Production Inputs Monitor

Issue 150 – 6 April 2018

Bushfires in southern parts of Australia devastated two regions and fodder donations have been sent to relieve farmers in these areas. The global grain market is driven by weather sentiment at the moment. Nationally rainfall tracked close to average in March however some regions received well above average rain while other regions received no rain at all. The BOM's ENSO outlook is 'inactive', indicating the end of the La Niña period. Water levels in most major storages have declined and prices have increased.

Feed and fertiliser prices

	Mar - 2018	Change (from Feb-18)	Change (from Mar-17)
Spot prices			
Feed wheat (av. $/t del Melbourne)	278	+$7	+$78
Barley (av. $/t del Melbourne)	276	+$11	+$91
Canola meal (av. $/t del Melbourne)	413	+$11	+$43
Lucerne hay (av. $/t del Central Vic)	370	$0	+$15
Pasture hay (av. $/t del Central Vic)	141	+$1	-$9
			Source: Rural press
Urea (US$/t granular Black Sea)	232	+$3	-$2
DAP (US$/t US Gulf)	412	+$8	+$37
MOP (US$/t granular Vancouver)	228	+$2	+$14
			Source: World Bank
Futures prices (ASX)			
Wheat (av. $/t Jan-19 east coast)	290	$0	+$51*
Barley (av. $/t Jan-19 east coast)	257	-$3	+$67*
*Compared to Jan-18 east coast contract			Source: ASX

Demand for hay in northern parts of Australia continues to be low as favourable weather combined with persistent rainfall encourages grazing. Hay prices firmed slightly in the middle of the month but has since eased following recent rains. Despite the temporary lull in trading demand is still expected to exceed supply this year and prices are likely to firm. Bushfires in southern parts of the country devastated two regions, south western Victoria and Bega, and fodder donations have been sent to these areas to relieve farmers. In southern regions demand is firming, especially in central-west New South Wales, central South Australia and Gippsland, and reports suggest prices will continue to firm leading up to winter. New season hay is selling quickly and carryover stock from the 2016 record breaking harvest is depleting, which could result in higher prices. In Western Australia hay quality is superior to previous seasons and the export industry continues to provide a solid indicator on prices in the area.

The global grain market seems to be driven by weather forecasts at the moment with no major trade news reported in March. During the start of the month dry weather in the United States created crop concerns and resulted in sharp price rises. Since then rain has fallen and prices have eased. In order for crops to improve significantly more rain is needed. The Australian market has mimicked the world market with prices rising in the beginning of the month following strong US prices but have since eased. A lot of growers are still reluctant to sell grain and are contributing to fairly quiet domestic markets. As a result ASX Jan 2019 wheat futures remain unchanged from last month. The Australian barley market continues to be well supported by ongoing Chinese demand and prices are likely to remain supported this season, however despite strong demand ASX Jan 2019 barley futures dropped 1% on a monthly basis.

Fertiliser prices continue to rise, with DAP prices increasing for the seventh month in a row, urea prices for the third month and MOP prices for the sixth month in a row. DAP prices track 10% above last year and for the first time in months, close to the five year average. Urea prices rose 1% on a monthly basis but are 1% below last year. Compared to the five year average prices are still subdued, down 11%. MOP prices rose 1% on a monthly basis and have increased 7% in the past year, however compared to the long run average prices are suppressed, down 19%.

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*](https://dairyaustralia.com.au/industry/farm-input-and-costs/hay-and-grain-report-overview)

