

# Production Inputs Monitor



**Issue 152** – 12 June 2018

**This May was one of the driest on record across most of Australia. Moisture deficits worsened across many regions due to limited rainfall and high evaporation rates. Hay demand surged and is exceeding supply in parts of the country while grain prices continue to face upward pressure. The BOM suggests dry and hot conditions will extend into winter and forecasts below average rain across most southern mainland Australia. Dam levels have continued to decrease while demand for irrigation water grows. As a result water prices rose in May. Cull prices also increased this month but trading is still down compared to last year.**

## Feed and fertiliser prices

	May - 2018	Change (from Apr-18)	Change (from May-17)
<b>Spot prices</b>			
Feed wheat (av. \$/t del Melbourne)	314	+\$30	+\$99
Barley (av. \$/t del Melbourne)	306	+\$19	+\$106
Canola meal (av. \$/t del Melbourne)	426	+\$13	+\$42
Lucerne hay (av. \$/t del Central Vic)	377	+\$7	+\$12
Pasture hay (av. \$/t del Central Vic)	159	+\$9	\$16
Source: Rural press			
Urea (US\$/t, spot, fob, Black Sea)	218	-\$6	+\$35
DAP (US\$/t, spot, fob, US Gulf)	407	-\$4	+\$51
MOP (US\$/t, spot, fob Vancouver)	216	\$0	+\$7
Source: World Bank			
<b>Futures prices (ASX)</b>			
Wheat (av. \$/t Jan-19 east coast)	324	+\$7	+\$74*
Barley (av. \$/t Jan-19 east coast)	281	+\$1	+\$84*
*Compared to Jan-18 east coast contract		Source: ASX	

Dry weather in May activated the hay market and demand surged. In several regions demand exceeded supply as farmers sought to secure hay for winter. Supply has been diminishing rapidly across Australia and the large carryover stocks from 2016

have been disappearing quicker than anticipated. Hay prices increased in May as a result of heightened demand and diminishing supply. The New South Wales government continues to offer transport grants for farmers severely impacted by drought. Demand hit a peak towards the end of the month and started to plateau in New South Wales and Queensland. Farmers have been hesitant to seed new hay due to the dry weather and the planting season is off to a late start. Rain is necessary to turn the current situation around this winter.

According to the International Grains Council world production of wheat is expected to reach yet a new record in 2017/18, up 0.4% compared to last year. Rainfall during May in major wheat exporting countries helped improve the outlook for the year. However in 2018/19 wheat production is expected to decline and combined with an increase in demand for wheat, stockpiles might contract for the first time in years. Global wheat prices still remain strong. In Australia dry weather worsened crop prospects and deteriorated planting opportunities in major cropping regions. As a result wheat prices grew, ASX Jan 19 wheat futures increased 2% in May. Australian barley supply is diminishing rapidly as Chinese export demand continues to support the market. Australia's summer crop planting was completed in May and the summer crop is projected to increase 12% compared to last year.

In May fertiliser prices eased slightly, or were flat, as the market still faces oversupply and over capacity. In the first few months of 2018 prices increased as a result of the rally in global grain markets. Since the start of the year DAP prices have increased due to the continued decline in Chinese production. However, compared to the long run trend prices remain subdued. Urea prices eased 3% on a monthly basis while DAP prices decreased 1%. Urea prices track 16% below the five year average and MOP prices remain suppressed, down 22%.

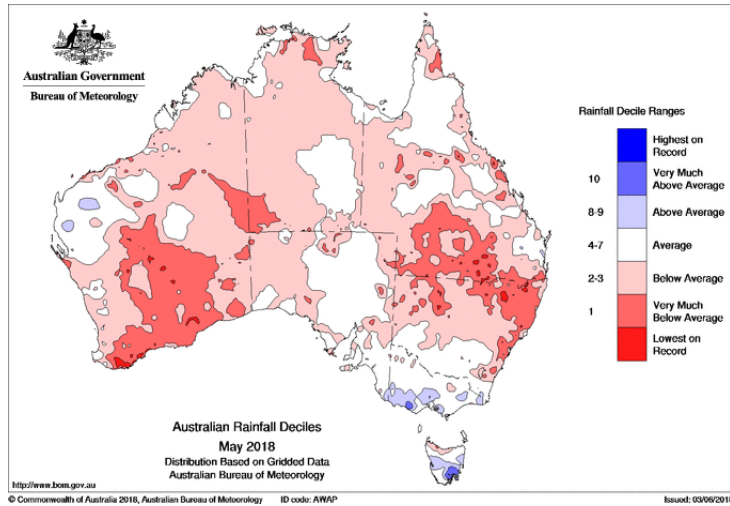
*For a comprehensive overview of the market and indicative pricing for hay and feed grains, including canola meal, for key dairy regions across Australia, see Dairy Australia's Grain & Hay Report. Published most weeks: <https://dairyaustralia.com.au/industry/farm-input-and-costs/hay-and-grain-report-overview>*

