

Production Inputs Monitor



Issue 149 – 14 March 2018

Hay prices firmed during February in northern parts of Australia while demand remains subdued in southern regions. Global wheat markets rallied following dry weather concerns in the United States. Rainfall was below average nationally in February however Western Australia received well above average rain. The BOM's ENSO outlook is revised to 'inactive', indicating the end of the La Niña period. Water levels in most major storages have started to decline and water trading increased in northern Victoria.

Feed and fertiliser prices

	Feb - 2018	Change (from Jan-18)	Change (from Feb-17)
Spot prices			
Feed wheat (av. \$/t del Melbourne)	272	+\$15	+\$79
Barley (av. \$/t del Melbourne)	265	+\$22	+\$86
Canola meal (av. \$/t del Melbourne)	401	+\$23	+\$46
Lucerne hay (av. \$/t del Central Vic)	370	\$0	+\$13
Pasture hay (av. \$/t del Central Vic)	140	\$0	-\$13
Source: Rural press			
Urea (US\$/t granular Black Sea)	229	+\$5	-\$18
DAP (US\$/t US Gulf)	404	+\$9	+\$44
MOP (US\$/t granular Vancouver)	226	+\$1	+\$12
Source: World Bank			
Futures prices (ASX)			
Wheat (av. \$/t Jan-19 east coast)	290	+\$14	+\$44*
Barley (av. \$/t Jan-19 east coast)	260	+\$17	+\$70*
*Compared to Jan-18 east coast contract		Source: ASX	

In February hay prices started to firm in northern parts of Australia as the country continued to dry. Demand for hay increased in the Darling Downs, Queensland, and central-west New South Wales following a month of little rain and high temperatures. Towards the end of the month rainfall provided some relief to northern markets and temporarily subdued

demand. In southern regions new season hay and hay left in sheds from previous season helped keep demand low and accommodate growing demand from up north. Demand for straw is expected to exceed supply this year due to limited production. The quality of hay from Western Australia is reportedly excellent and a clear improvement from last year. As the export industry dominates the market in Western Australia it will continue to serve as a solid indicator on pricing in the region.

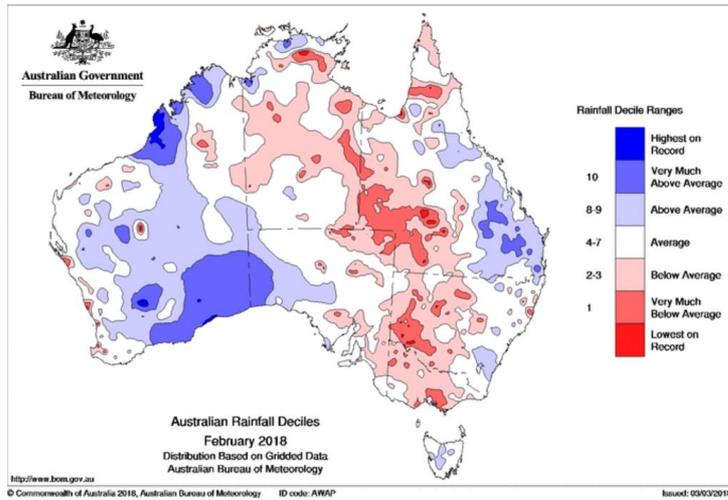
In the United States crop conditions are deteriorating due to unusually dry weather and global wheat prices have rallied as a result. As Russian wheat production forecasts have been revised downwards for 2018, the global market continues to provide support for wheat prices, resulting in stronger Australian prices in February. ASX Jan 2019 wheat futures increased 5% in February. Australian wheat prices are now close to or above export parity in several regions and given current conditions prices are likely to remain well supported in the near future. Global demand for barley remains strong as China continues to import and a recent tender from Saudi Arabia has provided a price floor for the crop. Australian barley prices are likely to remain supported and ASX Jan 2019 barley futures increased 7% during the month. Global demand for soybean meal combined with dry weather in Argentina also supports the Australian soybean meal and canola meal prices.

Fertiliser prices increased in February for the second month in a row. DAP prices increased 2% on a monthly basis to \$404/tonne, reaching the highest price reported since 2015. Prices are up 12% compared to last year but remain 2% below the five year average. MOP prices also increased, up 0.4% on a monthly basis and 6% on last year, however compared to the long run average prices remain subdued, down 20%. In February urea prices increased 2% on a monthly basis but the price is still restrained, down 7% compared to last year and 13% below the five year average.

