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New Zealand Agricultural and
Resource Economics Society (Inc.)



Dairy farm productivity

David McCall
Matthew Newman

Paper presented at the 2007 NZARES Workshop, Wellington,
New Zealand. August 23, 2007.

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Dairy farm productivity

Presentation to NZARES
David McCall and Matthew Newman

23 August 2007

Message

- We need greater dairy farm productivity to; regain our international competitiveness, sustain farmer profits



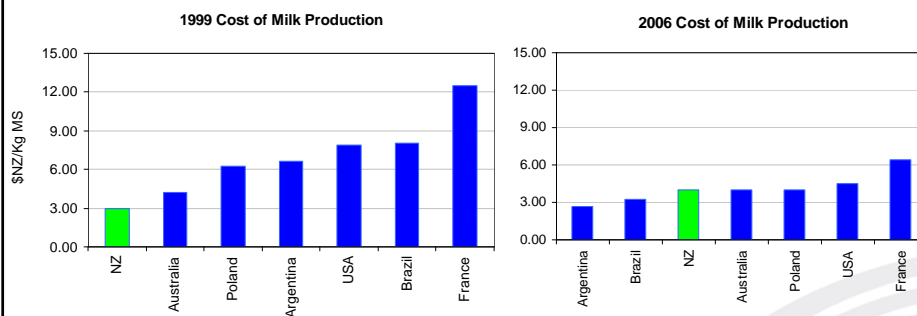
Improving farm productivity

- How we've been tracking
- Farmer understanding
- What needs to be done



How we've been tracking

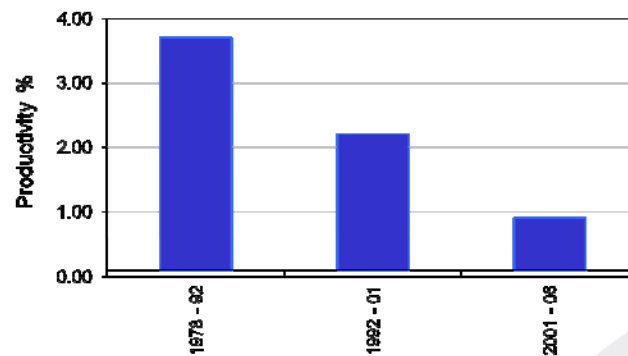
NZ no longer the cheapest milk producer milk



Source: McKinsey & Co

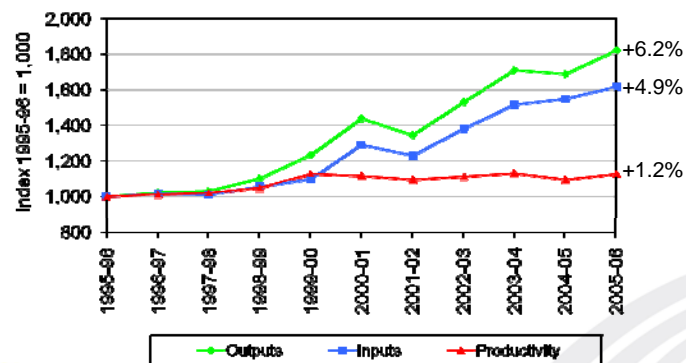
Source: IFCN, Dexcel

Rates of productivity gain falling



Production nearly doubled, but inputs also increased

10 Years of Dairy Outputs, Inputs & Productivity Changes



Source: Dexcel - Economic Survey of New Zealand Dairy Farmers

Farmer understanding

Farmers don't understand the term

- Productivity equates to production
- Efficiency message not always well received
- Think its about working harder

Confusing communications

- Profit NOT productivity
- Target - 4% pa productivity, 3% pa milk growth
- They say... 'its all about Fonterra wanting more milk'

