

# PRODUCTION INPUTS MONITOR

## Issue 164 – June 2019

Overall June was drier than average for much of the country, areas in WA and Victoria received rain which promoted optimism in the new season crop. With a low national stockpile of both hay and grain, many are hoping for a successful harvest this season. The BoM downgraded their ENSO outlook, although below average rain is still forecast. The lack of rain did little to refill depleted water storage sites. In the irrigation regions the absence of inflow to catchments reflects the current prices. As we continue through winter many farmers reduced culling, prices in turn have firmed.

	Jun-2019	Change (from May-19)	Change (from Jun-18)
<b>Spot prices</b>			
Feed wheat (av. \$/t del Melbourne)	379	+\$20	+\$50
Barley (av. \$/t del Melbourne)	374	+\$9	+\$47
Canola meal (av. \$/t del Melbourne)	478	+\$16	+\$38
Lucerne hay (av. \$/t del Central Vic)	683	+\$67	+\$480
Pasture hay (av. \$/t del Central Vic)	385	+\$32	+189
Source: Rural press			
Urea (US\$/t, spot, fob, Black Sea)	256	+\$9	+\$32
DAP (US\$/t, spot, fob, US Gulf)	354	+\$41	-\$38
MOP (US\$/t, spot, fob Vancouver)	272	+\$7	+\$57
Source: World Bank			
<b>Futures prices (ASX)</b>			
Wheat (av. \$/t Jan-20 east coast)	330	\$0	+\$8
Barley (av. \$/t Jan-20 east coast)	291	+\$9	+\$9
*Compared to Jan-20 east coast contract	Source: ASX		

## Feed and fertiliser

Despite a break in weather in many regions the hay market remains in a precarious position. The onset of cold weather sustained demand across the country, although with little in the supply chain it continued to be difficult to source. This is the second winter in a row Australia has had a lack of supply and prices continue to reflect this. Overall, prices this month either increased or remained steady. New South Wales and South Australia experienced the largest price increase, while Tasmania had a small increase. Recent rain has provided some positive sentiment as new season crop prospects improve in Victoria.

The Australian climate combined with feed demand continued to drive prices in the local grain market. ASX barley futures increased \$9 month on month, while wheat futures remained steady. Some rainfall across WA, and Victoria provided optimism on new season crop prospects. All eyes are on the new crops as domestic grain stocks remain depleted from the poor harvest last season. An example of how low stocks are has been the recent shipment of Canadian wheat into Australian ports. This was the first time in twelve years the Department of Agriculture approved permits, an indication of what Australia's previous season was. The new season crop is expected to increase 20 per cent year-on-year, according to ABARES. If rains continue in cropping regions, fertiliser demand can expect to follow. Internationally, prices have firmed this month. DAP experienced the largest price increase, up \$41 month-on-month. Urea and MOP both increased, although at a slighter margin of \$9 and \$7 respectively. The current DAP price is significantly higher than last year, however remains less than the five-year average.

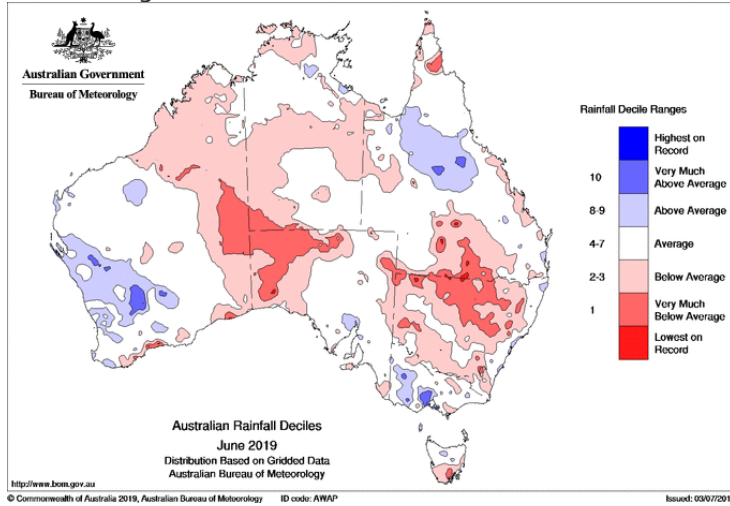
*For a comprehensive overview of the market and indicative pricing for hay and feed grains, including canola meal, for key dairy regions across Australia, see Dairy Australia's Grain & Hay Report. Published most weeks: <https://dairyaustralia.com.au/industry/farm-input-and-costs/hay-and-grain-report-overview>*

