North East Dairy Regional Growth Plan and Workforce Development Strategy

2014
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- Dairy Australia
- Towong Shire Council
- Alpine Shire Council
- Indigo Shire Council
- Rural City of Wangaratta

The project would like to acknowledge the broad stakeholder contribution to consultations and workshops and in particular the contribution of the Alpine Valleys Dairy Pathways Project steering group for its guidance and support.

Membership of the project steering committee included:
- Stuart Crosthwaite (Chairperson AVDPP, Dairy farmer – Kiewa Valley)
- Ken Jones (Murray Goulburn Cooperative Board of Directors)
- Alex Paton (Dairy farmer – Mitta Valley)
- Brett Findlay (Dairy farmer – Upper Murray)
- Trevor Hourigan (Dairy farmer – Ovens Valley)
- Patrick Glass (Dairy farmer – Kiewa Valley)
- Shane Hellwege (Program Manager, Dairy Australia)
- Scott McDonald (Program Manager, DEPI)
- Sarah Chaplin (Program Manager, DEPI)
- Rodney Petering (Field Officer, Murray Goulburn Cooperative)
- Karen Moroney (Murray Dairy board member, Dairy farmer – Mitta Valley)
- Juliana Phelps (CEO, Towong Shire Council)
- Lauren Elvin (Manager Economic Development, Towong Shire Council)
- Leanne Mulcahy (CEO, Murray Dairy)
- Troy Mauger (Extension coordinator, Murray Dairy)

Thank you also to Michael Santhanam-Martin for the research contribution from his PhD thesis – Governing Agriculture for Community Sustainability, Pauline Brightling from the Harris Park Group for her advice, guidance and facilitation skills, and Mick O’Keefe from DEPI for his contribution to the Alpine Valleys Dairy Pathways Project.
# ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>AVDPP</td>
<td>Alpine Valleys Dairy Pathways Project</td>
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<td>AVDRGP</td>
<td>Alpine Valleys Dairy Regional Growth Plan</td>
</tr>
<tr>
<td>CSU</td>
<td>Charles Sturt University</td>
</tr>
<tr>
<td>DA</td>
<td>Dairy Australia</td>
</tr>
<tr>
<td>DEPI</td>
<td>Department of Environment and Primary Industries</td>
</tr>
<tr>
<td>DSDBI</td>
<td>Department of State Development, Business and Innovation</td>
</tr>
<tr>
<td>ESKI</td>
<td>Employer Starter Kit Initiative</td>
</tr>
<tr>
<td>GMW</td>
<td>Goulburn Murray Water</td>
</tr>
<tr>
<td>LGA</td>
<td>Local Government Authority</td>
</tr>
<tr>
<td>MGC</td>
<td>Murray Goulburn Cooperative</td>
</tr>
<tr>
<td>NCDEA</td>
<td>National Centre for Dairy Education</td>
</tr>
<tr>
<td>NECMA</td>
<td>North East Catchment Management Authority</td>
</tr>
<tr>
<td>NDFS</td>
<td>National Dairy Farmer Survey</td>
</tr>
<tr>
<td>OVOF</td>
<td>Our Valley Our Future Project (Mitta Valley)</td>
</tr>
<tr>
<td>RDV</td>
<td>Regional Development Victoria</td>
</tr>
<tr>
<td>VET</td>
<td>Vocational Education and Training</td>
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The North East Dairy Regional Growth Plan and Workforce Strategy (hereafter known as the Regional Growth Plan for Dairy) asserts that it is reasonable to plan for a significant increase in milk production from the valleys based on the region’s natural biophysical advantages, demonstrated improvements in farming technologies and a strong outlook for the global dairy market.

The Regional Growth Plan for Dairy includes:

• A review of the current status of the dairy industry in the region and the major challenges it will need to overcome if it is to achieve growth
• A vision for how the dairy industry could achieve sustainable growth
• Identifications of priority areas for action within the scope of local control
• A specific strategy for addressing the challenges of meeting workforce needs in line with the identification of this area as a primary challenge to growth
• A strategic framework for action including the roles of the key stakeholders in supporting the agenda for action, and how the process can be managed towards a successful outcome.

The Victorian Government is promoting the goal of doubling agricultural output in the state by 2030 (Walsh 2012). The Regional Growth Plan for Dairy in the Alpine Valleys represents a comprehensive and integrated response to achieving this goal for North East Victoria by 2025. Hence it can be seen as a guide to linking government, industry and community aspirations into a locally owned set of grounded priority actions.
In April 2013, Towong Shire Council secured funds through the Victorian Government Department of State Development, Business and Innovation, Dairy Australia and the three local rural based municipalities (Indigo Shire Council, Alpine Shire Council and the Rural City of Wangaratta) to develop a Regional Growth Plan for Dairy and Workforce Strategy for Dairy in the Alpine Valleys of North East Victoria. This report is the outcome of this endeavour.

Significant steps in the development of the Regional Growth Plan for Dairy have included:

• A deputation from community residents in the Mitta Valley to Murray Goulburn Cooperative requesting the dairy industry examine the decline of dairy in the valley and how this might be arrested following concern about economic decline and job losses (March 2010)

• The commissioning of a comparative economic analysis by the Alpine Valleys Agribusiness Forum to review the status of dairy in the region and the potential for ongoing dairy farm profitability. This report, titled Future Dairy Supply for the Alpine Valleys North East Victoria, was co-funded by Regional Development Victoria and the four rural municipalities

• An industry level workshop to review the outcomes of the Future Dairy Supply for the Alpine Valleys North East Victoria (Mulvany 2010) and to design a response (Lake Hume Workshop March 2011)

• Establishment of the Alpine Valleys Dairy Pathways Project (AVDPP) steering committee to seek resources and oversee project activities (June 2011)

• Independent focus group consultations conducted in all of the valleys (Santhanam – Martin & Botta 2011)

• Alpine Valleys Dairy Business Forum to discuss opportunities and barriers to growth for dairy in the region with strong participation by local dairy farmers and other key stakeholders (September 2012)

• Formation of the Our Valley Our Future Project in the Mitta Valley with a focus for the AVDPP on understanding the links between sustainable communities and a sustainable local dairy industry (September 2012)

• Appointment of a dairy extension officer that was co-funded by DEPI, Dairy Australia and Murray Goulburn Cooperative, utilising an innovative and collaborative funding mechanism (June 2013)

• Consultation workshop focussed on the 2025 vision and identification of priorities for action (October 2013)
The AVDPP steering committee, made up of local government representatives, industry representatives and farmers, has been the governance body for the project. The AVDPP has been key to the development of the Regional Growth Plan for Dairy which has strong local relevance and is understood by local stakeholders.

It is expected the Regional Growth Plan for Dairy will have direct relevance to broader stakeholders such as milk processors, industry service bodies and those interested in the revitalisation of rural and regional communities in Australia.

It is important to note that the future of dairy in the Alpine Valleys is dependent on a number of important factors outside of local control. This includes issues such as the Australian dollar exchange rate, global and domestic prices for milk products, the performance of milk processors and the impact of seasonal weather variation or climate change.

The consultation process reinforced the view that the ‘lived experience’ of dairy farmers in the region has not always been positive. The higher level of intensity associated with successfully managing dairy farming systems brings an increased level of risk and challenge to those involved.

The challenge for the Regional Growth Plan for Dairy is to develop a shared commitment to the project goals and a clear path of action that can strategically and sensibly address the challenges confronting the industry at a local and regional level. The Regional Growth Plan for Dairy must have openness and transparency, and provide due care and consideration to the risks involved for individual investors.
# KEY STAKEHOLDERS - INTEREST AND ALIGNMENT

The AVDPP has engaged directly with the following groups and organisations and sought their willingness to work collaboratively with the project.

<table>
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<tr>
<th>STAKEHOLDER GROUP</th>
<th>REPRESENTED IN THE ALPINE VALLEYS BY</th>
<th>MAIN AREAS OF INTEREST</th>
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| Dairy Farmers      | North East Murray Dairy              | • Ongoing profitability  
|                    |                                      | • Opportunities for wealth creation  
|                    |                                      | • Meeting lifestyle expectations  
|                    |                                      | • Community support for farming activities  |
| Dairy Industry     | Milk processors, Dairy Australia, Department of Environment and Primary Industries (DEPI) | • Industry growth and sustainability  
|                    |                                      | • Securing milk supply  
|                    |                                      | • Efficiency of operation  
|                    |                                      | • Supporting farmer members and levy payers  |
| Local Communities  | Our Valley Our Future Project and individual valley communities | • Vibrant and sustainable communities  
|                    |                                      | • Creating opportunities for young people  |
| Government         | Local (Towong, Indigo, Alpine, Wangaratta) and state (DSDBI, DEPI) | • Regional economic development  
|                    |                                      | • Job creation  
|                    |                                      | • Community planning and service provision  |
| Regulatory         | Local government, North East Catchment Management (NECMA), Goulburn Murray Water (GMW) | • Strategic  
|                    |                                      | • Sustainable land, water and biodiversity management  
|                    |                                      | • Food safety  |
| Investors          | Banks, other investment services      | • Industry growth and sustainability  
|                    |                                      | • Opportunities for wealth creation  |
| Farm Service Providers | Vets, farm input suppliers (feed, fertiliser, farm supplies etc.), contract services, milking machine technicians | • Meeting farmer needs  
|                    |                                      | • Critical mass of dairy in the region to maintain efficient business model for service delivery  |
| Advisory           | Farm consultants, legal and financial services, factory field officers, extension officers | • Meeting farmer needs  
|                    |                                      | • Meeting regulatory, consumer and customer needs  |
| Education and Training Providers | Schools, National Centre for Dairy Education, Wodonga TAFE, universities, employment agencies | • Meeting student/job aspirant needs  
|                    |                                      | • Providing quality training to meet participant and employer expectations  
|                    |                                      | • Critical mass of dairy in the region to maintain efficient business model for service delivery  |
The Regional Growth Plan for Dairy has been developed in the context of a number of relevant supporting strategies. These include:

- Dairy Australia Strategic Plan (2013 – 2016)
- Murray Dairy Strategic Plan (2013 – 2016)

The Dairy Australia Strategic Plan has three strategic priorities for investment which are supported at a regional level through the activities of Murray Dairy.

The Regional Growth Plan for Dairy aims to bring these supporting strategies together and build local ownership in the context of the dairy industry in the Alpine Valleys of North East Victoria.
CURRENT SITUATION

Regional dairy profile

The Alpine Valleys of North East Victoria currently supports around 190 dairy farms with an average herd size of 210 milking cows, supplying around 1.2 million litres per farm (based on local milk processors’ data).

Total regional milk production in 2011-2012 was approximately 228 million litres of milk with a 2011-2012 farm gate value of approximately $84 million.

In addition, culled dairy cows, bulls from dairy herds and bobby calves make up about 4-5 per cent of dairy farm income. This increased the total farm gate income for the Alpine Valleys to approximately $88 million in 2011-2012.

