

PRODUCTION INPUTS MONITOR

Issue 168 – October 2019

Another dry month resulted in decreases to water storage levels but prompted the commencement of the national harvest. Grain prices firmed on the back of deteriorating crop prospects; many are concerned with the lack of supply coming from the north and more recently WA. The recent three-month climate outlook indicates conditions are improving but still not favourable. Low rainfall and irrigation allocations have further firmed water prices, especially in northern Victoria. Meanwhile, cull cow prices dropped this month, in-line with volumes sold.

	Oct-2019	Change (from Sep-19)	Change (from Oct-18)
Spot prices			
Feed Wheat (av. \$/t del Goulburn/Murray Valley)	370	+\$15	-\$73
Barley (av. \$/t del Goulburn/Murray Valley)	360	+\$14	-\$94
Canola Meal (av. \$/t del Goulburn/Murray Valley)	415	+\$3	-\$140
Lucerne hay (av. \$/t del Goulburn/Murray Valley)	510	\$0	-\$23
Pasture hay (av. \$/t del Goulburn/Murray Valley)	300	\$0	-\$70
Source: AFIA, Profarmer			
Urea (US\$/t, spot, fob, Black Sea)	237	-\$8	-\$33
DAP (US\$/t, spot, fob, US Gulf)	277	-\$1	-\$143
MOP (US\$/t, spot, fob Vancouver)	266	\$0	+\$50
Source: World Bank			
Futures prices (ASX)			
Wheat (av. \$/t Jan-20 east coast)	338	-\$20	-\$84
Barley (av. \$/t Jan-20 east coast)	295	-\$35	-\$91
*Compared to Jan-19 east coast contract		Source: ASX	

Feed and fertiliser

Hay making has been in full swing across the country this month. In northern Australia, the hay season is coming to an end with a limited amount produced. Hay is being transported in from southern regions, this is expected to continue throughout next year due to low stocks. Baling is underway in southern Australia and yields are looking better than in northern counterparts. New season hay entering the market has eased prices across the country (although not reflected in Goulburn/Murray Valley). Currently, pasture hay is trading cheaper than October last year, although holding firm considering the volume entering the market. A warm and dry October has kick started the national grain harvest. The downward price pressure normally associated with harvest hasn't been noticed across the country. Frost in the west and dry conditions in most other regions, weighed on the national crop production forecast, firming spot prices. Despite this, the ASX wheat and barley futures dropped \$20 and \$35 a tonne respectively (month-on-month). This is down nearly \$100/tonne from the same time last year. Victorian crops are providing some optimism, although many are still concerned with the supply deficits in the north.

Global urea prices have continued to fall while the rest of the fertiliser market relatively steady. One interesting development has been the recent sanctions on Iran by the United States. This is expected to disrupt the supply of urea from Iran which on average accounts for 6% of global urea exports. These disturbance to trade could potentially firm urea prices in the New Year. Both DAP and MOP prices remained steady month-on-month. However, DAP is currently trading significantly less than the same time last year, down \$143.

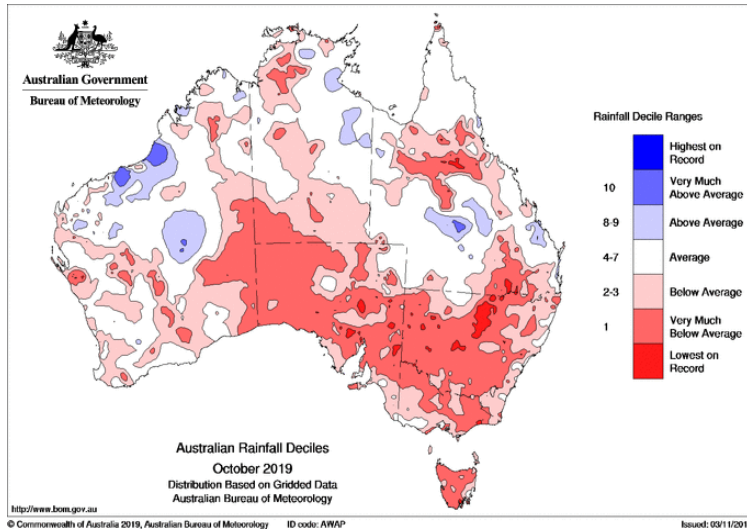
For a comprehensive overview of the market and indicative pricing for hay and feed grains, including canola meal, for key dairy regions across Australia, see Dairy Australia's Grain & Hay Report. Published most weeks: <https://dairyaustralia.com.au/industry/farm-input-and-costs/hay-and-grain-report-overview>

