



Profitability. Sustainability. Competitiveness.

NZ Dairy Farming

Hon John Luxton
Chairman, DairyNZ
January 2013



Overview

- NZ Dairying
- Economic and Social benefits
- Public perception
- Emerging regulation



- Chair of DairyNZ
- Former Minister of Agriculture
- Member of Parliament for 16 years
- Director (and former chairman) of Tatura Co-op Dairy Company
- Owner of dairy farms supplying both Fonterra & Tatura



NZ Dairying

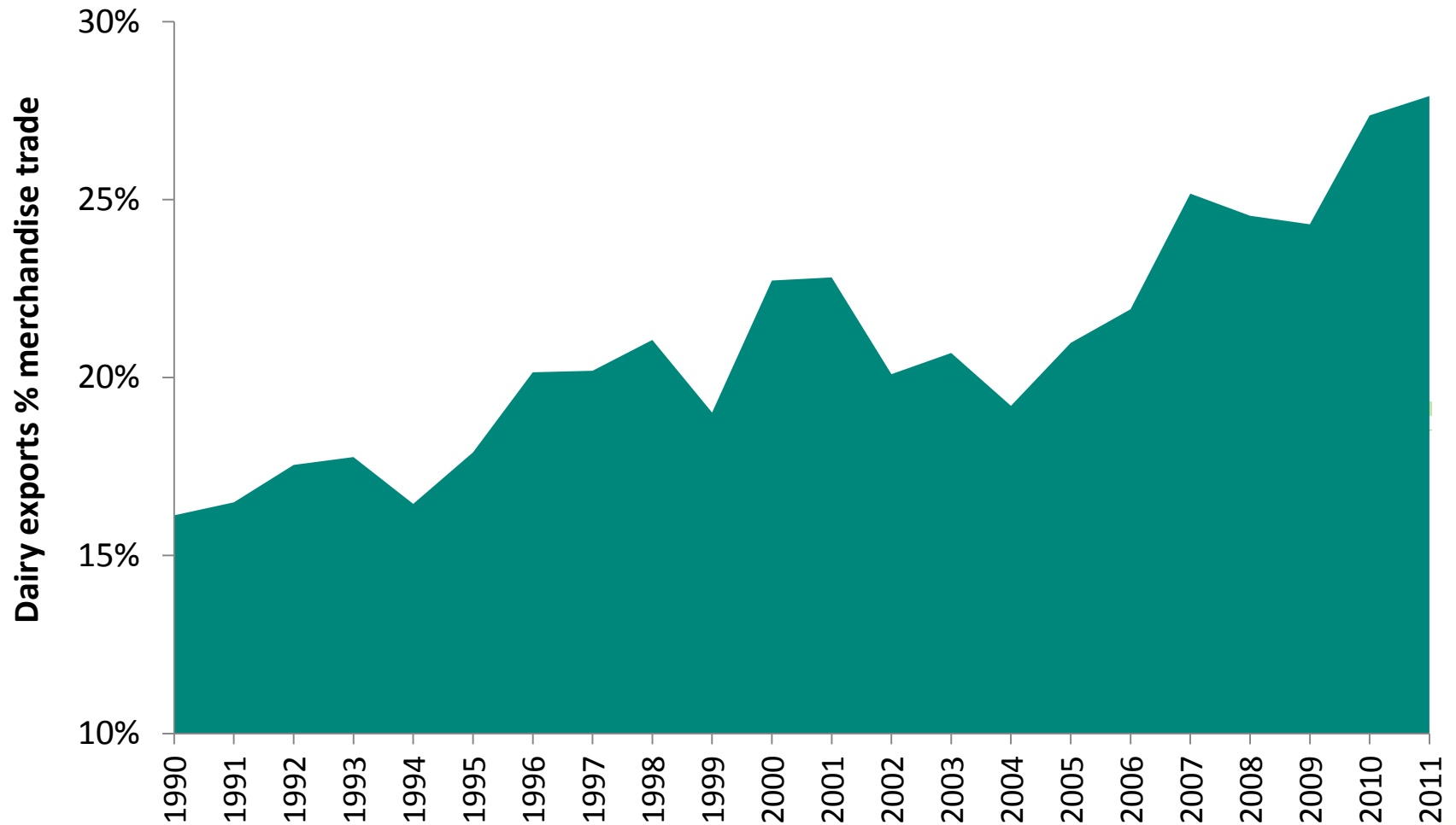
- 19 billion litres
- 8th largest producer
- Only 2.6% of world production
- Largest exporter
- No subsidies or tariffs
- 4.6 million dairy cows
- >85% grazed pasture