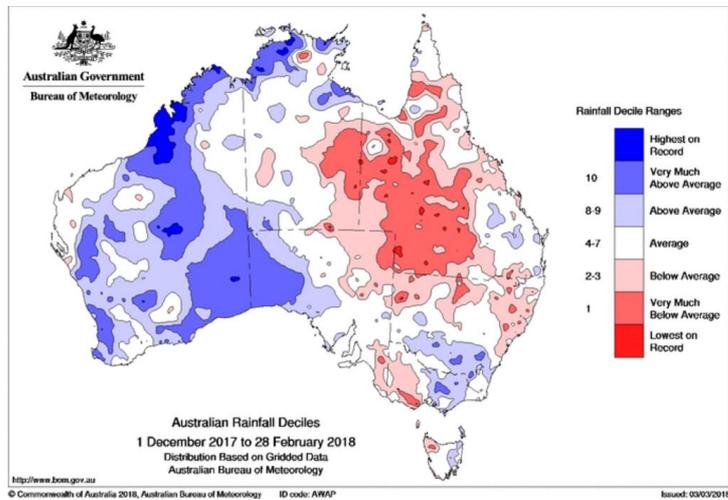
For a comprehensive overview of the market and indicative pricing for hay and feed grains, including canola meal, for key dairy regions across Australia, see Dairy Australia's Grain & Hay Report. Published most weeks: <https://dairyaustralia.com.au/industry/farm-input-and-costs/hay-and-grain-report-overview>

Rainfall

During February Australia received below average rainfall nationally with some areas reporting close to no downpour. Rainfall was below average in the western half of Queensland and New South Wales as well as in Victoria and eastern South Australia.



In most of Western Australia February rainfall was well above average and tropical cyclone Kelvin brought heavy rains to large parts of Western Australia, resulting in new rainfall records. Southeastern Queensland and parts of southern New South Wales also recorded above average rain. Towards the end of the month severe thunderstorms caused damage and heavy rain in Queensland that resulted in flooding.



Drought Statement

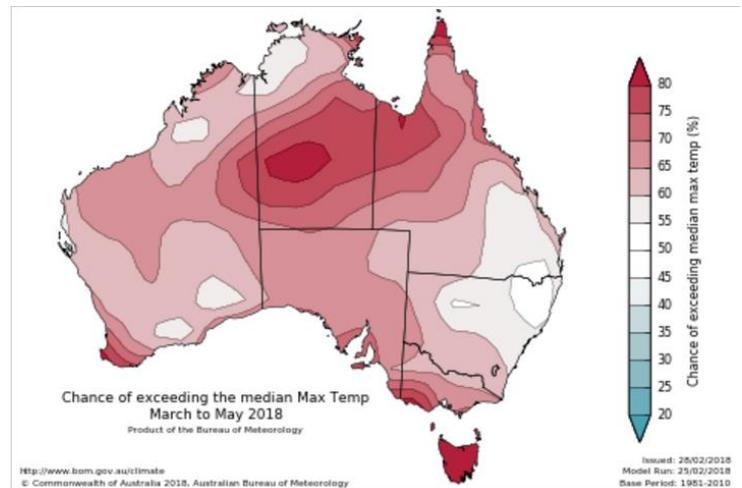
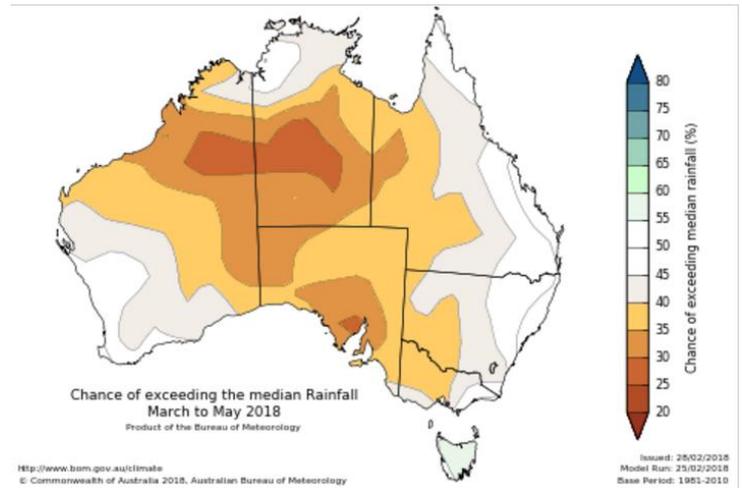
Below average rainfall in large parts of Australia in February increased rainfall deficiencies in central and western Queensland and east coast New South Wales. In Western Australia rainfall was well above average during the month and cyclone Kelvin caused flooding. As the rain did not reach the west coast of Western Australia no change to rainfall deficiencies was reported in the area. Rainfall deficiencies also remain on the east coast of Tasmania: <http://www.bom.gov.au/climate/drought>

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Seasonal Outlook

The Bureau of Meteorology's seasonal outlook for March – May suggests central and southeastern parts of Australia are likely to experience a drier than average autumn this year. Northern and eastern parts of Western Australia are expected to see above average rain and the autumn break is forecast to arrive later than usual for parts of southern regions. For the rest of the country the chance of above to below average rain is roughly equal. Australia is forecast to experience a warmer than average spring for most of the country, except eastern New South Wales and southeastern Queensland, with both day and night time temperatures above average.



