

View from the Cowshed

2023



Dairynz 



Foreword

from Jim van der Poel



The recent decline in the Farmgate milk prices will put a huge strain on farmers' revenues, yet despite these challenging conditions New Zealand dairy farmers continue to show steadfast dedication and remarkable efficiency to delivering high quality products. New Zealand farmers hold the distinction of being the world's most emissions-efficient, boasting a carbon footprint for on-farm milk production that is a striking 70% lower than the global average determined by the United Nations' Food and Agriculture Organisation. Dairy farmers drive to produce high-quality, environmentally sustainable food while also sustaining viable business operations demands hard work and unwavering commitment.

The substantial positive impact of dairy farmers on New Zealand's economic prosperity cannot be overstated. The pivotal role of dairy farming in our export market is evident, with a projected \$25 billion in export revenue to be generated by our farmers to the year ending June 2023.

However, the recent revision of the forecasted Farmgate milk price for the upcoming season has cast a shadow over both dairy farmers and the broader New Zealand economy. This downward adjustment to milk prices is poised to have a far-reaching impact. The View from the Cow Shed survey conducted by DairyNZ earlier this year offered insights that, when considered in the context of the current decline in milk prices, present pressing concerns.

Notably, rising inflation and an increase in regulatory and compliance demands emerged as major concerns for farmers. These concerns arose during a period when farmers initially anticipated a stable milk price. The projected decrease in revenue, coupled with escalating costs due to inflation and compliance requirements, is amplifying the challenges confronting farmers in the upcoming season.

As New Zealand approaches the 2023 national election, DairyNZ has analysed the survey results to explore how future policymakers can support farmers. Given the reduced revenue projections, it is imperative that any actions taken address these concerns to ensure we avoid adding undue pressure and costs on to our farmers, society and the economy.

Inflation

The issue of continued inflation presents a formidable challenge not only to the dairy sector but to all of New Zealand. This inflation is, in part, fuelled by global economic conditions, leading to a notable increase in the costs of essential commodities like feed and fuel over the last year. These escalating costs have had a tangible impact on farmers, straining their financial stability. The survey findings indicate that nearly 20% of farmers have experienced inflation rates exceeding 40% in the past year, and an additional 55% have faced inflation ranging between 20% and 40%. Given the projected reduction in milk prices and the concurrent hikes in the official cash rate and bank loan rates, farmers are feeling the financial pressure.

Therefore, it's vital the forthcoming election winner keeps tight control of government spending and avoids contributing to inflationary pressures.

Regulation

In this year's View from the Cowshed survey, dairy farmers have said the burden of complying with numerous regulatory changes is a key concern. Dairy farmers understand the continued need for improvements but these recent regulatory requirements impact costs and have created frustration due to their scale, pace and impracticality. As indicated by 65% of surveyed farmers, government regulations directly affect farm profitability, creating concern for an equal number of respondents.

DairyNZ proposes the establishment of an independent regulatory review panel comprising experienced farmers from various sectors across the country.

- This panel would provide valuable feedback to the government before regulations are implemented, offering insights into their practical implications.
- Regulators, officials and legislators would then be obliged to respond publicly to the panel's feedback before proceeding.

By engaging in transparent and meaningful dialogue with farmers, DairyNZ seeks to ensure regulations are practicable and effective and ensure regulators fully comprehend the impacts of any proposed regulations.

Mental wellness

Mental wellness remains a concern, with a significant percentage of respondents and others within the dairy farming community experiencing mental health issues. Although the figures have slightly improved from 61% in 2020 to 47% in 2023. Just 40% of respondents believe mental health services in their area receive adequate support.

DairyNZ advocates for the allocation of dedicated funding for rural mental health, specifically targeting the delivery of services in rural areas where people reside. Additionally, we call for increased government involvement in agricultural industry programs aimed at enhancing mental wellness within rural New Zealand.

Workforce

The survey findings highlight a pressing issue concerning the availability of skilled workers, as approximately one-quarter of farmers struggle to find individuals possessing the skills to fill vacancies. With an estimated shortage of 2000 workers on dairy farms for the upcoming season, we need to recruit people best suited for the roles and create pathways for youth, transferable workers and migrants, ensuring a thriving workforce.

Policymakers should continue collaborating with sector organisations to improve recruitment and retention for dairy workers, offering support for initiatives such as the Great Futures in Dairying plan and flexible immigration policies.

Environment

Over the past decade, New Zealand dairy farmers have increased earnings from the dairy sector while undertaking actions and investment on-farm to improve environmental outcomes. These actions, which include fencing 99.8% of waterways on-farm to exclude dairy cattle, undertaking substantial riparian planting, establishing wetlands and implementing various catchment projects, have contributed to improved water outcomes and reduced environmental impact.

