

# Production Inputs Monitor



## Issue 154 – August 2018

Australia as a whole experienced a warmer and drier month than average. Records were broken in some areas of New South Wales recording their lowest ever monthly rainfall, conversely Tasmania received their wettest July for several years. The erratic weather conditions supported feed prices which remain high. The BOM issued their drought statement and reviewed their ENSO outlook which remains at El Niño watch, indicating a 50% likelihood that an El Niño will form this spring. Despite the lack of rain there were some slight increases in irrigation allocations although this did not stop trading prices increasing. The number of cull cows declined regardless of the price increase from June.

### Feed and fertiliser prices

	Jul-2018	Change (from Jun-18)	Change (from Jul-17)
<b>Spot prices</b>			
Feed wheat (av. \$/t del Melbourne)	327	-\$2	+\$60
Barley (av. \$/t del Melbourne)	318	-\$9	+\$70
Canola meal (av. \$/t del Melbourne)	466	+\$26	+\$77
Lucerne hay (av. \$/t del Central Vic)	498	+\$18	+\$128
Pasture hay (av. \$/t del Central Vic)	215	+\$19	+\$75
Source: Rural press			
Urea (US\$/t, spot, fob, Black Sea)	N/A		
DAP (US\$/t, spot, fob, US Gulf)	N/A		
MOP (US\$/t, spot, fob Vancouver)	N/A		
Source: World Bank			
<b>Futures prices (ASX)</b>			
Wheat (av. \$/t Jan-19 east coast)	393	+\$71	+\$117*
Barley (av. \$/t Jan-19 east coast)	358	+\$76	+\$115*
*Compared to Jan-19 east coast contract		Source: ASX	

As we continue through what has been an unusually dry year many regions are reporting the impact of the lack of rain and warmer weather. These weather conditions along with the diminishing supply of carryover stock from 2016 have led to a surge in demand for fodder and subsequently prices firming. It

has been reported that hay is getting continually harder to source as carryover stocks diminish and any excess is already spoken for. There was some rainfall that provided a much needed respite however much more is needed to soften soils and swing the markets. With predictions from the Bureau of Meteorology suggesting that August will remain dry, the NSW government continues to provide support to those affected by drought offering the drought assistance fund.

The international grain market continues to mirror the strong domestic price. July has seen multiple reports indicating lower global grain production which in turn has firmed prices. USDA released their World Supply and Demand Estimates (WSDE) which indicated a decline in global wheat stocks while there is also likely reductions in the EU and Aussie production. This is the first time in six years that the projection has pointed to a decline.

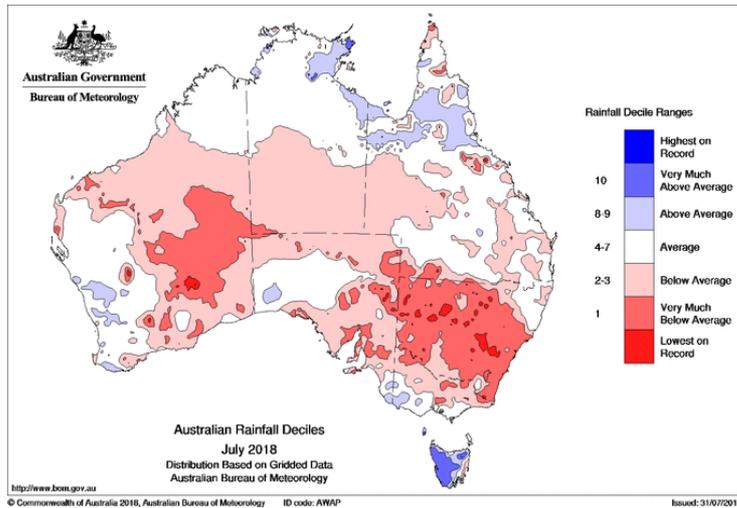
The ongoing trade tensions between the US and China have added to market volatility with soybeans being hit the hardest. Locally the climate is currently the biggest influence on the market. With the majority of Australia experiencing dry conditions including severe drought in eastern states, predominantly New South Wales, farmers are seeking feed for their livestock. The ASX futures have firmed this month with both wheat and barley seeing strong increases. Wheat is up 22% while barley is up 27% since this time last month.

Global fertiliser prices have been relatively stationary this year, however, July saw an increase in both DAP and urea values. The World Bank have not released figures although Rabobank reported a 16% increase in urea prices and 6% for DAP. This movement resulted from decreases in the Australian dollar and other geopolitical factors.

