

PRODUCTION INPUTS MONITOR

Issue 177 – August 2020

Overview

Spot prices	Aug-20	Change (from Jul-20)	Change (from Aug-19)
Feed wheat (av. \$/t del Goulburn/Murray Valley)	\$318	- \$16	- \$28
Cereal hay (av. \$/t del Goulburn/Murray Valley)	\$205	\$0	- \$177
Irrigation (Northern Victoria) \$/ML	\$264	-\$13	- \$294
Irrigation (Murray Irrigation System) \$/ML	\$174	-\$61	- \$451

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

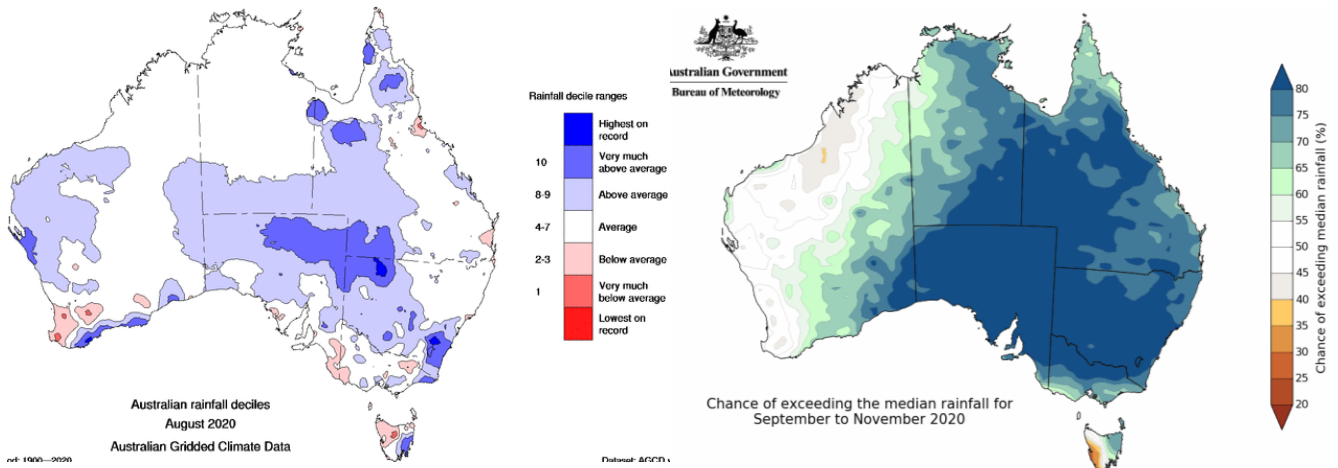
Favourable rain throughout August has provided a boost to crop expectations and overall feed production, particularly in the south. Furthermore, major water storage sites across the Murray Darling-Basin have recorded strong gains, while southern storage levels remain stable. With the Bureau of Meteorology (BOM) updating their ENSO outlook to La Niña Alert, further improvements are expected to coincide with wet weather. However, as seasonal conditions continue to improve this year, concerns are mounting around the availability of seasonal labour come harvest time.

Feed

Domestic feed production has continued to benefit from improved seasonal conditions, with the most recent rain providing another boost to yield prospects. Hay volumes are expected to be up this season, with soil moisture levels in many regions in a significantly better position compared to last year. Furthermore, the forecast wet spring will, if eventuated, provide the finishing rain many paddocks did not receive last season. However, parts of Queensland (QLD) has started to dry off and farmers require rain to finish the season successfully. Cereal hay prices eased in some regions this month but remained steady for the most. Southwest Victoria recorded the largest drop in price, down 10 per cent, followed by the Darling Downs, easing 9 per cent. Central West NSW and South East South Australia (SA) both recorded minor price declines, down 4 per cent. Most regions are now trading below the five-year average; however, prices in Southwest Western Australia (WA) and the Bega Valley remain well above the long-term trend. Large volumes of new season hay are yet to hit the market in southern Australia, but as conditions warm up, this is only a matter of time. Prices will likely ease following the introduction of new season supply.

ASX wheat futures increased slightly from last month, up 1 per cent. Prices followed the international market higher towards the end of August. Furthermore, the appreciation in the Australian dollar continues to add some pressure to wheat prices. Meanwhile, a promising production outlook for barley continues to pressure prices, with futures easing slightly last month. Recent rainfall in SA and WA is predicted to have provided the boost needed for crops to reach closer to average yields.

