

# MEDIA RELEASE



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## **Dairy wins day against blue gum plantations**

When blue gum plantations became a popular way of injecting new life into the land, dairy farmers in the dairy intensive regions of south west Victoria were predictably concerned. They worried about population decline as well as losses of productive agricultural land and infrastructure.

“Dairy farmers feared the blue gums were taking over,” says Associate Professor Kevin O’Toole, co-author of a report prepared by a Deakin University research team.

The team investigated the economic impact of new blue gum plantations where, for generations, hearts have beaten to the drum of the dairy industry. The study was the first to specifically investigate the economic comparisons in a dairy–predominant area. It has been funded by the Gardiner Foundation with additional support from the Corangamite Catchment Management Authority, Glenelg Hopkins Catchment Authority and Corangamite Shire. The shires of Corangamite, Colac/Otway and Moyne were the focus areas.

While there was some basis for the farmers’ fears when dairy prices were not as high as they are currently, Assoc. Prof. O’Toole says the report indicates that the south west region’s dairy industry is in good shape. “Dairy is very strong at the moment because of the strong international demand for milk and the high milk prices,” he said. “The dairy farmers were afraid that blue gums were forcing up the land prices but it is dairy itself that is forcing up the prices, partly because some New Zealand farmers are coming here,” he explains.

The 2006 figures for the two industries show clearly that dairy wins the day. The dairy sector (milk production and manufacturing) generated 21 per cent of the region’s output; added 16.5 per cent to Gross Regional Product (GRP), provided 13.7 per cent of the region’s employment, generated 8.8 per cent of the region’s income, and was responsible for 36 per cent of the region’s exports and 29 cent of the region’s imports.

By contrast, the forestry sector (forestry and logging) generated 1.4 per cent of the region’s output, added 1.2 per cent to GRP, provided less than 1 per cent of the region’s employment and income, and was responsible for 2.7 per cent of the region’s exports and 2.3 per cent of its imports.

Value adding to an area is the most significant difference, says Assoc. Prof. O’Toole. Since the dairy industry value adds significantly in the region, while the blue gum industry only extracts for export of the raw product, dairying will continue to add more to the local economy than blue gums’

As well as examining both the direct and indirect effects of the plantations, the report posed scenarios based on three different proposed growth rates in the period 2006-2020. Even the assumption of high growth in the forestry industry (seven per cent) did not indicate a significant impact. “Dairy looks like it will remain strong and competitive,’ says Assoc. Prof. O’Toole.