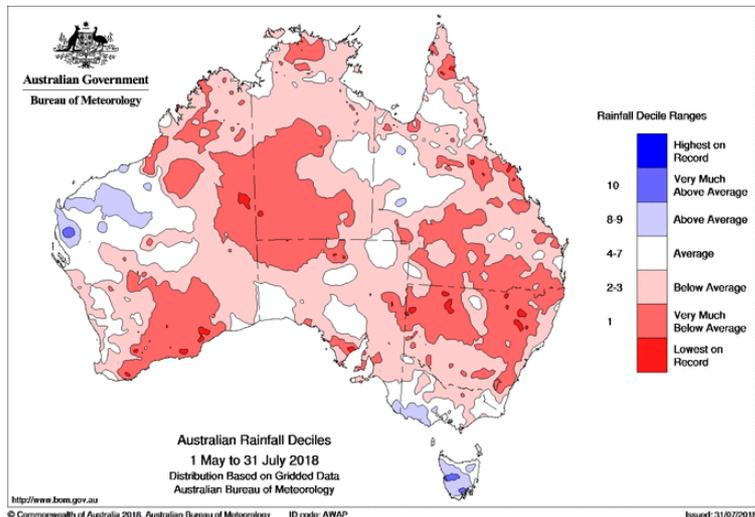
*For a comprehensive overview of the market and indicative pricing for hay and feed grains, including canola meal, for key dairy regions across Australia, see Dairy Australia's Grain & Hay Report. Published most weeks: <https://dairyaustralia.com.au/industry/farm-input-and-costs/hay-and-grain-report-overview>*

## Rainfall

Rain deficiencies continued across the majority of Australia with generally below average rainfalls for most of the mainland. Nationally it was the driest July since 2002. Predominantly the eastern states and parts of Western Australia recorded these deficiencies with New South Wales as a whole experiencing its fifth-driest July on record. On the other hand the north and south have both recorded above average rainfalls with Tasmania's overall total being 47% above the average. The southwest coast of Western Australia received substantial rainfall in early July breaking daily records which helped increase the monthly decile to average/ above-average.



Nationally daytime temperatures were unusually warm in July, however, overnight minimums fell below average for areas in Victoria, South Australia, New South Wales and Queensland. This resulted in an increased presence of frosts due to the lack of cloud cover and lack of moisture in soils.



## Drought Statement

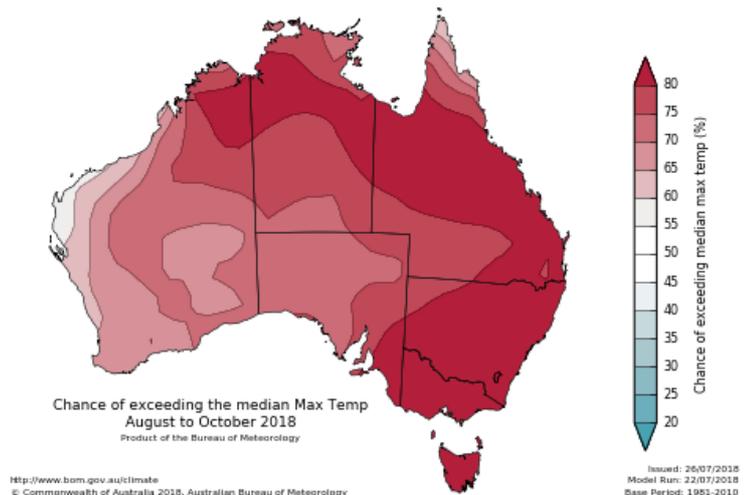
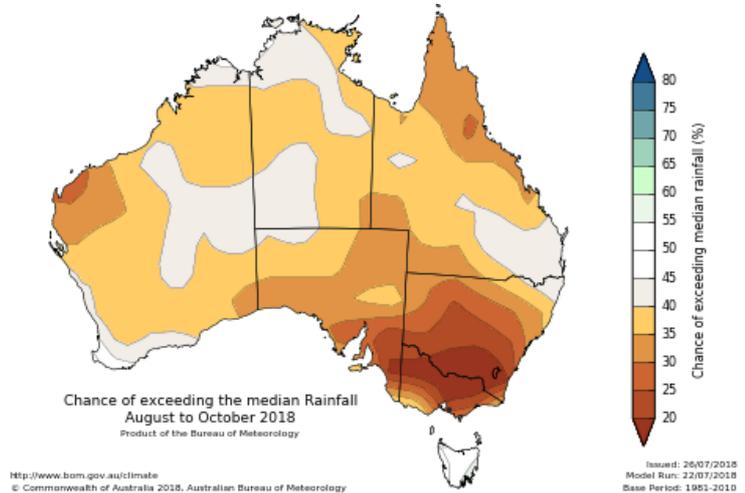
We are now well and truly into the southern wet season and below average rainfall continued as Australia experienced an exceptionally dry month as a whole. The lack of rainfall in central Western Australia, southern Queensland, New South Wales and northern Victoria have all contributed to the deficiency. The severity of this deficit is being widely felt by the agricultural community. <http://www.bom.gov.au/climate/drought>

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## Seasonal Outlook

The Bureau of Meteorology's seasonal outlook for August-October suggests most of Australia is likely to continue to experience warmer and drier conditions than average. August is expected to bring a particularly dry end to winter, especially in the southeast of the mainland. These conditions suggest little relief to the exceptionally dry start to the year. There is no real indicated direction for rainfall in Tasmania, which has approximately 50% chance of being wetter or drier than average.



