

Social and family aspects of dairy farm expansion

Findings from the “Sustainable dairy farm systems for profit” project

M5 Project Information Series - Studies on Mutdapilly Research Station and subtropical dairy farms 2001 to 2005

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Overview

FARMERS need to clearly see themselves as beneficiaries of their low-cost milk production systems. They currently feel very vulnerable in the dairy supply chain, and frustrated with the lack of reward for increasing productivity.

Due to lack of confidence preventing capital works and implementation of labour-saving infrastructure and technology, dairy farmers are working longer and harder, while they ‘wait and see’ what the industry does.

To create more confidence, expansion (or farm intensification) needs to demonstrate the long-term ability to provide farm families with adequate cash - for a lifestyle that provides them with sense of ‘reward for risk and effort’; pride and control in a farming system that rewards them with a chosen ‘way of life’ without compromising the sustainability of their land; plus cashflow to allow ongoing farm development, off-farm investment, and the ability to put in place a farm business succession plan.

A sense of reduced reward for effort – in combination with increased government control over production systems through workplace health and safety and environmental management regulation; increased workload; and increased complexity in the production system - raises questions about the future endurance of family farms.

Will family farms be able to continue to scale up as they have in the past, and where will the capital investment for larger, more efficient farming operations come from?

Industry background

THE continual quest for competitive low-cost farming systems is being driven by rapid changes in the global economy, international trade agreements and deregulation of the domestic industry, with Australia’s milk prices heavily influenced by international prices.

* Australian dairy farmers are highly competitive, with production costs well below those of major competing dairy-producing countries. Despite this competitiveness, Australian dairy farmers receive low prices by world standards.

* To remain competitive, farming systems have focused on efficient, high production, pasture-based farming.

* The resulting ongoing financial, emotional and physical fatigue has started a trend of fewer, more complex farms, with greater dependency on family labour (described by the industry at large as a ‘shift to larger more efficient operating systems’).



- The drive to increase farm efficiency - to remain viable with low input prices and deteriorating terms of trade - is not new. Dairy Australia reported that farmers' terms of trade have been in decline since 1982/1983 (ABARE 2004).
- Australian dairy farm families have shown great tenacity under such conditions and are internationally known for their ability to adjust their farming system to increase productivity and business profit.
- This ability to remain flexible and to continually adjust to the global market place could be partly due to steadfast values of family and a highly-prized 'way of life'.

Lessons from the M5 project

THE family side of dairy farm expansion was documented as part of the M5 - *Sustainable dairy farm systems for profit* project. The social study looked at what drives expansion; what the expansion process is like; and what makes it worthwhile for the farm family.

Undertaken by University of Queensland PhD student Helen Todd, the social data is still being analysed and compared with other studies, but there are some important messages emerging.

M5 companion farmer expansion experiences

M5 project 'companion farmers' showed tenacity and endurance, which drove them to continue expanding and gaining efficiency in their farming system. However the expansion process was observed to be tentative - due to perceived uncertainty, lack of planning, location, and resistance to capital expenditure on infrastructure.

- The M5 companion farm families expressed concern that the expanded farming system would be more complex and stressful, and therefore reduce the enjoyment of the farming 'way of life'.
- With a general inability to increase land size, expansion meant an increase in herd size, and more supplementation of the pasture-based system - which then complicated management and exposed the farm to uncertain feed prices.
- Many M5 companion farmers commented on how stressful the need for accuracy was in this system - with no room for error in either feed supply or cost of feed.
- 'No room for error' was also mentioned in reference to very tight cashflow during expansion - with no room for mistakes, as farmers learned new skills to integrate new feeding systems into their existing farming system. This created a very high-pressure situation.

Market, price and planning

During the study, farm family members often referred to pressures outside their control - including the effects of the powerful players in the dairy food supply chain and the cost/price squeeze.

- Milk price was perceived to be low and unpredictable.
- There was confusion and misunderstanding of market forces and signals, and a sense of frustration and vulnerability about their position in the supply chain.
- Farmers' lack of understanding of the drivers behind milk price could have been due to their opinion that milk production systems are unable to respond to short-term market changes - so farm families either milked for the price offered or left the industry. This in turn kept farmers focused on production activities (paddock work) in preference to business activities (office work and strategic planning).
- Farmers have been encouraged to carry out whole-farm planning, strategic planning and scenario analysis through courses or programs such as 'Dairying Beyond 2000', 'Milk Business', and 'Taking Stock'. However, less than half of the M5 companion farms routinely carried out such activities - which is consistent with other findings that dairy farmers prefer to carry out operational planning rather than strategic planning.
- Other researchers have found that farmers' confidence in planning is affected by a low degree of certainty in their ability to compete efficiently with international competitors, and their ability to comply with future changes to regulations.

- Though it was not a focus of this research, there were several different governmental policy changes that farmers had to adjust to during the research period - including work place health and safety; vegetation management plans, and the South East Queensland regional plan.
- Some M5 companion farmers in areas of 'urban encroachment' did not expect to be able to continue dairy farming for more than 10 years, and were grateful they only had to do 'short-term' decision-making. They felt fortunate not having to weigh up the possibilities of the industry, and decide whether to continue to invest in the dairy business.

Low investment in infrastructure

The combined effects of uncertain rewards for increasing production or intensifying farming systems; the expectation that farm gate milk price would remain low; and a preference for paddock work over business planning, meant that M5 companion farms were generally resistant to investing in dairy-specific capital infrastructure.

- Many M5 companion farms commented on the viability of purchasing more land or cows - because the investment could be recouped if required.



- Dairy-specific infrastructure such as dairy sheds, feedpads or silage pits were generally not seen as viable - because they would not increase the value of the land, were not saleable, and would erode farm equity. In 2004, Dairy Australia also noted farm equity to be unchanged at a long-term average of 80% - indicating farmers would rather exit the industry than erode their equity position.



- 'Dairy Moving Forward' also found that while 70% of the farmers surveyed believed they had the capacity to increase their debt, only 20% indicated they would be willing to do so. This is consistent with the findings of other farming studies.
- These findings indicate that dairy farm expansion is potentially stalled at the capacity of current dairy-specific resources - especially the milking shed. This potentially also places greater pressure on family labour - as farmers increase productivity through herd size beyond the capacity of the existing milking shed.

Labour

- M5 companion farms were evenly divided in their attitudes towards labour. Some had never employed labour and relied solely on family members; others employed casual staff as required; others employed casual staff at all times.
- M5 companion farms that employed casual staff at all times found it much easier to get away from the farm to attend industry events or to take a break. Staff knew the production system from consistently working on the farm - providing the farm family with the confidence to leave the farm.
- Those employing casual staff only as required found their sense of lifestyle diminished, and found it increasingly hard to find casual staff.
- With the exception of one family, those relying completely on family labour found it hard to get away from the farm to attend industry events or to have a break.

- All M5 companion farms found it hard to spend time working on the businesses making business-development decisions - due to their intensive work schedule and time commitment to the production system.

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The M5 - Sustainable dairy farm systems for profit - companion farmers and project team - December 2003



The *Sustainable dairy farm systems for profit* project at Mutdapilly Research Station and on associated commercial farms investigated the potential impact of intensification of five subtropical dairy farming systems on business productivity, on the social well being of farming families and on the farm environment.

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