

Production Inputs Monitor



Issue 151 – 11 May 2018

Hot and dry conditions prevailed across most of Australia, with records broken across southern Australia. Rainfall deficits and soil moisture worsened across many areas, with the NSW government announcing grants to drought affected farmers. With many farmers now engaging in heavy supplementary feeding, demand for feed grain and fodder has picked up. Combined with global market drivers, this has seen prices across Australia start to move upwards. Despite some rainfall across southern Australia in early May, the BOM's outlook suggests below average rainfall across much of Australia for the next few months.

Feed and fertiliser prices

	Apr - 2018	Change (from Mar-18)	Change (from Apr-17)
Spot prices			
Feed wheat (av. \$/t del Melbourne)	284	+\$8	+\$86
Barley (av. \$/t del Melbourne)	287	+\$11	+\$100
Canola meal (av. \$/t del Melbourne)	413	\$0	+\$43
Lucerne hay (av. \$/t del Central Vic)	370	\$0	+\$5
Pasture hay (av. \$/t del Central Vic)	150	+\$9	\$0
Source: Rural press			
Urea (US\$/t, spot, fob, Black Sea)	224	-\$12	+\$18
DAP (US\$/t, spot, fob, US Gulf)	411	-\$2	+\$43
MOP (US\$/t, spot, fob Vancouver)	216	\$0	+\$7
Source: World Bank			
Futures prices (ASX)			
Wheat (av. \$/t Jan-19 east coast)	317	+\$27	+\$69*
Barley (av. \$/t Jan-19 east coast)	280	+\$23	+\$87*
*Compared to Jan-18 east coast contract		Source: ASX	

Demand for hay across eastern Australia has picked up, with persistent hot and dry conditions driving demand for hay. New season hay is selling quickly as producers move to cover their immediate needs and secure some supply with further dry

conditions expected. Whilst large carry-over from previous bumper seasons in Victoria and South Australia have reduced many buyers' sense of urgency, many regions are beginning to draw down their large stocks. Demand from further north has seen hay moving large distances, with New South Wales government announcing transport grants to cover higher freight costs, as drought affected farmers buy in from further afield. In Western Australia demand from northern beef and sheep industries is strong, and export demand for quality fodder from Asian markets such as China, Japan and Korea remain robust.

Global grain markets seem to be driven by supply concerns at the moment. Reports regarding winter wheat plantings in the United States confirm that the Kansas crop is drought affected, with significantly lower yields expected. Reports from the International Grains Council also show a slight fall in expected global grain stocks for the first time in years. Ongoing market concerns around the crop in Argentina and reports of dry conditions in southern Russia and Ukraine are also sources of speculation and possibility for price rallies. In Australia, the effect of prolonged hot and dry conditions has many tipping a smaller crop this unless significant rainfall is received before mid-year. The Australian barley market continues to be well supported by ongoing Chinese demand. With concerns at home and abroad concerning major crops, prices are seen to be firming, with the possibility of major global price rallies should some of these fears around major crops eventuate.

Fertiliser prices eased slightly or were flat, with continued over-supply and over capacity restraining any sustained price growth as new capacity from investment made earlier in the commodity price cycle continues to come online. Compared to the five year average prices are still subdued. Nonetheless, on a year-on-year basis prices are stronger, as higher energy prices and some supply outages push prices up. Continued decline in Chinese production due to higher energy costs and environmental regulation is also curtailing supply growth. A rallying of global grain prices will also increase demand and prices for fertiliser.

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:

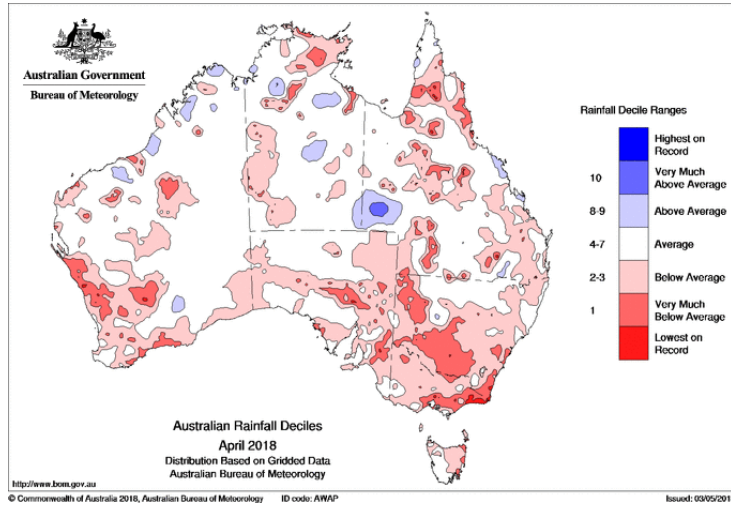
<https://dairyaustralia.com.au/industry/farm-input-and-costs/hay-and-grain-report-overview>