Dairy farm production systems vary significantly across the region due to the varying geography, soil types, access to irrigation and runoff country and rainfall variability within and between the valleys.
Figure 2: Land capability in the Alpine Valleys (Reynard, Rees et al. 2002)

Land capability of private land

- High capability: 6%
- Moderate capability: 55%
- Low capability: 39%
- 311,842 ha
- 46,838 ha
- 434,396 ha

Figure 3: Agricultural land capability and average rainfall across North East Victoria (Reynard, Rees et al. 2002)

**LAND USE**

Figure 2 shows there is approximately 800,000 ha of farming land in the Alpine Valleys. The region’s land capability has been assessed as:

- 6 per cent high capability country on the alluvial floodplain
- 55 per cent moderate capability on moderate to gentle slopes
- 39 per cent low capability (steep slopes and rock outcrops)

Dairy is the predominant user of the high capability land (estimated at 40 per cent), with most dairy farms also accessing moderate capability land for some or all of their grazing area.

**RAINFALL**

The Alpine Valleys region is defined as being in a high rainfall area with the majority of dairy farms receiving an average annual rainfall of more than 800 mm. There is considerable variation in annual rainfall and farms must be able to manage both annual and seasonal variation. Figure 3 shows the rainfall isohyets and land capability for the Alpine Valleys. Despite this variation, local farmers emphasised a confidence in winter rainfall which guaranteed spring for the region, and created a degree of certainty around the opportunity for fodder conservation.

**IRRIGATION**

The region is significantly less dependent on irrigation than the northern irrigation areas, and many farms have limited or no access to irrigation water. The major use of irrigation is to mitigate against the risk of a late Autumn break. During the decade long drought, which commenced in 2001, the Alpine Valleys only suffered a 15 per cent decline in annual milk production. This is in comparison to the Northern Irrigation Region which decreased by more than 40 per cent over the same period.

In the context of the current Murray Darling Basin Plan, it is unlikely there will be increased irrigation allocations in the Alpine Valleys in the future. There is, however, opportunity for increased utilisation of existing water licence allocations, particularly within the Ovens/King and Kiewa catchments, which could be of significant benefit to expanding the dairy footprint.

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* Average Annual Rainfall supplied by www.bom.gov.au
Note: Poor data coverage may under represent high capability agricultural land in Upper Murray region.
Productivity/comparative economics

Mulvany (2010) concluded that the profitability of a dairy enterprise in the Alpine Valleys most often exceeds that of a grazing enterprise and there is a case for exploring and encouraging the expansion of dairying in the Alpine Valleys.

Specifically the report emphasised that:

- While being climatically variable, the Alpine Valleys will remain a pasture/forage “rain-fed” region into the future (in some cases assisted by what irrigation is available).
- Compared to other dairy regions in Victoria, the region is competitive, having lower farm working expenses per kg milk solids than Northern Victoria and slightly higher farm working expenses than the higher rainfall districts (Gippsland and Western Victoria). Farmers in the irrigation districts of Northern Victoria will be assessing the relative merits of lower capital investment in land and water versus high working expenses in importing or growing and processing feed. There will be those who are comfortable with this semi-feedlot system and those who will seek to relocate to a more traditional pasture or forage based system like that in the North East.
- The Alpine Valleys appear to have an advantage in land and water capital costs per milking cow compared to Gippsland and South West Victoria ($10,900 per cow in Gippsland and South West Victoria versus $8,660 in the North East). This may be due to a closer proximity to Melbourne and coastal areas as well as more reliable rainfall.
- Overall, once established, a dairy business generates three times more EBIT (Earnings Before Interest and Tax) than a grazing business. In regard to operating surplus available to service personal expenses, capital requirements, tax and debt, this figure can be more in the order of four or five times as much as a grazing enterprise. There are of course instances where an individual grazing enterprise is more profitable than an individual dairy business but this report contends that generally this is not the case.
- The additional capital expenditure used to convert from a non dairy to a dairy enterprise will provide a return on investment of approximately 6 per cent and increase the return on asset base from 0.42 per cent to 2.3 per cent, in an above average situation and 6 per cent if performance is in the top 25 per cent.

The report made the following additional points in relation to the economics of dairying in the Alpine Valleys:

- In terms of true business profit – EBIT which allows for both imputed labour and depreciation:
  - A well managed dairy business in the top 25 per cent (industry benchmarking) will average 7 per cent return on investment (ROA), compared to 4.5 per cent for an extremely well managed beef grazing enterprise in the top 5 per cent.
- Dairy farms are able to service a greater level of debt compared to beef grazing enterprises. A well managed dairy farm with 65-70 per cent equity would enable viability, compared to a beef grazing enterprise with 85-100 per cent equity 1.

Current farming systems

Dairying in the Alpine Valleys is currently characterised by a number of key features with a prevalence of family operated, small to medium sized farms.

FAMILY FARMS AND FAMILY PARTNERSHIPS ARE THE PREDOMINANT BUSINESS MODEL

Most dairy farms in the region are family owned and operated. The Alpine Valleys have not attracted a strong presence from corporate or family corporate investment compared to other areas of Victoria, Tasmania and South Australia. This is probably due to restricted access to land in the valleys, limiting the opportunities for larger scale corporate investments.

Murray Goulburn Cooperative data (Figure 4) shows that share-farm arrangements are present on 19 per cent of the farms and 4 per cent are currently leased.

Figure 4: Business model for MG Alpine Valleys suppliers

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1 The average equity level for dairy farmers in the Alpine Valleys is around 78 per cent – which is in line with the national average and significantly higher than Tasmania (65 per cent for FY11-12) which has recently experienced high levels of new investment in dairy (Dharma and Dahl 2013).
FARMS ARE OF A MODERATE SIZE

The Alpine Valleys has a higher proportion of smaller farms (milking herd < 200 cows) than other parts of Victoria. Correspondingly, the region has a smaller proportion of larger farms (milking herd >300 cows) as illustrated in Figure 5.

COWS ARE PREDOMINANTLY GRASS FEED

Australian dairy farms are characterised by five different farming systems as demonstrated in Figure 6.

The classification describes the proportion of the herd’s diet which is gained from eating pasture and other fodder in the paddock versus the proportion which is supplied as grain concentrate fed in the bail.

Farms in the Alpine Valleys fall predominantly into Systems 1-3 with the majority characterised as System 2 farms, moderate to high bail feeding. Overall, the trend is towards increasing the proportion of supplementary feed into diets and the use of feedpads is becoming more common.

FARMS ARE TRADITIONALLY CONSERVATIVELY STOCKED

Stocking rates in the Alpine Valleys are generally lower than the other major dairy regions in Australia and there is a lower proportion of smaller farms by area (<99ha) (see Figure 7).

Figure 7: Farm size in ha (grazing area excluding support blocks) (NDFS 2012)

Low stocking rates have evolved as a mechanism to manage seasonal variability. As farmers develop enhanced mechanisms to deal with seasonal variability through improved farming practices such as growing more feed, fodder conservation (silage) and strategic supplementary feeding, the region is seeing an increased confidence to increase stocking rates.
THE AGE PROFILE OF CURRENT DAIRY FARM OWNER MANAGERS IS A CONCERN

In 2011, 60 per cent of dairy farm owner managers in the Alpine Valleys were over 50 years old (Figure 8, 2011 Census Data). This figure has increased from 50 per cent in 2006 and demonstrates a significant challenge in relation to the need for farm transition in the region to ensure industry sustainability.

The age profile for dairy farm employees is quite different, with over 80 per cent of employees below 50 years of age. The Alpine Valleys has a higher proportion of people in the 19 – 24 year old category than other regions in Victoria (see Figure 9).

NUMBER OF PEOPLE WHO WORK ON FARMS

In 2011, over 65 per cent of farms had workers in paid roles in the Alpine Valleys and 94 per cent of farms had people in partnership roles. The proportion of owner managers to employees on farms decreased slightly from 2006 to 2011 (see Figure 10).

EMPLOYEE TYPES

Over 60 per cent of the people who work on farms in the Alpine Valleys are owner managers. This is higher than anywhere else in Australia and significantly higher than the national average of 50.7 per cent (see Figure 11).

Given 60 per cent of these owner managers are over 60 years old, it is likely that either a significant change in this employment mix is about to occur or alternatively, a large number of farms are at risk of leaving the industry.

Figure 8: Age of dairy farm owner managers 2011

Figure 9: Age of dairy farm employees 2011

Figure 10: How many people other than yourself work on the farm in 2011?

Figure 11: Types of workers on dairy farms, 2011
MAJOR TRENDS IN DAIRY FARMING IN THE ALPINE VALLEYS

DAIRY FARMS ARE BECOMING FEWER AND LARGER

The data shown in Table 1 and Figure 12 represent an industry in transition. The major trend has been a significant reduction in the number of dairy farms in the region with those remaining significantly increasing their size and level of output.

Overall milk volumes for the region have fallen marginally since the peak of regional milk production in 2001-2002 which given the impact of the sustained drought from 2002, is a testimony to the resilience of the Alpine Valleys (based on milk company data).
The overall trend is towards increased intensification of dairy farms. The data in Table 2 is taken from a national survey but is anecdotally reflective of the local trends.

The two key points to note from Table 2 are the significant increase in the amount of silage which is being cut by farms, and the decreasing ratio of number of operators per farm to the number of cows milked at peak season.

Local discussion group data from the Alpine Valleys during 2008-2012 showed that herd size has increased by 18 per cent and stocking rates have increased by 20 per cent. This has contributed to a 34 per cent increase in milk production per milking hectare (Mulvany, personal communication 2013).

