

Victorian dairy farmers advised to take action now before drought sends them to the wall

The drought in Victoria is one of the worst for years. Farmers have experienced the fourth season in a row where rainfall has been insufficient to support livestock. In some parts of the state, recent rainfall provided temporary relief, but in no way has this broken drought.

Dairy farmers are especially hard-hit. When there's no rain, there's no grass to feed their herd. With poor feed, the milk often dries up, and so does their livelihood. Some farmers are already selling their cows due to lack of feed and because their cashflow to purchase supplies has dried-up. Others have gone into debt, buying in feed for their livestock.

And it's not just the financial toll that's affecting farmers. The incidence of stress, mental health issues and even [suicide](#) is rocking communities all over the country.

Milk is cheaper than water in the supermarkets

Farm consultant Kevin Beecroft regularly visits farms around Victoria. A former dairy farmer, he has seen the Victorian farming community hit hard by the drought and the pressures to sell their product at uneconomic prices.

“In the supermarkets, a litre of water is more valuable than a litre of milk”, explains Mr. Beecroft.

“The cost of production continues to rise, yet the retailers keep squeezing suppliers all the way down the line. If the milk price doesn't rise, their profit margins get slimmer and slimmer. They need to cut costs and have a totally different focus on more efficient production. The drought has only exacerbated the problem.”

Other changes in the industry have also hit farmers hard, such as the sale of dairy cooperative Murray Goulburn. The organisation was one of the biggest in the country with over 2,500 suppliers. After its management were found to have engaged in “unconscionable conduct and illegally made false or misleading representations to its suppliers in forecasting a milk price”, many farmers found themselves in dire straits.

Murray Goulburn has recently been purchased by Canadian dairy ‘superpower’ Saputo.

There's good news on the horizon for dairy farmers

The viability of many family-owned businesses is in doubt. Many producers have already left the industry. The number of dairy farms in Australia has halved over the last 20 years.

Though the picture can seem grim, for some dairy farmers there is good news. The domestic and international demand for milk products is still strong. Some farmers are looking to increase the value of their raw commodity by going organic.

Organisations like [Australian Consolidated Milk \(ACM\)](#) and [Organic Dairy Farmers of Australia](#) believe that having a more sustainable approach to farming and targeting the public's increased interest in ‘healthy’ products, is the right way to go for many producers. It's all about adding value and responding to the market.

Other cooperatives like [Norco](#) boast a “solid set of financial figures”. They base their success on differentiating their product from the cheaper, retail brands and claim to be gaining consumer support.

What are the options for dairy farmers? (and what are the risks of delaying action)

The prospect of losing their farm is heartbreaking to farmers. However, if trouble is looming, we recommend you take these three steps:

- 1. Seek the advice of an experienced agricultural consultant.** They may be able to identify ways to make your farming enterprise more efficient.
- 2. Speak to your bank about managing your finances before things get too bad.** Though some banks have foreclosed on farms, many want to be perceived as helping small business thrive. They may be more lenient on loan requirements if they know you have a firm plan in place. Many banks offer 'payment holidays' or interest reductions on loans through difficult times, but it's essential that farmers speak to their bank early.
- 3. Most importantly, take control of your situation and be proactive by contacting a qualified accountant or call a business recovery expert** like BRI Ferrier before any debt recovery procedures commence.

How BRI Ferrier can help

For advice on managing your farming enterprise, contact BRI Ferrier. We can assess your current situation and advise on a path forward to minimise further risk.

Early intervention is often the key for a successful restructure of your business. BRI Ferrier will develop and implement a restructuring strategy that is in the best interest of all stakeholders.

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Need advice?

Our broad experience and industry resources equips us to assist in the most complex situations. [Contact us](#) to find out how we can support you.

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