

PRODUCTION INPUTS MONITOR

Issue 170 – January 2020

Overview

Spot prices	Jan-20	Change (from Dec-19)	Change (from Jan-19)
Feed wheat (av. \$/t del Goulburn/Murray Valley)	\$363	+ \$11	- \$56
Cereal hay (av. \$/t del Goulburn/Murray Valley)	\$343	+\$78	- \$23
Irrigation (Northern Victoria) \$/ML	\$773	+ \$59	- \$3
Irrigation (Murray Irrigation System) \$/ML	\$640	+ \$15	- \$1

Source: AFIA, Profarmer, Victorian Water Register, *Murray Irrigation Ltd

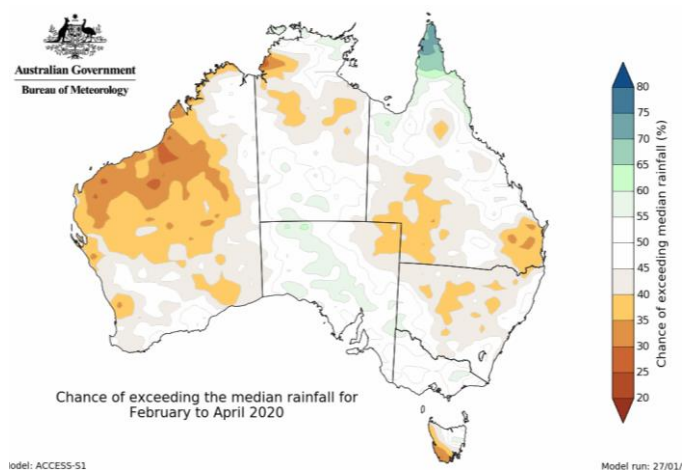
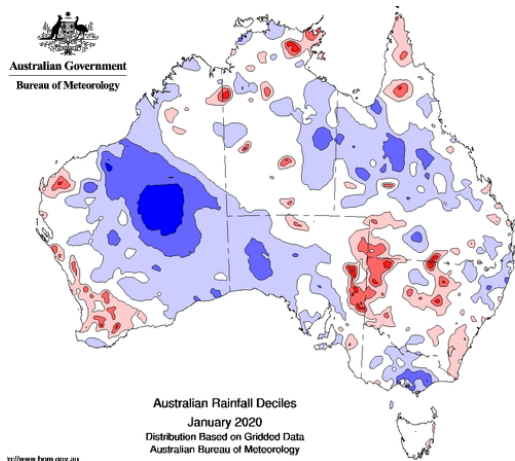
Rain across on the eastern seaboard in January did little to break the ongoing drought but did help the control of the recent bushfires. Hay and grain prices firmed month-on-month, as did the cost of irrigation water in relevant regions. These commodities are trading at higher than average prices but are down compared to last year. Most water storage sites are operating at lower levels than the same time last year, although the most recent rain forecast indicates some additional runoff in the coming months. As the new calendar year began, cull cow volumes increased while prices eased.

Feed

Finishing another year of heightened feed costs and challenging seasonal conditions, many hoped operating conditions would improve in January. However last month delivered the contrary as ongoing drought and bush fires increased the demand for purchased feed and firmed prices. Vast farming areas in New South Wales (NSW), Victoria, Queensland (QLD), Western Australia (WA) and South Australia (SA) were impacted by the fires. This burnt pasture, hay supplies and stored grain which resulted in a spike in demand. Feed production was variable across the country in 2019, most of this supply is coming from the south-eastern states, in particular Victoria and SA. In the Goulburn/Murray Valley, cereal hay prices increased 29% month-on-month, while in northern Australia prices firmed 13%.

Over the new year period domestic grain prices followed offshore markets higher. Since December, prices have firmed from 3% to 9% across Australia. Despite this price climb, all regions are trading at similar or lower prices this month compared to January 2019. It must be noted, both hay and grain prices are compared to a significantly high price last year and the cost remains well above historical averages. Both ASX wheat and barley futures are down following a temporary rise in price in December. Wheat is currently trading at \$340/tonne while barley is \$281/tonne. Rain throughout February will play a large influence on the direction of the futures market this month.

