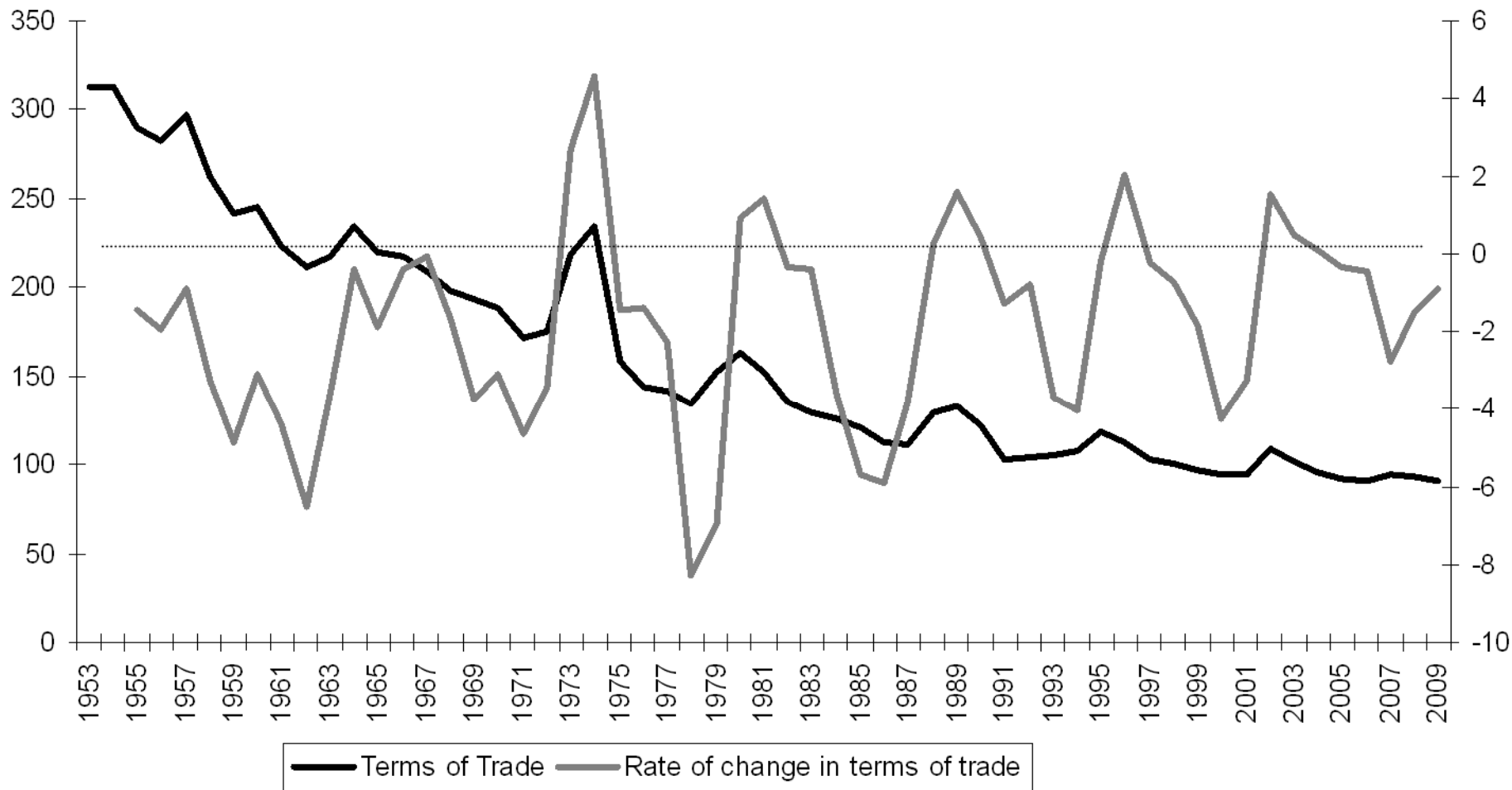


Terms of trade and rate of change in terms of trade

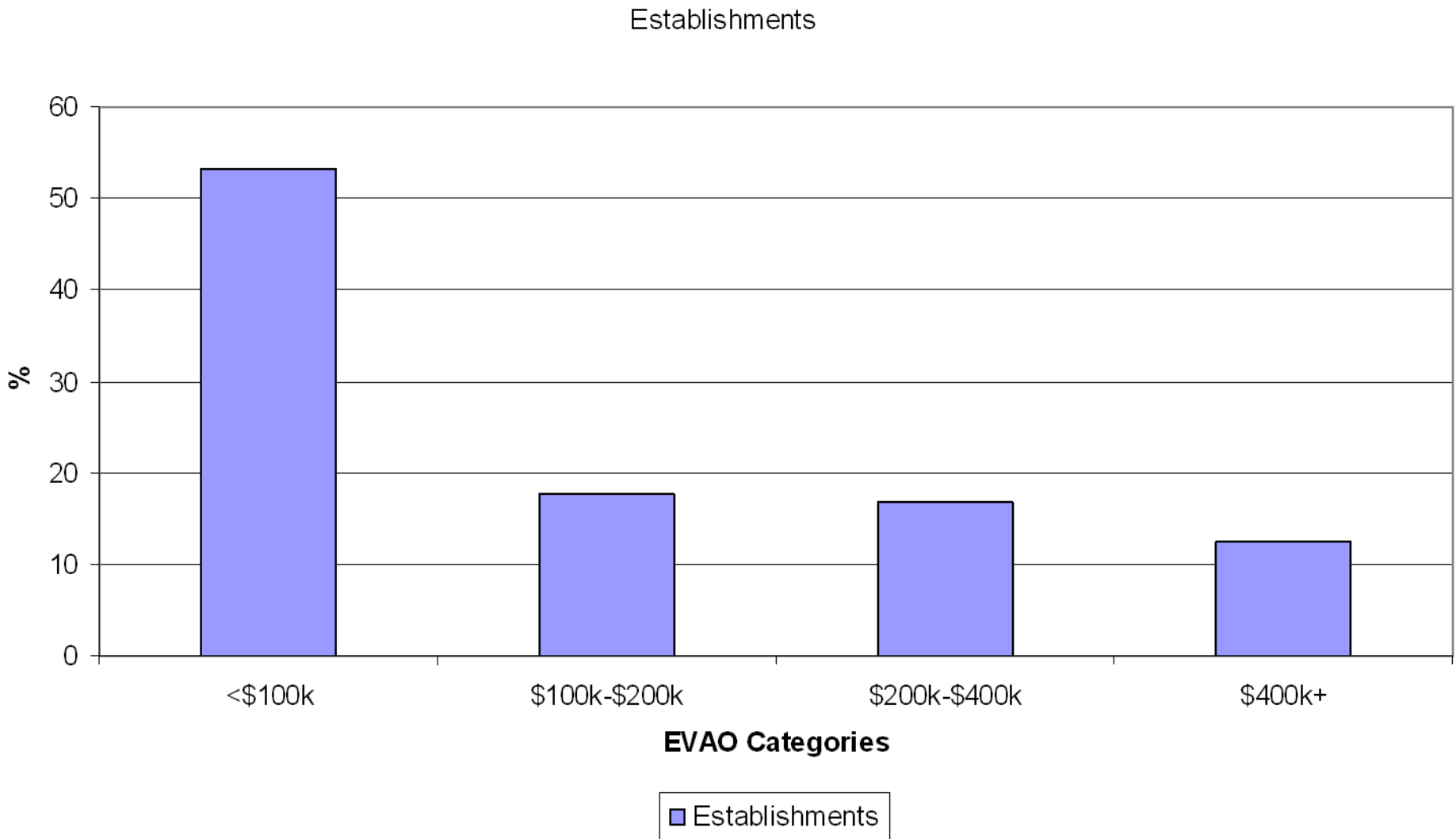




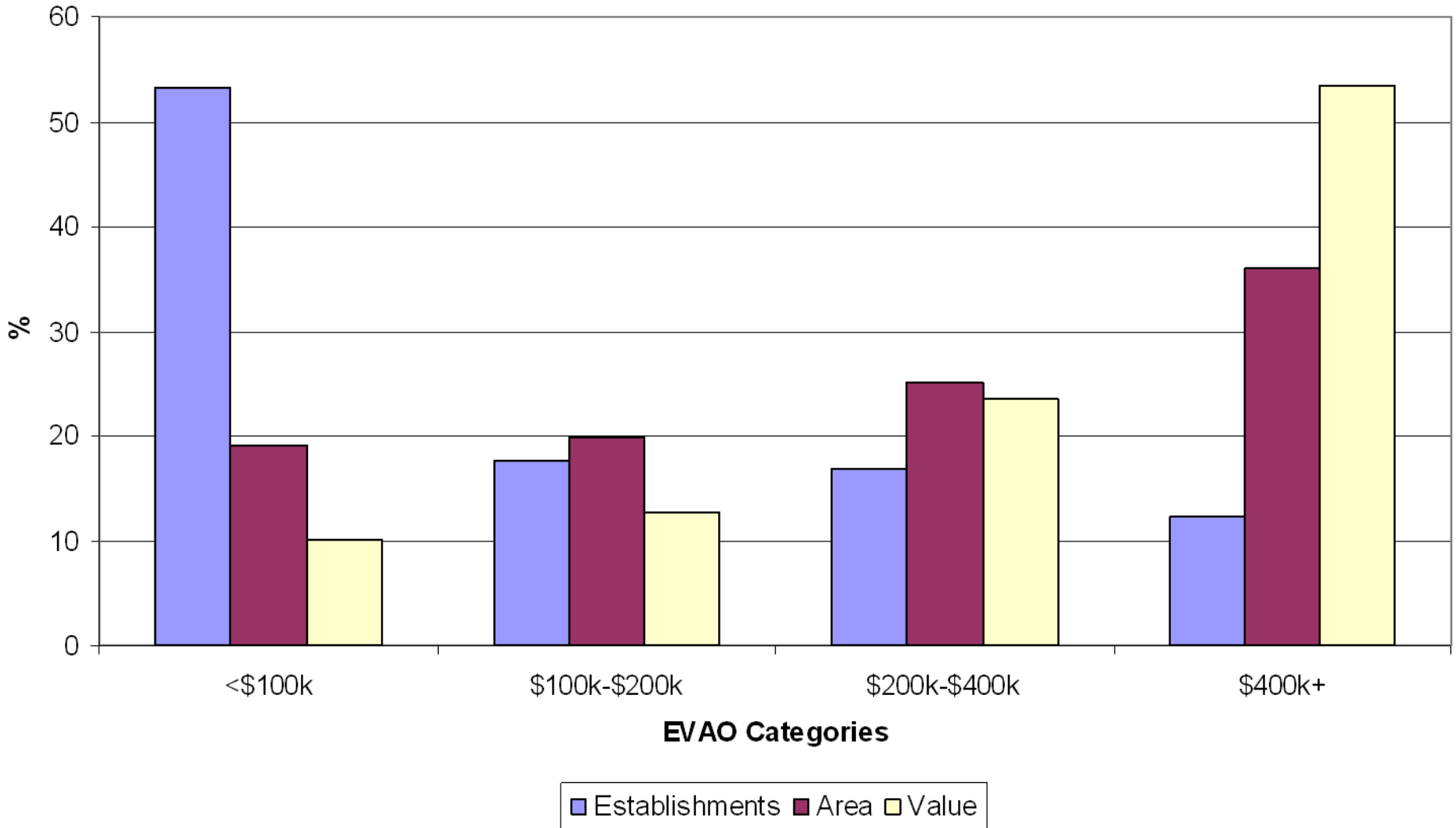


Farm establishments by \$ scale

Victoria 2006

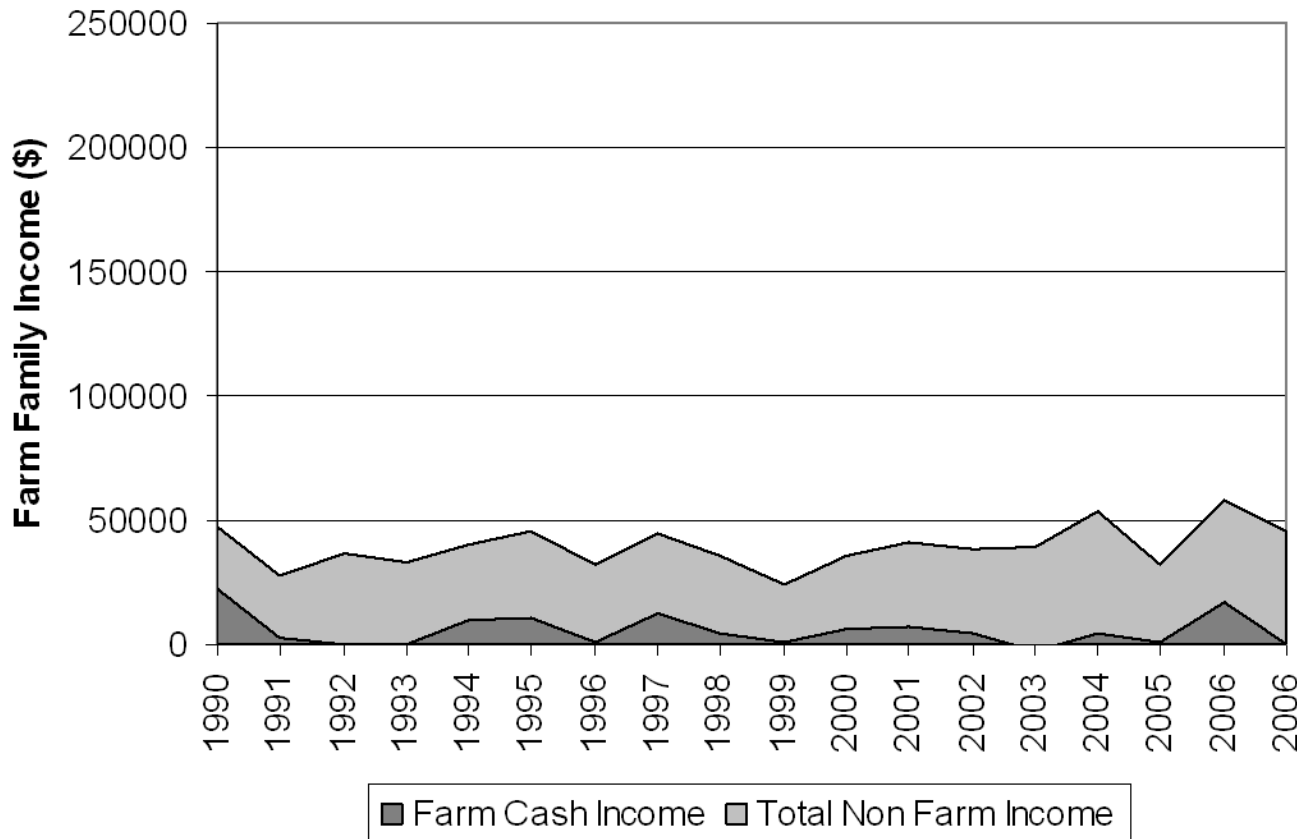


