Dairy
Invest in Victorian agriculture and food
August 2018
Safe
Innovative
Globally connected

62 PER CENT
OF AUSTRALIA’S MILK PRODUCTION IS FROM VICTORIA

Victoria is Australia’s largest dairy producing and exporting state
Why invest in Victoria’s dairy industry

Largest dairy producing state
Victoria is Australia’s major dairy producing and exporting state, accounting for 62 per cent of Australian milk production.

Ideal environment
Victoria has the ideal climate and rich pasture to reliably produce high quality, affordable and plentiful feed and fodder. Access to water resources sustains and enables future expansion in dairy production.

Strong export focus
The industry has a strong export focus, and a growing presence in large and emerging Asian markets. The long-term demand prospects for Victoria’s dairy industry are strong.

Highest quality and safe
With a long and proud history, Victoria’s dairy industry is well established, quality-assured, innovative, globally connected, sustainable, and backed by world-class research, development and extension (RD&E).

Strong growth prospects
A positive global demand outlook provides a plethora of opportunities to achieve strong industry growth in dairy that were not available a decade ago.

Compelling investment opportunities
With robust global and domestic growth prospects for high-value dairy products, and strong competitive advantages, Victorian dairy offers compelling opportunities for those looking to invest.

Victoria is the Asia Pacific’s most productive dairy centre, out-producing other Australian states for dairy products – the state’s one million cows produce two thirds of the nation’s milk – Invest Victoria
Victoria is the dairy heartland of Australia

Victoria is Australia’s largest dairy producing state, producing almost two-thirds of Australian milk from just 3 per cent of total land mass.

- In 2015-16, Victoria’s 4,000 dairy farms produced over 6.2 billion litres of milk for the production of manufactured dairy products and fresh drinking milk.
- The dairy industry is one of Victoria’s largest agricultural industries. The gross value of milk production in 2015-16 was $2.6 billion – amounting to 20 per cent of the value of Victoria’s total agricultural output. Few other food producing regions in the world can boast such a strong dairy presence.
- Victoria’s large dairy food manufacturing industry produces a wide and diverse range of products for domestic and export markets, with a gross value of $7.7 billion as at 2015-16.
- Victoria’s status as Australia’s dairy heartland is underpinned by its reliable pasture and access to competitively priced grains.

**Victoria’s dairy industry at a glance**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of dairy farms (2015)</td>
<td>4,126 farms</td>
</tr>
<tr>
<td>Number of dairy cows (2015)</td>
<td>1.1m head</td>
</tr>
<tr>
<td>Gross value of dairy food processing (2015-16)</td>
<td>$7.7bn</td>
</tr>
<tr>
<td>Value of milk produced (2015-16)</td>
<td>$2.65bn</td>
</tr>
<tr>
<td>Value of dairy exports (2015-16)</td>
<td>$1.9bn</td>
</tr>
</tbody>
</table>

**Figure 1: Australian milk production by state, by value (2015-16)**

- Victoria: 62%
- NSW: 9%
- Tasmania: 5%
- Queensland: 5%
- South Australia: 14%
- Western Australia: 5%

**Victorian milk is used to produce a wide variety of products, including**

- Fresh milk and cream
- Bulk cheese and specialty cheeses
- Whey and other milk proteins
- Milk powder
- Infant formula
- Yoghurt, fermented milk and ice cream
- UHT and extended shelf life milk
- Butter, fats and oils.

Sources for this page: agriculture production, ABS 7121 and 7503 2015-16; food processing value, Victorian Government estimate based on 2016 REMPLAN data and 2011-12 RISE data; exports, Victorian Food and Fibre Export Performance Report 2015-16.
Competitive advantages of Victoria’s dairy industries

Deloitte Access Economics has assessed data on numerous factors of competitive advantage relating to agriculture and food at the regional and industry levels. The competitive advantages that Victoria has to offer make it Australia’s dairy heartland, and a major player in global dairy markets.