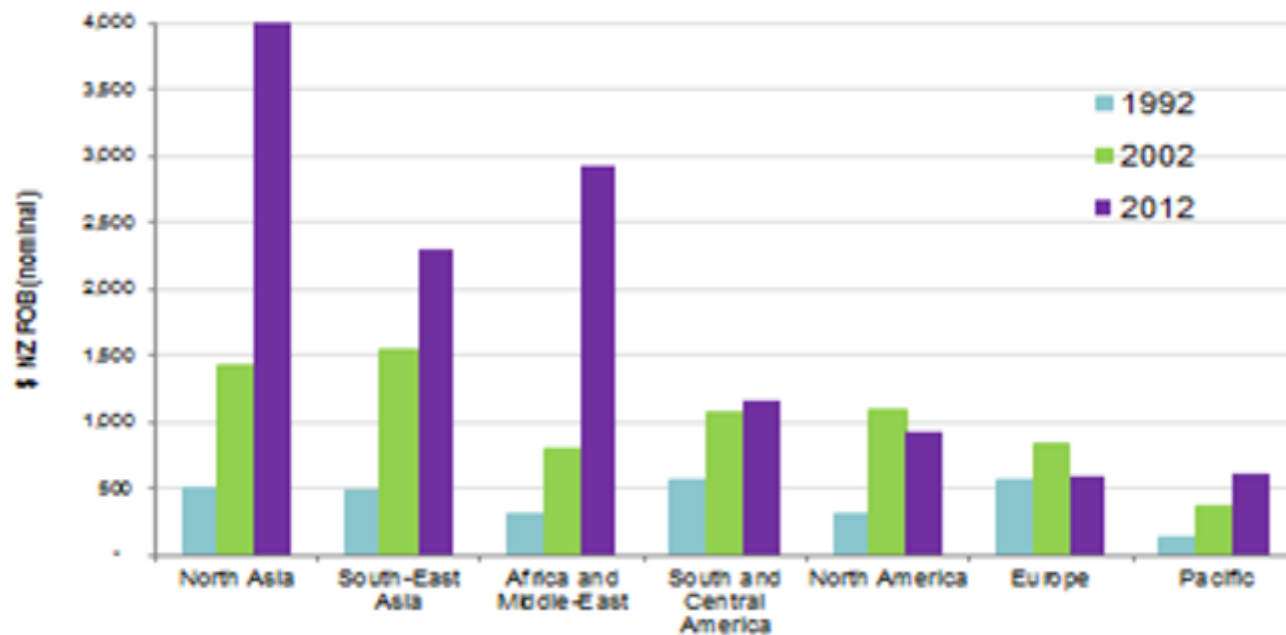
Economic benefits

- 3% GDP
- \$12.5 billion export revenue
- 35,000 FTEs employed
- High flow on effects in rural regions
- Indirect benefits e.g. lower interest rates