Farm establishments, area and value by \$ scale Victoria 2006



Family income broadacre farms from farm and non-farm sources

\$25k-\$100k EVAO: 1990-2007

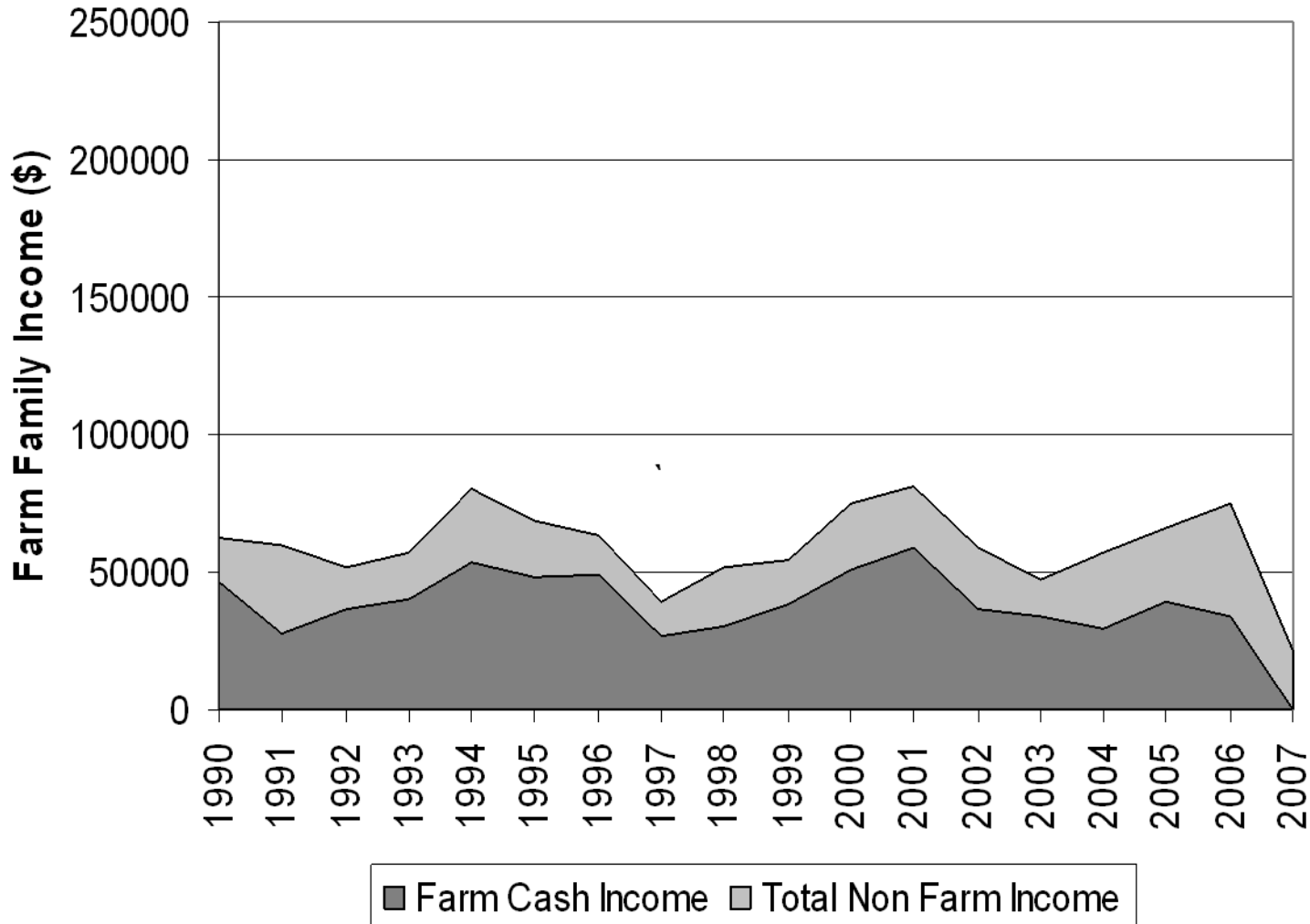


Unlikely to be generating sufficient income to invest, build risk reserves or support family without off-farm income.

