



Issue 155 – September 2018

Grain, fodder and water prices remain high in Australia as challenging conditions continue for much of the country. Demand for feed continues to climb and supply is limited. With most of the mainland recording below average rainfalls and an increased presence of frost, crops are stressed and require a decent drink. The Bureau of Metrology's latest outlook indicates little respite. The ENSO outlook remains at El Niño Watch although some models are suggesting this may intensify later in the year. After some rainfall throughout August all major storage levels increased, although this did not affect irrigation allocations. Due to the recent conditions there were more cull cows despite the price dropping.

Feed and fertiliser prices

	Aug-2018	Change (from Jul-18)	Change (from Aug-17)
Spot prices			
Feed wheat (av. \$/t del Melbourne)	397	+\$69	+\$158
Barley (av. \$/t del Melbourne)	397	+\$78	+\$170
Canola meal (av. \$/t del Melbourne)	504	+\$38	+\$121
Lucerne hay (av. \$/t del Central Vic)	494	-\$38	+\$124
Pasture hay (av. \$/t del Central Vic)	267	+\$52	+\$127
Source: Rural press			
Urea (US\$/t, spot, fob, Black Sea)	N/A		
DAP (US\$/t, spot, fob, US Gulf)	N/A		
MOP (US\$/t, spot, fob Vancouver)	N/A		
Source: World Bank			
Futures prices (ASX)			
Wheat (av. \$/t Jan-19 east coast)	421	+\$28	+\$171*
Barley (av. \$/t Jan-19 east coast)	396	+\$38	+\$153*
*Compared to Jan-19 east coast contract		Source: ASX	

As we enter spring on the back of a generally dry August, feed and fodder continues to dominate the industry conversation as prices climb further and break records in some areas. The country hasn't seen domestic demand for feed and fodder like this for over 10 years. There has been little if any softening of fodder prices with

reports that drought affected areas such as north coast NSW and central west NSW paying nearly double the 5 year average. As the supply is so tight transport is a key influence on the price; hay is coming from the south and traveling to all areas of the country. The BOM released their three month outlook which is indicating below average rainfall. If this prevails it will continue to put pressure on the markets. There was some relief in the Western Australian fodder market after changes in the live export industry resulted in additional quantities of straw being released into the market.

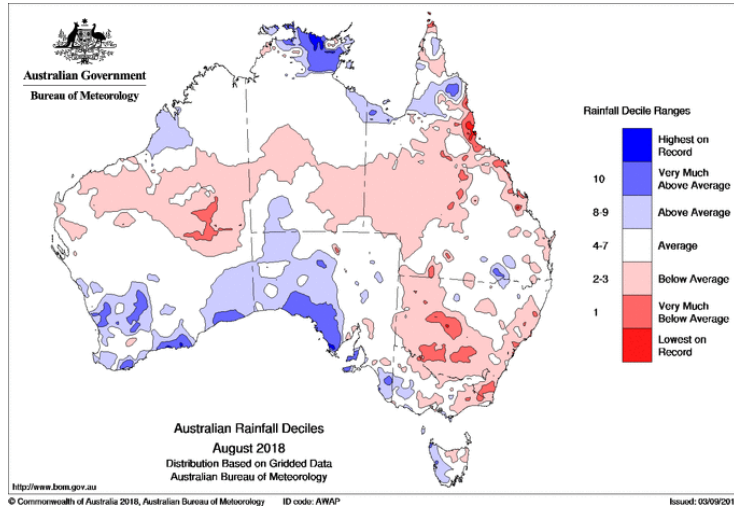
Grain prices continue to climb as supply tightens. Average spot prices in Melbourne were reported at \$397/tonne for both wheat and barley this August. This price increased by around \$75 from last month and is well and truly above the 5 year average. Recent rainfall in Queensland and New South Wales was welcomed however, did little to improve the already stressed crops. Further south, crops in Victoria and South Australia are holding out although need more rain to produce a good yield. Locally, the strong demand and unfavourable weather is keeping domestic grain values to record or near record highs while the international market slightly softened over the past week with the Russian government announcing that it will not take measures to limit wheat exports this year.

After months of trade talk between the US and China, Australia's newly appointed Prime Minister Scott Morrison has travelled to Jakarta to sign a new free trade deal with Indonesia. The agreement signed on the 31st hopes to have a large impact on Australia farmers. Wheat exports are about half of Australia's agricultural trade with Indonesia and the government is confident that this will increase due to less trade barriers. Current climate conditions and crop production forecasts has influenced the Australian wheat and barley futures by increasing them by 7% and 11% respectively.