Dairy export revenue % merchandise trade



NZ Export markets



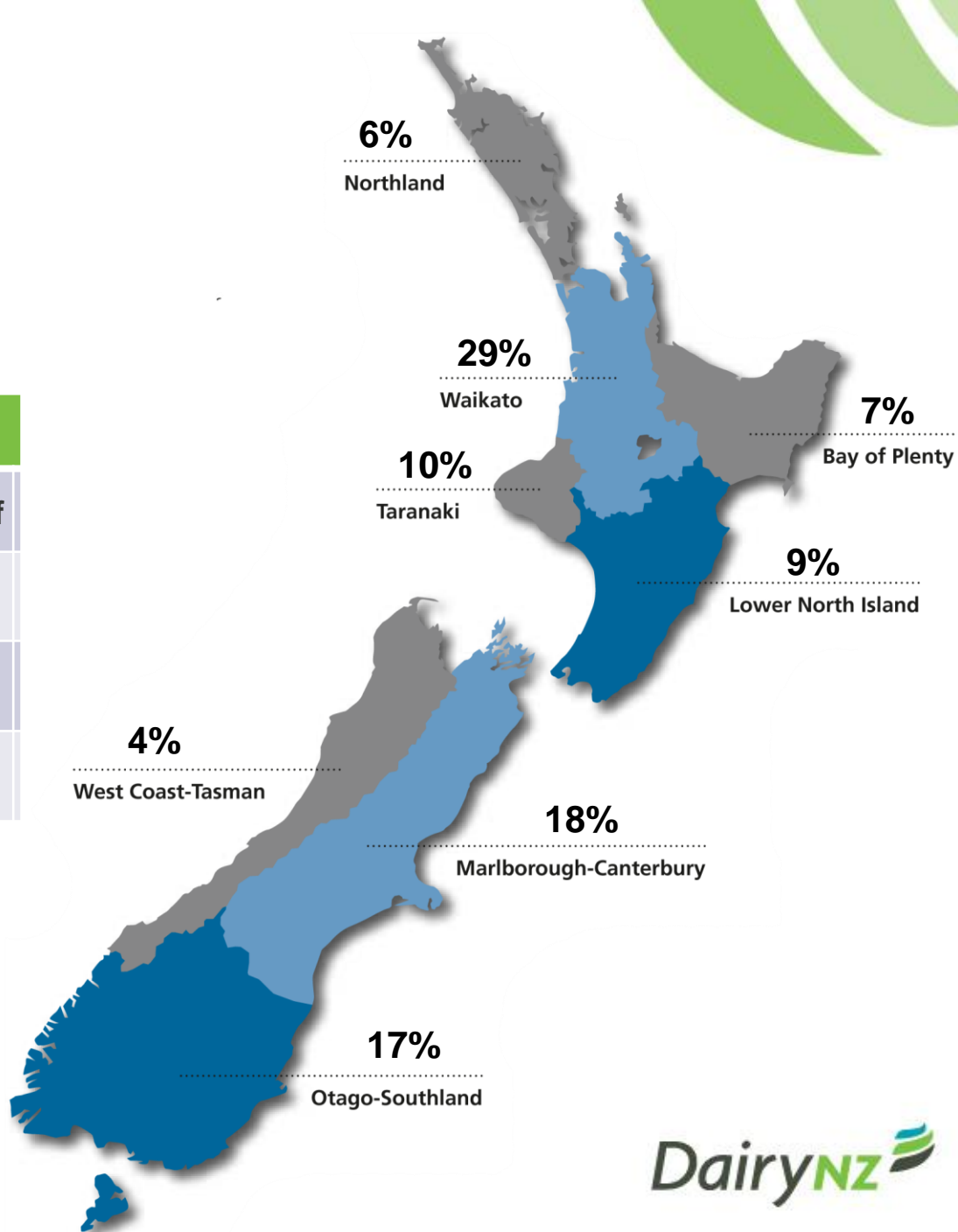
DairyNZ

Source: DairyNZ Economics Group, Statistics New Zealand

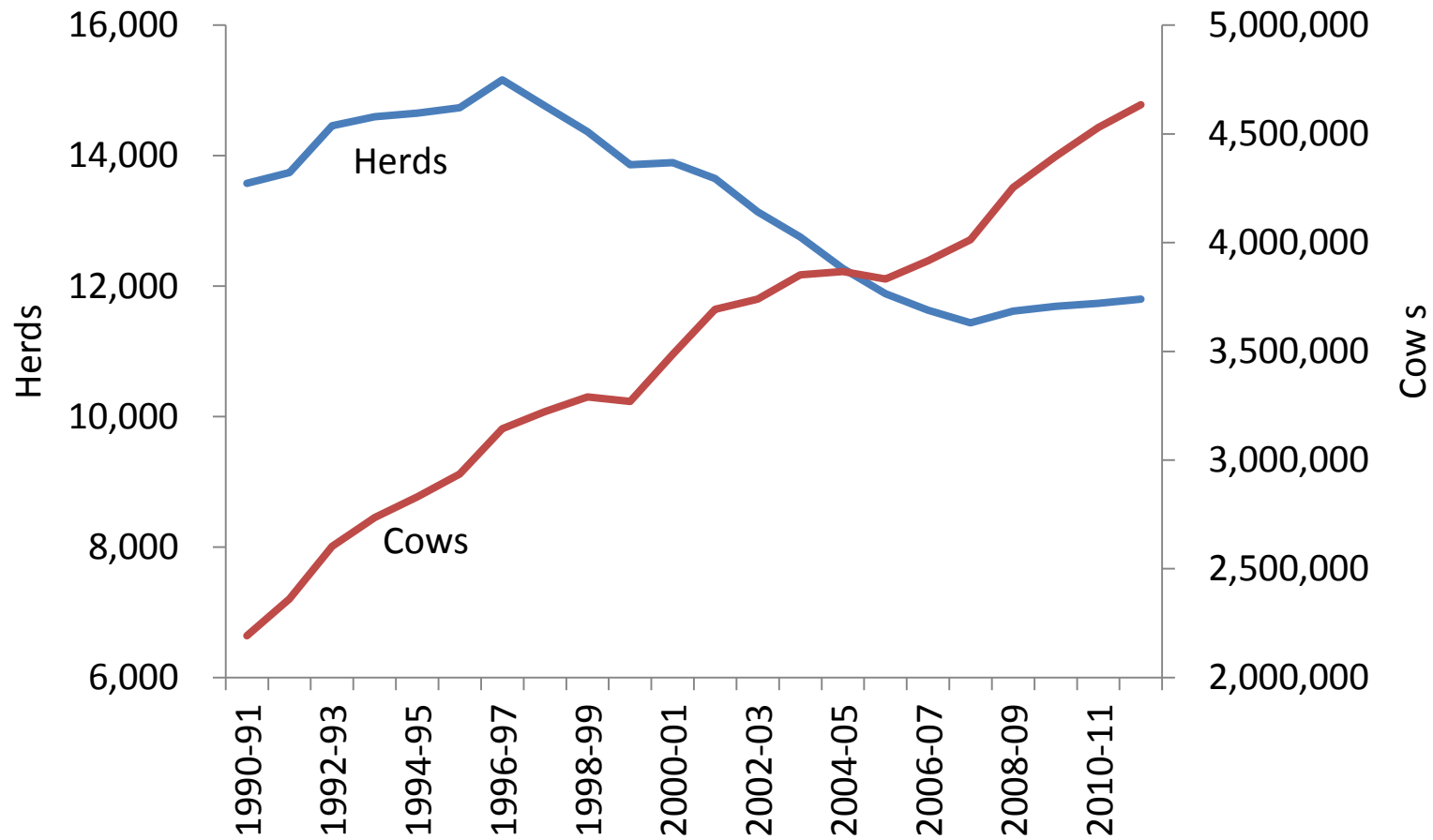
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Milksolids production

| Production trends | | | | |
|-------------------|------|------|------|-------|
| | 1992 | 2002 | 2012 | 2022f |
| North Island | 90% | 74% | 61% | 52% |
| South Island | 10% | 26% | 39% | 48% |
| Milksolids (b) | 0.6 | 1.2 | 1.7 | 2.0 |