A quality-assured industry
Victoria has internationally recognised and transparently demonstrated food safety standards, and is a leader in dairy food safety innovation. Dairy Food Safety Victoria licenses all dairy premises operating in Victoria, ensuring traceability across all parts of the dairy production and supply chain.

Globally connected
The Victorian dairy industry has well established trade routes into Asia, backed by strong relationships. Victoria also has world-class export infrastructure. It is home to Australia’s largest container and general cargo port as well as Australia’s largest international airfreight terminal, which operates curfew-free.

Innovative and premium products
Victoria has world-leading dairy research and education institutions, such as Dairy Innovation Australia, the Gardiner Dairy Foundation. It also has a high performing technology sector and a large and diverse processing industry that specialises in high-value products that attract a price premium in global markets.

Strong government and industry support
Victoria’s dairy industry is backed by a strong and active group of industry bodies, which along with the Victorian Government, offer a range of support programs. These groups ensure that dairy producers in Victoria remain globally competitive and at the forefront of transformational innovation in the industry.

Secure and sustainable natural advantages
The Victorian dairy industry has access to fertile soils and clean, secure water. Victoria enjoys a low incidence of pests and disease, that underpins world renowned biosecurity advantages. Our export success is mainly due to the industry’s efficient, pasture-based dairy farms, the availability of grain as a cost-effective feed supplement and a progressive and efficient processing sector.

Australia’s leading state for dairy RD&E
Joint investment by government and industry in pre-farm gate RD&E has contributed to productivity growth in Victorian dairy. RD&E has played a role in improving the nutrition of pastures and feed used, as well as ongoing improvements to dairy cow genetics. These factors combined have contributed to industry (per cow) yield increases of around 25 per cent over the past 20 years.⁢

³ Australia wide increase, ABARES Agricultural Commodity Statistics, December 2016

invest.agriculture.vic.gov.au
interactive mapped data; industries; regions
Victoria’s major dairy production regions

Victoria has the ideal climate, rich pastures and access to fresh water resources to sustain and expand dairy production in the future.

**Northern region**

- Cows: 398,000
- Australian milk production: 22%

The Northern region enjoys large dairy farms and irrigation infrastructure that support intensive production systems. Dryland dairy farming also occurs in alpine valleys such as Kiewa.

**Gippsland region**

- Cows: 368,000
- Australian milk production: 21%

The Gippsland region enjoys high and reliable rainfall, fertile soils and the Macalister Irrigation District near Maffra. These advantages support strong pasture production and natural efficiencies in production.

**Southwest region**

- Cows: 378,000
- Australian milk production: 22%

The Southwest region enjoys consistent rainfall, ample groundwater resources and a long growing season for pasture and fodder crops.

Success in South East Asian Markets

Victoria’s industry has a strong export focus.

- Victoria exported $1.9 billion of dairy products in 2015-16, with cheese and milk powder products the main export commodities.
- Over 40 per cent of Victorian milk is manufactured into dairy products for the export market (see Figure 4).
- Australia’s top three markets, by value, are Japan, China and Indonesia. Asian markets account for 80 per cent of the value of all dairy exports. Outside of Asia, other large export markets include New Zealand, the United States, and the Middle East.
- The diversity of products that Victoria produces and exports helps to reduce risk and enable greater responsiveness to changing market conditions. The industry is continually innovating with new products to create commodities and value-added specialty products that meet the demands of Asian importers.

Figure 2: Victorian dairy exports by value

Figure 3: Victorian dairy exports by value

Figure 4: Use of Victorian milk (2015-16)

The outlook for Victoria’s dairy industry is strong

A positive long-term outlook for Victoria’s dairy industry presents strong investment opportunities now.

- The trend in the industry has been for increased processing of higher value dairy products to meet rising domestic and international demand. Butter prices are expected to remain high, while forecast world prices for cheese remain positive. Whole milk powder and infant powder demand continues to grow strongly in the key China market. Domestically, there is robust growth for most dairy commodities. Ongoing private investment in processing facilities (including cheese and organic milk capacity) demonstrate long-term confidence within the Victorian dairy industry.4 5

- Analysis by Deloitte Access Economics highlights the dairy industry as one of the ‘fantastic five’ sectors of Australian agriculture.6 This assessment was based on the opportunity for the sector to grow in the longer term. This growth optimism is based on global and domestic demand outlook and numerous factors of competitive advantage that Victoria enjoys over competing dairy export regions (see diagram below).

