



Readying the Dairy sector for future growth

Combining efforts to support farmers

Other areas of focus:

Transforming the Dairy Value Chain

The seven-year, \$170 million Transforming the Dairy Value Chain PGP programme seeks to shift the industry from commodity to value-added markets. Achieving this shift will deliver higher profits and reduce volatility caused by price fluctuations in commodity dairy markets.

The government-industry partnership is providing farm financial management training for farmers and building the capability of New Zealand's rural professionals. Already, over 1,600 trainers and 17,000 farmers have been upskilled through the programme.

Whai Hua – New Dairy Products and Value Chains

This PGP programme is investing \$3.9 million in value-added dairy products and aims to develop immune-enhanced, high-value dairy ingredients for multiple markets.

The programme, involving the government in partnership with Wairarapa Moana Incorporation, Miraka Limited, and Kanematsu New Zealand, will provide an estimated \$8.6 million a year in economic benefits to New Zealand by 2021.

MPI's Sustainable Farming Fund

Investing in projects at the regional level to solve issues that farmers face on farm. For example, the FeedRight project aims to develop training for rural professionals which will provide farmers with assurance and advice on feed options, while the Reducing Reliance on Imported Feed project aims to investigate the feasibility of year-round forage systems in Northland.

Market access

MPI, MFAT, and the wider industry are also working together to increase overseas market access for exporters, reduce trade barriers, and maintain the confidence of New Zealand's trading partners. The Trans-Pacific Partnership Agreement is expected to lead to increases in the trade of agricultural products with some of the world's largest economies.

On Friday 18 March 2016, the New Zealand Government signed a Memorandum of Understanding with the United Arab Emirates on health and safety procedures for agricultural and food material trade. The arrangements will simplify and streamline processes for New Zealand exports to the UAE while providing the UAE with the assurances it requires for New Zealand primary products and high value foods.

Working with your bank



The most important thing for any farmer facing change or financial challenges is to talk to their bank early and often. Two-way communication is essential. Bank relationship managers work very closely with their rural clients. They understand individual farmers' situations and will work with them based on their individual needs.

Adaptability and resilience are critical to successful agribusiness ventures and that's why banks will help farmers work with other external advisers to develop a plan. Before they do, they should, if possible, involve their accountant or financial adviser. Talking to your bank can be much more valuable if some financial information and/or a plan is available.

How can your bank help?

- Banks may be able to provide assistance during these challenging times, depending on farmers' individual circumstances.
- Farmers should talk to their bank to discuss what solutions or potential measures are best suited to their needs.
- The key is acting early, having plans and a budget in place, and keeping your banker and advisers in the loop.
- Above all, remember you're not on your own.

Key contacts for information and support



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Over the past year, 29 Tactics case study farmers from around New Zealand have also been providing updates on how they are managing through a low milk price. This includes Peter and Trixie Foote from Northland.



Peter and Trixie Foote are Tactics case study farmers based in Kokopu, Northland. They answer a few questions about the low milk price.

How long have you been dairy farming?

My wife Trixie and I have been on our Kokopu farm for 25 years and working in the industry for 34.

How are you responding to the low milk price?

We're making sure every dollar spent gets a good return – and this is something we focus on at all times, not just when the payout is low. We work on a good return being 100 percent.

What's a main focus for you to increase profits?

To grow and harvest as much grass as possible. On average we grow 16t of pasture/ha (calculated using professional pasture cuts) and harvest an average of 13t of pasture/ha (81 percent).

We focus on pasture management at all times – it's an absolute fundamental for profitable dairy farming in New Zealand, regardless of what system you're in. It's the farmer who utilises the most grass that earns the most money.

What have you learnt from previous tough seasons?

Keep the long-term goal in sight. Identify areas that give the best return and don't cut anything that will affect future profits.

What's your advice to other farmers around tactical decision making?

Start collecting all the information you can on your business – things like pasture growth, pasture utilised and soil fertility levels. It seems meaningless at the start, but information from the past will help you in the future. There's that saying that you can only manage what you measure.

How do you minimise impact on staff?

Staff are important to our business and we want to retain them. We make sure they know their jobs are safe and try to make work enjoyable by having a laugh and good communication.



Global dairy market fundamentals remain strong

Consensus forecasts for global dairy demand expect growth to remain over two percent in the short to medium term. The current supply imbalance and resulting low global dairy prices are affecting dairy farmers around the world. The Government, government agencies, and core stakeholder organisations are working together to help farmers manage in the current environment and create a strong position for the industry to benefit together as prices recover.

The Ministry for Primary Industries (MPI) is working throughout the agriculture value chains to support New Zealand's primary industries to grow and maximise their profitability. This includes investing in major research and innovation programmes (e.g. PGP and Sustainable Farming Fund programmes), researching and trialling optimised farming systems, working with rural support trusts and undertaking broader production and sustainability work. This work complements MPI's key role in negotiating free trade agreements and removing trade barriers to increase access to international markets.

Within this broader trade and production environment, DairyNZ continues to lead direct support activities to farmers and their farming businesses. The most recent example is DairyNZ's Tactics campaign.

Key Initiatives currently underway



*PGP: Primary Growth Partnership

Readying for future growth: MPI's Farm Systems Change Programme

With a strong focus on industry needs for future growth, MPI, through its Farm Systems Change programme, is undertaking research, analysis and trialling of leading farm systems. The resulting development of materials and knowledge will support the following:

- Implementation and development of information and materials to support the industry.
- Future export growth and profitability.
- Trade opportunities through a stronger understanding of markets.

DairyNZ: Tactics campaign

Right now dairy farmers are focusing on ways to get through a low milk price. To support them, DairyNZ is bringing together a number of tools, tips, and tactics. Features of the Tactics campaign include:

- **One-on-one visits:** These visits are designed to offer support and provide referrals to other experts for more specialist advice.
- **Sharemilker support:** Online resources are available to help sharemilkers, contract milkers and their farm owners to plan a path forward over the next year. These resources have been created in partnership with other organisations including Federated Farmers.
- **Pasture First workshops:** These workshops help farmers to reduce costs by answering critical questions such as "Do I have the right number of cows?" and "Can I harvest more pasture?".
- **Farmer-to-farmer:** An online resource with budget case studies for nine farms that have farm working expenses below \$3.50/KgMS.

A Tactics Sharemilker shares his perspective on managing their business in difficult conditions.



Keeping an eye on the big picture has helped Leo Pekar and his partner Maricel overcome a case of bad timing.

Last season they moved from a lower-order sharemilking role into 50:50. This coincided with a drop in milk price and a very wet June, when Invercargill recorded 120 percent more rain than normal.

The couple have learnt to keep things in perspective and ride the ups and downs of dairying.

"Don't forget the big picture, do things that are inspirational to you and would give you a break from farming. Remain positive and support others," says Leo to summarise how he maintains balance.

He also says it is important for farmers to listen and participate in discussion groups to gain ideas and views from people who been there before or to take the opportunity to look at other farms and systems.

Leo and Maricel have an eight-year plan which helps guide decisions in the new role.

"We had to hit the ground running. As new sharemilkers we faced a big debt and big responsibility – there is a lot of pressure," says Leo.

"It's important for us to focus on our eight-year plan. I thought to myself, it would be ridiculous to think that all those eight years would be rosy."

They are also making sure their operation has the stocking rate set to succeed.

"In our view it's hard to save a lot on big-ticket items like grazing and feed. Once you've got the cows on-farm you're committed to giving them the best chance to produce a return. The strength must be on the system to deal with a fluctuating payout in a volatile market," Leo says.