More cows drives growth



Social impacts

- Younger farmers with families
- More migrant and casual workers
- Local service businesses benefit and grow
- Primary schools, health and other social services develop
- Increased demand for infrastructure – rural broadband, heavy transport on local roads
- Processing capacity and transportation facilities
- Larger cities boom – service larger and wealthier populations and visitors

Labour issues

- Increased labour demand - expansion of SI dairying
- More corporate farming
- Large churn -15% labour lost to industry annually
- Difficult to attract new farm workers – migrants
- Majority of farms are still owner operator



Public perception – 2012 results – Political implications

- 92 percent agree the success of the dairy industry is critical to the NZ economy
- 62 percent have favourable impressions of dairy farming
- 63 percent agree NZ dairy farmers are most efficient milk producers in the world

What's the plan?

- Public perceptions are important
- Results are not dire but room for improvement
 - Recruit more advocates
 - Educate on contribution
 - Foster support for sustainable growth
- Collective responsibility – farmers & partners
- First priority is to keep backyard tidy
- Then build connections with public, opinion leaders and decision makers



Profitability. Sustainability. Competitiveness.



Dairy NZ - Industry Good

- Competitive and Responsible Dairy Industry
- Research – Farm Systems and Environment
- Development, Extension and Education
- Policy role
- Budget £2,500/farm - £30m plus joint +£10m

Climate change obligations

- Agriculture accounts for almost 50% of NZ's total GHG emissions
- NZ dairy sector has very low-intensity carbon footprint by international standards
- NZ has Emissions Trading Scheme that places price on carbon – agriculture's entry deferred and will be reviewed in 2015:
 - Significant industry investment of over £2.5 million p.a. in research and development to support GHG reductions and protect our low-carbon intensity position





Water quality policy

Water management

- Significant shift in water management regulation through the **National Policy Statement on Freshwater Management 2011**
- Regional councils required to set limits in relation to water quality and quantity including:
 - Setting policies to maintain or improve water quality
 - Working towards improving water quality where it is deemed to be degraded.
- 20 year timeframe to complete limit setting process.