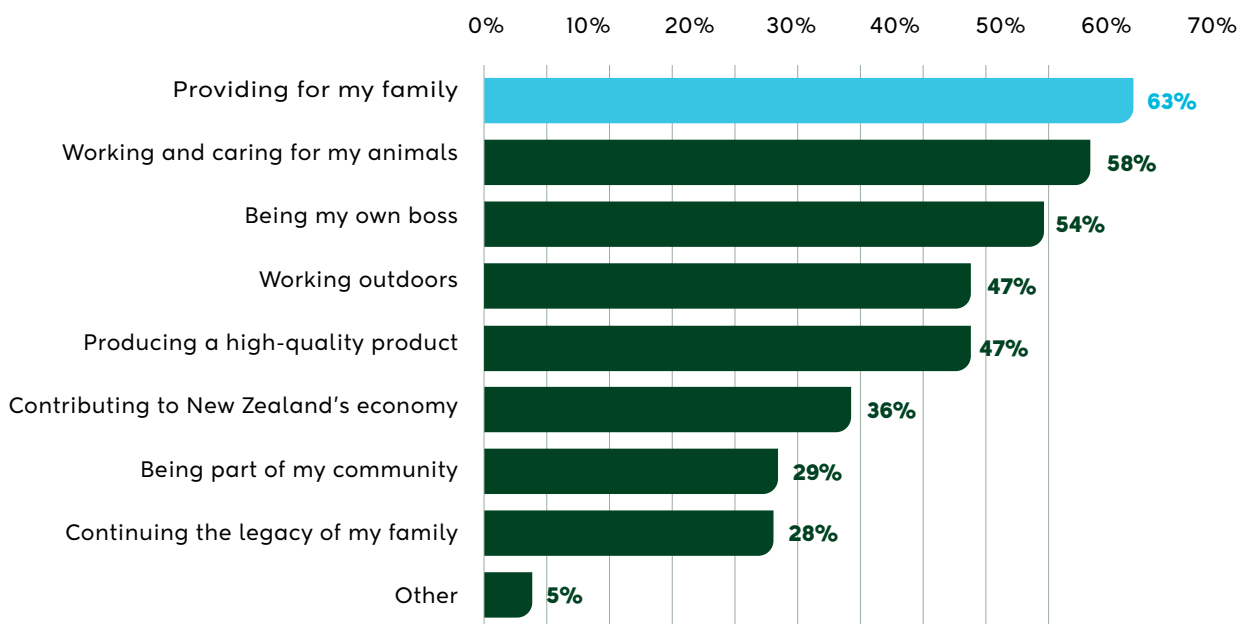
However, farmers believe there is a lack of broader understanding of the environmental improvements made and the carbon efficiency of New Zealand farms. Seventy percent of those surveyed believe the public does not fully comprehend New Zealand's low carbon agricultural footprint. Given New Zealand is one of the world's most carbon-efficient dairy producing countries, it is understandable most farmers think current emissions targets are too ambitious.

The impending review of these targets should account for the warming impacts of methane and the global ramifications of New Zealand's actions. It is essential New Zealand develops a regulatory environment that enables dairy farmers to adopt emission-reducing technologies easily and quickly as they become available.

It is vital we acknowledge our dairy farmers' contributions to environmental improvements – and their unwavering commitment. Their efforts have positioned New Zealand as a global leader in dairy production, increased economic growth and fostered environmental sustainability. However, significant challenges remain, ranging from inflationary pressures and burdensome regulations to mental wellness, workforce shortages and environmental stewardship. Adding further complexity and uncertainty at a time when there will be considerable economic pressures, will be detrimental to farmers, the sector and New Zealand. Policymakers, sector bodies and the public must work together to support dairy farmers with targeted measures and effective solutions. By doing so, we can ensure an economically viable and vibrant future for the dairy sector while preserving farmer and environment well-being for future generations.



Which of the following motivates you the most to get out of bed in the morning?



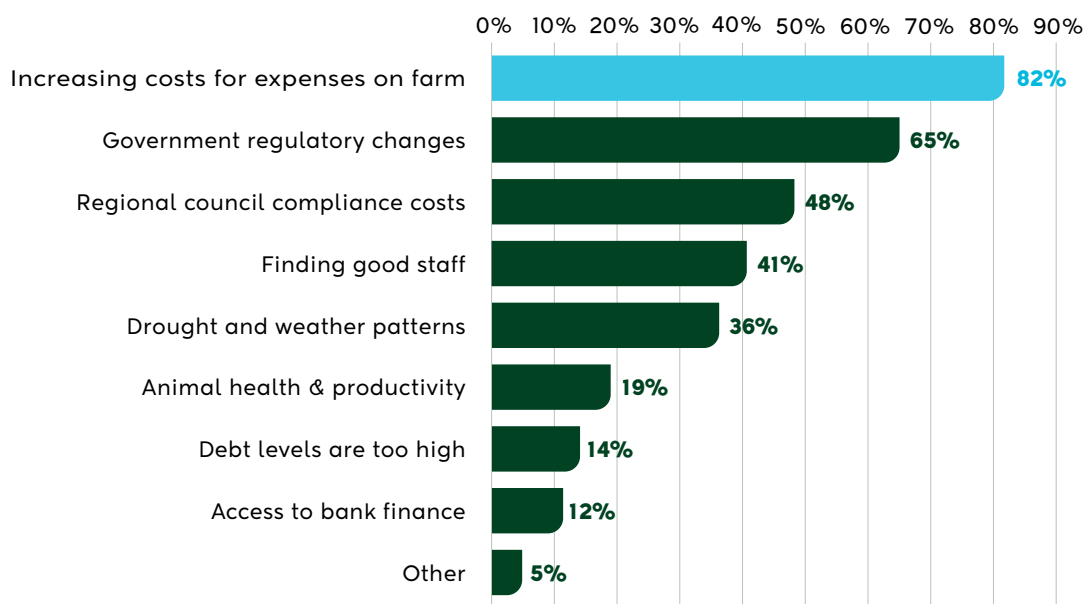


Cost pressures

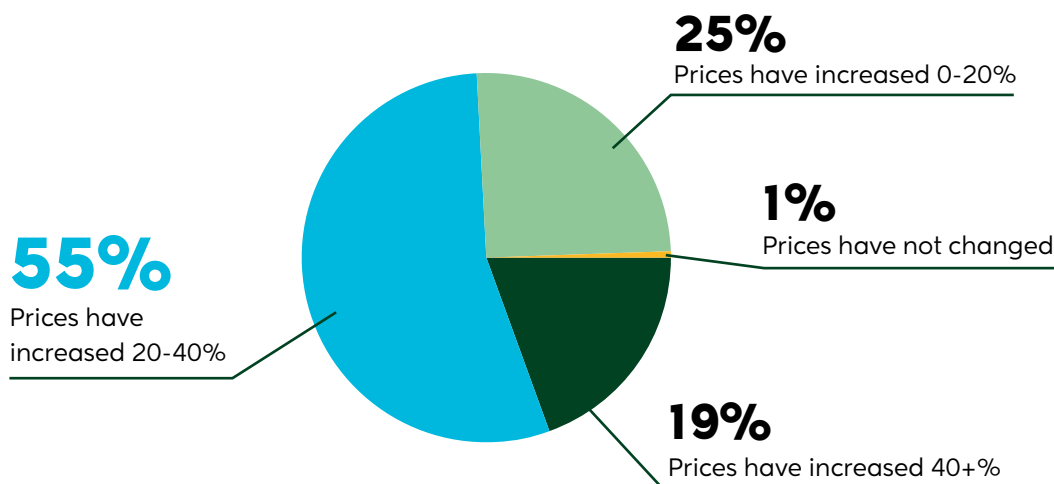
Farmers' biggest concerns outside of Farmgate milk price is inflation and local and central government regulation.