- The chart below highlights the relative size of each agriculture and food processing sector (by the size of the bubble), the level of competitive advantage for each sector in Victoria (horizontal axis), and the opportunity for future growth based on long-term trends affecting domestic and global demand (vertical axis).

- This growth optimism makes it an ideal time to invest in Victorian dairy. Victoria’s industry, with its competitive advantages (some of which are highlighted on page 3), is well positioned to grow and continue to be competitive as demand for reputable and quality-assured dairy products continues to rise.

Figure 5: Market opportunity and competitive advantage for Victorian agriculture (10 year estimate)

Source: Deloitte Access Economics

4 ABARES Agricultural Commodities, December 2017
5 Dairy Australia, Dairy Situation and Outlook, February 2018.
6 Deloitte Access Economics, Building the Lucky Country #3: Positioning for prosperity? Catching the nest wave

invest.agriculture.vic.gov.au interactive mapped data; industries; regions
A wealth of skills and knowledge

Victoria has a number of top universities teaching specialised courses in agriculture and food processing. These are building the agronomic, scientific, technological and agribusiness capabilities of today’s dairy workforce and tomorrow’s leaders.

<table>
<thead>
<tr>
<th>Institution</th>
<th>Specialist Agriculture Courses</th>
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| Skills Victoria Technical and Further Education (TAFE) Institutes e.g. The Gordon, Melbourne Polytechnic, Bendigo TAFE | Certificates and Diplomas in Food Science and Technology, Agriculture, Agribusiness, and Rural Operations  
Certificate III in Agriculture (Dairy Production) |
| GippsDairy, WestVic Dairy, MurrayDairy | Young Dairy Development Program |
| RMIT University | Bachelor of Applied Science (food science)  
Bachelor of Science (biotechnology) |
| Victoria University | Bachelor of Applied Science (food science)  
Bachelor of Science (biotechnology) |
| The University of Melbourne | Master of Agriculture Sciences  
Master of Agribusiness  
Bachelor of Agriculture  
Graduate Diploma in Climate Change for Primary Industries  
Bachelor of Science (agricultural science) |
| Monash University | Bachelor of Food Science and Technology |
| Swinburne University | Certificate III in Rural Operations |
| Deakin University | Graduate Certificate of Agricultural Health and Medicine |
| La Trobe University | Bachelor of Agricultural Sciences  
Bachelor of Agriculture and Technology  
Bachelor of Business (Agribusiness) |
| Federation University | Certificate III in Agriculture  
Diploma of Agriculture |
| Rural Industries Skill Training | Certificates and Diplomas in Agriculture |

Victoria also has a number of dedicated agricultural colleges such as Longerenong College and Marcus Oldham College.
Investment opportunities in Victoria’s dairy industry

Global and domestic growth prospects for high-value dairy products, combined with local factors of competitive advantage, indicate that there are strong investment opportunities in Victoria. This page summarises just a few of the numerous opportunities in Victorian dairy.

1. Greenfield development in new dairy farms

Global demand trends indicate that investing in dairy farmland could offer long-term capital gain.

Strong long-term demand prospects
The long-term export demand growth prospects for Victorian dairy are strong:
- Income and population growth are increasing overall food demand in developing countries
- Global demand is growing for protein rich foods in increasingly western-style diets

2. Expand and consolidate farmland

Capital improvement on farms and strategic consolidation could achieve greater economies of scale and productivity gains.

Victorian dairy farms achieve economies of scale
- Given their relatively high capital requirements, larger-scale dairy farming enterprises are typically more productive. Relative to other states, Victoria’s dairy farms are typically larger-scale, contributing to higher levels of productivity.
- In areas where dairy farms are smaller scale, there are opportunities to invest in land and capital improvements to boost productivity.
- Expanding farm scale will allow for the increase in herd sizes to achieve the scale effect
3. Develop specialised and niche product offerings

Victoria is the ideal location to develop specialised, traceable and high-value products.

