

Production Inputs Monitor



Issue 148 – 16 February 2018

As the second half of summer commences and temperatures heat up, the hay market is on the verge of a change. Demand for hay is slowly increasing in northern regions but remain subdued in southern areas. The ABARES Crop Report suggests a 41% annual drop in total winter crops this season, only 2% below the long run average. January brought above average rainfall to most of Australia with some areas reporting the wettest month on record. Above average rain resulted in a monthly drop in water trading in northern Victoria and the Murray Irrigation system. Cull cow prices fell in January reaching the lowest price for two years.

Feed and fertiliser prices

	Jan - 2018	Change (from Dec-17)	Change (from Jan-17)
Spot prices			
Feed wheat (av. \$/t del Melbourne)	260	+\$3	+\$66
Barley (av. \$/t del Melbourne)	251	+\$8	+\$79
Canola meal (av. \$/t del Melbourne)	364	-\$14	+\$19
Lucerne hay (av. \$/t del Central Vic)	370	\$0	+\$10
Pasture hay (av. \$/t del Central Vic)	140	\$0	-\$26
Source: Rural press			
Urea (US\$/t granular Black Sea)	224	+\$5	-\$17
DAP (US\$/t US Gulf)	395	+\$10	+\$70
MOP (US\$/t granular Vancouver)	225	+\$1	+\$10
Source: World Bank			
Futures prices (ASX)			
Wheat (av. \$/t Jan-19 east coast)	276	+\$1	+\$48*
Barley (av. \$/t Jan-19 east coast)	243	+\$5	+\$88*
*Compared to Jan-18 east coast contract		Source: ASX	

The hay market is on the verge of change as the second half of summer commences and temperatures heat up. Demand is slowly beginning to increase in northern regions and trading has picked up slightly. In northern regions demand is expected to

exceed supply this season and prices may increase as hay is freighted longer distances. Tropical cyclone Joyce brought heavy rains to western and northern parts of Australia, wiping out pasture and increasing demand for fodder. In southern regions the market is still dormant and demand is not expected to pick up any time soon. Southern regions are expected to produce more than enough hay this season and will be a good source of supply for other regions. Due to above average rain during the harvest it is recommended to obtain feed tests and mould and yeast tests to ensure value for money.

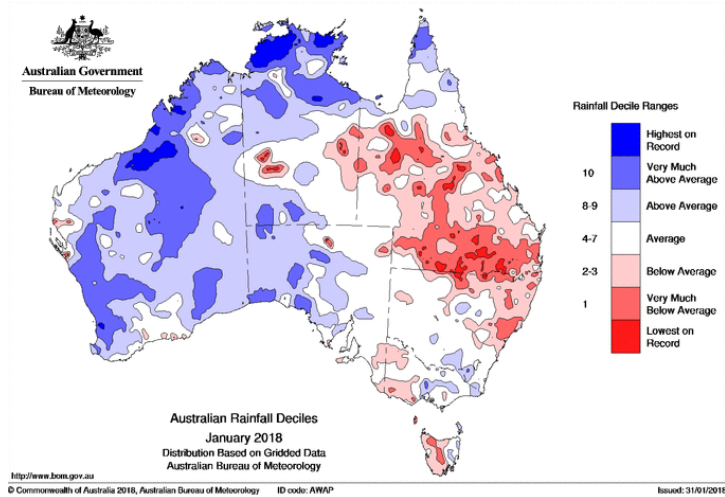
The ABARES December Crop Report suggests total winter crops will fall by 41% in 2017/18 compared to last year due to unfavourable weather and decreases in planting following last year's record breaking crop. Despite the large annual fall, the 2017/18 crop size is only 2% below the ten year average. The domestic grain market remain fairly quiet and illiquid as growers are reluctant to sell, waiting to see what will happen to prices following reports of weather damage crops. ASX Jan 2019 wheat futures increased in January. Chinese demand for barley is supporting prices and closed the gap between wheat and barley markets, on the ASX Jan 2019 barley future increased as a result.

The fertiliser industry continues to face subdued demand, oversupply and compared to long term trends prices remain low. In January urea prices increased 2% compared to December but remain 16% below the five year average. The price is the second lowest for five months and 7% below last year. MOP prices are steady, only increasing slightly over summer. Compared to the five year average prices are down 21% but up 5% on last year. DAP prices recovered somewhat, increasing 3% on a monthly basis and 22% compared to January last year. Prices are still 5% below the five year average.