On-farm inflation is significant with almost three-quarters of farmers reporting that they have experienced an increase in prices of over 20% in the last twelve months

Other than the Farmgate Milk Price, what of the following issues are impacting the profitability of your farming business?



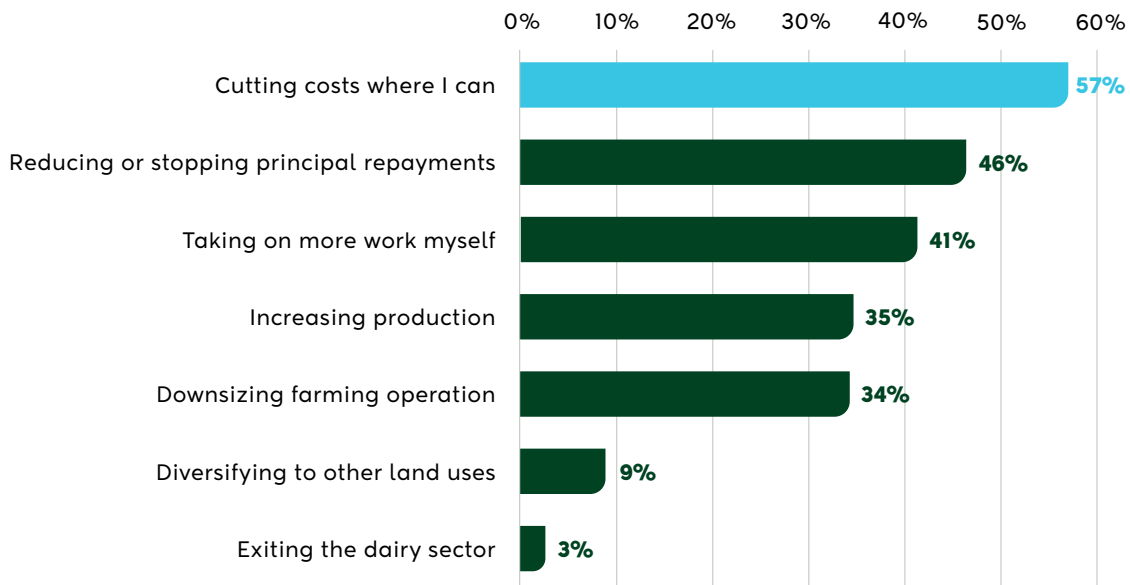
Which of the following statements best describes your experience with on-farm inflation (feed, fertiliser, equipment etc) in the last 12 months?



Managing costs

Prior to the drop in the forecast Farmgate milk price, farmers were responding in different ways to rising interest rates.

What impact have rising interest rates had on your business?

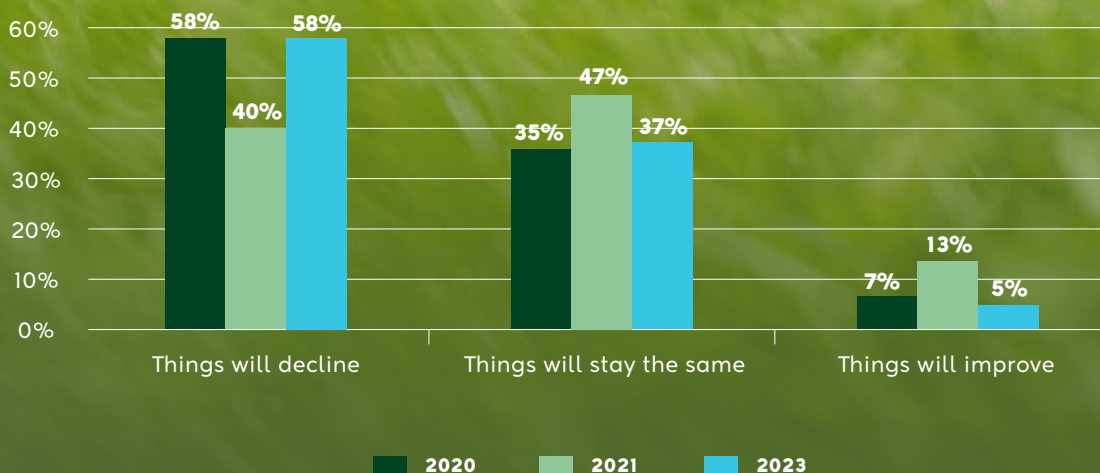


Community outlook

Farmers were not optimistic about the outlook for the communities they are part of prior to the drop in forecast Farmgate milk price. The overwhelming sentiment is that things have got worse and will continue to do so. The drop in forecast milk price is likely to have intensified this sentiment.