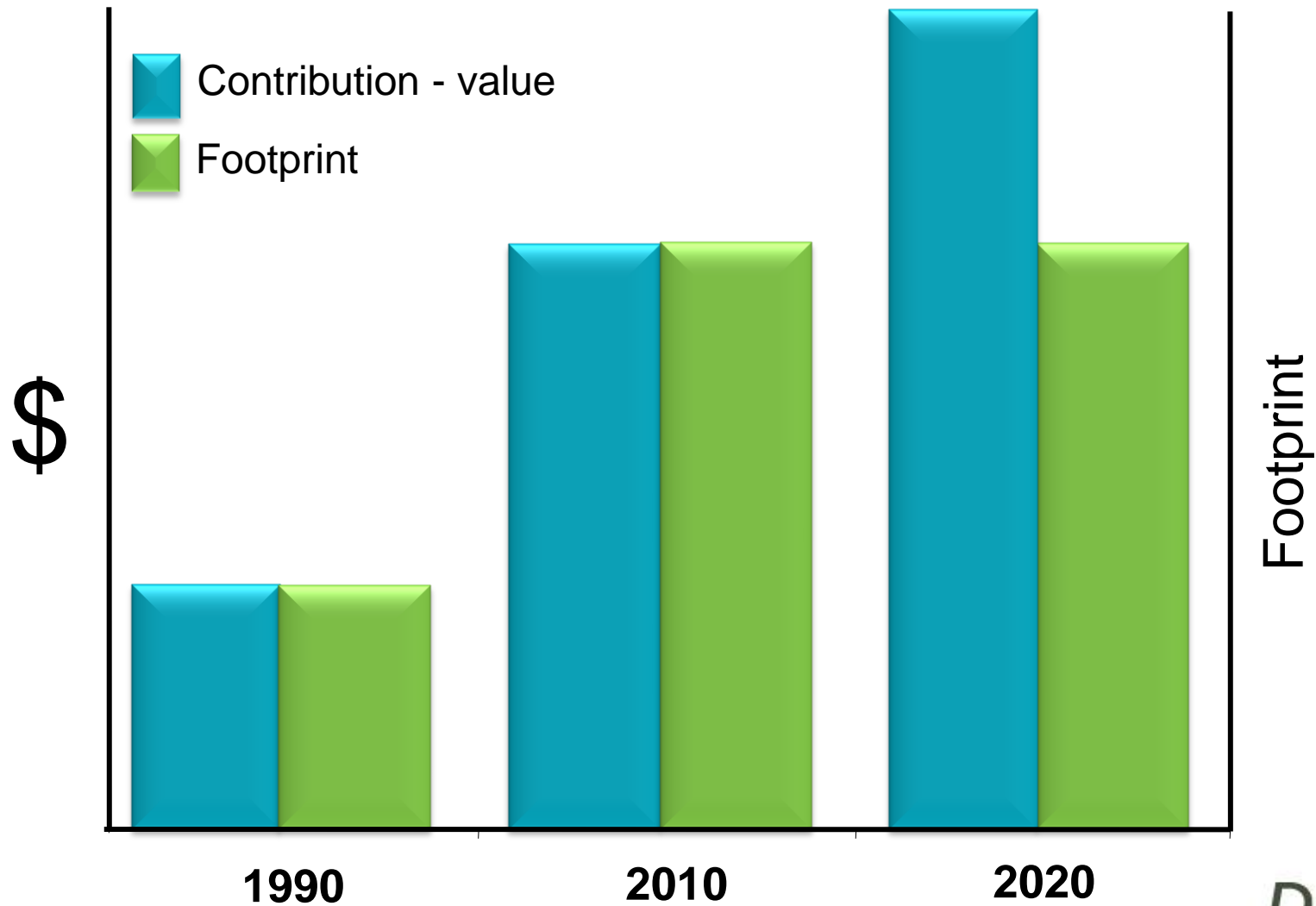
Meeting regulatory challenges

- The challenge is for the dairy industry to comply with regulation while protecting a profitable and competitive future for the industry
- Industry is working collaboratively in partnership with central and local government to ensure that policies are based on robust science and that rules take account of social, cultural and economic considerations, alongside environmental issues
- We are investing significantly in research that supports sustainably farming that meets or exceeds regulatory requirements

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Contribution to NZ Inc and Footprint



Challenges

- Changing market – volatile commodity prices
- Public perception – rural-urban connection
- Enhance our image e.g. sustainability
- Making dairying a preferred occupation
- Erosion of NZ's low cost base
- Imperatives for lifting productivity remain
- Still capital constrained

Opportunities

- Rising middle class in Asia
- Dairy demand continues to grow
- US and EU dairy industries are changing
- Large brands need milk as a base

- Little Government involvement in NZ dairying
- A bright future

Questions?