Table 1: Percentage of change in key dairy indicators in Alpine Valleys

<table>
<thead>
<tr>
<th>% CHANCE 2000/1 -2011/12</th>
<th>DAIRY BUSINESSES</th>
<th>MILK VOLUME</th>
<th>PRODUCTION PER BUSINESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eskdale/Mitta Mitta</td>
<td>-43%</td>
<td>-16%</td>
<td>+47%</td>
</tr>
<tr>
<td>Ovens/King</td>
<td>-30%</td>
<td>+30%</td>
<td>+86%</td>
</tr>
<tr>
<td>Kiewa/Yackandandah/Tallangatta</td>
<td>-44%</td>
<td>-10%</td>
<td>+60%</td>
</tr>
<tr>
<td>Upper Murray</td>
<td>-29%</td>
<td>+5%</td>
<td>+47%</td>
</tr>
<tr>
<td>Alpine Valleys all</td>
<td>-38%</td>
<td>-3%</td>
<td>+57%</td>
</tr>
</tbody>
</table>

Figure 12: Milk production per supplier
Many technological advances have occurred over the past 10 years

Sources: Lubulwa et al 2007; Ashton et al 2008; Mackinon et al 2010; Dharma et al 2012 (about 300 farms each year)

<table>
<thead>
<tr>
<th>AVG FOR FARMS</th>
<th>FY04-05</th>
<th>FY06-07</th>
<th>FY08-09</th>
<th>FY10-11</th>
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<tr>
<td>Milk yield (L/cow)</td>
<td>4,985</td>
<td>4,949</td>
<td>5,674</td>
<td>5,635(L/cow)</td>
</tr>
<tr>
<td>Milk production (L/ha)</td>
<td>8,706</td>
<td>8,506</td>
<td>9,999</td>
<td>9,991 (L/ha)</td>
</tr>
<tr>
<td>Stocking rate (cows/ha)</td>
<td>1.3</td>
<td>1.3</td>
<td>1.3</td>
<td>1.5 (cows/ha)</td>
</tr>
<tr>
<td>Feed grains or concentrates (farms)</td>
<td>94%</td>
<td>89%</td>
<td>98%</td>
<td>100% (farms)</td>
</tr>
<tr>
<td>Conduct soil tests (farms)</td>
<td>62%</td>
<td>58%</td>
<td>57%</td>
<td>55% farms</td>
</tr>
<tr>
<td>Silage cut (tonnes)</td>
<td>151</td>
<td>135</td>
<td>225</td>
<td>317 tonnes</td>
</tr>
<tr>
<td>Hay cut (tonnes)</td>
<td>135</td>
<td>54</td>
<td>73</td>
<td>135 tonnes</td>
</tr>
<tr>
<td>Have a rotary shed (farms)</td>
<td>10%</td>
<td>13%</td>
<td>14%</td>
<td>13% farms</td>
</tr>
<tr>
<td>Cows milked at peak season</td>
<td>188</td>
<td>211</td>
<td>213</td>
<td>202 cows</td>
</tr>
<tr>
<td>Milking time at peak season</td>
<td>138</td>
<td>131</td>
<td>148</td>
<td>133 mins</td>
</tr>
<tr>
<td>Operators at peak season</td>
<td>1.6</td>
<td>1.7</td>
<td>1.8</td>
<td>1.6 people</td>
</tr>
<tr>
<td>Cows calved to AI sires</td>
<td>100 cows</td>
<td>121 cows</td>
<td>118 cows</td>
<td>132 cows</td>
</tr>
<tr>
<td>Imputed % of milking herd a</td>
<td>51%</td>
<td>57%</td>
<td>54%</td>
<td>62%</td>
</tr>
</tbody>
</table>

(a) Calculated from cows calved to AI sires/Milking cows in the herd
There is strong interest in the importance of dairy for local communities and economies

The population of several townships/localities in the Alpine Valleys is both declining and ageing. As such, there is a need to identify industries that will continue to create sustainable economic value and sustainable employment into the future in order for these communities to remain viable.

The four local municipalities which cover the Alpine Valleys (Towong, Indigo, Alpine and Rural City of Wangaratta) have all demonstrated a strong interest in the ongoing role of the dairy industry as an important component of their local economies.

Dairy farming provides a more intensive use of farming land and represents a greater opportunity for local job creation and local economic activity than other types of extensive agriculture. Dairying is conducted on less than 10 per cent of the agricultural land in the Alpine Valleys but it represents over 30 per cent of the farm gate income from the region, indicating its relative profitability.

The dairy industry also presents an opportunity to engage more young people in the region in an effort to reverse the ageing population trend.

The higher requirement for labour on dairy farms means more opportunities for young people and families to live and work in the valleys. Growth in sustainable dairy farming therefore represents a positive option for maintaining sustainable agriculture and local economic activity within the region.

The focus groups conducted for the Barriers to Growth report revealed that many children of dairy farmers have chosen non-dairy farming career paths. Therefore, an increasing proportion of labour on farms is now being supplied by non-family members (Santhanam-Martin & Botta 2011). Consequently, dairy farmers are required to compete in the market place for employees.

In consultation, it was found that there was a need for many farmers to improve their skills as employers in order to attract and retain good quality people onto their farms.

THERE IS AN INCREASING DEPENDENCE ON NON-FAMILY LABOUR FOR DAIRY FARM EMPLOYMENT, MEANING FARMERS NEED TO BECOME BETTER EMPLOYERS

The majority of labour on dairy farms is still being supplied by owner managers, which makes up over 62 per cent of the people employed on farms in the Alpine Valleys down from 66 per cent five years ago. Significantly, in the same period there has been an increase in the proportion of employed labour on farms from 22 per cent to 27 per cent (see Figure 13).

Figure 13: Types of workers on dairy farms (NDFS 2011)

There is an increasing dependence on non-family labour for dairy farm employment, meaning farmers need to become better employers

The higher requirement for labour on dairy farms means more opportunities for young people and families to live and work in the valleys. Growth in sustainable dairy farming therefore represents a positive option for maintaining sustainable agriculture and local economic activity within the region.

Figure 13: Types of workers on dairy farms (NDFS 2011)
THERE IS INCREASING PRESSURE ON FARM PRACTICES FROM CUSTOMERS AND CONSUMERS

The Dairy Australia commissioned Horizon 2020 Report noted that a dairy’s licence to operate and sell is being rapidly shaped by rising community expectations for sustainable outcomes. These influences stem from two primary spaces; consumer expectations and regulation.

At a market level, consumers are demonstrating they have an increasing interest in where their food comes from. Two areas of particular focus are animal welfare and nutrient management practices. The major global food companies have been active in developing industry standards that increase data gathered from farms to support compliance with these standards.

Domestically, supermarkets have also demonstrated an increased sensitivity to ensure sound practices are employed at a farm level. The focus to date has been in the poultry, pork and beef industries but dairy will not be immune to this scrutiny in the future. For this reason, the industry is keen to take a proactive approach to ensuring on farm animal health and welfare practices are compliant with community expectations.

The second level of activity is the monitoring and maintenance of regulatory standards. For the Alpine Valleys dairy industry, this is most relevant around nutrient management standards and in particular how farm manure management may affect local waterways and more broadly water catchments. It will be expected that nutrient runoff into waterways due to farming practices is kept to a minimum.

Goulburn Murray Water and the North East Catchment Management Authority (NECMA) have primary responsibility for ensuring water quality is maintained in the region and farming systems are evolving in an ecologically sustainable manner.

NECMA have indicated a strong interest in working alongside the dairy industry. They have acknowledged the importance of dairy to the region and the capacity of dairy farms to make a positive contribution to land and water management practices.

The Australian dairy industry has taken a cohesive whole-of-industry approach to sustainability. In 2012, the industry endorsed the Australian Dairy Industry Sustainability Framework identifying priority areas, goals and objectives. The framework defines seven priority areas under three themes.

Enhancing livelihoods
1. Creating industry prosperity
2. Supporting communities
3. Investing in dairy people

Improving well being
4. Ensuring health and safety
5. Maximising nutrition
6. Caring for our animals

Reducing environmental impacts
7. Minimising our environmental footprint

It will be important that activities directed towards growing milk in the Alpine Valleys take into account the key metrics as identified in this framework.

DAIRY LAND IS COMING UNDER PRESSURE FROM LIFESTYLERs

An important trend impacting the future of dairy in the Alpine Valleys has been the increase in property sales to people who are not dependent on agricultural output from their property as their primary source of income. Large scale and increasing rates of turnover were identified in a recent study, with 50 per cent of properties in the North East Victoria case study predicted to change ownership in the next decade, double the previous rate (Mendham & Curtis 2010).

This trend has resulted in a number of dairy farms being transferred out of the dairy industry to accommodate less intensive agricultural pursuits such as beef grazing, which can be more easily managed by ‘lifestyle’ farmers.

The trend is proportionally stronger in locations with increased proximity to the larger regional centres such as Albury, Wodonga, Wangaratta and Benalla.

The impacts of this trend are numerous but most significantly seen in:

• Rising land prices
• An increasing incidence of absentee land holders (for land not in commuting distance from the major regional centres)
• A reduced level of knowledge, capability and commitment around sound land management practices
Who will invest?

A primary requirement for growth in the dairy industry is that return on investment is greater than the cost of finance and provides a reasonable return on farmer equity.

EXISTING BUSINESSES WILL GROW

The Regional Growth Plan for Dairy is based on the expectation that the majority of growth within the Alpine Valleys dairy region will come from existing businesses.

The people who are running these businesses will look to expand as they seek to capitalise on their knowledge and existing investment in dairy. In most cases, this growth will occur through current farms becoming larger and expanding their milking footprint. This will involve an improved utilisation of high quality milking land and will allow for an improved return on investment in infrastructure.

The relatively high equity position of dairy farms in the region should ensure that expansion can occur without undue risk; but, as with all investment decisions, this will need to be carefully factored into a robust business plan.

The growth in average herd size from around 200 cows to over 300 cows will require additional investment in upgrading and modernising milking shed capacity as well as other dairy infrastructure such as tracks and feedpads, which will be an important part of the investment equation.

There is also evidence that dairy farmers from the region are investing in the purchase of existing or retiring dairies and taking over the management of these operations. It is likely this will continue as opportunities emerge which are seen and taken up by current practitioners.
NEW INVESTORS

As existing dairy farm owners decide to exit the industry, some of these properties will come onto the market and will be attractive to new entrants and dairy investors.

It is generally acknowledged that dairying in the Alpine Valleys has ‘gone under the radar’ compared to other major dairy regions in Australia and New Zealand. The comparative benefits of the lower cost of production and lower relative land values associated with the region have not been broadly appreciated outside the region. The extent to which new outside investment will be attracted will be increased by improving the transparency of this information combined with land opportunities becoming available.

Many (but not all) of the existing dairy properties in the region will require an infrastructure upgrade which will include modernising milking sheds and improving feeding facilities.

There will also be the opportunity for the development of greenfield sites. There are a number of non-dairy areas in the Alpine Valleys that occupy high capability land which could accommodate new and potentially larger scale dairy operations. This land is currently predominantly being used for beef grazing and does not have existing dairy infrastructure. For dairy development to occur, attractive business models need to be developed to support the conversion of this land to dairy. A significant factor in these developments will be the ability of dairy to meet statutory planning provisions for development on or near the floodplain.

Where will capital come from?

Significant capital will be required to transform the Alpine Valleys from a region producing 220ML to 400ML.

The main costs that will need to be covered will include:
- Transitioning farm ownership from retiring dairy farmers to new ownership structures
- Increasing the proportion of high quality land in dairy by 25 per cent
- Increasing the herd size by 20,000 cows
- Upgrading the milking shed infrastructure on most farms
- Upgrading the farm infrastructure (tracks, sheds, irrigation layout, etc.)

In addition to these on-farm costs, there will be additional investments required from the milk processing sector, the farm service sector and in terms of local government investment in roads and bridges.

It has not been in the scope of this report to determine the transformational cost but it is reasonable to assume that the cost will be significant.

Banks, including the major rural banks, play a significant role in funding existing investment in dairy and this is likely to continue. The involvement of rural lenders in the consultation process for this report indicated a strong level of ongoing support for investment in dairy. It was highlighted that improving the financial literacy of dairy farmers would be an important requirement for the success of the project.

There are some interesting models emerging in the Australian dairy industry designed to broaden the equity base and to reduce the debt and risk exposure for the next generation of dairy farmers. Dairy Australia is currently facilitating work in this area which will result in a clearer understanding of the options available for dairy investors.