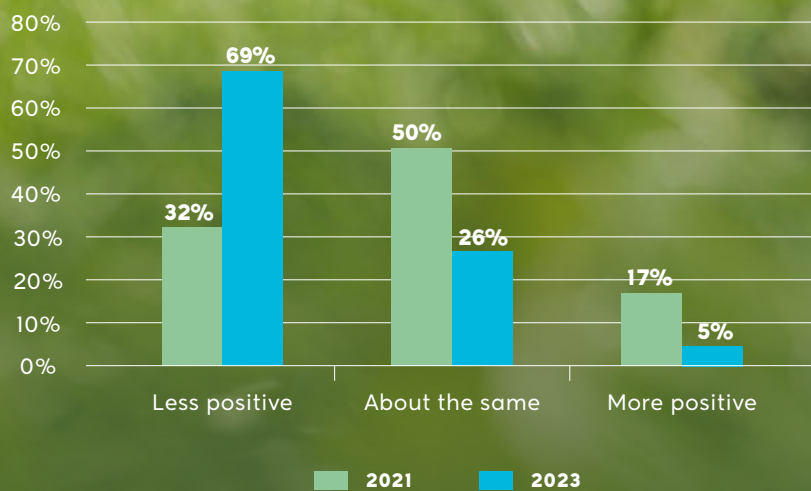


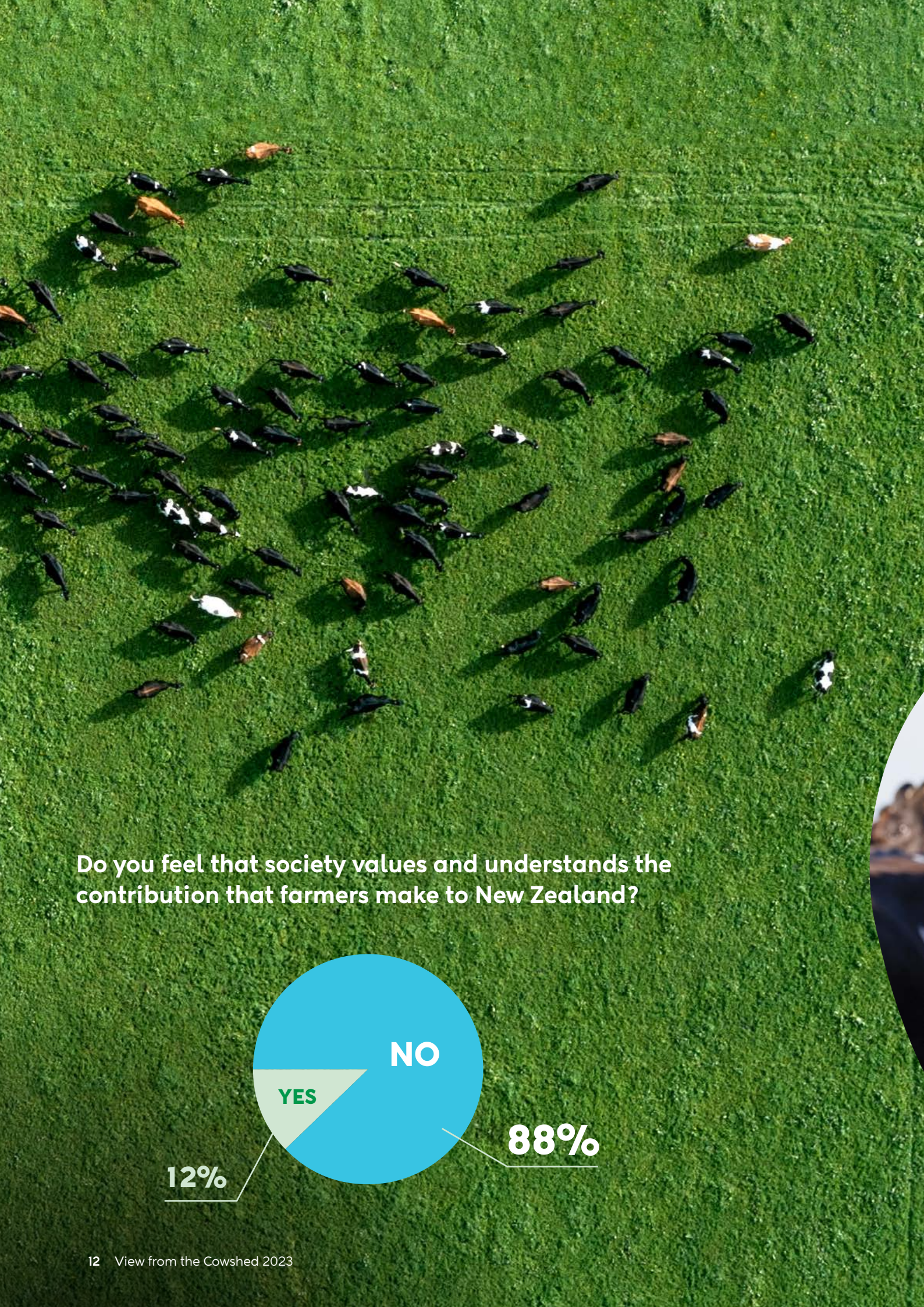
How do you expect the outlook for the community that you are part of to change over the next three years?



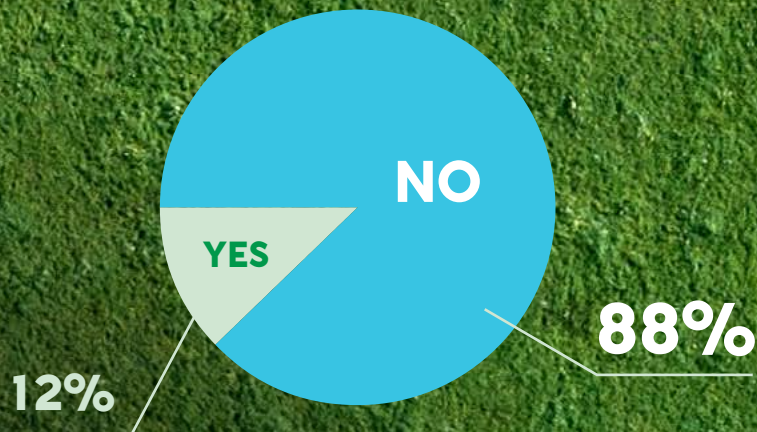


In comparison to 12 months ago, do you feel the outlook for the community that you are part of is:





Do you feel that society values and understands the contribution that farmers make to New Zealand?





As a young farmer starting out, I'm just looking at everyone struggling as the price of everything goes up. Farmers are paying more and earning less. Staff costs are way up, and everyone is expecting more because they're feeling the impact of inflation too.

