

Production Inputs Monitor



Issue 157 – November 2018

October brought some needed rainfall to the eastern states and parts of Western Australia although deficiencies persist for most of the mainland. Victoria and Tasmania had an unusually dry month, with Tasmania recording their third driest on record. Nationally, October was warmer than average, this combined with low soil moisture resulted in decreased water storage levels. Australia's yearlong climate trend is continuing to place upward pressure on water trading prices, reaching the highest price in nearly ten years. Harvest is well underway in the north and this contributed to softening in the market, although feed prices remain high. As we look to the New Year the BOM refreshed the ENSO outlook which remains at El Niño Alert.

Feed and fertiliser prices

	Oct-2018	Change (from Sep-18)	Change (from Oct-17)
Spot prices			
Feed wheat (av. \$/t del Melbourne)	444	+\$30	+\$183
Barley (av. \$/t del Melbourne)	436	+\$17	+\$192
Canola meal (av. \$/t del Melbourne)	527	+\$22	+\$152
Lucerne hay (av. \$/t del Central Vic)	604	+\$72	+\$234
Pasture hay (av. \$/t del Central Vic)	324	-\$41	+\$184
Source: Rural press			
Urea (US\$/t, spot, fob, Black Sea)	270	+\$2	+\$7
DAP (US\$/t, spot, fob, US Gulf)	421	-\$1	+\$77
MOP (US\$/t, spot, fob Vancouver)	216	\$0	-\$6
Source: World Bank			
Futures prices (ASX)			
Wheat (av. \$/t Jan-19 east coast)	422	-\$22	+\$159*
Barley (av. \$/t Jan-19 east coast)	386	-\$34	+\$156*
*Compared to Jan-19 east coast contract		Source: ASX	

Hay prices around the country remain high as demand for fodder persists. New season supply did ease the market slightly during October, however, prices remain at near record levels. Farmers spent October baling and processing new season supply as they cut hay and many failed crops. Harvest is continuing in New South Wales, Victoria, South Australia and Western Australia. Tasmania has begun cutting and baling while the welcome rain on the east coast delayed the process slightly. There is a variety of hay currently on the market that has been baled at different moisture levels, feed tests are recommended to ensure quality feed.

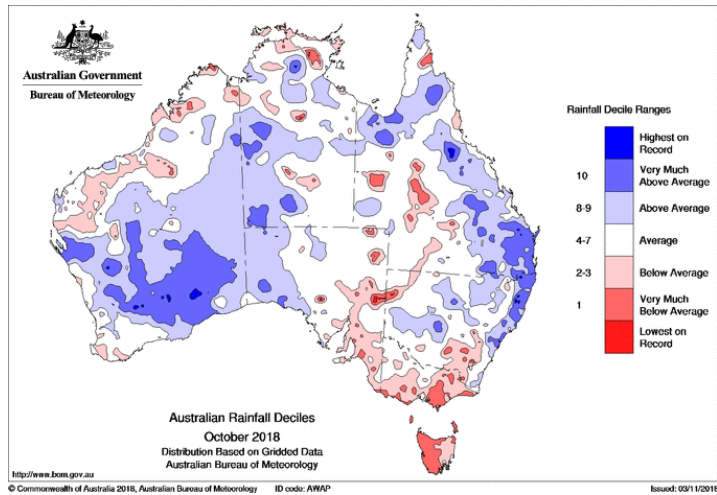
Grain harvest is well underway in the north and beginning the move down the coast. The national yield is expected to be one of the worst in a decade which continues to place some upward price pressure on the market. There has been a slight ease as demand softens and punters wait to see what the harvest bring. Historically you could expect further downward pressure as the harvest moves south. October rain delayed harvest in New South Wales and Queensland although provided a boost for summer crops. Market liquidity is expected to continue to improve as harvest ramps up. Internationally, Russia won business in Egypt at the end of October securing the latest Egyptian tender. Knocking out the US due to freight costs, Russian wheat values improved by around 3% month on month and 9% year on year.

Locally, recent rain and harvest progress weighed on ASX wheat and barley futures, down 4% and 8% respectively. Despite this improvement, prices remain well above the same time last year. Domestic fertiliser prices remained relatively steady this month, although DAP is currently trading at approximately \$77 /tonne above than the same time last year. Both urea and MOP and trading at similar prices compared to last year.

