

PRODUCTION INPUTS MONITOR

Issue 169 – November 2019

Australia faced a challenging finish to spring with the driest November on record. Grain production expectation have been scaled down on the back of these tough conditions. Fodder production has been favourable in the south but ongoing demand has sustained prices in most regions. Both hay and grain will continue to be transported north next year. Looking ahead, the BoM has downgraded their previous rain forecast which is problematic for the declining water storage sites and rising irrigation prices. One area in the green this month is the price of cull cows, which is up since last month and improved year-on-year.

	Nov-2019	Change (from Oct-19)	Change (from Nov-18)
Spot prices			
Feed wheat (av. \$/t del Goulburn/Murray Valley)	370	\$0	-\$54
Barley (av. \$/t del Goulburn/Murray Valley)	319	-\$41	-\$104
Canola meal (av. \$/t del Goulburn/Murray Valley)	421	+\$6	-\$98
Lucerne hay (av. \$/t del Goulburn/Murray Valley)	597	+\$39	+\$87
Pasture hay (av. \$/t del Goulburn/Murray Valley)	343	+\$43	-\$59
Source: AFIA, Profarmer			
Urea (US\$/t, spot, fob, Black Sea)	225	-\$13	-\$81
DAP (US\$/t, spot, fob, US Gulf)	248	-\$29	-\$162
MOP (US\$/t, spot, fob Vancouver)	266	\$0	+\$50
Source: World Bank			
Futures prices (ASX)			
Wheat (av. \$/t Jan-20 east coast)	343	+\$5	-\$94
Barley (av. \$/t Jan-20 east coast)	277	+\$18	-\$103
*Compared to Jan-19 east coast contract Source: ASX			

Feed and fertiliser

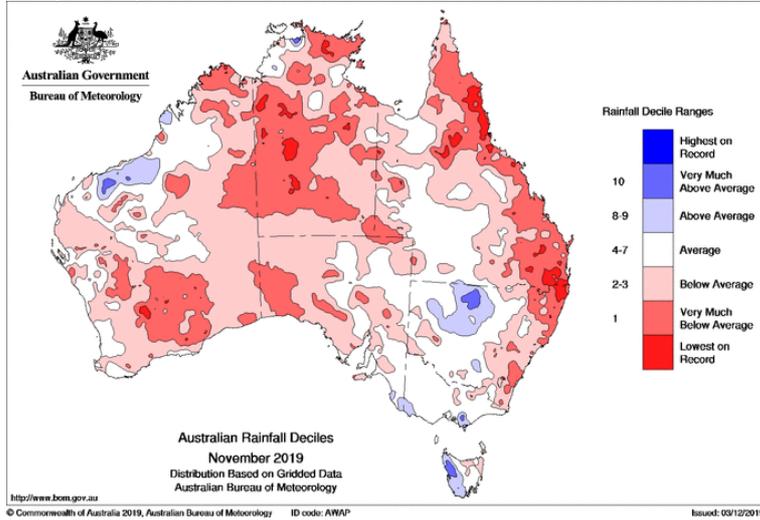
As hay making comes to an end in northern Australia volumes are being finalised. Ongoing dry conditions have made growing feed difficult for a second consecutive season and the north will rely on the south for supply, once again. Hay making conditions remain favourable in most regions in southern Australia. Yields have been strong although with the continuous demand and the rain forecast downgraded, prices have been steady to slightly firmer. Year-on-year prices remain down but historically high. The usual price weakness associated with harvest hasn't been fully noticed this year as the national winter crop is down. An unfavourable finish to spring, particularly in WA, resulted in the winter crop prospects to be revised to a total production down 3 per cent from last year. ABARES expects total production to reach approximately 29 million tonnes, 27 per cent below the five-year average. A large proportion of this year's crop was grown in south-eastern Australia. Victoria was the only state to produce a large crop than the five-year average, up 22 per cent. Therefore, it is expected that there will be less transshipments from WA this year and large quantities of grain will move from the south to the north.

Global DAP and urea prices eased this month while MOP prices remained steady. DAP prices have softened significantly this year due to weather impacting the US spring planting and large global stockpiles. Urea is heavily correlated with gas prices which are currently low in the US and Europe, adding weakness to the market. These trends are expected to continue into the new year with some prices seasonal recover around February/March.

