



“Comparative Analysis of EU and Northern Victorian Dairy Farms”

Jamie Snell

Recipient of 2009 Maurice Incerti
Scholarship

A Global Perspective

- ✦ 400 Billion litres for processing
- ✦ 135 Billion litres from Europe (about one-third of the global total)
- ✦ 86 Billion litres in the USA
- ✦ 9 Billion litres in Australia
- ✦ Australia exports around 4 Billion litres in product

2008 Exports

✦ EU 12.5 billion litres equiv.

✦ NZ 11.8 billion litres equiv.

✦ AUS 3.8 billion litres equiv.

✦ USA 6.0 billion litres equiv.

✦ The Australian total exported is about 1% of global production for processing!

EDF Congress 2010

- ✦ Held in Saluzzo, Italy.
- ✦ 270 participants representing 20 Countries
- ✦ Show casing Dairy Farming under Mediterranean Conditions.
- ✦ A “1000” year story of the social and cultural involvement of dairy.



A snapshot of Italy's Dairy Industry

- ✦ About 10.6 billion litres produced on farm
- ✦ Approximately 2 billion litres of product imported. (Whole and UHT milk, cheese curd)
- ✦ 40,000 producers, 1,800,000 cows
- ✦ Average herd size 45 head
- ✦ Average farm size 15 Ha
- ✦ Land values 50 –70,000 Euros/Ha.
- ✦ Over 80% of cows found in the north of Italy
- ✦ Maize silage is the base of all rations

Regionally 90% of all crops grown
are Maize



Manufacturing

- ✦ 1650 Manufacturers
- ✦ 75% used for cheese, half in PDOs
- ✦ 20% in liquid milk, half in UHT, balance in fresh.
- ✦ Issues with quota, over production, super levy.

On Farm Issues

- ✦ Labour. Most farms employ foreign nationals
- ✦ Land price 50 to 70,000 Euro Ha, rents around 2 to 2.5% of land value(1200 to 1600 Euro Ha)
- ✦ Quota
- ✦ Competition for resources. As the bio gas industry expands. Rents/ Crops become dearer.
- ✦ Milk price
- ✦ Interest rates. (0.55% for 90 days up to 1.865% for 8 years)

Food or Fuel?
What does the future hold?



Muri Holstein Farm



Italy

Australia

✦ 245 milking cows

✦ 235 cows

✦ 2400000lt quota

✦ 1345000lt

✦ 3 family + 4
employees

✦ 1 family + 1 employee

✦ 86 ha (55 rented)

✦ 260 ha

✦ 80 ha maize, 6 grass

✦ 12 ha maize

✦ Costs =35.75 cpl

✦ Costs =32.5 cpl

✦ Income =.32 cpl

✦ Income =26.6

Buffalo Mozzarella



Exchange rates

- ✦ 1 euro dollar will buy AUS \$1.40
- ✦ 1 euro dollar will buy UK .85 pence
- ✦ Currently \$1 AUS will buy UK .60 pence
- ✦ At the time of the analysis,
- ✦ 1 euro bought AUS \$1.74
- ✦ 1 euro bought UK .80 pence

Averages

✦ Average farm income 34.5 Euro CPL ecm

✦ Average farm costs 41.8 Euro CPL ecm

✦ “What can I do?” We still have quota, fixed costs, buildings and machinery to maintain.

✦ Less flexibility in production systems.

Low Cost Grazing Systems



Totally Housed System



EU 27 Profile

- ✦ 135 billion litres of milk
- ✦ 2,568,038 farms
- ✦ Average herd size 9 head!
- ✦ Average price for milk 31.82 Euro CPL

Costs and Returns

	Aus	Ave	++	--
✠ Income	25 (44)	28.4	24.9	30.8
✠ Total income	26.6 (47)	34.5	31.2	37.2

Income

Euro CPL	EDF ave.	Snell
Milk	28.4	25
Stock sales	3.8	0.2
Public payments	0.9	0.0
Other returns	1.4	1.4
Totals	34.5	26.6

27 neighbours within a 1km radius in Switzerland.



Direct costs

Euro cpl.	Aus	Edf ave	++ better	--lower
Purchased feed	9.4	9.2	6.3	12
Total feed	13.1 (23.2)	15.6	12.1	19.5
Irish ave. 11.9				

Direct costs

	Euro CPL	EDF ave.	Snell
✦ Animal purchases		0.6	0.0
✦ Animal health		1.2	0.4
✦ Insemination		0.6	0.4
✦ Other animal costs		1.9	1.5
✦ Feed purchases		9.2	9.4
✦ Seeds		0.4	0.6
✦ Fertilisers		1.0	0.8
✦ Pesticides		0.2	0.1
✦ Other fodder costs		0.5	0.0
✦ Totals		15.6	13.1

At 70,000 Euros/Ha, every blade
of grass counts!



Labour costs

Euro CPL	Aus	Edf ave.	++ better	--lower
	9.6 (17.08)	15.9	11.6	20.7

Breakdown labour costs

Euro CPL	EDF ave.	snell
Personal	2.5	1.7
Family labour (calc.)	5.5	2.9
Contractor	1.9	0.3
Maintenance	1.2	1.4
Fuel & oil	1.0	0.3
Energy	0.9	0.4
Depreciation	2.2	2.1
Capital mach & vehicles	0.7	0.6
Total	15.9	9.6

Australia compared to the EU

CPL	Snell \$AUS	Snell Euro	EDF Ave.	++	--
Income	47.17	26.6	34.5	31.2	37.2
Costs	57.55	32.5	42.3	30.9	54.7
Bottom line	-10.38	-5.9	-7.8	+0.3	-17.5

Snell compared to Northern Vic “Taking Stock”

Per KG/MS \$/kg MS	Snell	Ave North Vic
Milk	5.52	5.57
Total Income	5.91	6.29
Herd costs	0.17	0.23
Shed costs	0.17	0.14
Feed costs	2.86	4.03
Operating surplus	1.75	0.90

Urban pressure on rural land



Comparative Land Values

- ✦ UK 20,000 GBP/acre (~ 55,000 Euro/Ha)
- ✦ Ireland 25-50,000 Euro/Ha
- ✦ Mainland Europe 30-70,000 Euro/Ha
- ✦ Northern Victoria 10,000 Euro/Ha
(Aus\$14,000/Ha) would buy you a bloody good farm!

Challenges and opportunities

- ✦ Exchange rate movements
- ✦ Quota phase out
- ✦ Renewable energy
- ✦ Land and production costs
- ✦ Spain the new frontier?
- ✦ Mood and attitude

Conclusion

- ✦ Increasing production globally leading to increased volatility in price
- ✦ World stocks are low
- ✦ Input prices rising. Drought, seasonal conditions
- ✦ Next major price movement down??!!



In Europe expect the unexpected!

Acknowledgements:

- ✦ The Maurice Incerti Scholarship, funded through Murray Dairy and Dairy Australia.
- ✦ European Dairyfarmers (EDF)
- ✦ Australian Dairy Conference
- ✦ The late Maurice Incerti sadly missed, but fondly remembered