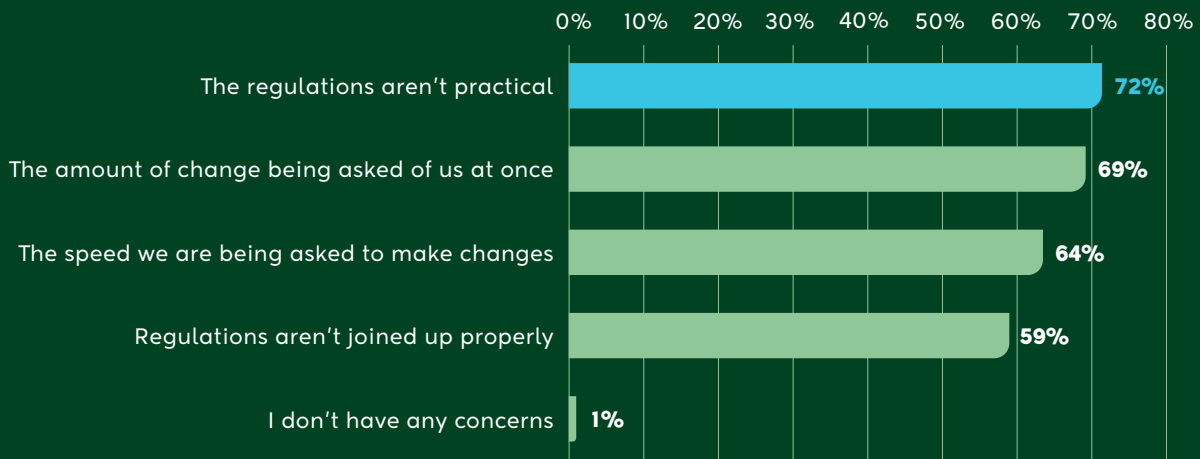
Dayna Rowe
Pongakawa



Regulation burden

The impact of local and central government is still a major concern for dairy farmers.

When it comes to Government regulation, which of the following are you concerned about?





Regulation is driving a lot of change in our community at the moment and that's receiving a mixed response from farmers. Some are just getting on with it, but others are withdrawing and getting isolated. We need to be bringing everyone along with us, not leaving them behind.

Andrew Booth
Mangakahia



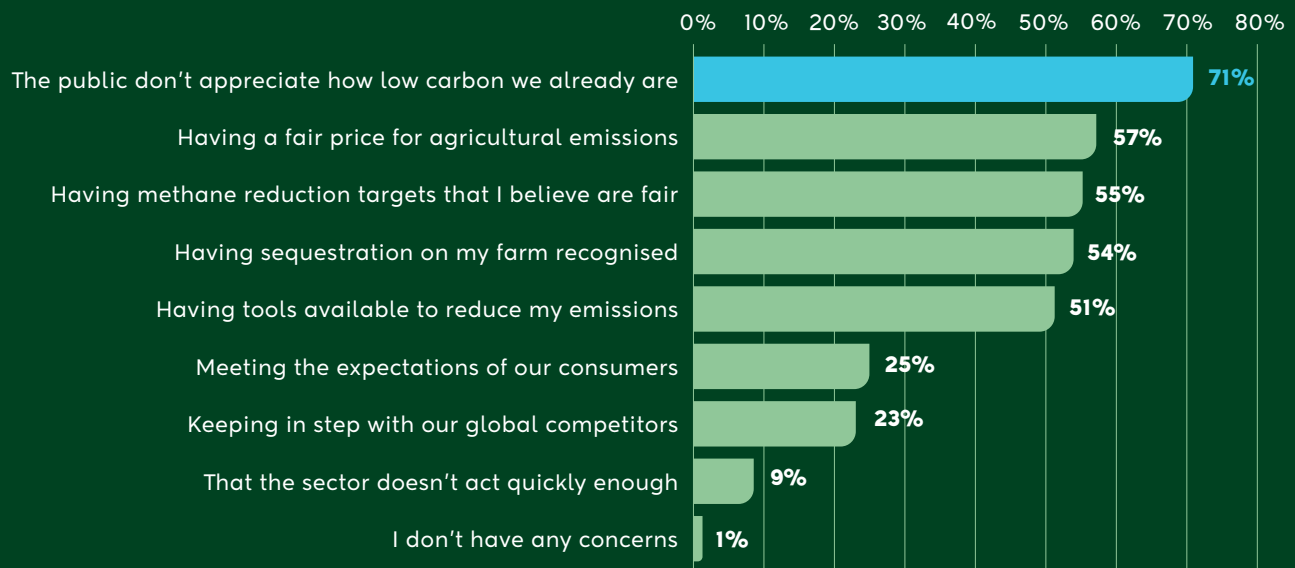
“

We all want better outcomes when it comes to climate, water, and biodiversity, but the regulations need to join up properly. At the moment none of the policy joins up and that's frustrating for me as a farmer.