Family income sustained by off-farm income.

Family income broadacre farms from farm and non-farm sources

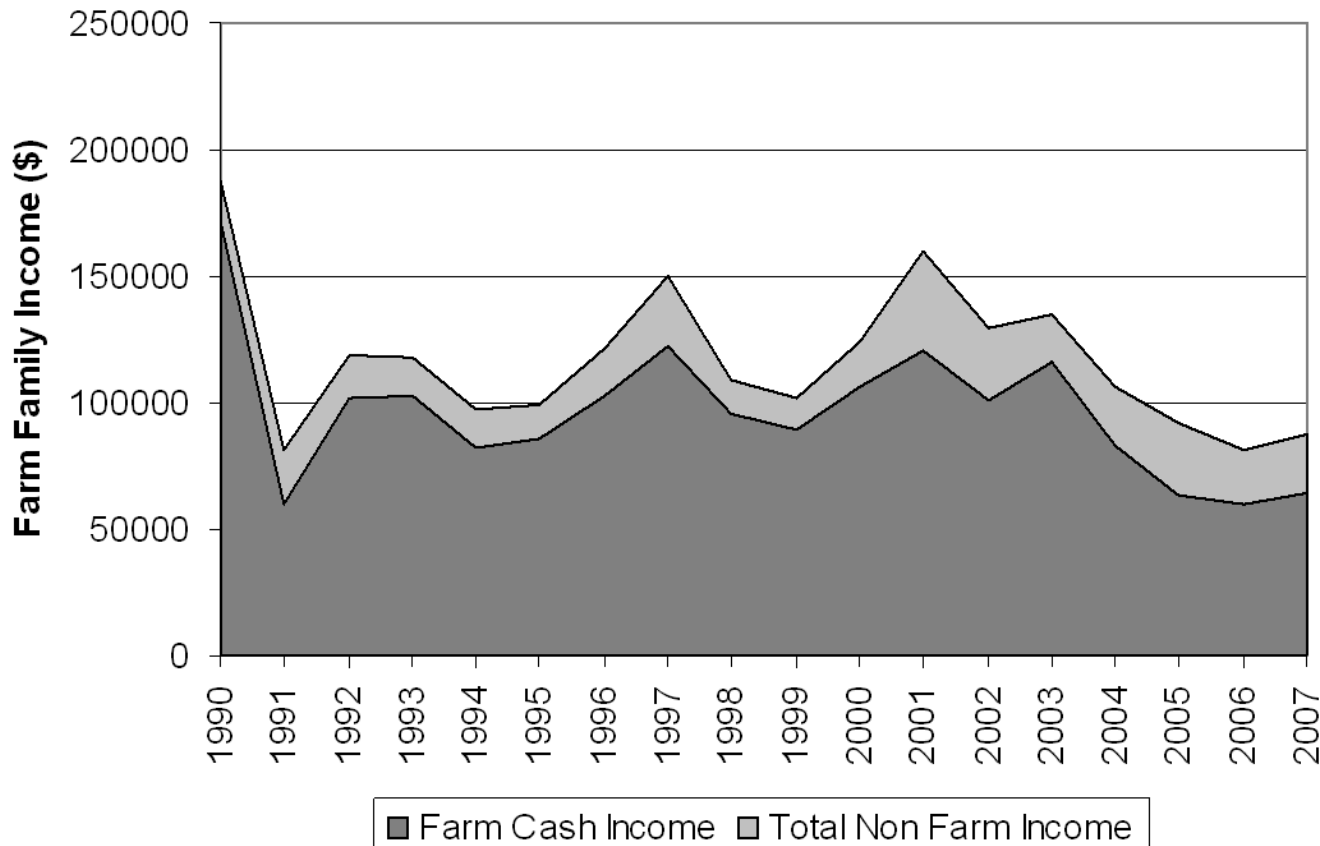
\$100k-\$200k EVAO: 1990-2007



Farm income makes a significant contribution to family income.

Non-farm income is a significant secondary income source.

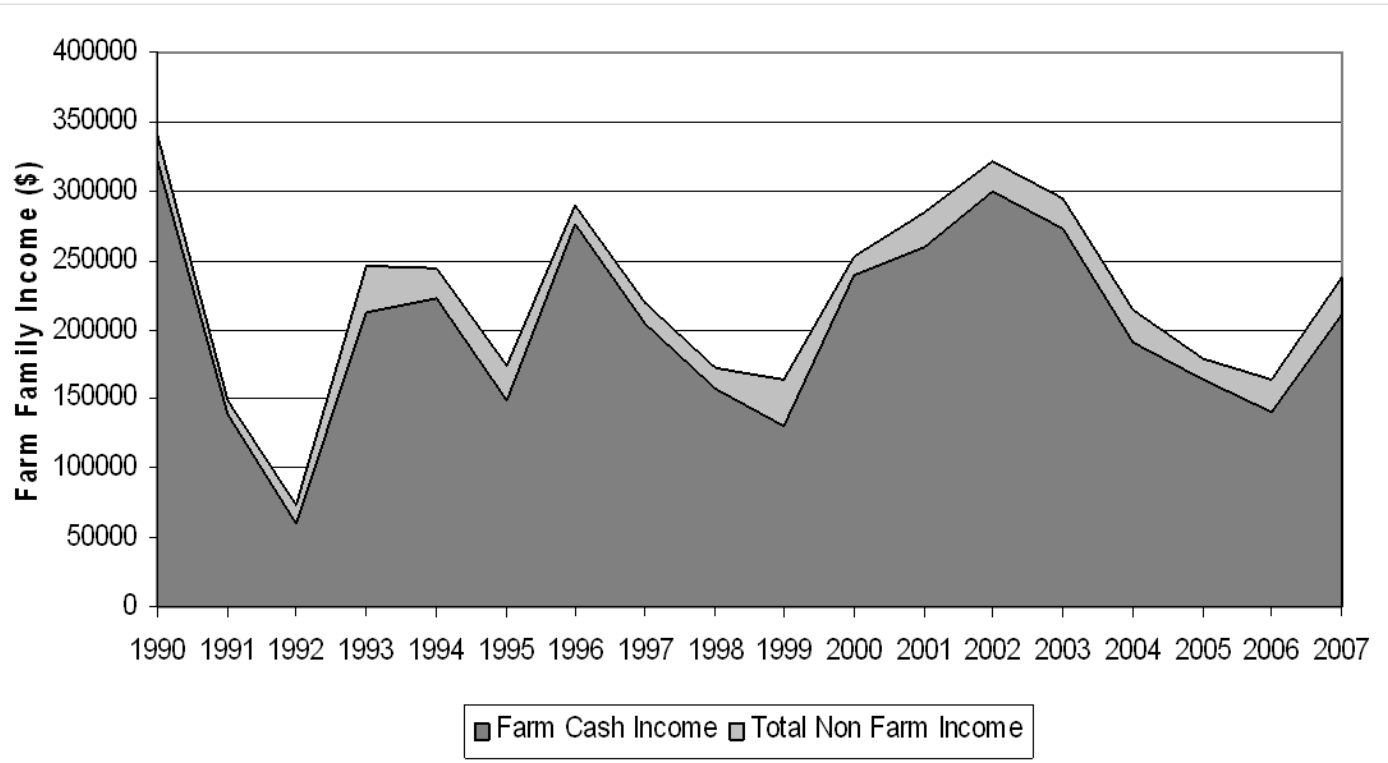
Family income broadacre farms from farm and non-farm sources \$200k-\$400k EVAO: 1990-2007



In 'normal' seasons these farms have generated a healthy farm family income with only limited supplementation from off-farm sources.

The current run of dry seasons has cut severely into this income.

Family income broadacre farms from farm and non-farm sources \$400k+ EVAO: 1990-2007



Generate a volatile, but sustained high cash surplus.

Impact of dry seasons is there, but less severe than in other segments.

Suggests there is the capacity of many of these businesses to adapt to changing climate.

