

PRODUCTION INPUTS MONITOR

Issue 173 – April 2020

Overview

Spot prices	April-20	Change (from Mar-20)	Change (from Apr-19)
Feed wheat (av. \$/t del Goulburn/Murray Valley)	\$385	+\$36	- \$16
Cereal hay (av. \$/t del Goulburn/Murray Valley)	\$263	-\$40	- \$127
Irrigation (Northern Victoria) \$/ML	\$321	- \$157	-\$171
Irrigation (Murray Irrigation System) \$/ML	\$327	- \$141	- \$216

Source: AFIA, Profarmer, Victorian Water Register, *Murray Irrigation Ltd

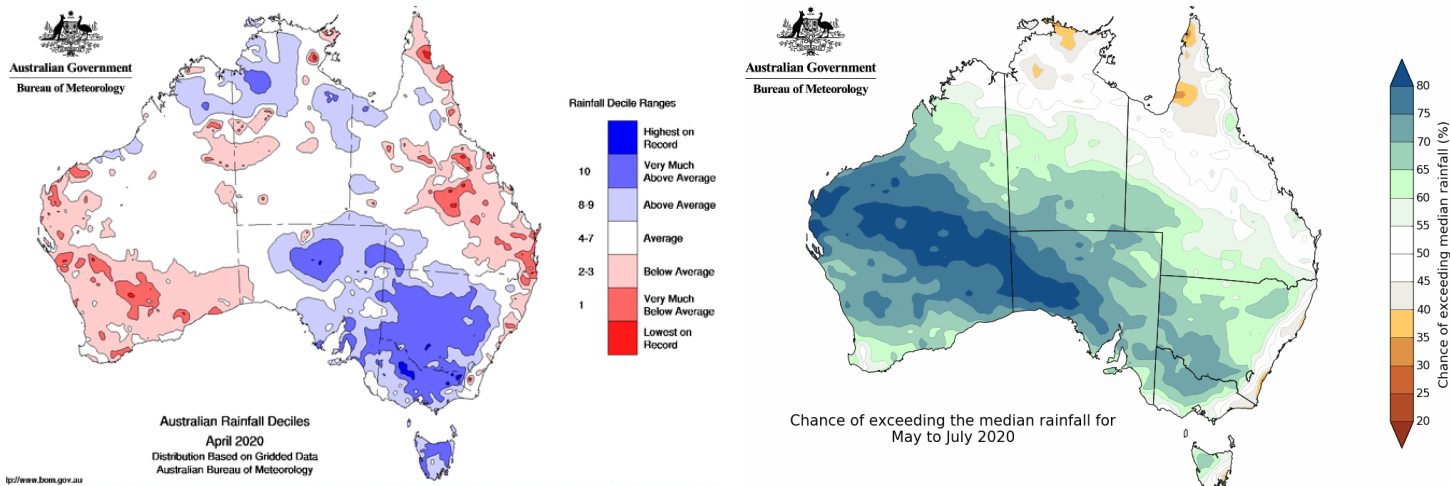
Additional rain in the southeastern states has lifted sentiment for the upcoming season. Many farmers in the south have rushed to sow winter crops this year, which weather-wise, is shaping up to provide a great start to the season. The rain across the eastern states has also helped improve soil moisture and water storage levels. This, combined with lower demand, saw irrigation prices ease significantly in both systems. Cull cow volumes and prices also dropped significantly this month.

Feed

The hay market has continued to soften across the country, as recent rain increases pasture availability, subsequently lowering demand. In southeastern regions, April marks the third consecutive month of declining cereal hay prices. In Western Australia (WA), the market hasn't experienced the same downward pressure, as the region is yet to receive a substantial autumn break. Following rain in drought affected areas, it is expected that export demand will again be factored into the local price, following two years of supply-driven prices. Sowing for next season is well underway in all areas of Australia, with South Australia (SA) and WA commencing in the latter half of April.

Sowing of Australia's winter crop has commenced as many farmers rushed to get seed in the ground before the rain. This season is shaping up well following a very favourable start, particularly in SA and Victoria. The main focus at the moment is centred around the northern hemisphere and related crop progress. Recent rain in western Europe improved the production outlook but Russia and the Black Sea region remain dry. Lower international prices, as well as rises in the Australian dollar, have combined to push wheat prices lower in the back half of April. Price are expected to remain under influence from these key global export regions and exchange rate fluctuations. At the time of writing, ASX wheat and barley futures both trended downwards.

