

PRODUCTION INPUTS MONITOR

Issue 162 – April 2019

Rainfall this month was mixed, as much of SA, Victoria and eastern NSW received below average rain while parts of central NSW, QLD and WA received above average. This eased grain prices in on the eastern states while the export market played the biggest influence on the market in WA. Demand for hay remains strong and there is little carryover stock to supply this. With planting of new season crop underway many are looking to forecasts hoping for more rain. The BoM has retained their ENSO outlook at Alert, although suggests that it will be short-lived if an event fully occurs. The recent rain did little to soften water prices as both irrigation systems firmed nearing the peak in February.

	April-2019	Change (from Mar-19)	Change (from April-18)
Spot prices			
Feed wheat (av. \$/t del Melbourne)	379	-\$1	+\$95
Barley (av. \$/t del Melbourne)	369	\$11	+\$83
Canola meal (av. \$/t del Melbourne)	465	-\$1	+\$52
Lucerne hay (av. \$/t del Central Vic)	610	+\$4	+\$370
Pasture hay (av. \$/t del Central Vic)	276	+\$39	+126
Source: Rural press			
Urea (US\$/t, spot, fob, Black Sea)	248	\$0	+\$17
DAP (US\$/t, spot, fob, US Gulf)	324	-\$11	-\$61
MOP (US\$/t, spot, fob Vancouver)	266	+\$20	+\$50
Source: World Bank			
Futures prices (ASX)			
Wheat (av. \$/t Jan-20 east coast)	307	-\$19	-\$17
Barley (av. \$/t Jan-20 east coast)	270	-\$3	-\$10
*Compared to Jan-20 east coast contract		Source: ASX	

Feed and fertiliser

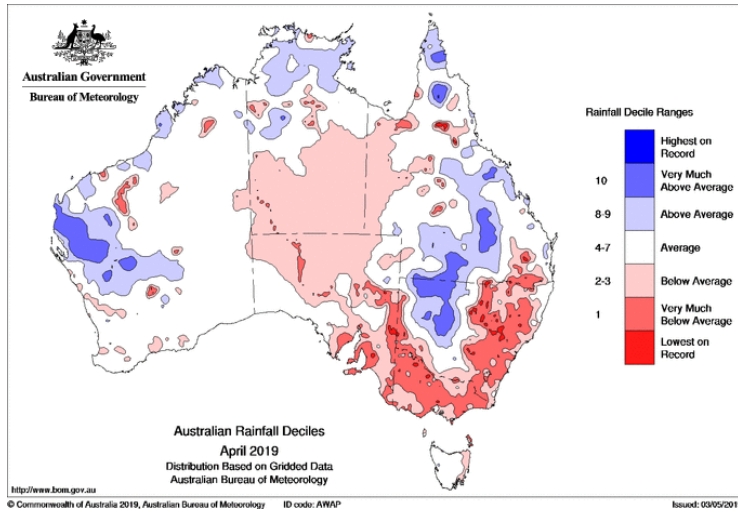
Demand for fodder has begun to pick up in the last month although prices haven't necessarily reflected this. Prices have remained relatively steady in most dairy regions throughout April despite supply beginning to tighten. With little to no carryover stock from 2018 the national supply remains low and this may be an issue in the coming months. Reports suggest many farmers are only supplying long term customers as their stockpiles are limited. Recent rain has moistened soils and promoted some pasture growth but follow up rain is required. In the west, many growers are hand feeding as conditions have dried in the region. All areas will be watching the radar closely this month as timely rain will play a major factor in production. Domestic wheat values have eased in most regions throughout the last month, significant decreases were experienced in Western Australia and South Australia. Global grain prices weighed down the local market, especially in WA as they remain competitive on the international market. Total world grain production is still the main influence as the most recent International Grain Council estimates show a 2% increase in 2019/20. This combined with recent rain in NSW have continued to bring local prices down on the east coast. Looking ahead, follow up rain will be a key driver of prices and production in the near future. The BoM's forecast suggests that rain on the east coast may be scarce although WA has no real indication of wetter or drier conditions. These recent price drops have been illustrated in the ASX futures as eastern Australian wheat is \$19/tonne below last month and \$17/tonne less than the same time last year. Similarly for eastern feed barley, prices per a tonne are down \$10 from April 2018 and \$3 compared to last month.

Fertiliser prices have had mixed price movements in the last month. After remain subdued for well over a year the last two months has seen an increase in MOP prices, increasing by \$20/tonne this month. Conversely DAP prices have continued to depreciate, dropping \$11/tonne this month resulting in \$61/tonne less than the same time last year.