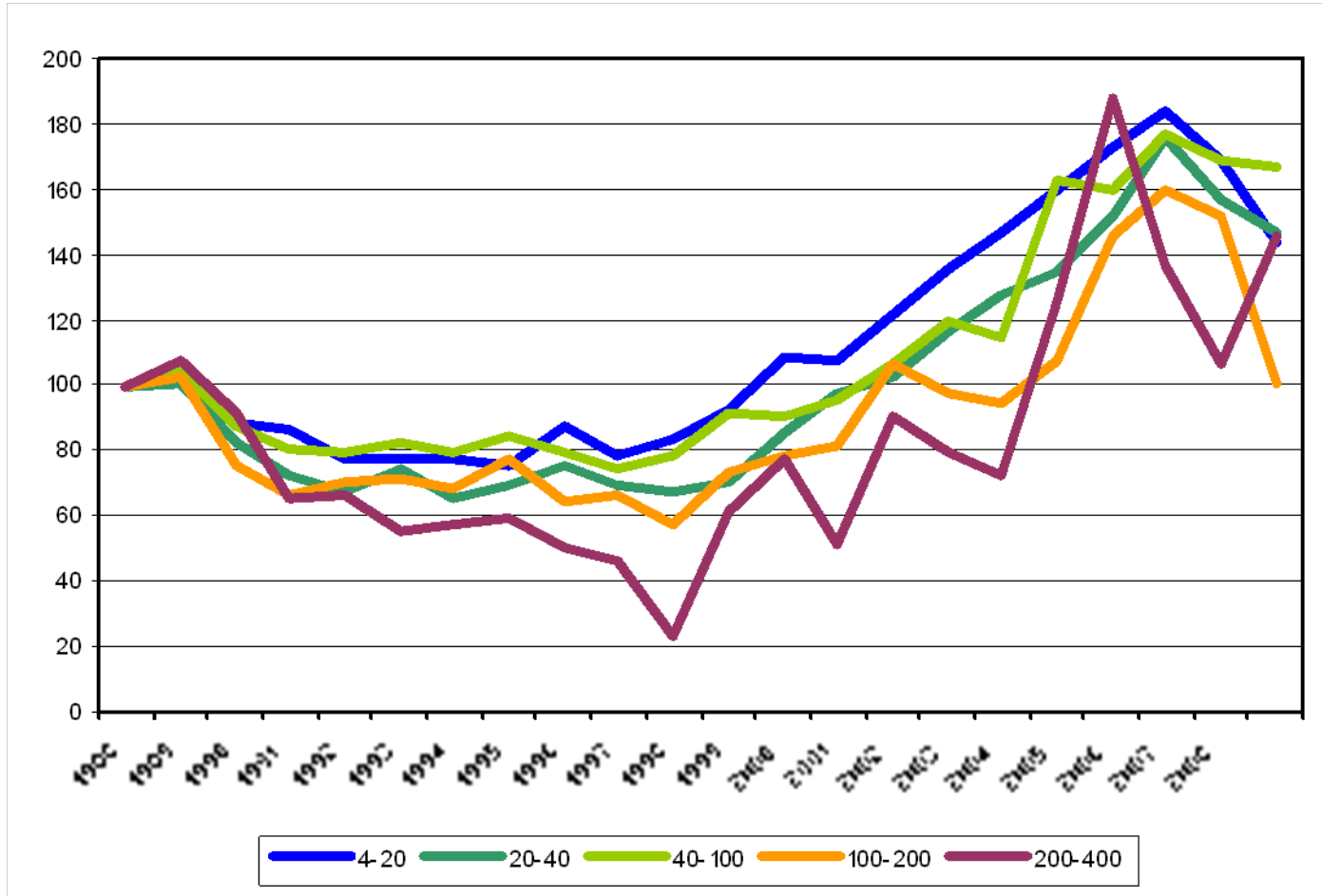
Income is variable, but capacity exists to build resilience to cope with income variation.