Luke Templeton
Riverton

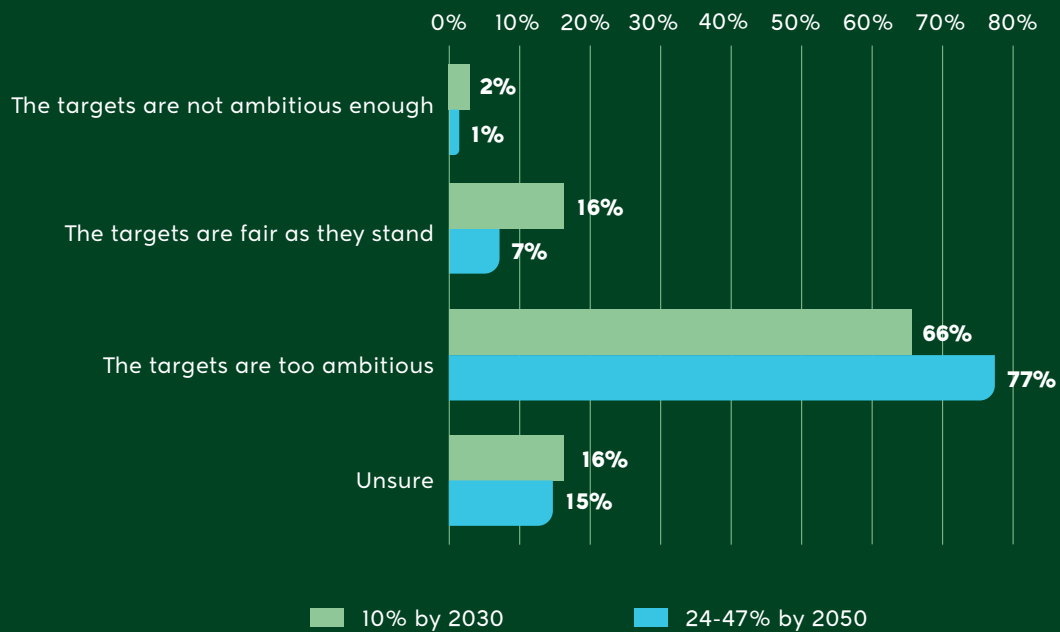
Climate change

When it comes to climate change policy and actions you are being asked to make, which of the following are you concerned about?





Which of the following best describes your view with regard to the current legislated methane reduction target of.

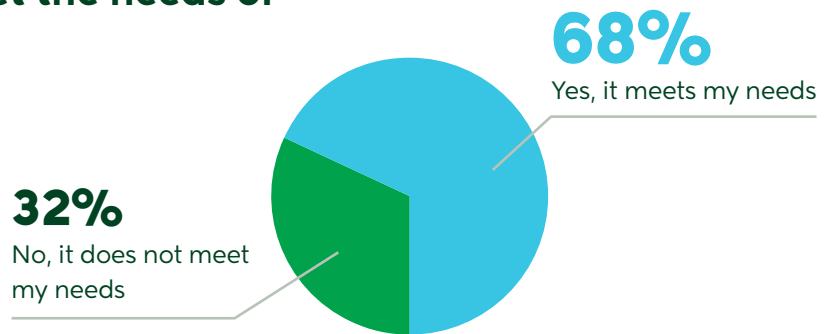


Digital connectivity

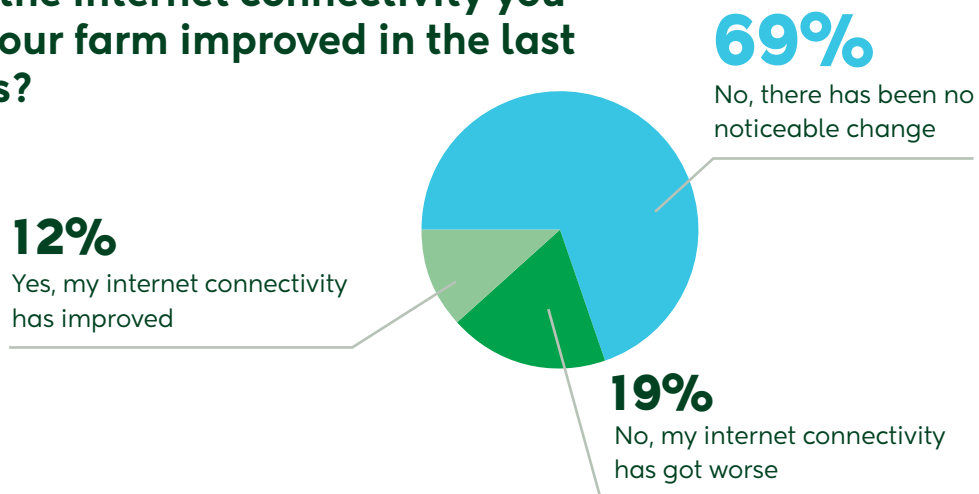
Farm connectivity is improving, compared with previous years. However, around one third of farmers still say they don't have the connectivity (mobile coverage or internet) they need.



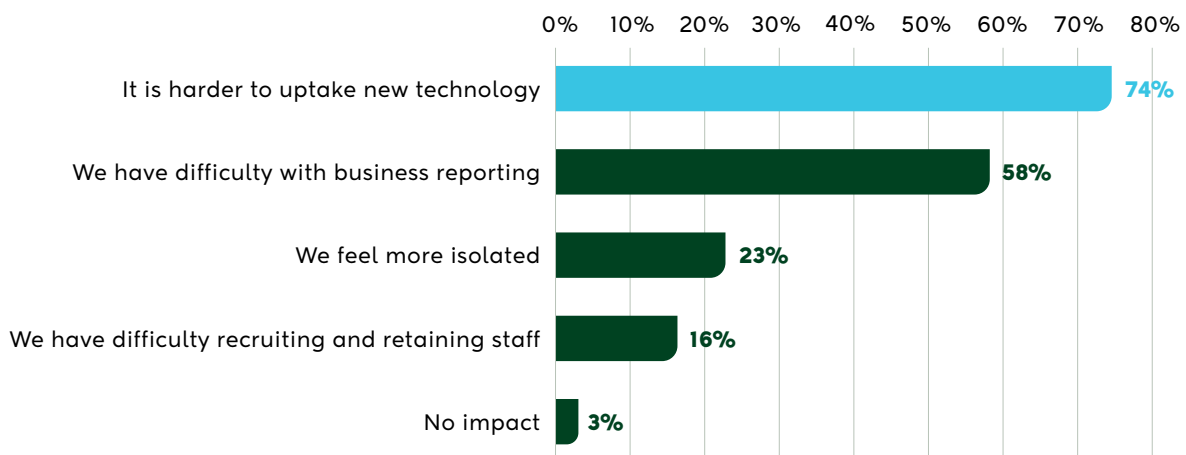
Does the internet connectivity you have on your farm meet the needs of your farm business?