Can we improve business transition models and farm succession?

The Alpine Valleys region will struggle to achieve its growth ambitions if most of the high quality agricultural land, which is currently in dairy, does not stay in dairy.

The most likely reason for land to discontinue in dairy is that the current owner/managers have no need to dairy into the future and do not see how continuing in dairy will achieve their wealth creation or lifestyle expectations.

Management and/or assets must move from one business operator/owner to another at some time. Approximately 97 per cent of Australian dairy businesses are family farms and about half of all current dairy farm owners are over 50 years of age (Dairy Australia 2013b). For the Alpine Valleys, this figure is above 60 per cent (see Figure 8).

Preliminary research from the Alpine Valleys suggests that 35 per cent of the region’s dairy farmers are planning to leave the industry in the next five years and 70 per cent of these farms do not have a pathway to succession or business transition [AVDPP Regional Overview 2011]. This estimate of the size of the problem is corroborated by farmers surveyed in the 2013 National Dairy Farmer Survey. Twenty per cent of respondents considered the greatest challenges facing the Australian dairy industry to be ‘succession by young people’ or ‘farmer exits’ (Dairy Australia 2013a).

Farm transition planning can be difficult and complex. It includes personal, financial, legal and farm business considerations for all parties involved. Starting the process and managing the discussion is often difficult for farm families. Finding professionals locally who understand the complexity of the issues is often hard yet this is essential to achieving satisfactory outcomes.
A common outcome where farm transitional issues are not addressed properly is for the farm to exit the industry altogether. In this case, transition as a dairy business is not achieved and instead farms are sold for other land use or converted to beef production with loss of dairy-specific infrastructure. When this occurs, there is a negative impact on the local community (fewer families and less income), the industry (less milk) and financial institutions (lower property values).

In their recent report, the Horizon 2020 working group highlight the need for the dairy industry to understand opportunities for new farm equity capital and to define appropriate investment models/structures. They assert that the attractiveness of investment in the Australian dairy industry is low because:
(i) The dairy industry lacks successful investment models
(ii) There is uncertainty about how investors can identify candidate farms
(iii) There are insufficient mechanisms to link successful farm management family units (generally the key recipe for success in any investment model) with investment structures
(iv) There is a perceived lack of a sufficient pool of management skills
(v) Performance of farms is not sufficiently transparent

Some individuals, commercial organisations and regional groups have recently explored ways to support the dairy farm business transition process. For example, in terms of the availability of investment funds, Damian Murphy (a Nuffield scholar) has suggested options for young farmer finance (Murphy 2012). Murray Goulburn has initiated a ‘Next Generation’ package and Rural Finance has a ‘Young Farmers Finance Scheme’. Both of these schemes are designed to provide better terms for investors.

Farm succession workshops have been run on a regular basis in the Alpine Valleys (the most recent sponsored by Goulburn Murray Hume AgCare in 2013) with the aim of raising awareness of the issues involved with farm transitions. Attendance is regularly significantly lower than the demand would suggest, accentuating the fact that workshops are only one strategy for dealing with the issue.

The Regional Growth Plan for Dairy highlights the importance of improving decision making around farm transitions. The Alpine Valleys Dairy Pathways Project is in a good position to research and trial improved methodologies for improving decision making in this difficult area. The schema demonstrated in Figure 14 illustrates the domain and the components required for change. The areas numbered 1 to 3 are part of this initiative; the activities in area 4 are already elements of Dairy Australia’s investments.

Figure 14: Improved decision making with business farm transitions
Are business models likely to change?

The average sized dairy operation in Australia had an average capital value in FY11-12 of $3.4 million (Dharma & Dahl 2013). Even with the smaller than average dairy farm size in the Alpine Valleys, this still presents a significant ‘capital mountain’ for any new entrant. What are the implications of this in relation to tailoring business models for new entrants and those wishing to expand?

The dairy industry in the Alpine Valleys has been built on the back of the success of the family farming model (i.e. husband and wife owner managers) providing the majority of the labour, supported by their children and outside labour kept to a minimum. As discussed, it is expected that the majority of new investment in dairy in the region will come from existing farmers wanting to grow their businesses and capitalise on their knowledge of the industry and the area. The business structures that support the family farmer owner/manager mode of operation are reflected within sole trader, partnership and company arrangements. Whilst it is likely the family farm owner/manager model will continue to be prevalent, it is also likely that other business structures will be required to address farm transition to non-family entities.

The dairy industry is well served with a range of alternate forms of business ownership and management structures. Share farming agreements already play an important role in the Alpine Valleys with 19 per cent of current farms operating in this manner. It is likely they will continue to play an important role when current owner managers are looking to realise their investment in dairy capital and infrastructure but want less involvement in the day-to-day operations of the farm.

Leasing arrangements are increasing in popularity because they allow the lessee access to dairy land and infrastructure at a reduced capital outlay compared to purchase. It allows additional funds to be available for ‘income producing’ resources such as livestock and fertiliser. With lease agreements, the operational decision making is clearly defined and in the hands of the lessee.

The Alpine Valleys is also beginning to see the emergence of equity partnership arrangements. These arrangements allow for the capital cost of farm acquisition to be shared by two or more investors under a company entity. The farm manager or sharefarmer is sometimes a shareholder in the company and there are strict rules about how these entities must operate from a legal and financial perspective. Overall, the availability of these alternative management arrangements is healthy for an industry in transition, because they provide the opportunity for individuals to choose what suits their circumstance. Each option has strengths and weaknesses and it is important that access to information and professional advice is available to support decision making in this area.

Increased debt will lead to increased dairy

As farm transitions progressively occur through the retirement of existing farmers, new debt will enter the system. Increased debt levels amongst the next generation of farm owners will influence decision making about the farm productive system. This is likely to result in an increase in dairy production because of the strong economic advantage of dairy over its competitors. Understanding debt will be an important aspect of dairy growth for North East Victoria. The rule of thumb presented by John Mulvany (2013) for resilient moderate risk dairy farming in North East Victoria is that:

• Equity in total farm assets should be at least 65 per cent
• Less than 20 per cent debt is short term
• Total debt servicing is less than $1/kg MS or $500/cow on an annual basis

The banks and other rural lenders (including dairy processors) will play an important role in ensuring that the debt associated with dairy growth is soundly placed within the parameters of sustainable business operations.

Will land be available to accommodate growth?

In most cases, dairy is able to compete strongly in the market with other forms of agricultural land use. On this basis, dairy should be able to gain access to high quality land when it becomes available for sale or lease.

Land values in the Alpine Valleys are relatively lower than the other high rainfall areas in the state, thus providing a competitive advantage for dairy investors.

In some areas dairy may have to compete with land uses that are not related to agricultural production such as residential uses. This along with the fragmentation of agricultural land may present a challenge for the potential growth of agricultural production, including dairy. Planning for sometimes competing and potentially conflicting land uses in rural areas is a challenge faced by local government authorities in the area.
A key direction of the state planning policy is ‘to protect productive farmland which is of strategic significance in a local or regional context’.

Productive agricultural land is defined generally as having one or more of the following characteristics:

- A present pattern of subdivision favourable for sustainable agricultural production
- Can be used for a variety of agricultural pursuits, suitable soil type, climatic conditions, water supply; agricultural infrastructure, and in particular irrigation and drainage systems.[1]

The Hume Regional Growth Plan[2] has identified areas within the Alpine Valleys as being strategically significant agricultural land that needs to be protected from inappropriate development (see Figure 15).

This change has the potential to provide councils in the region with more scope to ensure farm subdivision practices do not result in a loss of highly productive land to lower value end uses. It is still to be determined how this provision can be best utilised, and there may be a case for a collaborative discussion between the municipalities about how this can be managed consistently for the region.

Figure 15: Alpine Valleys strategically significant agricultural land
**Will the industry be able to attract and retain the people it needs?**

The ability of the Alpine Valleys dairy industry to attract and retain the people it needs to operate effectively is critically important to achieving future sustainability and growth. This is not just a question of labour demand and labour supply. The AVDPP has developed a model for thinking about workforce (see Figure 16) that is based on a more systemic view of workforce.

The model proposes that there are a number of key elements which need to be in place to develop a successful workforce outcome. Following a review of these elements (Alpine Valleys Dairy Pathways Project Workforce Framework Gap Analysis Bridge 2013), the project identified a number of key gaps which will need to be addressed by the regional workforce strategy to ensure that workforce limitations are not a major barrier to growth for the industry. These include:

- The models for successful engagement of labour on dairy operation need to be more transparent
- There is a need to find more effective pathways for assisting people in and out of the dairy industry
- Many farmers need to improve their business skills and performance as employers
- The industry needs to welcome new entrants and support their learning and development
- Labour supply options for the region need to be broadened

---

**Figure 16: AVDPP Workforce Model**
Structure
The Regional Growth Plan for Dairy in the Alpine Valleys is based on the table outlined in Figure 1.

Vision
To increase the production of milk from sustainable dairy farms in the Alpine Valleys, from 220ML to 400ML, by 2025
This will be achieved by lifting the mean farm performance for farms in the region to the current level of performance of the top 25 per cent of farms as measured by:
• Lifting overall milking cow numbers from 40,000 to 60,000 cows
• Lifting stocking rate to 1.5 milking cows /milking ha
• Lifting per cow productive performance from 420kg/MS to 535kg/MS
• Targeting 3.5 – 4.0 tonnes of home grown fodder/cow/year
• Maintaining cash costs < 70 per cent as a percentage of cash income (5 year average)
• Targeting > 7 per cent return on assets (5 year average)
• Increasing the amount of high quality land in dairy by 25 per cent
• Ensuring nutrient and waste management practices meet regulatory and customer requirements
• Improving working arrangements on farms, so that wealth creation and lifestyle expectations are improved across the region.

The industry in 2025 will be generating $160 million of farm gate returns to the 200 dairy farms in the region, and supporting approximately 550 – 600 full time jobs on farms. The overall economic value generated from dairy in the region, which includes farm contracting, service industry businesses, dairy manufacturing and other multiplier effects will be around $690 million annually.
### Key strategies (next 5 years)

The following table outlines the outcomes and strategies proposed to achieve the vision. This table will need to be reviewed and modified as required.