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>



Climate

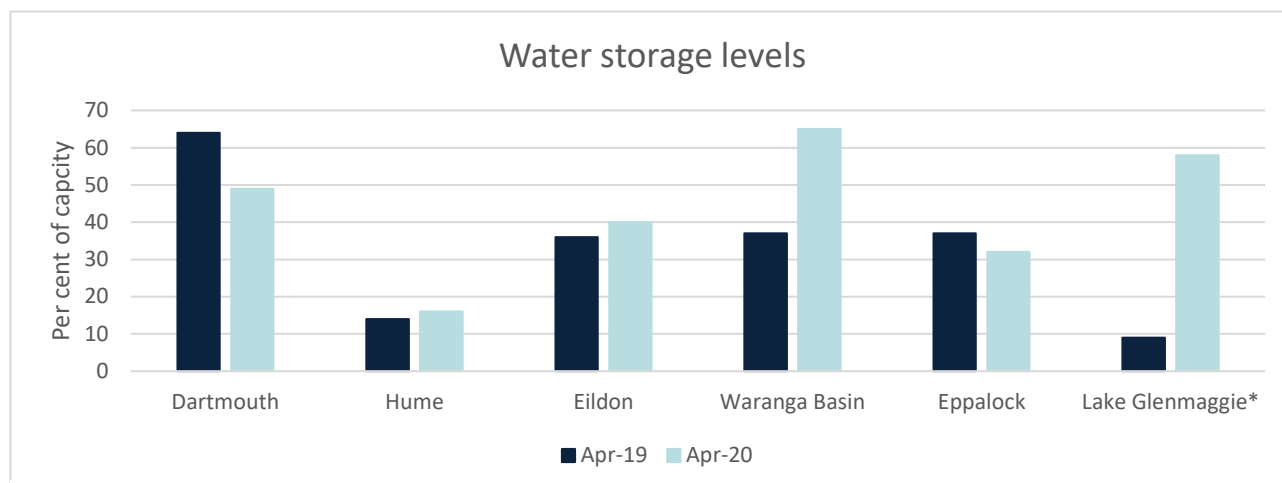
Key agricultural regions in the southeastern states continue to experience a favourable autumn break, with more rain arriving in April. Australia has reported its wettest start to the year in multiple years. This month, rain events were less widespread and more heavily concentrated in southeastern corner. Delivered by two major cold fronts, one in the first week and the other in the last week, Victoria recorded the highest April rainfall total since 1960 (+68% above average). Tasmania and New South Wales (NSW) also noted considerably higher totals compared to monthly average (+68% and +40% respectively). Despite these significant rain events in the southeastern pocket, overall rainfall was 21% below average for the country. The total was weighed down by lower than average falls in QLD, WA and NT. Similarly, these areas recorded well above average temperatures. WA topped the list, noting the second highest average April temperature on record. Overall, this month was a tale of two climates; widespread rain focused in the southeast and warm/dry conditions elsewhere.

Seasonal Outlook

Summer and autumn rainfall combined with a wet outlook for winter is improving sentiment for the year ahead. Recent rain, particularly in the southeast, has increased soil moisture and stream flows. Overall, this has provided a favourable start to Australia's winter cropping season, at least for half the country. WA is yet to receive a reasonable break, however early indications suggest this will begin to arrive (over much of) the western wheatbelt this month. May is likely to be dryer than average across the north eastern coastline, stretching from Darwin, throughout QLD to mid-NSW. For the other parts of the southeastern states there is no real indication of wetter or drier conditions.

It expected Australia will experience a wet winter. The BOM's three months outlook (June to August) is suggesting widespread rain throughout most of the country, driven by the warmer than average ocean temperature to the northwest of Australia. Currently, both The El Niño–Southern Oscillation (ENSO) and Indian Ocean Dipole (IOD) remain neutral. However, there is some indication that a La Niña event could develop throughout winter and spring. If this was to eventuate it would generate increased rainfall across Australia.

Water storage levels (2019-20 as at 4 May)



Source: G-MW, *SRW

Improved soil moisture and increased stream flows have helped rainfall reaching water storage sites, therefore, improving storage levels in all monitored sites. Lake Glenmaggie and the Waranga Basin posted the largest month-on-month increases, up 13% and 11% respectively. Both these sites are operating at significantly higher levels than last year. All other sites recorded improvements of 5% or below. The recent increases in storage levels and in-flows to the northern and southern Murray-Darling Basin is likely to improve irrigation allocation offerings. However, storage facilities in southern Victoria and southwest WA coast are yet to see similar improvements.