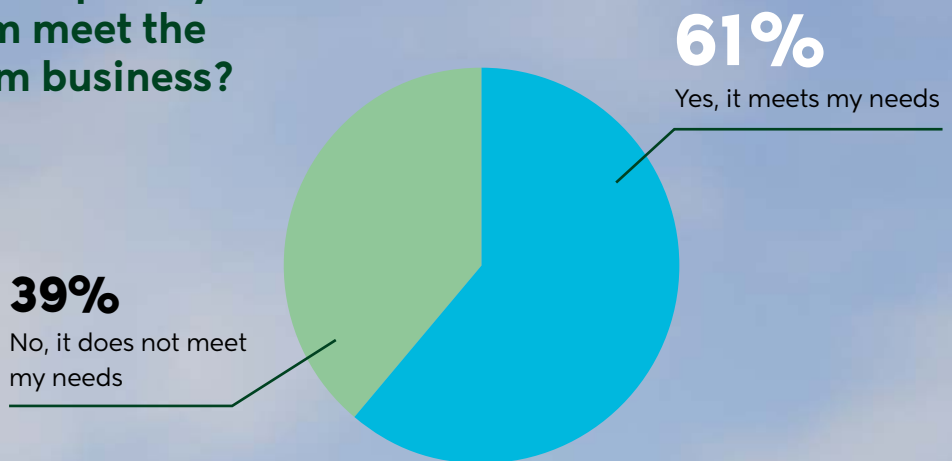
If no, has the internet connectivity you have on your farm improved in the last 12 months?



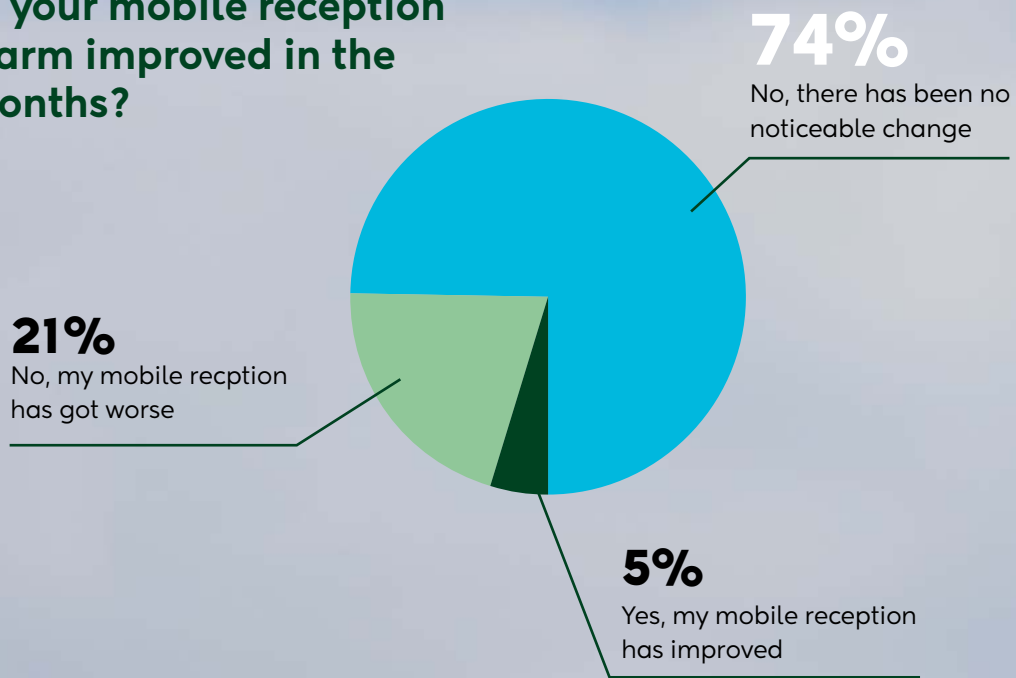
What impact does poor internet connectivity have on your business?



Does the mobile reception you have on your farm meet the needs of your farm business?



If no, has your mobile reception on your farm improved in the last 12 months?

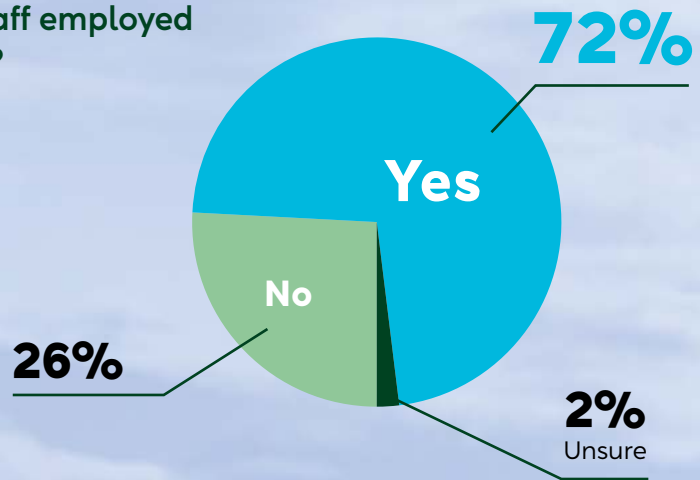


What impact does poor mobile reception have on your business?



Workforce

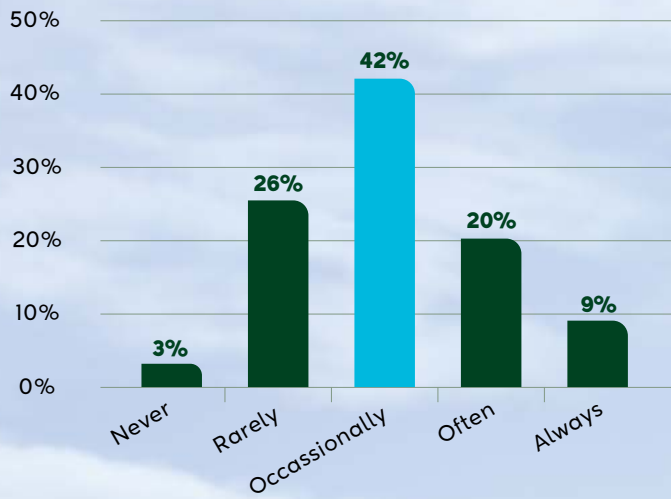
Do you currently have enough staff employed in your team to meet your needs?