<table>
<thead>
<tr>
<th>FOCUS AREA</th>
<th>DESIRED OUTCOME/S</th>
<th>SUCCESS WILL BE DEMONSTRATED BY</th>
<th>GOVERNANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The Regional Growth Plan for Dairy is implemented in the Alpine Valleys</td>
<td>Key stakeholders support a combined vision and agreement around the implementation of the growth strategy</td>
<td>1.1 Key stakeholders support the implementation plan for the Regional Growth Plan for Dairy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A mechanism is developed to manage the implementation of the strategy</td>
<td>1.2 Effective project management mechanism is in place to monitor and review progress of the Regional Growth Plan for Dairy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Outcomes of the project are broadly communicated and understood</td>
<td>1.3 Project activities and outcomes are communicated to all relevant stakeholders</td>
</tr>
<tr>
<td>2</td>
<td>Existing farms are profitable and sustainable</td>
<td>Maximising farm sustainable profitability</td>
<td>2.1 Improved delivery of quality advisory services (see Appendix 2)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2.2 Improvement in key on farm performance and sustainability metrics</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2.3 Development of an effective extension program around the ‘barriers to growth’ issues</td>
</tr>
<tr>
<td>FOCUS AREA</td>
<td>DESIRED OUTCOME/S</td>
<td>SUCCESS WILL BE DEMONSTRATED BY</td>
<td>GOVERNANCE</td>
</tr>
<tr>
<td>------------</td>
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<td>---------------------------------</td>
<td>------------</td>
</tr>
<tr>
<td>3</td>
<td>Dairy farms can attract and retain the people they need for their businesses</td>
<td>Improved mechanisms exist to support the right people into dairy positions in the region</td>
<td>3.1 Implementation of the Regional Dairy Workforce Strategy which is supported by key stakeholders</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improved mechanisms to support farm transitions</td>
<td>3.2 Desirable (win/win) options are developed for farmers wanting to enter and leave dairy in the region</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3.3 Improved access to quality farm transition advice and support</td>
</tr>
<tr>
<td>4</td>
<td>There is a supportive environment for dairy growth in the region</td>
<td>Dairy is seen as a desirable part of the future for valley communities</td>
<td>4.1 A mechanism exists which can explore and improve local synergies between community and dairy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Alpine Valleys dairy growth planning is aligned to key external strategies.</td>
<td>4.2 Developing the link between the Regional Growth Plan and the planning processes of key dairy and non dairy farm stakeholders e.g. Industry, DA, Murray Dairy, DEPI, LGA's, DSDBI</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dairy growth is supported by regulatory and planning bodies</td>
<td>4.3 State and local planning issues related to dairy growth are canvassed and incorporated in relevant local planning regimes and work plans (e.g. LGAs, referral authorities)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dairy growth is supported by local infrastructure and service bodies</td>
<td>4.4 Local infrastructure issues e.g. water, roads, bridges, crossings etc. are canvassed and incorporated in relevant local planning regimes and work-plans (e.g. LGAs, referral authorities)</td>
</tr>
</tbody>
</table>
**Action Plan for 2014**

<table>
<thead>
<tr>
<th>Goal</th>
<th>Actions for 2014</th>
<th>Resource Allocation</th>
</tr>
</thead>
</table>
| 1.1  | **Key stakeholders support the implementation plan for the Regional Growth Plan for Dairy**  
  - Maintain the key stakeholders contact list, and provide opportunity for them to be involved in activities  
  - Use the stakeholder contact list to promote training and events so they can encourage their dairy clients/contacts to participate  
  - Encourage dialogue between non-dairy landholders and the dairy industry to foster relationships that maintain and extend the area of land in dairy | Project management of strategy, steering committee and key stakeholders               |
| 1.2  | **Effective project management mechanism is in place to monitor and review progress of the Regional Growth Plan for Dairy**  
  - Secure funding support for ongoing facilitation of implementation activities  
  - Ensure key investor reporting requirements are met in an accurate and timely manner. (DEPI, DA, MGC, DSDBI) | Additional support required  
  Incorporates actions 4.2 and 4.3                                                                                                           |
| 1.3  | **Project activities and outcomes are communicated to all relevant stakeholders**  
  - Develop and implement a communication plan to ensure the goals, activities and outcomes of the project are well understood  
  - Generate a monthly newsworthy article about an aspect of the project and dairy in the Alpine Valleys which can be used for general distribution | Extension project funded and in progress                                              |
## EXISTING FARMS ARE PROFITABLE AND SUSTAINABLE

<table>
<thead>
<tr>
<th>Goal</th>
<th>Actions for 2014</th>
<th>Resource Allocation</th>
</tr>
</thead>
</table>
| 2.1  | Improved delivery of quality advisory services | • Ensure financial resources are available to support discussion groups until end of June 2016  
• Promote and encourage the training offered by Murray Dairy/DEPI/NCDEA in local dairy industry publications (e.g. Mountain Milk Line, Dairy Direct, milk company newsletters)  
• Contribute to Murray Dairy priority setting to ensure appropriate attention is given to the Alpine Valleys priority issues | Extension project funded and in progress |
| 2.2  | Improvement in key on farm performance and sustainability metrics | • Develop and validate the Alpine Valleys regional profile and seek support from all processing companies within the project region  
• Maintain and promote the results of the Dairy Farm Monitor Project  
• Up-skill service providers with better knowledge/ access to data to assist in guiding dairy business management decisions (e.g. rural financial councillors, accountants, bankers)  
• Encourage aspiring dairy managers to engage in relevant learning activities (e.g. feeding pastures for profit courses, study tours) | Extension project funded and in progress |
| 2.3  | Development of an effective extension program around the ‘barriers to growth’ issues | • Seek opportunities to engage with dairy farmers/ farm employees that do not attend existing activities - particularly through the local stakeholder network  
• Monitor progress with AVDPP outcomes and adjust as required to accommodate ‘barriers to growth’ issues | Extension project funded and in progress |
DAIRY FARMS CAN ATTRACT AND RETAIN THE PEOPLE THEY NEED FOR THEIR BUSINESSES

<table>
<thead>
<tr>
<th>Goal</th>
<th>Actions for 2014</th>
<th>Resource Allocation</th>
</tr>
</thead>
</table>
| 3.1  | Implementation of the Regional Dairy Workforce Strategy which is supported by key stakeholders | • Gain support for Regional Dairy Workforce Strategy Implementation Plan  
• Develop collaborative arrangements with local education providers based on improved service delivery  
• Establish a North East ‘young farmer’ network  
• Look to ways of incorporating current industry activities/programs in this area (e.g. ESKI, Stepping Stones, MGC employment initiative)  
• Consider how ‘soft-skills’ training can become part of the typical courses (e.g. People GPS) or topic in dairy discussion groups for the north east delivered by MGC and DEPI  
• Undertake a supply analysis to determine alternative sources of labour and how these can be activated specifically for the Alpine Valleys | See Workforce Strategy – Action plan page 40 |
| 3.2  | Desirable (win/win) options are developed for farmers wanting to enter and leave dairy in the region | • Business Prospectus  
a. Develop a business prospectus for the industry in the Alpine Valleys to include the cost structures, and available equity models underpinning successful operations  
b. Appraise the beef conversion potential and the successes/failures of the Southwest model  
c. Deliver a workshop for interested parties (e.g. targeted group of local beef producers, large non-dairy landholders in the Upper Murray and Ovens and King valleys)  
• Conduct activities and a study tour to promote what a ‘modern’ dairy farm looks like and how it is operated to achieve a healthy work/life mix  
• Conduct a north east dairy business forum ≥ 3 year frequency  
• Invite large scale operators / investors for consultation and tour of the north east (utilise resources from the development of the Business Prospectus) | Extension project funded and in progress  
Additional specialist support required  
Support being provided through Murray Dairy / Dairy Australia / DEPI |
| 3.3  | Improved access to quality farm transition advice and support | • Conduct research into developing a strategy for working with retiring dairy farmers  
• Represent proposal for funding of a major pilot study into improving local advisory service delivery around farm transitions and farm succession | Specialist support required – funding being sought |
## THERE IS A SUPPORTIVE ENVIRONMENT FOR DAIRY GROWTH IN THE REGION

<table>
<thead>
<tr>
<th>Goal</th>
<th>Actions for 2014</th>
<th>Resource Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1</td>
<td>A mechanism exists which can explore and improve local synergies between community and dairy</td>
<td>Support being provided through Gardiner Foundation and Charles Sturt University</td>
</tr>
<tr>
<td></td>
<td>• Maintain a presence and support the Our Valley – Our Future Project and Upper Murray 2030/Vision Project</td>
<td>Additional support required</td>
</tr>
<tr>
<td></td>
<td>• Identify at least one project that will align with the objectives of the AVDPP and Our Valley – Our Future Project (e.g. agricultural education, farm safety, farm transitions)</td>
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<td></td>
<td>• Engage more directly with local sustainable farming initiatives</td>
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<td></td>
<td>• Use dairy as a focus for improving agricultural education in the region to incorporate schools/VET/and higher education. This will include working with the CSU/NCDEA initiative, utilising DA resource materials, and tapping into experience from successful models from other regions</td>
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<tr>
<td>4.2</td>
<td>Developing the link between the Regional Growth Plan and planning processes of key dairy and non dairy farm stakeholders, eg. Industry, DA, Murray Dairy, DEPI, Local Government, RDV, RDA</td>
<td>Local municipalities and project management support covered in 1.1</td>
</tr>
<tr>
<td></td>
<td>• Maintain engagement with Alpine Valleys councils to ensure continued support/promotion of dairy’s importance to the local communities (economic, social and environmental benefits). Seek endorsement of the Regional Growth Plan for Dairy in the Alpine Valleys</td>
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<td></td>
<td>• Promote the AVDPP as a key industry activity for understanding and working with transformational issues at a farm/local community level</td>
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<tr>
<td>4.3</td>
<td>State and local planning issues related to dairy growth are canvassed and incorporated in relevant local planning regimes and work plans (e.g. LGAs, referral authorities)</td>
<td>Steering committee and project management support covered in 1.1</td>
</tr>
<tr>
<td></td>
<td>Industry and local government stakeholders continue to highlight the importance to local councils of:</td>
<td>Extension project funded and in progress</td>
</tr>
<tr>
<td></td>
<td>a. Keeping large land parcels in the farming zone, especially land classified as ‘high capability’ (this is being currently being incorporated into the Rural Land strategies)</td>
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<tr>
<td></td>
<td>b. Economic and social value of dairy, compared to beef and lifestyle land use</td>
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</tr>
<tr>
<td></td>
<td>c. Buffers between agricultural land uses and lifestylers to maintain amenity (e.g. dust, noise and odour issues)</td>
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<tr>
<td></td>
<td>• Create and promote a planning tool /checklist that concisely outlines landholder obligations to develop a dairy and/or expand within the Rural City of Wangaratta and Alpine, Towong and Indigo shires.</td>
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</tr>
<tr>
<td>4.4</td>
<td>Local infrastructure issues e.g. water, roads, bridges, crossings etc. are canvassed and incorporated in municipal plans</td>
<td>Extension project in progress with steering committee support</td>
</tr>
<tr>
<td></td>
<td>• Consultation with Council planning departments to ensure infrastructure issues are understood and prioritised</td>
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</table>
Background

A major recurring theme from the Regional Growth Plan for Dairy research and consultation process has been the identification of ‘the people challenge’ within the vision for growth. The initial deputation from the Mitta Valley residents highlighted their concern about the loss of young people from the Valley, the ageing of the farming population and the lack of suitable local accommodation and services to attract new people to the valley.

