



Department of
Primary Industries



Investigating Milk Price and Cost of Production

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What did we study and why?

- Is there a relationship between changes in Milk Price and Cost of Production on our DFMP farms?
- To what extent can farmers control or adjust their COP as MP rises or falls?

Dairy Farm Monitor Project

- National farm business analysis project
- Partnership between Dairy Australia, Agriculture Victoria, working with state agencies, including NSW DPI.
- Victoria - 10 years with 75 farms
- NSW – 5 years with 35 farms
- DFMP the baseline data for DairyBase comparative analysis

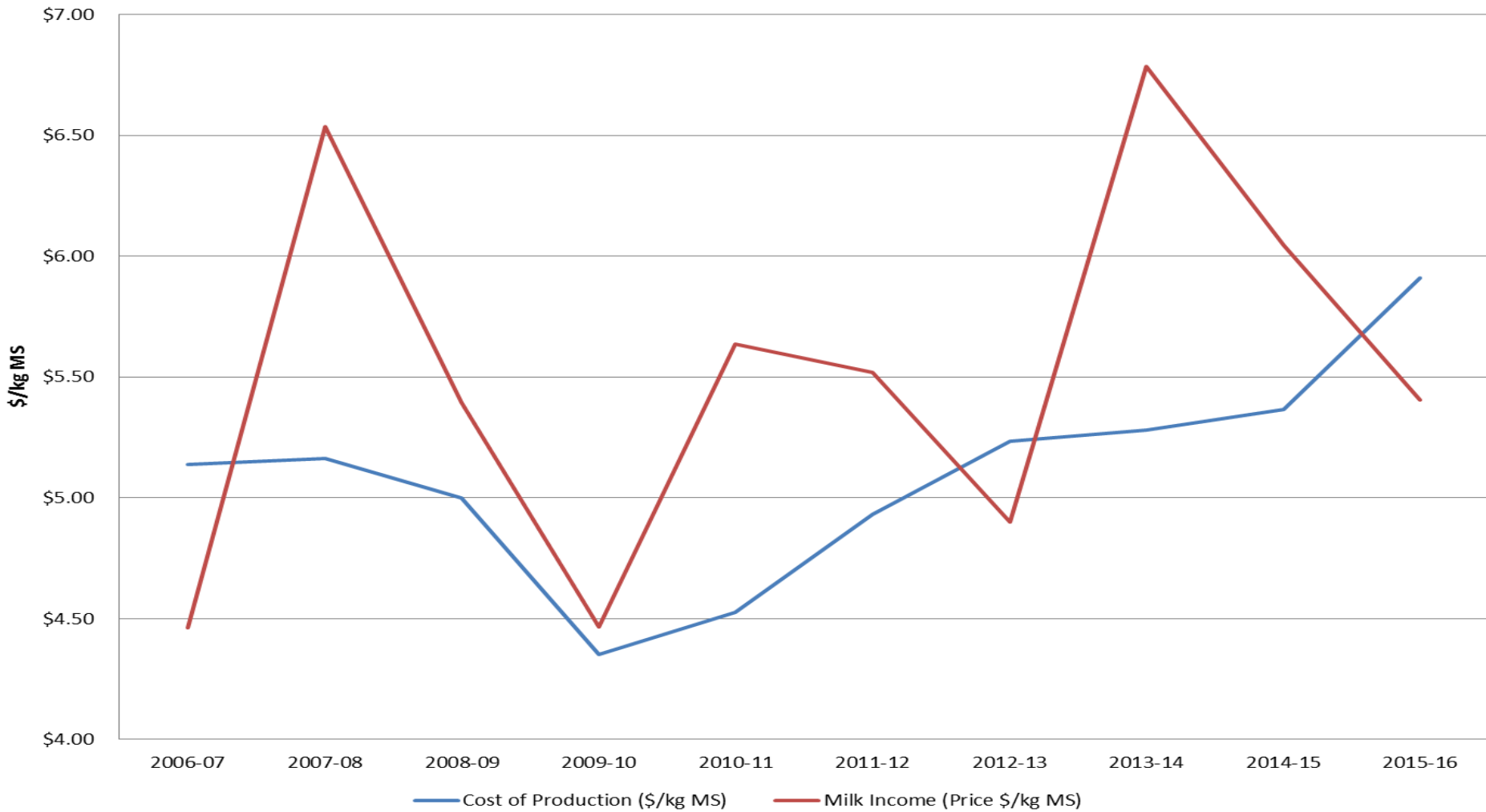
Milk Price

- Net MP at the farm gate, after all deductions
- Large variation across and within
 - regions, farms, processors and years
- Influenced by many factors, mainly supply and demand
 - Globally for southern Australia
 - Locally for Northern NSW and Queensland