Source: ABARE

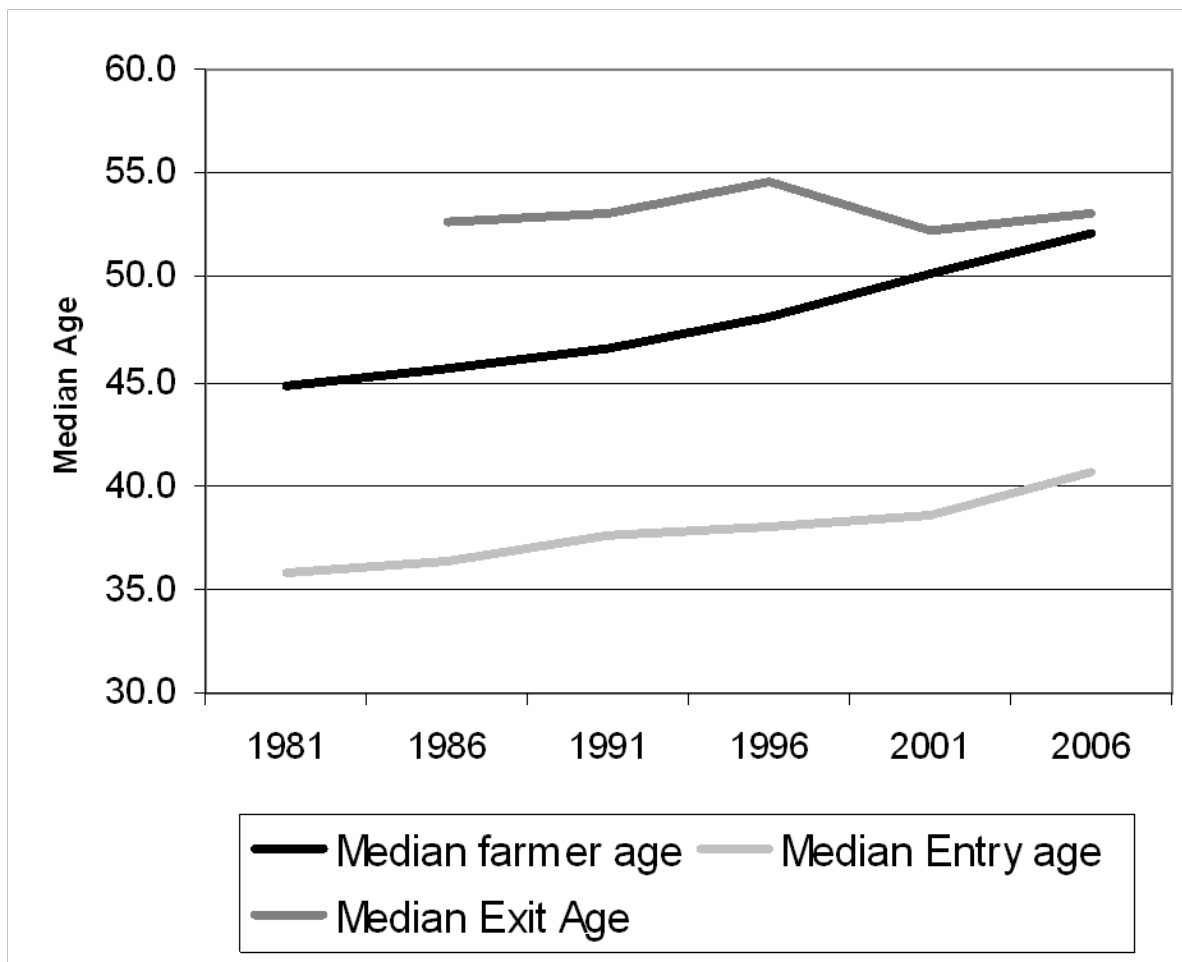
Rural land values by lot size

Victoria 1988-2009

Indexed 1988=100



Median farmer age, exit age and entry age Victoria 1981-2006

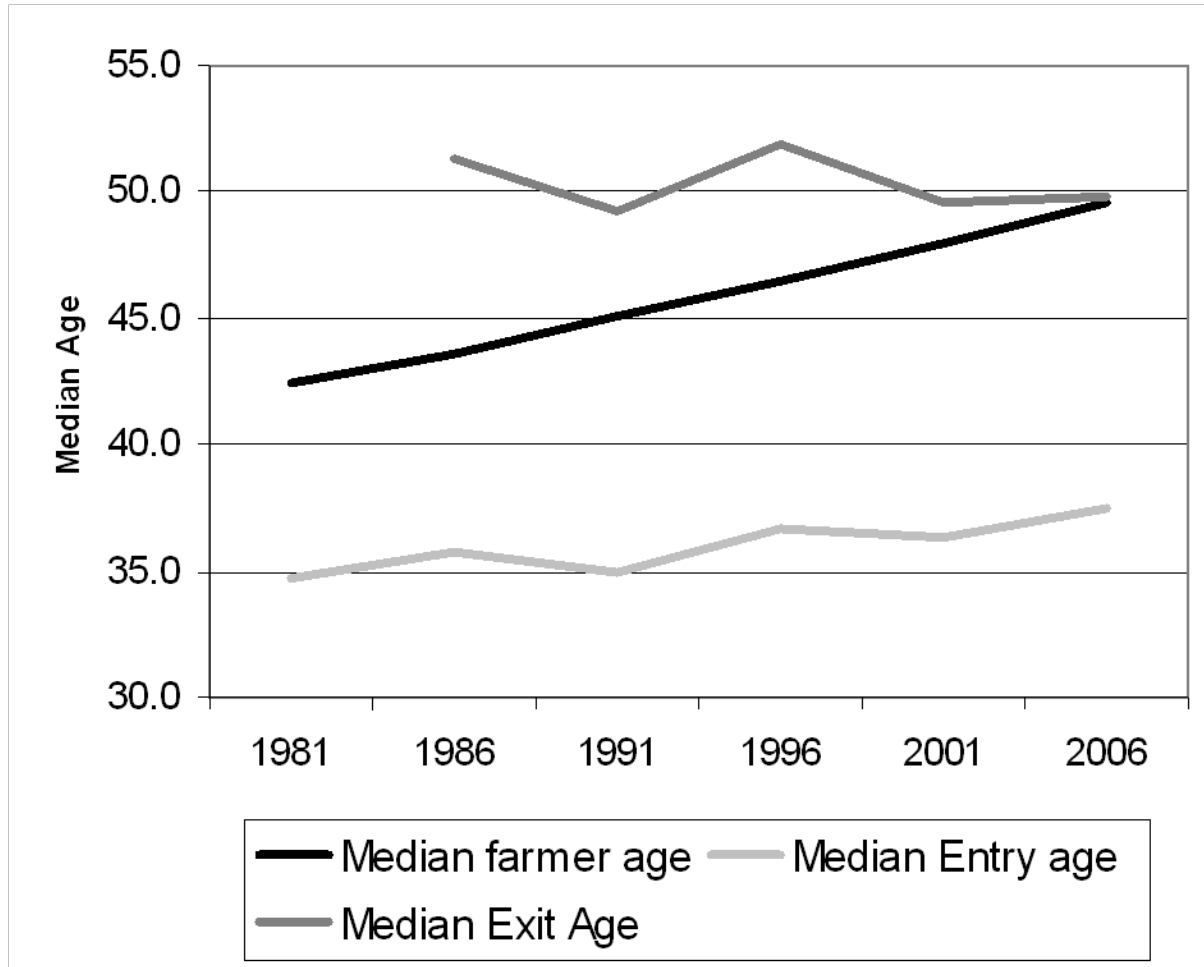


Data derived: ABS
Population Census



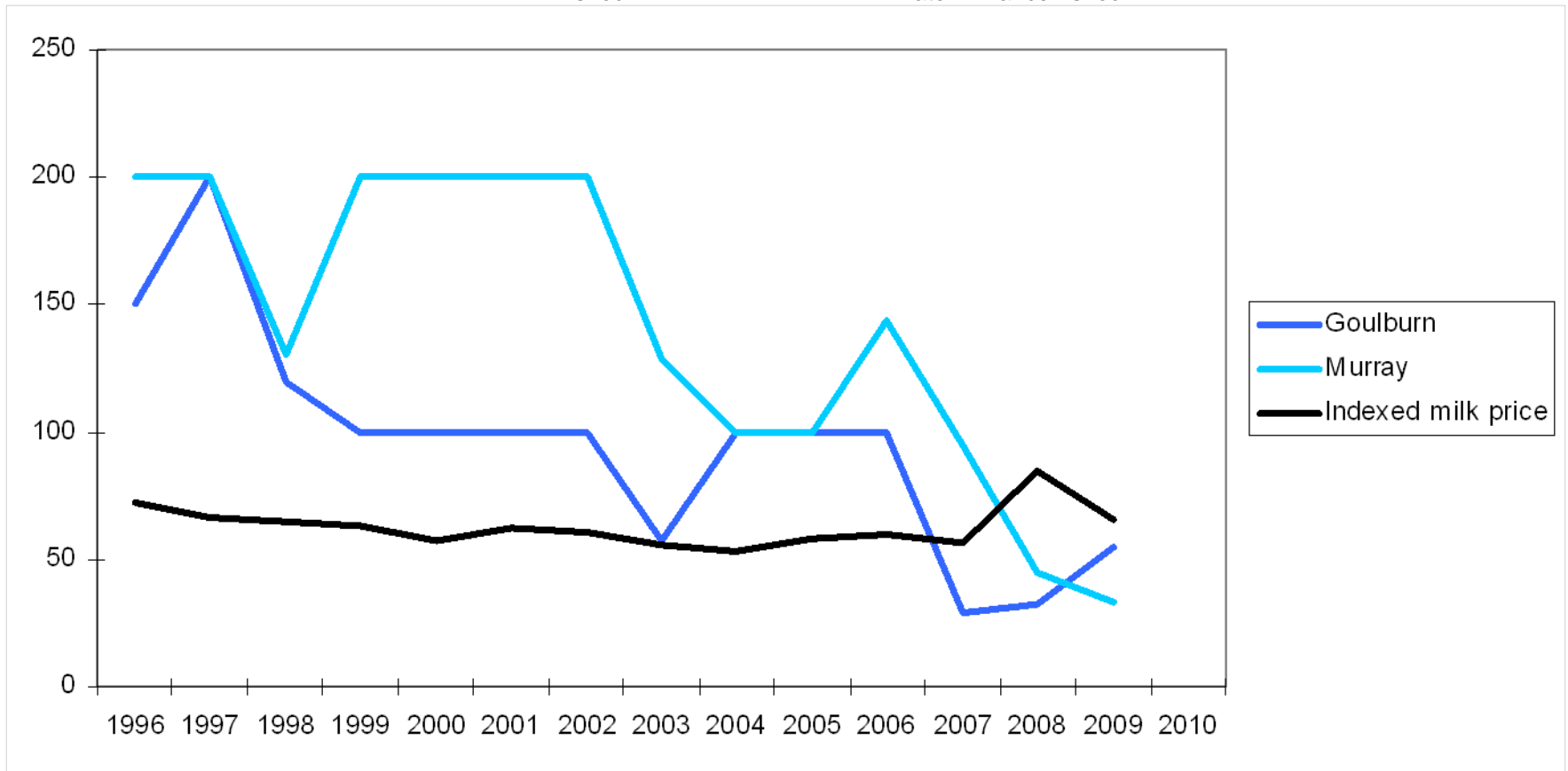
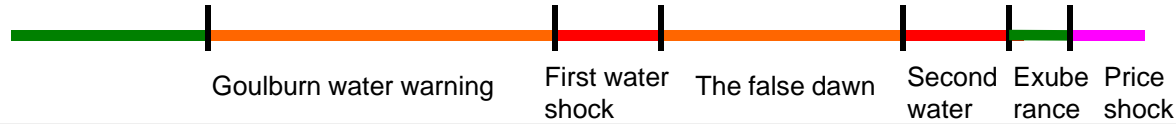
Farmer age

Loddon-Torrumbarry 1981-2006



Time series

Water allocations, milk price, census and data availability



THE VOICE OF THE COUNTRY SINCE 1869

INSIDE WIN **EQUITANA SUPER TICKETS**
 DETAILS PAGE 33

STARS WHO STAYED HOME
 FOOTBALL LIFTOUT

Record opening price to secure supply

MILK WAR



Winter wonderland: early morning fog blankets the gently undulating countryside of Tahara Bridge, near Coleraine in Victoria's Western District. Picture: KARLA NORTHCOTT

By FELICITY LUNGHUSEN

A RECORD opening milk price has sparked a war to secure supply for next season.

Small company United Dairy Power has fired the first shot with an opening price of 52.8 cents a litre.

The price, which has come almost a month early, is at least 10c a litre more than what UDP and any other milk processor opened with last year. Last year, the average opening prices ranged from about 36c a litre to about 42c a litre.

Most companies are expected to close this season with a price close to 50c a litre.

Initially last year, industry analysts expected the average price to close at 46-47c a litre.

Just two years ago dairy farmers were receiving about 30c a litre for their milk.

The UDP price equates to \$12.75 a kilogram butterfat equivalent.

Most farmers are currently receiving less than \$12 a kg.

It is believed UDP's move could challenge some milk companies' opening price decisions.

UDP managing director Tony Esposito said he wanted to create more confidence for farmers.

"The market place is strong and we can get more growth from farmers by putting more in the bank and provide good cash flow for them," Mr Esposito said.

"I think it will be one of the most competitive seasons coming. There will be a lot of aggression in the industry.

"We are talking to a lot of farmers in northern Victoria and have grown that supply from bushing to 20 million litres at the moment. We anticipate to double that next season."

• Continued Page 4

WOOL DIRECTOR IN THE FIRING LINE - PAGE 5

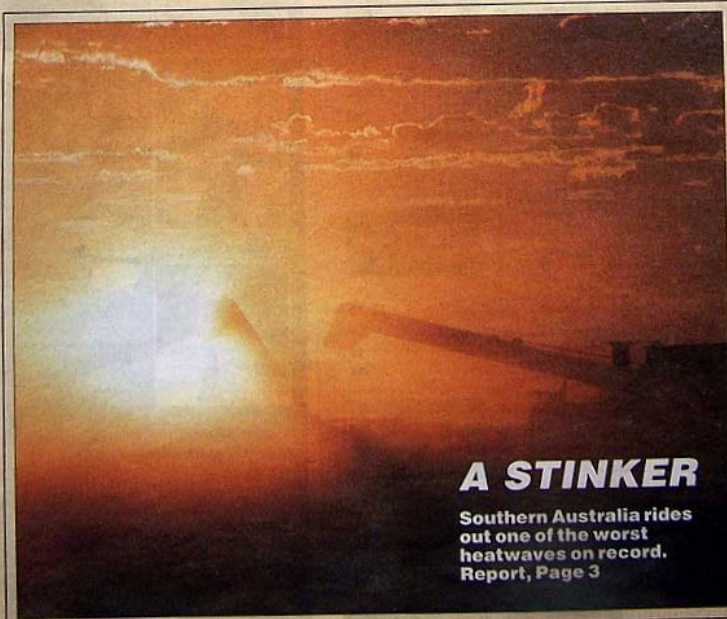
CELEBRATING 140 YEARS AS THE VOICE OF THE COUNTRY

INSIDE **RECORD PRICE IS NO FURPHY**
 PAGE 3

AWB DUMPS SHAREHOLDERS
 PAGE 7

Giants slug it out in price duel

DAIRY WAR



A STINKER

Southern Australia rides out one of the worst heatwaves on record. Report, Page 3

By SIMONE SMITH and PETER HUNT

THE global slump in dairy prices has spilled on to the domestic market.