During February the La Niña was active in Australia according to the BOM's ENSO outlook. However on the 13th of March The Bureau revised the ENSO outlook to 'inactive' and signalled the end of the La Niña. Traditionally the breakup of a La Niña results in below average rainfall during autumn. The Indian Ocean Dipole is neutral and will remain neutral at least until winter as it is unable to form this time of the year: *for more climate outlook information see www.bom.gov.au*

Water

Storage levels (2017/18 as at 9 March)

	% full Feb -18	Change from Jan-18	% full Feb -17
Dartmouth	89	0%	78
Hume	59	-9%	81
Eildon	70	-4%	74
Waranga Basin	43	-16%	70
Eppalock	71	-7%	92
Glenmaggie*	71	-15%	61

Source: G-MW, *SRW

Despite below average rainfall in February water levels in Dartmouth remain unchanged at 89%, 11% higher than last year. All other storages experienced declining water levels during the month with levels dropping 16% and 15% respectively in the Waranga Basin and Glenmaggie. Compared to last year water levels are still elevated 10% in Glenmaggie but down in other storages.

Irrigation Allocations (2017/18 as at 9 March)

Victoria	HRWS	Change (HRWS)	LRWS
Murray	100%	0%	0%
Broken	100%	0%	100%
Goulburn	100%	0%	0%
Campaspe	100%	0%	55%
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

According to the NVRM's seasonal determination update water accessibility improved slightly during February despite lower than average rainfall and warm weather, as evaporation rates and river losses were lower than previously forecast. High-reliability water shares remain unchanged at 100% in all systems in February. Low-reliability water shares increased 3% to 55% in the Campaspe system during the month and in Broken and Bullarook low-reliability water shares remain at 100%.

Full season determinations and outlook updates are available at:

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

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

Murray Irrigation Ltd	Allocation	Change
Class C – General Security	49%	0%

For further details see www.murrayirrigation.com.au

The NSW Murray General Security allocation remain unchanged at 49% in February 2018.

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

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Temporary water trades

	Feb-18	Feb-17	Change
Northern Victoria			
Volume traded (ML)	147,678	182,676	-19%
Average price (\$/ML)	96	50	+91%
Murray Irrigation System*			
Volume traded (ML)	17,377	30,270	-43%
Average price (\$/ML)	112	38	+196%

Source: Victorian Water Register, *Murray Irrigation Ltd

In northern Victoria water prices eased marginally, down 2% to \$96/ML. This is a 96% increase compared to last year's suppressed price but still 15% below the long run average. The average water price for the past 12 months is \$80/ML, 43% below the previous year. Trading increased 12% during the month, up to 147,678 megalitres. Compared to last year trading remain subdued, down 19%.

Water prices in the Murray Irrigation system remain steady at \$112/ML. Last year water prices were unusually low at \$38/ML, 196% below this month, compared to the five year average prices are up 11%. The average water price for the past 12 months is \$83/ML, 24% below last year. Trading dropped slightly, 1% on a monthly basis, and down 43% compared last year, however compared to the five year average trading remains elevated, up 16%.

Cull Cows

	Feb-18	Feb-17	Change
Sales volume (head)	4,609	5,392	-15%
Average price (c/kg)	376	457	-18%
	YTD 2017/18	YTD 2016/17	Change
Sales volume (head)	40,591	59,712	-32%
Average price (c/kg)	425	480	-11%

Source: NLRS, from sale-yards within Vic

In February cull cow prices continued to decline, falling 8% on a monthly basis to \$376c/kg. Compared to last year prices have eased 18% and are 1% below the five year average. The February price is the lowest reported since June 2015 and marks the first month in close to three years with prices below the long run average. During the month 4,609 cows passed through saleyards, a 15% drop compared to last year and 28% below the five year average. In the twelve months leading up to February 2018 70,259 cows were culled, a 31% drop on previous year. During the past three months 3.7% fewer cows were slaughtered than last year which could suggest continued rebuilding of the national herd.