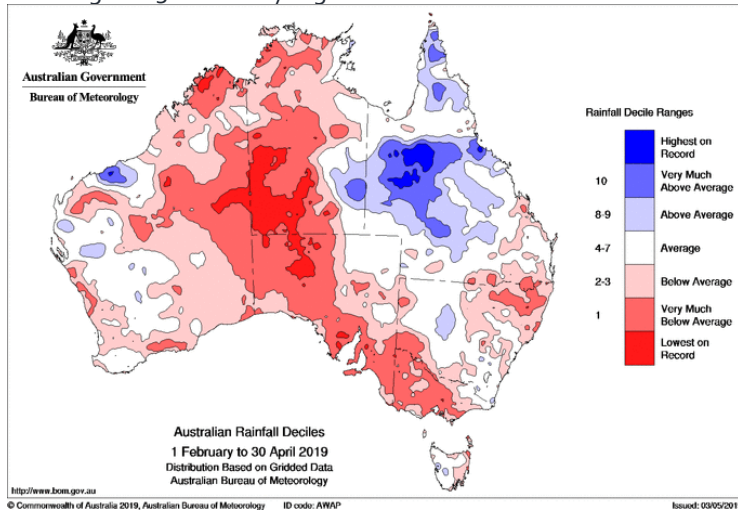
For a comprehensive overview of the market and indicative pricing for hay and feed grains, including canola meal, for key dairy regions across Australia, see Dairy Australia's Grain & Hay Report. Published most weeks: <https://dairyaustralia.com.au/industry/farm-input-and-costs/hay-and-grain-report-overview>

Rainfall

This month rainfall was recorded in central Queensland stretching into a small part of New South Wales, where some areas received above average to very much above average falls. Eastern NSW, Victoria and parts of South Australia missed this rain, recording below average to very much below average. Victoria had the largest deficiencies receiving an overall average of 10.8mm, 79% below the mean. Tasmania had average rainfall across most of the state apart from the east coast. Strong high pressure systems over the Tasman Sea has been the dominant factor resulting in these deficiencies. At the time of writing there has been some rain received across southern NSW, Victoria and parts of Australia to kick start the new month.



Monthly temperatures have continued to remain above average after the warmest start to the year (January to April temperatures) on record. April was much warmer than average for Australia as a whole, especially in New South Wales and Victoria which both noted top ten average temperatures. The Easter break was unseasonably warm and dry for much of southeast Australia reaching mid 30s in many regions.



Drought Statement

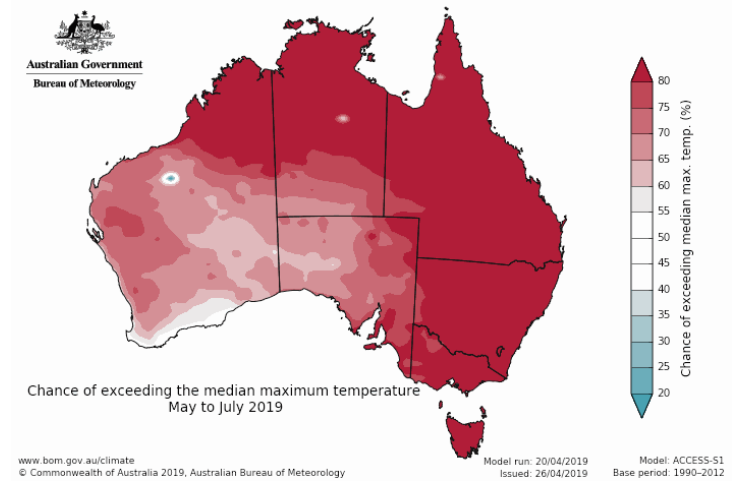
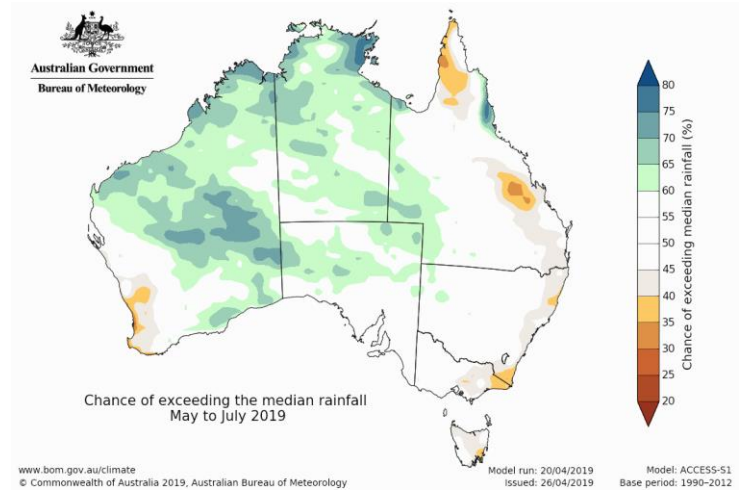
Rainfall deficiencies have increased across Victoria and southern South Australia, widespread falls are required throughout in the near future to help break drought conditions. To find out more: <http://www.bom.gov.au/climate/drought>

