

# PRODUCTION INPUTS MONITOR

## Issue 171 – February 2020

### Overview

Spot prices	Feb-20	Change (from Jan-20)	Change (from Feb-19)
Feed wheat (av. \$/t del Goulburn/Murray Valley)	\$351	-\$11	-\$50
Cereal hay (av. \$/t del Goulburn/Murray Valley)	\$323	-\$19	-\$28
Irrigation (Northern Victoria) \$/ML	\$610	-\$163	-\$111
Irrigation (Murray Irrigation System) \$/ML	\$521	-\$119	-\$25

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

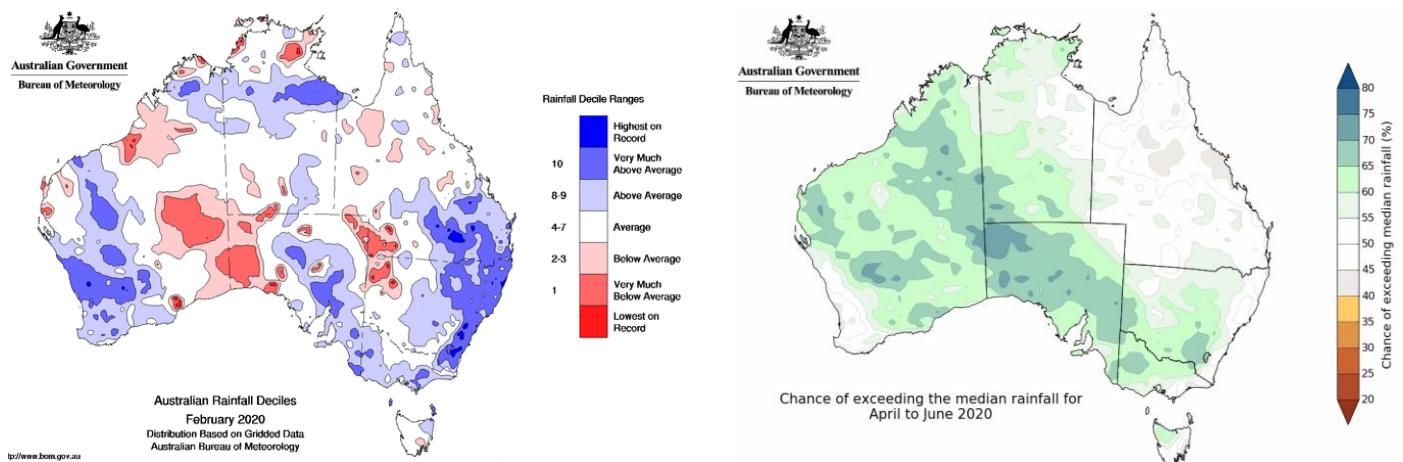
Widespread rain in February resulted in a wet finish to summer and improved the outlook and overall sentiment for the year ahead. Subsequently, feed and water prices eased in most regions. The rain increased soil moisture and improved run-off into storage sites, although much more is required to break the prolonged deficiencies. In the saleyards, both the volume and price for dairy cattle improved this month. Prices received for cull cows reached the highest level for over multiple years. A favourable three-month climate outlook is continuing to improve sentiment throughout the industry.

### Feed

ASX wheat and barley futures have dropped this month as rain in key grain growing regions improved the outlook for the upcoming winter crop. Eastern Australian wheat values dropped 6% on the futures market while wheat eased slightly more, down 7%. This was noticed in spot prices as well, wheat prices eased across all dairy regions in Australia. Price movements ranged from -1% in the Atherton Tablelands to -5% in Gippsland. The rain events across the country have buoyed optimism about a return to longer term production volumes this year, however, many months remain before harvest. Internationally, favourable growing conditions in Russia and expected rain in the EU and Black Sea countries are adding a softer tone to the market, as these regions expect large crops. Coronavirus continues to present a risk to global trade flows, logistics and impacting the financial and commodity markets, having a flow on to the global grains market.

There were mixed movements in hay prices around the country this month. Northern and southern Australia dropped while the central eastern states such as north coast NSW and Bega firmed. The rains have helped pasture growth across the country and eased demand in the north. Many are hopeful for an autumn break; timely rain will help further ease prices across regions.