Dairy giants Fonterra and Murray Goulburn have started a pricing war as they battle to clear stockpiles and undercut each other.

Local dairy processors told *The Weekly Times* Murray Goulburn had dumped 900 tonnes of pizza cheese on to the local market in the past fortnight.

"They've sold it at a \$1.30 a kilogram discount," one processor said.

Murray Goulburn has in turn been undercut by Fonterra.

Another industry source said Fonterra had undercut Murray Goulburn by \$500 a tonne on a domestic cheese contract.

Both companies are being forced to stockpile produce as international demand for dairy dries up.

Fonterra Australia spokesman Brad Voss confirmed rumours the company was leasing more warehouse space in Melbourne to stockpile New Zealand produce.

However, Mr Voss failed to explain why the company was storing NZ dairy produce in Australia.

Last month the *New Zealand Herald* reported property specialists were scrambling to find Fonterra 7ha of warehouse space in Auckland.

At the time, a NZ Fonterra spokesman said the company had a policy of not revealing its inventory.

However, rumours continue that Fonterra has stockpiled more than 600,000 tonnes of its dairy products, rather than offload them at unviable prices.

• Continued Page 5

• More reports, Pages 4-5

• Rule's View, Page 15

• Editorial, Page 10

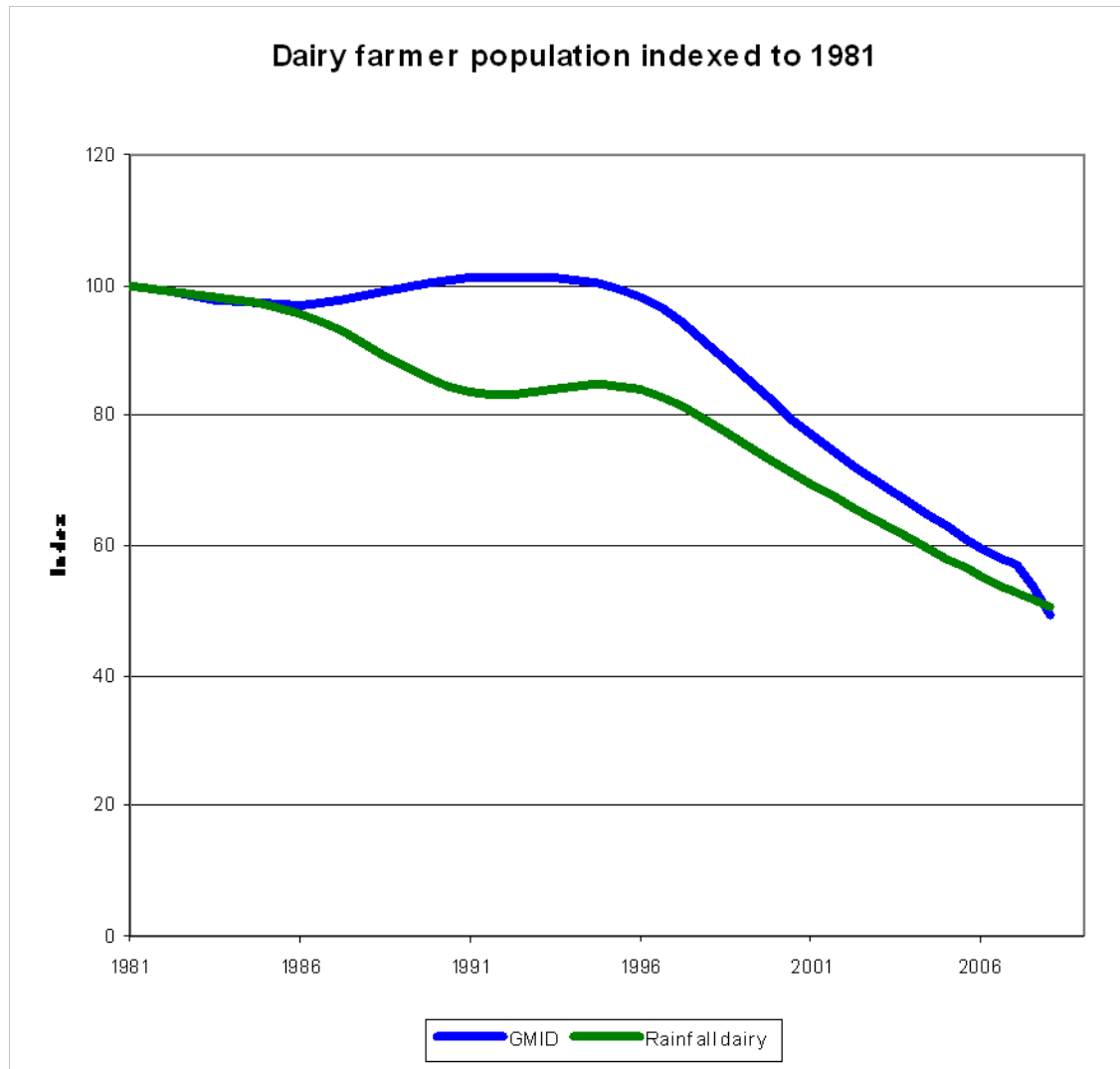
NATS SHELVE LIB MERGER PLANS - PAGE 3

WMP Prices, 2004-2009



Source: USDA International Dairy Market News, *globalDairyTrade*

Dairy farmer population GMID and southern Vic 1981-2009



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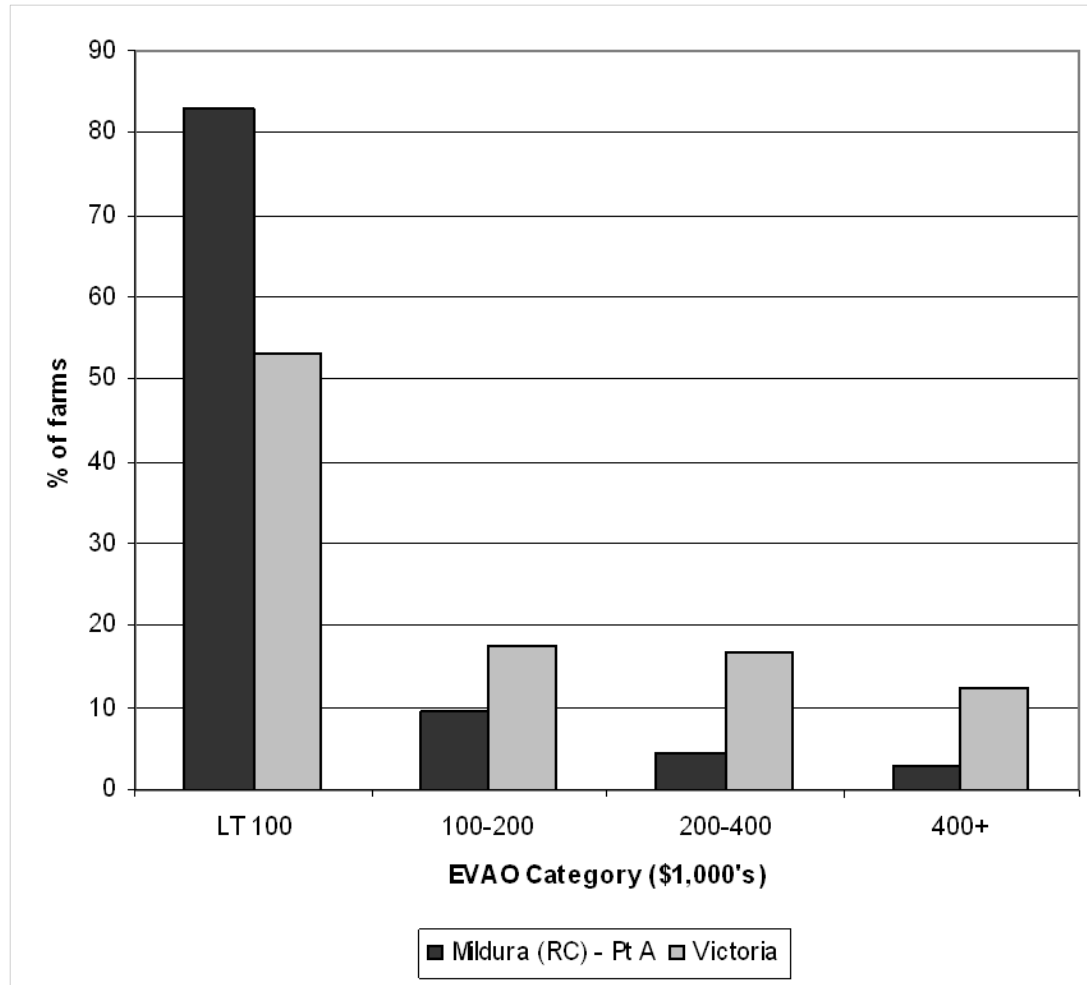
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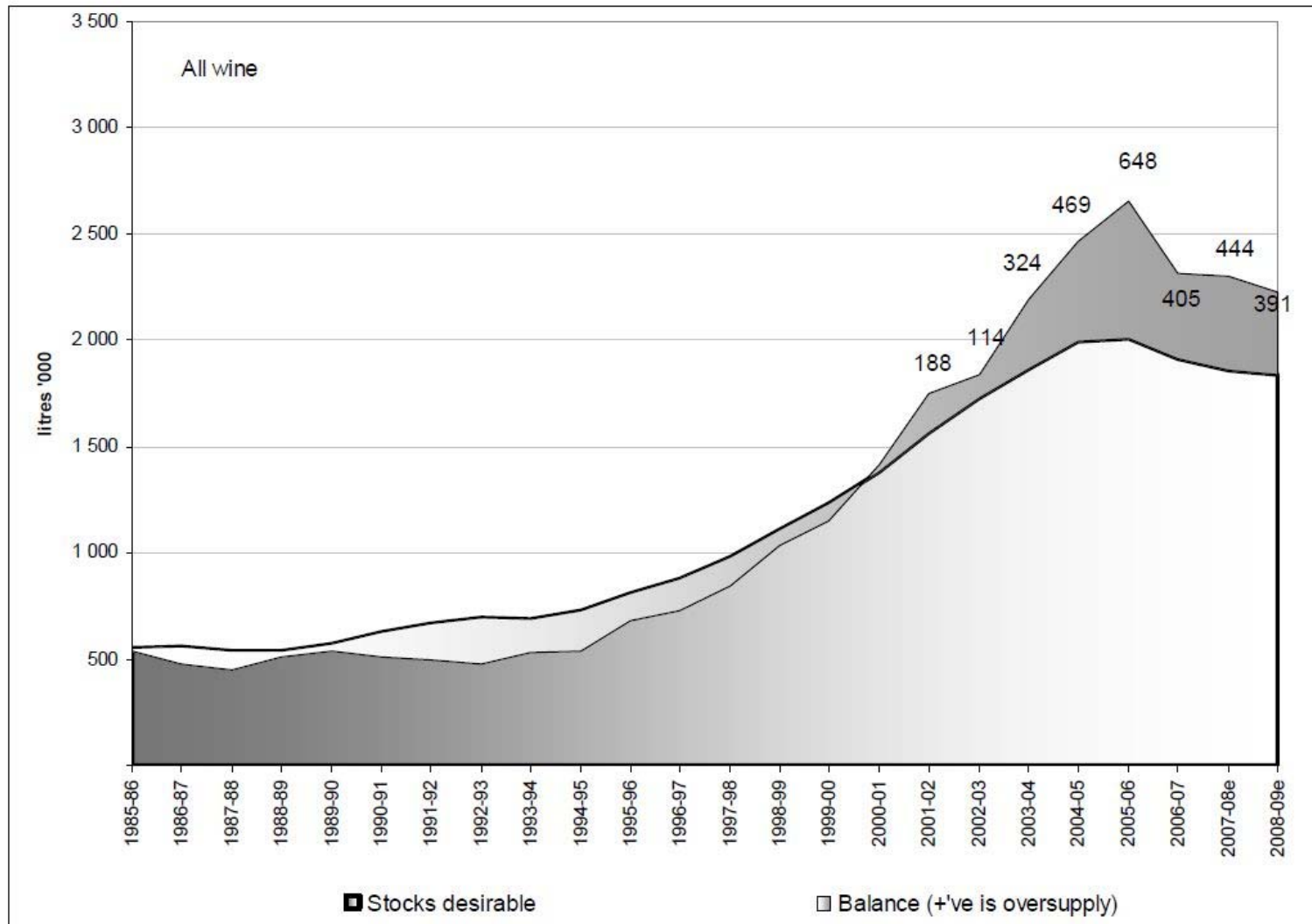
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Farm Scale Distribution

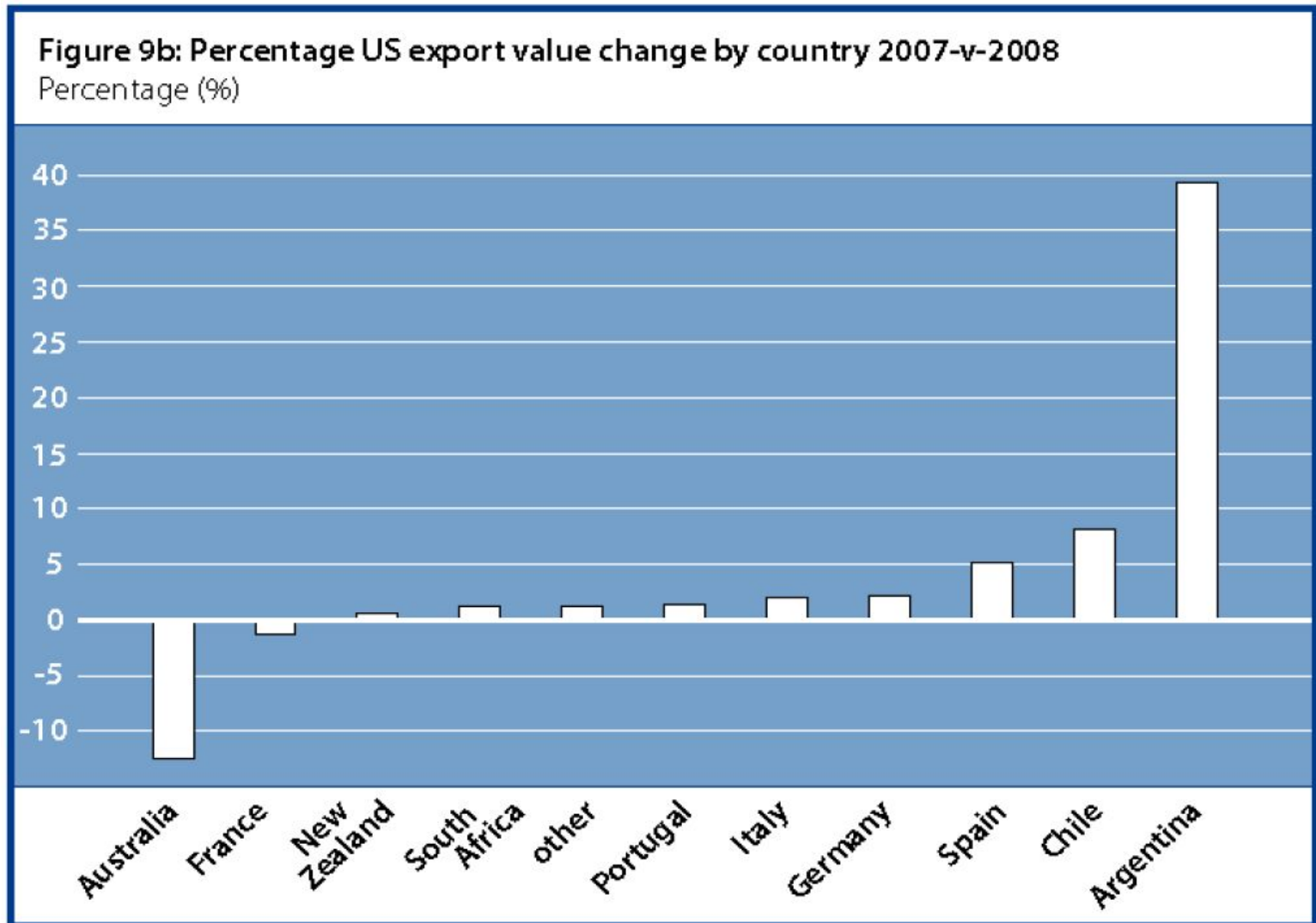
Mildura and Victoria



Industry estimates of Australian wine grape supply and demand



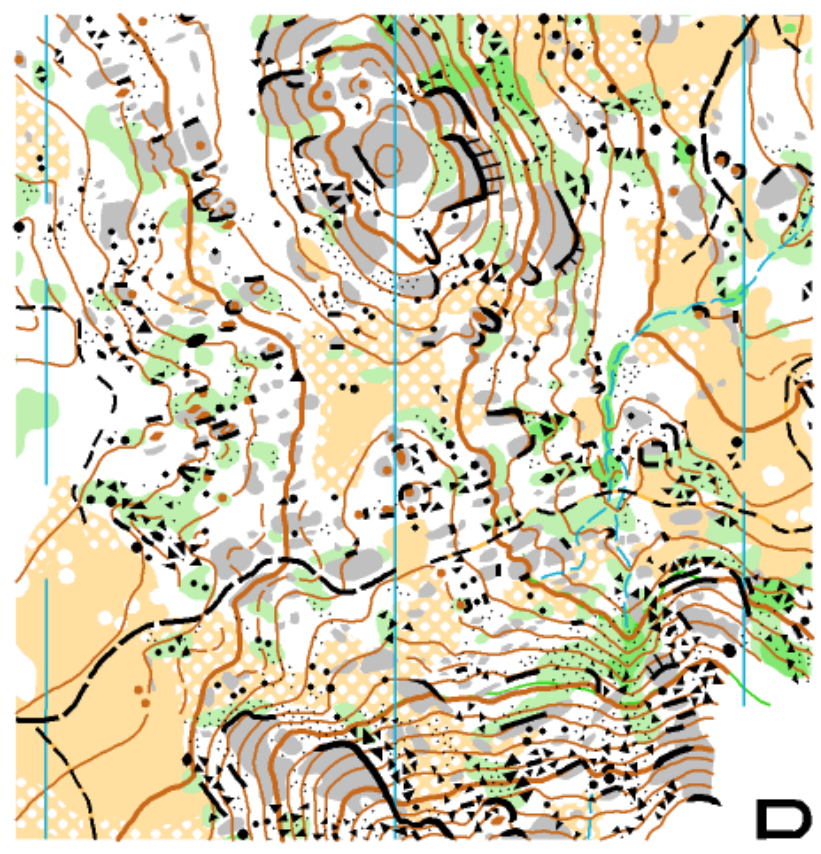
Pct change in export value of wine to the US by source country: 2007-2008



Source: Gomberg Fredrikson and Rabobank

Policy Harmony?