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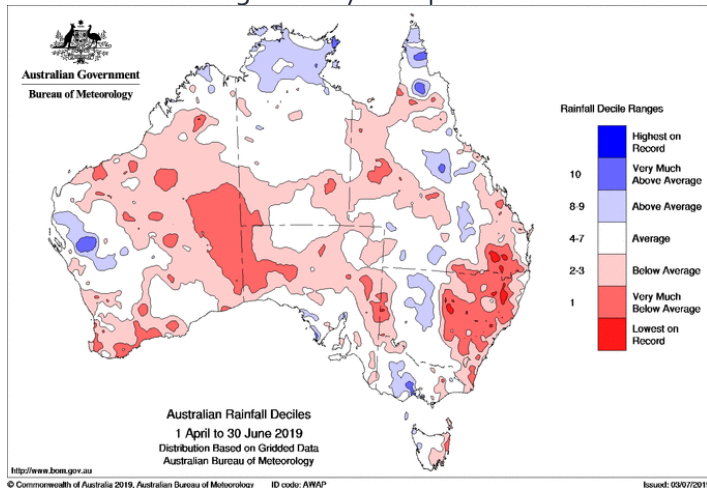
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## Rainfall

June rainfall was below average for the country as a whole. Southern QLD, NSW and parts of SA were particularly dry recording below to very much below average in large areas. Southwestern WA and Victoria received some rain as timely cold fronts brought substantial falls. These areas which received rain recorded average to above average falls for the month. Year-to-date rainfall continues to track below to very much below average for much of Australia. The recent falls in Western Australia helped soil moisture along the wheat belt although more is needed.



Australia experienced a warmer than average month in June. Although this month was close to the long-term average, for the year so far, Australia has been much warmer than average. Currently the average temperature (January – June period) has been the second warmest on record. Looking ahead, southern Australia is likely to track closer to the mean temperature, with an exception of Tasmania and east coast NSW. The northern half of the country is expected to be warmer than average for July to September.



## Drought Statement

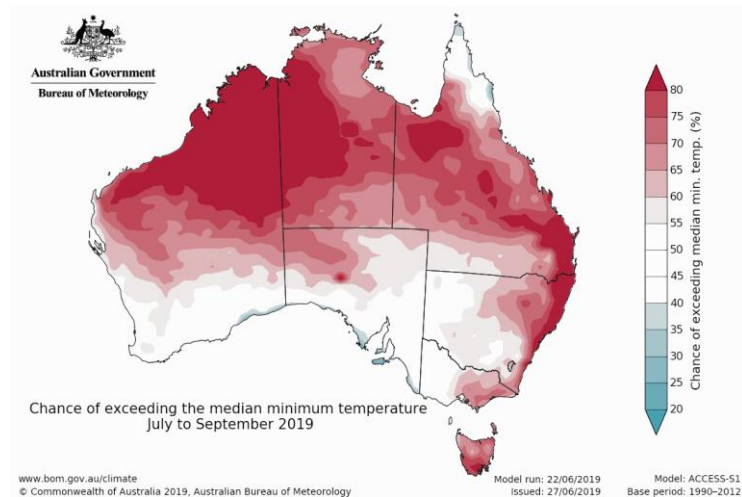
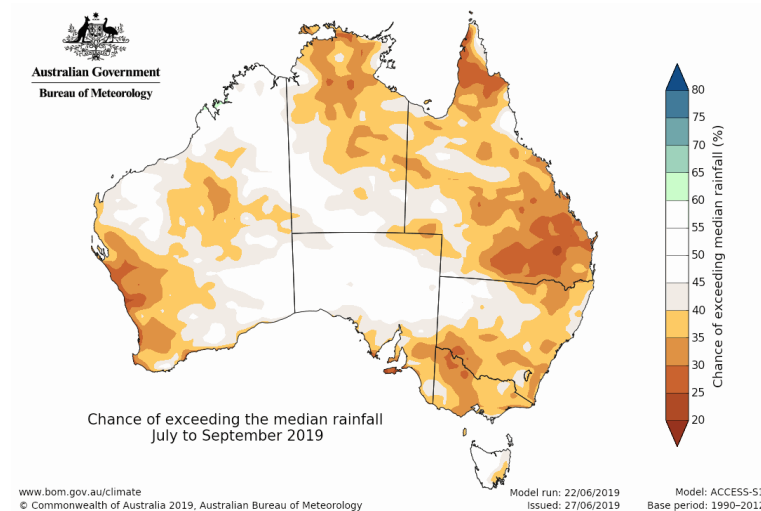
With below average rain in June, deficiencies increased southern QLD and parts of NSW. More rain is needed in these regions to break the drought. To find out more: <http://www.bom.gov.au/climate/drought>

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## Seasonal Outlook

The Bureau of Meteorology released their latest climate outlook (July – September) which indicates average to drier than average conditions in most agriculture regions around the country. A lack of rain is likely in Southwestern WA, Victoria, most of NSW and QLD. South Australia on the other hand is expected to receive closer to average rainfall. This will likely impact the northern Murray Darling Basin, which continues to be impacted by prolonged drought. Low rainfall is likely to be accompanied by warmer than average conditions. Clear skies and low soil moisture will increase the chance of frost, particularly in the southern inland regions.