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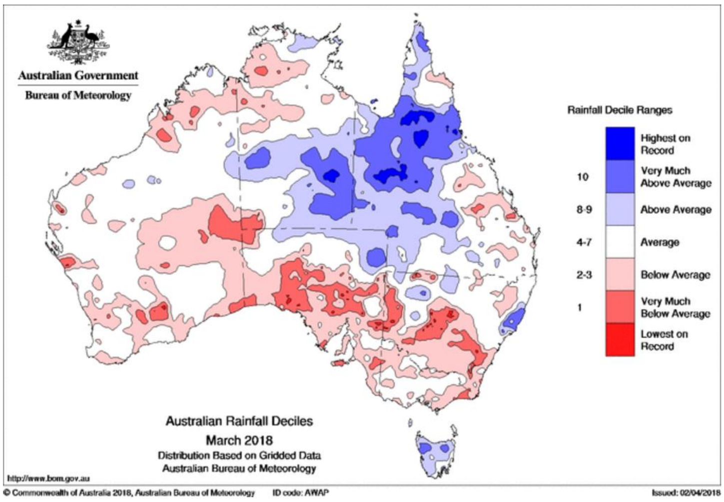
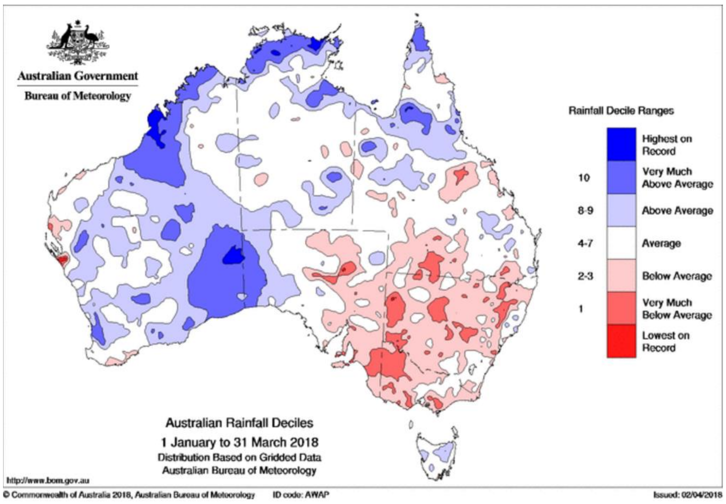
Rainfall

Nationally rainfall tracked close to average for Australia in March despite extreme weather in several regions. In Queensland, Tasmania, parts of New South Wales well above average rainfall and flooding were reported when over 100 millimetres of rain fell within a few days. Cyclone Nora brought heavy rains to northern Queensland while cyclone Marcus, one of the most intense cyclones ever recorded, resulted in heavy rains in northern parts of the country and Western Australia.



In much of southern Australia, Victoria, parts of South Australia and southern New South Wales rainfall was well below average with some areas reporting record dry conditions. Due to these large discrepancies in weather across the country the national average was close to normal in March.



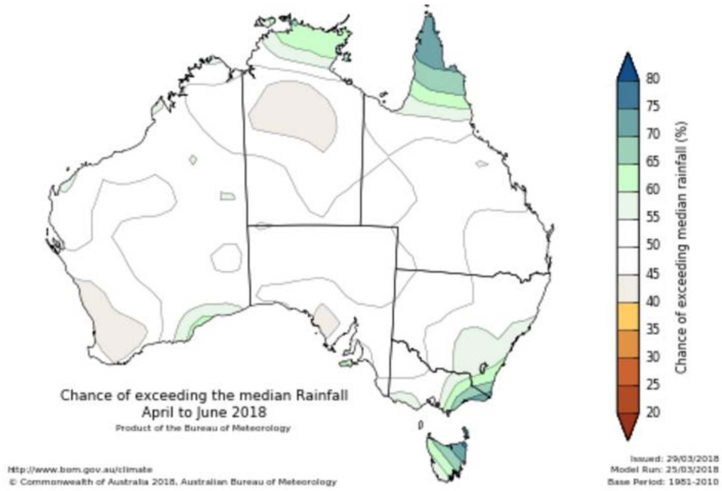
Drought Statement

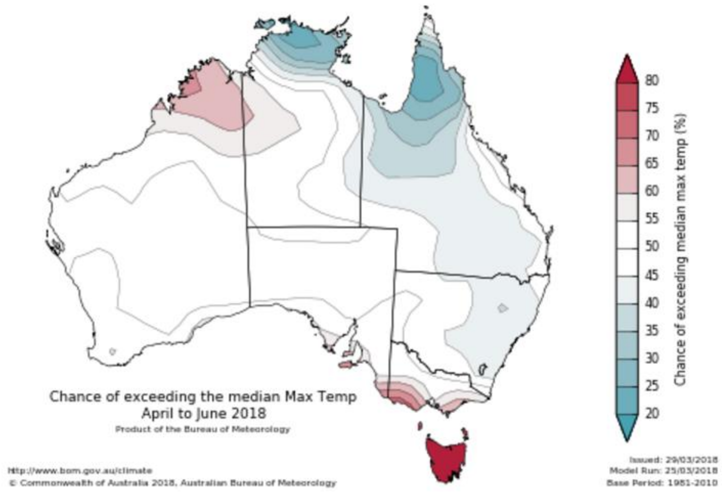
Rainfall in March was well above average across northern and eastern Queensland as well as in Tasmania, relieving rainfall deficiencies in these areas. Compared to last month deficiencies have decreased in Queensland and east coast New South Wales, however on the west-coast of Western Australia rainfall deficiencies remain unchanged:

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

Seasonal Outlook

The Bureau of Meteorology's seasonal outlook for April – June predicts the chance of above or below average rainfall during autumn and the start of winter is roughly equal in most of Australia. The BOM suggests weather in eastern Victoria, Tasmania and southeast New South Wales will be slightly wetter than usual while parts of Western Australia are forecast to be drier than average in April. Day time temperatures are forecast to be warmer than average in southeastern Australia and parts of Western Australia while night time temperatures are expected to be warmer in southern regions but cooler in Queensland.