Further issues were raised on a broader scale through the ‘barriers to growth’ focus group interviews conducted in each of the valleys (Santhanam-Martin & Botta 2011).
• Education: The need for better opportunities for agricultural education (secondary and beyond). Children need to be able to learn about agriculture and learn what it can offer in terms of a career.

• Skills: You need a large range of specialist skills to be a dairy farmer which can be a barrier for new entrants.

• Labour – relief milkers: The lack of availability of relief milkers makes life difficult for existing dairy farmers, and is a discouragement for new entrants. People don’t want to drive 20 minutes out of town for a short shift. The farmer needs to be flexible and creative in the way he/she runs the farm to be able to use the labour that is available.

• Labour – more than milking: It is hard to find good, skilled people. Anyone who is any good gets snapped up into a full-time position. There just aren’t people around. Who are looking for work. People who want a job have already got one. Or the people that apply for jobs are not the kind of people the dairy farmer wants. Or “Gen Y” don’t want to do the type of work that dairy farming is. Experience is not essential – it is the passion and desire to do it that is critical.

• Finding people: If the dairy farmer advertises the quality of applicants is poor – word of mouth is the best way. If a labour agency is used then a lot of the hourly rate that is paid goes to the agency not the worker.

• Employing people: Some people lack the confidence or skills to employ someone like a herd manager or sharefarmer. This is one of the barriers for people at the retirement stage. Also some people are not good employers. They don’t give workers variety in what they do, or they expect too much. Working on a dairy farm is potentially much more diverse and interesting than working in a factory, but employers need the skills to be a good employer.

These themes have been reinforced through the Alpine Valleys Dairy Business Forum (2012) and the Regional Growth Plan Consultation Workshop (October 2013). Whilst there are individual cases of good practice in relation to employer/employee relationships, it seems that there are also many stories that depict unsatisfactory outcomes. This represents a significant challenge given the crucial role of people in successful dairy farming systems.

What does success look like?

In achieving the vision of increasing milk production in the Alpine Valleys from 220ML to 400 ML by 2025, average farm size will have grown to over 300 milking cows per farm and non family employment on dairy farms will have increased, leading to more jobs in the valleys. The following scenario describes some of the aspirational suggestions derived from the consultation process in relation to workforce.

• The local dairy industry will present as a good option for achieving both the wealth creation and lifestyle aspirations for those involved.

• There has been an increase in the number of new people and families to the region, to take up the positions available, and these people have adjusted well to life in the valleys. Some of these people have come with experience from other dairy areas in Australia, others are new entrants to the industry, some from recent migrant backgrounds, who are looking for opportunities outside the urban environment.

• A strong interest in careers in dairy is being fostered through local schools.

• There is a good understanding that further studies in relevant courses such as agriculture and business management are a definite advantage for a career in dairy and access to the higher paid jobs.

• There are numerous entry points available to dairy employment both on farm and through the service support sector eg. agronomists, animal health professionals, dairy automation technicians, etc.

• Farms have become safer, more efficient and more worker friendly workplaces through the introduction of new technologies and upgrades to farm infrastructure.

• Clear position descriptions and defined rosters will allow employees to combine hard but satisfying work with time off for family and other lifestyle choices.

• Suitable accommodation options are available for farm-based employees.

• There is a range of established business models for dairy investors including share-farming, lease, equity partnerships and owner manager arrangements. The pros and cons of these arrangements are understood by investors and provide a diverse range of options for investment.

• There is support for farm owner/managers in managing the employment, payroll and people side of their businesses through competent and professional local service providers. Services such as locum relief milking and overseas migration support are organised through these providers.

• Trusted advisory services are available to assist with farm transition (succession) planning and the majority of farms have sound plans in place.

This workforce plan acknowledges the extent of the challenge this list represents and has prioritised specific short, medium and longer term goals as a response.
Dairy Australia will spend $181 million over three years with the majority of expenditure (59%) directly focused on activities that improve profitability on the farm.

Figure 17: Dairy Australia Investment Strategy 2013-2016

**The people issue is a broad industry challenge**

The people challenge is recognised broadly across the dairy industry in Australia. Dairy Australia has dedicated 18 per cent of its investment over the next three years to addressing the issues involved, under their strategic priority SP3 Grow Capability and Skills (see Figure 17). The priority areas identified are:

1. Workforce planning and action: Provide the dairy industry with the people it needs
2. Skills and knowledge: Support training and development programs
3. Understand, develop and promote career pathways
4. Leadership: Educational programs to help create industry leaders
5. Extension: Support the transfer of technology, skills and resources to the farm.

In line with this prioritisation and investment at an industry level, Dairy Australia’s regional arm for Northern Victoria, Murray Dairy has recently released a Workforce Development Strategy 2013 – 2016, The key priorities identified in this strategy are:

1. Farm business strategies that have a strong people focus
   a. Skills gaps
   b. On-farm succession planning

2. Farm workplace change
   a. Careers in dairy
   b. Dairy farmers to be recognised as an employer of choice

3. Dairy ‘workforce development’ (planning and action)
   a. Labour shortages
   b. Skills gaps

4. Farmer well-being in supportive communities
   a. Safety on-farm
   b. Work/life balance on farm

5. Dairy leadership development
   a. Young dairy network.
Alpine Valleys approach to meeting the people challenge

For the AVDPP to meet its goals in relation to the people challenge, it must achieve four things.

Firstly, a deep and robust understanding of the specific nature of the people challenge for the region must be established. This should come down to farm and location specific knowledge of the specific challenges being faced on these farms and in these businesses.

Secondly, it must be able to build a culture of interest and awareness of successful examples of good people outcomes in dairy, both locally and from external sources.

Thirdly, it must have the capacity to develop local solutions that are relevant to each specific valley and valley community, given the variation in local circumstances.

Fourthly, it must be able to harness the resources and support available from the key stakeholders who have a vested interest in a successful outcome, and in particular to ensure that the regional response has a synergy of effort amongst these stakeholders. The key stakeholders who are seen as most relevant to this discussion are:

- North East Murray Dairy and the direct link to each valley’s dairy community
- Murray Dairy /Dairy Australia
- Schools/VET/higher education learning providers
- Local employment agencies and learning and employment networks
- Local government authorities.

Implementation and governance

The transformation required to achieve the outcomes of the people strategy will require a progressive and sustained collaborative effort. There are a range of stakeholders who have carriage and interest over aspects of the program eg. milk processors with a desire for increased sustainable milk production, farmers wanting skilled and motivated employees, training providers who want to deliver quality training outcomes, local government with an interest in job creation and economic development, communities with an interest in attracting and holding young people in the valleys.

However, it is not immediately clear how a project of this nature will be governed. The short-term goals have been developed around existing resource allocations and opportunistic collaborations. Project governance can commence through the Alpine Valleys Dairy Pathways Project steering committee. It will be important to design and develop a sustainable governance mechanism in the early years of the project.
Workforce strategies (next 5 years)

<table>
<thead>
<tr>
<th>DESIRED OUTCOME</th>
<th>SUCCESS WILL BE DEMONSTRATED BY</th>
<th>GOVERNANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The industry welcomes new entrants and supports their learning and development</td>
<td>1.1 A strong and positive message about dairy career opportunities is available at school, VET and higher education levels in the region</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.2 Desirable learning pathways are evident between school, VET and higher education providers and the dairy industry in the region</td>
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<tr>
<td></td>
<td></td>
<td>1.3 A young dairy farmer network has been established for the Alpine Valleys</td>
</tr>
<tr>
<td>2</td>
<td>Dairy farms improve their attractiveness as workplaces</td>
<td>2.1 There is improved participation in people management focussed extension activities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.2 There is improved communication around successful employment practices</td>
</tr>
<tr>
<td>3</td>
<td>Labour supply options are broadened</td>
<td>3.1 An accessible mechanism exists to match individual job opportunities with potential candidates</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3.2 Alternative labour supply options are researched, canvassed and trialled for the region</td>
</tr>
<tr>
<td>4</td>
<td>Workforce investments are well targeted to the needs of the Alpine Valleys</td>
<td>4.1 Valid data is available to reflect the current situation in relation to the dairy workforce</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4.2 Workforce activities are monitored and evaluated on a regular basis</td>
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<td>4.3 Strong linkages are developed with relevant external resources and programs – particularly DA and Murray Dairy workforce programs</td>
</tr>
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<td>4.4 There is evidence of positive engagement with other local and regional workforce Initiatives</td>
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### Action Plan for 2014

#### THE INDUSTRY WELCOMES NEW ENTRANTS AND SUPPORTS THEIR LEARNING AND DEVELOPMENT

<table>
<thead>
<tr>
<th>Goal</th>
<th>Actions for 2014</th>
<th>Resource Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>WS1.1</strong></td>
<td>A strong and positive message about dairy career opportunities is available at school, VET and higher education levels in the region</td>
<td>AVDPP to partner with CSU and NCDEA in a collaborative engagement project in 2014 to work with willing schools in the region – about the future opportunities in dairy – and the linkages with post school study options. AVDPP to explore linkages with Melbourne Uni/NE Tracks project.</td>
</tr>
<tr>
<td><strong>WS1.2</strong></td>
<td>Desirable learning pathways are evident between school, VET and higher education providers and the dairy industry in the region</td>
<td>Consultation exercise to be conducted with regional learning providers to see how the linkages could be improved to improve the outcomes for dairy career aspirants in the region. Implementation strategy to be developed for approval of key stakeholders.</td>
</tr>
</tbody>
</table>
| **WS1.3** | A young dairy farmer network has been established for the Alpine Valleys | Young farmer network to be established – and a program of activities to be developed and trialled in 2014 to include:  
• Regular networking activities – to include Murray Dairy events  
• Study tour program  
• DBN for aspiring dairy business owners  
• A local awards framework | Murray Dairy. |
### DAIRY FARMS IMPROVE THEIR ATTRACTIVENESS AS WORKPLACES

<table>
<thead>
<tr>
<th>Goal</th>
<th>Actions for 2014</th>
<th>Resource Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>WS2.1</td>
<td>There is improved participation in people management focused extension activities</td>
<td>Build a program of farmer engagement activity as part of the Regional Extension Plan to include labour and people management related issues. This should include regional exposure to programs such as People GPS and resources such as the People in Dairy website, ESKI and the Stepping Stones program</td>
</tr>
<tr>
<td>WS2.2</td>
<td>There is improved communication around successful employment practices</td>
<td>As part of the AVDPP Communication Strategy ensure that successful farm employment stories receive good coverage</td>
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### LABOUR SUPPLY OPTIONS ARE BROADENED

<table>
<thead>
<tr>
<th>Goal</th>
<th>Actions for 2014</th>
<th>Resource Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>WS3.1</td>
<td>An accessible mechanism exists to match individual job opportunities with potential candidates</td>
<td>Review existing programs from other regions and establish a trial with the most suitable in 2014 (Review Gippsland/DA and NZ models)</td>
</tr>
<tr>
<td>WS3.2</td>
<td>Alternative labour supply options are researched, canvassed and trialled for the region</td>
<td>Initial paper prepared to scope a regional trial to look at broadening supply options for the valleys What mechanisms exist? How might these be harnessed? Funding to be sought to conduct this trial</td>
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</table>

### WORKFORCE INVESTMENTS ARE WELL TARGETED TO THE NEEDS OF THE ALPINE VALLEYS

<table>
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<tr>
<th>Goal</th>
<th>Actions for 2014</th>
<th>Resource Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>WS4.1</td>
<td>Ensure valid data is available to reflect current situation</td>
<td>Build the people component of the AVDPP Regional Profile to reflect current people status on farms</td>
</tr>
<tr>
<td>WS4.2</td>
<td>Workforce activities sponsored by AVDPP are monitored and evaluated on a regular basis</td>
<td>AVDPPP Workforce Working Group to report to the AVDPP Steering committee on an annual basis</td>
</tr>
<tr>
<td>WS4.3</td>
<td>Strong linkages are developed with relevant external resources and programs</td>
<td>Engage with DA and Murray Dairy workforce strategies to ensure the needs of the Alpine Valleys are understood and being effectively addressed as part of the national and regional strategies</td>
</tr>
<tr>
<td>WS4.4</td>
<td>There is evidence of positive engagement with other local and regional workforce Initiatives</td>
<td>Engage with other local and external initiatives which can contribute to supporting the objectives of the Workforce Strategy</td>
</tr>
</tbody>
</table>
The interest in developing a Regional Growth Plan for Dairy arose out of a collective interest in the value of improving the sustainability of dairy farming in the region.