The risk of El Niño has eased this month and the BoM downgraded their ENSO outlook to Inactive. Waters in the Tropical Pacific Ocean have cooled, this has resulted in a neutral outlook. Downgraded from El Niño Watch, this is the first time the outlook has been neutral since June 2018. This means the immediate likelihood of an El Niño has passed.

## Water

### Storage levels (2018/19 as at 3 July)

	% full Jun -19	Change from May -19	% full Jun-18
Dartmouth	64	0%	89
Hume	25	+10%	44
Eildon	38	+2%	54
Waranga Basin	43	+5%	46
Eppalock	37	0%	61
Glenmaggie*	22	+16%	18

Source: G-MW, \*SRW

The Murray Darlin Basin had average to below average rain this month. However, the winter rain that did fall has provided some runoff to water storages. Despite this, many remain below the level of the same time last year. Lake Glenmaggie received the largest increase this month, improving 16%. This lake is at 22% capacity, 4% more than June 2018. Other improvements were recorded at the Hume Dam (10%), Waranga Basin (5%) and Lake Eildon (2%). Compared to June last year, the Hume Dam is down 19%, a result of the prolonged dry weather. Looking at the latest weather forecast; these sites can expect to continue to fill, although at a slower than average pace.

### Irrigation Allocations (2018/19 as at 1 July)

Victoria	HRWS	Change (HRWS)	LRWS
Murray	2%	-98%	0%
Broken	0%	-35%	0%
Goulburn	2%	-98%	0%
Campaspe	26%	-74%	0%
Loddon	2%	-98%	0%
Bullarook Creek	19%	-81%	0%
MID	45%	-55%	0%

Full details at [www.g-mwater.com.au](http://www.g-mwater.com.au) or [www.srw.com.au](http://www.srw.com.au)

The new season irrigation allocations have opened lower as limited availability places pressure on resources. Catchments are very dry for this time of the year and this is restricting the volume accessible. The Murray, Goulburn and Loddon systems all have commenced the season on 2% HRWS while Bullarook Creek and Campaspe are 19% and 26% respectively. Significant rain in the near future is required to generate large improvements.

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](http://www.murrayirrigation.com.au)

NSW Murray General Security allocations remain at 0%

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

### Temporary water trades

	Jun - 19	Jun - 18	Change
<b>Northern Victoria</b>			
Volume traded (ML)	227,990	326,347	-30%
Average price (\$/ML)	526	168	+212%
<b>Murray Irrigation System*</b>			
Volume traded (ML)	2,603	5,906	-56%
Average price (\$/ML)	512	187	+174%

Source: Victorian Water Register, \*Murray Irrigation Ltd

Water prices eased month-on-month although remain near the year-to-date record. In northern Victoria, prices reached an average of \$526/ML; this is \$22/ML less than last month but significantly higher than the long-term trend. Compared to last year (June 2018 to June 2019), water in northern Victoria is trading at a 212% higher premium. Notwithstanding the high cost, there was 143% more water traded in June compared to May.

Similarly, southern NSW is trading at an average of \$512/ML, 174% more than June 2018. Compared to the long-term trend, the price for water in this region is 247% higher than the five-year average. Current prices reflect the lack of water in catchments as a result of the prolonged drought conditions. With the current forecast indicating drier than average conditions for this area, it can be expected prices may remain at similar levels.

### Cull Cows

	Jun-19	Jun-18	Change
Sales volume (head)	7,478	7,254	3%
Average price (c/kg)	382	359	7%
	<b>YTD 2018/19</b>	<b>YTD 2017/18</b>	<b>Change</b>
Sales volume (head)	82,798	69,318	19%
Average price (c/kg)	360	404	-11%

Source: NLRS, from sale-yards within Vic

Following a large cull last month as farmers offloaded cattle, the number of head culled decreased in June. Culling rates in this month were 4,697 less than the previous May, it was still slightly higher than last year, up 3%. Prices firmed by 26c/kg, trading at 382c/kg on average. This is the highest average price farmers have received since July 2018, although still below the historical average. With the fodder market in a precarious position, upcoming rain and new season harvest may influence culling rates.

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