

PRODUCTION INPUTS MONITOR

Issue 166 – August 2019

Prices for hay eased over the past month as demand dropped. Grain prices also eased, although have since firmed in the last week of the month. This was predominantly due to concerns about the upcoming winter crop harvest. The BoM released their outlook for the rest of the year indicating dry and warm conditions for much of Australia. Dam levels increased across Victoria although at a slower rate than usual; most sites are operating at lower levels than in 2018. Looking ahead, dry conditions for QLD and NSW are likely to drive demand for feed and consequently prices.

Feed and fertiliser

Hay prices eased in central Victoria this month; a reflection of the drop-in volume traded around the country. As spring arrived and the new season crop is around the corner, many farmers held off purchasing feed. Hay prices remain historically high, although continues to be transported across the country. Predominantly travelling north, demand in this region of the country is going to be a key driver of price in the coming months. Currently dry, the New South Wales and Queensland climate outlook remains unfavourable with below average rain expected. This is expected to impact demand and with little in the supply chain, the market remains volatile.

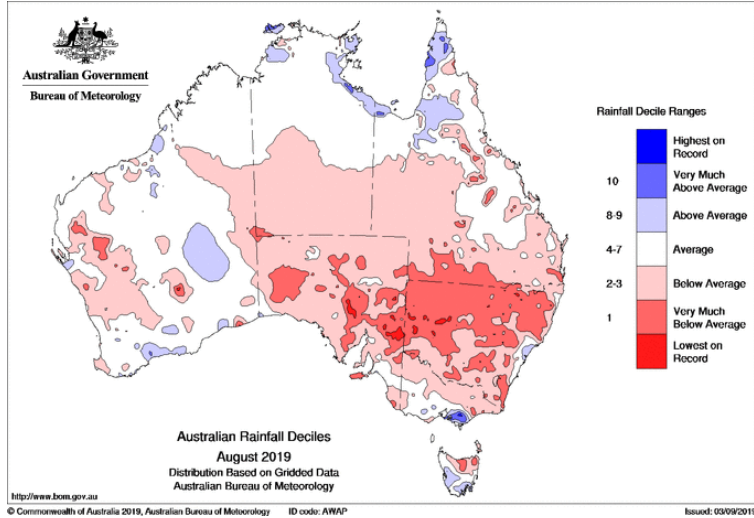
Last week, the grain market firmed as sentiment on the coming season swings. The monthly price of wheat and barley in Melbourne hasn't reflected this, however it is expected this will change in the next report. Dry weather and a lower production forecast has depressed market attitude towards the upcoming winter crop harvest. ABARES revised their 2019/20 winter crop projection indicating a 11% rise year-to-year, a downward revision of 7% from the June outlook. The revised figures are due to the challenging winter in QLD and NSW, combined with the increase in acreage expected to be cut for hay. The current crop is following low yields last year and remains 16% below the ten-year average. Forecasts vary greatly between regions; crops in Victoria are in good condition, while SA and WA are mixed. CBOT wheat futures dropped this month as the northern hemisphere harvest wraps up and another large crop enters the global supply chain. This combined with sluggish global demand eased international prices.

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>

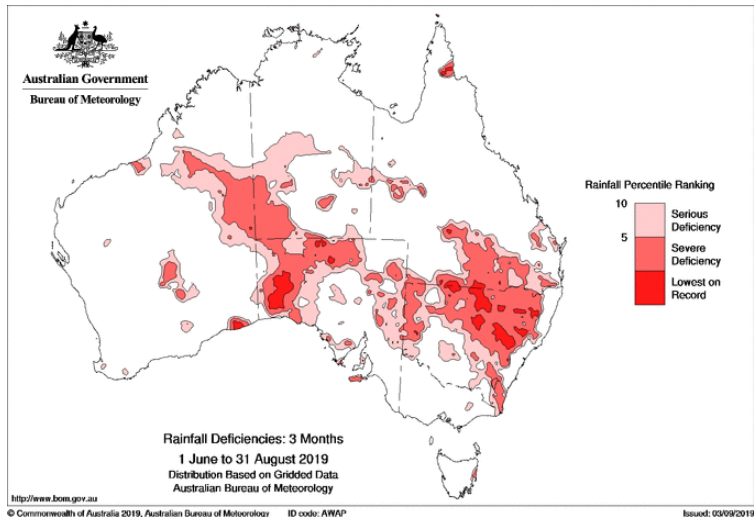
	Aug-2019	Change (from Jul-19)	Change (from Aug-18)
Spot prices			
Feed wheat (av. \$/t del Melbourne)	355	-\$10	-\$42
Barley (av. \$/t del Melbourne)	345	-\$20	-\$52
Canola meal (av. \$/t del Melbourne)	433	-\$64	-\$71
Lucerne hay (av. \$/t del Central Vic)	706	-\$4	+\$174
Pasture hay (av. \$/t del Central Vic)	401	-\$10	+\$134
Source: Rural press			
Urea (US\$/t, spot, fob, Black Sea)	263	+\$3	+\$15
DAP (US\$/t, spot, fob, US Gulf)	293	-\$22	-\$116
MOP (US\$/t, spot, fob Vancouver)	266	\$0	+\$50
Source: World Bank			
Futures prices (ASX)			
Wheat (av. \$/t Jan-20 east coast)	354	+\$14	-\$67
Barley (av. \$/t Jan-20 east coast)	313	+\$27	-\$83
*Compared to Jan-19 east coast contract		Source: ASX	