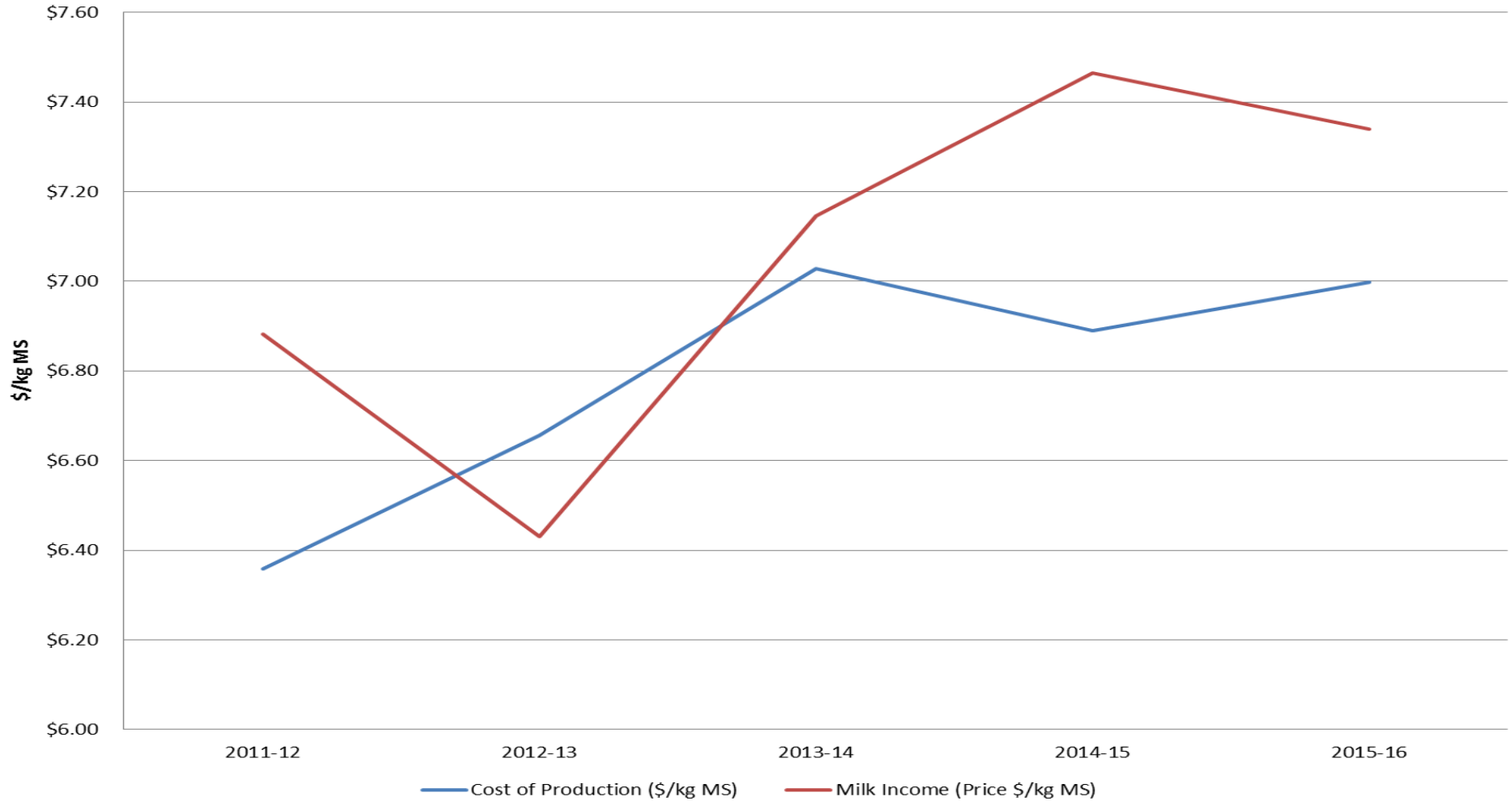
What do we mean by COP

- Costs
 - Cash - variable cost – Herd , Shed , Feed
 - - overhead costs – labour, R&M, admin, insurance
 - Non-cash – imputed labour, depreciation, change in livestock & fodder inventories
- Production
 - Milk
 - Livestock
- Expressed as \$ / kg milk solids sold
- Is the average cost over the year