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

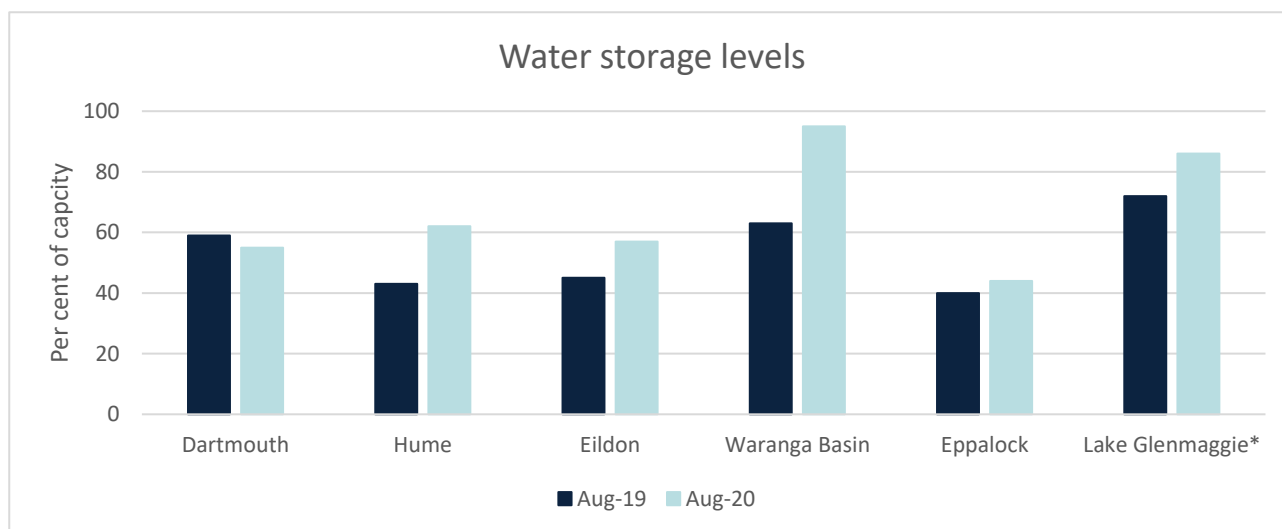
August provided a wet finish to what was a drier than average winter. Total rainfall across Australia was moderately higher this month, up 8 per cent from the average. Large rainfall totals were heavily concentrated in central Australia and some coastal areas. NSW and SA received well above average rainfall for this time of the year, up 24 and 37 percent, respectively. Meanwhile, rain in Queensland (QLD) was closer to average with widespread falls across the southwest. Average rainfall across the balance of the country helped replenish soil moisture in key growing regions, following two dry months. Overall, winter rainfall was 31 per cent below average for Australia. This was not the case for an isolated pocket along the southeastern NSW coastline (stretching into Victoria), which received well above average winter rain. This was ideal for the Bega Valley that missed much of the earlier rain this year. With favourable long-term climate outlooks, optimism towards the season has lifted in the region. In comparison, many farmers are now concerned with the access of seasonal labour rather than seasonal weather conditions.

Seasonal Outlook

The BOM's forecast suggests spring conditions are increasingly likely to be wetter than average for much of the country. Mid-way through August, the BOM updated their ENSO outlook to La Niña Alert. This indicates the chance of a La Niña event occurring (which typically brings increased rainfall to the eastern states) is three times more likely than normal. With that said, much of mainland Australia is expected to see average to above average rainfall throughout September. Furthermore, October rainfall is expected to be well above average for the eastern states with many regions forecast to exceed 75 to 80 per cent (of the median). In comparison, Tasmania and southwest WA are both showing signs of dry conditions.

Much of the country reported warmer than average daytime temperatures during August. Looking ahead, warm temperatures are expected to persist throughout September to November for the northern half of Australia, southern Victoria, and Tasmania. The remainder of the country is predicted to have closer to average temperatures.

Water storage levels (2020-21 as at 1 September)



Source: G-MW, *SRW

A wet month has facilitated strong growth in storage levels across all monitored sites. The Hume Dam recorded the largest month-on-month improvement, increasing by 10 per cent. Meanwhile, Lake Eildon and Eppalock noted 5 per cent increases. This season, soil moisture has been a key factor which helped improve streamflow and the overall amount of rainfall that reaches storage facilities this year. Whilst southeastern storage levels across the Murray Darling-Basin continue to rise; southern Victoria, Tasmania and Southwest WA have shown little improvement. Forecast rainfall, particularly in October, is expected to reach some of these areas which, if realised, will help improve volumes.