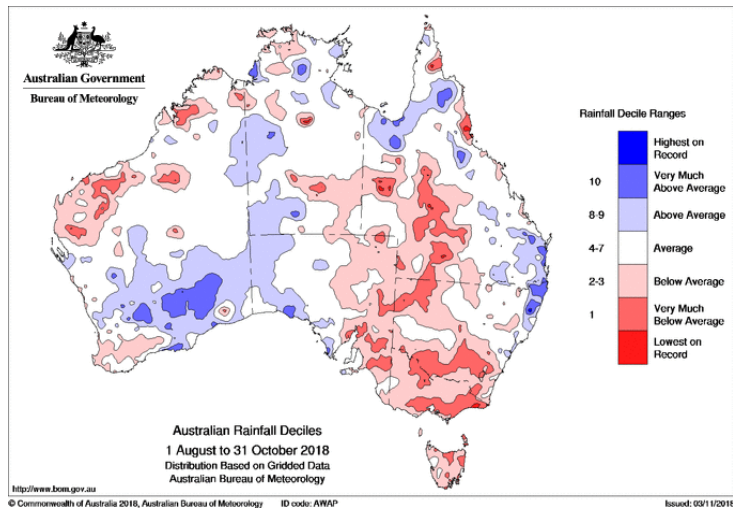
For a comprehensive overview of the market and indicative pricing for hay and feed grains, including canola meal, for key dairy regions across Australia, see Dairy Australia's Grain & Hay Report. Published most weeks: <https://dairyaustralia.com.au/industry/farm-input-and-costs/hay-and-grain-report-overview>

Rainfall

After the driest September on record the national rainfall in October was somewhat higher than average. Substantial falls were recorded along the east coast extending from Illawarra in New South Wales, through eastern Queensland, up to Townsville and areas of the Cape York Peninsula. This brought strong winds and thunderstorms. Rainfall deficiencies persist across parts of Australia and the recent rainfall has had little impact on the extent of these areas. Below average rain was recorded for southeast South Australia, most of Victoria and Tasmania. Overall Tasmania experienced the third driest October on record.



October was an abnormally warm month for the country. Temperatures followed the year's trend with high maxima and minima averages. Overall October's mean minima was the second-highest on record. Despite some rain throughout the month the, persistent elevated temperatures have resulted in low streamflows across most of the mainland. According to the BOM low flows were recorded at 75% of locations in October.



Drought Statement

Rainfall in October somewhat helped reduce deficiencies across the eastern states, although drought conditions continue to persist across parts of Australia. The year to date has been exceptionally dry over the southeast of the mainland, with rain deficiencies on a timescale of around two years.

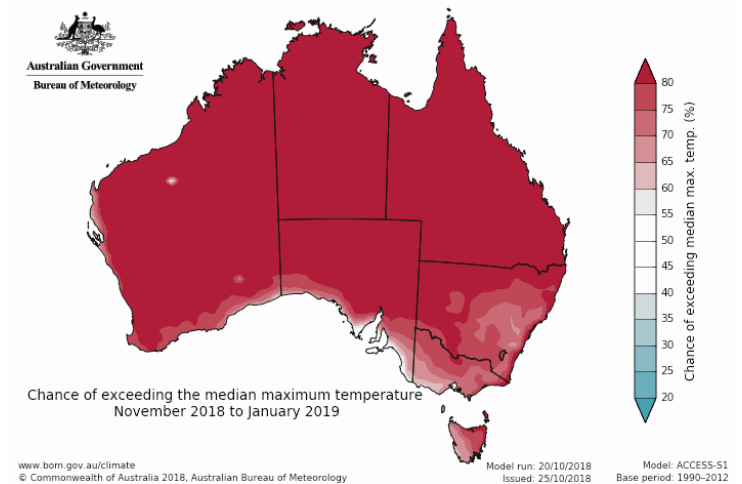
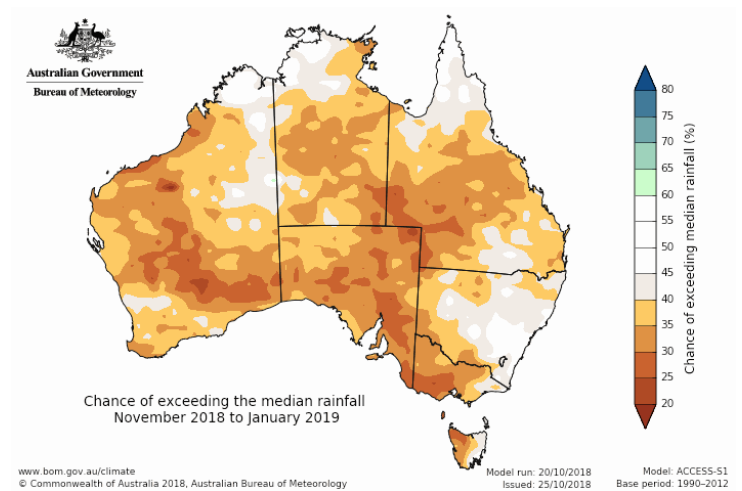
To find more: <http://www.bom.gov.au/climate/drought>

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Seasonal Outlook

The Bureau has released their climate outlook for November – January indicating drier and warmer conditions are likely to continue for Australia. Specifically, Western Australia, South Australia, central Queensland and most of Victoria are expected to be considerably dry. Temperatures for these months are very likely to be above average for most of the mainland. Warmer than average days is likely to contribute to record levels of evaporation and below average soil moisture for most of the country. The BOM has upgraded their stream flow outlook, forecasting that nearly 90% of locations will experience low flows.