Rainfall

Rainfall in August was very much below average across Australia. It was particularly dry in NSW, stretching into SA and southern QLD. Small areas in Victoria, Tasmania and Western Australia received above average rain although the majority of these states recorded average to below average. Overall, this has been one of the driest winters on record. Specifically, winter rainfall for NSW and the Murray-Darling Basin was the 4th lowest on record.



Australia experienced a warmer than average August. It was particularly warm in QLD, along the east coast of NSW and large parts of WA. SA, Victoria and western NSW was relatively mild as most regions recorded, average to below average temperatures. Clearer skies meant overnight temperatures were cooler than average for most parts of the country.



Drought Statement

Rain deficiencies persist across large parts of Australia. With below average many regions, August did little to change affected areas. These long-term deficits are severely limiting water access in such areas as the Murray-Darling Basin.

For more information:

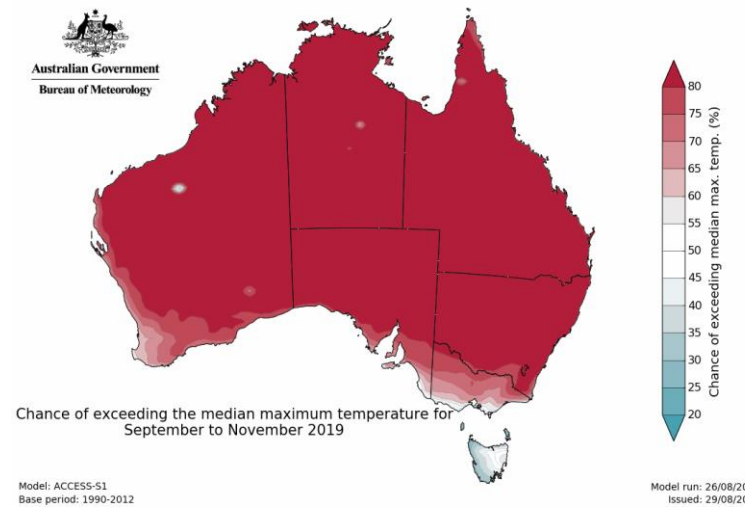
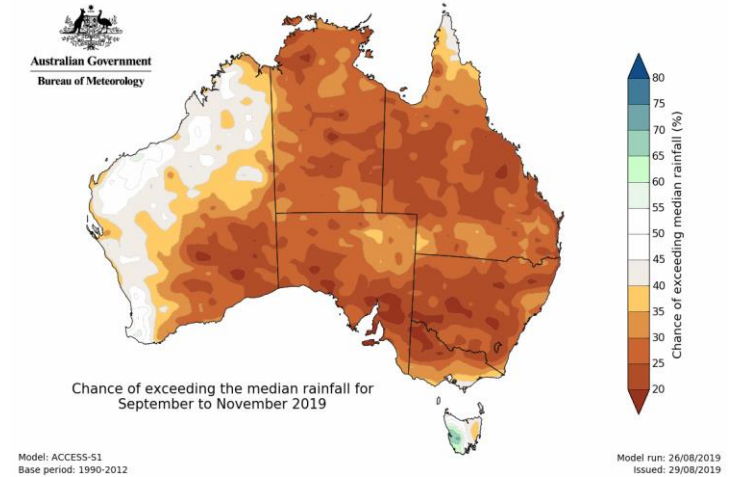
<http://www.bom.gov.au/climate/drought>

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Seasonal Outlook

The Bureau of Meteorology released their latest three-month outlook for October to December, indicating warm and dry conditions. The rest of the year is likely to be under the influence of a positive IOD (Indian Ocean Dipole). This is expected to decrease cloud cover resulting in less rain and warmer than average temperatures. Western Tasmania and the coastline of WA are the only regions likely to experience average to above average rainfall. Similarly, temperatures are expected to be warmer than average for all areas other than southern Victoria, Tasmania and south west WA. There is a warm spell likely for central and eastern Australia in mid-September.