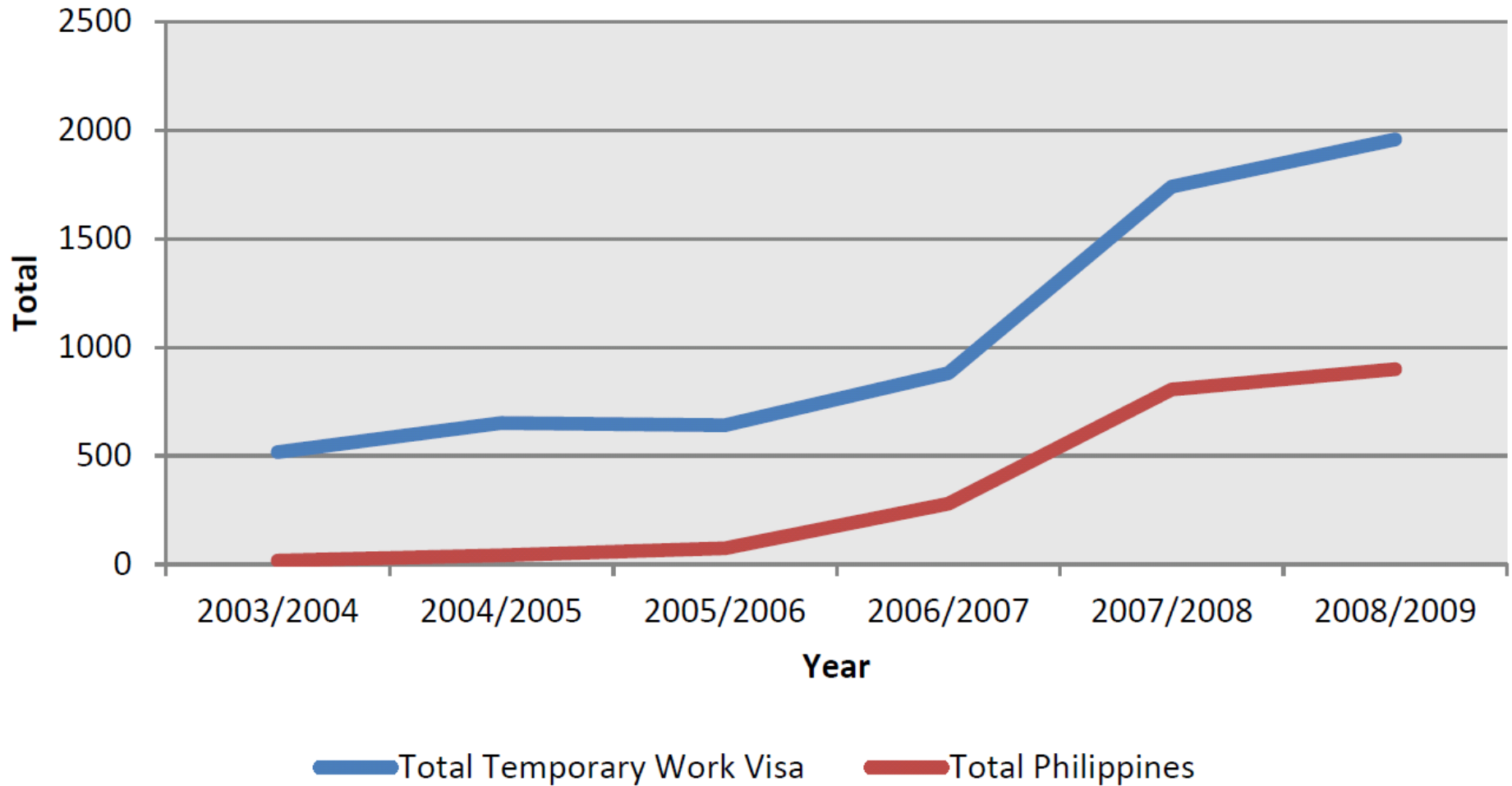


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Temporary work visas



Rosie is famous

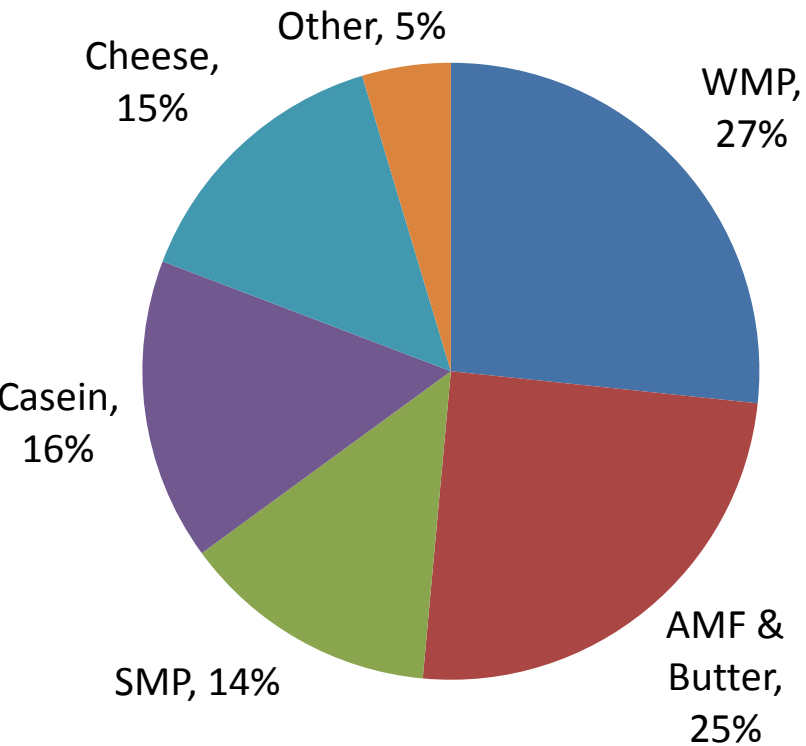


Social considerations

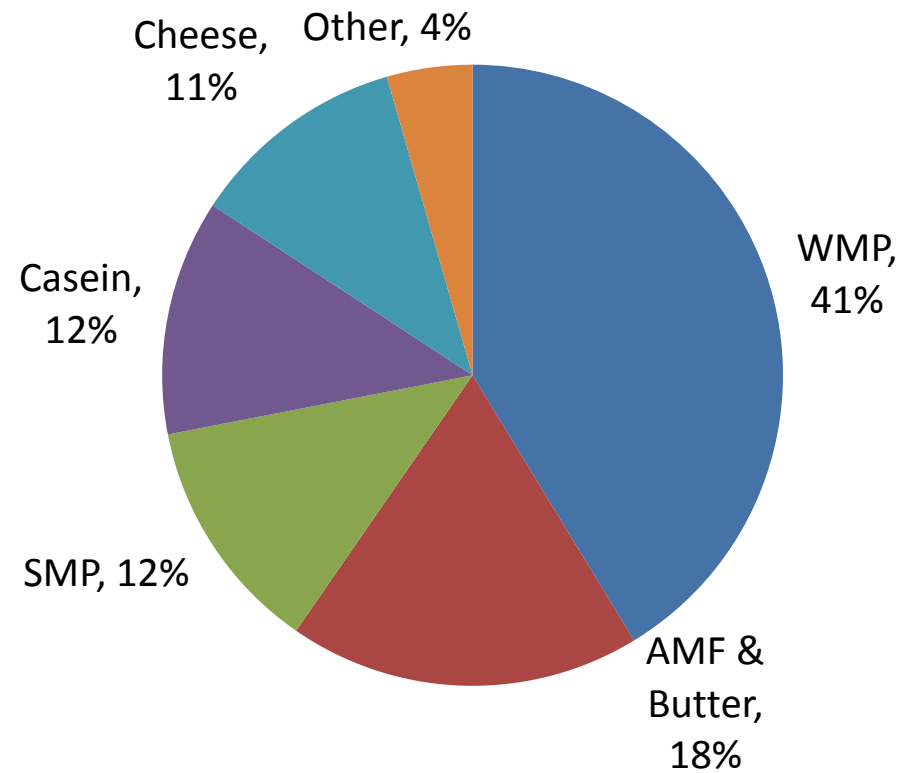


Dairy products exported

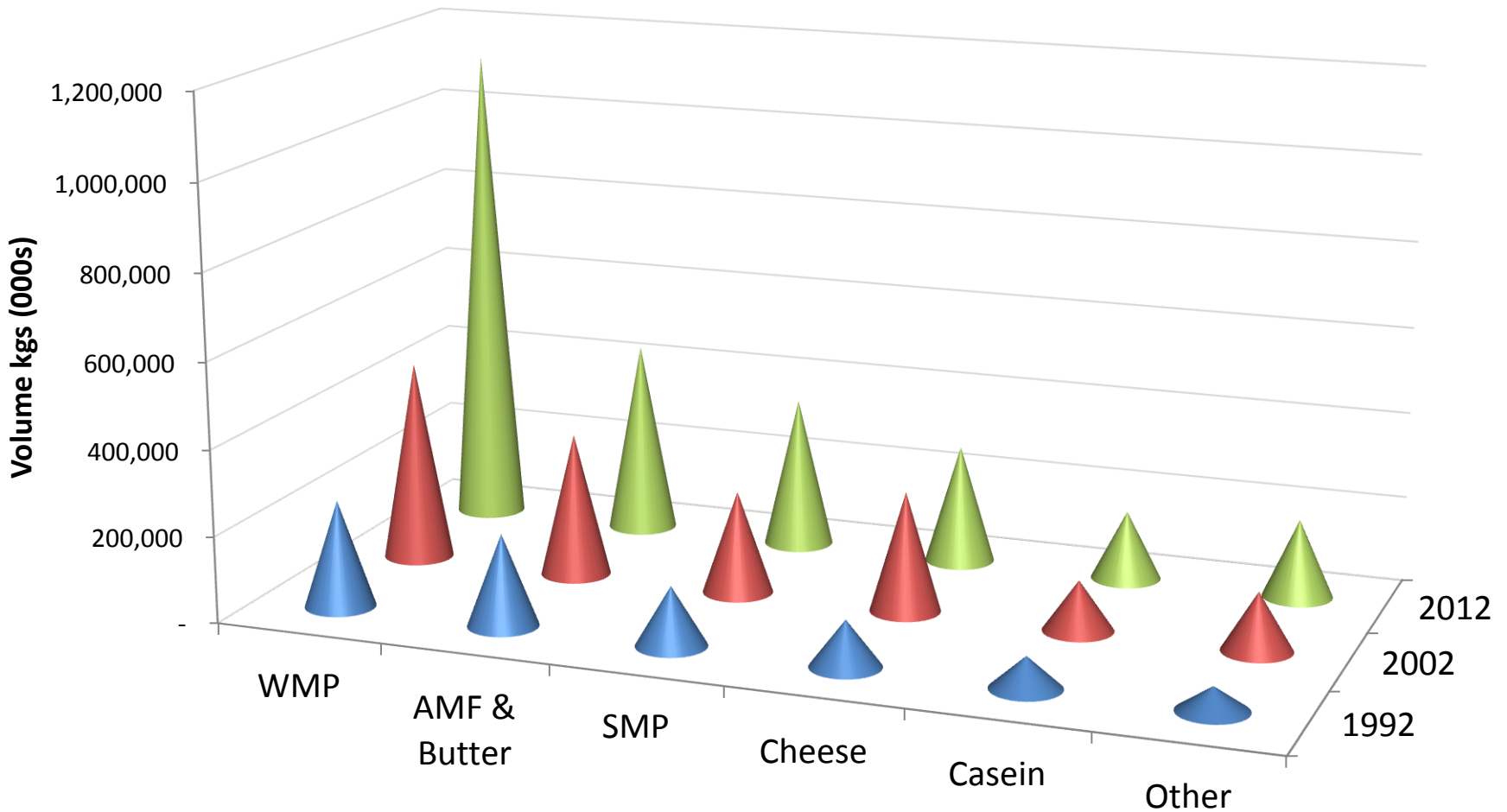
1992



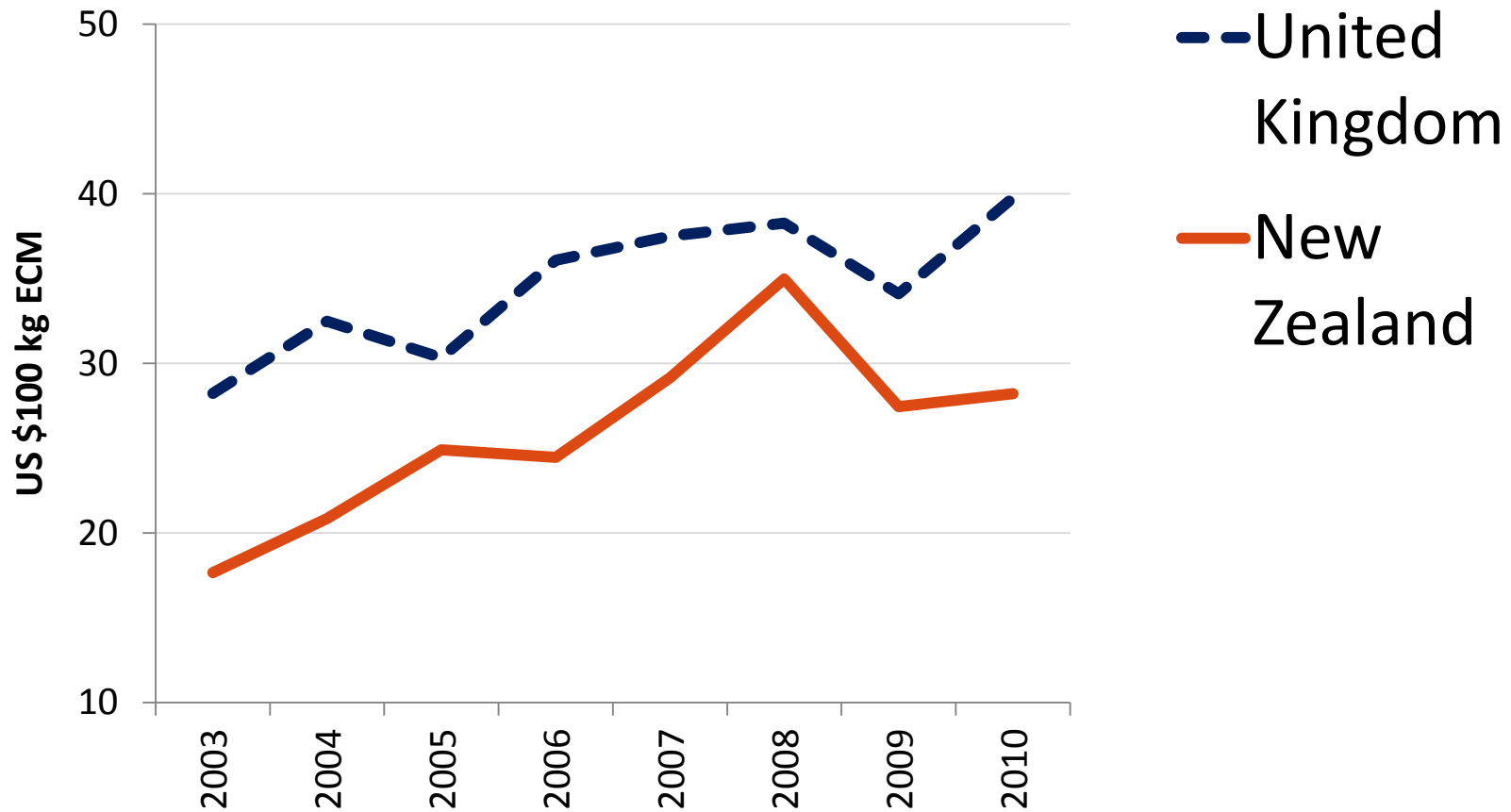
2012



Dairy export volumes



Cost comparison UK





GoDairy! Rosie's world

Hi, I'm
Rosie!



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Dairy farming is New Zealand's most important economic activity

It is an ever-changing industry - developing technologies, embracing innovation and investing in people. From day-to-day life on the farm to [environmental sustainability](#), explore the full picture of New Zealand dairy farming here.

Dairy Careers

50/50 Share Milker
A 50/50 Sharemilker takes responsibility for the production system, maintains farm infrastructure and machinery and may employ labour where required. They are responsible for the financial management of their own business. [Find out more](#)