In the beginning of autumn the BOM announced the end of the 2017/18 La Niña, updating the ENSO outlook to 'inactive'. Sea surface temperatures in the Pacific are back to normal levels and the Bureau suggests the ENSO outlook is likely to remain neutral until winter. Neutral ENSO conditions usually decreases the chance of prolonged periods of extreme weather. The Indian Ocean Dipole continues to be inactive and is unable to form at this time of the year:

for more climate outlook information see www.bom.gov.au

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Water

Storage levels (2017/18 as at 4 April)

	% full Mar -18	Change from Feb-18	% full Mar -17
Dartmouth	89	0%	78
Hume	47	-12%	71
Eildon	64	-6%	69
Waranga Basin	41	-2%	49
Eppalock	66	-5%	92
Glenmaggie*	52	-19%	44
Source: G-MW, *SRW			

Water levels in Dartmouth remain unchanged at 89% despite dry weather. Levels in Dartmouth and Glenmaggie are above last year, up 11% and 8% respectively. In the other storages water levels track below last year, down 5% in Eildon, 26% in Eppalock and 24% in the Hume dam.

Irrigation Allocations (2017/18 as at 4 April)

Victoria	HRWS	Change (HRWS)	LRWS
Murray	100%	0%	0%
Broken	100%	0%	100%
Goulburn	100%	0%	0%
Campaspe	100%	0%	59%
Loddon	100%	0%	0%
Bullarook Creek	100%	0%	100%
MID	100%	0%	0%
Full details at www.g-mwater.com.au or www.srw.com.au			

On the third of April 2018 the NVRM announced the final seasonal determinations for the 2017/18 season. Heavy rain in the end of March did not increase water accessibility however high-reliability water shares will remain unchanged at 100% in all systems for the rest of the season. Lower than expected evaporation rates during the month increased low-reliability water shares in the Campaspe system. Water reserves are good in the Murray, Goulburn and Loddon systems and the NVRM predicts these systems, along with Campaspe, will receive a high opening determination in July.

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	51%	2%
For further details see www.murrayirrigation.com.au		

The NSW Murray General Security allocation increased 2%, up to 51% in March 2018. *http://www.murrayirrigation.com.au*

Temporary water trades

	Mar-18	Mar-17	Change
Northern Victoria			
Volume traded (ML)	187,441	265,562	-29%
Average price ($/ML)	106	45	+135%
Murray Irrigation System*			
Volume traded (ML)	27,222	29,609	-8%
Average price ($/ML)	128	40	+216%
Source: Victorian Water Register, *Murray Irrigation Ltd			

Unusually dry weather in southern regions resulted in water prices increasing, up 11% on a monthly basis. Compared to the record breaking low prices of last year the price has increased 135%, however prices are still 7% below the five year average. The average water price for the past 12 month is $86/ML, 25% below last year and 24% below the long run average. Water trading also increased, up 27% on a monthly basis.

Water prices in the Murray Irrigation system increased for the first time in three month, up 14% to $128/ML. Compared to last year's record low price, prices increased 216% and the price is 25% above the five year average. Water trading increased on a monthly basis, up 57%, however compared to last year trading is subdued, down 8%.

Cull Cows

	Mar-18	Mar-17	Change
Sales volume (head)	7,470	6,749	+11%
Average price (c/kg)	383	436	-12%
	YTD 2017/18	**YTD 2016/17**	**Change**
Sales volume (head)	48,061	66,461	-28%
Average price (c/kg)	419	476	-12%
Source: NLRS, from sale-yards within Vic			

In March cull cow prices rose for the first time since November, up to $383c/kg, a 2% increase since February. Despite this increase prices still remain low compared to previous months, and 12% below last year. Slaughter numbers also increased, up to 7,470 head, a 62% increase compared to last month and 11% above last year, which could be a result of the dry weather. Compared to the five year average culling rates remain elevated, up 17%. During this season 48,061 cows have been sold to slaughter, a 28% drop from previous year.

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