Temporary water trades

	April-20	April-19	% Change
Northern Victoria			
Volume traded (ML)	108,579	150,080	-28%
Average price (\$/ML)	\$321	\$492	-35%
Murray Irrigation System			
Volume traded (ML)	2,203	8,521	-74%
Average price (\$/ML)	\$327	\$543	-40%

Source: Victorian Water Register, *Murray Irrigation Ltd

The water market has continued on the bearish side of things; prices in both southern NSW and northern Victoria dropped for the fourth consecutive month. Purchased temporary water in northern Victoria has fallen over 20% each month since the start of the year. April recorded the largest monthly decline, down 33%. Despite remaining above the five-year average, this is welcome news for irrigators who have experienced high prices for two years. The cost of water reached \$321/ML this month and volumes were down 40%, a reflection of the recent rainfall and improved seasonal outlook.

Similarly, the Murray Irrigation System is now trading at \$327/ML. The price dropped 26% month-on-month, reducing the price discrepancy between the two systems. Volumes were down slightly (-4%) in April compared to the month prior. The price in both systems have significantly eased since the start of the year; Northern Victoria has eased 58%, whilst the Murray Irrigation system is trading at a 49% discount.

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Victorian Irrigation Allocations (2019-20 as at 5 May)

Victoria	HRWS	Change (HRWS)	LRWS
Murray	66%	+1%	0%
Broken	2%	0%	0%
Goulburn	80%	+7%	0%
Campaspe	80%	0%	0%
Loddon	80%	+2%	0%
Bullarook Creek	100%	0%	100%
MID	100%	0%	100%

The final seasonal determinations for 2019-20 were announced on the 1st of April. There were some minor improvements to high-water reliability water shares; the Goulburn system increased by 7%, while Bullarook Creek and the Murray improved by 2% and 1% respectively. There has been no changes since then.

The discussion is now focused on the 2020-21 season, with the next updated due on Friday the 15th of May. The determination outlook scenarios for the new season released in February remains in place.

The new determinations for 2020-21 will be influenced by carryover supplies available in storages, combined with current in-flows. After consecutive years of below-average intake, stored resources are somewhat depleted. However, recent rain is providing a more positive outlook for the announcement.

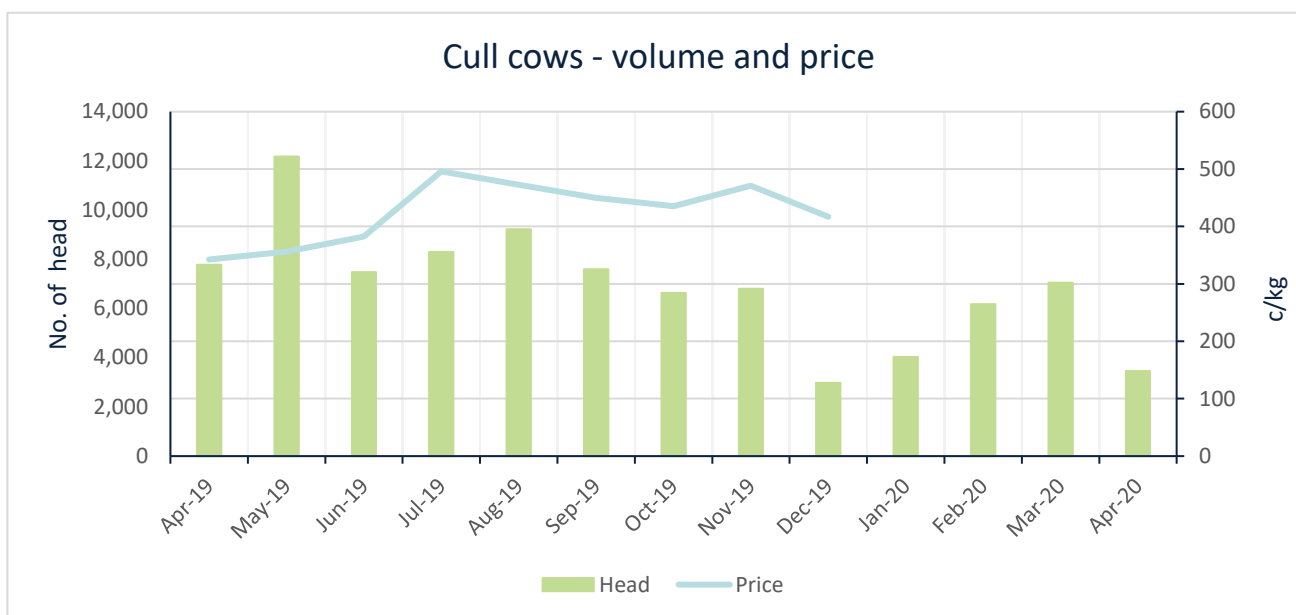
New South Wales Irrigation Allocations (2019-20 as at 5 April)