Contact: **Laurie Walker** Phone: (03) 9694 3751 Email: laurie.walker@dairyaustralia.com.au

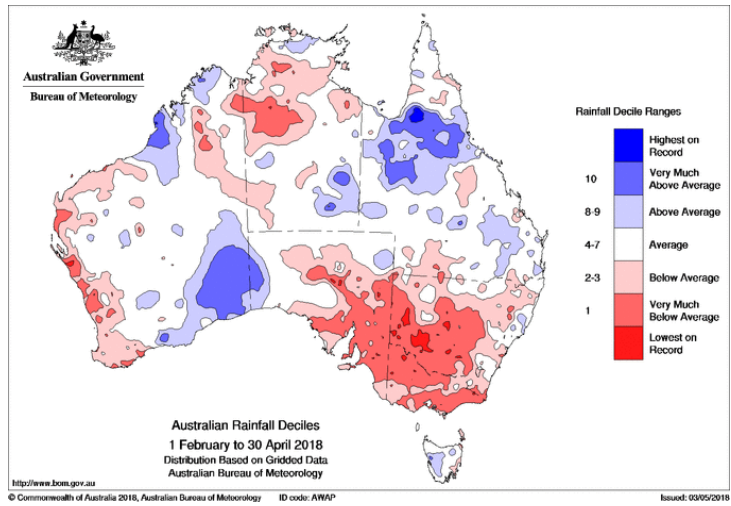
Whilst all reasonable efforts have been taken to ensure the accuracy of the Production Inputs Monitor, use is at one's own risk and Dairy Australia disclaims all liability for any loss or damage stemming from reliance upon it. © Dairy Australia Limited 2018. All rights reserved.

Rainfall

Australia experienced its second warmest April on record, with exceptionally warm dry weather associated with significant bushfire activity in South Australia and New South Wales. The persistence, geographic extent and intensity of this heat, especially in the first 10 days of April, was unprecedented. New records were set for average April temperature in New South Wales and South Australia, beating the previous record set in 2005. It was the second warmest April on record for Victoria.



National rainfall was well below average with southern and particularly southeastern mainland Australia suffering severe dryness. Rainfall in parts of East Gippsland were the lowest on record, while South Australia and New South Wales experienced rainfall more than 70% below average.



Drought Statement

April rainfall was well below average for most of southern Australia, increasing the geographic extent and severity of rainfall deficiencies in these areas. Compared to last month deficiencies have decreased in inland Queensland, eastern inland and central New South Wales, Gippsland and eastern Tasmania:

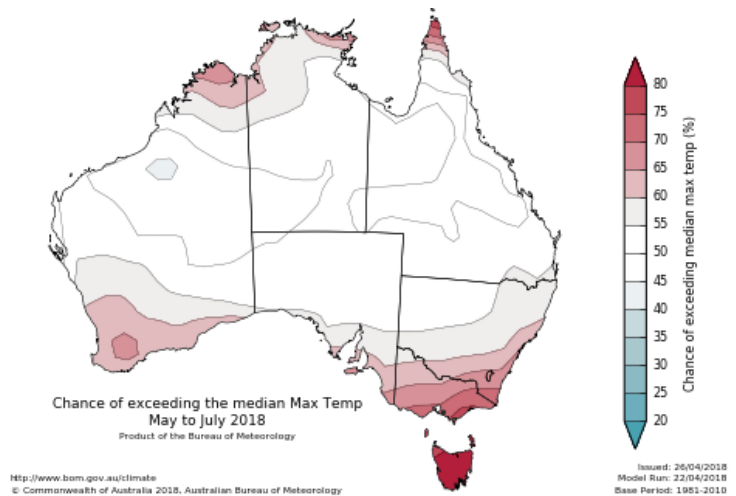
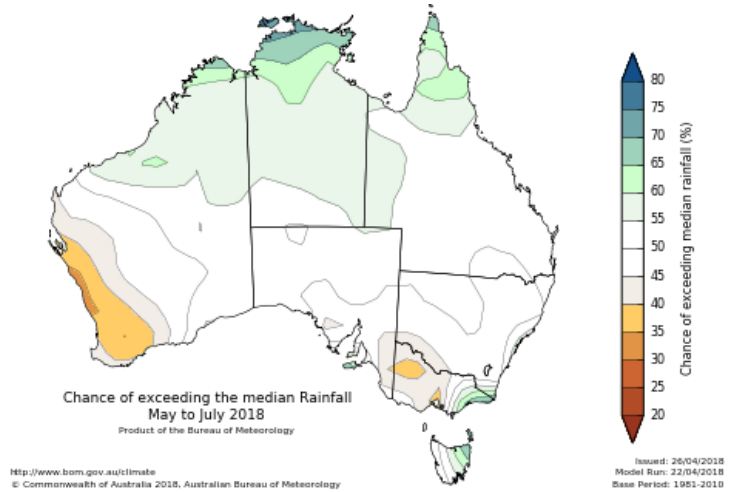
<http://www.bom.gov.au/climate/drought>

Contact: **Laurie Walker** Phone: (03) 9694 3751 Email: laurie.walker@dairyaustralia.com.au

Whilst all reasonable efforts have been taken to ensure the accuracy of the Production Inputs Monitor, use is at one's own risk and Dairy Australia disclaims all liability for any loss or damage stemming from reliance upon it. © Dairy Australia Limited 2018. All rights reserved.