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Seasonal Outlook

The Bureau of Meteorology has released their climate outlook for May to June. This indicates warmer than average conditions will persist. Overall a drier than average end to autumn is likely in the east. There has been some patchy rain in the south of the country although many areas still remain very dry and waiting for the autumn break. May's rainfall outlook shows the east of Australia is likely to receive below average falls, particularly in southeastern QLD, north eastern Victoria and south eastern NSW. Other prominent agriculture areas are showing no real indication to wetter or drier conditions. The May to July outlook suggests no real indication to wetter or drier conditions on the eastern states.



The BoM's ENSO outlook remains at El Niño Alert as the Tropical Pacific Ocean temperatures remain near El Niño threshold. The atmosphere has yet to respond hence the outlook is indicating a 70% chances of El Niño forming. Even if the El Niño doesn't form it is still likely that there will be an increase in high pressure systems resulting in less cold fronts in coming months.

Water

Storage levels (2018/19 as at 9 May)

	% full Apr -19	Change from Mar -19	% full Apr-18
Dartmouth	64	1%	89
Hume	13	-5%	31
Eildon	36	-3%	55
Waranga Basin	37	1%	38
Eppalock	37	-2%	63
Glenmaggie*	9	-11%	28

Source: G-MW, *SRW

Patchy rain did little to improve storage levels this month. Out of the six monitored sites only the Dartmouth Dam and Waranga Basin improved storage levels. Although this was by the smallest of margins (1% at each site). The largest decline was experienced in Lake Glenmaggie which dropped 11% from last month. Smaller drops were seen in Lake Hume (5%), Lake Eildon (3%) and Lake Eppalock (2%). Following ongoing challenging conditions all sites are well down from the same time last year. Recent rain in the first week of May will help these deficiencies but much more is needed.

Irrigation Allocations (2018/19 as at 1 May)

Victoria	HRWS	Change (HRWS)	LRWS
Murray	100%	0%	0%
Broken	37%	0%	0%
Goulburn	100%	0%	0%
Campaspe	100%	0%	0%
Loddon	100%	0%	0%
Bullarook Creek	100%	0%	100%
MID	100%	0%	35%

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

There was no improvements to HRWS this month, the Broken Irrigation System is the only system that remains under 100% HRWS. Conversely, Bullarook Creek and Macalister are the only two irrigation systems that offer LRWS. At the time of writing Bullarook Creek offers 100% and Macalister 35%. The BoM is forecasting a drier than average finish to autumn which will do little to improve allocations.

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

NSW Murray General Security allocations remain at 0%

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

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Temporary water trades

	Apr - 19	Apr - 18	Change
Northern Victoria			
Volume traded (ML)	150,080	220,317	-32%
Average price (\$/ML)	492	131	+275%
Murray Irrigation System*			
Volume traded (ML)	8,521	18,521	-54%
Average price (\$/ML)	543	148	+267%

Source: Victorian Water Register, *Murray Irrigation Ltd

Following a drop in the price for water in northern Victoria last month, prices have once again increased. Prices in April increased \$22/ML to near the peak of \$499/ML in February. Trading at 275% more than the same time last year the volume of trade is down 32%. 150,080 ML was traded throughout April, significantly less as the ongoing premiums take a toll on those wanting to irrigate.

It was a similar situation in the southern New South Wales where the price for water in the Murray Irrigation System reached an average of \$543/ML. Up \$34/ML, water is now trading at 267% more than April last year. This premium has constrained more and more farmers from irrigating which resulted in over 50% less water traded for the month. Some early rain will help start to fill catchments although much more is needed to start to see a significant drop in price.

Cull Cows

	Apr-19	Apr-18	Change
Sales volume (head)	7,774	6,524	19%
Average price (c/kg)	334	362	-8%
	YTD 2018/19	YTD 2017/18	Change
Sales volume (head)	63,164	54,585	16%
Average price (c/kg)	350	412	-15%

Source: NLRS, from sale-yards within Vic

The average price for cull cows this month was 334c/kg, this was slightly less than April last year, down 8%. Despite this there was an increase in sales volume which increased by 19%. This has been an annual trend as the year to date sale figures are up 16% due to the ongoing challenging conditions. The high destocking rates have been a direct result of the unmanageable production costs especially when water is a factor. The price received this month is slightly below the year-to-date average suggesting we are not through the worst of it.