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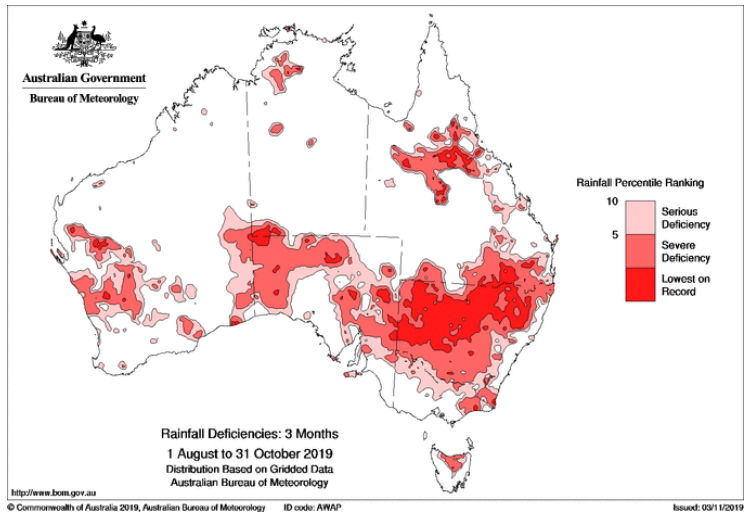
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Rainfall

Rainfall throughout October was very much below average, particularly in the southern half of the country. The recent conditions exacerbated the long-term dry spell throughout NSW, SA and Victoria. Central QLD was one of the only states which recorded above average falls following storms and heavy rain in the final days of the month.



The dry conditions were in conjunction with warm days. A band of northerly winds and low-pressure systems in the first half of the month brought warm days to southern Australia. Another burst of heat on the 24th resulted in maximum temperatures much higher than average for that time of the year. There was one small pocket of northern QLD which received average temperatures, although as a whole, it was a hot and dry month.



Drought Statement

Low rainfall and warm temperatures have sustained the drought. The long-term deficiencies continue to stress the environment, limiting water resources, especially in the Murray Darling Basin.

For more information:

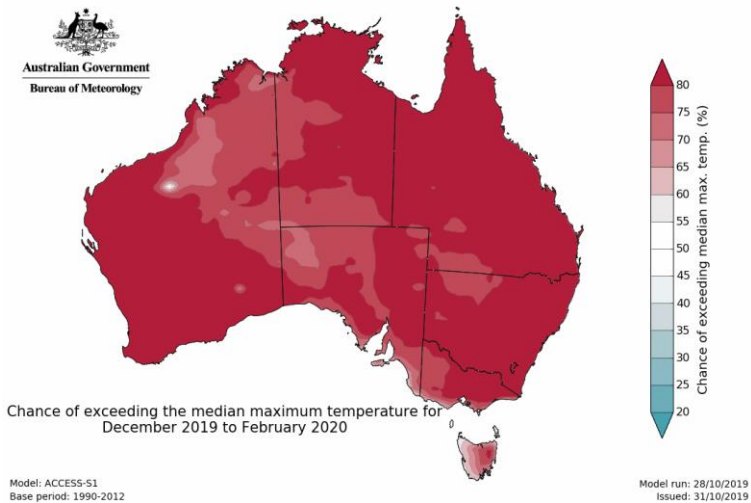
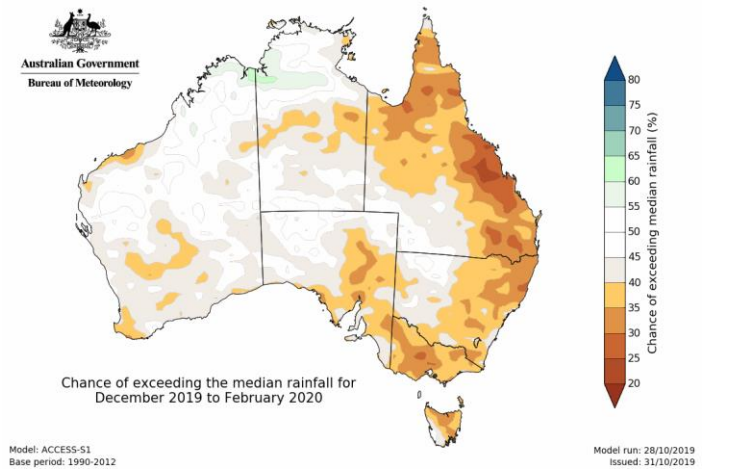
<http://www.bom.gov.au/climate/drought>