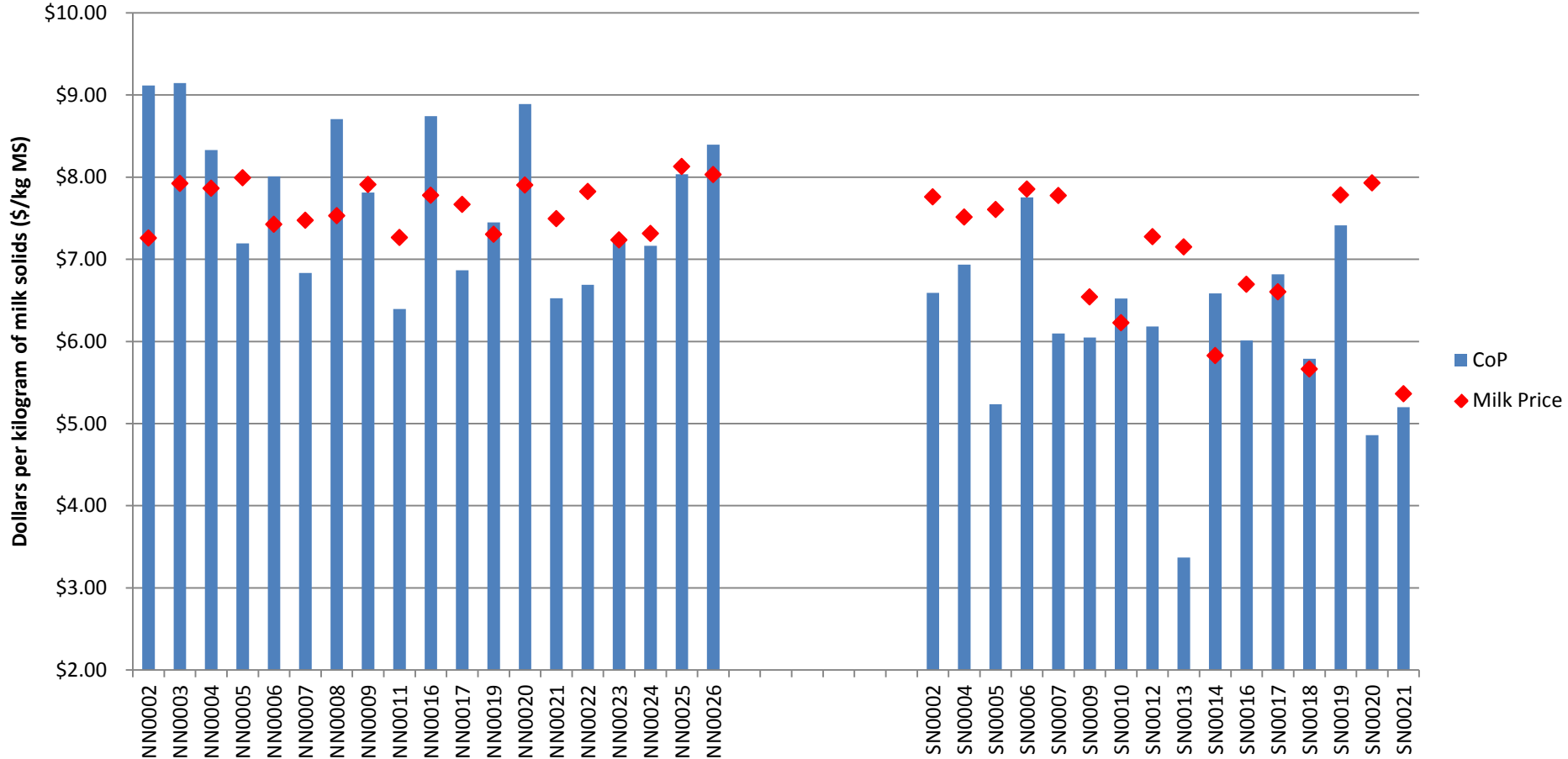
Victorian DFMP average milk price and cost of production 2007 to 2016