*For a comprehensive overview of the market and indicative pricing for hay and feed grains, including canola meal, for key dairy regions across Australia, see Dairy Australia's Grain & Hay Report. Published most weeks:
<https://dairyaustralia.com.au/industry/farm-input-and-costs/hay-and-grain-report-overview>*



Climate

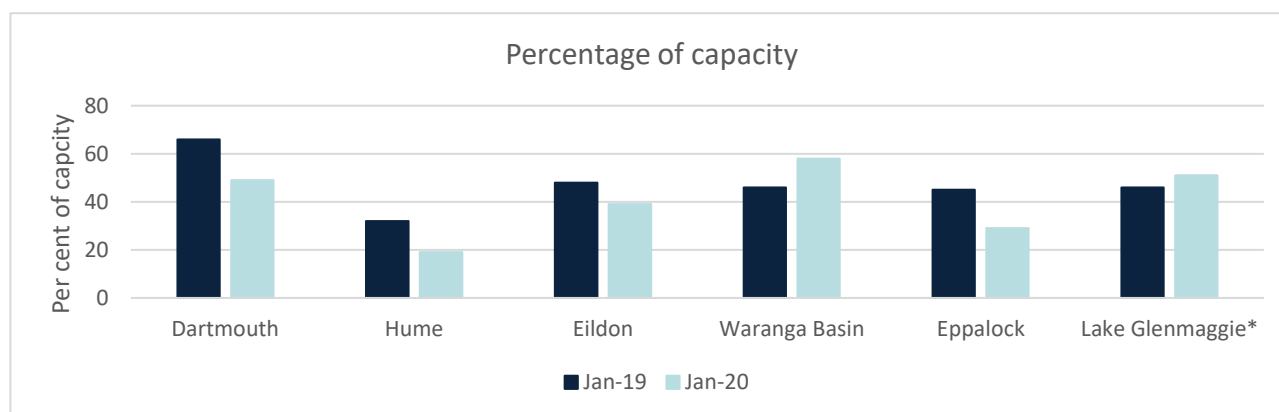
A summer of dramatic weather continued throughout January with dust storms, bushfires, smoke, heavy rainfall and hail. Overall, it was the third warmest start to the year on record. This saw bushfires ignite over the new year period and continue to burn across the country. Areas of the eastern seaboard were covered in a smoke blanket as a result of these fires. Rain later in the month aided drought affected areas and distinguishing some fires. Storms between the 15th and 20th brought heavy rain to southeastern Australia and extreme hail in some areas. January rainfall was slightly above average for the country overall. QLD and Victoria received much of the rain in the east, while NSW was below average. WA received heavy falls due to two tropical cyclones, however much of this missed dairy regions in the south-west. Follow-up rain this month will be essential to further improve drought-affected areas and water storage.

Seasonal Outlook

The climate drivers that heavily influenced last year's record warm and dry conditions have eased. Starting the new year, the positive Indian Ocean Dipole (IOD) and negative Southern Annular Mode (SAM) returned to neutral. The climate going forward is now under the influence of more localised drivers such as the ocean temperatures directly around the Australia's coastline and breaks periods in the monsoon.

Looking ahead, rainfall is expected to be average for most parts of the country. This will be partly offset by excessive rain events expected in NSW and QLD early this month. Autumn conditions are showing little indication to a wetter or drier than average season. An area in southern QLD and northern NSW is showing signs of below average rain although nearly everywhere else is average. The forecast precipitation is anticipated to come with warmer than average temperatures. The Bureau of Meteorology (BoM) has predicted this to be particularly concentrated in the northern half of the country. With an increased chance of warmer than average days the heat wave and bushfire risk remain a concern.

Water storage levels (2019/20 as at 6 February)



Source: G-MW, *SRW

Beginning the last month of summer, most storage sites are operating at lower levels than the same time last year. Waranga Basin and Lake Glenmaggie are the only two storage facilities that have improved storage year-on-year. The Hume dam took a significant hit over summer dropping approximately 15% since November. Recent rain throughout January will help soil moisture and the chance of any follow-up rain reaching storage sites.