The biggest influence on the Australia's climate is currently the positive IOD. This caused drier conditions for central and southern Australia throughout winter and is expected to continue through spring. The BoM's IOD index is predicted to peak in September before returning to neutral status in early 2020. The ENSO outlook remains neutral and is expected to remain ENSO-neutral for the remainder of the year.

Water

Storage levels (2018/19 as at 31 August)

	% full Aug-19	Change from Jul -19	% full Aug-18
Dartmouth	60	-2%	89
Hume	47	+12%	51
Eildon	45	+5%	64
Waranga Basin	62	+15%	61
Eppalock	40	+3%	62
Glenmaggie*	69	+19%	72

Source: G-MW, *SRW

August saw the largest increases in storage levels across the board, for the year-to-date. All sites except the Dartmouth Dam experienced an improvement. The largest was Glenmaggie for a third month in a row, now operating at 69% capacity the lake is nearing the same level of this time last year. The Waranga Basin increased 15% in August and is the only site currently operating at a higher level than the same time last year. The Dartmouth Dam decreased by 2% and is well below the level of August 2018.

Irrigation Allocations (2018/19 as at 2 September)

Victoria	HRWS	Change (HRWS)	LRWS
Murray	33%	17%	0%
Broken	0%	0%	0%
Goulburn	37%	12%	0%
Campaspe	49%	12%	0%
Loddon	37%	12%	0%
Bullarook Creek	100%	0%	100%
MID	95%	25%	0%

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

HRWS allocations improved in most regions this month. Resource manager, Andrew Shields explained that flows into major storage sites are below average for this time of year. However, as flows were steady since the last assessment, they were able to increase the availability in most regions. Bullarook Creek remains at 100% while the Macalister system increased 25% to 95% HRWS. Other improvements were recorded in Loddon, Campaspe and Goulburn, all 12% while the Murray increased 17%.

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

NSW Murray General Security allocations remain at 0%

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

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Temporary water trades

	Aug - 19	Aug - 18	Change
Northern Victoria			
Volume traded (ML)	154,397	109,811	41%
Average price (\$/ML)	558	316	+77%
Murray Irrigation System*			
Volume traded (ML)	3,010	13,504	-78%
Average price (\$/ML)	624	360	+74%

Source: Victorian Water Register, *Murray Irrigation Ltd

Northern Victoria's water prices have eased following the highest average price in over ten years. The average decreased \$55/ML, to trade at an average of \$558/ML in August. This is significantly higher than the same time last year and well above the five-year average. Throughout August, 154,397 ML was sold through the system, down 48% from last month.

Conversely, the Murray Irrigation System average price firmed this month. Climbing \$18/ML, the average price for the August reached \$624/ML. This is 74% higher than August 2018 and almost 300% higher than the five-year average. Prices haven't been this high since late in the millennium drought in 2008/09. The volume traded is up significantly from last month but tracks 78% below the same period last year. Strong demand and a lack of rainfall continues to drive prices. In the last month, prices between the two systems have begun to separate. It will be interesting to see in the next report if the two systems begin to move back towards parity.

Cull Cows

	Aug-19	Aug-18	Change
Sales volume (head)	7,471	8,784	-15%
Average price (c/kg)	472	374	25%
	YTD 2019/20	YTD 2018/19	Change
Sales volume (head)	15,774	15,684	1%
Average price (c/kg)	485	394	12%

Source: NLRs, from sale-yards within Vic

The price farmers received for cull cattle this month was slightly down (24 c/kg), compared to last month. Trading at an average of 472 c/kg, the price for cull cows was 26% higher than the last August and 16% higher than the five-year average. The year-to-date price has been 12% higher than last year despite more volume through the sale yards. With the development of ASF in China and a significant reduction of the beef herd locally, the cattle market is entering an unfamiliar situation.