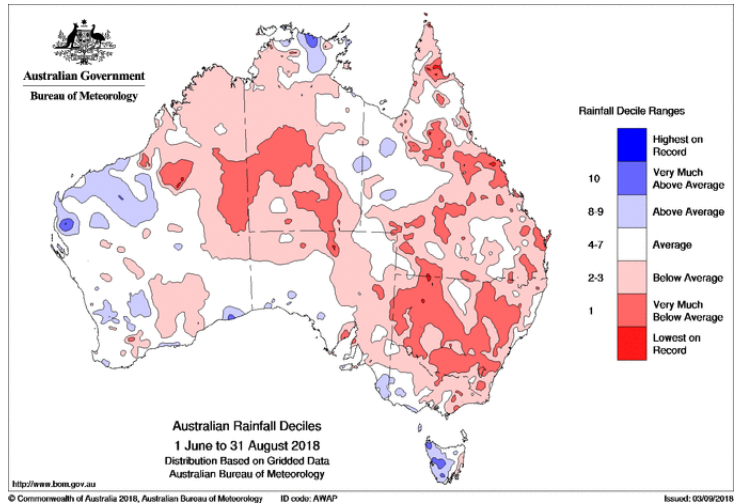
For a comprehensive overview of the market and indicative pricing for hay and feed grains, including canola meal, for key dairy regions across Australia, see Dairy Australia's Grain & Hay Report. Published most weeks: <https://dairyaustralia.com.au/industry/farm-input-and-costs/hay-and-grain-report-overview>

Rainfall

August presented a particularly dry end to winter for much of Australia. Rain deficiencies continued across most of the eastern states and central Western Australia while the majority of Tasmania and areas in northern Australia recorded above average falls. After what has been an exceptionally dry year there looks to be no let-up for farmers impacted by the drought with the BOM predicting below-average rainfall for much of the mainland this September. Across most of northern Australia the wet season onset outlook is predicating a late start this spring.



High day-time temperatures and increased winds has resulted in high evaporation and below average soil moisture. This in turn has dried vegetation and resulted in NSW commencing their fire season 2 months early. With clear skies and low rainfall the occurrence of frost is quite likely as seen in the previous month.



Drought Statement

As winter comes to an end with little respite to drought affected areas the vicinity of these boundaries spread. Rainfall deficiencies have increased for eastern South Australia, north western and north eastern Victoria, New South Wales, and southern areas of Queensland. Conditions in August has intensified the lack of low-level soil moisture for the north and east of the mainland.

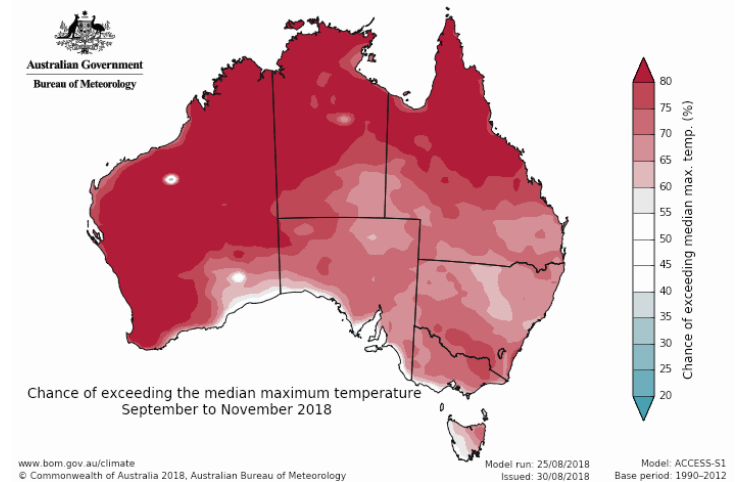
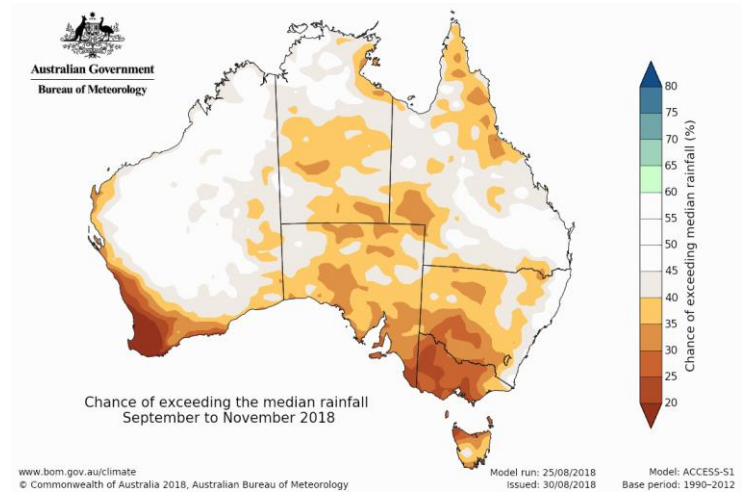
For more information: <http://www.bom.gov.au/climate/drought>