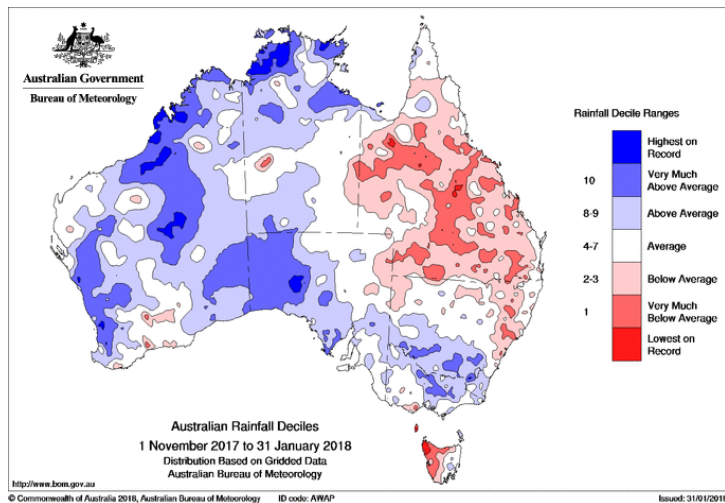
For a comprehensive overview of the market and indicative pricing for hay and feed grains, including canola meal, for key dairy regions across Australia, see Dairy Australia's Grain & Hay Report. Published most weeks: <https://dairyaustralia.com.au/industry/farm-input-and-costs/hay-and-grain-report-overview>

Rainfall

January was an exceptionally warm month with above average rainfall. Above average rain was reported in the western half of the country with areas in Western Australia and northern Queensland experiencing one of the wettest January on record. Tropical cyclone Joyce brought five times the monthly average rain in just one day to Western Australia during the middle of the month.



The monsoon trough arrived unusually late this season and resulted in below average rain on the east coast of Australia, Queensland and New South Wales. Rainfall in Tasmania, parts of Victoria and South Australia was also below average.



Drought Statement

Western Australia was unusually wet during January which helped ease severe rainfall deficiencies in the state. In northeastern parts of the country hot weather and below average rainfall dried out soils and rainfall deficiencies increased. Serious to severe rainfall deficiencies exist in central Queensland, coastal New South Wales and eastern Tasmania.

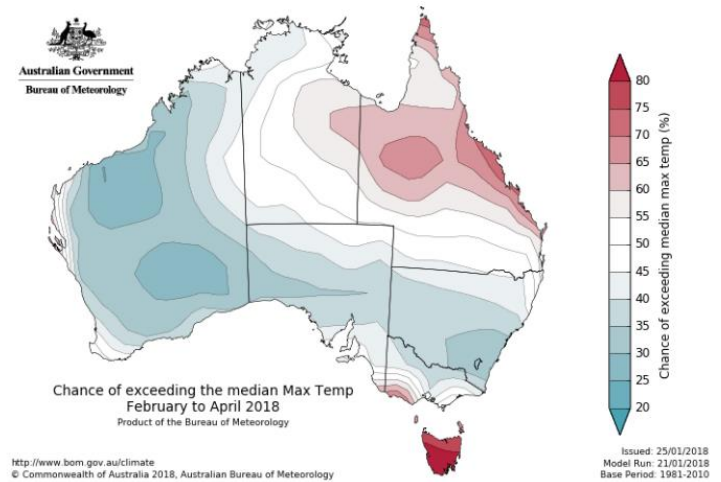
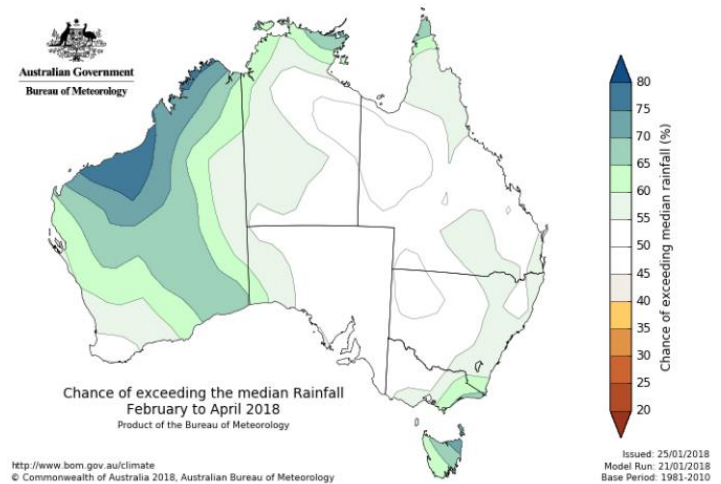
<http://www.bom.gov.au/climate/drought>

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Seasonal Outlook

The Bureau of Meteorology's seasonal outlook for February – April suggests western parts of the country will receive above average rainfall for the next three months. For the rest of Australia the chance of above to below average rain is fairly even. February is expected to be wetter than normal in both southern and western regions. Temperatures are expected to be warmer than average in northeast Australia and Tasmania but cooler for the rest of the country.