It is clear from this report that no single factor will ensure this outcome and that there are some factors that cannot be controlled at a local level. It is also clear that achieving the 2025 Vision is by no means a ‘fait accompli’. Improved sustainability of dairy farming will require significant action and intervention at a regional level to communicate the business case for increased investment and to manage the transition process.

The success of the project will be dependent on maintaining the energy and vision for change and matching this with careful identification of priorities and application of resources towards successful outcomes. This must include the development of an ongoing governance structure for the AVDPP which can allow for appropriate linkages to industry support structures as well as the opportunity to continue to maximise local engagement and local solutions.

Feedback from stakeholders has indicated a strong level of support for the project, which needs to be converted into an ongoing commitment to action. The required participation levels from key stakeholders to achieve the desired outcome of the Regional Growth Plan for Dairy are outlined below.
**Dairy industry**

**NORTH EAST MURRAY DAIRY**

- Strong carriage of the project vision, and ownership of project governance
- Continuance of strong local contact with each of the valleys and key local stakeholders
- Identification of local solutions to the barriers to growth
- Communication and celebration of success.

**DAIRY AUSTRALIA AND MURRAY DAIRY**

- Continued support for the implementation of the AVDPP extension plan (See Appendix 2)
- Clearer articulation of the business case options for investment in dairy
- Articulation of broader equity raising options for dairy investment and expansion
- Support for a more cohesive learning framework which ensures dairy farmers have the skills and capability to be achieving sustainable profitability
- Support for improved local farm transition decision making
- Support with the development of local strategies to improve workforce availability.

**MILK PROCESSORS**

- Ensuring farmers are achieving the highest returns possible for their milk
- Providing data and support to current dairy businesses and prospective dairy farm investors around income projection and local costs of production
- Sharing of regional data to improve the breadth and accuracy of the regional profile.
- Providing a point of contact and signpost service to farms around their individual needs
- Using the strength of the cooperative to provide value added service to farmer suppliers such as reducing input costs and improving service delivery
- Engagement with the farm transition project to maximise the land in dairy for the region.

**Government**

**LOCAL GOVERNMENT AUTHORITIES – TOWONG, INDIGO, ALPINE, RURAL CITY OF WANGARATTA**

- Recognition of the value and importance of dairy farming within medium and long term planning frameworks – especially in relation to economic development, job creation and infrastructure strategies for the valleys
- Development of planning regimes which support the protection of strategically important land for food production
- Participate in local workforce initiatives which support the needs of the evolving dairy industry
- Maintain and improve the efficacy of local infrastructure and services, including roads, bridges, telecommunications, waste and energy services in accordance with the needs of a growing industry.

**VICTORIAN GOVERNMENT – DEPARTMENT OF ENVIRONMENT AND PRIMARY INDUSTRIES**

- Recognition and support for the project vision
- Maximising the impact of the dairy extension effort in the region, in the context of the transformation required to achieve the project goals
- Working with the relevant planning authorities to ensure sustainable dairy growth can be achieved within regulatory parameters.

**VICTORIAN GOVERNMENT – DEPARTMENT OF STATE DEVELOPMENT, BUSINESS AND INNOVATION**

- Recognition and support for the project vision
- Integration of project goals into the implementation of the Hume Regional Growth Plan.

**Other stakeholders**

**BANKS/RURAL LENDERS**

- Recognition of dairy as a sound agricultural investment for the region provided assessment proposals are benchmarked against the established criteria for viable and sustainable dairy operations in the region
- A willingness to work alongside the AVDPP, particularly in the areas of farm transitions and business models to ensure the best quality of advice is available to investors to meet their needs
- An interest in exploring lending options which can maximise flexibility for new entrants as they build equity.

**LOCAL SERVICE PROVIDERS (ACCOUNTANTS, FARM CONSULTANTS, AGRONOMISTS, NUTRITIONISTS, ETC.)**

- A willingness to engage with the project and work towards the project vision
- Feedback regarding how the project can more effectively meet the needs of individual clients and situations.

**EDUCATION PROVIDERS (SCHOOLS, VET, HIGHER EDUCATION, INDUSTRY)**

- Shared commitment to developing an integrated learning framework, which is based on the principle of collaborative action towards improved outcomes for individual learners and the industry
- Willingness to participate in practice innovation to explore improved models of service delivery.

**LOCAL COMMUNITIES**

- Demonstrate behaviours which support sustainable dairy growth as a desirable and priority goal for improving the economic vitality, job opportunities and environmental integrity of the valleys for the future.
The Regional Growth Plan for Dairy outlines specific actions to support the goal of the Alpine Valleys of increasing milk production from 220ML to 400ML by 2025.

The structure has involved the creation of a shared vision amongst key stakeholders, the articulation of four key strategies to achieve this vision and the development of an action plan to direct the work on an annual basis.

The AVDPP project steering committee will continue to act as the key governance body for the project over the next two years. In that time, a proposal will be developed regarding ongoing governance arrangements.

The twelve month action plan has been built around existing resourcing arrangements, but these will need to be reviewed in the context of ongoing implementation. It is hoped and expected that the success of the project and its importance in relation to the future of the local dairy industry in the region, will continue to attract support from key stakeholders.

The issue of funding support for the farm transitions pilot project will need to be addressed early in 2014 if the wider AVDPP is to achieve its stated goal.
REFERENCES


APPENDICES

APPENDIX 1

Report from AVDPP Regional Growth Plan Consultation Workshop

(31 October 2013)

BACKGROUND

The Regional Growth Plan for Dairy consultation was held at the Tangambalanga Hall on 31 October 2013. The half day, interactive session covered the following topics:

- Current situation – what is the problem?
- 2025 Scenario
- Reality check
- Changing the trajectory
- Roles and responsibilities
- Next steps…….

Prior to the consultation a Background Paper was circulated that described:

- the current status of the Alpine Valleys dairy industry
- highlighted the key issues/barriers to growth for the region
- proposed a scenario of how the Alpine Valleys might most sensibly double milk production by 2025.

FEEDBACK FROM SECTORS REPRESENTED AT THE WORKSHOP

After the morning session, the workshop participants were grouped according to their business sectors so they could identify barriers to doubling milk production; then each group had to identify tangible solutions to the following questions.

1. What are the two most important things that you think need to be done?
2. What are some practical, tangible things that could be done to progress them?

All sectors agreed that whilst doubling milk production was desirable and possible, there would need to be a range of interventions to support the Alpine Valleys 2025 vision.

The following summarises the Sectors responses to Questions 1 and 2.

LOCAL GOVERNMENT AND REGULATORY AUTHORITIES
(NECMA, Local planners, Economic Development, DEPI)

1. Develop regional guidelines for sustainable dairy development
   - To provide guidance and confidence to planners, investors, regulators and developers. “These are the boxes that will need to be ticked to get all approvals in place for a new dairy development and/or existing dairy expansion”.
   - To guide a pre-development process that kicks in as soon as a new dairy development is proposed.
   - Questions were asked about who would own and manage it, and whether it would ease or complicate the regulatory hurdles, but overall there was moderate support for the idea from other tables.

2. Marketing and opening up the dairy industry
   - Perception that it is a “closed industry”. If you are part of it then you know who’s who and you know what is going on, but for an outsider it has hard to get inside.

3. Supporting transition decision making
   - Need go-to people and a referral network so people can get the advice and assistance they need around business transition decision-making.

FINANCIAL SERVICES
(Bankers, Accountants)

1. Improve dairy business management skills
   - Maintain monitoring projects such as Dairy Farm Monitor Project.
   - Maintain/extend dairy business networks.
   - Diversify the offering in the business management skills space to reach more people with different needs and preferences.

2. Open up dairy events to others
   - Make sure other people get onto invitation lists for events.

3. Facilitate access to land
   - Communicate the range of options that exist whereby people can get access to land, e.g. via case studies.
   - Skill upper service providers on these options and how they can be setup and implemented. NOTE: the competitive commercial realities. Service providers may not want to collaborate on this if they see a competitive advantage for their own business in doing their own thing.
FARMERS

1. Improve farmers’ business management skills
   • One-on-one service provision may be needed to reach some farmers who will not participate in the DBN model.
2. Provide services to support business transitions
   • Referral network for those approaching retirement/exit.
   • Good Young Dairy Farmers network focussing on business management skills and vision.
   • Something in schools to make sure that the next generation of dairy farmers are being grown. What should Cows Create Careers MkII look like? Can we learn something from the Timboon P-12 experience with incorporating agriculture into the curriculum?
3. Tackle the negative image of the industry
   • Industry to constantly communicate a positive story.

ADVISORS

(Company field officer, agronomists, nutritionists, dairy builder, rural financial counsellor)

1. (These comments related to improving the advisory system)
   • Recognise that there is a need for a variety of products/delivery methods to reach different farmers.
   • Case studies/fact sheets of different farm business models. Communication about these will need to be face-to-face, not face-to-screen! (Some discussion about whether these need to be north east specific, or whether they can be more general).
   • There needs to be a single, trusted person who can signpost to information and advice. This often ends up being Rodney (used to be the DPI extension person. Perhaps it can be Mick for now, but is this sustainable given DEPIs direction?).
   • The advisory network needs to be more transparent to farmers, so it is clear who is who. (Comment that this is a more pressing need in the north east because the dairy farms are more spread out). Perhaps a dairy farm service providers network???
   • Suggestion that study tours are also a good way to open people’s eyes to possibilities.