Temporary water trades

	Aug-20	Aug-19	% Change
Northern Victoria			
Volume traded (ML)	89,135	154,397	- 42%
Average price (\$/ML)	\$264	\$558	-53%
Murray Irrigation System*			
Volume traded (ML)	4,417	3,010	+47%
Average price (\$/ML)	\$174	\$624	-72%

Source: Victorian Water Register, *Murray Irrigation Ltd

After firming last month, irrigation prices in northern Victoria eased again, although not down to the level experienced in June. On average, water traded for \$264/ML in August, down 5 per cent from the month prior but up 35 per cent on the June low. Total (monthly) volume traded was 42 per cent below the same time last year and 65 per cent less than last month. With that said, the current price is 6 per cent less than the five-year average, making it a relatively more attractive (aqua-isation) compared to recent years.

Across the border, the water market has continued its bearish run with prices easing in August. Prices were down 26 per cent month-on-month in the Murray Irrigation System. Reaching an average of \$174/ML, the price is 72 per cent below the price in August 2019. Due to favourable conditions across the Murray Darling-Basin, it is expected that prices may come under further pressure. The price is also trading at a discount to the five-year average, down 7 per cent. Volume traded through the system totalled 4,417 ML in August, up significantly from last month.

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Victorian Irrigation Allocations (2020-21 as at 1 September)

Victoria	HRWS	Change (HRWS)	LRWS
Murray	32%	+13%	0%
Broken	63%	+33%	0%
Goulburn	47%	+10%	0%
Campaspe	68%	+28%	0%
Loddon	47%	+10%	0%
Bullarook Creek	100%	+95%	0%
MID	100%	0%	100%

Above average rain in catchment areas resulted in significant improvements in all systems this month. High reliability water shares (HRWS) increased to full allocation in the Bullarook Creek system; there are now two systems operating at full HRWS allocation. Meanwhile the Broken and Campaspe systems both increased HRWS by 33 and 28 per cent, respectively. The remaining three sites improved by approximately 10 per cent. August has recorded some of the biggest (month-on-month) allocation improvements in recent history. With a favourable weather outlook, further increases to water allocations are expected in the coming months. Under the Northern Victoria Resource Manager scenarios, both the Broken and Campaspe systems are expected to reach 100 per cent (HRWS) in the wet and/or average scenario.

New South Wales Irrigation Allocations (2020-21 as at 1 September)

NSW – Murray Irrigation Ltd	Allocation	Change
Class C-General Security	+12%	+9%

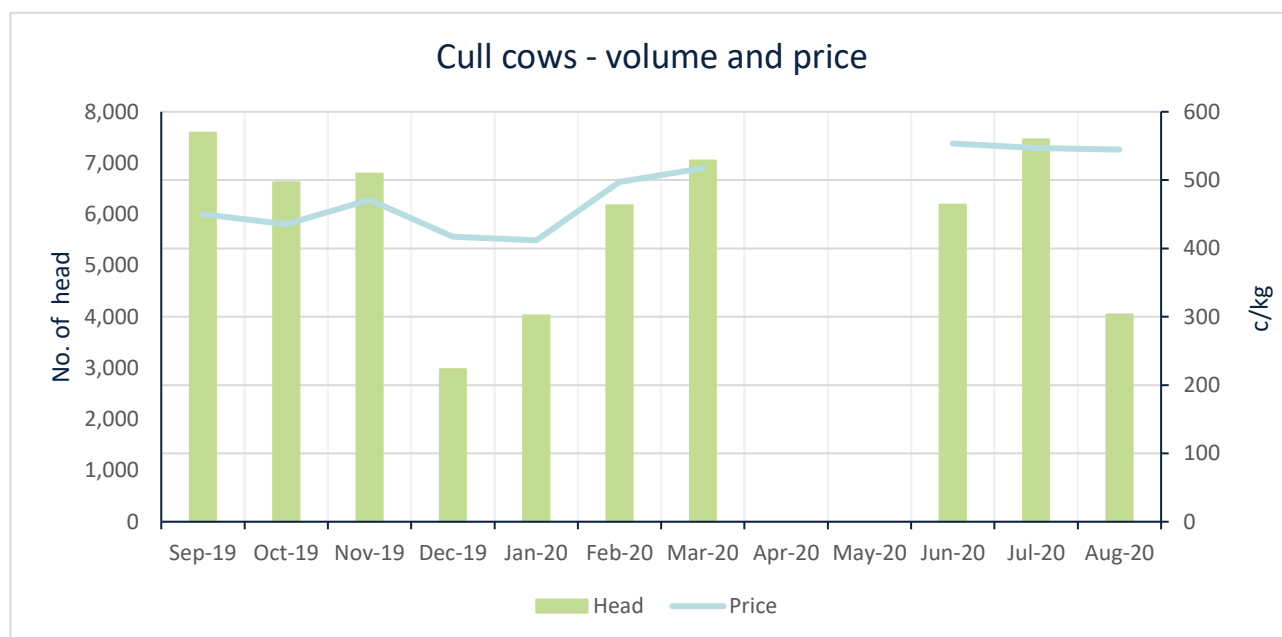
For further details see www.g-mwater.com.au, www.srw.com.au or www.murrayirrigation.com.au