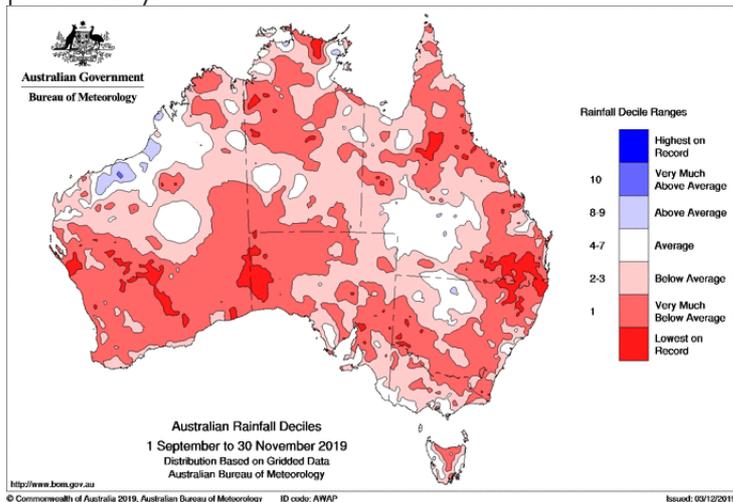
For a comprehensive overview of the market and indicative pricing for hay and feed grains, including canola meal, for key dairy regions across Australia, see Dairy Australia's Grain & Hay Report. Published most weeks: <https://dairyaustralia.com.au/industry/farm-input-and-costs/hay-and-grain-report-overview>

Rainfall

Following below average rainfall in October, further dryness this month exacerbated the dry spring. For Australia as a whole, November was the driest on record (out of 120 years). Falls varied across the country; WA, Qld and SA all weighed on the total, while Tasmania and areas of central northern NSW received above average falls. Overall, it has been an exceptionally dry spring across the country and the December outlook indicates this trend will continue into early next year.



The mean temperature throughout November followed a very similar trend to rainfall. Tasmania, areas of Victoria, SA and western NSW recorded average to below average temperatures. Meanwhile WA, Qld and the NT all recorded temperatures higher than normal for this time of the year. Temperatures peaked mid-month, settling record in some areas. Ongoing high temperatures combined with low rainfall, continue to impact water availability and on-farm productivity.



Drought Statement

Another unfavourable month of rainfall has extended rain deficiencies for many parts of the country. When assessing the three-month drought map above, there are very few places not heavily impacted. For more information:

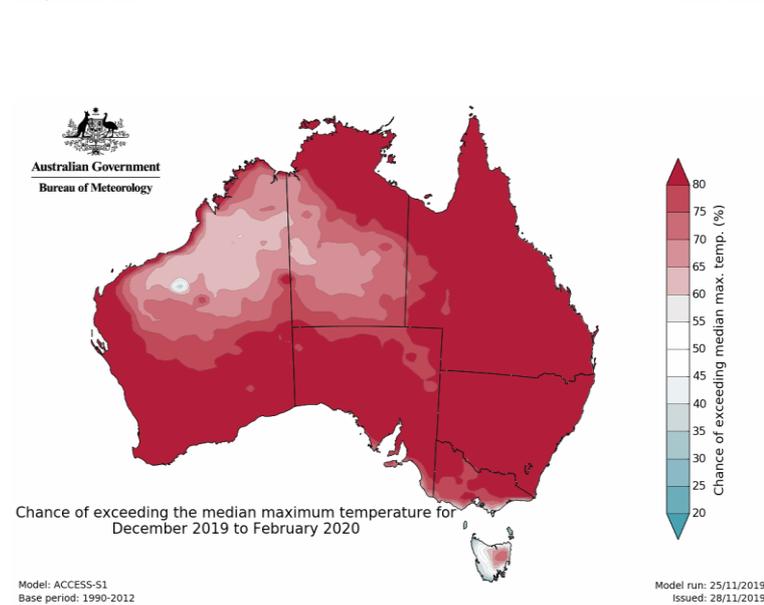
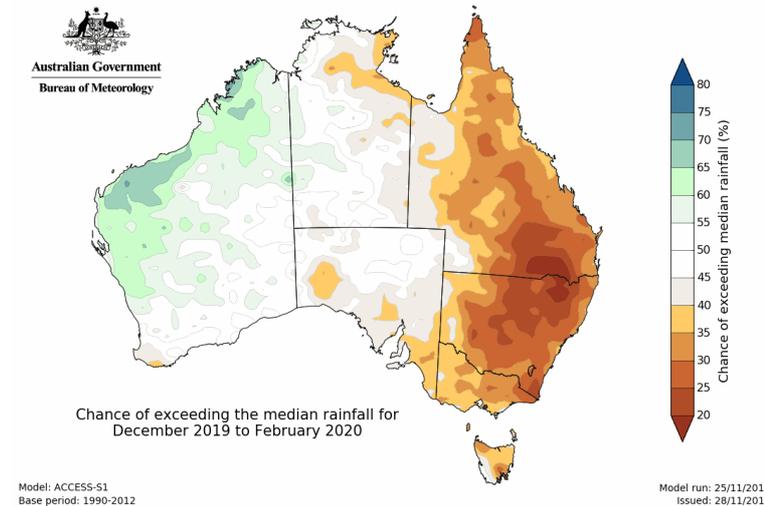
<http://www.bom.gov.au/climate/drought>