NSW – Murray Irrigation Ltd	Allocation	Change
Class C-General Security	0%	0%

For further details see www.q-mwater.com.au, www.srw.com.au or www.murrayirrigation.com.au

In NSW, the general security allocation remains at 0% despite the recent inflow to catchment areas. The allocation has been 0% for over 18 months now.

Cull cows



Source: NLRS, from sale-yards within Vic

The number of cows sent to saleyards halved since March; volume of head dropped to 3,455 in April, 51% less than March and 56% less than the same time last year. Following two years of drought for many regions and high culling rates last year, farmers are looking to re-build any lost stock. For this financial year, culling is down 1%, however as seasonal conditions turned more favourable, it is expected this number might improve.

- Accurate carcass weight pricing is currently unavailable due to changes imposed by COVID-19. We are working through this situation and aim to receive some data we can share in our next Production Inputs Monitor.

Fertiliser

Supply chains remain under pressure from COVID-19, with ongoing risk to end-users. Disruptions to ports and production at different locations around the world are continuing to place pressure on local supplies. The supply shortfalls in fertilisers and glyphosate have been compounded by recent rain and an improved outlook. Whilst supply has begun to improve, it remains tight. Delayed shipments started to arrive at ports throughout the month and additional supply has entered the distribution chain.

Widespread rain throughout the southeastern states and favourable end to the 2019-20 year has increased local demand significantly. However, much of Australia's supply is imported and the relatively weaker AUD is increasing the cost of imported product. There has been no significant shift in the global fertiliser prices published by the world bank. Diammonium phosphate (DAP) and urea prices firmed slightly, up 2%, while potassium chloride (MOP) values remained steady.

	Apr-20	Monthly % change
Cereal hay		
Northern Australia (\$/tonne)	415	-3%
Southern Australia (\$/tonne)	263	-13%
Western Australia (\$/tonne)	345	+1%
Wheat		
Northern Australia (\$/tonne)	488	+10%
Southern Australia (\$/tonne)	385	+10%
Western Australia (\$/tonne)	371	+12%
Futures prices (ASX)		
Wheat (av. \$/t Jan-21 east coast)	316	-9%
Barley (av. \$/t Jan-21 east coast)	253	-11%
Fertiliser		
DAP (US\$/tonne)	282	+2%
Urea (US\$/tonne)	235	+2%
MOP (US\$/tonne)	245	0%
Irrigation		
Northern Victoria		
Volume traded (ML)	108,579	-42%
Average price (\$/ML)	321	-33%
Murray Irrigation System*		
Volume traded (ML)	2,203	-4%
Average price (\$/ML)	327	-26%
Cull Cows		
Sales volume (head)	3,455	-51%
Average price (c/kg)	N/A	N/A
	YTD 2019-20	% change
Sales volume (head)	62,219	-1%
Average price (c/kg)	N/A	N/A

Mar-20	Feb-20	Jan-20
Source: AFIA		
428	495	511
303	323	343
342	355	348
Source: Profarmer		
443	449	453
349	351	363
333	324	339
Source: ASX		
346	318	340
285	260	281
Source: World Bank		
276	279	265
231	214	215
245	245	245
Source: Victorian Water Register, *Murray Irrigation Ltd		
186,562	206,298	236,569
479	610	773
Source: NLRS (sale-yards within Vic)		
7,051	6,174	4,025
N/A	N/A	N/A
YTD 2018-19	YTD 2017-18	YTD 2016-17
63,145	54,949	71,634
358	417	478

To access more information on the Hay and Grain report click here

Grain report 

Hay report 

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