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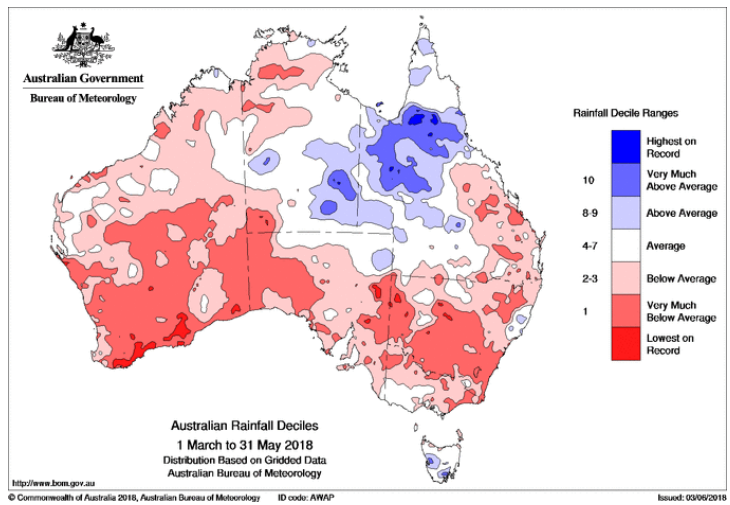
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## Rainfall

This autumn has been one of the driest and warmest on record and the weather in May proved no exception. Australia experienced its third driest May on record and the driest May since 2008. Rainfall was well below average across most of the country with a record low reported in Western Australia, parts of New South Wales and southern Queensland. Temperatures started out unusually cold in Victoria in the beginning of the month, however overall were above average across Australia.



Few places in Australia received much rain this month. Parts of southwest and south Victoria and Tasmania reported above average rain and most of this rain fell during one day resulting in flooding in Tasmania.



## Drought Statement

The dry start to the wet season in southern Australia continued this month as below average rain fell in major agricultural regions. Dry weather worsened rainfall deficiencies across the country. Rainfall deficiencies have developed in Western Australia and in parts of New South Wales. Soil moisture decreased in May and is below to very below average in large parts of western and southern regions:

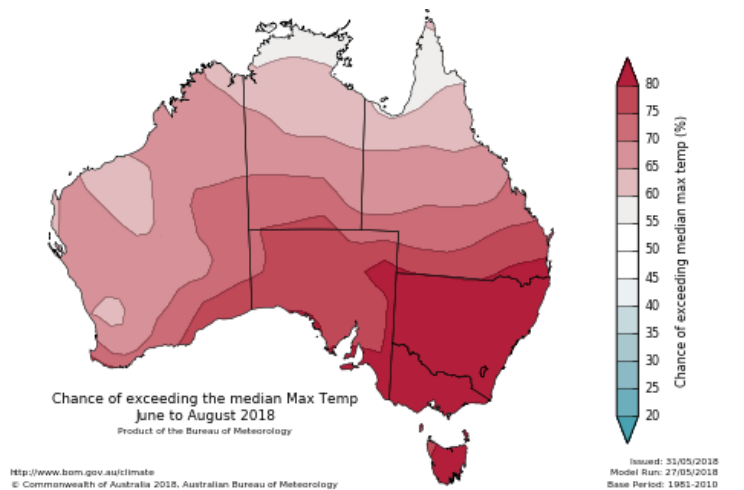
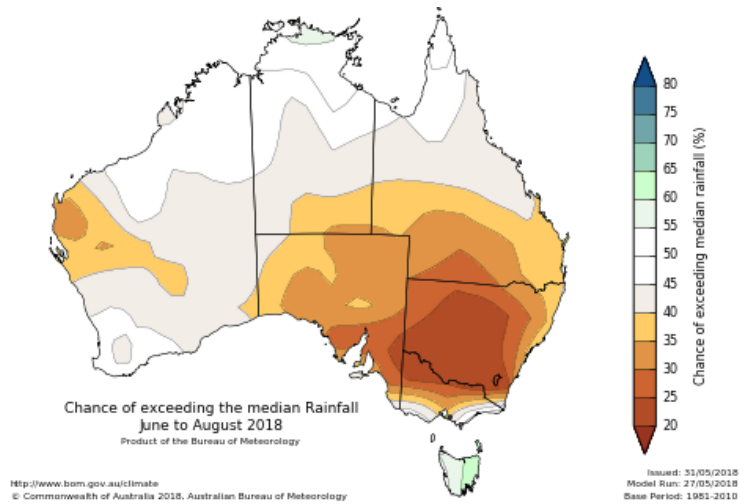
<http://www.bom.gov.au/climate/drought>

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## Seasonal Outlook

The Bureau of Meteorology's seasonal outlook suggests hotter and drier than average conditions will continue this winter. Rainfall is likely to be below average in southeast Australia, southern Queensland and parts of Western Australia. In contrast, eastern Tasmania may receive above average rain. The BOM expects warmer than average temperatures in most of the country this winter and temperatures are forecast to be especially warm in south-eastern Australia.