The ENSO outlook still suggests a weak La Niña is active in Australia, however ocean temperatures in the Pacific have started to warm and the Bureau predicts La Niña to finish in early-to-mid autumn. The Indian Ocean Dipole is neutral and predicted to remain inactive into winter 2018. Water temperatures north of Australia have warmed, injecting moisture into the atmosphere, increasing the likelihood of western regions receiving above average rain for the next few months: *for more climate outlook information see www.bom.gov.au*

Water

Storage levels (2017/18 as at 2 February)

	% full Jan -18	Change from Dec-17	% full Jan-17
Dartmouth	89	+1%	78
Hume	68	-8%	89
Eildon	74	-1%	77
Waranga Basin	59	-1%	43
Eppalock	78	0%	28
Glenmaggie*	86	-11%	79

Source: G-MW, *SRW

Above average rain in December and summer rains during January increased water levels in Dartmouth, up 1% to 89%. Water levels in remaining storages have commenced the summer decline, with levels falling 8% in the Hume and 11% in Glenmaggie compared to previous month. Compared to last year water levels are elevated in Dartmouth and Waranga Basin, up 9% and 16% respectively, but down in remaining storages.

Irrigation Allocations (2017/18 as at 2 February)

Victoria	HRWS	Change (HRWS)	LRWS
Murray	100%	0%	0%
Broken	100%	0%	100%
Goulburn	100%	0%	0%
Campaspe	100%	0%	52%
Loddon	100%	0%	0%
Bullarook Creek	100%	0%	100%
MID	100%	0%	0%

Full details at www.g-mwater.com.au or www.srw.com.au

During January low-reliability water allocation increased in Campaspe, up 3% to 52%, due to lower evaporation rates and river losses than previously forecast. High-reliability water shares remain unchanged in all systems at 100%. Broken and Bullarook also report 100% low-reliability water shares. If more summer rain eventuates further water availability improvements may occur.

Full season determinations and outlook updates are available at:

<http://www.nvrm.net.au/allocations/current.aspx>

<http://nvrm.net.au/outlooks/current-outlook>

Murray Irrigation Ltd	Allocation	Change
Class C – General Security	49%	+10%

For further details see www.murrayirrigation.com.au

The NSW Murray General Security allocation increased 10% in January 2018, up to 49%.

<http://www.murrayirrigation.com.au>

Temporary water trades

	Jan-18	Jan-17	Change
Northern Victoria			
Volume traded (ML)	131,673	157,046	-16%
Average price (\$/ML)	98	70	+41%
Murray Irrigation System*			
Volume traded (ML)	13,385	19,494	+31%
Average price (\$/ML)	112	60	+86%

Source: Victorian Water Register, *Murray Irrigation Ltd

Above average rain during January led to a drop in water trading in northern Victoria. Trading dropped 18% on a monthly basis, down to 131,673 megalitres. Compared to last year this is a 16% decrease and 14% below the five year average. During 2017 2,510,206 megalitres were traded in Victoria, 62% above last year. During the month prices increased 11% compared to December, up to \$92/ML, 41% above last year but 12% below the long run average.

In the Murray Irrigation system trading dropped on a monthly basis, down 10%. The trade volume, 13,385 megalitres, is 31% below last year and 11% below the long run average as a result of wet weather. Prices increased compared to December, up 6% to \$112/ML. Compared to last year prices are elevated 86% and 12% above the five year average.

Cull Cows

	Jan-18	Jan-17	Change
Sales volume (head)	2,070	4,532	-54%
Average price (c/kg)	409	464	-12%
	YTD 2017/18	YTD 2016/17	Change
Sales volume (head)	33,040	54,320	-39%
Average price (c/kg)	430	483	-11%

Source: NLRs, from sale-yards within Vic

Cull cow prices fell during the first month of 2018, down 5% on a monthly basis to \$409c/kg, the lowest price for two years. Compared to last year prices are down 12% but remain 8% elevated on the five year average. 2,070 cows were sold to saleyard in January, a 66% drop compared to December and 54% below this time last year. In the 12 months leading up to January 71,000 cows were culled, a 35% decrease compared to previous year. According to the Meat and Livestock Industry Projection, culling rates are forecast to increase during 2018 while prices are expected to decrease due to intensified competition on the world market.

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