*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

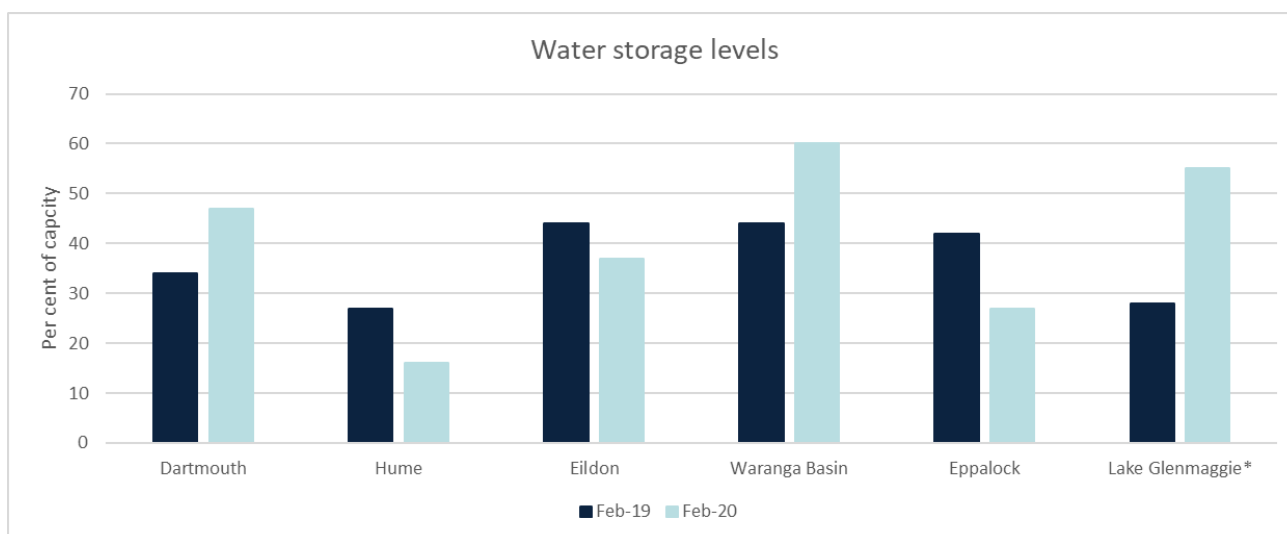
Above average rainfall (+11%) in February resulted in a wetter finish to summer from what started as a dry beginning. For the month, rainfall was average to above average for all dairy regions across the country. Some areas along the east coast recorded decile +10 (or higher) rainfall. Widespread rain events were recorded in the first week across northern Australia. These included parts of southern Queensland (QLD) which will flow into the Murray Darling Basin (MDB) system. These rain events continued down the eastern seaboard throughout February, further aiding the recovery of bushfire affected regions. The rain has provided some respite to the challenging summer, although ongoing rainfall will be required to properly relieve long-term deficiencies, particularly inland regions. It has been noted that 30% of Australian and 90% of New South Wales (NSW) still have severe rainfall deficiencies. Overall, this summer was the second warmest on record and despite the recent downpours, rainfall remained below average as a whole. It was a season of diverse weather events, including drought, fire, warm temperatures and heavy rain events. With that in mind, February has setup many regions for a recovery if favourable conditions continue.

## Seasonal Outlook

Australia's main climate drivers remain neutral, however, there are some scenarios unfolding. Warmer temperatures in the Coral Sea off the coastline of northern eastern Australia is usually associated with increased rainfall. Although, this is being offset by warmer ocean temperatures in the Tropical Pacific, which draws moisture away from Australia. Overall, the outlook for this month is indicating drier the average conditions in the north and wetter in the south. It is expected to be notably dry towards the end of the month.

The three-month outlook (April to June) has been one of the more favourable recently, as nearly all regions are expected to have average to above average rainfall. It is particularly favourable for South Australia (SA), northern Victoria and southern NSW. Warmer days and nights are predicted to persist through the near future. With the improved soil moisture from the January and February rain events, a prevailing weather forecast will be favourable for the upcoming winter crop and overall season.

## Water storage levels (2019-20 as at 6 February)



Source: G-MW, \*SRW

The rain throughout February has improved stream flows and run-off into major storage sites, however, prolonged rain deficiencies continue to burden overall storage levels. Many storages remain below the level this same time last year; Lake Eildon, Lake Eppalock and the Hume Dam are all operating at reduced volume. The Hume Dam is operating at lowest level, running at 16% capacity, conversely the Waranga basin is over 60% full. Improved soil moisture at the end of summer will help any autumn rain reaching storage facilities quicker this season.