Victoria has world-class food safety and biosecurity standards
- Victoria’s dairy industry has world-leading food safety standards and advanced product traceability systems, overseen by Dairy Food Safety Victoria.
- These traceability systems allow Victorian dairy farmers and processors to demonstrate the provenance and quality of their product to domestic and international consumers.
- Consumers are increasingly demanding safe, ethical and traceable food – which Victoria’s dairy industry can supply.

4. Leverage and co-invest in RD&E throughout the supply chain

As Australia’s leading state for RD&E, investors have the opportunity to invest in a sector with cost-competitive primary production and leading processing technologies.

Australia’s leading state for RD&E
- Government and industry in Victoria have a well-developed and organised RD&E sector supporting primary and processing sectors.
- Industry, government and researchers have well-established research and development partnerships in Victoria. For example, world leading research at Ellinbank and Hamilton and the DairyBio program at the Centre for AgriBioScience, La Trobe University, partners with industry and Government in its research into milk genomics, nutrition, and livestock health.
- A legacy of Victoria’s investment in RD&E is world-leading dairy cow genetics and milk yields, which have been a major productivity driver for the industry in recent years.

5. Build strategic relationships with dairy processors

Strategic relationships in manufacturing and distribution with international investors can enhance milk processing capacity and secure access to high-value markets such as China.

Victoria’s strong manufacturing base
- Victoria’s strong manufacturing base and diverse range of product offerings underpin opportunities in areas such as specialist dairy food.

Changing trends in consumers’ preferences
- Consumers are increasingly time-poor, health conscious and socially and environmentally conscious. Consumers are demanding more safe, green, ethical and traceable food. Victoria’s dairy processors, in conjunction with primary producers, are well positioned to supply high-quality products to meet this growing demand.
Examples of major dairy companies in Victoria

Many top companies have a presence in the Victorian dairy industry, reaping the benefits which come with operating facilities in the region. According to IBISWorld and Deloitte’s analysis, major dairy companies in Victoria include:

**Saputo Dairy Australia (SDA)**
SDA is a subsidiary of Canadian public company Saputo Inc, one of the world’s top ten dairy processors. In 2018 SDA acquired the Murray Goulburn Co-operative (MG) for $1.3 billion, including flagship brands Devondale and Liddells. MG supplies domestic and export markets with milk, milk powder, whey powder, cheese, butter, dairy beverages and ingredients, and nutritional products such as infant formula. With the combined assets of MG and Warrnambool Cheese and Butter, SDA is Australia’s largest dairy processor. Most of its operations are in Victoria.

**Warrnambool Cheese and Butter (WCB)**
WCB produces fresh milk, milk powder, cheese, whey powder, lactoferrin, galacto-oligo saccharides, cream and butter products. Beyond serving the Australian market for milk and dairy products, WCB exports its products to multiple countries. WCB was acquired by SDA in 2014, and in turn purchased the Everyday Cheese business in 2015.

**Lion Dairy & Drinks**
Lion Dairy & Drinks is a leading nutritious dairy and beverages business. Its portfolio includes Dairy Farmers, Pura, Dare iced coffee, Farmers Union, King Island Dairy, Yoplait and Daily Juice. It has its headquarters in Melbourne, and its manufacturing footprint spans 15 Australian sites, producing milk, yoghurt and dairy desserts, specialty cheese and juices. Lion Dairy & Drinks is focused on building long-term sustainable value in the Australian dairy industry.

**Burra Foods**
Burra Foods is an Australian dairy ingredient processor that produces and markets value-added products to the global food manufacturing market. The company focuses on supplying high quality dairy products such as natural cheese, fresh milk concentrates, infant formula, specialty milk powders and fresh dairy ingredients. Its manufacturing plant is located in Korumburra in Gippsland, Victoria. Burra Foods processes more than 350 million litres of milk a year and produces over 65,000 metric tonnes of product.