If no, what are the impacts of being short staffed on your farm:



When recruiting, are you able to find staff with the skills and experience that you need?

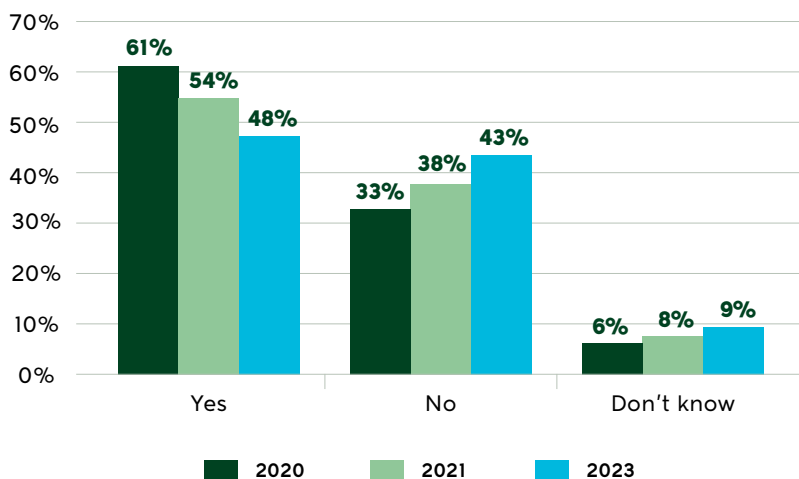


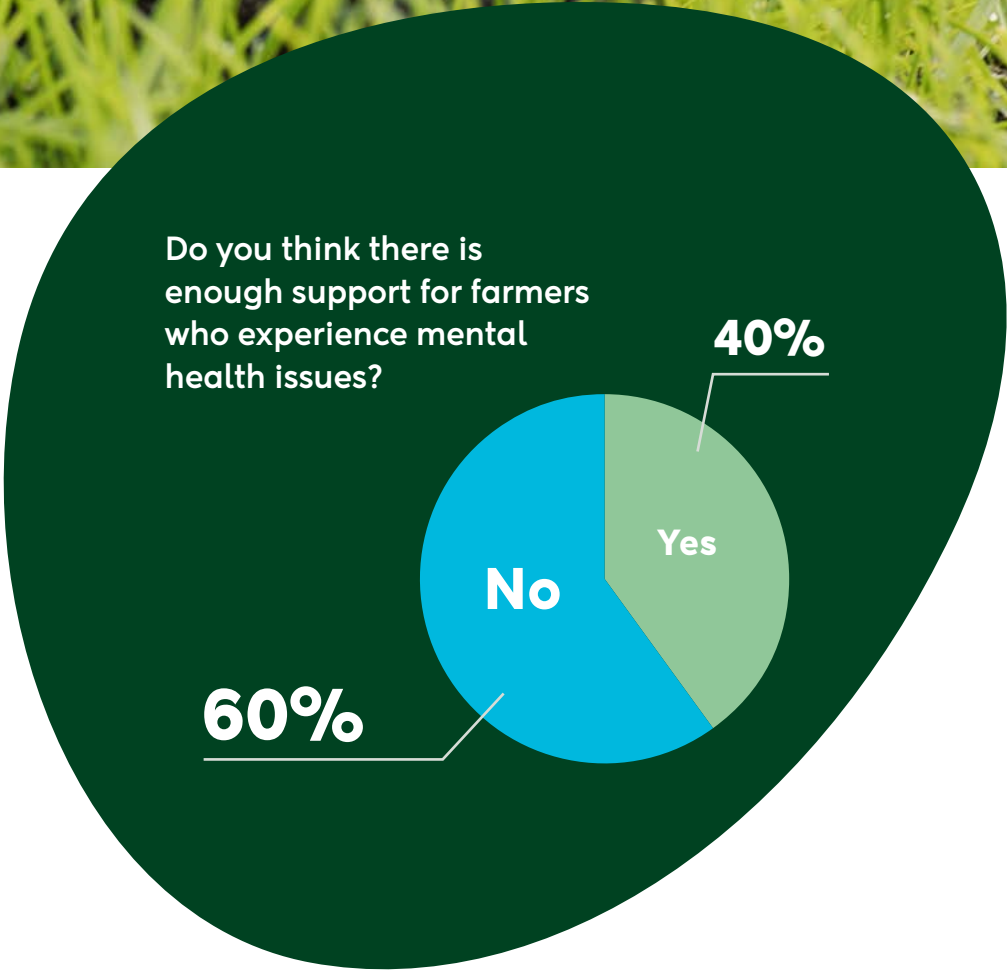


Mental Health

The prevalence of people experiencing poor mental health and having adequate access to mental health services remains a concern. Declining revenues on-farm are likely to add to the pressures that farmers are facing and see an increase in demands for services.

Have you or someone on your farm experienced mental health issues over 2020-2023?





This report provides insights on the outlook of dairy farmers, based on information provided to DairyNZ, through a survey carried out in March to April 2023. There were 314 responses to the survey. Weighting was used to ensure that the results matched the herd size and regional distribution of New Zealand dairy farms as closely as possible.

Dairy Sector Quickfacts

Economics and markets



Herds and cows¹

Total number of herds **10,796**

Average herd size **449**

Number of cows (milking) **4.84M**

Milk production¹



20.78 billion

litres of milk processed by New Zealand dairy companies in 2021/22

Export markets²

25.1 billion

forecast value of dairy exports for the year ending June 2023



TOP 5 MARKETS for New Zealand dairy exports are:



Greatest contribution to regional GDP in 2020/21³

Southland
\$6.3B
and employs
4,900 people

Waikato
\$10.5B
and employs
14,200 people

Canterbury
\$10.6B
and employs
9,900 people

¹Economic_survey_2020-21_a4_booklet_web.pdf (dairynz.co.nz)

²Situation and Outlook for Primary Industries June 2023, Ministry for Primary Industries, June 2023

³Financial Stability Report May 2022 (rbnz.govt.nz)



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