## Temporary water trades

	Feb-20	Feb-19	% Change
<b>Northern Victoria</b>			
Volume traded (ML)	206,298	128,021	+61%
Average price (\$/ML)	\$610	\$499	+22%
<b>Murray Irrigation System</b>			
Volume traded (ML)	2,321	13,577	-83%
Average price (\$/ML)	\$521	\$496	+5%

Source: Victorian Water Register, \*Murray Irrigation Ltd

Prices dropped in both irrigation systems this month. In northern Victorian, the irrigation price dropped \$163/ML, the largest month-on-month price decrease since late-2009. The price reached \$610/ML which remains significantly higher than the long-term average. The volume of water trade was relatively steady when compared to recent months, with 206,298ML traded (up 30,000 since last month).

Rain and an improved climate outlook for southern NSW helped ease irrigation prices. The cost for temporary water dropped \$119/ML to trade at an average of \$521/ML. This remains slightly higher (+5%) compared to February last year but is a positive sign for those requiring irrigation in the region. 2,321 ML were traded this month, a slight increase from January but down from the last two months of the year. Follow-up rain has the potential to add further downside pressure on prices in both systems.

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## Victorian Irrigation Allocations (2019-20 as at 2 March)

Victoria	HRWS	Change (HRWS)	LRWS
Murray	59%	+3%	0%
Broken	0%	0%	0%
Goulburn	73%	+3%	0%
Campaspe	72%	+3%	0%
Loddon	73%	+3%	0%
Bullarook Creek	100%	0%	100%
MID	100%	0%	35%

Minor improvements in Victorian water allocations were noted this month; Murray, Goulburn, Campaspe and Loddon all increase high-reliability water shares (HRWS) by 3%. More rainfall and less evaporation than expected contributed to the improved availability. At the time of writing, only MID and Bullarook Creek offer 100% HRWS, most systems are operating around 70% allocations and the Broken is the only one offering 0%. The shortfall of the Broken system (as reported on in the last report) decreased but still requires a large amount of water before any positive determinations will be made. The system gained 400 megalitre over the month to now record a shortfall of approximately 800 megalitres.

The resource management released the 2020-21 seasonal determination outlook in mid-February. The outlook highlights that flows into major storages throughout autumn and winter will be the main driver of high-reliability water at the start of the next water year. "Carryover will be deliverable under all scenarios in the Murray, Goulburn and Loddon systems. At this point, there is not enough water to operate the Campaspe, Broken and Bullarook systems as usual for the entire 2020-21 season. Carryover will be deliverable early in the season and will be extended as resource improvements occur." (NVRM) Based on assumed usage from the 2019/20 season, allocation carried over and climate-adjusted flow records, the risk of spill in the Goulburn, Murray and Campaspe systems in 2020-21 is 10%, 30% and 20% respectively.

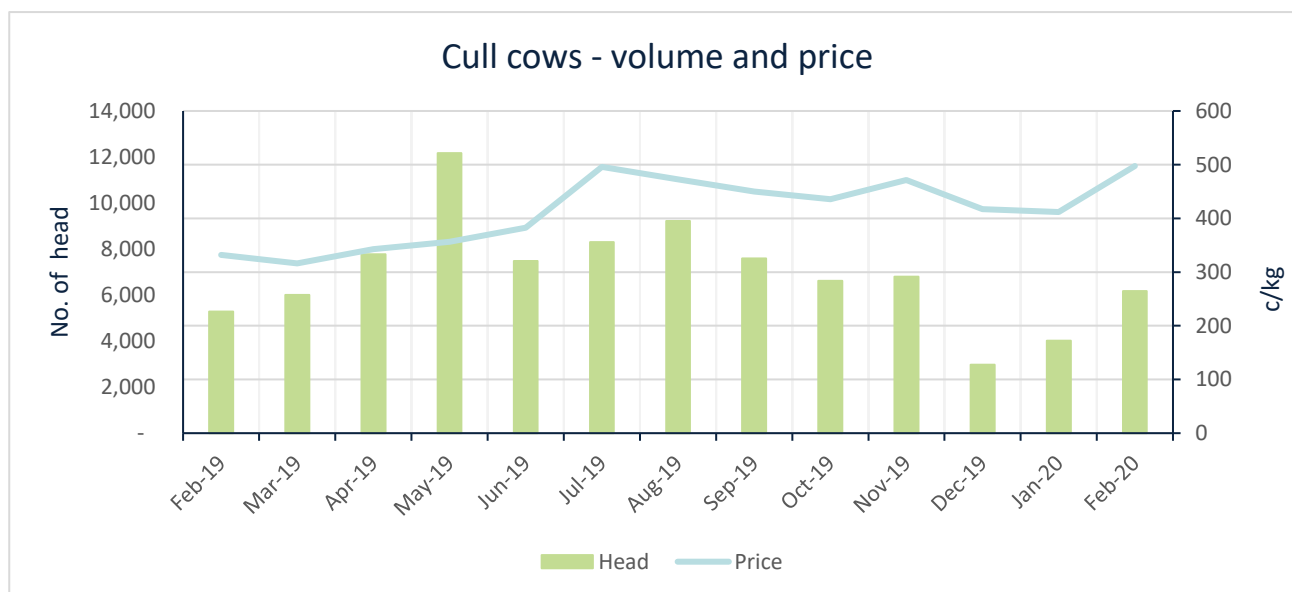
## New South Wales Irrigation Allocations (2019-20 as at 2 March)