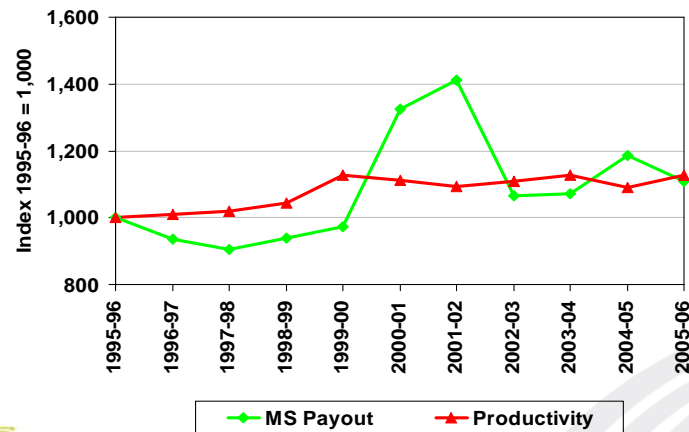


Short term v sustainable profit

Item	Year 1	Year 2	Year 2 alternate
Milk price (\$/kg milk solids)	\$4.00	\$5.00	\$5.00
Production (kg milk solids)	100,000	120,000	100,000
Income (\$)	400,000	600,000	500,000
Costs (\$)	300,000	420,000	300,000
Profit (\$)	100,000	180,000	200,000



Payout and productivity

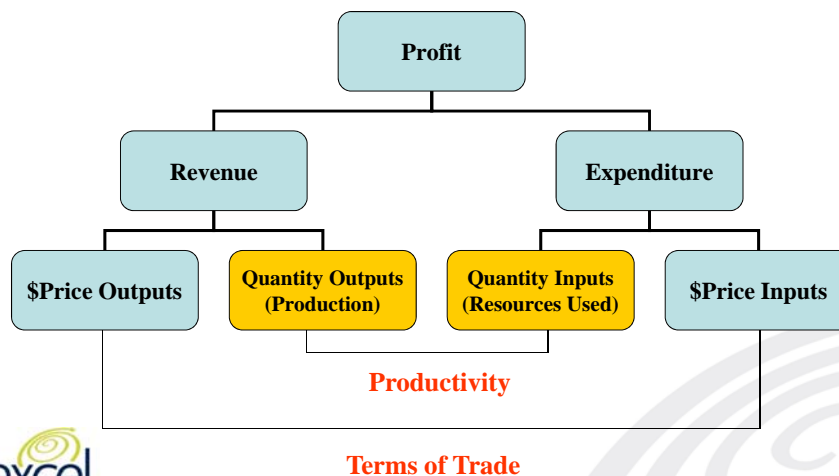


What needs to be done

Farmer understanding

- Collective actions of farmers that give rise to NZ dairy farming productivity
- Create the link to profitability
- Factors under farmer control

Profit, productivity link



DairyBase

- DairyBase – clarity about performance (benchmarks) and progress (trends)
- Farmer measures project
- Industry statistics

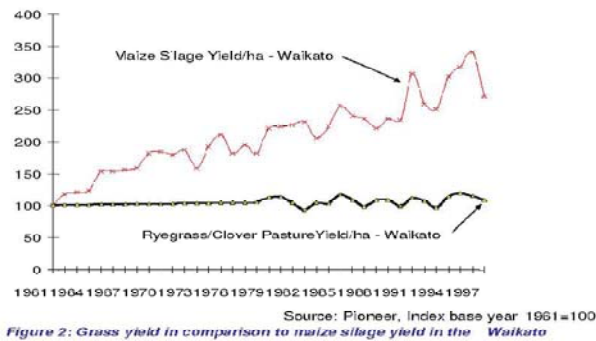


Pastoral 21

- Address declining research investment in pastoral industry productivity
- Focus – short menu of options
- Long term difficult research



Maize v pasture



Diamonds on souls of our shoes

- Robotic milking – capital for technology not land



Conclusion

- We need greater dairy farm productivity to;
regain our international competitiveness,
create sustainable farmer profits
 - Better farmer understanding
 - Farmer feedback
 - More R&D resource, better targeted