The Bureau's current ENSO outlook remains at El Niño watch indicating a 50% chance of this event occurring will continue through to spring, this is about double the normal chance. The tropical Pacific Ocean has cooled slightly however, indicators are suggesting this a temporary and will continue to warm in the near future. The BOM states that by the end of the year 6 out of 8 models suggest that El Niño threshold will be reached however, this is not a guarantee, only an indication from previous events.

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

## Water

### Storage levels (2018/19 as at 6 August)

	% full Jul -18	Change from Jun-18	% full Jul -17
Dartmouth	89	0%	79
Hume	45	+6%	76
Eildon	55	0%	61
Waranga Basin	53	+7%	66
Eppalock	60	-1%	89
Glenmaggie*	34	+14%	62

Source: G-MW, \*SRW

In July water storage levels increased at some of the monitored sites. Glenmaggie saw a 14% increase while the Hume and Waranga Basin reported increases with 6% and 7% respectively. There were no recorded changes to Dartmouth and Eildon while Eppalock declined by 1%. Generally the June and July months have significant increases to storage levels yet due to the warmer drier conditions and high evaporation rates these increases haven't been seen. Most dam sites are below the levels they were this time last year with the worst being the Hume down 31%.

### Irrigation Allocations (2018/19 as at 6 August)

Victoria	HRWS	Change (HRWS)	LRWS
Murray	49%	+8%	0%
Broken	0%	0%	0%
Goulburn	37%	+5%	0%
Campaspe	100%	0%	0%
Loddon	37%	+5%	0%
Bullarook Creek	0%	0%	0%
MID	65%	+25%	0%

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

Despite the dry conditions July saw some slight increases to high-reliability water shares with rises in the Murray, Goulburn, Loddon and MID. MID had the largest increase with 25% more shares issued while the other three were all under double figures. Broken and Bullarook Creek both had no change and remain on 0% while Campaspe continues at 100%. More rain is required for the forecast to improve.

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	0%	0%

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

The NSW Murray General Security allocation is at 0% at the start of the 2018/19 season.

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

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### Temporary water trades

	Jul-18	Jul-17	Change
<b>Northern Victoria</b>			
Volume traded (ML)	207,879	246,106	-16%
Average price (\$/ML)	237	115	+107%
<b>Murray Irrigation System*</b>			
Volume traded (ML)	4,297	18,483	-77%
Average price (\$/ML)	317	116	+174%

Source: Victorian Water Register, \*Murray Irrigation Ltd

Following below average rainfall for much of the country both the northern Victoria and Murray irrigation trading prices firmed. This is the fifth consecutive month prices have climbed in northern Victoria. With the unusually dry winter, demand continues to grow while supply tightens. This has been the main driving factor for the price increases. If current forecasts are accurate and it remains dry then there may not be any short-term relief for these figures.

The July price for northern Victoria has had a sharp increase from last month jumping 41% resulting in trades at \$237/ML. This has risen 106% since this time last year and is nearly double the five year average. It has been over 2 years since trading prices were this high. Spot prices of over \$350/ML have even been reported. The Murray Irrigation system price have also surged nearly tripling the five year average. It was reported the average trading price in July was \$317/ML, this is increased by 70% since June.

### Cull Cows

	Jul-18	Jul-17	Change
Sales volume (head)	6,900	6,071	14%
Average price (c/kg)	407	453	-10%
	<b>YTD 2018/19</b>	<b>YTD 2017/18</b>	<b>Change</b>
Sales volume (head)	6,900	6,071	14%
Average price (c/kg)	407	453	-10%

Source: NLRS, from sale-yards within Vic

After the first month of the new financial year July saw small reduction in cull volumes compared to June, however, this is still 14% more than this time last year. The challenging conditions have been the main driver of sales volume, and prices have in fact fallen year-on-year with a 10% decrease from July 2017. This month's average price of 407c/kg was a welcomed increase from the record low of 353c/kg in June nevertheless; farmers will be hoping this trend continues. It is evident that growers are looking to decrease herd size due to fodder costs and availability.