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

For further details see [www.q-mwater.com.au](http://www.q-mwater.com.au), [www.srw.com.au](http://www.srw.com.au) or [www.murrayirrigation.com.au](http://www.murrayirrigation.com.au)

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

Throughout February, the flurry of cattle through saleyards continued. The month ended up 53% from January to a total of 6,174 head. This figure is up 17% from February last year and could be partly supported by the slight surge in price. Overall, the price received for cull cows reached 498 c/kg this month, up 21% since January and 50% from twelve months ago. This is the highest average monthly carcass price since late 2016. As far as the year-to-date goes, both sale volume and prices are up compared to 2018-19. Price is particularly higher, currently up 27% for the year-to-date.

## Fertiliser

Fertilisers and agricultural chemicals in general are facing a range of developments which could impact Australian product. Locally, favourable summer rain has improved the outlook for this year's winter crop but rapidly boosted weed growth. This will drive demand for both 'roundup' products and fertilisers in the short-term. This increase in demand combined with the logistical complications Coronavirus (Covid-19) is presenting to manufacturing and transportation could limit the availability of product. This is expected to have a bigger impact on glyphosate supply rather than fertilisers. Chinese fertiliser production will be impacted, although Australia's reliance of China is less for fertilisers than it is for 'roundup' products.

With that said, global fertiliser prices were relatively steady in February. Di-Ammonium Phosphate (DAP) continued to firm, up 5%, trading at \$279/tonne. While Urea and Potassium Chloride (MOP) remained steady, priced at \$214/tonne and \$245/tonne respectively.

	Feb 20	Monthly % change
<b>Cereal hay</b>		
Northern Australia (\$/tonne)	495	-3%
Southern Australia (\$/tonne)	243	-6%
Western Australia (\$/tonne)	355	+2%
<b>Wheat</b>		
Northern Australia (\$/tonne)	449	-1%
Southern Australia (\$/tonne)	351	-3%
Western Australia (\$/tonne)	324	-4%
<b>Futures prices (ASX)</b>		
Wheat (av. \$/t Jan-21 east coast)	318	-6%
Barley (av. \$/t Jan-21 east coast)	260	-7%
<b>Fertiliser</b>		
DAP (US\$/tonne)	279	+5%
Urea (US\$/tonne)	214	0%
MOP (US\$/tonne)	245	0%
<b>Irrigation</b>		
Northern Victoria		
Volume traded (ML)	206,298	-13%
Average price (\$/ML)	610	-21%
Murray Irrigation System*		
Volume traded (ML)	2,321	+14%
Average price (\$/ML)	521	-19%
<b>Cull Cows</b>		
Sales volume (head)	6,174	+53%
Average price (c/kg)	498	+21%
	YTD 2019-20	% change
Sales volume (head)	51,713	+5%
Average price (c/kg)	463	+27%

Dec-19	Nov-19	Oct-19
Source: AFIA		
511	452	428
343	265	255
348	320	330
Source: Profarmer		
453	428	406
363	352	370
339	312	264
Source: ASX		
340	347	338
281	303	278
Source: World Bank		
265	238	248
215	218	225
245	266	266
Source: Victorian Water Register, *Murray Irrigation Ltd		
236,569	115,547	79,897
773	714	770
Source: NLRS (sale-yards within Vic)		
2,030	3,730	2,958
640	625	641
4,025	2,976	6,796
412	417	471
YTD 2018-19	YTD 2017-18	YTD 2016-17
49,364	40,955	59,712
366	431	486

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

Grain report 

Hay report 

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