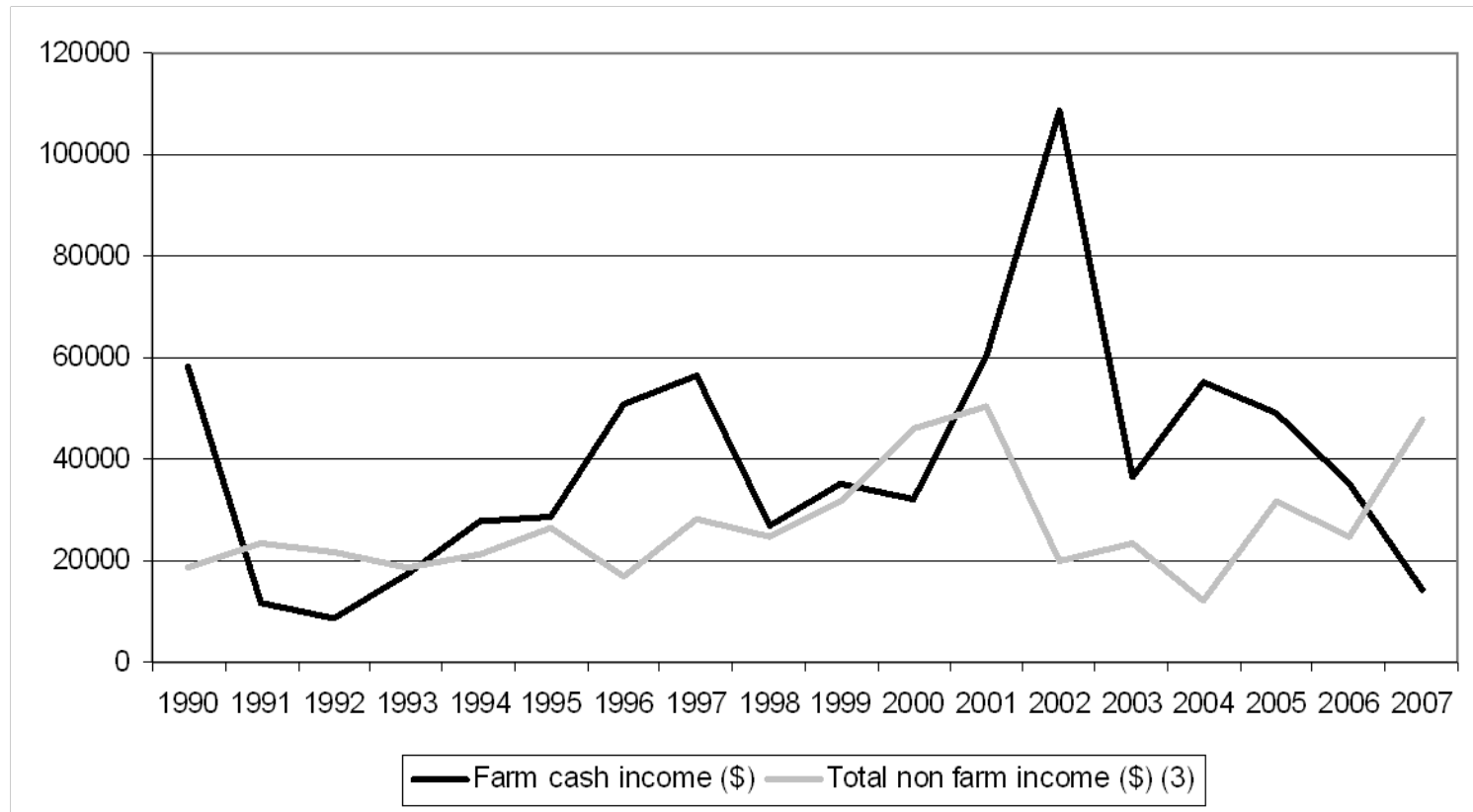
- Industry bodies: Reduce production
- Federal Govt: Reduce irrigation water use
- State planning laws: Protect agricultural land from other uses
- Water policy: Keep water in the district to protect infrastructure investment
- Social policy: Minimise harm from social stress
- Population policy: Maintain viable communities



Southern farms cash surplus

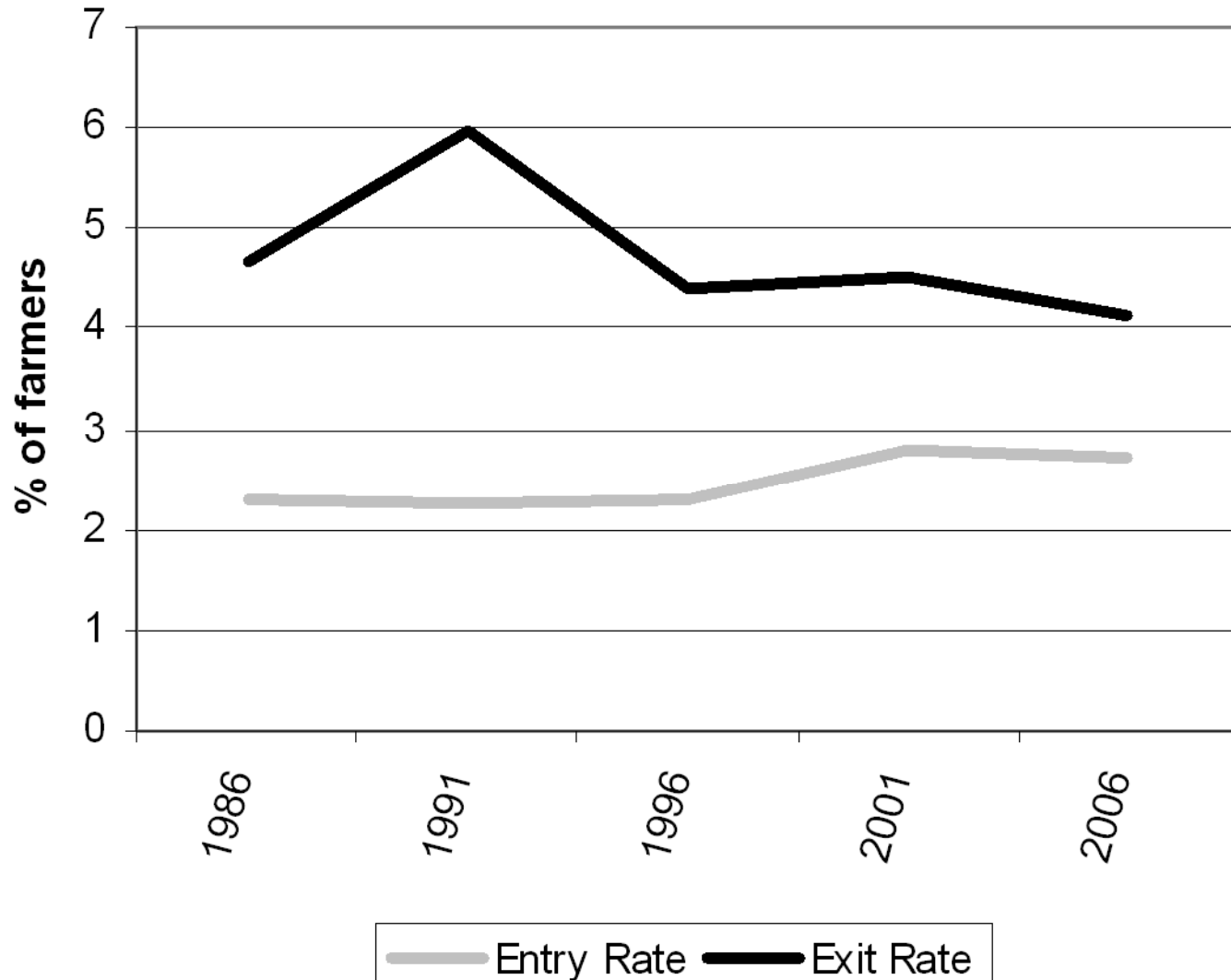


Central north farms cash surplus



Farm exit and entry rates

'Lizard country' 1986-2006



Local and non-local rural land purchasers 'Lizard Country' 1986-2006

