

Dairy price cuts impact Western Victoria

Western Victoria is one of the largest milk producing regions in the national industry. Each year it produces about 2.1 billion litres of milk (approximately 23% of national milk output) from about 1500 farms and 440,000 cows (4 cows for every person in the region)*

Farm gate prices are driven by export returns and prices have been affected by the volatility in international dairy commodity prices and sustained competition for milk.

It's been reported extensively in recent months that dairy farmers in the region and, indeed, across Australia are facing a tough year with new milk prices below cost of production.

"There's been plenty of discussion about the effect of the cut in the price paid to farmers by Murray Goulburn, which processes a third of Australia's milk, and New Zealand group Fonterra," says [Phil McGibbon](#), Partner with *Jirsch Sutherland* in Geelong.

"What we have noticed is that the banks are being fairly supportive and giving farmers more time to repay debts through loan extensions and credit lines, which means there hasn't been a noticeable increase in insolvencies in this sector. But it's obvious that many dairy farmers are hurting, particularly those who have gotten into the business recently and are overcapitalised.

"It's also clear that established farmers who have built up equity in their farms are more well placed to weather the storm, while the younger farmers who have purchased properties and upscaled their herds in recent years haven't been able to build up equity, which makes them more vulnerable."

At a glance

- Every day dairy farms in Western Victoria produce enough milk to fill a line of 1-litre milk cartons side by side from Melbourne to the South Australian border (400kms)
- The agricultural output of Western Victoria (Colac Otway, Corangamite, Moyne and Glenelg) is bigger than Tasmania
- In 2008 the value of the dairy industry to the region was about \$4.6 billion (\$1.8 billion at the farm gate, \$1 billion at the factory gate and \$2.6 billion from the service provider sector)
- For every retail job in the region there's an equivalent job on-farm
- Dairy is the biggest export out of the Port of Melbourne

*Source: WestVic Dairy