NSW DFMP average milk price and cost of production 2012 to 2016



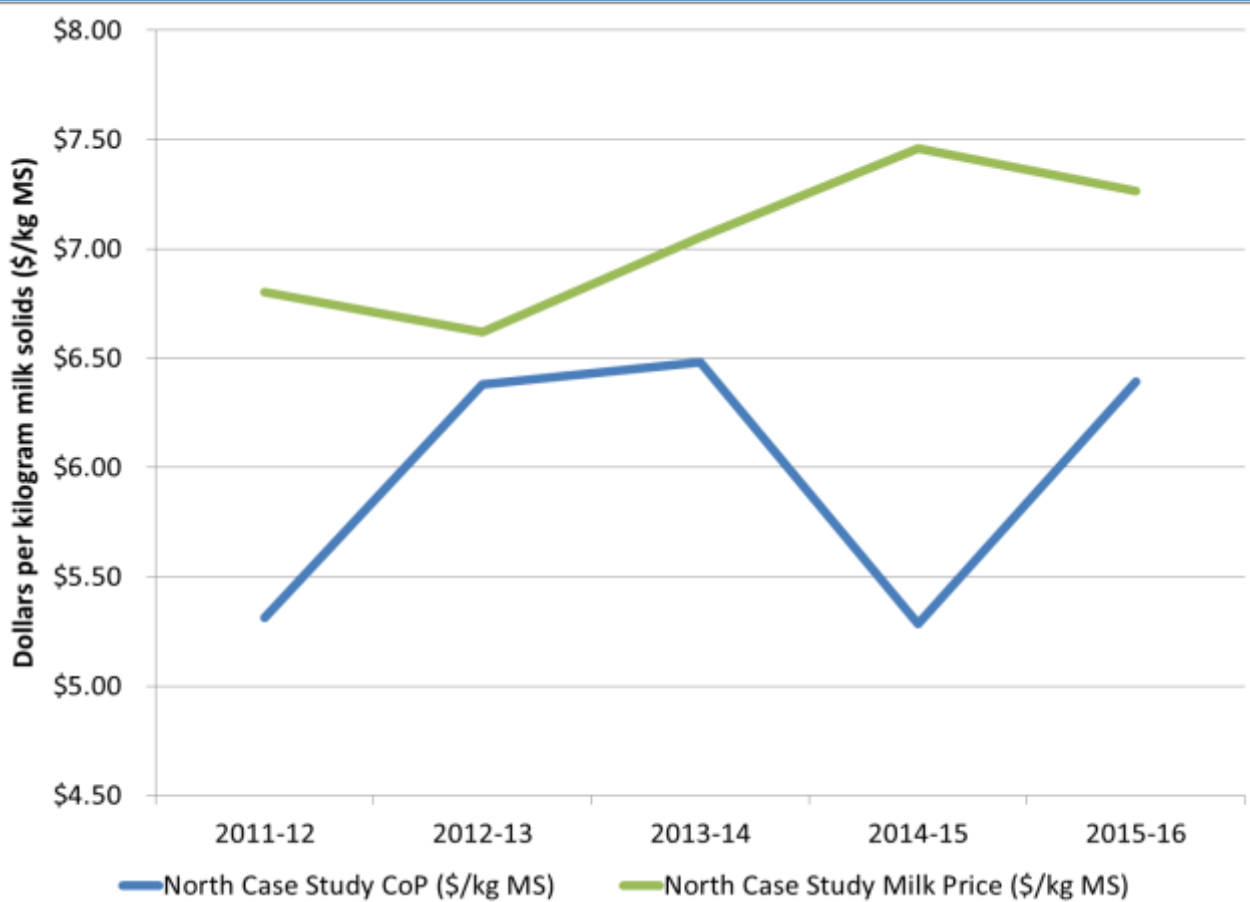
Milk Price received and Cost of Production for North and South NSW DFMP participants 2015-16



