

Ideal conditions for a growing and sustainable dairy industry

Tasmania has a temperate climate, fertile soils, reliable rainfall and plenty of sunshine, all of which ensure excellent growing conditions for lush pastures, underpinning the production of premium-quality dairy products. Tasmanian dairy cows spend their time outside all year round, grazing on grass and clover whilst enjoying some of the cleanest air in the world.

Tasmania's dairy industry offers many long-term investment opportunities including large-scale pasture-based milk production, specialty cheese manufacturing and large-scale dairy commodity processing.

The dairy industry is the largest segment of Tasmania's agricultural industry and is a significant contributor to the Tasmanian economy. With just over 2 per cent of Australia's population and less than 1 per cent of Australia's land mass, Tasmania produces over 9 per cent of the nation's milk¹. The industry reached a peak in 2018 and reported milk production of 913 million litres¹. The state has the potential to grow to 1.5 billion litres per year, dependent on continued investment in additional processing capacity and farm conversion.

Tasmanian dairy farmers benefit from low-cost, pasture-based production systems, underpinned by reliable rainfall and increasing irrigation options. This translates to lower costs of

1. www.dairyaustralia.com.au

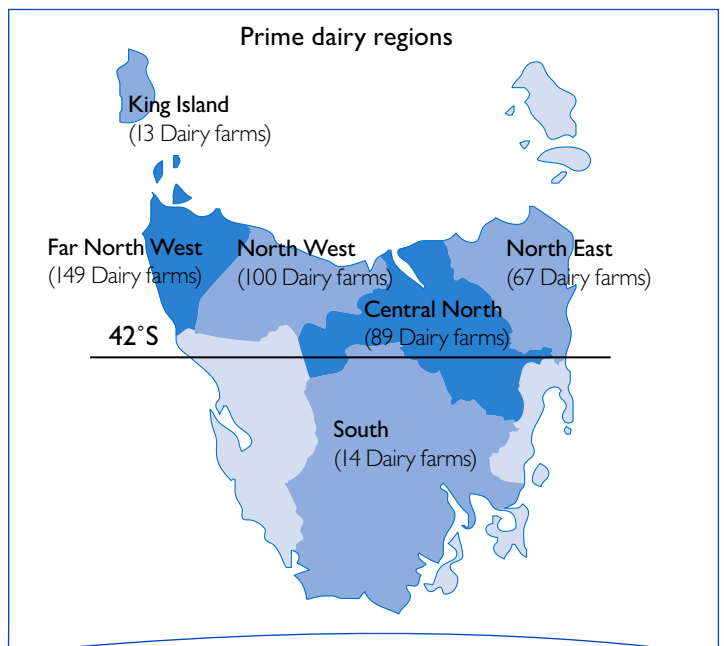


production, considerable growth potential and a more reliable milk supply when compared with many dairy districts both in Australia and internationally.

Dairy farming in Tasmania occurs across the state, but primarily in the north. The north-west is home to the southern hemisphere's largest dairy farming corporation, VDL Company, and the largest specialist cheese processing factory, owned by Lion.

The industry is cohesive and well-organised, with a proactive approach to sustainable growth and development detailed in AgriVision 2050, a strategic plan also known as *Cultivating Prosperity: A 2050 Vision for Agriculture*.

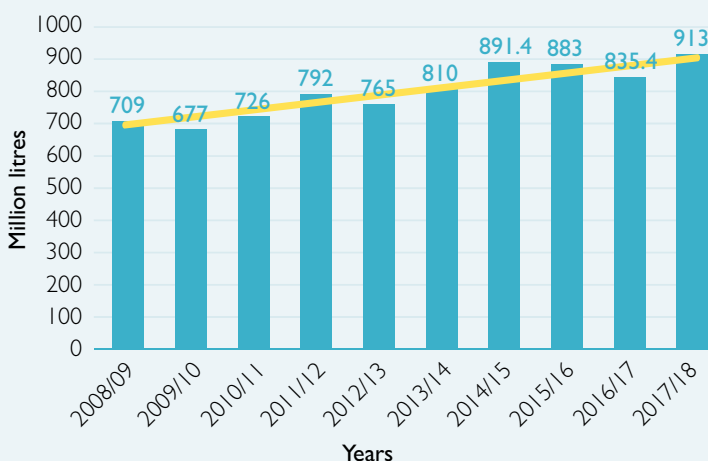
The Tasmanian Government is putting the state's primary industries on the path to achieving a ten-fold increase in the value of the sector by 2050. It recognises that the development of the dairy industry is important to the economic future of Tasmania. As a result, the government is keen to work with potential investors to secure investment for the dairy industry.



