



Young Dairy Development Program “Developing Dairy Communities”

FARMERS TOLD TO UNDERSTAND PAYMENT SYSTEMS

A workshop in Warrnambool has helped dairyfarmers to learn more about increasingly complex milk price payment systems.

The Young Dairy Development Program (YDDP) hosted the workshop at the Flying Horse Inn on July 17 which heard from Warrnambool Cheese and Butter, Murray Goulburn and Fonterra representatives and UDV state president Kerry Callow.

Dairy Australia manager strategy and knowledge Joanne Bills also outlined the drivers of milk price and future predictions for demand and supply.

Ms Callow told more than 50 farmers and service providers attending the workshop that she was concerned about the increasing complexity of payment systems.

“Over the years as factories aimed to improve their own efficiencies they have introduced a number of additional incentives as market signals,” she said.

These include seasonal, productivity and quality incentives in the form of premiums.

Ms Callow said factories had introduced a range of payment options designed to tailor a milk price best suited to individual farm businesses.

While saying this approach may not necessarily be wrong, Ms Callow questioned whether the “increasingly complex payment systems” might have unintended consequences.

“It is harder to compare –how do you know you have the best deal?”

“As we are faced with one adjustment after the other I wonder where we are heading and if we are really better off.”

Ms Callow said that a flatter production curve might make a factory more efficient but could inadvertently increase the cost of production on farm as farmers move to less seasonal milking patterns.

Ms Callow advised farmers in the audience to fully understand their contracts and payment systems and seek advice if they need to.

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“The UDV doesn’t set the farm gate price or the payment options but we are talking to the companies about pricing and encouraging farmers to treat any document that requires a signature as a contract. If you don’t understand it, seek advice before you sign it.”

Ms Callow said many payment options came with obligations on the farmer and she warned that “a higher price does not always translate to more profit”.

“I’m surprised at how many times people say ‘I didn’t know that was in the deal’,” she said.

Farmers in the audience echoed Ms Callow’s sentiment about the complexity of payment systems. However, processor representatives said the systems were designed to work for individual farmers, present various options and accurately predict income based on opening prices.

YDDP south-west coordinator Liza Fahey said the event helped farmers to better understand the forces that drive prices while showing there were positive signs for the future.

The workshop was supported by Dairy Australia, Fonterra Australia, Bonlac Supply Company, Warrnambool Cheese & Butter Factory Co Ltd, Murray Goulburn Co-operative, Department of Primary Industries, United Dairyfarmers of Victoria, National Centre for Dairy Education Australia, GOTAFE and Five Star Stockfeeds.

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