Temporary water trades

	Jan-20	Jan-19	% Change
Northern Victoria			
Volume traded (ML)	236,569	115,547	+105%
Average price (\$/ML)	\$773	\$714	+3%
Murray Irrigation System			
Volume traded (ML)	2,030	3,730	-46%
Average price (\$/ML)	\$640	\$625	+2%

Source: Victorian Water Register, *Murray Irrigation Ltd

The prices for irrigation water in northern Victoria continued its trend upwards following some softness late in the year. A drop in price in December was short lived as demand increased last month. The average trading price in January reached \$773/ML, up \$59 from December and \$515 more than the five-year average. Total volume traded for the month increased approximately 120,000 megalitres to reach 236,569 megalitres. The recent summer rain hopefully reached those irrigating and provided some additional pasture growth.

Similarly, to northern Victoria, the Murray Irrigation system price traded higher this month following easing briefly in December. The price last month eased to \$625/tonne before firming \$15 to trade at \$640/tonne in January. Unlike northern Victoria the total volume traded didn't grow. Trades from January finished at 2,030 ML compared to 3,730 the month before.

Irrigation Allocations (2019/20 as at 6 February)

Victoria	HRWS	Change (HRWS)	LRWS
Murray	56%	0%	0%
Broken	0%	0%	0%
Goulburn	70%	+4%	0%
Campaspe	69%	+4%	0%
Loddon	70%	+4%	0%
Bullarook Creek	100%	0%	100%
MID	100%	0%	25%

NSW – Murray Irrigation Ltd	Allocation	Change
Class C-General Security	0%	0%

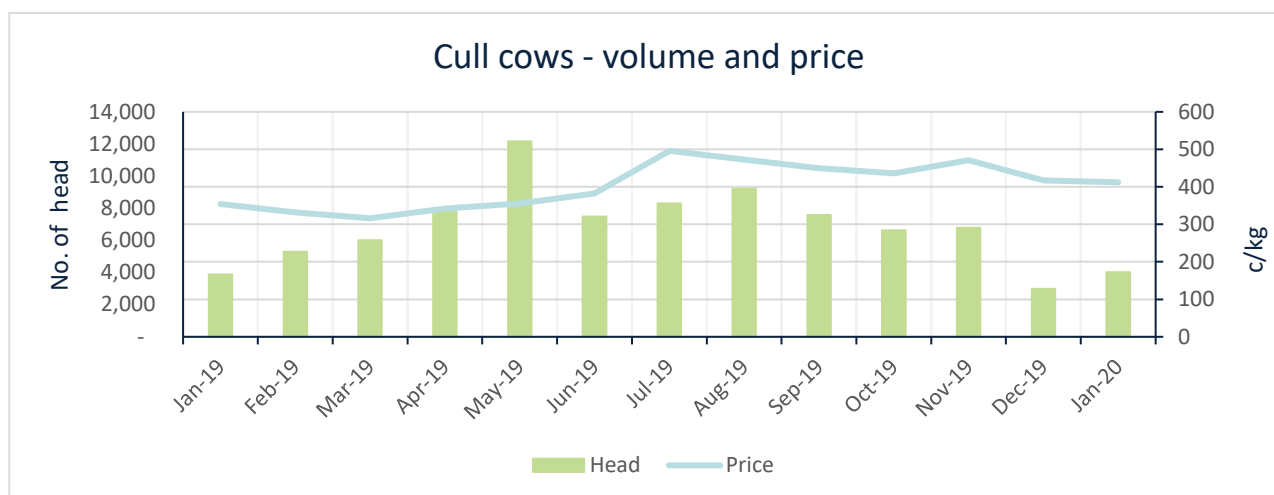
For further details see www.g-mwater.com.au, www.srw.com.au or www.murrayirrigation.com.au

Some changes were noted this month to high Reliability Water Shares (HRWS). Recent rain combined with cooler weather has reduced evaporation rates and enabled increased to HRWS in the Goulburn, Campaspe and Loddon systems. All three-systems improved allocation by 4% this month to offer approximately 70% HRWS. The MID and Bullarook Creek systems are the only two systems which offer 100% HRWS, the MID recently increased the offer of LRWS to 25% while Bullarook Creek remains at 100% LRWS.