Seasonal Outlook

The Bureau of Meteorology's outlook for May – July indicates a high probability of below average rainfall across much of southwest Australia, western Victoria and southeast South Australia. Parts of eastern Victoria and northeast Tasmania are look set to receive more rainfall than usual, with most of this expected to arrive in July. Day time temperatures are forecast to be warmer than average in southern Australia and parts of Western Australia while night time temperatures are expected to be warmer across most of the country except in eastern 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 remain near average levels and the Bureau suggests the ENSO outlook is likely to remain neutral through winter. Neutral ENSO conditions usually decreases the chance of prolonged periods of extreme weather. The Indian Ocean Dipole continues to be inactive and will remain neutral through autumn and early winter, however there are some indications that a negative IOD event may occur during winter, which is typically associated with higher winter-spring rainfall.

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

Water

Storage levels (2017/18 as at 4 May)

	% full Apr -18	Change from Mar-18	% full Apr -17
Dartmouth	89	0%	78
Hume	31	-10%	60
Eildon	55	-5%	66
Waranga Basin	38	-4%	50
Eppalock	63	-3%	91
Glenmaggie*	24	-28%	31

Source: G-MW, *SRW

Water levels in Dartmouth remain unchanged at 89% despite dry weather and are above levels at the same time last year. In other major dams, storage levels have fallen considerably as higher temperatures have led to greater surface evaporation, whilst the lack of rainfall has lifted demand for irrigation water and reduced inflows. Glenmaggie has seen the most drastic change, where storage levels have fallen precipitously from over 60% at the beginning of March to just 24% at the beginning of May.

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%	20%

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

With final seasonal determinations for the 2017/18 season made, eyes are turning towards the 2018/2019 seasonal determinations. The first 2018/2019 seasonal determination announcement will occur on Monday, July 2nd. The Northern Victoria Resource Manager will provide an update on the seasonal determination outlook on Tuesday, May 15th. Opening seasonal determinations may be more conservative, given the delining storage levels and lack of serious rainfall forecast over the next few months across most of Victoria.

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%	0%

For further details see www.murrayirrigation.com.au

Contact: **Laurie Walker** Phone: (03) 9694 3751 Email: laurie.walker@dairyaustralia.com.au

Whilst all reasonable efforts have been taken to ensure the accuracy of the Production Inputs Monitor, use is at one's own risk and Dairy Australia disclaims all liability for any loss or damage stemming from reliance upon it. © Dairy Australia Limited 2018. All rights reserved.

The NSW Murray General Security allocation remained unchanged at 51%, with little expectation of an increase for the remainder of the season. <http://www.murrayirrigation.com.au>

Temporary water trades

	Apr-18	Apr-17	Change
Northern Victoria			
Volume traded (ML)	220,317	267,945	-18%
Average price (\$/ML)	131	42	+210%
Murray Irrigation System*			
Volume traded (ML)	18,521	24,195	-23%
Average price (\$/ML)	148	34	+335%

Source: Victorian Water Register, *Murray Irrigation Ltd

Prolonged dry and hot weather across southeastern Australia has driven increases in the price of temporary irrigation markets weather in southern regions resulted in water prices increasing, with Northern Victorian and Murray Irrigation System prices increasing by 24% and 16% annually, to \$131/ML and \$148/ML respectively. These prices are significantly above record low prices of 12 months ago. Volumes of temporary water traded have eased back in the last month in the Murray Irrigation System in NSW, but are still ahead 40% on a year-to-date basis, whilst traded volumes in Northern Victoria are ahead 27% YTD.

Cull Cows

	Apr-18	Apr-17	Change
Sales volume (head)	6,524	5,173	+26%
Average price (c/kg)	362	460	-21%
	YTD 2017/18	YTD 2016/17	Change
Sales volume (head)	54,585	71,634	-24%
Average price (c/kg)	412	474	-13%

Source: NLRs, from sale-yards within Vic

April cull cow prices have fallen 6% over the last month from \$383c/kg to \$362c/kg, and are down 21% compared to the same period last year. Dry, hot conditions and higher feed costs are leading to increased sales from pastoralists looking to destock. Increased production from the US and South America have also led to weaker beef prices and reduced demand from Australian restockers and feedlots. This has meant that cull cow prices now sit at their lowest in more than two years. Whilst slaughter numbers for April were up 26%, on a YTD basis cull cow numbers have fallen 24% to 54,585. At the same time last year total sales were 71,634 and were 81,455 over the same period in 2015/2016.