Key reasons for investing in the Tasmanian dairy industry

- » A growing industry, where Tasmanian milk production has increased by 38 per cent over the past 10 years².
- » Strong investment in dairy expansion and processing capacity is creating opportunities for investment in milk production growth.
- » Tasmania's comparative water advantage is supplemented by an irrigation investment program, absence of major animal diseases and ideal conditions for pasture-based production.
- » Projected growth in developing economies over the medium term with increasing demand for dairy products.
- » Low production costs through pasture-based farming.
- » Land costs lower than comparable dairying areas such as New Zealand.
- » A well-established, international market-focused production base.
- » Higher return on total assets than any other dairy region, increasing from 3.6 per cent to 5.1 per cent to 2017/18³.
- » Opportunity to capitalise on climate change driving Australian milk production to cooler, wetter parts of the country.
- » A well-organised, cohesive sector with clear, demonstrated capability.
- » Market recognition of the quality of Tasmanian dairy products.

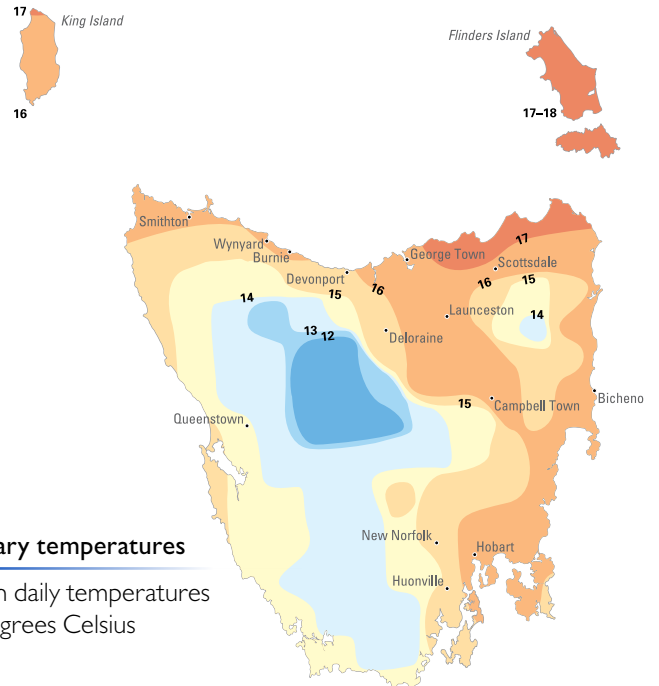
Tasmanian milk production growth 2008-2018



Source: Dairy Australia

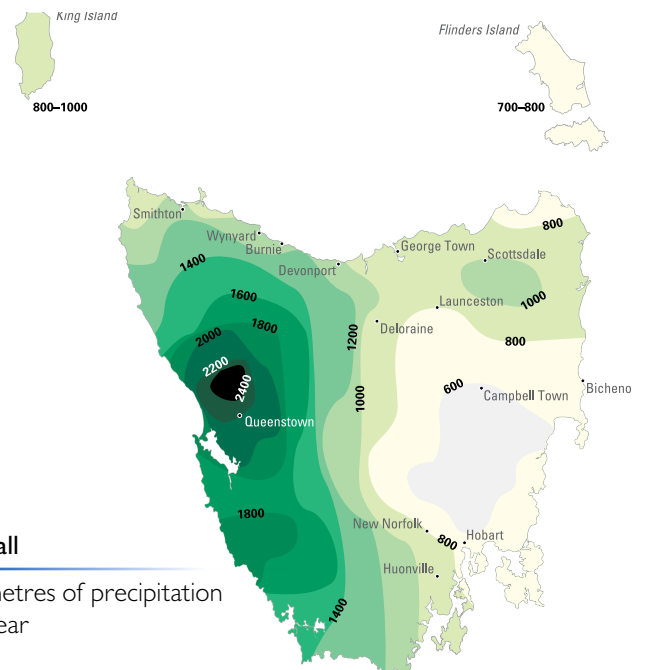
2. Dairy Tasmania milk produce and price YE Dec 2018

3. Dairy Australia Situation and Outlook October 2018 – provisional data



January temperatures

Mean daily temperatures in degrees Celsius



Rainfall

Millimetres of precipitation per year

Source: vW Maps c 2009 Martin von Wyss, vW Maps Pty Ltd.



Climate advantage

Tasmania has a temperate maritime climate, cooled by prevailing westerlies off the Southern Ocean. This provides regular rainfall and conditions that are generally free from extremes in temperature, as demonstrated by the temperature and rainfall charts.