The Broken and Murray systems failed to record any increases. It was been reported that the shortfall of the Broken system reduced, although requires an additional 1,200 megalitres before any positive determinations can be announced. Despite this, as of the 1st of January, the minister qualified rights to the Broken system allowing customers water for critical domestic and stock use while the seasonal determination remains below 50 per cent (according to NRVM website).

In NSW the general security allocation remains at 0% despite the recent inflow to catchment areas. The allocation has been 0% for over 18 months now.

Cull cows



Source: NLRS, from sale-yards within Vic

January was a busy month in the saleyards compared to December, 35% more cows went through the system to record a total volume of 4,025. However, this figure is reasonably low when comparing to the average of last year (7,010). The prices slightly softened this month, down 1% compared to December. Despite this, the price is up 16% year-on-year to 412c/kg. The financial year to date sales volume is up 3% compared to the same time in 2018/19. This has been supported by a higher average price, up 24% year-on-year. As the country aims to restock the national herd, the ongoing drought and feed market will play a big influence on the volume of cull cows this year.

Fertiliser

There were mixed movements in global fertiliser prices in January. International diammonium phosphate (DAP) prices firmed for the first time since September 2019. Until this point the DAP market had gradually fallen (\$183/tonne) due to oversupply and low demand. Many producers were scaling back production and removing themselves from the market due to the operating conditions. Prices climbed \$27/tonne in January to a total of \$265/tonne. A monthly price increase of similar size dated back to mid-2014, increasing by \$36/tonne.

Potassium chloride (MOP) prices eased slightly following eight months of remaining steady. What is generally a stable market, dropped \$21/tonne in January. Urea prices eased slightly, down \$3/tonne this month. This continues a steady decline since mid-last year, dropping approximately \$50/tonne in that time.

	Jan 20	Monthly % change
Cereal hay		
Northern Australia (\$/tonne)	511	+13%
Southern Australia (\$/tonne)	343	+29%
Western Australia (\$/tonne)	348	+9%
Wheat		
Northern Australia (\$/tonne)	453	+6%
Southern Australia (\$/tonne)	363	+3%
Western Australia (\$/tonne)	339	+9%
Futures prices (ASX)		
Wheat (av. \$/t Jan-21 east coast)	340	-2%
Barley (av. \$/t Jan-21 east coast)	281	-7%
Fertiliser		
DAP (US\$/tonne)	265	+11%
Urea (US\$/tonne)	215	-1%
MOP (US\$/tonne)	245	-8%
Irrigation		
Northern Victoria		
Volume traded (ML)	236,569	+105%
Average price (\$/ML)	737	+3%
Murray Irrigation System*		
Volume traded (ML)	2,030	-46%
Average price (\$/ML)	640	+2%
Cull Cows		
Sales volume (head)	4,025	+35%
Average price (c/kg)	412	-1%
	YTD 2019/20	% change
Sales volume (head)	45,539	+3%
Average price (c/kg)	489	+24%

Dec-19	Nov-19	Oct-19
Source: AFIA		
452	428	425
265	255	312
320	330	340
Source: Profarmer		
428	406	418
352	370	370
312	264	274
Source: ASX		
347	338	335
303	278	277
Source: World Bank		
238	248	277
218	225	237
266	266	266
Source: Victorian Water Register, *Murray Irrigation Ltd		
115,547	79,897	374,463
714	770	710
Source: NLRS (sale-yards within Vic)		
3,730	2,958	4,418
625	641	619
2,976	6,796	6,626
417	471	436
YTD 2018/19	YTD 2017/18	YTD 2016/17
44,075	36,346	93,260
370	438	490

To access more information on the Hay and Grain report click here

Grain report 

Hay report 

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