Following a month of frustration by growers throughout July, NSW general security allocation improved 9 per cent since the last report. The increase was announced over two separate offerings; the first allocation statement was dated the 17th of August and increased Class C allocations by 5 percent, whilst the further 4 per cent was declared on the 1st of September. The NSW Murray resource has improved volume by approximately 175,000 megalitres since the July announcement, accounting for the 9 per cent increase in allocation. Meanwhile, the lower Darling is currently operating at 30 per cent general security allocation.

Following the 'drought stage' downgrade published in July, the NSW Murray river water source continues to operate at Stage 2, whilst the lower darling is at stage 3. For more information on the latest Water Allocation Statement, please visit:

https://www.industry.nsw.gov.au/_data/assets/pdf_file/0007/320785/WAS-murray-20200901.pdf

Cull cows



Source: NLRS, from sale-yards within Vic

Both the volume and price of cull cows through saleyards was down month-on-month in August. The number of head dropped 46 per cent to 4,004. Overall, the 2020/21 season to date total is down 34 per cent to last year and lower than the same period for the past 5 years. Improved seasonal conditions and farmers entering a restocking period is likely to keep cull numbers lower this season. Prices also eased this month, down 1 per cent. Average carcass weight was 545 c/kg, which is above historical prices and up 15 per cent from August 2019.

Due to the ongoing impact of COVID-19 there has been changes to the reporting mechanism of saleyard cattle which may account for some variation in reported figures. COVID-19 related disruptions to market reporting between March and June could account for a discrepancy in data.

Fertiliser

A small rally in global fertiliser prices continued this month with both urea and diammonium phosphate (DAP) prices firming. Urea recorded the biggest gain, up 16 per cent while DAP closely followed, increasing 12 per cent. Strong international demand was the key driver of the price gains for DAP, whilst strong demand for urea in India kept global availability tight. Demand in this region is much greater than many were expecting, with its fourth tender in two months. Further (short-term) price gains are predicted for urea with more tenders to go India's way to meet full requirements. Locally, the AUD has continued to firm reaching 0.74 USD at the end of August. The appreciating Australian dollar is making imports, such as agriculture chemicals and fertilisers, relatively more cost competitive. It is expected that the AUD will remain volatile throughout the remainder of the year. If the dollar holds at current levels, it is likely to influence local prices when Australia enters its main fertiliser importing phase.

	Aug-20	Monthly % change
Cereal hay		
Northern Australia (\$/tonne)	310	-9%
Southern Australia (\$/tonne)	205	0%
Western Australia (\$/tonne)	350	0%
Wheat		
Northern Australia (\$/tonne)	394	-1%
Southern Australia (\$/tonne)	318	-5%
Western Australia (\$/tonne)	308	-4%
Futures prices (ASX)		
Wheat (av. \$/t Jan-21 east coast)	286	+1%
Barley (av. \$/t Jan-21 east coast)	217	-9%
Fertiliser		
DAP (US\$/tonne)	342	+12%
Urea (US\$/tonne)	250	+16%
MOP (US\$/tonne)	203	0%
Irrigation		
Northern Victoria		
Volume traded (ML)	89,135	-65%
Average price (\$/ML)	264	-5%
Murray Irrigation System*		
Volume traded (ML)	4,417	232%
Average price (\$/ML)	174	-26%
Cull Cows		
Sales volume (head)	4,044	-46%
Average price (c/kg)	545	-1%
	YTD 2020-21	% change
Sales volume (head)	11,505	-34%
Average price (c/kg)	549	+13%

Jul-20	Jun-20	May-20
Source: AFIA		
340	377	390
205	205	205
350	347	345
Source: Profarmer		
396	394	440
333	346	365
319	320	346
Source: ASX		
282	288	299
223	225	234
Source: World Bank		
305	273	263
214	202	202
203	203	216
Source: Victorian Water Register, *Murray Irrigation Ltd		
252,350	414,036	66,006
276	195	264
Source: NLRS (sale-yards within Vic)		
1,332	3,587	2,263
234	206	214
7,461	6,187	7,887
547	554	380
YTD 2019-20	YTD 2018-19	YTD 2017-18
17,525	15,684	11,804
484	394	443

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

Grain report 

Hay report 

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