TRAINING / PEOPLE CAPABILITY DEVELOPMENT SECTOR

(TAFE, NCDEA, DA, Consultant)

1. It’s all about skills
   • The project needs to be able to define the skills gap and signpost where people can go for training or skills.
   • People skills are critically important with changing farm structures.
   • There needs to be a new language for talking about skills. Skills need to be defined and measured in terms of value to the business – what is the cost or risk of a specific skills gap on a farm in the Alpine Valleys? Not just measured in terms of qualifications.
2. Celebrate success
   • Networking events
   • Perhaps an awards program
3. Getting bums on seats (getting people involved in stuff)
   • This is a leadership function.
   • Everyone in the room has a role to play in getting other people to attend the things they should be attending.
   • Person to person engagement is what has been shown to be effective.

SUMMARY OF ISSUES THAT NEED TO BE ADDRESSED FOR THE AVDPP VISION TO BE ACHIEVED

(Feedback from the participants after the Reality Check – morning session)

1. Image of dairying
   a. Improve the perception of those who could potentially be attracted to the dairy workforce
2. Management of new entrants and older owners
   a. Business transition
   b. Retirement (factor in the lag time between retirement and access to pension)
   c. Pathways for new entrants / younger workforce
3. Investment / Infrastructure
   a. Access to finance
   b. What is the motivation for investment in dairy compared to other business opportunities?
4. Profitability
   a. What scale of operation is required to provide a sustainable business? (considering different business models)
   b. What is the ‘sweet-spot’?
5. Land use
   a. Geographic constraints
   b. Lifestyler competition for potential dairy land
   c. Impact of the local planning schemes (zonings and overlays)
6. Community infrastructure
   a. Support services for the dairy owners and their workforce
<table>
<thead>
<tr>
<th>Name</th>
<th>Organisation / Involvement in AVDPP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stuart Crosthwaite</td>
<td>AVDPP Chair / Dairy Farmer</td>
</tr>
<tr>
<td>Brett Findlay</td>
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AVDPP

Extension Plan (June 2013 – 2016)

Endorsed by the Steering Group – November 2013
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Approach

The AVDPP extension plan is built on the following key principles

- The project believes that it must be in a position to engage with farmers on a one on one basis. Individual farming businesses have specific and individual interests and needs, and the project wants to be in a position to understand and respond to these needs.

- The project recognises there are a range of engaged and competent local professionals working with dairy farmers in the region (including field officers, agronomists, vets, nutritionists, milking machine technicians, financial and legal advisers and many more). The project believes this contribution is important and is committed to working with these businesses in an inclusive and collaborative manner.

- The Extension plan will not only aim to coordinate local extension resources, but also assist external service providers, namely Murray Dairy, NCDEA, Dairy Australia, Murray Goulburn and The DEPI to coordinate service into the Alpine Valleys via a 12 month in advance calendar of events. The objective is to provide a clear indication of what is required in the region in order to assist the long term objectives of the project.
Discussion Groups

Objective:  Provide a mechanism for skilled and engaged farmers to regularly meet and continually improve their businesses.

Background:  Several farmers are currently involved in discussion groups and have participated/completed Feeding Pasture for Profit (FPFP) and Dairy Business Network (DBN). North East Murray Dairy Inc. (NEMD Inc.) has established four discussion groups in each region of the Alpine Valleys.

Ovens and King – Milawa OK’s
- 24 participants (15 farms) completed FPFP in 2009
- 26 participants (12 farms) completed DBN over 2010-12
- The Milawa’s is facilitated by Phil Shannon. The group is funded by the participants (≈$600 per farm), Murray Dairy and Rural Finance.

Kiewa Valley – NEV’s and Kiewa CRC DBN
- 28 participants for FPFP in 2005 (the number of farms and participants that completed is unknown at this stage)
  - Tallangatta FPFP course: 35 participants (21 farms) completed in 2008
  - Tallangatta FPFP course: 26 participants (21 farms) completed in 2010
- 16 participants (12 farms) completed DBN over 2009-11
- The North East Valiants (NEV’s) is facilitated by Phil Shannon. The group is funded by the participants (≈$600 per farm) and Rural Finance. There are some farmers from the Upper Murray and Mitta Valley in this group.
- Kiewa Valley DBN – is facilitated by Brian Crockart (CRC consulting). 12 businesses started and nearing its 2nd year.

Corryong group
- 11 participants (8 farms) completed FPFP in 2012
The Upper Murray group is facilitated by Phil Shannon. The Upper Murray group is funded by the participants (≈$600 per farm), Murray Dairy and Rabobank.

Mitta Valley group
- Mark Brookes (MGC Trading nutritionist) facilitates a discussion group including 14 participants (12 businesses). Mark is happy to be the conduit to filter information / suggestions into the NEMD Inc. Extension Plan.

King Valley
- 7 farms completed a pilot in 2004, that formed the structure for FPFP Facilitated by Phil Shannon and/or Kaye Hildebrand
Focus Farm

Objective: Provide an opportunity to engage businesses that have not previously been involved in discussion groups and/or extension events. Focus farms provide a different method of extension and compliment our traditional discussion groups.

Background: The Tallangatta South, McDonalds, Focus Farm attracted a strong interest from a wide range of dairy businesses in the north east, including non discussion group participants. NEMD Inc. has successfully lobbied Murray Dairy to locate a 2014 Focus Farm in the north east, at Gundowring on Pat and Kerrie and Brendon and Sarah Glass’s Farm.

Alpine Valleys Business Forum

Objective: Engage with individual farms and service providers at regular forums.


Core Skills

Objective: Ensure farm businesses continue to train staff through the fundamental programs of FPFP and DBN; and targeted extension events that respond to seasonal needs or new technologies.

Background: FPFP and DBN have resulted in effective practice change and improved farm productivity. In addition to FPFP and DBN propose 2-3 other extension activities per calendar year.

Tactical skills

Objective: Be responsive to farmer needs by delivering several high impact events that are north east and seasonally specific. For example the following have been identified by NEMD Inc. – stock handling, top fodder, soil fertility, mastitis, lameness etc.

Background: Based on the priority setting conducted by Murray Dairy and NEMD Inc.

Young Farmer Network

Objectives:

- Identify younger members (<35 YO) working in the region through the development of the regional profile and engage this audience through targeted events (social interaction and knowledge sharing).
• Educate the younger members the fundamentals of operating a successful dairy business including: business/financial; pasture; and people management. They should then have the skills/capabilities to transition into FPFP and DBN.

• Provide a clear and attractive pathway for career progression in the north east.

Background: The NEMD Inc. young dairy network has failed to attract sufficient numbers to local events. A contributing factor has been the lack of knowledge of the potential audience. The regional profile needs to capture employees/trainees/tertiary students interested in an agricultural career, not just the next generation in-line to manage or own the family farm.

Study Tours

Objective: Provide an opportunity to drive motivation, farming/career vision, enthusiasm and expose opportunities for the younger and inexperienced generations to different methods of operating a business. Study tours are great ways to expose people to cutting edge innovation and sound business management, exposing opportunities for growth in this region.

Background: There has been little opportunity for north east farmers (young and young at heart) to visit other dairying regions of southern Australia. Study tours conducted in the other Victorian and South Australian dairying regions are well attended and always generate positive feedback from the participants.

School engagement program
eg Cows Create Careers

Objective: Consider how the concept can continue to engage secondary school students beyond Years 8 and 9. Ensure agricultural education is a strong aspect of secondary schooling and tertiary ambitions are at the forefront of secondary graduates career ambitions.

Background: Year 10 and VCE students should be engaged, in the event this age group leave after Year 10 or do not pursue tertiary education. Dairy Australia has recently completed a review of CCC. Consider the model used at Timboon P-12 college delivered by Robyn Vale from WestVic Dairy.

Business Transition Assistance

Objective: The biggest barrier to growth revolves around the ability of people to smoothly exit their dairy business and also expose new or existing dairy business opportunities for new entrants.

Background: There is a need for new innovative models that provide the key resources to transition into or out of dairy.
Adressing ‘Barriers to Growth’

Objective: To assist farms with the issues relating to ‘barriers to growth’. The barriers to growth mostly involve people related issues around perceptions, abilities and motivations to employ or grow.

Background: The majority of farms visited or interviewed through the AVDPP have indicated that maintaining staff is a major barrier to maintaining or expanding their business. The New Zealand and Tasmanian dairy industries are currently investigating how to improve on-farm people management. There also an opportunity to learn how other businesses successfully train, manage and retain staff (e.g. agricultural and non-agricultural enterprises).

Year 1

1. Improve people management skills on-farm.
2. Expose dairying opportunities to beef farmers contemplating conversion to dairy.

Year 2 and 3

3. The current extension delivery model could include building understanding and knowledge for dairy businesses around the following:
   - Adopting disciplined strategies to deal with seasonal and market volatility.
   - Breaking down the complexity of a business to better understand how everything interacts and influences profit.
   - Focus on up-skilling new entrants to ensure they are well equipped to operate in the north east.
   - Farms that are either growing or contemplating expansion need to understand how scale influences farm efficiency and profitability.
   - The impact that technology and innovative farming methods can have on operating efficiencies and cost of production.
   - Future extension delivery needs to be well coordinated, provide diverse content and have the capacity to cater for varying needs and learning styles.

4. Employing people
   - Employment skills to make it easier for people to be comfortable taking on a labour unit (manager, farm hand etc.). People GPS is effective for addressing the structural / liability requirements, but needs to also teach the ‘soft skills’. Soft skills were identified as how to appreciate/value employees as people, not just another cow in the herd.
   - Employees value being paid an appropriate rate, having a position description; employers providing opportunities for skills development and respect for their employees personal goals / aspirations.
   - The family model of parents training / employing / expecting their children to work for them needs an alternative. Instead of ‘farmers, growing farmers’ the other model is ‘farmers, growing employees’.
• Finding skilled people (locals, foreign, apprentices etc.).
• Matching and servicing supply and demand of labour.

5. Financial structure of a dairy business
• Disciplined approach to debt – managing debt/finance risk (as per the DEPI Down 2 Business presentation by Daniel Gilmore).
• Uncover finance opportunities and pathways for new or expanding dairy businesses.
• The capital mountain: set realistic short and long term expectations that are guided by a strong business plan
• Investment in infrastructure on-farm: a potential short coming for farms continuing, who will invest?

6. Farm business succession and transition
• Opportunities around leasing and sharefarming
• Older farmers are at the crossroads as to whether the dairy business continues – what are their options?

7. Land availability and management
• Availability of strongly held land.
• Land prices.
• Council planning rules around subdivision and access to land for housing.
• Preservation of good agricultural land.

8. Exposing new dairy business opportunities
• Matchmaking land holders and people seeking a lease, sharefarm, management role or farm expansion.
• Marketing the north east as a productive and profitable dairy region.

9. Mental state of people controlling dairy businesses
• Culture of the region depends on: the levels of enthusiasm, motivation for success and growth, influence of negative perceptions of dairying, lack of business vision, confidence of operators to develop and grow a business.
• Messages need to be positive, always highlighting the potential profitability and publicising the success stories.
• Lifestyle management – healthy work/life balance.