Find out more...

Kids, come explore Rosie's world

Coming in July - an all new educational website from DairyNZ

Live a day in the life of a Dairy Farmer

Dairying - New Zealand's most important economic activity

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Career explorer Virtual farm NZ economy
Job hunters A day in the life Facts and figures
Farmers A year on the farm Sustainability

Media room Contact us

- Rosie – ‘cowbassador’
- www.rosiesworld.co.nz
- Facebook page, school visits
- Curriculum material



Lake Taupo

- NZ's largest lake
- Highly prized by all New Zealanders
- World renowned fishery and tourism centre
- Nitrogen limit established for catchment
- Farms allocated annual nitrogen allocation which they are able to sell, purchase or lease.

More cows drives growth

| | Herds | Hectares (000) | Cows (000) | kgMS / cow |
|--------|--------------|---------------------------|-------------------|-------------------|
| 1992 | 14,458 | 1,070 | 2,402 | 259 |
| 2002 | 13,649 | 1,405 | 3,693 | 307 |
| 2012 | 11,798 | 1,639 | 4,634 | 364 |
| Growth | -1.6% | +1.9% | +2.8% | +1.3% |

How we compare

| | New Zealand | United Kingdom |
|-------------------|--------------------------|---------------------------|
| Milk production | 19.2 m tonnes ECM | 13.8 m tonnes ECM |
| Cows | 4.6 m | 1.8 m |
| No of dairy farms | 11,800 | 16,000 |
| Av farm size | 393 cows | 118 cows |
| Export | >90% of production | ~20% of production |
| Import | ~3% of local consumption | ~35% of local consumption |

IFCN Dairy Report, NZ Dairy Statistics



1984

radical change

**Agricultural
subsidies**

**Foreign
exchange
controls**

**✓ Independent
central bank**

✓ De-regulated ports



1990
More
deregulation





2010

**Free & open
economy**

**Open skies
policy**

**Agribusiness
competing
without
subsidies**