The ENSO outlook remains at El Niño Alert as Australia's climate drivers show this will likely persist throughout 2018. Trade winds in the tropical Pacific Ocean have weakened thus warming the water temperature. This combined with the positive IOD generally brings drier and warmer than average conditions for the country. The Indian Ocean Dipole has now been positive for two months and therefore will be considered a positive IOD year.

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

Water

Storage levels (2018/19 as at 7 November)

	% full Oct -18	Change from Sep -18	% full Oct-17
Dartmouth	79	-6%	87
Hume	47	-8%	83
Eildon	60	-5%	73
Waranga Basin	50	-4%	67
Eppalock	53	-4%	91
Glenmaggie*	82	-7%	95

Source: G-MW, *SRW

Overall rainfall was average to below average resulting in all storage levels declining. Low soil moisture combined with above average temperatures ensued well below average flows into storage sites. The largest declines occurred at the Hume followed by Dartmouth although all remained under 10%. All monitored sites are below the levels recorded at the same time last year, deficiencies range from -8% at Dartmouth to -41% at Lake Eildon.

Irrigation Allocations (2018/19 as at 7 November)

Victoria	HRWS	Change (HRWS)	LRWS
Murray	89%	+9%	0%
Broken	17%	+7%	0%
Goulburn	82%	+11%	0%
Campaspe	100%	0%	0%
Loddon	82%	+11%	0%
Bullarook Creek	100%	0%	100%
MID	100%	0%	0%

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

Recent rain in October assisted in water availability, overall the rain fell on relatively dry catchments although did help maintain some inflow. There were small increases in the Murray, Broken, Goulburn and Loddon all increasing HRWS's by under 12%. While Campaspe, Bullarook Creek and Macalister remain on 100% HRWS. Currently Bullarook Creek is the only system that offers allocations against LRWS, at 100%. It is expected that small improvements in seasonal determinations will continue if river losses remain below the Resource Manager's expectation, as did this month. In terms of large increases, there will need to be significant rain in the near future.

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 continue to be 0%

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

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Temporary water trades

	Oct - 18	Oct - 17	Change
Northern Victoria			
Volume traded (ML)	175,013	117,867	+48%
Average price (\$/ML)	357	136	+162%
Murray Irrigation System*			
Volume traded (ML)	12,217	21,666	-44%
Average price (\$/ML)	383	142	+169%

Source: Victorian Water Register, *Murray Irrigation Ltd

As we continue through a dry year the October rainfall did little to soften water trading prices, although it did reduce trading. The Northern Irrigation system hasn't had prices this high since September 2009, averaging \$357/ML. The rain facilitated a drop in trading by 8% on a month-to-month basis, down to 175,013 mega litres. Despite the cost, trading in October was 48% more than last year and 9% above the five year average.

Murray irrigation trading dropped on a monthly basis, down 33%. The trade volume, 12,217 megalitres, is 44% below last year and 16% less than the long run average. Prices increased since September, up 9% to \$383/ML. Compared to this time last year prices have surged 169% and 209% higher than the five year average. The lack of rain and reduced inflows in these regions are the main driving factors to current prices, if all weather forecasts prevail there may not be no respite any time soon.

Cull Cows

	Oct-18	Oct-17	Change
Sales volume (head)	5,423	5,646	-4%
Average price (c/kg)	334	420	-20%
	YTD 2018/19	YTD 2017/18	Change
Sales volume (head)	28,739	25,047	15%
Average price (c/kg)	366	430	-15%

Source: NLRS, from sale-yards within Vic

Cull cow numbers decreased significantly compared to last month, declining by 26%. At the end of October 5,423 cows were sent for slaughter, this is 4% less than October 2017. As feed prices eased slightly throughout the month the pressure to reduce herd sizes shadowed. After what has been a challenging year for farmers the year-to-date sale volume have increased 15%. Under the supply and demand laws, this has in turn reduced the price. On average farmers received 334 c/kg for their cattle, 6% less than September and 46 c/kg less than the five year average.