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Seasonal Outlook

As winter comes to an end the Bureau of Meteorology released their three month climate outlook. Unfortunately, after what has been one of the warmest winters on record for maximum temperatures, all forecasts are predicting this spring will be warmer and drier than average for most of the mainland. Models are predicting an 80% chance of a drier than average season for southern NSW, VIC and southwest WA. If this occurs, drought conditions will continue to intensify presenting further challenges to growers. For the rest of the state the BOM's earlier predictions are on target with a 50% chance of being wetter or drier this spring.



The Bureau's ENSO outlook remains steady at El Niño Watch. This has persisted for over three months now and is forecast to remain until at least the end of spring. Reports suggest this is due one of the main climate drivers, the Indian Ocean Dipole briefly forming in spring resulting in reduced rainfall for central and southern Australia. Other influences include the long-term increasing trend in global air and ocean temperatures and the El Niño-Southern Oscillation. Although it must be noted that the strength of the El Niño event isn't always a direct indication of the condition we see.

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

Water

Storage levels (2018/19 as at 6 August)

	% full Aug -18	Change from Jul-18	% full Aug -17
Dartmouth	90	+1%	82
Hume	52	+7%	90
Eildon	64	+9%	69
Waranga Basin	60	+7%	87
Eppalock	62	+2%	92
Glenmaggie*	72	+38%	62

Source: G-MW, *SRW

All water storage levels increased in August. Glenmaggie had the largest increase, up 8% from July which now places it at 72% capacity. Some rainfall in late August aided volume in the Hume, Eildon and Waranga Basin which increased by 7%, 9%, 7% respectively. All three of these locations are down from last year with the Hume significantly less. Eppalock had a minor increase of 2% while Dartmouth is now at 90% capacity after another 1%.

Irrigation Allocations (2018/19 as at 3 September)

Victoria	HRWS	Change (HRWS)	LRWS
Murray	71%	+22%	0%
Broken	4%	+4%	0%
Goulburn	56%	+19%	0%
Campaspe	100%	0%	0%
Loddon	56%	+19%	0%
Bullarook Creek	69%	+69%	0%
MID	100%	+35%	0%

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

August experienced increases in high-reliability water shares for nearly all regions. Rainfall around Bullarook Creek facilitated an increase by 69%. While the Loddon and Goulburn are now both offering 65% high-reliability water shares, 19% more than last month. The MID and Goulburn systems are operating at 100% high-reliability water shares conversely to Broken only offering 4%.

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	0%	0%

For further details see www.murrayirrigation.com.au

The NSW Murray General Security allocation is still at 0%.

<http://www.murrayirrigation.com.au>

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Temporary water trades

	Aug-18	Aug-17	Change
Northern Victoria			
Volume traded (ML)	109,811	123,329	-11%
Average price (\$/ML)	316	126	+150%
Murray Irrigation System*			
Volume traded (ML)	13,504	15,584	-13%
Average price (\$/ML)	360	127	+183%

Source: Victorian Water Register, *Murray Irrigation Ltd

With a dry end to winter for much of the country, trading prices have continued to trend upwards. The year's rainfall is well below average and growers are experiencing the result with prices firming again. The Murray Irrigation system's average trading price reached \$360/ML this month despite the fact that there has been 2,080/ML less traded compared to August 2017. Since last month the price has jumped by 14%, with a high demand and unfavourable weather outlook playing the main influence. Northern Victoria's prices were slightly lower although increased by 33% since last month. The average trading price was set at \$316/ML, which is 150% more than this time last year. With all climate drivers pointing towards a dry spring/ summer there looks to be no respite in the near future.

Cull Cows

	Aug-18	Aug-17	Change
Sales volume (head)	7,360	5,733	28%
Average price (c/kg)	370	426	-13%
	YTD 2018/19	YTD 2017/18	Change
Sales volume (head)	15,684	11,804	33%
Average price (c/kg)	385	440	-12%

Source: NLRs, from sale-yards within Vic

The challenging conditions in the eastern states of the mainland has continued to drive cull cow numbers higher. August saw a 28% increase in sales volume which is now 33% more than this time last year. In the laws of supply and demand this has resulted in a lower return price for stock, on average receiving 370 c/kg this month. This has decreased by 56 cents since last month. With feed and fodder difficult to source and unfavourable weather we may see similar figures for the short-term at least.