A tale of two farms in NSW

North Farm

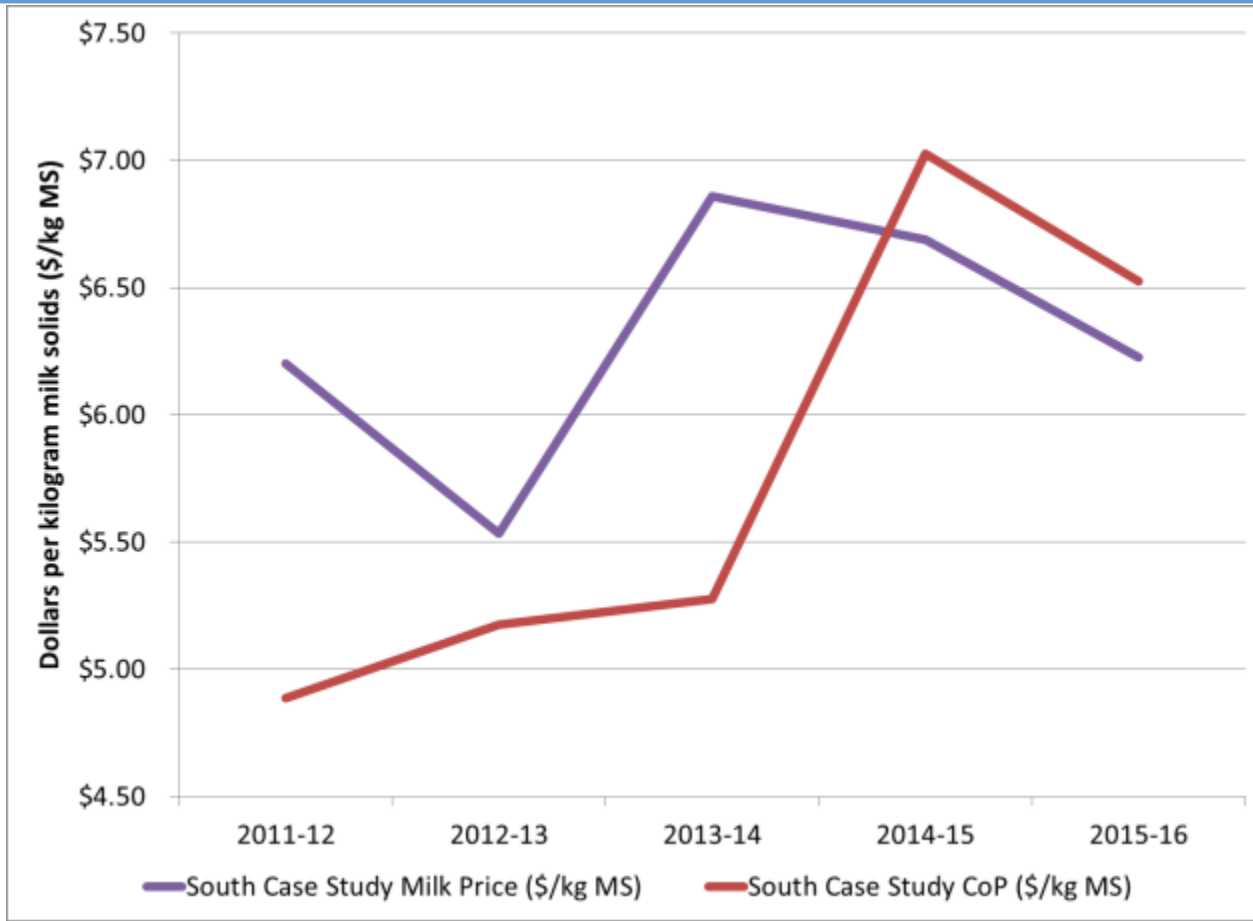
- Stable three generation family farm, no outside labour
- Permanent pasture with moderate grain in dairy (1.7 t DM/cow)
- Milking 350 cows on 140 ha, irrigated, own all machinery



A tale of two farms in NSW

South Farm

- Farm under development and expansion over last 10 years, grown from 150 to 360 cows
- Pasture and feedbase developed first, then new dairy and feedpad
- Affected by MDB changes and water allocations





Conclusions

- COP is influenced by many factors
 - External – seasons, input prices, policy,
 - Internal – farm resources, farm system, business structure, goals
 - Cultural – beliefs, values, social norms, belonging
- There is no formula to making a profit in dairy farming!
- Further studies looking at traits of high performing farmers; and the relative competitiveness of Northern NSW farms