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Seasonal Outlook

The three-month summer outlook indicates little respite from the warm and dry conditions, particularly in south-eastern Australia. December is expected to finish the year dry, while the outlook in January and February has deteriorated from the last report. The Bureau of Meteorology's revision is partly due to the persistence of the current Indian Ocean Dipole (IOD). The last report outlined the positive IOD should weaken in the New Year, in turn increasing the chance of rain. However, the late arrival of the northern monsoon which normally acts to break down the IOD has delayed this progression.



The IOD was due to weaken but continues to play a key influence on the Australian climate. The index is now expected to return to neutral around March. The negative Southern Annular Mode (SAM) is driving an increase in hot and dry westerly winds into south-eastern Australia. These two climate drivers combined are expected to continue into the new year bringing below average rain and warm temperatures. This will prolong the lack of water availability and resources into early next year.

Water

Storage levels (2018/19 as at 4 December 2019)

	% full Nov-19	Change from Oct -19	% full Nov-18
Dartmouth	54	-1%	74
Hume	33	-6%	42
Eildon	46	0%	58
Waranga Basin	64	-1%	51
Eppalock	32	-2%	53
Glenmaggie*	77	-8%	68

Source: G-MW, *SRW

At the end of what was an extremely dry November, water levels in most monitored sites are down. Lake Eildon remained steady, at 46% capacity. All other sites dropped month-on-month with the biggest reductions noted in Lake Glenmaggie (-8%) and the Hume Dam (-6%). Minor decreases were reported in Dartmouth Dam, Waranaga Basin and Lake Eppalock. Entering summer, three out of six sites are below 50% capacity and little improvement is expected with the current rain forecast. At the time of writing, only Lake Glenmaggie and the Waranga Basin are operating at a higher level than this time last year.

Irrigation Allocations (2018/19 as at 2 December)

Victoria	HRWS	Change (HRWS)	LRWS
Murray	52%	10%	0%
Broken	0%	0%	0%
Goulburn	63%	10%	0%
Campaspe	61%	3%	0%
Loddon	63%	10%	0%
Bullarook Creek	100%	0%	100%
MID	100%	0%	0%

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

Some early rainfall in November, combined with an increase in commitments from the Snowy system facilitated an increase in HRWS this month. The Murray, Goulburn and Loddon systems all increased by 10%, while Campaspe improved by 3%. Additional commitments from the Snowy system into the Murray aided the improvement of high reliability allocations throughout November.

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	0%	0%

For further details see www.murrayirrigation.com.au

In NSW general security allocations remain at 0%. To find out more visit: <http://www.murrayirrigation.com.au>

Temporary water trades

	Nov - 19	Nov - 18	Change
Northern Victoria			
Volume traded (ML)	79,897	153,337	-48%
Average price (\$/ML)	770	400	+92%
Murray Irrigation System*			
Volume traded (ML)	2,958	3,925	-25%
Average price (\$/ML)	641	421	+52%

Source: Victorian Water Register, *Murray Irrigation Ltd

The price of irrigation water climbed while volume dropped throughout November. Both irrigation systems firmed in price this month with no relief in sight. In northern Victoria the average price reached \$770/ML, up \$60/ML since October. Across the border, prices in the Murray Irrigation system are slightly lower but remain historically high, at \$641/ML. Prices in both systems are significantly higher than last year, up 92% and 52% respectively. Based on the revised rain forecast for early 2020, it is expected these prices will remain firm for the short term.

The volume of water traded was significantly down in both systems. In northern Victoria, volume dropped by 79%, however, this was off a notably high-volume last month. Total water traded in this region reached 79,897ML. The Murray Irrigation system trading was down 33% to a total of 2,958ML.

Cull Cows

	Nov-19	Nov-18	Change
Sales volume (head)	6,796	7,857	-14%
Average price (c/kg)	471	375	26%
	YTD 2019/20	YTD 2018/19	Change
Sales volume (head)	38,538	36,605	5%
Average price (c/kg)	467	374	25%

Source: NLRS, from sale-yards within Vic

The price received for cull cows firmed in November, after dropping for three consecutive months. The average price received reached 471c/kg, the highest price since July. This remains 26% higher than November last year, in line with the year-to-date average. Volume followed a similar direction to price, increasing slightly this month following consecutive declines. The total volume through the sale yards reached 6,796 head.

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