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Seasonal Outlook

The strong Indian Ocean Dipole (IOD) will continue to impact the climate for the remainder of the year. Dry and warm conditions are expected to persist, although are showing signs of easing. The chance of dry conditions in December is notably less compared to November. Furthermore, when accessing the climate outlook, the December to January period looks more promising than previously forecast. Notwithstanding this, nowhere in the country is expected to have above average rainfall (just a lower severity of below average rainfall). The means temperatures are likely to remain above average for the rest of the year and into early 2020. The map below demonstrates how widespread the high temperatures are across the country; only western Tasmania and small areas of mainland Australia are showing signs of marginally cooler weather.



The slightly more optimistic outlook is predominantly due to the weakening of the positive IOD. Reports suggest that this should begin to weaken and serve less of an influence in the New Year. However, for now it will continue to impact the local climate with warm and dry weather. The IOD combined with an active negative SAM is driving more warm weather across southern Australia.

Water

Storage levels (2018/19 as at 3 November 2019)

	% full Oct-19	Change from Sep -19	% full Oct-18
Dartmouth	55	-3%	80
Hume	39	-3%	47
Eildon	46	-1%	60
Waranga Basin	65	0%	50
Eppalock	34	-3%	53
Glenmaggie*	85	-7%	88

Source: G-MW, *SRW

As October ends, so does the historical filling season for water storage sites in southern Australia. This month, all sites declined other than the Waranga Basin which remained steady. All locations except for the basin are operating at lower levels than this time last year. At the time of writing, Lake Eildon, the Hume Dam and Lake Eppalock are operating below 50% capacity, while the Dartmouth Dam is just over half. The low streamflow's predicted for the remainder of the year will continue to impact the low levels of water storage.

Irrigation Allocations (2018/19 as at 1 November)

Victoria	HRWS	Change (HRWS)	LRWS
Murray	42%	4%	0%
Broken	0%	0%	0%
Goulburn	53%	5%	0%
Campaspe	58%	4%	0%
Loddon	53%	5%	0%
Bullarook Creek	100%	0%	100%
MID	100%	0%	0%

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

Victorian irrigation allocations remain low in most systems. There were some small improvements to the Murray, Goulburn, Campaspe and Loddon but these were all 5% or below. The Broken system is the only one out of seven which is offering no HRWS or LRWS. Most are operating around 5% HRWS, although Bullarook Creek and MID are offering 100%. Bullarook Creek is currently the only site offering any LRWS, at 100% allocation. Some early rain forecast in the first week of November is a good start to further improve allocations next month.

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

	Oct - 19	Oct - 18	Change
Northern Victoria			
Volume traded (ML)	374,463	175,013	114%
Average price (\$/ML)	710	357	99%
Murray Irrigation System*			
Volume traded (ML)	4,418	12,217	-64%
Average price (\$/ML)	619	383	+62%

Source: Victorian Water Register, *Murray Irrigation Ltd

The price of water in the Northern Irrigation System continued to surge, while across the border, the Murray Irrigation System remained steady. The average price reached \$710/ML in northern Victoria, up \$11/ML compared to September. This is the highest price the region has seen since the peak of the millennium drought. This didn't deter consumers from purchasing the commodity with 374,463ML traded for the month. This figure is up 114% from last year and 245% from last month.

In southern NSW, the price in the Murray Irrigation System remained steady, at \$603/ML. However, some higher trades were witnessed later in the month, an indication on what the November average might entail. There was a decrease in the volume traded this month, down 17%. Rain forecast for the first week of November will be welcomed, although is expected to do little to the current price.

Cull Cows

	Oct-19	Oct-18	Change
Sales volume (head)	6,626	5,432	22%
Average price (c/kg)	436	339	29%
	YTD 2019/20	YTD 2018/19	Change
Sales volume (head)	31,742	28,748	10%
Average price (c/kg)	466	374	24%

Source: NLRS, from sale-yards within Vic

The price received for cull cows dropped this month, down 14c/kg to a total average of 436c/kg. However, this price remains 29% higher than what was received in October 2018. There was also a drop-in sales volume this month, the total number of head sold was 6,626 down 13%. Total head sold remains 22% above October last year. Currently the year-to-date sales volume is 10% above the previous financial year. The recent easing of hay prices combined with a smaller national herd could be one determinant for the lower cull rate.