**Fonterra**
Fonterra operates five manufacturing sites in Victoria, at Bayswater, Cobden, Darnum, Dennington and Stanhope. The company recently announced a capital expansion program of $165 million across its seven sites. This will add 500 million litres of processing capacity, to help meet rising domestic and global demand. The Stanhope factory will receive the greatest share of the investment, and will double the size of its cheese plant.

**Chobani**
The Chobani brand is one of the fastest growing yoghurt brands in Australia, with over 20 percent market share in the Australian yoghurt retail category. To bring operations to Australia, in 2011 Chobani invested more than $40 million in a production facility in Dandenong South, Victoria. Chobani also produces the Gippsland Dairy brand, and industrial cream products.

**Bega Cheese / Tatura Milk**
Bega Cheese (operating as Bega Cheese and Tatura Milk) operates five facilities in Victoria: at Derrimut, Coburg, Port Melbourne, Strathmerton and Tatura. Company revenue in 2016 was $1.2 billion, primarily from its Victoria operations. Bega Cheese is increasingly focused on value-add products such as premium cheese and infant formula. Its products are exported to over 40 countries.
The Victorian Government can facilitate your next investment

The Victorian Government provides local and international investors with the information needed to establish or expand their business.

What the State Government of Victoria can provide

The Victorian Government’s investment team provides free confidential services and professional advice to both existing and new investors. Invest Victoria is the first point of contact for new clients. It provides support to international investors, and can direct domestic clients to investment advisors specialising in Melbourne (Metropolitan Investment) or regional Victoria (Regional Development Victoria), including a dedicated Agribusiness Facilitation service.

Services include:

1. Help with your market-entry business case. Our dedicated team will supply you with up-to-the-minute information on market potential, existing companies, research and development capabilities, labour market skills and costs.

2. Introductions to our great industry contacts and local suppliers.

3. Confidential expert advice to help support your choice of investment. Our experienced team can help you work through the formal approvals you might need and even visit potential sites with you and speak to estate agents on your behalf.

4. On-ground support for existing and local investors seeking assistance for their business expansion plans through our metropolitan or regional investment engagement teams. Support for international investors in their home market through our extensive network of international offices.

5. Introductions to contacts across all levels of government. Financial support to attract projects of strategic significance may also be available.

6. A large team of experienced local and overseas officers ready to give you the practical support you need to maintain your new project’s momentum.

7. Investment facilitation specialists who can work with you in relation to sites, infrastructure connections and project approvals.

See the ‘Who to Contact’ section, on the next page, or visit: invest.vic.gov.au

Grants for businesses

The Victorian Government offers a range of grant programs to help grow Victoria’s agriculture and food processing industries, infrastructure and supporting systems. To identify the programs most relevant to your project, contact us directly using the details on the following page, or browse the links below.

- Grants directed at strategic priorities, including food and fibre: invest.vic.gov.au/how-we-can-help/planning/incentives-grants-and-programs
- Grants focused on regional development: rdv.vic.gov.au
- Targeted programs to support business growth: business.vic.gov.au/support-for-your-business/future-industries
- Programs to support infrastructure or innovation: rdv.vic.gov.au/programs-and-grants
Further Information

This document is one of 16, which describe the investment opportunities in each of Victoria’s agriculture and food processing industries and regions. The following documents are especially relevant to Dairy industries: Food Processing, Gippsland, Great South Coast, Loddon Campaspe, Ovens Murray and the Victorian. These are available at the website below. This website also has an interactive map providing access to data on rainfall, production, processing, infrastructure, and other factors relevant to agriculture and food processing.

invest.agriculture.vic.gov.au

Who to contact

All investment inquiries
Invest Victoria can put you in touch with the best advisors for your project:

_greater.png
info@invest.vic.gov.au

_greater.png
invest.vic.gov.au

Victorian regions
If you already know which part of regional Victoria you wish to invest in, you may wish to speak directly to Regional Development Victoria:

reater.png
rdv.vic.gov.au/contact-us

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