

## Choosing profit – the future of Australian dairying?

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Dairy farmers in Australia and New Zealand are very interested in each other's systems and opportunities. Stereotypes have evolved with New Zealand dairy farmers perceived to be farming for capital gain rather than profit in a benign environment, and Australian farmers blessed with cheap grain and land but constantly challenged by climate. Like all good stereotypes there is some truth in these. New Zealand dairy farmers have benefited from strong capital gain, but this has been driven by a rising milk price, increasing profitability and a willingness to capitalise future profits into the value of land. A stable production environment in New Zealand is countered by a more variable milk price, while Australian farmers face a more stable milk price but greater cost variability driven by drought and reliance on bought in feed. Faced with a declining (real) price for milk and climate pressures, Australian dairy farmers have been unable to adapt their systems quickly enough and profitability has been low and stagnant.

While the average is discouraging, it is clear that the top operators in Australia are making very good profits. The challenge for all dairy farmers in Australia is to lift profitability to a level that meets their goals. Analysis of farm systems in New Zealand and Australia show some common links

- Σ Farmers with clear and balanced goals
- Σ Good farmers making good profits independent of the system they're in – but different systems require different skills and disciplines
- Σ Farmers focused on the factors that drive profit – these are maximising pasture harvest, optimising cow size and cow performance, attention to detail on supplement purchase price and utilisation, and focus on the people who are part of the business.

Success has to start with mindset – the thinking of the past will not be useful in the new future for Australian dairy farming. Mindset needs to be backed up by management – new skills for you and your team will be required to meet your goals.

There are strong fundamentals that support a profitable future for Australian dairying. The low profits of the past decade are not a life sentence – profitability is your choice.