At the beginning of autumn temperatures in the Pacific Ocean returned to normal and the Bureau announced the end of the 2017/18 La Niña season. The BOM forecasts the ENSO outlook will remain neutral during winter. Neutral ENSO conditions usually decrease the chance of prolonged periods of extreme weather. The Indian Ocean Dipole (IOD) is also forecast to remain inactive this winter.

For more climate outlook information see [www.bom.gov.au](http://www.bom.gov.au)

## Water

### Storage levels (2017/18 as at 8 June)

	% full May -18	Change from Apr-18	% full May -17
Dartmouth	89	0%	78
Hume	33	-4%	62
Eildon	55	-3%	65
Waranga Basin	39	0%	52
Eppalock	61	-2%	90
Glenmaggie*	19	+1%	27

Source: G-MW, \*SRW

The weather was unusually dry this autumn. Heat combined with below average rain created high surface evaporation rates which further exacerbated dry conditions. Below average rainfall increased demand for irrigation water and reduced inflows into all major dams. Water levels in Dartmouth and Waranga Basin remain unchanged this month at 89% and 39% respectively. In Glenmaggie levels grew 1% following last month's drop.

### Irrigation Allocations (2017/18 as at 3 April)

Victoria	HRWS	Change (HRWS)	LRWS
Murray	100%	0%	0%
Broken	100%	0%	100%
Goulburn	100%	0%	0%
Campaspe	100%	0%	59%
Loddon	100%	0%	0%
Bullarook Creek	100%	0%	100%
MID	100%	0%	20%

Full details at [www.g-mwater.com.au](http://www.g-mwater.com.au) or [www.srw.com.au](http://www.srw.com.au)

The Northern Victoria Resource Manager predicts the Goulburn and Loddon system will receive around 20% high-reliability water shares at the first 2018/19 seasonal determination announcement. The Murray system is expected to receive 40% high-reliability water shares. At the first seasonal determination outlook of July 2<sup>nd</sup> only the Campaspe system is projected to receive 100% high-reliability water shares.

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	51%	0%

For further details see [www.murrayirrigation.com.au](http://www.murrayirrigation.com.au)

The NSW Murray General Security allocation remained unchanged at 51%, with little expectation of an increase for the remainder of the season. <http://www.murrayirrigation.com.au>

### Temporary water trades

	May-18	May-17	Change
<b>Northern Victoria</b>			
Volume traded (ML)	90,259	144,857	-38%
Average price (\$/ML)	150	28	+442%
<b>Murray Irrigation System*</b>			
Volume traded (ML)	8,905	37,125	-76%
Average price (\$/ML)	162	14	+1057%

Source: Victorian Water Register, \*Murray Irrigation Ltd

Unusually hot and dry weather led to below average soil moisture in southern Australia and deteriorated water accessibility for farmers. As a result water prices increased in northern Victoria and the Murray Irrigation system, up to 15% on a monthly basis to \$150/ML and 10% to \$162/ML respectively. Compared to last year prices have surged, however, it is worth noting that prices last year were record low. Compared to the five year average prices are elevated, up 58% in the Murray Irrigation system and 31% in northern Victoria. As the price of temporary water grew trading dropped. In northern Victoria trading eased 38% compared to last year and in the Murray Irrigation system trading was down 76%.

### Cull Cows

	May-18	May-17	Change
Sales volume (head)	7,115	7,417	-4%
Average price (c/kg)	410	444	-8%
	YTD 2017/18	YTD 2016/17	Change
Sales volume (head)	61,700	79,051	-22%
Average price (c/kg)	404	472	-14%

Source: NLRS, from sale-yards within Vic

Following several months of price drops, cull cow prices increased 13% in May, from \$362c/kg to \$410c/kg. The price is up 7% on the five year average, but compared to last year the price remains depressed, down 8%. Higher feed costs are leading to increased sales for pastoralists looking to destock and the amount of cows sold to slaughter increased, up 9% on a monthly basis and 11% above the five year average. Compared to last year culling rates are still low. In the twelve months to May 2018 72,029 cows passed through saleyards, a 20% drop on last year.

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