Accessibility

In most instances, dairy processing business operations will be located less than 100 kilometres from plant to port, providing fast access to distribution channels. There are frequent freight shipping services from Tasmania's major ports.

Airports in Hobart, Launceston, Devonport and Burnie provide quick and easy access to mainland Australia. Air freighted produce can arrive at interstate and overseas markets within 48 hours of dispatch.

Disease freedom

As an island, Tasmania has a clear biosecurity advantage. Tasmania's rigorous biosecurity standards are at the very core of the Tasmanian brand, as its natural environmental values and quality produce rely upon the state's relative freedom from pests, diseases and weeds.

Tasmania's relative pest-free status offers additional opportunities to access a variety of international markets that are closed to other regions.

Research, development and extension

The Tasmanian Government, industry and the University of Tasmania's research arm, the Tasmanian Institute of Agriculture (TIA), work together to undertake research and development programs. These are designed to address agricultural productivity, profitability, and sustainability.

The Dairy Centre, a partnership between the Tasmanian Government and TIA, provides research services and support to the dairy industry. Its website is dedicated to informing the Tasmanian dairy industry about TIA's activities and offers a host of resources and tools for innovative dairy farmers.

For more information visit www.tia.tas.edu.au/centres/dairy-centre

Stable, flexible and innovative workforce

The total cost of employing workers in Tasmania is less than all other Australian states and territories. Tasmania offers a workforce that is stable, with an excellent industrial relations record and a culture of flexibility and innovation.

Tasmanian training providers work with the local dairy industry to ensure that industry training needs are met. Their accredited training programs ensure that transferable and needed skills are created within the state. In addition, there are extensive well-supported programs delivering non-accredited training.

Strong trade

A small percentage of Tasmania's milk production is consumed within Tasmania as fresh milk, with the remainder processed into a range of long-life and value-added dairy products (cheese, milk powder, butter and other dairy food ingredients) sold in Australian and international markets.

Tasmania exports high-quality dairy products to over 35 countries in the Asian region, particularly Japan, Sri Lanka, Vietnam, Malaysia, Thailand and Singapore.

Sustainable water supply

A key to profitable dairy farming is the availability of a reliable water supply and Tasmania's most significant natural resource advantage is water. Tasmania represents one per cent of Australia's land mass, yet has 27 per cent of Australia's freshwater dam storage capacity. Therefore, in many of its water catchment areas Tasmania does not have the water supply constraints experienced in other parts of Australia and much of the world.

The Tasmanian and Australian Governments are continuing to develop large scale irrigation projects to deliver water with a reliability of at least 95 per cent to Tasmanian farms which will have capacity to double the amount of irrigable land available for production purposes.

More information is available at: www.tasmanianirrigation.com.au

Quick facts

- » In 2017-18, around 412 Tasmanian dairy farmers produced 913 million litres of milk.⁴
- » The Tasmanian dairy industry directly employed around 2750 people on farms and in the processing sector.⁵
- » In 2017 the processed value and export value of Tasmanian dairy products increased by 7.5 per cent and 10.5 per cent respectively.⁶
- » Dairy exports from Tasmania are valued at over \$141 million.⁶
- » Average herd size is approximately 336 and average cow production is 5 577 litres per year.⁵
- » Average dairy farm land area is 200 hectares.⁴
- » Dairy processing companies have recently undertaken substantial capital expenditure to expand and build new milk processing capacity. Further investment is needed to handle any significant increase in milk production.
- » The major dairy processing companies in Tasmania include Fonterra, Lion, Mondelez (Cadbury), Dutch Mill, Betta Milk, Saputo and Ashgrove, as well as a number of smaller specialty businesses.

4. Dairy Tasmania 2018

5. Economic Impact of the Australian Dairy Industry, 2016

6. Tasmanian Agri-Food Scorecard 2016-17, DPIPW

Explore the opportunities and your future potential in Tasmania

The Office of the Coordinator-General is the Tasmanian Government's investment promotion and facilitation arm, it provides free confidential, tailored services and professional advice to investors, including:

- » dedicated project teams and case management
- » a focus on lead projects that have the potential to transform a supply chain or that leverage Tasmania's advantages and resource endowments
- » planning pre-audits to support approval processes
- » connections with local industry associations and government departments
- » information on business opportunities, investment regulations and government assistance
- » insights on business costs, skills availability, taxation and research opportunities
- » expert advice on Tasmania's industry capabilities and strengths
- » site visits to identify suitable locations in Tasmania for your business
- » links with potential partners
- » connections with infrastructure and service providers
- » information on industry strategies.

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