighted significant room for improvement in core farm management areas. There is also a clear shortage of skilled advisors to service the needs of the industry, with many current advisors enduring unsustainable travelling hours to service a dispersed client base. The powerhouse of industry growth is the farm, and the farm can only grow if it is efficient. Farm efficiency – or productivity – is built upon the application and adaptation of core principles of agronomy, feeding, animal husbandry and business management.

Much can be gained from application of existing technology. There is however a critical need to continue investment in the technology and practices of the future. This requires relevant research and development, conducted by skilled practitioners, working collaboratively with industry and farmers. Currently there is no long term plan for R&D in the state and based on current funding trajectories, investment in Dairy R&D could be negligible within 10 years. This plan needs to address this issue to ensure NSW dairy is at the cutting edge, across all segments of the supply chain.

## Strategies

- Conduct a skills audit of dairy farmers and advisors which measures the capacity and capability in key productivity skill areas.
- Develop a skills plan for each NSW dairy region focusing on:
  - whole farm business planning
  - tactical farm management to drive productivity
  - farm business advisory capacity and capability development.
- Map current private service provision and identify capacity and capability gaps.
- Work with existing programs to build private advisory capability in identified areas of need.
- Develop a long term strategy for R&D in NSW

## Key Partners

- Farmer groups
- Dairy Australia
- TAFE
- DPI
- LLS
- RDPs
- DRF
- University of Sydney
- Charles Sturt University

### Targets:

*NSW has an productivity skill development plan in place by 2017*

*Each dairy RDP has a plan to improve productivity on 50% of dairy farms as measured by industry feedbase and animal performance KPIs by 2017*

*NSW has developed a dairy industry R&D strategy by 2018*

## Action area 5: Develop investment 'readiness' post farm gate

### Overview

There is a new level of demand in the global dairy market. Since the mid 1960s Asia has been a developing market for dairy. Japan, Singapore and Taiwan have been the earlier nations to westernise both their economies and their diets. In the past 10 years China has entered the dairy market with some enthusiasm. We expect that Indonesia, Malaysia, Philippines, Thailand, Vietnam and Myanmar will follow.

For NSW to be a part of these opportunities, it needs to develop a plan to grow and exploit new markets. The examples of New Zealand and Tasmania highlight how growth plans can be developed and achieved. Developing markets will require more manufactured dairy product such as cheese, ice cream, infant formula, butter, frozen cream and so on. To develop those markets we need to build the manufacturing capacity. To build the manufacturing capacity we need to attract investment. To attract investment we need to offer an investment model that focusses on the needs of the two ends of the value chain – the consumer and the farmer.

### Strategies

- Conduct a review of current and emerging markets along with smaller, high risk markets to examine opportunities for NSW milk
- Develop a market development strategy, based on analysis of emerging and niche markets
- Work with other smaller producing, liquid milk oriented states to explore synergies in marketing and supply chain development
- Clarify and address technical barriers to trade of NSW dairy products to existing markets
- Explore the opportunities associated with a NSW marketing plan for dairy and other agricultural products
- Work with industry, government and financial institutions to support emergent, post farm gate investment opportunities to ensure 'investment readiness'.

### Key partners

- Dairy Australia
- Farmers
- Contracted expertise
- Industry groups
- Government organisations
- Dairy Connect

### Targets:

*NSW has developed and begun to implement a plan to exploit new market opportunities by 2017*

*NSW has begun to implement a plan to remove relevant technical barriers to trade by the end of 2016*

## Summary of targets for the action plan

In order for the CIAG to track progress and provide impetus for change, some targets relevant to these key action areas have been developed. These are:

- NSW has developed and begun to implement a plan to exploit new market opportunities by 2017
- NSW has begun to implement a plan to remove relevant technical barriers to trade by the end of 2016
- Confidence in the NSW production system and markets is demonstrated by new investment in processing capacity.
- 20% of dairy farm businesses have an identified thought leader by 2022
- All NSW dairy regions have a farmer leadership development and succession plan by 2018
- 90% of dairy farmers in NSW are positive about the industry
- Each RDP has a regional growth plan by 2017
- 55% of dairy farmers in NSW have intentions to invest capital in the industry by 2022
- 50% of dairy farmers have a business transition plan by 2022
- NSW has an industry skill development plan in place by 2017
- Each dairy RDP has a plan to improve productivity on 50% of dairy farms as measured by industry feedbase and animal performance KPIs by 2017.
- NSW has developed a dairy industry R&D strategy by 2018
- All NSW RDPs have an aligned and consistent communications strategy

